# 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 and an approval for increase to Tax-Exempt Conduit Issuance

**Senior Loan Committee "Approval": February 7, 2024**

| | | |
|---|---|---|
| **Project Name, County:** | **The Bluffs at 44th, Santa Cruz County** | |
| **Address:** | **4401 Capitola Road, Capitola, 95010** | |
| **Type of Project:** | **New Construction** | |
| **CalHFA Project Number:** | 22-038-A/X/N | **Total Units: 36 (Family)** |
| **Requested Financing by Loan Program:** | **Up to** $22,000,000* | **CalHFA Tax-Exempt Bond – Conduit Issuance Amount ($18,222,000 allocated by CDLAC on 8/23/2023. Supplemental CDLAC allocated by CDLAC on 12/21/2023 in the amount of $1,300,000)** |
| | **Up to** $11,000,000* | **CalHFA Taxable Bond – Conduit Issuance Amount (a portion of which may include recycled bonds) (assuming current need is $9,900,497)** |
| | $12,196,429 | **CalHFA Tax-Exempt Permanent Loan with HUD Risk Sharing** |
| | $2,100,000 | **CalHFA MIP Subsidy Loan** |
| | *Approval amount includes 10% cushion rounded up to nearest $1M. | |

## DEVELOPMENT/PROJECT TEAM

| | | | |
|---|---|---|---|
| **Developer:** | CRP Affordable Housing and Community Development LLC | **Borrower:** | The Bluffs at 44th LP |
| **Permanent Lender:** | CalHFA | **Construction Lender:** | JPMorgan Chase Bank, N.A. |
| **Equity Investor:** | Candeur Group, LLC | **Management Company:** | Cambridge Real Estate Services, Inc. |
| **Contractor:** | Ironcore Construction LLC | **Architect** | Studio T Square |
| **Loan Officer:** | Kevin Brown | **Loan Specialist:** | Not applicable |
| **Asset Manager:** | Christina Meza | **Loan Administration:** | Ashley Carroll |
| **Legal (Internal):** | Torin Heenan | **Legal (External):** | Orrick, Herrington, Sutcliffe LLP |
| **Concept Meeting Date:** | 10/5/2023 | **Approval Expiration Date:** | 180 days from Approval |

## LOAN TERMS

| 1. | | CONDUIT ISSUANCE/ CONSTRUCTION LOAN JPMorgan Chase Bank, N.A. | CalHFA PERMANENT LOAN | CalHFA MIP SUBSIDY LOAN |
|---|---|---|---|---|
| | **Total Loan Amount** | Up to $29,422,497 ($19,522,000 t/e $9,900,497 taxable) | $12,196,429 | $2,100,000 ($60,000/restricted unit) |
| | **Loan Term & Lien Position** | 24 months (plus two 6-month extensions)- interest only; 1st Lien Position during construction | 40 years –partially amortizing due in year 17; 1st Lien Position during permanent loan term | 17 year - Residual Receipts; 2nd Lien Position during permanent loan term |
| | **Interest Rate** (subject to change and locked 30 days prior to construction loan closing) | Tax-Exempt: One-Month Term SOFR + 1.45% variable, underwritten at 7.50% rate cap<br>Taxable: One-Month Term SOFR + 2% variable, underwritten at 8.00%*** rate cap | Locked at 6.61%*<br><br>Rate based on a 24-month forward commitment. | 3% simple interest. – A higher simple interest rate may be used at time of MIP closing in the event the true debt test is at risk for tax credit purposes. |
| | **Loan to Value (LTV)** | 75% of investment value | 67% of restricted value** | N/A |
| | **Loan to Cost** | 72% | 30% | N/A |

**The all-in rate of 6.61% is the final rate locked on 11/21/2023 for the loan closing and is valid until construction closing deadline indicated in the Final Rate Lock letter issued by the Agency.*
***Loan to value based on appraisal dated 9/15/2023 prepared by Pacific Real Estate Appraisal.*
****As of 2/2/2024, 30-day SOFR at 5.33% which equals a 6.78% rate. Construction interest reserve may be resized based on locked rate at construction closing. Any resulting funding gaps will be covered by the Borrower until permanent loan conversion.*

| Summary of Material Changes from Initial Commitment Approval | |
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| ☒ | Changes in Borrower/Sponsor entities including Co-developer(s) if any<br>• Change to ownership structure of the Managing General Partner (MGP) entity, PSCDC The Bluffs LLC. (Please refer to sections 30 and 31 for more detail on the development team)<br>    o At initial commitment, the sole member, with 100% interest, of the of the MGP entity was Pacific Southwest Community Development Corporation (PSCDC).<br>    o The tax credit investor determined the State Tax Credit Loan provided by the MGP must be disaffiliated from the other General Partners for the Partnership to record the loan as non-recourse Partnership debt and use the State Tax Credit loan balance to calculate Partnership minimum gain. To comply with the investor's disaffiliation requirements, the project is required to include an additional member of the MGP entity, Southern California Housing Collaborative (SCHC).<br>    o SCHC is a passive partner and will not have any decision-making authority on the project.<br>    o The new ownership structure of the MGP entity, PSCDC The Bluffs LLC is now 79% interest by PSCDC and 21% interest by SCHC.<br>    o The addition of SCHC to the MGP entity does not influence the ownership interest percentages of the borrowing entity which remains unchanged with Administrative General Partner, The Bluffs at |

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| | 44th AGP, LLC (0.0051%); the MGP, PSCDC The Bluffs, LLC (0.0049%); and the Investor Limited Partner, a Candeur Group LLC related entity (99.999%) |
| ☒ | Changes in Other Development Team members: Construction Lender, Tax Credit Investor, General Contractor, Property Management Agent, Other lenders including subordinate lenders<br>• The Federal and State tax credit investor at the time of CalHFA initial commitment approval was RBC Capital Investments. This has been changed to the Candeur Group, which is a tax credit syndicator familiar with CalHFA. |
| ☐ | Changes in Project Scope (for example, addition of non-residential component) |
| ☐ | Changes in CalHFA loan amount (>10%) or changes in loan terms |
| ☐ | Changes in construction schedule and rent-up/conversion timeline |
| ☐ | Significant changes in project capital stack impacting project viability: DSCR, exit analysis, etc. |
| ☒ | Significant changes in Operating budget assumptions<br>• The Effective Gross Income has increased by $55,472 which is largely attributed to the inclusion of increased HUD rent limits as released by TCAC on 5/14/2023.<br>• The total operating expenses have increased by $29,925. The developer has increased operating expenses based on feedback from their internal asset management team, investor requirements, the project paying for water heating utility, and other minor adjustments to the operating expenses as shown in the chart below.<br>• The overall changes to the operating budget results in an increase of the Project's Net Operating Income (NOI) by $25,547, while the debt service increased by $29,867 (based on the interest rate lock executed on 11/21/23 as outlined above) and decreasing the surplus cash after debt service by $4,320. Overall, the changes to NOI and Debt Service provide very little change to the operating performance of the property and result in no reduction to the 1st year DSCR, as described in the chart below. |

| | Initial | Final | Difference | % Increase/ Decrease |
|---|---|---|---|---|
| Gross Potential Income | 1,342,788 | 1,401,180 | 58,392 | 4.3% |
| Vacancy | 67,139 | 70,059 | 2,920 | 4.3% |
| **Total Income** | **1,275,649** | **1,331,121** | **55,472** | **4.3%** |
| Admin Exp | 20,873 | 20,500 | (373) | -1.8% |
| Mgmt Fee | 31,170 | 31,170 | - | 0.0% |
| Utilities | 26,527 | 40,500 | 13,973 | 52.7% |
| Payroll/PR Taxes | 107,300 | 90,390 | (16,910) | -15.8% |
| Insurance | 11,250 | 25,000 | 13,750 | 122.2% |
| Maintenance | 42,955 | 34,940 | (8,015) | -18.7% |
| Other OpEx* | 35,873 | 63,373 | 27,500 | 76.7% |
| **Total OpEx** | **275,948** | **305,873** | **29,925** | **10.8%** |
| **NOI** | **999,701** | **1,025,248** | **25,547** | **2.6%** |
| | | | | |
| Loan Request Amount | 12,037,316 | 12,196,429 | 159,113 | 1.3% |
| Debt Service | 838,486 | 868,353 | 29,867 | 3.6% |
| Surplus Cash | 161,215 | 156,895 | (4,320) | -2.7% |
| DSCR | 1.19 | 1.19 | - | 0.0% |
| | | | | |
| *Other OpEx | | | | |
| Misc Tax/License | 0 | 27,500 | 27,500 | 100.0% |
| Supportive Services | 19,373 | 19,373 | - | 0.0% |
| Transit Passes | | | - | 0.0% |
| Replacement Reserve | 9,000 | 9,000 | - | 0.0% |
| CalHFA Monitoring Fee | 7,500 | 7,500 | - | 0.0% |
| Other Monitoring Fees | - | | - | 0.0% |
| Taxes | - | | - | 0.0% |
| Trustee Fees | - | | - | 0.0% |
| **Total Other Income** | 35,873 | 63,373 | 27,500 | 76.7% |

☒ Changes in CalHFA required reserves

- The required operating expense reserve has increased by $14,948 which is attributed to the project increasing its operating expenses and debt service payments as described below.

| | **Initial** | **Final** | **Difference** | **%** |
|---|---|---|---|---|
| Total Operating Expenses/Reserves | 275,948 | 305,873 | 29,925 | 10.8% |
| Debt Service Payment | 838,486 | 868,353 | 29,867 | 3.6% |
| Required Operating Reserve (3mo) | 278,609 | 293,557 | 14,948 | 5.4% |

☒ Changes in Affordability Restrictions including Unit distribution for regulated units.

- The Project's MIP application depicted a unit mix that included 25 units restricted at 30% AMI and 10 units restricted at 80% AMI (as shown in chart 1).

**1- MIP APPLICATION**

| Rent Limit Summary Table | | | | | |
|---|---|---|---|---|---|
| | 1-bdrm | 2-bdrm | 3-bdrm | Total | % Total |
| 30% | 5 | 9 | 11 | 25 | 69% |
| 50% | 0 | 0 | 0 | 0 | 0% |
| 60% | 0 | 0 | 0 | 0 | 0% |
| 80% | 10 | 0 | 0 | 10 | 28% |
| Manager | 0 | 0 | 1 | 1 | 3% |
| Total | 15 | 9 | 12 | 36 | |
| AMI Avg | 63.3% | 30.0% | 30.0% | 44.3% | |

- During the initial underwriting process, it was discovered that CDLAC did not recognize the 80% AMI units as restricted units, which resulted in the tax-exempt bond request exceeding the maximum request amount. To access the full bond request amount, the developer revised the unit mix to reduce the number of 1-bedroom units at 80% AMI from 10 units to 4 units. Six units have been reduced to 60% AMI. The revised unit mix is below (as shown in chart 2). This is the unit mix approved by CalHFA in its Initial Commitment.

**2- INITIAL COMMITMENT**

| Rent Limit Summary Table | | | | | |
|---|---|---|---|---|---|
| | 1-bdrm | 2-bdrm | 3-bdrm | Total | % Total |
| 30% | 5 | 9 | 11 | 25 | 69% |
| 50% | 0 | 0 | 0 | 0 | 0% |
| 60% | 6 | 0 | 0 | 6 | 17% |
| 80% | 4 | 0 | 0 | 4 | 11% |
| Manager | 0 | 0 | 1 | 1 | 3% |
| Total | 15 | 9 | 12 | 36 | |
| AMI Avg | 63.3% | 30.0% | 30.0% | 44.3% | |

- Prior to the CDLAC award, CDLAC changed its regulations on 7/26/2023 to include 80% AMI units in the per unit allocation limit calculation. The developer has since revised the unit mix to align with what was initially shown in the MIP application which includes 5 1-bedroom units restricted at 30% AMI and 10 units restricted at 80% AMI (as shown in chart 3). This change does not affect the projects compliance with the CalHFA permanent and MIP loan restrictions.

**3- PROPOSED**

| Rent Limit Summary Table | | | | | |
|---|---|---|---|---|---|
| | 1-bdrm | 2-bdrm | 3-bdrm | Total | % Total |
| 30% | 5 | 9 | 11 | 25 | 69% |
| 50% | 0 | 0 | 0 | 0 | 0% |
| 60% | 0 | 0 | 0 | 0 | 0% |
| 80% | 10 | 0 | 0 | 10 | 28% |
| Manager | 0 | 0 | 1 | 1 | 3% |
| Total | 15 | 9 | 12 | 36 | |
| AMI Avg | 63.3% | 30.0% | 30.0% | 44.3% | |

## PROJECT SUMMARY

| 2. | Legislative Districts | Congress: | #19<br>Jimmy Panetta | Assembly: | #30<br>Dawn Addis | State Senate: | #17<br>John Laird |
|---|---|---|---|---|---|---|---|
| | **Brief Project Description** | **The Bluffs at 44th** (the "Project") is a new construction, family, mixed-income project. It will consist of two, 3-story garden-style walk-up buildings. There will be 36 total units, 25 of which will be restricted at 30% and 10 which will be restricted at 80% of the Santa Cruz County Area Median Income (AMI). There will be 15 one-bedroom units (550 sf), 9 two-bedroom units (750 sf), and 11 three-bedroom units (1,050 sf). In addition, one three-bedroom unit will serve as the manager's unit. The site is currently occupied by 4 commercial structures with 7 commercial tenants that will be permanently relocated prior to the start of construction. The development budget includes $280,000 for relocation costs which is based on a commercial relocation plan dated June 2022. This project is located in Santa Cruz County which is a federally designated disaster relief area.<br><br>**Evidence of Site Control & Expiration Date:** The borrowing entity purchased the land from Claudia Joy Caudle and Dana M. Caudle and The Joseph E. Trabert Trust Dated 12-20-90 on January 10, 2023, for an amount of $4,565,000. The land cost is consistent with a purchase appraisal dated 6/28/2022. The Appraisal dated September 15, 2023, prepared by Pacific Real Estate Appraisal, values the land at $4,322,500. As is allowed by TCAC policy, the purchase price is based upon the purchase appraisal dated 6/28/22.<br><br>**Financing Structure:** The Project's financing structure includes financing from tax-exempt bonds, taxable bonds, 4% Federal Tax Credit equity, 4% State Housing Tax Credit Equity, Agency's tax-exempt Permanent loan program and the Mixed-Income Program.<br><br>**Locality Support:**<br>• The Project will be subsidized by project-based vouchers. 25 units will be subsidized by the County's Project-Based vouchers under the Section 8 program for an initial term of 20 years with an option to renew for an unstated term. The rental subsidy contract will be administered by County of Santa Cruz Housing Authority. Residents will be referred to the project through the Santa Cruz Housing Authority's resident referral system which maintains an extensive waiting list of potential residents.<br>• Additionally, the County will record a Density Bonus Agreement prior to the issuance of building permits. This agreement benefits the project by allowing increased building height from 27 feet to 36 feet, reduction of parking requirements, and reduction of setback requirements.<br><br>**Tax Credits and/or CDLAC Status:** The developer received an allocation for 4% tax credits and bond cap from TCAC/CDLAC on 8/23/2023. The project received a supplemental bond allocation from CDLAC on 12/21/2023. Based on both allocations, the bond cap allocated will be approximately 51.99% aggregate basis requirement (the "50% test").<br><br>**Ground Lease:** Not applicable.<br><br>**Project Amenities:** The Project will include a common area, central laundry facilities, picnic area, playground, and recreation areas. Unit amenities will include garbage disposals, dishwashers, trash compactors, granite countertops, and balconies or patios. | | | | | |

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| | | **Local Resources and Services:** For CTCAC/CDLAC purposes, the Project is located within a High resource area per CTCAC/HCD's 2023 Opportunity Area Map. The Project is in close proximity to the following local amenities and services:<br>• Grocery stores – 0.2 miles<br>• Schools – 0.7 miles<br>• Public Library – 0.3 miles<br>• Public transit – 0.1 miles<br>• Retail – 0.5 miles<br>• Park and recreation – 0.3 miles<br>• Hospitals – 1.7 miles<br><br>**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. The site is currently occupied by 4 commercial structures with 7 commercial tenants that will be permanently relocated prior to the start of construction. The development budget includes $280,000 for relocation costs which is based on a commercial relocation plan dated June 2022.<br><br>**Commercial and/or Other (i.e., Parking) Space:** Not applicable. |

## MISSION

| **3.** | **CalHFA Mission/Goals** | |
|---|---|---|
| This Project and financing proposal will provide 35 units of affordable housing with a range of restricted rents between 30% AMI and 80% AMI which will support much needed rental housing that will remain affordable for 55 years. | | |

## ANTICIPATED PROJECT MILESTONES & SCHEDULE

| **4.** | CDLAC/CTCAC Closing Deadline: | 2/20/2024 | Est. Construction Loan Closing: | 2/2024 |
|---|---|---|---|---|
| | Estimated Construction Start: | 2/2024 | Est. Construction Completion: | 7/2025 |
| | Estimated Stabilization and Conversion to Perm Loan(s): | | 10/2025 | |

## SOURCES OF FUNDS

**5.**

| Project Summary Budget | | |
|---|---|---|
| **Construction Sources and Uses** | | |
| **Sources** | **Amount** | **% of Total** |
| Chase- Tax Exempt- Conduit (Construction Loan)<br>1st lien position, 7.50% rate, interest only- 24-month term | $18,222,000 | 46.5% |
| Chase- Tax Exempt Supplemental- Conduit (Construction Loan)<br>1st lien position, 7.50% rate, interest only- 24-month term | $1,300,000 | 3.3% |
| Chase- Taxable- Conduit (Construction Loan)<br>2nd lien position, 8.00% rate, interest only- 24-month term | $9,900,497 | 25.3% |
| Tax Credit Equity (Equity, LIHTC Investor) @ $0.80/credit federal and $0.90/credit state | $5,950,000 | 15.2% |
| Deferred Developer Fee (Developer Fee, Deferral) | $3,833,960 | 9.7% |
| **TOTAL CONSTRUCTION SOURCES** | **$39,206,457** | **100%** |
| **TOTAL PER UNIT** | **$1,089,068** | |
| | | |
| **Uses** | **Amount** | **% of Total** |
| Total Land/Acquisition/Offsite costs<br>• Land/Acquisition Costs $4,565,000<br>• Offsite Improvements $750,000 | $5,315,000 | 13.6% |
| Construction Costs | $19,410,001 | 49.5% |
| Soft Costs (A&E, legal, issuance costs) | $1,927,316 | 4.9% |
| Hard Cost contingency (10.39% of hard costs) | $1,411,200 | 3.6% |
| Soft Cost contingency (2.23% of total developer costs less hard costs) | $480,732 | 1.2% |
| Financing Costs (interest reserves, fees, taxes, and insurance) | $4,529,435 | 11.6% |
| Local Impact and Permit Fees (City of Capitola) | $1,080,000 | 2.8% |
| Deferred Developer Fee | $1,730,264 | 4.4% |
| Cash Portion Developer Fee (Paid After Completion) | 2,379,441 | 6.1 % |
| Other Costs (reports, furnishings, accounting, etc.) | $649,511 | 1.7% |
| Operating Reserves (Refer to section 14 for details) | $293,557 | 0.7% |
| **TOTAL CONSTRUCTION USES** | **$39,206,457** | **100%** |
| **TOTAL PER UNIT** | **$1,089,068** | |
| **Permanent Sources and Uses** | | |
| **Sources** | **Amount** | **% of Total** |
| CalHFA Permanent Loan (Permanent Loan)<br>1st lien position, 17-year term with 40-year amortization<br>Rate locked at 6.61% | $12,196,429 | 31.1% |
| CalHFA MIP (Subordinate Loan)<br>2nd lien position, 3.00% residual receipts, 17-year term | $2,100,000 | 5.4% |
| Deferred Developer Fee (Developer Fee, Deferral) (50.5% of total developer fee) | $2,075,764 | 5.3% |

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|---|---|---|
| Tax Credit Equity (Equity, LIHTC Investor) @ $0.80/credit federal and $0.90/credit state | $22,834,264 | 58.2% |
| **TOTAL PERMANENT SOURCES** | **$39,206,457** | **100.0%** |
| **TOTAL PER UNIT** | **$1,089,068** | |
| | | |
| **Uses** | **Amount** | **% of Total** |
| Total Loan Payoffs and Equity | $34,892,806 | 89% |
| Financing costs | $203,946 | 0.5% |
| Cash Developer Fee paid at Perm Conversion | $2,379,441 | 6.1% |
| Deferred Developer Fees paid from cashflow | $1,730,264 | 4.4% |
| **TOTAL PERMANENT USES** | **$39,206,457** | **100.0%** |
| **TOTAL PER UNIT** | **$1,089,068** | |

**Subsidy Efficiency:** $2,100,000 ($60,000 per MIP restricted units).

**Tax Credit Type(s), Amount(s) and per total units:**
- 4% Federal Tax Credits (The Candeur Group): $15,262,240 ($436,064 per TCAC restricted unit). This includes eligible basis boost due to inclusion of solar improvements.
- State Tax Credits (The Candeur Group) (Certificated): $8,765,095* ($256,145 per TCAC restricted unit).

*The project includes Certificated State Tax Credits, which increases the pricing value of the credits. These credits will be contributed to the project as a State Tax Credit Loan from Pacific Southwest Community Development Corporation who will execute a promissory note in the estimated amount of $9,009,069 and deed of trust that will be secured against the property and recorded in last lien position. The State Tax Credit loan will bear 0% interest and be repaid over time through the borrower's portion of surplus cash.

**Rental Subsidies**: The Project will be subsidized by project-based vouchers. 25 units will be subsidized by the County's Project-Based vouchers under the Section 8 program for an initial term of 20 years with an option to renew for an unstated term. The rental subsidy contract will be administered by County of Santa Cruz Housing Authority. Residents will be referred to the project through the Santa Cruz Housing Authority's resident referral system which maintains an extensive waiting list of potential residents.

**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. The locality has invested in the success of the Project as demonstrated by the Project-Based vouchers and its approval of a density bonus agreement.

**Cost Containment Strategy:**
- The general contractor is obtaining a minimum of three competitive bids for all major subcontractor and self-performing trades.
- A value engineering consultant has been engaged during the design stage to help control overall costs.
- The general contractor has established a critical path (CMP) for the construction process to efficiently manage construction and mitigate potential delays.

**High-Cost Explanation:** The total development cost per unit is $1,089,068. The Project is in a HUD high cost-designated area of the South Bay Area, which ranks as one of the most expensive places in the nation to develop and operate real estate. Other contributing factors are as follows:

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| | • Land Acquisition costs of $4,565,000. The project is located in a Difficult Development Area as established by the United States Department of Housing and Urban Development, meaning it has high land, construction, and utility costs. Additionally, the project is located in a High Resource Area in close proximity to high-quality transit which inherently results in higher land costs.<br>• To accommodate the fire department's access requirements, the project will consist of two structures rather than incorporating the community center/leasing office into the ground floor of a structure with apartments above. This is a higher fixed infrastructure costs which results in the higher per unit cost.<br>• The South Bay Area continues to suffer from a high cost of labor from a limited pool of workers and supply chain issues continue to impact procurement of materials at reasonable pricing.<br>• The project is subject to Davis-Bacon wage requirements which adds approximately $2,900,000 (18%) to the project's hard cost budget of $13,382,280. |
| **6.** | Equity – Cash Out (estimate): Not Applicable |

## TRANSACTION OVERVIEW

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| **7.** | **Proposal and Project Strengths** |

- The Project anticipates receiving 4% federal and state tax credits which is projected to generate equity representing 58% of total permanent financing sources. The Candeur Group will be the investor and is paying $0.80/credit for the federal credits, and $0.90/credit for state credits.
- The developer/sponsor has extensive experience in developing similar affordable housing projects and has experience with CalHFA.
- The Project will serve low-income families ranging between 30% to 80% of AMI. On average, the rents are between 15% to 75% below market rents based on an appraisal report dated September 15, 2023, and prepared by Pacific Real Estate Appraisal.
- 25 units will be supplemented by County Project-Based vouchers under the Section 8 Program administered by the County of Santa Cruz Housing Authority for a term of 20 years with an option to renew for an unstated term.
- The estimated cash developer fee that will be collected at or prior to permanent loan conversion is $2,379,441, which could be available to cover cost overruns and/or unforeseen issues during construction at permanent loan conversion.

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| **8.** | **Project Weaknesses with Mitigants:** |

- The primary source of repayment for both the first mortgage and the MIP subsidy loan is refinance of the project's first mortgage. As part of the exit analysis scenario CalHFA stress tests the strength of the project economics by assuming an interest rate of 9.61% in the exit year at Year 17, which is 3% above the current underwriting interest rate. Additionally, the exit analysis is also stressed with the assumption of a cap rate of 7.5% for Year 17 which is 2% above current market cap rates as defined by the appraisal. Based on these assumptions, the Project will have the ability to fully repay the balance of the Agency's permanent first lien loan but may not have the ability to repay the Agency's MIP subsidy loan in the total estimated amount of $1,966,597 (outstanding principal and accrued interest) at maturity. 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.

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| **9.** | **Underwriting Standards or Term Sheet Variations** |

- The MIP term sheet requires surplus cash distributions shall be 50% to Borrower and 50% shall be paid pro rata as "Residual Receipts" between CalHFA and other governmental residual receipt lenders. The Tax Credit Investor Letter of Interest requires 100% of surplus cash to be available for the repayment of the deferred developer's fee (DDF) until the earlier of year 15 of operations is complete or full repayment of the DDF. Thereafter, the surplus cash split shall be 50% to Borrower and 50% to Residual Receipt lender(s) (CalHFA). As a condition of this approval, the Borrower must provide evidence that the DDF repayment structure is required pursuant to the Limited Partnership Agreement (LPA). In addition, the owner must provide evidence of investor and all residual receipt lenders' approvals of the total deferred developer's fee structure and residual receipt split. Residual receipt lenders must also agree to defer the payments on their loans. Under this structure, the DDF is fully repaid in year 10 with a partial MIP payment in year 10. MIP will receive 50% of surplus cash (100% residual receipt) payments starting in year 11. MIP subsidy loan in the total estimated amount of $1,966,597 (outstanding principal and accrued interest) will be due at maturity in year 17. To the extent 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.

- CalHFA USRM requires a 7% vacancy rate for units covered by Project-Based Section 8 vouchers. The developer has requested a 5% vacancy rate for all units. This request is supported by the appraisal report which indicates an average submarket vacancy rate of 2.6%, the Santa Cruz Housing Authority maintaining a lengthy waiting list of eligible Section 8 residents, and the Housing Authority referring eligible Section 8 residents to the project through their referral which will be initiated 6 months prior to anticipated certificate of occupancy.
- The MIP Term Sheet requires the Appraisal report to be current within 90 days of Agency's Final Commitment. The Appraisal dated 9/15/2023, prepared by Pacific Real Estate Appraisal, currently does not meet this requirement, however, since the Agency's underwriting standards allows an appraisal report to be within 180 days of closing, this exception is consistent to the Agency's underwriting practice and hence recommended for approval. An updated Appraisal will be required if the construction closing does not occur within 180 days and also at permanent loan closing.
- MIP Term Sheet requires that MIP affordability covenants be recorded in senior position to all foreclosable debt. The locality is requiring the Borrower to encumber the Property by recording a Density Bonus Agreement in first position senior to the CalHFA Bond Regulatory Agreement and CalHFA MIP Regulatory Agreement. Prior to construction loan closing, the Density Bonus Agreement is subject to CalHFA review and approval in accordance with agency underwriting standards. This will also be subject to CalHFA's requirement of a Standstill Agreement with the City to be executed at permanent loan closing.

| 10. | **Project Specific Conditions of Approval** |
|---|---|

- Closing on construction financing will be subject to final Limited Partnership Agreement (LPA) being substantially consistent to the assumptions made at time of final commitment and as reflected in the attached Financial Analysis Summary attached to this Final Commitment Staff Report, and acceptable to CalHFA, in its sole discretion.
- Any default as to any loans by the Agency for the Development shall constitute a default under any other loans by the Agency for the Development.
- The project site currently consists of 2 taxable parcels placed on 1 legal parcel. The 2 taxable parcels designation must be removed, leaving only the 1 legal parcel, at construction loan closing.
- Evidence of compliance with final relocation plan and budget acceptable to Agency are required prior to permanent loan closing.
- No site work or construction to commence prior to the issuance of a HUD Firm Approval Letter for Risk Share.
- CalHFA requires that MIP affordability covenants be recorded in senior position to all foreclosable debt. However, the locality is requiring the Density Bonus Agreement to be recorded in first position, which will be subject to a Standstill Agreement and permanent loan closing.
- The CalHFA subsidy will be, in the Agency's sole discretion, the lesser of 1) the principal amount as stated 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.
- Subject to receipt and CalHFA approval of a subordination agreement subordinating TCAC's interests to the Agency loans prior to permanent loan closing.
- Receipt of estoppels as to the lien priority of the Agency loans and approval of the Agency's form of subordination agreement from all subordinate lenders prior to construction closing.
- Receipt of a certification by the engineer on record that Project has been built to current seismic code which is acceptable to the Agency must be received prior to permanent loan closing.
- All MIP Loan principal and interest will be due and payable upon full repayment of CalHFA permanent loan.
- Subject to all MIP program requirements pursuant to term sheet.
- Subject to CalHFA's final underwriting and due diligence requirements. The locality is requiring the Borrower to encumber the Property by recording a "Density Bonus Agreement" (DBA) prior to issuance of a building permit. The Agreement is subject to CalHFA review and approval in accordance with agency underwriting standards. The DBA is expected to be recorded in senior position which may, in CalHFA's discretion, require a standstill agreement that will standstill certain provisions of the DBA in the event CalHFA takes ownership of the Project.
- The investor is requiring that 100% of surplus cash be available for the repayment of the deferred developer's fee (DDF) until the earlier of year 15 of operations is complete or full repayment of the DDF. Thereafter, the surplus cash split shall be 50% to Borrower and 50% to Residual Receipt lender(s). As a condition of this approval, the Borrower must provide evidence that the DDF repayment structure is required pursuant to the Limited Partnership Agreement (LPA). In addition, the owner must provide evidence of investor and all residual receipt lender(s) approvals of the total deferred developer's fee structure and residual receipt split. Residual receipt lenders must also agree to defer the payments on their loans.

## AFFORDABILITY

| 11. | CalHFA Affordability (Occupancy and Rent) Restrictions |
|---|---|

The CalHFA Permanent Financing Regulatory Agreement will restrict a minimum of 40% of the total units at or below 60% AMI; with 30% of the total units (11 units) at or below 60% AMI and 10% of the total units (4 units) at 50% of AMI for 55 years.

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

| *Regulatory Source (Type in Lender Names) | Recordation (lien) Priority if Recorded Document | Term of Agreement (years) | Number of Units Restricted For Each AMI Category (enter various AMI%'s in each columns yellow field, then show the number of regulated units for each AMI, by Source) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | 30% | 40% | 50% | 60% | 80% | 120% | Total Regulated | % Regulated |
| CalHFA Bond | 2nd | 55 | 0 | 0 | 4 | 11 | 0 | 0 | **15** | **42%** |
| CalHFA MIP* | 3rd | 55 | 0 | 0 | 8 | 0 | 4 | 23 | **35** | **97%** |
| CTCAC | 4th | 55 | 25 | 0 | 0 | 0 | 10 | 0 | **35** | **97%** |
| Density Bonus Agreement | 1st | 55 | 25 | 0 | 0 | 0 | 10 | 0 | **35** | **97%** |

*The CalHFA MIP Subsidy Regulatory Agreement requires 20% of total units (8 units) be restricted at or below 50% of AMI 10% of total units (4 units) be restricted between 60% and 80% of AMI with a minimum average of 70% of AMI for a term of 55 years. The rents for the 60% to 80% tranche will be determined by the minimum income limit of 70% of AMI, not to exceed 80% of AMI. The remaining 23 restricted units will be restricted at or below 120% of AMI. For underwriting purposes, the initial rents at permanent loan closing must be no less than the underwriting rent levels outlined on the “Unit Mix and Rent Summary” enclosed as part of the project’s staff report package. The CalHFA permanent loan agreement will require minimum underwriting rent levels as outlined in the Rent Limit Summary Table below. The locality is requiring the Borrower to encumber the Property by recording a Density Bonus Agreement in first position senior to the CalHFA Bond Regulatory Agreement and CalHFA MIP Regulatory Agreement.

**Rent Limit Summary Table**

| | 1-bdrm | 2-bdrm | 3-bdrm | Total | % Total |
|---|---|---|---|---|---|
| **30%** | **5** | **9** | **11** | **25** | **69%** |
| **80%** | **10** | **0** | **0** | **10** | **28%** |
| **Manager** | **0** | **0** | **1** | **1** | **3%** |
| **Total** | **15** | **9** | **12** | **36** | **100%** |
| **AMI Avg** | **63.3%** | **30.0%** | **30.0%** | **44.3%** | |

The average affordability restriction is 44.3% of AMI based on County of Santa Cruz TCAC-restricted units.

| 12. | Geocoder Information |
|---|---|

| | | | |
|---|---|---|---|
| Central City: | No | Underserved: | No |
| Low/Mod Census Tract: | Middle | Below Poverty line: | 13.80% |
| Minority Census Tract: | 37.87% | Rural Area: | No |

## FINANCIAL ANALYSIS SUMMARY

| | | | | |
|---|---|---|---|---|
| **13.** | **Capitalized Reserves:** | | | |
| | **Replacement Reserves (RR):** | $0 Capitalized Replacement Reserve.<br><br>$9,000 annual Replacement Reserve is calculated based on $250 per unit per year. CalHFA will hold this reserve. | | |
| | **Operating Expense Reserve (OER):** | $293,557<br><br>The USRM requires that the OER amount be sized based on a minimum between 3 to 6 months of operating expenses, first lien debt service, and annual replacement reserves deposits.<br><br>For this Project, 3 months of operating expense, reserves, and debt service ("OER") shall be held for the life of the CalHFA permanent loan. The OER may be based on 3 months of total operating expense, reserves, and debt service if the developer provides evidence that, within the last 2 years, they have received allocations from TCAC or provide a certification from a third-party accountant that they met TCAC's general partner and management experience pursuant to CTCAC regulations. The developer has submitted supporting documentation that they've met this requirement. CalHFA will hold this reserve for the term of the CalHFA permanent loan 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):** | Not applicable.<br><br>A Transitional Operating Reserve is not applicable since the initial term of the Project Based Section 8 HAP Contract will be 20 years with an automatic renewal for an additional 20 years, which combined exceeds the term of the CalHFA permanent first lien loan of 17 years. In addition, as a condition of CalHFA's approval, CalHFA will require that the local funding regulatory agreements contain provisions allowing rent increases to the maximum CTCAC rents if rental subsidies are no longer available. | | |
| **14.** | **Cash Flow Analysis** | | | |
| | **1st Year DSCR:** | 1.15 | **Project-Based Subsidy Term:** | 20 years with the option to renew for 20 years. |
| | **End Year DSCR (year 17):** | 1.45 | **Annual Replacement Reserve Per Unit:** | 250/unit |
| | **Residential Vacancy Rate*:**<br>**Subsidy Vacancy Rate**:** | 5%<br>5% | **Rental Income Inflation Rate:**<br>**Subsidy Income Inflation Rate:** | 2.50%<br>1.5% |
| | **Non-residential Vacancy Rate:** | N/A | **Project Expenses Inflation Rate:**<br>**Property Tax Inflation Rate:** | 3.50%<br>1.25% |

*Vacancy rates, inflation factors and required replacement reserves are as outlined in the appraisal dated 9/15/2023

- The threshold requirements for the proposed OER budget have been met, which is based on 3 months of total operating expense, reserves, and debt service.
- For purposes of CalHFA's DSCR covenant, the Project underwriting must show a minimum of 1.15 DSCR for the term of the permanent loan.

** CalHFA USRM requires a 7% vacancy rate for units covered by Project-Based Section 8 vouchers. The developer has requested a 5% vacancy rate for all units. This request is supported by the appraisal report which indicates an average submarket vacancy rate of 2.6%, the Santa Cruz Housing Authority maintaining a lengthy waiting list of eligible Section 8 residents, and the Housing Authority referring eligible Section 8 residents to the project through their referral which will be initiated 6 months prior to anticipated certificate of occupancy.

| 15. | Loan Security |
|---|---|

The CalHFA Perm loan will be secured by a 1st lien Deed of Trust and MIP Subsidy loan by a 2nd lien Deed of Trust recorded against the fee interest including but not limited to the Borrower's interest in the ~~e~~ above-described Project site and improvements, project revenues and escrows. The CalHFA Regulatory Agreement shall be recorded in a senior position to all Deeds of Trust. A locality Density Bonus Agreement (DBA) will be recorded in senior position to the CalHFA Regulatory Agreements and Deeds of Trust, which will require a standstill agreement which exempts CalHFA from certain provisions in the DBA in the event CalHFA takes ownership of the property.

| 16. | Balloon Exit Analysis | Applicable: ☒ Yes ☐ No |
|---|---|---|

The primary source of repayment for both the first mortgage and the MIP subsidy loan is refinance of the project's first mortgage. As part of the exit analysis scenario CalHFA stress tests the strength of the project economics by assuming an interest rate of 9.61% in the exit year at Year 17, which is 3% above the current underwriting interest rate. Additionally, the exit analysis is also stressed with the assumption of a cap rate of 7.5% for Year 17 which is 2% above current market cap rates as defined by the appraisal. Based on these assumptions, the Project will have the ability to fully repay the balance of the Agency's permanent first lien loan but may not have the ability to repay the Agency's MIP subsidy loan in the total estimated amount of $1,966,597 (outstanding principal and accrued interest) at maturity. 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

| 17. | Appraisal Review | Dated: 9/15/2023 |
|---|---|---|

- The Appraisal dated September 15, 2023, prepared by Pacific Real Estate Appraisal, values the land at $4,322,500.
- The cap rate of 5.5% and projected $1,008,703 of net operating income were used to determine the appraised value of the subject site. The Borrower's estimated NOI is $1,025,248 which is approximately $16,545 (1.6%) higher than the estimated NOI on the appraisal report and is due to the following reasons:
  - The Borrower indicated an effective gross income of $1,331,121 that is $1,642 (0.1%) lower than the appraisal.
  - The Borrower indicated total operating expenses of $305,873 which is $18,187 (5.6%) lower than the appraisal.

  Considering these deviations, the Developer's proposed operating expenses are used for underwriting purposes since they are reasonable based on the Property Manager's experience with operating a similar project in the area and per the property management agent's certification and property management agreement. Actual operating expenses will be used for underwriting prior to permanent loan closing, at which time the CalHFA permanent loan may be resized to meet the 1.15 DSCR requirement.

- The as-restricted stabilized value is $18,340,000, which results in the Agency's permanent first lien loan to value (LTV)of 67%. The combined LTV, including MIP subsidy loan is 78%.
- The capture rate is 2.78% of the market area which is 1.28% higher than the market study. The absorption rate is approximately 6 units per month with full occupancy achieved within 12 months, which is 2 times longer than the market study, which is based on older market data than the appraisal.
- The cap rate of 5.5% is based on the most recent information on comparable properties, which is 5 months old. Assuming an increase in cap rates due to current market conditions by 50 basis-points (6%), the LTV would be 72.6%. Stressing the cap further and adding 100 basis-points (6.5%) to the cap rate would result in an LTV of 78.60%, which is still within the underwriting requirement of 90% or less.

| | **Market Study:** | Novogradac Consulting | **Dated: 5/23/2023** |
|---|---|---|---|

**Regional Market Overview**

- The Primary Market Area ("PMA") consists of the cities of Santa Cruz, Capitola, Soquel, Aptos, Rio Del Mar, and a portion of Monte Toyon and Day Valley (population of 120,000) and the Secondary Market Area is defined as the Santa Cruz-Watsonville Metropolitan Statistical Area ("MSA") (population of 264,000)
- The general population in the PMA is anticipated to increase by 0.1% per year and the population in the SMA will increase by 0.7% per year.
- Unemployment in the MSA is 4.8%, which evidences a strong employment area. Per the appraisal, the unemployment rate in the MSA was 3.7%. The PMA has generally experienced a lower unemployment rate compared to other areas of California and is expected to return to a more normal level in 2025 when the project is in lease-up.
- Median home value in the PMA is $1,186,186.

**Local Market Area Analysis**

- **Supply:**
  - There are currently 26 affordable family projects in PMA and they are on average 100% occupied with long wait lists.
  - There are no affordable projects under construction in the PMA.
  - There are 5 affordable projects with a total of 204 estimated units that have been approved by the locality that have yet to start construction.
- **Demand/Absorption:**
  - The project will need to capture 1.5% of the total demand for family units in the PMA which is 1.28% lower than the appraisal, which is based more current market data. The affordable units are anticipated to lease up at a rate of 12 units per month and reach full occupancy within 3 months of opening, which is half of the time indicated in the appraisal, which is based on more current market data.

## DEVELOPMENT SUMMARY

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

- The property is located on the northeast corner of the intersection of 44th Avenue and Capitola Road, in the City of Capitola, Santa Cruz County.
- The site is 0.82 acres and is generally rectangular in shape.
- The site consists of 2 contiguous parcels that will be merged prior to start of construction.
- The site is zoned MU-N (Mixed Use Neighborhood), 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 floodplain and protected by levee from 100-year floodplain, therefore the Project will not be subject to flood insurance.

**19. Form of Site Control & Expiration Date**

The borrowing entity purchased the land from Claudia Joy Caudle and Dana M. Caudle and The Joseph E. Trabert Trust Dated 12-20-90 on January 10, 2023, for an amount of $4,565,000.

**20. Current Ownership Entity of Record**

Title is currently vested in The Bluffs at 44th LP, a California limited partnership as the fee owner.

**21. Environmental Review Findings** **Dated: 12/7/2023**

- A Phase I Environmental Site Assessment performed by Partner Engineering and Science, dated December 7, 2023, revealed no evidence of recognized environmental conditions, so no additional investigation was recommended.
- A NEPA review process has been completed.

| | | |
|---|---|---|
| **22.** | **Seismic** | **Requires Earthquake Insurance:** ☐ ☒ **No** |

- This new construction project and will be built to State and City of Capitola Building Codes so no seismic review or earthquake insurance is required.

| | | |
|---|---|---|
| **23.** | **Relocation** | **Requires Relocation:** ☒ **Yes** ☐ **No** |

- The site consists of 4 commercial structures with 7 non-residential tenants that will be permanently relocated prior to the structures being demolished at the start of construction. The development budget includes $280,000 for relocation costs.

## PROJECT DETAILS

| | | | | | |
|---|---|---|---|---|---|
| **24.** | **Residential Areas:** | | | | |
| | | **Residential Square Footage:** | 27,050 | **Residential Units per Acre:** | 36 |
| | | **Community Area Sq. Ft:** | 2,390 | **Total Parking Spaces:** | 36 |
| | | **Supportive Service Areas:** | N/A | **Total Building Sq. Footage:** | 32,475 |
| **25.** | **Mixed-Use Project:** ☐ ☒ **No** | | | | |
| | | **Non-Residential Sq. Footage:** | N/A | **Number of Lease Spaces:** | N/A |
| | | **Master Lease:** | N/A | **Number of Parking Spaces:** | N/A |
| **26.** | **Construction Type:** | Two 3-story, type-V wood-framed residential buildings with built at grade level. | | | |

| | | |
|---|---|---|
| **27.** | **Construction/Rehab Scope** | **Requires Demolition:** ☒ **Yes** ☐ |

- The subject is new construction which will include demolition of existing structures.
- The locality requires certain offsite improvements that includes installation of underground utilities, demolition and construction of driveway entrances and public sidewalks, restriping and construction of crosswalks and ADA curb ramps, and landscaping of public areas.
- The site is currently comprised of 4 commercial buildings that will be demolished at the start of construction.
- Green Design Features:
  - The proposed project will incorporate both active and passive sustainable development features and technologies. Some active sustainable development features are including all Energy Star rated appliances; 100% electric, partially powered by solar panels located on the roof. The project will have a central hot water system as well as mechanical split-systems to provide a more efficient system.
  - The project will also include passive sustainable features such as open aired corridors to reduce the area needing to be conditioned. All windows will be operable and have removable screens to promote natural ventilation and occupant usability. All windows will also be dual paned with Low-E insulated glass for reduced solar heat gain. The roof will also use light colored materials to reduce the solar heat gain.
  - The project is also designed to maximize density in a previously underdeveloped lot which will help to minimize city sprawl. The location is also close to Capitola Mall's bus system which will promote pedestrian traffic and reduce Green House Gas emissions. This is in addition to several bus stops located within a block of the proposed project.

| | |
|---|---|
| **28.** | **Construction Budget Comments:** |

- CalHFA will require a copy of an independent review of the costs by a 3rd Party consultant, engaged by the construction lender, prior to construction loan closing. Agency may commission its own cost review report, if determined necessary, in its sole discretion.
- The GC contract will be stipulated sum contract.
- The developer has established cost containment strategies, which are outlined in Section 5 above.

## ADDITIONAL DEVELOPMENT/ PROJECT TEAM INFORMATION

| 29. | Borrower Affiliated Entities (as described in section 31) |
|---|---|

- Managing General Partner (MGP): PSCDC The Bluffs LLC, a California limited partnership; 0.0049% interest.
    - Managing Member: Pacific Southwest Community Development Corporation, a California nonprofit public benefit corporation (79% interest)
        - President/Executive Director, Robert W. Lang.
    - Member: Southwest California Housing Collaborative, a California nonprofit public benefit corporation (21% interest)
        - Executive Director, Nathan Schmid
- Administrative General Partner (AGP): The Bluffs at 44th AGP LLC, a California limited liability company; 0.0051% interest.
    - Managing Member: CRP Affordable Housing and Community Development LLC, a California limited liability company.
- Investor Limited Partner: Candeur Group, LLC; 99.999% interest.

The MGP is providing tax-exempt status to the ownership to meet the requirements for the tax-exempt bonds. The PSCDC member of the MGP shall have control, management and direction of the Partnership's business and shall manage and control the affairs of the Partnership to the best of its ability and use its best efforts to carry out the purpose of the Partnership. In so doing, the Managing General Partner shall take all actions necessary or appropriate to protect the interests of the Partners and of the Partnership. The SCHC member of the MGP is a passive partner and will not have any decision-making authority on the project.

The AGP is responsible for the construction of the property and will oversee the operation of the project and supervise performance by the MGP of its duties and obligations as stated above and further define in the limited partnership agreement executed at construction closing.

| 30. | Developer/Sponsor |
|---|---|

The Developer and Administrative General Partner's managing member, CRP Housing and Community Development LLC (CRP), is a California limited liability company. CRP is a subsidiary of Castellan Real Estate Partners LLC which owns and operates over 2,000 units including many affordable, rent-restricted units. CRP Affordable Housing and Community Development has 12 affordable developments, totaling 1,028 units, all in the state of California. CRP has one project in CalHFA's Asset Management portfolio which is performing as expected. CRP has 9 projects under construction including 1 project in CalHFA's development pipeline, which is currently 77% complete. The project experienced some weather delays earlier this year, but it is expected to close its permanent financing prior to the January 31, 2025, conversion deadline.

| Projects In CalHFA Development Pipeline | Total Units | Perm Loan Amount | MIP/Other Subsidy Loan Amount | Target/Actual Construction Closing | Target Perm Closing | Under Construction? | Progressing as Expected? | Notes |
|---|---|---|---|---|---|---|---|---|
| Subject property The Bluffs at 44th | 36 | $12,541,929 | $2,100,000 (MIP 2023) | 1/2024 | 1/2027 | No | N/A | N/A |
| Shiloh Terrace | 134 | $27,080,000 | $3,900,000 (MIP 2021) | 2/2/2022 | 7/2024 | Yes 77% Complete | Yes | N/A |
| **Total:** | **170** | **$38,749,988** | **$6,000,000** | | | | | |

| Projects In CalHFA AM Portfolio | Total Units | Original Perm Loan Amount | Origination Date | Current Perm Loan Balance Amount | Current MIP/Other Subsidy Loan Amount | Maturity Date | Regulatory Restriction Exp. Date | Operating as Expected? | RR Balance | OER Balance | DSCR |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Valencia Pointe | 102 | $0 | 6/29/2023 | $0 | $4,040,000 (MIP 2019) | 6/1/2078 | 6/1/2078 | Yes | N/A | N/A | N/A |
| **Total:** | **102** | **$0** | | **$0** | **$4,040,000** | | | | | | |

Pacific Southwest Community Development Corporation (PSCDC) has a 79% interest in MGP entity and was founded in 1993 as a nonprofit public benefit corporation and is familiar with CalHFA. PSCDC has extensive experience providing nonprofit status and supportive services to similar affordable housing projects, including the subject property. PSCDC and CRP have partnered on 10 projects, excluding the subject property.

Southern California Housing Collaborative (SCHC) has 21% interest in the MGP entity and was founded in 2008 as a nonprofit public benefit corporation and is familiar with CalHFA. SCHC has extensive experience providing nonprofit status and supportive services to similar affordable housing projects, however, PSCDC will be providing services to the subject property.

This is CRP's and SCHC's first project together.

**31. Management Agent**

Cambridge Real Estate Services, Inc. (Cambridge) will manage the Project. This company has extensive experience managing similar affordable housing projects in the Santa Cruz County area and currently manages four projects in CalHFA's portfolio, all of which are performing as expected except for Kennedy Meadows which is having issues maintaining a stable DSCR and the general partner, Cascade Housing, has been supplementing the operating budget to meet debt service payments which has helped avoid a monetary default. CalHFA Asset Management is monitoring the project closely. Other than the property manager, Kennedy Meadows is not affiliated with the subject site or its general partners.

CRP has contracted with Cambridge as a property manager on 8 projects, excluding the subject property.

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

Resident services will be provided by the Managing General Partner, Pacific Southwest Community Development Corporation (PSCDC), who has extensive experience providing services for similar projects. PSCDC will be providing afterschool programs, as well as adult education and skill building classes at no charge to the residents.

CRP has partnered with PSCDC as a service provider on 9 projects, excluding the subject property.

**33. Contractor** **Experienced with CalHFA?** ☒ **Yes** ☐

The general contractor (GC) is Ironcore Construction LLC, which has extensive experience in constructing similar affordable housing projects in California and is familiar with CalHFA. The GC and the developer have worked on 1 project that has been completed and are working on 5 projects that are in development stage.

**34. Architect** **Experienced with CalHFA?** ☒ **Yes** ☐

The architect is Studio T Square, which has extensive experience in designing and managing similar affordable housing projects in California through the locality's building permit process and is familiar with CalHFA.

While the architect and the developer have not completed a project together, they are working on 2 projects that are in development stage.

**35. Local Review via Locality Contribution Letter**

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

| 36 | Approval Recommendation |
|---|---|
| 36a | Staff Recommendation and Final Commitment Approval |

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

Any material deviation from the original financing structure, project changes, underwriting assumptions, failure to meet closing conditions, or the failure to meet a condition of the Final Commitment Letter, if issued, can result in the Agency's decision to not proceed with the financing of the project at any stage during underwriting and prior to the closing of the Agency's financing.

| 36b | Senior Loan Committee Recommendation |
|---|---|

Senior Loan Committee recommends approval of the Final Commitment of the described financing in the amount(s) requested, subject to the above proposed terms and conditions.

Erwin Tam ______________________ Date: 2/7/2024

Erwin Tam
Director of Financing & Senior Loan Committee Chairperson

Approved by:

______________________ Date: 02/08/2024

Tiena Johnson Hall
Executive Director
CalHFA

EXHIBITS: Detailed Financial Analysis and applicable Term Sheets

## Project Summary

| | | | |
|---|---|---|---|
| **Project Full Name:** | The Bluffs at 44th | **Borrower Name:** | The Bluffs at 44th LP |
| **Project Address:** | 4401 Capitola Road | **Managing GP:** | The Bluffs at 44th AGP LLC |
| **Project City:** | Capitola | **Developer Name:** | CRP Affordable Housing and Community |
| **Project County:** | Santa Cruz | **Investor Name:** | RBC Capital Markets, Inc. |
| **Project Zip Code:** | 95010 | **Prop Management:** | Cambridge Real Estate Services, Inc |
| | | **Tax Credits:** | 4% |
| **Project Type:** | Other (Specify below) | **Total Land Area (acres):** | 0.82 |
| **Tenancy/Occupancy:** | Large Family | **Residential Square Footage (w/o Manager's Unit):** | 27,050 |
| **Total Residential Units:** | 36 | **Residential Units Per Acre (Density):** | 44 |
| **Total Number of Buildings:** | 2 | **Common Area Square Footage:** | 2,390 |
| **Number of Stories:** | 2 | **Commercial Square Footage:** | 0 |
| **Unit Style:** | Flat | **Covered Parking Spaces:** | 0 |
| **Elevators:** | 2 | **Uncovered Parking Spaces:** | 36 |
| **Construction Type:** | New Construction | **Total Parking Spaces:** | 36 |
| | | **Year Built** | N/A |

| Acq/Construction/Rehab Financing | Lien Priority | Debt Type | Loan Amount ($) | Loan Term (Mo.) | Interest Rate |
|---|---|---|---|---|---|
| C. Chase- Tax Exempt- Conduit | 1 | Int. Only, Variable | $18,222,000 | 24 | 7.50% |
| C. Chase- Taxable- Conduit | 2 | Int. Only, Variable | $9,900,497 | 24 | 8.00% |
| C. Tax Credit Equity | N/A | Equity, LIHTC Investor | $5,950,000 | N/A | N/A |
| C. State LIHTC Equity | N/A | N/A | N/A | N/A | N/A |
| C. Deferred Developer Fee | N/A | Developer Fee, Deferral | $3,833,960 | N/A | N/A |
| C. Chase- Tax Exempt Supplemental- Conduit | 1 | Int. Only, Variable | $1,300,000 | 24 | 7.50% |
| | N/A | 0 | N/A | N/A | N/A |
| | N/A | 0 | N/A | N/A | N/A |
| | N/A | 0 | N/A | N/A | N/A |
| | N/A | 0 | N/A | N/A | N/A |
| | N/A | 0 | N/A | N/A | N/A |
| | | | **$39,206,457** | | |

| Permanent Financing | Lien Priority | Debt Type | Loan Amount ($) | Loan Term (Yr.) | Amort. Period (Yr.) | Interest Rate |
|---|---|---|---|---|---|---|
| P. CalHFA Permanent Loan | 1 | Fixed, Compounding, Amort. | $12,196,429 | 17 | 40 | 6.61% |
| P. Deferred Developer Fee | N/A | Developer Fee, Deferral | $2,075,764 | N/A | N/A | N/A |
| P. CalHFA MIP | 2 | Fixed, Simple, R.R | $2,100,000 | 55 | N/A | 3.00% |
| P. Tax Credit Equity | N/A | Equity, LIHTC Investor | $22,834,264 | N/A | N/A | N/A |
| | N/A | $0 | | N/A | N/A | N/A |
| | N/A | $0 | | N/A | N/A | N/A |
| | N/A | $0 | | N/A | N/A | N/A |
| | N/A | $0 | | N/A | N/A | N/A |
| | N/A | $0 | | N/A | N/A | N/A |
| | N/A | $0 | | N/A | N/A | N/A |
| | N/A | $0 | | N/A | N/A | N/A |
| | N/A | $0 | | #VALUE! | N/A | N/A |
| | N/A | $0 | | #VALUE! | N/A | N/A |
| | N/A | $0 | | #VALUE! | N/A | N/A |
| | | | **39,206,457** | | | |

### Appraised Values Upon Completion of Rehab/Construction

| | | | | |
|---|---|---|---|---|
| **Appraisal Date:** | 9/15/2023 | **Capitalization Rate (%):** | 5.50% | |
| **Investment Value ($):** | $40,770,000 | **Restricted Value ($):** | $18,340,000 | USRM Req |
| **Construct/Rehab Loan To Cost (%):** | 75% | **CalHFA Permanent Loan to Cost (%):** | 31.11% | 80.00% |
| **Construct/Rehab Loan To Value (%):** | 72% | **CalHFA Permanent Loan to Value (%):** | 67% | 90.00% |
| **Land Value** | $4,322,500 | **Combined All CalHFA Loan to Value (%):** | 78% | LTV Warning |

### Additional Loan Terms, Conditions & Comments

<u>Construction/Rehab Loan (if applicable)</u>

| | | | |
|---|---|---|---|
| **Payment/Performance Bond:** | Yes | **Construction Period (Months):** | 0 |
| **Completion Guarantee Letter of Credit:** | No | **Lease-up period (Months)** | 0 |
| | | **Perm Loan Foward Period (Months):** | 36 |

<u>Permanent Loan</u>

| | | | |
|---|---|---|---|
| **Operating Expense Reserve Deposit** | $ 293,557.00 | **Annual Lease Payment (Stabilized Year)** | |
| **Initial Replacement Reserve Deposit** | $ - | | |
| **Annual Replacement Reserve Per Unit** | $250 | | |
| **HUD Risk Share Insurance Requested:** | Yes | | |

## Unit Mix and Rent Summary

| Project Unit Mix | | | | | |
|---|---|---|---|---|---|
| Unit Type of Style | Number of Bedrooms | Number of Baths | Average Size (Sq. Ft.) | Number of Units | Est. No. of Tenants |
| | SRO/Studio | | | | 0 |
| Flat | 1 Bedroom | 1 | 550 | 15 | 23 |
| Flat | 2 Bedrooms | 1 | 750 | 9 | 27 |
| Flat | 3 Bedrooms | 2 | 1,050 | 12 | 54 |
| | 4 Bedrooms | | | | 0 |
| | 5 Bedrooms | | | | 0 |
| | | Total: | 27,600 | 36 | 104 |

| Number of Units and Percentage of AMI Rents Restricted by each Agency | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Regulating Agency | Number of Units Restricted For Each AMI Category | | | | | | | | Total Units | Percentage |
| | Lien | 30% | 40% | 50% | 60% | 80% | 120% | N/A | Regulated | Regulated |
| CalHFA Bond | 1st | | | 4 | 11 | | | | **15** | 43% |
| CalHFA MIP | 2nd | | | 8 | | 4 | 23 | | **35** | 100% |
| CTCAC | 3rd | 25 | | | | 10 | | | **35** | 100% |
| [Housing Authority of Santa Cruz] | | | | | | | | | **0** | 0% |
| City [Add Funding Type] | | | | | | | | | **0** | 0% |
| County [Add Funding Type] | | | | | | | | | **0** | 0% |
| County [Add Funding Type] | | | | | | | | | **0** | 0% |
| HAP Use Agreement | | | | | | | | | **0** | 0% |
| Local Dev Agreement | | | | | | | | | **0** | 0% |
| Density Bonus or CUP | | | | | | | | | **0** | 0% |
| Ground Lease | | | | | | | | | **0** | 0% |
| Other | | | | | | | | | **0** | 0% |
| TOTALS | | 25 | 0 | 0 | 0 | 10 | 0 | N/A | **35** | 100% |

| 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 | % below Market Rents |
| **Studios** | | | | | | | |
| **1 Bedroom** | | | | | $2,800 | | |
| | CTCAC | 80% | 10 | 2384 | | $416 | 85% |
| | CTCAC | 30% | 5 | $839.00 | | $1,961 | 30% |
| **2 Bedroom** | | | | | $3,650 | | |
| | CTCAC | 0.3 | 9 | 993 | | $2,657 | 27% |
| **3 Bedrooms** | | | | | $4,500 | | |
| | CTCAC | 0.3 | 11 | 1130 | | $3,370 | 25% |
| **4 Bedrooms** | | | | | | | |

| | | | |
|---|---|---|---|
| **Total Number of Units Per Above** | **35** | **Average AMI** | **43.06%** |
| **Market Rate Units Not Shown Above** | **1** | | |
| **Total Project Units** | **36** | | |

| Sources and Uses of Funds | | | | | | |
|---|---|---|---|---|---|---|
| | 22-038-A/X/N | | | | | |
| **SOURCES OF FUNDS** | **Const/Rehab** | **Permanent** | **Total Project Sources of Funds** | | | |
| | **$** | **$** | **Sources ($)** | **Per Unit ($)** | **% of Total** | **% of Category** |
| C. Chase- Tax Exempt- Conduit | 18,222,000 | | | | 46.48% | 46.48% |
| C. Chase- Taxable- Conduit | 9,900,497 | | | | 25.25% | 25.25% |
| C. Tax Credit Equity | 5,950,000 | | | | 15.18% | 15.18% |
| C. State LIHTC Equity | - | | | | 0.00% | 0.00% |
| C. Deferred Developer Fee | 3,833,960 | | | | 9.78% | 9.78% |
| C. Chase- Tax Exempt Supplemental- Conduit | 1,300,000 | | | | 3.32% | 3.32% |
| P. CalHFA Permanent Loan | | 12,196,429 | 12,196,429 | 338,790 | 31.11% | 31.1% |
| P. Deferred Developer Fee | | 2,075,764 | 2,075,764 | 57,660 | 5.29% | 5.3% |
| P. CalHFA MIP | | 2,100,000 | 2,100,000 | 58,333 | 5.36% | 5.4% |
| P. Tax Credit Equity | | 22,834,264 | 22,834,264 | 634,285 | 58.24% | 58.2% |
| **TOTAL SOURCES OF FUNDS** | **39,206,457** | **39,206,457** | **39,206,457** | **1,089,068** | | |
| **TOTAL USES OF FUNDS (BELOW)** | **39,206,457** | **39,206,457** | **39,206,457** | **1,089,068** | | |
| **FUNDING SURPLUS (DEFICIT)** | **-** | **-** | **-** | | | |

| **USES OF FUNDS** | **Const/Rehab** | **Permanent** | **Total Project Uses of Funds** | | | |
|---|---|---|---|---|---|---|
| | **$** | **$** | **Uses ($)** | **Per Unit ($)** | **%TDC** | **% of Category** |
| **TOTAL EQUITY AND LOAN PAYOFF** | | **39,206,457** | | | | |
| **LAND COST/ACQUISITION** | | | | | | |
| Land Cost or Value | 4,565,000 | | 4,565,000 | 126,806 | 11.64% | 85.9% |
| Demolition | - | | - | - | | 0.0% |
| Legal | - | | - | - | | 0.0% |
| Land Lease Repayment | - | | - | - | | 0.0% |
| Existing Improvement Value | - | | - | - | | 0.0% |
| Off-Site Improvements | 750,000 | | 750,000 | 20,833 | 1.91% | 14.1% |
| Predevelopment Interest/Holding Costs | - | | - | - | | 0.0% |
| Assumed, Accrued Interest on Existing Debt (Rehab/Acquisition) | - | | - | - | | 0.0% |
| Excess Purchase Price Over Appraisal | - | | - | - | | 0.0% |
| | - | | | - | | 0.0% |
| | - | | | - | | 0.0% |
| | - | | | - | | 0.0% |
| | - | | | - | | 0.0% |
| | - | | | - | | 0.0% |
| **TOTAL LAND COST/ACQUISITION** | **5,315,000** | **-** | **5,315,000** | 147,639 | 13.56% | 100.0% |

| USES OF FUNDS (contd) | Const/Rehab $ | Permanent $ | Total Project Uses of Funds Uses ($) | Per Unit ($) | %TDC | % of Category |
|---|---|---|---|---|---|---|
| **REHABILITATION COSTS** | | | | | | |
| Site Work (Hard Cost) | - | | - | - | | |
| Structures (Hard Cost) | - | | - | - | | |
| General Requirements | - | | - | - | | |
| Contractor Overhead | - | | - | - | | |
| Contractor Profit | - | | - | - | | |
| Prevailing Wages | - | | - | - | | |
| Contractor/General Liability Insurance | - | | - | - | | |
| Third-Party Construction Management | - | | - | - | | |
| Relocation Expenses | - | | - | - | | |
| Other: (Specify) | - | | - | - | | |
| | - | | | - | | |
| **TOTAL REHAB COSTS** | **-** | **-** | **-** | - | 0.00% | 0.0% |
| **CONSTRUCTION COSTS** | | | | | | |
| Site Work | 2,000,000 | | *2,000,000* | 55,556 | 5.10% | 10.3% |
| Structures | 11,581,733 | | 11,581,733 | 321,715 | 29.54% | 59.7% |
| General Requirements | 1,050,547 | | 1,050,547 | 29,182 | 2.68% | 5.4% |
| Contractor Overhead | 700,365 | | 700,365 | 19,455 | 1.79% | 3.6% |
| Contractor Profit | 700,365 | | 700,365 | 19,455 | 1.79% | 3.6% |
| Prevailing Wages | 2,918,187 | | 2,918,187 | 81,061 | 7.44% | 15.0% |
| General Liability Insurance | 199,604 | | 199,604 | 5,545 | 0.51% | 1.0% |
| Third-Party Construction Management | - | | - | - | | 0.0% |
| Other: (Solar) | 259,200 | | 259,200 | 7,200 | 0.66% | 1.3% |
| | - | | | - | | 0.0% |
| **TOTAL CONSTRUCT COSTS** | **19,410,001** | **-** | **19,410,001** | **539,167** | 49.51% | 100.0% |
| **ARCHITECTURAL/ENGINEERING/SURVEY FEES** | | | | | | |
| Design | 600,000 | | 600,000 | 16,667 | 1.53% | 52.2% |
| Survey/Engineering | 500,000 | | 500,000 | 13,889 | 1.28% | 43.5% |
| Supervision | 50,000 | | 50,000 | 1,389 | 0.13% | 4.3% |
| | - | | | - | | 0.0% |
| **TOTAL ARCHITECTURAL/ENGINEERING/SURVEY FEES** | 1,150,000 | - | 1,150,000 | 31,944 | 2.93% | 100.0% |
| **CONSTRUCTION INTEREST AND FEES** | | | | | | |
| Construction Loan Interest | 3,686,938 | | 3,686,938 | 102,415 | 9.40% | 100.0% |
| | - | | | - | | 0.0% |
| | - | | | - | | 0.0% |
| **Subtotal (Should Match Constr. Loan Interest Amount):** | 3,686,938 | | | | | 100.0% |
| Construction Origination/Loan Fees | 176,535 | | 176,535 | 4,904 | 0.45% | 100.0% |
| | - | | | - | | 0.0% |
| | - | | | - | | 0.0% |
| **Subtotal (Should Match Constr. Origination/Loan Fee Amount):** | 176,535 | | | | | 100.0% |
| Credit Enhancement/Application Fee | 15,000 | | 15,000 | 417 | 0.04% | 3.0% |
| Bond Premium | - | | - | - | | 0.0% |
| Cost of Issuance | 55,167 | | 55,167 | 1,532 | 0.14% | 11.1% |
| Title & Recording | 100,000 | | 100,000 | 2,778 | 0.26% | 20.2% |
| Taxes | 105,000 | | 105,000 | 2,917 | 0.27% | 21.2% |
| Insurance | 121,000 | | 121,000 | 3,361 | 0.31% | 24.4% |
| CDLAC Fee | - | | | - | | 0.0% |
| CalHFA Issuer Fee | - | | | - | | 0.0% |
| CalHFA Inspection | - | | | - | | 0.0% |
| Other | - | | | - | | 0.0% |
| Other: (Predevelopment Loan Interest) | 100,000 | | 100,000 | 2,778 | 0.26% | 20.2% |
| **Subtotal:** | **$ 496,167** | | | | | 100.0% |
| **TOTAL CONSTRUCTION COST** | 4,359,640 | - | 4,359,640 | | 11.1% | |

| USES OF FUNDS (contd) | | Const/Rehab $ | Permanent $ | Total Project Uses of Funds Uses ($) | Per Unit ($) | %TDC | % of Category |
|---|---|---|---|---|---|---|---|
| **PERMANENT FINANCING COSTS** | | | | | | | |
| Origination/Loan Fees | | 188,129 | | 188,129 | 5,226 | 0.48% | 100.0% |
| | | - | | | | | 0.0% |
| | | - | | | | | 0.0% |
| | | - | | | | | 0.0% |
| | | - | | | | | 0.0% |
| | | - | | | | | 0.0% |
| | | - | | | | | 0.0% |
| **Subtotal (Should Match All Origination/Loan Fees Amount):** | | **$ 188,129.00** | **$ -** | **$ 188,129.00** | | | 100.0% |
| Credit Enhancement & Application Fees | | - | | - | - | | |
| | | | | | | | |
| **Subtotal (Should Match All Credit Enhancement & Appl. Fees Amount):** | | **$ -** | **$ -** | - | | | 0.0% |
| Title & Recording (closing costs) | | 10,000 | | 10,000 | 278 | 0.03% | 4.3% |
| Taxes | | - | | - | - | | 0.0% |
| Insurance | | - | | - | - | | 0.0% |
| | | - | | | - | | 0.0% |
| | | - | | | - | | 0.0% |
| | | - | | | - | | 0.0% |
| Other: (Legal for Perm Loan+ MIP Fee) | | 36,000 | | $ 36,000.00 | 1,000 | 0.09% | 15.4% |
| **TOTAL PERMANENT FINANCING COSTS** | | **234,129** | - | **234,129** | 650358.33% | 0.6% | 19.6% |
| **LEGAL FEES AND THIRD-PARTY CONSULTING FEES** | | | | | | | |
| Lender Legal Paid by Applicant | | 100,000 | | 100,000 | 277777.78% | 0.3% | 35.6% |
| | | - | | | | | 0.0% |
| | | - | | | | | 0.0% |
| **Subtotal (Should Match Legal Paid by Applicant Amount):** | **$ -** | | | | | | |
| Financial Consulting, Application Preparation/Review | | - | | - | - | | 0.0% |
| Entitlement Services, Building Permit Expediting | | - | | - | - | | 0.0% |
| Tenant File Review Services | | - | | - | - | | 0.0% |
| Other: (Lender Legal + Investor Legal + Bond Issuer legal) | | 181,149 | | $ 181,149 | 5,032 | 0.46% | 64.4% |
| | $ - | - | | | - | | 0.0% |
| **TOTAL LEGAL FEES** | | **281,149** | - | **281,149** | **7,810** | 0.72% | 100.0% |
| **RESERVES** | | | | | | | |
| Rent Reserves | | - | | - | - | | 0.0% |
| Capitalized Rent Reserves | | - | | - | - | | 0.0% |
| Operating Expense Reserve | | 293,557 | | 293,557 | 8,154 | 0.75% | 100.0% |
| Transition Operating Reserve | | - | | | - | | 0.0% |
| Initial Replacement Reserve | | - | | | - | | 0.0% |
| Investor Required Reserve | | - | | | - | | 0.0% |
| Other: (Specify) | | - | | $ - | - | | 0.0% |
| **TOTAL RESERVES** | | **293,557** | - | **293,557** | **8,154** | 0.7% | 100.0% |
| **CONTINGENCY COSTS** | | | | | | | |
| Contruction Hard Cost Contingency | 10.39% | 1,411,200 | | *1,411,200* | 39,200 | 3.60% | 74.6% |
| Soft Cost Contingency | 2.23% | 480,732 | | *480,732* | 13,354 | 1.23% | 25.4% |
| **TOTAL CONTINGENCY COSTS** | | **1,891,932** | - | **1,891,932** | **52,554** | 4.83% | 100.0% |

| USES OF FUNDS (contd) | Const/Rehab $ | Permanent $ | Total Project Uses of Funds Uses ($) | Per Unit ($) | %TDC | % of Category |
|---|---|---|---|---|---|---|
| **OTHER PROJECT COSTS** | | | | | | |
| TCAC Application, Allocation & Monitor Fees | $ 33,503 | | $ 33,503 | 931 | 0.09% | 1.6% |
| Environmental Audit | $ 50,000 | | $ 50,000 | 1,389 | 0.13% | 2.3% |
| Local Development Impact Fees | $ 900,000 | | $ 900,000 | 25,000 | 2.30% | 41.6% |
| Permit Processing Fees | $ 180,000 | | $ 180,000 | 5,000 | 0.46% | 8.3% |
| Capital Fees | $ - | | $ - | - | | 0.0% |
| Marketing | $ 43,508 | | $ 43,508 | 1,209 | 0.11% | 2.0% |
| Furnishings | $ 50,000 | | $ 50,000 | 1,389 | 0.13% | 2.3% |
| Market Study | $ 20,000 | | $ 20,000 | 556 | 0.05% | 0.9% |
| Accounting/Reimbursables | $ 50,000 | | $ 50,000 | 1,389 | 0.13% | 2.3% |
| Appraisal Costs | $ 20,000 | | $ 20,000 | 556 | 0.05% | 0.9% |
| | $ - | | | - | | 0.0% |
| | $ - | | | - | | 0.0% |
| | $ - | | | - | | 0.0% |
| | $ - | | | - | | 0.0% |
| | $ - | | | - | | 0.0% |
| Other: (Construction Management + Prevailiing Wage Monitoring) | $ 102,500 | | $ 102,500 | 2,847 | 0.26% | 4.7% |
| Other: (Relocation Cost) | $ 280,000 | | $ 280,000 | 7,778 | 0.71% | 13.0% |
| Other: (CDLAC Fee + Misc Consultants + Misc Third Party Reports) | $ 431,833 | | $ 431,833 | 11,995 | 1.10% | 20.0% |
| **TOTAL OTHER PROJECT COSTS** | **2,161,344** | **-** | **2,161,344** | **60,037** | 5.51% | 100.0% |
| **SUBTOTAL PROJECT COSTS** | **35,096,752** | **-** | **35,096,752** | **853,809** | 89.52% | |
| | | | | | | |
| **DEVELOPER FEES & COSTS** | | | | | | |
| Developer Overhead/Profit | 4,109,705 | | 4,109,705 | 114,158 | 10.5% | 100.0% |
| Processing Agent Fees | - | | - | - | | 0.0% |
| Broker Fees Paid to Related Party | - | | - | - | | 0.0% |
| Construction Management by Developer | - | | - | - | | 0.0% |
| | - | | | - | | 0.0% |
| Other: (Specify) | - | | $ - | - | | 0.0% |
| **TOTAL DEVELOPER FEES & COSTS** | **4,109,705.00** | **-** | **4,109,705** | **114,158** | 10.5% | 100.0% |
| **TOTAL DEVELOPMENT COSTS (TDC)** | **39,206,457.00** | **39,206,457** | **39,206,457** | **1,089,068** | **100%** | |
| **NET BUDGET SURPLUS/DEFICIT** | **-** | **-** | **-** | | | |

| Projected Initial Annual Operating Budget | | | | |
|---|---|---|---|---|
| OPERATING INCOME | | | | |
| **Income** | **% Increase** | **Amount** | **Per Unit** | **% of Category** |
| **Rental Income** | | | | |
| Restricted Unit Rents | 2.50% | $ 592,824 | $ 16,467 | 42.31% |
| Unrestricted Unit Rents | 2.50% | $ - | $ - | 0.00% |
| Commercial Rents | 2.00% | $ - | $ - | 0.00% |
| | | | | |
| **Rental & Operating Subsidies** | | | | |
| Project Based Rental Subsidy | 1.50% | $ 803,172 | $ 22,310 | 57.32% |
| Other Project Based Subsidy | 1.50% | $ - | $ - | 0.00% |
| | | | | |
| **Other Income** | | | | |
| Laundry Income | 2.50% | $ 5,184 | $ 144 | 0.37% |
| Parking & Storage Income | 2.50% | $ - | $ - | 0.00% |
| | 0.00% | | $ - | 0.00% |
| **GROSS POTENTIAL INCOME (GPI)** | | **$ 1,401,180** | **38,922** | |
| **VACANCY RATES** | **%** | | | |
| Restricted Unit Rents | 5.00% | $ 29,641 | $ 823 | 42.31% |
| Unrestricted Unit Rents | 5.00% | $ - | $ - | 0.00% |
| Commercial Rents | 50.00% | $ - | $ - | 0.00% |
| Project Based Rental Subsidy | 5.00% | $ 40,159 | $ 1,116 | 57.32% |
| Other Project Based Subsidy | 5.00% | $ - | $ - | 0.00% |
| Laundry Income | 5.00% | $ 259 | $ 7 | 0.37% |
| Parking & Storage Income | 50.00% | $ - | $ - | 0.00% |
| - | 0.00% | $ - | $ - | 0.00% |
| **TOTAL VACANCY LOSS** | | **$ 70,059** | **1,946** | |
| **EFFECTIVE GROSS INCOME (EGI)** | | **$ 1,331,121** | **36,976** | |

| OPERATING EXPENSES | | | | |
|---|---|---|---|---|
| **Administrative Expenses** | **% Increase** | **Amount** | **Per Unit** | **% of Category** |
| Advertising | 3.50% | $ 3,500 | 97 | 1.1% |
| Legal | 3.50% | $ 7,000 | 194 | 2.3% |
| Accounting/Audit | 3.50% | $ 10,000 | 278 | 3.3% |
| Security | 3.50% | $ - | 0 | 0.0% |
| (specify here) | 3.50% | $ - | 0 | 0.0% |
| **Total Administrative Expenses:** | 3.50% | $ 20,500 | 569 | 6.7% |
| **Management Fee** | **3.50%** | $ 31,170 | 866 | 10.2% |
| **Utilities** | **% Increase** | **Amount** | **Per Unit** | **% of Category** |
| Fuel | 3.50% | $ - | 0 | 0.0% |
| Gas | 3.50% | $ - | 0 | 0.0% |
| Electricity | 3.50% | $ 22,000 | 611 | 7.2% |
| Water/Sewer | 3.50% | $ 18,500 | 514 | 6.0% |
| | 3.50% | | 0 | 0.0% |
| **Total Utilities:** | 3.50% | $ 40,500 | 1,125 | 13.2% |
| **Payroll Expenses** | **% Increase** | **Amount** | **Per Unit** | **% of Category** |
| On-site Managers | 3.50% | $ 37,000 | 1,028 | 12.1% |
| Number of Staff: | 1 | | | |
| Maintenance Personnel | 3.50% | $ 39,390 | 1,094 | 12.9% |
| Number of Rent-Free Units: | 0 | | | |
| (Workers Comp, Benfits, 401k) | 3.50% | $ 14,000 | 389 | 4.6% |
| **Total Payroll/Payroll Taxes:** | | $ 90,390 | 2,511 | 29.6% |
| **Insurance** | **3.50%** | $ 25,000 | 694 | 8.2% |
| **Maintenance** | **% Increase** | **Amount** | **Per Unit** | **% of Category** |
| Painting | 3.50% | $ 5,000 | 139 | 1.6% |
| Repairs | 3.50% | $ 11,000 | 306 | 3.6% |
| Trash Removal | 3.50% | $ 9,990 | 278 | 3.3% |
| Exterminating | 3.50% | $ 4,000 | 111 | 1.3% |
| Grounds | 3.50% | $ 4,950 | 138 | 1.6% |
| Elevator | 3.50% | $ - | 0 | 0.0% |
| (specify here) | 3.50% | $ - | 0 | 0.0% |
| **Total Maintenance:** | 3.50% | $ 34,940 | 971 | 11.4% |
| **Other Operating Expenses** | **% Increase** | **Amount** | **Per Unit** | **% of Category** |
| Sewer Fees on property tax bill | 3.50% | $ 27,500 | 764 | 9.0% |
| (specify here) | 3.50% | $ - | 0 | 0.0% |
| (specify here) | 3.50% | $ - | 0 | 0.0% |
| (specify here) | 3.50% | $ - | 0 | 0.0% |
| (specify here) | 3.50% | $ - | 0 | 0.0% |
| **Total Other Expenses:** | 3.50% | $ 27,500 | 764 | 9.0% |
| **Total Annual Residential Operating Expenses** | | **$ 270,000** | **7,500** | 88.3% |
| Transit Pass/Internet | 3.50% | $ - | 0 | 0.0% |
| Total Annual Services Amenities Budget | 2.50% | $ 19,373 | 538 | 6.3% |
| Total Annual Reserve for Replacement | 1.00% | $ 9,000 | 250 | 2.9% |
| Total Annual Monitoring Fees | 0.00% | $ - | 0 | 0.0% |
| CalHFA Monitoring Fee | 0.00% | $ 7,500 | | |
| Total Annual Real Estate Taxes | 1.25% | $ - | 0 | 0.0% |
| Specialty Locality Taxes (community facilities district, mello | 2.00% | $ - | 0 | 0.0% |
| Other (Specify): | 3.50% | $ - | 0 | 0.0% |
| Other (Specify): | 3.50% | $ - | 0 | 0.0% |
| | 3.50% | | 0 | 0.0% |
| **GRAND TOTAL EXPENSES** | | **$ 305,873** | **8,496** | 100% |
| **NET OPERATING INCOME (NOI)** | | **$ 1,025,248** | | |

| DEBT SERVICE PAYMENTS | | Amount | Per Unit | |
|---|---|---|---|---|
| P. CalHFA Permanent Loan | | $ 868,353 | $ 24,121 | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | $ - | |
| **TOTAL DEBT SERVICE & OTHER PAYMENTS** | | **$ 868,353** | | |
| **EXCESS AFTER DEBT SERVICE & MONITORING FEES** | | **$ 156,895** | | |
| **DEBT SERVICE COVERAGE RATIO (DSCR)** | | **1.18** | | |

| **Cashflow Projections** | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **YEAR** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** |
| **RENTAL INCOME** | **Inflation %** | | | | | | | | | | |
| Restricted Unit Rents | 2.50% | $ 592,824 | $ 607,645 | $ 622,836 | $ 638,407 | $ 654,367 | $ 670,726 | $ 687,494 | $ 704,681 | $ 722,298 | $ 740,356 |
| Unrestricted Unit Rents | 2.50% | - | - | - | - | - | - | - | - | - | - |
| Commercial Rents | 2.00% | - | - | - | - | - | - | - | - | - | - |
| Project Based Rental Subsidy | 1.50% | 803,172 | 815,220 | 827,448 | 839,860 | 852,457 | 865,244 | 878,223 | 891,396 | 904,767 | 918,339 |
| Other Project Based Subsidy | 1.50% | - | - | - | - | - | - | - | - | - | - |
| Laundry Income | 2.50% | 5,184 | 5,314 | 5,446 | 5,583 | 5,722 | 5,865 | 6,012 | 6,162 | 6,316 | 6,474 |
| Parking & Storage Income | 2.50% | - | - | - | - | - | - | - | - | - | - |
| - | 0.00% | - | - | - | - | - | - | - | - | - | - |
| **GROSS POTENTIAL INCOME (GPI)** | | **$ 1,401,180** | **$ 1,428,178** | **$ 1,455,730** | **$ 1,483,849** | **$ 1,512,546** | **$ 1,541,836** | **$ 1,571,729** | **$ 1,602,240** | **$ 1,633,382** | **$ 1,665,169** |
| **VACANCY AND OTHER LOSSES** | **%** | | | | | | | | | | |
| Restricted Unit Rents | 5.00% | $ 29,641 | $ 30,382 | $ 31,142 | $ 31,920 | $ 32,718 | $ 33,536 | $ 34,375 | $ 35,234 | $ 36,115 | $ 37,018 |
| Unrestricted Unit Rents | 5.00% | - | - | - | - | - | - | - | - | - | - |
| Commercial Rents | 50.00% | - | - | - | - | - | - | - | - | - | - |
| Project Based Rental Subsidy | 5.00% | 40,159 | 40,761 | 41,372 | 41,993 | 42,623 | 43,262 | 43,911 | 44,570 | 45,238 | 45,917 |
| Other Project Based Subsidy | 5.00% | - | - | - | - | - | - | - | - | - | - |
| Laundry Income | 5.00% | 259 | 266 | 272 | 279 | 286 | 293 | 301 | 308 | 316 | 324 |
| Parking & Storage Income | 50.00% | - | - | - | - | - | - | - | - | - | - |
| - | 0.00% | - | - | - | - | - | - | - | - | - | - |
| **PROJECTED VACANCY AND OTHER LOSSES** | | **$ 70,059** | **$ 71,409** | **$ 72,787** | **$ 74,192** | **$ 75,627** | **$ 77,092** | **$ 78,586** | **$ 80,112** | **$ 81,669** | **$ 83,258** |
| **EFFECTIVE GROSS INCOME (EGI)** | | **$ 1,331,121** | **$ 1,356,769** | **$ 1,382,944** | **$ 1,409,656** | **$ 1,436,919** | **$ 1,464,744** | **$ 1,493,143** | **$ 1,522,128** | **$ 1,551,713** | **$ 1,581,910** |
| **OPERATING EXPENSES** | **Inflation %** | | | | | | | | | | |
| Administrative Expenses | 3.50% | $ 20,500 | $ 21,218 | $ 21,960 | $ 22,729 | $ 23,524 | $ 24,348 | $ 25,200 | $ 26,082 | $ 26,995 | $ 27,939 |
| Management Fee | 3.50% | 31,170 | 32,261 | 33,390 | 34,559 | 35,768 | 37,020 | 38,316 | 39,657 | 41,045 | 42,482 |
| Utilities | 3.50% | 40,500 | 41,918 | 43,385 | 44,903 | 46,475 | 48,101 | 49,785 | 51,527 | 53,331 | 55,197 |
| Payroll/Payroll Taxes | 3.50% | 90,390 | 93,554 | 96,828 | 100,217 | 103,725 | 107,355 | 111,112 | 115,001 | 119,026 | 123,192 |
| Insurance | 3.50% | 25,000 | 25,875 | 26,781 | 27,718 | 28,688 | 29,692 | 30,731 | 31,807 | 32,920 | 34,072 |
| Maintenance | 3.50% | 34,940 | 36,163 | 37,429 | 38,739 | 40,094 | 41,498 | 42,950 | 44,453 | 46,009 | 47,620 |
| Other Operating Expenses | 3.50% | 27,500 | 28,463 | 29,459 | 30,490 | 31,557 | 32,661 | 33,805 | 34,988 | 36,212 | 37,480 |
| Services & Amenities | 2.50% | 19,373 | 19,857 | 20,354 | 20,863 | 21,384 | 21,919 | 22,467 | 23,028 | 23,604 | 24,194 |
| Reserve for Replacement | 1.00% | 9,000 | 9,090 | 9,181 | 9,273 | 9,365 | 9,459 | 9,554 | 9,649 | 9,746 | 9,843 |
| 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 |
| Real Estate & Specialty Taxes | 1.25% | - | - | - | - | - | - | - | - | - | - |
| **TOTAL OPERATING EXPENSES** | | **$ 305,873** | **$ 315,897** | **$ 326,265** | **$ 336,989** | **$ 348,081** | **$ 359,553** | **$ 371,419** | **$ 383,693** | **$ 396,388** | **$ 409,520** |
| **NET OPERATING INCOME (NOI)** | | **$ 1,025,248** | **$ 1,040,872** | **$ 1,056,678** | **$ 1,072,667** | **$ 1,088,838** | **$ 1,105,191** | **$ 1,121,723** | **$ 1,138,435** | **$ 1,155,325** | **$ 1,172,391** |
| **DEBT SERVICE PAYMENTS** | **Lien** | | | | | | | | | | |
| P. CalHFA Permanent Loan | 1 | $ 868,353 | $ 868,353 | $ 868,353 | $ 868,353 | $ 868,353 | $ 868,353 | $ 868,353 | $ 868,353 | $ 868,353 | $ 868,353 |
| **TOTAL DEBT SERVICE** | | **$ 868,353** | **$ 868,353** | **$ 868,353** | **$ 868,353** | **$ 868,353** | **$ 868,353** | **$ 868,353** | **$ 868,353** | **$ 868,353** | **$ 868,353** |
| **CASH FLOW AFTER DEBT SERVICE** | | **$ 156,895** | **$ 172,519** | **$ 188,325** | **$ 204,314** | **$ 220,486** | **$ 236,838** | **$ 253,370** | **$ 270,082** | **$ 286,972** | **$ 304,038** |
| **DEBT SERVICE COVERAGE RATIO (DSCR)** | | **1.18** | **1.20** | **1.22** | **1.24** | **1.25** | **1.27** | **1.29** | **1.31** | **1.33** | **1.35** |
| **DSCR CHECK (USRM)** | | Target | Target | Target | Target | Target | Target | Target | Target | Target | Target |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| LP Management Fee | 3.0% | $ 7,500 | $ 7,725 | $ 7,957 | $ 8,195 | $ 8,441 | $ 8,695 | $ 8,955 | $ 9,224 | $ 9,501 | $ 9,786 |
| GP Partnership Management Fee | 3.0% | $ 10,000 | $ 10,300 | $ 10,609 | $ 10,927 | $ 11,255 | $ 11,593 | $ 11,941 | $ 12,299 | $ 12,668 | $ 13,048 |
| **Cashflow available for distribution** | | **$ 139,395** | **$ 154,494** | **$ 169,760** | **$ 185,192** | **$ 200,789** | **$ 216,551** | **$ 232,474** | **$ 248,559** | **$ 264,803** | **$ 281,204** |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 94% | 94% | 94% | 94% | 94% | 94% | 94% | 94% | 94% | 50% |
| **Developer Distribution** | ***94%*** | **$ 131,032** | **$ 145,224** | **$ 159,574** | **$ 174,080** | **$ 188,742** | **$ 203,557** | **$ 218,526** | **$ 233,646** | **$ 248,915** | **$ 140,602** |
| Deferred developer fee start balance | **1,730,264** | 1,730,264 | 1,599,232 | 1,454,008 | 1,294,434 | 1,120,354 | 931,612 | 728,055 | 509,529 | 275,883 | 26,968 |
| Deferred Developer fee payment | **10** | 131,032 | 145,224 | 159,574 | 174,080 | 188,742 | 203,557 | 218,526 | 233,646 | 248,915 | 26,968 |
| Deferred Developer fee end balance | | $ 1,599,232 | $ 1,454,008 | $ 1,294,434 | $ 1,120,354 | $ 931,612 | $ 728,055 | $ 509,529 | $ 275,883 | $ 26,968 | $ - |
| **Additional Developer Distribution** | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 113,634 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Residual Receipt Payments** | *50%* | 6% | 6% | 6% | 6% | 6% | 6% | 6% | 6% | 6% | 50% |
| | *Payment %* | 8,364 | 9,270 | 10,186 | 11,112 | 12,047 | 12,993 | 13,948 | 14,914 | 15,888 | 140,602 |
| P. CalHFA MIP | *100.00%* | 8,364 | 9,270 | 10,186 | 11,112 | 12,047 | 12,993 | 13,948 | 14,914 | 15,888 | 140,602 |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| **Total Residual Receipts Payments** | **100.00%** | **8,364** | **9,270** | **10,186** | **11,112** | **12,047** | **12,993** | **13,948** | **14,914** | **15,888** | **140,602** |

**Balances for Residual Receipt Payments**

| **RESIDUAL RECEIPTS LOANS** | *Interest Rate* | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| P. CalHFA MIP | *3.00%* | $ 2,100,000 | $ 2,154,636 | $ 2,208,367 | $ 2,261,181 | $ 2,313,070 | $ 2,364,022 | $ 2,414,029 | $ 2,463,081 | $ 2,511,167 | $ 2,558,279 |
| 0 | | | | | | | | | | | |
| 0 | | | | | | | | | | | |
| 0 | | | | | | | | | | | |
| 0 | | | | | | | | | | | |
| 0 | | | | | | | | | | | |
| 0 | | | | | | | | | | | |
| 0 | | | | | | | | | | | |
| **Total Residual Receipts Payments** | | **$ 2,100,000** | **$ 2,154,636** | **$ 2,208,367** | **$ 2,261,181** | **$ 2,313,070** | **$ 2,364,022** | **$ 2,414,029** | **$ 2,463,081** | **$ 2,511,167** | **$ 2,558,279** |

| Cashflow Projections | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | YEAR | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| **RENTAL INCOME** | Inflation % | | | | | | | | | | |
| Restricted Unit Rents | 2.50% | $ 758,865 | $ 777,836 | $ 797,282 | $ 817,214 | $ 837,645 | $ 858,586 | $ 880,051 | $ 902,052 | $ 924,603 | $ 947,718 |
| Unrestricted Unit Rents | 2.50% | - | - | - | - | - | - | - | - | - | - |
| Commercial Rents | 2.00% | - | - | - | - | - | - | - | - | - | - |
| Project Based Rental Subsidy | 1.50% | 932,114 | 946,096 | 960,287 | 974,691 | 989,312 | 1,004,151 | 1,019,214 | 1,034,502 | 1,050,019 | 1,065,770 |
| Other Project Based Subsidy | 1.50% | - | - | - | - | - | - | - | - | - | - |
| Laundry Income | 2.50% | 6,636 | 6,802 | 6,972 | 7,146 | 7,325 | 7,508 | 7,696 | 7,888 | 8,085 | 8,287 |
| Parking & Storage Income | 2.50% | - | - | - | - | - | - | - | - | - | - |
| - | 0.00% | - | - | - | - | - | - | - | - | - | - |
| **GROSS POTENTIAL INCOME (GPI)** | | **$ 1,697,615** | **$ 1,730,734** | **$ 1,764,541** | **$ 1,799,052** | **$ 1,834,281** | **$ 1,870,245** | **$ 1,906,960** | **$ 1,944,442** | **$ 1,982,708** | **$ 2,021,775** |
| **VACANCY AND OTHER LOSSES** | % | | | | | | | | | | |
| Restricted Unit Rents | 5.00% | $ 37,943 | $ 38,892 | $ 39,864 | $ 40,861 | $ 41,882 | $ 42,929 | $ 44,003 | $ 45,103 | $ 46,230 | $ 47,386 |
| Unrestricted Unit Rents | 5.00% | - | - | - | - | - | - | - | - | - | - |
| Commercial Rents | 50.00% | - | - | - | - | - | - | - | - | - | - |
| Project Based Rental Subsidy | 5.00% | 46,606 | 47,305 | 48,014 | 48,735 | 49,466 | 50,208 | 50,961 | 51,725 | 52,501 | 53,288 |
| Other Project Based Subsidy | 5.00% | - | - | - | - | - | - | - | - | - | - |
| Laundry Income | 5.00% | 332 | 340 | 349 | 357 | 366 | 375 | 385 | 394 | 404 | 414 |
| Parking & Storage Income | 50.00% | - | - | - | - | - | - | - | - | - | - |
| - | 0.00% | - | - | - | - | - | - | - | - | - | - |
| **PROJECTED VACANCY AND OTHER LOSSES** | | **$ 84,881** | **$ 86,537** | **$ 88,227** | **$ 89,953** | **$ 91,714** | **$ 93,512** | **$ 95,348** | **$ 97,222** | **$ 99,135** | **$ 101,089** |
| **EFFECTIVE GROSS INCOME (EGI)** | | **$ 1,612,734** | **$ 1,644,197** | **$ 1,676,314** | **$ 1,709,099** | **$ 1,742,567** | **$ 1,776,733** | **$ 1,811,612** | **$ 1,847,220** | **$ 1,883,572** | **$ 1,920,687** |
| **OPERATING EXPENSES** | Inflation % | | | | | | | | | | |
| Administrative Expenses | 3.50% | $ 28,917 | $ 29,929 | $ 30,977 | $ 32,061 | $ 33,183 | $ 34,345 | $ 35,547 | $ 36,791 | $ 38,079 | $ 39,411 |
| Management Fee | 3.50% | 43,968 | 45,507 | 47,100 | 48,749 | 50,455 | 52,221 | 54,048 | 55,940 | 57,898 | 59,924 |
| Utilities | 3.50% | 57,129 | 59,129 | 61,198 | 63,340 | 65,557 | 67,852 | 70,226 | 72,684 | 75,228 | 77,861 |
| Payroll/Payroll Taxes | 3.50% | 127,504 | 131,967 | 136,585 | 141,366 | 146,314 | 151,435 | 156,735 | 162,221 | 167,898 | 173,775 |
| Insurance | 3.50% | 35,265 | 36,499 | 37,777 | 39,099 | 40,467 | 41,884 | 43,350 | 44,867 | 46,437 | 48,063 |
| Maintenance | 3.50% | 49,286 | 51,011 | 52,797 | 54,645 | 56,557 | 58,537 | 60,585 | 62,706 | 64,901 | 67,172 |
| Other Operating Expenses | 3.50% | 38,791 | 40,149 | 41,554 | 43,009 | 44,514 | 46,072 | 47,685 | 49,354 | 51,081 | 52,869 |
| Services & Amenities | 2.50% | 24,799 | 25,419 | 26,055 | 26,706 | 27,374 | 28,058 | 28,759 | 29,478 | 30,215 | 30,971 |
| Reserve for Replacement | 1.00% | 9,942 | 10,041 | 10,141 | 10,243 | 10,345 | 10,449 | 10,553 | 10,659 | 10,765 | 10,873 |
| 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 |
| Real Estate & Specialty Taxes | 1.25% | - | - | - | - | - | - | - | - | - | - |
| **TOTAL OPERATING EXPENSES** | | **$ 423,102** | **$ 437,152** | **$ 451,684** | **$ 466,717** | **$ 482,266** | **$ 498,351** | **$ 514,989** | **$ 532,199** | **$ 550,003** | **$ 568,419** |
| **NET OPERATING INCOME (NOI)** | | **$ 1,189,632** | **$ 1,207,045** | **$ 1,224,630** | **$ 1,242,383** | **$ 1,260,301** | **$ 1,278,382** | **$ 1,296,623** | **$ 1,315,020** | **$ 1,333,570** | **$ 1,352,268** |
| **DEBT SERVICE PAYMENTS** | Lien | | | | | | | | | | |
| P. CalHFA Permanent Loan | 1 | $ 868,353 | $ 868,353 | $ 868,353 | $ 868,353 | $ 868,353 | $ 868,353 | $ 868,353 | | | |
| **TOTAL DEBT SERVICE** | | **$ 868,353** | **$ 868,353** | **$ 868,353** | **$ 868,353** | **$ 868,353** | **$ 868,353** | **$ 868,353** | **$ -** | **$ -** | **$ -** |
| **CASH FLOW AFTER DEBT SERVICE** | | **$ 321,279** | **$ 338,693** | **$ 356,277** | **$ 374,030** | **$ 391,948** | **$ 410,029** | **$ 428,270** | | | |
| **DEBT SERVICE COVERAGE RATIO (DSCR)** | | **1.37** | **1.39** | **1.41** | **1.43** | **1.45** | **1.47** | **1.49** | **N/A** | **N/A** | **N/A** |
| **DSCR CHECK (USRM)** | | **Target** | **Target** | **Target** | **Target** | **Target** | **Target** | **Target** | | | |
| LP Management Fee | 3.0% | $ 10,079 | $ 10,382 | $ 10,693 | $ 11,014 | $ 11,344 | $ - | $ - | $ - | $ - | $ - |
| GP Partnership Management Fee | 3.0% | $ 13,439 | $ 13,842 | $ 14,258 | $ 14,685 | $ 15,126 | $ - | $ - | $ - | $ - | $ - |
| **Cashflow available for distribution** | | **$ 297,760** | **$ 314,468** | **$ 331,326** | **$ 348,330** | **$ 365,478** | **$ 410,029** | **$ 428,270** | **$ -** | **$ -** | **$ -** |
| | | 50% | 50% | 50% | 50% | 50% | 50% | 50% | | | |
| **Developer Distribution** | ***94%*** | **$ 148,880** | **$ 157,234** | **$ 165,663** | **$ 174,165** | **$ 182,739** | **$ 205,015** | **$ 214,135** | **$ -** | **$ -** | **$ -** |
| Deferred developer fee start balance | **1,730,264** | - | - | - | - | - | - | - | - | - | - |
| Deferred Developer fee payment | **10** | - | - | - | - | - | - | - | - | - | - |
| Deferred Developer fee end balance | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Additional Developer Distribution** | | $ 148,880 | $ 157,234 | $ 165,663 | $ 174,165 | $ 182,739 | $ 205,015 | $ 214,135 | $ - | $ - | $ - |
| **Residual Receipt Payments** | *50%* | 50% | 50% | 50% | 50% | 50% | 50% | 50% | | | |
| | *Payment %* | 148,880 | 157,234 | 165,663 | 174,165 | 182,739 | 205,015 | 214,135 | - | - | - |
| P. CalHFA MIP | *100.00%* | 148,880 | 157,234 | 165,663 | 174,165 | 182,739 | 205,015 | 214,135 | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| **Total Residual Receipts Payments** | **100.00%** | **148,880** | **157,234** | **165,663** | **174,165** | **182,739** | **205,015** | **214,135** | **-** | **-** | **-** |

**Balances for Residual Receipt Payments**

| **RESIDUAL RECEIPTS LOANS** | *Interest Rate* | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| P. CalHFA MIP | *3.00%* | $ 2,480,677 | $ 2,394,797 | $ 2,300,562 | $ 2,197,899 | $ 2,086,734 | $ 1,966,597 | $ 1,820,580 | $ 1,661,063 | $ 1,710,894 | $ 1,762,221 |
| 0 | | | | | | | | | | | |
| 0 | | | | | | | | | | | |
| 0 | | | | | | | | | | | |
| 0 | | | | | | | | | | | |
| 0 | | | | | | | | | | | |
| 0 | | | | | | | | | | | |
| 0 | | | | | | | | | | | |
| **Total Residual Receipts Payments** | | **$ 2,480,677** | **$ 2,394,797** | **$ 2,300,562** | **$ 2,197,899** | **$ 2,086,734** | **$ 1,966,597** | **$ 1,820,580** | **$ 1,661,063** | **$ 1,710,894** | **$ 1,762,221** |

| Cashflow Projections | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | YEAR | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 |
| RENTAL INCOME | Inflation % | | | | | | | | | | |
| Restricted Unit Rents | 2.50% | $ 971,411 | $ 995,696 | $ 1,020,589 | $ 1,046,104 | $ 1,072,256 | $ 1,099,063 | $ 1,126,539 | $ 1,154,703 | $ 1,183,570 | $ 1,213,159 |
| Unrestricted Unit Rents | 2.50% | - | - | - | - | - | - | - | - | - | - |
| Commercial Rents | 2.00% | - | - | - | - | - | - | - | - | - | - |
| Project Based Rental Subsidy | 1.50% | 1,081,756 | 1,097,983 | 1,114,452 | 1,131,169 | 1,148,137 | 1,165,359 | 1,182,839 | 1,200,582 | 1,218,590 | 1,236,869 |
| Other Project Based Subsidy | 1.50% | - | - | - | - | - | - | - | - | - | - |
| Laundry Income | 2.50% | 8,495 | 8,707 | 8,925 | 9,148 | 9,376 | 9,611 | 9,851 | 10,097 | 10,350 | 10,609 |
| Parking & Storage Income | 2.50% | - | - | - | - | - | - | - | - | - | - |
| - | 0.00% | - | - | - | - | - | - | - | - | - | - |
| **GROSS POTENTIAL INCOME (GPI)** | | **$ 2,061,662** | **$ 2,102,386** | **$ 2,143,966** | **$ 2,186,420** | **$ 2,229,769** | **$ 2,274,032** | **$ 2,319,229** | **$ 2,365,382** | **$ 2,412,510** | **$ 2,460,637** |
| VACANCY AND OTHER LOSSES | % | | | | | | | | | | |
| Restricted Unit Rents | 5.00% | $ 48,571 | $ 49,785 | $ 51,029 | $ 52,305 | $ 53,613 | $ 54,953 | $ 56,327 | $ 57,735 | $ 59,179 | $ 60,658 |
| Unrestricted Unit Rents | 5.00% | - | - | - | - | - | - | - | - | - | - |
| Commercial Rents | 50.00% | - | - | - | - | - | - | - | - | - | - |
| Project Based Rental Subsidy | 5.00% | 54,088 | 54,899 | 55,723 | 56,558 | 57,407 | 58,268 | 59,142 | 60,029 | 60,930 | 61,843 |
| Other Project Based Subsidy | 5.00% | - | - | - | - | - | - | - | - | - | - |
| Laundry Income | 5.00% | 425 | 435 | 446 | 457 | 469 | 481 | 493 | 505 | 517 | 530 |
| Parking & Storage Income | 50.00% | - | - | - | - | - | - | - | - | - | - |
| - | 0.00% | - | - | - | - | - | - | - | - | - | - |
| **PROJECTED VACANCY AND OTHER LOSSES** | | **$ 103,083** | **$ 105,119** | **$ 107,198** | **$ 109,321** | **$ 111,488** | **$ 113,702** | **$ 115,961** | **$ 118,269** | **$ 120,626** | **$ 123,032** |
| **EFFECTIVE GROSS INCOME (EGI)** | | **$ 1,958,579** | **$ 1,997,267** | **$ 2,036,767** | **$ 2,077,099** | **$ 2,118,281** | **$ 2,160,330** | **$ 2,203,268** | **$ 2,247,113** | **$ 2,291,885** | **$ 2,337,605** |
| OPERATING EXPENSES | Inflation % | | | | | | | | | | |
| Administrative Expenses | 3.50% | $ 40,791 | $ 42,218 | $ 43,696 | $ 45,225 | $ 46,808 | $ 48,447 | $ 50,142 | $ 51,897 | $ 53,714 | $ 55,593 |
| Management Fee | 3.50% | 62,022 | 64,192 | 66,439 | 68,765 | 71,171 | 73,662 | 76,241 | 78,909 | 81,671 | 84,529 |
| Utilities | 3.50% | 80,586 | 83,407 | 86,326 | 89,348 | 92,475 | 95,711 | 99,061 | 102,528 | 106,117 | 109,831 |
| Payroll/Payroll Taxes | 3.50% | 179,857 | 186,152 | 192,667 | 199,411 | 206,390 | 213,614 | 221,090 | 228,828 | 236,837 | 245,127 |
| Insurance | 3.50% | 49,745 | 51,486 | 53,288 | 55,153 | 57,083 | 59,081 | 61,149 | 63,289 | 65,504 | 67,797 |
| Maintenance | 3.50% | 69,523 | 71,957 | 74,475 | 77,082 | 79,779 | 82,572 | 85,462 | 88,453 | 91,549 | 94,753 |
| Other Operating Expenses | 3.50% | 54,719 | 56,634 | 58,617 | 60,668 | 62,792 | 64,989 | 67,264 | 69,618 | 72,055 | 74,577 |
| Services & Amenities | 2.50% | 31,745 | 32,539 | 33,352 | 34,186 | 35,040 | 35,916 | 36,814 | 37,735 | 38,678 | 39,645 |
| Reserve for Replacement | 1.00% | 10,982 | 11,092 | 11,202 | 11,314 | 11,428 | 11,542 | 11,657 | 11,774 | 11,892 | 12,011 |
| 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 |
| Real Estate & Specialty Taxes | 1.25% | - | - | - | - | - | - | - | - | - | - |
| **TOTAL OPERATING EXPENSES** | | **$ 587,470** | **$ 607,177** | **$ 627,563** | **$ 648,651** | **$ 670,467** | **$ 693,034** | **$ 716,380** | **$ 740,532** | **$ 765,516** | **$ 791,363** |
| **NET OPERATING INCOME (NOI)** | | **$ 1,371,109** | **$ 1,390,090** | **$ 1,409,205** | **$ 1,428,448** | **$ 1,447,814** | **$ 1,467,296** | **$ 1,486,887** | **$ 1,506,581** | **$ 1,526,369** | **$ 1,546,243** |
| DEBT SERVICE PAYMENTS | Lien | | | | | | | | | | |
| P. CalHFA Permanent Loan | 1 | | | | | | | | | | |
| **TOTAL DEBT SERVICE** | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **CASH FLOW AFTER DEBT SERVICE** | | | | | | | | | | | |
| **DEBT SERVICE COVERAGE RATIO (DSCR)** | | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| **DSCR CHECK (USRM)** | | | | | | | | | | | |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| LP Management Fee | 3.0% | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| GP Partnership Management Fee | 3.0% | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Cashflow available for distribution** | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Developer Distribution** | *94%* | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Deferred developer fee start balance | **1,730,264** | - | - | - | - | - | - | - | - | - | - |
| Deferred Developer fee payment | **10** | - | - | - | - | - | - | - | - | - | - |
| Deferred Developer fee end balance | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Additional Developer Distribution** | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Residual Receipt Payments** | *50%* | | | | | | | | | | |
| | *Payment %* | - | - | - | - | - | - | - | - | - | - |
| P. CalHFA MIP | *100.00%* | - | - | - | - | - | - | - | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| **Total Residual Receipts Payments** | **100.00%** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |

**Balances for Residual Receipt Payments**

| **RESIDUAL RECEIPTS LOANS** | *Interest Rate* | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| P. CalHFA MIP | *3.00%* | $ 1,815,088 | $ 1,869,541 | $ 1,925,627 | $ 1,983,396 | $ 2,042,897 | $ 2,104,184 | $ 2,167,184 | $ 2,230,184 | $ 2,293,184 | $ 2,356,184 |
| 0 | | | | | | | | | | | |
| 0 | | | | | | | | | | | |
| 0 | | | | | | | | | | | |
| 0 | | | | | | | | | | | |
| 0 | | | | | | | | | | | |
| 0 | | | | | | | | | | | |
| 0 | | | | | | | | | | | |
| **Total Residual Receipts Payments** | | **$ 1,815,088** | **$ 1,869,541** | **$ 1,925,627** | **$ 1,983,396** | **$ 2,042,897** | **$ 2,104,184** | **$ 2,167,184** | **$ 2,230,184** | **$ 2,293,184** | **$ 2,356,184** |

| **Cashflow Projections** | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **YEAR** | **31** | **32** | **33** | **34** | **35** | **36** | **37** | **38** | **39** | **40** |
| **RENTAL INCOME** | **Inflation %** | | | | | | | | | | |
| Restricted Unit Rents | 2.50% | $ 1,243,488 | $ 1,274,576 | $ 1,306,440 | $ 1,339,101 | $ 1,372,579 | $ 1,406,893 | $ 1,442,065 | $ 1,478,117 | $ 1,515,070 | $ 1,552,947 |
| Unrestricted Unit Rents | 2.50% | - | - | - | - | - | - | - | - | - | - |
| Commercial Rents | 2.00% | - | - | - | - | - | - | - | - | - | - |
| Project Based Rental Subsidy | 1.50% | 1,255,422 | 1,274,254 | 1,293,367 | 1,312,768 | 1,332,459 | 1,352,446 | 1,372,733 | 1,393,324 | 1,414,224 | 1,435,437 |
| Other Project Based Subsidy | 1.50% | - | - | - | - | - | - | - | - | - | - |
| Laundry Income | 2.50% | 10,874 | 11,146 | 11,424 | 11,710 | 12,003 | 12,303 | 12,610 | 12,926 | 13,249 | 13,580 |
| Parking & Storage Income | 2.50% | - | - | - | - | - | - | - | - | - | - |
| - | 0.00% | - | - | - | - | - | - | - | - | - | - |
| **GROSS POTENTIAL INCOME (GPI)** | | **$ 2,509,784** | **$ 2,559,975** | **$ 2,611,232** | **$ 2,663,579** | **$ 2,717,041** | **$ 2,771,642** | **$ 2,827,409** | **$ 2,884,366** | **$ 2,942,542** | **$ 3,001,964** |
| **VACANCY AND OTHER LOSSES** | **%** | | | | | | | | | | |
| Restricted Unit Rents | 5.00% | $ 62,174 | $ 63,729 | $ 65,322 | $ 66,955 | $ 68,629 | $ 70,345 | $ 72,103 | $ 73,906 | $ 75,753 | $ 77,647 |
| Unrestricted Unit Rents | 5.00% | - | - | - | - | - | - | - | - | - | - |
| Commercial Rents | 50.00% | - | - | - | - | - | - | - | - | - | - |
| Project Based Rental Subsidy | 5.00% | 62,771 | 63,713 | 64,668 | 65,638 | 66,623 | 67,622 | 68,637 | 69,666 | 70,711 | 71,772 |
| Other Project Based Subsidy | 5.00% | - | - | - | - | - | - | - | - | - | - |
| Laundry Income | 5.00% | 544 | 557 | 571 | 585 | 600 | 615 | 631 | 646 | 662 | 679 |
| Parking & Storage Income | 50.00% | - | - | - | - | - | - | - | - | - | - |
| - | 0.00% | - | - | - | - | - | - | - | - | - | - |
| **PROJECTED VACANCY AND OTHER LOSSES** | | **$ 125,489** | **$ 127,999** | **$ 130,562** | **$ 133,179** | **$ 135,852** | **$ 138,582** | **$ 141,370** | **$ 144,218** | **$ 147,127** | **$ 150,098** |
| **EFFECTIVE GROSS INCOME (EGI)** | | **$ 2,384,295** | **$ 2,431,976** | **$ 2,480,670** | **$ 2,530,400** | **$ 2,581,189** | **$ 2,633,060** | **$ 2,686,038** | **$ 2,740,148** | **$ 2,795,415** | **$ 2,851,866** |
| **OPERATING EXPENSES** | **Inflation %** | | | | | | | | | | |
| Administrative Expenses | 3.50% | $ 57,539 | $ 59,553 | $ 61,638 | $ 63,795 | $ 66,028 | $ 68,339 | $ 70,730 | $ 73,206 | $ 75,768 | $ 78,420 |
| Management Fee | 3.50% | 87,488 | 90,550 | 93,719 | 96,999 | 100,394 | 103,908 | 107,545 | 111,309 | 115,205 | 119,237 |
| Utilities | 3.50% | 113,675 | 117,654 | 121,772 | 126,034 | 130,445 | 135,010 | 139,736 | 144,627 | 149,688 | 154,928 |
| Payroll/Payroll Taxes | 3.50% | 253,706 | 262,586 | 271,776 | 281,288 | 291,134 | 301,323 | 311,870 | 322,785 | 334,082 | 345,775 |
| Insurance | 3.50% | 70,170 | 72,626 | 75,168 | 77,799 | 80,522 | 83,340 | 86,257 | 89,276 | 92,400 | 95,634 |
| Maintenance | 3.50% | 98,069 | 101,502 | 105,054 | 108,731 | 112,537 | 116,476 | 120,552 | 124,772 | 129,139 | 133,658 |
| Other Operating Expenses | 3.50% | 77,187 | 79,888 | 82,684 | 85,578 | 88,574 | 91,674 | 94,882 | 98,203 | 101,640 | 105,198 |
| Services & Amenities | 2.50% | 40,636 | 41,652 | 42,693 | 43,761 | 44,855 | 45,976 | 47,126 | 48,304 | 49,511 | 50,749 |
| Reserve for Replacement | 1.00% | 12,131 | 12,252 | 12,374 | 12,498 | 12,623 | 12,749 | 12,877 | 13,006 | 13,136 | 13,267 |
| 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 |
| Real Estate & Specialty Taxes | 1.25% | - | - | - | - | - | - | - | - | - | - |
| **TOTAL OPERATING EXPENSES** | | **$ 818,101** | **$ 845,763** | **$ 874,379** | **$ 903,983** | **$ 934,610** | **$ 966,295** | **$ 999,074** | **$ 1,032,986** | **$ 1,068,070** | **$ 1,104,366** |
| **NET OPERATING INCOME (NOI)** | | **$ 1,566,194** | **$ 1,586,214** | **$ 1,606,291** | **$ 1,626,416** | **$ 1,646,578** | **$ 1,666,765** | **$ 1,686,964** | **$ 1,707,162** | **$ 1,727,345** | **$ 1,747,499** |
| **DEBT SERVICE PAYMENTS** | **Lien** | | | | | | | | | | |
| P. CalHFA Permanent Loan | 1 | | | | | | | | | | |
| **TOTAL DEBT SERVICE** | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **CASH FLOW AFTER DEBT SERVICE** | | | | | | | | | | | |
| **DEBT SERVICE COVERAGE RATIO (DSCR)** | | **N/A** | **N/A** | **N/A** | **N/A** | **N/A** | **N/A** | **N/A** | **N/A** | **N/A** | **N/A** |
| **DSCR CHECK (USRM)** | | | | | | | | | | | |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| LP Management Fee | 3.0% | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| GP Partnership Management Fee | 3.0% | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Cashflow available for distribution** | | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Developer Distribution** | ***94%*** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** |
| Deferred developer fee start balance | **1,730,264** | - | - | - | - | - | - | - | - | - | - |
| Deferred Developer fee payment | **10** | - | - | - | - | - | - | - | - | - | - |
| Deferred Developer fee end balance | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Additional Developer Distribution** | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Residual Receipt Payments** | *50%* | | | | | | | | | | |
| | *Payment %* | - | - | - | - | - | - | - | - | - | - |
| P. CalHFA MIP | *100.00%* | - | - | - | - | - | - | - | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| | *0.00%* | - | - | - | - | - | - | - | - | - | - |
| **Total Residual Receipts Payments** | **100.00%** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |

**Balances for Residual Receipt Payments**

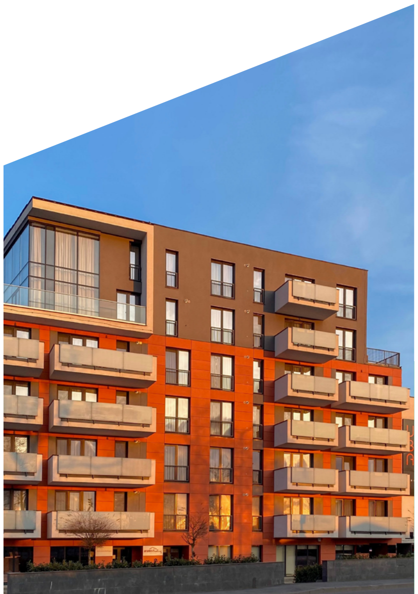
| **RESIDUAL RECEIPTS LOANS** | *Interest Rate* | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| P. CalHFA MIP | *3.00%* | $ 2,419,184 | $ 2,482,184 | $ 2,545,184 | $ 2,608,184 | $ 2,671,184 | $ 2,734,184 | $ 2,797,184 | $ 2,860,184 | $ 2,923,184 | $ 2,986,184 |
| 0 | | | | | | | | | | | |
| 0 | | | | | | | | | | | |
| 0 | | | | | | | | | | | |
| 0 | | | | | | | | | | | |
| 0 | | | | | | | | | | | |
| 0 | | | | | | | | | | | |
| 0 | | | | | | | | | | | |
| **Total Residual Receipts Payments** | | **$ 2,419,184** | **$ 2,482,184** | **$ 2,545,184** | **$ 2,608,184** | **$ 2,671,184** | **$ 2,734,184** | **$ 2,797,184** | **$ 2,860,184** | **$ 2,923,184** | **$ 2,986,184** |

## Operating Proforma Summary

| | | | | | Comments |
|---|---|---|---|---|---|
| Total Units | 36 | | Construction Start Date | 3/1/2024 | |
| Regulated Units | 0 | | Construction Completion Date | 5/1/2025 | |
| Manager Units (Market Rate) | 1 | | Construction Period (months) | 14 | |
| Total Residential Square Feet | 27,050 | | Lease-up Commencement Date: | 5/1/2025 | |
| Avg Sq Ft/Unit | 27,600 | | Lease-up Completion Date | 8/1/2025 | |
| Rental Subsidies? | 803,172 | | Lease-up Period (months) | 3 | |
| No. of Units with Rental Subsidies | 25 | | Perm Conversion Date | 11/1/2025 | |
| Rental Subsidy Contract Term (Initial) | 20 | | Lease-up Completion to Perm (months) | 6 | |

| Project Unit Mix | Average | Number of | 30% | 40% | 50% | 60% | 80% | 120% | Comments |
|---|---|---|---|---|---|---|---|---|---|
| No. of Bedrooms | Size (Sq. Ft.) | Units | | | | | | | |
| SRO/Studio | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 1 Bedroom | 550 | 15 | 5 | 0 | 0 | 0 | 10 | 0 | |
| 2 Bedrooms | 750 | 9 | 9 | 0 | 0 | 0 | 0 | 0 | |
| 3 Bedrooms | 1,050 | 11 | 11 | 0 | 0 | 0 | 0 | 0 | |
| 4 Bedrooms | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 5 Bedrooms | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Total | 5,500 | 35 | | | | | | | |

| Operating Budget & Reserve Summary | Year 1 | Year 5 | Year 10 | Year 15 | Terminal Year | Underwriting Comments |
|---|---|---|---|---|---|---|
| | 1 | 5 | 10 | 15 | 17 | |
| Adjusted Gross Income | 592,824 | 654,367 | 740,356 | 837,645 | 880,051 | |
| Other Income/Subsidies | 808,356 | 858,180 | 924,813 | 996,637 | 1,026,909 | |
| Projected Vacancy and Discount Loss | 70,059 | 75,627 | 83,258 | 91,714 | 95,348 | |
| Effective Gross Income (EGI) | 1,331,121 | 1,436,919 | 1,581,910 | 1,742,567 | 1,811,612 | |
| Total Operating Expenses | 305,873 | 348,081 | 409,520 | 482,266 | 514,989 | |
| Reserve For Replacement | 9,000 | 9,365 | 9,843 | 10,345 | 10,553 | |
| Net Operating Income (NOI) | 1,025,248 | 1,088,838 | 1,172,391 | 1,260,301 | 1,296,623 | |
| Total Debt Service & Other Payments | 868,353 | 868,353 | 868,353 | 868,353 | 868,353 | |
| Cash Flow After Debt Service | 156,895 | 220,486 | 304,038 | 391,948 | 428,270 | |
| Debt Service Coverage Ratio | 1.18 | 1.25 | 1.35 | 1.45 | 1.49 | |
| Income/Expense Ratio | 4.35 | 4.13 | 3.86 | 3.61 | 3.52 | |
| | | | | | | |
| Less: | | | | | | |
| LP Management Fee | 7,500 | 8,441 | 9,786 | 11,344 | 0 | |
| GP Partnership Management Fee | 10,000 | 11,255 | 13,048 | 15,126 | 0 | |
| | | | | | | |
| **Cashflow for Distribution and RR repayment** | | | | | | |
| Developer Distribution % | 94% | 102% | 57% | 58% | 65% | |
| Cumulative Developer Distribution | 131,032 | 798,652 | 1,843,898 | 2,672,580 | 3,091,730 | |
| Residual Receipts % | 6% | -2% | 43% | 42% | 35% | |
| Cumulative Residual Repts Repayment | 8,364 | 50,978 | 249,323 | 1,078,005 | 1,497,155 | |
| | | | | | | |
| **Unpaid CalHFA loan Balance** | | | | | | |
| Perm Loan | 12,132,342 | 11,829,245 | 11,318,712 | 10,608,866 | 10,252,601 | |
| MIP Subordinate (RR) Loan | 2,100,000 | 2,313,070 | 2,558,279 | 2,086,734 | 1,820,580 | |
| | | | | | | |
| **Reserves Balances:** | | | | | | |
| Operating Reserve | 293,557 | 293,557 | 293,557 | 293,557 | 293,557 | |
| Rent Reserve | 0 | | | | | |
| Transition Operating Reserve | 0 | 0 | 0 | 0 | 0 | |
| Replacement Reserve | 0 | | | | | |
| Other Reserve | | | | | | |



**Multifamily Subordinate Loans**

# Mixed-Income Program (2023)

The California Housing Finance Agency (CalHFA or Agency) Mixed-Income Program (MIP) provides long-term, subordinate subsidy 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 subsidy loan (MIP Loan) must be paired with CalHFA's Conduit Bond Issuer Program and CalHFA's Tax-Exempt Permanent Loan Program. CalHFA will work with MIP applicants to assess the benefits of utilizing CalHFA's Bond Recycling Program during the project construction and/or permanent loan periods and may require recycled bonds to be included as a source, subject to availability and project feasibility. Eligible projects must create newly constructed, regulated units that meet the income and occupancy requirements reflected below. Approval of all MIP funding allocations will be subject to the sole discretion of CalHFA.

## Mixed-Income Program Subsidy Loan Limits

MIP Loan amount for each project will be based on project need and will be limited to the lesser of the following:

1. $4 million; or
2. $50,000 per restricted unit (between 30%-120% AMI). Projects located within the Highest or High Resource areas pursuant to California Tax Credit Allocation Committee (CTCAC) regulations designated on the CTCAC/HCD Opportunity Area Map shall be eligible for an additional amount up to $10,000 per MIP regulated unit; or
3. 50% of the permanent loan amount.

## Application

MIP applicants must submit a completed application package which includes all items listed on the application, application addendum, and checklist. Incomplete application packages will not be considered. The application and checklist can be found at www.calhfa.ca.gov/multifamily/mixedincome/forms. If the MIP applicant is not able to meet the readiness timeline referenced below, MIP awards may be rescinded.

## Qualifications

### Availability

Available to for-profit, nonprofit, and public agency sponsors. Development teams must meet all the requirements in the Development Team Qualifications section below.

### Uses

MIP Loans must be used in conjunction with CalHFA's Conduit Bond Issuer Program and a construction loan from a CalHFA Mixed-Income Qualified Construction Lender (as defined below). MIP Loans must also be used in conjunction with CalHFA's Tax-Exempt Permanent Loan Program. CalHFA will work with MIP applicants to assess the benefits of utilizing CalHFA's Bond Recycling

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Program during the project construction and/or permanent loan periods and may require recycled bonds to be included as a source, subject to availability and project feasibility.

**Financing Structure**

Projects accessing the MIP Loans must be structured as both 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; and
2. Qualified mixed-income project through income averaging pursuant to Internal Revenue Code Section 42 (g)(1)(C).

**Readiness**

MIP applicants must have evidence of site control and they must be prepared to submit for an award of tax-exempt bond cap and 4% tax credits from the California Debt Limit Allocation Committee (CDLAC) and CTCAC, respectively. Project applicants will only receive funds if an award of tax-exempt bond cap is issued within the issuance timeframes specified in the CDLAC Regulations Section 5100.

- **Site:** The site must be ready for construction. Any potential environmental issues must have been identified, mitigation plans must be in place, and costs associated with the mitigation plan must be incorporated in the development budget. Environmental issues may include, but are not limited to, receipt of clearances for CEQA, NEPA, and applicable tribal land environmental reviews. Pursuant to HUD-Risk Sharing requirements, the MIP applicant 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.
- **General Contractor and/or Third-Party Construction Services Engagement:** At the time of application, the MIP applicant must provide evidence that a general contractor or third-party construction services company has been engaged to provide construction services including, but not limited to; value engineering, bid/budget services, and constructability review of plans and designs. The proposed construction budget must be based on the general contractor's or third-party construction services company's preliminary bid estimates pursuant to the current plans and designs.
- **Disposition and Development Agreement:** The MIP applicant must provide a copy of the disposition and development agreement, if applicable.
- **Construction Start:** All projects must commit to begin construction 180 or 194 days from the earlier of the date of the tax-exempt bond allocation or the 4% federal/state tax credit reservation, unless an extension has been approved by CTCAC, CDLAC, and CalHFA, as applicable. Within the 180- or 194-day period (as may be applicable pursuant to CDLAC Regulations Section 5230(i) and CTCAC Regulations Section 10325(c)(7)), the following items must be submitted to CalHFA in their final form:
  - An executed construction contract.

Qualifications: Construction Start continued

- A complete, updated application form with a detailed explanation of any changes, including but not limited to, changes in sources and uses from the initial application.
- Recorded deeds of trust for all construction financing (unless a project's location on tribal trust land precludes this).
- Binding commitments for construction and permanent financing, including any sponsor loan and any other financing required to complete project construction.
- Copy of a limited partnership agreement executed by the general partner and the investor limited partner/equity provider.
- An updated CTCAC Attachment 16, if applicable.
- Copies of buildings permits (a grading permit does not suffice to meet this requirement, except if the city or county as a rule does not issue building permits prior to the completion of grading, then 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.
- Copy of the notice to proceed delivered to the contractor.
- If no construction lender is involved, evidence must be submitted within 180 or 194 days, as applicable, that the equity partner has been admitted to the ownership entity, and that an initial disbursement of funds has occurred.
- Other documentation and information required by CalHFA to close construction financing.

### Evidence Of Cost Containment

A Cost Containment Certification must be provided at the time of Application and Construction Loan Closing, if applicable. The Cost Containment Certification acceptable to CalHFA may be found on the agency's website.

The MIP applicant 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 a value engineer/consultant during the design process.

### Evidence Of Subsidy Efficiency

A Subsidy Efficiency Analysis will be completed as part of the application review at initial commitment. The analysis will be completed again at final commitment, prior to construction loan closing, and closing of the MIP subordinate loan. 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 1.20x Debt Service Coverage Ratio (DSCR) at year 1 (Initial DSCR). CalHFA may allow an initial DSCR higher than 1.20x on a case-by-case basis, if deemed necessary. The underwriting prior to construction and permanent closing must show an on-going minimum DSCR of 1.15x through the term of the CalHFA permanent first lien loan.

- 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, if applicable.
- A cash flow after debt service shall be 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 three years of project operation.
- Inflation factors and vacancy rates consistent with the Agency's Underwriting Standards.
- Developer Fee requirements consistent with CTCAC Regulation Section 10327(c)2(B).
- Capitalized reserves subject to approval by Agency for reasonableness consistent with the Agency's Underwriting Standards and the Investor Limited Partnership Agreement (ILPA).
- 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 newly obtained financing, a permanent loan rate reduction or adjustments to residential income and operating expense assumptions.
- Construction Cost Savings funds evidenced by final cost certification 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 credits (STC) maximum requested amount shall be consistent with CTCAC Regulations Section 10317. MIP Loan final commitment shall be subject to evidence of project's receipt of CDLAC's preliminary tax-exempt bond allocations and CTCAC's tax credits reservations within the respective year.
- Acquisition cost shall be the lesser of either:
  1. Purchase price pursuant to a current purchase and sales agreement between unrelated parties; or
  2. Purchase price of an arm's length transaction executed within the past 10 years plus reasonable carrying costs; or
  3. Appraised "as-is" value based on a current 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.

## Project Application Ranking Qualifications*

The prioritization of MIP project application(s) shall follow a ranking calculation method described below:

1. **Project Public Benefit and Efficiency:** MIP project applications shall be initially assigned a ranking number based on the highest amount of public benefit per dollar of the total cost-adjusted amounts of the tax-exempt bond allocation requested from CDLAC, plus the state tax credit allocation requested from CTCAC consistent with CDLAC Regulation Section 5231(g)(1) and 5231(g)(2) (Project Rank Number). Next, the Project Rank Number may be adjusted pursuant the below bonus factors, subject to eligibility:
   - **MIP Efficiency Bonus:** The total requested MIP amount as a percentage of the eligible maximum MIP per unit shall be eligible for an adjustment to the original Project Rank Number based on a sliding scale per the below chart:

| **MIP** as % of Eligible Maximum Per Unit | **Adjustment** |
|---:|---|
| <20% | -0.500 |
| 20-40% | -0.375 |
| 41-60% | -0.250 |
| 61%-80% | -0.125 |
| >80% | 0.000 |

   - **STC and Soft Funds Leveraging Bonus:** The total requested STC amount and total permissible soft funds (refer to limitations section) as a percentage of the maximum STC shall be eligible for an adjustment to the original Project Rank Number based on a sliding scale per the below chart:

| **STC** as % of Eligible Maximum Per Unit | **Adjustment** |
|---:|---|
| >80% | -0.500 |
| 61%-80% | -0.375 |
| 41-60% | -0.250 |
| 20-40% | -0.125 |
| <20% | 0.000 |

   - **New Developer Bonus:** Developers that are new to MIP (requesting MIP funding for the first time) shall be eligible for -1 adjustment to the initial Project Rank Number. Developers that have not received MIP funding awards in the past two years shall be eligible for -0.5 adjustment to the initial Project Rank Number.
   - **Geographic Distribution Bonus:** Projects located in a city with a population over 1 million, that has not received MIP funding in the prior two years, will be eligible for -1 adjustment to the initial Project Rank Number. Projects located in a city with a population over 500,000, and up to 1 million, that has not received MIP funding in the prior two years, will be eligible for -0.5 adjustment to the initial Project Rank Number.

Additionally, Application Ranking and Selection will be subject to the following criteria:

2. **Project Cap:** Per Project MIP funds available will be equal to the lesser of the following:
   a. Maximum MIP Loan Amount of $4 million per Project application.
   b. Maximum of $50,000 per MIP regulated unit for Projects located in Moderate, Low, or Lowest Resource Areas.
   c. Maximum of $60,000 per MIP regulated unit for Projects located in High or Highest Resource Areas.[1]
   d. Maximum MIP Loan Amount may be no more than 50% of the CalHFA Permanent Loan.

1. *Determination of resources Area Type shall be pursuant to CTCAC regulation designated on the CTCAC/HCD Opportunity Area Map.*

3. **Sponsor Cap:** No Sponsor (any individual, entity, affiliate and/or related/affiliated entity) may receive an allocation of MIP funds for more than one Project application. Sponsor shall be defined as any individual, entity, affiliate and/or related entities that has 51% or more in the general, managing, and/or administrative partnership of the MIP applicant. An exception to the Sponsor Cap limit may be considered for any Sponsor that partners with an Emerging Developer to submit a MIP project application so long as the Emerging Developer has a 51% ownership interest in the general, managing, and/or administrative partnership entity of the MIP applicant. Emerging Developer will be defined as any Sponsor which cannot independently meet the MIP Developer/Co-Developer/General Partner qualifications as outlined below.
4. **County Cap:** No county may receive more than 25% of total MIP allocations for the respective year.
5. **Age-Restricted Cap:** No more than 25% of total MIP funds for the respective year may be received by age-restricted Project Applications (units that are restricted to residents who are 55 years of age or older under the applicable provisions of California Civil Code Section 51.3 and the federal Fair Housing Act).

* *In future years, MIP may be awarded using additional factors, including, but not limited to cost containment as measured by change in total development cost from initial commitment to construction close.*

## CalHFA Mixed-Income Qualified Construction Lender

A CalHFA Mixed-Income Qualified Construction Lender is defined as a Construction Lender that has closed at least five construction loans using tax-exempt bonds and 4% federal and/or state tax credits in California within the last three years and satisfies the requirements 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 comparable projects within the past five years or meet the requirements necessary to receive a minimum of seven points under the CDLAC General Partner Experience category pursuant to CDLAC Regulations Section 5230(f). Developers who do not meet these requirements are encouraged to partner with firms that can provide the required expertise and experience, which may include but is not limited to partnering with another development firm and/or third-party financial consultants.
- The proposed **Project Manager** must have personally managed the development of at least two comparable projects within the past five years.
- **Financial Consultants** hired to assist the Developer in meeting the minimum experience requirements must be able to provide details regarding at least three comparably-financed projects over the last five years.
- **Architects** new to CalHFA must provide information for three comparable projects they designed that were built and occupied within the past five years in California.
- **General Contractor** (GC) must be licensed by the State of California. GCs new to CalHFA must provide information related to three comparable (in design) projects built in the past five years. The GC must provide resumes of the principals, key staff, and the proposed on-site construction supervisor and provide evidence that they are familiar with federal, state, and locality building code requirements for comparable projects.
- **Tax Credit Investors** must have closed/executed at least five investor limited partnership agreements for a comparable deal structure using tax-exempt bonds and 4% federal and/or state tax credits in California within the last three years.
- **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 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 years managing onsite project operations and compliance with rent-restricted units or meet the requirements necessary to receive a minimum of three points under the CDLAC Management Company Experience category pursuant to CDLAC Regulations Section 5230(f).

## Permanent First Lien Loan

All project applications receiving an allocation of MIP funds must utilize CalHFA's Permanent Loan Program which includes the requirement that the underwriting prior to construction and permanent loan closing shows a minimum 1.15x initial debt service coverage ratio (including any financing with amortizing debt) for the term of the permanent loan. CalHFA may require the initial DSCR to be higher than the minimum 1.15x if deemed necessary to meet the Agency's underwriting requirements. The initial DSCR must not exceed 1.20x.

Any project application that contemplates a ground lease must accommodate CalHFA's requirement that the first lien permanent loan shall be secured against both the fee and leasehold interests in the Property. The ground lease term must exceed any CalHFA subsidy or permanent loan term(s) by 10 years or more. The term of the ground lease must be equal to or longer than the term of the CalHFA Regulatory Agreement(s).

## Construction First Lien Loan

Must be provided by a CalHFA Mixed-Income Qualified Construction Lender. All parties shall permit the Agency to 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 (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

- MIP cannot be combined with the CTCAC 9% program.
- MIP cannot be combined with other state subordinate debt and/or subsidy programs (this does not include state tax credits) except the Infill Infrastructure Grant (IIG), Affordable Housing and Sustainable Communities (AHSC) and Transit Oriented Development (TOD) housing programs. Inclusion of these programs is contingent upon restrictions that are compatible with the MIP program requirements outlined herein.
- Inclusion of other debt and subsidy may be considered on a case-by-case basis in CalHFA's sole discretion so long as any restrictions of subordinate debt or subsidy are compatible with MIP program requirements outlined herein.
- Projects that have a below market rate component resulting from 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 subsidy resources. Match can be obtained through a monetary match or equivalent in-kind contributions (e.g., land donation, land use fee concessions.)
- At the time of MIP application, 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.
- 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 and CalHFA requires a minimum of 10% of the unit types must be at 50% or less of AMI (i.e., 30%@60% AMI; 10%@50% AMI).

**Mixed Income Regulatory Agreement Requirements (All Projects)**

To qualify, a project must meet the following affordability restrictions, which are based on the HUD and locality (as applicable) income and rent limits which are current at the time of MIP application, for a term of 55 years:

- 20% of total units at or below 50% of AMI; and
- 10% of total units between 60% and 80% of AMI with an average of 70% of AMI or greater, subject to the Maximum Allowable Rents outlined below; and
- Remaining units at or below 120% of AMI (with the exception of any non-restricted manager's unit(s)) OR at the affordability restrictions consistent with CTCAC requirements; and
- The minimum range between the lowest and highest occupancy target levels must be at least 40%.

(Deviations from the above requirements will only be considered if a current market study and/or appraisal report(s) support such deviations.)

The maximum average affordability is up to 60% of AMI across all CTCAC restricted units.

**Maximum Allowable Rents**

Rents for all restricted units must be underwritten at the lesser of either:

1. The CTCAC or locality maximum rents (whichever is applicable) based on the target occupancy; or
2. 10% below market rents, as evidenced by a current market study and/or appraisal, for the MIP affordability term.

This threshold will be analyzed at time of application and again at CalHFA's final commitment approval and may be monitored on an ongoing basis for the MIP affordability term. The report shall be current within 90 days of Agency's final commitment and may be subject to a new or updated report if the appraisal was completed more than 90 days prior to construction and/or permanent loan closing, in the Agency's sole discretion.

Any units restricted by the Agency pursuant to this program, including those units restricted in addition to the minimum requirements set forth above, shall be rented at rents not to exceed 30% of the applicable income restriction (target occupancy) required in the Agency's Regulatory Agreement.

## Mixed-Income Subordinate Loan Rates & Terms

- **Interest Rate:** 3% simple interest. A higher simple interest rate may be used at time of MIP closing in the event the true debt test is at risk for tax credit purposes.
- **Loan Term:** The MIP Loan term shall be coterminous with the CalHFA permanent first lien loan and is due upon prepayment of the CalHFA permanent first lien loan.
- **Lien Position:** MIP Loan shall be in second lien position, after the CalHFA permanent first lien loan.
- **Loan Payment:** "Surplus cash" is determined as net operating income minus total debt service and other Agency approved payments. Surplus cash distributions shall permit 50% to Borrower and 50% shall be paid pro rata as "Residual Receipts" between CalHFA and other governmental residual receipt lenders. Payments shall be applied to the current and/or accrued interest and then principal of the MIP Loan.
- **Affordability Term:** 55 years.
- **Prepayment:** The MIP Loan may be prepaid at any time without penalty.
- **Funded:** Only at permanent loan conversion.

## CalHFA Conduit Issuer & Bond Recycling Programs *(subject to change)*

For more information on conduit issuer and bond recycling rates and terms, refer to CalHFA's Conduit Issuer Program and Bond Recycling Program term sheets.

## CalHFA Permanent First Lien Rates & Terms *(subject to change)*

For more information on permanent first lien rates and terms, refer to CalHFA's Tax-Exempt Permanent Loan Program Term Sheet.

## 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 Issuer Program Fees:** Refer to CalHFA Conduit Issuer Program Term Sheet.
- **CDLAC Fees:** Refer to CDLAC regulations for all applicable fees.
- **Other Fees:** Refer to CalHFA Tax-Exempt Permanent Loan Program term sheet for first mortgage loan fees, credit enhancements, trustee fees, legal fees, inspection fees, administrative fees. ■

# Multifamily First-Lien Loans

# Tax-Exempt Permanent Loan Program

CalHFA's (the "Agency") Tax-Exempt Permanent Loan Program ("Perm Loan") provides 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").

## Loan Amount

- Minimum Perm Loan amount of $5,000,000.
- Minimum 1.15x initial debt service coverage ratio (DSCR) (including any financing with amortizing debt). If a Project includes an Agency subsidy loan, the maximum DSCR at Year 1 shall not exceed 1.20x, unless approved by Agency in its sole discretion. Agency underwriting, prior to both the construction and permanent loan closings, must show an on-going minimum DSCR of 1.15x through the term of the CalHFA permanent, first-lien loan. CalHFA may, in its sole discretion, require that the initial DSCR be higher than 1.15x as deemed necessary to mitigate risk and to meet the Agency's underwriting requirements.
- Limited to the lesser of 90% of the Project's current restricted appraised value or 100% of total Project development costs. For Perm Loans that will finance a cash equity payment to the Borrower, the Perm Loan amount will be restricted to no more than 80% of the Project's then current restricted appraised value.

## Qualifications

- Available to for-profit, nonprofit, and public agency sponsors.
- Tax-exempt bond authority must be obtained from the California Debt Limit Allocation Committee (CDLAC) for tax-exempt bonds not subject to a 501(c)(3) exemption or issued using recycled volume cap.
- The Perm Loan may be used with or without 4% Low-Income Housing Tax Credits.
- If CalHFA is providing a Perm Loan, then the Agency must be used as the bond issuer (for more information, review the **CalHFA Conduit Issuer Program Term Sheet**).
- For Section 8 Projects, a final Perm Loan commitment will be conditioned upon review and acceptance by CalHFA of the HAP or AHAP contract.
- The Perm Loan will be credit-enhanced by the HUD/FHA Risk Sharing Program.
- For existing CalHFA portfolio loans, the current owner is required to pay off all outstanding CalHFA debt. Please refer to the CalHFA website for the **CalHFA Portfolio Loan Prepayment Policy**.


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# Tax-Exempt Permanent Loan Program

## Fees *(subject to change)*

**Application Fee:** $10,000 non-refundable, due at time of application submittal, and credited toward the CalHFA Perm Loan Funding Fee at Perm Loan closing. The applicant may be subject to a new Application Fee if the CalHFA commitment expires prior to construction loan closing.

**Perm Loan Funding Fee:** 1.50% of the greater of the Perm Loan amount indicated in the Final Commitment or the actual Perm Loan amount at Perm Loan closing. 50% of the fee is due at Final Commitment, with the balance, including any fee increase related to an increase in the actual Perm Loan amount, due at the time of approval of loan increase.

**Credit Enhancement Fee:** included in the interest rate.

**Annual Monitoring Fee:** $7,500 annually (not to be duplicated if used in conjunction with CalHFA's *Conduit Issuer Program*).

**Inspection fees** are estimated at $500 per month for the term of the construction Perm Loan Funding Fee.

**Letter of Interest Fee:** $5,000 at LOI request, and credited toward the CalHFA Perm Loan Funding Fee.

*See CalHFA standard* Conduit Issuer Program Term Sheet *for information on conduit issuance fees.*

## 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 17-Year Balloon:** 2.60% to 3.750%
- **Estimated CalHFA Spread 30-Year Balloon:** 2.30% to 3.50%
- **Estimated CalHFA Spread Fully Amortizing Loans:** 2.20% to 3.65%

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 three years, unless CalHFA grants extensions as outlined below, in its sole discretion.

### Amortization/Term:

- **Amortization:** Up to 40-year Amortization
- **Term:** Fully Amortizing, and 17- or 30-Year Balloons available.[1]
- **Perm Loan Increase or Decrease Requirements:** Any increase or decrease in the committed Perm Loan amount must be approved by the Agency and shall include the payment of a fee to be determined at the time of Perm Loan modification approval.

- Up to two, three-month extension(s) permitted upon payment of a fee equal to 0.25% of the Perm Loan amount plus possible additional financial cost related to the extension for each three-month extension. An extension of the Rate Lock prior to construction closing shall not affect the availability of these two optional extensions. Approval of any extension of the Rate Lock related to construction closing shall be in the Agency's sole discretion.
- **Breakage Fee** *(if applicable)***:** Due between construction loan closing and Perm Loan closing and calculated based on hedge termination cost.

[1] *Balloon loans and terms are subject to approval by the Agency and will not be provided unless such financing is supported by Agency's underwriting and exit analysis.*

## Loan Closing Requirements

- 90% stabilized rental housing occupancy for 90 days as evidenced by rent rolls.
- DSCR of at least 1.15x as underwritten at the time of Perm Loan closing.
- 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 or commercial occupancy as evidenced by executed leases or guarantees, if applicable.
- Deposit Account Control Agreement between CalHFA, the Borrower and lending institution holding the Development Account is in form and substance acceptable to all parties and ready to be executed at Perm Loan closing.
- The project equity out may be held back until the completion of any necessary rehabilitation, if applicable.
- All closing requirements outlined on the Agency's Final Commitment Letter and document checklist, as applicable.

## Prepayment

The Perm Loan may be prepaid at par after 15 years of the Perm Loan period. Additionally, the Perm Loan may be prepaid after 10 years of the Perm Loan period subject to a yield maintenance calculation equal to the *Current Fannie Mae Prepayment Premium (Standard Yield Maintenance – Fixed Rate)* at the time of Final Commitment, which can be found at:

multifamily.fanniemae.com/media/5646/display

The Perm Loan may not be prepaid prior to 10 full years of the Perm Loan period.

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 Loan) and be subordinate to CalHFA financing. Any exception

# Tax-Exempt Permanent Loan Program



to this policy, including joint priority (pari passu) will require prior approval from the Agency and/or the CalHFA Board of Directors (if applicable). A Lien Priority/Position Estoppel from any subordinate lenders in form and substance acceptable to CalHFA will be required prior to construction financing closing, if applicable.

## Ground Lease

Any Project application that contemplates a ground lease must accommodate CalHFA's requirement that the Perm Loan shall be secured against both the fee and leasehold interests in the property. The ground lease term must exceed any CalHFA subsidy or permanent loan term(s) by 10 years or more. The term of the ground lease must be equal to or longer than the term of the CalHFA Regulatory Agreement(s).

## 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 (i.e., 30% @ 60% AMI; 10% @ 50% AMI).

Any units restricted by the Agency pursuant to this program, including those units restricted in addition to the minimum requirements set forth above, shall be rented at rents up to 30% of the applicable income restriction using the occupancy assumptions required in the Agency's Regulatory Agreement. Rents for all restricted units must be at least 10% below market rents as evidenced by current market study or an appraisal.

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 with appropriate reliance provided to CalHFA may be acceptable).
- **HUD-2530 previous participation clearance.**

- **Construction Costs Review** for new construction projects (other construction lender's review is acceptable with appropriate reliance, if required by the Agency, in its discretion).
- **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). A RRNA for a longer time period may be required if the Perm Loan term is greater than 20 years.
- **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). The Purpose section of Phase I must state "a purpose of the Phase I is to document compliance with HUD policy pursuant to 24 CFR §58.5(i)(2) or §50.3(i)".
- **Market Study*** with scope of study and vendor 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 completed 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. An exception is the appraisal report, which must be completed within 90 days prior to Final Commitment and may be subject to a new or updated report if the appraisal was completed more than 90 days prior to construction and/or Perm Loan closing, in the Agency'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, the OER 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 less than the CalHFA Perm Loan term.
- Other reserves as required (at CalHFA's discretion).

**Multifamily Housing Bonds**

# Conduit Issuer Program

*Term sheet effective for applications submitted after January 1, 2023*

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 the CalHFA website for the CalHFA Portfolio Loan Prepayment Policy.

## Bond Amount

Bond amounts are determined by the loan amount of the lender.

## Fees *(subject to change)*

**Application Fee:** $5,000 non-refundable, due at time of application is submitted (to cover the cost of the TEFRA required for tax-exempt issuances) and credited toward the CalHFA Issuer Fee.

**Issuer Fee:**

1. The greater of $15,000 or 18.75 basis points (BPs) of the Bond amount if lesser than or equal to $20 million.
2. If more than $20 million: $37,500 + 5 BPs for the amount above $20 million.
3. Supplemental bonds issued after the initial Bond closing will be assessed an additional issuer fee which will be calculated for the supplemental bond issuance amount under the applicable fee structure above.

**Annual Monitoring 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 Monitoring Fee shall be $4,000 through both the Qualified Project Period and the CDLAC compliance period.

For taxable only issuances, annual monitoring fees above will be charged based on the taxable bond financed loan(s) for the term of the CalHFA affordability restrictions.

For supplemental bonds issued after the initial Bond closing, the monitoring fee will be prorated from the date of the supplemental issuance until the due date for the annual monitoring fee for the original Bond issuance. Afterward, the annual monitoring fee will be calculated as described above, based on the total amount of Bonds issued for the project.

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If used in conjunction with a CalHFA permanent loan product, the annual monitoring fee will not be duplicated. Please refer to the applicable permanent loan term sheet for the annual monitoring fee.

**Public Sale & Bond Purchase Agreements:** Additional fee of $5,000 to $10,000 applies when Bonds are sold to the public or when the bond transaction includes a Bond Purchase Agreement (California State Treasurer's Office, Public Finance Division fee).

**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, is due to CalHFA within 20 calendar days after award of CDLAC allocation. 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.

## Occupancy Requirements

- Projects must follow 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 (i.e., 30% @ 60% AMI; 10% @ 50% AMI).
- 501(c)3 bond restrictions require 75% of the total units to be restricted at 80% or less of AMI and either option A or B above, which will be a portion of the 75% of total restricted units.
- Any units restricted by the Agency pursuant to this program, including those units restricted in addition to the minimum requirements set forth above, shall be rented at rents up to 30% of the applicable income restriction using the occupancy assumptions required in the Agency's Regulatory Agreement. Rents for all restricted units must be at least 10% below market rents as evidenced by a current market study or an appraisal
- 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 later of the federally-required qualified project period, repayment of the Bond-funded loan, redemption of the Bonds, the full term of the CDLAC Resolution requirements or 55 years.