

# Review of Development Documents for 101 Ash St.

City Council

July 29, 2025

Item 332



**Office of the Independent Budget Analyst**



# Review of 101 Ash St. Development Proposal

## IBA Analysis

- January 27 – Exclusive negotiations with selected developer
- June 24 – Preliminary review of draft term sheet & proforma
- July 11 – Full review of all development documents
- July 24 – Released IBA Report 25-25 on proposed project
  - [sandiego.gov/iba/reports](https://sandiego.gov/iba/reports)
- Our analysis is a point-in-time review of the project as of July 11
  - Capital projects make reasonable changes to stay feasible
  - Worked with our real estate consultant, Kosmont Companies

# Review of 101 Ash St. Development Proposal

## Project Financials – Costs

- Total Development Costs of \$267.6 million (\$1.1 million/unit)
  - Direct Costs – \$157.4 million
    - \$67.0 million for rehab
    - \$40.7 million for abatement/demo
    - \$20.5 million for contingency
  - Indirect Costs – \$42.3 million
    - \$32.7 million for developer fee (\$3.8 million up-front)
  - Financing Costs – \$22.3 million
    - \$16.3 million for interest during construction
  - Acquisition Costs – \$45.6 million

# Review of 101 Ash St. Development Proposal

## Project Financials – Funding

- Total Sources of Funding of \$267.6 million
  - Federal Low Income Housing Tax Credits – \$87.8 million
  - Supportable Permanent Loan – \$63.4 million
  - Federal Historic Tax Credits – \$36.1 million
  - Deferred Developer Fee – \$28.9 million
  - City Promissory Note – \$45.6 million
  - Bonds & Income During Lease-Up – \$5.7 million

# Review of 101 Ash St. Development Proposal

## Financial Impact on the City

- Strict regulations under Surplus Land Act (SLA) on how City can develop land in a public–private partnership
- Developer would be responsible for security, maintenance, and operation at the close of escrow
- Financial Impact on the City
  - Annual Base Rent – \$15,000
  - Capital Event Fee – 2% of net proceeds
  - City Note Residual Receipts – 50% of remaining cash flow
  - Improved Building & Cash Flow Revert Back to City

# Review of 101 Ash St. Development Proposal

## Takeaways and Considerations

- No cash loan from the City – only a seller note
  - Project cash from debt, tax credit equity, and deferred payments
- Financing assumptions are reasonable to conservative
- Historic Tax Credits are conditional on historic designation
- City has ‘off-ramps’ for insufficient performance or financing
- High per-unit costs are attributable to:
  - Larger size units (two- and three-bedrooms)
  - Property's appraised value, despite not being sold
  - Appropriate contingency for an adaptive reuse project

# Review of 101 Ash St. Development Proposal

## Recommendations

- Adopt recommendations in EDD staff report
- Request EDD and/or developer update 101 Ash website with:
  - Architectural and engineering drawings
  - Funding award statuses
  - Detailed construction timeline & significant change-orders
  - Financial Reporting Statements
    - Annual Revenue Statements, Capital Event Statements, and Cost Certification Statements
  - Capital expenditure needs and budget
- Upon occupancy of building, request developer report significant concerns by residents