Executive Summary	
CalHFA Project Number	25008
Project Name	Sky Castle (Phase I)
Type of Development	New Construction, Adaptive Reuse
Type of Project	Family
Total Units (MIP Restricted Units)]	241 Units (239 MIP Units)
Street Address	350 S Figueroa St.
City, County, Zip Code	Los Angeles, Los Angeles County, 90071
Borrower (Legal entity name)	Sky Castle I, LP
Developer(s)	Arden Development, Inc.
Co-Developer	Kingdom Sky Castle LLC (Kingdom Development, Inc. as Sole Member and Manager)
Approved Conduit Issuances	
Conduit T/E Bond Issuance [CDLAC Meeting: 8/5/2025]	$36,000,000 (assuming current need is $32,317,848) Includes 10% cushion and rounded up to nearest $1m
Conduit Taxable Bond Issuance	$47,000,000 (assuming current need is $42,228,415) Includes 10% cushion and rounded up to nearest $1m
Conduit T/E Recycled Bond Volume Cap	$4,000,000 (assuming current need is $3,527,011) Includes 10% cushion and rounded up to nearest $1m
Requested CalHFA Financing for Approval	
Combined CalHFA 1st Lien Permanent Loan	$42,617,941 UW Rate and Loan Term: 6.88% blended; fixed; 1st lien; 40/17
CalHFA Tax-Exempt Permanent Loan Amount	$35,844,859 ($32,317,848 CDLAC and $3,527,011 Recycled) 6.53% Fixed; 40/17
CalHFA Taxable Permanent Loan Amount (if any)	$6,773,082 7.87% Fixed; 40/17
HUD Risk Sharing Requirement (1st lien loan)	Yes
CalHFA Subordinate/Subsidy Financing Type	$4,000,000 Mixed-Income Program (MIP) 2025 UW Rate and Loan Term: 3.00%, fixed-simple; 2nd lien; residual receipts; due in 17 years
Key Dates and Approvals	
CDLAC Volume Cap Award Date	8/5/2025
CTCAC Tax Credit Award Date	8/5/2025
CDLAC Closing Deadline (CDLAC extension request approved)	9/1/2026
Construction Loan Closing Date [Est.]	8/24/2026
Est. CalHFA Loan Closing (perm conversion) Date	1/15/2030
Federal Tax Credits (LIHTC) Requested	Federal LIHTC Amount: $38,289,200
State Tax Credits Requested	State Tax Credit Amount: $0

Notes:

1. CDLAC volume cap was initially awarded on August 5, 2025. On September 8, 2025, the developer returned a portion of the tax-exempt bonds due to the 25% test resulting for an adjusted award amount of $32,317,848.

1	Project Summary

Project Description

Sky Castle (Phase I) (the "Project") is a new construction, adaptive reuse, family, mixed-income Project. The total development site area is 3.68 acres and is located in Los Angeles, Los Angeles County. The Project currently consists of 1 thirteen-story elevator serviced building that is the World Trade Center building in downtown Los Angeles. There is a three-story above ground parking garage situated below a two-story concourse (floors four and five) and eight-story office tower as well as outdoor amenity space on the roof of the two-story concourse. The Project will consist of the adaptive re-use of the two-story concourse, floors four and five. Floors four and five will comprise a separate air rights parcel. The remaining portion of the building will be a second affordable residential phase but not be part of the subject Project financing. The Project will have a total of 241 residential units, of which 239 units will be restricted between 30% and 80% of the Los Angeles County Area Median Income (AMI). There will be 179 one-bedroom units (506 sq. ft.), 57 two-bedroom units (693 sq. ft.), 5 three-bedroom units (989 sq. ft.). In addition, 2 units of the two-bedroom units will serve as the manager's unit(s). No residential parking is required nor provided in the Project, nor is it included in eligible basis. There is ample parking within the adjacent parking air parcel that is not part of the Project.

The project is Type I concrete construction with a slab on grade foundation. In addition to CDLAC minimum design standards which include some sustainable building requirements like the use of EnergyStar appliances and installation of water efficient landscaping, other Project green design features include reduction in the need for new materials due to adaptive reuse and recycling of discarded construction materials.

The Project's financing structure includes financing from: Tax-exempt (T/E) bonds, Taxable bonds, T/E Recycled bonds, 4% Federal Low Income Housing Tax Credit (LIHTC) equity, CalHFA Tax-Exempt and Taxable Permanent Loan, CalHFA Subordinate financing through Mixed-Income (MIP) Subsidy Loan, general partner equity, and a Seller Note from 350 S Figueroa LLC.

The Project is Phase I, of a two-phase project, with both phases planned to close construction financing and be constructed simultaneously. Citibank will provide construction financing for Phase I (Project) and both construction and permanent financing for Phase II. The phases will be contiguous so CC&Rs, CAM agreements and cross-collateralization will be involved. The pertinent documents will be reviewed and approved by CalHFA prior to construction closing. To manage high construction costs, the project was divided into two components: the concourse and the office tower. To facilitate the separation, a lot line adjustment will be completed prior to construction closing. This ministerial process, which does not require public hearings, will subdivide the site—removing the office tower from the existing parcel and creating distinct air rights parcel for the affordable multifamily housing development within the concourse structure.

Inside Principal City?	Yes	Underserved or Distressed Tract?	No
Census Tract (CT)	06037207502	% Population Below Poverty Line	37.60%
CT Minority Population %	77.68%	Rural Area?	No
CT Income Level	Unknown	2025 Est. CT Median Family Income	$17,989
CDLAC/TCAC Opportunity Area Category		Moderate Resource	
CDLAC/TCAC Geographic Region		City of Los Angeles	
Project is located in DDA?		Yes	
Project is located in Federally-designated Qualified Census Tract (QCT) for LIHTC purposes?		Yes	

Legislative Districts: • Congress: 34, Jimmy Gomez • State Assembly: 54, Mark Gonzalez • State Senate: 26, Maria Elena Durazo
Local Support: The City of Los Angeles has provided their conditional approval on 05/8/2025. Final approval from the City of Los Angeles will be received at closing by the recording of the Cities Accessibility Covenants.

2	Development and Financing Team				
Developer (Sponsor): Arden Development, Inc. (100% Developer Fee) (See note 1)			**Co-developer (if any):** Kingdom Sky Castle LLC (affiliate of Kingdom Development, Inc.) (0% of Developer fee)		
	New to CalHFA?	Yes		New to CalHFA?	No
	Affordable Housing/LIHTC experience?	No		Affordable Housing/LIHTC experience?	Yes
	Has Projects in California?	No		Has Projects in California?	Yes
Borrower (Legal entity): Sky Castle I, LP			**Co-Borrower (if any):** N/A		
Construction (Senior) Lender: 1) CITIBANK, N.A. ("CITI")			**Construction Subordinate Lender(s):** N/A		
Permanent 1st lien Lender: 1) CalHFA			**Permanent Subordinate Lender(s):** 1) CalHFA MIP (2nd lien) 2) Seller Carry Note (3rd lien)		
Federal LIHTC Investor: Raymond James Affordable Housing Investments, Inc.			**State LIHTC Investor:** N/A		
	Tax Credit Amount	$40,472,472		Tax Credit Amount	N/A
Solar Tax Credit Investor: N/A					
	Tax Credit Amount	N/A			
General Contractor: Wilshire Construction			**Management Company (Property Manager):** Greystar		
	Is an affiliate of Developer?	No		Is an affiliate of Developer?	No
	Experience with CalHFA?	No		Total number of properties managed (California)	371
Architect: Rockefeller Partners			**Service Provider:** Life Skills Training and Educational Programs, Inc. (LifeSTEPS)		
	Has worked with GC?	Yes		Required by TCAC or other Funding sources?	Yes
	Has experience designing and managing similar projects?	Yes		Terms of service (on-site, number of years)	15 Years
				Support Services Cost (per Operating budget)	$28,500
	Has housing projects in CA?	**Yes**		Per unit cost of services meets CDLAC/TCAC req.?	Yes
Financial Advisor: N/A			**Project Consultant:** Kingdom Development, Inc.		

Notes: Arden Development, Inc. (“Arden”) is an emerging affordable housing developer and will receive 100% of the developer fee. See Section 12a for more information about the development team. Kingdom Sky Castle LLC is the managing general partner affiliate and providing experience points for the project and receiving 0% of the developer fee. Kingdom Development, Inc. is acting as the contracted development consultant, and will receive $410,000 for their services.

3	Support Service Provider(s)
Name of Service Provider	Life Skills and Educational Programs, Inc. (LifeSTEPS)
Required by TCAC or other funding sources?	Yes
Term of Services (on-site, number of years)	15 Year (initial contract term)
Support Services Budget included in the Operating Budget	$28,500
Per unit cost of support services meets CDLAC/TCAC thresholds?	Yes
The Borrower has elected to provide supportive services to the residents through Life Skills and Educational Programs, Inc. (LifeSTEPS). LifeSTEPS, will provide services for all tenants. Services will include 84 hours per year of instructor-led adult educational classes and 184 hours per year of health and wellness services and programs. CTCAC requires site services for 15 years.	

4	Requested CalHFA Financing for Approval		
CalHFA Financing Terms			
	CalHFA 1st Lien Perm Loan	**CalHFA Subordinate Loan (MIP Subsidy Loan)**	**Total CalHFA Financing**
Loan Amount ($)	**$42,617,941 (Combined)** $32,317,848 (T/E) $3,527,011 (T/E Recycled) $6,773,082 (Tax)	$4,000,000	$46,617,941
Loan Term (Year)	17	17	17
Amort. Term (Year)	40		40
Amort. Type	Partially Amortizing	Non-amortizing	
Lien Position	1st	2nd	
UW Interest Rate %	**6.88% (Blended)** 6.53% (T/E) 7.87% (Tax)	3.00%	
Loan to Value (%) (See Note 2)	72.06%	6.76%	
Combined LTV (CLTV) (%) (See Note 2)			78.82%
Loan to Cost (%)	39%	4%	42.9%
Loan Repayment Source	Net Operating Income (NOI)	Residual Receipts	

5	Project Budget & Total Development Cost

5a	Construction Financing

Construction Lender	CITIBANK, N.A. (“CITI”)
CDLAC/CTCAC Construction Closing Deadline	September 2, 2026

	Bond Issuance Amount	Type of Issuance
Construction Conduit Issuance Amount	$32,317,848	Tax-Exempt
Construction Conduit Issuance Amount	$43,228,888	Taxable
Construction Conduit Issuance Amount	$3,527,011	T/E Recycled
Total	$79,183,747	

	Loan Amount	UW Rate	Loan Term
Construction Loan (T/E) (Interest-only, 1st lien during construction)	$32,317,848	5.40%, Variable	36-months plus one 6-month extension by right
Construction Loan (T/E-Recycled) (Interest-only, 1st lien during construction)	$3,527,011	5.40%, Variable	36-months plus one 6-month extension by right
Construction Loan (Taxable) (Interest-only, 2nd lien during construction)	$42,228,415	6.15%, Variable	36-months plus one 6-month extension by right
350 S. Figueroa LLC- Seller Carryback Note (deferred, 3rd lien during construction)	$4,999,000	5.00%, Fixed	55-years starting at permanent loan conversion.

Notes:
1. Construction interest reserve may be re-sized based on the final locked rate at construction closing. Any resulting funding gaps will be covered by the Developer until permanent loan closing.

5b	Construction Sources

Sources	Amount ($)	% of Total
Citi Community Capital TEB (Loan)	$32,317,848	30.22%
Citi Community Capital Taxable (Loan)	$42,228,415	39.48%
Citi Community Capital TEB Recycled (Loan)	$3,527,011	3.30%
Raymond James Equity (Equity, LIHTC Investor)	$10,118,118	9.46%
350 S Figueroa LLC (Loan)	$4,999,000	4.67%
Arden Development, Inc. (Cost Deferral)	$13,763,094	12.87%
TOTAL CONSTRUCTION SOURCES	**$106,953,486**	100%

5c	Construction Uses

Construction Uses:	Amount ($)	% of Total
Land and Improvement Value	$26,600,000	24.87%
Other Acquisition Costs	$0	0.00%
Construction/Rehab Costs	$46,302,175	43.29%
Soft Costs (A&E, Legal, Title, and Other Soft Cost)	$16,777,371	15.69%
Hard Cost contingency (15% of hard cost)	$5,865,326	5.48%

Soft Cost contingency (2.37% of soft cost)	$1,117,500	1.04%
Financing Costs (Interest Reserves, Fees, Taxes, and Insurance)	$8,062,662	7.54%
Local Impact Fees and Permit Fees	$1,200,000	1.12%
Cash Portion Developer Fee	$377,729	0.35%
Other Costs (TCAC Fees, Furnishing, and Other Misc. Fees)	$493,582	0.46%
Operating Reserves	$157,141	0.15%
TOTAL CONSTRUCTION USES	**$106,953,486**	**100%**
TOTAL PER UNIT	**$443,790***	
TOTAL PER RESTRICTED UNIT	**$447,504**	

Notes:

1. CalHFA will require review and approval of independent third-party prepared plan and cost review report for project plans and specifications (plan & specs) and cost review prior to construction loan closing.
2. CalHFA underwriting policy requires any Sponsor or General Partner (GP) loan to be repaid from the Borrower's 50% share of surplus cash. Accordingly, any repayment of the sponsor loan is not considered separately in the Financial Analysis and Underwriting as it is expected to be repaid from the Borrower's share of the 50% surplus cash.
3. Acquisition Costs included in the budget is $26,600,000 which is in compliance with Agency's underwriting (USRM) standards. The total Acquisition costs include as-is improvements cost of $25,270,000 and land of $1,330,000.
4. The Seller Carry-back loan of $4,999,000 is included as a source. Per CalHFA underwriting standards (USRM) require any difference between the appraised value, if used for the Acquisition cost, and the proportionate share of the arm's length transaction to be covered by the Seller take-back loan that shall be repaid form the Borrower's 50% share of surplus cash. Accordingly, any repayment of the Seller take-back loan is not considered separately in the Financial Analysis and Underwriting as it is expected to be repaid from the Borrower's share of the 50% surplus cash.
5. The total hard cost contingency in the project is 15% of the Hard costs, which includes the contingency in the GC Schedule of Values (SOV) and has been reviewed by the CalHFA inspector to meet the USRM requirements and project scope for completion within the stipulated budget. The size of this contingency provides an adequate cushion to the hard cost budget considering the adaptive reuse construction type.
6. The total soft cost contingency in the project is 2.37% of eligible costs and has been reviewed by the Multifamily staff to meet the USRM requirements and project scope for completion within the stipulated budget.

7. The Developer provided the following list of cost saving measures that produce $443,790 construction cost per unit:

- Concrete structure - We can fully retain the existing Type I concrete structure and foundation.
- Existing parking - We avoided the cost of excavation and added concrete scope for a below-grade parking garage.
- Building envelope - We can fully preserve the existing curtain wall and exterior storefront systems.
- Elevators - We can fully retain the existing elevators for the adaptive reuse conversion.
- Utilities - We can reuse existing utilities that served the office building for this adaptive reuse conversion.
- Fire, Life Safety - We can reutilize a majority of the fire sprinkler system for the upgrades required for adaptive reuse conversion.
- Site preparation - We do not incur this cost since the building is existing.
- Construction schedule - We have a shorter construction schedule meaning less interest reserve compared to ground-up construction.

5d	Permanent Sources and Uses	
Sources	**Amount ($)**	**% of Total**
CalHFA - Perm Loan TEB (Loan)	$32,317,848	29.7%
CalHFA - Perm Loan Taxable (Loan)	$6,773,082	6.2%
CalHFA - Perm Loan Rec (Loan)	$3,527,011	3.2%
350 South Figueroa LLC (Loan)	$4,999,000	4.6%
Arden Development, Inc. (Developer Fee, Deferral)	$13,031,537	12.0%
CalHFA - MIP (Loan)	$4,000,000	3.7%
Operating Income (Cost Deferral)	$3,531,020	3.2%
Tax Credit Equity (Equity, LIHTC Investor)	$40,472,472	37.2%
TOTAL PERMANENT SOURCES	$108,651,970	100.0%

Permanent Uses:	**Amount ($)**	**% of Total**
Total Loan Payoffs	$93,921,949	86.4%
Other Acquisition Costs	$0	0.0%
GP Equity	$0	0.0%
Financing costs	$174,114	0.2%
Soft costs	$0	0.0%
Operating Reserves	$1,524,370	1.4%
Cash Developer Fee paid at Perm Conversion	$0	0.0%
Deferred Developer Fees paid from cashflow	$13,031,537	12.0%
TOTAL PERMANENT USES	**$108,651,970**	**100.0%**
TOTAL PER UNIT	**$450,838***	
TOTAL PER RESTRICTED UNIT	**$454,611**	
* 308 bedrooms = $352,766 total development cost per bedroom		

5e	Developer Fee	
Developer fee category:	TCAC Maximum Limit	Actual Amount in Project Budget
Upfront Cash Developer Fee (a)	$5,136,422	$377,729
Deferred Developer Fee (DDF) paid from project cash-flow (b)		$13,031,537
Total Developer Fee (a) + (b)	$13,409,266	$13,409,266
Excess Developer Fee above TCAC Maximum Limit as General Partner (GP) contribution		**$0**

Notes (if any):

1. For the Final Commitment underwriting, the Borrower must provide evidence that the DDF repayment structure is required pursuant to the Tax Credit Investor’s requirements (LOI) and/or Limited Partnership Agreement (LPA).
2. Any outstanding Deferred Developer Fee remaining at Year 15, even if within TCAC Maximum Limit, will be paid from Borrower’s 50% share surplus cash distribution.
3. Any outstanding Deferred Developer Fee remaining in Year 15 and above TCAC Maximum Limit will be treated as developer contribution. The Limited Partnership Agreement (LPA) and the Tax Credit Investor written approval evidencing that any outstanding deferred developer fee remaining in Year 15 will be treated as a GP contribution will be required prior to construction closing.

6	Affordability Requirements
6a	CalHFA Regulatory Agreement Requirements

The CalHFA Permanent Financing Bond Regulatory Agreement will restrict a minimum of 40% of the total units (97) at or below 60% AMI; with 10% of the total units (25 units) at 50% AMI and the remaining required units (72 units) at or below 60% AMI for 55 years. The CalHFA Subsidy Regulatory Agreement will restrict 239 units between 30-120% of AMI for a term of 55 years.

Number of Regulated Units and AMI Restrictions by Each Agency

Number of Units and Percentage of AMI Rents Restricted by each Agency

Regulating Agency	**Number of Units Restricted for Each AMI Category**								**Total Units**	**Percentage**
	Lien	**30%**	**40%**	**50%**	**60%**	**70%**	**80%**	**120%**	**Regulated**	**Regulated**
Los Angeles Housing Department	1st	19	0	0	0	0	0	0	19	8%
CalHFA Bond	2nd	0	0	25	72	0	0	0	97	41%
CalHFA MIP	3rd	25	0	48	0	25	0	141	239	100%
CTCAC	4th	0	0	24	0	0	0	0	24	10%
TOTALS		**25**	**0**	**48**	**72**	**25**	**0**	**141**	**239**	**100%**

Notes (if any):

1. The CalHFA MIP Subsidy Regulatory Agreement requires 30% of total units (73 units) at or below 50% of AMI. Of these, a minimum of 10% of total units must be at or below 30% of AMI (25 units at 30% AMI and 48 units at 50% AMI). An additional 10% of total units (25 units) must be restricted between 60% and 80% of AMI with a minimum average of 70% of AMI for a term of 55 years.
2. The rents for the 60% to 80% tranche will be determined by the minimum income limit of 70% of AMI, not to exceed 80% of AMI. The remaining restricted units will be restricted at or below 120% of AMI.
3. The Los Angeles Housing Department (LAHD) will restrict 14 1BR and 5 2BR units at 30% AMI. These will not be in addition to the MIP restricted units. LAHD is requiring a Rental Covenant Agreement to be recorded in senior position to the CalHFA Deeds of Trust. The Agreement will not have foreclosure rights and will standstill provisions that are in excess of the affordability requirements for any period that the Agency is in possession of the property following a foreclosure or deed in lieu.

6b	Unit Distribution for each AMI category

The table below outlines the distribution of units for each unit size by AMI category.

Rent Limit Summary Table								
	Studio	1-bdrm	2-bdrm	3-bdrm	4-bdrm	5-bdrm	Total	% Total
30%	0	40	6	1	0	0	**47**	**20%**
40%	0	0	0	0	0	0	**0**	**0%**
50%	0	16	10	1	0	0	**27**	**11%**
60%	0	14	8	1	0	0	**23**	**10%**
70%	0	101	17	1	0	0	**119**	**49%**
80%	0	8	14	1	0	0	**23**	**10%**
120%	0	0	0	0	0	0	**0**	**0%**
Manager	0	0	2	0	0	0	**2**	**1%**
Market	0	0	0	0	0	0	**0**	**0%**
Total	**0**	**179**	**57**	**5**	**0**	**0**	**241**	
AMI Avg		**58.9%**	**63.1%**	**58.0%**			**59.87%**	

Note:

- The initial rents at permanent loan closing and in subsequent years must not be less than the underwritten rent levels outlined in the "Rent Summary Table" of the Financial Analysis enclosed as part of this Staff Report.
- The CalHFA regulatory agreement(s) will require minimum underwriting rent levels as outlined above.

7	**Financial Analysis**
7a	Project Operating Budget Assumptions

Total Units	241	Construction Start Date	8/25/2026
Regulated Units	239	Construction Completion Date	2/25/2029
Manager Units (Market Rate)	2	Construction Period (months)	30
Total Residential Square Feet	136,547	Lease-up Commencement Date:	2/25/2029
Avg Sq Ft/Unit	560	Lease-up Completion Date	8/25/2029
Rental Subsidies?	N/A	Lease-up Period (months)	6
No. of Units with Rental Subsidies	N/A	Est. Stabilization /Perm Conversion Date	11/30/2029
Rental Subsidy Contract Term (Initial)	N/A	Lease-up Completion to Stabilization (months)	9

7b	Project Operating Cash-flow Summary

Operating Budget and Reserve Balances					
	Year 1	Year 5	Year 10	Year 15	Terminal Year 17
Adjusted Gross Income	5,529,324	6,103,339	6,905,368	7,812,790	8,208,313
Other Income/Subsidies	259,828	286,801	324,490	367,130	385,716
Projected Vacancy and Discount Loss	289,458	319,507	361,493	408,996	429,701
Effective Gross Income (EGI)	5,499,694	6,070,634	6,868,365	7,770,924	8,164,327
Total Operating Expenses	1,951,186	2,230,016	2,636,621	3,118,990	3,336,246
Reserve For Replacement	72,300	75,236	79,073	83,107	84,777
Net Operating Income (NOI)	3,548,508	3,840,618	4,231,743	4,651,934	4,828,081
Total Debt Service & Other Payments	3,084,687	3,084,687	3,084,687	3,084,687	3,084,687
Cash Flow After Debt Service	463,821	755,931	1,147,057	1,567,247	1,743,394
Debt Service Coverage Ratio	1.15	1.25	1.37	1.51	1.57
Income/Expense Ratio	2.82	2.72	2.60	2.49	2.45
Extra line?					
Less:					
LP Management Fee	7,500	8,441	9,786	11,344	0
GP Partnership Management Fee	10,000	11,255	13,048	15,126	0
Other CalHFA approved Partnership Fee					
Total Fees	17,500	19,696	22,834	26,470	0
Annual Cap Limit	40,500	45,583	52,843	61,260	0
[*Note: Any Fees above the Annual Cap to be paid from Developer Distribution % below]					
Cashflow for Distribution					
Developer Distribution %	100%	100%	100%	100%	50%
Cumulative Developer Distribution	446,321	2,950,743	7,784,445	13,801,925	15,500,997

Residual Receipts %	0%	0%	0%	0%	50%
Cumulative Residual Receipts Repayment	0	0	0	841,914	2,540,986
X					
Unpaid/Accrued CalHFA loan Balance					
Perm Loan	42,400,321	41,367,580	39,617,545	37,168,151	35,933,311
MIP Loan	4,000,000	4,480,000	5,080,000	5,608,475	4,250,712
X					
Reserves Balances					
Operating Reserve	1,681,511	1,681,511	1,681,511	1,681,511	1,681,511
Notes: None					

7c	Exit Analysis Requirements		
Exit Year	Year 16	**Assumed Refi Year**	Year 16
Cap Rate Increase	2.00%	**Interest Rate Increase**	3%
UW Loan Amount	$42,617,941	**Max. Refi Loan Size**	$38,310,395
Appraised Value	$59,140,000	**Max LTV at Refi**	65%
Unpaid Principal Balance (1st Lien)	($1,738,914)	**Unpaid Principal Balance (MIP Subsidy Loan)**	$2,511,798

Notes:

- The primary source of repayment for both the CalHFA 1st lien loan and MIP subsidy loan is refinance of the Project's first mortgage. The Exit analysis test for refinancing indicates that the Project will not have the ability to fully repay the balance of the MIP Subsidy loan, leaving an outstanding balance of $2,511,798 (Principal and accrued interest). Hence, the refinancing is insufficient to fully repay the CalHFA debt.

Mitigation:

- To mitigate the refinance risk, the Developer will be required to repay any remaining balance from General Partner contribution as part of the final close-out of the partnership obligations to allow re-syndication.

8	Insurance Requirements

- **Seismic Review and Earthquake Insurance:** This new construction adaptive reuse Project. The existing structure currently passes thresholds to waive earthquake insurance requirements. The construction will be built to State and City of Los Angeles Building Codes so no seismic review is required and the project will not be subject to Earthquake Insurance. Prior to closing, an engineer of record will provide an affidavit that the Project was built in compliance with City of Los Angeles Building Codes.
- **Flood Designation and Insurance:** The subject is located in Flood Zone X (area of minimum flood hazard). Zone X is the area determined to be outside the 500-year floodplain, and the residential units are higher than two feet above Base Flood Elevation, therefore the Project will not be subject to flood insurance.
- **Other Insurance Requirements:** N/A

9	Environmental Review

- A Phase I Environmental Site Assessment identified no evidence of Recognized Environmental Conditions (RECs) and did not recommend any additional investigation. However, both ACM and LBP surveys were performed, and hazardous material abatement plans are in place.

10	Underwriting and Term Sheet Variations

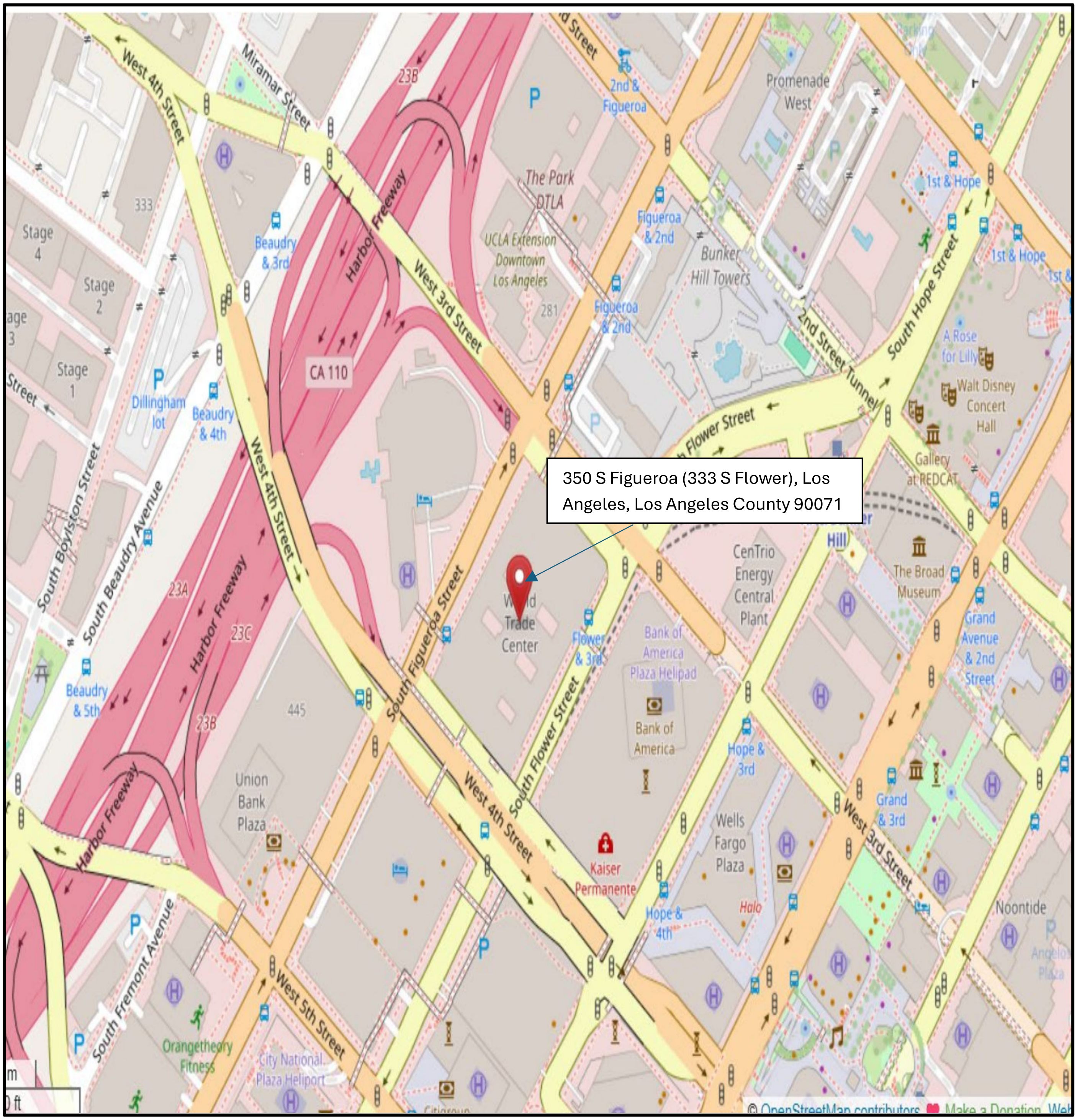
- The first lien loan is repaid, which is crucial. The ($1,738,914) indicates surplus refinance proceeds that get applied to MIP paydown in the exit analysis. The developer will have to contribute approximately $2,511,798 to pay off the MIP unpaid principal balance in year 17.
- To ensure the deferred developer fee is repaid by year 15, the surplus cash distribution is underwritten showing 100% being applied to reducing the deferred developer fee until full repayment which is currently projected in year 15. Thereafter, the surplus cash split shall be 50% to Borrower and 50% to Residual Receipt lender(s). As a condition of this approval, the Borrower must provide evidence that the DDF repayment structure is required pursuant to the Limited Partnership Agreement (LPA). In addition, the owner must provide evidence of investor and all residual receipt lender(s) approvals of the total deferred developer's fee structure and residual receipt split. Residual receipt lenders must also agree to defer the payments on their loans.

11	Approval Recommendation and Action

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

The Final Commitment of the Agency is subject to all CalHFA underwriting standards, applicable Term Sheet and CalHFA regulatory requirements, and any other applicable requirements. Any material deviation from the original financing structure, project changes, underwriting assumptions, or the failure of a condition of the Final Commitment Letter, if issued, can result in the Agency's decision to not proceed with the financing of the project at any stage during underwriting and prior to the closing of the Agency's financing.

Sky Castle – Near



Sky Castle – Far