CalHFA MULTIFAMILY PROGRAMS DIVISION

Final Commitment Staff Report & Request for Tax Exempt and Taxable Bond Conduit Issuance and Permanent Take-Out Loan for Tax Exempt financing with Mixed Income Program Subsidy Financing

Senior Loan Committee "Approval": June 16, 2020 for Board Meeting on: July 9, 2020

Project Name, County:	Frishman Hollow II, Truckee, Nevada County	
Address:	11026 Rue Ivy, Truckee, CA 96161	
CalHFA Project Number:	19-069-A/X/N	
Requested Financing by Loan Program:	**$17,000,000**	**Tax Exempt Bond – Conduit Issuance Amount**
	$5,745,000	**Taxable Bond – Conduit Issuance Amount**
	$6,610,000	**Tax Exempt Permanent Loan without HUD Risk Share**
	$4,388,000	**Subsidy GAP Loan funded by MIP funds**

DEVELOPMENT/PROJECT TEAM

Developer:	Pacific West Communities, Inc.	**Borrower:**	Alder Pacific Associates II, A California Limited Partnership
Permanent Lender:	CalHFA	**Construction Lender:**	Banner Bank
Equity Investor:	Red Stone Equity Partners, LLC	**Management Company:**	Cambridge Real Estate Services, Inc.
Contractor:	Pacific West Builders, Inc.	**Architect**	Architects Orange
Loan Officer:	Ruth Vakili	**Loan Specialist:**	Lorrie Blevins
Asset Manager:	Jessica Doan	**Loan Administration:**	Mirna Ramirez
Legal (Internal):	Torin Heenan	**Legal (External):**	N/A
Concept Meeting Date:	5/11/2020	**Approval Expiration Date:**	6 months from Approval

LOAN TERMS

1.		**CONDUIT ISSUANCE**	**PERMANENT LOAN**	**MIP (GAP) LOAN**
	Total Loan Amount	$17,000,000 (T/E) $5,745,000 (Taxable)	$6,610,000	$4,388,000
	Loan Term & Lien Position	24 months- interest only; 1st Lien Position during construction	40-year amortization, due in 17 years	17 year - Residual Receipts; 2nd Lien Position during permanent loan conversion
	Interest Rate (subject to change and locked 30 days prior to loan closing)	Underwritten at 4.50% (T/E) 4.50% (Taxable)	MMD + 2.95 spread (tax-exempt) Underwritten at 4.36% which includes a .15% cushion. Rate is based on a 36- month forward commitment	2.75% Simple Interest

	Loan to Value (LTV)	LTV is 70% of investment value	87%	N/A
	Loan to Cost	86%	25%	N/A

ANTICIPATED PROJECT MILESTONES & SCHEDULE

2.	CDLAC/TCAC Closing Deadline:	07/2020	Est. Construction Loan Closing:	07/2020
	Estimated Construction Start:	06/2020	Est. Construction Completion:	12/2021
	Estimated Stabilization and Conversion to Perm Loan(s):		06/2022	

SOURCES OF FUNDS

3.

Construction Period Financing			
SOURCE	**AMOUNT**	**LIEN POSITION**	**DEBT TYPE**
Construction Loan (T/E)	$17,000,000	1st	Interest Only
Construction Loan (Taxable)	$5,745,000	2nd	Interest Only
Town of Truckee Loan	$1,360,000	3rd	Interest Only
Tax Credit Equity	$2,212,487	N/A	N/A
TOTAL	**$26,317,487**	**$387,022**	**Per Unit**
Permanent Financing			
SOURCE	**AMOUNT**	**LIEN POSITION**	**DEBT TYPE**
CalHFA Permanent Loan	$6,610,000	1st	Balloon 40/17
CalHFA MIP Loan	$4,388,000	2nd	Residual Receipt Loan
Town of Truckee – Land Loan	$1,360,000	3rd	Residual Receipt Loan
Martis Valley Fund-Workforce Hsg Fund	$1,000,000	4	Residual Receipt Loan
Tax Credit Equity	$14,749,910	N/A	N/A
Estimated Deferred Developer Fee	$1,710,267	N/A	Payable from Cash Flow
TOTAL DEVELOPMENT COST:	**$29,818,177**	**$438,502**	**Per Unit**

Subsidy Efficiency: The CalHFA MIP loan equates to $65,493 per MIP restricted units.

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

- 4% Federal Tax Credits: $10,945,270 assuming estimated pricing of $0.87 ($160,960 per TCAC restricted unit).
- 4% State Tax Credits: $5,810,000 assuming estimated pricing of $0.90 ($85,441per TCAC restricted unit).

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 be funded by locality funds, which includes $1.36 MM of Town of Truckee Land Loan and a $1.0MM grant from the Martis Valley-Workforce Housing Fund.

	Cost Containment Strategy: The Developer will competitively bid all trades, obtaining a minimum of 3 bids, and implement design standards that facilitate efficiency in cost and construction scheduling. Prior to construction loan closing, CalHFA will require the Developer to certify that cost containment measures have been implemented.
4.	Equity – Cash Out (estimate): Not Applicable

TRANSACTION SUMMARY

5.	**Legislative Districts**	**Congress:**	#4 Tom McClintock	**Assembly:**	#1 Megan Dahle	**State Senate:**	#1 Brian Dahle
	Brief Project Description	**Frishman Hollow II** (the "Project") is a family occupancy, mixed-income, new construction project consisting of two (2) two-story and two (2) three-story residential buildings (4 buildings total). There will be 68 total units, 67 of which will be restricted between 50% and 80% AMI. Units include 12 studios (414 sqft.), 12 1-bedrooms (760 sqft), 24 2-bedrooms (892 sqft) and 20 3-bedrooms (1171 sqft). One 2-bedroom unit will be reserved for an onsite manager. Frishman Hollow Phase 1 is an existing 32-unit LIHTC project built in 2008 using modular units provided by Nashua Builders. Nashua will again be a partner to PWC on this project. **Financing Structure:** The Project's financing structure includes: tax-exempt bonds, 4% federal tax credits, 4% state tax credits, Town of Truckee Land Loan, Martis Valley-Workforce Housing Fund grant, a CalHFA Permanent loan and a MIP loan. The project qualifies as Mixed-Income with income averaging, pursuant to TCAC regulations. **Tax Credits and/or CDLAC Status:** The developer applied for bonds and tax credits in January and was awarded on April 14, 2020 with a revised award issued April 27, 2020. **Ground Lease:** Not applicable. **Amenities:** The Project will share community space with Phase 1 including: community room/dining area, computer room/business center, picnic area, tot/lot, laundry room. The Project will be improved with a covered picnic area, playground and 136parking spaces. Unit amenities will include: washer/dryer hookups, dishwasher, garbage disposal, patio/balcony.					

TRANSACTION OVERVIEW

6.	**Proposal and Project Strengths**

- The Developer anticipates receiving 4% MIP and state tax credits which will generate equity representing 51.1% of total financing sources.
- The developer, Pacific West Companies (PWC), Inc. and the property management company, Cambridge Real Estate Services, Inc. have extensive experience in developing similar affordable housing projects and both have experience with CalHFA.
- The Project will serve low-income families ranging between 50% to 80% of AMI. The Project is affordable, with the highest rents at 48% to 90% of market, and is located in a TCAC-designated High Opportunity Area.
- The projected portion of the developer's fee that will be paid by the time of perm loan conversion is $1,861,077 (52.2% of total fee), which could be available to cover cost overruns and/or unforeseen issues during construction.
- There is a high demand for affordable housing in the Project's area. Per the appraisal report, it is anticipated to be fully leased within 4.5 months of completion, averaging 15 units per month.
- On-site services will be available to all tenants and will include adult educational, health, wellness, computer and financial literacy classes. The cost for these services is $16,000 and is included in the operating budget.

- PWC is making use of modular construction materials from an experienced multifamily manufacturer (Nashua Builders), helping to increase the cost effectiveness of the development by reducing the construction period. PWC is experienced in modular buildings with 12 projects completed (including Frishman Hollow Phase I), one project under construction, and two pipeline projects (including Frishman Hollow Phase II).

7. Project Weaknesses with Mitigants:

- The exit analysis assumes increases of 2% over the going-in cap rate and 3% over the underwritten interest rate at loan maturity. Based on these assumptions, the Project will have the ability to fully repay the balance of Agency's permanent loan but may only be able to repay a portion of the Agency's subsidy MIP loan in the amount of $243,664, leaving a loan balance of $5,738,947. 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 MIP loan amount is 66.4% of the permanent loan and exceeds the limitation of no more than 50% of the permanent loan amount, which is a deviation from the MIP Term Sheet and an exception to policy. Approval of this exception is recommended by Multi-Family Underwriting and Credit Staff subject to CalHFA being the permanent lender and based on the following: approval facilitates the progression of a shovel ready project without delay; the project has received CDLAC bond allocation; the higher amount of MIP/unit allows the Developer to reduce its state tax credit request from $7,500,000 ($160,960/unit) to $5,810,000 ($85,441/unit) resulting in more efficient use of that limited resource.
- The MIP loan per unit is $65,493 which exceeds the term sheet maximum of $50,000 for a project with affordability levels between 60% and 80% AMI. This is an exception to Policy but is recommended by Multi-Family Underwriting and Credit Staff subject to CalHFA being the permanent lender and based on the following: approval facilitates the progression of a shovel ready project without delay; the project has received CDLAC Bond Allocation; the higher amount of MIP/unit allows the Developer to reduce its state tax credit request from $7,500,000 ($111,940/unit) to $5,810,000 ($85,441) resulting in a much more efficient use of that limited resource.
- The Developer is deferring 48% of the developer fee, which affects the repayment of the MIP loan. The proposed repayment is structured as follows:
  a) Until deferred developer fee is paid in full or year 15, whichever comes first: 75% of net cash flow paid towards developer fee, 25% to the MIP loan.
  b) Upon payment of developer fee: 50% of net cash flow to Developer and 50% of net cash flow to the MIP loan.

9.	**Project Specific Conditions of Approval**

- The MIP affordability covenants will be recorded in first lien position.
- 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.
- Receipt of Town of Truckee's Deed Restriction's acceptable to CalHFA prior to construction close. These restrictions are to be no more restrictive than those for the bonds, tax credits and MIP loan.
- 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.
- 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. 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. An increase of the subsidy loan will not be allowed and will be subject to Agency's approval.
- Lender(s), equity investor, and borrower shall permit CalHFA to recycle all or a portion of Project's tax-exempt bonds, as applicable.
- The total deferred developer's fee of $726,009 will not be fully repaid by year 15 per project cashflow, therefore the owner must provide evidence of investor approval of the total deferred developer's fee structure.

10.	**Staff Conclusion/Recommendation:**

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

MISSION & AFFORDABILITY

11.	**CalHFA Mission/Goals**

- This Project and financing proposal provide 67 units of affordable housing with a range of restricted rents between 50% AMI and 80% 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 Agreement 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% (7) of total units at or below 50% and 10% (7) of total units between 60% to 80% of AMI. The remaining 53 of restricted units will be restricted at or below 120% of AMI for 55 years. 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 the appraisal dated 5/8/2020, the Project can only support rents at a maximum of 70% AMI and still comply with the requirement that rents be at least 10% below market. Therefore, this Project will comply with the affordability requirement of having 10% of the total units restricted between 60% to 80% of AMI with an average of 70% AMI or higher.

Rent Limit Summary Table						
Restrictions @ AMI	**Total**	**Studio**	**1-bdrm**	**2-bdrm**	**3-bdrm**	**% of Total**
50%	33	6	6	12	9	48.5%
60%	14	3	3	5	3	20.6%
70%	7	1	1	2	3	10.3%
80%	13	2	2	4	5	19.1%
Manager's Unit	1			1		1.5%
Total	**68**	**12**	**12**	**24**	**20**	**100.0%**

NUMBER OF UNITS AND AMI RENTS RESTRICTED BY EACH AGENCY

Regulatory Source *(Type in Lender Names)*	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%**	**80%**	**=<120%**
CalHFA Bond Reg	1st	55	7	21			
CalHFA MIP	2nd	55	7			7*	53
City of Truckee Land Loan	3rd	55	33				
Martis Valley Fund	4th	55				68	
Tax Credits		55	33	14	7	13	

*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:	No	Underserved:	No
Low/Mod Census Tract:	Upper	Below Poverty line:	11.75%
Minority Census Tract:	9.62%	Rural Area:	Yes
TCAC Opportunity Area:	Highest Resource		

FINANCIAL ANALYSIS SUMMARY

14.	**Capitalized Reserves:**	
	Replacement Reserves (RR):	N/A
	Operating Expense Reserve (OER):	$191,474 OER amount is size based on 3 operating expenses, debt service, and annual replacement reserves deposits. The USRM requirement for operating reserves is for 6 months' operating expenses, debt service, and annual replacement reserve deposits. Recommendation is made to reduce the operating expense reserve to 3 months, based on the fact that the developer has considerable experience developing tax credit projects, several of which are in the CalHFA pipeline. In addition, the investor is requiring a 4-month operating reserve, providing additional

		comfort that project operating reserves will be sufficient to fund operations through any distress. CalHFA will hold this reserve.		
	Transitional Operating Reserve (TOR):	N/A		
15.	**Cash Flow Analysis**			
	1st Year DSCR:	1.15	**Project-Based Subsidy Term:**	N/A
	End Year DSCR:	1.50	**Annual Replacement Reserve Per Unit:**	$250/unit
	Residential Vacancy Rate: **Subsidy Vacancy Rate:**	5% N/A	**Rental Income Inflation Rate:** **Subsidy Income Inflation Rate:**	2.50% N/A
	Non-residential Vacancy Rate:	N/A	**Project Expenses Inflation Rate:** **Property Tax Inflation Rate:**	3.50% 1.25%

- In addition to the above OER, the equity investor is requiring capitalized reserve of 1 additional month (4 total) of Operating Expenses, Reserves, and Debt Service for a total of $255,298.
- The appraisal and comparable properties in the area support higher operating expenses than what was proposed by the developer. The operating budget has been increased to the recommended budget per the appraisal.
- In addition, the maintenance budget for the Project is 11% higher than the average for two comparable properties in Truckee that the Developer owns and operates, one of which is Phase 1, which is also modular construction.

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 increases of 2% over the going-in cap rate and 3% over the underwritten interest rate at loan maturity. Based on these assumptions, the Project will have the ability to fully repay the balance of Agency's permanent loan but may only be able to repay a portion of the Agency's subsidy MIP loan in the amount of $243,664, leaving a loan balance of $5,738,947. 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 5/8/2020, prepared by Integra Realty Resources, values the land at $1,360,000.
- The appraisal considers valuations using the (replacement) cost method, direct income capitalization method, and sales comparison method, noting that income cap is likely to be the most applicable method for this subject property.
- The appraisal concludes to the property's as-restricted stabilized value being $7,600,000. This results in the Agency's loan(s) to value of 87%. This valuation assumes the project as completed, after stabilization, with a property tax exemption.
- The appraisal concludes to a going-in capitalization rate of 5.25% based on adjusted comparable sales.
- Median owner-occupied home value in the 1-mile radius is $649,242. The median owner-occupied home value in Nevada County is $505,300. Median home values in 1 mile radius are about 28% higher than in the overall county.
- The appraisal discusses a variety of risk factors to the overall real estate industry including: restricted access to capital, unemployment concerns, reductions in rent collections, concern over borrowers defaulting, and equity investors repricing risk leading to higher cap rates. The report also references a CBRE projection that demand in

the multifamily sector will still outweigh supply and that the market is not particularly vulnerable in the long-term.

- The appraisal mentions data from March 2020 (i.e. the beginning of the unemployment spike due to COVID-19) which indicates Nevada county had a lower unemployment rate than the overall state of California (4.6% vs 5.6%). However, it does not make any future projections specific to this subject and only provides a general statement that the economic indicators imply a substantial economic contraction which will affect all industries including real estate.
- The Project's projected operating expenses and resulting NOI are overall in line with the figures for comparable properties.

Market Study:	Kinetic Valuation Group, Inc.	Dated: 12-5-19

Regional Market Overview

- The Primary Market Area generally consists of the eastern side of Nevada County and the northeastern portion of Placer County (population of 21,277). The Secondary Market Area ("SMA") is Nevada, Placer, and El Dorado Counties (population of 724,592)
- The general population in the PMA is anticipated to increase by 0.37%% per year and the senior population will increase by 1.55% per year.
- As of 2019, unemployment in Nevada County is 2.9%, which evidences a strong employment area. Unemployment data was unavailable for the town of Truckee.
- A large portion of the employment in the PMA and SMA is in the services industry.

Local Market Area Analysis

- **Supply:**
  - Per the market study (from December 2019): There are currently 4 project(s) in PMA, and 1 affordable project under construction (no construction timeline), and they are 100% occupied with long wait lists.
  - While the appraisal does mention that COVID-19 has resulted in an uptick in vacancy for the overall multivacancy market in Nevada county (8.4% as of Q1 2020, up from 2.5% in Q4 2019), it also notes that each of the 5 of the affordable properties surveyed in Q1 and Q2 had long wait lists and vacancy rates below 1%. This suggests that the pandemic has had little or no impact, in terms of occupancy, on affordable properties in the subject area to this point.
- **Demand/Absorption:**
  - Per appraisal: The Project will need to capture 10.8% of the total demand for family units in the PMA. The affordable units are anticipated to lease up at a rate of 15 units per month and reach stabilized occupancy within 4.5 months of opening.
  - The Market Study mentioned that all comparable properties had very low vacancy rates and expected the subject property to maintain at or near 100% occupancy.

DEVELOPMENT SUMMARY

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

- The property is located on the West Side of Rue Ivy Street, in the City of Truckee, Nevada County.
- The site is currently vacant, with slightly sloped topography within a mountainous area, measuring approximately 5.01 acres and is generally irregular in shape.
- The site is zoned RM-10: multi-family residential.
- 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.

20. Form of Site Control & Expiration Date

The previous owner, the Town of Truckee, and the Project owner, Alder Pacific Associates II, a California Limited Partnership, entered into an Option to Purchase Agreement was executed on May 21, 2020. The sale of the property closed on May 29, 2020 for $1,360,000.

21.	Current Ownership Entity of Record
Title is currently vested in Alder Pacific Associates II as the fee owner.	
22.	**Environmental Review Findings**
• A Phase I Environmental Site Assessment performed by RNC Environmental, LLC, dated April 27, 2020 revealed no evidence of recognized environmental conditions, so no additional investigation was recommended.	
23.	**Seismic** Requires Earthquake Insurance: ☐ Yes ☒ No
• This new Project will be built to State and City of Truckee 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:	58,940	**Residential Units per Acre:**	13.6
		Community Area Sq. Ftg:	15,428	**Total Parking Spaces:**	136
		Supportive Service Areas:	N/A	**Total Building Sq. Footage:**	74,368
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:**	The Project consists of two (2) two-story and two (2) three-story modular buildings, wood frame supported by perimeter foundation, concrete slab flooring. The exterior will be fiber cement board siding, fiber cement board reveal panel, and metal siding. The roofs are composite shingle over a slopped roof truss.			
28.	**Construction/Rehab Scope** Requires Demolition: ☐ Yes ☒ No				
• The subject site is new construction. The Project will make use of modular construction materials supplied by Nashua Builders. Warranties for major building systems are typically in place for 10 years and large repair items are typically not necessary until 20 years. • The Contractor is an affiliate of the Borrower entity. The contract will be structured as a Guaranteed Maximum Price (GMP) contract with a 14% mark-up for builder overhead, profit, and general requirements, which is consistent with TCAC's requirement.					
29.	**Construction Budget Comments:**				
• 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: Central Valley Coalition for Affordable Housing, a California Nonprofit Public Benefit Corporation; 0.0045% interest • Administrative General Partners: 1) TPC Holdings VII, LLC, an Idaho Limited Liability Company – 0.0045% interest • Investor Limited Partner: Red Stone Equity Partners; 99.99% interest • Special Limited Partner: Red Stone Equity Manager, LLC; 0.001% interest	

31.	Developer/Sponsor

Pacific West Communities, Inc. has extensive experience as a developer of affordable housing projects, including in the state of California. Financial sources on previous engagements include: 4% LIHTC, HCD Multifamily Housing Program, California Bank & Trust, CTCAC, CDLAC, and numerous local municipalities (including Sacramento County). The developer has completed 11 prior modular multifamily projects totaling 624 units, including 9 projects and 522 units in California.

32.	Management Agent

The Project will be managed by Cambridge Real Estate Services, Inc, which has extensive experience in managing similar affordable housing projects in the area and manages 3 other projects in CalHFA's portfolio.

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

- As they have done on recent other CalHFA projects, the Borrower has elected to provide a Service Coordinator provided by the Managing GP, Central Valley Coalition for Affordable Housing, to meet CDLAC requirements for a term of 15 years. The cost for these services is $16,000 and is currently within the approved line item operating budget. Services will be conducted onsite.
- Services will include health, wellness, job skills, computer, financial literacy and resume building classes.

34.	Contractor	Experienced with CalHFA? ☒ Yes ☐ No

- The general contractor is Pacific West Builders, Inc. (PWB), which has extensive experience in constructing similar affordable housing projects in California and is familiar with CalHFA.
- PWB, formed in 2003, is the construction arm of Developer and will be the GC for this project as well. PWB has built 70% of the projects developed by Developer and currently has 11 projects in construction.
- PWB specializes in energy-efficient multifamily, single-family and modular construction.
- Along with Caleb Roope as President of PWB, the staff includes professionals who combined have over 60 years of experience in construction, engineering, design and project management. Many of the staff members have been with the company since its inception and are licensed general contractors.

35.	Architect	Experienced with CalHFA? ☒ Yes ☐ No

- Architects Orange ("AO") is an architectural and planning firm who specializes in mixed-use, multi-family projects. They have experience working with PWC serving as architect on several previous projects.
- AO has designed residential projects including workforce, senior, podium, townhouse, assisted living housing projects, as well as commercial/civic and retail developments.
- AO's services include entitlements, engineering, interior, master use planning, design development, construction documentation and contract administration.

36.	Local Review via Locality Contribution Letter

The locality, Town of Truckee, 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 19-069-A/X/N**

Project Full Name	Frishman Hollow II	**Borrower Name:**	Alder Pacific Associates II, a California Limited
Project Address	11026 Rue Ivy	**Managing GP:**	Central Valley Coalition for Affordable
Project City	Truckee	**Developer Name:**	Pacific West Communities, Inc.
Project County	Nevada	**Investor Name:**	Red Stone Equity Partners
Project Zip Code	96161	**Prop Management:**	Cambridge Real Estate Services, Inc.
		Tax Credits:	4
Project Type:	Permanent Loan Only	**Total Land Area (acres):**	5.01
Tenancy/Occupancy:	Individuals/Families	**Residential Square Footage:**	58,940
Total Residential Units:	68	**Residential Units Per Acre:**	13.57
Total Number of Buildings:	4		
Number of Stories:	2 and 3	**Covered Parking Spaces:**	68
Unit Style:	Flat	**Total Parking Spaces:**	136
Elevators:	3		

Acq/Construction/Rehab Financing	Loan Amount ($)	Loan Fees	Loan Term (Mo.)	Amort. Period (Yr.)	Starting Interest Rate
Banner Bank-T/E Loan	17,000,000	1.000%	24	--	4.500%
Banner Bank-Taxable Loan	5,745,000	1.000%	24	--	4.500%
--	--	--	--	--	--
Town of Truckee Land Loan	1,360,000	0.000%	55	--	3.000%
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--	--	--	--	--	--
Investor Equity Contribution	2,212,487	--	--	--	--

Permanent Financing	Loan Amount ($)	Loan Fees	Loan Term (Yr.)	Amort. Period (Yr.)	Starting Interest Rate
Perm	6,610,000	1.000%	17	40	4.360%
MIP	4,388,000	1.000%	17	--	2.750%
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
Town of Truckee Land Loan	1,360,000	--	55	--	3.000%
Martis Valley-Workforce Hsng. Fund	1,000,000	--	55	--	3.000%
--	--	--	--		--
--	--	--	--	--	--
Deferred Developer Fees	1,710,267	NA	NA	NA	NA
--	--	NA	NA	NA	NA
Investor Equity Contributions	14,749,910	NA	NA	NA	NA

Appraised Values Upon Completion of Rehab/Construction

Appraisal Date:	5/8/20	**Capitalization Rate:**	5.25%
Investment Value ($)	32,300,000	**Restricted Value ($)**	7,600,000
Construct/Rehab LTC	86%	**CalHFA Permanent Loan to Cost**	22%
Construct/Rehab LTV	N/A	**CalHFA 1st Permanent Loan to Value**	87%
		Combined CalHFA Perm Loan to Value	145%

Additional Loan Terms, Conditions & Comments

Construction/Rehab Loan

Payment/Performance Bond	0	
Completion Guarantee Letter of Credit	0.00%	
Permanent Loan		
Operating Expense Reserve Deposit	$191,474	Cash
Initial Replacement Reserve Deposit	$0	Cash
Annual Replacement Reserve Per Unit	$250	Cash

Date Prepared: 6/12/20 — Senior Staff Date: 6/16/20

UNIT MIX AND RENT SUMMARY — Final Commitment

Frishman Hollow II — **Project Number 19-069-A/X/N**

PROJECT UNIT MIX					
Unit Type of Style	**Number of Bedrooms**	**Number of Baths**	**Average Size (Sq. Ft.)**	**Number of Units**	**Est. No. of Tenants**
Flat	-	1	414	12	18
Flat	1	1	760	12	18
Flat	2	1	893	24	72
Flat	3	2	1,171	20	90
-	-	-	-	-	0
-	-	-	-	-	0
				68	198

NUMBER OF UNITS AND PERCENTAGE OF AMI RENTS RESTRICTED BY EACH AGENCY							
Agency	**Number of Units Restricted For Each AMI Category**						
	30%	**40%**	**50%**	**60%**	**70%**	**80%**	**Market**
kShare	0	0	7	21	0	0	
FA MIP	0	0	7	0	0	7	
d Loan	0	0	33	0	0	0	
Martis Valley Fund	0	0	0	0	0	67	
Tax Credits	0	0	33	14	7	13	
-							
-							

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%**	6	$702	$1,250	$548	56%
	CTCAC	**60%**	3	$853		$397	68%
	CTCAC	**70%**	1	$1,003		$247	80%
	CTCAC	**80%**	2	$1,125		$125	90%
	HCD	**90%**	-	-		-	-
	CTCAC	**100%**	-	-		-	-
	CTCAC	**120%**	-	-		-	-
1 Bedroom	**CTCAC**	**50%**	6	$747	$1,575	$828	47%
	CTCAC	**60%**	3	$908		$667	58%
	CTCAC	**70%**	1	$1,069		$506	68%
	CTCAC	**80%**	2	$1,231		$344	78%
	HCD	**90%**	-	-		-	-
	CTCAC	**100%**	-	-		-	-
	CTCAC	**120%**	-	-		-	-
2 Bedrooms	**CTCAC**	**50%**	12	$889	$1,700	$811	52%
	CTCAC	**60%**	5	$1,083		$617	64%
	CTCAC	**70%**	2	$1,276		$424	75%
	CTCAC	**80%**	4	$1,470		$230	86%
	HCD	**90%**	-	-		-	-
	CTCAC	**120%**	-	-		-	-
	CTCAC	**-**	-	-		-	-
3 Bedrooms	**CTCAC**	**50%**	9	$1,020	$2,125	$1,105	48%
	CTCAC	**60%**	3	$1,243		$882	58%
	CTCAC	**70%**	3	$1,467		$658	69%
	CTCAC	**80%**	5	$1,691		$434	80%
	HCD	**90%**	-	-		-	-
	CTCAC	**100%**	-	-		-	-
	CTCAC	**120%**	-	-		-	-
4 Bedrooms	**CTCAC**	**50%**	-	-	-	-	-
	CTCAC	**60%**	-	-		-	-
	CTCAC	**70%**	-	-		-	-
	CTCAC	**80%**	-	-		-	-
	HCD	**90%**	-	-		-	-
	CTCAC	**100%**	-	-		-	-
	CTCAC	**120%**	-	-		-	-
5 Bedrooms	**CTCAC**	**50%**	-	-	-	-	-
	CTCAC	**60%**	-	-		-	-
	CTCAC	**70%**	-	-		-	-
	CTCAC	**80%**	-	-		-	-
	HCD	**90%**	-	-		-	-
	CTCAC	**100%**	-	-		-	-
	CTCAC	**120%**	-	-		-	-
Date Prepared:	6/12/20					Senior Staff Date:	6/16/20

SOURCES & USES OF FUNDS					Final Commitment
Frishman Hollow II			Project Number	19-069-A/X/N	
SOURCES OF FUNDS	CONST/REHAB	PERMANENT	TOTAL PROJECT SOURCES OF FUNDS		
	$	$	SOURCES ($)	PER UNIT ($)	%
Banner Bank-T/E Loan	17,000,000				0.0%
Banner Bank-Taxable Loan	5,745,000				0.0%
-	-				0.0%
Town of Truckee Land Loan	1,360,000				0.0%
-	-				0.0%
-	-				0.0%
-	-				0.0%
-	-				0.0%
-	-				0.0%
-	-				0.0%
Construct/Rehab Net Oper. Inc.	-				0.0%
Deferred Developer Fee	-				0.0%
Developer Equity Contribution	-				0.0%
Investor Equity Contribution	2,212,487				0.0%
Perm		6,610,000	6,610,000	97,206	22.2%
MIP		4,388,000	4,388,000	64,529	14.7%
-		-	-	-	0.0%
-		-	-	-	0.0%
-		-	-	-	0.0%
Town of Truckee Land Loan		1,360,000	1,360,000	20,000	4.6%
Martis Valley-Workforce Hsng. Fund		1,000,000	1,000,000	14,706	3.4%
-		-	-	-	0.0%
-		-	-	-	0.0%
-		-	-	-	0.0%
-		-	-	-	0.0%
-		-	-	-	0.0%
Construct/Rehab Net Oper. Inc.		-	-	-	0.0%
Deferred Developer Fees		1,710,267	1,710,267	25,151	5.7%
Developer Equity Contribution		-	-	-	0.0%
Investor Equity Contributions		14,749,910	14,749,910	216,910	49.5%
TOTAL SOURCES OF FUNDS	**26,317,487**	**29,818,177**	**29,818,177**	**438,503**	**100.0%**
TOTAL USES OF FUNDS (BELOW)	**26,317,487**	**29,818,177**	**29,818,177**	**438,503**	**100.0%**
FUNDING SURPLUS (DEFICIT)	**0**	**-**	**0**		

USES OF FUNDS	CONST/REHAB	PERMANENT	TOTAL PROJECT USES OF FUNDS		
	$	$	USES ($)	PER UNIT ($)	%
CONSTRUCTION/REHAB SOURCES OF FUNDS		**26,317,487**			
ACQUISITION COSTS					
Lesser of Land Cost or Appraised Value	1,360,000	-	1,360,000	20,000	4.6%
Demolition Costs	-	-	-	-	0.0%
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	**1,360,000**	**-**	**1,360,000**	**20,000**	**4.6%**
CONSTRUCTION/REHAB COSTS					
Offsite Improvements	-	-	-	-	0.0%
Environmental Remediation (Hard Costs)	-	-	-	-	0.0%
Site Work (Hard Cost)	1,224,000	-	1,224,000	18,000	4.1%
Structures (Hard Cost)	14,185,931	-	14,185,931	208,617	47.6%
General Requirements	924,596	-	924,596	13,597	3.1%
Contractor Overhead	326,691	-	326,691	4,804	1.1%
Contractor Profit	980,072	-	980,072	14,413	3.3%
Contractor Bond	-	-	-	-	0.0%
Contractor Liability Insurance	-	-	-	-	0.0%
Personal Property	-	-	-	-	0.0%
HVAC/Resident Damage	-	-	-	-	0.0%
TOTAL CONSTRUCT/REHAB COSTS	**17,641,290**	**-**	**17,641,290**	**259,431**	**59.2%**

SOURCES & USES OF FUNDS					Final Commitment
Frishman Hollow II			Project Number	19-069-A/X/N	
USES OF FUNDS	CONST/REHAB	PERMANENT	TOTAL PROJECT USES OF FUNDS		
	$	$	USES ($)	PER UNIT ($)	%
RELOCATION COSTS					
Relocation Expense	-	-	-	-	0.0%
Relocation Compliance Monitoring	-	-	-	-	0.0%
Other (Specify)	-	-	-	-	0.0%
TOTAL RELOCATION COSTS	**-**	**-**	**-**	**-**	**0.0%**
ARCHITECTURAL FEES					
Design	550,000	-	550,000	8,088	1.8%
Supervision	150,000	-	150,000	2,206	0.5%
TOTAL ARCHITECTURAL FEES	**700,000**	**-**	**700,000**	**10,294**	**2.3%**
SURVEY & ENGINEERING FEES					
Engineering	200,000	-	200,000	2,941	0.7%
Supervision	-	-	-	-	0.0%
ALTA Land Survey	-	-	-	-	0.0%
TOTAL SURVEY & ENGINEERING FEES	200,000	-	200,000	2,941	0.7%
CONTINGENCY RESERVES					
Hard Cost Contingency Reserve	900,000	-	900,000	13,235	3.0%
Soft Cost Contingency Reserve	656,729	-	656,729	9,658	2.2%
TOTAL CONTINGENCY RESERVES	1,556,729	-	1,556,729	22,893	5.2%
CONSTRUCT/REHAB PERIOD COSTS					
Loan Interest Reserve					
Banner Bank-T/E Loan	1,217,644	-	1,217,644	17,907	4.1%
-	-	-	-	-	0.0%
Town of Truckee Land Loan	-	-	-	-	0.0%
-	-	-	-	-	0.0%
-	-	-	-	-	0.0%
-	-	-	-	-	0.0%
Loan Fees					
Banner Bank-T/E Loan	170,000	-	170,000	2,500	0.6%
Banner Bank-Taxable Loan	57,450	-	57,450	845	0.2%
-	-	-	-	-	0.0%
Town of Truckee Land Loan	-	-	-	-	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	6,000	-	6,000	88	0.0%
Real Estate Taxes During Rehab	40,000	-	40,000	588	0.1%
Completion Guaranty Fee	-	-	-	-	0.0%
Wage Monitoring Fee (Davis Bacon, Preva	-	-	-	-	0.0%
Insurance During Rehab	278,000	-	278,000	4,088	0.9%
Title & Recording Fees	50,000	-	50,000	735	0.2%
Construction Management & Testing	-	-	-	-	0.0%
Predevelopment Interest Expense	-	-	-	-	0.0%
Bond Issuer Fee	42,745	-	42,745	629	0.1%
Cost of Issuance/Const.Lender Costs	100,000	-	100,000	1,471	0.3%
TOTAL CONST/REHAB PERIOD COSTS	**1,961,839**	**-**	**1,961,839**	**28,851**	**6.6%**

SOURCES & USES OF FUNDS					Final Commitment
Frishman Hollow II			**Project Number**	**19-069-A/X/N**	
USES OF FUNDS	**CONST/REHAB**	**PERMANENT**	**TOTAL PROJECT USES OF FUNDS**		
	$	**$**	**USES ($)**	**PER UNIT ($)**	**%**
PERMANENT LOAN COSTS					
Loan Fees					
CalHFA Application Fee	-	-	-	-	0.0%
Perm	33,050	33,050	66,100	972	0.2%
MIP	21,940	21,940	43,880	645	0.1%
-	-	-	-	-	0.0%
-	-	-	-	-	0.0%
-	-	-	-	-	0.0%
Town of Truckee Land Loan	-	-	-	-	0.0%
Martis Valley-Workforce Hsng. Fund	-	-	-	-	0.0%
-	-	-	-	-	0.0%
Permanent Loan Cost of Issuance Fee	-	110,000	110,000	1,618	0.4%
Credit Enhancement & Application Fees	-	-	-	-	0.0%
Title & Recording (closing costs)	-	10,000	10,000	147	0.0%
Year 1 - Taxes & Special Assessments and Insura	-	32,880	32,880	484	0.1%
CalHFA Fees	-	10,085	10,085	148	0.0%
Tax Exempt Bond Allocation Fee	-	-	-	-	0.0%
Other	-	-	-	-	0.0%
TOTAL PERMANENT LOAN COSTS	**54,990**	**217,955**	**272,945**	**4,014**	**0.9%**
LEGAL FEES					
CalHFA Construction/Rehab Loan Legal Fees	-	-	-	-	0.0%
Other Construction/Rehab Loan Legal Fees	-	-	-	-	0.0%
CalHFA Permanent Loan Legal Fees	-	35,000	35,000	515	0.1%
Other Permanent Loan Legal Fees	-	-	-	-	0.0%
Sponsor Legal Fees	-	-	-	-	0.0%
Organizational Legal Fees	-	-	-	-	0.0%
Syndication Legal Fees	-	-	-	-	0.0%
Borrower Legal Fee	86,376	13,624	100,000	1,471	0.3%
CalHFA Bond Counsel	62,000	-	62,000	912	0.2%
TOTAL LEGAL FEES	**148,376**	**48,624**	**197,000**	**2,897**	**0.7%**
OPERATING RESERVES					
Operating Expense Reserve Deposit	-	191,474	191,474	2,816	0.6%
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	-	63,824	63,824	939	0.2%
Other (Specify)	-	-	-	-	0.0%
TOTAL OPERATING RESERVES	**-**	**255,298**	**255,298**	**3,754**	**0.9%**
REPORTS & STUDIES					
Appraisal Fee	10,000	-	10,000	147	0.0%
Market Study Fee	10,000	-	10,000	147	0.0%
Physical Needs Assessment Fee	-	-	-	-	0.0%
Environmental Site Assessment Reports	-	-	-	-	0.0%
HUD Risk Share Environmental / NEPA Review F	-	-	-	-	0.0%
CalHFA Earthquake Waiver Review Fee	-	-	-	-	0.0%
Relocation Consultant	-	-	-	-	0.0%
Soils Reports	-	-	-	-	0.0%
Acoustical Reports	-	-	-	-	0.0%
Termite/Dry Rot	-	-	-	-	0.0%
Consultant/Processing Agent	-	-	-	-	0.0%
Other (Specify)	-	-	-	-	0.0%
TOTAL REPORTS & STUDIES	**20,000**	**-**	**20,000**	**294**	**0.1%**

SOURCES & USES OF FUNDS					Final Commitment
Frishman Hollow II			Project Number	19-069-A/X/N	
USES OF FUNDS	**CONST/REHAB**	**PERMANENT**	**TOTAL PROJECT USES OF FUNDS**		
	$	**$**	**USES ($)**	**PER UNIT ($)**	**%**
OTHER COSTS					
TCAC Application, Allocation & Monitor Fees	40,415	-	40,415	594	0.1%
CDLAC Fees	7,961	-	7,961	117	0.0%
Local Permits & Fees	1,240,806	-	1,240,806	18,247	4.2%
Local Impact Fees	650,000	-	650,000	9,559	2.2%
Other Local Fees	-	-	-	-	0.0%
Syndicator/Investor Fees & Expenses	-	-	-	-	0.0%
Furnishings	50,000	-	50,000	735	0.2%
Accounting & Audits (Cost Cert)	10,000	-	10,000	147	0.0%
Advertising & Marketing Expenses	88,350	-	88,350	1,299	0.3%
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	**2,087,532**	**-**	**2,087,532**	**30,699**	**7.0%**
SUBTOTAL PROJECT COSTS	**25,730,756**	**26,839,364**	**26,252,633**	**386,068**	**88.0%**
DEVELOPER FEES & COSTS					
Developer Fees, Overhead & Profit	586,731	2,978,813	3,565,544	52,434	12.0%
Consultant Processing Agent	-	-	-	-	0.0%
Project Administration	-	-	-	-	0.0%
Syndicator Consultant Fees	-	-	-	-	0.0%
Guarantee Fees	-	-	-	-	0.0%
Construction Oversight & Management	-	-	-	-	0.0%
Other Adminstration Fees	-	-	-	-	0.0%
Other (Specify) correction to balance	-	-	-	-	0.0%
CASH EQUITY OUT TO DEVELOPER	-	-	-	-	0.0%
TOTAL DEVELOPER FEES & COSTS	**586,731**	**2,978,813**	**3,565,544**	**52,434**	**12.0%**
TOTAL PROJECT COSTS	**26,317,487**	**29,818,177**	**29,818,177**	**438,503**	**100.0%**

PROJECTED INITIAL ANNUAL RENTAL OPERATING BUDGET			Final Commitment
Frishman Hollow II	**Project Number**		**19-069-A/X/N**
INCOME	**AMOUNT**	**PER UNIT**	**%**
Rental Income			
Restricted Unit Rents	$ 852,492	$ 12,537	104.02%
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	10,201	150	1.24%
Parking & Storage Income	-	-	0.00%
Miscellaneous Income	(0)	(0)	0.00%
GROSS POTENTIAL INCOME (GPI)	**$ 862,693**	**$ 12,687**	**105.26%**
Less: Vacancy Loss	**$ 43,135**	**$ 634**	**5.26%**
EFFECTIVE GROSS INCOME (EGI)	**$ 819,558**	**$ 13,321**	**100.00%**
OPERATING EXPENSES	**AMOUNT**	**PER UNIT**	**%**
Administrative Expenses	$ 50,990	$ 750	$ 0
Management Fee	40,470	595	4.94%
Social Programs & Services	16,000	235	1.95%
Utilities	82,600	1,215	10.08%
Operating & Maintenance	130,000	1,912	15.86%
Ground Lease Payments	-	-	0.00%
CalHFA Monitoring Fee	7,500	110	0.92%
Other Monitoring Fees	-	-	0.00%
Real Estate Taxes	6,000	88	0.73%
Other Taxes & Insurance	65,849	968	8.03%
Assisted Living/Board & Care	-	-	0.00%
SUBTOTAL OPERATING EXPENSES	**$ 399,409**	**$ 5,874**	**48.73%**
Operating Reserves	$ 17,000	$ 250	2.07%
TOTAL OPERATING EXPENSES	**$ 416,409**	**$ 6,124**	**50.81%**
NET OPERATING INCOME (NOI)	**$ 403,149**	**$ 5,929**	**49.19%**
DEBT SERVICE PAYMENTS	**AMOUNT**	**PER UNIT**	**%**
Perm	$ 349,487	$ 5,140	42.64%
MIP	$ -	-	0.00%
-	$ -	-	0.00%
-	$ -	-	0.00%
Town of Truckee Land Loan	$ -	-	0.00%
Martis Valley-Workforce Hsng. Fund	$ -	-	0.00%
-	$ -	-	0.00%
MIP Annual Fee (applicable for MIP only deals)	$ -	-	0.00%
TOTAL DEBT SERVICE & OTHER PAYMENTS	**$ 349,487**	**$ 5,140**	**42.64%**
EXCESS AFTER DEBT SERVICE & MONITORING FEES	**$ 53,662**	**$ 789**	**6.55%**
DEBT SERVICE COVERAGE RATIO (DSCR)	**1.15**	**to 1**	
Date: 6/12/20		Senior Staff Date:	06/16/20

PROJECTED PERMANENT LOAN CASH FL0WS										Frishman Hollow II					
Final Commitment									Project Number	19-069-A/X/N					
	YEAR	1	2	3	4	5	6	7	8	9	10	11	12	13	14
RENTAL INCOME	CPI														
Restricted Unit Rents	2.50%	852,492	873,804	895,649	918,041	940,992	964,516	988,629	1,013,345	1,038,679	1,064,646	1,091,262	1,118,543	1,146,507	1,175,170
Unrestricted Unit Rents	2.50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial Rents	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	1.50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Project Based Subsidy	1.50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income during renovations	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Laundry Income	2.50%	10,201	10,456	10,718	10,986	11,260	11,542	11,830	12,126	12,429	12,740	13,059	13,385	13,720	14,063
Parking & Storage Income	2.50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Income	2.50%	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
GROSS POTENTIAL INCOME (GPI)		**862,693**	**884,260**	**906,367**	**929,026**	**952,252**	**976,058**	**1,000,459**	**1,025,471**	**1,051,108**	**1,077,385**	**1,104,320**	**1,131,928**	**1,160,226**	**1,189,232**
VACANCY ASSUMPTIONS	Vacancy														
Restricted Unit Rents	5.00%	42,625	43,690	44,782	45,902	47,050	48,226	49,431	50,667	51,934	53,232	54,563	55,927	57,325	58,758
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%	510	523	536	549	563	577	592	606	621	637	653	669	686	703
Parking & Storage Income	50.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Income	50.00%	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
TOTAL PROJECTED VACANCY LOSS		**43,134**	**44,213**	**45,318**	**46,451**	**47,612**	**48,803**	**50,023**	**51,273**	**52,555**	**53,869**	**55,216**	**56,596**	**58,011**	**59,461**
EFFECTIVE GROSS INCOME (EGI)		**819,559**	**840,047**	**861,049**	**882,575**	**904,639**	**927,255**	**950,437**	**974,198**	**998,552**	**1,023,516**	**1,049,104**	**1,075,332**	**1,102,215**	**1,129,770**
OPERATING EXPENSES	CPI / Fee														
Administrative Expenses	3.50%	66,990	69,335	71,761	74,273	76,873	79,563	82,348	85,230	88,213	91,300	94,496	97,803	101,226	104,769
Management Fee	4.94%	40,470	41,482	42,519	43,582	44,671	45,788	46,933	48,106	49,309	50,541	51,805	53,100	54,427	55,788
Utilities	3.50%	82,600	85,491	88,483	91,580	94,785	98,103	101,536	105,090	108,768	112,575	116,515	120,593	124,814	129,183
Operating & Maintenance	3.50%	130,000	134,550	139,259	144,133	149,178	154,399	159,803	165,396	171,185	177,177	183,378	189,796	196,439	203,314
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	7,500
Other Agency Monitoring Fee	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real Estate Taxes	1.25%	6,000	6,075	6,151	6,228	6,306	6,384	6,464	6,545	6,627	6,710	6,794	6,879	6,965	7,052
Other Taxes & Insurance	3.50%	65,849	68,154	70,539	73,008	75,563	78,208	80,945	83,778	86,711	89,745	92,887	96,138	99,502	102,985
Required Reserve Payments	1.00%	17,000	17,170	17,342	17,515	17,690	17,867	18,046	18,226	18,409	18,593	18,779	18,966	19,156	19,348
TOTAL OPERATING EXPENSES		**416,409**	**429,756**	**443,554**	**457,819**	**472,566**	**487,813**	**503,575**	**519,872**	**536,721**	**554,142**	**572,153**	**590,775**	**610,030**	**629,939**
NET OPERATING INCOME (NOI)		**403,150**	**410,292**	**417,495**	**424,756**	**432,073**	**439,443**	**446,861**	**454,325**	**461,831**	**469,375**	**476,951**	**484,557**	**492,185**	**499,832**
DEBT SERVICE PAYMENTS	Lien #														
Perm	1	349,487	349,487	349,487	349,487	349,487	349,487	349,487	349,487	349,487	349,487	349,487	349,487	349,487	349,487
MIP	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Town of Truckee Land Loan	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Martis Valley-Workforce Hsng. Fund	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MIP Annual Fee (applicable for MIP only deals)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL DEBT SERVICE & OTHER PAYMENTS		**349,487**	**349,487**	**349,487**	**349,487**	**349,487**	**349,487**	**349,487**	**349,487**	**349,487**	**349,487**	**349,487**	**349,487**	**349,487**	**349,487**
CASH FLOW AFTER DEBT SERVICE		**53,663**	**60,805**	**68,008**	**75,269**	**82,586**	**89,956**	**97,375**	**104,839**	**112,345**	**119,888**	**127,465**	**135,070**	**142,699**	**150,345**
DEBT SERVICE COVERAGE RATIO		**1.15**	**1.17**	**1.19**	**1.22**	**1.24**	**1.26**	**1.28**	**1.30**	**1.32**	**1.34**	**1.36**	**1.39**	**1.41**	**1.43**
Date Prepared:	06/12/20									Senior Staff Date:	6/16/20				

		1	2	3	4	5	6	7	8	9	10	11	12	13	14
LESS: Asset Management Fee	3%	7,150	7,365	7,585	7,813	8,047	8,289	8,537	8,794	9,057	9,329	9,609	9,897	10,194	10,500
LESS: Partnership Management Fee	3%	7,150	7,365	7,585	7,813	8,047	8,289	8,537	8,794	9,057	9,329	9,609	9,897	10,194	10,500
net CF available for distribution		**39,363**	**46,076**	**52,837**	**59,643**	**66,492**	**73,378**	**80,300**	**87,252**	**94,230**	**101,230**	**108,247**	**115,275**	**122,310**	**129,345**
		75%													
Developer Net Cash Flow Distribution		29,522	34,557	39,628	44,733	49,869	55,034	60,225	65,439	70,672	75,922	81,185	86,457	91,733	97,009
Deferred developer fee repayment	1,710,267	1,710,267	1,680,745	1,646,188	1,606,560	1,561,827	1,511,958	1,456,925	1,396,700	1,331,261	1,260,589	1,184,666	1,103,481	1,017,025	925,292
		29,522	34,557	39,628	44,733	49,869	55,034	60,225	65,439	70,672	75,922	81,185	86,457	91,733	97,009
		1,680,745	1,646,188	1,606,560	1,561,827	1,511,958	1,456,925	1,396,700	1,331,261	1,260,589	1,184,666	1,103,481	1,017,025	**925,292**	828,283
Payments for Residual Receipt Payments		*25%*													
RESIDUAL RECEIPTS LOANS	*Payment %*	9,841	11,519	13,209	14,911	16,623	18,345	20,075	21,813	23,557	25,307	27,062	28,819	30,578	32,336
MIP	*65.03%*	6,399	7,490	8,590	9,696	10,809	11,929	13,054	14,184	15,319	16,457	17,597	18,740	19,884	21,027
0	*0.00%*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
0	*0.00%*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Town of Truckee Land Loan	*20.15%*	1,983	2,322	2,662	3,005	3,350	3,697	4,046	4,396	4,748	5,101	5,454	5,808	6,163	6,517
Martis Valley-Workforce Hsng. Fund	*14.82%*	1,458	1,707	1,958	2,210	2,463	2,719	2,975	3,232	3,491	3,750	4,010	4,271	4,531	4,792
0	*0.00%*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
0	*0.00%*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Residual Receipts Payments	**100.00%**	**9,841**	11,519	13,209	14,911	16,623	18,345	20,075	21,813	23,557	25,307	27,062	28,819	30,578	32,336
Balances for Residual Receipt Payments															
RESIDUAL RECEIPTS LOANS	*Interest Rate*														
MIP---Simple	*2.75%*	4,388,000	4,502,271	4,615,450	4,727,531	4,838,505	4,948,366	5,057,107	5,164,723	5,271,208	5,376,560	5,480,773	5,583,846	5,685,776	5,786,562
0---Compounding	*0.00%*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
0---Compounding	*0.00%*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Town of Truckee Land Loan---Simple	*3.00%*	1,360,000	1,398,817	1,437,295	1,475,433	1,513,228	1,550,678	1,587,780	1,624,534	1,660,938	1,696,990	1,732,690	1,768,036	1,803,028	1,837,665
Martis Valley-Workforce Hsng. Fund---Simple	*3.00%*	1,000,000	1,028,542	1,056,835	1,084,877	1,112,667	1,140,204	1,167,486	1,194,511	1,221,278	1,247,787	1,274,037	1,300,026	1,325,756	1,351,224
0---	*0.00%*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
0---	*0.00%*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Residual Receipts Payments		**6,748,000**	6,929,629	7,109,580	7,287,841	7,464,400	7,639,247	7,812,373	7,983,768	8,153,425	8,321,337	8,487,500	8,651,908	8,814,559	8,975,452

PROJECTED PERMANENT LOAN CASH FL0WS				
Final Commitment				
	YEAR	**15**	**16**	**17**
RENTAL INCOME	**CPI**			
Restricted Unit Rents	2.50%	1,204,549	1,234,663	1,265,529
Unrestricted Unit Rents	2.50%	-	-	-
Commercial Rents	2.00%	-	-	-
Project Based Rental Subsidy	1.50%	-	-	-
Other Project Based Subsidy	1.50%	-	-	-
Income during renovations	0.00%	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-
Laundry Income	2.50%	14,414	14,775	15,144
Parking & Storage Income	2.50%	-	-	-
Miscellaneous Income	2.50%	(1)	(1)	(1)
GROSS POTENTIAL INCOME (GPI)		**1,218,963**	**1,249,437**	**1,280,673**
VACANCY ASSUMPTIONS	**Vacancy**			
Restricted Unit Rents	5.00%	60,227	61,733	63,276
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%	721	739	757
Parking & Storage Income	50.00%	-	-	-
Miscellaneous Income	50.00%	(0)	(0)	(0)
TOTAL PROJECTED VACANCY LOSS		**60,948**	**62,472**	**64,033**
EFFECTIVE GROSS INCOME (EGI)		**1,158,015**	**1,186,965**	**1,216,639**
OPERATING EXPENSES	**CPI / Fee**			
Administrative Expenses	3.50%	108,436	112,232	116,160
Management Fee	4.94%	57,183	58,612	60,078
Utilities	3.50%	133,704	138,384	143,227
Operating & Maintenance	3.50%	210,430	217,795	225,418
Ground Lease Payments	3.50%	-	-	-
CalHFA Monitoring Fee	0.00%	7,500	7,500	7,500
Other Agency Monitoring Fee	0.00%	-	-	-
Real Estate Taxes	1.25%	7,140	7,229	7,319
Other Taxes & Insurance	3.50%	106,589	110,320	114,181
Required Reserve Payments	1.00%	19,541	19,736	19,934
TOTAL OPERATING EXPENSES		**650,524**	**671,809**	**693,817**
NET OPERATING INCOME (NOI)		**507,491**	**515,156**	**522,822**
DEBT SERVICE PAYMENTS	**Lien #**			
Perm	1	349,487	349,487	349,487
MIP	2	-	-	-
-	-	-	-	-
-	-	-	-	-
Town of Truckee Land Loan	3	-	-	-
Martis Valley-Workforce Hsng. Fund	4	-	-	-
-	-	-	-	-
MIP Annual Fee (applicable for MIP only deals	-	-	-	-
TOTAL DEBT SERVICE & OTHER PAYMENTS		**349,487**	**349,487**	**349,487**
CASH FLOW AFTER DEBT SERVICE		**158,004**	**165,670**	**173,335**
DEBT SERVICE COVERAGE RATIO		**1.45**	**1.47**	**1.50**
Date Prepared:	06/12/20			

		15	**16**	**17**
LESS: Asset Management Fee	3%	10,815	11,139	11,474
LESS: Partnership Management Fee	3%	10,815	11,139	11,474
net CF available for distribution		**136,374**	**143,391**	**150,388**
			50%	
Developer Net Cash Flow Distribution		102,281	71,695	75,194
Deferred developer fee repayment	1,710,267	828,283	726,002	618,459
		102,281	107,543	112,791
		726,002	618,459	505,668

Payments for Residual Receipt Payments			**50%**	
RESIDUAL RECEIPTS LOANS	*Payment %*	34,094	71,695	75,194
MIP	*65.03%*	22,170	46,621	48,896
0	*0.00%*	-	-	-
0	*0.00%*	-	-	-
Town of Truckee Land Loan	*20.15%*	6,871	14,450	15,155
Martis Valley-Workforce Hsng. Fund	*14.82%*	5,052	10,625	11,143
0	*0.00%*	-	-	-
0	*0.00%*	-	-	-
Total Residual Receipts Payments	**100.00%**	34,094	71,695	75,194

Balances for Residual Receipt Payments				
RESIDUAL RECEIPTS LOANS	*Interest Rate*			
MIP---Simple	*2.75%*	5,886,205	5,984,705	6,058,754
0---Compounding	*0.00%*	-	-	-
0---Compounding	*0.00%*	-	-	-
Town of Truckee Land Loan---Simple	*3.00%*	1,871,948	1,905,877	1,932,227
Martis Valley-Workforce Hsng. Fund---Simple	*3.00%*	1,376,432	1,401,380	1,420,755
0---	*0.00%*	-	-	-
0---	*0.00%*	-	-	-
Total Residual Receipts Payments		9,134,585	9,291,962	9,411,736

TAX-EXEMPT PERMANENT LOAN PROGRAM

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

Qualifications	• Available to for-profit, non-profit, and public agency sponsors. • Tax-exempt bond authority must be obtained from the California Debt Limit Allocation Committee (CDLAC) or through a 501(c)(3) exemption. • The Tax-Exempt Permanent Loan may be used with or without 4% low income housing tax credits. • If a lender other than CalHFA is providing short-term, first-lien debt, CalHFA shall be used as the bond issuer (for more information, review the Conduit Issuer Program Term Sheet). • For Section 8 Projects, a final commitment is conditioned upon review and acceptance by CalHFA of the HAP or AHAP contract. • The Perm Loan will be credit-enhanced through CalHFA's HUD/FHA Risk Sharing Program. • For existing CalHFA portfolio loans, the current owner is required to pay off all outstanding CalHFA debt. Visit www.calhfa.ca.gov for the CalHFA Portfolio Loan Prepayment Policy.
Loan Amount	• Minimum Perm Loan amount of $5,000,000. • Minimum 1.15x for debt service coverage ratio (include any financing with amortizing debt). • Lesser of 90% of restricted value or 100% of development costs. For Projects with equity being cashed out, the Perm Loan amount will be restricted to no more than 80% of the restricted value.
Fees (subject to change)	• Application Fee: $10,000 non-refundable, due at time of application submittal, and is credited toward the CalHFA Loan Fee. • Perm Loan Fee: 1.00%, half due at final commitment, with balance due at Perm Loan closing. • Cost of Issuance Fee: $110,000, half due at final commitment, with balance due at Perm Loan Closing. • Credit Enhancement Fee: included in the interest rate. • Annual Administrative Fee:: $7,500 annually (not to be duplicated if used in conjunction with CalHFA's Conduit Program). • Inspection fees should be estimated at $500 - $1,000 per month (reports and fees can be shared with other construction lenders) • Legal Fee: $35,000 due at Perm Loan closing. • Administrative Fee: $1,000 at Perm Loan closing. • Letter of Interest Fee: $5,000 at LOI request, and is credited towards the CalHFA Perm Loan Fee See Conduit Issuer Program Term Sheet for information on conduit issuance fees.

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TAX-EXEMPT PERMANENT LOAN PROGRAM

Rate & Terms (subject to change)	Interest Rate: • 17 Year Balloon: 15 Year "AAA" MMD (Municipal Market Data) plus CalHFA spread • 30 Year Balloon and Fully Amortizing Loans: 30 Year "AAA" MMD plus CalHFA spread • Estimated CalHFA Spread: 2.00% to 2.50% • Rate may be locked up to 30 days prior to the construction loan closing. Rate may be locked for the term of the construction period, not to exceed 3 years. Amortization/Term: • Amortization: Up to 35 Year Amortization[1] • Term: Fully Amortizing, and 17 or 30 Year Balloons available[2] • Perm Loan Reduction: up to 10% reduction at Perm Loan closing permitted at no cost. • A six-month extension is permitted upon payment of a fee equal to 0.50% of the Perm Loan amount. • Breakage Fee (if applicable): between construction loan closing and Perm Loan closing and calculated based on hedge termination cost. 1. The Agency may offer up to a 40 year amortization at its discretion. 2. Balloon loans subject to agency approved exit strategy.
Loan Closing Requirements	• 90% stabilized rental housing occupancy for 90 days as evidenced by rent rolls. • 90% of tax credit investor equity shall have been paid into the Project. • Project income is sufficient to pay operating expenses, required debt service, reserves and monitoring fees. • For mixed-use Projects, 100% non-residential occupancy as evidenced by executed leases or guarantees.
Prepayment	The Perm Loan may be prepaid at par after 15 years of the Perm Loan period. However, the Perm Loan may be prepaid after 10 years of the Perm Loan period subject to a yield maintenance calculation of: • 5% of the principal balance after the end of year 10 • 4% of the principal balance after the end of year 11 • 3% of the principal balance after the end of year 12 • 2% of the principal balance after the end of year 13 • 1% of the principal balance after the end of year 14 All prepayments require a prior written 120-day notice to CalHFA.
Subordinate Financing	Financing or grants are encouraged from local governments and third parties to achieve project feasibility. All financing, leases, development and regulatory agreements must be coterminous (or have a longer term than the combined terms of any CalHFA Acq/Rehab Loan and Perm Loan) and be subordinate to CalHFA financing.

TAX-EXEMPT PERMANENT LOAN PROGRAM

Occupancy Requirements	Must maintain the greater of (A) existing affordability restrictions, or (B) either (i) 20% of the units must be rent restricted and occupied by individuals whose incomes are 50% or less of the area (county) median gross income as determined by HUD ("AMI") with adjustments for household size ("20% @ 50% AMI"), or (ii) 40% or more of the units must be both rent restricted and occupied by individuals whose income is 60% or less of the AMI, with adjustments for household size ("40% @ 60% AMI"): however in the latter case, a minimum of 10% of the units must be at 50% or less of AMI ("10% @ 50% AMI"). CalHFA's regulated units must represent a pro-rata share of the available unit sizes (by bedroom count and square feet), and be disbursed throughout the project.
Due Diligence	The following due diligence is required to be provided at the Owner/Borrower's expense: • Appraisal (a construction lender's appraisal may be acceptable). • HUD-2530 previous participation clearance. • Construction Costs Review for new construction loans (other construction lender's review is acceptable). • Physical Needs Assessment ("PNA") for rehabilitation projects with a Replacement Reserve Needs Analysis ("RRNA") over time for the first 20-year term (other lender's PNA/RRNA may be acceptable). • Phase I Environmental Site Assessment including but not limited to impact reviews that meet federal environmental requirements (such as historic preservation and noise remediation). • Market Study satisfactory to CalHFA. • NEPA Review. • Termite/Dry Rot reports by licensed company. • Seismic review and other studies may be required at CalHFA's discretion.
Required Impounds and Reserves	• Replacement Reserve: Initial cash deposit required for existing Projects, with annual deposits between • $250 and $500 per unit/per year depending on the Project type and PNA/RRNA findings. • Operating Expense Reserve: 3-6 months of operating expenses, reserves, debt service, and monitoring fees due at Perm Loan closing (letter of credit or cash) and held for the life of the CalHFA Perm Loan. • Impounds held by CalHFA: One year's prepaid earthquake, hazard and liability insurance premiums, and property tax assessments are collected at loan closing. An earthquake insurance waiver is available for Projects which have met CalHFA earthquake waiver standards during rehabilitation or construction. • Transition Operating Reserve (TOR): required for Projects with rental subsidy contracts with contract terms that are less than 20 years. • Other reserves as required (at CalHFA's discretion).

Last revised: 4/2019

MIXED-INCOME LOAN PROGRAM

California Housing Finance Agency

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.

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Qualifications (continued)

READINESS:

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

Qualifications (continued)	EVIDENCE OF SUBSIDY EFFICIENCY:
	
	A Subsidy Efficiency Analysis will be completed as part of the Application review. The analysis will be completed again prior to closing the MIP Subordinate Loan and the MIP Loan amount may be adjusted based on the final analysis. Parameters of the analysis may include but are not limited to the following:
	
	• A maximum of 1.20 Debt Service Coverage Ratio ("DSCR"). CalHFA may allow an initial DSCR higher than 1.20 on a case by case basis, if deemed necessary;
	• A project cash flow that supports the residential component of the project based on the required CalHFA permanent first lien annual debt service coverage ratio;
	• A separate project cash flow that supports any commercial component of the project;
	• 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;
	• Inflation factors and vacancy rates consistent with the Agency's Underwriting Standards and Reference Manual ("USRM");
	• Developer Fee requirements will match those required under the 4% federal and/or state tax credit reservation.
	• Capitalized reserves shall be subject to approval by Agency for reasonableness consistent with the USRM and the Investor Limited Partnership Agreement (ILPA);
	• Review of Excess Sources over final Uses as approved by CalHFA resulting from any of the following:
	    · An increase in tax credit equity;
	    · An increase in permanent loan debt due to a combination of permanent loan rate reduction and/or reduction to operating expense assumptions;
	• Construction Cost Savings as evidenced by final cost certification, funds shall be used to reduce the MIP loan prior to CalHFA MIP loan closing or if required by other subordinate lenders, funds may be split on a pro rata basis between CalHFA and other subordinate lenders.

CalHFA Mixed-Income Qualified Lender Qualifications	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. 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.
CalHFA Mixed-Income Development Team Qualifications	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. The proposed **Project Manager** must have personally managed the development of at least two (2) comparable projects within the past 5 years. **Financial Consultants** hired to assist the Developer in meeting the minimum experience requirements must be able to provide details regarding at least three (3) comparably financed projects over the last five (5) years.

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. **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. **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. 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. 3. Projects that have a below market rate component as a result of an inclusionary obligation or are 100% below market as a result of an inclusionary obligation must demonstrate master developer commitment through a dollar-for-dollar match of CalHFA's resources. Match can be obtained through a monetary match or equivalent in-kind contributions (e.g., land donation, land use fee concessions.) 4. At the time of MIP application to CalHFA, a project must not have already received an allocation of 4% federal and/or state tax credits from TCAC or a tax-exempt bond allocation from CDLAC. 5. Projects will not be eligible for other subsidy resources from CalHFA in addition to MIP.
Mixed-Income Project Occupancy Requirements	FEDERAL BOND REGULATORY AGREEMENT REQUIREMENTS (ALL PROJECTS): Must maintain either (a) 20% of the units must be rent restricted and occupied by individuals whose incomes are 50% or less of AMI with adjustments for household size ("20% @ 50% AMI"), OR (b) 40% or more of the units must be both rent restricted and occupied by individuals whose incomes are 60% or less of AMI with adjustments for household size ("40% @ 60% AMI"): in the latter case, a minimum of 10% of the unit types must be at 50% or less of AMI ("10% @ 50% AMI"). MIXED INCOME REGULATORY AGREEMENT REQUIREMENTS (ALL PROJECTS): Affordability Requirements: 1. To qualify, a project must have at least 10% of the total units restricted as follows*: 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,

Mixed-Income Project Occupancy Requirements (Continued)	b. 60% to 80% of AMI with an average of 70% of AMI or greater, subject to the Maximum Allowable Rents outlined below. *(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.) 2. **AND** either a. Tax credit transactions that are income-averaged must not exceed an average affordability of 60% AMI across all restricted units, **OR** 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). 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). MAXIMUM ALLOWABLE RENTS: Rents for units restricted at 80% AMI and below must be at least 10% below market rents as evidenced by a current Market Study. Rents for units restricted between 81%-120% AMI must be at least 10% below market as evidenced by a current Market Study.
Mixed-Income Subordinate Loan	1. Maximum loan amount for each project shall not exceed 10% of total MIP allocation for the respective year. a. Maximum loan per restricted (tax credit or CalHFA) units between 50%-80% AMI shall be $50,000. b. Maximum loan per MIP restricted units between 81%-120% AMI shall be $100,000. 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 2. Loan size based on project need but cannot be more than 50% of the permanent loan amount.
Mixed-Income Subordinate Loan Rates & Terms	1. Interest Rate: 2.75% simple interest. 2. Loan Term: The MIP loan term shall be coterminous with the permanent first lien loan. 3. Loan Payment: Residual receipt repayment based on cash flow analysis and split 50% to Owner and 50% to CalHFA and other residual receipt lenders. Residual receipt is defined as 50% of surplus cash which is determined as net operating income minus total debt service and other Agency approved payments. Payments shall be applied to the current and/or accrued interest and then principal of the MIP loan. 4. Affordability Term: Up to 55 years. 5. Assignability: Consent will be considered. 6. Prepayment: May be prepaid at any time without penalty.

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. 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. 2. Loan Fee: 1.00% of the loan amount (50% due at final commitment and 50% due at CalHFA MIP loan closing). 3. Legal Fee: $15,000, due at loan closing (applicable if CalHFA is not providing permanent financing). 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). 5. Annual Administrative Fee: $7,500 per year (subject to change). Conduit Bond Program Fees: Refer to CalHFA Conduit Bond Program www.calhfa.ca.gov/multifamily/programs/forms/termsheet-conduit.pdf CDLAC Fees: Refer to CDLAC regulations for all applicable fees. 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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Cal HFA
California Housing Finance Agency

CONDUIT ISSUER PROGRAM

MULTIFAMILY HOUSING BONDS

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

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

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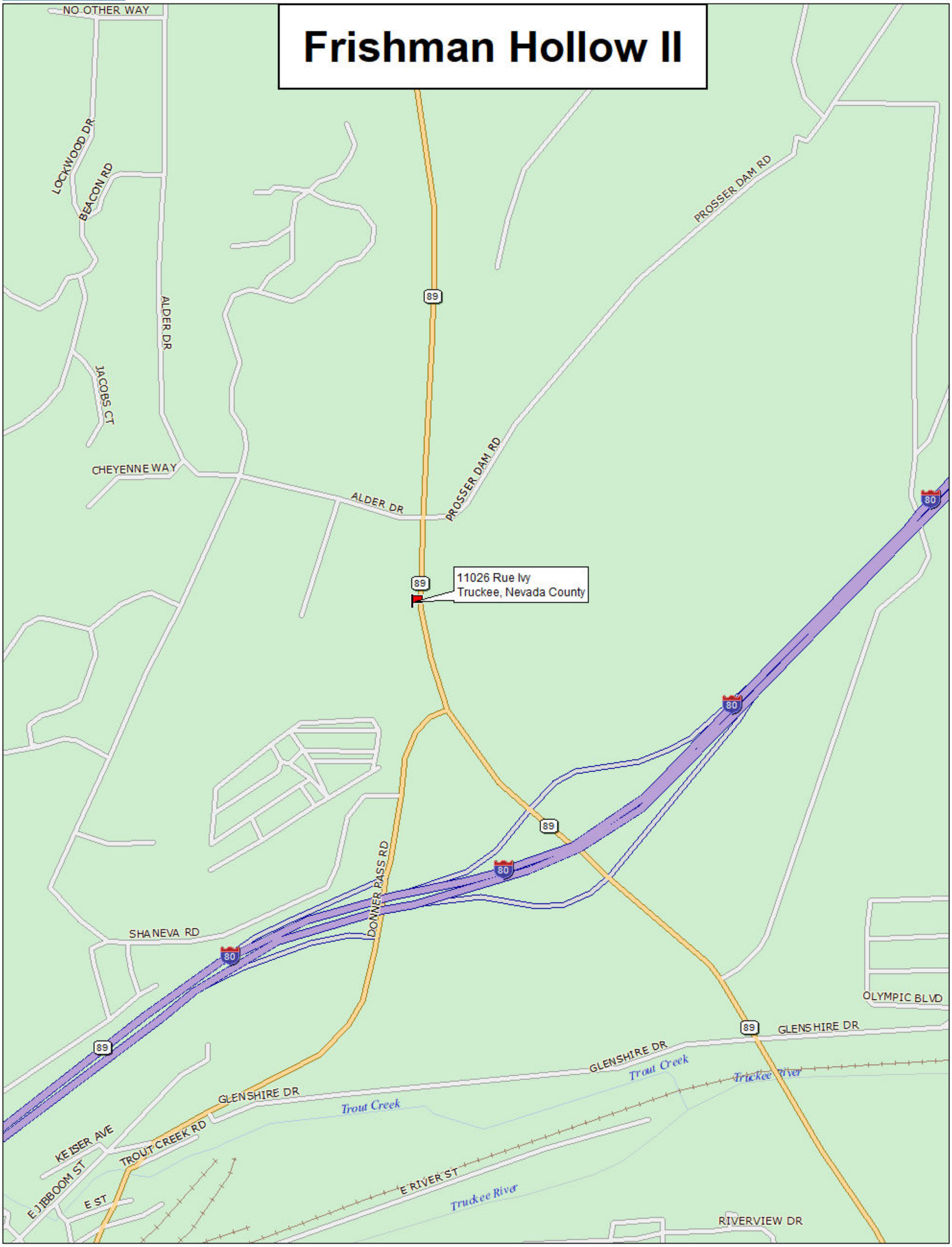
Occupancy Requirements	• Either (A) 20% of the units must be rent restricted and occupied by individuals whose incomes are 50% or less of the area median income as determined by HUD ("AMI") with adjustments for household size ("20% @ 50% AMI"), or (B) 40% or more of the units must be both rent restricted 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. • 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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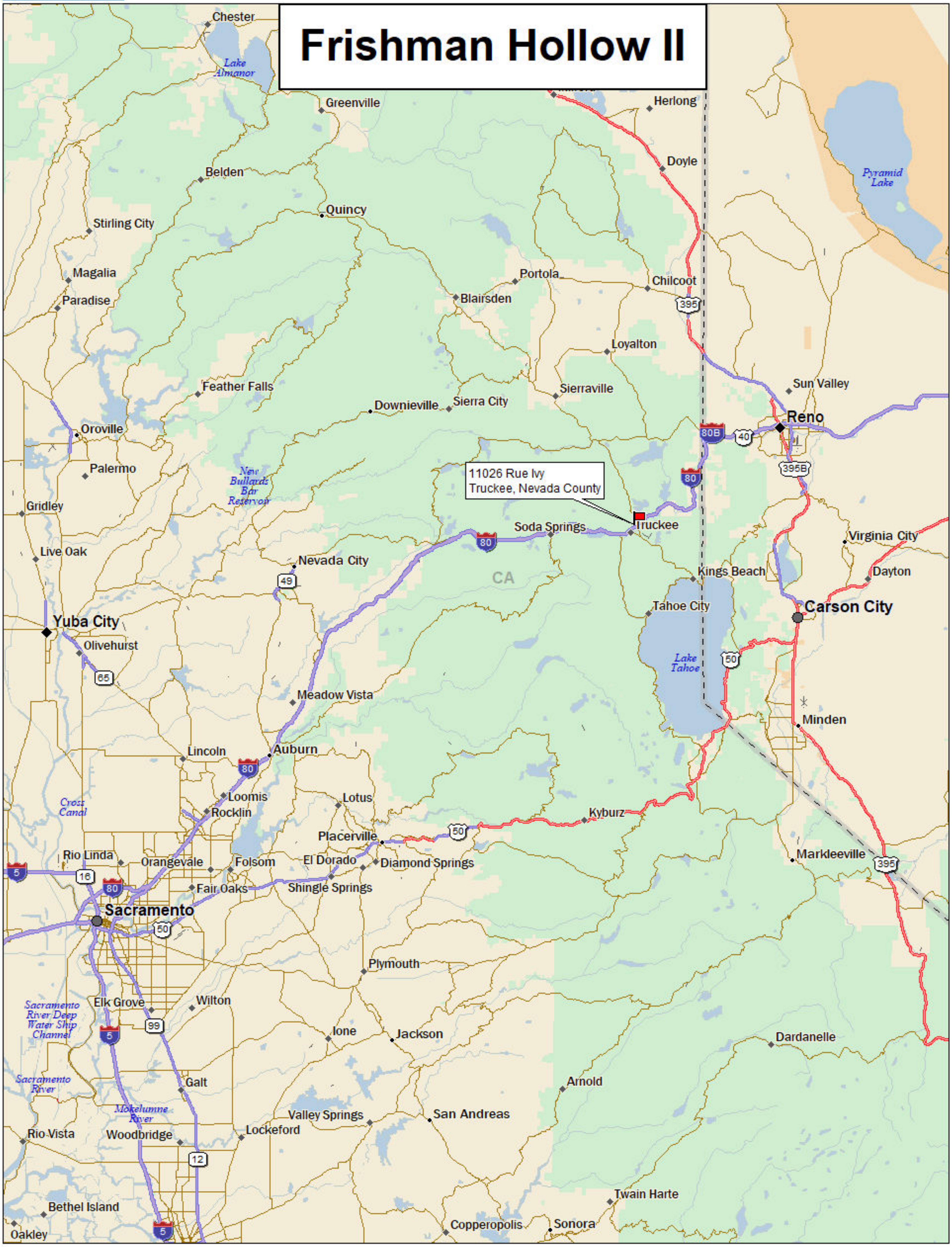
Frishman Hollow II



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