CalHFA MULTIFAMILY PROGRAMS DIVISION

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

Senior Loan Committee "Approval": November 8, 2022 for Board Meeting on: November 17, 2022

Project Name, County:	**Mainline North Apartments, Santa Clara County**	
Address:	**2310 Calle Del Mundo, Santa Clara, 95054**	
Type of Project:	**New Construction**	
CalHFA Project Number:	22-010-A/X/N	**Total Units: 151/Family**
Requested Financing by Loan Program:	$36,000,000	**CalHFA Tax-Exempt Bond – Conduit Issuance Amount (Allocated by CDLAC on 6/15/22)**
	$2,600,000	**CalHFA Tax-Exempt Bond (Supplemental)- Conduit Issuance Amount (Allocated by CDLAC on 9/7/22)**
	$3,900,000	**CalHFA Tax-Exempt Bond (Supplemental)- Conduit Issuance Amount (Estimated CDLAC approval on 11/30/2022)**
	Up to $22,000,000	**CalHFA Taxable Bond – Conduit Issuance Amount (which may include recycled bonds) (includes 10% cushion)**
	$23,950,000	**CalHFA Tax-Exempt or FFB Permanent Loan with HUD Risk Sharing**
	$7,025,000	**CalHFA MIP Subsidy Loan ($3,000,000 Original Allocation and $4,025,000 Supplemental Allocation)**

DEVELOPMENT/PROJECT TEAM

Developer:	USA Multi-Family Development, Inc. ("USA")	**Borrower:**	Mainline North 701, L.P. ("Borrower")
Permanent Lender:	CalHFA	**Construction Lender:**	Bank of America
Equity Investor:	Bank of America	**Management Company:**	USA Management, Inc.
Contractor:	USA Multifamily Construction Management, Inc.	**Architect**	AO Architects
Loan Officer:	Kevin Brown	**Loan Specialist:**	N/A
Asset Manager:	Jessica Doan	**Loan Administration:**	Julissa Garcia
Legal (Internal):	Amara Harrell (KTMG)	**Legal (External):**	Orrick, Herrington, Sutcliffe
Concept Meeting Date:	6/8/2022	**Approval Expiration Date:**	180 days from Approval

LOAN TERMS

1.		**CONDUIT ISSUANCE/ BANK OF AMERICA CONSTRUCTION LOAN**	**CalHFA PERMANENT LOAN**	**CalHFA MIP SUBSIDY LOAN AND SUPPLEMENTAL MIP LOAN**

	Total Loan Amount	$42,500,000 (tax-exempt) $19,200,000 (taxable) (which may include recycled bonds)	$23,950,000	Original MIP: $3,000,000 Supplemental MIP: $4,025,000 Total CalHFA MIP Subsidy Loan: $7,025,000 ($46,833/restricted unit)
	Loan Term & Lien Position	36 months- interest only; 1st Lien Position during construction. One 6-month extension available.	40 year –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	Underwritten at 6.15% variable rate for both tax-exempt and taxable portions.	Underwritten Rate: 6.56% (Fixed Rate locked) Estimated rate based on a 36 month forward commitment.	Greater of 1% Simple Interest or the Applicable Federal Rate (AFR) at time of MIP closing (3% Simple was used for underwriting purposes)
	Loan to Value (LTV)	59%	42%	N/A
	Loan to Cost	74%	27%	N/A

** The Agency has determined that the Indicative Rate of 6.56% is the fixed rate that shall be locked upon Borrower's request as set forth in the Indicative Rate Lock Agreement.*

PROJECT SUMMARY

2.	**Legislative Districts**	**Congress:**	#17 Ro Khanna	**Assembly:**	#25 Alex Lee	**State Senate:**	#10 Bob Wieckowski

	Brief Project Description	**Mainline North Apartments** (the "Project") is a new construction family, mixed income Project, consisting of 1 elevator served 8 story residential building. There will be 151 total units, 150 of which will be restricted between 30% and 70% of the Santa Clara County Area Median Income (AMI). There will be 90 studio units (371 s.f) 34 one-bedroom units (537 s.f.), 24 two-bedroom units (865 s.f.), and 3 three-bedroom units (1,095 s.f.). One two-bedroom unit will serve as the manager's unit. The project will be managed by USA Multifamily Management, Inc. Life Skills Training and Educational Programs, Inc. (LifeSTEPS) will provide supportive services for the tenant population to meet CTCAC requirements for a term of 15 years which include adult education, health, skill building classes as well as health and wellness services and programs. There is currently an industrial complex on the site that will be demolished prior to construction. The existing business has been relocated and the developer has budgeted $406,830 for relocation costs. The BofA construction loan and CalHFA's permanent and MIP subsidy loans will all be subject to leasehold lien positions. The deal is structured so that the current USA related entity which owns the land will sell the property at closing to a non-profit entity named Life Span Homes, Inc. (related entity to LifeSTEPS). Life Span Homes, Inc.* ("Life Span") will then lease the land back to the Borrower. This structure is beneficial in that the Borrower does not have to take the land value/purchase price into consideration for the 50% test which lowers their need for new tax-exempt bonds and makes them more competitive. USA has a strong working relationship with Life Span which facilitated their partnership on the land lease transaction.

The project is within the Tasman East Specific Plan Area ("Plan Area") in the City of Santa Clara. Multiple developers own parcels in the Plan Area and each is subject to specific inclusionary zoning requirements. Two of the developers with holdings in the Plan Area are ZAEN (Ensemble) and Related. 2302 Calle Del Mundo, LLC sold the subject parcel to a USA related entity, USA BH 26, Inc., in 2020. The development of the Mainline North Apartments will meet a portion of Ensemble's Inclusionary Zoning requirements for their holdings within the Plan Area.

USA has also reached agreement with Related Company ("Related") which will invest in the subject development as a means to meet Inclusionary Zoning requirements tied to their holdings within the Plan Area. Related will contribute a total of $12,425,000 to the Project as follows:

- $6,000,000, will be paid to the City of Santa Clara, and then the City will loan the funds to the Borrower as a subordinate residual receipts loan with a term of 55 years. All payments on the City loan will be deferred until the end of the loan term.
- $6,425,000 will be contributed to Life Span Homes to help fund the land purchase described above.

Ensemble will contribute the balance of the land purchase price totaling $3,227,500 to Life Span. The total land costs funded by contributions from both Ensemble and Related will be $9,652,500. The purchase transaction between USA BH 26 Inc. and Life Span Home, Inc. will occur outside and concurrently with the Project's construction loan.

Ground Lease: The current site owner, USA BH 26, Inc. and Life Span Home Inc. entered into a Purchase and Sale Agreement dated 9/1/2021 which has an outside closing date of 12/31/2022 for an amount of $9,652,500. On 9/1/2021 Life Span entered an Option to Lease with the Borrower. The ground lease payment of $1 will be capitalized at construction closing and will paid to Life Span at closing through a City of Santa Clara subordinate residual receipts loan. There will be no annual ground lease payments. The ground lease will be for an initial term of 99 years. There is no affiliation between Life Span Home Inc. and the Developer.

*Life Span Home, Inc. is a 501(c)3 non-profit organization that was formed in 2008 and is an affiliate of the service provider LifeSTEPS. Life Span Home, Inc. was formed to provide focused, high-quality support related to the promotion of independent living for compromised and disabled children, adults, and seniors by supportive services and to engage in any activities that are reasonably related to further its charitable purposes.

Financing Structure: The Project's financing structure includes tax-exempt bonds to fund a portion of the construction loan in addition to a taxable construction loan. Also included are 4% Federal Tax credit equity, a subordinate City loan (funded by Related's contribution), a Life Span Home, Inc. subordinate loan (funded by inclusionary contributions from Related and Ensemble), and CalHFA permanent and Mixed-Income Program loans. The project will be income averaged, pursuant to TCAC regulations.

Tax Credits and/or CDLAC Status: The project received an allocation of tax-exempt bonds from CDLAC and an award of 4% federal tax credits from TCAC on 6/15/2022 and a supplemental bond allocation from CDLAC on 9/7/2022. A second supplemental bond request will be submitted to CDLAC on November 4, 2022 and is expected to be allocated on November 30, 2022. The supplemental allocation is being requested to add a cushion to the project's 50% aggregate basis requirement (the "50% test") which is currently at approximately 50%. The supplemental allocation will increase this to approximately 52%, which is necessary to accommodate a potential cost increase during construction and to meet investor requirements.

Project Amenities: The Project includes a community room, exercise room, picnic area, computer room, crafts room, and central laundry facilities. Unit amenities will include central heating and air conditioning, dishwashers, and garbage disposals.

Local Resources and Services: For TCAC/CDLAC purposes, the Project is located within a Moderate resource area per TCAC/HCD's 2022 Opportunity Area Map. The Project is in close proximity to the following local amenities and services:

- Grocery stores – 1.5 miles
- Schools – 0.6 miles
- Public Library – 1.7 miles
- Public transit – 0.3 miles
- Retail – 1.6 miles
- Park and recreation – 0.5 miles
- Hospitals - 5 miles

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

Commercial Space: The Project includes approximately 5,000 sq. ft. of commercial space, which is required pursuant to the City's Affordable Housing Agreement. At permanent loan closing, the space will be separated into a condominium and sold to 2302 Calle Del Mundo, LLC*. The sale proceeds are shown as a funding source at permanent conversion. The commercial space will not be included in the ground lease structure after permanent loan closing. The Commercial Space Purchase and Sale Agreement dated December 18, 2020, is for the purchase amount of $1,800,000. This agreement does not have an expiration date. The net operating revenue from the commercial space is not contemplated in the proposed operating budget. The use of the commercial space is currently undetermined. The CC&Rs related to the Plan Area define industry standard prohibited uses of the commercial space.

*2302 Calle Del Mundo, LLC was the original land-owner, prior to the site being transferred to USA BH 26, Inc.

MISSION

3.	**CalHFA Mission/Goals**	
This Project and financing proposal provide 150 units of affordable housing with a range of restricted rents between 30% of AMI and 70% of AMI which will support much needed rental housing that will remain affordable for 55 years.		

ANTICIPATED PROJECT MILESTONES & SCHEDULE

4.	*CDLAC/TCAC Closing Deadline:	3/12/2023	Est. Construction Loan Closing:	12/2022
	Estimated Construction Start:	12/2022	Est. Construction Completion:	4/2025
	Estimated Conversion to Perm Loan(s):		12/2025	

** On September 28, 2022 CDLAC approved a 90-day extension to the bond issuance deadline from 12/12/22 to 3/12/2023 for all projects that received bond allocation on June 15, 2022.*

SOURCES OF FUNDS

5.

Construction Sources and Uses				
Sources	**Amount**	**Details (Lien Position/Rate/Debt Type)**	**Uses**	**Amount**
Bank of America- Conduit- Tax Exempt	$42,500,000	1st/6.40%/Interest Only	Total Acquisition costs	$1,565,673
Bank of America- Conduit- Taxable	$19,200,000	2nd/6.40%/Interest Only	Construction/Rehab Costs	$51,019,865
City of Santa Clara	$6,000,000	3rd/1.00%/Deferred	Soft Costs	$3,902,920
Life Span Home-Related/Ensemble Loan	$1,695,645	4th/0.00%/Deferred	Hard Cost contingency	$2,488,289
-	$0	N/A	Soft Cost contingency	$758,341
Deferred Developer Fee and Other Deferred Costs	$9,675,818	N/A	Financing Costs	$5,237,475
Developer Equity Contribution	$1,150,000	N/A	Local Impact Fees	$4,585,636
Investor Equity Contribution	$2,834,347		Developer Fees	$10,207,988
			Other Costs	$3,289,623
TOTAL	**$83,055,810**			**$83,055,810**
TOTAL PER UNIT	**$550,038**			

Permanent Sources and Uses				
Sources:	**Amount**	**Details (Lien Position/Rate/Debt Type)**	**Uses**	**Amount**
CalHFA Perm Loan	$23,950,000	1st/6.56%/40 yr amortization due in 17 yr	Total Loan Payoffs and Equity	$72,847,812
CalHFA MIP Loan	$3,000,000	2nd/3.00%/Residual Receipts	Financing costs	$3,769,506
CalHFA Supplemental MIP Loan allocation **	$4,025,000	2nd/3.00%/Residual Receipts	Soft costs	$721,532
City of Santa Clara	$6,000,000	3rd/1.00%/Residual Receipts	Operating Reserves	$680,981
Life Span Home-Related/Ensemble Loan	$1,695,645	4th/1.00%/Residual Receipts	Developer Fees	$10,207,998
USA Multifamily Development Note	$6,530,000	5th/0%/Payable from Cashflow		
Sale of Commercial Space	$1,800,000	N/A		
NOI (pre-conversion)	$1,831,188	N/A		
Developer Equity Contribution	$1,150,000	N/A		
Investor Equity Contribution	$38,245,996	N/A		
TOTAL	**$88,227,829**			**$88,227,829**
TOTAL PER UNIT	**$584,290**			

* The estimated NOI During Construction is based on an 8-month lease-up period prior to conversion.

** Repayment of the CalHFA Supplemental MIP allocation shall have priority over the Original MIP Loan allocation in accounting for the repayment of the MIP Loan.

Gap Funding Explanation and request for supplemental MIP subsidy loan funding: The Sources of Funds chart shown above includes more detailed information related to each financing and/or equity sources and uses during the construction and permanent periods of development.

At the time of CalHFA's initial commitment (March of 2022), the developer estimated total development cost (TDC) of $72,194,393 ($478,108/unit). CalHFA issued an initial commitment based on these initial costs estimates for the developer to use to apply to CDLAC for tax exempt bond cap and to CTCAC for federal tax credits. On June 15, 2022, the Borrower received the related allocations from CDLAC and CTCAC. Since then, the total development budget has increased to $88,227,829 ($584,290/unit) due to the increase in construction costs and financing costs related to market volatility.

On the sources side, there were cost adjustments related predominantly to 1) a reduction of CalHFA perm loan to $23,250,000; 2) addition of Life Span Home subsidy loan of $1,695,645 with 0% interest with payments deferred until maturity in year 55; 3) a $435,708 increase to the net operating income during construction; 4) $6,882,083 in tax credit equity; 5) addition of $6,530,000 Deferred Developer Fee Note; 6) addition of $1,150,000 Developer Equity Contribution. On the Uses side, cost adjustments were related to; 1) an increase to construction hard costs of $6,797,524; 2) a reduction to capitalized lease payment of $877,424; 3) an increase to financing costs during construction of $186,236; 4) an increase to permanent loan and other financing costs of $3,900,343 (including construction loan interest prior to perm conversion); 5) a reduction of impact fees of $1,001,592; 6) an increase of developer fee by $6,707,998; 7) an increase of other soft costs of $320,351. Overall, the deficit in the updated budget is $4,725,000.

The Borrower has requested a $4,025,000 increase to the MIP Subsidy Loan in an effort to offset cost increases and loan reductions outlined above and below. The summary of changes in sources and uses between initial commitment vs. current proposed are outlined below:

Summary of changes in Sources/Uses since the Initial Commitment approval				
SOURCES - Major Changes Description	**Initial Commitment Amount $**	**Current Proposed Amount $**	**Increase/ Reduction $**	**% Adjustment of IC Amount**
1 - CalHFA Perm Loan (prior to removal of 25 bps cushion)	$28,635,000	$23,250,000	-$5,385,000	-18.81%
2 – CalHFA MIP Loan (initial approval)	$3,000,000	$3,000,000	$0	0.00%
3- City of Santa Clara	$6,000,000	$6,000,000	$0	0.00%
4 – Life Span Home, Inc. – Related/ Ensemble Loan	$0	$1,695,645	$1,695,645	100.00%
5- NOI (pre-construction)	$1,395,480	$1,831,188	$435,708	31.22%
6 - Sale of Commercial Space	$1,800,000	$1,800,000	$0	0.00%
7 – USA Multifamily Development Note	$0	$6,530,000	$6,530,000	100.00%
8 - Developer Equity Contribution	$0	$1,150,000	$1,150,000	100.00%
9- Investor Equity Contribution	$31,363,913	$38,245,996	$6,882,083	21.94%
Total Changes in Sources (A)	**$72,194,393**	**$83,502,829**	**$11,308,436**	**15.66%**

USES - Major Cost Changes Description	**Initial Commitment Amount $**	**Current Proposed Amount $**	**Increase/ Reduction $**	**% Adjustment of IC Amount**
1 - Construction cost	$44,222,341	$51,019,865	$6,797,524	15.37%
2- Capitalized Lease Payment	$877,425	$1	-$877,424	-100.00%
3- Impact Fees	$5,625,120	$4,623,528	-1,001,592	-17.81%

4- Const Loan Period & Other Financing Costs	$4,901,239	$5,087,475	$186,236	3.80%
5- Permanent Loan & Other Financing Costs (including construction loan interest prior to perm conversion)	$723,185	$4,623,528	$3,900,343	539.33%
6- Developer Fees & Costs	$3,500,000	$10,207,998	$6,707,998	191.66%
7- Other Soft Costs	$12,345,083	$12,665,434	$320,351	2.59%
Total Changes in Uses (B)	**$72,194,393**	**$88,227,829**	**$16,033,436**	**22.21%**
	Current Funding Gap (A-B)	**-$4,725,000**		
Gap Funding Sources:				
Increase in CalHFA Perm loan (at rate locked rate):		**$700,000**		
Supplemental MIP Request:		**$4,025,000**		
Gap Funding Sources Total:		**$4,725,000**		
Remaining Funding Gap:		**$0**		

Hard Cost/Soft Cost changes: The developer is a vertically integrated organization and owns the general contractor entity, USA Construction Management, Inc. (USACM). To mitigate market disruptions, the Borrower met with their design team and general contractor to evaluate the original construction hard cost budget. As a result, they were required to increase the construction costs by $6,797,524. As reflected on the above chart, the Borrower reduced lease payment costs and impact fees. However, there was a general increase to all other costs.

Deferred Developer Fee: The original budget included a $3,500,000 developer fee and did not include a deferred developer fee (DDF). To increase eligible basis and help cover a portion of the funding gap with tax credit equity, the Developer has increased the developer fee by $6,707,998 to $10,207,998, added a deferred developer fee note in the amount of $6,530,000, and added a developer equity contribution of $1,150,000. The resulting cash developer fee at closing has reduced by $972,002 from initial commitment from $3,500,000 to $2,527,998.

Perm Loan Reduction & Equity Contribution Adjustment: The Tax Credit equity contribution adjustment is anticipated to increase by approximately $6,882,083 resulting primarily from increase in eligible costs. During final underwriting, the CalHFA permanent loan of $28,635,000 was reduced by $5,385,000 to $23,250,000. This was attributed to increases in perm loan financing costs related to macroeconomic factors, such as inflation. To assist the Borrower with maximizing the perm loan amount, CalHFA is allowing the removal of the 25 bps underwriting cushion and granting a rate lock at time of final commitment. This resulted in a permanent loan increase of $700,000 to $23,950,000, which reduced the overall funding gap to $4,025,000 as shown above.

The estimated funding gap after exhausting all resources available to the project totals approximately $4,025,000. The Borrower has requested an increase to the MIP Subsidy Loan of $4,025,000. Pursuant to the TCAC/CDLAC requirements this project must begin construction by March 2023. A $4,025,000 increase in the MIP supplemental subsidy ($26,833/restricted unit) results in an overall MIP Regulated Unit amount of $46,833 per restricted unit.

Subsidy Efficiency: The Initial MIP commitment for this Project was $3,000,000 ($20,000 per MIP restricted units). The current proposed MIP commitment is $7,025,000 ($46,833 per MIP restricted units) including the requested Supplemental MIP funding.

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

- 4% Federal Tax Credits: $34,277,500 ($228,516 per TCAC restricted unit).

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

Other State Subsidies: The Project will not be funded by other state funds.

	Other Locality Subsidies: The Project will be funded with $6,000,000 from the City of Santa Clara from funds contributed by Related to meet inclusionary zoning requirements. **High-Cost Explanation:** Not applicable.
6.	Equity – Cash Out (estimate): N/A

TRANSACTION OVERVIEW

7. Proposal and Project Strengths

- The Project received 4% tax credits which is projected to generate equity representing approximately 43% of total financing sources.
- The developer/sponsor has extensive experience in developing similar affordable housing projects and have experience with CalHFA.
- The Project will serve low-income families ranging between 30% to 70% of AMI. On average, the rents are between 27% to 68% below market rents based on current appraisal.
- The locality has invested in the success of the Project as demonstrated by providing a subordinate residual receipts loan.
- The projected portion of the developer's fee that will be collected at or prior to permanent loan conversion is $2,527,998, which could be available to cover cost overruns and/or unforeseen issues during construction.

8. Project Weaknesses with Mitigants:

- The Project budget indicates a deficit of approximately $4,025,000. The Borrower has requested a $4,025,000 increase to the initially committed MIP subsidy loan to facilitate the progression of this shovel ready project to construction. Refer to section 5 for detailed project gap analysis.
- The exit analysis assumes 2% increase to the appraisal cap rate (resulting in 6.00%) and a 3% increase of the underwriting interest rate at loan maturity (resulting in 9.56%). Based on these assumptions, the Project will have the ability to fully repay the balance of the Agency's permanent first lien loan and a portion of the Supplemental MIP loan allocation in the estimated amount of $1,752,080, leaving an amount of $3,814,203 of the Supplemental MIP allocation (including principal and accrued interest) plus the full amount of the original MIP loan in the estimated amount of $4,149,054 (principal and accrued interest), the total estimated amount of the MIP Loan at refinance is $7,963,257. This is expected by CalHFA given the requirement that the MIP loan be co-terminus with the permanent first mortgage. The primary source of repayment for both the first mortgage and the MIP subsidy loan is refinance of the project's first mortgage. To the extent such a refinance is insufficient to fully repay the MIP loan, it is contemplated that any remaining balance will be paid from a general partner contribution as part of the final close out of partnership obligations to allow re-syndication.

9. Underwriting Standards or Term Sheet Variations

The 2022 MIP term sheet states that for underwriting purposes, CTCAC and locality maximum rents for the respective target income limits must be used. However, at the advice of property management staff based on the higher capture rate (~12.2%) per the market study, the developer is electing to charge $179 per unit per month lower than the TCAC maximum rents for the 49 Studio units restricted at 70% AMI, which is necessary to ensure successful and timely lease-up of the studio units (371 sq. ft.).

10. Project Specific Conditions of Approval

Approval is conditioned upon:

- Subject to a receipt and CalHFA approval of a ground lease agreement between Life Span Home, Inc., and Mainline North 701, L.P. prior to construction loan closing. Ground lease must have a minimum term of 55 years.
- Final subdivision/condo structure for the commercial space will be subject to Agency's approval.

- The CalHFA subsidy (including the supplemental MIP subsidy loan) 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.
- Supplemental MIP loan must be repaid at maturity. Outstanding Supplemental MIP loan funds will have first repayment priority whether the source of repayment is cash flow during the term of the loan or repayment via refinance, partner contribution, or other source at loan maturity.
- If applicable, receipt of a Lien Priority/Position Estoppel and subordination agreements in form and substance acceptable by CalHFA from all local (city and county) lenders.
- If applicable, funds from the CalHFA permanent loan and/or the subsidy loan shall not be used to fund or offset any portion of the commercial construction costs or 7 parking spaces reserved for commercial tenants, except to the extent such costs are attributable to improvements for the exclusive use by the tenants of the Project.
- The commercial structure, use (commercial tenant type), cost of improvements and sale of the commercial space are subject to locality, CalHFA, investor, TCAC/CDLAC and IRS requirements, if appliable. The sale of the commercial structure must occur at or prior to permanent loan closing.
- Prior to construction loan closing, CalHFA approval of any easements and/or shared use agreements related to the commercial space.
- If applicable, funds from the CalHFA permanent loan and/or the subsidy loan shall not be used to fund or offset any portion of the offsite improvement costs.
- Receipt of Seismic Probable Maximum Loss (PML) assessment and/or other documentation, if deemed necessary, acceptable to CalHFA.
- The Borrower has requested 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. 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 residual receipt structure must be approved by all soft debt lenders.
- Any default as to any loan by the Agency for the Development shall constitute a default under any other loan by the Agency for the Development.
- In the event of cost savings at permanent loan conversion, 100% of cost savings will be used to reduce the supplemental portion of the MIP loan amount first (may be shared with other residual receipt lenders on a pro rata basis, if applicable). Once the supplemental portion of the MIP loan amount is fully reduced, the remaining cost savings will be split 50% between reducing the original MIP loan amount (may be shared with other residual receipt lenders on a pro rata basis, if applicable) and reducing the Deferred Developer Fee.

11. Staff Conclusion/Recommendation:

The Multifamily Lending Division supports approval of the described financing in the amount(s) requested, subject to the above proposed terms and conditions. As noted earlier, the supplemental MIP subsidy loan of $4,025,000 was not part of the Initial Commitment approved by the SLC, and hence approval is being sought for this financing through the subject Final Commitment Approval.

AFFORDABILITY

12. CalHFA Affordability (Occupancy and Rent) Restrictions

The CalHFA permanent Financing regulatory agreement will restrict a minimum of 30% of the total units (46 units) at or below 60% AMI and an additional 10% of the total units (16 units) at or below 50% of AMI for 55 year(s).

The CalHFA MIP Subsidy Regulatory Agreement requires 10% of total units (16 units) be restricted at or below 30% of AMI, 20% of the total units (30 units) restricted at or below 50% of AMI, and 10% of total units (16 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 $179 less than the minimum income limit of 70% of AMI (refer to section 9 for more information), not to exceed 80% of AMI. The remaining 88 restricted units (excluding the manager's unit) 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.

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

- The City will restrict 15 units at or below 30% of AMI, 57 units at or below 50% of AMI, 67 units at or below 70% of AMI, and 11 units at or below 120% of AMI for a term of at least 55 years.

Rent Limit Summary Table

AMI	Total	Studio	1-bdrm	2-bdrm	3-bdrm	4-bdrm	% of Total
30%	16	9	4	3	-	-	10.6%
40%	0	-	-	-	-	-	0.0%
50%	58	32	15	8	3	-	38.4%
60%	0	-	-	-	-	-	0.0%
70%	76	49	15	12	-	-	50.3%
80%	0	-	-	-	-	-	0.0%
Manager's Unit	1	-	-	1	-	-	0.7%
Total	151	90	34	24	3	0	100.0%

The average affordability restriction is 58% of AMI based on 150 TCAC-restricted units.

	NUMBER OF UNITS AND PERCENTAGE OF AMI RENTS RESTRICTED BY EACH AGENCY									
Agency	Recordation Priority of Recorded Document	Number of Units Restricted For Each AMI Category							Units	Percentage
		30%	40%	50%	60%	70%	80%	120%	Regulated	Regulated
CalHFA Bond/RiskShare	1st	0	0	16	46	0	0	0	62	41.1%
CalHFA MIP	2nd	16	0	30	0	16	0	88	151	99.3%
City of Santa Clara	3rd	15	0	57	0	67	0	11	150	99.3%
Tax Credit	4th	15	0	60	0	75	0	0	150	99.3%

13. Geocoder Information

Central City:	Yes	Underserved:	No
Low/Mod Census Tract:	Middle	Below Poverty line:	6.57%
Minority Census Tract:	78.64%	Rural Area:	No

FINANCIAL ANALYSIS SUMMARY

14. Capitalized Reserves:

	Replacement Reserves (RR):	N/A
	Operating Expense Reserve (OER):	$680,981* OER amount is size based on 3 months of operating expenses, first lien debt service, and annual replacement reserves deposits. The investor 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. *A minimum of 3 to 6 months operating expense, reserves, and debt service ("OER") is required to 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 provided 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.
	Transitional Operating Reserve (TOR):	N/A

15.	**Cash Flow Analysis**			
	1st Year DSCR:	1.15	**Project-Based Subsidy Term:**	N/A
	End Year DSCR:	1.60	**Annual Replacement Reserve Per Unit:**	$300/unit
	Residential Vacancy Rate: **Subsidy Vacancy Rate:**	5% N/A	**Rental Income Inflation Rate:** **Subsidy Income Inflation Rate:**	2.50% N/A
	Non-residential Vacancy Rate:	N/A	**Project Expenses Inflation Rate:** **Property Tax Inflation Rate:**	3.50% 1.25%

At the advice of property management staff based on the higher capture rate (~12.2%) of the market study, the developer is proposing to charge $179 per unit per month lower than the TCAC maximum rents for the 49 Studio units (371 s.f.) restricted at 70% AMI in order to mitigate potential lease-up issues of these studio units.

16. Loan Security

The Agency shall encumber both the fee and leasehold interests in the Development as security for its deeds of trust and regulatory agreements

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

The exit analysis assumes 2% increase to the appraisal cap rate (resulting in 6.00%) and a 3% increase of the underwriting interest rate at loan maturity (resulting in 9.56%). Based on these assumptions, the Project will have the ability to fully repay the balance of the Agency's permanent first lien loan and a portion of the Supplemental MIP loan allocation in the estimated amount of $1,752,080, leaving an amount of $3,814,203 of the Supplemental MIP allocation (including principal and accrued interest) plus the full amount of the original MIP loan in the estimated amount of $4,149,054 (principal and accrued interest), the total estimated amount of the MIP Loan at refinance is $7,963,257. This is expected by CalHFA given the requirement that the MIP loan be co-terminus with the permanent first mortgage. The primary source of repayment for both the first mortgage and the MIP subsidy loan is refinance of the project's first mortgage. To the extent such a refinance is insufficient to fully repay the MIP loan, it is contemplated that any remaining balance will be paid from a general partner contribution as part of the final close out of partnership obligations to allow re-syndication.

APPRAISAL AND MARKET ANALYSIS

18. Appraisal Review **Dated: 10/26/2022**

- The Appraisal dated October 26, 2022, prepared by Burger Valuation Consultants, values the land at $10,390,000.
- The cap rate of 4.00% and projected $2,261,632 of net operating income, which is approximately $312,248 higher than the proposed Project net operating income. This is attributed to the appraiser using the 2022 maximum allowable TCAC rents for the studio units restricted at 70% AMI where the Developer is underwriting these units 9% below TCAC maximums, the appraisal assuming a 3% vacancy rate based on comparable projects where Developer and CalHFA are using 5% vacancy, and the appraisal estimating lower insurance and payroll costs than Developer and CalHFA projections. Considering these deviations, the proposed operating expenses are reasonable based on the appraisal report.
- The as-restricted stabilized value is $56,500,000 which results in the Agency's permanent first lien loan to value of 42%. The combined LTV, including MIP subsidy loan is 55%.

- The absorption rate is 21 units per month. The project is expected to stabilize within 6 months of completion, which is slightly more conservative than the market study.

	Market Study:	Kinetic Valuation Group	**Dated: 3/2/2022**

Regional Market Overview

- The Primary Market Area is the city of Santa Clara (population of 116,468) and the Secondary Market Area (“SMA”) is San Jose-Sunnyvale-Santa Clara (population of 1,990,660).
- The general population in the PMA is anticipated to increase by 1.4% per year.
- Unemployment in the PMA is 2.7%, which evidences a strong employment area.
- Median home value in the PMA is $1,207,447. The median home value in the SMA is $1,710,404. Median home values in the PMA are about 29% lower than in the SMA.

Local Market Area Analysis

- **Supply:**
  - There are currently 23 affordable family project(s) in the PMA and they are 98% occupied with long wait lists.
  - There is no new planned or under construction affordable project(s) identified within the PMA per the market study.
- **Demand/Absorption:**
  - The project will need to capture 4.5% of the total demand for family units in the PMA, however, the capture rate for the studio units is much higher at approximately 12.2%. The affordable units are anticipated to lease up at a rate of 30 units per month and reach stabilized occupancy within 5 months of opening.

DEVELOPMENT SUMMARY

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

- The property is located on the south east side of Calle del Mundo, in the City of Santa Clara, Santa Clara County.
- The site is currently improved with a one-story commercial building and an asphalt parking lot, with level topography at street grade, measuring approximately 0.77 acres and is generally rectangular in shape.
- The site is zoned Transit Neighborhood (TN), with permitted multifamily residential use.
- The subject is located in Flood Zone AE, which means that the site has a one percent annual chance of flood discharge being contained in structures. Therefore, the Project will be required to have flood insurance which is expected to be covered by the Developer’s master flood insurance policy and will not be an added expense to the operating budget.
- The site consists of an existing commercial structure that is currently occupied. The majority of the structure will be demolished but a portion of the structure will be redeveloped to house one of the existing tenants.

20. Form of Site Control & Expiration Date

On 12/21/2020, USA BH 26, Inc. (a wholly owned entity of USA Properties Fund, Inc. and is the project’s developer) acquired the property from 2302 Calle Del Mundo, LLC in the last arms-length transaction for a purchase price of $9.652M financed in part with a loan from Google Endeavor LLC in the amount of $8.661M and cash from USA BH 26, Inc.

The current site owner, USA BH 26, Inc. and Life Span Home Inc., entered into a Purchase and Sale Agreement dated 9/1/2021 which has an outside closing date of 12/31/2022 for an amount of $9,652,500. On 9/1/2021 Life Span Home, Inc. entered into an Option to Lease with the Project owner, Mainline North 701, L.P. The purchase transaction between USA BH 26 Inc. and Life Span Home, Inc. will occur outside and concurrently with the Project’s construction loan closing and will be funded by contributions from Ensemble and Related. The ground lease payment of $1 will be capitalized at construction closing and will be paid to Life Span Home, Inc. at construction closing through a City of Santa Clara subordinate residual receipts loan. There will be no annual ground lease payments.

At permanent loan closing, the commercial space will be conduminiumized and sold back to 2302 Calle Del Mundo, LLC. 2302 Calle Del Mundo, LLC is not affiliated with the project developer or inclusionary developers.

21.	**Current Ownership Entity of Record**

Title is currently vested in USA BH 26, Inc. as the fee owner.

22.	**Environmental Review Findings**	**Dated: February 8, 2022**

- A Phase I Environmental Site Assessment performed by Roux Associates revealed no evidence of recognized environmental conditions, so no additional investigation was recommended.
- A NEPA review has been initiated and expected to be completed prior to construction loan closing.

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

This new Project will be built to State and City of Santa Clara Building Codes therefore earthquake insurance is not expected to be required. A seismic report is being ordered by the construction lender and will be used to verify the project meets CalHFA requirements for earthquake insurance waiver of Probable Maximum Loss (PML) below 20%.

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

The Project involves demolition of the existing commercial structures and construction of a new retail space of approximately 5,000 sq. ft. The existing tenant on the site has been relocated. The developer has allocated $406,830 for the relocation costs.

PROJECT DETAILS

25.	**Residential Areas:**				
		Residential Square Footage:	75,693	**Residential Units:**	151
		Community Area Sq. Ft:	6,177	**Total Parking Spaces:**	116
		Supportive Service Areas:	N/A	**Total Building Sq. Footage:**	161,107
26.	**Mixed-Use Project:** ☐ **Yes** ☒ **No** The commercial space will be separated into a condominium and sold to 2302 Calle Del Mundo, LLC, at permanent loan closing. The proceeds from this sale are shown as a permanent funding source. The commercial space will not be included in the ground lease structure at permanent loan closing. Commercial income is not included in the project's underwriting. 2302 Calle Del Mundo, LLC was the original land owner, prior to transferring the site to USA BH 26, Inc. Refer to section 20 for more information.				
		Non-Residential Sq. Footage:	5,000	**Number of Lease Spaces:**	N/A
		Master Lease:	☐ **Yes** ☒ **No**	**Number of Parking Spaces:**	7
27.	**Construction Type:**	One five-story wood framed building over a three-story parking podium.			
28.	**Construction/Rehab Scope**	**Requires Demolition:** ☒ **Yes** ☐ **No**			

- The site is currently improved with an operating shopping center that is currently vacant and at the end of its economic life. The development budget includes costs for relocation of the existing commercial tenant, demolition, and retail improvements of the commercial space. The funding sources for the commercial portion are detailed in section 29 below.
- The Contractor is an affiliate of the Borrower entity. The contract will be structured as a Stipulated Sum contract with a 14% (not to exceed) for builder overhead, profit, and general requirements, which aligns with TCAC's allowable limit. TCAC's allowable limit is 14%.
- The locality requires certain offsite improvements that include curbs and gutters, traffic controls, and sanitary sewer and storm system upgrades. The cost of these improvements will not be funded by CalHFA permanent or MIP loans.

29.	**Construction Budget Comments:**

- CalHFA will require an independent review of the costs by a 3rd Party consultant prior to construction loan closing.

- The Developer is currently looking for cost saving design options to reduce construction costs and minimize the amount of deferred developer fee.
- The developer had established cost containment strategies, which are outlined in Section 5 above.
- The costs of the offsite improvements and commercial space will be paid by the funding sources outlined in the chart below:

Uses	Construction	Permanent
Offsite improvements Structure Cost	$677,500	$677,500
Commercial Structure Cost	$3,489,468	$3,489,468
Total Uses	**$4,166,968**	**$4,166,968**
Sources		
Life Span Home Inc. Loan	$1,695,645	$1,695,645
Tax Credit Equity	$2,471,323	$671,323
Commercial Buyer	$0	$1,800,000
Total Sources	**$4,166,968**	**$4,166,968**

ADDITIONAL DEVELOPMENT/ PROJECT TEAM INFORMATION

30. Borrower Affiliated Entities

- Managing General Partner: Riverside Charitable Corporation, a California limited liability company; 0.001% interest
- Administrative General Partner: Mainline North GP 701, LLC, a California corporation; .009% interest
  - Sole Member: USA Properties Fund, Inc., a California corporation, 100% interest
- Investor Limited Partner: WNC & Associates, 99.99% interest

31. Developer/Sponsor

Founded in 1981 and headquartered in Roseville, CA, USA Properties Fund, Inc. (USA) is a vertically integrated, full-service real estate development, investment, and management company. USA Properties is a developer, owner, and property managers of affordable and market rate family and senior communities. USA Properties has completed 122 projects (17,010 units). In addition, the company has seventeen (17) affordable projects in their development pipeline and six (6) projects under construction. Below is a summary of USA projects that include CalHFA financing and in CalHFA's portfolio.

	Projects In CalHFA Pipeline	Total Units	Perm Loan Amount	MIP/Other Subsidy Loan Amount	Target Construction Closing	Target Perm Closing	Under Construction	Progressing as Expected	Notes
1	Mainline North Apts (Subject Property)	151	$23,950,000	$7,025,000	12/31/2022	12/31/2025	No	N/A	Project scheduled for Board approval on 11/17/22
2	8181 Allison	147	$20,685,000	$7,076,000	12/15/2022	12/15/2025	No	N/A	
3	Vintage at Woodman	239	$0	$11,850,000	11/13/2020	11/13/2023	Yes	Yes	
4	College Creek Apts	164	$28,140,000	$4,000,000	2/1/2022	2/1/2025	Yes	Yes	
5	Terracina at the Dunes	142	$17,550,000	$2,800,000	6/2/2022	6/2/2025	Yes	Yes	
	Subtotal:	**843**	**$90,325,000**	**$32,751,000**					

	Project In CalHFA 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	DSCR	RR Balance	OER Balance
1	Rancho Carrillo Apts	116	$14,500,000	6/29/2017	$13,656,653	$0	8/1/2057	1/21/2041	Yes	1.44	$372,944	$0
2	Regency Court- Monrovia	115	$5,530,000	3/27/2014	$5,262,750	$0	4/1/2056	3/27/2069	Yes	1.79	$318,445	$0
3	Vintage at Stonehaven	125	$13,650,000	12/12/2012	$12,154,992	$0	12/1/2029	12/12/2067	Yes	1.49	$537,430	$0
5	Vintage at Kendall- MHSA	178	$10,580,000	12/12/2012	$9,441,709	$2,339,720	12/1/2067	12/1/2067	Yes	1.22	$770,721	$0
4	Verbena Crossing- MHSA	96	$0	12/20/2012	$0	$1,687,290	4/1/2048	4/1/2067	Yes	N/A	N/A	N/A
6	Vintage at Snowberry- MH	224	$0	9/28/2010	$0	$1,622,400	9/1/2065	9/1/2065	Yes	N/A	N/A	N/A
	Subtotal:	854	$44,260,000		$40,516,104	$5,649,410						
	Aggregate Total:	1697			$130,841,104	$38,400,410						

USA Properties Fund, Inc., and its wholly owned construction company, USA Construction Management Inc., has the staffing capacity to process the 17 projects in their development pipeline as they are all at different stages of the development process. Similarly, their projects under construction are at different development stages, with the most intense work at the beginning of the projects. USA has added construction project managers to its staff in anticipation of these construction starts. Additionally, several of the projects are close to being closed out.

32. Management Agent

The Project will be managed by USA Multifamily Management, Inc. which has extensive experience in managing similar affordable housing projects in the area. The company currently manages six (6) projects in CalHFA's portfolio (Rancho Carrillo Apartments, Regency Court – Monrovia, Verbena Crossing Apartments MHSA, Vintage at Kendal Apartments MHSA, Vintage at Snowberry Senior Apartments MHSA, and Vintage at Stonehaven). The CalHFA portfolio projects are performing as expected.

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

Life Skills Training and Educational Programs, Inc. (LifeSTEPS) will provide supportive services for the tenant population to meet CTCAC requirements for a term of 15 years which include adult education, health, skill building classes as well as health and wellness services and programs. The supportive services expense is currently included as an approved line-item within the operating budget. Services will be conducted onsite.

Since 1996, LifeSTEPS has been providing educational and supportive services to residents of affordable communities and has served over 90,000 clients.

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

The general contractor, an affiliated company, is USA Construction Management, Inc. (USACM), which has extensive experience in constructing similar affordable housing projects in California and is familiar with CalHFA. The GC and the developer have worked with CalHFA on 6 projects. Four (4) are under construction (1 conduit only deal and 3 MIP deals) which are progressing as expected and 2 projects are in the development stage, including the subject Project.

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

The architect is AO Architects, 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.

36. Local Review via Locality Contribution Letter

The locality, The City of Santa Clara, returned the local contribution letter stating they strongly support the project.

EXHIBITS: Detailed Financial Analysis and applicable Term Sheets

PROJECT SUMMARY

Final Commitment

Acquisition, Rehab, Construction & Permanent Loans — **Project Number 22-010-A/X/N**

Project Full Name	Mainline North Apartments	**Borrower Name:**	Mainline North 701, L.P.
Project Address	2310 Calle Del Mundo	**Managing GP:**	Riverside Charitable Corporation
Project City	Santa Clara	**Developer Name:**	USA Multifamily Development, Inc.
Project County	Santa Clara	**Investor Name:**	Bank of America
Project Zip Code	95054	**Prop Management:**	USA Multifamily Management, Inc.
		Tax Credits:	4
Project Type:	Permanent Loan Only	**Total Land Area (acres):**	0.77
Tenancy/Occupancy:	Individuals/Families	**Residential Square Footage:**	75,693
Total Residential Units:	151	**Residential Units Per Acre:**	196.10
Total Number of Buildings:	1		
Number of Stories:	8	**Covered Parking Spaces:**	116
Unit Style:	Flat	**Total Parking Spaces:**	116
Elevators:	2		

Acq/Construction/Rehab Financing	Loan Amount ($)	Loan Fees	Loan Term (Mo.)	Amort. Period (Yr.)	Starting Interest Rate
Bank of America- Conduit- Tax Exempt	42,500,000	1.000%	36	--	6.400%
Bank of America- Conduit- Taxable	19,200,000	1.000%	36	--	6.400%
City of Santa Clara	6,000,000	--	36	--	1.000%
Life Span Home- Related/Ensemble Loan	1,695,645	--	36	--	0.000%
0	-	NA	NA	NA	NA
Deferred Costs	9,675,818	NA	NA	NA	NA
Developer Equity Contribution	1,150,000	NA	NA	NA	NA
Investor Equity Contribution	2,834,347	NA	NA	NA	NA
Total	**83,055,810**	NA	NA	NA	NA

Permanent Financing	Loan Amount ($)	Loan Fees	Loan Term (Yr.)	Amort. Period (Yr.)	Starting Interest Rate
Perm	23,950,000	1.000%	17	40	6.560%
MIP	3,000,000	1.000%	17	NA	3.000%
Supplemental MIP	4,025,000	1.000%	17	NA	3.000%
City of Santa Clara	6,000,000	--	55	NA	1.000%
Life Span Home- Related/Ensemble Loan	1,695,645	--	55	NA	--
USA Multifamily Development Note	6,530,000	--	55	NA	--
0	-	NA	NA	NA	NA
NOI During Construction	1,831,188	NA	NA	NA	NA
Sale of Commercal Space	1,800,000	NA	NA	NA	NA
Developer Equity Contribution	1,150,000				
Investor Equity Contributions	38,245,996	NA	NA	NA	NA
Total	**88,227,829**	NA	NA	NA	NA

Appraised Values Upon Completion of Rehab/Construction

Appraisal Date:	4/19/22	**Capitalization Rate:**	4.00%
Investment Value ($)	104,445,000	**Restricted Value ($)**	56,500,000
Construct/Rehab LTC	74%	**CalHFA Permanent Loan to Cost**	27%
Construct/Rehab LTV	59%	**CalHFA 1st Permanent Loan to Value**	42%
		Combined CalHFA Perm Loan to Value	55%

Additional Loan Terms, Conditions & Comments

Construction/Rehab Loan

Payment/Performance Bond	Waived	
Completion Guarantee Letter of Credit	N/A	
Permanent Loan		
Operating Expense Reserve Deposit	$680,981	Cash
Initial Replacement Reserve Deposit	$0	Cash
Annual Replacement Reserve Per Unit	$300	Cash

Date Prepared: 10/27/22 Senior Staff Date: 11/8/22

UNIT MIX AND RENT SUMMARY **Final Commitment**

Mainline North Apartments **Project Number 22-010-A/X/N**

PROJECT UNIT MIX					
Unit Type of Style	**Number of Bedrooms**	**Number of Baths**	**Average Size (Sq. Ft.)**	**Number of Units**	**Est. No. of Tenants**
Flat	-	1	371	90	135
Flat	1	1	537	34	51
Flat	2	1	865	24	72
Flat	3	2	1,095	3	13.5
-	-	-	-	-	0
-	-	-	-	-	0
				151	271.5

NUMBER OF UNITS AND PERCENTAGE OF AMI RENTS RESTRICTED BY EACH AGENCY							
Agency	**Number of Units Restricted For Each AMI Category**						
	30%	**40%**	**50%**	**60%**	**70%**	**80%**	**120%**
CalHFA Bond/RiskShare	0	0	16	46	0	0	0
CalHFA MIP	16	0	30	0	16	0	88
Tax Credit	15	0	60	0	75	0	0
City of Santa Clara	15	0	57	0	67	0	11
-	0	0	0	0	0	0	0
-	0	0	0	0	0	0	0
-	0	0	0	0	0	0	0

COMPARISON OF AVERAGE MONTHLY RESTRICTED RENTS TO AVERAGE MARKET RENTS							
Unit Type	**Restricting Agency**	**% of Area Median Income**	**Average Restricted Rents Number of Units**	**Unit Rent**	**Average Market Rents**	**Average Monthly Savings**	**% of Market Rents**
Studios	**CTCAC**	**30%**	9	$849	$2,736	$1,887	31%
	CTCAC	**50%**	32	$1,439		$1,297	53%
	CTCAC	**70%**	49	$1,850		$886	68%
	-	**-**	-	-		-	-
	-	**-**	-	-		-	-
	-	**-**	-	-		-	-
	-	**-**	-	-		-	-
1 Bedroom	**CTCAC**	30%	4	$905	$3,206	$2,301	28%
	CTCAC	**50%**	15	$1,537		$1,669	48%
	CTCAC	**70%**	15	$2,169		$1,037	68%
	-	**-**	-	-		-	-
	-	**-**	-	-		-	-
	-	**-**	-	-		-	-
	-	**-**	-	-		-	-
2 Bedrooms	**CTCAC**	30%	3	$1,080	$3,932	$2,852	27%
	CTCAC	**50%**	8	$1,838		$2,094	47%
	CTCAC	**70%**	12	$2,596		$1,336	66%
	-	**-**	-	-		-	-
	-	**-**	-	-		-	-
	-	**-**	-	-		-	-
	-	**-**	-	-		-	-
3 Bedrooms	**CTCAC**	30%	-	-	$4,623	-	-
	CTCAC	**50%**	3	$2,116		$2,507	46%
	CTCAC	**70%**	-	-		-	-
	-	**-**	-	-		-	-
	-	**-**	-	-		-	-
	-	**-**	-	-		-	-
	-	**-**	-	-		-	-
4 Bedrooms	**CTCAC**	30%	-	-	-	-	-
	CTCAC	**50%**	-	-		-	-
	CTCAC	**70%**	-	-		-	-
	-	**-**	-	-		-	-
	-	**-**	-	-		-	-
	-	**-**	-	-		-	-
	-	**-**	-	-		-	-
5 Bedrooms	**CTCAC**	**30%**	-	-	-	-	-
	CTCAC	**50%**	-	-		-	-
	CTCAC	**70%**	-	-		-	-
	-	**-**	-	-		-	-
	-	**-**	-	-		-	-
	-	**-**	-	-		-	-
	-	**-**	-	-		-	-
Date Prepared:	10/27/22					Senior Staff Date:	11/8/22

SOURCES & USES OF FUNDS — **Final Commitment**

Mainline North Apartments — **Project Number** **22-010-A/X/N**

SOURCES OF FUNDS	CONST/REHAB $	PERMANENT $	TOTAL PROJECT SOURCES OF FUNDS SOURCES ($)	PER UNIT ($)	%
Bank of America- Conduit- Tax Exempt	42,500,000				0.0%
Bank of America- Conduit- Taxable	19,200,000				0.0%
-	-				0.0%
City of Santa Clara	6,000,000				0.0%
Life Span Home- Related/Ensemble Loan	1,695,645				0.0%
-	-				0.0%
-	-				0.0%
-	-				0.0%
Deferred Costs	9,675,818				0.0%
-	-				0.0%
Construct/Rehab Net Oper. Inc.	-				0.0%
Deferred Developer Fee	-				0.0%
Developer Equity Contribution	1,150,000				0.0%
Investor Equity Contribution	2,834,347				0.0%
Perm		23,950,000	23,950,000	158,609	27.1%
-		-	-	-	0.0%
MIP		3,000,000	3,000,000	19,868	3.4%
Supplemental MIP		4,025,000	4,025,000	26,656	4.6%
City of Santa Clara		6,000,000	6,000,000	39,735	6.8%
Life Span Home- Related/Ensemble Loan		1,695,645	1,695,645	11,229	1.9%
USA Multifamily Development Note		6,530,000	6,530,000	43,245	7.4%
-		-	-	-	0.0%
-		-	-	-	0.0%
-		-	-	-	0.0%
NOI During Construction		1,831,188	1,831,188	12,127	2.1%
Sale of Commercal Space		1,800,000	1,800,000	11,921	2.0%
Deferred Developer Fee		-	-	-	0.0%
Developer Equity Contribution		1,150,000	1,150,000	7,616	1.3%
Investor Equity Contributions		38,245,996	38,245,996	253,285	43.3%
TOTAL SOURCES OF FUNDS	**83,055,810**	**88,227,829**	**88,227,829**	**584,290**	**100.0%**
TOTAL USES OF FUNDS (BELOW)	**83,055,810**	**88,227,829**	**88,227,829**	**584,290**	**100.0%**
FUNDING SURPLUS (DEFICIT)	**0**	**-**	**0**		

USES OF FUNDS	CONST/REHAB $	PERMANENT $	TOTAL PROJECT USES OF FUNDS USES ($)	PER UNIT ($)	%
CONSTRUCTION/REHAB SOURCES OF FUNDS		**83,055,810**			
ACQUISITION COSTS					
Lesser of Land Cost or Appraised Value	-	-	-	-	0.0%
Demolition Costs	-	-	-	-	0.0%
Legal & Other Closing Costs	-	-	-	-	0.0%
Escrow & other closing costs	-	-	-	-	0.0%
Verifiable Carrying Costs	1,565,672	-	1,565,672	10,369	1.8%
Existing Improvements Value	-	-	-	-	0.0%
Delinquent Taxes Paid @ Closing	-	-	-	-	0.0%
CalHFA Yield Maintenance Paid @ Closing	-	-	-	-	0.0%
Existing Replacement Reserve	-	-	-	-	0.0%
Broker Fees Paid to Related Party	-	-	-	-	0.0%
Capitalized Lease Payment	1	-	1	0	0.0%
Other (Specify)	-	-	-	-	0.0%
TOTAL ACQUISITION COSTS	**1,565,673**	**-**	**1,565,673**	**10,369**	**1.8%**
CONSTRUCTION/REHAB COSTS					
Offsite Improvements	677,500	-	677,500	4,487	0.8%
Environmental Remediation (Hard Costs)	-	-	-	-	0.0%
Site Work (Hard Cost)	4,756,825	-	4,756,825	31,502	5.4%
Structures (Hard Cost)	34,986,142	-	34,986,142	231,696	39.7%
General Requirements	2,619,315	-	2,619,315	17,346	3.0%
Contractor Overhead	1,618,258	-	1,618,258	10,717	1.8%
Contractor Profit	1,618,259	-	1,618,259	10,717	1.8%
Contractor Bond	-	-	-	-	0.0%
Contractor Liability Insurance	1,254,098	-	1,254,098	8,305	1.4%
Commercial Space Budget	3,489,468	-	3,489,468	23,109	4.0%
HVAC/Resident Damage	-	-	-	-	0.0%

SOURCES & USES OF FUNDS					Final Commitment
Mainline North Apartments			Project Number		22-010-A/X/N
TOTAL CONSTRUCT/REHAB COSTS	**51,019,865**	**-**	**51,019,865**	**337,880**	**57.8%**
USES OF FUNDS	**CONST/REHAB $**	**PERMANENT $**	**TOTAL PROJECT USES OF FUNDS USES ($)**	**PER UNIT ($)**	**%**
RELOCATION COSTS					
Relocation Expense	406,830	-	406,830	2,694	0.5%
Relocation Compliance Monitoring	-	-	-	-	0.0%
Other (Specify)	-	-	-	-	0.0%
TOTAL RELOCATION COSTS	**406,830**	**-**	**406,830**	**2,694**	**0.5%**
ARCHITECTURAL FEES					
Design	2,526,360	-	2,526,360	16,731	2.9%
Supervision	-	-	-	-	0.0%
TOTAL ARCHITECTURAL FEES	**2,526,360**	**-**	**2,526,360**	**16,731**	**2.9%**
SURVEY & ENGINEERING FEES					
Engineering	628,719	-	628,719	4,164	0.7%
Supervision	-	-	-	-	0.0%
ALTA Land Survey	-	-	-	-	0.0%
TOTAL SURVEY & ENGINEERING FEES	628,719	-	628,719	4,164	0.7%
CONTINGENCY RESERVES					
Hard Cost Contingency Reserve	2,488,289	-	2,488,289	16,479	2.8%
Soft Cost Contingency Reserve	758,341	-	758,341	5,022	0.9%
TOTAL CONTINGENCY RESERVES	3,246,630	-	3,246,630	21,501	3.7%
CONSTRUCT/REHAB PERIOD COSTS					
Loan Interest Reserve					
Bank of America- Conduit- Tax Exempt	4,309,560	-	4,309,560	28,540	0.048846
Bank of America- Conduit- Taxable	-	-	-	-	0
-	-	-	-	-	0.0%
City of Santa Clara	-	-	-	-	0.0%
Life Span Home- Related/Ensemble Loan	-	-	-	-	0.0%
-	-	-	-	-	0.0%
Loan Fees					
Bank of America- Conduit- Tax Exempt	425,000	-	425,000	2,815	0.5%
Bank of America- Conduit- Taxable	192,000	-	192,000	1,272	0.2%
-	-	-	-	-	0.0%
City of Santa Clara	-	-	-	-	0.0%
Life Span Home- Related/Ensemble Loan	-	-	-	-	0.0%
-	-	-	-	-	0.0%
Other Const/Rehab Period Costs					
Deficit Const/Rehab NOI (Net Operating In	-	-	-	-	0.0%
Credit Enhancement & Application Fees	-	-	-	-	0.0%
Owner Paid Bonds/Insurance	-	-	-	-	0.0%
CalHFA Inspection Fees	18,000	-	18,000	119	0.0%
Real Estate Taxes During Rehab	2,565	-	2,565	17	0.0%
Completion Guaranty Fee	-	-	-	-	0.0%
Wage Monitoring Fee (Davis Bacon, Preva	-	-	-	-	0.0%
Insurance During Rehab	-	-	-	-	0.0%
Title & Recording Fees	55,000	-	55,000	364	0.1%
Construction Inspection Fees	27,000	-	27,000	179	0.0%
Other Costs	-	-	-	-	0.0%
Bond Issuer Fee	58,350	-	58,350	386	0.1%
-	-	-	-	-	0.0%
TOTAL CONST/REHAB PERIOD COSTS	**5,087,475**	**-**	**5,087,475**	**33,692**	**5.8%**

USES OF FUNDS	**CONST/REHAB $**	**PERMANENT $**	**TOTAL PROJECT USES OF FUNDS USES ($)**	**PER UNIT ($)**	**%**
PERMANENT LOAN COSTS					
Loan Fees					
CalHFA Application Fee	-	-	-	-	0.0%
Perm	119,750	119,750	239,500	1,586	0.3%
-	-	-	-	-	0.0%

MIP	15,000	15,000	30,000	199	0.0%
Supplemental MIP	15,250	25,000	40,250	267	0.0%
City of Santa Clara	-	-	-	-	0.0%
Life Span Home- Related/Ensemble Loan	-	-	-	-	0.0%
USA Multifamily Development Note	-	-	-	-	0.0%
-	-	-	-	-	0.0%
Permanent Loan Funding Fee	-	110,000	110,000	728	0.1%
Credit Enhancement & Application Fees	-	238,718	238,718	1,581	0.3%
Title & Recording (closing costs)	-	55,000	55,000	364	0.1%
Year 1 - Taxes & Special Assessments and Insura	-	-	-	-	0.0%
CalHFA Fees	-	25,610	25,610	170	0.0%
Interest prior to conversion	-	3,884,450	3,884,450	25,725	4.4%
-	-	-	-	-	0.0%
TOTAL PERMANENT LOAN COSTS	**150,000**	**4,473,528**	**4,623,528**	**30,619**	**5.2%**
LEGAL FEES					
CalHFA Construction/Rehab Loan Legal Fees	-	-	-	-	0.0%
Other Construction/Rehab Loan Legal Fees	-	-	-	-	0.0%
CalHFA Permanent Loan Legal Fees	17,500	17,500	35,000	232	0.0%
Other Permanent Loan Legal Fees	-	-	-	-	0.0%
Sponsor Legal Fees	-	-	-	-	0.0%
Organizational Legal Fees	-	-	-	-	0.0%
Syndication Legal Fees	-	-	-	-	0.0%
Borrower Legal Fee	150,000	-	150,000	993	0.2%
CalHFA Bond Counsel	-	-	-	-	0.0%
TOTAL LEGAL FEES	**167,500**	**17,500**	**185,000**	**1,225**	**0.2%**
OPERATING RESERVES					
Operating Expense Reserve Deposit	(0)	680,981	680,981	4,510	0.8%
Initial Replacement Reserve Deposit	-	-	-	-	0.0%
Transition Operating Reserve Deposit	-	-	-	-	0.0%
Rent-Up Reserve Deposit	-	-	-	-	0.0%
HOME Program Replacement Reserve	-	-	-	-	0.0%
Investor Required Reserve	-	-	-	-	0.0%
Other (Specify)	-	-	-	-	0.0%
TOTAL OPERATING RESERVES	**(0)**	**680,981**	**680,981**	**4,510**	**0.8%**
REPORTS & STUDIES					
Appraisal Fee	3,500	-	3,500	23	0.0%
Market Study Fee	27,600	-	27,600	183	0.0%
Physical Needs Assessment Fee	-	-	-	-	0.0%
Environmental Site Assessment Reports	117,911	-	117,911	781	0.1%
HUD Risk Share Environmental / NEPA Review F	24,500	-	24,500	162	0.0%
CalHFA Earthquake Waiver Review Fee	-	-	-	-	0.0%
Relocation Consultant	-	-	-	-	0.0%
Soils Reports	-	-	-	-	0.0%
Acoustical Reports	-	-	-	-	0.0%
Termite/Dry Rot	-	-	-	-	0.0%
-	-	-	-	-	0.0%
Other (Specify)	-	-	-	-	0.0%
TOTAL REPORTS & STUDIES	**173,511**	**-**	**173,511**	**1,149**	**0.2%**

USES OF FUNDS	CONST/REHAB $	PERMANENT $	TOTAL PROJECT USES OF FUNDS USES ($)	PER UNIT ($)	%
OTHER COSTS					
TCAC Application, Allocation & Monitor Fees	103,096	-	103,096	683	0.1%
CDLAC Fees	21,595	-	21,595	143	0.0%
Local Permits & Fees	1,847,636	-	1,847,636	12,236	2.1%
Local Impact Fees	4,585,636	-	4,585,636	30,368	5.2%
Other Local Fees	-	-	-	-	0.0%
Syndicator/Investor Fees & Expenses	-	-	-	-	0.0%
Furnishings	290,000	-	290,000	1,921	0.3%
Accounting & Audits	25,000	-	25,000	166	0.0%
Advertising & Marketing Expenses	150,000	-	150,000	993	0.2%
Financial Consulting	-	-	-	-	0.0%
Miscellaneous Administrative Fees	-	-	-	-	0.0%

SOURCES & USES OF FUNDS			Project Number	Final Commitment	
Mainline North Apartments			**Project Number**	**22-010-A/X/N**	
HUD Risk Share Insurance (First Year Prepaid)	-	-	-	-	0.0%
Misc Development Expenses, copies, travel, misc	852,296	-	852,296	5,644	1.0%
-	-	-	-	-	0.0%
TOTAL OTHER COSTS	**7,875,259**	**-**	**7,875,259**	**52,154**	**8.9%**
SUBTOTAL PROJECT COSTS	**72,847,822**	**88,227,819**	**78,019,831**	**516,688**	**88.4%**
DEVELOPER FEES & COSTS					
Developer Fees, Overhead & Profit	10,207,988	10	10,207,998	67,603	11.6%
Consultant Processing Agent	-	-	-	-	0.0%
Project Administration	-	-	-	-	0.0%
Syndicator Consultant Fees	-	-	-	-	0.0%
Guarantee Fees	-	-	-	-	0.0%
Construction Oversight & Management	-	-	-	-	0.0%
Other Adminstration Fees	-	-	-	-	0.0%
Other (Specify) correction to balance	-	-	-	-	0.0%
CASH EQUITY OUT TO DEVELOPER	-	-	-	-	0.0%
TOTAL DEVELOPER FEES & COSTS	**10,207,988**	**10**	**10,207,998**	**67,603**	**11.6%**
TOTAL PROJECT COSTS	**83,055,810**	**88,227,829**	**88,227,829**	**584,290**	**100.0%**

PROJECTED INITIAL ANNUAL RENTAL OPERATING BUDGET			Final Commitment
Mainline North Apartments	**Project Number**		**22-010-A/X/N**
INCOME	**AMOUNT**	**PER UNIT**	**%**
Rental Income			
Restricted Unit Rents	$ 3,107,916	$ 20,582	104.35%
Unrestricted Unit Rents	-	-	0.00%
Commercial Rents	-	-	0.00%
Rental & Operating Subsidies			
Project Based Rental Subsidy	-	-	0.00%
Other Project Based Subsidy	-	-	0.00%
Income during renovations	-	-	0.00%
Other Subsidy (Specify)	-	-	0.00%
Other Income			
Laundry Income	27,246	180	0.91%
Parking & Storage Income	-	-	0.00%
Miscellaneous Income	-	-	0.00%
GROSS POTENTIAL INCOME (GPI)	**$ 3,135,162**	**$ 20,763**	**105.26%**
Less: Vacancy Loss	**$ 156,758**	**$ 1,038**	**5.26%**
EFFECTIVE GROSS INCOME (EGI)	**$ 2,978,404**	**$ 21,801**	**100.00%**
OPERATING EXPENSES	**AMOUNT**	**PER UNIT**	**%**
Administrative Expenses	$ 186,895	$ 1,238	$ 0
Management Fee	119,133	789	4.00%
Social Programs & Services	25,200	167	0.85%
Utilities	196,300	1,300	6.59%
Operating & Maintenance	296,140	1,961	9.94%
Ground Lease Payments	-	-	0.00%
CalHFA Monitoring Fee	7,500	50	0.25%
Other Monitoring Fees	18,422	122	0.62%
Real Estate Taxes/Special Assessments	1,231	8	0.04%
Other Taxes & Insurance	132,899	880	4.46%
Assisted Living/Board & Care	-	-	0.00%
SUBTOTAL OPERATING EXPENSES	**$ 983,720**	**$ 6,515**	**33.03%**
Replacement Reserve	$ 45,300	$ 300	1.52%
TOTAL OPERATING EXPENSES	**$ 1,029,020**	**$ 6,815**	**34.55%**
NET OPERATING INCOME (NOI)	**$ 1,949,384**	**$ 12,910**	**65.45%**
DEBT SERVICE PAYMENTS	**AMOUNT**	**PER UNIT**	**%**
Perm	$ 1,694,903	$ 11,225	56.91%
Perm Tranch B	$ -	-	0.00%
-	$ -	-	0.00%
-	$ -	-	0.00%
-	$ -	-	0.00%
-	$ -	-	0.00%
-	$ -	-	0.00%
-	$ -	-	0.00%
TOTAL DEBT SERVICE & OTHER PAYMENTS	**$ 1,694,903**	**$ 11,225**	**56.91%**
EXCESS AFTER DEBT SERVICE & MONITORING FEES	**$ 254,482**	**$ 1,685**	**8.54%**
DEBT SERVICE COVERAGE RATIO (DSCR)	**1.15**	**to 1**	
Date: 10/27/22		Senior Staff Date:	11/08/22

PROJECTED PERMANENT LOAN CASH FL0WS — **Mainline North Apartments**

Final Commitment — **Project Number 22-010-A/X/N**

	YEAR	1	2	3	4	5	6	7	8	9	10	11	12	13
RENTAL INCOME	**CPI**													
Restricted Unit Rents	2.50%	3,107,916	3,185,614	3,265,254	3,346,886	3,430,558	3,516,322	3,604,230	3,694,335	3,786,694	3,881,361	3,978,395	4,077,855	4,179,801
Unrestricted Unit Rents	2.50%	-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial Rents	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	1.50%	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Project Based Subsidy	1.50%	-	-	-	-	-	-	-	-	-	-	-	-	-
Income during renovations	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
Laundry Income	2.50%	27,246	27,928	28,626	29,341	30,075	30,827	31,598	32,387	33,197	34,027	34,878	35,750	36,643
Parking & Storage Income	2.50%	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Income	2.50%	-	-	-	-	-	-	-	-	-	-	-	-	-
GROSS POTENTIAL INCOME (GPI)		**3,135,162**	**3,213,542**	**3,293,880**	**3,376,227**	**3,460,633**	**3,547,149**	**3,635,827**	**3,726,723**	**3,819,891**	**3,915,388**	**4,013,273**	**4,113,605**	**4,216,445**
VACANCY ASSUMPTIONS	**Vacancy**													
Restricted Unit Rents	5.00%	155,396	159,281	163,263	167,344	171,528	175,816	180,211	184,717	189,335	194,068	198,920	203,893	208,990
Unrestricted Unit Rents	7.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Project Based Subsidy	3.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
Income during renovations	20.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
Laundry Income	5.00%	1,362	1,396	1,431	1,467	1,504	1,541	1,580	1,619	1,660	1,701	1,744	1,787	1,832
Parking & Storage Income	50.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Income	50.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL PROJECTED VACANCY LOSS		**156,758**	**160,677**	**164,694**	**168,811**	**173,032**	**177,357**	**181,791**	**186,336**	**190,995**	**195,769**	**200,664**	**205,680**	**210,822**
EFFECTIVE GROSS INCOME (EGI)		**2,978,404**	**3,052,864**	**3,129,186**	**3,207,416**	**3,287,601**	**3,369,791**	**3,454,036**	**3,540,387**	**3,628,896**	**3,719,619**	**3,812,609**	**3,907,925**	**4,005,623**
OPERATING EXPENSES	**CPI / Fee**													
Administrative Expenses	3.50%	212,095	219,518	227,201	235,154	243,384	251,902	260,719	269,844	279,289	289,064	299,181	309,652	320,490
Management Fee	4.00%	119,133	122,112	125,164	128,293	131,501	134,788	138,158	141,612	145,152	148,781	152,501	156,313	160,221
Utilities	3.50%	196,300	203,171	210,281	217,641	225,259	233,143	241,303	249,748	258,490	267,537	276,901	286,592	296,623
Operating & Maintenance	3.50%	296,140	306,505	317,233	328,336	339,827	351,721	364,032	376,773	389,960	403,608	417,735	432,355	447,488
Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-	-	-	-
CalHFA Monitoring Fee	0.00%	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Other Agency Monitoring Fee	0.00%	18,422	18,422	18,422	18,422	18,422	18,422	18,422	18,422	18,422	18,422	18,422	18,422	18,422
Real Estate Taxes	1.02%	1,231	1,244	1,256	1,269	1,282	1,295	1,308	1,322	1,335	1,349	1,362	1,376	1,390
Other Taxes & Insurance	3.50%	132,899	137,550	142,365	147,347	152,505	157,842	163,367	169,085	175,003	181,128	187,467	194,029	200,820
Required Reserve Payments	1.00%	45,300	45,753	46,211	46,673	47,139	47,611	48,087	48,568	49,053	49,544	50,039	50,540	51,045
TOTAL OPERATING EXPENSES		**1,029,020**	**1,061,774**	**1,095,633**	**1,130,635**	**1,166,819**	**1,204,225**	**1,242,895**	**1,282,873**	**1,324,203**	**1,366,932**	**1,411,108**	**1,456,780**	**1,503,999**
NET OPERATING INCOME (NOI)		**1,949,384**	**1,991,090**	**2,033,553**	**2,076,781**	**2,120,782**	**2,165,566**	**2,211,141**	**2,257,514**	**2,304,693**	**2,352,687**	**2,401,502**	**2,451,145**	**2,501,624**
DEBT SERVICE PAYMENTS	**Lien #**													
Perm	1	1,694,903	1,694,903	1,694,903	1,694,903	1,694,903	1,694,903	1,694,903	1,694,903	1,694,903	1,694,903	1,694,903	1,694,903	1,694,903
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
City of Santa Clara	3	-	-	-	-	-	-	-	-	-	-	-	-	-
Life Span Home- Related/Ensemble Loan	4	-	-	-	-	-	-	-	-	-	-	-	-	-
USA Multifamily Development Note	5	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL DEBT SERVICE & OTHER PAYMENTS		**1,694,903**	**1,694,903**	**1,694,903**	**1,694,903**	**1,694,903**	**1,694,903**	**1,694,903**	**1,694,903**	**1,694,903**	**1,694,903**	**1,694,903**	**1,694,903**	**1,694,903**
CASH FLOW AFTER DEBT SERVICE		**254,482**	**296,188**	**338,650**	**381,878**	**425,880**	**470,664**	**516,238**	**562,611**	**609,790**	**657,784**	**706,599**	**756,242**	**806,721**
DEBT SERVICE COVERAGE RATIO		**1.15**	**1.17**	**1.20**	**1.23**	**1.25**	**1.28**	**1.30**	**1.33**	**1.36**	**1.39**	**1.42**	**1.45**	**1.48**
Date Prepared:	10/27/22									Senior Staff Date:	11/8/22			
LESS: Asset Management Fee	3%	7,500	7,725	7,957	8,195	8,441	8,695	8,955	9,224	9,501	9,786	10,079	10,382	10,693
LESS: Partnership Management Fee	2%	19,404	19,792	20,188	20,592	21,004	21,424	21,852	22,289	22,735	23,190	23,653	24,126	24,609
net CF available for distribution		**227,578**	**268,670**	**310,505**	**353,091**	**396,435**	**440,545**	**485,431**	**531,098**	**577,555**	**624,809**	**672,866**	**721,734**	**771,419**
	YEAR	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**
Deferred developer fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	100%	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-
USA Multifamily Development Note	6,530,000	6,530,000	6,302,422	6,033,752	5,723,247	5,370,156	4,973,721	4,533,176	4,047,745	3,516,647	2,939,092	2,314,284	1,641,418	919,683
	Payment	227,578	268,670	310,505	353,091	396,435	440,545	485,431	531,098	577,555	624,809	672,866	721,734	771,419
	Balance	6,302,422	6,033,752	5,723,247	5,370,156	4,973,721	4,533,176	4,047,745	3,516,647	2,939,092	2,314,284	1,641,418	919,683	148,264
Payments for Residual Receipt Payments														
RESIDUAL RECEIPTS LOANS	*Payment %*	-	-	-	-	-	-	-	-	-	-	-		
0		-	-	-	-	-	-	-	-	-	-	-	-	-
MIP	*23.00%*	-	-	-	-	-	-	-	-	-	-	-	-	-
Supplemental MIP	*30.90%*	-	-	-	-	-	-	-	-	-	-	-	-	-
City of Santa Clara	*46.10%*	-	-	-	-	-	-	-	-	-	-	-	-	-
Life Span Home- Related/Ensemble Loan	*0.00%*	-	-	-	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
0	*0.00%*	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Residual Receipts Payments	**100%**	**-**	-	-	-	-	-	-	-	-	-	-	-	-
Balances for Residual Receipt Payments														
RESIDUAL RECEIPTS LOANS	*Interest Rate*													
0---Simple	*0.00%*	-	-	-	-	-	-	-	-	-	-	-	-	-
MIP---Simple	*3.00%*	3,000,000	3,090,000	3,180,000	3,270,000	3,360,000	3,450,000	3,540,000	3,630,000	3,720,000	3,810,000	3,900,000	3,990,000	4,080,000
Supplemental MIP---Simple	*3.00%*	4,025,000	4,145,750	4,266,500	4,387,250	4,508,000	4,628,750	4,749,500	4,870,250	4,991,000	5,111,750	5,232,500	5,353,250	5,474,000
City of Santa Clara---Simple	*1.00%*	6,000,000	6,060,000	6,120,000	6,180,000	6,240,000	6,300,000	6,360,000	6,420,000	6,480,000	6,540,000	6,600,000	6,660,000	6,720,000
Life Span Home- Related/Ensemble Loan---Sim	*0.00%*	1,695,645	1,695,645	1,695,645	1,695,645	1,695,645	1,695,645	1,695,645	1,695,645	1,695,645	1,695,645	1,695,645	1,695,645	1,695,645
---Simple	*0.00%*	-	-	-	-	-	-	-	-	-	-	-	-	-
0---	*0.00%*	-	-	-	-	-	-	-	-	-	-	-	-	-

PROJECTED PERMANENT LOAN CASH FL0WS

Final Commitment

	YEAR	14	15	16	17
RENTAL INCOME	**CPI**				
Restricted Unit Rents	2.50%	4,284,297	4,391,404	4,501,189	4,613,719
Unrestricted Unit Rents	2.50%	-	-	-	-
Commercial Rents	2.00%	-	-	-	-
Project Based Rental Subsidy	1.50%	-	-	-	-
Other Project Based Subsidy	1.50%	-	-	-	-
Income during renovations	0.00%	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-
Laundry Income	2.50%	37,560	38,499	39,461	40,447
Parking & Storage Income	2.50%	-	-	-	-
Miscellaneous Income	2.50%	-	-	-	-
GROSS POTENTIAL INCOME (GPI)		**4,321,856**	**4,429,902**	**4,540,650**	**4,654,166**
VACANCY ASSUMPTIONS	**Vacancy**				
Restricted Unit Rents	5.00%	214,215	219,570	225,059	230,686
Unrestricted Unit Rents	7.00%	-	-	-	-
Commercial Rents	50.00%	-	-	-	-
Project Based Rental Subsidy	5.00%	-	-	-	-
Other Project Based Subsidy	3.00%	-	-	-	-
Income during renovations	20.00%	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-
Laundry Income	5.00%	1,878	1,925	1,973	2,022
Parking & Storage Income	50.00%	-	-	-	-
Miscellaneous Income	50.00%	-	-	-	-
TOTAL PROJECTED VACANCY LOSS		**216,093**	**221,495**	**227,033**	**232,708**
EFFECTIVE GROSS INCOME (EGI)		**4,105,763**	**4,208,407**	**4,313,618**	**4,421,458**
OPERATING EXPENSES	**CPI / Fee**				
Administrative Expenses	3.50%	331,707	343,317	355,333	367,770
Management Fee	4.00%	164,226	168,332	172,540	176,854
Utilities	3.50%	307,005	317,750	328,871	340,381
Operating & Maintenance	3.50%	463,150	479,360	496,138	513,503
Ground Lease Payments	3.50%	-	-	-	-
CalHFA Monitoring Fee	0.00%	7,500	7,500	7,500	7,500
Other Agency Monitoring Fee	0.00%	18,422	18,422	18,422	18,422
Real Estate Taxes	1.02%	1,405	1,419	1,433	1,448
Other Taxes & Insurance	3.50%	207,848	215,123	222,652	230,445
Required Reserve Payments	1.00%	51,556	52,071	52,592	53,118
TOTAL OPERATING EXPENSES		**1,552,819**	**1,603,294**	**1,655,482**	**1,709,441**
NET OPERATING INCOME (NOI)		**2,552,945**	**2,605,113**	**2,658,136**	**2,712,017**
DEBT SERVICE PAYMENTS	**Lien #**				
Perm	1	1,694,903	1,694,903	1,694,903	1,694,903
-	-	-	-	-	-
City of Santa Clara	3	-	-	-	-
Life Span Home- Related/Ensemble Loan	4	-	-	-	-
USA Multifamily Development Note	5	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
TOTAL DEBT SERVICE & OTHER PAYMENTS		**1,694,903**	**1,694,903**	**1,694,903**	**1,694,903**
CASH FLOW AFTER DEBT SERVICE		**858,042**	**910,211**	**963,233**	**1,017,115**
DEBT SERVICE COVERAGE RATIO		**1.51**	**1.54**	**1.57**	**1.60**
Date Prepared:	10/27/22				

LESS: Asset Management Fee	3%	11,014	11,344	11,685	12,035
LESS: Partnership Management Fee	2%	25,101	25,603	26,115	26,638
net CF available for distribution		**821,927**	**873,263**	**925,433**	**978,442**

	YEAR	14	15	16	17
Deferred developer fee	-	-	-		
	100%	-	-		
		-	-	-	-
USA Multifamily Development Note	6,530,000	148,264			
	Payment	148,264			
	Balance	-			

Payments for Residual Receipt Payments		**50%**			
RESIDUAL RECEIPTS LOANS	*Payment %*	410,963	462,717	489,221	462,717
0		-	-	-	-
MIP	*23.00%*	94,522	106,425	112,521	106,425
Supplemental MIP	*30.90%*	126,988	142,979	151,169	142,979
City of Santa Clara	*46.10%*	189,454	213,312	225,531	213,312
Life Span Home- Related/Ensemble Loan	*0.00%*	-	-	-	-
	0.00%	-	-	-	-
0	*0.00%*	-	-	-	-
Total Residual Receipts Payments	**100%**	410,963	462,717	489,221	462,717

Balances for Residual Receipt Payments					
RESIDUAL RECEIPTS LOANS	*Interest Rate*				
0---Simple	*0.00%*	-	-	-	-
MIP---Simple	*3.00%*	4,170,000	4,165,478	4,149,054	4,126,533
Supplemental MIP---Simple	*3.00%*	5,594,750	5,588,512	5,566,283	5,535,864
City of Santa Clara---Simple	*1.00%*	6,780,000	6,650,546	6,497,234	6,331,703
Life Span Home- Related/Ensemble Loan---Sim	*0.00%*	1,695,645	1,695,645	1,695,645	1,695,645
---Simple	*0.00%*	-	-	-	-
0---	*0.00%*	-	-	-	-

MIXED-INCOME LOAN PROGRAM (2022)

California Housing Finance Agency

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

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

Qualifications

APPLICATION:

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

AVAILABILITY:

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

USES:

MIP subsidy loans must be used in conjunction with CalHFA's Conduit Bond Issuance Program and a construction loan from a CalHFA Mixed-Income Qualified Construction Lender. MIP subsidy loans must also be used in conjunction with CalHFA's permanent first-lien mortgage financing. CalHFA Mixed-Income Qualified Construction Lender is defined in that section below.

FINANCING STRUCTURE:

Projects accessing the MIP subsidy loan funds must be structured as one of the following:

1. Tax-exempt bond and 4% tax credit project where at least 51% of the units in the project must be tax-credit-financed

   OR

2. Qualified mixed-income project through income averaging pursuant to Internal Revenue Code Section 42 (g)(1)(C).

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Qualifications (continued)

READINESS:

Projects must have site control and be prepared to submit for a bond and tax credit allocation and will only receive funds if bonds are issued within the issuance timeframes specified in the California Debt Limit Allocation Committee's (CDLAC) Regulations Section 5100.

1. **Site:** The site must be ready for construction (all potential environmental issues have been identified, mitigation plan is in place, and costs associated with the mitigation plan have been incorporated in the development budget). Environmental issues may include, but not be limited to, receipt of clearances for CEQA, NEPA, and applicable tribal land environmental reviews. Pursuant to HUD-Risk Sharing requirements, sponsor is expected to start the NEPA process shortly after CalHFA verifies application completeness and determines that the project is ready to move forward with an initial commitment ("notification date"). The NEPA clearance and HUD's firm approval letter will be required prior to construction loan closing.
2. **General Contractor and/or Third Party Construction Services Engagement:** At the time of application, applicant must provide evidence that the applicant or developer has engaged a general contractor or third-party construction services company to provide construction services including, but not limited to, value engineering, bid/budget services, and constructability review of plans and designs. In addition, the proposed construction budget is based on the general contractor's or third-party construction services company's preliminary bid estimates pursuant to the current plans and designs.
3. **Disposition and Development Agreement:** Applicant must provide a copy of the disposition and development agreement, if applicable.
4. **Construction Start:** All projects must commit to begin construction 180 days from the earlier of the date of the tax-exempt bond allocation or 4% federal/state tax credit reservation, unless an extension has been approved by California Tax Credit Allocation Committee (CTCAC), CDLAC, and CalHFA, as applicable. Within the 180-day period, the following items must be submitted to CalHFA in their final form:
    a. A complete, updated application form along with a detailed explanation of any changes from the initial application,
    b. An executed construction contract,
    c. Recorded deeds of trust for all construction financing (unless a project's location on tribal trust land precludes this),
    d. Binding commitments for any other financing required to complete project construction,
    e. Copy of a limited partnership agreement executed by the general partner/sponsor and the investor limited partner/equity provider,
    f. Payment of all construction lender fees,
    g. Copies of buildings permits (a grading permit does not suffice to meet this requirement, except 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,
    h. Copy of the notice to proceed delivered to the contractor,
    i. If no construction lender is involved, evidence must be submitted within 180 days, as applicable, that the equity partner has been admitted to the ownership entity, and that an initial disbursement of funds has occurred,
    j. Other documentation and information required by CalHFA to close construction financing.

Qualifications (continued)

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

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

EVIDENCE OF COST CONTAINMENT:

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

The developer/sponsor must certify that cost containment measures have been implemented to minimize construction costs. These measures should include, but may not be 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. The analysis will be completed again 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 1.20 Debt Service Coverage Ratio ("DSCR") at year 1 ("Initial DSCR"). CalHFA may allow an initial DSCR higher than 1.20 on a case-by-case basis, if deemed necessary. The year 1 DSCR underwritten at the time of final loan approval and final commitment must be maintained 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,
- 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 matching those required under the 4% federal and/or state tax credit reservation,
- Capitalized reserves subject to approval by Agency for reasonableness consistent with the Agency's Underwriting Standards and the Investor Limited Partnership Agreement (ILPA),

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

CalHFA Mixed-Income Development Team Qualifications (Continued)	**Management Company** must have a local presence or a field office in Northern or Southern CA (depending on the location of the Project) and have experience managing at least 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 to receive a minimum of 3 points under the CDLAC Management Company Experience category pursuant to CDLAC Regulations Section 5230(f).
Permanent First Lien Loan	Must be provided by CalHFA. The permanent loan must meet an initial minimum DSCR of at least 1.15 and must maintain the year 1 DSCR underwritten at the time of final loan approval and final commitment through the term of the CalHFA permanent first lien loan. The Initial DSCR must not exceed 1.20.
Construction First Lien Loan	Must be provided by a CalHFA Mixed-Income Qualified Construction Lender. All parties shall permit the Agency to, in its sole and absolute discretion, recycle all or a portion of any bond volume cap related to a paydown of the bond-financed loans, at the conversion of the construction financing to permanent financing and payoff of the construction loan, pursuant to the authority provided in Section 146(i)(6) of the Internal Revenue Code of 1986 and CDLAC Regulation Section 5060 (the "Bond Recycling"). The bond documents, loan documents and any other documents related to the financing of the Development shall contain any necessary approvals and permit all actions necessary to accomplish a Bond Recycling.
Limitations	1. MIP cannot be combined with the CTCAC 9% program. 2. MIP cannot be combined with other state subordinate debt and/or subsidy programs (this does not include state tax credits) with the exception of the Infill Infrastructure Grant (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 subordinate debt and subsidy will be allowed at CalHFA's sole discretion so long as any restrictions of subordinate debt or subsidy are compatible with MIP program requirements outlined herein. 3. Projects that have a below market rate component 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.) 4. 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. 5. Projects will not be eligible for other subsidy resources from CalHFA in addition to MIP.
Mixed-Income Project Occupancy Requirements	**BOND REGULATORY AGREEMENT REQUIREMENTS (ALL PROJECTS):** Must maintain either (a) 20% of the units must be rent restricted and occupied by individuals whose incomes are 50% or less of AMI with adjustments for household size ("20% @ 50% AMI"), OR (b) 40% or more of the units must be both rent restricted and occupied by individuals whose incomes are 60% or less of AMI with adjustments for household size ("40% @ 60% AMI"): in the latter case, CDLAC requires a minimum of 10% of the unit types must be at 50% or less of AMI ("10% @ 50% AMI").

Mixed-Income Project Occupancy Requirements (Continued)	**MIXED INCOME REGULATORY AGREEMENT REQUIREMENTS (ALL PROJECTS):** **Affordability Requirements:** 1. To qualify, a project must meet the following affordability restrictions, 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: a. 30% of total units at or below 50% of AMI. Of these, a minimum of 10% of total units must be at or below 30% of AMI, b. 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 c. Remaining 60% of total 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. d. 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 Market Study supports such deviations.) 2. If applicable, tax credit transactions that are income-averaged must have a maximum average affordability up to 60% of AMI across all CTCAC restricted units.
Mixed-Income Project Occupancy Requirements (Continued)	**MAXIMUM ALLOWABLE RENTS:** Rents for all restricted units must be at least 10% below market rents for the MIP affordability term as evidenced by a current market study or appraisal. 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 180 days of Agency's final commitment and may be subject to required updating if the report expires prior to construction loan closing. For underwriting purposes, CTCAC and locality maximum rents for the respective target income limits must be used. Any proposed rent adjustments above 5% of the approved rents subsequent to construction loan closing may be considered if supported by a recent or updated market study or appraisal that is dated within 180 days of MIP loan closing, at CalHFA'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 required in the Agency's Regulatory Agreement.
Mixed-Income Subordinate Loan	1. Maximum loan amount for each project shall not exceed the lesser of $8 million or the aggregate MIP loan amount calculated based on up to $60,000 per MIP regulated units, unless an exception is approved by Agency in its sole discretion. a. Maximum loan per restricted (tax credit or CalHFA) units between 30%-120% AMI shall be up to $50,000. b. Projects located within the Highest or High Resource areas pursuant to 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. Opportunity Map Home Page: www.treasurer.ca.gov/ctcac/opportunity.asp 2. Loan size based on project need but cannot be more than 50% of the permanent loan amount.

Mixed-Income Subordinate Loan Rates & Terms	1. **Interest Rate**: Greater of 1% simple interest or the applicable federal rate (AFR) at time of MIP closing. 2. **Loan Term**: The MIP loan term shall be coterminous with the CalHFA permanent first lien loan. 3. **Lien Position**: Second lien position, after CalHFA permanent first lien loan. 4. **Loan Payment**: Residual receipt repayment based on cash flow analysis and split 50% to Owner and 50% to CalHFA and other residual receipt lenders. Residual receipt is defined as 50% of surplus cash which is determined as net operating income minus total debt service and other Agency approved payments. Payments shall be applied to the current and/or accrued interest and then principal of the MIP loan. Deviation from the net cash flow split may be granted 1) to meet equity investor's deferred developer's fee requirement as evidence by the limited partnership agreement, and 2) is subject to approval(s) by other residual receipt lender(s), as applicable. 5. **Affordability Term**: 55 years. 6. **Prepayment**: May be prepaid at any time without penalty. 7. **Subordination**: A subordination and/or extension of MIP maturity request in conjunction with a re-syndication, refinance, or ownership transfer ("capitalization event(s)") will be considered. If MIP loan is outstanding at time of the capitalization event(s) and requires subordination at the time of such event, the surplus cash split between borrower and CalHFA and other residual receipt lenders may be altered to reflect an increased percentage of residual receipts to CalHFA out of Borrower's share until such time as the MIP loan is paid in full. The remaining residual receipts may be split between other residual receipt lenders. 8. **Funded**: Only at permanent loan conversion.
CalHFA Conduit Bond Program	For more information on CalHFA's Conduit Issuer Program and the fees associated with it, visit CalHFA's website: www.calhfa.ca.gov/multifamily/programs/forms/termsheet-conduit.pdf
CalHFA First Lien Permanent Rates & Terms (subject to change)	For more information on CalHFA's Permanent Loan Program and the fees associated with it, visit CalHFA's website: www.calhfa.ca.gov/multifamily/programs/forms/termsheet-perm-tax-exempt.pdf
Fees (subject to change)	**Loan Fee:** 1.00% of the loan amount (50% due at final commitment and 50% due at CalHFA MIP loan closing). **Conduit Bond Program Fees:** Refer to CalHFA Conduit Bond Program www.calhfa.ca.gov/multifamily/programs/forms/termsheet-conduit.pdf **CDLAC Fees:** Refer to CDLAC regulations for all applicable fees. **Other Fees:** Refer to CalHFA First Lien Permanent Rates & Terms for first mortgage loan fees, credit enhancements, trustee fees, legal fees, inspection fees, administrative fees. www.calhfa.ca.gov/multifamily/programs/forms/termsheet-perm-tax-exempt.pdf

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TAX-EXEMPT PERMANENT LOAN PROGRAM

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

Qualifications	• Available to for-profit, non-profit, and public agency sponsors. • Tax-exempt bond authority must be obtained from the California Debt Limit Allocation Committee (CDLAC) or through a 501(c)(3) exemption. • The Tax-Exempt Permanent Loan may be used with or without 4% low income housing tax credits. • If a lender other than CalHFA is providing short-term, first-lien debt, CalHFA shall be used as the bond issuer (for more information, review the Conduit Issuer Program Term Sheet). • For Section 8 Projects, a final commitment is conditioned upon review and acceptance by CalHFA of the HAP or AHAP contract. • The Perm Loan will be credit-enhanced through CalHFA's HUD/FHA Risk Sharing Program. • For existing CalHFA portfolio loans, the current owner is required to pay off all outstanding CalHFA debt. Visit www.calhfa.ca.gov for the CalHFA Portfolio Loan Prepayment Policy.
Loan Amount	• Minimum Perm Loan amount of $5,000,000. • Minimum 1.15x for initial debt service coverage ratio (include any financing with amortizing debt). If a Project includes CalHFA's subsidy loan, the maximum DSCR at year 1 shall not exceed 1.20, unless CalHFA approves a higher DSCR at its own discretion. The year 1 DSCR underwritten at the time of final loan approval and final commitment must be maintained as the minimum DSCR through the term of the Perm 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. • Lesser of 90% of restricted value or 100% of development costs. For Projects with equity being cashed out, the Perm Loan amount will be restricted to no more than 80% of the restricted value.
Fees (subject to change)	• Application Fee: $10,000 non-refundable, due at time of application submittal, and is credited toward the CalHFA Legal Fee at Perm Loan closing. The applicant may be subject to a new Application Fee if the CalHFA commitment expires prior to construction loan closing. • Perm Loan Fee: 1.00%, half due at final commitment, with balance due at Perm Loan closing. • 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 Program). • Inspection fees should be estimated at $500 per month for the term of the construction (reports and fees can be shared with other construction lenders) • Legal Fee: $35,000, half due at final commitment, with balance due at Perm Loan closing. • Perm Loan Funding Fee: $110,000 at Perm Loan closing. • Administrative Fee: $1,000 at Perm Loan closing. • Letter of Interest Fee: $5,000 at LOI request, and is credited toward the CalHFA Perm Loan Fee See CalHFA standard Conduit Issuer Program Term Sheet for information on conduit issuance fees.

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Rate & Terms (subject to change)	Interest Rate: • 17-Year Balloon Loans: 15-Year "AAA" Municipal Market Data (MMD) plus CalHFA spread • 30-Year Balloon and Fully Amortizing Loans: 30-Year "AAA" MMD plus CalHFA spread • Estimated CalHFA Spread: 2.00% to 3.00% • Rate may be locked up to 30 days prior to the construction loan closing. Rate may be locked for the term of the construction period, not to exceed 3 years. Amortization/Term: • Amortization: Up to 40 Year Amortization • Term: Fully Amortizing, and 17- or 30-Year Balloons available1 • Perm Loan Reduction: up to 10% reduction at Perm Loan closing permitted at no cost. • Up to two, three-month extension(s) permitted upon payment of a fee equal to 0.25% of the Perm Loan amount for each three-month extension. • Breakage Fee (if applicable): due between construction loan closing and Perm Loan closing and calculated based on hedge termination cost. 1. Balloon loans subject to agency approved exit strategy.
Loan Closing Requirements	• 90% stabilized rental housing occupancy for 90 days as evidenced by rent rolls. • 90% of tax credit investor equity shall have been paid into the Project. • Project income is sufficient to pay operating expenses, required debt service, reserves and monitoring fees. • For mixed-use Projects, 100% non-residential occupancy as evidenced by executed leases or guarantees. • Deposit Account Control Agreement between CalHFA, the Borrower and lending institution is in form and substance acceptable to all parties and ready to be executed at Perm Loan closing.
Prepayment	The Perm Loan may be prepaid at par after 15 years of the Perm Loan period. However, the Perm Loan may be prepaid after 10 years of the Perm Loan period subject to a yield maintenance calculation of: • 5% of the principal balance after the end of year 10 • 4% of the principal balance after the end of year 11 • 3% of the principal balance after the end of year 12 • 2% of the principal balance after the end of year 13 • 1% of the principal balance after the end of year 14 All prepayments require a prior written 120-day notice to CalHFA.
Subordinate Financing	Financing or grants are encouraged from local governments and third parties to achieve project feasibility. All financing, leases, development and regulatory agreements must be coterminous (or have a longer term than the combined terms of any CalHFA Acq/Rehab Loan and Perm Loan) and be subordinate to CalHFA financing. A Lien Priority/Position Estoppel in form and substance acceptable to CalHFA will be required prior to construction financing closing, if applicable.
Occupancy Requirements	Must maintain the greater of (A) existing affordability restrictions, or (B) either (i) 20% of the units must be rent restricted and occupied by individuals whose incomes are 50% or less of the area (county) median gross income as determined by HUD ("AMI") with adjustments for household size ("20% @ 50% AMI"), or (ii) 40% or more of the units must be both rent restricted and occupied by individuals whose income is 60% or less of the AMI, with adjustments for household size ("40% @ 60% AMI"): however in the latter case, a minimum of 10% of the units must be at 50% or less of AMI (i.e., 30% @ 60% AMI; 10% @ 50% AMI).

Occupancy Requirements (continued)	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 may be acceptable). • HUD-2530 previous participation clearance. • Construction Costs Review for new construction loans (other construction lender's review is acceptable). • Physical Needs Assessment* ("PNA") for rehabilitation projects with a Replacement Reserve Needs Analysis ("RRNA") over time for the first 20-year term (other lender's PNA/RRNA may be acceptable). 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* satisfactory to CalHFA. • NEPA Review. • Termite/Dry Rot reports* by licensed company. • Seismic review* and other studies may be required at CalHFA's discretion. *Note: Third party reports shall be within 180 days prior to the CalHFA's final commitment approval and may be subject to a new or updated report if the report(s) was completed more than 180 days prior to construction loan closing, in CalHFA's sole discretion.
Required Impounds and Reserves	• Replacement Reserve: Initial cash deposit required for existing Projects with annual deposits between $250 and $500 per unit/per year depending on the Project type and PNA/RRNA findings. • Operating Expense Reserve ("OER"): 3-6 months of operating expenses, reserves, debt service, and monitoring fees due at Perm Loan closing (letter of credit or cash) and held for the life of the CalHFA Perm Loan by CalHFA. In the event OER funds are drawn down during the term of CalHFA Perm Loan, it must be replenished over a period of 12 months to the original level. • Impounds held by CalHFA: One year's prepaid earthquake, hazard and liability insurance premiums, and property tax assessments are collected at loan closing. An earthquake insurance waiver is available for Projects which have met CalHFA earthquake waiver standards during rehabilitation or construction. • Transition Operating Reserve (TOR): required for Projects with state or locally administered rental subsidy contracts with contract terms that are less than 20 years or the CalHFA Perm Loan term. • Other reserves as required (at CalHFA's discretion).

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CONDUIT ISSUER PROGRAM

MULTIFAMILY HOUSING BONDS

Term sheet effective for applications submitted after March 1, 2022

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

Qualifications	• Available to for-profit, nonprofit or public agency sponsors. • Nonprofit borrowers may be eligible for 501(c)(3) bonds. • If bond proceeds are utilized to pay off an existing CalHFA portfolio loan visit www.calhfa.ca.gov for the CalHFA Portfolio Loan Prepayment Policy.
Bond Amount	Bond amount is determined by the loan amount of the selected construction lender.
Fees (subject to change)	• Application Fee: $5,000 non-refundable, due at time of application submittal (covers the cost of the TEFRA required for tax-exempt issuances) and is credited toward the CalHFA Issuer Fee. • Issuer Fee: 1. The greater of $15,000 or 18.75 basis points of the Bond amount if lesser than or equal to $20 million. 2. If more than $20 million: $37.500 + 5 basis points for the amount above $20 million. • Annual Administrative Fee: 5 bps of the tax-exempt bond issuance amount due at construction loan closing and due annually thereafter until permanent loan conversion. After permanent loan conversion, billed annually in advance, 5 bps of unpaid principal balance amount of tax-exempt bond financed loan(s) until bonds are fully redeemed. Minimum Annual Administrative Fee shall be $4,000 through both the Qualified Project Period and the CDLAC compliance period. For taxable only issuances, annual administrative fees above will be charged based on the taxable bond financed loan(s) for the term of the CalHFA affordability restrictions. If used in conjunction with a CalHFA permanent loan product, the annual administrative fee will not be duplicated. Please refer to the applicable permanent loan term sheet for the annual administrative fee. • Public Sale: Additional fee of $5,000 to $10,000 applies when Bonds are sold to the public. • CDLAC Allocation Fee: 0.035% of the Bond amount, $1,200 of which is due at time of CDLAC application submittal with the remaining fee due at construction loan closing and payable to CDLAC. • CDLAC Performance Deposit: 0.50% of the requested Bond amount, not to exceed $100,000, due at time of CDLAC application submittal. Deposit to be refunded after the Bond closing, upon receipt of authorization letter from CDLAC. The Borrower shall be responsible for all other costs of Bond issuance including fees of the underwriter, trustee, rating agencies, lender, compliance administrator, all Bond counsel legal fees, and any other parties required to complete the transaction.

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Occupancy Requirements	• Either (A) 20% of the units must be rent restricted and occupied by individuals whose incomes are 50% or less of the area median income as determined by HUD ("AMI") with adjustments for household size ("20% @ 50% AMI"), or (B) 40% or more of the units must be rent restricted and occupied by individuals whose income is 60% or less of AMI, with adjustments for household size ("40% @ 60% AMI"); however in the latter case, a minimum of 10% of the units must be at 50% or less of AMI (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 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.

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Mainline North Apartments

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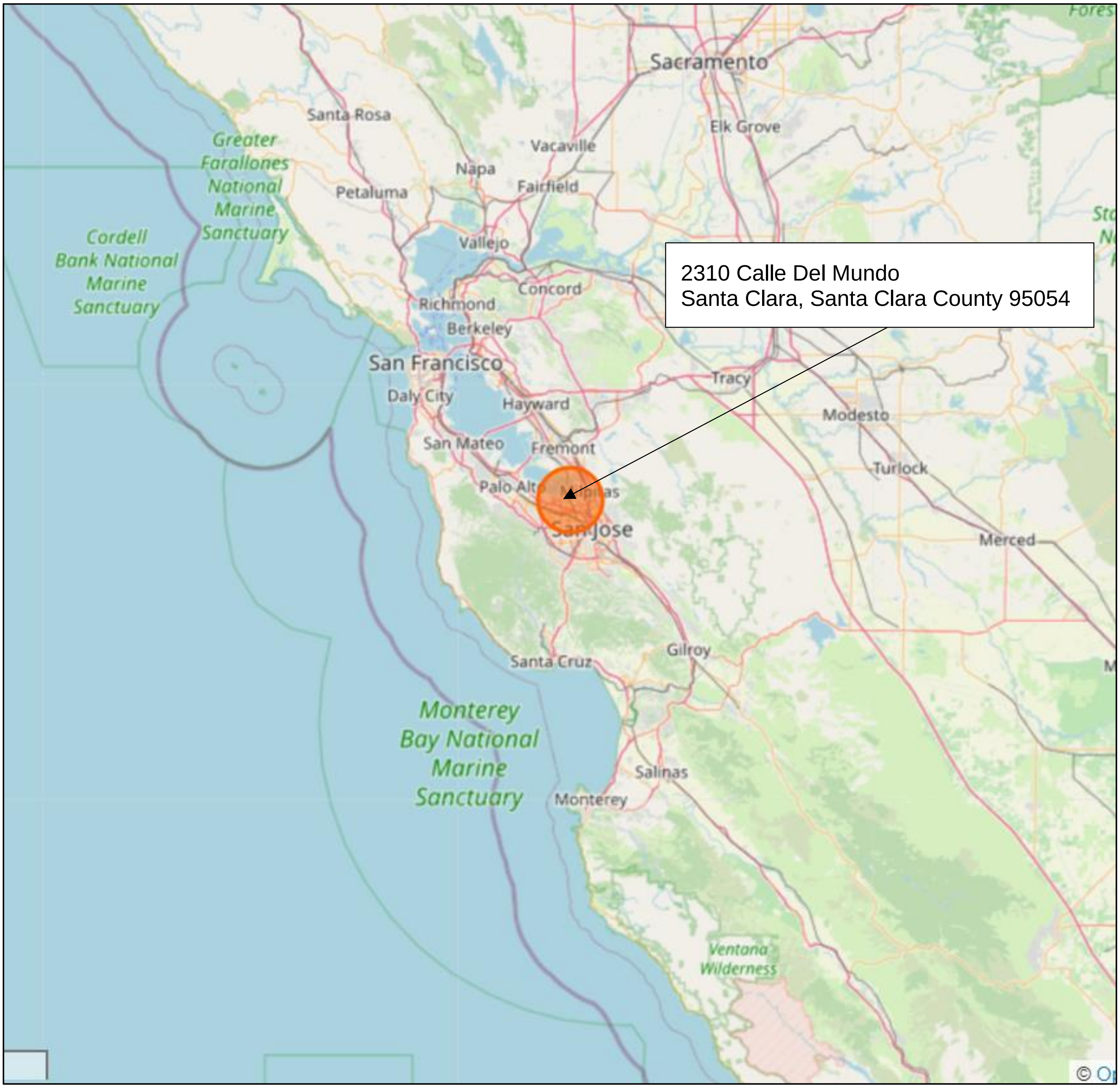

Mainline North Apartments

Near