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# San Diego Housing Commission (SDHC) Preliminary Bond Authorization and Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing for Fourth & Penn Presentation to the SDHC Board of Commissioners July 18, 2025

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## SDHC – Fourth & Penn Development Summary

- Proposed new construction of 53 affordable rental housing units and one unrestricted manager's unit at 3703 Fourth Ave. and 412-414 Pennsylvania Ave. in the Hillcrest neighborhood of Council District 3:
  - 53 affordable housing units for households with income from 30 percent to 50 percent of San Diego's Area Median Income (AMI)
    - \$34,750/year - \$82,700/year for one- to four-person households
- Housing units will remain affordable for 55 years.
- Property site is currently improved with one commercial structure and one residential building consisting of two one-bedroom housing units.
- Site Amenities will include: on-site manager, community room, laundry room, outdoor courtyard area and bike storage
- All residents will have access to a range of general community services and organized activities.
  - Examples include social events and celebrations, health and wellness classes, skill-building and financial education



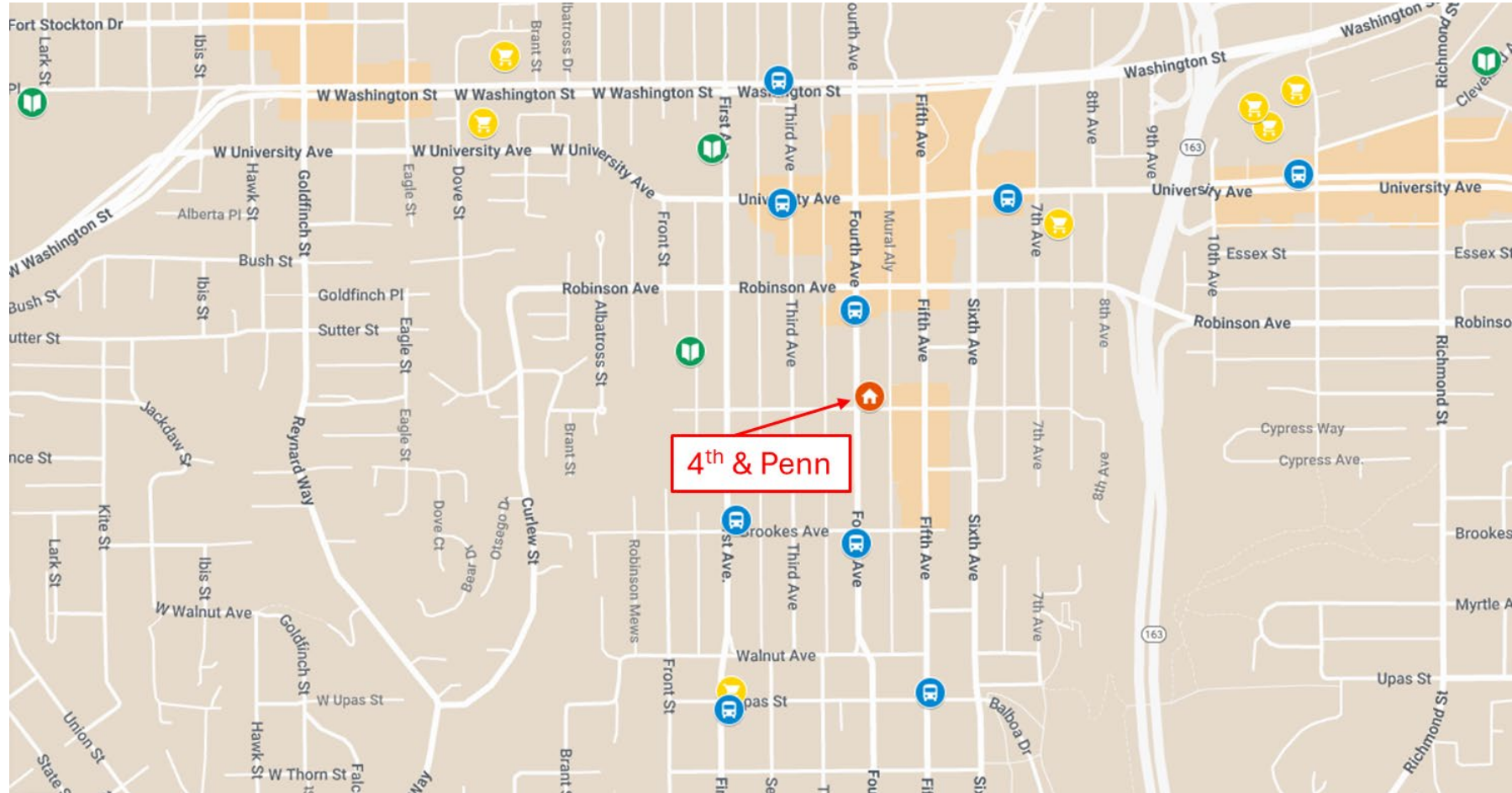
## SDHC – Fourth & Penn Developer Summary

- The developer is Rise Urban Partners LLC:
  - A joint venture between Trestle Development LLC and Colossians 3 Heart, LLC
  - Rise Urban Partners LLC has successfully worked on previous developments with SDHC's Multifamily Housing Revenue Bond Program.
  - The developer's principals have developed over 550 units of multifamily affordable housing in the past 10 years.





# SDHC – Fourth & Penn Local Amenities Map



# SDHC – Fourth & Penn

## Estimated Permanent Financing Sources and Uses

Permanent Financing Sources	Amount	Permanent Uses	Amount
4 Percent Federal Tax Credit Equity	\$15,345,220	Land Acquisition & Closing Costs	\$3,672,000
Bond-Financed Permanent Loan	7,326,254	Construction Cost	22,630,388
MGP Off-site Loan	12,650,000	Financing costs	2,023,094
Subordinate Accrued Interest	510,000	Soft Costs	4,469,777
Deferred Developer's Fee	2,810,142	Permits & Fees	1,283,336
		Reserves	237,717
		Developer's Fee	4,325,304
<b>Total Development Sources</b>	<b>\$38,641,616</b>	<b>Total Development Uses</b>	<b>\$38,641,616</b>

- Estimated Total Development Cost per unit (54 units) = \$715,585



## SDHC – Fourth & Penn Cost Drivers

The Fourth and Penn development's \$715,585 cost per unit is primarily due to the following factors:

### Small corner lot

- Relatively small lot on a corner that requires additional engineering for electrical, water and sewer infrastructure. This has resulted in higher-than-anticipated bids for subcontractors on most trades.

### Construction, Interest Rates, and Insurance Increases

- Rising construction costs, labor costs, interest rates, and volatility in the insurance market contribute significantly to the total development costs.

### Fees

- Fees have increased for both processing permits, as well as for water, sewer and school.

### Financing Fees

- Similar to permit fees and interest rates, there has been an increase in financing fees and subordinate loan interest.



# SDHC – Fourth & Penn

## Affordability and Estimated Rents

Unit Type	AMI	Units	CTCAC Gross Rent
Studio	30% (currently \$34,750 for a one-person household)	1	\$868
Studio	50% (currently \$57,900 for a one-person household)	<u>6</u>	\$1,447
<b>Subtotal Studio Units</b>		<b>7</b>	
One-bedroom	30% (currently \$39,700 for a two-person household)	1	\$930
One-bedroom	50% (currently \$66,150 for a two-person household)	<u>12</u>	\$1,550
<b>Subtotal One-bedroom Units</b>		<b>13</b>	
Two-bedroom	30% (currently \$44,650 for a three-person household)	2	\$1,116
Two-bedroom	50% (currently \$74,450 for a three-person household)	<u>17</u>	\$1,861
<b>Subtotal Two-bedroom Units</b>		<b>19</b>	
Three-bedroom	30% (currently \$49,600 for a four-person household)	2	\$1,240
Three-bedroom	50% (currently \$82,700 for a four-person household)	<u>12</u>	\$2,068
<b>Subtotal Three-bedroom Units</b>		<b>14</b>	
<b>Subtotal Affordable Units</b>		<b>53</b>	
Manager's unrestricted two-bedroom unit	--	<u>1</u>	--
<b>Total</b>	--	<b>54</b>	--



# SDHC – Fourth & Penn Development Timeline

Milestone	Estimated Date
• California Debt Limit Allocation Committee (CDLAC) bond application & California Tax Credit Allocation Committee (CTCAC) tax credit application.....	September 9, 2025
• CDLAC bond & CTCAC tax credit allocation meetings.....	November 19, 2025
• SDHC Board estimated final bond authorization.....	March 2026
• Housing Authority estimated final bond authorization.....	April 2026
• Estimated bond issuance and escrow/loan closing.....	May 2026
• Estimated start of construction work.....	May 2026
• Estimated completion of construction work.....	March 2028





## SDHC – Fourth & Penn Architect's Rendering



## SDHC – Fourth & Penn Bond Issuance Summary

- Proposed bond issuance of up to \$30,000,000 in tax-exempt 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 – Fourth & Penn

### Staff Recommendations

#### **That the SDHC Board of Commissioners take the following actions:**

- 1) Approve the following steps to issue up to \$30,000,000 in Housing Authority of the City of San Diego (Housing Authority) tax-exempt Multifamily Housing Revenue Bonds to facilitate the construction of a new affordable housing development at 3703 Fourth Ave. and 412-414 Pennsylvania Ave. (Fourth & Penn) in the Uptown Community area, which will consist of 53 units affordable for 55 years for individuals and families earning 30 percent to 50 percent of San Diego's Area Median Income (AMI), and one unrestricted manager's unit:
  - a. Issue a bond inducement resolution (Declaration of Official Intent) for up to \$30,000,000 in tax-exempt Multifamily Housing Revenue Bonds supporting the development of Fourth & Penn by a to-be-formed California limited partnership.
  - 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 \$30,000,000 for Fourth & Penn.
  - c. Approve the financing team of Orrick, Herrington & Sutcliffe LLP as the Bond Counsel and Public Financial Management, Inc as the Financial Advisor.



## SDHC – Fourth & Penn Staff Recommendations (continued)

- 2) 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.
- 3) Hold a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing regarding the Housing Authority's issuance of tax-exempt Multifamily Housing Revenue Bonds in an amount up to \$30,000,000 to facilitate the development of Fourth & Penn.



# Questions & Comments



## SDHC – Fourth & Penn

