



EXECUTIVE SUMMARY

HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

DATE: February 1, 2017

HCR17-011

ORIGINATING DEPT: Real Estate Division

BOARD REPORT: The Post 310 Apartments: Loan Recommendation & Preliminary Bond Authorization

CONTACT/PHONE NUMBER: Deborah Ruane, 619-578-7566

EXECUTIVE SUMMARY OF KEY FACTORS:

- Request to approve a loan and bond issuance for The Post 310 Apartments, a 43 unit affordable housing development in the Encanto Community Plan Area (Council District 4)
- The 43 unit property will consist of 40 one-bedroom affordable units, two 3-bedroom units and one 3-bedroom manager's unit. The affordable units will be restricted at 30%, 50% & 60% AMI.
- The property will create permanent supportive housing for homeless veterans and traditional affordable housing families.
- \$3,000,000 was awarded to this property through SDHC's HOUSING FIRST – SAN DIEGO program, to support the Housing Commission's Homelessness Action Plan.
- The co-developers are seeking construction financing for the housing which occupies two separate parcels across the street from each other on 47th Street (18 units and 25 units).
- The co-developers will also demolish the current American Legion Post on the site and construct a new 5,200 sf commercial building to replace it, and it will be situated below one of the apartment complexes.
- The co-developers are proposing new construction hard costs of \$221,401/unit, which has been validated by a third-party cost consultant.
- The co-developers request for resources includes vouchers from the U.S. Department of Housing and Urban Development's (HUD) VASH program.
- The co-developer team consists of Hitzke Develop and Housing Innovation Partners (formerly TACHS). This is the first partnership between the two and the first for SDHC with Hitzke.
- Staff requests the SDHC Board recommend:
 - A residual receipt loan of up to \$3,114,524, contingent upon the co-developer's receiving all necessary third party funding commitments including tax credits, bonds and Veterans Housing and Homeless Prevention (VHHP) funds.
 - Authorize the President & CEO to execute all documents, adjust financing terms, and substitute funding sources, as needed within approval authorities and upon advice of General Counsel
 - Authorize a recommendation to the Housing Authority to initiate steps to issue tax-exempt multifamily housing revenue bonds in the amount of \$9,000,000
 - Authorize an application to the California Debt Limit Allocation Committee for same
 - Approve financing team of Quint & Thimmig as bond counsel, and CSG Advisors as bond financial advisor
 - Request the City of San Diego hold a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing to adopt a resolution approving the issuance of bonds.
- If approved by all parties, the developer could commence rehabilitation in January 2018 and complete construction one year later.
- This transaction has been reviewed and approved at Real Estate Committee. No substantive changes have been made since then.



REPORT

DATE ISSUED: February 2, 2017

REPORT NO: HCR17-011

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of February 10, 2017

SUBJECT: The Post 310 Apartments - Loan Recommendation and Preliminary Bond Authorization

COUNCIL DISTRICT: 4

REQUESTED ACTION

SEVEN DAY ADVANCE NOTICE OF SAN DIEGO HOUSING COMMISSION HEARING OF THE FOLLOWING MATTER HAS BEEN PROVIDED TO THE HOUSING AUTHORITY MEMBERS PURSUANT TO THE PROVISIONS OF SAN DIEGO MUNICIPAL CODE SECTION 98.0301(e)(4)(B) concerning Staff Recommendation No. 1 only:

That the San Diego Housing Commission approve a proposed \$3,114,524 residual receipts loan to Post 310 San Diego LP, a California limited partnership, to facilitate new construction of 42 affordable rental housing units for homeless Veterans, to be located at 465 N.47th Street, San Diego, which will remain affordable for 55 years.

MATTER REQUIRING HEARING BY BOTH THE SAN DIEGO HOUSING COMMISSION AND THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO PURSUANT TO THE PROVISIONS OF SAN DIEGO MUNICIPAL CODE SECTION 98.0301(d)(9)(A) THROUGH (E) – THE FOLLOWING MATTER REQUIRES A HEARING BY BOTH THE SAN DIEGO HOUSING COMMISSION BOARD AND THERERAFTER BY THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO:

That the San Diego Housing Commission recommend that the Housing Authority of the City of San Diego take initial steps to issue tax-exempt Multifamily Housing Revenue Bonds to facilitate the new construction of 42 affordable rental housing units for homeless Veterans, to be located at 465 N.47th Street, San Diego, which will remain affordable for 55 years.

STAFF RECOMMENDATIONS

1. That the San Diego Housing Commission (Housing Commission) approve a Housing Commission residual receipts loan of up to \$3,114,524 to Post 310 San Diego LP (PSD), a California limited partnership, to facilitate the proposed new construction of The Post 310 Apartments (the Post) with 42 new affordable rental housing units.

The Housing Commission's proposed loan would be contingent upon: the co-developers receiving all necessary third-party funding commitments, including a California Tax Credit Allocation Committee (TCAC) award of approximately \$5,819,675 of 4 percent tax credits; an approximate \$9,000,000 tax-exempt Multifamily Housing Revenue Bond financed loan; \$3,525,000 of Veterans

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Housing and Homeless Prevention (VHHP) funds from California Department of Housing and Community Development; as well as additional funds from other third-party sources as described in this report. Such third-party funding commitments would be subject to the Housing Commission's General Counsel's approval;

2. That the Housing Commission authorize the President and Chief Executive Officer (President & CEO), or designee,
 - A. To execute any and all documents that he deems necessary to effectuate the transaction and implement the project in a form approved by General Counsel, and to take such actions as are necessary, convenient, and/or appropriate to implement the approvals upon advice of General Counsel;
 - B. To adjust financing terms and conditions as necessary for consistency with requirements of other funding sources or to accommodate market changes that may occur, provided that the proposed \$3,114,524 maximum Housing Commission loan amount may not increase;
 - C. To substitute approved funding sources with any other available funds as deemed appropriate, contingent upon budget availability, and further authorize the President & CEO, or designee, to take such actions as are necessary, convenient, and/or appropriate to implement this approval and delegation of authority by the Housing Commission upon advice of General Counsel;
3. That the Housing Commission recommend that the Housing Authority of the City of San Diego (Housing Authority) approve initial steps to issue Housing Authority tax-exempt Multifamily Housing Revenue Bonds for this development, including:
 - A. Issue a bond inducement resolution (Declaration of Official Intent) for up to \$9,000,000 in tax-exempt Multifamily Housing Revenue Bonds for new construction of The Post;
 - 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 Multifamily Housing Revenue Bonds in an amount of up to \$9,000,000 for The Post;
 - C. Approve a bond financing team of Quint & Thimmig as bond counsel, and CSG Advisors as bond financial advisor;
4. That the Housing Commission recommend that the City Council hold a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing, and adopt a resolution approving the Housing Authority's issuance of tax-exempt Multifamily Housing Revenue Bonds in an amount of up to \$9,000,000.

SUMMARY

The Post 310 Apartments development is supported by HOUSING FIRST – SAN DIEGO, the Housing Commission's three-year Homelessness Action Plan (2014-17). The Post 310 Apartments received a funding award of \$3,114,524 through the Permanent Supportive Housing Notice of Funding Availability released by the Housing Commission. The announcement for year two was made on October 7, 2015. An addendum to the year two announcement was released on June 13, 2016 combining development funding for years two and three of HOUSING FIRST – SAN DIEGO, in which this development received an award.

HOUSING FIRST – SAN DIEGO includes awarding up to \$30 million over three years (up to \$10 million per year), along with up to 300 Federal rental housing vouchers per year, to create permanent supportive housing that will remain affordable for 55 years. The Housing Commission announced HOUSING FIRST – SAN DIEGO on November 12, 2014. HOUSING FIRST – SAN DIEGO will impact the lives of as many as 1,500 homeless San Diegans.

A Development Summary is at Attachment 1.

Table 1 –Development Details

Address	465 N.47th Street
Council District	4
Community Plan Area	Encanto Neighborhoods Community Plan
Development Type	New Construction (two separate four-story buildings)
Construction Type	Type V
Parking Type	33 parking spaces (residential) and 31 parking spaces (commercial)
Housing Type	Special needs permanent supportive housing
Lot Size	0.95 acres, 41,382 square feet
Units	43 units (42 affordable)
Density	45.26 dwelling units per acre (43 units ÷ .95 acres)
Unit Mix	40 one-bedroom units, 2 three-bedroom units, and 1 three-bedroom manager’s unit
Gross Building Area	30,750 square feet
Net Rentable Area	20,500 square feet
Commercial/Retail Space	5,200 square feet (proposed new American Legion Post)
Project Based Vouchers	25 dedicated for homeless Veterans, including 17 Section 8 Project-Based Housing Vouchers and 8 Veterans Affairs Supportive Housing (VASH) Vouchers

The Development

The Post is the proposed 43-unit new construction of permanent supportive rental housing for homeless Veterans. The co-developers are the for-profit Hitzke Development Corporation (Hitzke) and the nonprofit Housing Innovation Partners (formerly known as the Association for Community Housing Solutions (HIP). The property includes two separate existing parcels bisected by 47th Street. The current owner is the Dennis T. Williams American Legion Post 310 (ALP). The parcel of land on the eastern side of 47th Street has a single-story American Legion Post 310 existing building with a parking lot. The west side parcel of land is vacant. The developers plan to create four parcels: the two ground floor parcels (to be retained by ALP) and two new air-space parcels to be transferred to PSD. SD would receive the new air-space parcels in exchange for PSD first constructing a new ALP building and then demolishing the existing ALP building.

The new construction, 5,200-square-foot ALP building would be commercial space. However, neither the Housing Commission’s loan funds nor the Multifamily Housing Revenue Bonds proceeds can be used for commercial space improvements or furnishings.

The affordable rental housing development will consist of two separate four-story buildings with elevators. Constructed above the new American Legion Post (east side of 47th Street) will be 18 affordable rental

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housing units. Constructed across the street (on the west side of 47th Street) will be 25 affordable rental housing units (Attachment 2 - Site Maps). The development will provide 42 affordable rental housing units composed of 25 units for homeless Veterans, 17 affordable housing units and 1 manager's unit. Tenant incomes will range from 30 percent to 60 percent of San Diego's Area Median Income (AMI). Site amenities will include a community room, on-site laundry, manager and leasing office, on-site services offices, and bicycle parking. The apartments will average 500 square feet. Unit amenities will include: balconies on most units and Energy Star appliances. The Post will be constructed in conformance with TCAC minimum energy efficiency standards. Sustainable features will include solar hot water heating, photovoltaic solar system, and water conservation features.

The proposed development will provide housing opportunities for homeless Veterans, utilizing the Housing First approach. Housing First emphasizes permanent housing with supportive services as a primary strategy to stabilize tenants and address homelessness.

The Housing Commission has partnered with the Regional Task Force on the Homeless, Inc. to enable homeless service providers in the City to conduct a Coordinated Assessment and Housing Placement system (CAHP) for homeless individuals, utilizing the Homeless Management Information System (HMIS). Organizations serving homeless individuals and families in the region share a single system that enables a more efficient delivery of housing and critical services to the homeless. The database allows homeless housing providers to screen homeless individuals for the most appropriate housing options based on who is most in need. The developer and service provider will participate in the CAHP and maintain client data in an HMIS as required by the Housing Commission.

Sustainability Features

Post 310 will be constructed in conformance with TCAC minimum energy efficiency standards. Water conservation will be promoted with drought tolerant landscaping and low-flow water fixtures in the kitchens and bathrooms.

Developers' Request

In response to the HOUSING FIRST – SAN DIEGO Notice of Funding Availability, the development was reviewed by a selection committee consisting of Housing Commission staff and Funders Together to End Homelessness San Diego (Funders Together). Major philanthropists and grant makers formed Funders Together to invest in effective systems change with the goal of ending chronic homelessness throughout San Diego County. Funders Together is composed of private foundations and the United Way of San Diego County. The selection committee recommended capital funding and Federal Project-Based Housing Vouchers and VASH Vouchers to provide rental assistance for the development.

The co-developers submitted a request for a \$3,114,524 Housing Commission residual receipts loan; Housing Authority issuance of up to \$9,000,000 of tax-exempt Multifamily Housing Revenue Bonds, and 25 Federal rental housing vouchers dedicated for homeless Veterans, including 17 Section 8 Project-Based Housing Vouchers and 8 Veteran Affairs Supportive Housing (VASH) Vouchers. Project-Based Housing Vouchers are awarded to specific affordable housing developments to provide rental assistance linked to their units. When a tenant moves, the rental housing voucher remains with the affordable housing unit so that another homeless San Diegan is able to move off the street. SDHC partners with the U.S. Department of Veterans Affairs (VA) San Diego Healthcare System to provide rental assistance to chronically homeless Veterans through VASH vouchers. The VA provides clinical health and case management services to VASH voucher recipients.

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The Property

The property is currently used by the ALP. Diamond Neighborhood Family Health Center and Sunrise Market are located to the property's north. To the south and east are single-family homes. To the west are condominiums and single-family homes.

Appraisal

An appraisal was not obtained because the borrower PSD is not purchasing the land. This unique proposal is for PSD to obtain air-space parcel rights in exchange for replacement of ALP's existing commercial improvements.

Prevailing Wages

The Post's use of Federal Section 8 Project-Based Housing Vouchers and HOME Investment Partnerships Program funds will require payment of Federal prevailing wages.

Relocation

The American Legion Post is the only existing business on-site. Along with construction of the Post 310 affordable rental housing units, a new ALP building will be simultaneously constructed and located below the affordable units. The existing ALP structure will be demolished. Relocation is not required under the Federal Uniform Relocation Act and under California relocation law because the ALP is not a displaced business. Relocation benefits will not apply.

Accessibility

TCAC requires wheelchair accessibility in 10 percent of the units, and 4 percent of the units accessible to residents with visual and/or hearing impairment. The same units can satisfy both of these accessibility requirements. In addition, these accessible units will satisfy the Federal HOME Investment Partnerships (HOME) and Project-Based Housing Voucher requirement of wheelchair accessibility in 5 percent of the units plus an additional 2 percent of the units accessible to residents with visual and/or hearing impairment. The development will include Universal Design features.

Development Team

The proposed borrower will be PSD. HIP will be the Managing General Partner, Hitzke will be the Administrative General Partner, and Boston Capital is the proposed tax credit investor limited partner.(Attachment 3). Hitzke is a for-profit corporation organized in 2008 and headquartered in Temecula, California. Hitzke specializes in public-private partnerships and focuses on in-fill sites for transit-oriented, mixed-use affordable housing development. Hitzke has completed construction of 466 units, primarily located in San Diego County, and has another 232 units in various stages of development. Hitzke completed the redevelopment of the American Legion Post 820 located in Imperial Beach in 2013. The development was in partnership with the American Legion Post 820 and the City of Imperial Beach Housing Authority. The development includes 28 affordable housing units and a new 3,600-square-foot American Legion hall. Hitzke has not previously received a Housing Commission loan nor completed a development in the city of San Diego.

Co-developer HIP (formerly known as TACHS) is a nonprofit developer, property manager, and service provider of affordable rental housing. It was organized in 1994 and is based in San Diego. HIP focuses on permanent supportive housing for low-income, special needs individuals. HIP provides ongoing supportive social services to enable tenants to improve their quality of life, stop the cycle of homelessness, and participate more fully in society. They own and operate four housing locations in the

city of San Diego, including the following three developments that utilized Housing Commission financing:

- Reverend Glenn Allison Apartments, 5020 Federal Boulevard, proposed acquisition and rehabilitation of 58 units. On May 23, 2016, HIP/TACHS and co-developer Wakeland Housing and Development Corporation received Housing Authority preliminary approval for issuance of \$9,000,000 in tax-exempt Multifamily Housing Revenue Bonds.
- The Cove Apartments, 5288 El Cajon Boulevard, provides permanent supportive housing for 19 chronically homeless individuals with serious mental illness. In 2007, HIP/TACHS received a \$982,000 Housing Commission residual receipts loan.
- Paseo Glenn Apartments, 1851-1865 Titus, includes 13 units of permanent supportive housing for participants in the State Mental Health Services Act program through the County of San Diego. In 2003, HIP/TACHS received a \$591,881 Housing Commission residual receipts loan.

Based upon the co-developers' past experience, Housing Commission staff has determined that the co-developers have the capacity to successfully complete the proposed The Post development.

Property Management

HIP will manage The Post and provide tenant supportive services.

Table 2 Development Team Summary

ROLE	FIRM/CONTACT
Developer	Hitzke Development Corporation
Borrower	The Post Housing, LP
Administrative General Partner	Hitzke Development
Managing General Partner	Housing Innovation Partners
Limited Partner	Boston Capital
Architect	Foundation for Form
Housing Innovation Partners	Housing Innovation Partners
General Contractor	Allgire
Property Management	Housing Innovation Partners
Supportive Services Providers	HIP, U.S. Department of Veterans Affairs, County of San Diego
Construction and Permanent Lender	Citi bank
Tax Credit Equity Partner	Boston Capital

STATEMENT FOR PUBLIC DISCLOSURE

For the developer and the proposed borrower's ownership team, Statements for Public Disclosure are on file in the office of the San Diego Housing Commission (Attachment 4).

FINANCING STRUCTURE

Veterans Affairs Supportive Housing (VASH) Voucher Program

The development's pro forma proposes using funds from the U.S. Department of Housing and Urban Development's (HUD) VASH program. The Housing Commission partners with the U.S. Department of Veterans Affairs (VA) San Diego Healthcare System to provide rental assistance to chronically homeless Veterans through VASH vouchers. The VA provides clinical health and case management services to VASH voucher recipients. Under this VASH Project-Based Housing Voucher (PBV) program, the tenant's rent portion is determined by using the applicable minimum rent or a calculated

amount based on their income level, whichever is higher, with the remainder federally subsidized up to a contract rent level approved by the Housing Commission. The Housing Assistance Payment (HAP) provides a rental subsidy for qualifying residents under the VASH PBV program.

VHHP Loan Funds

The California Department of Housing and Community Development (HCD) has issued a Notice of Funding Availability (NOFA) for post-construction permanent loan funds available for Veterans and their families under the Veterans Housing and Homeless Prevention Program (VHHP). HCD will award the funds competitively. Under a state-wide geographical distribution process, not less than 7 percent (estimated to be \$4,550,000) of the total available VHHP funds will be awarded to developments in San Diego County. An additional estimated \$7,800,000 will be distributed competitively state-wide. VHHP funds restrict rent and occupancy for 55 years. The American Legion Post is one of several affordable developments located in the city of San Diego that proposes to use VHHP funds.

Permanent Sources and Uses of Financing

The estimated total development cost and sources and uses of funds are detailed in the pro forma attached to this report (Attachment 5) and summarized below.

Table 3 – Estimated Permanent Sources and Uses

Financing Sources	Amounts	Financing Uses	Amounts	Per Unit
Permanent loan (multifamily mortgage revenue bonds)	\$2,850,000	Acquisition:	\$ 0	\$ 0
Veterans Housing & Homelessness Prevention Program (VHHP) loan	3,525,000	Hard costs	9,520,227	221,401
Housing Commission proposed loan	3,114,524	Financing costs	846,030	19,675
General Partner Contribution	363,470	Architect/Engineering - \$1,332,250 Fees and Permits - 853,255 Other soft costs - +186,499 Subtotal - 2,372,004	2,372,004	55,163
Four percent tax credit equity	5,676,454	Developer Fee	1,763,470	41,011
		Reserves	1,027,716	23,900
Total Development Cost	\$15,529,447	Total Development Cost (TDC)	\$15,529,447	\$361,150

The proposed \$3,114,524 Housing Commission residual receipts loan will be funded with \$3,000,000 from HOME funds, awarded to the City of San Diego and administered by the Housing Commission, and \$114,524 from the City of San Diego’s Affordable Housing Fund (Inclusionary Housing Fee and Housing Impact Fee, also known as Linkage Fee), which is administered by the Housing Commission. A final determination of Housing Commission funding sources will be made by the Housing Commission’s President & CEO, or designee, contingent upon budget availability. The Housing Commission’s proposed loan terms are summarized at Attachment 6.

The Post has an estimated total development cost of \$15,529,447 (\$361,150/unit). The Housing Commission requires affordable housing developers to pursue all viable sources of funding to reduce the financing gap and amount of Housing Commission subsidy required. If other funding is secured, proceeds will first be used to make an adjustment to reduce the Housing Commission’s loan.

Development Cost Key Performance Indicators

Housing Commission staff has identified development cost performance indicators which were used to evaluate the proposed development and make a funding recommendation. The key performance indicators

listed in Table 4 are commonly used by real estate industry professionals and affordable housing developers.

Table 4 - Key Performance Indicators

Development Cost Per Unit	$\$15,529,447 \div 43 \text{ units} =$	\$361,150
Housing Commission Subsidy Per Unit	$\$3,114,524 \div 43 \text{ units} =$	\$72,431
Acquisition Cost Per Unit	$\$0 \div 43 \text{ units} =$	\$0
Gross Building Square Foot Hard Cost	$\$9,520,227 \div 30,750 \text{ sq. ft.} =$	\$310
Net Rentable Square Foot Hard Cost	$\$9,520,227 \div 20,500 \text{ sq. ft.} =$	\$464

Project Comparison Chart

There are multiple factors and variables that influence the cost of developing multifamily affordable housing, including but not limited to project location, site conditions, environmental factors, land use approval process, community involvement, construction type, design requirements/constraints, economies of scale, City fees, developer experience and capacity, and the mission and goals of the organization developing the project. Similar construction-type developments (completed or approved) over recent years are listed in Table 5. These developments are similar in terms of new construction, target population, and construction type and are provided as a comparison to The Post.

Table 5 - Comparable Development Projects

Project Name	Year	Construction Type	Units	Prevailing Wages	Total Development Cost	Cost Per Unit	HC Subsidy Per Unit	Gross Hard Cost Sq. Ft.
Subject – The Post	2017	V	43	Yes	\$15,529,447	\$361,150	\$72,431	\$310
Cypress	2015	V Over III	63	Yes	\$20,420,000	\$324,127	\$54,762	\$299
Talmadge Gateway	2015	V Over I	60	Yes	\$19,721,488	\$328,691	\$80,000	\$244
Alpha Square	2014	V Over I	203	Yes	\$47,616,331	\$234,563	\$109,000	\$306

Hard Costs

The developer is proposing new construction hard costs of \$9,520,227 (\$221,401 per unit). These costs include \$340,000 for new construction of the replacement ALP building. There was a substantial effort to review, investigate, and reduce the project’s construction costs, including engaging the Gordian Group, a third-party cost consultant, to evaluate the hard cost estimates. The Gordian Group validates the developer’s cost estimate for the development.

Developer Fee

\$1,860,464 - gross developer fee
 - 460,464 - minus developer fee contribution to project
 \$1,400,000 - net cash developer fee

TAX-EXEMPT MULTIFAMILY HOUSING REVENUE BONDS

Proposed Housing Bonds

The Housing Commission utilizes the Housing Authority’s tax-exempt borrowing status to pass on lower interest rate financing (and make Federal 4 percent tax credits available) to developers of affordable rental housing. The Housing Authority’s ability to issue bonds is limited under the U.S. Internal Revenue Code. To issue bonds for a development, the Housing Authority must first submit an application to CDLAC for a tax-exempt Multifamily Housing Revenue Bonds allocation. Prior to

submitting applications to CDLAC, developments are brought before the Housing Commission, Housing Authority and City Council. Housing Authority bond inducement resolutions must be obtained prior to application submittal, and City Council TEFRA resolutions must be secured no later than 30 days after application submittal. These actions do not obligate the Housing Authority to issue bonds.

The Post's co-developers plan to submit a bond allocation application to CDLAC for its September 2017 bond allocation meeting; however, if necessary, staff will submit additional applications to CDLAC to secure a bond allocation for the development. The co-developers will be seeking a CDLAC bond allocation of up to \$9,000,000. The co-developers propose to issue the bonds through a tax-exempt private placement bond issuance.

The bonds will meet all requirements of the Housing Commission's Multifamily Housing Revenue Bond Program policy and will fully comply with the City of San Diego's (City) ordinance on bond disclosure. The bond amount that is ultimately issued will be based upon project costs, revenues, and interest rates prevailing at the time of bond issuance. The co-developers propose that the bonds will be used for acquisition, new construction, and permanent financing. The Housing Commission staff will later return to both the Housing Commission and Housing Authority for approval of the final bond amount. A general description of the Multifamily Housing Revenue Bond Program and the actions that must be taken by the Housing Authority and by the City Council to initiate and finalize proposed financings are described in Attachment 7. Staff recommends assigning Quint & Thimmig as bond counsel and CSG Advisors as bond financial advisor. These proposed financing team members have been selected in accordance with the existing policy. Financial Advisors and Bond Counsels are designated on a rotating basis from firms selected under the program through a competitive Request for Proposal process.

AFFORDABLE HOUSING IMPACT

The 2016 San Diego Regional Homeless Point-In-Time Count identified a total of 5,093 total homeless individuals in the city of San Diego, of which 2,745 were living without shelter on San Diego streets, in canyons, beaches, riverbeds, parks, or in vehicles. San Diego County has the fourth largest homeless population in the nation, according to the 2016 Annual Homeless Assessment Report to Congress from the HUD Office of Community Planning and Development.

A portion of the targeted tenant population is extremely low-income and does not typically have a stable source of income to pay rent. The developer has applied for 25 Federal Project-Based Housing Vouchers (PBV) from the Housing Commission to provide rental assistance to supplement tenant rental payments. The targeted tenant base for PBV's shall be extremely low-income individuals. The request for 25 PBV's dedicated for homeless Veterans includes 17 Section 8 Project-Based Housing Vouchers and 8 Veterans Affairs Supportive Housing (VASH) vouchers. Under these Project-Based Housing Voucher programs, the tenant's rent portion is determined by using the applicable minimum rent or a calculated amount based on their income level, whichever is higher, with the remainder federally subsidized up to a contract rent level approved by HUD. The Housing Assistance Payment (HAP) provides rental assistance for qualifying residents under the Project-Based Housing Voucher program. The development will be subject to a Housing Commission Declaration of Covenants and Restrictions, in addition to applicable tax credit and bond regulatory agreements, that will restrict affordability of 42 units for 55 years. The HOME Investment Partnerships program's funds will have affordability and rent restrictions for 20 years. The development's 41 units will be affordable to tenants with income levels ranging from: 30 percent to 50 percent of Area Median Income (AMI).

Table 6 Affordability and Monthly Estimated Rent

Unit Type	AMI	Unit Count	TCAC Gross Rent
1 Bedroom	30%	25	\$446
1 Bedroom	50%	8	\$743
1 Bedroom	60%	7	\$892
3 Bedroom	60%	2	\$1275
3 Bedroom Manager	n/a	1	-
Total		43	

There will be 20 total HOME restricted units including 19 one-bedroom units, and 1 three-bedroom unit. The same units may satisfy the affordability requirements from tax credits and the HOME program. The more stringent of the funding sources' affordability/rent restrictions will take precedence during the term of their applicability.

FISCAL CONSIDERATIONS

The funding sources and uses proposed for approval by this action are included in the Fiscal Year 2017 Budget. Approving this action will result in the development of 42 affordable rental housing units.

Funding sources approved by this action will be as follows:

HOME Program funds - up to \$3,000,000

Housing Impact (linkage) Program funds - up to \$114,524

Bond Issuance Fees - \$8,438

Total Funding Sources - up to \$3,122,962

Funding uses approved by this action will be as follows:

Loans - up to \$3,114,524

Administrative Costs - up to \$8,438

Total Funding Uses - up to \$3,122,962

Approving this action will further grant the President & CEO, or designee, the authority to substitute the above funding sources with other available funding sources so long as the total Housing Commission loan amount does not exceed the approved total loan amount, should the operational need arise or should such actions be to the benefit of the Housing Commission.

There are no fiscal impacts to the Housing Commission, the City of San Diego, or the Housing Authority associated with the requested bond actions. Approval of the bond inducement and TEFRA resolutions do not commit the Housing Authority to issue bonds. The bonds will not constitute a debt of the City of San Diego. If bonds are ultimately issued for the development, the bonds will not financially obligate the City, the Housing Authority, or the Housing Commission because security for the repayment of the bonds will be limited to specific private revenue sources. Neither the faith and credit nor the taxing power of the City, nor the faith and credit of the Housing Authority will be pledged to the payment of the bonds. The co-developers are responsible for the payment of all costs under the financing, including the Housing Commission's .0025 bond amount issuer fee (estimated at \$8,438 with a \$9,000,000 bond issue) and the Housing Commission's annual .00125 administrative fee (estimated at \$10,000 with an estimated \$5,819,675 outstanding bonds amount at permanent financing conversion).

Development Schedule

The estimated development timeline is as follows:

<u>Milestones</u>	<u>Estimated Dates</u>
<ul style="list-style-type: none">• Housing Commission proposed approval• VHHP application date• Housing Authority Preliminary Bond & TEFRA Approval• VHHP award announcement• TCAC 4% Application Submittal• CDLAC Bond Application Submittal• TCAC 4% Tax Credit Award Meeting• CDLAC allocation meeting• Housing Commission final bond authorization• Housing Authority final bond authorization• Estimated bond issuance and escrow closing• Estimated completion of construction work	<ul style="list-style-type: none">• February 10, 2017• February 21, 2017• May 23,2017• June 2017• June 17, 2017• July 21, 2017• August 16, 2017• September 20, 2017• October 6, 2017• October 31, 2017• December 2017• January 2019

PREVIOUS COUNCIL and/or COMMITTEE ACTION

On January 23, 2017, the Housing Commission’s Real Estate Committee approved a recommendation to move this report forward for Housing Commission consideration.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

The Post is located in the Encanto neighborhood. On December 19, 2016, the developer presented the proposed development to the Encanto Neighborhoods Community Planning Group (ENCPG). The ENCPG voted 6-2 in favor of supporting the development.

KEY STAKEHOLDERS & PROJECTED IMPACTS

Stakeholders include Hitzke and HIP as the co-developers, the Housing Authority as bond issuer, State Department of Housing and Community Development as the VHHP administrator, and the Encanto neighborhood. Construction of this development will positively impact the neighborhood and the availability of affordable housing in San Diego. The development will provide 42 new affordable rental homes for homeless veterans.

ENVIRONMENTAL REVIEW

The actions being taken at this time involve only consideration of a loan and bond inducement. This activity is not a "project" and is therefore not subject to the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15060(c)(3). This determination is predicated on Section 15004 of the Guidelines, which provides direction to lead agencies on the appropriate timing for environmental review. This action does not constitute approval of a project. Approval will occur once the environmental review has been completed in accordance with CEQA Section 15004. This action will not foreclose review of alternatives or mitigation measures by the public as part of the CEQA process. The proposed actions are approval of a loan and do not constitute approval of the development activity. Future actions to consider and approve development entitlement approvals related to the development of the site, if applicable, will require additional review under the provisions of CEQA by the lead agency.

February 2, 2017

The Post 310 - Loan Recommendation and Preliminary Bond Authorization

Page 12

HOME Investment Partnerships Program (HOME) funds constitute a portion of the funding for the project. A final reservation of HOME funds shall occur only upon satisfactory completion of the environmental review and receipt by the City of San Diego of a release of funds from the U.S. Department of Housing and Urban Development under 24 CFR Part 58 of the National Environmental Policy Act (NEPA). The parties agree that the provision of any HOME funds to the project is conditioned on the City of San Diego's determination to proceed with, modify or cancel the project based on the results of a subsequent environmental review under NEPA.

Respectfully submitted,

J. P. Correia

J.P. Correia
Real Estate Manager
Real Estate Department

Approved by,

Deborah N. Ruane

Deborah N. Ruane
Executive Vice President & Chief Strategy Officer
San Diego Housing Commission

Attachments:

1. Development Summary
2. Site Maps
3. Organization Chart
4. Disclosure Statement
5. Project Pro forma
6. Proposed Loan Terms
7. Multifamily Bond Program Summary

Hard copies are available for review during business hours at the security information desk in the main lobby and at the fifth floor reception desk of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials in the "Public Meetings" section of the San Diego Housing Commission website at www.sdhc.org

ATTACHMENT 1 – DEVELOPMENT SUMMARY

Table 1 –Development Details

Address	465 N.47th Street
Council District	4
Community Plan Area	Encanto Neighborhoods Community Plan
Development Type	New Construction (two separate four-story buildings)
Construction Type	Type V
Parking Type	33 parking spaces (residential) and 31 parking spaces (commercial)
Housing Type	Special needs permanent supportive housing
Lot Size	0.95 acres, 41,382 square feet
Units	43 units (42 affordable)
Density	45.26 dwelling units per acre (43 units ÷ .95 acres)
Unit Mix	40 one-bedroom units, 2 three-bedroom units, and 1 three-bedroom manager’s unit
Gross Building Area	30,750 square feet
Net Rentable Area	20,500 square feet
Commercial/Retail Space	5,200 square feet (proposed new American Legion Post)
Project Based Vouchers	25 dedicated for homeless Veterans, including 17 Section 8 Project-Based Housing Vouchers and 8 Veterans Affairs Supportive Housing (VASH) Vouchers

Table 2 Development Team Summary

ROLE	FIRM/CONTACT
Developer	Hitzke Housing Group Inc.
Borrower	The Post Housing, LP
Administrative General Partner	Hitzke Development
Managing General Partner	Housing Innovation Partners
Limited Partner	Boston Capital
Architect	Foundation for Form
Housing Innovation Partners	Housing Innovation Partners
General Contractor	Allgire
Property Management	Housing Innovation Partners
Supportive Services Providers	HIP, U.S. Department of Veterans Affairs, County of San Diego
Construction and Permanent Lender	Citi bank
Tax Credit Equity Partner	Boston Capital

Table 3 – Estimated Permanent Sources and Uses

Financing Sources	Amounts	Financing Uses	Amounts	Per Unit
Permanent loan (multifamily mortgage revenue bonds)	\$2,850,000	Acquisition:	\$ 0	\$ 0
Veterans Housing & Homelessness Prevention Program (VHHP) loan	3,525,000	Hard costs	9,520,227	221,401
Housing Commission proposed loan	3,114,524	Financing costs	846,030	19,675
General Partner Contribution	363,470	Architect/Engineering - \$1,332,250 Fees and Permits - 853,255 Other soft costs - +186,499 Subtotal - 2,372,004	2,372,004	55,163
Four percent tax credit equity	5,676,454	Developer Fee	1,763,470	41,011
		Reserves	1,027,716	23,900
Total Development Cost	\$15,529,447	Total Development Cost (TDC)	\$15,529,447	\$361,150

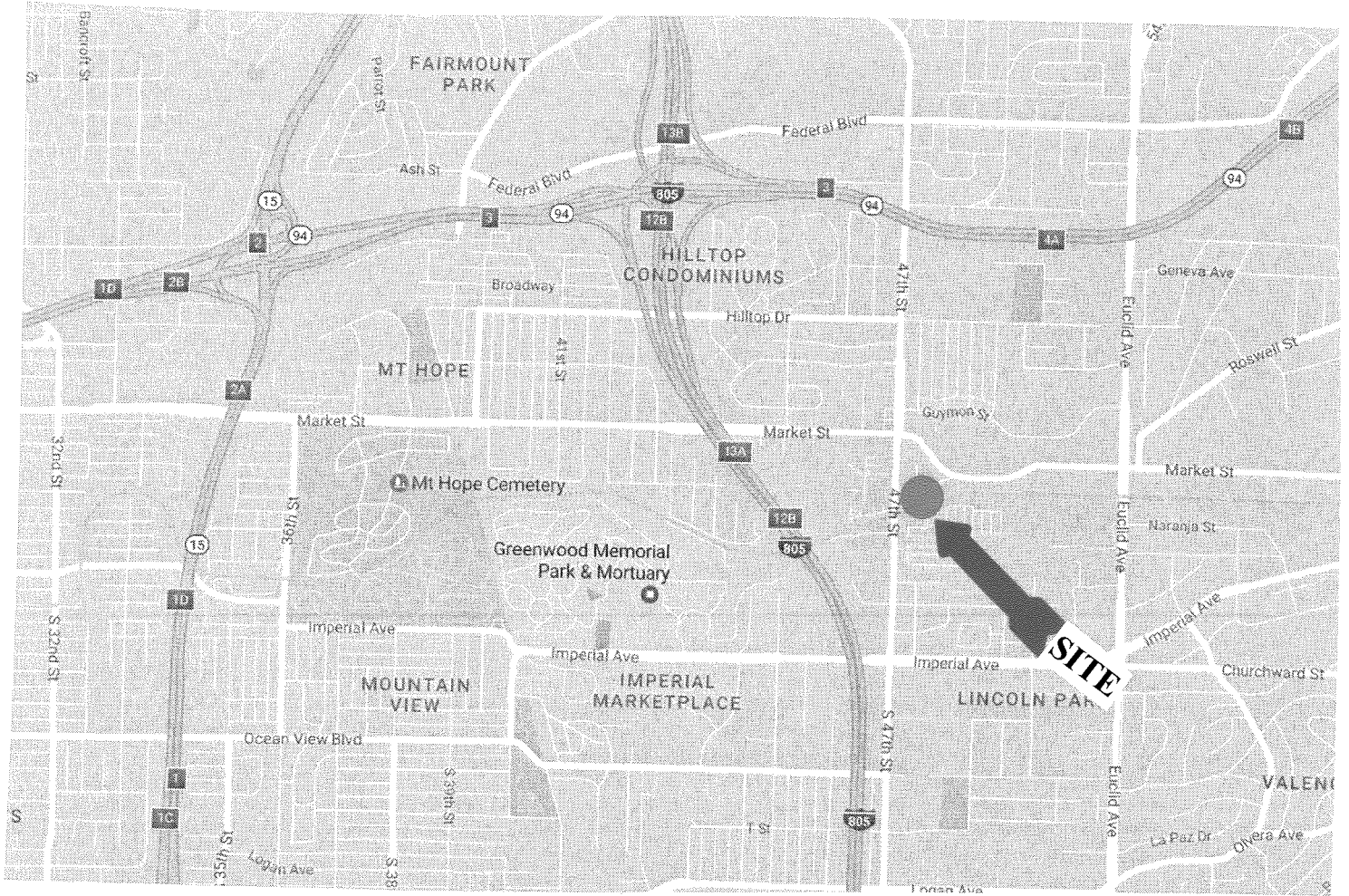
Table 4 - Key Performance Indicators

Development Cost Per Unit	\$15,529,447 ÷ 43 units =	\$361,150
Housing Commission Subsidy Per Unit	\$3,114,524 ÷ 43 units =	\$72,431
Acquisition Cost Per Unit	\$0 ÷ 43 units =	\$0
Gross Building Square Foot Hard Cost	\$9,520,227 ÷ 30,750 sq. ft. =	\$310
Net Rentable Square Foot Hard Cost	\$9,520,227 ÷ 20,500 sq. ft. =	\$464

Table 5 - Comparable Development Projects

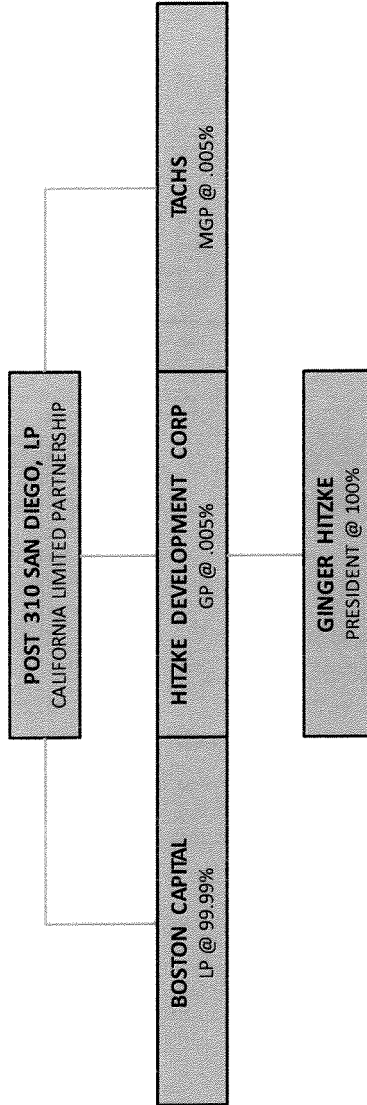
Project Name	Year	Construction Type	Units	Prevailing Wages	Total Development Cost	Cost Per Unit	HC Subsidy Per Unit	Gross Hard Cost Sq. Ft.
Subject – The Post	2017	V	43	Yes	\$15,529,447	\$361,150	\$72,431	\$310
Cypress	2015	V Over III	63	Yes	\$20,420,000	\$324,127	\$54,762	\$299
Talmadge Gateway	2015	V Over I	60	Yes	\$19,721,488	\$328,691	\$80,000	\$244
Alpha Square	2014	V Over I	203	Yes	\$47,616,331	\$234,563	\$109,000	\$306

ATTACHMENT 2 – SITE MAPS



ATTACHMENT 3 – ORGANIZATION CHART

THE POST 310
PROPOSED ORGANIZATIONAL CHART



ATTACHMENT 4 – DISCLOSURE STATEMENT

For the developer and the proposed borrower's ownership team, Statements for Public Disclosure are on file in the office of the San Diego Housing Commission.

ATTACHMENT 5 – PROJECT PROFORMA

DRAFT DATE: 1/20/17

POST 310 - VHHP (8 VASH, 10 MHSA, 7 PBV) PROJECT SUMMARY

GENERAL INFORMATION

PROJECT NAME	Post 310
OWNER/CLIENT	Hitzke Development Corp
PROJECT DESCRIPTION	3 story walk-up
PROJECT TYPE	New Construction - 4%
DRAFT VERSION	1/20/17
ADDRESS	465 47th St, San Diego, CA
YEAR BUILT	2017
SITE ACREAGE	0.95
TOTAL UNITS/ACRE	43 (approximately 45 units/acre)
MSA / County	San Diego / San Diego
AREA MEDIAN INCOME	73,500
LAST AMGI INCREASE	3/1/16

UNIT MIX & RENTS

UNIT MIX	MANAGER	30% AMI	50% AMI	60% AMI	TOTAL
SRO/STUDIO	-	-	-	-	-
ONE BEDROOM	2	25	8	6	41
TWO BEDROOM	-	-	-	-	-
THREE BEDROOM	-	-	-	2	2
FOUR BEDROOM	-	-	-	-	-
TOTAL	2	25	8	8	43

RENTS

SRO/STUDIO	VASH/PBV	50% AMI	60% AMI	MARKET
ONE BEDROOM	1,074	756	1,251	1,300
TWO BEDROOM	-	-	-	-
THREE BEDROOM	-	-	-	-
FOUR BEDROOM	-	-	-	-

*Rents are net of Utility Allowances

INCOME & EXPENSE

	TOTAL	PER UNIT	% OF TOTAL
INCOME:			
GROSS POTENTIAL RENT (RESIDENTIAL)	\$507,924	\$11,812.19	
VACANCY/RENT ADJUSTMENTS (RESIDENTIAL)	\$25,678	\$597	
EFFECTIVE GROSS INCOME (RESIDENTIAL)	\$482,246	\$11,215	
OTHER INCOME	\$5,640	\$131	
VACANCY/RENT ADJUSTMENTS (COMMERCIAL)	\$0	\$0	
EFFECTIVE GROSS INCOME (COMMERCIAL)	\$0	\$0	
EFFECTIVE GROSS INCOME (BUILDING)	\$487,886	\$11,215	
EXPENSES:			
PROFESSIONAL MANAGEMENT	\$24,394	\$567	9.6%
ADMINISTRATIVE	\$15,500	\$360	6.1%
PAYROLL AND BENEFITS	\$97,345	\$2,264	38.2%
UTILITIES	\$42,000	\$977	16.5%
OPERATING & MAINTENANCE	\$36,700	\$853	14.4%
REAL ESTATE TAXES	\$0	\$0	0.0%
INSURANCE	\$10,755	\$250	4.2%
REPLACEMENT RESERVES	\$21,500	\$500	8.4%
OTHER (TAX CREDIT MONITORING)	\$6,450	\$150	2.5%
TOTAL EXPENSES	\$254,644	\$5,922	100.0%
NET OPERATING INCOME	\$233,242	\$5,424	
DEBT SERVICE	\$192,899	\$4,486	
NET PARTNERSHIP CASH FLOW	\$40,342	\$938	

SOURCES AND USES

SOURCES:	TOTAL	PER UNIT	% OF TOTAL
LIHTC EQUITY (\$1,000 per credit)	\$5,676,454	\$132,011	36.6%
CITI PERM LOAN (5.25%, 35 Yr. Am, 1.15 DSCR)	\$2,850,000	\$66,279	18.4%
GP Contribution	\$363,470	\$8,453	2.3%
Reserved	\$0	\$0	0.0%
RESERVED	\$0	\$0	0.0%
VHHP	\$3,525,000	\$81,977	22.7%
SDHC	\$3,114,524	\$72,431	20.1%
DEFERRED DEVELOPER FEE (\$1,400,000 PAID FEE)	\$0	\$0	0.0%
GRAND TOTAL SOURCES	\$15,529,447	\$361,150	100.0%
USES:			
ACQUISITION & CLOSING COSTS	\$0	\$0	0.0%
CONSTRUCTION COSTS	\$9,520,227	\$221,401	61.3%
PERMITS & FEES	\$853,255	\$19,843	5.5%
ARCHITECTURE & ENGINEERING	\$1,031,250	\$23,983	6.6%
TECHNICAL STUDIES	\$17,500	\$407	0.1%
OTHER SOFT COSTS	\$470,000	\$10,930	3.0%
RESERVES	\$1,027,716	\$23,900	6.6%
FINANCING COSTS	\$312,500	\$7,267	2.0%
INTEREST DURING CONSTRUCTION	\$375,000	\$8,721	2.4%
TAX EXEMPT BOND COSTS	\$133,000	\$3,093	0.9%
TAX CREDIT COSTS	\$25,530	\$594	0.2%
DEVELOPER FEE	\$1,763,470	\$41,011	11.4%
GRAND TOTAL DEVELOPMENT COSTS	\$15,529,447	\$361,150	100.0%

POST 310 - VHPH (8 VASH, 10 MHSA, 7 PBV)

Exhibit 1(c) - TIMING AND CASHFLOW ASSUMPTIONS

SECTION 3 - EQUITY ASSUMPTIONS

1	LIHTC EQUITY	1.00
2	INVESTOR	BOSTON CAPITAL
3	CREDIT PRICE	\$ 100
4	INVESTOR SHARE OF CREDITS & LOSSES	35.00%
5	OPERATING EXPENSE TAX RATE	35.00%
6	DEVELOPER TAX RATE	Yes
7	DDA/DCCT	Yes
8	TAX CREDIT FACTOR	3.23%
9	TAX CREDIT FACTOR AS OF DATE	1/7/17

SECTION 10 - DEBT ASSUMPTIONS

LENDER	CONSTRUCT		PERMANENT		REMOVED		VHPH		SBHC	
	LOAN AMOUNT	INDEX	LOAN AMOUNT	INDEX	REMOVED	REMOVED	REMOVED	REMOVED	REMOVED	REMOVED
1	\$5,000,000	5.250%	\$2,850,000	5.250%	\$ 363,210	0.000%	\$ 3,525,000	0.000%	\$ 3,114,524	3.000%
2		0.000%		0.000%		0.000%		0.000%		0.000%
3		0.000%		0.000%		0.000%		0.000%		0.000%
4		0.000%		0.000%		0.000%		0.000%		0.000%
5		0.000%		0.000%		0.000%		0.000%		0.000%
6		0.000%		0.000%		0.000%		0.000%		0.000%
7		0.000%		0.000%		0.000%		0.000%		0.000%
8		0.000%		0.000%		0.000%		0.000%		0.000%
9		0.000%		0.000%		0.000%		0.000%		0.000%
10		0.000%		0.000%		0.000%		0.000%		0.000%
11		0.000%		0.000%		0.000%		0.000%		0.000%
12		0.000%		0.000%		0.000%		0.000%		0.000%
13		0.000%		0.000%		0.000%		0.000%		0.000%
14		0.000%		0.000%		0.000%		0.000%		0.000%
15		0.000%		0.000%		0.000%		0.000%		0.000%
16		0.000%		0.000%		0.000%		0.000%		0.000%
17		0.000%		0.000%		0.000%		0.000%		0.000%
18		0.000%		0.000%		0.000%		0.000%		0.000%
19		0.000%		0.000%		0.000%		0.000%		0.000%
20		0.000%		0.000%		0.000%		0.000%		0.000%
21		0.000%		0.000%		0.000%		0.000%		0.000%
22		0.000%		0.000%		0.000%		0.000%		0.000%
23		0.000%		0.000%		0.000%		0.000%		0.000%
24		0.000%		0.000%		0.000%		0.000%		0.000%
25		0.000%		0.000%		0.000%		0.000%		0.000%
26		0.000%		0.000%		0.000%		0.000%		0.000%
27		0.000%		0.000%		0.000%		0.000%		0.000%
28		0.000%		0.000%		0.000%		0.000%		0.000%
29		0.000%		0.000%		0.000%		0.000%		0.000%
30		0.000%		0.000%		0.000%		0.000%		0.000%
31		0.000%		0.000%		0.000%		0.000%		0.000%
32		0.000%		0.000%		0.000%		0.000%		0.000%
33		0.000%		0.000%		0.000%		0.000%		0.000%
34		0.000%		0.000%		0.000%		0.000%		0.000%
35		0.000%		0.000%		0.000%		0.000%		0.000%
36		0.000%		0.000%		0.000%		0.000%		0.000%
37		0.000%		0.000%		0.000%		0.000%		0.000%
38		0.000%		0.000%		0.000%		0.000%		0.000%
39		0.000%		0.000%		0.000%		0.000%		0.000%
40		0.000%		0.000%		0.000%		0.000%		0.000%
41		0.000%		0.000%		0.000%		0.000%		0.000%
42		0.000%		0.000%		0.000%		0.000%		0.000%
43		0.000%		0.000%		0.000%		0.000%		0.000%
44		0.000%		0.000%		0.000%		0.000%		0.000%
45		0.000%		0.000%		0.000%		0.000%		0.000%
46		0.000%		0.000%		0.000%		0.000%		0.000%
47		0.000%		0.000%		0.000%		0.000%		0.000%
48		0.000%		0.000%		0.000%		0.000%		0.000%
49		0.000%		0.000%		0.000%		0.000%		0.000%
50		0.000%		0.000%		0.000%		0.000%		0.000%

CONSTRUCTION INTEREST ESTIMATE	\$472,500
18 MONTHS	\$768,750
AVERAGE OUTSTANDING BALANCE	\$480,625
CONSTRUCTION INTEREST	\$480,625

SOURCES AND USES

SOURCES:	TOTAL	PER UNIT	% OF TOTAL
LIHTC EQUITY (\$1,000 per credit)	\$5,000,000	\$132,011	36.5%
CITY PERMA LOAN (5.25%, 35 Yr. Am. 1.15 DSCR)	\$2,850,000	\$66,279	18.4%
GP Contribution	\$363,210	\$8,453	2.3%
REMOVED	\$0	\$0	0.0%
VHPH	\$3,525,000	\$81,977	22.7%
SBHC	\$3,114,524	\$77,431	20.1%
DEFERRED DEVELOPER FEE (\$1,400,000 PAID FEE)	\$0	\$0	0.0%
GRAND TOTAL SOURCES	\$15,529,447	\$361,150	100.0%

USES:	TOTAL	PER UNIT	% OF TOTAL
ACQUISITION & CLOSING COSTS	\$0	\$0	0.0%
CONSTRUCTION COSTS	\$9,520,227	\$221,407	61.3%
PERMITS & FEES	\$853,255	\$19,843	5.5%
CONSTRUCTION INTEREST	\$480,625	\$11,407	3.1%
TECHNICAL STUDIES	\$17,500	\$0	0.1%
OTHER SOFT COSTS	\$470,000	\$10,950	3.0%
RESERVES	\$1,027,716	\$23,900	6.6%
RESERVE COSTS	\$1,275,000	\$29,717	8.2%
INTEREST DURING CONSTRUCTION	\$480,625	\$11,407	3.1%
TAX EXEMPT BOND COSTS	\$333,000	\$7,693	2.1%
TAX CREDIT COSTS	\$25,530	\$594	0.2%
DEVELOPER FEE	\$1,763,470	\$41,011	11.4%
GRAND TOTAL DEVELOPMENT COSTS	\$15,529,447	\$361,150	100.0%

DCSR TEST	PROFORMA
NOI	\$7,144,514
DCSR	3.5
AMORTIZATION UNDERWRITING RATIO	5.25%
MAX LOAN (DCSR)	2,848,713.17
LTV TEST	233,241.54
NOI RATE	4.42
LTV CONSTRAINT	90.0%
MAX LOAN (LTV)	3,998,425.89
LTC TEST	15,529,447.25
LTC CONSTRAINT	12,233,557.80
MAX LOAN (LTC)	2,848,713.11

POST 310 - VHHP (8 VASH, 10 MHSA, 7 PBV)
DEVELOPMENT COSTS

	Unit Cost	Cost Direct	Total	Per Unit	% of Total	Sec. 43 Accounting	Sec. 43 New Con/Instab	Sec. 42 Indebth
RESERVES								
OPERATING RESERVE - INITIAL DEPOSIT	\$0		\$0				\$0	\$0
OPERATING RESERVE (VOUCHER UNITS)	\$23,727		\$23,727	\$2,372.7	0.6%		\$0	\$23,727
TRANSITION RESERVE (VOUCHER UNITS)	\$103,844		\$103,844	\$10,384.4	0.7%		\$0	\$103,844
OPERATING RESERVE (PER VOUCHERS)	\$700,000		\$700,000	\$70,000.0	4.5%		\$0	\$700,000
OTHER RESERVES	\$0		\$0				\$0	\$0
TOTAL RESERVES			\$1,027,571	\$102,757.1	6.8%		\$0	\$1,027,571
FINANCING COSTS								
CONSTRUCTION ORIGINATOR LOAN FEE	1.00%		\$50,000	\$5,000.0	0.3%		\$0	\$50,000
CONSTRUCTION INTEREST FEES	\$70,000		\$70,000	\$7,000.0	0.5%		\$0	\$70,000
PERMANENT LOAN CONVERSION FEE	\$10,000		\$10,000	\$1,000.0	0.1%		\$0	\$10,000
PERMANENT LENDER LEGAL	\$0		\$0	\$0.0	0.0%		\$0	\$0
PREREPAIRMENT LOAN INTEREST	\$0		\$0	\$0.0	0.0%		\$0	\$0
MORTGAGE BROKER FEE (Cont)	\$0		\$0	\$0.0	0.0%		\$0	\$0
SPIN ASSET MANAGEMENT FEE	\$15,000		\$15,000	\$1,500.0	0.1%		\$0	\$15,000
SPIN ORIGINATOR FEE	\$60,000		\$60,000	\$6,000.0	0.4%		\$0	\$60,000
SPIN CONSTRUCTION REVIEW FEE	\$7,200		\$7,200	\$720.0	0.0%		\$0	\$7,200
TOTAL FINANCING COSTS			\$112,000	\$11,200.0	0.8%		\$0	\$112,000
INTEREST DURING CONSTRUCTION								
Fixed (cont)	\$375,000		\$375,000	\$37,500.0	2.4%		\$387,500	\$187,500
TAX EXEMPT BOND COSTS								
BOND APPLICATION FEE	\$0		\$0	\$0.0	0.0%		\$0	\$0
ISSUER APPLICATION FEE	\$0		\$0	\$0.0	0.0%		\$0	\$0
TRUSTEE FEE	\$45,000		\$45,000	\$4,500.0	0.3%		\$0	\$45,000
BOND COUNSEL	\$45,000		\$45,000	\$4,500.0	0.3%		\$0	\$45,000
FINANCIAL ADVISOR	\$3,000		\$3,000	\$300.0	0.0%		\$0	\$3,000
RATING AGENCY	\$25,000		\$25,000	\$2,500.0	0.2%		\$0	\$25,000
AGENCY LEGAL	\$0		\$0	\$0.0	0.0%		\$0	\$0
BOND UNDERWRITER	\$0		\$0	\$0.0	0.0%		\$0	\$0
PLACEMENT AGENTS-COUNSEL	\$0		\$0	\$0.0	0.0%		\$0	\$0
OTHER (BOND CASH DEPOSIT)	\$0		\$0	\$0.0	0.0%		\$0	\$0
OTHER (OTHER COI)	\$0		\$0	\$0.0	0.0%		\$0	\$0
TOTAL TAX EXEMPT BOND COSTS			\$113,000	\$11,300.0	0.8%		\$0	\$113,000
TAX CREDIT COSTS								
TAX CREDIT APPLICATION FEE (ESTIMATE)	\$5,000		\$5,000	\$500.0	0.0%		\$0	\$5,000
COMPLIANCE MONITORING FEE	\$2,000		\$2,000	\$200.0	0.0%		\$0	\$2,000
LEGAL - TRANSACTIONAL	\$17,530		\$17,530	\$1,753.0	0.1%		\$0	\$17,530
LEGAL - LOCAL OPINION	\$0		\$0	\$0.0	0.0%		\$0	\$0
TOTAL TAX CREDIT COSTS			\$24,530	\$2,453.0	0.2%		\$0	\$24,530
BOND CLOSER FEE								
DEVELOPER FEE ON ACQUISITION	\$5,000		\$5,000	\$500.0	0.0%		\$0	\$5,000
DEVELOPER FEE ON REPAIR/NEW CONST.	\$15,000		\$15,000	\$1,500.0	0.1%		\$0	\$15,000
TOTAL DEVELOPER FEE			\$20,000	\$2,000.0	0.1%		\$0	\$20,000
GRAND TOTAL DEVELOPMENT COSTS			\$1,559,571	\$155,957.1	100%		\$1,559,571	\$1,559,571

POST 310 - VHP (8 VASH, 10 MHSA, 7 PBV)

Exhibit 2 - OPERATING BUDGET

Y1 BUDGET			
Input	Cost Driver	Total	Per Unit
		\$487,886	\$11,346

4/1/19

STABILIZED BUDGET	Per Unit
\$502,688	\$11,690

Comments

EFFECTIVE GROSS INCOME (BUILDING)

5.00%	of EGI	\$24,394	\$567
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EXPENSES:

PROFESSIONAL MANAGEMENT

ADMINISTRATIVE

ACCOUNTING	Total	\$2,500	\$58
ADVERTISING	Total	\$2,000	\$47
OFFICE SUPPLIES	Total	\$2,500	\$58
TELEPHONE	Total	\$3,000	\$70
LEGAL	Total	\$2,500	\$58
CONSULTANTS	Total	\$2,000	\$47
MISC ADMIN	Total	\$1,000	\$23
TOTAL ADMINISTRATIVE	Total	\$15,500	\$360

PAYROLL AND BENEFITS

MANAGER SALARY	Total	\$33,000	\$767
MAINTENANCE SALARY	Total	\$40,000	\$930
LEASING SALARY	Total	\$0	\$0
PAYROLL TAXES	Total	\$10,585	\$246
WORKER'S COMP	Total	\$8,760	\$204
EMPLOYEE BENEFITS	Total	\$5,000	\$116
TOTAL PAYROLL AND BENEFITS	Total	\$97,345	\$2,264

UTILITIES

CABLE	Total	\$0	\$0
GAS	Total	\$2,000	\$47
ELECTRICITY	Total	\$10,000	\$233
WATER	Total	\$15,000	\$349
SEWER	Total	\$7,500	\$174
GARBAGE	Total	\$7,500	\$174
TOTAL UTILITIES	Total	\$42,000	\$977

OPERATING & MAINTENANCE

REPAIR - CONTRACT	Total	\$10,000	\$233
REPAIR - SUPPLIES	Total	\$5,000	\$116
JANITORIAL	Total	\$3,600	\$84
TURNOVER	Total	\$7,500	\$174
ELEVATOR	Total	\$6,000	\$140
LANDSCAPING	Total	\$2,400	\$56
PEST CONTROL	Total	\$1,200	\$28
SECURITY	Total	\$0	\$0
MISC O&M	Total	\$1,000	\$23
TOTAL OPERATING AND MAINTENANCE	Total	\$36,700	\$853

	\$25,126	\$584
	\$2,575	\$60
	\$2,060	\$48
	\$2,575	\$60
	\$3,090	\$72
	\$2,575	\$60
	\$2,060	\$48
	\$1,030	\$24
	\$15,965	\$371

	\$33,990	\$790
	\$41,200	\$958
	\$0	\$0
	\$10,903	\$254
	\$9,023	\$210
	\$5,150	\$120
	\$100,265	\$2,332

	\$0	\$0
	\$2,060	\$48
	\$10,300	\$240
	\$15,450	\$359
	\$7,725	\$180
	\$7,725	\$180
	\$43,260	\$1,006

	\$10,300	\$240
	\$5,150	\$120
	\$3,708	\$86
	\$7,725	\$180
	\$6,180	\$144
	\$2,472	\$57
	\$1,236	\$29
	\$0	\$0
	\$1,030	\$24
	\$37,801	\$879

POST 310 - VHHP (8 VASH, 10 MHSA, 7 PBV)

Exhibit 2 - OPERATING BUDGET

	Y1 BUDGET			Per Unit
	Input	Cost Driver	Total	
TAXES AND INSURANCE				
REAL ESTATE TAXES	\$0		\$0	\$0
INSURANCE	\$9,675		\$9,675	\$225
MISC TAXES AND INSURANCE	\$1,080		\$1,080	\$25
TOTAL TAXES AND INSURANCE	\$10,755		\$10,755	\$250
REPLACEMENT RESERVES	\$500		\$21,500	\$500
OTHER (TAX CREDIT MONITORING)	\$150		\$6,450	\$150
TOTAL EXPENSES			\$254,644	\$5,922
NET OPERATING INCOME			\$233,242	\$5,424

	4/1/19		Per Unit
	STABILIZED	BUDGET	
TAXES AND INSURANCE			
REAL ESTATE TAXES	\$0	\$0	\$0
INSURANCE	\$9,965	\$9,965	\$232
MISC TAXES AND INSURANCE	\$1,112	\$1,112	\$26
TOTAL TAXES AND INSURANCE	\$11,078	\$11,078	\$258
REPLACEMENT RESERVES	\$22,145	\$22,145	\$515
OTHER (TAX CREDIT MONITORING)	\$6,644	\$6,644	\$155
TOTAL EXPENSES	\$262,284	\$262,284	\$6,100
NET OPERATING INCOME	\$240,404	\$240,404	\$5,591

Comments

POST 310 - VHHP (8 VASH, 10 MHSA, 7 PBV)
ANNUAL CASH FLOW

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
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INCOME:																	
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GROSS POTENTIAL RENT (RESIDENTIAL)	\$507,924	\$507,924	\$523,162	\$536,241	\$549,647	\$563,388	\$577,473	\$591,909	\$606,707	\$621,875	\$637,422	\$653,357	\$669,691	\$686,434	\$703,594	\$721,184	\$739,214
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OTHER INCOME	\$5,640	\$5,809	\$5,983	\$6,163	\$6,348	\$6,538	\$6,734	\$6,936	\$7,145	\$7,359	\$7,580	\$7,807	\$8,041	\$8,283	\$8,531	\$8,787	\$9,051
LAUNDRY & VENDING	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
LATE/NSF FEES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FORFEITED SECURITY DEPOSITS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PARKING	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
STORAGE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
INTEREST INCOME	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PET FEES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OTHER MISC INCOME	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL OTHER INCOME	\$5,640	\$5,809	\$5,983	\$6,163	\$6,348	\$6,538	\$6,734	\$6,936	\$7,145	\$7,359	\$7,580	\$7,807	\$8,041	\$8,283	\$8,531	\$8,787	\$9,051

VACANCY/RENT ADJUSTMENTS (RESIDENTIAL)	\$25,079	\$25,657	\$26,457	\$27,120	\$27,800	\$28,496	\$29,210	\$29,942	\$30,693	\$31,462	\$32,250	\$33,058	\$33,887	\$34,736	\$35,606	\$36,499	\$37,413
CONCESSIONS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL VACANCIES/RENT ADJUSTMENTS	\$25,079	\$25,657	\$26,457	\$27,120	\$27,800	\$28,496	\$29,210	\$29,942	\$30,693	\$31,462	\$32,250	\$33,058	\$33,887	\$34,736	\$35,606	\$36,499	\$37,413

EFFECTIVE GROSS INCOME (BUILDING)	\$487,581	\$488,141	\$502,688	\$515,284	\$528,195	\$541,430	\$554,997	\$568,904	\$583,159	\$597,772	\$612,751	\$628,106	\$643,846	\$659,980	\$676,519	\$693,473	\$710,851
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EXPENSES:																	
PROFESSIONAL MANAGEMENT	\$24,494	\$24,492	\$25,134	\$25,764	\$26,410	\$27,071	\$27,750	\$28,445	\$29,158	\$29,899	\$30,638	\$31,405	\$32,192	\$32,999	\$33,826	\$34,674	\$35,543

ADMINISTRATIVE	\$2,050	\$2,575	\$2,652	\$2,732	\$2,814	\$2,898	\$2,985	\$3,075	\$3,167	\$3,262	\$3,360	\$3,461	\$3,564	\$3,671	\$3,781	\$3,895	\$4,012
ACCOUNTING	\$2,000	\$2,040	\$2,122	\$2,185	\$2,251	\$2,319	\$2,388	\$2,460	\$2,534	\$2,610	\$2,688	\$2,768	\$2,852	\$2,937	\$3,025	\$3,116	\$3,209
ADVERTISING	\$2,000	\$2,575	\$2,652	\$2,732	\$2,814	\$2,898	\$2,985	\$3,075	\$3,167	\$3,262	\$3,360	\$3,461	\$3,564	\$3,671	\$3,781	\$3,895	\$4,012
OFFICE SUPPLIES	\$3,000	\$3,090	\$3,183	\$3,278	\$3,371	\$3,478	\$3,582	\$3,690	\$3,800	\$3,914	\$4,032	\$4,153	\$4,277	\$4,406	\$4,538	\$4,674	\$4,814
TELEPHONE	\$2,500	\$2,575	\$2,652	\$2,732	\$2,814	\$2,898	\$2,985	\$3,075	\$3,167	\$3,262	\$3,360	\$3,461	\$3,564	\$3,671	\$3,781	\$3,895	\$4,012
LEGAL	\$2,000	\$2,060	\$2,122	\$2,185	\$2,251	\$2,319	\$2,388	\$2,460	\$2,534	\$2,610	\$2,688	\$2,768	\$2,852	\$2,937	\$3,025	\$3,116	\$3,209
CONSULTANTS	\$1,000	\$1,000	\$1,093	\$1,126	\$1,161	\$1,199	\$1,240	\$1,284	\$1,331	\$1,381	\$1,434	\$1,490	\$1,548	\$1,608	\$1,671	\$1,736	\$1,802
MISC ADMIN	\$15,500	\$15,965	\$16,444	\$16,937	\$17,445	\$17,969	\$18,508	\$19,063	\$19,635	\$20,224	\$20,831	\$21,456	\$22,099	\$22,762	\$23,445	\$24,148	\$24,873
TOTAL ADMINISTRATIVE	\$33,050	\$33,990	\$34,660	\$35,142	\$35,660	\$36,216	\$36,810	\$37,442	\$38,114	\$38,826	\$39,578	\$40,370	\$41,202	\$42,074	\$42,986	\$43,938	\$44,930

PAYROLL AND BENEFITS	\$405,938	\$411,203	\$424,436	\$437,709	\$451,020	\$464,371	\$477,762	\$491,195	\$504,671	\$519,191	\$533,757	\$549,369	\$565,030	\$580,741	\$597,500	\$615,319	\$634,188
MANAGER SALARY	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MAINTENANCE SALARY	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
LEASING SALARY	\$10,583	\$10,903	\$11,230	\$11,567	\$11,914	\$12,271	\$12,639	\$13,018	\$13,409	\$13,811	\$14,225	\$14,652	\$15,092	\$15,544	\$16,011	\$16,491	\$16,986
PAYROLL TAXES	\$8,760	\$9,023	\$9,293	\$9,572	\$9,859	\$10,155	\$10,474	\$10,774	\$11,097	\$11,430	\$11,773	\$12,126	\$12,490	\$12,864	\$13,250	\$13,648	\$14,057
WORKER'S COMP	\$5,000	\$5,150	\$5,305	\$5,464	\$5,628	\$5,796	\$5,970	\$6,149	\$6,334	\$6,524	\$6,720	\$6,921	\$7,129	\$7,343	\$7,563	\$7,790	\$8,024
EMPLOYEE BENEFITS	\$07,943	\$100,265	\$103,273	\$106,372	\$109,563	\$112,850	\$116,235	\$119,722	\$123,314	\$127,013	\$130,824	\$134,748	\$138,791	\$142,954	\$147,243	\$151,660	\$156,210
TOTAL PAYROLL AND BENEFITS	\$405,938	\$411,203	\$424,436	\$437,709	\$451,020	\$464,371	\$477,762	\$491,195	\$504,671	\$519,191	\$533,757	\$549,369	\$565,030	\$580,741	\$597,500	\$615,319	\$634,188

UTILITIES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CABLE	\$2,000	\$2,060	\$2,122	\$2,185	\$2,251	\$2,319	\$2,388	\$2,460	\$2,534	\$2,610	\$2,688	\$2,768	\$2,852	\$2,937	\$3,025	\$3,116	\$3,209
GAS	\$10,000	\$10,300	\$10,609	\$10,927	\$11,255	\$11,593	\$11,941	\$12,309	\$12,688	\$13,078	\$13,477	\$13,884	\$14,299	\$14,722	\$15,154	\$15,595	\$16,047
ELECTRICITY	\$15,000	\$15,408	\$15,914	\$16,427	\$16,948	\$17,476	\$18,011	\$18,554	\$19,104	\$19,661	\$20,225	\$20,796	\$21,374	\$21,958	\$22,548	\$23,144	\$23,747
WATER	\$7,000	\$7,225	\$7,457	\$7,695	\$7,939	\$8,188	\$8,442	\$8,699	\$8,961	\$9,228	\$9,500	\$9,778	\$10,061	\$10,349	\$10,641	\$10,938	\$11,239
SEWER	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
GARBAGE	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
TOTAL UTILITIES	\$44,000	\$44,588	\$45,538	\$46,589	\$47,741	\$48,994	\$50,349	\$51,705	\$53,062	\$54,520	\$56,079	\$57,739	\$59,500	\$61,362	\$63,326	\$65,393	\$67,564

POST 310 - VHHP (8 VASH, 10 MHSA, 7 PBV)
ANNUAL CASH FLOW

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
OPERATING & MAINTENANCE																		
REPAIR - CONTRACT	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
REPAIR - SUPPLIES	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
JANITORIAL	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
TURNOVER	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
ELEVATOR	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
LANDSCAPING	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
PEST CONTROL	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
SECURITY	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MISC O&M	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
TOTAL OPERATING AND MAINTENANCE	\$36,700	\$37,000	\$38,000	\$40,000	\$41,306	\$42,545	\$43,822	\$45,136	\$46,490	\$47,885	\$49,322	\$50,801	\$52,325	\$53,895	\$55,512	\$57,177	\$58,893	

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
TAXES AND INSURANCE																		
REAL ESTATE TAXES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
INSURANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MISC TAXES AND INSURANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL TAXES AND INSURANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
REPLACEMENT RESERVES	\$21,500	\$21,500	\$21,500	\$21,500	\$21,500	\$21,500	\$21,500	\$21,500	\$21,500	\$21,500	\$21,500	\$21,500	\$21,500	\$21,500	\$21,500	\$21,500	\$21,500	\$21,500
OTHER (TAX CREDIT MONITORING)	\$6,450	\$6,450	\$6,450	\$6,450	\$6,450	\$6,450	\$6,450	\$6,450	\$6,450	\$6,450	\$6,450	\$6,450	\$6,450	\$6,450	\$6,450	\$6,450	\$6,450	\$6,450
TOTAL EXPENSES	\$63,650	\$64,950	\$65,950	\$67,950	\$69,306	\$70,995	\$72,922	\$74,996	\$77,190	\$79,535	\$82,042	\$84,751	\$87,625	\$90,665	\$93,874	\$97,177	\$100,843	

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
NET OPERATING INCOME	\$23,050	\$23,050	\$23,050	\$23,050	\$23,050	\$23,050	\$23,050	\$23,050	\$23,050	\$23,050	\$23,050	\$23,050	\$23,050	\$23,050	\$23,050	\$23,050	\$23,050	\$23,050
HARD DEBT SERVICE & BOND ADMIN FEE	\$202,899	\$202,899	\$202,899	\$202,899	\$202,899	\$202,899	\$202,899	\$202,899	\$202,899	\$202,899	\$202,899	\$202,899	\$202,899	\$202,899	\$202,899	\$202,899	\$202,899	\$202,899
NET PARTNERSHIP CASH FLOW	\$32,149	\$32,149	\$32,149	\$32,149	\$32,149	\$32,149	\$32,149	\$32,149	\$32,149	\$32,149	\$32,149	\$32,149	\$32,149	\$32,149	\$32,149	\$32,149	\$32,149	\$32,149
PARTNERSHIP MANAGEMENT FEES																		
LP ASSET MANAGEMENT FEE	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
PARTNERSHIP MANAGEMENT FEE	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
TOTAL PARTNERSHIP FEES	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
DEFERRED DEVELOPER'S FEE																		
BEGINNING BALANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
INTEREST ON BALANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PAYMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ENDING BALANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
RESIDUAL RECEIPTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
7 PBV - SUPPORTIVE SERVICES RESERVE DRAW																		
BEGINNING BALANCE	\$700,000	\$653,333	\$606,667	\$560,000	\$513,333	\$466,667	\$420,000	\$373,333	\$326,667	\$280,000	\$233,333	\$186,667	\$140,000	\$93,333	\$46,667	\$0	\$0	\$0
DRAW DOWN	-\$46,667	-\$46,667	-\$46,667	-\$46,667	-\$46,667	-\$46,667	-\$46,667	-\$46,667	-\$46,667	-\$46,667	-\$46,667	-\$46,667	-\$46,667	-\$46,667	-\$46,667	-\$46,667	-\$46,667	-\$46,667
ENDING BALANCE	\$653,333	\$606,667	\$560,000	\$513,333	\$466,667	\$420,000	\$373,333	\$326,667	\$280,000	\$233,333	\$186,667	\$140,000	\$93,333	\$46,667	\$0	\$0	\$0	\$0

POST 310 - VHHP (8 VASH, 10 MHSA, 7 PBV)
 Exhibit 3 - CALCULATION OF TAX CREDITS

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TOTAL ELIGIBLE BASIS (FROM COST PAGE)

Acq. Basis	\$0	New Const/Rehab Basis	\$13,519,936
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THRESHOLD BASIS CALCULATION

	4% Basis Limits - 2016	5% Basis Limits - 2016	Unadjusted Threshold Basis
SRO/Studio	\$311,096	\$187,338	\$0
1 BR	\$243,304	\$170,732	\$9,979,154
2 BR	\$293,600	\$252,600	\$0
3 BR	\$375,808	\$324,608	\$751,376
4 BR	\$418,674	\$361,684	\$0
TOTAL			10,730,770

BASIS ADJUSTMENTS

Driver	Adjustment	Basis Adjustment	
PREVAILING WAGE	YES	20%	2,146,154
NEW CONSTRUCTION STRUCTURED PARKING	YES	7%	751,154
DAY CARE	NO	0%	-
100% SPECIAL NEEDS	NO	0%	-
EMPLOYED UNITS	YES	10%	1,073,077
ENERGY EFFICIENCY	YES	10%	1,073,077
IMPACT FEES PAID BY MUNICIPALITY	amount	\$0.00	-
36-50% AMI	YES	100%	10,730,770
35% AMI & UNDER	NO	0%	-
SEISMIC UPGRADES	NO	\$0.00	-
RENEWABLE ENERGY	YES	0%	-
TOTAL ADJUSTMENT TO THRESHOLD BASIS LIMIT			15,774,232

TOTAL ELIGIBLE BASIS (LESSER OF UNADJUSTED THRESHOLD BASIS OR ELIGIBLE BASIS)

Acq. Basis	\$0	New Const/Rehab Basis	\$13,519,936
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(LESS) INELIGIBLE AMOUNTS

RAW PROCEEDS			
NON-QUALIFIED FINANCING			
NON-QUALIFIED RECURSE FINANCING			
NON-QUALIFYING PORTION OF HIGHER QUALITY UNITS			
HISTORIC TAX CREDIT (RESIDENTIAL)			
TOTAL INELIGIBLE AMOUNTS			\$0
(LESS) VOLUNTARY REDUCTION			
TOTAL BASIS REDUCTION	50		\$0
TOTAL REQUESTED UNADJUSTED ELIGIBLE BASIS			\$13,519,936
HIGH COST AREA ADJUSTMENT (DDA/OCT)	100%		\$0
TOTAL ADJUSTED ELIGIBLE BASIS			\$13,519,936
APPLICABLE FRACTION	100%		\$0
QUALIFIED BASIS			\$13,519,936
APPLICABLE PERCENTAGE	3.23%		\$436,792
SUBTOTAL ANNUAL FEDERAL CREDIT	50		\$567,702
COMBINED ANNUAL FEDERAL CREDIT			\$567,702
TEN YEAR CREDITS			\$5,677,021
INVESTOR'S SHARE OF CREDITS			99.99%
CREDIT PRICE			\$1,00
TOTAL LIHTC EQUITY			\$5,676,454
TOTAL ELIGIBLE BASIS FOR STATE CREDITS			
CREDIT FACTOR			
CREDIT PRICE			
TOTAL STATE CREDIT EQUITY			\$0
TOTAL STATE & FEDERAL CREDITS			\$0



PROPOSED LOAN NON-BINDING COMMITMENT TERMS SUMMARY

The Post 310 Apartments
465 N.47th Street ("Property")
January 27, 2017

The San Diego Housing Commission ("Housing Commission") is pleased to submit this non-binding commitment term summary. The commitment terms summary is not a binding contract and is subject to the approval by the San Diego Housing Commission Board of Commissioners and the Housing Authority of the City of San Diego. The purpose of this commitment terms summary is to set forth the general terms and conditions under which the Housing Commission is interested in making a loan ("Housing Commission Loan") to a limited partnership of which Hitzke Development Corporation, or an affiliate thereof ("Hitzke") is general partner with respect to the Property. Closing must occur within eighteen (18) months of Housing Authority of the City of San Diego approval of the Housing Commission loan, unless an extension is granted by the President & CEO of the Housing Commission (or by his designee) in his sole discretion. In the event of a conflict between any term or provision (or absence of any term or provision) of this commitment terms summary and any term or provision of any approval of any applicable board or governing body, the term or provision of such board or governing body shall apply. Provided that the Housing Commission loan is approved by the Housing Authority of the City of San Diego, the following terms shall apply to the Housing Commission loan. In addition, Exhibit A includes the Borrower's Proforma which models financial Projections of the Project.

The terms of the Housing Commission's proposed financing will be as follows:

1. **Maximum loan amount (not to exceed)** – Up to \$3,114,524 as a residual receipts loan. Loan funds to be used for the construction and permanent financing of the Project.
2. **Interest Rate** – 3 percent simple interest.
3. **Loan Terms** - The loan will be due in 55 years from completion of the Project. Annual payments on the loan shall equal the 50% percent of the project's residual cash. Provided, however, if the Housing Commission approves other lenders whose loans will be paid from residual receipts, then the Housing Commission and such other approved lenders shall share the 50% percent of the project's residual receipts, in proportion to the original principal balances of their respective loans. Developer shall be required to deposit 35 percent of the developer's portion of residual receipts into an operating reserve. The following items, in addition to other operating expenses, shall be payable by the Borrower prior to the calculation of residual receipts: (i) a limited partner asset management fee not to exceed \$3,500 per year, (ii) a co-general partner cumulative partnership management fee not to exceed \$16,500, (iii) deferred developer fee, and (iv) repayment of development deficit and operating deficit loans. The Housing Commission Loan will be due and payable in full in 55 years.
4. **Affordability** –
 - a. Restricted units must remain affordable for at least 55 years.

- b. At closing the Borrower and the Housing Commission shall cause a Declaration of Covenants, Conditions, and Restrictions (CC&R), restricting the rent and occupancy of the affordable units for 55 years, to be recorded against the Project. Such CC&R shall be in a form and format acceptable to the Housing Commission and its General Counsel in their sole discretions.
- c. The affordability shall be as follows:

Unit Type	AMI	Affordable Units
1 Bedroom	30%	25
1 Bedroom	50%	8
1 Bedroom	60%	7
3 Bedroom	60%	2
3 Bedroom Manager Unit	N/A	1
Total		43

The Housing Commission will evaluate the substitution of a restricted 3 bedroom unit for an unrestricted 3 bedroom maintenance unit.

- 5. **Appraised Value** – Not applicable; not a land sale.
- 6. **Closing Costs** - The Borrower shall pay all escrow, title and closing costs, including, without limitation, paying for an American Land Title Association (ALTA) Lenders Policy for the Housing Commission loan with endorsements, as acceptable to the Housing Commission’s legal counsel.
- 7. **Construction/Rehabilitation Costs Third-Party Review** – Prior to loan approval a costs review will be obtained by the Housing Commission by a third party consultant. Borrower will reimburse the Housing Commission at escrow closing for all reasonable third-party-review costs.
- 8. **Contractor** – The construction contract shall be competitively bid to at least three qualified General Contractors or three qualified subcontractors for each major trade involved in the construction of the Project. Contracts shall be awarded to the lowest qualified and responsive bidder.
 - a. Borrower will submit copies of three qualified bids received from General Contractors or subcontractors.
 - b. Construction Agreement – Borrower shall submit the proposed Construction Agreement to the Housing Commission for its review and prior approval. The Housing Commission shall have a minimum of two weeks for its review of the proposed Construction agreement.
 - c. Change orders at or in excess of \$50,000 shall have Housing Commission prior written approval.
 - d. Agreement Changes - a Construction Agreement with a Guaranteed Maximum Price (GMP) may not be revised to a Lump Sum or other form of Construction Agreement without the prior written approval of the Housing Commission.

- e. Insurance – prior to close of escrow, evidence of insurance acceptable to the Housing Commission’s legal counsel shall be provided. The Housing Commission, the Housing Authority of the City of San Diego, and the City of San Diego, shall be named as additional insureds on the Contractor’s insurance policies.
9. **Cost Certification** - The Borrower shall submit the final tax credit cost certification to the Housing Commission for its review and approval prior to final issuance.
10. **Cost Savings and/or Additional Proceeds at Escrow Closing** - In the event that the Borrower obtains funds in excess of those shown as sources in Exhibit A Proforma, then upon construction loan closing, the excess funds shall be used as follows:
- a. First, excess funds shall be used to fund development cost overruns reasonably approved by the Housing Commission.
 - b. Second, upon Construction Loan Closing and subject to lender and investor approval, any excess funds shall be used to adjust the Housing Commission Loan as set forth in Section 11 below.

If other public lenders require cost savings sharing then the cost savings shall be split proportionately based upon the public lenders loan amounts and in conformance with the other public lenders’ agreements.

11. **Cost Savings and/or Additional Proceeds at Conversion to Permanent Financing** - In the event that the Borrower obtains funds in excess of those shown as sources in Exhibit A Proforma, (including but not limited to cost savings, improved debt, improved tax credit equity pricing, deferred developer fee if any, and any other sources), then upon conversion to permanent loan, the excess funds shall be used as follows:
- a. First, to pay for development cost overruns reasonably approved by the Housing Commission.
 - b. Second, cost savings will be shared fifty percent (50%) to the Borrower and the other fifty percent (50%) will be paid to the Housing Commission and other soft lenders in proportion to the original principal balance of their loans to reduce the amount of their soft loans.
12. **Debt Service/Project Feasibility** – Prior to closing, subject to lender and equity investor underwriting criteria, the Housing Commission Loan amount will be adjusted to an amount necessary for the Project to model feasibility through year-16.
13. **Developer Fee** –
- a. Maximum Fee - \$1,400,000
 - b. The Housing Commission will consider increasing the developer fee above the \$1,400,000 maximum fee for the purpose of increasing the Projects eligible basis and generating additional low income housing tax credits. Developer fee above the maximum fee must be contributed back to the project as a source of permanent financing. Contributions serving as a source of permanent financing shall be structured as a capital contribution (“Capital Contribution”) or subordinate deferred developer fee (“Subordinate Deferred

Developer Fee”). Any permanent sources of financing structured as a Subordinate Deferred Developer Fee shall receive payments from the Borrowers share of residual cash. Subordinate Deferred Developer Fee must be paid or contributed to the project prior to the expiration of the tax credit compliance period.

- c. Additional developer fee provisions -
 - i. If for any reason the Borrower does not collect the entire developer fee through the last equity installment, with the exception of amounts resulting from negative tax credit adjusters, uncollected fee up to \$1,400,000 shall be given priority over Housing Commission residual receipt payments.
 - ii. If any amount of the developer fee is deferred, then such amount shall be repaid during the 15-year tax credit compliance period. Amounts outstanding after the expiration of the 15-year tax credit compliance period shall be contributed to the Project in the form of a capital contribution.
- d. Developer fee payments shall be paid out incrementally: because this is a tax credit projects, the developer fee payments shall be in accordance with lender and investor requirements.

14. **Due Diligence** – The borrower, at borrower’s expense, shall provide the following: an appraisal, environmental review, and prevailing wage consultant/monitor.

15. **Environmental Requirements** – Currently HOME funds are planned for this project. Notwithstanding any provision of this Letter, the parties agree and acknowledge that this Letter constitutes a conditional reservation and does not represent a final commitment of HOME funds or site approval under 24 CFR Part 58 of the National Environmental Policy Act (NEPA). HOME funds constitute a portion of the funding for the Project, and a final reservation of HOME funds shall occur only upon satisfactory completion of environmental review and receipt by the City of San Diego of a Release Of Funds from the U.S. Department of Housing and Urban Development under 24 CFR Part 58 of NEPA. The parties agree that the provision of any HOME funds to the Project is conditioned on the City of San Diego’s determination to proceed with, modify or cancel the Project based on the results of subsequent environmental review under NEPA. By execution of this Letter, you acknowledge no legal claim to any amount of HOME funds to be used for the Project or site unless and until the site has received environmental clearance under NEPA. You are also prohibited from undertaking or committing any funds to physical or choice-limiting actions, including property acquisition, demolition, movement, clearance, rehabilitation, conversion, repair or construction prior to environmental clearance under NEPA. Violation of this provision may result in denial of any HOME funds for this Project.

16. **Fees/Payments to Housing Commission** – Borrower will pay to the Housing Commission:

- a) **Underwriting Fee** – a flat underwriting fee in the amount of **\$60,000** will be charged for each project as reimbursement of Housing Commission costs related to underwriting and issuing the loan. This must be included in the total development cost of a proposed project and is to be paid at close of escrow.

- b) Legal Fee – the Housing Commission charges a legal costs fee for document preparation and review that must be included in the total development cost. Current Housing Commission legal fees are **\$25,000** and are to be paid at the close of escrow. City Attorney’s legal costs are estimated at **\$2,500** and are paid at close of escrow.
- c) Compliance Monitoring Fee – compliance monitoring fees must be incorporated into the operating proforma. Borrower will pay the fee in accordance with the then-existing Housing Commission fee schedule.
- d) Asset Management Fee – the Housing Commission charges a 15-year capitalized asset management fee of **\$15,000** and is paid at close of escrow.
- e) Third-Party Construction Review – the Housing Commission requires a third-party review of the construction costs/budget to determine the reasonableness of construction costs. The third-party reviewer will be selected by the Housing Commission and paid for by the borrower. Current fees are an estimated **\$7,500** paid by the developer at close of escrow.
- f) Third-Party Development Capacity Review – for projects proposing a Housing Commission loan the Housing Commission requires a third-party review of the developer’s capacity and the project financial feasibility. The third-party reviewer will be selected by the Housing Commission and paid for by the borrower. Current fees are an estimated **\$10,000** and are to be paid at close of escrow.
- g) Bond Financing Fees - the borrower is responsible for the payment of all costs under the bond financing including:
 1. The Housing Commission’s .0025 bond amount issuer fee (25 bps) at closing and paid annually until conversion to permanent financing (estimated at **\$9,000,000 X .0025 = \$22,500**); and
 2. The Housing Commission’s annual bond administrative fee after conversion to permanent financing shall be the **greater of \$10,000 or 12.5 basis points** bonds of the initial amount of outstanding bonds upon conversion to permanent financing. Such fee is to be paid on the annual anniversary date of initial bond issuance

17. **Fees for Asset Management** (amounts not to exceed)-

- a. Asset management fees related to the investor and general partner’s management of the Project shall not exceed **\$20,000** in the first year of operations and shall not increase more than 3.0% annually.
- b. Unpaid General Partner fees shall not accrue. The Housing Commission will require the Limited Partnership Agreement to explicitly state this requirement.

18. **Financing Gap** - The Borrower will cover any financing gap that arises after Housing Commission underwriting, with its equity, its developer fee, and/or other non-Housing Commission sources, all of which shall be subject to the approval of the Housing Commission in its sole discretion and will not be unreasonably withheld.

19. **Funding Sources** – The Housing Commission may fund the Housing Commission Loan from various sources including local, State, and/or federal funds including HOME Investment Partnership Program funds. The Housing Commission reserves the right to allocate available program funds in the best interest of the Housing Commission. Borrower should be familiar with the HOME programs rules and regulations, Federal Davis Bacon law and Section 3.

20. **HOME Investment Partnerships (HOME) Funds** –

Currently there are HOME funds planned for this project. It is estimated that the project will need to have **twenty (20) HOME restricted units.**

- a. HOME program regulations will be applicable.
- b. HOME funds may not be used to fund any of the following:
 - i) Any reserves are not eligible for HOME funds (including but not limited to operating reserves).
 - ii) Offsite improvements are not eligible for funding with HOME funds.
 - iii) Furnishings costs are not eligible for funding with HOME funds.
 - iv) Commercial space improvements are not eligible for funding with HOME funds.
- c. The HOME IDIS funding system requires at least one HOME draw in a 12 month period and at least of small portion of the HOME funds must remain in the IDIS system until the project is ready for occupancy.

21. **Insurance** - Borrower shall at all times during the term of the loan maintain General Liability and Property Insurance (fire and extended coverage), workers compensation, builder's completed value risk insurance against "all risks of physical loss" (during construction) and, if required by the Housing Commission, floor and earthquake insurance, in forms acceptable to the Housing Commission and approved by the Housing Commission's General Counsel. The San Diego Housing Commission, the Housing Authority of the City of San Diego, and the City of San Diego shall be listed as an additional insured for General Liability Insurance and Property Insurance and the San Diego Housing Commission shall be endorsed as a loss payee of the private insurance. Evidence of borrower's insurance coverage shall be provided to the Housing Commission prior to close of escrow.

22. **Loan Disbursement Schedule** – Upon submittal and approval of eligible costs, the Housing Commission Loan (up to **\$3,114,524**) will be disbursed as follows:

- Up to 75 percent (**\$2,335,893**) at escrow closing.
 - Up to 15 percent (**\$467,179**) to be distributed at 50 percent construction completion,
 - Up to 5 percent (**\$155,726**) to be withheld until the issuance of a Certificate of Occupancy and all unconditional lien releases are forwarded to the Housing Commission.
 - Up to 5 percent (**\$155,726**) upon conversion to permanent financing.
- a. The Housing Commission's President and Chief Executive Officer, or his designee, is authorized to modify the Housing Commission loan disbursement schedule in their sole reasonable discretion.
 - b. A portion of the HOME program funds must be withheld until issuance of a Certificate of Occupancy and all unconditional lien releases are forwarded to the Housing Commission.
 - c. Loan proceeds are disbursed for work completed upon Housing Commission approval of payment requests in a form approved by the Housing Commission. Verifiable documentation of expenses must be submitted with all payment requests.

23. **Management of the Development** -

- a. **Management Plan** – Prior to occupancy the Borrower shall submit a Management Plan to the Housing Commission for its review and approval. The Management Plan shall be subject to initial and periodic approval by the Housing Commission, in its reasonable discretion.
- b. **Approval of Management Fee** – The Borrower’s proposed property manager’s fee must be approved by the Housing Commission.
- c. The Housing Commission reserves the right to declare Borrower in default of the loan agreement after an uncured ninety (90) day written notice of malfeasance and/or misfeasance in management of the Project.
- d. **Manager’s Units** – Experienced on-site management is required. There shall be one manager’s unit.

24. **Maximum Resident Service Expenses** –

- a. For the calculation of Housing Commission’s residual receipts the maximum allowable resident supportive services expenses including services related to Permanent Supportive Housing units shall be funded through an upfront service reserve calculated at 7 units X \$7,000 per year X 10 years (with a no annual escalator) as shown in the Attachment A.

25. **Nine Percent (9%) Tax Credits** – Not applicable.

26. **Annual Budget Submittal** – three months prior to the end of each calendar year, the borrower shall submit an annual budget for Housing Commission review and prior approval.

27. **Permanent Supportive Housing** – The Borrower has received a preliminary commitment of Project Based Vouchers (PBV) from the Housing Commission. The Borrower shall be solely responsible for all actions necessary, and use best efforts to enter into an Agreement to Enter Into a Housing Assistance Payment Contract and Housing Assistance Payment Contract with the Housing Commission.

28. **Prevailing Wage** – It is anticipated that the Project will be subject to Federal Davis-Bacon prevailing wage rates based upon the Project Based Vouchers and the proposed funding sources committed by the Housing Commission.

29. **Recourse** - The Housing Commission’s loan will be recourse until the timely completion of the construction, after which it will become non-recourse.

30. **Reserves**: Replacement reserves and operating reserves must be consistent with lender and equity investor requirements. The Housing Commission reserves the right to require higher operating or replacement reserves.

- a. **Replacement Reserve** – The annual replacement reserve will be **\$21,500** (\$500 per unit per year).
- b. **Operating Reserve** – The attached proforma models a capitalized operating reserve at **\$223,772** at conversion to permanent financing.

- c. Transition Reserve - The attached proforma models a transition reserve per the requirements of the State of California Department of Housing and Community Development at **\$103,944**.
 - d. Disbursements from Reserves: Housing Commission prior written approval shall be required for any and all disbursements from either the project's operating reserve funds and/or from the project's replacement reserve funds.
31. **Section 3** - of the HUD Act of 1968 will be applicable and Borrower should be familiar with, and remain in compliance with, all Section 3 requirements.
32. **Security** - The Housing Commission Loan will be secured by a Declaration of Covenants, Conditions and Restrictions (CC&R), a Loan Agreement, and a Deed of Trust which will be senior to the deeds of trust and security instruments securing all other sources of funds secured by the Property, except that the Housing Commission's CC&R and Deed of Trust shall be subordinated to:
- a) The deed of trust and security instruments securing the construction and permanent loan.
 - b) Lien position - The lien positions will be approved by the Housing Commission's President and CEO and the Housing Commission's General Counsel. It is intended that the lien positions will be conformance with the public lenders' program requirements, and the requirements of private lenders which may require Housing Commission subordination.
 - c) Cure Rights – The Housing Commission shall have the right, but not the obligation, to cure all senior encumbrances in all subordinating agreements that it executes. All subordination agreements shall be subject to the sole approval of the Housing Commission's President and Chief Executive Officer and General Counsel.
33. **Tenant Service Delivery Plan** – Borrower shall submit a draft tenant service delivery plan 90-days prior to occupancy for Housing Commission staff review and comment. Borrower shall submit a revised draft incorporating Housing Commission comment prior to occupancy of the first tenant. A final tenant service deliver plan shall be subject to the approval of the Housing Commission intis reasonable discretion and will not be unreasonably withheld prior to project lease up.
34. **Title (ALTA Lender's Policy)** – The Borrower shall acquire, at its sole cost and expense, ALTA Lender's Policies for the loan with endorsements acceptable to the Housing Commission insuring the Housing Commission's loan.
35. **Miscellaneous Additional Conditions** - The Housing Commission reserves the right to impose such additional conditions in the final documentation of the transaction as are reasonably necessary to protect the interests of the Housing Commission and fulfill the intent of this letter.
36. **Exhibit A - Proforma** - is attached hereto and is hereby incorporated.

If the Borrower is willing to proceed on the terms and conditions referenced herein, please execute this letter of intent and return it to the undersigned by **January 31, 2017**, so that this letter of intent may be attached to the Housing Commission Board report.

ACKNOWLEDGED AND AGREED TO BY:

Post 310 San Diego LP

By: _____ 

Print Name: Ginger Hitzke _____

Title: General Partner _____

Date: 1/31/17 _____

Attachment: Proforma

ATTACHMENT 7
HOUSING COMMISSION MULTIFAMILY
HOUSING REVENUE BOND PROGRAM
SUMMARY

General Description: The multifamily housing bond program provides below-market financing (based on bond interest being exempt from income tax) for developers willing to set aside a percentage of project units as affordable housing. Multifamily housing revenue bonds are also known as "private activity bonds" because the projects are owned by private entities, often including nonprofit sponsors and for-profit investors.

Bond Issuer: Housing Authority of the City of San Diego. There is no direct legal liability to the City, the Housing Authority or the Housing Commission in connection with the issuance or repayment of bonds. There is no pledge of the City's faith, credit or taxing power nor of the Housing Authority's faith and credit. The bonds do not constitute a general obligation of the issuer because security for repayment of the bonds is limited to specific private revenue sources, such as project revenues. The developer is responsible for the payment of costs of issuance and all other costs under each financing.

Affordability: Minimum requirement is that at least 20% of the units are affordable at 50% of Area Median Income (AMI). Alternatively, a minimum of 10% of the units may be affordable at 50% AMI with an additional 30% of the units affordable at 60% AMI. The Housing Commission requires that the affordability restriction be in place for a minimum of 15 years. Due to the combined requirements of state, local, and federal funding sources, projects financed under the Bond Program are normally affordable for 30-55 years and often provide deeper affordability levels than the minimum levels required under the Bond Program.

Rating: Generally "AAA" or its equivalent with a minimum rating of "A" or, under conditions that meet IRS and Housing Commission requirements, bonds may be unrated for private placement with institutional investors (typically, large banks). Additional security is normally achieved through the provision of outside credit support ("credit enhancement") by participating financial institutions that underwrite the project loans and guarantee the repayment of the bonds. The credit rating on the bonds reflects the credit quality of the credit enhancement provider.

Approval Process:

- Inducement Resolution: The bond process is initiated when the issuer (Housing Authority) adopts an "Inducement Resolution" to establish the date from which project costs may be reimbursable from bond proceeds (if bonds are later issued) and to authorize staff to work with the financing team to perform a due diligence process. The Inducement Resolution does not represent any commitment by the Housing Commission, Housing Authority, or the developer to proceed with the financing.

- TEFRA Hearing and Resolution (Tax Equity and Fiscal Responsibility Act of 1982): To assure that projects making use of tax-exempt financing meet appropriate governmental purposes and provide reasonable public benefits, the IRS Code requires that a public hearing be held and that the issuance of bonds be approved by representatives of the governmental unit with jurisdiction over the area in which the project is located (City Council). This process does not make the City financially or legally liable for the bonds or for the project.

[Note: It is uncommon for the members of the City Council to be asked to take two actions at this stage in the bond process---one in their capacity as the City Council (TEFRA hearing and resolution) and another as the Housing Authority (bond inducement). Were the issuer (Housing Authority) a more remote entity, the TEFRA hearing and resolution would be the only opportunity for local elected officials to weigh in on the project.]

- Application for Bond Allocation: The issuance of these "private activity bonds" (bonds for projects owned by private developers, including projects with nonprofit sponsors and for-profit investors) requires an allocation of bond issuing authority from the State of California. To apply for an allocation, an application approved by the Housing Authority and supported by an adopted inducement resolution and by proof of credit enhancement (or bond rating) must be filed with the California Debt Limit Allocation Committee (CDLAC). In addition, evidence of a TEFRA hearing and approval must be submitted prior to the CDLAC meeting.
- Final Bond Approval: The Housing Authority retains absolute discretion over the issuance of bonds through adoption of a final resolution authorizing the issuance. Prior to final consideration of the proposed bond issuance, the project must comply with all applicable financing, affordability, and legal requirements and undergo all required planning procedures/reviews by local planning groups, etc.
- Funding and Bond Administration: All monies are held and accounted for by a third party trustee. The trustee disburses proceeds from bond sales to the developer in order to acquire and/or construct the housing project. Rental income used to make bond payments is collected from the developer by the trustee and disbursed to bond holders. If rents are insufficient to make bond payments, the trustee obtains funds from the credit enhancement provider. No monies are transferred through the Housing Commission or Housing Authority, and the trustee has no standing to ask the issuer for funds.

Bond Disclosure: The offering document (typically a Preliminary Offering Statement or bond placement memorandum) discloses relevant information regarding the project, the developer, and the credit enhancement provider. Since the Housing Authority is not responsible in any way for bond repayment, there are no financial statements or summaries about the Housing Authority or the City that are included as part of the offering document. The offering document includes a paragraph that states that the

Housing Authority is a legal entity with the authority to issue multifamily housing bonds and that the Housing Commission acts on behalf of the Housing Authority to issue the bonds. The offering document also includes a paragraph that details that there is no pending or threatened litigation that would affect the validity of the bonds or curtail the ability of the Housing Authority to issue bonds. This is the extent of the disclosure required of the Housing Authority, Housing Commission, or the City. However, it is the obligation of members of the Housing Authority to disclose any material facts known about the project, not available to the general public, which might have an impact on the viability of the project.