

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 14, 2011

Project Number CA-2011-930

Project Name The Post
Site Address: 1252 & 1268 Palm Avenue & 655 Florence Street
Imperial Beach, CA 91932 County: San Diego
Census Tract: 105.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$247,248	\$0
Recommended:	\$247,248	\$0

Applicant Information

Applicant: The Post by HDC, L.P.
Contact: Ginger Hitzke
Address: 251 Autumn Drive, #100
San Marcos, CA 92069
Phone: (760) 798-9809 Fax: (760) 539-9978
Email: ginger@hitzkedevlopment.com

General partner or principal owner: Hitzke Development Corporation
General Partner Type: For Profit
Developer: Hitzke Development Corporation
Investor: PNC Multifamily Capital
Management Agent: ConAm Management

Project Information

Construction Type: New Construction
Total # Residential Buildings: 3
Total # of Units: 30
No. & % of Tax Credit Units: 29 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 3
Number of Units @ or below 60% of area median income: 26

Bond Information

Issuer: CMFA
Expected Date of Issuance: January 31, 2012
Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
Geographic Area: San Diego County
TCAC Project Analyst: DC Navarrette

Unit Mix

29	1-Bedroom Units
<u>1</u>	<u>2-Bedroom Units</u>
30	Total Units

<u>Unit Type & Number</u>	<u>2011 Rents Targeted % of Area Median Income</u>	<u>2011 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 1 Bedroom	50%	49%	\$746
26 1 Bedroom	60%	52%	\$800
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost:	\$8,137,576
Estimated Residential Project Cost:	\$7,636,929
Estimated Commercial Project Cost	\$500,647

Residential

Construction Cost Per Square Foot:	\$184
Per Unit Cost:	\$254,564

Construction Financing

<u>Source</u>	<u>Amount</u>
Citi Community Capital	\$4,200,000
City of Imperial Beach	\$3,849,000
Residential Income	\$22,583
Tax Credit Equity	\$65,993

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citi Community Capital	\$1,500,000
City of Imperial Beach	\$3,849,000
Solar Rebates	\$51,000
Rental Income	\$22,583
Deferred Developer Fee	\$440,311
Tax Credit Equity	\$2,274,682
TOTAL	\$8,137,576

Determination of Credit Amount(s)

Requested Eligible Basis:	\$5,593,852
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$7,272,008
Applicable Rate:	3.40%
Maximum Annual Federal Credit:	\$247,248
Approved Developer Fee (in Project Cost & Eligible Basis):	\$802,426
Investor:	PNC Multifamily Capital
Federal Tax Credit Factor:	\$0.92000

Per Regulation Section 10322(i)(4)(A), 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:	\$5,593,852
Actual Eligible Basis:	\$6,331,929
Unadjusted Threshold Basis Limit:	\$6,089,977
Total Adjusted Threshold Basis Limit:	\$6,698,975

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: 10 %

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 meet 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 3.40% 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.

Special Issues/Other Significant Information: None

Local Reviewing Agency:

The Local Reviewing Agency, the Housing Authority of Imperial Beach, has completed a site review of this project and strongly supports this project.

Recommendation: Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
\$247,248	\$0

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 an allocation 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.

Additional Conditions: The applicant/owner is required to complete the following Sustainable Building Methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the placed-in-service application is submitted:

- The project commits to becoming certified under any one of the following programs upon completion:
Leadership in Energy & Environmental Design (LEED); Green Communities; or the GreenPoint Rated Multifamily Guidelines