CalHFA MULTIFAMILY PROGRAMS DIVISION

# Final Commitment Staff Report & Request for Tax-Exempt and Taxable Conduit Issuance and Loan Approval of Permanent Take-Out Loan for Tax Exempt financing with Mixed Income Program Subsidy Financing

**Senior Loan Committee "Approval": 12/11/2020 for Board Meeting on: 1/21/2021**

| | | |
|---|---|---|
| Project Name, County: | 921 Howard Street Apartments, San Francisco County | |
| Address: | 921 Howard St., San Francisco, CA 94103 | |
| CalHFA Project Number: | 20-011-A/X/N | |
| Requested Financing by Loan Program: | $89,339,803 | **Tax Exempt Bond – Conduit Issuance Amount** |
| | $3,796,703 | **Taxable Bond-Conduit Issuance Amount** |
| | $45,000,000 | **CalHFA Permanent Tax-Exempt Loan with HUD Risk Share** |
| | $10,150,000 | **Subsidy GAP Loan funded by MIP funds** |

## DEVELOPMENT/PROJECT TEAM

| | | | |
|---|---|---|---|
| **Developer:** | Tenderloin Neighborhood Development Corp. ("TNDC") | **Borrower:** | 5th and Howard Associates, L.P. |
| **Permanent Lender:** | CalHFA | **Construction Lender:** | Bank of America, N.A. |
| **Equity Investor:** | Bank of America, N.A. | **Management Company:** | Tenderloin Neighborhood Development Corp. |
| **Contractor:** | Swinerton Builders | **Architect** | Perry Architects, Inc. |
| **Loan Officer:** | Ruth Vakili | **Loan Specialist:** | Lorrie Blevins |
| **Asset Manager:** | Jessica Doan | **Loan Administration:** | Jennifer Beardwood |
| **Legal (Internal):** | Torin Heenan | **Legal (External):** | N/A |
| **Concept Meeting Date:** | 10/23/2020 | **Approval Expiration Date:** | 6 months from Approval |

## LOAN TERMS

| **1.** | | **CONDUIT ISSUANCE/ BANK OF AMERICA CONSTRUCTION LOAN** | **PERMANENT LOAN CalHFA** | **MIP (GAP) LOAN** |
|---|---|---|---|---|
| | **Total Loan Amount** | $89,339,803 Tax-Exempt; $3,796,703 Taxable | $45,000,000 | $10,150,000 |
| | **Loan Term & Lien Position** | 36 months- interest only; 1st Lien Position during construction | 40 year –partially amortizing due in year 30. First Lien Position at permanent conversion | 30-year - Residual Receipts; 3rd Lien Position during permanent loan conversion |
| | **Interest Rate** (subject to change and locked 30 days prior to loan closing) | LIBOR Daily Floating Rate + 2.20% Tax-Exempt underwritten at 3.45%, Taxable at 3.70% | 30-year MMD + 2.12% spread Underwritten at 3.78% | 2.75% Simple Interest |

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| | | variable rate | that includes a .25% cushion. Estimated rate based on a 36 month forward commitment. | |
| | **Loan to Value (LTV)** | LTV is 66% of investment value | LTV is 65% of restricted value | N/A |
| | **Loan to Cost** | 62% | 30% | N/A |

## ANTICIPATED PROJECT MILESTONES & SCHEDULE

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|---|---|---|---|---|
| **2.** | CDLAC/TCAC Closing Deadline: | March 15, 2021 | Est. Construction Loan Closing: | March 1, 2021 |
| | Estimated Construction Start: | March 15, 2021 | Est. Construction Completion: | March 15, 2023 |
| | Estimated Stabilization and Conversion to Perm Loan(s): | | March 15, 2024 | |

## SOURCES OF FUNDS

**3.**

| **Construction Period Financing** | | | | |
|---|---|---|---|---|
| **SOURCE** | **AMOUNT** | **LIEN POSITION** | **INTEREST RATE** | **DEBT TYPE** |
| B of A T/E Const. Loan | $89,339,803 | 1st | 3.45% | Interest Only |
| B of A Tax Const. Loan | $3,796,703 | 1st | 3.70% | Interest Only |
| MOHCD Gap Loan | $31,961,997 | 2nd | 3% | Interest Only |
| Developer Equity | $2,250,000 | N/A | N/A | N/A |
| Tax Credit Equity | $11,060,641 | N/A | N/A | N/A |
| Accrued Interest | $1,734,197 | N/A | N/A | N/A |
| **TOTAL** | **$140,143,341** | | **Per Unit** | **$690,361** |
| **Permanent Financing** | | | | |
| **SOURCE** | **AMOUNT** | **LIEN POSITION** | **INTEREST RATE** | **DEBT TYPE** |
| CalHFA Permanent Loan | $45,000,000 | 1st | 3.78% | Balloon 40/30 |
| CalHFA MIP Loan | $10,150,000 | 3rd | 2.75% | Residual Receipts |
| MOHCD Gap Loan | $31,961,997 | 2nd | 3% | Residual Receipts |
| Tax Credit Equity | $55,303,203 | N/A | N/A | N/A |
| Accrued Interest | $1,734,197 | N/A | N/A | N/A |
| Developer Equity | $2,250,000 | N/A | N/A | N/A |
| Deferred Developer Fee | $4,500,000 | N/A | N/A | N/A |
| **TOTAL DEVELOPMENT COST:** | **$150,899,397** | | **Per Unit** | **$743,347** |

**Subsidy Efficiency:** $50,498 per MIP restricted unit.

**Tax Credit Type(s), Amount(s), Pricing(s), and per total units:**

- 4% Federal Tax Credits: $55,303,203 assuming estimated pricing of $0.995 ($272,430 per unit).

**Rental Subsidies**: The Project will not be subsidized by project-based vouchers.

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| | **Other State Subsidies:** The Project will not be funded by other state funds.<br><br>**Other Locality Subsidies:** The Project will be funded by locality funds of $31,961,997 ($157,448 per unit) from the Mayor's Office of Housing and Community Development ("MOHCD").<br><br>**Cost Containment Strategy:** The Developer will competitively bid all trades, obtaining a minimum of 3 bids, and implement design standards that facilitate efficiency in cost and construction scheduling. Prior to construction loan closing, CalHFA will require the Developer to certify that cost containment measures have been implemented.<br><br>**High Cost Explanation:** The total development cost per unit is $743,347 per unit, which is high. The reasons given for the costs are as follows:<br>a) Commercial relocation costs: $252,000.<br>b) Holding and predevelopment costs: $384,733.<br>c) Davis Bacon and local hiring requirements (estimated): $8,350,000.<br>d) Site conditions (staging on a small site, site security, storm water prevention): $2,572,500.<br>e) City of S.F.-specific code requirements (energy efficiency, storm water, utility distribution) and taxes: $11,943,400.<br>f) Permit & impact costs: $3,150,000.<br>g) The developer fee is $10 million, which is allowed per TCAC and CDLAC regulations in order to boost the eligible basis. Deducting the developer equity contribution: $2,250,000.<br>Deducting these costs results in an adjusted total development cost per unit of $600,941per unit. |
| **4.** | Equity – Cash Out (estimate): Not Applicable |

## TRANSACTION SUMMARY

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|---|---|---|---|---|---|---|---|
| **5.** | **Legislative Districts** | **Congress:** | 12 Nancy Pelosi | **Assembly:** | 17 David Chiu | **State Senate:** | 11 Scott Wiener |
| | **Brief Project Description** | **921 Howard Street** (the "Project") is a 203-unit new construction family, mixed-income Project, consisting of an 18-story building with two elevators. There will be 33 studio units at 434 sq. ft.; 84 1-bedroom units at 613 sq. ft. (including 2 managers units); 81 2-bedroom units at 938 sq. ft.; 5 3-bedroom units at 1,354 sq. ft. The project will comply with the City of San Francisco's Green Point Rated guidelines and the building will be all-electric.<br><br>The Project is in Central South of Market Area ("SoMa"), which is a 24-square block area that is undergoing revitalization, with the development of residential and commercial buildings, the Transbay Terminal and Central Subway, as well as several civic improvement projects planned over the next few years. The Project is located close to all levels of public transportation and services and has excellent walkability. Given that this is a mixed-income project, the Project will serve a tenant population that is significantly underrepresented in the City's affordable housing stock and is a key component in the City's revitalization plan.<br><br>**Financing Structure:** The Project's financing structure includes tax-exempt bonds, 4% tax credits, Agency's tax-exempt loan program and Agency's MIP subsidy loan. The project will be income averaged, pursuant to TCAC regulations.<br><br>**Tax Credits and/or CDLAC Status:** The developer received an award of federal tax credits on 10/14/20 and bonds on 9/16/20. | | | | | |

**Ground Lease:** Prior to construction loan closing, the property will be sold to MOHCD and a ground lease agreement will be executed for a term of 75 years, with a 99-year renewal option. The annual lease payment is $15,000.

**Project Amenities:** The Project amenities include a, community room with meeting, office and service space and a community kitchen. There will be laundry rooms, courtyard space, a community garden and 254 bike parking spaces. Unit amenities will include; central heating, microwave, dishwashers, ceiling fan and patio/balconies.

**Commercial Space:** The Project consists of 1,970 sq. ft of commercial space, which is intended to be leased to a community-based non-profit to serve the community. The operating income and expenses are not part of the underwriting.

**Relocation**: There is currently a parking lot, two billboard signs and two commercial buildings on the site which are occupied on month-to-month leases. Commercial relocation is required and $252,000 is included in the budget.

**Local Resources and Services:** The Project is located in a Low Resource area, per TCAC's Opportunity Area Map. However, the Project is in close proximity to the following local amenities and services and is within walking distance to downtown:

- Grocery stores – .3 miles
- Schools – 1.3-2.6 miles
- Public Library – .5 miles
- Public transit - .1 mile from bus stop, .3 miles from Powell Street BART Station
- Retail - .3 miles
- Park and recreation - .3 miles
- Hospitals - .9 miles
- Post Office - .5 miles

**Non-displacement and No Net Loss:** To the extent feasible, it is the Agency's priority to mitigate multifamily developments that may result in permanent displacement of existing affordable housing residents and/or net loss of existing affordable housing units. The Project is a new construction project, with no related demolition of existing affordable housing, hence no existing affordable housing units will be lost nor will existing residential households be displaced as a result of this development.

## TRANSACTION OVERVIEW

| 6. | Proposal and Project Strengths |
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- The developer and property manager have extensive experience in developing similar affordable housing projects and have five projects in the CalHFA portfolio, all of which are in compliance.
- The Project has been awarded 4% tax credits which is projected to generate equity representing 37% of total financing sources.
- The Project will serve low-income families ranging between 50% to 80% of AMI.
- The rents are 40% to 90% of market and 51% of the units are at 50% AMI.
- The Project's location is highly walkable and is within easy walking distance of transportation, services, employment and schools.
- The Loan-to-Value is 65% which is well below the Agency's minimum requirements, providing less risk to the Agency.
- The locality has invested in the success of the Project as demonstrated through a 55-year permanent loan of $31,961,997 and favorable terms provided by a 75-year ground lease.
- The projected portion of the developer's fee that will be collected at or prior to permanent loan conversion is $3,250,000, which could be available to cover cost overruns and/or unforeseen issues during construction.
- The developer is contributing $2,250,000 via GP contribution to the Project.
- Comprehensive on-site services will be offered to all tenants and will be staffed by a full-time services coordinator. Services include development of individualized service plans, case management, supportive services, counseling, crisis intervention, and linking tenants to medical, mental health, substance abuse, employment and job training services. The cost of the services is $144,646 (service coordinator $135,000 and miscellaneous cost of $9,313) annually and is included in the operating budget.
- The exit analysis assumes 2% cap rate increase and 3% increase of the underwriting interest rate at loan maturity. The permanent loan is a 30-year term amortized over 40 years. Based on these assumptions, the Project will be able to repay the MIP loan in full via a refinance in 30 years.

| 7. | Project Weaknesses with Mitigants: |
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The Project is in an area that has a crime rate that is above the national average. To mitigate potential impact, security measures include perimeter fencing, gated entrance, 24-hour property management, video surveillance and security and intercom systems, the cost of which is included in the operating budget.

| 8. | Underwriting Standards or Term Sheet Variations |
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- The MIP loan per unit is $50,498 which exceeds the term sheet maximum of $50,000 for a project with affordability levels between 50% and 80% AMI. This is an exception to Policy and is recommended by Multi-Family Underwriting and Credit Staff subject to CalHFA being the permanent lender and based on the following: 1) approval facilitates the progression of a shovel ready project without delay; 2) there are no state credits, therefore a higher MIP loan per unit is required to fill the gap.
- The USRM requires the MIP loan to be recorded in second lien position behind the first mortgage. However, due to the size of the MOHCD loan, MOHCD requires this loan to be in second lien position and the MIP loan to subordinate in third lien position. This is an exception to policy and is recommended by Multi-Family Underwriting and Credit staff.

| 9. | Project Specific Conditions of Approval |
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Approval is conditioned upon:

- The CalHFA loans will be secured against the leasehold interest in the land and fee interest in the improvements. All subordinate loans are to be secured in the same manner. However, if any lender encumbers both fee and leasehold interests in the land, the CalHFA loan documents will also be secured in the fee and leasehold interest in the land. Borrower must meet all CalHFA requirements associated with the ground lease structure.
- Subordination of the MIP loan to the MOHCD loan.
- Pursuant to the City of San Francisco's entitlement requirements, the City's regulatory agreement and declaration of restrictive covenants and notice of special restrictions must be recorded ahead of the bond and MIP affordability covenants. The final document is subject to review and approval by CalHFA.
- The MOHCD loan documents are to be approved by the San Francisco Board of Supervisors prior to construction loan closing. These documents are subject to CalHFA review and approval.
- Evidence of relocation plan approval by MOHCD is required prior to construction loan closing.
- No site work or construction commenced prior to the issuance of a HUD Firm Approval Letter.
- The CalHFA subsidy will be, in the Agency's sole discretion, the lesser of 1) the principal amount as state on hereto or 2) an amount as determined by the Agency in the event the financial assumptions change prior to construction loan closing and/or permanent loan closing. For instance, if the permanent loan interest rate decreased, then the subsidy may be reduced due to additional debt generated by the lower interest rate. The debt service coverage ratio ("DSCR") shall be a maximum of 1.20. An increase of the subsidy loan will not be allowed and will be subject to Agency's approval.
- Independent review of the costs by a 3rd Party consultant prior to construction loan closing.

| 10. | Staff Conclusion/Recommendation: |
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The Multifamily Lending Division supports approval of the described financing in the amounts requested, subject to the above proposed terms and conditions.

## MISSION & AFFORDABILITY

| 11. | CalHFA Mission/Goals |
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This Project and financing proposal provide 201 units of affordable housing with a range of restricted rents between 50% AMI and 80% of AMI which will support much needed rental housing that will remain affordable for a minimum of 55 years.

| 12. | CalHFA Affordability & Occupancy Restrictions |
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The CalHFA Permanent Financing Regulatory Agreement will restrict a minimum of 40% of the total units at or below 60% AMI with 10% of these units at 50% of AMI for 55 years.

The CalHFA MIP Subsidy Regulatory Agreement will restrict 10% of total units (22 units) at or below 50% of AMI and 10% of total units (22 units) between 60% and 80% of AMI with a minimum average of 70% AMI. The remaining 157 will be restricted at or below 120% of AMI. The affordability restrictions for the Mixed Income Program require at least 10% of the units be restricted to 81% to 120% of AMI, with an average of 100% of AMI, if supported by a market study. However, per an appraisal dated 10/27/2020 the Project can only support rents at a maximum of 80% AMI and still comply with the requirement that rents be 10% below market. Therefore, this project will comply with affordability requirement of 60% to 80% of AMI with an average of 70% of AMI.

In addition, the Project will be restricted by the following jurisdictions as described below:

- The City will restrict 201 of the units at or below 80% of AMI for a term of 55 years.

| Rent Limit Summary Table | | | | | | |
|---|---|---|---|---|---|---|
| **AMI** | **Total** | **Studio** | **1-bdrm** | **2-bdrm** | **3-bdrm** | **% of Total** |
| 30% | 0 | - | - | - | - | 0.0% |
| 40% | 0 | - | - | - | - | 0.0% |
| 50% | 102 | 17 | 41 | 41 | 3 | 50.2% |
| 60% | 48 | 8 | 20 | 19 | 1 | 23.6% |
| 70% | 0 | - | - | - | - | 0.0% |
| 80% | 51 | 8 | 21 | 21 | 1 | 25.1% |
| 100% | 0 | - | - | - | - | 0.0% |
| 120% | 0 | - | - | - | - | 0.0% |
| Manager's Unit | 2 | - | 2 | - | - | 1.0% |
| **Total** | **203** | **33** | **84** | **81** | **5** | **100.0%** |

The average affordability is 60% of AMI.

| NUMBER OF UNITS AND AMI RENTS RESTRICTED BY EACH AGENCY | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Regulatory Source | Recordation Priority if Recorded Document | Term of Agrmt (years) | Number of Units Restricted For Each AMI Category | | | | | | | |
| | | | 50% AMI | 60% AMI | 80% AMI *(60% to 80% Tranche) | <= 120% AMI | Mgrs Unit | Total Units Regulated | % of Regulated Units |
| **City Notice of Restrictions** | 1st | **55** | 31 | | 71 | | 2 | 102 | 50.0% |
| **MOHCD Ground Lease** | 2nd | **75** | 102 | 48 | 51 | | 2 | 201 | 99.0% |
| **CalHFA Bond** | 3rd | **55** | 22 | 61 | | | 2 | 83 | 40.9% |
| **MOHCD Loan** | 4th | **55** | 102 | 48 | 51 | | 2 | 201 | 99.0% |
| **MIP Loan*** | 5th | **55** | 22 | | 22 | 157 | 2 | 201 | 99.0% |
| **Tax Credits** | 6th | **55** | 102 | 48 | 51 | | 2 | 201 | 99.0% |

*Note: For MIP purposes, 10% (22 units) will be restricted at or below 50% of AMI, 10% (22 units) will be restricted between 60% to 80% of AMI, and the remaining 157 units will be restricted at or below 120% of AMI. The rents for the 60% to 80% tranche will be determined by the minimum income restriction of 70% of AMI.

## 13. Geocoder Information

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|---|---|---|---|
| Central City: | Yes /No | Underserved: | No |
| Low/Mod Census Tract: | Moderate | Below Poverty line: | 22% |
| Minority Census Tract: | 60% | Rural Area: | No |

## FINANCIAL ANALYSIS SUMMARY

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| **14.** | **Capitalized Reserves:** | | | |
| | **Replacement Reserves (RR):** | $101,500 annually, based on $500 per unit. CalHFA will hold this reserve. | | |
| | **Operating Expense Reserve (OER):** | $1,059,504. The OER amount is size based on 3 months' operating expenses, debt service, and annual replacement reserves deposits. CalHFA will hold this reserve. Per the USRM, the developer and property manager meet the criteria to reduce the OER from 6 months to 3 months. Therefore, recommendation is made to approve a 3 months reserve. | | |
| | **Transitional Operating Reserve (TOR):** | N/A. | | |
| **15.** | **Cash Flow Analysis** | | | |
| | **1st Year DSCR:** | 1.15 | **Project-Based Subsidy Term:** | N/A |
| | **End Year DSCR:** | 1.90 | **Annual Replacement Reserve Per Unit:** | $500/unit |
| | **Residential Vacancy Rate:**<br>**Subsidy Vacancy Rate:** | 5%<br>N/A | **Rental Income Inflation Rate:**<br>**Subsidy Income Inflation Rate:** | 2.50%<br>N/A |
| | **Non-residential Vacancy Rate:** | N/A | **Project Expenses Inflation Rate:**<br>**Property Tax Inflation Rate:** | 3.50%<br>1.25% |
| **16.** | **Loan Security** | | | |
| The CalHFA loans will be secured against the leasehold interest in the land and fee interest in the improvements | | | | |
| **17.** | **Balloon Exit Analysis** | **Applicable:** ☒ **Yes** ☐ **No** | | |
| The exit analysis assumes a 2% increase in the cap rate and 3% increase in the underwriting interest rate at loan maturity. Based on these assumptions, the Project will have the ability to fully repay the balance of the Agency's MIP loan via a refinance in year 30. | | | | |

## APPRAISAL AND MARKET ANALYSIS

**18. Appraisal Review**

- The Appraisal dated 10/27/20 prepared by Novogradac values the fee simple interest in the land at $29,600,000.
- The cap rate of 3.75% and projected $2,598,368 of net operating income were used to determine the appraised value of the subject site, which includes $32,000 in net commercial income. After deducting commercial income from the appraisal's estimate, the appraisal and underwriting are fairly consistent.
- The proposed operating expense is consistent with and is reasonable based on the appraisal report
- The as-restricted stabilized value is $69,000,000, which results in the Agency's loan to value of 65% (LTV for the permanent and MIP loan is 80%).
- The vacancy rate for the five affordable comparable properties averages 1.5% and all of the properties had lengthy waiting lists. However, a 5% vacancy rate is assumed in the evaluation and in the loan underwriting.
- The appraisal states that 3 of the five comparable properties do not offer on-site parking. Given the fact that the Project has excellent access to all forms of public transportation and is in a core downtown San Francisco area, the lack of parking is not considered a detriment.
- The capture rate is 1.3% of the eligible tenant population. The absorption rate of 4 months assumes pre-leasing initiatives and is consistent with the market study.
- The appraisal concluded market rents that average 17% below the market rents stated in the market study. The appraisal contains updated information regarding market conditions and the appraisal's market rents are used for underwriting.

- The cap rate of 3.75% is based on the most recent information on comparable properties, which is 12 to 18 months old. Assuming an increase in cap rates due to current market conditions by 50 basis-points (4.25%), the LTV would be 74%. Stressing the cap further and adding 100 basis-points to the cap rate would result in an LTV of 82%, which is still within the underwriting requirement of 90% or less.
- The appraiser's evaluation of the project assumed an inflation factor of 1.25% for rents and expenses until occupancy and estimated the value to be $71,000,000. Underwriting to inflated rents during construction is not supported in the USRM. Therefore, the value without the inflation factor is $69,000,000 and is used for underwriting.

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| | **Market Study:** | Novogradac Consulting LLP | Dated: 6-9-2020* |

**Regional Market Overview**

- The Primary Market Area consists of several neighborhoods in the northeastern portion of San Francisco where the majority of the demand will be derived. These neighborhoods consist of portions of SOMA, Union Square, Civic Center, Tenderloin and Nob Hill neighborhoods which will have an estimated population of 113,403 people when the project leases up in 2023. The Secondary Market Area ("SMA") is San Francisco-Oakland-Hayward MSA consisting of San Francisco, Alameda, Marin, Contra Costa and San Mateo counties (population of 4,867,991).
- The general population in the PMA is anticipated to increase by 1.2% per year.
- Unemployment in the SMA was 2.6% at the beginning of 2020, prior to the impact of the COVID-19 pandemic. Per the appraisal, the unemployment rate in August was 9%. The PMA has generally experienced a lower unemployment rate compared to other areas of California and is expected to return to a more normal level in 2023 when the project is in lease-up.

**Local Market Area Analysis**

- **Supply:**
  - There are currently 22 affordable family projects in the PMA which average 1.7% vacancy, most of which maintain waiting lists. Market rate properties averaged 2.7% vacancy when the market study was completed. However, the appraisal reported the vacancy rate for market rate properties is currently 23%, which reflects the impact of COVID-19.
  - There are 8 affordable project(s) under construction which is anticipated to be completed and leased-up prior to the Project's completion.
- **Demand/Absorption:**
  - Renters compose 90% of households in the PMA and 88% of these earn under $150,000 annually.
  - The project will need to capture 3.5% of the total demand for units between 50% and 60% AMI, and 1.9% for units between 70% to 80% AMI and the overall capture rate is 4.5% for all income levels. The appraisal estimates an overall capture rate of 1.3%, as it assumes the project will also attract a percentage of tenants from outside of the PMA.
  - The units are anticipated to lease up at a rate of 55 to 60 units per month. Assuming pre-leasing begins 3 months prior to completion, the Project is anticipated to reach stabilized occupancy within 4 months of opening. The appraisal corroborates the market studies' findings for the lease-up period.

*Effective date of market study is 1/31/2020

## DEVELOPMENT SUMMARY

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| **19.** | **Site Description** | **Requires Flood Insurance:** ☐ **Yes** ☒ **No** |

- The property is located on the northeast/northwest side of Howard and 5th Streets, in the City and County of San Francisco.
- The site is generally level at street grade, measuring approximately .47 acres and is rectangular in shape.
- The site is zoned Mixed Use-Residential District with permitted multifamily and retail uses.
- The subject is not located in a designated flood zone.
- The site consists of two existing commercial structure that is currently occupied, an advertising sign and a parking lot, all of which will be removed/demolished prior to starting construction.

| 20. | Form of Site Control & Expiration Date |
|---|---|

The site was purchased by 5H GP LLC, an affiliate of the Developer, in 2009 from MOHCD for $9,700,000. The property will be transferred to MOHCD and a ground lease between MOHCD and the Borrower will be executed at construction loan closing for a term of 75 years, with a 99-year renewal option. The annual lease payment is $15,000.

| 21. | Current Ownership Entity of Record |
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Title is currently vested in 5H GP LLC as the fee owner.

| 22. | Environmental Review Findings |
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- A Phase I Environmental Site Assessment performed by Harris and Lee Environmental Sciences dated 10/26/20 recommended a lead-based paint and asbestos study, which was completed by ACC Environmental Consultants on 10/30/20. This report concluded that asbestos and lead based paint exist in several building components. These materials will be remediated and disposed of by a licensed abatement contractor during demolition and remediation costs have been included in the construction budget.
- A NEPA review has been initiated and will be completed by prior to construction loan closing.

| 23. | Seismic Requires Earthquake Insurance: ☐ Yes ☒ No |
|---|---|

- This new Project will be built to State and City of San Francisco 2016 Building Codes. Therefore, a Seismic Risk Analysis was conducted.
- According to the third-party seismic report by Partner Engineering Inc. dated 11/10/20 the Probable Maximum Loss (PML) scenario expected loss is 16% within a 475-year period, which meets the Agency's earthquake insurance waiver requirement threshold of 20%.

| 24. | Relocation Requires Relocation: ☒ Yes ☐ Not Applicable |
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- The site is currently improved with two commercial buildings, an advertising sign and a parking lot, all of which will be removed/demolished prior to construction.
- A relocation plan dated May 20, 2020 states identified replacement sites, provides technical assistance and an offer of compensation for reasonable moving expenses or a fixed payment not to exceed $20,000.
- The relocation plan estimated a relocation budget of $200,000 and there is an additional $52,000 for consultant and miscellaneous relocation expenses in the budget.

## PROJECT DETAILS

| 25. | Residential Areas: | | | | |
|---|---|---|---|---|---|
| | | Residential Square Footage: | 148,562 | Residential Units per Acre: | 436 |
| | | Community Area Sq. Ftg: | 5,845 | Total Parking Spaces: | 3 |
| | | Supportive Service Areas: | Within above | Total Building Sq. Footage: | 201,391 |
| 26. | Mixed-Use Project: ☒ Yes ☐ No There is 1,970 sq. ft of commercial space, which is intended to be leased to a community-based non-profit that serves the community. The operating income and expenses are not part of the underwriting. | | | | |
| | | Non-Residential Sq. Footage: | 1,970 | Number of Lease Spaces: | 1 |
| | | Master Lease: | ☐ Yes ☒ No | Number of Parking Spaces: | 0 |
| 27. | Construction Type: | 18-story type 1 concrete high rise construction with surface parking. | | | |
| 28. | Construction/Rehab Scope Requires Demolition: ☒ Yes ☐ No | | | | |

- Construction costs include cost escalation anticipated until March 2021 construction start date and a 2% contractor's bidding contingency.
- The locality requires certain offsite improvements that meets the City's green building, air quality and local hiring and small business enterprise requirements.

**29. Construction Budget Comments:**

- CalHFA will require an independent review of the costs by a 3rd Party consultant prior to construction loan closing.
- The Developer is currently looking for cost saving design options to reduce construction costs and minimize the amount of deferred developer fee.

## ADDITIONAL DEVELOPMENT/ PROJECT TEAM INFORMATION

**30. Borrower Affiliated Entities**

- General Partner: 5H GP LLC, a California limited liability company; 0.01% interest.
  - Sole Member: Turk Street Inc, a California nonprofit public benefit corporation.
- Investor Limited Partner: Bank of America, N.A. and, or its affiliates: 99.99% ownership.

**31. Developer/Sponsor**

- Tenderloin Neighborhood Development Corporation ("TNDC") is a 501(c)(3) nonprofit public benefit corporation established in 1981 for the purpose of creating affordable homes for San Francisco residents. Since then TNDC has developed 43 buildings with 3,800 units and is the largest community-based developer in San Francisco. Three projects are under construction and another 11 are in various stages of development.
- TNDC develops properties that serve families, seniors, developmentally disabled and formerly homeless. All their properties provide comprehensive services, community areas and/or retail space.
- TNDC has considerable experience developing high-density projects on small sites. The financing structure is similar to the Project and all of the projects have been completed on-time and on-budget. Many of these projects have rent subsidies and include financing from MOHCD. Five projects have been completed under the RAD program.
- Three recent examples of such projects include Eddy & Taylor (113-unit project for families, formerly homeless and developmentally disabled); 1036 Mission Family Apartments (83-unit family project with 40 units for formerly homeless); Willie B. Kennedy Senior Apartments (98-unit senior project, 20 units for formerly homeless).

**32. Management Agent**

The Project will be managed by TNDC's Asset Management Department which has extensive experience in managing all of the properties developed by TNDC. The Asset Management Department also manages 2 other projects in the CalHFA portfolio in addition to the 4 TNDC projects.

**33. Service Provider** **Required by TCAC or other funding source?** ☒ **Yes** ☐ **No**

- TNDC's Tenant and Community Services Department will provide supportive services for all of the tenants.
- The Borrower will execute a contract with TNDC to provide services that include case management, crisis intervention, employment training, linkage to medical, mental health and substance abuse services, transportation and food resources and an after-school program.
- A full-time service coordinator will develop individualized service plans for each tenant that outlines strategies to as promote better health, education and stability.
- The Developer has elected to provide these services to meet CTCAC requirements for a term of 15 years and the expense for these services $144,648 and is currently within the approved line item operating budget.

**34. Contractor** **Experienced with CalHFA?** ☒ **Yes** ☐ **No**

The general contractor is Swinerton Construction ("Swinerton") which has extensive experience in constructing similar affordable housing projects in San Francisco. Swinerton was formed in 1908 and has 18 offices nationwide, including Sacramento and San Francisco, with 3,500 employees. Swinerton has considerable expertise in building high-rise residential buildings in urban areas such as San Francisco and currently has 4 affordable housing projects under construction in Northern California. Their projects include residential, commercial, hospitals, casinos, higher education and corporate centers. Swinerton has 108 projects currently under construction in Northern California. The projects range from commercial, retail, office, education and civic projects.

| 35. | Architect Experienced with CalHFA? ☒ Yes ☐ No |
|---|---|
| The architect is Perry Architects, which was established in 2014 by a team of architects with considerable experience successfully designing high-rise projects in San Francisco. Perry Architects has extensive experience in designing and managing similar affordable housing projects, three of which were built by Swinerton, and has worked closely with the City of San Francisco's building department. | |
| **36.** | **Local Review via Locality Contribution Letter** |
| The locality, the City and County of San Francisco, returned the local contribution letter in April stating they strongly support the project. | |

EXHIBITS: Detailed Financial Analysis and applicable Term Sheets

| PROJECT SUMMARY | Final Commitment |
|---|---|
| **Acquisition, Rehab, Construction & Permanent Loans** | **Project Number 20-011-A/X/N** |

| | | | |
|---|---|---|---|
| **Project Full Name** | 921 Howard Street | **Borrower Name:** | 5th and Howard Associates L.P. |
| **Project Address** | 921 Howard Street | **Managing GP:** | Turk Street, Inc. |
| **Project City** | San Francisco | **Developer Name:** | Tenderloin Neighborhood Development Corp. |
| **Project County** | San Francisco | **Investor Name:** | Bank of America, N.A. |
| **Project Zip Code** | 94103 | **Prop Management:** | Tenderloin Neighborhood Development Corp. |
| | | **Tax Credits:** | 4 |
| **Project Type:** | Permanent Loan Only | **Total Land Area (acres):** | 0.47 |
| **Tenancy/Occupancy:** | Fam/Sen | **Residential Square Footage:** | 148,562 |
| **Total Residential Units:** | 203 | **Residential Units Per Acre:** | 435.64 |
| **Total Number of Buildings:** | 1 | | |
| **Number of Stories:** | 18 | **Covered Parking Spaces:** | 3 |
| **Unit Style:** | Flat | **Total Parking Spaces:** | 3 |
| **Elevators:** | 2 | | |

| Acq/Construction/Rehab Financing | Loan Amount ($) | Loan Fees | Loan Term (Mo.) | Amort. Period (Yr.) | Starting Interest Rate |
|---|---|---|---|---|---|
| Construction Loan-T/E B of A | $ 89,339,803.00 | 0.500% | 36 | -- | 3.450% |
| Construction Loan-Tax B of A | $ 3,796,703.00 | 0.500% | 36 | -- | 3.700% |
| MOHDC Gap Loan | $ 31,961,997.00 | -- | 36 | -- | 3.000% |
| Developer Equity Contribution | $ 2,250,000.00 | -- | -- | -- | -- |
| Investor Equity Contribution | $ 11,060,641.00 | -- | -- | -- | -- |
| Accrued Interest | $ 1,734,197.00 | | | | |
| | | | | | |
| **Total** | **$ 140,143,341.00** | | | | |

| Permanent Financing | Loan Amount ($) | Loan Fees | Loan Term (Yr.) | Amort. Period (Yr.) | Starting Interest Rate |
|---|---|---|---|---|---|
| Perm | $ 45,000,000.00 | 1.000% | 30 | 40 | 3.780% |
| MIP | $ 10,150,000.00 | 1.000% | 30 | -- | 2.750% |
| MOHDC Gap Loan | $ 31,961,997.00 | -- | 55 | -- | 3.000% |
| Deferred Developer Fees | $ 4,500,000.00 | -- | -- | -- | -- |
| Developer Equity Contribution | $ 2,250,000.00 | -- | -- | -- | -- |
| Investor Equity Contributions | $ 55,303,203.00 | -- | -- | | -- |
| Accrued Interest | $ 1,734,197.00 | -- | -- | -- | -- |
| **Total** | **$ 150,899,397.00** | | | | |

**Appraised Values Upon Completion of Rehab/Construction**

| | | | |
|---|---|---|---|
| **Appraisal Date:** | 10/27/20 | **Capitalization Rate:** | 3.75% |
| **Investment Value ($)** | 142,000,000 | **Restricted Value ($)** | 69,000,000 |
| **Construct/Rehab LTC** | 62% | **CalHFA Permanent Loan to Cost** | 30% |
| **Construct/Rehab LTV** | N/A | **CalHFA 1st Permanent Loan to Value** | 65% |
| | | **Combined CalHFA Perm Loan to Value** | 80% |

**Additional Loan Terms, Conditions & Comments**

**Construction/Rehab Loan**

| | | |
|---|---|---|
| **Payment/Performance Bond** | 0 | |
| **Completion Guarantee Letter of Credit** | 0.00% | |

**Permanent Loan**

| | | |
|---|---|---|
| **Operating Expense Reserve Deposit** | $1,059,504 | Cash |
| **Initial Replacement Reserve Deposit** | $0 | Cash |
| **Annual Replacement Reserve Per Unit** | $500 | Cash |

Date Prepared: 12/4/20 Senior Staff Date: 12/11/20

| UNIT MIX AND RENT SUMMARY | Final Commitment |
|---|---|
| 921 Howard Street | Project Number 20-011-A/X/N |

**PROJECT UNIT MIX**

| Unit Type of Style | Number of Bedrooms | Number of Baths | Average Size (Sq. Ft.) | Number of Units | Est. No. of Tenants |
|---|---|---|---|---|---|
| Flat | - | 1 | 434 | 33 | 49.5 |
| Flat | 1 | 1 | 613 | 84 | 126 |
| Flat | 2 | 1 | 938 | 81 | 243 |
| Flat | 3 | 2 | 1,354 | 5 | 22.5 |
| - | - | - | - | - | 0 |
| - | - | - | - | - | 0 |
| | | | | 203 | 441 |

**NUMBER OF UNITS AND PERCENTAGE OF AMI RENTS RESTRICTED BY EACH AGENCY**

| Agency | Number of Units Restricted For Each AMI Category | | | | | | |
|---|---|---|---|---|---|---|---|
| | 30% | 40% | 50% | 60% | 80% | 100% | 120% |
| CalHFA Bond/RiskShare | 0 | 0 | 22 | 61 | 0 | 0 | 0 |
| CalHFA MIP | 0 | 0 | 22 | 0 | 22 | 0 | 157 |
| Tax Credit | 0 | 0 | 102 | 48 | 51 | 0 | 0 |
| City of San Francisco MOHDC Loan | 0 | 0 | 102 | 48 | 51 | 0 | 0 |
| City of San Francisco-MOHDC Ground Lease | 0 | 0 | 102 | 48 | 51 | 0 | 0 |
| City of San Francisco-Notice of Restrictions | 0 | 0 | 31 | 0 | 71 | 0 | 0 |
| - | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

**COMPARISON OF AVERAGE MONTHLY RESTRICTED RENTS TO AVERAGE MARKET RENTS**

| Unit Type | Restricting Agency | % of Area Median Income | Average Restricted Rents Number of Units | Average Restricted Rents Unit Rent | Average Market Rents | Average Monthly Savings | % of Market Rents |
|---|---|---|---|---|---|---|---|
| Studios | CTCAC | 50% | 17 | $1,450 | $2,300 | $850 | 63% |
| | CTCAC | 60% | 8 | $1,754 | | $546 | 76% |
| | CTCAC | 70% | - | - | | - | - |
| | CTCAC | 80% | 8 | $2,075 | | $225 | 90% |
| | HCD | 90% | - | - | | - | - |
| | CTCAC | 100% | - | - | | - | - |
| | CTCAC | 120% | - | - | | - | - |
| 1 Bedroom | CTCAC | 50% | 41 | $1,529 | $3,050 | $1,521 | 50% |
| | CTCAC | 60% | 20 | $1,855 | | $1,195 | 61% |
| | CTCAC | 70% | - | - | | - | - |
| | CTCAC | 80% | 21 | $2,507 | | $543 | 82% |
| | HCD | 90% | - | - | | - | - |
| | CTCAC | 100% | - | - | | - | - |
| | CTCAC | 120% | - | - | | - | - |
| 2 Bedrooms | CTCAC | 50% | 41 | $1,825 | $4,000 | $2,175 | 46% |
| | CTCAC | 60% | 19 | $2,216 | | $1,784 | 55% |
| | CTCAC | 70% | - | - | | - | - |
| | CTCAC | 80% | 21 | $2,999 | | $1,001 | 75% |
| | HCD | 90% | - | - | | - | - |
| | CTCAC | 120% | - | - | | - | - |
| | CTCAC | - | - | - | | - | - |
| 3 Bedrooms | CTCAC | 50% | 3 | $2,100 | $5,250 | $3,150 | 40% |
| | CTCAC | 60% | 1 | $2,552 | | $2,698 | 49% |
| | CTCAC | 70% | - | - | | - | - |
| | CTCAC | 80% | 1 | $3,456 | | $1,794 | 66% |
| | HCD | 90% | - | - | | - | - |
| | CTCAC | 100% | - | - | | - | - |
| | CTCAC | 120% | - | - | | - | - |
| 4 Bedrooms | CTCAC | 50% | - | - | - | - | - |
| | CTCAC | 60% | - | - | | - | - |
| | CTCAC | 70% | - | - | | - | - |
| | CTCAC | 80% | - | - | | - | - |
| | HCD | 90% | - | - | | - | - |
| | CTCAC | 100% | - | - | | - | - |
| | CTCAC | 120% | - | - | | - | - |
| 5 Bedrooms | CTCAC | 50% | - | - | - | - | - |
| | CTCAC | 60% | - | - | | - | - |
| | CTCAC | 70% | - | - | | - | - |
| | CTCAC | 80% | - | - | | - | - |
| | HCD | 90% | - | - | | - | - |
| | CTCAC | 100% | - | - | | - | - |
| | CTCAC | 120% | - | - | | - | - |
| Date Prepared: | 12/4/20 | | | | | Senior Staff Date: | 12/11/20 |

| SOURCES & USES OF FUNDS | | | | | Final Commitment |
|---|---|---|---|---|---|
| 921 Howard Street | | | Project Number | 20-011-A/X/N | |
| SOURCES OF FUNDS | CONST/REHAB | PERMANENT | TOTAL PROJECT SOURCES OF FUNDS | | |
| | $ | $ | SOURCES ($) | PER UNIT ($) | % |
| Construction Loan-T/E B of A | 89,339,803 | | | | 0.0% |
| Construction Loan-Tax B of A | 3,796,703 | | | | 0.0% |
| MOHDC Gap Loan | 31,961,997 | | | | 0.0% |
| Accrued Interest | 1,734,197 | | | | 0.0% |
| Construct/Rehab Net Oper. Inc. | - | | | | 0.0% |
| Deferred Developer Fee | - | | | | 0.0% |
| Developer Equity Contribution | 2,250,000 | | | | 0.0% |
| Investor Equity Contribution | 11,060,641 | | | | 0.0% |
| Perm | | 45,000,000 | 45,000,000 | 221,675 | 29.8% |
| MIP | | 10,150,000 | 10,150,000 | 50,000 | 6.7% |
| MOHDC Gap Loan | | 31,961,997 | 31,961,997 | 157,448 | 21.2% |
| Accrued Interest | | 1,734,197 | 1,734,197 | 8,543 | 1.1% |
| Construct/Rehab Net Oper. Inc. | | - | - | - | 0.0% |
| Deferred Developer Fees | | 4,500,000 | 4,500,000 | 22,167 | 3.0% |
| Developer Equity Contribution | | 2,250,000 | 2,250,000 | 11,084 | 1.5% |
| Investor Equity Contributions | | 55,303,203 | 55,303,203 | 272,430 | 36.6% |
| **TOTAL SOURCES OF FUNDS** | **140,143,341** | **150,899,397** | **150,899,397** | **743,347** | **100.0%** |
| **TOTAL USES OF FUNDS (BELOW)** | **140,143,341** | **150,899,396** | **150,899,397** | **743,347** | **100.0%** |
| **FUNDING SURPLUS (DEFICIT)** | **(0)** | **1** | **0** | | |

| USES OF FUNDS | CONST/REHAB | PERMANENT | TOTAL PROJECT USES OF FUNDS | | |
|---|---|---|---|---|---|
| | $ | $ | USES ($) | PER UNIT ($) | % |
| | | | | | |
| **CONSTRUCTION/REHAB SOURCES OF FUNDS** | | **140,143,341** | | | |
| **ACQUISITION COSTS** | | | | | |
| Lesser of Land Cost or Appraised Value | - | - | - | - | 0.0% |
| Demolition Costs | 377,078 | - | 377,078 | 1,858 | 0.2% |
| Legal & Other Closing Costs | - | - | - | - | 0.0% |
| Escrow & other closing costs | 384,733 | - | 384,733 | 1,895 | 0.3% |
| Other (Land Holidng Costs) | - | - | - | - | 0.0% |
| Other (Specify) | - | - | - | - | 0.0% |
| **TOTAL ACQUISITION COSTS** | **761,811** | **-** | **761,811** | **3,753** | **0.5%** |
| **CONSTRUCTION/REHAB COSTS** | | | | | |
| Offsite Improvements | - | - | - | - | 0.0% |
| Environmental Remediation (Hard Costs) | 300,000 | - | 300,000 | 1,478 | 0.2% |
| Site Work (Hard Cost) | - | - | - | - | 0.0% |
| Structures (Hard Cost) | 94,330,179 | - | 94,330,179 | 464,681 | 62.5% |
| General Requirements | 4,903,041 | - | 4,903,041 | 24,153 | 3.2% |
| Contractor Overhead | 3,087,142 | - | 3,087,142 | 15,208 | 2.0% |
| Contractor Profit | - | - | - | - | 0.0% |
| Contractor Bond | 408,074 | - | 408,074 | 2,010 | 0.3% |
| GC Contingency | 1,962,671 | - | 1,962,671 | 9,668 | 1.3% |
| **TOTAL CONSTRUCT/REHAB COSTS** | **104,991,107** | **-** | **104,991,107** | **517,198** | **69.6%** |

| SOURCES & USES OF FUNDS | | | | | Final Commitment |
|---|---|---|---|---|---|
| 921 Howard Street | | | Project Number | 20-011-A/X/N | |
| USES OF FUNDS | CONST/REHAB | PERMANENT | TOTAL PROJECT USES OF FUNDS | | |
| | $ | $ | USES ($) | PER UNIT ($) | % |
| **RELOCATION COSTS** | | | | | |
| Relocation Expense | 252,000 | - | 252,000 | 1,241 | 0.2% |
| Relocation Compliance Monitoring | - | - | - | - | 0.0% |
| Other (Specify) | - | - | - | - | 0.0% |
| **TOTAL RELOCATION COSTS** | **252,000** | **-** | **252,000** | **1,241** | **0.2%** |
| **ARCHITECTURAL FEES** | | | | | |
| Design | 2,603,611 | - | 2,603,611 | 12,826 | 1.7% |
| Supervision | 615,000 | - | 615,000 | 3,030 | 0.4% |
| **TOTAL ARCHITECTURAL FEES** | **3,218,611** | **-** | **3,218,611** | **15,855** | **2.1%** |
| **SURVEY & ENGINEERING FEES** | | | | | |
| Engineering | 587,750 | - | 587,750 | 2,895 | 0.4% |
| Supervision | - | - | - | - | 0.0% |
| ALTA Land Survey | 50,000 | - | 50,000 | 246 | 0.0% |
| **TOTAL SURVEY & ENGINEERING FEES** | 637,750 | - | 637,750 | 3,142 | 0.4% |
| **CONTINGENCY RESERVES** | | | | | |
| Hard Cost Contingency Reserve | 7,112,742 | - | 7,112,742 | 35,038 | 4.7% |
| Soft Cost Contingency Reserve | 1,527,915 | - | 1,527,915 | 7,527 | 1.0% |
| **TOTAL CONTINGENCY RESERVES** | 8,640,657 | - | 8,640,657 | 42,565 | 5.7% |
| **CONSTRUCT/REHAB PERIOD COSTS** | | | | | |
| **Loan Interest Reserve** | | | | | |
| Construction Loan-T/E B of A | 7,406,857 | - | 7,406,857 | 36,487 | 0.049085 |
| Construction Loan-Tax B of A | - | - | - | - | 0 |
| MOHDC Gap Loan | 1,734,197 | - | 1,734,197 | 8,543 | 1.1% |
| **Loan Fees** | | | | | |
| Construction Loan-T/E B of A | 446,699 | - | 446,699 | 2,200 | 0.3% |
| Construction Loan-Tax B of A | 18,984 | - | 18,984 | 94 | 0.0% |
| MOHDC Gap Loan | - | - | - | - | 0.0% |
| **Other Const/Rehab Period Costs** | | | | | |
| Deficit Const/Rehab NOI (Net Operating In | - | - | - | - | 0.0% |
| Credit Enhancement & Application Fees & | 274,350 | - | 274,350 | 1,351 | 0.2% |
| Owner Paid Bonds/Insurance | - | - | - | - | 0.0% |
| CalHFA Inspection Fees | 18,000 | - | 18,000 | 89 | 0.0% |
| Real Estate Taxes During Rehab | 153,520 | - | 153,520 | 756 | 0.1% |
| Completion Guaranty Fee | - | - | - | - | 0.0% |
| Wage Monitoring Fee (Davis Bacon, Preva | - | - | - | - | 0.0% |
| Insurance During Rehab | 2,655,761 | - | 2,655,761 | 13,083 | 1.8% |
| Title & Recording Fees | 55,000 | - | 55,000 | 271 | 0.0% |
| Construction Management & Testing | 732,000 | - | 732,000 | 3,606 | 0.5% |
| Predevelopment Interest Expense | - | - | - | - | 0.0% |
| Bond Issuer Fee | 113,137 | - | 113,137 | 557 | 0.1% |
| Misc. Bond Issuance and Extension Fees | 62,915 | - | 62,915 | 310 | 0.0% |
| **TOTAL CONST/REHAB PERIOD COSTS** | **13,671,420** | **-** | **13,671,420** | **67,347** | **9.1%** |

| SOURCES & USES OF FUNDS | | | | | Final Commitment |
|---|---|---|---|---|---|
| 921 Howard Street | | | Project Number | 20-011-A/X/N | |
| **USES OF FUNDS** | **CONST/REHAB $** | **PERMANENT $** | **TOTAL PROJECT USES OF FUNDS USES ($)** | **PER UNIT ($)** | **%** |
| **PERMANENT LOAN COSTS** | | | | | |
| **Loan Fees** | | | | | |
| CalHFA Application Fee | - | - | - | - | 0.0% |
| Perm | 225,000 | 225,000 | 450,000 | 2,217 | 0.3% |
| MIP | 50,750 | 50,750 | 101,500 | 500 | 0.1% |
| MOHDC Gap Loan | - | - | - | - | 0.0% |
| Permanent Loan Cost of Issuance Fee | 55,000 | 55,000 | 110,000 | 542 | 0.1% |
| Credit Enhancement & Application Fees | - | 11,000 | 11,000 | 54 | 0.0% |
| Title & Recording (closing costs) | - | 10,009 | 10,009 | 49 | 0.0% |
| Year 1 - Taxes & Special Assessments and Insura | - | 108,921 | 108,921 | 537 | 0.1% |
| CalHFA Fees (Extension) | 159,810 | - | 159,810 | 787 | 0.1% |
| Tax Exempt Bond Allocation Fee | - | - | - | - | 0.0% |
| Other (Specify) | - | 10,085 | 10,085 | 50 | 0.0% |
| **TOTAL PERMANENT LOAN COSTS** | **490,560** | **470,765** | **961,325** | **4,736** | **0.6%** |
| **LEGAL FEES** | | | | | |
| CalHFA Construction/Rehab Loan Legal Fees | - | - | - | - | 0.0% |
| Other Construction/Rehab Loan Legal Fees | 50,000 | - | 50,000 | 246 | 0.0% |
| CalHFA Permanent Loan Legal Fees | - | 35,000 | 35,000 | 172 | 0.0% |
| Other Permanent Loan Legal Fees | - | 65,000 | 65,000 | 320 | 0.0% |
| Sponsor Legal Fees | 75,000 | - | 75,000 | 369 | 0.0% |
| Organizational Legal Fees | 5,000 | - | 5,000 | 25 | 0.0% |
| Syndication Legal Fees | 30,000 | - | 30,000 | 148 | 0.0% |
| Borrower Legal Fee | 10,000 | - | 10,000 | 49 | 0.0% |
| CalHFA Bond Counsel | 62,000 | - | 62,000 | 305 | 0.0% |
| **TOTAL LEGAL FEES** | **232,000** | **100,000** | **332,000** | **1,635** | **0.2%** |
| **OPERATING RESERVES** | | | | | |
| Operating Expense Reserve Deposit | - | 1,059,504 | 1,059,504 | 5,219 | 0.7% |
| Investor Required Reserve | - | - | - | - | 0.0% |
| Other (Commercial Space Reserve) | - | 1,515 | 1,515 | 7 | 0.0% |
| **TOTAL OPERATING RESERVES** | **-** | **1,061,019** | **1,061,019** | **5,227** | **0.7%** |
| **REPORTS & STUDIES** | | | | | |
| Appraisal Fee | 25,023 | - | 25,023 | 123 | 0.0% |
| Market Study Fee | 10,000 | - | 10,000 | 49 | 0.0% |
| Physical Needs Assessment Fee | - | - | - | - | 0.0% |
| Environmental Site Assessment Reports | 75,000 | - | 75,000 | 369 | 0.0% |
| Other (LEED Consultant) | 60,000 | - | 60,000 | 296 | 0.0% |
| **TOTAL REPORTS & STUDIES** | **170,023** | **-** | **170,023** | **838** | **0.1%** |

| SOURCES & USES OF FUNDS | | | | | Final Commitment |
|---|---|---|---|---|---|
| 921 Howard Street | | | Project Number | 20-011-A/X/N | |
| USES OF FUNDS | CONST/REHAB | PERMANENT | TOTAL PROJECT USES OF FUNDS | | |
| | $ | $ | USES ($) | PER UNIT ($) | % |
| **OTHER COSTS** | | | | | |
| TCAC Application, Allocation & Monitor Fees | 139,640 | - | 139,640 | 688 | 0.1% |
| CDLAC Fees | 32,598 | - | 32,598 | 161 | 0.0% |
| Local Permits & Fees | 750,000 | - | 750,000 | 3,695 | 0.5% |
| Local Impact Fees | 2,400,000 | - | 2,400,000 | 11,823 | 1.6% |
| Other Local Fees | - | - | - | - | 0.0% |
| Syndicator/Investor Fees & Expenses | - | - | - | - | 0.0% |
| Furnishings | 451,000 | - | 451,000 | 2,222 | 0.3% |
| Accounting & Audits | 250,000 | - | 250,000 | 1,232 | 0.2% |
| Advertising & Marketing Expenses | 396,436 | - | 396,436 | 1,953 | 0.3% |
| Other (Utilities) | 1,320,000 | - | 1,320,000 | 6,502 | 0.9% |
| Other (Misc.Engineering) | 95,000 | - | 95,000 | 468 | 0.1% |
| **TOTAL OTHER COSTS** | **5,834,674** | **-** | **5,834,674** | **28,742** | **3.9%** |
| **SUBTOTAL PROJECT COSTS** | **138,900,612** | **141,775,125** | **140,532,397** | **692,278** | **93.1%** |
| **DEVELOPER FEES & COSTS** | | | | | |
| Developer Fees, Overhead & Profit | 875,729 | 9,124,271 | 10,000,000 | 49,261 | 6.6% |
| Syndicator Consultant Fees | 75,000 | - | 75,000 | 369 | 0.0% |
| Guarantee Fees | - | - | - | - | 0.0% |
| Construction Oversight & Management | 250,000 | - | 250,000 | 1,232 | 0.2% |
| Other Adminstration Fees (commercial leasing) | 42,000 | - | 42,000 | 207 | 0.0% |
| CASH EQUITY OUT TO DEVELOPER | - | - | - | - | 0.0% |
| **TOTAL DEVELOPER FEES & COSTS** | **1,242,729** | **9,124,271** | **10,367,000** | **51,069** | **6.9%** |
| **TOTAL PROJECT COSTS** | **140,143,341** | **150,899,396** | **150,899,397** | **743,347** | **100.0%** |

| PROJECTED INITIAL ANNUAL RENTAL OPERATING BUDGET | | | Final Commitment |
|---|---|---|---|
| 921 Howard Street | Project Number | | 20-011-A/X/N |
| | | | |
| **INCOME** | **AMOUNT** | **PER UNIT** | **%** |
| **Rental Income** | | | |
| Restricted Unit Rents | $ 4,799,208 | $ 23,641 | 104.95% |
| Unrestricted Unit Rents | - | - | 0.00% |
| Commercial Rents | - | - | 0.00% |
| **Rental & Operating Subsidies** | | | |
| Project Based Rental Subsidy | - | - | 0.00% |
| Other Project Based Subsidy | - | - | 0.00% |
| Income during renovations | - | - | 0.00% |
| Other Subsidy (Specify) | - | - | 0.00% |
| **Other Income** | | | |
| Laundry Income | 14,251 | 70 | 0.31% |
| Parking & Storage Income | - | - | 0.00% |
| Miscellaneous Income | - | - | 0.00% |
| **GROSS POTENTIAL INCOME (GPI)** | **$ 4,813,459** | **$ 23,712** | **105.26%** |
| Less: Vacancy Loss | **$ 240,673** | **$ 1,186** | **5.26%** |
| **EFFECTIVE GROSS INCOME (EGI)** | **$ 4,572,786** | **$ 24,897** | **100.00%** |
| | | | |
| **OPERATING EXPENSES** | **AMOUNT** | **PER UNIT** | **%** |
| Administrative Expenses | $ 476,387 | $ 2,347 | $ 0 |
| Management Fee | 164,620 | 811 | 3.60% |
| Social Programs & Services | 144,648 | 713 | 3.16% |
| Utilities | 357,366 | 1,760 | 7.82% |
| Operating & Maintenance | 478,835 | 2,359 | 10.47% |
| Ground Lease Payments | 15,000 | 74 | 0.33% |
| CalHFA Monitoring Fee | 7,500 | 37 | 0.16% |
| Other Monitoring Fees | 21,900 | 108 | 0.48% |
| Real Estate Taxes | 21,274 | 105 | 0.47% |
| Other Taxes & Insurance | 265,438 | 1,308 | 5.80% |
| Assisted Living/Board & Care | - | - | 0.00% |
| **SUBTOTAL OPERATING EXPENSES** | **$ 1,952,968** | **$ 9,621** | **42.71%** |
| | | | |
| Replacement Reserve | $ 101,500 | $ 500 | 2.22% |
| **TOTAL OPERATING EXPENSES** | **$ 2,054,468** | **$ 10,121** | **44.93%** |
| | | | |
| **NET OPERATING INCOME (NOI)** | **$ 2,518,318** | **$ 12,406** | **55.07%** |
| | | | |
| **DEBT SERVICE PAYMENTS** | **AMOUNT** | **PER UNIT** | **%** |
| Perm | $ 2,183,549 | $ 10,756 | 47.75% |
| - | $ - | - | 0.00% |
| - | $ - | - | 0.00% |
| MOHDC Gap Loan | $ - | - | 0.00% |
| - | $ - | - | 0.00% |
| - | $ - | - | 0.00% |
| - | $ - | - | 0.00% |
| MIP Annual Fee (applicable for MIP only deals) | $ - | - | 0.00% |
| **TOTAL DEBT SERVICE & OTHER PAYMENTS** | **$ 2,183,549** | **$ 10,756** | **47.75%** |
| | | | |
| **EXCESS AFTER DEBT SERVICE & MONITORING FEES** | **$ 334,768** | **$ 1,649** | **7.32%** |
| | | | |
| **DEBT SERVICE COVERAGE RATIO (DSCR)** | **$ 1 to 1** | | |
| | | | |
| Date: 12/4/20 | | Senior Staff Date: | 12/11/20 |

| PROJECTED PERMANENT LOAN CASH FL0WS | | | | | | | | | | 921 Howard Street | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Final Commitment** | | **2024** | | | | | | | | **Project Number** | **20-011-A/X/N** | |
| | **YEAR** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** | **11** |
| **RENTAL INCOME** | **CPI** | | | | | | | | | | | |
| Restricted Unit Rents | 2.50% | 4,799,208 | 4,919,188 | 5,042,168 | 5,168,222 | 5,297,428 | 5,429,863 | 5,565,610 | 5,704,750 | 5,847,369 | 5,993,553 | 6,143,392 |
| Other Subsidy (Specify) | 0.00% | - | - | - | - | - | - | - | - | - | - | - |
| Laundry Income | 2.50% | 14,251 | 14,607 | 14,972 | 15,346 | 15,730 | 16,123 | 16,526 | 16,939 | 17,363 | 17,797 | 18,242 |
| **GROSS POTENTIAL INCOME (GPI)** | | **4,813,459** | **4,933,795** | **5,057,140** | **5,183,568** | **5,313,158** | **5,445,987** | **5,582,136** | **5,721,690** | **5,864,732** | **6,011,350** | **6,161,634** |
| **VACANCY ASSUMPTIONS** | **Vacancy** | | | | | | | | | | | |
| Restricted Unit Rents | 5.00% | 239,960 | 245,959 | 252,108 | 258,411 | 264,871 | 271,493 | 278,280 | 285,238 | 292,368 | 299,678 | 307,170 |
| Laundry Income | 5.00% | 713 | 730 | 749 | 767 | 786 | 806 | 826 | 847 | 868 | 890 | 912 |
| Parking & Storage Income | 50.00% | - | - | - | - | - | - | - | - | - | - | - |
| Miscellaneous Income | 50.00% | - | - | - | - | - | - | - | - | - | - | - |
| **TOTAL PROJECTED VACANCY LOSS** | | **240,673** | **246,690** | **252,857** | **259,178** | **265,658** | **272,299** | **279,107** | **286,084** | **293,237** | **300,568** | **308,082** |
| **EFFECTIVE GROSS INCOME (EGI)** | | **4,572,786** | **4,687,105** | **4,804,283** | **4,924,390** | **5,047,500** | **5,173,687** | **5,303,029** | **5,435,605** | **5,571,495** | **5,710,783** | **5,853,552** |
| **OPERATING EXPENSES** | **CPI / Fee** | | | | | | | | | | | |
| Administrative Expenses | 3.50% | 621,035 | 642,771 | 665,268 | 688,553 | 712,652 | 737,595 | 763,411 | 790,130 | 817,785 | 846,407 | 876,031 |
| Management Fee | 3.60% | 164,620 | 168,736 | 172,954 | 177,278 | 181,710 | 186,253 | 190,909 | 195,682 | 200,574 | 205,588 | 210,728 |
| Utilities | 3.50% | 357,366 | 369,874 | 382,819 | 396,218 | 410,086 | 424,439 | 439,294 | 454,669 | 470,583 | 487,053 | 504,100 |
| Operating & Maintenance | 3.50% | 478,835 | 495,594 | 512,940 | 530,893 | 549,474 | 568,706 | 588,610 | 609,212 | 630,534 | 652,603 | 675,444 |
| Ground Lease Payments | 0.00% | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| CalHFA Monitoring Fee | 0.00% | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 |
| Other Agency Monitoring Fee | 0.05% | 21,900 | 21,900 | 21,911 | 21,922 | 21,933 | 21,944 | 21,955 | 21,966 | 21,977 | 21,988 | 21,999 |
| Real Estate Taxes | 1.25% | 21,274 | 21,540 | 21,809 | 22,082 | 22,358 | 22,637 | 22,920 | 23,207 | 23,497 | 23,791 | 24,088 |
| Other Taxes & Insurance | 3.50% | 265,438 | 274,728 | 284,344 | 294,296 | 304,596 | 315,257 | 326,291 | 337,711 | 349,531 | 361,765 | 374,427 |
| Required Reserve Payments | 1.00% | 101,500 | 102,515 | 103,540 | 104,576 | 105,621 | 106,678 | 107,744 | 108,822 | 109,910 | 111,009 | 112,119 |
| **TOTAL OPERATING EXPENSES** | | **2,054,468** | **2,120,158** | **2,188,086** | **2,258,317** | **2,330,930** | **2,406,008** | **2,483,635** | **2,563,898** | **2,646,890** | **2,732,703** | **2,821,436** |
| **NET OPERATING INCOME (NOI)** | | **2,518,317** | **2,566,947** | **2,616,197** | **2,666,073** | **2,716,570** | **2,767,680** | **2,819,395** | **2,871,707** | **2,924,605** | **2,978,079** | **3,032,117** |
| **DEBT SERVICE PAYMENTS** | **Lien #** | | | | | | | | | | | |
| Perm | 1 | 2,183,549 | 2,183,549 | 2,183,549 | 2,183,549 | 2,183,549 | 2,183,549 | 2,183,549 | 2,183,549 | 2,183,549 | 2,183,549 | 2,183,549 |
| MOHDC Gap Loan | 2 | - | - | - | - | - | - | - | - | - | - | - |
| **TOTAL DEBT SERVICE & OTHER PAYMENTS** | | **2,183,549** | **2,183,549** | **2,183,549** | **2,183,549** | **2,183,549** | **2,183,549** | **2,183,549** | **2,183,549** | **2,183,549** | **2,183,549** | **2,183,549** |
| **CASH FLOW AFTER DEBT SERVICE** | | **334,768** | **383,398** | **432,648** | **482,524** | **533,020** | **584,130** | **635,845** | **688,157** | **741,056** | **794,530** | **848,567** |
| **DEBT SERVICE COVERAGE RATIO** | | **1.15** | **1.18** | **1.20** | **1.22** | **1.24** | **1.27** | **1.29** | **1.32** | **1.34** | **1.36** | **1.39** |
| Date Prepared: | 12/04/20 | | | | | | | | | Senior Staff Date: | 12/11/20 | |

| | | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** | **11** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| LESS: Asset Management Fee | 0.00% | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| LESS: Partnership Management Fee | 3.50% | 22,000 | 22,770 | 23,567 | 24,392 | 25,246 | 26,129 | 27,044 | 27,990 | 28,970 | 29,984 | 31,033 |
| **net CF available for distribution** | | **307,768** | **355,628** | **404,081** | **453,132** | **502,775** | **553,001** | **603,802** | **655,167** | **707,086** | **759,546** | **812,534** |
| Developer Split | *50%* | 153,884 | 177,814 | 202,040 | 226,566 | 251,387 | 276,500 | 301,901 | 327,584 | 353,543 | 379,773 | 406,267 |
| Deferred developer fee repayment | 4,500,000 | 4,500,000 | 4,346,116 | 4,168,302 | 3,966,262 | 3,739,696 | 3,488,309 | 3,211,808 | 2,909,907 | 2,582,324 | 2,228,781 | 1,849,008 |
| | | 153,884 | 177,814 | 202,040 | 226,566 | 251,387 | 276,500 | 301,901 | 327,584 | 353,543 | 379,773 | 406,267 |
| Net DDF to repay | 4,500,000 | 4,346,116 | 4,168,302 | 3,966,262 | 3,739,696 | 3,488,309 | 3,211,808 | 2,909,907 | 2,582,324 | 2,228,781 | 1,849,008 | 1,442,741 |
| **Payments for Residual Receipt Payments** | *50%* | | | | | | | | | | | |
| **RESIDUAL RECEIPTS LOANS** | *Payment %* | 153,884 | 177,814 | 202,040 | 226,566 | 251,387 | 276,500 | 301,901 | 327,584 | 353,543 | 379,773 | 406,267 |
| MIP | *24.10%* | 37,090 | 42,857 | 48,697 | 54,608 | 60,590 | 66,643 | 72,765 | 78,955 | 85,212 | 91,534 | 97,920 |
| MOHDC Gap Loan | *75.90%* | 116,794 | 134,956 | 153,344 | 171,958 | 190,797 | 209,857 | 229,136 | 248,628 | 268,331 | 288,239 | 308,347 |
| **Total Residual Receipts Payments** | **100.00%** | **153,884** | **177,814** | **202,040** | **226,566** | **251,387** | **276,500** | **301,901** | **327,584** | **353,543** | **379,773** | **406,267** |
| **Balances for Residual Receipt Payments** | | | | | | | | | | | | |
| **RESIDUAL RECEIPTS LOANS** | *Interest Rate* | | | | | | | | | | | |
| MIP---Simple | *2.75%* | 10,150,000 | 10,392,035 | 10,628,303 | 10,858,731 | 11,083,249 | 11,301,783 | 11,514,265 | 11,720,625 | 11,920,794 | 12,114,707 | 12,302,297 |
| 0---Compounding | *0.00%* | - | - | - | - | - | - | - | - | - | - | - |
| MOHDC Gap Loan---Simple | *3.00%* | 31,961,997 | 32,804,063 | 33,627,966 | 34,433,482 | 35,220,384 | 35,988,447 | 36,737,450 | 37,467,174 | 38,177,406 | 38,867,935 | 39,538,556 |
| **Total Residual Receipts Payments** | | 42,111,997 | 43,196,098 | 44,256,269 | 45,292,214 | 46,303,633 | 47,290,230 | 48,251,715 | 49,187,799 | 50,098,200 | 50,982,642 | 51,840,854 |

| PROJECTED PERMANENT LOAN CASH FL0WS | | | | | | | | | 921 Howard Street | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Final Commitment** | | | | | | | | **Project Number** | **20-011-A/X/N** | | |
| | **YEAR** | **12** | **13** | **14** | **15** | **16** | **17** | **18** | **19** | **20** | **21** | **22** |
| **RENTAL INCOME** | **CPI** | | | | | | | | | | | |
| Restricted Unit Rents | 2.50% | 6,296,977 | 6,454,401 | 6,615,761 | 6,781,155 | 6,950,684 | 7,124,451 | 7,302,563 | 7,485,127 | 7,672,255 | 7,864,061 | 8,060,663 |
| Other Subsidy (Specify) | 0.00% | - | - | - | - | - | - | - | - | - | - | - |
| Laundry Income | 2.50% | 18,698 | 19,165 | 19,645 | 20,136 | 20,639 | 21,155 | 21,684 | 22,226 | 22,782 | 23,351 | 23,935 |
| **GROSS POTENTIAL INCOME (GPI)** | | **6,315,675** | **6,473,567** | **6,635,406** | **6,801,291** | **6,971,323** | **7,145,606** | **7,324,247** | **7,507,353** | **7,695,036** | **7,887,412** | **8,084,598** |
| **VACANCY ASSUMPTIONS** | **Vacancy** | | | | | | | | | | | |
| Restricted Unit Rents | 5.00% | 314,849 | 322,720 | 330,788 | 339,058 | 347,534 | 356,223 | 365,128 | 374,256 | 383,613 | 393,203 | 403,033 |
| Laundry Income | 5.00% | 935 | 958 | 982 | 1,007 | 1,032 | 1,058 | 1,084 | 1,111 | 1,139 | 1,168 | 1,197 |
| Parking & Storage Income | 50.00% | - | - | - | - | - | - | - | - | - | - | - |
| Miscellaneous Income | 50.00% | - | - | - | - | - | - | - | - | - | - | - |
| **TOTAL PROJECTED VACANCY LOSS** | | **315,784** | **323,678** | **331,770** | **340,065** | **348,566** | **357,280** | **366,212** | **375,368** | **384,752** | **394,371** | **404,230** |
| **EFFECTIVE GROSS INCOME (EGI)** | | **5,999,891** | **6,149,888** | **6,303,636** | **6,461,226** | **6,622,757** | **6,788,326** | **6,958,034** | **7,131,985** | **7,310,285** | **7,493,042** | **7,680,368** |
| **OPERATING EXPENSES** | **CPI / Fee** | | | | | | | | | | | |
| Administrative Expenses | 3.50% | 906,692 | 938,427 | 971,271 | 1,005,266 | 1,040,450 | 1,076,866 | 1,114,556 | 1,153,566 | 1,193,941 | 1,235,729 | 1,278,979 |
| Management Fee | 3.60% | 215,996 | 221,396 | 226,931 | 232,604 | 238,419 | 244,380 | 250,489 | 256,751 | 263,170 | 269,750 | 276,493 |
| Utilities | 3.50% | 521,744 | 540,005 | 558,905 | 578,466 | 598,713 | 619,668 | 641,356 | 663,803 | 687,037 | 711,083 | 735,971 |
| Operating & Maintenance | 3.50% | 699,085 | 723,553 | 748,877 | 775,088 | 802,216 | 830,293 | 859,353 | 889,431 | 920,561 | 952,781 | 986,128 |
| Ground Lease Payments | 0.00% | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| CalHFA Monitoring Fee | 0.00% | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 |
| Other Agency Monitoring Fee | 0.05% | 22,010 | 22,021 | 22,032 | 22,043 | 22,054 | 22,065 | 22,076 | 22,087 | 22,098 | 22,109 | 22,120 |
| Real Estate Taxes | 1.25% | 24,389 | 24,694 | 25,003 | 25,315 | 25,632 | 25,952 | 26,276 | 26,605 | 26,937 | 27,274 | 27,615 |
| Other Taxes & Insurance | 3.50% | 387,531 | 401,095 | 415,133 | 429,663 | 444,701 | 460,266 | 476,375 | 493,048 | 510,305 | 528,166 | 546,651 |
| Required Reserve Payments | 1.00% | 113,240 | 114,373 | 115,516 | 116,672 | 117,838 | 119,017 | 120,207 | 121,409 | 122,623 | 123,849 | 125,088 |
| **TOTAL OPERATING EXPENSES** | | **2,913,187** | **3,008,062** | **3,106,168** | **3,207,617** | **3,312,523** | **3,421,006** | **3,533,189** | **3,649,200** | **3,769,172** | **3,893,239** | **4,021,545** |
| **NET OPERATING INCOME (NOI)** | | **3,086,704** | **3,141,826** | **3,197,467** | **3,253,610** | **3,310,234** | **3,367,320** | **3,424,845** | **3,482,785** | **3,541,113** | **3,599,802** | **3,658,823** |
| **DEBT SERVICE PAYMENTS** | **Lien #** | | | | | | | | | | | |
| Perm | 1 | 2,183,549 | 2,183,549 | 2,183,549 | 2,183,549 | 2,183,549 | 2,183,549 | 2,183,549 | 2,183,549 | 2,183,549 | 2,183,549 | 2,183,549 |
| MOHDC Gap Loan | 2 | - | - | - | - | - | - | - | - | - | - | - |
| **TOTAL DEBT SERVICE & OTHER PAYMENTS** | | **2,183,549** | **2,183,549** | **2,183,549** | **2,183,549** | **2,183,549** | **2,183,549** | **2,183,549** | **2,183,549** | **2,183,549** | **2,183,549** | **2,183,549** |
| **CASH FLOW AFTER DEBT SERVICE** | | **903,155** | **958,277** | **1,013,918** | **1,070,060** | **1,126,685** | **1,183,771** | **1,241,295** | **1,299,235** | **1,357,564** | **1,416,253** | **1,475,273** |
| **DEBT SERVICE COVERAGE RATIO** | | **1.41** | **1.44** | **1.46** | **1.49** | **1.52** | **1.54** | **1.57** | **1.60** | **1.62** | **1.65** | **1.68** |
| Date Prepared: | 12/04/20 | | | | | | | | Senior Staff Date: | 12/11/20 | | |
| | | **12** | **13** | **14** | **15** | **16** | **17** | **18** | **19** | **20** | **21** | **22** |
| LESS: Asset Management Fee | 0.00% | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| LESS: Partnership Management Fee | 3.50% | 32,119 | 33,244 | 34,407 | 35,611 | 36,858 | 38,148 | 39,483 | 40,865 | 42,295 | 43,775 | 45,307 |
| **net CF available for distribution** | | **866,035** | **920,033** | **974,511** | **1,029,449** | **1,084,827** | **1,140,623** | **1,196,813** | **1,253,370** | **1,310,269** | **1,367,478** | **1,424,966** |
| Developer Split | *50%* | 433,018 | 460,017 | 487,255 | 514,725 | 542,414 | 570,311 | 598,406 | 626,685 | 655,134 | 683,739 | 712,483 |
| Deferred developer fee repayment | 4,500,000 | 1,442,741 | 1,009,723 | 549,706 | 62,451 | - | - | - | - | - | - | - |
| | | 433,018 | 460,017 | 487,255 | 62,451 | - | - | - | - | - | - | - |
| Net DDF to repay | 4,500,000 | 1,009,723 | 549,706 | 62,451 | - | - | - | - | - | - | - | - |
| **Payments for Residual Receipt Payments** | *50%* | | | | | | | | | | | |
| **RESIDUAL RECEIPTS LOANS** | *Payment %* | 433,018 | 460,017 | 487,255 | 514,725 | 542,414 | 570,311 | 598,406 | 626,685 | 655,134 | 683,739 | 712,483 |
| MIP | *24.10%* | 104,368 | 110,875 | 117,440 | 124,061 | 130,735 | 137,459 | 144,230 | 151,046 | 157,903 | 164,797 | 171,725 |
| MOHDC Gap Loan | *75.90%* | 328,650 | 349,142 | 369,815 | 390,664 | 411,679 | 432,853 | 454,176 | 475,639 | 497,231 | 518,941 | 540,757 |
| **Total Residual Receipts Payments** | **100.00%** | **433,018** | **460,017** | **487,255** | **514,725** | **542,414** | **570,311** | **598,406** | **626,685** | **655,134** | **683,739** | **712,483** |
| **Balances for Residual Receipt Payments** | | | | | | | | | | | | |
| **RESIDUAL RECEIPTS LOANS** | *Interest Rate* | | | | | | | | | | | |
| MIP---Simple | *2.75%* | 12,483,502 | 12,658,260 | 12,826,510 | 12,988,194 | 13,143,258 | 13,291,649 | 13,433,315 | 13,568,210 | 13,696,289 | 13,817,511 | 13,931,838 |
| 0---Compounding | *0.00%* | - | - | - | - | - | - | - | - | - | - | - |
| MOHDC Gap Loan---Simple | *3.00%* | 40,189,069 | 40,819,279 | 41,428,998 | 42,018,042 | 42,586,239 | 43,133,420 | 43,659,427 | 44,164,111 | 44,647,331 | 45,108,960 | 45,548,879 |
| **Total Residual Receipts Payments** | | 52,672,572 | 53,477,539 | 54,255,507 | 55,006,237 | 55,729,497 | 56,425,068 | 57,092,742 | 57,732,320 | 58,343,620 | 58,926,471 | 59,480,717 |

**PROJECTED PERMANENT LOAN CASH FL0WS** **921 Howard Street**

**Final Commitment** **Project Number 20-011-A/X/N**

| | YEAR | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 |
|---|---|---|---|---|---|---|---|---|---|
| **RENTAL INCOME** | **CPI** | | | | | | | | |
| Restricted Unit Rents | 2.50% | 8,262,179 | 8,468,734 | 8,680,452 | 8,897,463 | 9,119,900 | 9,347,897 | 9,581,595 | 9,821,135 |
| Other Subsidy (Specify) | 0.00% | - | - | - | - | - | - | - | - |
| Laundry Income | 2.50% | 24,533 | 25,147 | 25,775 | 26,420 | 27,080 | 27,757 | 28,451 | 29,163 |
| **GROSS POTENTIAL INCOME (GPI)** | | **8,286,713** | **8,493,880** | **8,706,227** | **8,923,883** | **9,146,980** | **9,375,655** | **9,610,046** | **9,850,297** |
| **VACANCY ASSUMPTIONS** | **Vacancy** | | | | | | | | |
| Restricted Unit Rents | 5.00% | 413,109 | 423,437 | 434,023 | 444,873 | 455,995 | 467,395 | 479,080 | 491,057 |
| Laundry Income | 5.00% | 1,227 | 1,257 | 1,289 | 1,321 | 1,354 | 1,388 | 1,423 | 1,458 |
| Parking & Storage Income | 50.00% | - | - | - | - | - | - | - | - |
| Miscellaneous Income | 50.00% | - | - | - | - | - | - | - | - |
| **TOTAL PROJECTED VACANCY LOSS** | | **414,336** | **424,694** | **435,311** | **446,194** | **457,349** | **468,783** | **480,502** | **492,515** |
| **EFFECTIVE GROSS INCOME (EGI)** | | **7,872,377** | **8,069,186** | **8,270,916** | **8,477,689** | **8,689,631** | **8,906,872** | **9,129,544** | **9,357,782** |
| **OPERATING EXPENSES** | **CPI / Fee** | | | | | | | | |
| Administrative Expenses | 3.50% | 1,323,743 | 1,370,074 | 1,418,027 | 1,467,658 | 1,519,026 | 1,572,192 | 1,627,218 | 1,684,171 |
| Management Fee | 3.60% | 283,406 | 290,491 | 297,753 | 305,197 | 312,827 | 320,647 | 328,664 | 336,880 |
| Utilities | 3.50% | 761,730 | 788,390 | 815,984 | 844,543 | 874,102 | 904,696 | 936,360 | 969,133 |
| Operating & Maintenance | 3.50% | 1,020,642 | 1,056,365 | 1,093,338 | 1,131,604 | 1,171,211 | 1,212,203 | 1,254,630 | 1,298,542 |
| Ground Lease Payments | 0.00% | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| CalHFA Monitoring Fee | 0.00% | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 |
| Other Agency Monitoring Fee | 0.05% | 22,131 | 22,142 | 22,153 | 22,164 | 22,175 | 22,186 | 22,198 | 22,209 |
| Real Estate Taxes | 1.25% | 27,960 | 28,310 | 28,664 | 29,022 | 29,385 | 29,752 | 30,124 | 30,500 |
| Other Taxes & Insurance | 3.50% | 565,784 | 585,587 | 606,082 | 627,295 | 649,250 | 671,974 | 695,493 | 719,835 |
| Required Reserve Payments | 1.00% | 126,339 | 127,602 | 128,878 | 130,167 | 131,469 | 132,783 | 134,111 | 135,452 |
| **TOTAL OPERATING EXPENSES** | | **4,154,235** | **4,291,461** | **4,433,378** | **4,580,150** | **4,731,944** | **4,888,934** | **5,051,298** | **5,219,223** |
| **NET OPERATING INCOME (NOI)** | | **3,718,142** | **3,777,726** | **3,837,538** | **3,897,539** | **3,957,687** | **4,017,938** | **4,078,246** | **4,138,559** |
| **DEBT SERVICE PAYMENTS** | **Lien #** | | | | | | | | |
| Perm | 1 | 2,183,549 | 2,183,549 | 2,183,549 | 2,183,549 | 2,183,549 | 2,183,549 | 2,183,549 | 2,183,549 |
| MOHDC Gap Loan | 2 | - | - | - | - | - | - | - | - |
| **TOTAL DEBT SERVICE & OTHER PAYMENTS** | | **2,183,549** | **2,183,549** | **2,183,549** | **2,183,549** | **2,183,549** | **2,183,549** | **2,183,549** | **2,183,549** |
| **CASH FLOW AFTER DEBT SERVICE** | | **1,534,592** | **1,594,176** | **1,653,988** | **1,713,989** | **1,774,137** | **1,834,389** | **1,894,696** | **1,955,010** |
| **DEBT SERVICE COVERAGE RATIO** | | **1.70** | **1.73** | **1.76** | **1.78** | **1.81** | **1.84** | **1.87** | **1.90** |
| Date Prepared: | 12/04/20 | | | | | | | Senior Staff Date: | 12/11/20 |
| | | **23** | **24** | **25** | **26** | **27** | **28** | **29** | **30** |
| LESS: Asset Management Fee | 0.00% | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| LESS: Partnership Management Fee | 3.50% | 46,893 | 48,535 | 50,233 | 51,991 | 53,811 | 55,694 | 57,644 | 59,661 |
| **net CF available for distribution** | | **1,482,699** | **1,540,642** | **1,598,755** | **1,656,998** | **1,715,326** | **1,773,694** | **1,832,052** | **1,890,349** |
| Developer Split | *50%* | 741,350 | 770,321 | 799,377 | 828,499 | 857,663 | 886,847 | 916,026 | 945,174 |
| Deferred developer fee repayment | 4,500,000 | - | - | - | - | - | - | - | - |
| | | - | - | - | - | - | - | - | - |
| Net DDF to repay | 4,500,000 | - | - | - | - | - | - | - | - |
| **Payments for Residual Receipt Payments** | *50%* | | | | | | | | |
| **RESIDUAL RECEIPTS LOANS** | *Payment %* | 741,350 | 770,321 | 799,377 | 828,499 | 857,663 | 886,847 | 916,026 | 945,174 |
| MIP | *24.10%* | 178,683 | 185,666 | 192,669 | 199,688 | 206,717 | 213,751 | 220,784 | 227,810 |
| MOHDC Gap Loan | *75.90%* | 562,667 | 584,655 | 606,708 | 628,811 | 650,946 | 673,096 | 695,242 | 717,365 |
| **Total Residual Receipts Payments** | **100.00%** | **741,350** | **770,321** | **799,377** | **828,499** | **857,663** | **886,847** | **916,026** | **945,174** |
| **Balances for Residual Receipt Payments** | | | | | | | | | |
| **RESIDUAL RECEIPTS LOANS** | *Interest Rate* | | | | | | | | |
| MIP---Simple | *2.75%* | 14,039,238 | 14,139,680 | 14,233,139 | 14,319,595 | 14,399,032 | 14,471,439 | 14,536,813 | 14,595,154 |
| 0---Compounding | *0.00%* | - | - | - | - | - | - | - | - |
| MOHDC Gap Loan---Simple | *3.00%* | 45,966,981 | 46,363,174 | 46,737,379 | 47,089,531 | 47,419,580 | 47,727,494 | 48,013,258 | 48,276,876 |
| **Total Residual Receipts Payments** | | 60,006,219 | 60,502,854 | 60,970,518 | 61,409,126 | 61,818,612 | 62,198,933 | 62,550,071 | 62,872,030 |

# TAX-EXEMPT PERMANENT LOAN PROGRAM

CalHFA's Tax-Exempt Permanent Loan Program ("Perm Loan") provides competitive tax-exempt long-term financing for affordable multifamily rental housing Projects. Eligible projects include newly constructed or acquisition/rehabilitation developments that provide affordable housing opportunities for individuals, families, seniors, veterans, and special needs tenants ("Project").

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| **Qualifications** | • Available to for-profit, non-profit, and public agency sponsors.<br>• Tax-exempt bond authority must be obtained from the California Debt Limit Allocation Committee (CDLAC) or through a 501(c)(3) exemption.<br>• The Tax-Exempt Permanent Loan may be used with or without 4% low income housing tax credits.<br>• If a lender other than CalHFA is providing short-term, first-lien debt, CalHFA shall be used as the bond issuer (for more information, review the Conduit Issuer Program Term Sheet).<br>• For Section 8 Projects, a final commitment is conditioned upon review and acceptance by CalHFA of the HAP or AHAP contract.<br>• The Perm Loan will be credit-enhanced through CalHFA's HUD/FHA Risk Sharing Program.<br>• For existing CalHFA portfolio loans, the current owner is required to pay off all outstanding CalHFA debt. Visit www.calhfa.ca.gov for the CalHFA Portfolio Loan Prepayment Policy. |
| **Loan Amount** | • Minimum Perm Loan amount of $5,000,000.<br>• Minimum 1.15x for debt service coverage ratio (include any financing with amortizing debt).<br>• Lesser of 90% of restricted value or 100% of development costs. For Projects with equity being cashed out, the Perm Loan amount will be restricted to no more than 80% of the restricted value. |
| **Fees**<br>(subject to change) | • Application Fee: $10,000 non-refundable, due at time of application submittal, and is credited toward the CalHFA Loan Fee.<br>• Perm Loan Fee: 1.00%, half due at final commitment, with balance due at Perm Loan closing.<br>• Cost of Issuance Fee: $110,000, half due at final commitment, with balance due at Perm Loan Closing.<br>• Credit Enhancement Fee: included in the interest rate.<br>• Annual Administrative Fee:: $7,500 annually (not to be duplicated if used in conjunction with CalHFA's Conduit Program).<br>• Inspection fees should be estimated at $500 - $1,000 per month (reports and fees can be shared with other construction lenders)<br>• Legal Fee: $35,000 due at Perm Loan closing.<br>• Administrative Fee: $1,000 at Perm Loan closing.<br>• Letter of Interest Fee: $5,000 at LOI request, and is credited towards the CalHFA Perm Loan Fee<br><br>See Conduit Issuer Program Term Sheet for information on conduit issuance fees. |

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# TAX-EXEMPT PERMANENT LOAN PROGRAM

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| **Rate & Terms** (subject to change) | Interest Rate:<br>• 17 Year Balloon: 15 Year "AAA" MMD (Municipal Market Data) plus CalHFA spread<br>• 30 Year Balloon and Fully Amortizing Loans: 30 Year "AAA" MMD plus CalHFA spread<br>• Estimated CalHFA Spread: 2.00% to 2.50%<br>• Rate may be locked up to 30 days prior to the construction loan closing. Rate may be locked for the term of the construction period, not to exceed 3 years.<br><br>Amortization/Term:<br>• Amortization: Up to 35 Year Amortization[1]<br>• Term: Fully Amortizing, and 17 or 30 Year Balloons available[2]<br>• Perm Loan Reduction: up to 10% reduction at Perm Loan closing permitted at no cost.<br>• A six-month extension is permitted upon payment of a fee equal to 0.50% of the Perm Loan amount.<br>• Breakage Fee (if applicable): between construction loan closing and Perm Loan closing and calculated based on hedge termination cost.<br><br>1. The Agency may offer up to a 40 year amortization at its discretion.<br>2. Balloon loans subject to agency approved exit strategy. |
| **Loan Closing Requirements** | • 90% stabilized rental housing occupancy for 90 days as evidenced by rent rolls.<br>• 90% of tax credit investor equity shall have been paid into the Project.<br>• Project income is sufficient to pay operating expenses, required debt service, reserves and monitoring fees.<br>• For mixed-use Projects, 100% non-residential occupancy as evidenced by executed leases or guarantees. |
| **Prepayment** | The Perm Loan may be prepaid at par after 15 years of the Perm Loan period. However, the Perm Loan may be prepaid after 10 years of the Perm Loan period subject to a yield maintenance calculation of:<br>• 5% of the principal balance after the end of year 10<br>• 4% of the principal balance after the end of year 11<br>• 3% of the principal balance after the end of year 12<br>• 2% of the principal balance after the end of year 13<br>• 1% of the principal balance after the end of year 14<br><br>All prepayments require a prior written 120-day notice to CalHFA. |
| **Subordinate Financing** | Financing or grants are encouraged from local governments and third parties to achieve project feasibility. All financing, leases, development and regulatory agreements must be coterminous (or have a longer term than the combined terms of any CalHFA Acq/Rehab Loan and Perm Loan) and be subordinate to CalHFA financing. |

# TAX-EXEMPT PERMANENT LOAN PROGRAM

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| **Occupancy Requirements** | Must maintain the greater of (A) existing affordability restrictions, or (B) either (i) 20% of the units must be rent restricted and occupied by individuals whose incomes are 50% or less of the area (county) median gross income as determined by HUD ("AMI") with adjustments for household size ("20% @ 50% AMI"), or (ii) 40% or more of the units must be both rent restricted and occupied by individuals whose income is 60% or less of the AMI, with adjustments for household size ("40% @ 60% AMI"): however in the latter case, a minimum of 10% of the units must be at 50% or less of AMI ("10% @ 50% AMI").<br><br>CalHFA's regulated units must represent a pro-rata share of the available unit sizes (by bedroom count and square feet), and be disbursed throughout the project. |
| **Due Diligence** | The following due diligence is required to be provided at the Owner/Borrower's expense:<br>• Appraisal (a construction lender's appraisal may be acceptable).<br>• HUD-2530 previous participation clearance.<br>• Construction Costs Review for new construction loans (other construction lender's review is acceptable).<br>• Physical Needs Assessment ("PNA") for rehabilitation projects with a Replacement Reserve Needs Analysis ("RRNA") over time for the first 20-year term (other lender's PNA/RRNA may be acceptable).<br>• Phase I Environmental Site Assessment including but not limited to impact reviews that meet federal environmental requirements (such as historic preservation and noise remediation).<br>• Market Study satisfactory to CalHFA.<br>• NEPA Review.<br>• Termite/Dry Rot reports by licensed company.<br>• Seismic review and other studies may be required at CalHFA's discretion. |
| **Required Impounds and Reserves** | • Replacement Reserve: Initial cash deposit required for existing Projects, with annual deposits between<br>• $250 and $500 per unit/per year depending on the Project type and PNA/RRNA findings.<br>• Operating Expense Reserve: 3-6 months of operating expenses, reserves, debt service, and monitoring fees due at Perm Loan closing (letter of credit or cash) and held for the life of the CalHFA Perm Loan.<br>• Impounds held by CalHFA: One year's prepaid earthquake, hazard and liability insurance premiums, and property tax assessments are collected at loan closing. An earthquake insurance waiver is available for Projects which have met CalHFA earthquake waiver standards during rehabilitation or construction.<br>• Transition Operating Reserve (TOR): required for Projects with rental subsidy contracts with contract terms that are less than 20 years.<br>• Other reserves as required (at CalHFA's discretion). |

Last revised: 4/2019

# MIXED-INCOME LOAN PROGRAM

The CalHFA Mixed-Income Program ("MIP") provides competitive long-term subordinate financing for new construction multifamily housing projects restricting units (tax credit or CalHFA) between 30% and 120% of county Area Median Income ("AMI").

The MIP must be paired with CalHFA's Conduit Bond Issuance Program and a CalHFA Mixed-Income Qualified Construction Lender (defined below). Additionally, the program must be paired with CalHFA's Permanent Loan product or a sponsor must work with a CalHFA Mixed-Income Qualified Permanent Lender (defined below). The Mixed-Income resources will take the form of a subordinate loan to incentivize newly developed multifamily housing projects that serve a range of very low to moderate income renters. Eligible projects must create newly constructed regulated units that meet the income and occupancy requirements reflected below.

## Qualifications

APPLICATION:

Sponsors/developers must submit a complete application package which includes all items listed on the application, the application addendum and the checklist. Incomplete application packages will not be considered. The application and checklist can be found at www.calhfa.ca.gov/multifamily/mixedincome/forms/index.htm. If the sponsor/developer is not able to meet the readiness timeline referenced below, MIP funds may be rescinded and reallocated.

AVAILABILITY:

Available to for-profit, non-profit, and public agency sponsors. Development teams must meet CalHFA experience requirements, as defined in the CalHFA Development Team Qualifications section below.

USES:

MIP Subsidy loans must be used in conjunction with CalHFA's Conduit Bond Issuance Program and a construction loan from a CalHFA Mixed-Income Qualified Construction Lender. MIP Subsidy loans must also be used in conjunction with CalHFA's permanent first-lien mortgage financing or financing from a CalHFA Mixed-Income Qualified Permanent Lender. CalHFA Mixed-Income Qualified Construction and Qualified Permanent Lenders are defined in the CalHFA Lender Qualifications section below.

FINANCING STRUCTURE:

**Projects accessing the MIP Subsidy Loan funds must be structured as one of the following:**

1. Tax-exempt Bond and 4% tax credit project where at least 51% of the units in each project must be tax credit financed, OR
2. Qualified mixed-income project under the California Debt Limit Allocation Committee's (CDLAC) regulations (50% or fewer units designated as tax credit or tax-exempt bond restricted) utilizing an allocation of private activity bonds to finance the project, OR
3. Qualified mixed-income project through income averaging.

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**Qualifications** (continued)

READINESS:

Projects must have site control and be prepared to submit for a bond and tax credit allocation and will only receive funds if bonds are issued within the issuance timeframes specified in CDLAC Regulations Section 5100.

1. **Site:** The site must be ready for construction (all potential environmental issues have been identified, mitigation plan is in place, and costs associated with the mitigation plan have been incorporated in the development budget). Environmental issues may include but not be limited to receipt of clearances for CEQA, NEPA, and applicable tribal land environmental reviews.
2. **Construction Start:** All projects must commit to begin construction 180 days from the earlier of the date of the tax-exempt bond allocation or 4% federal/state tax credit reservation. Within the 180-day period the following items must be submitted to CalHFA in their final form:
   a. A complete updated application (inclusive of all CalHFA Addendum Items) form along with a detailed explanation of any changes from the initial application,
   b. An executed construction contract,
   c. Recorded deeds of trust for all construction financing (unless a project's location on tribal trust land precludes this),
   d. Binding commitments for any other financing required to complete project construction,
   e. Copy of a limited partnership agreement executed by the general partner/sponsor and the investor limited partner/equity provider,
   f. Payment of all construction lender fees,
   g. Copies of buildings permits (a grading permit does not suffice to meet this requirement except that in the event that the city or county as a rule does not issue building permits prior to the completion of grading, a grading permit shall suffice; if the project is a design build project in which the city or county does not issue building permits until designs are fully complete, the city or county shall have approved construction to begin) or the applicable tribal documents,
   h. Copy of the notice to proceed delivered to the contractor,
   i. If no construction lender is involved, evidence must be submitted within 180 days, as applicable, that the equity partner has been admitted to the ownership entity, and that an initial disbursement of funds has occurred.
   j. Other documentation and information necessary to close construction financing required by CalHFA.

MIP ALLOCATION LIMITS:

1. **10% Project Cap:** No project may receive more than 10% of the total MIP allocation for the respective year.
2. **33% Sponsor Cap:** No sponsor (any individual, entity, affiliate and related entity) may receive more than 33% of MIP funds for the respective year.
3. **33% County Cap:** No one county may receive more than 33% of MIP funds for the respective year.
4. **25% Age-Restricted Cap:** No more than 25% of MIP funds for the respective year may be received by age-restricted projects.

EVIDENCE OF COST CONTAINMENT:

**A Cost Containment Analysis will be completed by CalHFA at the time of the Construction Loan Closing.** The developer/sponsor must certify that cost containment measures have been implemented to minimize construction costs. These measures may include but are not limited to 1) competitively bidding out all major subcontractor and self-performing trades 2) obtain 3 bids for all major trades and 3) engage value engineer/consultant during the design process.

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| **Qualifications** (continued) | EVIDENCE OF SUBSIDY EFFICIENCY:<br><br>A Subsidy Efficiency Analysis will be completed as part of the Application review. The analysis will be completed again prior to closing the MIP Subordinate Loan and the MIP Loan amount may be adjusted based on the final analysis. Parameters of the analysis may include but are not limited to the following:<br><br>• A maximum of 1.20 Debt Service Coverage Ratio ("DSCR"). CalHFA may allow an initial DSCR higher than 1.20 on a case by case basis, if deemed necessary;<br>• A project cash flow that supports the residential component of the project based on the required CalHFA permanent first lien annual debt service coverage ratio;<br>• A separate project cash flow that supports any commercial component of the project;<br>• A cashflow after debt service that is limited to the higher of 25% of the anticipated annual must pay debt service payment or 8% of gross income, during each of the first 3 years of project operation;<br>• Inflation factors and vacancy rates consistent with the Agency's Underwriting Standards and Reference Manual ("USRM");<br>• Developer Fee requirements will match those required under the 4% federal and/or state tax credit reservation.<br>• Capitalized reserves shall be subject to approval by Agency for reasonableness consistent with the USRM and the Investor Limited Partnership Agreement (ILPA);<br>• Review of Excess Sources over final Uses as approved by CalHFA resulting from any of the following:<br>· An increase in tax credit equity;<br>· An increase in permanent loan debt due to a combination of permanent loan rate reduction and/or reduction to operating expense assumptions;<br>• Construction Cost Savings as evidenced by final cost certification, funds shall be used to reduce the MIP loan prior to CalHFA MIP loan closing or if required by other subordinate lenders, funds may be split on a pro rata basis between CalHFA and other subordinate lenders. |
| **CalHFA Mixed-Income Qualified Lender Qualifications** | A CalHFA Qualified Construction Lender is defined as a Construction Lender that has closed at least 5 construction loans using tax-exempt bonds and 4% federal and/or state tax credits in California within the last 3 years and satisfies the requirement set forth within the application.<br><br>A CalHFA Qualified Permanent Lender is defined as a Permanent Lender that has closed at least 5 Permanent loans using tax-exempt bonds and 4% federal and/or state tax credits in California within the last 3 years and satisfies the requirement set forth within the application. |
| **CalHFA Mixed-Income Development Team Qualifications** | The **Developer/Co-Developer** must be registered to do business and in good standing in the state of California. A CalHFA Qualified Developer/Co-Developer must have developed at least three (3) comparable projects within the past five (5) years.<br><br>The proposed **Project Manager** must have personally managed the development of at least two (2) comparable projects within the past 5 years.<br><br>**Financial Consultants** hired to assist the Developer in meeting the minimum experience requirements must be able to provide details regarding at least three (3) comparably financed projects over the last five (5) years. |

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| **CalHFA Mixed-Income Development Team Qualifications** (Continued) | **Architects** new to CalHFA must provide information for three (3) comparable projects they designed that were built and occupied within the past five (5) years.<br><br>**General Contractor (GC)** must be licensed by the State of California. GCs new to CalHFA must provide information related to three (3) comparable (in design) projects built in the past five (5) years. Similar information will be required for the proposed on-site construction supervisor. The on-site construction supervisor must have overseen three (3) comparable projects built in the past five (5) years, and they must have overseen the projects from construction start to final completion.<br><br>**Management Company** must have a local presence or a field office in Northern or Southern CA (depending on the location of the Project) and have experience managing at least ten (10) low to moderate income rent restricted Comparable (size and tenant types) Projects. Also required is a resume for the proposed on-site Property Manager, reflecting prior experience during the past five (5) years managing onsite project operations and compliance with rent restricted units. |
| **Permanent First Lien Loan** | Provided by CalHFA or a CalHFA Mixed-Income Qualified Permanent Lender. The permanent loan must meet an initial DSCR of at least 1.15 and must maintain a DSCR of 1.0 or higher for the term of the permanent first lien loan. CalHFA may require an initial DSCR higher than 1.15 on a case by case basis, if deemed necessary. |
| **Construction First Lien Loan** | Provided by a CalHFA Mixed-Income Qualified Construction Lender. |
| **Limitations** | 1. MIP cannot be combined with the Tax Credit Allocation Committee's (TCAC) 9% program.<br>2. MIP cannot be combined with other state subordinate debt and/or subsidy programs (this does not include state tax credits). Inclusion of other subordinate debt and subsidy will be allowed at CalHFA's discretion.<br>3. Projects that have a below market rate component as a result of an inclusionary obligation or are 100% below market as a result of an inclusionary obligation must demonstrate master developer commitment through a dollar-for-dollar match of CalHFA's resources. Match can be obtained through a monetary match or equivalent in-kind contributions (e.g., land donation, land use fee concessions.)<br>4. At the time of MIP application to CalHFA, a project must not have already received an allocation of 4% federal and/or state tax credits from TCAC or a tax-exempt bond allocation from CDLAC.<br>5. Projects will not be eligible for other subsidy resources from CalHFA in addition to MIP. |
| **Mixed-Income Project Occupancy Requirements** | FEDERAL BOND REGULATORY AGREEMENT REQUIREMENTS (ALL PROJECTS):<br><br>Must maintain either (a) 20% of the units must be rent restricted and occupied by individuals whose incomes are 50% or less of AMI with adjustments for household size ("20% @ 50% AMI"), OR (b) 40% or more of the units must be both rent restricted and occupied by individuals whose incomes are 60% or less of AMI with adjustments for household size ("40% @ 60% AMI"): in the latter case, a minimum of 10% of the unit types must be at 50% or less of AMI ("10% @ 50% AMI").<br><br>MIXED INCOME REGULATORY AGREEMENT REQUIREMENTS (ALL PROJECTS):<br><br>Affordability Requirements:<br><br>1. To qualify, a project must have at least 10% of the total units restricted as follows*:<br>a. 81% to 120% of AMI with an average of 100% of AMI or greater OR if the market study does not support restrictions at these levels, |

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| **Mixed-Income Project Occupancy Requirements** (Continued) | b. 60% to 80% of AMI with an average of 70% of AMI or greater, subject to the Maximum Allowable Rents outlined below.<br>*(Deviations from the average unit affordability levels of 70% AMI or 100% AMI outlined above will only be considered if market study supports such deviations.)<br>2. **AND** either<br>a. Tax credit transactions that are income-averaged must not exceed an average affordability of 60% AMI across all restricted units, **OR**<br>b. Mixed income per CDLAC definitions, a Qualified Residential Rental Project having 50% or fewer of its total units designated as Restricted Rental Units (as restricted by a Bond or TCAC Regulatory Agreement at 60% AMI or lower-CDLAC Regulations Article 1, Section 5000).<br>Note: These restrictions will remain in effect for 55 years. MIP regulatory agreement will restrict 10% of the total units at or below 80% of AMI, another 10% of the total units at or below 50% of AMI (or 80% AMI if there is an exception pursuant to Health and Safety Code Section 51335), and in addition to these restrictions, a minimum of 10% of the total units between 81% up to 120% of AMI OR (subject to the requirements identified above) 10%-29% of the total units between 60% up to 80% AMI, and the remaining units restricted at or below 120% of AMI, except for the designated manager's unit(s).<br>MAXIMUM ALLOWABLE RENTS:<br>Rents for units restricted at 80% AMI and below must be at least 10% below market rents as evidenced by a current Market Study.<br>Rents for units restricted between 81%-120% AMI must be at least 10% below market as evidenced by a current Market Study. |
| **Mixed-Income Subordinate Loan** | 1. Maximum loan amount for each project shall not exceed 10% of total MIP allocation for the respective year.<br>a. Maximum loan per restricted (tax credit or CalHFA) units between 50%-80% AMI shall be $50,000.<br>b. Maximum loan per MIP restricted units between 81%-120% AMI shall be $100,000.<br>c. Projects located within the Highest or High Resource areas designated on the TCAC/HCD Opportunity Area Map shall be eligible for an additional 5% of the project eligible basis per 4% federal and state tax credit program. Opportunity Map Home Page<br>2. Loan size based on project need but cannot be more than 50% of the permanent loan amount. |
| **Mixed-Income Subordinate Loan Rates & Terms** | 1. Interest Rate: 2.75% simple interest.<br>2. Loan Term: The MIP loan term shall be coterminous with the permanent first lien loan.<br>3. Loan Payment: Residual receipt repayment based on cash flow analysis and split 50% to Owner and 50% to CalHFA and other residual receipt lenders. Residual receipt is defined as 50% of surplus cash which is determined as net operating income minus total debt service and other Agency approved payments. Payments shall be applied to the current and/or accrued interest and then principal of the MIP loan.<br>4. Affordability Term: Up to 55 years.<br>5. Assignability: Consent will be considered.<br>6. Prepayment: May be prepaid at any time without penalty. |

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| **Mixed-Income Subordinate Loan Rates & Terms** (Continued) | 7. Subordination: A subordination and/or extension of MIP maturity request in conjunction with a re-syndication, refinance, or ownership transfer ("capitalization event(s)") will be considered. If MIP loan is outstanding at time of the capitalization event(s), the original MIP annual fee schedule will remain in place until the earlier of MIP regulatory restriction expiration, including any extensions, or repayment of the MIP loan. If the outstanding MIP loan is subordinated at the time of such event, the surplus cash split between borrower and CalHFA and other residual receipt lenders may be altered to reflect an increased percentage of residual receipts to CalHFA out of Borrower's share until such time as the MIP loan is paid in full. The remaining residual receipts may be split between other residual receipt lenders.<br>8. Funded: Only at permanent loan conversion. |
| **CalHFA Conduit Bond Program** | For more information on CalHFA's Conduit Issuer Program and the fees associated with it, visit CalHFA's website: www.calhfa.ca.gov/multifamily/programs/forms/termsheet-conduit.pdf |
| **CalHFA First Lien Permanent Rates & Terms** (subject to change) | For more information on CalHFA's Permanent Loan Program and the fees associated with it, visit CalHFA's website: www.calhfa.ca.gov/multifamily/programs/forms/termsheet-perm-tax-exempt.pdf |
| **Fees** (subject to change) | 1. Program Application Fee: $10,000 non-refundable, due at time of CalHFA MIP application submittal. The application fee shall be credited towards Loan Fee at time of MIP permanent loan closing.<br>2. Loan Fee: 1.00% of the loan amount (50% due at final commitment and 50% due at CalHFA MIP loan closing).<br>3. Legal Fee: $15,000, due at loan closing (applicable if CalHFA is not providing permanent financing).<br>4. Ongoing Annual MIP Fee Payable in the event that CalHFA is not the Permanent Lender: 0.35% of the Permanent Loan Amount commencing at CalHFA MIP loan closing, calculated based on the principal balance of an amortization schedule with the following assumptions: i) 55 year amortization; ii) start date, interest rate and the loan amount consistent with permanent first lien loan (this fee is applicable if CalHFA is not providing permanent financing and will remain in place until the repayment of the MIP loan).<br>5. Annual Administrative Fee: $7,500 per year (subject to change).<br><br>Conduit Bond Program Fees: Refer to CalHFA Conduit Bond Program www.calhfa.ca.gov/multifamily/programs/forms/termsheet-conduit.pdf<br><br>CDLAC Fees: Refer to CDLAC regulations for all applicable fees.<br><br>If CalHFA is selected as the permanent lender, please refer to CalHFA First Lien Permanent Rates & Terms for first mortgage loan fees, credit enhancements, trustee fees, legal fees, inspection fees, administrative fees. www.calhfa.ca.gov/multifamily/programs/forms/termsheet-perm-tax-exempt.pdf |

Last revised: 11/2019

# CONDUIT ISSUER PROGRAM

## MULTIFAMILY HOUSING BONDS

The CalHFA Conduit Issuer Program is designed to facilitate access to tax-exempt and taxable bonds ("Bond") by developers that seek financing for eligible projects that provide affordable multifamily rental housing for individuals, families, seniors, veterans or special needs tenants ("Project"). The conduit Bonds may be used to finance the acquisition, rehabilitation, and/or development of an existing Project, or they can be used for the construction of a new Project.

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| **Qualifications** | • Available to for-profit, non-profit or public agency sponsors.<br>• Non-profit borrowers may be eligible for 501(c)(3) bonds.<br>• If bond proceeds are utilized to pay off an existing CalHFA portfolio loan visit www.calhfa.ca.gov for the CalHFA Portfolio Loan Prepayment Policy. |
| **Bond Amount** | Bond amount is determined by the loan amount of the selected construction lender. |
| **Fees** (subject to change) | • Application Fee: $5,000 non-refundable, due at time of application submittal (covers the cost of the TEFRA) and is credited towards the CalHFA Issuer Fee.<br>• Issuer Fee:<br>1. The greater of $15,000 or 0.20% of the Bond amount if less than $20 million dollars<br>2. If more than $20 million dollars: $40,000 + 0.10% of the amount above $20 million dollars<br>• Annual Administrative Fee: $7,500 (scattered site projects may require increased fees) due and payable in advance in annual installments commencing on Bond issuance through the term of the regulatory period.<br>• Public Sale: additional fee of $5,000 to $10,000 applies when Bonds are sold to the public.<br>• CDLAC Allocation Fee: 0.035% of the Bond amount, $1,200 of which is due at time of CDLAC application submittal with the remaining fee due at construction loan closing, and is payable to CDLAC.<br>• CDLAC Performance Deposit: 0.50% of the requested Bond amount, not to exceed $100,000, due at time of CDLAC application submittal. Deposit to be refunded after the Bond closing, upon receipt of authorization letter from CDLAC.<br><br>The Borrower shall be responsible for all other costs of Bond issuance including fees of the underwriter, trustee, rating agencies, lender, compliance administrator, all Bond counsel legal fees, and any other parties required to complete the transaction. |

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Sacramento, CA 95814
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kbrown@calhfa.ca.gov

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| **Occupancy Requirements** | • Either (A) 20% of the units must be rent restricted and occupied by individuals whose incomes are 50% or less of the area median income as determined by HUD ("AMI") with adjustments for household size ("20% @ 50% AMI"), or (B) 40% or more of the units must be both rent restricted and occupied by individuals whose income is 60% or less of the AMI, with adjustments for household size ("40% @ 60% AMI"); however in the latter case, a minimum of 10% of the units must be at 50% or less of AMI.<br>• Borrower will be required to enter into a Regulatory Agreement which will be recorded against the Project for the Qualified Project Period (as defined in the CalHFA Regulatory Agreement). This includes the latter of the federally-required qualified project period, repayment of the Bond funded loan, redemption of the Bonds or the full term of the CDLAC Resolution requirements. |

Last revised: 03/2019


921 Howard St, San Francisco, CA 94103
Geary St
SFMTA Ellis-O'Farrell Parking Garage
Marshalls
Contemporary Jewish Museum
UNIQLO Union Square
Old Navy
San Francisco Museum of Modern Art
Fogo de Chão Brazilian Steakhouse
Yerba Buena Gardens
Moscone Center
Westfield San Francisco Centre
Powell Street
Bloomingdale's
Children's Creativity Museum
Temporarily closed
SoMa Square Apartments
The Warfield
Market St
Mission St
University of the Pacific, Arthur A. Dugoni...
Charmaine's Rooftop Bar & Lounge
Whole Foods Market
Black Hammer Brewing
Garaje
HRD
Shell
K&L Wine Merchants
United States Postal Service
Howard St
6th St
7th St
4th St
3rd St
5th St
2nd St
Harrison St
Bryant St
Brannan St
Folsom St
Ellis St
Eddy St
Jessie
Minna
Natoma St
Tehama St
Clementina St
Shipley
Stevenson St
Perry St
Harriet St
Russ St
Rausch St
Sumner St
Langton St
Sherman St
Welsh St
Freelon St
Zoe St
Ritch St
Dow Pl
33 8th at Trinity Place
Deli Board
Sightglass Coffee
Chevron
The EndUp
San Francisco Flower Mart
Walgreens
San Francisco 4th & King
Mike's Bikes of San Francisco
Pinterest HQ
80


EMBARCADERO
Broadway
JACKSON SQUARE
San Francisco Cable Car Museum
Temporarily closed
Ferry Building
FINANCIAL DISTRICT
Kearny St
California St
Hyde St
Grace Cathedral
California St
Dragon's Gate
POLK GULCH
Bush St
Mission St
THE EAST CUT
Union Square
San Francisco Museum of Modern Art
Harrison St
Contemporary Jewish Museum
Geary St
O'Farrell St
TENDERLOIN
Folsom St
Harrison St
3rd St
SOUTH BEACH
HEDRAL HILL
Turk St
921 Howard St, San Francisco, CA 94103
SOUTH PARK
San Francisco City Hall
Asian Art Museum
Temporarily closed
7th St
Harrison St
4th St
Oracle Park
Temporarily closed
Howard St
SOMA
Mission St
Bryant St
Brannan St
King St
Gough St
8th St
San Francisco
Market St
7th St
Costco Wholesale
MISSION BAY
Market St
Duboce Ave
DESIGN DISTRICT
Guerrero St
Valencia St
Mission St
Folsom St
Potrero Ave
16th St
UCSF Medical Center at Mission Bay
101
80
280