

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**December 14, 2011**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Annie Ong*

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**Applicant:** California Municipal Finance Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$4,200,000

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**Project Information:**  
**Name:** Post Apartments  
**Project Address:** 1252 and 1268 Palm Avenue and 655 Florence Street  
**Project City, County, Zip Code:** Imperial Beach, San Diego, 91932

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**Project Sponsor Information:**  
**Name:** The Post by HDC, L.P. (Hitzke Development Corporation)  
**Principals:** Ginger Hitzke and Julie Hattler  
**Property Management Company:** ConAm Management

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**Project Financing Information:**  
**Bond Counsel:** Quint & Thimmig LLP  
**Private Placement Purchaser:** Citibank, N.A.  
**TEFRA Hearing Date:** November 2, 2011

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 29, plus 1 manager unit  
**Type:** New Construction  
**Type of Units:** Family

The Post is located at the northeast corner of Palm Avenue and Florence Street within the city of Imperial Beach. The project will be on a .56-acre site and will be a mixed-use project, providing 30 affordable housing units as well as an approximately 3,600 square-foot American Legion Post. The project site is currently developed and is comprised of a single-family residence and 6 residential units that are owned and operated by the American Legion. There is also a tavern serving members of the Legion and guests, meeting space for functions, a kitchen, and storage areas. The project will be developed in phases to prevent a period where the member of the Legion do not have the ability to provide their primary services to their members. The first phase would include demolition of the existing residential units and single family homes and the construction of a new bar, meeting space, kitchen, office, a portion of the patio and storage space, 30 residential units, a landscape buffer along the north property line, and parking spaces. The second phase of the project would include demolition of the existing hall and construction of the remaining exterior patio, parking spaces, a trash enclosure, the continuation of the landscape buffer along the north property line, and a landscaped area.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
10% (3 units) restricted to 50% or less of area median income households.  
90% (26 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 1 bedroom

Service amenities will not be offered.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$	8,137,576	
<b>Estimated Hard Costs per Unit:</b>	\$	109,900	(\$3,187,108 /29 units)
<b>Estimated per Unit Cost:</b>	\$	280,606	(\$8,137,576 /29 units)
<b>Allocation per Unit:</b>	\$	144,828	(\$4,200,000 /29 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	144,828	(\$4,200,000 /29 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 4,200,000	\$ 1,625,000
Developer Equity	\$ 0	\$ 312,315
LIH Tax Credit Equity	\$ 63,805	\$ 2,274,682
Direct & Indirect Public Funds	\$ 3,849,000	\$ 3,849,000
Other (Rental Income, Solar Rebates)	\$ 24,771	\$ 76,579
<b>Total Sources</b>	<b>\$ 8,137,576</b>	<b>\$ 8,137,576</b>

<b>Uses of Funds:</b>	
Land Purchase	\$ 760,000
On & Off Site Costs	\$ 435,000
New Construction Costs	\$ 2,752,108
Architect & Engineering Fees	\$ 766,625
Contractor Overhead & Profit	\$ 446,600
Developer Fee	\$ 802,426
Cost of Issuance	\$ 125,000
Capitalized Interest	\$ 140,000
Other Soft Costs (Marketing, etc.)	\$ 1,909,817
<b>Total Uses</b>	<b>\$ 8,137,576</b>

**Description of Financial Structure and Bond Issuance:**

The Post Apartments will be funded through a private placement tax-exempt bond purchase by Citibank, N.A. in the amount of \$4,200,000. The proceeds from the bonds shall fund an interim construction loan on the property. Bonds will be purchases and proceeds made available on a draw down basis. The construction phase will be for 24 month with a variable rate of SIFMA plus a margin of 325 bps. The permanent phase with have a term of 15 years and amortization of 35 years. The rate will be a fixed rate equal to the sum of 2029 year maturity "AAA" bond rates as published by MMD plus a spread of 2.50% for a current indicate rate of 5.94%.

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**Analyst Comments:**

Not Applicable

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**Legal Questionnaire:**

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

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**Total Points:** 65.5 out of 118  
[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$4,200,000 in tax exempt bond allocation on a carryforward basis.

**ATTACHMENT A**

**EVALUATION SCORING:**

Point Criteria	Maximum Points Allowed for Non-Mixed Income Projects	Maximum Points Allowed for Mixed Income Projects	Points Scored
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	25
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	0
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	8	8	8
Negative Points	-10	-10	0
<b>Total Points</b>	<b>118</b>	<b>98</b>	<b>65.5</b>

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.