

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report Tax-Exempt Bond Project March 21, 2018

Tranquility at Post 310, located at 465 47th Street in San Diego, requested and is being recommended for a reservation of \$572,297 in annual federal tax credits to finance the new construction of 42 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Hitzke Development Corporation and will be located in Senate District 40 and Assembly District 80.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and VASH Section 8 Project-based Vouchers. The project financing includes state funding from the VHHP program of HCD.

Project Number	CA-18-717
Project Name	Tranquility at Post 310
Site Address:	465 47th Street
	San Diego, CA 92102
	County: San Diego
Census Tract:	34.04

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$572,297	\$0
Recommended:	\$572,297	\$0

Applicant Information

Applicant:	Post 310 Housing San Diego, LP
Contact:	Ginger Hitzke
Address:	44036 Sheldon Court
	Temecula, CA 92592
Phone:	760-798-9809
Email:	ginger@hitzkedevlopment.com

General Partner(s) or Principal Owner(s):	Housing Innovation Parnters Hitzke Development Corporation
General Partner Type:	Joint Venture
Parent Company(ies):	Association For Community Housing Solutions Hitzke Development Corporation
Developer:	Hitzke Development Corporation
Investor/Consultant:	Boston Capital
Management Agent:	ConAm Management Corporation

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 43
 No. / % of Low Income Units: 42 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD VASH Project-based Vouchers (17 Units / 40%)
 & HUD Section 8 Project-based Vouchers (8 Units / 19%)

Bond Information

Issuer: Housing Authority of the City of San Diego
 Expected Date of Issuance: April 30, 2018

Information

Housing Type: Non-Targeted
 Geographic Area: San Diego County
 TCAC Project Analyst: Diane SooHoo

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	33	79%
60% AMI:	9	21%

Unit Mix

41 1-Bedroom Units
2 3-Bedroom Units
43 Total Units

Unit Type & Number	2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
8 1 Bedroom	50%	30%	\$511
17 1 Bedroom	50%	30%	\$511
8 1 Bedroom	50%	50%	\$853
8 1 Bedroom	60%	60%	\$1,023
1 3 Bedrooms	Manager's Unit*	60%	\$1,204
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

*Low Income Manager's Unit

TCAC-confirmed Projected Lifetime Rent Benefit: \$10,606,860

Project Cost Summary at Application

Land and Acquisition	\$504,706
Construction Costs	\$7,430,700
Rehabilitation Costs	\$0
Construction Contingency	\$510,000
Relocation	\$0
Architectural/Engineering	\$1,273,639
Const. Interest, Perm. Financing	\$1,401,301
Legal Fees, Appraisals	\$299,000
Reserves	\$1,194,702
Other Costs	\$1,180,416
Developer Fee	\$1,755,998
Commercial Costs	\$425,000
Total	\$15,975,462

Residential

Construction Cost Per Square Foot:	\$317
Per Unit Cost:	\$361,639
True Cash Per Unit Cost*:	\$342,825

Construction Financing

Source	Amount
Citibank	\$9,000,000
San Diego Housing Commission	\$2,714,524
Tax Credit Equity	\$1,150,838

Permanent Financing

Source	Amount
Citibank	\$2,860,000
San Diego Housing Commission	\$3,114,524
HCD - VHHP	\$3,525,000
AHP	\$322,500
Deferred Developer Fee	\$831,076
Tax Credit Equity	\$5,322,362
TOTAL	\$15,975,462

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$13,462,654
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$17,501,451
Applicable Rate:	3.27%
Maximum Annual Federal Credit:	\$572,297
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,755,998
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.93000

Per Regulation Section 10327(c)(6), the “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$13,462,654
Actual Eligible Basis:	\$13,462,654
Unadjusted Threshold Basis Limit:	\$11,315,554
Total Adjusted Threshold Basis Limit:	\$20,367,997

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 80%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.27% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Significant Information / Additional Conditions

Though the project only requires one manager unit, the applicant has designated two on-site manager units for the benefit of the project. One of the manager units will be occupied by a Low Income qualified property manager.

The project site is on two parcels bisected by 47th Street where two buildings will be built across the street from each other. The parcel on the west side of 47th Street is vacant and the parcel on the east side of 47th Street is improved with an existing American Legion building. Upon construction completion, American Legion will move to the first floor eastern lot and the existing American Legion building (west lot) will be demolished.

The applicant has entered into an agreement with the the Seller of property, Dennis T. Williams American Legion Post No. 310 (American Legion) to develop affordable housing units on the west lot and in the air space on the eastern lot above a to be constructed building that will be occupied by the American Legion. The site will be subdivided by way of an air space parcel map creating three new lots. A reciprocal easement agreement will be recorded on the parcels to establish requirements, rights, and obligations for the applicant and American Legion.

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency

The Local Reviewing Agency, San Diego Housing Commission, has completed a site review of this project and strongly supports this project.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

CDLAC Additional Conditions: None.