# CalHFA MULTIFAMILY PROGRAMS DIVISION

## Final Commitment Staff Report & Request for Tax-Exempt and Taxable Conduit Issuance and Loan Approval of a Mixed Income Program Subsidy Financing

**Senior Loan Committee "Approval": July 7, 2020 for Board Meeting on: September 10, 2020**

| | | |
|---|---|---|
| Project Name, County: | Kawana Springs Apartments, Sonoma County | |
| Address: | 450-500 Kawana Springs Rd, Santa Rosa, 95404 | |
| CalHFA Project Number: | 19-067-A/X/N | |
| Requested Financing by Loan Program: | $38,250,000 | **Tax-Exempt Bond – Conduit Issuance Amount ("T/E")** |
| | $16,950,000 | **Taxable Bond – Conduit Issuance Amount ("Taxable")** |
| | $7,450,000 | **Subsidy GAP Loan funded by MIP funds** |

## DEVELOPMENT/PROJECT TEAM

| | | | |
|---|---|---|---|
| **Developer:** | Corporation for Better Housing | **Borrower:** | 500 Kawana Springs Rd., L.P. |
| **Construction Lender:** | Pacific Western Bank ("PWB") | **Equity Investor:** | Alliant Capital |
| **Permanent Lender:** | Pacific Western Bank | **Management Company:** | Winn Residential |
| **Loan Officer:** | Steve Beckman | **Loan Specialist:** | Kevin Brown |
| **Asset Manager:** | Jessica Doan | **Loan Administration:** | Jennifer Beardwood |
| **Legal (Internal):** | Torin Heenan | **Legal (External):** | Orrick Herrington Sutcliffe |
| **Concept Meeting Date:** | May 6, 2020 | **Approval Expiration Date:** | 6 months from Approval |

## LOAN TERMS

| 1. | | Construction Loan CONDUIT ISSUANCE | PERMANENT LOAN (Pacific Western Bank) | MIP (GAP) LOAN |
|---|---|---|---|---|
| | **Total Loan Amount** | $38,250,000 (T/E)<br>$16,950,000 (Taxable) | $25,028,000 | **$**7,450,000 |
| | **Loan Term & Lien Position** | 36 months- interest only; 1st Lien Position during construction. One 6-month extension available. | 40-year amortization due in 17 years<br>1st Lien Position | 17 year - Residual Receipts; 2nd Lien Position after permanent loan conversion |
| | **Interest Rate** (subject to change and locked 30 days prior to loan closing) | Underwritten at 3.5% Fixed (T/E)<br>4.00% Fixed (Taxable) | Underwritten at 3.75% | 2.75% Simple Interest |
| | **Loan to Value (LTV)** | 78% | 72% | N/A |
| | **Loan to Cost** | 65% | 43% | N/A |

## ANTICIPATED PROJECT MILESTONES & SCHEDULE

| | | | | |
|---|---|---|---|---|
| **2.** | CDLAC/TCAC Closing Deadline: | 10/14/2020 | Est. Construction Loan Closing: | 9/2020 |
| | Estimated Construction Start: | 9/2020 | Est. Construction Completion: | 9/2022 |
| | Estimated Stabilization and Conversion to Perm Loan(s): | | 7/2022 | |

## SOURCES OF FUNDS

**3.**

**Construction Period Financing**

| SOURCE | AMOUNT | LIEN POSITION | DEBT TYPE |
|---|---|---|---|
| PWB Construction Loan (T/E) | $38,250,000 | 1 | Interest Only |
| PWB Construction Loan (Tax) | $16,950,000 | 2 | Interest Only |
| Tax Credit Equity | $5,766,108 | N/A | N/A |
| **TOTAL** | **$60,966,108** | **$403,749** | **Per Unit** |

**Permanent Financing**

| SOURCE | AMOUNT | LIEN POSITION | DEBT TYPE |
|---|---|---|---|
| PWB Conduit Loan | $25,028,000 | 1 | Balloon 40/17 |
| CalHFA MIP Loan | $7,450,000 | 2 | Residual Receipt Loan |
| Tax Credit Equity (Includes Solar Equity) | $29,903,796 | N/A | N/A |
| Deferred Developer Fee | $6,071,710 | N/A | Payable from Cash Flow |
| **TOTAL DEVELOPMENT COST:** | **$68,453,506** | **$453,334** | **Per Unit** |

**Subsidy Efficiency:** CalHFA MIP $7,450,000 ($50,000 per MIP restricted units between 50% and 120% AMI).

**Tax Credit Type(s), Amount(s), Pricing(s), and per TCAC restricted units:**
- 4% Federal Tax Credits: $21,983,805 assuming estimated pricing of $0.8550 ($145,588 per TCAC restricted units).
- 4% State Tax Credits: $7,394,283 assuming estimated pricing of $0.73 ($48,969 per TCAC restricted units).
- Solar Equity Tax Credits: $525,708 assuming estimated pricing of $0.8550 ($3,482 per TCAC restricted units).

**Rental Subsidies**: The Project will not include any operating or rental subsidies.

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

**Other Locality Subsidies:** The Project will not be funded by locality funds.

**Cost Containment Strategy:**
Corporation for Better Housing (CBH), a 501 (c) (3) affordable housing developer, and its selected construction contractor certifies it subscribes to acceptable industry standards for construction cost containment and review and will continue to implement these standards in future developments. Typical cost review and minimization measures used during the course of construction are:

1). Competitive bid process and, if necessary, self-performing trades
2). Three bid review
3). Value engineering

| | |
|---|---|
| | **Competitive Bidding**<br>The proposed contractor, BLH Construction Co. ("BLH") is a leading contracting firm in the affordable housing industry. BLH has built in excess of seventy-eight (78) affordable housing communities in California with four (4) currently under construction. BLH is familiar with both design and energy efficiency requirements required by the various affordable housing funding agencies; TCAC, CDLAC, CalHFA, USDA and other agencies. This experience and expertise in the field have allowed BLH to secure highly competitive bids.<br><br>BLH has developed eight (8) Net Zero Energy (NZE) California multi-housing communities utilizing on-site solar PV, high efficiency mechanical systems and energy efficient construction techniques. Further, BLH utilizes "PlanWell" during its bidding process. "PlanWell" is an online depository of building plans to allow all trades in the region the opportunity to review and bid on a proposed project.<br><br>**Securing Bids**<br>By utilizing "PlanWell" during the bidding process, BLH is able to secure bids for all major trades from subcontractors in the region. The collection of this data provides a benchmark for the various trades and provides scalabilty regarding costs in the local market and greater regional market.<br><br>**Value Engineering**<br>Value Engineering starts with the conceptual design and does not end until construction is complete. CBH's team of architects and engineers have all worked closely with one another for nearly 15 years allowing plans to be designed and developed in an efficient, cost effective and timely manner. The team of professionals, including the contractor, work closely and this allows for the "development team" to act as a single unit. This structure allows CBH to better forecast its future construction costs and monitor on-going costs at any single development.<br><br>CBH has nearly 25 years of experience building affordable housing developments in California. CBH has developed a core team of award-winning professionals who bring decades of experience in designing multifamily developments. |
| **4.** | Equity – Cash Out (estimate): N/A |

## TRANSACTION FACTS

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **5.** | **Legislative Districts** | **Congress:** | #5<br>Mike Thompson | **Assembly:** | #10<br>Marc Levine | **State Senate:** | #2<br>Mike McGuire |
| | **Brief Project Description** | **Kawana Springs Apartments** (the "Project") is a family, mixed-income new construction Project, consisting of 1 mid-rise 5 story elevator served building. There will be 151 total units, 149 of which will be restricted between 50% and 70% AMI. Units include 10 studio units (550 s.f.), 48 1-bedroom units (625 s.f.), 71 2-bedroom units (900 s.f.), and 22 3-bedroom units (1,150 s.f.). Two 1-bedroom units will be reserved for onsite managers.<br><br>**Financing Structure:** The Project's financing structure includes tax-exempt and taxable bonds issued by CalHFA, 4% federal and state tax credits, and MIP Financing. The project qualifies as Mixed-Income with income averaging, pursuant to TCAC regulations.<br><br>**Tax Credits and/or CDLAC Status:** The developer applied for bonds and tax credits in January and received an award on April 14, 2020.<br><br>**Ground Lease:** Not applicable.<br><br>**Amenities:** The Project includes a community room, pool, spa, expansive open space and courtyard, fire pits, barbeque area, fitness center, lounge, playgrounds, computer room, recreation room, laundry room and bike storage. Unit amenities will include central heating, central air, microwave, dishwasher, garbage disposal, and internet.<br><br>**Commercial Space:** The Project does not include commercial space. | | | | | |

## TRANSACTION OVERVIEW

| 6. | **Proposal and Project Strengths** |
|---|---|

- The Project has received preliminary award of 4% tax credits which is projected to generate equity representing 44% of total financing sources.
- The developer/sponsor and property management company, Winn Residential, have extensive experience in developing similar affordable housing projects and have experience with CalHFA.
- The Project will serve low-income families ranging between 50% to 70% of AMI.
- The Project will include a photovoltaic solar installation which will provide electrical cost savings to the tenants, and to the project for common areas.
- The Project's 50% - 70% AMI rents are priced at least 20% below comparable properties weighted average market rents.
- There is strong demand for the project as vacancy in the PMA is less than 1%, and the household formation in the PMA is expected to increase every year through 2023. 51.5 % of the households in the PMA are renter-occupied, with 41% of the renter-occupied households earning less than $40,000 annually (this corresponds with ~50% AMI for one-person households, 44% for 2-person, 39% for 3-person).
- The Project is projected to have strong cash flow with a first year DSCR of 1.15 increasing to 1.59 in year 17.

| 7. | **Project Weaknesses with Mitigants:** |
|---|---|

A Phase I environmental report dated October 25, 2019 provided by FREY Environmental, Inc. identified the following:

- Three on-Site Recognized Environmental Conditions (RECs) were identified as follows:
  1. A 550-gallon and a 1,000-gallon gasoline storage tank were potentially located on the western boundary of the Site from 1970 through at least 1985. Documentation of these tanks did not provide conclusive evidence of whether they were located above or underground.
  2. The southernmost 55-foot strip of the Site appears to have been operated by bulk fuel businesses operated at 455 Yolanda Avenue from at least 1993 and through 2006.
  3. The motor oil stains and surface discoloration present on the gravel surface of the carports is considered a REC.
- One off-Site REC was identified at 455/459 Yolanda Avenue (bounds the Site on the south) which has operated as a fuel storage and dispensing facility since the 1940's and has an open LUST case.
- Vapor Encroachment Conditions (VECs) have been identified for 450 Kawana Springs Road (Site) and 455/459 Yolanda Avenue. (adjacent to the Site on the south). The developer has budgeted $265,000 for demolition and environmental remediation; CalHFA will verify that the amount is enough for both demolition and remediation.
- The exit analysis assumes a 6.5% cap rate and a 3% increase of the underwriting interest rate at loan maturity. Based on these assumptions, the Project will have the ability to fully repay the balance of PWB's permanent loan but may only have the ability to repay a portion of the Agency's subsidy MIP loan in the estimated amount of $2,354,464 leaving an outstanding balance of $8,035,137. This is as expected by CalHFA given the requirement that the MIP loan be co-terminus with the permanent first mortgage. The primary source of repayment for both the first mortgage and the MIP subsidy loan is refinance of the project first mortgage. To the extent such a refinance is insufficient to fully repay the MIP loan, it is contemplated that any remaining balance will be paid from a general partner contribution as part of the final close out of partnership obligations to allow re-syndication.

| 8. | **Underwriting Standards or Term Sheet Variations** |
|---|---|

- The developer will install a photovoltaic solar system that will provide saving in electrical cost to the tenants and save common area electrical cost to the Project. The proposed (reduced) Utility Allowance ("UA") of $10 is being used for underwriting, which is consistent with the California Utility Allowance Calculator ("CUAC") report that is generally acceptable by TCAC. The final UA will be subject to TCAC and CalHFA approval.
- The MIP term sheet requires repayment of the MIP loan to be a pro rata share of 50% of net cash flow and 50% to the Developer. This would result in $4.3M in developer fee unpaid in Year 15. As a condition to investor's pricing and estimated equity referenced on the letter of interest, the equity investor requires that the deferred developer's fee be substantially repaid by year 13 and fully repaid by year 15. The Developer has requested and the Multifamily Lending Division recommends 100% of net cash flow paid towards deferred developer fee until the deferred developer fee is fully paid off or year 15. Once either the deferred developer fee is paid off or year 15, whichever is soonest, net cash flow distribution will be split 50% to the Developer and 50% to the MIP loan.

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

- Evidence of all environmental remediation prior to permanent loan conversion.
- Lender(s), equity investor, and borrower shall permit CalHFA to recycle all or a portion of Project's tax-exempt bonds, as applicable.
- CalHFA may require a copy of the construction and/or permanent lenders proforma evidencing consistent understanding assumptions.
- The Project must meet the readiness requirements within 180 days from TCAC/CDLAC allocation.
- CalHFA will require the developer to provide a cost containment certification that is acceptable to the Agency.
- The deferred developer fee of $6.1M will be repaid in year 15 per project cashflow. The repayment is on a tight time schedule. Therefore, the owner must provide evidence of investor approval of the total deferred developer's fee structure in case the GP (as negotiated with the ILP) will need to make a capital contribution to pay off the remaining DDF. This will be documented in the LPA with the Tax Credit Investor to ensure that the DDF will be fully repaid by year 15 and in line with the investor's position in Section 8.
- The final operating expense budget is subject to equity investor and CalHFA approval, and TCAC must provide a waiver to the operating expense minimum.
- Final UA will be subject to TCAC and CalHFA approval.
- Final approval is conditioned upon borrower securing both parcels (scheduled to close on or before 9/25/20).
- Receipt of a certification by the engineer on record that Project has been built to current seismic code acceptable to the Agency prior to permanent closing.
- Closing on construction financing will be subject to final LPA being substantially consistent to the assumptions made at time of final commitment and that it is acceptable to CalHFA.
- Subject to receipt of an updated appraisal reflecting the current AMI/rent structure, in CalHFA's sole discretion.
- The CalHFA subsidy will be, in the Agency's sole discretion, the lesser of 1) the principal amount as state on hereto or 2) an amount as determined by the Agency in the event the financial assumptions change prior to construction loan closing and/or permanent loan closing. For instance, if the permanent loan interest rate decreased, then the subsidy may be reduced due to additional debt generated by the lower interest rate. The debt service coverage ratio ("DSCR") shall be a maximum of 1.20. An increase of the subsidy loan will not be allowed and will be subject to Agency's approval.

| 10. | **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.

## MISSION & AFFORDABILITY

**11. CalHFA Mission/Goals**

This Project and financing proposal provide 149 units of affordable housing with a range of restricted rents between 50% AMI and 70% of AMI which will support much needed rental housing that will remain affordable for 55 years.

**12. CalHFA Affordability & Occupancy Restrictions**

The CalHFA Bond Regulatory Agreements will restrict a minimum of 40% of the total units at or below 60% AMI with 10% of these units at 50% of AMI for 55 year(s).

The CalHFA MIP Subsidy Regulatory Agreement will restrict 10% of total units (16 units) at or below 50% of AMI and 10% of total units (16) between 60% and 80% of AMI with a minimum average of 70% AMI. The remaining 119 of restricted units will be restricted at or below 120% of AMI. The affordability restrictions for the Mixed Income Program require at least 10% of the units be restricted to 81% to 120% of AMI, with an average of 100% of AMI, if supported by a market study. However, per an appraisal dated May 27, 2020 the Project can only support rents at a maximum of 70% AMI and still comply with the requirement that rents be 10% below market. Therefore, this project will comply with affordability requirement of 60% to 80% of AMI with an average of 70% of AMI.

TCAC Regulatory Agreement will restrict a total of 149 units between 50% and 70% AMI for a 55-years term.

If Density Bonus or CUP restricts units, the restrictions must not be deeper than MIP restrictions.

| RENT LIMIT SUMMARY TABLE | | | | | | |
|---|---|---|---|---|---|---|
| **Restrictions @ AMI** | **Total** | **Studio** | **1-bdrm** | **2-bdrm** | **3-bdrm** | **% of Total** |
| 50% | 75 | 5 | 23 | 36 | 11 | 49.67% |
| 70% | 74 | 5 | 23 | 35 | 11 | 49.01% |
| Manager's Unit | 2 | | 2 | | | 1.30% |
| **Total** | **151** | **10** | **48** | **71** | **22** | **100.00%** |

| NUMBER OF UNITS AND AMI RENTS RESTRICTED BY EACH AGENCY | | | | | | | |
|---|---|---|---|---|---|---|---|
| Regulatory Source | Lien Priority if Recorded Document | Term of Agrmt (years) | Number of Units Restricted For Each AMI Category (enter various AMI%'s in each columns yellow field, then show the number of regulated units for each AMI, by Source) | | | | |
| | | | 50% | 60% | 70% | 100% | <=120% |
| CalHFA Bond/Risk Share | 1st | 55 | 16 | 46 | | | |
| *CalHFA MIP | 2nd | 55 | 16 | | 16 | | 117 |
| Tax Credits | | 55 | 75 | | 74 | | |
| City of Santa Rosa Density Bonus | 3rd | 55 | 75 | | 74 | | |

*Note: For MIP purposes, 10% (8 units) will be restricted at or below 50% of AMI, 10% (8 units) will be restricted between 60% to 80% of AMI, and the remaining 55 restricted units will be restricted at or below 120% of AMI. The rents for the 60% to 80% tranche will be determined by the minimum income restriction of 70% of AMI.

| 13. | Geocoder Information |
|---|---|

| | | | |
|---|---|---|---|
| Central City: | Yes | Underserved: | No |
| Low/Mod Census Tract: | Moderate | Below Poverty line: | 19.13% |
| Minority Census Tract: | 59.96% | Rural Area: | No |
| TCAC Opportunity Area: | Low Resource | | |

## FINANCIAL ANALYSIS SUMMARY

| 14. | Capitalized Reserves: | |
|---|---|---|
| | **Replacement Reserves (RR):** | N/A |
| | **Operating Expense Reserve (OER):** | $566,000<br>OER amount is size based on 3 months operating expenses, debt service, and annual replacement reserves deposits pursuant to USRM. OER may be held by permanent lender or equity investor. |
| | **Transitional Operating Reserve (TOR):** | N/A |

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

**16. Loan Security**

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

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

- The exit analysis assumes a 6.5% cap rate and a 3% increase of the underwriting interest rate at loan maturity. Based on these assumptions, the Project will have the ability to fully repay the balance of PWB's permanent loan but may only have the ability to repay a portion of the Agency's subsidy MIP loan in the estimated amount of $2,354,464 leaving an outstanding balance of $8,035,137. This is as expected by CalHFA given the requirement that the MIP loan be co-terminus with the permanent first mortgage. The primary source of repayment for both the first mortgage and the MIP subsidy loan is refinance of the project first mortgage. To the extent such a refinance is insufficient to fully repay the MIP loan, it is contemplated that any remaining balance will be paid from a general partner contribution as part of the final close out of partnership obligations to allow re-syndication.

## APPRAISAL AND MARKET ANALYSIS

**18. Appraisal Review**

- The Appraisal dated 5/27/20, prepared by CBRE Valuation & Advisory Services, values the land at $5,290,000.
- The capitalization rate of 4.50% and projected $1,479,404 of net operating income were used to determine the appraised value of the subject site.
- The as-restricted stabilized value is $34,800,000, which results in PWB's loan to value of 72%. The stabilized value could change based on the updated appraisal with 100% affordable.
- The proposed operating expense is consistent and reasonable and consistent with the appraisal report.

| | Market Study: | Novogradac Consulting LLP | Dated: May 21, 2020 |
|---|---|---|---|

**Regional Market Overview**
- The Primary Market Area is the southern, western, and central portions of the city of Santa Rosa (population of 98,050, as of 2019) and the Secondary Market Area ("SMA") is Santa Rosa, CA MSA (population of 495,319, as of 2019)
- The general population in the PMA is anticipated to increase by 0.3% per year through 2024, and the SMA population is projected to increase by 0.3% through 2024.
- Unemployment in the SMA is 2.7% (as of July 2019), which evidences a strong employment area.
- According to Zillow.com, the majority of current listing prices for single family homes in the proposed area range from $515,000 to $600,000.

**Local Market Area Analysis**
- **Supply:**
  - There are currently 30 affordable project(s) in the PMA and the average occupancy is 99.5%, and all maintain wait lists.
  - Both LIHTC and market rate properties in the PMA have had have low instances of concessions.
- **Demand/Absorption:**
  - The project will need to capture 5.9% of the total demand for family units in the PMA. The affordable units are anticipated to lease up at a rate of 60 units per month and reach stabilized occupancy within 2-3 months of opening.
  - The overall market penetration rate is 21.8% for the proposed LIHTC units.

## DEVELOPMENT SUMMARY

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

- The property consists of two contiguous parcels, 450 and 500 Kawana Springs Road, both located on the southern side of Kawana Springs Road, in the City of Santa Rosa, Sonoma County.
- The site is currently vacant, with level topography at street grade, measuring approximately 3.67 acres and is generally rectangular in shape.
- The site is zoned medium high density residential with permitted multifamily residential use.
- The subject is located in Flood Zone X (area of minimum flood hazard). Zone X is the area determined to be outside the 500-year flood and protected by levee from 100-year flood, therefore the Project will not be subject to flood insurance.
- The site has multiple commercial structures which are all vacant: a main office and carport, two mobile trailer homes with enclosed carports, and a 3-car garage and concrete driveway apron.

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

The current owner, Gateway Financial Corporation, of the site and the Project owner, Integrated Community Development, LLC, entered into a purchase and sale agreement dated September 27, 2019 for an amount of $3,950,000.

Developer advised that close of escrow will take place on or before 9/25/2020.

**21. Current Ownership Entity of Record**

Title is currently vested Gateway Financial Corporation, a California corporation, as the fee owner.

**22. Environmental Review Findings**

- Two Phase I ESAs (by FREY Environmental, Inc. in October 2019 and May 2020) and two Phase II ESAs (by FREY Environmental, Inc. in December 2019 and by EBA Engineering in February 2020) have been conducted at the Site.
- The Phase I in October 2019 identified 3 on-site RECs, one off-Site REC, and one VEC:
  - A 550-gallon and a 1,000-gallon gasoline underground storage tank (UST) were potentially located on the western boundary of the Site from 1970 through at least 1985. Documentation of these

tanks did not provide conclusive evidence of whether they were located above or underground.
- The southernmost 55-foot strip of the Site appears to have been operated by bulk fuel businesses operated at 455 Yolanda Avenue from at least 1993 and through 2006.
- The motor oil stains and surface discoloration present on the gravel surface of the carports is considered a REC.
- One off-Site REC was identified at 455/459 Yolanda Avenue (bounds the Site on the south) which has operated as a fuel storage and dispensing facility since the 1940's and has an open LUST case.
- Vapor Encroachment Conditions (VECs) have been identified for 450 Kawana Springs Road (Site) and 455/459 Yolanda Avenue. (adjacent to the Site on the south). The developer has budgeted $265,000 for demolition and environmental remediation; CalHFA will verify that the amount is enough for both demolition and remediation.

- The Phase II in December 2019 was to evaluate the presence of 1) total petroleum hydrocarbons (TPH), volatile organic compounds (VOC), and selected metals in the subsurface soils, 2) TPC and VOC in groundwater beneath the Site, and 3) VOC in soil vapor beneath the Site per the October 2019 Phase I report. The report recommended:
  - Additional site assessment measures to evaluate lateral extent of petroleum hydrocarbons in soil and groundwater.
  - Enrollment into the Regional Water Quality Control Board's (RWQCB) voluntary oversight program.

- The Phase II in February 2020 was to 1) advance the 12 temporary soil borings for soil and groundwater sample collection, 2) conduct a limited exploratory excavation to pothole locations of former underground storage tanks to collect soil samples and evaluate conformance with Low Threat Underground Storage Tank Case Closure Policy (LTCP), delineate source material, and comment on any remedial actions available, 3) conduct a Sensitive Receptor Survey (SRS) to document the location of water supply wells, surface waters, preferential pathways, sensitive environmental habitats, and inform on any relevant health and safety issues. The report recommended:
  - Implementation of a Work Plan for Additional Subsurface Investigation (included in report) to further analyze the presence of dissolved hydrocarbons in two of the sample areas and to confirm the existing presence of contaminated groundwater in three soil boring areas.

- The Phase I in May 2020 made the following conclusions:
  - The RECs and VECs on the southernmost portion of the Site and at the off-site property nearby had been investigated and assessed to no longer be RECs.
  - The presence of soil vapors containing TPH-gas and Perchloroethylene (PCE) in the location of the former gasoline UST and in the north-central portion of the Site necessitate a vapor barrier and gravel mat. These remediation measures are part of the proposed development plans and $265k has been budgeted for the remediation scope of work.
  - The TPH released from the former 1,000-gallon gasoline UST into the soil and groundwater are being further investigated by RWQCB and remain a REC, however it may be more accurately classified as a CREC.

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

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

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

- The Project is new construction, therefore, relocation is not applicable.

## PROJECT DETAILS

| **25.** | **Residential Areas:** | | | | |
|---|---|---|---|---|---|
| | | **Residential Square Footage:** | 124,700 | **Residential Units per Acre:** | 41.1 |
| | | **Community Area Sq. Ftg:** | 34,300 | **Total Parking Spaces:** | 254 |
| | | **Supportive Service Areas:** | N/A | **Total Building Sq. Footage:** | 159,000 |

| | | | | | |
|---|---|---|---|---|---|
| **26.** | **Mixed-Use Project:** ☐ **Yes** ☒ **No** | | | | |
| | | **Non-Residential Sq. Footage:** | N/A | **Number of Lease Spaces:** | N/A |
| | | **Master Lease:** | ☐ **Yes** ☐ **No** | **Number of Parking Spaces:** | N/A |
| **27.** | **Construction Type:** | All residential units will be contained within a single 5-story midrise building that is elevator serviced. | | | |
| **28.** | **Construction/Rehab Scope** | **Requires Demolition:** ☒ **Yes** ☐ **No** | | | |

- The subject site is new construction.
- Environmental remediation of contaminants outlined on section 22 above is included in the development budget in the estimated amount of $265,000.

**29. Construction Budget Comments:**

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

## ADDITIONAL DEVELOPMENT/ PROJECT TEAM INFORMATION

**30. Borrower Affiliated Entities**

- Managing General Partner: Corporation for Better Housing, a California nonprofit public benefit corporation; 0.05% interest
- Administrative Limited Partner: Integrated Community Development, LLC, a California limited liability company; 0.05% interest
- Investor Limited Partner:  Alliant Capital; 99.90% interest

**31. Developer/Sponsor**

CBH has nearly 25 years of experience building affordable housing developments in California. TCAC's mapping database of multi-family projects indicates that CBH has been involved in 66 tax credit projects (4,097 restricted units), of which 26 projects (1,953 restricted units) involved 4% tax credits. CBH currently has 3 projects (173 units) under construction, 2 projects (32 units and 36 Single Family Residences) to start construction in 2020 and 6 projects (432 units and 79 single family residences) in the pipeline. As of June 11, 2020, CBH has 2 stabilized projects and 2 under construction in the CalHFA portfolio. CalHFA staff notes on one of the stabilized projects that it is in compliance except for monthly report submissions.

CBH and ICD have a longstanding relationship with the Investor.  Audited 2018 financials of CBH were reviewed and indicated assets in excess of debt for both parties; contingent liabilities did not exceed the entity's real estate assets.

Risk: CBH has had one highly troubled project in its recent history in California, arising from a deeply affordable property that was purchased one year after CBH was formed, and built with an inexperienced local partner. While having a troubled asset is not uncommon among its peers, this particular situation appears to have resulted in significant financial losses for CBH.

Mitigant: Since this project, CBH does not appear to have had any substantively similar troubled projects. In addition, CalHFA's direct experience with CBH has been positive.

**32. Management Agent**

The Project will be managed by Winn Residential, which has extensive experience in managing similar affordable housing projects in the area and manages several projects in CalHFA's portfolio.  Winn Residential has reviewed the projected operating budget and confirms that the "numbers are sufficient for Winn Residential to manage the proposed site."

| | | |
|---|---|---|
| **33.** | **Service Provider** | **Required by TCAC or other funding source?** ☐ **Yes** ☒ **No** |
| Onsite services will not be available to the residents. | | |
| **34.** | **Contractor** | **Experienced with CalHFA?** ☒ **Yes** ☐ **No** |
| The general contractor, BLH Construction, has built over seventy (70) affordable housing communities in California and is familiar with CalHFA. BLH is affiliated with ICD and GMP contracts will be used. The developer provided a cost breakdown confirming that profit, overhead and general conditions are sized at 14% of total hard costs to be consistent with TCAC requirements. | | |
| 3**5.** | **Architect** | **Experienced with CalHFA?** ☒ **Yes** ☐ **No** |
| The architect is Hedgpeth 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, City of Santa Rosa, 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 19-067-A/X**

| | | | |
|---|---|---|---|
| **Project Full Name** | Kawana Springs Apartments | **Borrower Name:** | 500 Kawana Springs Road, L.P. |
| **Project Address** | 450-500 Kawana Springs Road | **Managing GP:** | Corporation for Better Housing |
| **Project City** | Santa Rosa | **Developer Name:** | Integrated Community Development |
| **Project County** | Sonoma | **Investor Name:** | Alliant Capital, LTD |
| **Project Zip Code** | 95404 | **Prop Management:** | Winn Residential |
| | | **Tax Credits:** | 4 |
| **Project Type:** | Permanent Loan Only | **Total Land Area (acres):** | 3.73 |
| **Tenancy/Occupancy:** | Individuals/Families | **Residential Square Footage:** | 124,700 |
| **Total Residential Units:** | 151 | **Residential Units Per Acre:** | 40.48 |
| **Total Number of Buildings:** | 1 | | |
| **Number of Stories:** | 5 | **Covered Parking Spaces:** | 141 |
| **Unit Style:** | Flat | **Total Parking Spaces:** | 254 |
| **Elevators:** | 1 | | |

| Acq/Construction/Rehab Financing | Loan Amount ($) | Loan Fees | Loan Term (Mo.) | Amort. Period (Yr.) | Starting Interest Rate |
|---|---|---|---|---|---|
| Pac West Bank (Tax-Exempt) | 38,250,000 | 0.850% | 36 | -- | 3.500% |
| Pac West Bank (Taxable) | 16,950,000 | 0.850% | 36 | -- | 4.000% |
| Investor Equity Contribution | 5,766,108 | -- | -- | -- | -- |

| Permanent Financing | Loan Amount ($) | Loan Fees | Loan Term (Yr.) | Amort. Period (Yr.) | Starting Interest Rate |
|---|---|---|---|---|---|
| Pac West Bank (Conduit 1st Lien) | 25,028,000 | -- | 17 | 40 | 3.750% |
| MIP | 7,450,000 | 1.000% | 17 | 55 | 2.750% |
| Deferred Developer Fees | 6,071,710 | NA | NA | NA | NA |
| Investor Equity Contributions | 29,903,796 | NA | NA | NA | NA |

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

| | | | |
|---|---|---|---|
| **Appraisal Date:** | 5/27/20 | **Capitalization Rate:** | 4.50% |
| **Investment Value ($)** | 71,200,000 | **Restricted Value ($)** | 34,800,000 |
| **Construct/Rehab LTC** | 78% | **Permanent Loan to Cost** | 37% |
| **Construct/Rehab LTV** | 91% | **1st Permanent Loan to Value** | 72% |
| | | **Combined CalHFA Perm Loan to Value** | 21% |

**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** | $0 | Cash |
| **Initial Replacement Reserve Deposit** | $0 | Cash |
| **Annual Replacement Reserve Per Unit** | $300 | Cash |

Date Prepared: 6/26/20 Senior Staff Date: 7/7/20

## UNIT MIX AND RENT SUMMARY — Final Commitment

**Kawana Springs Apartments** — **Project Number 19-067-A/X**

| 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 | 550 | 10 | 15 |
| Flat | 1 | 1 | 625 | 48 | 72 |
| Flat | 2 | 1 | 900 | 71 | 213 |
| Flat | 3 | 2 | 1,150 | 22 | 99 |
| | | | | 151 | 399 |

| 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%** | **100%** | **<=120** |
| **CalHFA Bond/RiskShare** | | | 16 | 46 | | | |
| **CalHFA MIP** | | | 16 | | 16 | | 117 |
| **Tax Credit** | | | 75 | | 74 | | |
| **City of Santa Rosa Density Bonus** | | | 75 | | 74 | | |

| COMPARISON OF AVERAGE MONTHLY RESTRICTED RENTS TO AVERAGE MARKET RENTS | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Unit Type** | **Restricting Agency** | **% of Area Median Income** | **Average Restricted Rents: Number of Units** | **Average Restricted Rents: Unit Rent** | **Average Market Rents** | **Average Monthly Savings** | **% of Market Rents** |
| **Studios** | **CTCAC** | **50%** | 5 | $985 | $1,750 | $765 | 56% |
| | CTCAC | **70%** | 5 | $1,383 | | $367 | 79% |
| | CTCAC | **100%** | - | - | | - | - |
| **1 Bedroom** | **CTCAC** | **50%** | 23 | $1,056 | $1,900 | $844 | 56% |
| | CTCAC | **70%** | 23 | $1,482 | | $418 | 78% |
| | CTCAC | **100%** | - | - | | - | - |
| **2 Bedrooms** | **CTCAC** | **50%** | 36 | $1,269 | $2,225 | $956 | 57% |
| | CTCAC | **70%** | 35 | $1,780 | | $445 | 80% |
| | CTCAC | **100%** | - | - | | - | - |
| **3 Bedrooms** | **CTCAC** | **50%** | 11 | $1,467 | $2,650 | $1,183 | 55% |
| | CTCAC | **70%** | 11 | $2,058 | | $592 | 78% |
| | CTCAC | **100%** | - | - | | - | - |
| Date Prepared: | 6/26/20 | | | | | Senior Staff Date: | 7/7/20 |

| SOURCES & USES OF FUNDS | | | | | Final Commitment |
|---|---|---|---|---|---|
| Kawana Springs Apartments | | | Project Number | | 19-067-A/X |

| SOURCES OF FUNDS | CONST/REHAB | PERMANENT | TOTAL PROJECT SOURCES OF FUNDS | | |
|---|---|---|---|---|---|
| | $ | $ | SOURCES ($) | PER UNIT ($) | % |
| Pac West Bank (Tax-Exempt) | 38,250,000 | | | | 0.0% |
| Pac West Bank (Taxable) | 16,950,000 | | | | 0.0% |
| - | - | | | | 0.0% |
| - | - | | | | 0.0% |
| - | - | | | | 0.0% |
| - | - | | | | 0.0% |
| - | - | | | | 0.0% |
| - | - | | | | 0.0% |
| - | - | | | | 0.0% |
| Deferred Costs | - | | | | 0.0% |
| Construct/Rehab Net Oper. Inc. | - | | | | 0.0% |
| Deferred Developer Fee | - | | | | 0.0% |
| Developer Equity Contribution | - | | | | 0.0% |
| Investor Equity Contribution | 5,766,108 | | | | 0.0% |
| - | | - | - | - | 0.0% |
| MIP | | 7,450,000 | 7,450,000 | 49,338 | 10.9% |
| - | | - | - | - | 0.0% |
| - | | - | - | - | 0.0% |
| Pac West Bank (Conduit 1st Lien) | | 25,028,000 | 25,028,000 | 165,748 | 36.6% |
| - | | - | - | - | 0.0% |
| - | | - | - | - | 0.0% |
| - | | - | - | - | 0.0% |
| - | | - | - | - | 0.0% |
| - | | - | - | - | 0.0% |
| - | | - | - | - | 0.0% |
| - | | - | - | - | 0.0% |
| Construct/Rehab Net Oper. Inc. | | - | - | - | 0.0% |
| Deferred Developer Fees | | 6,071,710 | 6,071,710 | 40,210 | 8.9% |
| Developer Equity Contribution | | - | - | - | 0.0% |
| Investor Equity Contributions | | 29,903,796 | 29,903,796 | 198,038 | 43.7% |
| **TOTAL SOURCES OF FUNDS** | **60,966,108** | **68,453,506** | **68,453,506** | **453,334** | **100.0%** |
| **TOTAL USES OF FUNDS (BELOW)** | **60,966,108** | **68,453,506** | **68,453,506** | **453,334** | **100.0%** |
| **FUNDING SURPLUS (DEFICIT)** | **-** | **-** | **-** | | |

| USES OF FUNDS | CONST/REHAB | PERMANENT | TOTAL PROJECT USES OF FUNDS | | |
|---|---|---|---|---|---|
| | $ | $ | USES ($) | PER UNIT ($) | % |
| | | | | | |
| **CONSTRUCTION/REHAB SOURCES OF FUNDS** | | **60,966,108** | | | |
| **ACQUISITION COSTS** | | | | | |
| Lesser of Land Cost or Appraised Value | 3,950,000 | - | 3,950,000 | 26,159 | 5.8% |
| Demolition Costs | 265,000 | - | 265,000 | 1,755 | 0.4% |
| Legal & Other Closing Costs | - | - | - | - | 0.0% |
| Escrow & other closing costs | - | - | - | - | 0.0% |
| Verifiable Carrying Costs | - | - | - | - | 0.0% |
| 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% |
| Other (Specify) | - | - | - | - | 0.0% |
| Other (Specify) | - | - | - | - | 0.0% |
| **TOTAL ACQUISITION COSTS** | **4,215,000** | **-** | **4,215,000** | **27,914** | **6.2%** |
| **CONSTRUCTION/REHAB COSTS** | | | | | |
| Offsite Improvements | - | - | - | - | 0.0% |
| Environmental Remediation (Hard Costs) | - | - | - | - | 0.0% |
| Site Work (Hard Cost) | 3,326,142 | - | 3,326,142 | 22,027 | 4.9% |
| Structures (Hard Cost) | 29,802,933 | - | 29,802,933 | 197,370 | 43.5% |
| General Requirements | 2,123,644 | - | 2,123,644 | 14,064 | 3.1% |
| Contractor Overhead | 1,415,763 | - | 1,415,763 | 9,376 | 2.1% |
| Contractor Profit | 1,415,763 | - | 1,415,763 | 9,376 | 2.1% |
| Contractor Bond | - | - | - | - | 0.0% |
| Contractor Liability Insurance | - | - | - | - | 0.0% |
| Personal Property | - | - | - | - | 0.0% |
| Solar Photovoltaic | 2,265,000 | - | 2,265,000 | 15,000 | 3.3% |
| **TOTAL CONSTRUCT/REHAB COSTS** | **40,349,245** | **-** | **40,349,245** | **267,214** | **58.9%** |

| SOURCES & USES OF FUNDS | | | | | Final Commitment |
|---|---|---|---|---|---|
| **Kawana Springs Apartments** | | | **Project Number** | **19-067-A/X** | |
| **USES OF FUNDS** | **CONST/REHAB $** | **PERMANENT $** | **TOTAL PROJECT USES OF FUNDS USES ($)** | **PER UNIT ($)** | **%** |
| **RELOCATION COSTS** | | | | | |
| Relocation Expense | - | - | - | - | 0.0% |
| Relocation Compliance Monitoring | - | - | - | - | 0.0% |
| Other (Specify) | - | - | - | - | 0.0% |
| **TOTAL RELOCATION COSTS** | **-** | **-** | **-** | **-** | **0.0%** |
| **ARCHITECTURAL FEES** | | | | | |
| Design | 700,000 | - | 700,000 | 4,636 | 1.0% |
| Supervision | 90,000 | - | 90,000 | 596 | 0.1% |
| **TOTAL ARCHITECTURAL FEES** | **790,000** | **-** | **790,000** | **5,232** | **1.2%** |
| **SURVEY & ENGINEERING FEES** | | | | | |
| Engineering | 650,000 | - | 650,000 | 4,305 | 0.9% |
| Supervision | 80,000 | - | 80,000 | 530 | 0.1% |
| ALTA Land Survey | 14,000 | - | 14,000 | 93 | 0.0% |
| **TOTAL SURVEY & ENGINEERING FEES** | 744,000 | - | 744,000 | 4,927 | 1.1% |
| **CONTINGENCY RESERVES** | | | | | |
| Hard Cost Contingency Reserve | 2,027,463 | - | 2,027,463 | 13,427 | 3.0% |
| Soft Cost Contingency Reserve | 523,881 | - | 523,881 | 3,469 | 0.8% |
| **TOTAL CONTINGENCY RESERVES** | 2,551,344 | - | 2,551,344 | 16,896 | 3.7% |
| **CONSTRUCT/REHAB PERIOD COSTS** | | | | | |
| **Loan Interest Reserve** | | | | | |
| Pac West Bank (Tax-Exempt) | 2,844,844 | - | 2,844,844 | 18,840 | 4.2% |
| Pac West Bank (Taxable) | 1,305,150 | - | 1,305,150 | 8,643 | 1.9% |
| - | - | - | - | - | 0.0% |
| - | - | - | - | - | 0.0% |
| - | - | - | - | - | 0.0% |
| - | - | - | - | - | 0.0% |
| **Loan Fees** | | | | | |
| Pac West Bank (Tax-Exempt) | 325,125 | - | 325,125 | 2,153 | 0.5% |
| Pac West Bank (Taxable) | 144,075 | - | 144,075 | 954 | 0.2% |
| - | - | - | - | - | 0.0% |
| - | - | - | - | - | 0.0% |
| - | - | - | - | - | 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 | 40,000 | - | 40,000 | 265 | 0.1% |
| Completion Guaranty Fee | - | - | - | - | 0.0% |
| Wage Monitoring Fee (Davis Bacon, Preva | - | - | - | - | 0.0% |
| Insurance During Rehab | 775,000 | - | 775,000 | 5,132 | 1.1% |
| Title & Recording Fees | 100,000 | - | 100,000 | 662 | 0.1% |
| Construction Inspections | 13,500 | - | 13,500 | 89 | 0.0% |
| Costs of Issuance | - | - | - | - | 0.0% |
| Bond Issuer Fee | 75,200 | - | 75,200 | 498 | 0.1% |
| Security | 135,000 | - | 135,000 | 894 | 0.2% |
| **TOTAL CONST/REHAB PERIOD COSTS** | **5,775,894** | **-** | **5,775,894** | **38,251** | **8.4%** |

| SOURCES & USES OF FUNDS | | | | | Final Commitment |
|---|---|---|---|---|---|
| Kawana Springs Apartments | | | Project Number | 19-067-A/X | |
| USES OF FUNDS | CONST/REHAB | PERMANENT | TOTAL PROJECT USES OF FUNDS | | |
| | $ | $ | USES ($) | PER UNIT ($) | % |
| **PERMANENT LOAN COSTS** | | | | | |
| **Loan Fees** | | | | | |
| CalHFA Application Fee | - | - | - | - | 0.0% |
| - | - | - | - | - | 0.0% |
| MIP | - | 74,500 | 74,500 | 493 | 0.1% |
| - | - | - | - | - | 0.0% |
| - | - | - | - | - | 0.0% |
| Pac West Bank (Conduit 1st Lien) | - | - | - | - | 0.0% |
| - | - | - | - | - | 0.0% |
| - | - | - | - | - | 0.0% |
| Permanent Loan Cost of Issuance Fee | - | - | - | - | 0.0% |
| - | - | - | - | - | 0.0% |
| Credit Enhancement & Application Fees | - | - | - | - | 0.0% |
| Title & Recording (closing costs) | - | 35,000 | 35,000 | 232 | 0.1% |
| Year 1 - Taxes & Special Assessments and Insura | - | - | - | - | 0.0% |
| CalHFA Fees | - | 2,585 | 2,585 | 17 | 0.0% |
| Tax Exempt Bond Allocation Fee | - | - | - | - | 0.0% |
| Other (Specify) | - | - | - | - | 0.0% |
| **TOTAL PERMANENT LOAN COSTS** | **-** | **112,085** | **112,085** | **742** | **0.2%** |
| **LEGAL FEES** | | | | | |
| CalHFA Construction/Rehab Loan Legal Fees | - | - | - | - | 0.0% |
| Other Construction/Rehab Loan Legal Fees | 65,000 | - | 65,000 | 430 | 0.1% |
| CalHFA Permanent Loan Legal Fees | - | 35,000 | 35,000 | 232 | 0.1% |
| Other Permanent Loan Legal Fees | - | - | - | - | 0.0% |
| Sponsor Legal Fees | - | - | - | - | 0.0% |
| Organizational Legal Fees | - | - | - | - | 0.0% |
| Syndication Legal Fees | 175,000 | - | 175,000 | 1,159 | 0.3% |
| Borrower Legal Fee | - | - | - | - | 0.0% |
| CalHFA Bond Counsel | 55,000 | - | 55,000 | 364 | 0.1% |
| **TOTAL LEGAL FEES** | **295,000** | **35,000** | **330,000** | **2,185** | **0.5%** |
| **OPERATING RESERVES** | | | | | |
| Operating Expense Reserve Deposit | - | - | - | - | 0.0% |
| 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 | - | 566,000 | 566,000 | 3,748 | 0.8% |
| Other (Specify) | - | - | - | - | 0.0% |
| **TOTAL OPERATING RESERVES** | **-** | **566,000** | **566,000** | **3,748** | **0.8%** |
| **REPORTS & STUDIES** | | | | | |
| Appraisal Fee | 20,000 | - | 20,000 | 132 | 0.0% |
| Market Study Fee | 20,000 | - | 20,000 | 132 | 0.0% |
| Physical Needs Assessment Fee | - | - | - | - | 0.0% |
| Environmental Site Assessment Reports | 60,000 | - | 60,000 | 397 | 0.1% |
| HUD Risk Share Environmental / NEPA Review F | - | - | - | - | 0.0% |
| CalHFA Earthquake Waiver Review Fee | - | - | - | - | 0.0% |
| Relocation Consultant | - | - | - | - | 0.0% |
| Soils Reports | 200,000 | - | 200,000 | 1,325 | 0.3% |
| Acoustical Reports | - | - | - | - | 0.0% |
| Termite/Dry Rot | - | - | - | - | 0.0% |
| Consultant/Processing Agent | - | - | - | - | 0.0% |
| Other (Specify) | - | - | - | - | 0.0% |
| **TOTAL REPORTS & STUDIES** | **300,000** | **-** | **300,000** | **1,987** | **0.4%** |

| SOURCES & USES OF FUNDS | | | | | Final Commitment |
|---|---|---|---|---|---|
| Kawana Springs Apartments | | | Project Number | 19-067-A/X | |
| USES OF FUNDS | CONST/REHAB | PERMANENT | TOTAL PROJECT USES OF FUNDS | | |
| | $ | $ | USES ($) | PER UNIT ($) | % |
| **OTHER COSTS** | | | | | |
| TCAC Application, Allocation & Monitor Fees | 280,680 | - | 280,680 | 1,859 | 0.4% |
| CDLAC Fees | 19,320 | - | 19,320 | 128 | 0.0% |
| Local Permits & Fees | 173,938 | - | 173,938 | 1,152 | 0.3% |
| Local Impact Fees | 4,520,000 | - | 4,520,000 | 29,934 | 6.6% |
| Other Local Fees | - | - | - | - | 0.0% |
| Syndicator/Investor Fees & Expenses | - | - | - | - | 0.0% |
| Furnishings | 150,000 | - | 150,000 | 993 | 0.2% |
| Accounting & Audits | 35,000 | - | 35,000 | 232 | 0.1% |
| Advertising & Marketing Expenses | 151,000 | - | 151,000 | 1,000 | 0.2% |
| Financial Consulting | - | - | - | - | 0.0% |
| Miscellaneous Administrative Fees | - | - | - | - | 0.0% |
| HUD Risk Share Insurance (First Year Prepaid) | - | - | - | - | 0.0% |
| Other (Specify) | - | - | - | - | 0.0% |
| Other (Specify) | - | - | - | - | 0.0% |
| **TOTAL OTHER COSTS** | **5,329,938** | **-** | **5,329,938** | **35,298** | **7.8%** |
| **SUBTOTAL PROJECT COSTS** | **60,350,421** | **61,679,193** | **61,063,506** | **404,394** | **89.2%** |
| **DEVELOPER FEES & COSTS** | | | | | |
| Developer Fees, Overhead & Profit | 485,687 | 6,774,313 | 7,260,000 | 48,079 | 10.6% |
| Consultant Processing Agent | - | - | - | - | 0.0% |
| Project Administration | 130,000 | - | 130,000 | 861 | 0.2% |
| 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** | **615,687** | **6,774,313** | **7,390,000** | **48,940** | **10.8%** |
| **TOTAL PROJECT COSTS** | **60,966,108** | **68,453,506** | **68,453,506** | **453,334** | **100.0%** |

| PROJECTED INITIAL ANNUAL RENTAL OPERATING BUDGET | | | Final Commitment |
|---|---|---|---|
| Kawana Springs Apartments | Project Number | | 19-067-A/X |
| | | | |
| **INCOME** | **AMOUNT** | **PER UNIT** | **%** |
| **Rental Income** | | | |
| Restricted Unit Rents | $ 2,603,676 | $ 17,243 | 104.52% |
| 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 | 18,452 | 122 | 0.74% |
| Parking & Storage Income | - | - | 0.00% |
| Miscellaneous Income | - | - | 0.00% |
| **GROSS POTENTIAL INCOME (GPI)** | **$ 2,622,128** | **$ 17,365** | **105.26%** |
| Less: Vacancy Loss | **$ 131,107** | **$ 868** | **5.26%** |
| **EFFECTIVE GROSS INCOME (EGI)** | **$ 2,491,021** | **$ 18,233** | **100.00%** |
| | | | |
| **OPERATING EXPENSES** | **AMOUNT** | **PER UNIT** | **%** |
| Administrative Expenses | $ 181,922 | $ 1,205 | $ 0 |
| Management Fee | 124,551 | 825 | 5.00% |
| Social Programs & Services | - | - | 0.00% |
| Utilities | 227,858 | 1,509 | 9.15% |
| Operating & Maintenance | 319,933 | 2,119 | 12.84% |
| Ground Lease Payments | - | - | 0.00% |
| CalHFA Monitoring Fee | 7,500 | 50 | 0.30% |
| Mixed Income Loan Fee | 87,376 | 579 | 3.51% |
| Other Monitoring Fees | - | - | 0.00% |
| Real Estate Taxes | 2,500 | 17 | 0.10% |
| Other Taxes & Insurance | 102,053 | 676 | 4.10% |
| **SUBTOTAL OPERATING EXPENSES** | **$ 1,053,693** | **$ 6,978** | **42.30%** |
| | | | |
| Operating Reserves | $ 45,300 | $ 300 | 1.82% |
| **TOTAL OPERATING EXPENSES** | **$ 1,098,993** | **$ 7,278** | **44.12%** |
| | | | |
| **NET OPERATING INCOME (NOI)** | **$ 1,392,029** | **$ 9,219** | **55.88%** |
| | | | |
| **DEBT SERVICE PAYMENTS** | **AMOUNT** | **PER UNIT** | **%** |
| - | $ - | $ - | 0.00% |
| - | $ - | - | 0.00% |
| - | $ - | - | 0.00% |
| Pac West Bank (Conduit 1st Lien) | $ 1,208,931 | 8,006 | 48.53% |
| - | $ - | - | 0.00% |
| - | $ - | - | 0.00% |
| - | $ - | - | 0.00% |
| MIP Annual Fee (applicable for MIP only deals) | $ 87,376 | 579 | 3.51% |
| **TOTAL DEBT SERVICE & OTHER PAYMENTS** | **$ 1,208,931** | **$ 8,006** | **48.53%** |
| | | | |
| **EXCESS AFTER DEBT SERVICE & MONITORING FEES** | **$ 183,098** | **$ 1,213** | **7.35%** |
| | | | |
| **DEBT SERVICE COVERAGE RATIO (DSCR)** | **$ 1 to 1** | | |
| | | | |
| Date: 6/26/20 | | Senior Staff Date: | 07/07/20 |

| PROJECTED PERMANENT LOAN CASH FL0WS | | | | | | | | | | | Kawana Springs Apartments | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Final Commitment | | | | | | | | | Project Number | 19-067-A/X | | | | |
| | YEAR | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| **RENTAL INCOME** | CPI | | | | | | | | | | | | | |
| Restricted Unit Rents | 2.50% | 2,603,676 | 2,668,768 | 2,735,487 | 2,803,874 | 2,873,971 | 2,945,820 | 3,019,466 | 3,094,953 | 3,172,326 | 3,251,635 | 3,332,925 | 3,416,249 | 3,501,655 |
| 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 | 0.00% | 18,452 | 18,452 | 18,452 | 18,452 | 18,452 | 18,452 | 18,452 | 18,452 | 18,452 | 18,452 | 18,452 | 18,452 | 18,452 |
| Parking & Storage Income | 2.50% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Miscellaneous Income | 2.50% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **GROSS POTENTIAL INCOME (GPI)** | | **2,622,128** | **2,687,220** | **2,753,939** | **2,822,326** | **2,892,423** | **2,964,273** | **3,037,918** | **3,113,405** | **3,190,779** | **3,270,087** | **3,351,378** | **3,434,701** | **3,520,107** |
| **VACANCY ASSUMPTIONS** | Vacancy | | | | | | | | | | | | | |
| Restricted Unit Rents | 5.00% | 130,184 | 133,438 | 136,774 | 140,194 | 143,699 | 147,291 | 150,973 | 154,748 | 158,616 | 162,582 | 166,646 | 170,812 | 175,083 |
| 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% | 923 | 923 | 923 | 923 | 923 | 923 | 923 | 923 | 923 | 923 | 923 | 923 | 923 |
| Parking & Storage Income | 50.00% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Miscellaneous Income | 50.00% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **TOTAL PROJECTED VACANCY LOSS** | | **131,106** | **134,361** | **137,697** | **141,116** | **144,621** | **148,214** | **151,896** | **155,670** | **159,539** | **163,504** | **167,569** | **171,735** | **176,005** |
| **EFFECTIVE GROSS INCOME (EGI)** | | **2,491,022** | **2,552,859** | **2,616,242** | **2,681,210** | **2,747,802** | **2,816,059** | **2,886,022** | **2,957,735** | **3,031,240** | **3,106,582** | **3,183,809** | **3,262,966** | **3,344,102** |
| **OPERATING EXPENSES** | CPI / Fee | | | | | | | | | | | | | |
| Administrative Expenses | 3.50% | 181,922 | 188,289 | 194,879 | 201,700 | 208,760 | 216,066 | 223,629 | 231,456 | 239,557 | 247,941 | 256,619 | 265,601 | 274,897 |
| Management Fee | 5.00% | 124,551 | 127,643 | 130,812 | 134,061 | 137,390 | 140,803 | 144,301 | 147,887 | 151,562 | 155,329 | 159,190 | 163,148 | 167,205 |
| Utilities | 3.50% | 227,858 | 235,833 | 244,087 | 252,630 | 261,472 | 270,624 | 280,096 | 289,899 | 300,045 | 310,547 | 321,416 | 332,666 | 344,309 |
| Operating & Maintenance | 3.50% | 319,933 | 331,131 | 342,720 | 354,715 | 367,130 | 379,980 | 393,279 | 407,044 | 421,291 | 436,036 | 451,297 | 467,092 | 483,441 |
| 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 |
| Mixed Income Loan Fee | 0.00% | 87,376 | 86,879 | 86,363 | 85,827 | 85,271 | 84,693 | 84,094 | 83,472 | 82,826 | 82,155 | 81,459 | 80,736 | 79,986 |
| MIP Loan Fee | 0.00% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Real Estate Taxes | 1.25% | 2,500 | 2,531 | 2,563 | 2,595 | 2,627 | 2,660 | 2,693 | 2,727 | 2,761 | 2,796 | 2,831 | 2,866 | 2,902 |
| Other Taxes & Insurance | 3.50% | 102,053 | 105,625 | 109,322 | 113,148 | 117,108 | 121,207 | 125,449 | 129,840 | 134,384 | 139,088 | 143,956 | 148,994 | 154,209 |
| 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** | | **1,098,993** | **1,131,184** | **1,164,457** | **1,198,849** | **1,234,398** | **1,271,144** | **1,309,128** | **1,348,392** | **1,388,979** | **1,430,936** | **1,474,307** | **1,519,143** | **1,565,493** |
| **NET OPERATING INCOME (NOI)** | | **1,392,029** | **1,421,676** | **1,451,786** | **1,482,361** | **1,513,404** | **1,544,915** | **1,576,894** | **1,609,343** | **1,642,260** | **1,675,647** | **1,709,501** | **1,743,822** | **1,778,608** |
| **DEBT SERVICE PAYMENTS** | Lien # | | | | | | | | | | | | | |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Pac West Bank (Conduit 1st Lien) | 1 | 1,208,931 | 1,208,931 | 1,208,931 | 1,208,931 | 1,208,931 | 1,208,931 | 1,208,931 | 1,208,931 | 1,208,931 | 1,208,931 | 1,208,931 | 1,208,931 | 1,208,931 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| MIP Annual Fee (applicable for MIP only deals) | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **TOTAL DEBT SERVICE & OTHER PAYMENTS** | | **1,208,931** | **1,208,931** | **1,208,931** | **1,208,931** | **1,208,931** | **1,208,931** | **1,208,931** | **1,208,931** | **1,208,931** | **1,208,931** | **1,208,931** | **1,208,931** | **1,208,931** |
| **CASH FLOW AFTER DEBT SERVICE** | | **183,099** | **212,745** | **242,855** | **273,431** | **304,474** | **335,984** | **367,964** | **400,412** | **433,330** | **466,716** | **500,571** | **534,892** | **569,678** |
| **DEBT SERVICE COVERAGE RATIO** | | **1.15** | **1.18** | **1.20** | **1.23** | **1.25** | **1.28** | **1.30** | **1.33** | **1.36** | **1.39** | **1.41** | **1.44** | **1.47** |
| Date Prepared: | 06/26/20 | | | | | | | | | Senior Staff Date: | 7/7/20 | | | |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| LESS: Asset Management Fee | 3% | | - | - | - | - | - | - | - | - | - | - | - | - |
| LESS: Partnership Management Fee | 3% | | - | - | - | - | - | - | - | - | - | - | - | - |
| **net CF available for distribution** | | **183,099** | **212,745** | **242,855** | **273,431** | **304,474** | **335,984** | **367,964** | **400,412** | **433,330** | **466,716** | **500,571** | **534,892** | **569,678** |
| Deferred developer fee repayment | 6,071,710 | 6,071,710 | 5,888,611 | 5,675,866 | 5,433,011 | 5,159,580 | 4,855,107 | 4,519,122 | 4,151,159 | 3,750,747 | 3,317,417 | 2,850,700 | 2,350,130 | 1,815,238 |
| | *100%* | 183,099 | 212,745 | 242,855 | 273,431 | 304,474 | 335,984 | 367,964 | 400,412 | 433,330 | 466,716 | 500,571 | 534,892 | 569,678 |
| | | 5,888,611 | 5,675,866 | 5,433,011 | 5,159,580 | 4,855,107 | 4,519,122 | 4,151,159 | 3,750,747 | 3,317,417 | 2,850,700 | 2,350,130 | 1,815,238 | 1,245,560 |
| **Payments for Residual Receipt Payments** | | *50%* | | | | | | | | | | | | |
| **RESIDUAL RECEIPTS LOANS** | *Payment %* | 91,549 | 106,373 | 121,428 | 136,715 | 152,237 | 167,992 | 183,982 | 200,206 | 216,665 | 233,358 | 250,285 | 267,446 | 284,839 |
| MIP | *100.00%* | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 0 | *0.00%* | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 0 | *0.00%* | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 0 | *0.00%* | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 0 | *0.00%* | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 0 | *0.00%* | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total Residual Receipts Payments** | **100.00%** | **-** | - | - | - | - | - | - | - | - | - | - | - | - |
| **Balances for Residual Receipt Payments** | | | | | | | | | | | | | | |
| **RESIDUAL RECEIPTS LOANS** | *Interest Rate* | | | | | | | | | | | | | |
| MIP---Simple | *2.75%* | 7,450,000 | 7,654,875 | 7,859,750 | 8,064,625 | 8,269,500 | 8,474,375 | 8,679,250 | 8,884,125 | 9,089,000 | 9,293,875 | 9,498,750 | 9,703,625 | 9,908,500 |
| **Total Residual Receipts Payments** | | **7,450,000** | 7,654,875 | 7,859,750 | 8,064,625 | 8,269,500 | 8,474,375 | 8,679,250 | 8,884,125 | 9,089,000 | 9,293,875 | 9,498,750 | 9,703,625 | 9,908,500 |

## PROJECTED PERMANENT LOAN CASH FL0WS

**Final Commitment**

| | YEAR | 14 | 15 | 16 | 17 |
|---|---|---|---|---|---|
| **RENTAL INCOME** | **CPI** | | | | |
| Restricted Unit Rents | 2.50% | 3,589,196 | 3,678,926 | 3,770,899 | 3,865,172 |
| 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 | 0.00% | 18,452 | 18,452 | 18,452 | 18,452 |
| Parking & Storage Income | 2.50% | - | - | - | - |
| Miscellaneous Income | 2.50% | - | - | - | - |
| **GROSS POTENTIAL INCOME (GPI)** | | **3,607,648** | **3,697,378** | **3,789,351** | **3,883,624** |
| **VACANCY ASSUMPTIONS** | **Vacancy** | | | | |
| Restricted Unit Rents | 5.00% | 179,460 | 183,946 | 188,545 | 193,259 |
| 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% | 923 | 923 | 923 | 923 |
| Parking & Storage Income | 50.00% | - | - | - | - |
| Miscellaneous Income | 50.00% | - | - | - | - |
| **TOTAL PROJECTED VACANCY LOSS** | | **180,382** | **184,869** | **189,468** | **194,181** |
| **EFFECTIVE GROSS INCOME (EGI)** | | **3,427,266** | **3,512,509** | **3,599,884** | **3,689,443** |
| **OPERATING EXPENSES** | **CPI / Fee** | | | | |
| Administrative Expenses | 3.50% | 284,518 | 294,476 | 304,783 | 315,450 |
| Management Fee | 5.00% | 171,363 | 175,625 | 179,994 | 184,472 |
| Utilities | 3.50% | 356,360 | 368,832 | 381,742 | 395,103 |
| Operating & Maintenance | 3.50% | 500,361 | 517,874 | 535,999 | 554,759 |
| Ground Lease Payments | 3.50% | - | - | - | - |
| CalHFA Monitoring Fee | 0.00% | 7,500 | 7,500 | 7,500 | 7,500 |
| Mixed Income Loan Fee | 0.00% | 79,207 | 78,398 | 77,558 | 76,687 |
| MIP Loan Fee | 0.00% | - | - | - | - |
| Real Estate Taxes | 1.25% | 2,938 | 2,975 | 3,012 | 3,050 |
| Other Taxes & Insurance | 3.50% | 159,606 | 165,193 | 170,974 | 176,958 |
| Required Reserve Payments | 1.00% | 51,556 | 52,071 | 52,592 | 53,118 |
| **TOTAL OPERATING EXPENSES** | | **1,613,409** | **1,662,945** | **1,714,155** | **1,767,097** |
| **NET OPERATING INCOME (NOI)** | | **1,813,857** | **1,849,565** | **1,885,729** | **1,922,346** |
| **DEBT SERVICE PAYMENTS** | **Lien #** | | | | |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| Pac West Bank (Conduit 1st Lien) | 1 | 1,208,931 | 1,208,931 | 1,208,931 | 1,208,931 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| MIP Annual Fee (applicable for MIP only deals) | - | - | - | - | - |
| **TOTAL DEBT SERVICE & OTHER PAYMENTS** | | **1,208,931** | **1,208,931** | **1,208,931** | **1,208,931** |
| **CASH FLOW AFTER DEBT SERVICE** | | **604,926** | **640,634** | **676,799** | **713,415** |
| **DEBT SERVICE COVERAGE RATIO** | | **1.50** | **1.53** | **1.56** | **1.59** |
| Date Prepared: | 06/26/20 | | | | |

| | | | | | |
|---|---|---|---|---|---|
| LESS: Asset Management Fee | 3% | - | - | - | - |
| LESS: Partnership Management Fee | 3% | - | - | - | - |
| **net CF available for distribution** | | **604,926** | **640,634** | **676,799** | **713,415** |
| Deferred developer fee repayment | 6,071,710 | 1,245,560 | 640,634 | - | - |
| | *100%* | 604,926 | 640,634 | - | - |
| | | 640,634 | - | - | - |
| **Payments for Residual Receipt Payments** | | | | | |
| **RESIDUAL RECEIPTS LOANS** | *Payment %* | 302,463 | 320,317 | 338,399 | 356,708 |
| MIP | *100.00%* | - | - | 338,399 | 356,708 |
| 0 | *0.00%* | - | - | - | - |
| | | - | - | - | - |
| 0 | *0.00%* | - | - | - | - |
| 0 | *0.00%* | - | - | - | - |
| 0 | *0.00%* | - | - | - | - |
| 0 | *0.00%* | - | - | - | - |
| **Total Residual Receipts Payments** | **100.00%** | - | - | 338,399 | 356,708 |
| **Balances for Residual Receipt Payments** | | | | | |
| **RESIDUAL RECEIPTS LOANS** | *Interest Rate* | | | | |
| MIP---Simple | *2.75%* | 10,113,375 | 10,318,250 | 10,523,125 | 10,389,601 |
| **Total Residual Receipts Payments** | | 10,113,375 | 10,318,250 | 10,523,125 | 10,389,601 |

# MIXED-INCOME LOAN PROGRAM

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

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

## Qualifications

APPLICATION:

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

AVAILABILITY:

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

USES:

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

FINANCING STRUCTURE:

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

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

**Kevin Brown,** Housing Finance Specialist
500 Capitol Mall, Suite 1400, MS-990
Sacramento, CA 95814
916.326.8808
kbrown@calhfa.ca.gov

**Ruth Vakili,** Housing Finance Officer
500 Capitol Mall, Suite 1400, MS-990
Sacramento, CA 95814
916.326.8816
rvakili@calhfa.ca.gov

**Qualifications**
(continued)

READINESS:

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

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

MIP ALLOCATION LIMITS:

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

EVIDENCE OF COST CONTAINMENT:

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

<table>
<tr><td>Qualifications<br>(continued)</td><td>
EVIDENCE OF SUBSIDY EFFICIENCY:<br><br>
A Subsidy Efficiency Analysis will be completed as part of the Application review. The analysis will be completed again prior to closing the MIP Subordinate Loan and the MIP Loan amount may be adjusted based on the final analysis. Parameters of the analysis may include but are not limited to the following:
<ul>
<li>A maximum of 1.20 Debt Service Coverage Ratio (“DSCR”). CalHFA may allow an initial DSCR higher than 1.20 on a case by case basis, if deemed necessary;</li>
<li>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;</li>
<li>A separate project cash flow that supports any commercial component of the project;</li>
<li>A cashflow after debt service that is limited to the higher of 25% of the anticipated annual must pay debt service payment or 8% of gross income, during each of the first 3 years of project operation;</li>
<li>Inflation factors and vacancy rates consistent with the Agency’s Underwriting Standards and Reference Manual (“USRM”);</li>
<li>Developer Fee requirements will match those required under the 4% federal and/or state tax credit reservation.</li>
<li>Capitalized reserves shall be subject to approval by Agency for reasonableness consistent with the USRM and the Investor Limited Partnership Agreement (ILPA);</li>
<li>Review of Excess Sources over final Uses as approved by CalHFA resulting from any of the following:
<ul>
<li>An increase in tax credit equity;</li>
<li>An increase in permanent loan debt due to a combination of permanent loan rate reduction and/or reduction to operating expense assumptions;</li>
</ul></li>
<li>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.</li>
</ul>
</td></tr>
<tr><td>CalHFA Mixed-Income Qualified Lender Qualifications</td><td>
A CalHFA Qualified Construction Lender is defined as a Construction Lender that has closed at least 5 construction loans using tax-exempt bonds and 4% federal and/or state tax credits in California within the last 3 years and satisfies the requirement set forth within the application.<br><br>
A CalHFA Qualified Permanent Lender is defined as a Permanent Lender that has closed at least 5 Permanent loans using tax-exempt bonds and 4% federal and/or state tax credits in California within the last 3 years and satisfies the requirement set forth within the application.
</td></tr>
<tr><td>CalHFA Mixed-Income Development Team Qualifications</td><td>
The Developer/Co-Developer must be registered to do business and in good standing in the state of California. A CalHFA Qualified Developer/Co-Developer must have developed at least three (3) comparable projects within the past five (5) years.<br><br>
The proposed Project Manager must have personally managed the development of at least two (2) comparable projects within the past 5 years.<br><br>
Financial Consultants hired to assist the Developer in meeting the minimum experience requirements must be able to provide details regarding at least three (3) comparably financed projects over the last five (5) years.
</td></tr>
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| **CalHFA Mixed-Income Development Team Qualifications** (Continued) | **Architects** new to CalHFA must provide information for three (3) comparable projects they designed that were built and occupied within the past five (5) years.<br><br>**General Contractor (GC)** must be licensed by the State of California. GCs new to CalHFA must provide information related to three (3) comparable (in design) projects built in the past five (5) years. Similar information will be required for the proposed on-site construction supervisor. The on-site construction supervisor must have overseen three (3) comparable projects built in the past five (5) years, and they must have overseen the projects from construction start to final completion.<br><br>**Management Company** must have a local presence or a field office in Northern or Southern CA (depending on the location of the Project) and have experience managing at least ten (10) low to moderate income rent restricted Comparable (size and tenant types) Projects. Also required is a resume for the proposed on-site Property Manager, reflecting prior experience during the past five (5) years managing onsite project operations and compliance with rent restricted units. |
| **Permanent First Lien Loan** | Provided by CalHFA or a CalHFA Mixed-Income Qualified Permanent Lender. The permanent loan must meet an initial DSCR of at least 1.15 and must maintain a DSCR of 1.0 or higher for the term of the permanent first lien loan. CalHFA may require an initial DSCR higher than 1.15 on a case by case basis, if deemed necessary. |
| **Construction First Lien Loan** | Provided by a CalHFA Mixed-Income Qualified Construction Lender. |
| **Limitations** | 1. MIP cannot be combined with the Tax Credit Allocation Committee's (TCAC) 9% program.<br>2. MIP cannot be combined with other state subordinate debt and/or subsidy programs (this does not include state tax credits). Inclusion of other subordinate debt and subsidy will be allowed at CalHFA's discretion.<br>3. Projects that have a below market rate component as a result of an inclusionary obligation or are 100% below market as a result of an inclusionary obligation must demonstrate master developer commitment through a dollar-for-dollar match of CalHFA's resources. Match can be obtained through a monetary match or equivalent in-kind contributions (e.g., land donation, land use fee concessions.)<br>4. At the time of MIP application to CalHFA, a project must not have already received an allocation of 4% federal and/or state tax credits from TCAC or a tax-exempt bond allocation from CDLAC.<br>5. Projects will not be eligible for other subsidy resources from CalHFA in addition to MIP. |
| **Mixed-Income Project Occupancy Requirements** | FEDERAL BOND REGULATORY AGREEMENT REQUIREMENTS (ALL PROJECTS):<br><br>Must maintain either (a) 20% of the units must be rent restricted and occupied by individuals whose incomes are 50% or less of AMI with adjustments for household size ("20% @ 50% AMI"), OR (b) 40% or more of the units must be both rent restricted and occupied by individuals whose incomes are 60% or less of AMI with adjustments for household size ("40% @ 60% AMI"): in the latter case, a minimum of 10% of the unit types must be at 50% or less of AMI ("10% @ 50% AMI").<br><br>MIXED INCOME REGULATORY AGREEMENT REQUIREMENTS (ALL PROJECTS):<br><br>Affordability Requirements:<br><br>1. To qualify, a project must have at least 10% of the total units restricted as follows*:<br>a. 81% to 120% of AMI with an average of 100% of AMI or greater OR if the market study does not support restrictions at these levels, |

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<td>Mixed-Income Project Occupancy Requirements (Continued)</td>
<td>
b. 60% to 80% of AMI with an average of 70% of AMI or greater, subject to the Maximum Allowable Rents outlined below.<br><br>
*(Deviations from the average unit affordability levels of 70% AMI or 100% AMI outlined above will only be considered if market study supports such deviations.)<br><br>
2. AND either<br>
a. Tax credit transactions that are income-averaged must not exceed an average affordability of 60% AMI across all restricted units, OR<br>
b. Mixed income per CDLAC definitions, a Qualified Residential Rental Project having 50% or fewer of its total units designated as Restricted Rental Units (as restricted by a Bond or TCAC Regulatory Agreement at 60% AMI or lower-CDLAC Regulations Article 1, Section 5000).<br><br>
Note: These restrictions will remain in effect for 55 years. MIP regulatory agreement will restrict 10% of the total units at or below 80% of AMI, another 10% of the total units at or below 50% of AMI (or 80% AMI if there is an exception pursuant to Health and Safety Code Section 51335), and in addition to these restrictions, a minimum of 10% of the total units between 81% up to 120% of AMI OR (subject to the requirements identified above) 10%-29% of the total units between 60% up to 80% AMI, and the remaining units restricted at or below 120% of AMI, except for the designated manager's unit(s).<br><br>
MAXIMUM ALLOWABLE RENTS:<br><br>
Rents for units restricted at 80% AMI and below must be at least 10% below market rents as evidenced by a current Market Study.<br><br>
Rents for units restricted between 81%-120% AMI must be at least 10% below market as evidenced by a current Market Study.
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<td>Mixed-Income Subordinate Loan</td>
<td>
1. Maximum loan amount for each project shall not exceed 10% of total MIP allocation for the respective year.<br>
a. Maximum loan per restricted (tax credit or CalHFA) units between 50%-80% AMI shall be $50,000.<br>
b. Maximum loan per MIP restricted units between 81%-120% AMI shall be $100,000.<br>
c. Projects located within the Highest or High Resource areas designated on the TCAC/HCD Opportunity Area Map shall be eligible for an additional 5% of the project eligible basis per 4% federal and state tax credit program. Opportunity Map Home Page<br>
2. Loan size based on project need but cannot be more than 50% of the permanent loan amount.
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<td>Mixed-Income Subordinate Loan Rates & Terms</td>
<td>
1. Interest Rate: 2.75% simple interest.<br>
2. Loan Term: The MIP loan term shall be coterminous with the permanent first lien loan.<br>
3. Loan Payment: Residual receipt repayment based on cash flow analysis and split 50% to Owner and 50% to CalHFA and other residual receipt lenders. Residual receipt is defined as 50% of surplus cash which is determined as net operating income minus total debt service and other Agency approved payments. Payments shall be applied to the current and/or accrued interest and then principal of the MIP loan.<br>
4. Affordability Term: Up to 55 years.<br>
5. Assignability: Consent will be considered.<br>
6. Prepayment: May be prepaid at any time without penalty.
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| **Mixed-Income Subordinate Loan Rates & Terms** (Continued) | 7. Subordination: A subordination and/or extension of MIP maturity request in conjunction with a re-syndication, refinance, or ownership transfer ("capitalization event(s)") will be considered. If MIP loan is outstanding at time of the capitalization event(s), the original MIP annual fee schedule will remain in place until the earlier of MIP regulatory restriction expiration, including any extensions, or repayment of the MIP loan. If the outstanding MIP loan is subordinated at the time of such event, the surplus cash split between borrower and CalHFA and other residual receipt lenders may be altered to reflect an increased percentage of residual receipts to CalHFA out of Borrower's share until such time as the MIP loan is paid in full. The remaining residual receipts may be split between other residual receipt lenders.<br>8. Funded: Only at permanent loan conversion. |
| **CalHFA Conduit Bond Program** | For more information on CalHFA's Conduit Issuer Program and the fees associated with it, visit CalHFA's website: www.calhfa.ca.gov/multifamily/programs/forms/termsheet-conduit.pdf |
| **CalHFA First Lien Permanent Rates & Terms** (subject to change) | For more information on CalHFA's Permanent Loan Program and the fees associated with it, visit CalHFA's website: www.calhfa.ca.gov/multifamily/programs/forms/termsheet-perm-tax-exempt.pdf |
| **Fees** (subject to change) | 1. Program Application Fee: $10,000 non-refundable, due at time of CalHFA MIP application submittal. The application fee shall be credited towards Loan Fee at time of MIP permanent loan closing.<br>2. Loan Fee: 1.00% of the loan amount (50% due at final commitment and 50% due at CalHFA MIP loan closing).<br>3. Legal Fee: $15,000, due at loan closing (applicable if CalHFA is not providing permanent financing).<br>4. Ongoing Annual MIP Fee Payable in the event that CalHFA is not the Permanent Lender: 0.35% of the Permanent Loan Amount commencing at CalHFA MIP loan closing, calculated based on the principal balance of an amortization schedule with the following assumptions: i) 55 year amortization; ii) start date, interest rate and the loan amount consistent with permanent first lien loan (this fee is applicable if CalHFA is not providing permanent financing and will remain in place until the repayment of the MIP loan).<br>5. Annual Administrative Fee: $7,500 per year (subject to change).<br><br>Conduit Bond Program Fees: Refer to CalHFA Conduit Bond Program www.calhfa.ca.gov/multifamily/programs/forms/termsheet-conduit.pdf<br><br>CDLAC Fees: Refer to CDLAC regulations for all applicable fees.<br><br>If CalHFA is selected as the permanent lender, please refer to CalHFA First Lien Permanent Rates & Terms for first mortgage loan fees, credit enhancements, trustee fees, legal fees, inspection fees, administrative fees. www.calhfa.ca.gov/multifamily/programs/forms/termsheet-perm-tax-exempt.pdf |

Last revised: 11/2019

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# CONDUIT ISSUER PROGRAM

## MULTIFAMILY HOUSING BONDS

CalHFA California Housing Finance Agency

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

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

**Kevin Brown**, Housing Finance Specialist
500 Capitol Mall, Suite 1400, MS-990
Sacramento, CA 95814
916.326.8808
kbrown@calhfa.ca.gov

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

Last revised: 03/2019

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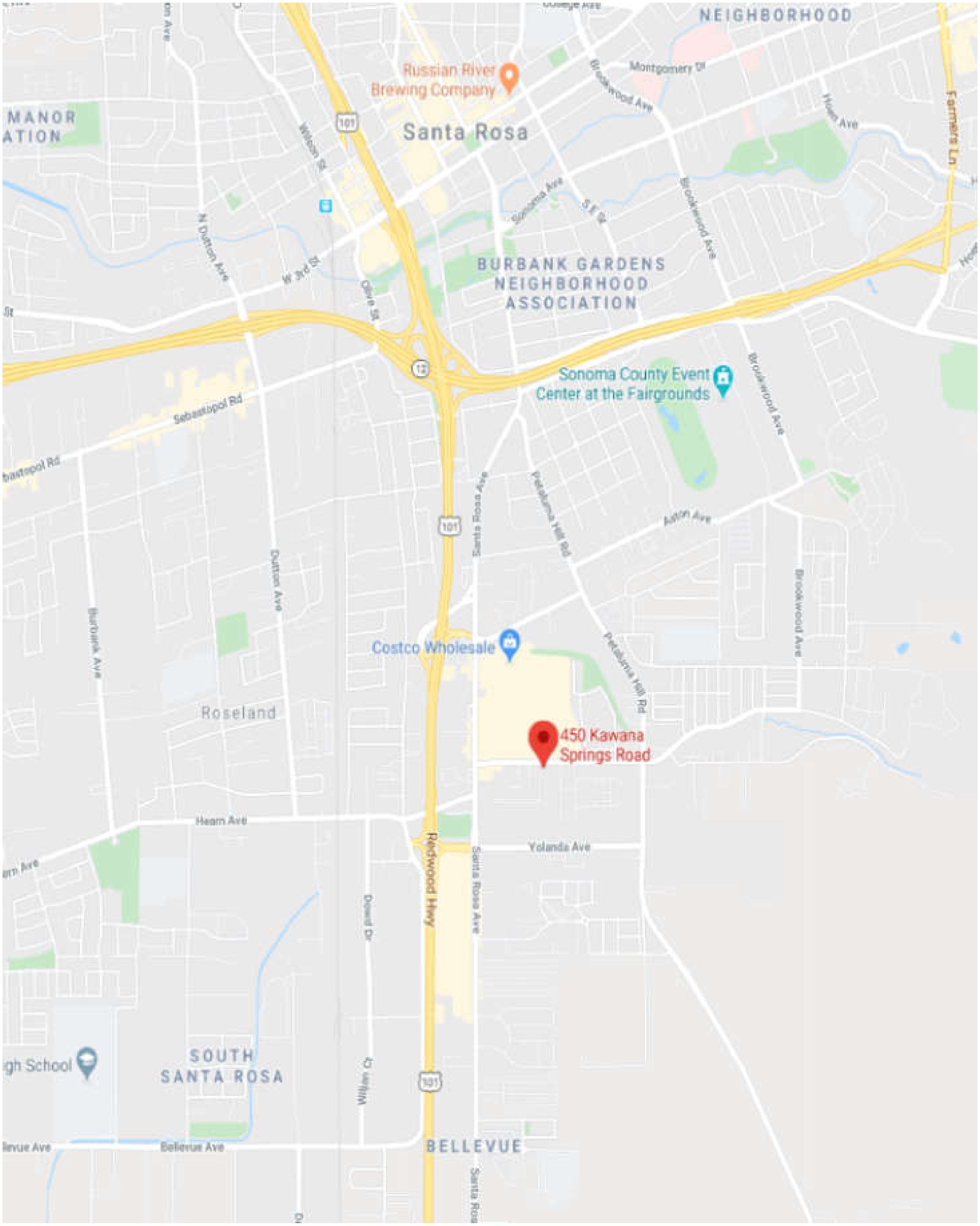
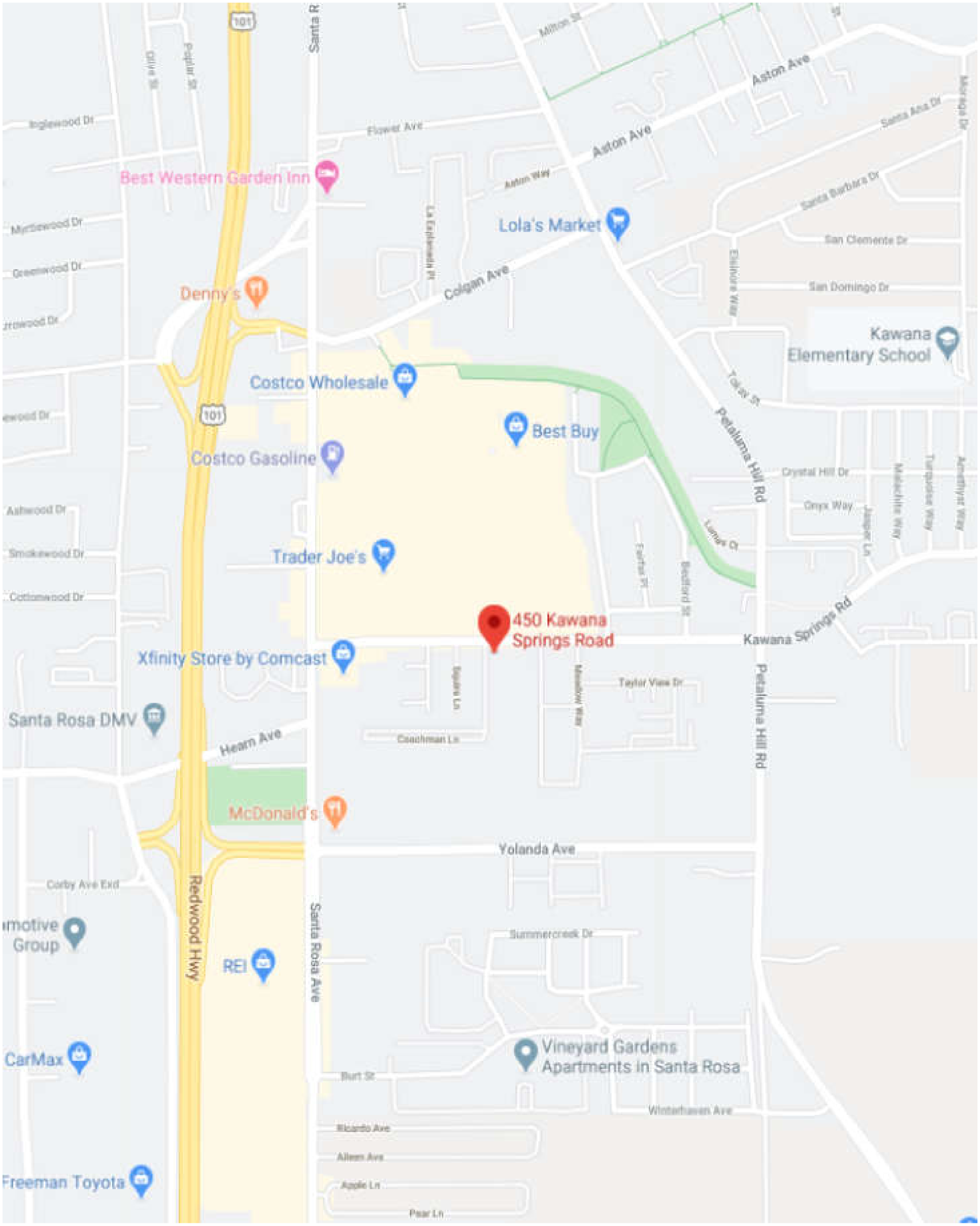


NEIGHBORHOOD
Russian River Brewing Company
MANOR
ATION
Santa Rosa
Montgomery Dr
Brookwood Ave
Farmers Ln
Wilson St
N Dutton Ave
W 3rd St
Olive St
Sonoma Ave
E St
BURBANK GARDENS NEIGHBORHOOD ASSOCIATION
Sonoma County Event Center at the Fairgrounds
Sebastopol Rd
Santa Rosa Ave
Petaluma Hill Rd
Aston Ave
Dutton Ave
Burbank Ave
Costco Wholesale
Roseland
450 Kawana Springs Road
Hearn Ave
Yolanda Ave
Redwood Hwy
Dowd Dr
SOUTH SANTA ROSA
Bellevue Ave
BELLEVUE


450 Kawana
Springs Road
Costco Wholesale
Best Buy
Costco Gasoline
Trader Joe's
Xfinity Store by Comcast
Santa Rosa DMV
McDonald's
REI
CarMax
Freeman Toyota
Best Western Garden Inn
Denny's
Lola's Market
Kawana
Elementary School
Vineyard Gardens
Apartments in Santa Rosa
Aston Ave
Colgan Ave
Hearn Ave
Yolanda Ave
Kawana Springs Rd
Petaluma Hill Rd
Santa Rosa Ave
Redwood Hwy
101
Flower Ave
Summercreek Dr