ITEM 2

REQUEST FOR HOUSING AUTHORITY ACTION CITY OF SAN DIEGO		CERTIFICATE NUMBER (FOR COMPTROLLER'S USE ONLY)
TO: CITY COUNCIL	FROM (ORIGINATING DEPARTMENT): Housing Commission	DATE: 6/28/2017
SUBJECT: Preliminary Bond Authorization for The Post 310 Apartments		
PRIMARY CONTACT (NAME, PHONE): Ted Miyahara,(619) 578-7550	SECONDARY CONTACT (NAME, PHONE): ,	

COMPLETE FOR ACCOUNTING PURPOSES

FUND					
FUNCTIONAL AREA					
COST CENTER					
GENERAL LEDGER ACCT					
WBS OR INTERNAL ORDER					
CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00
FUND					
FUNCTIONAL AREA					
COST CENTER					
GENERAL LEDGER ACCT					
WBS OR INTERNAL ORDER					
CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00

COST SUMMARY (IF APPLICABLE): 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.
Please refer to staff report for further information.

ROUTING AND APPROVALS

CONTRIBUTORS/REVIEWERS:		APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
Liaison Office		ORIG DEPT.	Davis, Jeff	06/28/2017
		CFO		
		DEPUTY CHIEF	Graham, David	07/06/2017
		COO		
		CITY ATTORNEY	Slegers, Nathan	07/18/2017
		COUNCIL PRESIDENTS OFFICE		

PREPARATION OF: ☒ RESOLUTIONS ☐ ORDINANCE(S) ☐ AGREEMENT(S) ☐ DEED(S)

That the Housing Authority of the City of San Diego (Housing Authority) take the following actions, as described in this report.

1) Approve the following steps to issue Housing Authority tax-exempt Multifamily Housing Revenue Bonds for this development, including:

<table>
<tr><td colspan="2">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 310 Apartments, 42 affordable rental housing units, including 25 for homeless Veterans, to be located at 465 N. 47th Street, San Diego, which will remain affordable for 55 years;
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 310 Apartments;
c. Approve a bond financing team of Quint & Thimmig as bond counsel, and CSG Advisors as bond financial advisor; and

2) Authorize the San Diego Housing Commission (Housing Commission) President & Chief Executive Officer (President & CEO), or designee, to execute any and all documents that are necessary to effectuate the transaction and implement these approvals 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.</td></tr>
<tr><td colspan="2">STAFF RECOMMENDATIONS:
Approve requested actions.</td></tr>
<tr><td colspan="2">SPECIAL CONDITIONS (REFER TO A.R. 3.20 FOR INFORMATION ON COMPLETING THIS SECTION)</td></tr>
<tr><td>COUNCIL DISTRICT(S):</td><td>4</td></tr>
<tr><td>COMMUNITY AREA(S):</td><td></td></tr>
<tr><td>ENVIRONMENTAL IMPACT:</td><td>The actions being taken at this time involve only consideration of a 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. Please refer to staff report for further information.</td></tr>
<tr><td>CITY CLERK INSTRUCTIONS:</td><td>Please docket this item for the Regular Housing Authority meeting of Tuesday, August, 1, 2017.
This item requires companion City Council action.</td></tr>
</table>

HOUSING AUTHORITY ACTION
EXECUTIVE SUMMARY SHEET
CITY OF SAN DIEGO

DATE: 6/28/2017
ORIGINATING DEPARTMENT: Housing Commission
SUBJECT: Preliminary Bond Authorization for The Post 310 Apartments
COUNCIL DISTRICT(S): 4
CONTACT/PHONE NUMBER: Ted Miyahara/(619) 578-7550

DESCRIPTIVE SUMMARY OF ITEM:
Take initial steps to issue Housing Authority of the City of San Diego, tax-exempt Multifamily Housing Revenue Bonds to facilitate the new construction of 42 affordable rental housing units, including 25 for homeless Veterans, to be located at 465 N. 47th Street, San Diego, which will remain affordable for 55 years.
STAFF RECOMMENDATION:
Approve requested actions.
EXECUTIVE SUMMARY OF ITEM BACKGROUND:
The Post 310 Apartments development is supported by HOUSING FIRST – SAN DIEGO, the Housing Commission's 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.

CITY STRATEGIC PLAN GOAL(S)/OBJECTIVE(S): N/A

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.

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).

EQUAL OPPORTUNITY CONTRACTING INFORMATION (IF APPLICABLE): N/A

PREVIOUS COUNCIL and/or COMMITTEE ACTION (describe any changes made to the item from what was presented at committee):
On February 10, 2017, the Housing Commission's Board of Commissioners approved a residual receipts loan of up to $3,114,524 and recommended that the Housing Authority take the initial steps to issue up to $9,000,000 in Multifamily Housing Revenue Bonds for the new construction of The Post 310.

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 AND 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.

Davis, Jeff
Originating Department

Graham, David
Deputy Chief/Chief Operating Officer

SAN DIEGO HOUSING COMMISSION

SDHC

REPORT TO THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO

DATE ISSUED: June 29, 2017 **REPORT NO**: HAR17-003

ATTENTION: Chair and Members of the Housing Authority of the City of San Diego
For the Agenda of August 1, 2017

SUBJECT: Preliminary Bond Authorization for The Post 310 Apartments

COUNCIL DISTRICT: 4

REQUESTED ACTION

Take initial steps to issue Housing Authority of the City of San Diego, tax-exempt Multifamily Housing Revenue Bonds to facilitate the new construction of 42 affordable rental housing units, including 25 for homeless Veterans, to be located at 465 N. 47th Street, San Diego, which will remain affordable for 55 years.

STAFF RECOMMENDATIONS

That the Housing Authority of the City of San Diego (Housing Authority) take the following actions, as described in this report.

1. Approve the following 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 310 Apartments, 42 affordable rental housing units, including 25 for homeless Veterans, to be located at 465 N. 47th Street, San Diego, which will remain affordable for 55 years;
   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 310 Apartments;
   c) Approve a bond financing team of Quint & Thimmig as bond counsel, and CSG Advisors as bond financial advisor; and

2. Authorize the San Diego Housing Commission (Housing Commission) President & Chief Executive Officer (President & CEO), or designee, to execute any and all documents that are necessary to effectuate the transaction and implement these approvals 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.

SUMMARY

The Post 310 Apartments development is supported by HOUSING FIRST – SAN DIEGO, the

Housing Commission's 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.

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 and affordable 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	41 one-bedroom units, 2 three-bedroom units inclusive of one manager 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 new construction of 42 affordable rental housing units, including 25 for homeless Veterans, and one manager's unit. 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 the owner of the affordable development, Post 310 Housing San Diego LP, a California limited partnership (PSD). PSD 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, the Multifamily Housing Revenue Bonds proceeds cannot 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 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. 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 Entry System (CES) 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 CES and maintain client data in an HMIS as required by the Housing Commission.

Sustainability Features

The Post 310 will be constructed in conformance with California Tax Credit Allocation Committee, (TCAC) minimum energy efficiency standards.

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.

Prevailing Wages

The Post 310's use of Federal Section 8 Project-Based Housing Vouchers and HOME Investment Partnerships Program funds will require payment of Federal prevailing wages.

Development Team

The project will be owned by Post 310 Housing San Diego LP, a California limited partnership (PSD). 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)). 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, provides 58 units of permanent supportive housing.
- 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 310 development.

Table 2 Development Team Summary

ROLE	FIRM/CONTACT
Developer	Hitzke Development Corporation
Borrower Administrative General Partner Managing General Partner Limited Partner	The Post 310 Housing San Diego, LP Hitzke Development Housing Innovation Partners Boston Capital
Architect	Foundation for Form
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 Housing Commission (Attachment 4).

FINANCING STRUCTURE

Housing Commission Loan

The co-developers submitted a request for a $3,114,524 Housing Commission residual receipts loan, which was approved by the Housing Commission Board of Commissioners on February 10, 2017 (HCR17-011)

Veterans Affairs Supportive Housing (VASH) Voucher Program

The Housing Commission has committed 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.

Veteran Housing Homeless Prevention Program (VHHP) Loan Funds

The California Department of Housing and Community Development (HCD) awarded the development $3,525,000 on June 12, 2017.

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	
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 loan	3,114,524	Financing costs	846,030	19,675
General Partner Contribution	363,470	Soft Costs	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**

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

The proposed fee structure is pursuant to the Request for Approval of Updated Developer Fees, approved by the Housing Commission Board on March 10, 2017 (HCR17-022) and the Housing Authority of the City of San Diego on April 25, 2017 (HAR17-011).

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 ÷ 43 units =	$361,150
Housing Commission Subsidy Per Unit	$3,114,524 ÷ 43 units =	$72,431
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

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 310.

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.

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 2017 San Diego Regional Homeless Point-In-Time Count identified a total of 5,619 total homeless individuals in the City of San Diego, of which 3,231 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 received a commitment 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 42 units will be affordable to tenants with income levels ranging from: 30 percent to 60 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%	8	$892
3 Bedroom	60%	1	$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:
Bond Issuance Fees - $8,438
Total Funding Sources - up to $8,438

Funding uses approved by this action will be as follows:
Administrative Costs - up to $8,438
Total Funding Uses - up to $8,438

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:

Milestones	Estimated Dates
• Housing Authority Preliminary Bond & TEFRA Approval	• August 1, 2017
• TCAC Application	• September 15, 2017
• CDLAC Application	• September 16, 2017
• TCAC & CDLAC allocation meeting	• November 15 , 2017
• Housing Commission final bond authorization	• November 17, 2017
• Housing Authority final bond authorization	• December 12 2017
• Estimated bond issuance and escrow closing	• December 2017
• Estimated completion of construction work	• January 2019

PREVIOUS COUNCIL and/or COMMITTEE ACTION
On February 10, 2017, the Housing Commission's Board of Commissioners approved a residual receipts loan of up to $3,114,524 and recommended that the Housing Authority take the initial steps to issue up to $9,000,000 in Multifamily Housing Revenue Bonds for the new construction of The Post 310.

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 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.

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
Senior Real Estate Project Manager
Real Estate Division

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. 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 Administrative General Partner Managing General Partner Limited Partner	The Post Housing, LP Hitzke Development Housing Innovation Partners 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

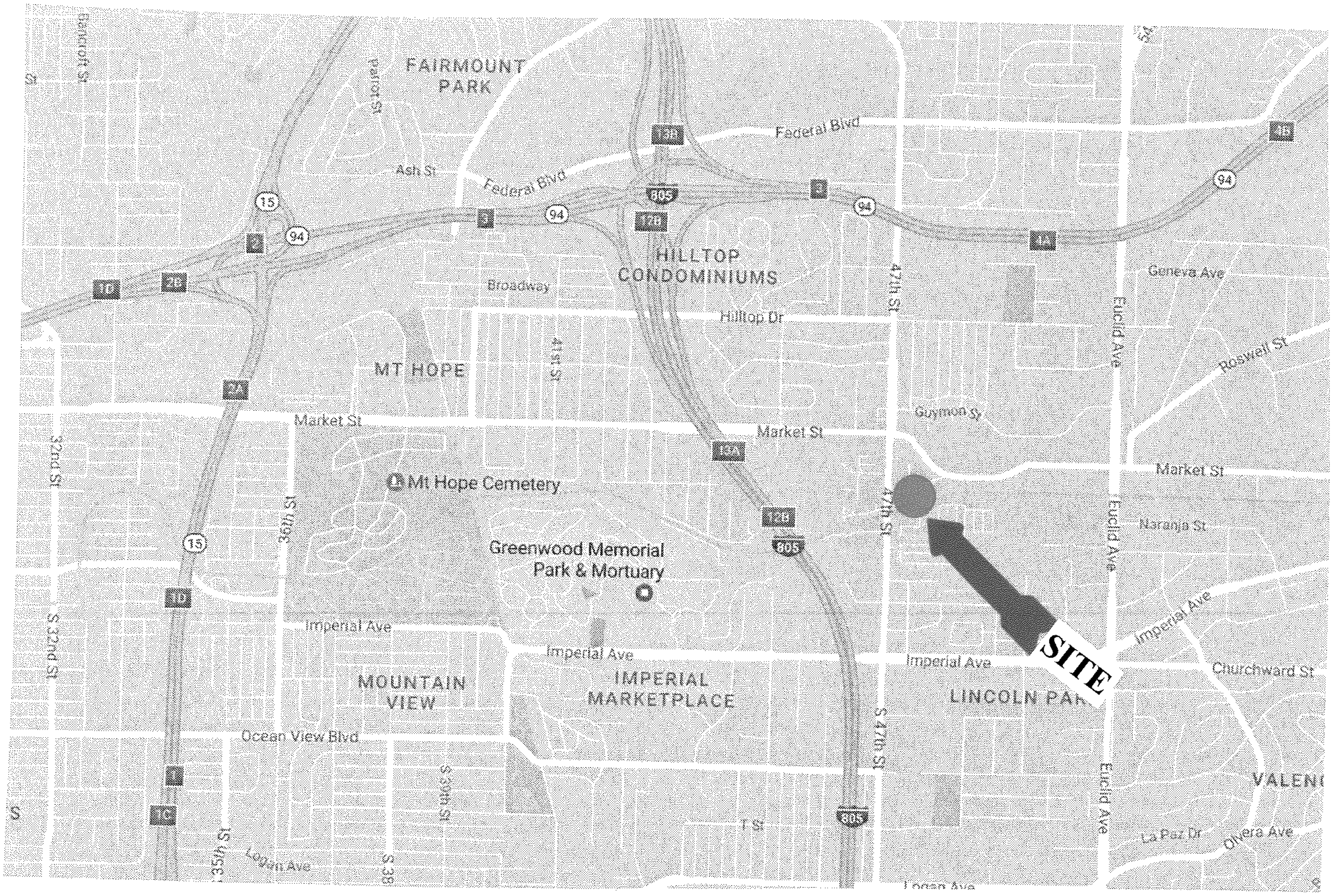
Table 5 - Comparable Development Projects

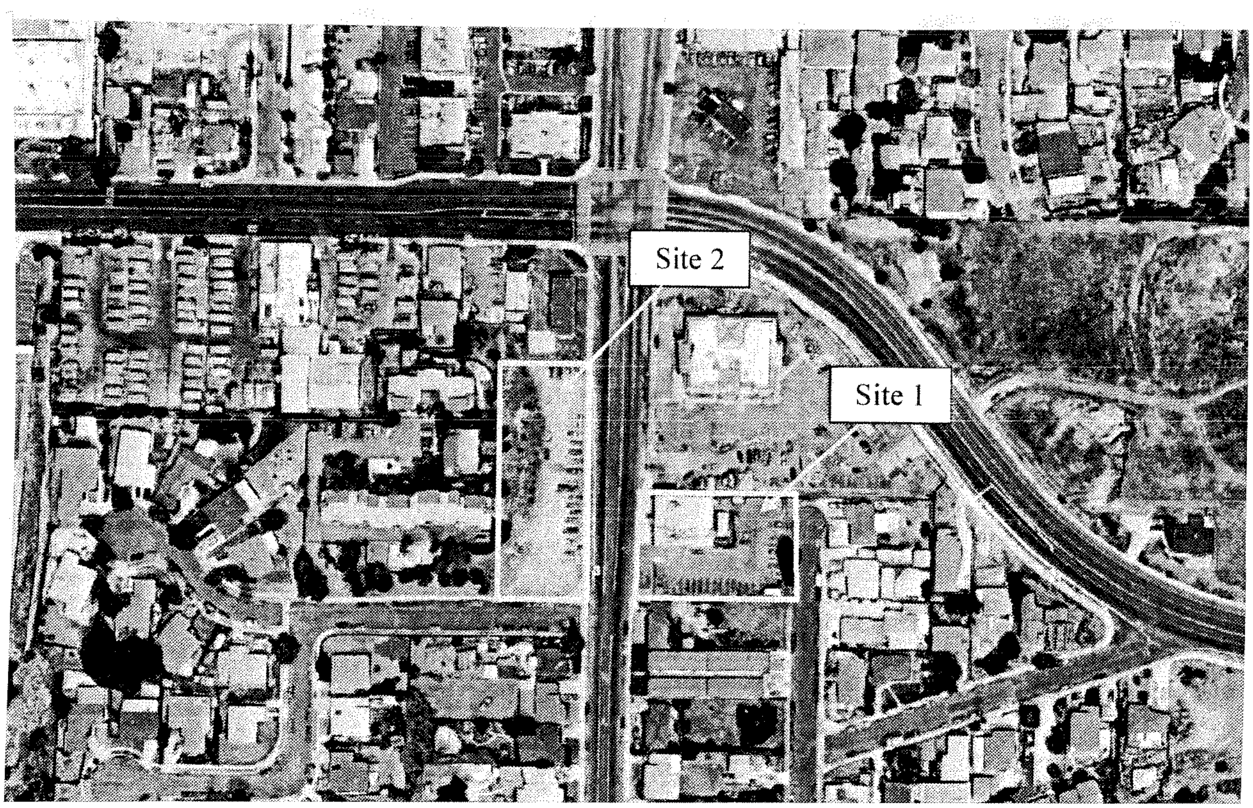
Project Name	Year	Construction Type	Units	Prevailing Wages	Total Development Cost	Cost Per Unit	HC Subsidy Per Unit	Gross Hard Cost Sq. Ft.
Subject – The Post	**2017**	**V**	**43**	**Yes**	**$15,529,447**	**$361,150**	**$72,431**	**$310**
Cypress	2015	V Over III	63	Yes	$20,420,000	$324,127	$54,762	$299
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

Table 6 Affordability and Monthly Estimated Rent

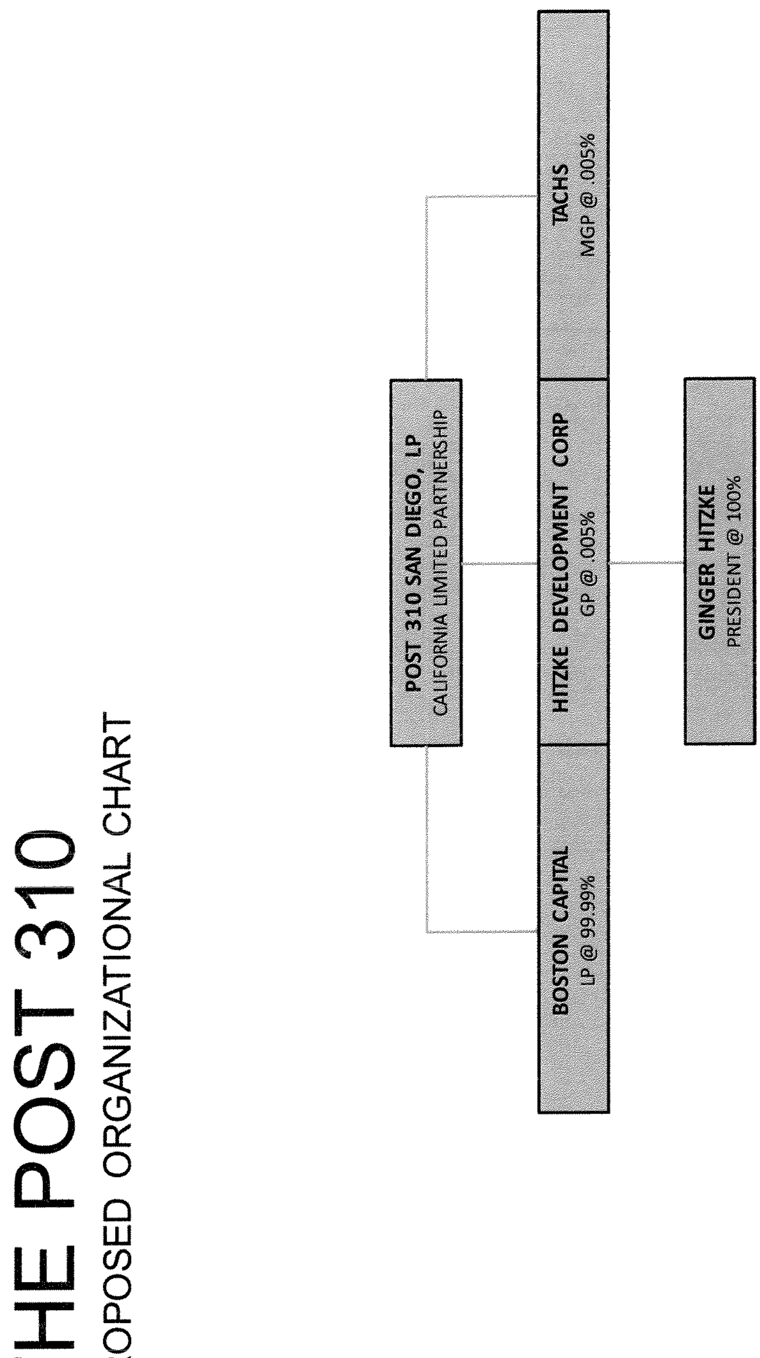
Unit Type	AMI	Unit Count	TCAC Gross Rent
1 Bedroom	30%	25	$446
1 Bedroom	50%	8	$743
1 Bedroom	60%	8	$892
3 Bedroom	60%	1	$1275
3 Bedroom Manager	n/a	1	
Total		43	

ATTACHMENT 2 – SITE MAPS





ATTACHMENT 3 – ORGANIZATION 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

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

PROJECT SUMMARY

DRAFT DATE: 1/20/17

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 (aproximately 45 units/acre)	
MSA / County	San Diego	San Diego
AREA MEDIAN INCOME	73,500	73,500
LAST AMGI INCREASE	3/1/16	

INCOME & EXPENSE

INCOME:	TOTAL	PER UNIT	% OF TOTAL
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**	
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%
UTILITES	$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**	

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	-	-	-	-	-
	2	**25**	**8**	**8**	**43**

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

***Rents are net of Utility Allowances**

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

Exhibit 1(a) - GENERAL PROJECT ASSUMPTIONS

GENERAL INFORMATION

GENERAL INFORMATION	
DRAFT DATE	1/20/17
PROJECT NAME	POST 310 - VHHP (8 VASH, 10 MHSA, 7 PBV)
ADDRESS	465 N 47TH STREET
MSA/COUNTY	SAN DIEGO
AREA MEDIAN INCOME	$73,500
LAST AMGI INCREASE	3/7/15
SPONSOR	HITZKE DEVELOPMENT CORP
CONSTURCITON TYPE	2 STORY OVER 55 SPACE GARAGE
PROJECT TYPE	LIHTC APARTMENTS
YEAR BUILT	2018
SITE ACERAGE	0.95
FAR/ZONING	
TOTAL UNITS/ACRE	43 (aproximately 45 units/acre)

SITE YIELD ESTIMATE		
SITE SF		41,260
LOT COVERAGE		67%
BUILDING FLOORPLATE		18,100
NUMBER OF FLOORS		3.00
GROSS BUILDING AREA		52,030
COMMON AREA EFFICIENCY		50%
TARGET NET RENTABLE		26,015
Actual NRSF		23,000
OFFICE/RETAIL	0%	-
RESIDENTIAL	100%	26,015
ACQUISITION PRICE	$0	-

UNIT MIX & AFFORDABLITY

UNIT MIX	Total Units	Unrct. Manager	Rentable Units
SRO/STUDIO	-	-	-
1 BEDROOM	41	-	41
2 BEDROOM	-	-	-
3 BEDROOM	2	2	-
4 BEDROOM	-	-	-
TOTAL/AVG	43	2	41

			LIHTC UNITS						
	Units @ Market	Proj Based Voucher	Units @ 30%	Units @ 35%	Units @ 40%	Units @ 45%	Units @ 50%	Units @ 55%	Units @ 60%
AFFORDABILITY	0%	61%	0%	0%	0%	0%	20%	0%	20%
SRO/STUDIO	-	-	-	-	-	-	-	-	-
1 BEDROOM	-	25	-	-	-	-	8	-	8
2 BEDROOM	-	-	-	-	-	-	-	-	-
3 BEDROOM	-	-	-	-	-	-	-	-	-
4 BEDROOM	-	-	-	-	-	-	-	-	-
TOTAL AVG	-	25	-	-	-	-	8	-	8

PROJECT INCOME ASSUMPTIONS

RESIDENTIAL INCOME

NUMBER OF BEDS	NUMBER OF BATHS	NUMBER OF UNITS	RENT LEVEL	UNIT AREA (SF)	TOTAL AREA (SF)	GROSS LIHTC MAX RENT	UTILITY ALLOWANCE	NET LIHTC MAX RENT	ELECTED RENT	% BELOW MARKET	RENT PER SF	MONTHLY INCOME
1 BD VASH	1	8	30%	500	4,000	$1,288	37	$1,251	$1,251	0.00%	$2.50	$10,008
1 BD PBV	1	17	30%	500	8,500	$1,074	$37	$1,037	$1,037	0.00%	$2.07	$17,629
1 BD	1	8	50%	500	4,000	$796	$37	$759	$759	0.00%	$1.52	$6,072
1 BD	1	8	60%	500	4,000	$956	$37	$919	$919	0.00%	$1.84	$7,352
0	0	-			-	$0	$0	$0	$0	0.00%	$0.00	$0
0	0	-			-	$0	$0	$0	$0	0.00%	$0.00	$0
0	0	-			-	$0	$0	$0	$0	0.00%	$0.00	$0
0	0	-			-	$0	$0	$0	$0	0.00%	$0.00	$0
0	0	-			-	$0	$0	$0	$0	0.00%	$0.00	$0
0	0	-			-	$0	$0	$0	$0	0.00%	$0.00	$0
0	0	-			-	$0	$0	$0	$0	0.00%	$0.00	$0
0	0	-			-	$0	$0	$0	$0	0.00%	$0.00	$0
0	0	-			-	$0	$0	$0	$0	0.00%	$0.00	$0
0	0	-			-	$0	$0	$0	$0	0.00%	$0.00	$0
0	0	-			-	$0	$0	$0	$0	0.00%	$0.00	$0
0	0	-			-	$0	$0	$0	$0	0.00%	$0.00	$0
0	0	-			-	$0	$0	$0	$0	0.00%	$0.00	$0
0	0	-			-	$0	$0	$0	$0	0.00%	$0.00	$0
0	0	-			-	$0	$0	$0	$0	0.00%	$0.00	$0
3BR	1	1	MAINT	1,250	1,250	$1,326	$60	$1,266	$1,266	0.00%	$1.01	$1,266
3BR	0	1	MGR	1,250	1,250	$0	$0	$0	$0	0.00%	$0.00	$0
-	42	43		535	23,000	$1,021	$37	5,232	$984		$1.84	$42,327
											ANNAUL INCOME:	$507,924

UTILITY ALLOWANCE	0	1	2	3	4
HEATING (G)	$0	$0	$0	$0	$0
HEATING (E)	$0	$13	$0	$16	$0
COOKING (G)	$0	$0	$0	$0	$0
COOKING (E)	$0	$5	$0	$10	$0
WATER (G)	$0	$0	$0	$0	$0
WATER (E)	$0	$0	$0	$0	$0
OTHER (E)	$0	$19	$0	$34	$0
TOTAL	$0	$37	$0	$60	$0

UNIT TYPE	CURRENT RENTS	POST REHAB RENTS	MARKET RENTS
STUDIO	$0.00	$0.00	$0.00
1 BEDROOM	$0.00	$0.00	$1,300.00
2 BEDROOM	$0.00	$0.00	$0.00
3 BEDROOM	$0.00	$0.00	$2,150.00
4 BEDROOM	$0.00	$0.00	$0.00

	START MONTH	RENT GROWTH	RES. VACANCY	COMM. VACANCY
YEAR 1	1/1/15	3.00%	5.00%	5.00%
YEAR 2	1/1/16	3.00%	5.00%	5.00%
YEAR 3	1/1/17	3.00%	5.00%	5.00%
YEAR 4	1/1/18	3.00%	5.00%	5.00%
YEAR 5	1/1/19	3.00%	5.00%	5.00%

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

Exhibit 1(c) - TIMING AND CASHFLOW ASSUMPTIONS

SECTION 9: EQUITY ASSUMPTIONS

LIHTC EQUITY

INVESTOR	BOSTON CAPITAL
CREDIT PRICE	$ 1.00
INVESTOR SHARE OF CREDITS & LOSSES	99.99%
CORPORATE TAX RATE	35.00%
DDA/QCT	Yes
TAX CREDIT FACTOR	3.23%
TAX CREDIT FACTOR AS OF DATE	1/1/17

SECTION 10: DEBT ASSUMPTIONS

	CONSTRUCTI		PERMANENT					
LENDER	CITI		CITI	GP Contribution	Reserved	RESERVED	VHHP	SDHC
LOAN AMOUNT	$9,000,000		$2,850,000	$ 363,470			$ 3,525,000	$ 3,114,524
INDEX	5.250%	5.000%	5.250%	0.000%	0.000%	0.000%	0.420%	3.000%
SPREAD	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
FLOOR SPREAD	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
TRUSTEE FEE	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
BOND ADMIN FEE	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	10,000.00
ALL-IN RATE	**5.250%**	**5.000%**	**5.250%**	**0.000%**	**0.000%**	**0.000%**	**0.420%**	**3.000%**
AMORTIZATION	-	-	35	0	0	0	0	0
TERM	-	-	15	55	55	55	55	15
MONTHLY PAYMENT			$14,841	$0	$0	$0	$0	
ANNUAL PAYMENT	$472,500	$0	$178,094	$0	$0	$0	$14,805	$10,000
FIRST PAYMENT DATE	Jun-16	Jun-16	Jun-16	Jun-16	Jun-16	Jun-16	Jun-16	Jun-16

DSCR TEST	PROFORMA
NOI	233241.51%
DCSR	$ 1
AMORTIZATION	35
UNDERWRITING RAT	5.250%
MAX PAYMENT	178,013.70
MAX LOAN (DSCR)	2,848,713.11
LTV TEST	
NOI	**233,241.51**
CAP RATE	**5.250%**
VALUE	4,442,695.43
LTV CONSTRAINT	90.0%
MAX LOAN (LTV)	**3,998,425.89**
LTC TEST	
TOTAL COST	15,529,447.25
LTC CONSTRAINT	80%
MAX LOAN (LTC)	12,423,557.80
MAX LOAN	2,848,713.11

CONSTRUCTION INTEREST ESTIMATE	
12 MONTHS	$472,500
18 MONTHS	$708,750
AVERAGE OUTSTANDING BALANCE	65.00%
CONSTRUCTION INTEREST	**$460,688**

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%
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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 - VHHP (8 VASH, 10 MHSA, 7 PBV)

DEVELOPMENT COSTS

DIV		Unit Cost	Cost Driver	Total	Per Unit	% of Total	Sec. 42 Acquisition	Sec. 42 New Con/Rehab	Sec. 42 Ineligible
	ACQUISITION & CLOSING COSTS								
	LAND	0%	of Acq Price	$0	$0	0.0%	$0	$0	$0
	RESIDENTIAL BUILDINGS	$0	Fixed (calc)	$0	$0	0.0%	$0	$0	$0
	ENTITLEMENT VALUE (ARCH & ENG.)	$0	Fixed (calc)	$0	$0	0.0%	$0	$0	$0
	BROKER FEES	$0	Fixed (calc)	$0	$0	0.0%	$0	$0	$0
	OTHER (AL POST LOAN PAYOFF)	$0	Total	$0	$0	0.0%	$0	$0	$0
	TOTAL ACQUISITION & CLOSING COSTS			**$0**	**$0**	**0.0%**	**$0**	**$0**	**$0**
DIV	**CONSTRUCTION COSTS**								
1	GENERAL REQUIREMENTS	$0	total	$0	$0	0.0%	$0	$0	$0
2	SITE CONSTRUCTION	$0	total	$0	$0	0.0%	$0	$0	$0
3	CONCRETE	$0	total	$0	$0	0.0%	$0	$0	$0
4	MASONRY	$0	total	$0	$0	0.0%	$0	$0	$0
5	METALS	$0	total	$0	$0	0.0%	$0	$0	$0
6	WOOD & PLASTICS	$0	total	$0	$0	0.0%	$0	$0	$0
7	THERMAL & MOISTURE PROTECTION	$0	total	$0	$0	0.0%	$0	$0	$0
8	DOORS & WINDOWS	$0	total	$0	$0	0.0%	$0	$0	$0
9	FINISHES	$0	total	$0	$0	0.0%	$0	$0	$0
10	SPECIALTIES	$0	total	$0	$0	0.0%	$0	$0	$0
11	EQUIPMENT	$0	total	$0	$0	0.0%	$0	$0	$0
12	FURNISHINGS	$0	total	$0	$0	0.0%	$0	$0	$0
13	SPECIAL CONSTRCUTION	$0	total	$0	$0	0.0%	$0	$0	$0
14	CONVEYING SYSTEMS	$0	total	$0	$0	0.0%	$0	$0	$0
15	MECHANICAL	$0	total	$0	$0	0.0%	$0	$0	$0
16	ELECTRICAL	$0	total	$0	$0	0.0%	$0	$0	$0
	SOIL REMEDIATION	$0	total	$0	$0	0.0%	$0	$0	$0
	OFFSITE IMPROVEMENTS	$100,000	total	$100,000	$2,326	0.6%	$0	$100,000	$0
	NEW CONSTRUCTION (RESIDENTIAL)	$4,937,187	total	$4,937,187	$114,818	31.8%	$0	$4,937,187	$0
	NEW CONSTRUCTION (RETAIL)	$340,000	total	$340,000	$7,907	2.2%	$0	$0	$340,000
	NEW CONSTRUCTION (PARKING)	$1,100,000	total	$1,100,000	$25,581	7.1%	$0	$1,100,000	$0
	PARKING	$0	Per Unit	$0	$0	0.0%	$0	$0	$0
	PREVAILING WAGE ADJUSTMENT	20.00%	of hard costs	$1,295,437	$30,126	8.3%	$0	$1,295,437	$0
	CONTRACTOR'S CONTINGENCY	0.00%	of hard costs	$0	$0	0.0%	$0	$0	$0
	GENERAL REQUIREMENTS	10.00%	of hard costs	$777,262	$18,076	5.0%	$0	$777,262	$0
	GENERAL CONTRACTOR OVERHEAD & PROFIT	4.00%	of hard costs	$341,995	$7,953	2.2%	$0	$341,995	$0
	BONDING AND INSURANCE	50,000	of hard costs	$50,000	$1,163	0.3%	$0	$50,000	$0
	TENANT IMPROVEMENT ALLOWANCE	$0	total	$0	$0	0.0%	$0	$0	$0
	JOINT TRENCH ALLOWANCE	$75,000	total	$75,000	$1,744	0.5%	$0	$75,000	$0
	COMPLETION BOND	$50,000	total	$50,000	$1,163	0.3%	$0	$50,000	$0
	FF&E ALLOWANCE	$0	total	$0	$0	0.0%	$0	$0	$0
	OTHER (SOLAR DESIGN BUILD)	$0	total	$0	$0	0.0%	$0	$0	$0
	OWNER CONTINGENCY	5.00%	of hard costs	$453,344	$10,543	2.9%	$0	$453,344	$0
	TOTAL CONSTRUCTION COSTS			**$9,520,227**	**$221,401**	**61.3%**	**$0**	**$9,180,227**	**$340,000**
	PERMITS & FEES								
	PLANNING APPLICATION	$0	total	$0	$0	0.0%	$0	$0	$0
	PLAN CHECK	$0	total	$0	$0	0.0%	$0	$0	$0
	DEMOLITION PERMIT	$0	total	$0	$0	0.0%	$0	$0	$0
	BUILDING PERMIT	$52,106	total	$52,106	$1,212	0.3%	$0	$50,803	$1,303
	WATER	$130,229	total	$130,229	$3,029	0.8%	$0	$130,229	$0
	SEWER	$106,399	total	$106,399	$2,474	0.7%	$0	$106,399	$0
	SCHOOL FEES	$170,066	total	$170,066	$3,955	1.1%	$0	$170,066	$0
	PARK FEES	$0	total	$0	$0	0.0%	$0	$0	$0
	TRAFFIC IMPACT FEE	$0	total	$0	$0	0.0%	$0	$0	$0
	TRANSPORTATION IMPACT FEE	$0	total	$0	$0	0.0%	$0	$0	$0
	AFFORDABLE HOUSING IMPACT FEE	$5,950	total	$5,950	$138	0.0%	$0	$5,950	$0
	DEVELOPMENT IMPACT FEE	$388,505	total	$388,505	$9,035	2.5%	$0	$378,792	$9,713
	OTHER (SPECIFY)	$0	total	$0	$0	0.0%	$0	$0	$0
	TOTAL PERMITS & FEES			**$853,255**	**$19,843**	**5.5%**	**$0**	**$842,240**	**$11,015**
	ARCHITECTURE & ENGINEERING								
	ARCHITECTURE	$375,000	total	$375,000	$8,721	2.4%	$0	$365,625	$9,375
	STRUCTURAL ENGINEERING	$70,000	total	$70,000	$1,628	0.5%	$0	$70,000	$0
	CIVIL ENGINEERING	$150,000	total	$150,000	$3,488	1.0%	$0	$150,000	$0
	MECHANICAL, ELECTRICAL, PLUMBING	$50,000	total	$50,000	$1,163	0.3%	$0	$50,000	$0
	FIRE SPRINKLER		total	$0	$0	0.0%	$0	$0	$0
	LANDSCAPE	$25,000	total	$25,000	$581	0.2%	$0	$25,000	$0
	LEED/GREEN CONSULTING	$30,000	total	$30,000	$698	0.2%	$0	$30,000	$0
	SPECIAL INSPECTIONS	$6,750	total	$6,750	$157	0.0%	$0	$6,750	$0
	GEOTECHNICAL OBSERVATION	$49,500	total	$49,500	$1,151	0.3%	$0	$49,500	$0
	DRY UTILITY CONSULTANT	$35,000	total	$35,000	$814	0.2%	$0	$35,000	$0
	PRE CONSTRUCTION CONSULTING	$50,000	total	$50,000	$1,163	0.3%	$0	$0	$50,000
	CONSTRUCTION MANAGEMENT	$150,000	total	$150,000	$3,488	1.0%	$0	$150,000	$0
	MISC STUDIES	$15,000	total	$15,000	$349	0.1%	$0	$15,000	$0
	A&E REIMBURSEABLES	$25,000	total	$25,000	$581	0.2%	$0	$25,000	$0
	OTHER (SPECIFY)		total	$0	$0	0.0%	$0	$0	$0
	TOTAL ARCHITECTURE & ENGINEERING			**$1,031,250**	**$23,983**	**6.6%**	**$0**	**$971,875**	**$59,375**
	TECHNICAL STUDIES								
	PHASE I ESA	$2,500	total	$2,500	$58	0.0%	$0	$2,500	$0
	PHASE II ESA	$0	total	$0	$0	0.0%	$0	$0	$0
	SURVEY (in Civil)	$0	total	$0	$0	0.0%	$0	$0	$0
	GEOTECHNICAL REPORT (in A&E)	$0	total	$0	$0	0.0%	$0	$0	$0
	ACOUSTICAL STUDY	$0	total	$0	$0	0.0%	$0	$0	$0
	TRAFFIC STUDY	$0	total	$0	$0	0.0%	$0	$0	$0
	RELOCATION STUDY	$0	total	$0	$0	0.0%	$0	$0	$0
	PHYSICAL NEEDS ASSESSMENT	$0	total	$0	$0	0.0%	$0	$0	$0
	HISTORICAL REPORT	$0	total	$0	$0	0.0%	$0	$0	$0
	MARKET STUDY	$7,500	total	$7,500	$174	0.0%	$0	$7,500	$0
	APPRAISAL	$7,500	total	$7,500	$174	0.0%	$0	$7,500	$0
	OTHER (SPECIFY)	$0	total	$0	$0	0.0%	$0	$0	$0
	OTHER (SPECIFY)	$0	total	$0	$0	0.0%	$0	$0	$0
	TOTAL TECHNICAL STUDIES			**$17,500**	**$407**	**0.1%**	**$0**	**$17,500**	**$0**
	OTHER SOFT COSTS								
	BORROWER LEGAL (ORG)	$15,000	total	$15,000	$349	0.1%	$0	$15,000	$0
	BORROWER LEGAL (REAL ESTATE)	$55,000	total	$55,000	$1,279	0.4%	$0	$55,000	$0
	BORROWER LEGAL (CONSTRUCTION)	$45,000	total	$45,000	$1,047	0.3%	$0	$45,000	$0
	BORROWER LEGAL (PERM)	$10,000	total	$10,000	$233	0.1%	$0	$10,000	$0
	NON-PROFIT LEGAL	$25,000	total	$25,000	$581	0.2%	$0	$25,000	$0
	NON-PROFIT ADMIN FEE	$0	total	$0	$0	0.0%	$0	$0	$0
	AUDIT & TAX RETURN	$20,000	total	$20,000	$465	0.1%	$0	$20,000	$0
	COST CERTIFICATION	$25,000	total	$25,000	$581	0.2%	$0	$25,000	$0
	BUILDER'S RISK & GL INSURACE	$65,000	total	$65,000	$1,512	0.4%	$0	$63,375	$1,625
	REAL ESTATE TAXES	$10,000	total	$10,000	$233	0.1%	$0	$0	$10,000
	TITLE/ESCROW/RECORDING	$25,000	total	$25,000	$581	0.2%	$0	$18,750	$6,250
	MARKETING & LEASEUP	$25,000	total	$25,000	$581	0.2%	$0	$0	$25,000
	RELOCATION COSTS	$0	total	$0	$0	0.0%	$0	$0	$0
	OTHER (SPECIFY)	$0	total	$0	$0	0.0%	$0	$0	$0
	SOFT COST CONTINGENCY (GINGER OTHER SOFT)	$150,000	total	$150,000	$3,488	1.0%	$0	$75,000	$75,000
	TOTAL OTHER SOFT COSTS			**$470,000**	**$10,930**	**$0**	**$0**	**$352,125**	**$117,875**

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DEVELOPMENT COSTS

	Unit Cost	Cost Driver	Total	Per Unit	% of Total	Sec. 42 Acquisition	Sec. 42 New Con/Rehab	Sec. 42 Ineligble
RESERVES								
REPLACEMENT RESERVE - INITIAL DEPOSIT	$0	Per Unit	$0	$0	0.0%	$0	$0	$0
OPERATING RESERVE	$223,772	total	$223,772	$5,204	1.4%	$0	$0	$223,772
TRANSITION RESERVE (VOUCHER UNITS)	$103,944	total	$103,944	$2,417	0.7%	$0	$0	$103,944
SERVICES RESERVE (7 PSH VOUCHERS)	$700,000	total	$700,000	$16,279	4.5%	$0	$0	$700,000
OTHER (SPECIFY)	$0	total	$0	$0	0.0%	$0	$0	$0
TOTAL RESERVES			**$1,027,716**	**$23,900**	**6.6%**	**$0**	**$0**	**$1,027,716**
FINANCING COSTS								
CONSTRUCTION ORIGINATION LOAN FEE	1.00%	of Cost. Loan	$90,000	$2,093	0.6%	$0	$90,000	$0
CONSTRUCTION LENDER LEGAL	$70,000	total	$70,000	$1,628	0.5%	$0	$0	$70,000
CONSTRUCTION INSPECTION FEES	$15,000	total	$15,000	$349	0.1%	$0	$15,000	$0
PERMANENT LOAN CONVERSION FEE	$10,000	total	$10,000	$233	0.1%	$0	$0	$10,000
PERMANENT LENDER LEGAL	$0	total	$0	$0	0.0%	$0	$0	$0
LENDER TECHNICAL STUDIES	$20,000	total	$20,000	$465	0.1%	$0	$0	$20,000
PREDEVELOPMENT LOAN INTEREST	$0	total	$0	$0	0.0%	$0	$0	$0
MORTGAGE BROKER FEE (Const)	$0	total	$0	$0	0.0%	$0	$0	$0
MORTGAGE BROKER FEE (PERM)		total	$0	$0	0.0%	$0	$0	$0
SDHC ASSET MANAGEMENT FEE	$15,000	total	$15,000	$349	0.1%	$0	$15,000	$0
SDHC ORIGINATION FEE	$60,000	total	$60,000	$1,395	0.4%	$0	$60,000	$0
SDHC LEGAL	$25,000	total	$25,000	$581	0.2%	$0	$25,000	$0
SDHC CONSTRUCTION REVIEW FEE	$7,500	total	$7,500	$174	0.0%	$0	$0	$7,500
TOTAL FINANCING COSTS			**$312,500**	**$7,267**	**2.0%**	**$0**	**$205,000**	**$107,500**
INTEREST DURING CONSTRUCTION	$375,000	Fixed (calc)	**$375,000**	**$8,721**	**2.4%**	**$0**	**$187,500**	**$187,500**
TAX EXEMPT BOND COSTS								
BOND APPLICATION FEE	$0	total	$0	$0	0.0%	$0	$0	$0
ISSUER APPLICATION FEE	0.0000%	total	$0	$0	0.0%	$0	$0	$0
UP-FRONT ISSUER FEE	0.5000%	total	$45,000	$1,047	0.3%	$0	$0	$45,000
TRUSTEE FEE	$5,000	total	$5,000	$116	0.0%	$0	$0	$5,000
BOND COUNSEL	$45,000	total	$45,000	$1,047	0.3%	$0	$0	$45,000
SAN DIEGO CITY ATTORNEY FEE	$3,000	total	$3,000	$70	0.0%	$0	$0	$3,000
FINANCIAL ADVISOR	$35,000	total	$35,000	$814	0.2%	$0	$0	$35,000
RATING AGENCY	$0	total	$0	$0	0.0%	$0	$0	$0
BOND CLEARANCE	$0	total	$0	$0	0.0%	$0	$0	$0
AGENCY LEGAL	$0	total	$0	$0	0.0%	$0	$0	$0
BOND UNDERWRITER	$0	total	$0	$0	0.0%	$0	$0	$0
UNDERWRITER'S COUNSEL	$0	total	$0	$0	0.0%	$0	$0	$0
PLACEMENT FEE	$0	total	$0	$0	0.0%	$0	$0	$0
OTHER (BOND CASH DEPOSIT)	$0	total	$0	$0	0.0%	$0	$0	$0
OTHER (OTHER COI)	$0	total	$0	$0	0.0%	$0	$0	$0
TOTAL TAX EXEMPT BOND COSTS			**$133,000**	**$3,093**	**0.9%**	**$0**	**$0**	**$133,000**
TAX CREDIT COSTS								
TAX CREDIT RESERVATION FEE (ESTIMATE)	$5,900	total	$5,900	$137	0.0%	$0	$0	$5,900
TAX CREDIT APPLICATION FEE	$2,000	total	$2,000	$47	0.0%	$0	$0	$2,000
COMPLIANCE MONITORING FEE	$410	per unit	$17,630	$410	0.1%	$0	$0	$17,630
COST CERTIFICATION	$0	total	$0	$0	0.0%	$0	$0	$0
LEGAL - TRANSACTIONAL	$0	total	$0	$0	0.0%	$0	$0	$0
LEGAL - LOCAL OPINION	$0	total	$0	$0	0.0%	$0	$0	$0
TAX CREDIT SYNDICATION	$0	total	$0	$0	0.0%	$0	$0	$0
TOTAL TAX CREDIT COSTS			**$25,530**	**$594**	**0.2%**	**$0**	**$0**	**$25,530**
DEVELOPER FEE								
DEVELOPER FEE ON ACQUISITION	15.00%	of Elig. Acq. Cost	$0	$0	0.0%	$0	$0	$0
DEVELOPER FEE ON REHAB/NEW CONST.	15.00%	of Elig. Rehab	$1,763,470	$41,011	11.4%	$0	$1,763,470	$0
TOTAL DEVELOPER FEE			**$1,763,470**	**$41,011**	**11.4%**	**$0**	**$1,763,470**	**$0**
GRAND TOTAL DEVELOPMENT COSTS			**$15,529,447**	**$361,150**	**100%**	**$0**	**$13,519,936**	**$2,009,511**

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Exhibit 2 - OPERATING BUDGET

	Y1 BUDGET					4/1/19	
	Input	Cost Driver	Total	Per Unit	Comments	STABILIZED BDGET	Per Unit
INCOME:							
GROSS POTENTIAL RENT (RESIDENTIAL)	$507,924	Total	$507,924	$11,812	PER UNIT MIX	$523,162	$12,167
OTHER INCOME							
LAUNDRY & VENDING	$5,640	Total	$5,640	$131		$5,983	$139
LATE/NSF FEES	$0	Total	$0	$0		$0	$0
FOREFITTED SECURITY DEPOSITS	$0	Total	$0	$0		$0	$0
PARKING	$0	Total	$0	$0		$0	$0
STORAGE	$0	Total	$0	$0		$0	$0
INTEREST INCOME	$0	Total	$0	$0		$0	$0
PET FEES	$0	Total	$0	$0		$0	$0
OTHER MISC INCOME	$0	Total	$0	$0		$0	$0
TOTAL OTHER INCOME			**$5,640**	**$131**		**$5,983**	**$139**
VACANCY/RENT ADJUSTMENTS (RESIDENTIAL)							
VACANCIES	5.000%	% of GPR	$25,678	$597		$26,457.26	$615
CONCESSIONS	0.000%	% of GPR	$0	$0		$0	$0
TOTAL VACANCIES/RENT ADJUSTMENTS			**$25,678**	**$597**		**$26,457**	**$615**
EFFECTIVE GROSS INCOME (RESIDENTIAL)			$487,886	$11,346		$502,688	$11,690
COMMERCIAL INCOME							
COMMERCIAL SPACE 1	$0	Total	$0	$0		$0	$0
RESERVED	$0	Total	$0	$0		$0	$0
RESERVED	$0	Total	$0	$0		$0	$0
RESERVED	$0	Total	$0	$0		$0	$0
RESERVED	$0	Total	$0	$0		$0	$0
TOTAL COMMERCIAL			**$0**	**$0**		**$0**	**$0**
VACANCY/RENT ADJUSTMENTS (COMMERCIAL)							
VACANCIES	0.000%	% of GPR	$0	$0		$0	$0
CONCESSIONS	0.000%	% of GPR	$0	$0		$0	$0
TOTAL VACANCIES/RENT ADJUSTMENTS			**$0**	**$0**		**$0**	**$0**
EFFECTIVE GROSS INCOME (COMMERCIAL)			$0	$0		$0	$0

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

Exhibit 2 - OPERATING BUDGET

	Y1 BUDGET					4/1/19	
	Input	Cost Driver	Total	Per Unit	Comments	STABILIZED BDGET	Per Unit
EFFECTIVE GROSS INCOME (BUILDING)			$487,886	$11,346		$502,688	$11,690
EXPENSES:							
PROFESSIONAL MANAGEMENT	5.00%	of EGI	$24,394	$567		$25,126	$584
ADMINISTRATIVE							
ACCOUNTING	$2,500	Total	$2,500	$58		$2,575	$60
ADVERTISING	$2,000	Total	$2,000	$47		$2,060	$48
OFFICE SUPPLIES	$2,500	Total	$2,500	$58		$2,575	$60
TELEPHONE	$3,000	Total	$3,000	$70		$3,090	$72
LEGAL	$2,500	Total	$2,500	$58		$2,575	$60
CONSULTANTS	$2,000	Total	$2,000	$47		$2,060	$48
MISC ADMIN	$1,000	Total	$1,000	$23		$1,030	$24
TOTAL ADMINSTRATIVE	**$15,500**		**$15,500**	**$360**		**$15,965**	**$371**
PAYROLL AND BENEFITS							
MANAGER SALARY	$33,000	Total	$33,000	$767		$33,990	$790
MAINTENANCE SALARY	$40,000	Total	$40,000	$930		$41,200	$958
LEASING SALARY	$0	Total	$0	$0		$0	$0
PAYROLL TAXES	14.50%	Total	$10,585	$246		$10,903	$254
WORKER'S COMP	12.00%	Total	$8,760	$204		$9,023	$210
EMPLOYEE BENEFITS	$5,000	Total	$5,000	$116		$5,150	$120
TOTAL PAYROLL AND BENEFITS	**$78,000**		**$97,345**	**$2,264**		**$100,265**	**$2,332**
UTILITES							
CABLE	$0	Total	$0	$0		$0	$0
GAS	$2,000	Total	$2,000	$47		$2,060	$48
ELECTRICITY	$10,000	Total	$10,000	$233		$10,300	$240
WATER	$15,000	Total	$15,000	$349		$15,450	$359
SEWER	$7,500	Total	$7,500	$174		$7,725	$180
GARBAGE	$7,500	Total	$7,500	$174		$7,725	$180
TOTAL UTILITIES	**$42,000**		**$42,000**	**$977**		**$43,260**	**$1,006**
OPERATING & MAINTENANCE							
REPAIR - CONTRACT	$10,000	Total	$10,000	$233		$10,300	$240
REPAIR - SUPPLIES	$5,000	Total	$5,000	$116		$5,150	$120
JANITORIAL	$3,600	Total	$3,600	$84		$3,708	$86
TURNOVER	$7,500	Total	$7,500	$174		$7,725	$180
ELEVATOR	$6,000	Total	$6,000	$140		$6,180	$144
LANDSCAPING	$2,400	Total	$2,400	$56		$2,472	$57
PEST CONTROL	$1,200	Total	$1,200	$28		$1,236	$29
SECURITY	$0	Total	$0	$0		$0	$0
MISC O&M	$1,000	Total	$1,000	$23		$1,030	$24
TOTAL OPERATING AND MAINTENANCE	**$36,700**		**$36,700**	**$853**		**$37,801**	**$879**

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Exhibit 2 - OPERATING BUDGET

	Y1 BUDGET					4/1/19	
	Input	Cost Driver	Total	Per Unit	Comments	STABILIZED BDGET	Per Unit
TAXES AND INSURANCE							
REAL ESTATE TAXES	$0	Total	$0	$0		$0	$0
INSURANCE	$9,675	Total	$9,675	$225		$9,965	$232
MISC TAXES AND INSURANCE	$1,080	Total	$1,080	$25		$1,112	$26
TOTAL TAXES AND INSURANCE	**$10,755**		**$10,755**	**$250**		**$11,078**	**$258**
REPLACEMENT RESERVES	$500	Per Unit	$21,500	$500		$22,145	$515
OTHER (TAX CREDIT MONITORING)	$150	Per Unit	$6,450	$150		$6,644	$155
TOTAL EXPENSES			**$254,644**	**$5,922**		**$262,284**	**$6,100**
NET OPERATING INCOME			**$233,242**	**$5,424**		**$240,404**	**$5,591**

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

ANNUAL CASH FLOW

	BASE YEAR	CONST.	STABLIZED 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
INCOME:																	
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
OTHER INCOME																	
LAUNDRY & VENDING	$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
LATE/NSF FEES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
FOREFITTED 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)																	
VACANCIES	$25,678	$25,687	$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	$25,678	$25,687	**$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)	$487,886	$488,047	**$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**
EXPENSES:																	
PROFESSIONAL MANAGEMENT	$24,394	$24,402	$25,134	$25,764	$26,410	$27,071	$27,750	$28,445	$29,158	$29,889	$30,638	$31,405	$32,192	$32,999	$33,826	$34,674	$35,543
ADMINISTRATIVE																	
ACCOUNTING	$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
ADVERTISING	$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
OFFICE SUPPLIES	$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
TELEPHONE	$3,000	$3,090	$3,183	$3,278	$3,377	$3,478	$3,582	$3,690	$3,800	$3,914	$4,032	$4,153	$4,277	$4,406	$4,538	$4,674	$4,814
LEGAL	$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
CONSULTANTS	$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
MISC ADMIN	$1,000	$1,030	$1,061	$1,093	$1,126	$1,159	$1,194	$1,230	$1,267	$1,305	$1,344	$1,384	$1,426	$1,469	$1,513	$1,558	$1,605
TOTAL ADMINSTRATIVE	$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**
PAYROLL AND BENEFITS																	
MANAGER SALARY	$33,000	$33,990	$35,010	$36,060	$37,142	$38,256	$39,404	$40,586	$41,803	$43,058	$44,349	$45,680	$47,050	$48,462	$49,915	$51,413	$52,955
MAINTENANCE SALARY	$40,000	$41,200	$42,436	$43,709	$45,020	$46,371	$47,762	$49,195	$50,671	$52,191	$53,757	$55,369	$57,030	$58,741	$60,504	$62,319	$64,188
LEASING SALARY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
PAYROLL TAXES	$10,585	$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
WORKER'S COMP	$8,760	$9,023	$9,293	$9,572	$9,859	$10,155	$10,460	$10,774	$11,097	$11,430	$11,773	$12,126	$12,490	$12,864	$13,250	$13,648	$14,057
EMPLOYEE BENEFITS	$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
TOTAL PAYROLL AND BENEFITS	$97,345	$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**
UTILITES																	
CABLE	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
GAS	$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
ELECTRICITY	$10,000	$10,300	$10,609	$10,927	$11,255	$11,593	$11,941	$12,299	$12,668	$13,048	$13,439	$13,842	$14,258	$14,685	$15,126	$15,580	$16,047
WATER	$15,000	$15,450	$15,914	$16,391	$16,883	$17,389	$17,911	$18,448	$19,002	$19,572	$20,159	$20,764	$21,386	$22,028	$22,689	$23,370	$24,071
SEWER	$7,500	$7,725	$7,957	$8,195	$8,441	$8,695	$8,955	$9,224	$9,501	$9,786	$10,079	$10,382	$10,693	$11,014	$11,344	$11,685	$12,035
GARBAGE	$7,500	$7,725	$7,957	$8,195	$8,441	$8,695	$8,955	$9,224	$9,501	$9,786	$10,079	$10,382	$10,693	$11,014	$11,344	$11,685	$12,035
TOTAL UTILITIES	$42,000	$43,260	**$44,558**	**$45,895**	**$47,271**	**$48,690**	**$50,150**	**$51,655**	**$53,204**	**$54,800**	**$56,444**	**$58,138**	**$59,882**	**$61,678**	**$63,529**	**$65,435**	**$67,398**

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ANNUAL CASH FLOW

	BASE YEAR	CONST.	STABILIZED														
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
OPERATING & MAINTENANCE																	
REPAIR - CONTRACT	$10,000	$10,300	$10,609	$10,927	$11,255	$11,593	$11,941	$12,299	$12,668	$13,048	$13,439	$13,842	$14,258	$14,685	$15,126	$15,580	$16,047
REPAIR - SUPPLIES	$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
JANITORIAL	$3,600	$3,708	$3,819	$3,934	$4,052	$4,173	$4,299	$4,428	$4,560	$4,697	$4,838	$4,983	$5,133	$5,287	$5,445	$5,609	$5,777
TURNOVER	$7,500	$7,725	$7,957	$8,195	$8,441	$8,695	$8,955	$9,224	$9,501	$9,786	$10,079	$10,382	$10,693	$11,014	$11,344	$11,685	$12,035
ELEVATOR	$6,000	$6,180	$6,365	$6,556	$6,753	$6,956	$7,164	$7,379	$7,601	$7,829	$8,063	$8,305	$8,555	$8,811	$9,076	$9,348	$9,628
LANDSCAPING	$2,400	$2,472	$2,546	$2,623	$2,701	$2,782	$2,866	$2,952	$3,040	$3,131	$3,225	$3,322	$3,422	$3,524	$3,630	$3,739	$3,851
PEST CONTROL	$1,200	$1,236	$1,273	$1,311	$1,351	$1,391	$1,433	$1,476	$1,520	$1,566	$1,613	$1,661	$1,711	$1,762	$1,815	$1,870	$1,926
SECURITY	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
MISC O&M	$1,000	$1,030	$1,061	$1,093	$1,126	$1,159	$1,194	$1,230	$1,267	$1,305	$1,344	$1,384	$1,426	$1,469	$1,513	$1,558	$1,605
TOTAL OPERATING AND MAINTENANCE	$36,700	$37,801	**$38,935**	**$40,103**	**$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**
TAXES AND INSURANCE																	
REAL ESTATE TAXES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
INSURANCE	$9,675	$9,965	$10,264	$10,572	$10,889	$11,216	$11,552	$11,899	$12,256	$12,624	$13,002	$13,392	$13,794	$14,208	$14,634	$15,073	$15,526
MISC TAXES AND INSURANCE	$1,080	$1,112	$1,146	$1,180	$1,216	$1,252	$1,290	$1,328	$1,368	$1,409	$1,451	$1,495	$1,540	$1,586	$1,634	$1,683	$1,733
TOTAL TAXES AND INSURANCE	$10,755	$11,078	**$11,410**	**$11,752**	**$12,105**	**$12,468**	**$12,842**	**$13,227**	**$13,624**	**$14,033**	**$14,454**	**$14,887**	**$15,334**	**$15,794**	**$16,268**	**$16,756**	**$17,259**
REPLACEMENT RESERVES	$21,500	$21,500	**$21,500**	**$22,145**	**$22,809**	**$23,494**	**$24,198**	**$24,924**	**$25,672**	**$26,442**	**$27,236**	**$28,053**	**$28,894**	**$29,761**	**$30,654**	**$31,573**	**$32,521**
OTHER (TAX CREDIT MONITORING)	$6,450	$6,450	**$6,450**	**$6,676**	**$6,909**	**$7,151**	**$7,402**	**$7,661**	**$7,929**	**$8,206**	**$8,493**	**$8,791**	**$9,098**	**$9,417**	**$9,746**	**$10,088**	**$10,441**
TOTAL EXPENSES	$254,644	$260,721	**$267,704**	**$275,644**	**$283,819**	**$292,238**	**$300,907**	**$309,834**	**$319,026**	**$328,493**	**$338,241**	**$348,279**	**$358,616**	**$369,261**	**$380,223**	**$391,511**	**$403,136**
NET OPERATING INCOME	$233,242	$227,325	**$234,983**	**$239,640**	**$244,376**	**$249,192**	**$254,090**	**$259,070**	**$264,133**	**$269,279**	**$274,511**	**$279,827**	**$285,230**	**$290,719**	**$296,296**	**$301,961**	**$307,715**
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**
DSCR	1.15	1.12	1.16	1.18	1.20	1.23	1.25	1.28	1.30	1.33	1.35	1.38	1.41	1.43	1.46	1.49	1.52
NET PARTNERSHIP CASH FLOW	$30,342	$24,426	**$32,084**	**$36,741**	**$41,477**	**$46,293**	**$51,191**	**$56,171**	**$61,234**	**$66,380**	**$71,611**	**$76,928**	**$82,330**	**$87,820**	**$93,397**	**$99,062**	**$104,816**
PARNTERSHIP MANAGEMENT FEES																	
LP ASSET MANAGEMENT FEE			$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
PARTNERSHIP MANAGEMENT FEE			$20,000	$20,600	$21,218	$21,855	$22,510	$23,185	$23,881	$24,597	$25,335	$26,095	$26,878	$27,685	$28,515	$29,371	$30,252
TOTAL PARNTERSHIP FEES			**$25,000**	**$25,750**	**$26,523**	**$27,318**	**$28,138**	**$28,982**	**$29,851**	**$30,747**	**$31,669**	**$32,619**	**$33,598**	**$34,606**	**$35,644**	**$36,713**	**$37,815**
DEFFERRED DEVELOPER'S FEE																	
BEGINNING BALANCE			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
INTEREST ON BALANCE																	
PAYMENTS			$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**
RESIDUAL RECIEPTS	$0	$0	**$7,085**	**$10,991**	**$14,954**	**$18,975**	**$23,053**	**$27,189**	**$31,382**	**$35,633**	**$39,942**	**$44,309**	**$48,733**	**$53,214**	**$57,753**	**$62,349**	**$67,001**

7 PBV - SUPPORTIVE SERVICES RESERVE DRAW	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
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
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
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**

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Exhibit 3 - CACULATION OF TAX CREDITS

	Acq. Basis	New Const/Rehab Basis
TOTAL ELEGIBLE BASIS (FROM COST PAGE)	$0	$13,519,936

THRESHOLD BASIS CALCULATION	Number of units	4% Basis Limits - 2016	9% Basis Limits - 2016	Unadjusted Threshold basis
SRO/Studio	-	$211,096	$182,338	$0
1 BR	41	$243,394	$210,234	$9,979,154
2 BR	-	$293,600	$253,600	$0
3 BR	2	$375,808	$324,608	$751,616
4 BR	-	$418,674	$361,634	$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%	-
ELEVATORED 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

	Acq. Basis	New Const/Rehab Basis
TOTAL ELIGIBLE BASIS (LESSER OF UDUSTED THRESHOLD BASIS OR ELIGIBLE BASIS)	$0	$13,519,936
(LESS) INELIGIBLE AMOUNTS		
GRANT PROCEEDS		
BMIR FEDERAL FINANCING		
NON QUALIFIED RECOURSE FINANCING		
NON QUALIFYING PORTION OF HIIGHER QUALITY UNITS		
HISTORIC TAX CREDIT (RESIDENTIAL)		
TOTAL INELIGIBLE AMOUNTS	$0	$0
(LESS) VOLUNTARY REDUCTION		
TOTAL BASIS REDUCTION	$0	$0
TOTAL REQUESTED UNADJUSTED ELIGIBLE BASIS	$0	$13,519,936
HIGH COST AREA ADJUSTMENT (DDA/QCT)	100%	130%
TOTAL ADJUSTED ELIGIBLE BASIS z	$0	$17,575,917
APPLICABLE FRACTION	100%	100%
QUALIFIED BASIS	$0	$17,575,917
APPLICABLE PERCENTAGE	3.23%	3.23%
SUBTOTAL ANNUAL FEDERAL CREDIT	$0	$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. **<u>HOME Investment Partnerships (HOME) Funds</u>** –
Currently there are HOME funds planned for this project. It is estimated that the project will need to have **<u>twenty (20) HOME restricted units</u>**.

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. **<u>Insurance</u>** - 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. **<u>Loan Disbursement Schedule</u>** – Upon submittal and approval of eligible costs, the Housing Commission Loan (up to **<u>$3,114,524</u>**) will be disbursed as follows:
   - Up to 75 percent **($2,335,893**) at escrow closing.
   - Up to 15 percent **(<u>$467,179</u>**) to be distributed at 50 percent construction completion,
   - Up to 5 percent **(<u>$155,726</u>**) 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 **(<u>$155,726</u>**) 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.

HOUSING AUTHORITY OF

THE CITY OF SAN DIEGO

RESOLUTION NUMBER HA-________________

DATE OF FINAL PASSAGE ________________

A RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO SETTING FORTH ITS OFFICIAL INTENT TO ISSUE MULTIFAMILY HOUSING REVENUE BONDS TO FINANCE THE POST 310 APARTMENTS PROJECT AND AUTHORIZING RELATED ACTIONS.

WHEREAS, pursuant to Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code, as amended (Act), the Housing Authority of the City of San Diego (Authority) is authorized to issue revenue bonds for the purpose of financing the acquisition, construction, and equipping of multifamily affordable housing and for the provision of capital improvements in connection with and determined necessary to the multifamily affordable housing; and

WHEREAS, Hitzke Development Corporation (Hitzke) and Housing Innovation Partners have requested that the Authority issue and sell multifamily housing revenue bonds (Bonds) pursuant to the Act for the purpose of making a loan to Post 310 Housing San Diego LP, a California limited partnership, or an affiliate of Hitzke (Borrower), to be used by the Borrower to finance the acquisition, construction, and equipping of the “Post 310 Apartments”, a multifamily affordable housing development to be located at 465 North 47th Street, in San Diego, California, anticipated to include a total of 43 rental units, 42 of which will be income and rent restricted and occupied by very low or low-income tenants at affordable rents (Project); and

WHEREAS, as a part of financing the Project, the Authority desires to reimburse the Borrower, but only from proceeds of the Bonds, for expenditures (Reimbursable Expenditures) made in connection with the Project within the period from the date sixty (60) days prior to the adoption of this Resolution to the date of issuance of the Bonds; and

WHEREAS, sections 1.103-8(a)(5) and 1.150-2 of the United States Treasury Regulations (Treasury Regulations) require that the Authority declare its reasonable official intent to reimburse prior expenditures for the Project with proceeds of a subsequent tax-exempt borrowing; and

WHEREAS, the Authority intends to authorize the issuance of the Bonds for the purpose of financing the costs of the Project (including reimbursement of the Reimbursable Expenditures, when so requested by the Borrower upon such terms and conditions as may then be agreed upon by the Authority, the Borrower, and the purchaser of the Bonds) in a principal amount not to exceed $9,000,000; and

WHEREAS, section 146 of the Internal Revenue Code of 1986 limits the amount of tax-exempt multifamily housing revenue bonds that may be issued in any calendar year by entities within a state and authorizes the governor or the legislature of a state to provide the method of allocation of authority to issue such bonds within the state; and

WHEREAS, Chapter 11.8 of Division 1 of Title 2 of the California Government Code governs the allocation of authority to issue tax-exempt multifamily housing revenue bonds among governmental units in the State of California having the authority to issue such bonds; and

WHEREAS, California Government Code section 8869.85 requires a local agency desiring an allocation of authority to issue tax-exempt multifamily housing revenue bonds to file an application with the California Debt Limit Allocation Committee (CDLAC) for such allocation, and CDLAC has certain policies that are to be satisfied in connection with any such allocation; NOW, THEREFORE,

BE IT RESOLVED, by the Board of Commissioners of the Housing Authority of the City of San Diego, as follows:

Section 1. Findings and Determinations.

(a) The above recitals, and each of them, are true and correct. The Authority determines that it is necessary and desirable to provide financing for the Project (including reimbursement of the Reimbursable Expenditures) by the issuance and sale of the Bonds pursuant to the Act in a principal amount not to exceed $9,000,000, subject to authorization of the issuance of the Bonds by resolution of the Authority at a subsequent meeting of the Authority.

(b) Proceeds of the Bonds to be used to reimburse for Project costs are not expected to be used directly or indirectly to pay debt service with respect to any obligation of the Authority, be held as a reasonably required reserve or replacement fund with respect to an obligation of the Authority or any entity related in any manner to the Authority, reimburse any expenditure that was originally paid with the proceeds of any obligation of the Authority, or replace funds that are or will be used in such manner.

(c) As of the date of this Resolution, the Authority has a reasonable expectation that the Bonds will be issued to reimburse Project costs. This Resolution is consistent with the budgetary and financial circumstances of the Authority. The Bonds will be repaid solely from proceeds of the Bonds and amounts paid by the Borrower. No moneys are, or are reasonably expected to be, reserved, allocated on a long-term basis, or otherwise set aside by the Authority (or any related party) pursuant to its budget or financial policies to repay the Bonds.

Section 2. Declaration of Official Intent. This Resolution is being adopted by the Authority in part for the purpose of establishing compliance with the requirements of sections 1.103-8(a)(5) and 1.150-2 of the Treasury Regulations. In such regard, the Authority declares its official intent to use proceeds of the Bonds to reimburse the Reimbursable Expenditures. This action is taken expressly for the purpose of inducing the Borrower to undertake the Project, and nothing contained in this Resolution shall be construed to signify that the Project complies with applicable planning, zoning, subdivision, environmental, and building laws and ordinances or to suggest that the Authority, the City of San Diego (City), or any officer or agent of the City will grant any approval, consent, or permit that may be required in connection with the acquisition, construction, and equipping of the Project, or that either the Authority or the City will make any expenditure, incur any indebtedness, or proceed with the financing of the Project.

Section 3. Applications to CDLAC. The officers and/or the program managers of the Authority are authorized and directed to apply to CDLAC for an allocation from the state ceiling of private activity bonds for the Bonds to be issued by the Authority for the Project in an amount not to exceed $9,000,000 and to take any and all other actions as may be necessary or appropriate in connection with such application, including but not limited to the payment of fees, the posting of deposits, the provision of certificates, and the submittal of additional applications to CDLAC (if necessary), and any prior such actions taken by such officers and program managers are ratified, approved, and confirmed.

Section 4. Approval of Bond Counsel and Financial Advisor. The financing team of Quint & Thimmig LLP, as bond counsel, and CSG Advisors, as financial advisor, is approved for the Project.

Section 5. Authority of President and Chief Executive Officer of Housing Commission. The President & Chief Executive Officer of the Housing Commission, or designee, is authorized to execute all necessary documents, in a form approved by its General Counsel and/or Bond Counsel, and to perform such acts as are necessary or appropriate to implement the approvals provided for in this Resolution.

Section 6. Effective Date. This Resolution shall take effect immediately upon its adoption.

APPROVED: MARA W. ELLIOTT, General Counsel

By ________________________________
Nathan Slegers
Deputy General Counsel

NLJS:dkr
July 3, 2017
Or.Dept: Housing Authority
Doc. No. 1541188