CalHFA MULTIFAMILY PROGRAMS DIVISION

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

Senior Loan Committee "Approval" 11/1/2021 for Board Meeting on 11/16/21

Project Name, County:	Vista Woods, Contra Costa County	
Address:	1106 and 1230 San Pablo Ave. and 600 Roble Ave, Pinole, CA 94564	
Type of Project:	New Construction	
CalHFA Project Number:	21-018-A/X/N	Total Units: 179
Requested Financing by Loan Program:	$39,800,000	**Tax-Exempt Bond – Conduit Issuance Amount**
	$35,240,000	**Tax-Exempt Permanent Loan with HUD Risk Sharing**
	$6,212,000	**Subsidy GAP Loan funded by MIP funds**

DEVELOPMENT/PROJECT TEAM

Developer:	MRK Partners, Inc.	**Borrower:**	Pinole Venture LP
Permanent Lender:	CalHFA	**Construction Lender:**	Merchants Bank of Indiana
Equity Investor:	Merchants Capital Investments, LLC	**Management Company:**	WinnResidential California L.P.
Contractor:	Community Impact Builders, LLC	**Architect**	Relativity Architects
Loan Officer:	N/A	**Loan Specialist:**	Kevin Brown
Asset Manager:	Jessica Doan	**Loan Administration:**	Jennifer Beardwood
Legal (Internal):	Andrew Alfonso	**Legal (External):**	N/A
Concept Meeting Date:	4/2/2021	**Approval Expiration Date:**	180 days from Approval

LOAN TERMS

1.		**CONDUIT ISSUANCE/ MERCHANTS BANK OF INDIANA CONSTRUCTION LOAN**	**PERMANENT LOAN**	**MIP (GAP) LOAN**
	Total Loan Amount	$39,800,000 Tax-Exempt $23,168,763 Taxable	$35,240,000	$6,212,000
	Loan Term & Lien Position	30 months- interest only; 1st Lien Position(s)during construction.	40 year – partially amortizing due in year 17; 1st Lien Position at permanent loan closing	17-year - Residual Receipts; 2nd Lien Position at permanent loan closing
	Interest Rate (subject to change and locked 30 days prior to loan closing)	Underwritten at 3.50% (Tax Exempt) and 4.00% (Taxable), Fixed Rate	15-year MMD + 2.55% Underwritten at 4.14% that includes a 0.25% cushion.	Interest rate will be the greater of 1.00% or the Applicable Federal Rate at time of MIP closing

			Estimated rate based on a 36-month forward commitment.	Underwritten at 2.00%.
	Loan to Value (LTV)	47%	74%	N/A
	Loan to Cost	48%	42%	N/A

PROJECT SUMMARY

2.	**Legislative Districts**	**Congress:**	#5 Mike Thompson	**Assembly:**	#15 Buffy Wicks	**State Senate:**	#9 Nancy Skinner

Brief Project Description

Vista Woods (the “Project”) is a new construction senior, age 62 years and older, mixed-income Project, consisting of one four-story midrise building with 4 elevators, containing a total of 179 units. The project consists of 16 Studios (445 SF), 128 1-BRs (497 SF) and 35 2-BRs (760 SF). 1 1-BR and 1 2-BR units will be reserved for onsite property managers. The project is not in a disaster area. There is currently a contractor’s yard with a small storage structure located on the site which will be demolished during the construction period.

Financing Structure: The Project’s financing structure includes tax-exempt bonds, a taxable tail, 4% tax federal and state tax credits, a CalHFA first lien permanent loan with HUD risk sharing and a MIP loan. The project will be income averaged, pursuant to TCAC regulations.

Tax Credits and/or CDLAC Status: The Project was awarded bond allocation and tax credits (Federal and State) on August 11, 2021.

Ground Lease: N/A.

Project Amenities: The Project includes a business center, laundry room, clubhouse, courtyard, video surveillance, on-site security, shuttle service, exercise facility, picnic area, recreational area, theater and Wi-Fi for the common area. Unit amenities will include central air, dishwasher, garbage disposal, microwave, washer/dryer connections in all units.

Local Resources and Services: The Project is located in a Low Resource Area per TCAC’s Opportunity Area Map. The Project is in close proximity to the following local amenities and services:

- Grocery stores – 0.9 miles
- Schools – 3.4 miles
- Public Library – 1.3 miles
- Retail – 2.1 miles
- Park and recreation – 0.2 miles
- Hospitals – 9.2 of miles
- Senior center – 0.7 miles
- Bus Stop – Adjacent
- Police Department – 0.6 miles
- Fire Department – 0.6 miles

Non-displacement and No Net Loss: To the extent feasible, it is the Agency’s priority to mitigate the overall effects upon affordable housing availability that may arise from 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.

Commercial Space: The Project does not include commercial space.

MISSION

3.	CalHFA Mission/Goals
	This Project and financing proposal provide 177 units of affordable housing with a range of restricted rents between 30% AMI and 80% of AMI which will support much needed senior rental housing for ages 62 and above that will remain affordable for 55 years.

ANTICIPATED PROJECT MILESTONES & SCHEDULE

4.	CDLAC/TCAC Closing Deadline:	2/7/2022	Est. Construction Loan Closing:	1/2022
	Estimated Construction Start:	1/2022	Est. Construction Completion:	12/2023
	Estimated Stabilization and Conversion to Perm Loan(s):		6/2024	

SOURCES OF FUNDS

5.

Construction Period Financing

SOURCE	AMOUNT	LIEN POSITION	INTEREST RATE	DEBT TYPE
Merchants Bank of Indiana T/E	$39,800,000	1st	3.50%	Interest-Only
Merchants Bank of Indiana Taxable	$23,168,763	2nd	4.00%	Interest-Only
NOI During Construction	$38,470	N/A	N/A	N/A
Tax Credit Equity	$9,773,970	N/A	N/A	N/A
TOTAL	**$72,781,203**	**$406,599**	**Per Unit**	

Permanent Financing

SOURCE	AMOUNT	LIEN POSITION	INTEREST RATE	DEBT TYPE
CalHFA Permanent Loan	$ 35,240,000	1st	4.14%	Balloon 40/17
CalHFA MIP Loan	$6,212,000	2nd	2.00%	Residual Receipt
NOI During Construction	$347,899	N/A	N/A	N/A
Deferred Developer Fee	$5,990,166	N/A	N/A	Payable from Cash Flow
*Tax Credit Equity	$35,913,768	N/A	N/A	N/A
TOTAL DEVELOPMENT COST:	**$83,703,833**	**$467,619**	**Per Unit**	

***Equity Bridge Loan:** Merchants Bank will provide an equity bridge loan (including interest reserve) at permanent loan closing in an amount not to exceed $3,212,000 of State Tax Credit Equity for a term of three years. The loan will be secured against the pledge of equity and not secured against the property. The purpose of this loan is to fully fund the partnership at permanent loan conversion and ensure the investor's yield of State Tax Credits is maintained. Upon receipt of 8609 from TCAC, the final tax credit equity installment will pay-off the equity bridge loan.

Subsidy Efficiency: $6,212,000 ($35,096 per MIP restricted unit)

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

- 4% Federal Tax Credits: $37,026,317 assuming estimated pricing of $0.88 ($182,029 per total unit).
- Energy Tax Credits: $138,499 assuming estimated pricing of $0.88 ($681 per total unit).
- State Tax Credits: $3,212,000 assuming estimated pricing of $0.88 ($15,791 per total unit).

	Rental Subsidies: The Project will not be subsidized by project-based vouchers. **Other State Subsidies:** The Project will not be funded by other state funds. **Other Locality Subsidies:** The Project will not be funded by locality funds. **Cost Containment Strategy:** The Vista Woods project has been designed with cost efficiency in mind to minimize the usage of public funds per affordable housing unit while delivering a high-quality build. The project's site is transit-oriented, which allows for a reduction in parking spaces that facilitates surface parking and significantly reduces hard costs per unit by eliminating the need for structured parking and condensing the construction duration. The development, design, engineering teams and the prospective General Contractor worked collaboratively in all design aspects, which has allowed the project to be designed cost effectively from the beginning, reducing the need for value engineering, and preventing costly changes. This process also reduces the predevelopment timing as re-design is prevented, also reducing carry costs and costly re-design expenses. These groups have all been engaged well in advance of developing the estimates, and the GC has provided detailed budgets at each critical milestone of design development, ensuring that the project design remains in-line with the original budget. The initial estimates reflect a thorough investigation by the prospective General Contractor, confirming costs with materials suppliers, subcontractors, and other consultants to generate a comprehensive budget and the full picture of project hard costs. The current cost estimates, while developed to be as reasonable an estimate of the competitive bidding process as possible, have an allowance for cost overruns that we believe will encapsulate any possible increases in construction costs. Any significant increases in project costs would reduce the developer's compensation for the project by re-allocating Uses of Funds from the upfront developer fee to additional hard costs. **High Cost Explanation:** N/A.
6.	Equity – Cash Out: N/A.

TRANSACTION OVERVIEW

7.	**Proposal and Project Strengths**

- The Project anticipates receiving 4% tax credits which are projected to generate equity representing 43% of total financing sources.
- The developer/sponsor has extensive experience in developing similar affordable housing projects.
- The Project will serve low-income seniors ranging between 30% to 80% of AMI.
- The projected portion of the developer's fee that will be collected at or prior to permanent loan conversion is $3,634,370, which could be available to cover cost overruns and/or unforeseen issues during construction.

8.	**Project Weaknesses with Mitigants:**

- The developer/sponsor does not have experience obtaining financing with CalHFA. However, they have extensive experience in developing similar affordable projects in this region. In addition, the property management company, WinnResidential California L.P., has extensive experience with CalHFA.
- The exit analysis assumes a 2% increase to the underwritten cap rate and 3% increase to the underwritten interest rate at loan maturity. Based on these assumptions, the Project will have the ability to fully repay the balance of Agency's permanent firs lien loan but may only have the ability to repay a portion of the Agency's subsidy MIP loan in the estimated amount of $2,049,600, leaving an outstanding balance of $4,721,019. This is as expected by CalHFA given the requirement that the MIP loan be co-terminus with the permanent first mortgage. The primary source of repayment for both the first mortgage and the MIP subsidy loan is refinance of the project first mortgage. To the extent such a refinance is insufficient to fully repay the MIP loan, it is contemplated that any remaining balance will be paid from a general partner contribution as part of the final close out of partnership obligations to allow re-syndication.

- Per the appraisal dated October 15, 2021, the project must capture 12% of the senior population in the primary market area ("PMA"). Additionally, the unit square footages are on average 116 square feet smaller than nearby comparable projects. To mitigate potentially slow lease-up, developer is structuring the rents on 8- 70% AMI units approximately 13% lower than the TCAC maximum rents which will be on average 27% below market rents.

9. Underwriting Standards or Term Sheet Variations

- For purposes of MIP subsidy efficiency analysis, the underwriting of permanent first lien loan is typically required to be sized based on the maximum TCAC income and rent limits. The developer is requesting an exception to this requirement and instead to allow the project to underwrite based on rents that are lower than the TCAC maximum rent limits to mitigate the market risk as evidenced by the appraisal that the Project will need to capture approximately 12%, which is high, of the total demand for senior units within the primary market area. In order to facilitate project feasibility and mitigate lease-up issues, staff is recommending an exception to the MIP subsidy efficiency requirement and to allow the project's permanent first lien loan be underwritten based on the developer's proposed rent levels.
- In order to secure a tax credit investor during the uncertainty of IRS requirements surrounding income averaging and to maximize financing and investor capital efficiency, the developer is proposing to use Merchants Bank of Indiana as the construction lender and Merchants Capital Investments, LLC (an affiliate) as the equity investor. MIP term sheet and CalHFA's Underwriting Standards Reference Manual (USRM) requires that the construction lender closed at least 5 construction loans using TE bonds and 4% tax credits (similar financing structure) in California within the last 3 years. Merchants Bank of Indiana closed on 2 construction loans with similar financing structure and 1 additional affordable deal, a total of 3 deals in CA, in the past 3 years. Merchants Bank of Indiana has extensive experience by providing 38 construction loans (14 affordable projects) nationwide and 16 projects nationwide as an equity investor for deals with similar financing structures. To facilitate financing efficiency, staff recommends the exception to MIP term sheet and USRM to use Merchants Bank of Indiana as the construction lender for Vista Woods.

10. Project Specific Conditions of Approval

Approval is conditioned upon:

- Receipt of LPA evidencing equity investor's requirements that the residual receipt split must be modified to allow up to 100% towards the earlier of repayment of deferred developer's fee or 15 years. In addition, the owner must provide evidence of investor approval of the total deferred developer's fee structure and residual receipt split.
- No site work or construction commenced prior to the issuance of a HUD Firm Approval Letter.
- CalHFA requires that MIP affordability covenants be recorded in senior position to all foreclosable debt.
- 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.
- Subject to CTCAC and investor approval of utility allowance structure. In addition, evidence in form and substance acceptable to CalHFA that supports the proposed utility budget as an operating expense is required.
- The locality is requiring the Borrower to encumber the Property by recording an Affordable Housing Agreement. Prior to constructing loan closing and closing of the CalHFA loan(s), the Affordable Housing Agreement is subject to CalHFA review and approval in accordance with agency underwriting standards.
- Receipt of Remediation Plan for managing asbestos-containing material contained in existing structures to be demolished during construction phase must be provided and approved by CalHFA prior to construction loan closing. In addition, evidence of environmental clearance must be provided and approved by CalHFA prior to permanent loan closing.
- CalHFA approval of equity bridge loan documents prior to construction loan closing.
- Receipt of completed NEPA study (expected by end of October) prior to construction loan closing.
- Receipt of HUD waiver allowing parking income to be used to offset residential cashflow at HUD Firm Approval, if applicable.

- Funds from the CalHFA permanent loan and/or the subsidy loan shall not be used to fund or offset any portion of the costs attributable to the $400,000 of parking improvements for exclusive use, by lease, to the tenants of the Project.
- Subject to an updated Phase I report prior to construction loan closing.

11. Staff Conclusion/Recommendation:

The Multifamily Lending Division supports approval of the described financing in the amount(s) requested, subject to the above proposed terms and conditions.

AFFORDABILITY

12. CalHFA Affordability & Occupancy Restrictions

The CalHFA Permanent Financing Regulatory Agreement will restrict a minimum of 40% of the total units at or below 60% of AMI for 55 years.

*The CalHFA MIP Subsidy Regulatory Agreement requires 10% of total units (18 units) at or below 50% of AMI and 10% of total units (18 units) between 60% and 80% of AMI with a minimum average of 70% of AMI for a term of 55 years. However, the minimum average for the 60% to 80% of AMI tranche average is slightly less than 70% of AMI. The developer is requesting an exception to this requirement and instead to allow the project to underwrite based on the lower rents due to a high capture rate. Per the market study, the Project will need to capture approximately 15.7% of seniors in the PMA, which is high, of the total demand for senior units within the primary market area. In order to facilitate project feasibility and mitigate lease-up issues, staff is recommending an exception to the MIP subsidy efficiency requirement and to allow the project's permanent first lien loan be underwritten based on the developer's proposed rent levels.

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

- The City of Pinole will restrict 11 units at or below 50% of AMI and 17 units at or below 60% of AMI for a term of 55 years.

Rent Limit Summary Table							
AMI	Total	Studio	1-bdrm	2-bdrm	3-bdrm	4-bdrm	% of Total
30%	18	2	13	3	-	-	10.1%
40%	0	-	-	-	-	-	0.0%
50%	18	2	13	3	-	-	10.1%
60%	94	6	70	18	-	-	52.5%
70%	23	3	15	5	-	-	12.8%
80%	24	3	16	5	-	-	13.4%
100%	0	-	-	-	-	-	0.0%
120%	0	-	-	-	-	-	0.0%
Manager's Unit	2	-	1	1	-	-	1.1%
Total	179	16	128	35	0	0	100.0%

The average affordability restriction is 59.94% of AMI based on 177 TCAC-restricted units.

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								
			30 % AMI	50 % AMI	60 % AMI	70% AMI	80% AMI *(60% to 80% Tranche)	<= 120% AMI	Mgrs Unit	Total Units Regulated	% of Regulated Units
City Affordable Housing Agmt.	1st	55		11	17					28	15.6%
CalHFA Bond	2nd	55		18	54				2	72	40.2%
***CalHFA Subsidy**	3rd	55		18			18	141	2	177	98.9%
Tax Credits		55	18	18	94	23	24		2	177	98.9%

13.	**Geocoder Information**			
	Central City:	No	Underserved:	No
	Low/Mod Census Tract:	Moderate	Below Poverty line:	9.65%
	Minority Census Tract:	74.45%	Rural Area:	No

FINANCIAL ANALYSIS SUMMARY

14.	**Capitalized Reserves:**	
	Replacement Reserves (RR):	N/A
	Operating Expense Reserve (OER):	$730,020 The developer/sponsor met the threshold requirements for the proposed OER budget, which is based on 3 months of total operating expense, annual replacement reserves deposits, and debt service. CalHFA will hold this reserve for the life of the permanent first lien loan term and in the event the OER is drawn down during the term of the loan, the OER must be replenished over a 12-month period to the original level.
	Transitional Operating Reserve (TOR):	N/A
	Equity Bridge Loan Interest Reserve	$385,452 Reserve will be used for interest payments related to the equity bridge loan. Amount is estimated based on three years of equity bridge loan interest payments. Construction lender or investor will hold this reserve.

15.	**Cash Flow Analysis**			
	1st Year DSCR:	1.15	**Project-Based Subsidy Term:**	N/A
	End Year DSCR:	1.59	**Annual Replacement Reserve Per Unit:**	$300/unit
	Residential Vacancy Rate: **Subsidy Vacancy Rate:**	5% N/A	**Rental Income Inflation Rate:** **Subsidy Income Inflation Rate:**	2.50% N/A
	Non-residential Vacancy Rate:	20% (parking)	**Project Expenses Inflation Rate:** **Property Tax Inflation Rate:**	3.50% 1.25%

- The Project owner has elected to be responsible for payment of all project and tenant utilities, including electric heat, electric hot water, electric cooking, general electricity expenses, cold water, sewer, trash, and common area expenses. Therefore, all of the utility costs are within the operating budget and there is no utility allowance deducted from the gross rents. Developers estimates for utility costs are supported by an Energy and Water Report prepared by Partner Energy dated October 6, 2021.
- 78 parking spaces will be available for lease by tenants at a cost of $33.00 per month. Income from parking space leases will be used to offset residential income which will require a waiver from HUD, if applicable, to be collected at the time of HUD Firm Approval. The remaining 10 parking stalls will be reserved for on-site staff, visitors, and rideshare vehicles. Costs for constructing parking is approximately $400,000 and is not included in project's eligible basis. Construction of parking will be funded by taxable loan proceeds during construction and paid down by tax credit equity at permanent closing.

16. Loan Security

The CalHFA loan(s) will be secured against the above-described Project site.

17. Balloon Exit Analysis **Applicable:** ☒ **Yes** ☐ **No**

The exit analysis assumes a 2% increase to the underwritten cap rate and 3% increase to the underwritten interest rate at loan maturity. Based on these assumptions, the Project will have the ability to fully repay the balance of Agency's permanent first lien loan but may only have the ability to repay a portion of the Agency's subsidy MIP loan in the estimated amount of $2,049,600, leaving an outstanding balance of $4,721,019. This is as expected by CalHFA given the requirement that the MIP loan be co-terminus with the permanent first mortgage. The primary source of repayment for both the first mortgage and the MIP subsidy loan is refinance of the project first mortgage. To the extent such a refinance is insufficient to fully repay the MIP loan, it is contemplated that any remaining balance will be paid from a general partner contribution as part of the final close out of partnership obligations to allow re-syndication.

APPRAISAL AND MARKET ANALYSIS

18. Appraisal Review **Dated: 10/8/2021**

- The Appraisal dated 10/8/2021, prepared by Novogradac Consulting LLP, values the land at $3,600,000.
- The cap rate of 4.25% and projected $2,021,422 of net operating income, is approximately $51,679 lower than the proposed Project net operating income of $2,073,101, were used to determine the appraised value of the subject site.
- The capture rate in the appraisal is 12% for the PMA which is slightly lower than 15.7% stated in the market study.
- The appraisal and developer operating expense estimates were inconsistent regarding costs for water/sewer, management payroll/taxes, special assessments, and property management fees. Developer has provided adequate explanations and evidence confirming their estimates. The overall net operating income are consistent between appraisal and developer projections since the appraisal assumed TCAC's maximum rent limits.
- The as-restricted stabilized value is $47,600,000, which results in the Agency's loan(s) to value of 74%.
- The absorption rate is 40 units/month (5 months to reach stabilized occupancy) and is generally consistent with the market study.

Market Study: Prepared by Novogradac Consulting LLP **Dated: April 22, 2021**

Regional Market Overview

- The Primary Market Area is an area that includes the city of Pinole and the surrounding cities of Rodeo, Hercules, El Sobrante, and portions of San Pablo and North Richmond (population of 156,459 and the Secondary Market Area ("SMA") is San Francisco-Oakland-Berkeley MSA (population of 4,652,348).
- Through 2023 the general population in the PMA is anticipated to increase by 0.6% per year and the senior population will increase by 3.0% per year.
- Unemployment in the SMA is 8%, which evidences a strong employment area (note: study did not report the unemployment rate in the PMA).
- As of 2020, 42.8% of the renter population in the PMA earned less than $50K annually, as compared to 33% in the SMA.

Local Market Area Analysis

- **Supply:**
  - There are currently 5 senior project(s) in the PMA (3 LIHTC, 1 mixed income, 1 Section 8) and they are 96.3% occupied with long wait lists.
  - In the PMA there are 4 affordable projects completed since 2017, and there are 2 market rate properties that have been proposed/under construction.
- **Demand/Absorption:**
  - The Project will need to capture 15.7% of the total demand for senior units in the PMA. The affordable units are anticipated to lease up at a rate of 40 units per month and reach stabilized occupancy within 4 months of opening.

DEVELOPMENT SUMMARY

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

- The property is located on the north side of San Pablo Avenue, in the City of Pinole, Contra Costa County.
- The site is within level topography at street grade on the west side of the building and a partial slope on the east side of the building, measuring approximately 2.06 acres and is generally irregular in shape.
- The site is zoned R-4 with permitted multifamily residential use.
- The subject is located in Flood Zone X (area of minimum flood hazard). Zone X is the area determined to be outside the 500-year flood and protected by levee from 100-year flood, therefore the Project will not be subject to flood insurance.
- The site consists of an existing commercial structure that is currently vacant and surface parking lot in poor condition that will be demolished to allow for construction of the Project.

20. Form of Site Control & Expiration Date

The borrower, Pinole Venture LP, is the current owner of the project site. Borrower provided grant deeds for both parcels as evidence of site control. The grant deeds detail the transfer of both parcels which occurred in 2019 for the purchase price of $3,550,000.

21. Current Ownership Entity of Record

Title is currently vested in Pinole Venture LP as the fee owner.

22. Environmental Review Findings — **Dated: March 5, 2021**

- A Phase I Environmental Site Assessment performed by Partner Engineering and Science, Inc., dated March 5, 2021 revealed no evidence of recognized environmental conditions, so no additional investigation was recommended.
- An Asbestos & Lead-Based Paint (LBP) Survey Report by Partner Engineering and Science, Inc., dated September 14, 2018 revealed that there is potentially asbestos containing materials (“ACM”) and/or lead-based paint (“LBP”) materials contained in the existing structures to be demolished during the construction period. The report recommends a written remediation plan of these materials.
- Subsequently, a Phase II Subsurface Investigation Performed by Partner Engineering and Science, Inc., dated October 16, 2018 determined no presence of LBP, however, concluded roofing materials contain ACM.
- A NEPA review has been initiated and is targeted to be completed by the end of October.

23. Seismic — **Requires Earthquake Insurance:** ☐ **Yes** ☒ **No**

This new Project will be built to State and City of Pinole Building Codes so no seismic review is required.

24. Relocation — **Requires Relocation:** ☐ **Yes** ☒ **Not Applicable**

- Parcels 1 & 2 (600 Roble and 1230 San Pablo) are currently vacant and undeveloped. Parcels were transferred to the borrowing entity on April 4, 2019. Relocation was not required.
- Parcel 3 (1106 San Pablo) previously included a contractor yard with a small storage structure that will be demolished during the construction period. Parcel was transferred to the borrowing entity on August 12, 2019. Relocation benefits were not required under Uniform Relocation Assistance Act and the seller voluntarily vacated the property.

PROJECT DETAILS

25.	**Residential Areas:**				
		Residential Square Footage:	97,336	**Residential Units per Acre:**	86.89
		Community Area Sq. Ftg:	52,518	**Total Parking Spaces:**	88
		Supportive Service Areas:	N/A	**Total Building Sq. Footage:**	179,736
26.	**Mixed-Use Project:** ☐ Yes ☒ No				
		Non-Residential Sq. Footage:	N/A	**Number of Lease Spaces:**	N/A
		Master Lease:	**N/A**	**Number of Parking Spaces:**	N/A
27.	**Construction Type:**	The project will consist of one four-story elevator-serviced midrise building.			
28.	**Construction/Rehab Scope**	**Requires Demolition:** ☒ Yes ☐ No			

- The subject site is new construction.
- Environmental remediation of contaminants outlined on section 22 above. The cost of remediation is estimated to be $20,000 and is included in the development budget.

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.
- The developer had established cost containment strategies that include:
  - Flat rate contract for the following services.
  - Development of pre-construction cost estimates based on available information including preliminary designs or conceptual drawings including estimating various alternatives/scenarios as needed.
  - Participation in weekly meetings with owner and architect for the purpose of providing cost and scheduling feedback on design and construction drawings as they are developed.
  - Value engineering throughout the design development process.
  - Constructability review of plans and designs.
  - Developing and maintaining a detailed critical path schedule and maintaining/updating it on a regular basis as the project develops.
- During construction, the cost of the parking improvements will be paid by taxable loan proceeds. At permanent loan closing, the parking improvement costs will be paid off by tax credit equity as follows:

Costs	**Construction**	**Permanent**
Parking Improvements:	$400,000	$400,000
Total Costs	**$400,000**	**$400,000**
Sources	**Construction**	**Permanent**
Taxable Bonds	$400,000	$0
Tax Credit Equity	$0	$400,000
Total Sources	$400,000	$400,000

ADDITIONAL DEVELOPMENT/ PROJECT TEAM INFORMATION

30. Borrower Affiliated Entities

- Managing General Partner: Pacific Southwest Community Development Corporation; 0.001% interest
- Administrative General Partner: Pinole GP LLC, a California limited liability company; 0.009% interest
  - Member: Russell Family Trust, 50% interest
  - Member: Legacy Holdings CA, LLC, a California limited liability company; 50% interest.

- Investor Limited Partner: Merchants Capital Investments, LLC, a subsidiary of Merchants Bank of Indiana, an Indiana Banking Company; 99.99% interest

31. Developer/Sponsor

The Developer, MRK Partners Inc., currently has 2 projects with a total of 450 units in their pipeline. There are 3 projects with a total of 670 units under construction. MRK Partners Inc., has completed 12 projects with a total of 2,042 units. The Developer does not have any projects in the CalHFA Portfolio.

32. Management Agent

The Project will be managed by WinnResidential California L.P.**,** which has extensive experience in managing similar affordable housing projects in the area and manages 12 projects in the CalHFA portfolio.

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

Rainbow Housing Assistance Corporation will provide onsite resident services for all tenants at a cost of $25,000 per year, which has been budgeted as part of the operating expense. Services will include instructor-led adult educational, health and wellness or skill building classes, as well as health and wellness services and programs.

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

The general contractor is Community Impact Builders and is unfamiliar to CalHFA. This is a newly formed entity, however, the principals have extensive experience in constructing similar affordable housing projects in California. Combined experience of principals includes 23 projects (3,244 units).

35. Architect **Experienced with CalHFA?** ☒ **Yes** ☐ **No**

The architect is Relativity Architects, which currently has 43 projects completed in California (38 which are affordable, 3,136 units) and 22 projects that are under construction (12 which are affordable, 910 units). CalHFA has been a conduit lender on 3 previous projects with the architect.

36. Local Review via Locality Contribution Letter

The locality, The City of Pinole, returned the local contribution letter stating they support the project.

EXHIBITS: Detailed Financial Analysis and applicable Term Sheets

PROJECT SUMMARY — Final Commitment

Acquisition, Rehab, Construction & Permanent Loans — **Project Number 21-018-A/X/N**

Project Full Name	Vista Woods	**Borrower Name:**	Pinole Venture LP
Project Address	1106 and 1230 San Pablo Ave. and 600	**Managing GP:**	Pacific Southwest Communitiy Development
Project City	Pinole	**Developer Name:**	MRK Partners, Inc.
Project County	Contra Costa	**Investor Name:**	Merchants Capital Investments, LLC
Project Zip Code	94564	**Prop Management:**	WinnResidential California, L.P.
		Tax Credits:	4
Project Type:	Permanent Loan Only	**Total Land Area (acres):**	2.06
Tenancy/Occupancy:	Senior	**Residential Square Footage:**	97,336
Total Residential Units:	179	**Residential Units Per Acre:**	86.89
Total Number of Buildings:	1		
Number of Stories:	4	**Covered Parking Spaces:**	41
Unit Style:	Flat	**Total Parking Spaces:**	90
Elevators:	4		

Acq/Construction/Rehab Financing	Loan Amount ($)	Loan Fees	Loan Term (Mo.)	Amort. Period (Yr.)	Starting Interest Rate
Merchants Conduit T/E Construction	39,800,000	0.750%	30	--	3.500%
--	--	--	--	--	--
--	--	--	--	--	--
Merchants Taxable Construction	23,168,763	0.750%	30	--	4.000%
--	--	--	--	--	--
NOI During Construction	38,470	--	--	--	--
Investor Equity Contribution	9,773,970	--	--	--	--
Total	**72,781,203**				

Permanent Financing	Loan Amount ($)	Loan Fees	Loan Term (Yr.)	Amort. Period (Yr.)	Starting Interest Rate
Perm	35,240,000	1.000%	17	40	4.140%
MIP	6,212,000	1.000%	17	17	2.000%
NOI During Construction	347,899		--	--	--
Deferred Developer Fees	5,990,166	NA	NA	NA	NA
Investor Equity Contributions	35,913,768	NA	NA	NA	NA
Total	**83,703,833**				

Appraised Values Upon Completion of Rehab/Construction

Appraisal Date:	8/31/21	**Capitalization Rate:**	4.25%
Investment Value ($)	84,700,000	**Restricted Value ($)**	47,600,000
Construct/Rehab LTC	48%	**CalHFA Permanent Loan to Cost**	42%
Construct/Rehab LTV	47%	**CalHFA 1st Permanent Loan to Value**	74%
		Combined CalHFA Perm Loan to Value	87%

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	$730,035	Cash
Initial Replacement Reserve Deposit	$0	Cash
Annual Replacement Reserve Per Unit	$300	Cash

Date Prepared: 10/14/21 — Senior Staff Date: 11/1/21

UNIT MIX AND RENT SUMMARY	Final Commitment
Vista Woods	Project Number 21-018-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	445	16	24
Flat	1	1	497	128	192
Flat	2	1.5	760	35	70
-	-	-	-	-	0
-	-	-	-	-	0
-	-	-	-	-	0
				179	286

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%	70%	80%	120%
A Bond/RiskShare	0	0	18	54	0	0	0
CalHFA MIP	0	0	18	0	0	18	141
Tax Credit	18	0	18	94	23	24	0
Housing Agreement	0	0	11	17	0	0	0
-	0	0	0	0	0	0	0
-	0	0	0	0	0	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	Unit Rent	Average Market Rents	Average Monthly Savings	% of Market Rents
Studios	CTCAC	30%	2	$719	$2,200	$1,481	33%
	CTCAC	50%	2	$1,198		$1,002	54%
	CTCAC	60%	6	$1,400		$800	64%
	CTCAC	70%	3	$1,400		$800	64%
	CTCAC	80%	3	$1,400		$800	64%
	CTCAC	100%	-	-		-	-
	HCD	120%	-	-		-	-
1 Bedroom	CTCAC	30%	13	$770	$2,400	$1,630	32%
	CTCAC	50%	13	$1,284		$1,116	54%
	CTCAC	60%	70	$1,541		$859	64%
	CTCAC	70%	15	$1,798		$602	75%
	CTCAC	80%	16	$1,825		$575	76%
	CTCAC	100%	-	-		-	-
	HCD	120%	-	-		-	-
2 Bedrooms	CTCAC	30%	3	$924	$2,600	$1,676	36%
	CTCAC	50%	3	$1,541		$1,059	59%
	CTCAC	60%	18	$1,849		$751	71%
	CTCAC	70%	5	$2,000		$600	77%
	CTCAC	80%	5	$2,000		$600	77%
	CTCAC	120%	-	-		-	-
	HCD	-	-	-		-	-
3 Bedrooms	CTCAC	30%	-	-	-	-	-
	CTCAC	50%	-	-		-	-
	CTCAC	60%	-	-		-	-
	CTCAC	70%	-	-		-	-
	CTCAC	80%	-	-		-	-
	CTCAC	100%	-	-		-	-
	HCD	120%	-	-		-	-
4 Bedrooms	CTCAC	30%	-	-	-	-	-
	CTCAC	50%	-	-		-	-
	CTCAC	60%	-	-		-	-
	CTCAC	70%	-	-		-	-
	CTCAC	80%	-	-		-	-
	CTCAC	100%	-	-		-	-
	HCD	120%	-	-		-	-
5 Bedrooms	CTCAC	30%	-	-	-	-	-
	CTCAC	50%	-	-		-	-
	CTCAC	60%	-	-		-	-
	CTCAC	70%	-	-		-	-
	CTCAC	80%	-	-		-	-
	CTCAC	100%	-	-		-	-
	HCD	120%	-	-		-	-
Date Prepared:	10/14/21					Senior Staff Date:	11/1/21

SOURCES & USES OF FUNDS					Final Commitment
Vista Woods			Project Number		21-018-A/X/N

SOURCES OF FUNDS	CONST/REHAB	PERMANENT	TOTAL PROJECT SOURCES OF FUNDS		
	$	$	SOURCES ($)	PER UNIT ($)	%
Merchants Conduit T/E Construction	39,800,000				0.0%
-	-				0.0%
-	-				0.0%
Merchants Taxable Construction	23,168,763				0.0%
-	-				0.0%
-	-				0.0%
-	-				0.0%
NOI During Construction	38,470				0.0%
-	-				0.0%
-	-				0.0%
Construct/Rehab Net Oper. Inc.	-				0.0%
Deferred Developer Fee	-				0.0%
Developer Equity Contribution	-				0.0%
Investor Equity Contribution	9,773,970				0.0%
Perm		35,240,000	35,240,000	196,872	42.1%
MIP		6,212,000	6,212,000	34,704	7.4%
-		-	-	-	0.0%
-		-	-	-	0.0%
-		-	-	-	0.0%
-		-	-	-	0.0%
-		-	-	-	0.0%
-		-	-	-	0.0%
-		-	-	-	0.0%
NOI During Construction		347,899	347,899	1,944	0.4%
-		-	-	-	0.0%
-		-	-	-	0.0%
Construct/Rehab Net Oper. Inc.		-	-	-	0.0%
Deferred Developer Fees		5,990,166	5,990,166	33,465	7.2%
Developer Equity Contribution		-	-	-	0.0%
Investor Equity Contributions		35,913,768	35,913,768	200,636	42.9%
TOTAL SOURCES OF FUNDS	**72,781,203**	**83,703,833**	**83,703,833**	**467,619**	**100.0%**
TOTAL USES OF FUNDS (BELOW)	**72,781,203**	**83,703,833**	**83,703,833**	**467,619**	**100.0%**
FUNDING SURPLUS (DEFICIT)	**-**	**(0)**	**(0)**		

USES OF FUNDS	CONST/REHAB	PERMANENT	TOTAL PROJECT USES OF FUNDS		
	$	$	USES ($)	PER UNIT ($)	%
CONSTRUCTION/REHAB SOURCES OF FUNDS		**72,781,203**			
ACQUISITION COSTS					
Lesser of Land Cost or Appraised Value	3,550,000	-	3,550,000	19,832	4.2%
Demolition Costs	-	-	-	-	0.0%
Legal & Other Closing Costs	40,000	-	40,000	223	0.0%
Escrow & other closing costs	615,457	-	615,457	3,438	0.7%
Other (Specify)	-	-	-	-	0.0%
TOTAL ACQUISITION COSTS	**4,205,457**	**-**	**4,205,457**	**23,494**	**5.0%**
CONSTRUCTION/REHAB COSTS					
Offsite Improvements	-	-	-	-	0.0%
Environmental Remediation (Hard Costs)	20,000	-	20,000	112	0.0%
Site Work (Hard Cost)	4,544,145	-	4,544,145	25,386	5.4%
Structures (Hard Cost)	36,479,760	-	36,479,760	203,798	43.6%
General Requirements	2,524,026	-	2,524,026	14,101	3.0%
Contractor Overhead	841,342	-	841,342	4,700	1.0%
Contractor Profit	2,524,026	-	2,524,026	14,101	3.0%
Contractor Bond	-	-	-	-	0.0%
Contractor Liability Insurance	673,074	-	673,074	3,760	0.8%
Parking Improvements	400,000	-	400,000	2,235	0.5%
PV System	623,191	-	623,191	3,482	0.7%
TOTAL CONSTRUCT/REHAB COSTS	**48,629,564**	**-**	**48,629,564**	**271,674**	**58.1%**

SOURCES & USES OF FUNDS					Final Commitment
Vista Woods			Project Number		21-018-A/X/N
USES OF FUNDS	CONST/REHAB	PERMANENT	TOTAL PROJECT USES OF FUNDS		
	$	$	USES ($)	PER UNIT ($)	%
RELOCATION COSTS					
Relocation Expense	-	-	-	-	0.0%
Relocation Compliance Monitoring	-	-	-	-	0.0%
Other (Specify)	-	-	-	-	0.0%
TOTAL RELOCATION COSTS	**-**	**-**	**-**	**-**	**0.0%**
ARCHITECTURAL FEES					
Design	1,154,400	-	1,154,400	6,449	1.4%
Supervision	288,600	-	288,600	1,612	0.3%
TOTAL ARCHITECTURAL FEES	**1,443,000**	**-**	**1,443,000**	**8,061**	**1.7%**
SURVEY & ENGINEERING FEES					
Engineering	160,609	-	160,609	897	0.2%
Supervision	-	-	-	-	0.0%
ALTA Land Survey	13,000	-	13,000	73	0.0%
TOTAL SURVEY & ENGINEERING FEES	173,609	-	173,609	970	0.2%
CONTINGENCY RESERVES					
Hard Cost Contingency Reserve	3,647,217	-	3,647,217	20,376	4.4%
Soft Cost Contingency Reserve	1,102,168	-	1,102,168	6,157	1.3%
TOTAL CONTINGENCY RESERVES	4,749,385	-	4,749,385	26,533	5.7%
CONSTRUCT/REHAB PERIOD COSTS					
Loan Interest Reserve					
Merchants Conduit T/E Construction	2,909,901	-	2,909,901	16,256	0.034764
-	-	-	-	-	0.0%
Loan Fees					
Merchants Conduit T/E Construction	298,500	-	298,500	1,668	0.4%
-	-	-	-	-	0.0%
Other Const/Rehab Period Costs					
Deficit Const/Rehab NOI (Net Operating In	-	-	-	-	0.0%
Credit Enhancement & Application Fees	10,000	-	10,000	56	0.0%
Owner Paid Bonds/Insurance	-	-	-	-	0.0%
CalHFA Inspection Fees	15,000	-	15,000	84	0.0%
Real Estate Taxes During Rehab	50,000	-	50,000	279	0.1%
Completion Guaranty Fee	-	-	-	-	0.0%
Wage Monitoring Fee (Davis Bacon, Preva	-	-	-	-	0.0%
Insurance During Rehab	50,000	-	50,000	279	0.1%
Title & Recording Fees	10,000	-	10,000	56	0.0%
Construction Management & Testing	9,000	-	9,000	50	0.0%
Predevelopment Interest Expense	-	-	-	-	0.0%
Bond Issuer Fee	47,400	-	47,400	265	0.1%
Misc. Closing Costs	227	-	227	1	0.0%
TOTAL CONST/REHAB PERIOD COSTS	**4,627,211**	**-**	**4,627,211**	**25,850**	**5.5%**

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	176,200	176,200	352,400	1,969	0.4%
MIP	31,060	31,060	62,120	347	0.1%
-	-	-	-	-	0.0%
Permanent Loan Cost of Issuance Fee	55,000	55,000	110,000	615	0.1%
Credit Enhancement & Application Fees	-	-	-	-	0.0%
Title & Recording (closing costs)	-	10,000	10,000	56	0.0%
Year 1 - Taxes & Special Assessments and Insura	-	40,775	40,775	228	0.0%
CalHFA Fees	-	10,085	10,085	56	0.0%
Tax Exempt Bond Allocation Fee	-	-	-	-	0.0%
Other (Specify)	-	-	-	-	0.0%
TOTAL PERMANENT LOAN COSTS	**262,260**	**323,120**	**585,380**	**3,270**	**0.7%**
LEGAL FEES					
CalHFA Construction/Rehab Loan Legal Fees	-	-	-	-	0.0%
Other Construction/Rehab Loan Legal Fees	50,000	-	50,000	279	0.1%

SOURCES & USES OF FUNDS					Final Commitment
Vista Woods			**Project Number**	**21-018-A/X/N**	
CalHFA Permanent Loan Legal Fees	17,500	17,500	35,000	196	0.0%
Other Permanent Loan Legal Fees	-	-	-	-	0.0%
Sponsor Legal Fees	160,383	-	160,383	896	0.2%
Organizational Legal Fees	-	-	-	-	0.0%
Syndication Legal Fees	65,000	-	65,000	363	0.1%
Borrower Legal Fee	-	-	-	-	0.0%
CalHFA Bond Counsel	62,000	-	62,000	346	0.1%
TOTAL LEGAL FEES	**354,883**	**17,500**	**372,383**	**2,080**	**0.4%**
OPERATING RESERVES					
Operating Expense Reserve Deposit	-	730,035	730,035	4,078	0.9%
8609 Bridge Reserve	-	385,452	385,452	2,153	0.5%
Other (Specify)	-	-	-	-	0.0%
TOTAL OPERATING RESERVES	**-**	**1,115,487**	**1,115,487**	**6,232**	**1.3%**
REPORTS & STUDIES					
Appraisal Fee	10,000	-	10,000	56	0.0%
Market Study Fee	16,750	-	16,750	94	0.0%
Physical Needs Assessment Fee	-	-	-	-	0.0%
Environmental Site Assessment Reports	37,400	-	37,400	209	0.0%
Other (Third Parties)	39,875	1,250	41,125	230	0.0%
TOTAL REPORTS & STUDIES	**104,025**	**1,250**	**105,275**	**588**	**0.1%**
USES OF FUNDS	**CONST/REHAB**	**PERMANENT**	**TOTAL PROJECT USES OF FUNDS**		
	$	**$**	**USES ($)**	**PER UNIT ($)**	**%**
OTHER COSTS					
TCAC Application, Allocation & Monitor Fees	113,100	-	113,100	632	0.1%
CDLAC Fees	13,930	-	13,930	78	0.0%
Local Permits & Fees	2,612,858	-	2,612,858	14,597	3.1%
Local Impact Fees	4,961,658	-	4,961,658	27,719	5.9%
Other Local Fees	-	-	-	-	0.0%
Syndicator/Investor Fees & Expenses	-	-	-	-	0.0%
Furnishings	200,000	-	200,000	1,117	0.2%
Accounting & Audits	25,000	-	25,000	140	0.0%
Advertising & Marketing Expenses	50,000	-	50,000	279	0.1%
Other (security)	96,000	-	96,000	536	0.1%
-	-	-	-	-	0.0%
TOTAL OTHER COSTS	**8,072,546**	**-**	**8,072,546**	**45,098**	**9.6%**
SUBTOTAL PROJECT COSTS	**72,621,940**	**74,238,560**	**74,079,297**	**413,851**	**88.5%**
DEVELOPER FEES & COSTS					
Developer Fees, Overhead & Profit	159,263	9,465,273	9,624,536	53,768	11.5%
CASH EQUITY OUT TO DEVELOPER	-	-	-	-	0.0%
TOTAL DEVELOPER FEES & COSTS	**159,263**	**9,465,273**	**9,624,536**	**53,768**	**11.5%**
TOTAL PROJECT COSTS	**72,781,203**	**83,703,833**	**83,703,833**	**467,619**	**100.0%**

PROJECTED INITIAL ANNUAL RENTAL OPERATING BUDGET			Final Commitment
Vista Woods	**Project Number**		**21-018-A/X/N**
INCOME	**AMOUNT**	**PER UNIT**	**%**
Rental Income			
Restricted Unit Rents	$ 3,264,636	$ 18,238	102.20%
Unrestricted Unit Rents	40,680	227	1.27%
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	28,924	162	0.91%
Parking & Storage Income	30,888	173	0.97%
Miscellaneous Income	-	-	0.00%
GROSS POTENTIAL INCOME (GPI)	**$ 3,365,128**	**$ 18,800**	**105.35%**
Less: Vacancy Loss	**$ 170,856**	**$ 955**	**5.35%**
EFFECTIVE GROSS INCOME (EGI)	**$ 3,194,272**	**$ 19,754**	**100.00%**
OPERATING EXPENSES	**AMOUNT**	**PER UNIT**	**%**
Administrative Expenses	$ 210,649	$ 1,177	$ 0
Management Fee	87,842	491	2.75%
Social Programs & Services	25,000	140	0.78%
Utilities	308,211	1,722	9.65%
Operating & Maintenance	272,801	1,524	8.54%
Ground Lease Payments	-	-	0.00%
CalHFA Monitoring Fee	7,500	42	0.23%
Other Monitoring Fees	-	-	0.00%
Real Estate Taxes	1,000	6	0.03%
Other Taxes & Insurance	149,062	833	4.67%
Assisted Living/Board & Care	-	-	0.00%
SUBTOTAL OPERATING EXPENSES	**$ 1,062,065**	**$ 5,933**	**33.25%**
Replacement Reserve	$ 53,700	$ 300	1.68%
TOTAL OPERATING EXPENSES	**$ 1,115,765**	**$ 6,233**	**34.93%**
NET OPERATING INCOME (NOI)	**$ 2,078,507**	**$ 11,612**	**65.07%**
DEBT SERVICE PAYMENTS	**AMOUNT**	**PER UNIT**	**%**
Perm	$ 1,804,377	$ 10,080	56.49%
-	$ -	-	0.00%
-	$ -	-	0.00%
-	$ -	-	0.00%
-	$ -	-	0.00%
-	$ -	-	0.00%
-	$ -	-	0.00%
MIP Annual Fee (applicable for MIP only deals)	$ -	-	0.00%
TOTAL DEBT SERVICE & OTHER PAYMENTS	**$ 1,804,377**	**$ 10,080**	**56.49%**
EXCESS AFTER DEBT SERVICE & MONITORING FEES	**$ 274,130**	**$ 1,531**	**8.58%**
DEBT SERVICE COVERAGE RATIO (DSCR)	**$ 1 to 1**		
Date: 10/14/21		Senior Staff Date:	11/01/21

PROJECTED PERMANENT LOAN CASH FL0WS											Vista Woods		
Final Commitment										Project Number	21-018-A/X/N		
	YEAR	1	2	3	4	5	6	7	8	9	10	11	12
RENTAL INCOME	**CPI**												
Restricted Unit Rents	2.50%	3,264,636	3,346,252	3,429,908	3,515,656	3,603,547	3,693,636	3,785,977	3,880,626	3,977,642	4,077,083	4,179,010	4,283,485
Unrestricted Unit Rents	2.50%	40,680	41,697	42,739	43,808	44,903	46,026	47,176	48,356	49,565	50,804	52,074	53,376
Commercial Rents	2.00%	-	-	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	1.50%	-	-	-	-	-	-	-	-	-	-	-	-
Other Project Based Subsidy	1.50%	-	-	-	-	-	-	-	-	-	-	-	-
Income during renovations	0.00%	-	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-	-
Laundry Income	2.50%	28,924	29,647	30,388	31,148	31,927	32,725	33,543	34,381	35,241	36,122	37,025	37,951
Parking & Storage Income	2.50%	30,888	31,660	32,452	33,263	34,095	34,947	35,821	36,716	37,634	38,575	39,539	40,528
Miscellaneous Income	2.50%	-	-	-	-	-	-	-	-	-	-	-	-
GROSS POTENTIAL INCOME (GPI)		**3,365,128**	**3,449,256**	**3,535,488**	**3,623,875**	**3,714,472**	**3,807,333**	**3,902,517**	**4,000,080**	**4,100,082**	**4,202,584**	**4,307,648**	**4,415,339**
VACANCY ASSUMPTIONS	**Vacancy**												
Restricted Unit Rents	5.00%	163,232	167,313	171,495	175,783	180,177	184,682	189,299	194,031	198,882	203,854	208,951	214,174
Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-	-	-
Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	5.00%	-	-	-	-	-	-	-	-	-	-	-	-
Other Project Based Subsidy	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
Income during renovations	20.00%	-	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-	-
Laundry Income	5.00%	1,446	1,482	1,519	1,557	1,596	1,636	1,677	1,719	1,762	1,806	1,851	1,898
Parking & Storage Income	20.00%	6,178	6,332	6,490	6,653	6,819	6,989	7,164	7,343	7,527	7,715	7,908	8,106
Miscellaneous Income	50.00%	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL PROJECTED VACANCY LOSS		**170,856**	**175,127**	**179,505**	**183,993**	**188,593**	**193,307**	**198,140**	**203,094**	**208,171**	**213,375**	**218,710**	**224,177**
EFFECTIVE GROSS INCOME (EGI)		**3,194,272**	**3,274,129**	**3,355,982**	**3,439,882**	**3,525,879**	**3,614,026**	**3,704,377**	**3,796,986**	**3,891,911**	**3,989,208**	**4,088,939**	**4,191,162**
OPERATING EXPENSES	**CPI / Fee**												
Administrative Expenses	3.50%	235,649	243,897	252,433	261,268	270,413	279,877	289,673	299,811	310,305	321,165	332,406	344,040
Management Fee	2.75%	87,842	90,039	92,290	94,597	96,962	99,386	101,870	104,417	107,028	109,703	112,446	115,257
Utilities	3.50%	308,211	318,998	330,163	341,719	353,679	366,058	378,870	392,130	405,855	420,060	434,762	449,979
Operating & Maintenance	3.50%	272,801	282,349	292,231	302,459	313,045	324,002	335,342	347,079	359,227	371,800	384,813	398,281
Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-	-	-
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	7,500
Other Agency Monitoring Fee	0.00%	-	-	-	-	-	-	-	-	-	-	-	-
Real Estate Taxes	1.25%	1,000	1,013	1,025	1,038	1,051	1,064	1,077	1,091	1,104	1,118	1,132	1,146
Other Taxes & Insurance	3.50%	149,062	154,279	159,679	165,268	171,052	177,039	183,235	189,648	196,286	203,156	210,267	217,626
Required Reserve Payments	1.00%	53,700	54,237	54,779	55,327	55,880	56,439	57,004	57,574	58,149	58,731	59,318	59,911
TOTAL OPERATING EXPENSES		**1,115,765**	**1,152,311**	**1,190,101**	**1,229,176**	**1,269,582**	**1,311,365**	**1,354,572**	**1,399,251**	**1,445,454**	**1,493,234**	**1,542,644**	**1,593,741**
NET OPERATING INCOME (NOI)		**2,078,507**	**2,121,818**	**2,165,882**	**2,210,706**	**2,256,297**	**2,302,661**	**2,349,805**	**2,397,735**	**2,446,456**	**2,495,975**	**2,546,295**	**2,597,421**
DEBT SERVICE PAYMENTS	**Lien #**												
Perm	1	1,804,377	1,804,377	1,804,377	1,804,377	1,804,377	1,804,377	1,804,377	1,804,377	1,804,377	1,804,377	1,804,377	1,804,377
-	-	-	-	-	-	-	-	-	-	-	-	-	-
MIP Annual Fee (applicable for MIP only deals)	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL DEBT SERVICE & OTHER PAYMENTS		**1,804,377**	**1,804,377**	**1,804,377**	**1,804,377**	**1,804,377**	**1,804,377**	**1,804,377**	**1,804,377**	**1,804,377**	**1,804,377**	**1,804,377**	**1,804,377**
CASH FLOW AFTER DEBT SERVICE		**274,130**	**317,441**	**361,505**	**406,329**	**451,920**	**498,284**	**545,429**	**593,359**	**642,080**	**691,598**	**741,918**	**793,045**
DEBT SERVICE COVERAGE RATIO		**1.15**	**1.18**	**1.20**	**1.23**	**1.25**	**1.28**	**1.30**	**1.33**	**1.36**	**1.38**	**1.41**	**1.44**
Date Prepared:	10/14/21									Senior Staff Date:	11/1/21		

		1	2	3	4	5	6	7	8	9	10	11	12
LESS: Asset Management Fee	3%	7,500	7,725	7,957	8,195	8,441	8,695	8,955	9,224	9,501	9,786	10,079	10,382
LESS: Partnership Management Fee	3%	15,000	15,450	15,914	16,391	16,883	17,389	17,911	18,448	19,002	19,572	20,159	20,764
net CF available for distribution		**251,630**	**294,266**	**337,635**	**381,743**	**426,596**	**472,201**	**518,562**	**565,686**	**613,578**	**662,241**	**711,680**	**761,899**
Developer Residual Receipt Payment:	***100%***	**251,630**	**294,266**	**337,635**	**381,743**	**426,596**	**472,201**	**518,562**	**565,686**	**613,578**	**662,241**	**711,680**	**761,899**
Deferred developer fee repayment	5,990,166	5,990,166	5,738,536	5,444,269	5,106,634	4,724,891	4,298,295	3,826,095	3,307,532	2,741,846	2,128,268	1,466,027	754,347
		251,630	294,266	337,635	381,743	426,596	472,201	518,562	565,686	613,578	662,241	711,680	754,347
		5,738,536	5,444,269	5,106,634	4,724,891	4,298,295	3,826,095	3,307,532	2,741,846	2,128,268	1,466,027	754,347	-
Payments for Residual Receipt Payments	***0%***												
RESIDUAL RECEIPTS LOANS	*Payment %*	-	-	-	-	-	-	-	-	-	-	-	7,552
MIP	*100.00%*	-	-	-	-	-	-	-	-	-	-	-	7,552
Total Residual Receipts Payments	**100.00%**	**-**	-	-	-	-	-	-	-	-	-	-	7,552
Balances for Residual Receipt Payments													
RESIDUAL RECEIPTS LOANS	*Interest Rate*												
MIP---Simple	*2.00%*	6,212,000	6,336,240	6,460,480	6,584,720	6,708,960	6,833,200	6,957,440	7,081,680	7,205,920	7,330,160	7,454,400	7,578,640
Total Residual Receipts Payments		**6,212,000**	6,336,240	6,460,480	6,584,720	6,708,960	6,833,200	6,957,440	7,081,680	7,205,920	7,330,160	7,454,400	7,578,640

PROJECTED PERMANENT LOAN CASH FL0WS						
Final Commitment						
	YEAR	13	14	15	16	17
RENTAL INCOME	**CPI**					
Restricted Unit Rents	2.50%	4,390,572	4,500,337	4,612,845	4,728,166	4,846,370
Unrestricted Unit Rents	2.50%	54,710	56,078	57,480	58,917	60,390
Commercial Rents	2.00%	-	-	-	-	-
Project Based Rental Subsidy	1.50%	-	-	-	-	-
Other Project Based Subsidy	1.50%	-	-	-	-	-
Income during renovations	0.00%	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-
Laundry Income	2.50%	38,900	39,872	40,869	41,891	42,938
Parking & Storage Income	2.50%	41,541	42,579	43,644	44,735	45,853
Miscellaneous Income	2.50%	-	-	-	-	-
GROSS POTENTIAL INCOME (GPI)		**4,525,723**	**4,638,866**	**4,754,838**	**4,873,709**	**4,995,551**
VACANCY ASSUMPTIONS	**Vacancy**					
Restricted Unit Rents	5.00%	219,529	225,017	230,642	236,408	242,319
Unrestricted Unit Rents	0.00%	-	-	-	-	-
Commercial Rents	50.00%	-	-	-	-	-
Project Based Rental Subsidy	5.00%	-	-	-	-	-
Other Project Based Subsidy	3.00%	-	-	-	-	-
Income during renovations	20.00%	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-
Laundry Income	5.00%	1,945	1,994	2,043	2,095	2,147
Parking & Storage Income	20.00%	8,308	8,516	8,729	8,947	9,171
Miscellaneous Income	50.00%	-	-	-	-	-
TOTAL PROJECTED VACANCY LOSS		**229,782**	**235,526**	**241,414**	**247,450**	**253,636**
EFFECTIVE GROSS INCOME (EGI)		**4,295,941**	**4,403,340**	**4,513,423**	**4,626,259**	**4,741,915**
OPERATING EXPENSES	**CPI / Fee**					
Administrative Expenses	3.50%	356,082	368,545	381,444	394,794	408,612
Management Fee	2.75%	118,138	121,092	124,119	127,222	130,403
Utilities	3.50%	465,728	482,028	498,899	516,361	534,434
Operating & Maintenance	3.50%	412,221	426,649	441,581	457,037	473,033
Ground Lease Payments	3.50%	-	-	-	-	-
CalHFA Monitoring Fee	0.00%	7,500	7,500	7,500	7,500	7,500
Other Agency Monitoring Fee	0.00%	-	-	-	-	-
Real Estate Taxes	1.25%	1,161	1,175	1,190	1,205	1,220
Other Taxes & Insurance	3.50%	225,243	233,126	241,286	249,731	258,471
Required Reserve Payments	1.00%	60,511	61,116	61,727	62,344	62,967
TOTAL OPERATING EXPENSES		**1,646,583**	**1,701,231**	**1,757,746**	**1,816,194**	**1,876,640**
NET OPERATING INCOME (NOI)		**2,649,358**	**2,702,109**	**2,755,677**	**2,810,065**	**2,865,275**
DEBT SERVICE PAYMENTS	**Lien #**					
Perm	1	1,804,377	1,804,377	1,804,377	1,804,377	1,804,377
-	-	-	-	-	-	-
MIP Annual Fee (applicable for MIP only deals)	-	-	-	-	-	-
TOTAL DEBT SERVICE & OTHER PAYMENTS		**1,804,377**	**1,804,377**	**1,804,377**	**1,804,377**	**1,804,377**
CASH FLOW AFTER DEBT SERVICE		**844,981**	**897,732**	**951,300**	**1,005,688**	**1,060,899**
DEBT SERVICE COVERAGE RATIO		**1.47**	**1.50**	**1.53**	**1.56**	**1.59**
Date Prepared:	10/14/21					
		13	**14**	**15**	**16**	**17**
LESS: Asset Management Fee	3%	10,693	11,014	11,344	11,685	12,035
LESS: Partnership Management Fee	3%	21,386	22,028	22,689	23,370	24,071
net CF available for distribution		**812,902**	**864,690**	**917,267**	**970,634**	**1,024,793**
		50%				
Developer Residual Receipt Payment:	***100%***	**406,451**	**432,345**	**458,634**	**485,317**	**512,396**
Deferred developer fee repayment	5,990,166	-	-	-	-	-
		-	-	-	-	-
		-	-	-	-	-
Payments for Residual Receipt Payments	***0%***	**50%**				
RESIDUAL RECEIPTS LOANS	*Payment %*	406,451	432,345	458,634	485,317	512,396
MIP	*100.00%*	406,451	432,345	458,634	485,317	512,396
Total Residual Receipts Payments	**100.00%**	406,451	432,345	458,634	485,317	512,396
Balances for Residual Receipt Payments						
RESIDUAL RECEIPTS LOANS	*Interest Rate*					
MIP---Simple	*2.00%*	7,695,328	7,413,117	7,105,012	6,770,618	6,409,541
Total Residual Receipts Payments		7,695,328	7,413,117	7,105,012	6,770,618	6,409,541

TAX-EXEMPT PERMANENT LOAN PROGRAM

CalHFA California Housing Finance Agency

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").

Qualifications	• Available to for-profit, non-profit, and public agency sponsors. • Tax-exempt bond authority must be obtained from the California Debt Limit Allocation Committee (CDLAC) or through a 501(c)(3) exemption. • The Tax-Exempt Permanent Loan may be used with or without 4% low income housing tax credits. • 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). • For Section 8 Projects, a final commitment is conditioned upon review and acceptance by CalHFA of the HAP or AHAP contract. • The Perm Loan will be credit-enhanced through CalHFA's HUD/FHA Risk Sharing Program. • 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. • Minimum 1.15x for initial debt service coverage ratio (include any financing with amortizing debt) and minimum of 1.05x for the term of the Perm Loan. • 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 (subject to change)	• Application Fee: $10,000 non-refundable, due at time of application submittal, and is credited toward the CalHFA Legal Fee at Perm Loan closing. • Perm Loan Fee: 1.00%, half due at final commitment, with balance due at Perm Loan closing. • Cost of Issuance Fee: $110,000, half due at final commitment, with balance due at Perm Loan Closing. • Credit Enhancement Fee: included in the interest rate. • Annual Administrative Fee: $7,500 annually (not to be duplicated if used in conjunction with CalHFA's Conduit Program). • Inspection fees should be estimated at $500 per month for the term of the construction (reports and fees can be shared with other construction lenders) • Legal Fee: $35,000, half due at final commitment, with balance due at Perm Loan closing. • Administrative Fee: $1,000 at Perm Loan closing. • Letter of Interest Fee: $5,000 at LOI request, and is credited toward the CalHFA Perm Loan Fee See CalHFA standard Conduit Issuer Program Term Sheet for information on conduit issuance fees.

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Rate & Terms (subject to change)	Interest Rate: • 17-Year Balloon Loans: 15-Year "AAA" Municipal Market Data (MMD) plus CalHFA spread • 30-Year Balloon and Fully Amortizing Loans: 30-Year "AAA" MMD plus CalHFA spread • Estimated CalHFA Spread: 2.00% to 3.00% • 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. Amortization/Term: • Amortization: Up to 40 Year Amortization • Term: Fully Amortizing, and 17- or 30-Year Balloons available[1] • Perm Loan Reduction: up to 10% reduction at Perm Loan closing permitted at no cost. • Up to two, three-month extension(s) permitted upon payment of a fee equal to 0.25% of the Perm Loan amount for each three-month extension. • Breakage Fee (if applicable): due between construction loan closing and Perm Loan closing and calculated based on hedge termination cost. 1. Balloon loans subject to agency approved exit strategy.
Loan Closing Requirements	• 90% stabilized rental housing occupancy for 90 days as evidenced by rent rolls. • 90% of tax credit investor equity shall have been paid into the Project. • Project income is sufficient to pay operating expenses, required debt service, reserves and monitoring fees. • For mixed-use Projects, 100% non-residential occupancy as evidenced by executed leases or guarantees. • Deposit Account Control Agreement between CalHFA, the Borrower and lending institution is in form and substance acceptable to all parties and ready to be executed at Perm Loan closing.
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: • 5% of the principal balance after the end of year 10 • 4% of the principal balance after the end of year 11 • 3% of the principal balance after the end of year 12 • 2% of the principal balance after the end of year 13 • 1% of the principal balance after the end of year 14 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. A Lien Priority/Position Estoppel in form and substance acceptable to CalHFA will be required prior to construction financing closing, if applicable.

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"). CalHFA's regulated units must represent a comparable 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 (refer to the program's document checklist for a full list): • Appraisal* (a construction lender's appraisal may be acceptable). • HUD-2530 previous participation clearance. • Construction Costs Review for new construction loans (other construction lender's review is acceptable). • 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). • Phase I and Phase II (if applicable) Environmental Site Assessment* including, but not limited to, impact reviews that meet federal environmental requirements (such as historic preservation and noise remediation). • Market Study* satisfactory to CalHFA. • NEPA Review. • Termite/Dry Rot reports* by licensed company. • Seismic review* and other studies may be required at CalHFA's discretion. *Note: Third party reports shall be within 180 days prior to the CalHFA's final commitment approval and may be subject to a new or updated report if the report(s) was completed more than 180 days prior to construction loan closing, in CalHFA's sole discretion.
Required Impounds and Reserves	• Replacement Reserve: Initial cash deposit required for existing Projects with annual deposits between $250 and $500 per unit/per year depending on the Project type and PNA/RRNA findings. • Operating Expense Reserve ("OER"): 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 by CalHFA. In the event OER funds are drawn down during the term of CalHFA Perm Loan, it must be replenished over a period of 12 months to the original level. • 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. • Transition Operating Reserve (TOR): required for Projects with state or locally administered rental subsidy contracts with contract terms that are less than 20 years or the CalHFA Perm Loan term. • Other reserves as required (at CalHFA's discretion).

Last revised: 4/2021

The information provided in this program description is for guidance only. While we have taken care to provide accurate information, we cannot cover every circumstance nor program nuance. This program description is subject to change from time to time without prior notice. The California Housing Finance Agency does not discriminate on any prohibited basis in employment or in the admission and access to its programs or activities. Not printed at taxpayer expense.

Cal HFA
California Housing Finance Agency

MIXED-INCOME LOAN PROGRAM

The California Housing Finance Agency ("CalHFA" or "Agency") 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. The MIP resources will take the form of a subordinate loan to incentivize newly developed multifamily housing projects that serve a range of extremely 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/. If the sponsor/developer is not able to meet the readiness timeline referenced below, MIP funds may be rescinded and reallocated. 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, nonprofit, 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. CalHFA Mixed-Income Qualified Construction Lender is 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 the project must be tax credit financed, OR
2. Qualified mixed-income project through income averaging pursuant to Internal Revenue Code Section 42 (g)(1)(C).

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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 the California Debt Limit Allocation Committee's (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. Pursuant to HUD-Risk Sharing requirements, sponsor is expected to start the NEPA process shortly after CalHFA verifies application completeness and determines that the project is ready to move forward with an initial commitment ("notification date"). The NEPA clearance and HUD's firm approval letter will be required prior to construction loan closing.
2. **General Contractor and/or Third Party Construction Services Engagement:** At the time of application, Applicant must provide evidence that the applicant or developer has engaged a general contractor or third-party construction services company to provide construction services including, but not limited to, value engineering, bid/budget services, and constructability review of plans and designs. In addition, the proposed construction budget is based on the general contractor's or third-party construction services company's preliminary bid estimates pursuant to the current plans and designs.
3. **Disposition and Development Agreement:** Applicant must provide a copy of the disposition and development agreement, if applicable.
4. **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, unless an extension has been approved by California Tax Credit Allocation Committee (CTCAC), CDLAC, and CalHFA, as applicable. Within the 180-day period, the following items must be submitted to CalHFA in their final form:
   a. A complete updated application 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 required by CalHFA to close construction financing.

Qualifications (continued)

MIP ALLOCATION LIMITS:
(Exceptions may be considered by Agency in its sole discretion)

1. **Project Cap:** No project may receive more than the lesser of $8 million or the aggregate MIP loan amount calculated based on up to $50,000 per MIP regulated units or up to $60,000 per MIP regulated units for a Project located within the Highest or High Resource areas designated on the CTCAC/HCD Opportunity Area Map.
2. **Sponsor Cap:** No sponsor (any individual, entity, affiliate and related entity) may receive more than the lesser of funding of 2 projects or 20% of total MIP allocation for the respective year.
3. **County Cap:** No one county may receive more than 33% of total MIP allocations for the respective year.
4. **Age-Restricted Cap:** No more than 25% of total MIP funds for the respective year may be received by age-restricted projects (units that are restricted to residents who are 62 years of age or older under the applicable provisions of California Civil Code Section 51.3 and the federal Fair Housing Act), unless a waiver of the minimum age requirement has been granted by U.S. Department of Housing and Urban Development ("HUD").

EVIDENCE OF COST CONTAINMENT:

A Cost Containment Certification must be provided at the time of Construction Loan Closing in a form acceptable to CalHFA in its sole discretion. The certification acceptable to CalHFA may be found at www.calhfa.ca.gov/multifamily/mixedincome/forms/closing-cost-containment-certification.pdf.

The developer/sponsor must certify that cost containment measures have been implemented to minimize construction costs. These measures should include, but are not limited to, 1) competitively bidding out all major subcontractor and self-performing trades and 2) engaging value engineer/consultant during the design process.

EVIDENCE OF SUBSIDY EFFICIENCY:

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 reduced based on the final analysis. Parameters of the analysis may include but are not limited to the following:

- 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,
- 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,
- A separate project cash flow that supports any commercial component of a mixed-use project,
- A cash flow 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,
- Inflation factors and vacancy rates consistent with the Agency's Underwriting Standards,
- Developer Fee requirements matching those required under the 4% federal and/or state tax credit reservation,
- Capitalized reserves subject to approval by Agency for reasonableness consistent with the Agency's Underwriting Standards and the Investor Limited Partnership Agreement (ILPA),

Qualifications (continued)	• Review of Excess Sources over final Uses as approved by CalHFA resulting from any of the following: · An increase in tax credit equity, · An increase in permanent loan debt due to a combination of permanent loan rate reduction and/or reduction to operating expense assumptions; • 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. • State tax credit request is expected to be within a range of $50,000 to $75,000 per unit. The projects that evidence the most efficient use of state tax credits and MIP per adjusted unit shall be prioritized for MIP funding considerations. The state tax credits and MIP per adjusted unit calculation shall be consistent with CDLAC Regulation Section 5231(g)(1) and 5231(g)(2). MIP final commitment shall be subject to the project's receipt of CDLAC's preliminary tax-exempt bond allocations and CTCAC's tax credits reservations, • Acquisition cost shall be the lesser of 1) the purchase price pursuant to a current purchase and sales agreement between unrelated parties, 2) the purchase price of an arm's length transaction executed within the past 10 years plus reasonable carrying costs, or 3) the appraised "as-is" value based on an Appraisal acceptable to CalHFA in its sole discretion. The appraised value of the real estate may be considered if the arm's length transaction exceeds 10 years.
CalHFA Mixed-Income Qualified Construction Lender	A CalHFA Qualified Construction Lender is defined as a Construction Lender that has closed at least five (5) construction loans using tax-exempt bonds and 4% federal and/or state tax credits in California within the last three (3) years and satisfies the requirement set forth within the application.
CalHFA Mixed-Income Development Team Qualifications	The **Developer/Co-Developer/General Partner** must be registered to do business and in good standing in the state of California. A CalHFA Qualified Developer/Co-Developer/General Partner must have developed at least three (3) comparable projects within the past five (5) years or meet the requirements to receive a minimum of 7 points under the CDLAC General Partner Experience category pursuant to CDLAC Regulations Section 5230(f). The proposed **Project Manager** must have personally managed the development of at least two (2) comparable projects within the past five (5) years **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. **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 in the State of California. **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.

CalHFA Mixed-Income Development Team Qualifications (Continued)	**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 or meet the requirements to receive a minimum of 3 points under the CDLAC Management Company Experience category pursuant to CDLAC Regulations Section 5230(f).
Permanent First Lien Loan	Must be provided by CalHFA. The permanent loan must meet an initial minimum 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.
Construction First Lien Loan	Provided by a CalHFA Mixed-Income Qualified Construction Lender. All parties shall permit the Agency to, in its sole and absolute discretion, recycle all or a portion of any Bond volume cap related to a paydown of the Bond financed loans, at the conversion of the construction financing to permanent financing and payoff of the Construction Loan, pursuant to the authority provided in Section 146(i)(6) of the Internal Revenue Code of 1986 and CDLAC Regulation Section 5060 (the "Bond Recycling"). The Bond documents, loan documents and any other documents related to the financing of the Development shall contain any necessary approvals and permit all actions necessary to accomplish a Bond Recycling.
Limitations	1. MIP cannot be combined with the CTCAC 9% program. 2. MIP cannot be combined with other state subordinate debt and/or subsidy programs (this does not include state tax credits) with the exception of the Infill Infrastructure Grant, contingent upon restrictions that are compatible with the MIP program requirements. Inclusion of other subordinate debt and subsidy will be allowed at CalHFA's discretion so long as any restrictions of subordinate debt or subsidy are compatible with MIP program requirements outlined herein. 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.) 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 CTCAC or a tax-exempt bond allocation from CDLAC. 5. Projects will not be eligible for other subsidy resources from CalHFA in addition to MIP.
Mixed-Income Project Occupancy Requirements	**BOND REGULATORY AGREEMENT REQUIREMENTS (ALL PROJECTS):** 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, CDLAC requires a minimum of 10% of the unit types must be at 50% or less of AMI ("10% @ 50% AMI").

Mixed-Income Project Occupancy Requirements (Continued)	**MIXED INCOME REGULATORY AGREEMENT REQUIREMENTS (ALL PROJECTS):** **Affordability Requirements:** 1. To qualify, a project must meet the following affordability restrictions, based on the HUD or locality (as applicable) income and rent limits which are current at the time of MIP application, for a term of 55 years: a. 10% of total units at or below 50% of AMI, b. 10% of total units between 60% to 80% of AMI with an average of 70% of AMI or greater, subject to the Maximum Allowable Rents outlined below, and c. Remaining 80% of total units at or below 120% of AMI with the exception of the non-restricted manager's unit(s) OR at the affordability restrictions consistent with CTCAC requirements. (Deviations from the average unit affordability levels of 70% AMI will only be considered if Market Study supports such deviations.) 2. Projects must be tax credit transactions that are income-averaged and must not exceed an average affordability of 60% of AMI across all restricted units.
Mixed-Income Project Occupancy Requirements (Continued)	**MAXIMUM ALLOWABLE RENTS:** Rents for all restricted units must be at least 10% below market rents as evidenced by a current Market Study or an Appraisal. This threshold will be analyzed at time of application and again at CalHFA's final commitment approval. The report shall be current within 180 days of Agency's final commitment and may be subject to required updating if the report expires prior to construction loan closing. Any proposed rent adjustments above 5% of the approved rents subsequent to construction loan closing may be considered if supported by a recent or updated Market Study or Appraisal that is dated within 180 days from MIP loan closing, at CalHFA's sole discretion.
Mixed-Income Subordinate Loan	1. Maximum loan amount for each project shall not exceed the lesser of $8 million or the aggregate MIP loan amount calculated based on up to $50,000 per MIP regulated units, unless an exception is approved by Agency in its sole discretion. a. Maximum loan per restricted (tax credit or CalHFA) units between 30%-120% AMI shall be up to $50,000. b. Projects located within the Highest or High Resource areas designated on the CTCAC/HCD Opportunity Area Map shall be eligible for an additional amount up to $10,000 per MIP regulated unit. Opportunity Map Home Page: www.treasurer.ca.gov/ctcac/opportunity.asp 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**: Greater of 1% simple interest or the applicable federal rate (AFR) at time of MIP closing. 2. **Loan Term**: The MIP loan term shall be coterminous with the CalHFA permanent first lien loan. 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. Deviation from the net cash flow split may be granted 1) to meet equity investor's deferred developer's fee requirement as evidence by the limited partnership agreement, and 2) is subject to approval(s) by other residual receipt lender(s), as applicable. 4. **Affordability Term**: 55 years. 5. **Prepayment**: May be prepaid at any time without penalty. 6. **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) and requires subordination 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. 7. **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)	**Loan Fee:** 1.00% of the loan amount (50% due at final commitment and 50% due at CalHFA MIP loan closing). **Conduit Bond Program Fees:** Refer to CalHFA Conduit Bond Program www.calhfa.ca.gov/multifamily/programs/forms/termsheet-conduit.pdf **CDLAC Fees:** Refer to CDLAC regulations for all applicable fees. 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: 01/2021

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CONDUIT ISSUER PROGRAM

MULTIFAMILY HOUSING BONDS

Term sheet effective for applications submitted after May 1, 2020

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.

Qualifications	• Available to for-profit, nonprofit or public agency sponsors. • Nonprofit borrowers may be eligible for 501(c)(3) bonds. • 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 required for tax-exempt issuances) and is credited toward the CalHFA Issuer Fee. • Issuer Fee: 1. The greater of $15,000 or 18.75 basis points of the Bond amount if lesser than or equal to $20 million. 2. If more than $20 million: $37.500 + 5 basis points for the amount above $20 million. • Annual Administrative Fee: 5 bps of the tax-exempt bond issuance amount due at construction loan closing and due annually thereafter until permanent loan conversion. After permanent loan conversion, billed annually in advance, 5 bps of unpaid principal balance amount of tax-exempt bond financed loan(s) until bonds are fully redeemed. Minimum Annual Administrative Fee shall be $4,000 through both the Qualified Project Period and the CDLAC compliance period. For taxable only issuances, annual administrative fees above will be charged based on the taxable bond financed loan(s) for the term of the CalHFA affordability restrictions. If used in conjunction with a CalHFA permanent loan product, the annual administrative fee will not be duplicated. Please refer to the applicable permanent loan term sheet for the annual administrative fee. • Public Sale: Additional fee of $5,000 to $10,000 applies when Bonds are sold to the public. • 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 payable to CDLAC. • 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. 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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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 rent restricted and occupied by individuals whose income is 60% or less of 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. • 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: 08/2020

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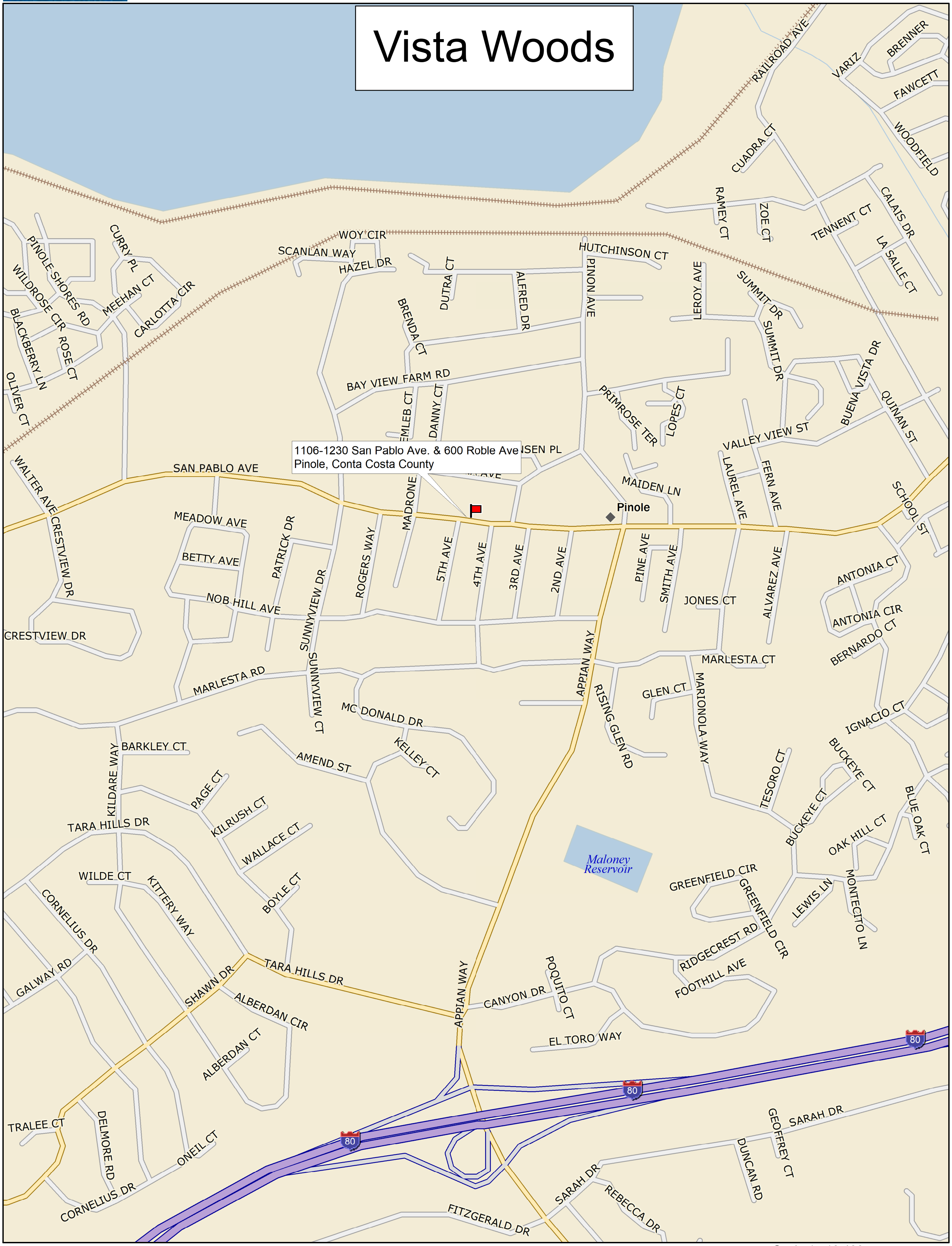

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Scale 1 : 10,400
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1" = 866.7 ft
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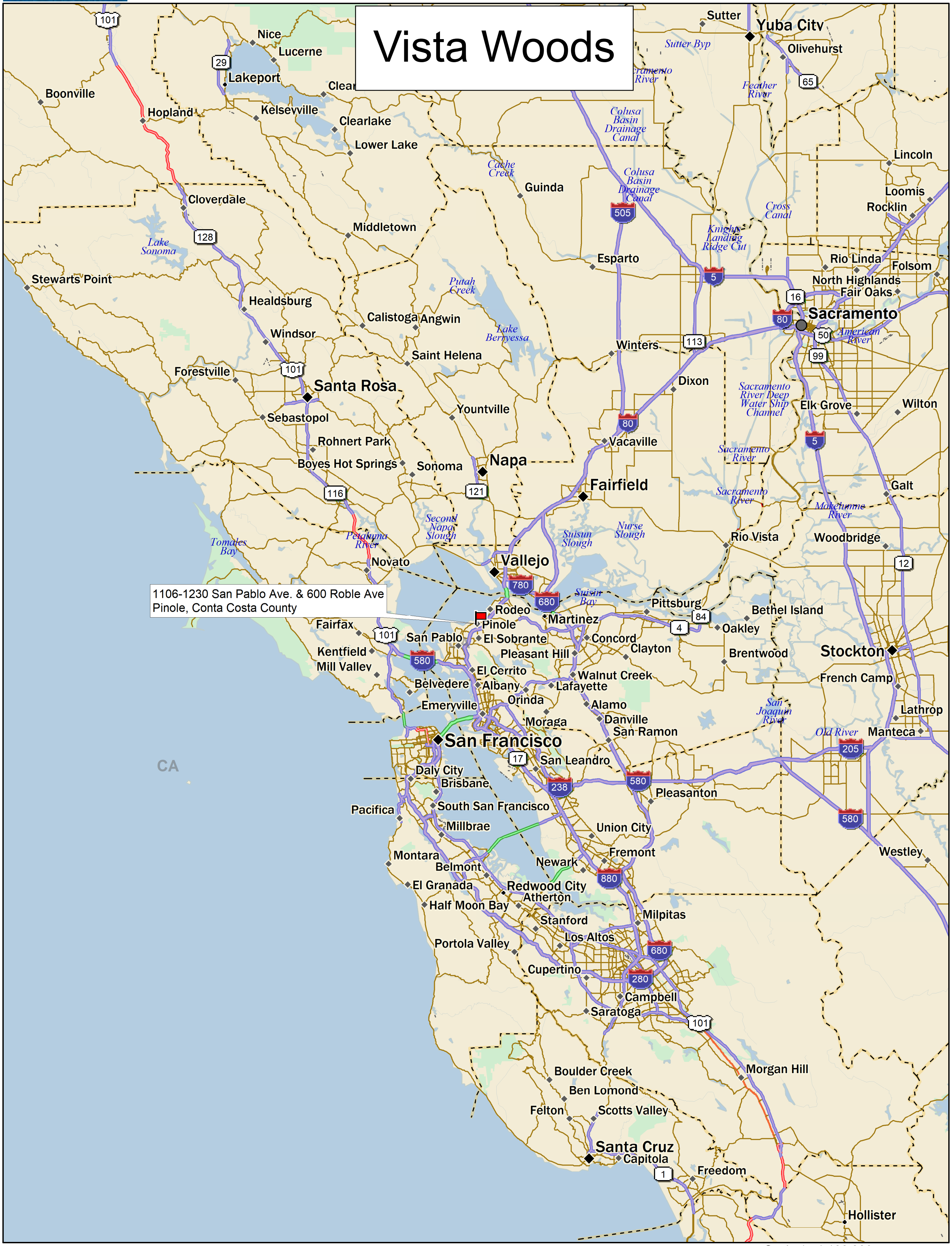

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Scale 1 : 1,100,000
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1" = 17.36 mi
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