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San Diego Housing Commission (SDHC)  
Preliminary Bond Authorization, Tax Equity and Fiscal  
Responsibility Act (TEFRA) Hearing, Demolition and Loan  
Modification for Mercado Apartments  
Presentation to the SDHC Board of Commissioners  
July 18, 2025

Jennifer Kreutter  
Vice President, Multifamily Housing Finance  
Real Estate Division

Michelle Muniz  
Director, Multifamily Loan Underwriting and Special Assets  
Real Estate Division



# SDHC – Mercado Apartments Development Summary

- Current property
  - 2001 Newton Ave. in the Barrio Logan neighborhood
  - 144 existing units in 23 two-story, garden-style buildings
  - Affordable for households with income from 30 percent to 60 percent of San Diego’s Area Median Income (AMI)
  - Originally constructed in 1994
- Proposed rehabilitation, demolition and new construction
  - Proposed demolition of 12 existing units (including one unrestricted manager’s unit), new construction of 92 units (including one unrestricted manager’s unit) and rehabilitation of 132 existing units (including one unrestricted manager’s unit)
    - Relocation benefits will be provided for displaced tenants.
  - Net increase of 80 new housing units
- With the proposed bonds resyndication, the project will have a new 55-year affordability term that will start when construction completes.
- The site also contains a community building with a kitchen, a computer room, a leasing office, services coordination space, a laundry building, a playground, on-site daycare space, and perimeter fencing.



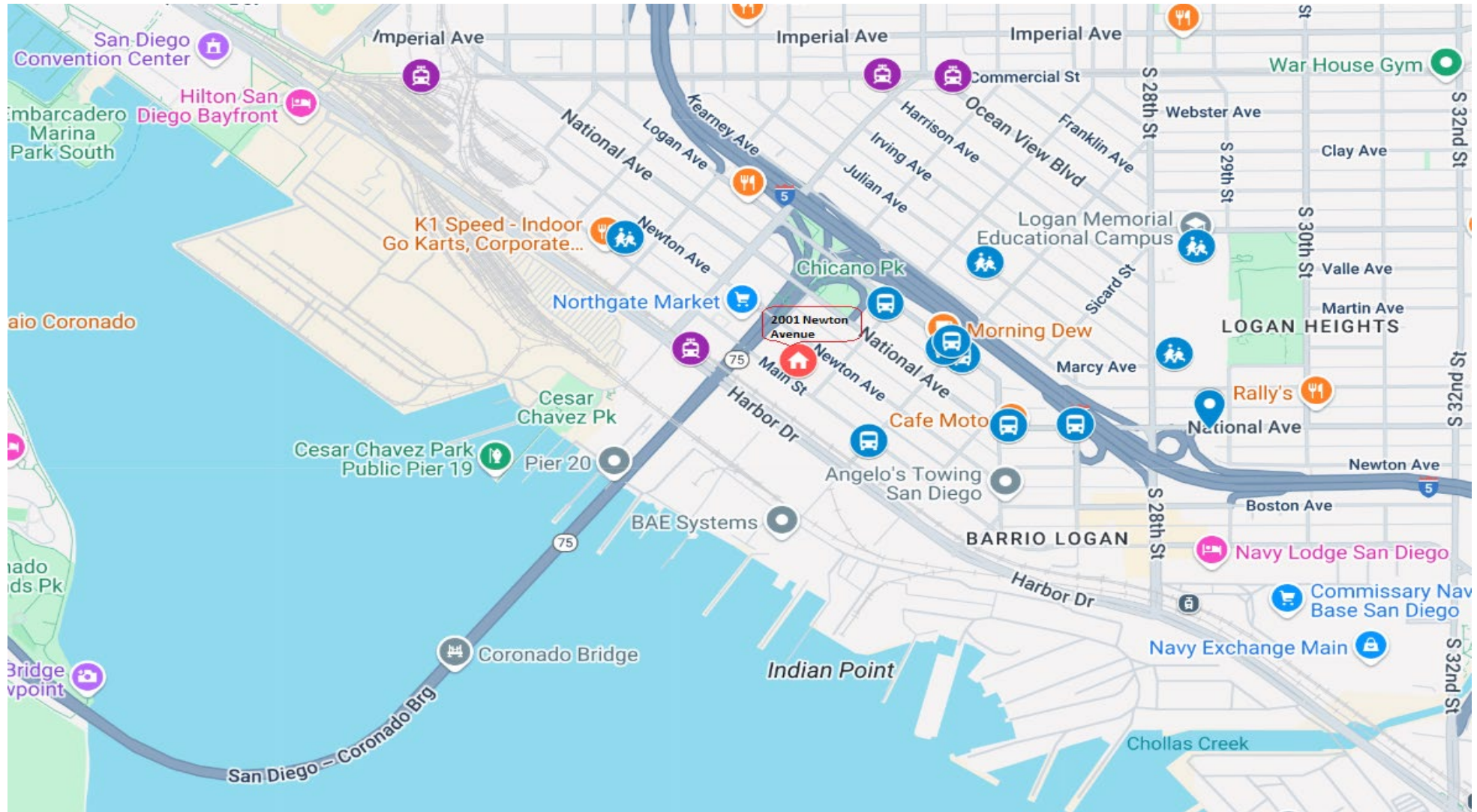
# SDHC – Mercado Apartments Developer Summary

- Metropolitan Area Advisory Committee on Anti-poverty of San Diego County Inc. (MAAC) is a nonprofit affordable housing developer
  - Founded in 1965
  - Headquartered in San Diego
  - Has developed 941 units of affordable housing
  - Is in full compliance with prior SDHC loans
- MAAC is, and will continue to be, the Tenant Services Provider for the property:
  - Provides life-enhancing resident services, activities, and programs to all low-income households at no charge to the residents
  - Services will include:
    - Case management
    - Health/wellness and skill-building classes
    - Information on food distribution programs
    - Referrals to available community services





# SDHC – Mercado Apartments Site Map



# SDHC – Mercado Apartments

## Estimated Permanent Financing Sources and Uses

Permanent Financing Sources	Amount	Permanent Uses	Amount
Permanent Loan	\$14,947,000	Acquisition Cost	\$21,010,000
City of San Diego Community Development Block Grant Loan	\$15,275,000	Rehabilitation Portion Costs: \$29,079,167	
Accrued Deferred Interest City Loan	\$2,179,502	Contingency: <u>+ 1,453,958</u>	
Sponsor/seller Note 1	\$4,618,000	Total Rehab Construction \$30,533,125	\$30,533,125
Accrued Deferred Interest Sponsor Note 1	\$658,916	New Construction Portion Costs: \$13,187,559	
Sponsor/seller Note 2	\$7,533,740	Contingency: <u>+ 1,318,756</u>	
City of San Diego Recast Redevelopment Agency (RDA) Loan	\$5,850,191	Total New Construction Costs: \$ 14,506,315	\$14,506,315
Accrued Deferred Interest Recast RDA Loan	\$834,730	Financing Costs	\$10,678,350
Deferred Developer Fee	\$4,013,462	Other Soft Costs	\$2,980,462
SDHC Recast RDA Loan	\$2,998,069	Reserves	\$882,041
Accrued Deferred Interest SDHC Recast RDA Loan	\$427,777	Architecture and Engineering Costs	\$1,668,300
GP Loan Existing Reserves	\$718,146	Development Impact Fees	\$1,500,000
Capital Contributions Limited Partners	\$35,903,602	Local Permits and Fees	\$142,000
		Legal Costs	\$250,000
		Relocation Costs	\$2,300,000
		Insurance	\$1,056,668
		Developer's Fee	\$8,450,874
<b>Total Development Sources</b>	<b>\$95,958,135</b>	<b>Total Development Cost (TDC)</b>	<b>\$95,958,135</b>

- Estimated Total Development Cost Per Unit (224 units) = \$428,385



# SDHC – Mercado Apartments

## Affordability and Estimated Rents

	AMI	Units	CTCAC Gross Rent
One-Bedroom (550 sq. ft.)	30% (Currently \$39,700 /year for a two-person household)	10	\$930
One-Bedroom (550 sq. ft.)	40% (Currently \$52,950 /year for a two-person household)	7	\$1,240
One-bedroom (550 sq. ft.)	50% (Currently \$66,150 /year for a two-person household)	15	\$1,550
One-bedroom (550 sq. ft.)	60% (Currently \$79,380 /year for a two-person household)	18	\$1,860
<b>Subtotal One-bedroom Units</b>		<b>50</b>	
Two-bedroom (750 sq. ft.)	30% (Currently \$44,650 /year for a three-person household)	29	\$1,116
Two-bedroom (750 sq. ft.)	50% (Currently \$74,450 /year for a three-person household)	15	\$1,861
Two-bedroom (750 sq. ft.)	60% (Currently \$89,340 /year for a three-person household)	43	\$2,233
<b>Subtotal Two-bedroom Units</b>		<b>87</b>	
Three-bedroom (930 sq. ft.)	30% (Currently \$49,600 /year for a four-person household)	34	\$1,290
Three-bedroom (930 sq. ft.)	50% (Currently \$82,700 /year for a four-person household)	15	\$2,150
Three-bedroom (930 sq. ft.)	60% (Currently \$99,240 /year for a four-person household)	36	\$2,580
<b>Subtotal Three-bedroom Units</b>		<b>85</b>	
<b>Subtotal Affordable Units</b>		<b>222</b>	
Three-Bedroom Manager (Unrestricted)	--	2	
<b>Total Units</b>		<b>224</b>	



# SDHC – Mercado Apartments Development Timeline

Milestone	Estimated Date
<ul style="list-style-type: none"> <li>California Debt Limit Allocation Committee (CDLAC) bond allocation application.....</li> </ul>	September 9, 2025
<ul style="list-style-type: none"> <li>CDLAC allocation meeting.....</li> </ul>	November 19, 2025
<ul style="list-style-type: none"> <li>SDHC Board final bond authorization.....</li> </ul>	January 2026
<ul style="list-style-type: none"> <li>Housing Authority final bond authorization.....</li> </ul>	February 2026
<ul style="list-style-type: none"> <li>Estimated bond issuance and escrow closing.....</li> </ul>	March 2026
<ul style="list-style-type: none"> <li>Estimated start of construction work.....</li> </ul>	March 2026
<ul style="list-style-type: none"> <li>Estimated completion of construction work.....</li> </ul>	December 2027



# SDHC – Mercado Apartments Current Aerial Street View







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# SDHC – Mercado Apartments Architect's Rendering



## SDHC – Mercado Apartments Bond Issuance Summary

- Proposed bond issuance of up to \$75,000,000 in tax-exempt bonds and up to \$5,000,000 in taxable bonds.
- Developer is responsible for paying all costs of issuing bonds.
- Issuance pursuant to SDHC's bond policy.
- Bond issuance will not create financial liability to SDHC, Housing Authority, nor City.
- Neither the full faith and credit nor taxing power of the City nor full faith and credit of the Housing Authority will be pledged to payment of the bonds.



# SDHC – Mercado Apartments

## Staff Recommendations

**That the SDHC Board of Commissioners take the following actions as described in this report:**

- 1) Approve the owner's request to perform the following at Mercado Apartments, an affordable housing development at 2001 Newton Ave. in the Barrio Logan neighborhood:
  - a. Demolish 12 of the 144 existing housing units (11 deed-restricted affordable housing units and one unrestricted manager's unit).
  - b. Build 91 new deed-restricted affordable housing units and one unrestricted manager's unit, for a net increase of 80 housing units at the property.
  - c. Rehabilitate 131 existing deed-restricted affordable units and one unrestricted manager's unit.
  
- 2) Recast certain existing SDHC loan terms as described in this report.



## SDHC – Mercado Apartments Staff Recommendations (Continued)

- 3) Approve the following steps to issue \$75,000,000 in Housing Authority of the City of San Diego tax-exempt Multifamily Housing Revenue Bonds and \$5,000,000 in taxable bonds to facilitate the acquisition and new construction of 92 housing units and rehabilitation of 132 existing housing units at Mercado Apartments, an affordable housing development at 2001 Newton Ave. in the Barrio Logan Neighborhood, which, upon completion, will consist of 224 housing units, of which 222 will remain affordable for 55 years for households earning 30 percent to 60 percent of San Diego’s Area Median Income (AMI) and two will be unrestricted manager units:
  - a. Issue a bond inducement resolution (Declaration of Official Intent) for up to \$75,000,000 in Multifamily Housing Revenue Bonds for the development of Mercado Apartments by MAAC Mercado L.P., a California limited partnership formed by Metropolitan Area Advisory Committee on Anti-poverty of San Diego County Inc. (MAAC).
  - b. Authorize an application (and subsequent applications, if necessary) to the California Debt Limit Allocation Committee (CDLAC) for an allocation of authority to issue tax-exempt private activity bonds in an amount up to \$75,000,000 for Mercado Apartments.
  - c. Approve the bond financing team of Anzel Galvan LLP as the Bond Counsel and Ross Financial as the Financial Advisor.



# SDHC – Mercado Apartments Staff Recommendations (Continued)

- 4) Authorize SDHC's President and Chief Executive Officer (President and CEO), or designee, to execute any and all documents that are necessary to effectuate the transaction and implement these approvals in a form approved by General Counsel and Bond Counsel, and to take such actions as are necessary, convenient, and/or appropriate to implement these approvals upon advice of General Counsel and/or the Bond Counsel.
  
- 5) Hold a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing regarding the Housing Authority's issuance of Multifamily Housing Revenue Bonds in an amount up to \$75,000,000 to facilitate the acquisition, new construction, and rehabilitation of Mercado Apartments.



## Questions & Comments





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# SDHC – Mercado Apartments

