CalHFA MULTIFAMILY PROGRAMS DIVISION

Final Commitment Staff Report & Request for Loan Approval of Permanent Take-Out Loan for Tax Exempt financing with Mixed Income Program Subsidy Financing and an approval for Tax-Exempt Conduit Issuance.

Senior Loan Committee "Approval": April 6, 2022 for Board Meeting on: April 21, 2022

Project Name, County:	**Kelsey Ayer Station, Santa Clara County**	
Address:	**447 North 1st Street, San Jose, CA 95112**	
Type of Project:	**New Construction**	
CalHFA Project Number:	21-019-A/X/N	**Total Units: 115 (Family & Special Needs)**
Requested Financing by Loan Program:	$34,000,000	**CalHFA Tax-Exempt Bond – Conduit Issuance Amount (Allocated by CDLAC on 12/8/2021)**
	$2,000,000	**CalHFA Tax-Exempt Bond – Conduit Issuance Amount (Anticipated Supplemental CDLAC Allocation on 6/6/2022)**
	$15,910,000	**CalHFA Tax-Exempt Permanent Loan with HUD Risk Sharing**
	$4,600,000	**CalHFA Subsidy GAP Loan funded by MIP funds**

DEVELOPMENT/PROJECT TEAM

Developer:	Devine & Gong, Inc.	**Borrower:**	The Kelsey Ayer Station LP
Permanent Lender:	CalHFA	**Construction Lender:**	Capital One
Equity Investor:	Enterprise Housing Credit Investments, LLC	**Management Company:**	The John Stewart Company
Contractor:	Devcon Construction, Inc.	**Architect**	Devcon Construction, Inc.
Loan Officer:	Kevin Brown	**Loan Specialist:**	N/A
Asset Manager:	Jessica Doan	**Loan Administration:**	Mirna Ramirez
Legal (Internal):	Marc Victor	**Legal (External):**	N/A
Concept Meeting Date:	2/4/2022	**Approval Expiration Date:**	180 days from Approval

LOAN TERMS

1.		**CONDUIT ISSUANCE/ Capital One CONSTRUCTION LOAN**	**PERMANENT LOAN**	**MIP (GAP) LOAN**
	Total Loan Amount	$36,000,000 (Tax-Exempt) $6,114,191 (Taxable)	$15,910,000	$4,600,000
	Loan Term & Lien Position	36 months- interest only; 1st Lien Position during construction	30 years fully amortizing; 1st Lien Position at permanent conversion	30 year - Residual Receipts; 2nd Lien Position during permanent loan conversion
	Interest Rate (subject to change and locked 30 days prior to	Tax-Exempt: LIBOR + 1.75% Underwritten at 3.61% fixed rate	MMD30 + 2.23% Underwritten at 4.84% including a 0.25% cushion. *	Greater of 1% Simple Interest or the Applicable Federal Rate at time of MIP

	loan closing)	Taxable: LIBOR + 2.00% Underwritten at 4.61%	Estimated rate based on a 36-month forward commitment	closing (2% Simple was used for underwriting purposes)
	Loan to Value (LTV)	LTV is 77% of investment value	LTV is less than 54% of restricted value	N/A
	Loan to Cost	57%	22%	N/A

**CalHFA spreads locked on 5/29/2021 (subsequent to CalHFA Initial Commitment Approval). Cushion is to account for MMD fluctuations prior to Construction Loan Close. Final CalHFA rate will be locked 30 days prior to construction loan closing.*

PROJECT SUMMARY

2.	**Legislative Districts**	**Congress:**	#19 Zoe Lofgren	**Assembly:**	#27 Ash Kalra	**State Senate:**	#15 Dave Cortese

	Brief Project Description	**Kelsey Ayer Station** (the "Project") is a 115 unit, family and special needs new construction Project. It consists of one six-story, two-elevator-serviced building. There will be 113 affordable units restricted between 20% and 80% of AMI for the City of San Jose, including 89 studio units (444 sq. ft) and 24 two-bedroom units (816 sq. ft). 1 studio unit and 1 two-bedroom unit (total of 2 units) will be reserved as unrestricted manager's units. There will be 22 furnished HUD Section 811 units, including rental subsidy administered by CalHFA, that will be set aside for eligible tenants. The developer has elected to reserve 6 additional units for tenants with intellectual/developmental disabilities (IDD). IDD tenants will be referred to the project by San Andreas Regional Center who will also be paying for the tenants' supportive services. The project is Transit Oriented Development (TOD) and only includes 10 parking spaces reserved specifically for tenants for either Ride-Share or disability accommodations (when requested and if available) as a condition of their HCD-TOD award. The project is within walking distance to transit and services. The site consists of an existing two-story commercial structure that is currently vacant and will be demolished prior to construction. The Project is located within a governor declared disaster area. **Financing Structure:** The Project's financing structure includes tax-exempt bonds, 4% federal tax credits, Agency's 1st lien tax-exempt permanent loan with HUD Risk Sharing, Agency's Mixed-Income Program loan, subordinate loans from the City and HCD, and grant funds from the Weinberg Foundation. The project will be income averaged, pursuant to TCAC regulations. **Tax Credits and/or CDLAC Status:** The developer received an allocation of tax-exempt bonds and an award of 4% Federal tax credits on 12/8/2021. CalHFA has submitted a supplemental application to CDLAC on 3/16/22 for a $2M supplemental bond allocation award on 6/15/22. This supplemental allocation bond issuance will occur after the construction loan closing. The supplemental allocation is being requested to add a cushion to the project's 50% aggregate basis requirement (the "50% test") which is currently at approximately 50.50%. The supplemental allocation will increase this to approximately 53.64%, which is necessary to accommodate a potential cost increase during construction. **Ground Lease:** The owner will enter into a ground lease agreement with the City of San Jose for a term of 99 years. Ground lease payments will be structured as a one-time capitalized payment of $100,000 at construction loan closing and ongoing payments of approximately 11% of the residual receipts share collected for the City of San Jose loan. **Project Amenities:** The Project includes on-site management, gated entry, surveillance cameras, a picnic area, an exercise room, central laundry facilities, and a community room. Unit amenities will include air conditioning, window blinds, coat closets, storage closets in

select units, and kitchen appliances including refrigerators, stove/ovens, dishwashers, and garbage disposals.

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

- Grocery stores – within 0.5 miles
- Schools – within 1 mile (elementary and middle)
- Public Library – within 1 of mile
- Public transit – within 0.5 miles
- Retail – within 1 mile
- Park and recreation – within 0.5 miles
- Hospitals – within 2.5 miles

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

Commercial and/or Other (i.e. Parking) Space: The Project does not include commercial space.

MISSION

3.	**CalHFA Mission/Goals**

This Project and financing proposal provide 113 units of affordable housing with a range of restricted rents between 20% AMI and 80% of AMI which will support much needed rental housing that will remain affordable for 55 years.

ANTICIPATED PROJECT MILESTONES & SCHEDULE

4.	CDLAC/TCAC Closing Deadline:	6/20/2022	CDLAC/TCAC Closing Deadline:	6/20/2022
	Estimated Construction Start:	6/2022	Estimated Construction Completion:	12/2024
	Estimated Conversion to Perm Loan(s):		6/2025	

SOURCES OF FUNDS

5.

Construction Period Financing

SOURCE	AMOUNT	LIEN POSITION	INTEREST RATE	DEBT TYPE
JPMCapital One – Tax-Exempt Construction Loan (Includes $2M supplemental bond request)	$36,000,000	1st	3.61%	Interest Only
JPMCapital One – Taxable Construction Loan	$6,114,191	2nd	4.61%	Interest Only

City of San Jose Loan	$12,825,000	3rd	1.00%	Deferred Payment
Other Philanthropic Funds	$2,000,000	4th	2.00%	Deferred Payment
Weinberg Foundation Grant	$1,000,000	N/A	N/A	N/A
Deferred Costs	$2,658,570	N/A	N/A	N/A
Deferred Developer Fee	$631,461	N/A	N/A	N/A
Developer Equity Contribution	$1,013,998	N/A	N/A	N/A
Tax Credit Equity	$8,880,897	N/A	N/A	N/A
TOTAL	**$71,124,117**	**$618,471**	**Per Unit**	

Permanent Financing

SOURCE	AMOUNT	LIEN POSITION	INTEREST RATE	DEBT TYPE
CalHFA Perm Loan	$15,910,000	1st	4.84%	30-years fully amortized
CalHFA Subordinate MIP Loan	$4,600,000	2nd	2.00%	Residual Receipts
HCD TOD Loan	$10,000,000	3rd	3.00%	Residual Receipts
City of San Jose Loan	$12,825,000	4th	3.00%	Residual Receipts
Weinberg Foundation Grant	$1,000,000	N/A	N/A	N/A
Developer Equity Contribution	$1,013,998	N/A	N/A	N/A
Deferred Developer Fee	$1,300,000	N/A	N/A	N/A
Tax Credit Equity	$25,061,658	N/A	N/A	N/A
TOTAL DEVELOPMENT COST:	**$71,710,656**	**$623,570**	**Per Unit**	

Subsidy Efficiency: $4,600,000 ($40,708 per MIP restricted units).

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

- 4% Federal Tax Credits: $26,804,357 ($233,081 per total units).

Rental Subsidies: The Project will be subsidized by HUD Section 811 for 22 units for an initial term of 20 years. Prior to expiration of the 811 contract, the borrower can apply for a renewal for an additional 10 to 20 years. CalHFA will be the contract administrator. A HUD 811 Award Announcement letter has been provided, dated May 7, 2021.

Other State Subsidies: The Project will be funded by HCD TOD Funding in the amount of $10,000,000 ($86,957 per total units).

Other Locality Subsidies: The Project will be funded by locality funds; from the City of San Jose, a subordinate loan of $12,825,000 ($111,522 per total units) and a discounted 99-year ground lease payable at construction loan closing in the capitalized amount of $100,000 and ongoing payments from approximately 11% of City's portion of residual receipts payment.

Cost Containment Strategy: Several cost containment strategies are being employed on this project.

- First, all major design disciplines were engaged early during the schematic phase to inform design assumptions.
- Second, the general contractor was engaged early during design development to provide preconstruction services such as providing cost estimates with pricing input from all major trades at each major design

	milestone, providing recommendations and guidance on value engineering throughout design to achieve a targeted hard cost number, reviewing plans for constructability and completeness, and informing assumptions on construction logistics and duration. This process includes identifying clarifications and exclusions applicable during each stage of pricing. • Third, the project invested in early physical site investigation to confirm soil conditions, environmental conditions, and existing underground conditions. Design and cost assumptions were informed through these early investigations. • Fourth, the project converted to a design-build arrangement with the general contractor, Devcon Construction, a major builder of affordable housing communities in the Bay Area. Devcon, as general contractor, engaged their extensive in-house architectural team for preparation of the Construction Documents, coordinating most design disciplines in working towards a targeted hard cost number established by the owner. The mechanical, electrical, plumbing and fire sprinkler systems are also design-build by trades who will install the work. These trades had been competitively bid before awarding the design work. Collectively, these groups are using 3D BIM software and elaborate clash detection methods to avoid costly delays and rework in the field. • Lastly, the balance of the trades will be competitively bided out. The Guaranteed Maximum Price (GMP) contract will contain all industry standard cost containment strategies, such as a robust Division 01 specification outlining the Request for Information process, requirements for a detailed critical path schedule, closely reviewed, negotiated exclusion and qualification sections, and a performance bond. In addition, owner will include a robust insurance program, including an Owner Controlled Insurance Program (OCIP) wrap for general liability, a negotiated builder's risk policy, and Contractor Pollution Liability coverage. **High-Cost Explanation:** The Project's high per-unit cost of $622,435/unit is attributed to: • Estimated budget of $8,081,018 in premium associated with prevailing wage requirement • Estimated budget of $2,800,000 in permits and impact fees • Estimated budget of $2,000,000 in increased costs associated with the building height, number of units, urban site, denser construction, additional fire life safety, more offsite and offsite utility scope, elevator costs, exterior building maintenance, and construction complexity. The estimated adjusted total development cost, minus the contributing factors above, is approximately $58,829,638 ($511,562 per unit).
6.	Equity – Cash Out (estimate): Not Applicable

TRANSACTION OVERVIEW

7.	**Proposal and Project Strengths**

- The Project anticipates has received 4% federal tax credits which is projected to generate equity representing 35% of total financing sources.
- The Project will serve low-income families ranging between 20% to 80% of AMI. On average, the rents are between 10% to 80% below market rents.
- 22 units will be supplemented by HUD's Project-Based vouchers under Section 811 administered by CalHFA for a term of 20 years. Prior to expiration of the 811 contract, the borrower can apply for a renewal for an additional 10 to 20 years.
- The Loan-to-Value will be 54%, which meets the Agency's minimum requirements of 90%, providing less risk to the Agency.
- The locality has invested in the success of the Project as demonstrated by financial contributions from the City and a discounted ground lease from the City, which will be repay via a one-time capitalized amount of $100,000 at construction loan closing and ongoing payments via approximately 11% of the City's share of the City's loan.
- The projected portion of the developer's fee that will be collected at or prior to permanent loan conversion is

$1,186,002, which could be available to cover cost overruns and/or unforeseen issues during construction.

- The developer is contributing an amount of $1,013,998 via GP contribution to the Project.
- The exit analysis assumes 6.5% cap rate and 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 Agency's subsidy loans.

8. Project Weaknesses with Mitigants:

- The developer/sponsor does not have experience with CalHFA, however, they have experience in developing similar affordable projects in this region. Refer to section 31 for more information.
- A Site Management Plan dated December 1, 2020 identified soil contaminated with heavy metals, arsenic, and lead. Remediation costs are included in the development budget. Remediation of all environmental findings is a part of the construction plan and budget in the amount of $125,000. Evidence of environmental clearance will be required as a prerequisite to closing of the CalHFA permanent and MIP loans.

9. Underwriting Standards or Term Sheet Variations

None.

10. Project Specific Conditions of Approval

Approval is conditioned upon:

- The City's ground lease will require all loans to be recorded against leasehold interest in the land and fee interest in the improvements. City must provide approval of CalHFA ground lease rider. If any lender encumbers both fee and leasehold interest in the land, CalHFA loan documents will also secure in the fee and leasehold interest of the land. The final ground lease document is subject to CalHFA approval. No site work or construction commenced prior to the issuance of a HUD Risk Share Firm Approval Letter.
- 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 and/or rental revenue assumptions increase, 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.
- CalHFA requires that MIP affordability covenants be recorded in senior position to all foreclosable debt.
- Subject to receipt of supplemental bond allocation from CDLAC in an estimated amount of $2M by CDLAC or evidence that the project meets the 50% test pursuant to bond and 4% tax credit requirements prior to permanent loan closing.
- Receipt of a Lien Priority/Position Estoppel in form and substance acceptable by CalHFA from all local (city and county) lenders.
- The HUD Use Agreement will be ahead of CalHFA in a first lien position recorded on leasehold on title. This is required and therefore allowable under our underwriting guidelines for HUD subsidized properties. The final HUD Use Agreement will be subject to Agency's review and approval prior to construction loan closing.
- CalHFA will require that the local funding regulatory agreements to contain provisions allowing rent increases to the maximum TCAC rents in an event of default.
- Subject to a seismic evaluation and approval by CalHFA. CalHFA may require earthquake insurance in its sole discretion. See Section 23 for more detail.
- 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 final appraisal will be subject to Agency's review and approval.
- The owner must provide evidence of investor, HCD, and City approval of the total deferred developer's fee and residual receipt payment structure.
- Final Soils Management Plan must be provided and approved by CalHFA prior to construction loan closing. In addition, evidence of environmental clearance must be provided and approved by CalHFA prior to permanent loan closing.

- Defaults under any loans used to capitalize payments or ongoing residual receipt payments required by the ground lease must not constitute a default under the ground lease.
  Funds from the CalHFA permanent loan and/or the subsidy loan shall not be used to fund or offset any portion of the offsite improvement costs.
- As a condition of approval CalHFA will require a flood certification determining the flood zone and any flood insurance requirements prior to permanent loan closing.

11. Staff Conclusion/Recommendation:

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

AFFORDABILITY

12. CalHFA Affordability & Occupancy Restrictions

The CalHFA Permanent Financing Regulatory Agreement will restrict a minimum of 30% of the total units (35 units) at or below 60% AMI and 10% of the total units (12 units) at or below 50% of AMI for 55 years.

*The CalHFA MIP Subsidy Regulatory Agreement requires 10% of total units (12 units) be restricted at or below 50% of AMI, 10% of total units (12 units) between 60% and 80% of AMI be restricted with a minimum average of 70% of AMI for a term of 55 years. The rents for the 60% to 80% tranche will be determined by the minimum income limit of 70% of AMI, not to exceed 80% of AMI. The remaining 89 restricted units will be restricted at or below 120% of AMI. The City requires that its income and rent limits are used to determine maximum rents for each target occupancy levels (instead of TCAC maximum rents), which is allowable pursuant to MIP term sheet. For underwriting purposes, the initial rents at permanent loan closing must be no less than the underwriting rent levels outlined on the “Unit Mix and Rent Summary” enclosed. These rent levels will be covenanted in the CalHFA Regulatory Agreements.

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

- The City of San Jose funding will restrict 113 units at or below 80% of AMI for a term of 55 years.
- HCD TOD funding will restrict 113 units at or below 80% of AMI for a term of 55 years.
- HUD 811 will restrict 22 units at or below 50% of AMI for an initial term of 20 years.
- Developer has elected to restrict 6 additional units at or below 20% of AMI for IDD eligible tenants for a term of 55 years.

Rent Limit Summary Table

AMI	Total	Studio	1-bdrm	2-bdrm	3-bdrm	4-bdrm	% of Total
20%	34	27	-	7	-	-	29.8%
30%	0	-	-	-	-	-	0.0%
40%	0	-	-	-	-	-	0.0%
50%	31	26	-	5	-	-	27.2%
60%	22	18	-	4	-	-	19.3%
70%	0	-	-	-	-	-	0.0%
80%	26	18	-	8	-	-	22.8%
120%	0	-	-	-	-	-	0.0%
Manager’s Unit	2	1	-	1	-	-	0.9%
Total	115	89	0	25	0	0	100.0%

The average affordability restriction is 49.8% of AMI.

NUMBER OF UNITS AND AMI RENTS RESTRICTED BY EACH AGENCY												
Regulatory Source	Recordation Priority of Recorded Document	Term of Agrmt (years)	Number of Units Restricted For Each AMI Category									
			20% AMI	50% AMI	60% AMI	80% AMI *(60% to 80% Tranche)	81%-120% AMI	<= 120% AMI	Mgrs Unit	Total Units Regulated	% of Regulated Units
HUD 811	1			22					2	22	19.4%
CalHFA Bond	2	**55**		12	35				2	47	40.9%
***CalHFA MIP**	3	**55**		12		12		89	2	113	98.3%
HCD TOD Loan	4	**55**	34	31	22		26		2	113	98.3%
City of San Jose Loan	5	**55**	34	31	22		26		2	113	98.3%
City of San Jose Ground Lease	6	**99**	34	31	22		26		2	113	98.3%
Tax Credits	7	**55**	34	31	22		26		2	113	98.3%

13.	**Geocoder Information**			
	Central City:	Yes	Underserved:	No
	Low/Mod Census Tract:	Middle	Below Poverty line:	15.96%
	Minority Census Tract:	67.01%	Rural Area:	No

FINANCIAL ANALYSIS SUMMARY

14.	**Capitalized Reserves:**	
	Replacement Reserves (RR):	N/A
	Operating Expense Reserve (OER):	$515,746 OER amount is size based on 3 months operating expenses, debt service, and annual replacement reserves deposits. CalHFA will hold this reserve for the term of the CalHFA permanent loan and in the event the OER is drawn down during the term of the loan, the OER must be replenished over a 12 months period to the original level. The equity investor is requiring an additional OER of $401,539, which is anticipated to be held by CalHFA.
	Transitional Operating Reserve (TOR):	Not Applicable by CalHFA. HUD 811 Project-Based Voucher contract, administered by CalHFA, is for an initial term of 20 years. Prior to expiration of the 811 contract, the borrower can apply for a renewal for an additional 10 to 20 years. HCD may require a nominal TOR which will be held by the investor, CalHFA or borrower. If applicable, additional HCD TOR will be covered by soft contingency, deferred developer’s fee, and/or other funds available to the borrower.

15.	**Cash Flow Analysis**	

1st Year DSCR:	1.17	**Project-Based Subsidy Term:**	*20 years.
End Year DSCR:	1.68	**Annual Replacement Reserve Per Unit:**	$500/unit
Residential Vacancy Rate: **Subsidy Vacancy Rate:**	5.00% 7%	**Rental Income Inflation Rate:** **Subsidy Income Inflation Rate:**	2.50% 1.50%
Non-residential Vacancy Rate:	N/A	**Project Expenses Inflation Rate:** **Property Tax Inflation Rate:**	3.50% 1.25%

- For purposes of CalHFA's Loan Agreement DSCR covenant, the Project is required to maintain a minimum of 1.15 DSCR for the term of the permanent loan.
- The per unit cost for Supportive Services for general tenant population paid by the borrower of $1,650 per unit exceeds the maximum amount allowed to be included in the Project's operating expense budget according to the USRM ($1,189 p/u for "other services that include tracking and reporting"). To accommodate this overage, $24,192 ($216 p/u) has been removed from operating expenses and will be paid from the Borrower's portion of surplus cash. The Supportive Services for the IDD tenants will be paid for by San Andreas Regional Center, and no cost to the borrower.
- *Prior to expiration of the 811 contract, the borrower can apply for a renewal for an additional 10 to 20 years.

16. Loan Security

The CalHFA loan(s) will be secured against the Leasehold Interest in the land and fee interest in the improvements.

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

The exit analysis assumes 6.5% cap rate and 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 Agency's subsidy loans.

APPRAISAL AND MARKET ANALYSIS

18. Appraisal Review **Dated: February 16, 2022**

- The Appraisal dated February 16, 2022, prepared by Pacific Real Estate Appraisal, values the land at $3,175,000.
- The cap rate of 4.5% and projected $1,327,642 of net operating income, which is generally aligned with the proposed Project net operating income, were used to determine the appraised value of the subject site.
- The as-restricted stabilized value is $29,500,0000, which results in the Agency's permanent first lien loan to value of 54%.
- The capture rate is 0.95% which is 2.15% lower than the Market Study. However, the absorption period is 4-months, and is consistent with the market study.

Market Study:	The Concord Group	**Dated: January 29, 2021**

Regional Market Overview

- The Primary Market Area is Central San Jose which includes the 95110, 95112, 95113, 95126, and 95128 zip
- codes (population of 159,079). The Secondary Market Area ("SMA") is Santa Clara County (population of 1,920,646).
- The general population in the PMA is anticipated to increase by 1.2% per year through 2025.
- Unemployment in San Jose is 8.3%, which is higher than the rate in Santa Clara County overall (7.2%).
- Median household income in the PMA is $85,418 compared to $128,034 in the SMA.

Local Market Area Analysis

- **Supply:**
  - There are currently 24 Large Family and 3 Special Needs affordable projects in the PMA. The 3 properties who were surveyed were between 97-100% occupied with long wait lists. The market study

concludes that there is a shortage of rental supply to the targeted low-income population.
  - There is 1 Large Family and 2 Special Needs affordable projects under construction with estimated completion in 2022 and 2023.
- **Demand/Absorption:**
  - The Market Study states an overall capture rate for the Project of 3.1%. The 84 affordable units are expected to lease-up at a rate of 25-30 units/month and reach stabilized occupancy within 3-4 months.
  - The demand analysis for individuals with developmental disease shows there is demand for 100 units of housing targeting adults with disabilities in the PMA, and demand for an additional 1,431 units within San Jose overall.

DEVELOPMENT SUMMARY

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

- The property is located on the northwest corner of the intersection of North 1st Street and Fox Avenue in the City of San Jose, Santa Clara County.
- The site is currently vacant, with level topography at street grade, measuring approximately 0.47 acres and is generally rectangular in shape.
- The site is zoned RM – Multiple Residences which allows for multifamily housing development.
- The subject site is located in Flood Zone D, which means an area of "undetermined flood hazard." The Civil Engineering consultant affirms the site is not located in a 100-year or 500-year floodplain. CalHFA staff has also researched and agrees with the Civil Engineers assessment. As a condition of approval CalHFA will require a flood certification determining the flood zone and any flood insurance requirements prior to permanent loan closing.
- The site consists of an existing two-story commercial structure that is currently vacant and will be demolished prior to construction.

20. Form of Site Control & Expiration Date

The current owner, The Kelsey Ayer Station LLC, is the managing general partner of the borrower. The current owner purchased the property on January 8, 2021 for a price of $3,032,000 and will be selling the land to the City of San Jose for a cost of $3,100,000 who will then enter into a ground lease with the borrowing entity, The Kelsey Ayer Station LP for a term of 99 years in an amount of $100,000 to be capitalized at construction loan closing and paid for by the project. Additionally, ongoing ground lease payments will be paid from approximately 11% of City's pro-rata portion of residual receipts payments.

21. Current Ownership Entity of Record

Title is currently vested in The Kelsey Ayer Station LLC as the fee owner.

22. Environmental Review Findings **Dated: March 15, 2021**

- A Phase I Environmental Site Assessment performed by AEI Consultants, dated March 15, 2021 revealed no evidence of recognized environmental conditions, so no additional investigation was recommended. However, the report recommended implementing a Site Management Plan (SMP) for the soil contaminated with heavy metals, arsenic, and lead during and after construction. The GC's hard cost budget includes $125,000 for the additional work for soil movement and allowance for contaminated soil disposal.
- A NEPA review has been initiated and is still in process. NEPA clearance is required as part of the standard construction loan closing requirements.

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

The project is 6 stories constructed with a combination of wood frame, steel, and masonry. A seismic evaluation has been ordered by the construction lender and will be provided to CalHFA for review and approval.

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

The Project is new construction that requires the demolition of an existing two-story non-residential commercial structure that is currently vacant and therefore no relocation is required.

PROJECT DETAILS

25.	**Residential Areas:**				
		Residential Square Footage:	60,360	**Residential Units per Acre:**	244.7
		Community Area Sq. Ftg:	16,032	**Total Parking Spaces:**	10
		Supportive Service Areas:	N/A	**Total Building Sq. Footage:**	76,392
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:**	One 6-story, two elevator-serviced residential building with 10 covered parking spaces.			
28.	**Construction/Rehab Scope**	**Requires Demolition:** ☒ **Yes** ☐ **No**			

- The subject site is new construction.
- The contract will be structured as a Guaranteed Maximum Price (GMP) contract and in no event shall the builder overhead, profit, and general requirements, excluding builder's general liability insurance, exceed 14% of the construction cost.
- Environmental remediation of contaminants outlined on section 22 above is included in the development budget in the estimated amount of $125,000.
- Offsite improvements total $1,282,368 in hard costs including:
  - Staking $18,580
  - Site Furnishings $51,680
  - Grading and Paving $158,150
  - Site Concrete $111,788
  - Parking Pavement Markings and Bumpers $21,600
  - Landscaping and Irrigation $2,500
  - Site Utilities $223,004
  - Joint Trenching $345,084
  - Other Parking Improvements $350,000

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 had established cost containment strategies, which are outlined in Section 5 above.
- During construction and permanent, the cost of the offsite improvements outlined above is expected to be paid by tax credit equity as follows:

	Construction	**Permanent**
Offsite improvements Structure Cost	$1,282,368	$1,282,368
Tax Credit Equity	$1,282,368	$1,282,368
Total Sources	$1,282,368	$1,282,368

ADDITIONAL DEVELOPMENT/ PROJECT TEAM INFORMATION

30. Borrower Affiliated Entities

- Managing General Partner: The Kelsey Ayer Station LLC; 0.05% interest
  - Sole Member: The Kelsey, a California public benefit corporation
- Administrative General Partner: North First Street - San Jose MF, LLC; 0.0245% interest

- Sole Member: SRGNC MF LLC
- Co Administrative General Partner: DGI Kelsey LLC; 0.0245% interest
  - Sole Member: Devine & Gong, Inc.
- Investor Limited Partner: Enterprise Housing Credit Investments; 99.901% interest

31. Developer/Sponsor

The Developer has collectively completed 6 projects (822 units) in the past 5 years in CA, has 1 project (54 units) under construction, and 3 projects (473 units) in the pipeline. The Developer does not have any existing projects in the CalHFA portfolio and this is the first project with CalHFA funding.

32. Management Agent

The Project will be managed by the John Stewart Company, which has extensive experience in managing similar affordable housing projects in the area and manages several projects in CalHFA's portfolio that are performing as agreed.

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

- Tenant services will be provided by The Kelsey through a 15 year contract that is funded by property operations in the estimated amount of $189,694 ($1,650 per unit). These services include service coordination, health and wellness services, and activities. The Kelsey is a nonprofit organization that has been organizing and providing tenant services since 2018 and has provided services to over 1,000 tenants.
- The per unit cost for Supportive Services of $1,650 per unit exceeds the maximum amount allowed to be included in the Project's operating expense budget according to the USRM ($1,189 p/u for "other services that include tracking and reporting). To accommodate this overage, $24,192 ($216 p/u) has been removed from operating expenses and will be paid from the Borrower's portion of surplus cash.
- Supportive services for the Intellectually and Developmentally Disabled tenants will be provided and paid for by the San Andreas Regional Center (SARC). SARC is a community-based, private nonprofit corporation funded by the State of California to serve people with developmental disabilities. SARC assists eligible consumers to apply and access other social service agencies and public benefit programs; and may provide funding for services. Some examples of services funded by San Andreas are: infant education; family support services such as respite and specialized day care; community living arrangements such as residential care and supported living. San Andreas also assists with advocacy to access other services such as In Home Support Services (IHSS), In Home Shift Nursing, or educational programs.

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

The general contractor is Devcon Construction, Inc., which has extensive experience in constructing similar affordable housing projects in California.

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

The architect is Devcon Construction, Inc., which has extensive experience in designing and managing similar affordable housing projects in California through the locality's building permit process.

36. Local Review via Locality Contribution Letter

Staff sent a local contribution letter to The City of San Jose on 4/21/2021 however a response has yet to be received. The city has expressed their support of the project by providing subordinate financing and a discounted ground lease.

EXHIBITS: Detailed Financial Analysis and applicable Term Sheets

PROJECT SUMMARY — Final Commitment

Acquisition, Rehab, Construction & Permanent Loans — **Project Number 21-019-A/X/N**

Project Full Name	Kelsey Ayer Station	**Borrower Name:**	The Kelsey Ayer Station LP
Project Address	447 North 1st Street	**Managing GP:**	--
Project City	San Jose	**Developer Name:**	Devine & Gong Inc.
Project County	Santa Clara	**Investor Name:**	Enterprise Housing Credit Investment
Project Zip Code	95112	**Prop Management:**	The John Stewart Company
		Tax Credits:	4
Project Type:	Permanent Loan Only	**Total Land Area (acres):**	0.47
Tenancy/Occupancy:	Individuals/Families	**Residential Square Footage:**	60,360
Total Residential Units:	115	**Residential Units Per Acre:**	244.68
Total Number of Buildings:	1		
Number of Stories:	6	**Covered Parking Spaces:**	0
Unit Style:	Flat	**Total Parking Spaces:**	10
Elevators:	2		

Acq/Construction/Rehab Financing	Loan Amount ($)	Loan Fees	Loan Term (Mo.)	Amort. Period (Yr.)	Starting Interest Rate
Capital One- Tax Exempt (Conduit)	36,000,000	1.000%	36	--	3.610%
Capital One- Taxable	6,114,191	1.000%	36	--	4.610%
City of San Jose Loan	12,825,000	--	36	--	1.000%
Other Philanthropic Funds	2,000,000	--	36	--	2.000%
Weinberg Foundation Grant	1,000,000	NA	NA	NA	NA
Deferred Costs	2,658,570	NA	NA	NA	NA
Developer Equity Contribution	1,013,998	NA	NA	NA	NA
Deferred Developer Fee	631,461	NA	NA	NA	NA
Investor Equity Contribution	8,880,897	NA	NA	NA	NA
Total	**71,124,117**	NA	NA	NA	NA

Permanent Financing	Loan Amount ($)	Loan Fees	Loan Term (Yr.)	Amort. Period (Yr.)	Starting Interest Rate
Perm	15,910,000	1.000%	30	30	4.840%
MIP	4,600,000	1.000%	30	NA	2.000%
HCD TOD Loan	10,000,000	--	55	55	3.000%
City of San Jose Loan	12,825,000	--	55	55	3.000%
Weinberg Foundation Contrib	1,000,000	NA	NA	NA	NA
Deferred Developer Fees	1,300,000	NA	NA	NA	NA
Developer Equity Contribution	1,013,998	NA	NA	NA	NA
Investor Equity Contributions	25,061,658	NA	NA	NA	NA
Total	**71,710,656**	NA	NA	NA	NA

Appraised Values Upon Completion of Rehab/Construction

Appraisal Date:	2/16/22	**Capitalization Rate:**	4.50%
Investment Value ($)	54,965,000	**Restricted Value ($)**	29,500,000
Construct/Rehab LTC	59%	**CalHFA Permanent Loan to Cost**	22%
Construct/Rehab LTV	77%	**CalHFA 1st Permanent Loan to Value**	54%
		Combined CalHFA Perm Loan to Value	70%

Additional Loan Terms, Conditions & Comments

Construction/Rehab Loan

Payment/Performance Bond	Required	
Completion Guarantee Letter of Credit	N/A	

Permanent Loan

Operating Expense Reserve Deposit	$515,746	Cash
Initial Replacement Reserve Deposit	$0	Cash
Annual Replacement Reserve Per Unit	$500	Cash

Date Prepared: 4/5/22 — Senior Staff Date: 4/6/22

T MIX AND RENT SUMMARY **Final Commitment**

Kelsey Ayer Station **Project Number 21-019-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**
Studio	-	1	444	90	135
Flat	2	1	816	25	75
-	-	-	-	-	0
-	-	-	-	-	0
-	-	-	-	-	0
-	-	-	-	-	0
				115	210

NUMBER OF UNITS AND PERCENTAGE OF AMI RENTS RESTRICTED BY EACH AGENCY							
Agency	**Number of Units Restricted For Each AMI Category**						
	20%	**50%**	**60%**	**80%**	**120%**	**120%**	**200%**
CalHFA Bond/RiskShare	0	12	35	0	0	0	0
CalHFA MIP	0	12	0	12	89	0	0
Tax Credit	34	31	22	26	0	0	0
HCD TOD	34	31	22	26	0	0	0
HUD 811	0	22	0	0	0	0	0
City of San Jose	34	31	22	26	0	0	0
ity of San Jose Ground Leas	34	31	22	26	0	0	0

COMPARISON OF AVERAGE MONTHLY RESTRICTED RENTS TO AVERAGE MARKET RENTS							
		% of Area	**Average Restricted Rents**		**Average**	**Average**	**% of**
Unit Type	**Restricting Agency**	**Median Income**	**Number of Units**	**Unit Rent**	**Market Rents**	**Monthly Savings**	**Market Rents**
Studios	**San Jose**	**20%**	27	$493	$2,325	$1,832	21%
	San Jose	**50%**	26	$1,287		$1,038	55%
	San Jose	**60%**	18	$1,552		$773	67%
	San Jose	**80%**	18	$2,081		$244	90%
	San Jose	**100%**	-	-		-	-
	San Jose	**60%**	-	-		-	-
	San Jose	**80%**	-	-		-	-
1 Bedroom	**San Jose**	**20%**	-	-	-	-	-
	San Jose	**50%**	-	-		-	-
	San Jose	**60%**	-	-		-	-
	San Jose	**80%**	-	-		-	-
	San Jose	**100%**	-	-		-	-
	San Jose	**60%**	-	-		-	-
	San Jose	**80%**	-	-		-	-
2 Bedrooms	**San Jose**	**20%**	7	$623	$3,150	$2,527	20%
	San Jose	**50%**	5	$1,644		$1,506	52%
	San Jose	**60%**	4	$1,985		$1,165	63%
	San Jose	**80%**	8	$2,666		$484	85%
	San Jose	**100%**	-	-		-	-
	San Jose	**80%**	-	-		-	-
	San Jose	**-**	-	-		-	-
3 Bedrooms	**San Jose**	**20%**	-	-	-	-	-
	San Jose	**50%**	-	-		-	-
	San Jose	**60%**	-	-		-	-
	San Jose	**80%**	-	-		-	-
	San Jose	**100%**	-	-		-	-
	San Jose	**60%**	-	-		-	-
	San Jose	**80%**	-	-		-	-
4 Bedrooms	**San Jose**	**20%**	-	-	-	-	-
	San Jose	**50%**	-	-		-	-
	San Jose	**60%**	-	-		-	-
	San Jose	**80%**	-	-		-	-
	San Jose	**100%**	-	-		-	-
	San Jose	**60%**	-	-		-	-
	San Jose	**80%**	-	-		-	-
5 Bedrooms	**San Jose**	**20%**	-	-	-	-	-
	San Jose	**50%**	-	-		-	-
	San Jose	**60%**	-	-		-	-
	San Jose	**80%**	-	-		-	-
	San Jose	**100%**	-	-		-	-
	San Jose	**60%**	-	-		-	-
	San Jose	**80%**	-	-		-	-
Date Prepared:	4/5/22					Senior Staff Date:	4/6/22

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

Kelsey Ayer Station — **Project Number** **21-019-A/X/N**

SOURCES OF FUNDS	CONST/REHAB $	PERMANENT $	TOTAL PROJECT SOURCES OF FUNDS SOURCES ($)	PER UNIT ($)	%
Capital One- Tax Exempt (Conduit)	36,000,000				0.0%
-	-				0.0%
-	-				0.0%
Capital One- Taxable	6,114,191				0.0%
City of San Jose Loan	12,825,000				0.0%
Other Philanthropic Funds	2,000,000				0.0%
	-				0.0%
-	-				0.0%
Deferred Costs	2,658,570				0.0%
Weinberg Foundation Grant	1,000,000				0.0%
Construct/Rehab Net Oper. Inc.	-				0.0%
Deferred Developer Fee	631,461				0.0%
Developer Equity Contribution	1,013,998				0.0%
Investor Equity Contribution	8,880,897				0.0%
Perm		15,910,000	15,910,000	138,348	22.2%
MIP		4,600,000	4,600,000	40,000	6.4%
-		-	-	-	0.0%
-		-	-	-	0.0%
HCD TOD Loan		10,000,000	10,000,000	86,957	13.9%
City of San Jose Loan		12,825,000	12,825,000	111,522	17.9%
-		-	-	-	0.0%
-		-	-	-	0.0%
-		-	-	-	0.0%
-		-	-	-	0.0%
Weinberg Foundation Contrib		1,000,000	1,000,000	8,696	1.4%
-		-	-	-	0.0%
Construct/Rehab Net Oper. Inc.		-	-	-	0.0%
Deferred Developer Fees		1,300,000	1,300,000	11,304	1.8%
Developer Equity Contribution		1,013,998	1,013,998	8,817	1.4%
Investor Equity Contributions		25,061,658	25,061,658	217,927	34.9%
TOTAL SOURCES OF FUNDS	**71,124,117**	**71,710,656**	**71,710,656**	**623,571**	**100.0%**
TOTAL USES OF FUNDS (BELOW)	**71,124,117**	**71,710,656**	**71,710,656**	**623,571**	**100.0%**
FUNDING SURPLUS (DEFICIT)	**0**	**(0)**	**0**		

USES OF FUNDS	CONST/REHAB $	PERMANENT $	TOTAL PROJECT USES OF FUNDS USES ($)	PER UNIT ($)	%
CONSTRUCTION/REHAB SOURCES OF FUNDS		**71,124,117**			
ACQUISITION COSTS					
Lesser of Land Cost or Appraised Value	-	-	-	-	0.0%
Demolition Costs	-	-	-	-	0.0%
Legal & Other Closing Costs	-	-	-	-	0.0%
Escrow & other closing costs	-	-	-	-	0.0%
Verifiable Carrying Costs	-	-	-	-	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%
Ground Lease Rent Prepayment	100,000	-	100,000	870	0.1%
Other (Specify)	-	-	-	-	0.0%
TOTAL ACQUISITION COSTS	**100,000**	**-**	**100,000**	**870**	**0.1%**
CONSTRUCTION/REHAB COSTS					
Offsite Improvements	1,282,386	-	1,282,386	11,151	1.8%
Environmental Remediation (Hard Costs)	154,000	-	154,000	1,339	0.2%
Site Work (Hard Cost)	2,847,059	-	2,847,059	24,757	4.0%
Structures (Hard Cost)	30,839,447	-	30,839,447	268,169	43.0%

SOURCES & USES OF FUNDS					Final Commitment
Kelsey Ayer Station			Project Number	21-019-A/X/N	
General Requirements	2,882,400	-	2,882,400	25,064	4.0%
Contractor Overhead	649,317	-	649,317	5,646	0.9%
Contractor Profit	649,317	-	649,317	5,646	0.9%
Contractor Bond	-	-	-	-	0.0%
Contractor Liability Insurance	650,952	-	650,952	5,660	0.9%
Prevailing Wages	8,081,018	-	8,081,018	70,270	11.3%
GC Contingency	1,821,540	-	1,821,540	15,839	2.5%
TOTAL CONSTRUCT/REHAB COSTS	**49,857,436**	**-**	**49,857,436**	**433,543**	**69.5%**

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	1,306,784	-	1,306,784	11,363	1.8%
Supervision	250,000	-	250,000	2,174	0.3%
TOTAL ARCHITECTURAL FEES	**1,556,784**	**-**	**1,556,784**	**13,537**	**2.2%**
SURVEY & ENGINEERING FEES					
Engineering/Consulting	1,269,167	-	1,269,167	11,036	1.8%
Supervision	675,000	-	675,000	5,870	0.9%
ALTA Land Survey	-	-	-	-	0.0%
TOTAL SURVEY & ENGINEERING FEES	1,944,167	-	1,944,167	16,906	2.7%
CONTINGENCY RESERVES					
Hard Cost Contingency Reserve	2,485,172	-	2,485,172	21,610	3.5%
Soft Cost Contingency Reserve	478,260	-	478,260	4,159	0.7%
TOTAL CONTINGENCY RESERVES	2,963,432	-	2,963,432	25,769	4.1%
CONSTRUCT/REHAB PERIOD COSTS					
Loan Interest Reserve					
Capital One- Tax Exempt (Conduit)	2,706,248	-	2,706,248	23,533	0.037738
-	-	-	-	-	0
-	-	-	-	-	0.0%
Capital One- Taxable	-	-	-	-	0.0%
City of San Jose Loan	444,750	-	444,750	3,867	0.6%
Other Philanthropic Funds	-	-	-	-	0.0%
Loan Fees					
Capital One- Tax Exempt (Conduit)	421,142	-	421,142	3,662	0.6%
-	-	-	-	-	0.0%
-	-	-	-	-	0.0%
Capital One- Taxable	61,142	-	61,142	532	0.1%
City of San Jose Loan	34,577	-	34,577	301	0.0%
Other Philanthropic Funds	-	-	-	-	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	157	0.0%
Real Estate Taxes During Rehab	50,000	-	50,000	435	0.1%
Completion Guaranty Fee	-	-	-	-	0.0%
Wage Monitoring Fee (Davis Bacon, Preva	-	-	-	-	0.0%
Insurance During Rehab	1,500,000	-	1,500,000	13,043	2.1%
Title & Recording Fees	50,000	-	50,000	435	0.1%
Construction Management & Testing	-	-	-	-	0.0%

Predevelopment Interest Expense	-	-	-	-	0.0%
Bond Issuer Fee	45,500	-	45,500	396	0.1%
Cost of Issuance + Lender Fees	325,423	-	325,423	2,830	0.5%
TOTAL CONST/REHAB PERIOD COSTS	**5,656,782**	**-**	**5,656,782**	**49,189**	**7.9%**
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	159,100	-	159,100	1,383	0.2%
MIP	46,000	-	46,000	400	0.1%
-	-	-	-	-	0.0%
-	-	-	-	-	0.0%
HCD TOD Loan	-	-	-	-	0.0%
City of San Jose Loan	-	-	-	-	0.0%
-	-	-	-	-	0.0%
-	-	-	-	-	0.0%
Loan Funding Fee	-	110,000	110,000	957	0.2%
Credit Enhancement & Application Fees	-	-	-	-	0.0%
Title & Recording (closing costs)	-	25,000	25,000	217	0.0%
Year 1 - Taxes & Special Assessments and Insura	-	-	-	-	0.0%
CalHFA Fees	-	10,085	10,085	88	0.0%
Tax Exempt Bond Allocation Fee	-	-	-	-	0.0%
CalHFA MIP Fee + Other Lender Fees	-	39,915	39,915	347	0.1%
TOTAL PERMANENT LOAN COSTS	**205,100**	**185,000**	**390,100**	**3,392**	**0.5%**
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	304	0.0%
Other Permanent Loan Legal Fees	-	-	-	-	0.0%
Sponsor Legal Fees	100,000	-	100,000	870	0.1%
Organizational Legal Fees	-	-	-	-	0.0%
Syndication Legal Fees	-	-	-	-	0.0%
Borrower Legal Fee	205,000	-	205,000	1,783	0.3%
CalHFA Bond Counsel	60,000	-	60,000	522	0.1%
TOTAL LEGAL FEES	**400,000**	**-**	**400,000**	**3,478**	**0.6%**
OPERATING RESERVES					
Operating Expense Reserve Deposit	515,746	-	515,746	4,485	0.7%
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	-	401,539	401,539	3,492	0.6%
Other (Specify)	-	-	-	-	0.0%
TOTAL OPERATING RESERVES	**515,746**	**401,539**	**917,285**	**7,976**	**1.3%**
REPORTS & STUDIES					
Appraisal Fee	8,500	-	8,500	74	0.0%
Market Study Fee	16,500	-	16,500	143	0.0%
Physical Needs Assessment Fee	-	-	-	-	0.0%
Environmental Site Assessment Reports	283,538	-	283,538	2,466	0.4%
HUD Risk Share Environmental / NEPA Review F	30,960	-	30,960	269	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%

SOURCES & USES OF FUNDS					Final Commitment
Kelsey Ayer Station			Project Number	21-019-A/X/N	
Consultant/Processing Agent	-	-	-	-	0.0%
Other (Specify)	-	-	-	-	0.0%
TOTAL REPORTS & STUDIES	**339,498**	**-**	**339,498**	**2,952**	**0.5%**
USES OF FUNDS	**CONST/REHAB**	**PERMANENT**	**TOTAL PROJECT USES OF FUNDS**		
	$	**$**	**USES ($)**	**PER UNIT ($)**	**%**
OTHER COSTS					
TCAC Application, Allocation & Monitor Fees	190,572	-	190,572	1,657	0.3%
CDLAC Fees	12,600	-	12,600	110	0.0%
Local Permits & Fees	850,000	-	850,000	7,391	1.2%
Local Impact Fees	1,950,000	-	1,950,000	16,957	2.7%
Other Local Fees	-	-	-	-	0.0%
Syndicator/Investor Fees & Expenses	-	-	-	-	0.0%
Furnishings	500,000	-	500,000	4,348	0.7%
Accounting & Audits	32,000	-	32,000	278	0.0%
Advertising & Marketing Expenses	100,000	-	100,000	870	0.1%
Financial Consulting	-	-	-	-	0.0%
Miscellaneous Administrative Fees	-	-	-	-	0.0%
HUD Risk Share Insurance (First Year Prepaid)	-	-	-	-	0.0%
-	-	-	-	-	0.0%
Pre Construction/Start Up Costs	450,000	-	450,000	3,913	0.6%
TOTAL OTHER COSTS	**4,085,172**	**-**	**4,085,172**	**35,523**	**5.7%**
SUBTOTAL PROJECT COSTS	**67,624,117**	**71,710,656**	**68,210,656**	**593,136**	**95.1%**
DEVELOPER FEES & COSTS					
Developer Fees, Overhead & Profit	3,500,000	-	3,500,000	30,435	4.9%
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	**3,500,000**	**-**	**3,500,000**	**30,435**	**4.9%**
TOTAL PROJECT COSTS	**71,124,117**	**71,710,656**	**71,710,656**	**623,571**	**100.0%**

PROJECTED INITIAL ANNUAL RENTAL OPERATING BUDGET			Final Commitment
Kelsey Ayer Station	**Project Number**		**21-019-A/X/N**
INCOME	**AMOUNT**	**PER UNIT**	**%**
Rental Income			
Restricted Unit Rents	$ 1,848,192	$ 16,071	82.53%
Unrestricted Unit Rents	-	-	0.00%
Commercial Rents	-	-	0.00%
Rental & Operating Subsidies			
Project Based Rental Subsidy	503,136	4,375	22.47%
Other Project Based Subsidy	-	-	0.00%
Income during renovations	-	-	0.00%
Other Subsidy (Specify)	-	-	0.00%
Other Income			
Laundry Income	16,565	144	0.74%
Parking & Storage Income	-	-	0.00%
Miscellaneous Income	-	-	0.00%
GROSS POTENTIAL INCOME (GPI)	**$ 2,367,893**	**$ 20,590**	**105.74%**
Less: Vacancy Loss	**$ 128,458**	**$ 1,117**	**5.74%**
EFFECTIVE GROSS INCOME (EGI)	**$ 2,239,435**	**$ 21,707**	**100.00%**
OPERATING EXPENSES	**AMOUNT**	**PER UNIT**	**%**
Administrative Expenses	$ 165,680	$ 1,441	$ 0
Management Fee	89,689	780	4.00%
Social Programs & Services	165,502	1,439	7.39%
Utilities	120,000	1,043	5.36%
Operating & Maintenance	314,750	2,737	14.05%
Ground Lease Payments	-	-	0.00%
CalHFA Monitoring Fee	7,500	65	0.33%
Other Monitoring Fees	-	-	0.00%
Real Estate Taxes	2,500	22	0.11%
Other Taxes & Insurance	91,550	796	4.09%
Assisted Living/Board & Care	-	-	0.00%
SUBTOTAL OPERATING EXPENSES	**$ 957,171**	**$ 8,323**	**42.74%**
Replacement Reserve	$ 57,500	$ 500	2.57%
TOTAL OPERATING EXPENSES	**$ 1,014,671**	**$ 8,823**	**45.31%**
NET OPERATING INCOME (NOI)	**$ 1,224,764**	**$ 10,650**	**54.69%**
DEBT SERVICE PAYMENTS	**AMOUNT**	**PER UNIT**	**%**
Perm	$ 1,006,312	$ 8,751	44.94%
-	$ -	-	0.00%
-	$ -	-	0.00%
HCD TOD Loan	$ 42,000	365	1.88%
City of San Jose Loan	$ -	-	0.00%
-	$ -	-	0.00%
-	$ -	-	0.00%
-	$ -	-	0.00%
TOTAL DEBT SERVICE & OTHER PAYMENTS	**$ 1,048,312**	**$ 9,116**	**46.81%**
EXCESS AFTER DEBT SERVICE & MONITORING FEES	**$ 176,451**	**$ 1,534**	**7.88%**
DEBT SERVICE COVERAGE RATIO (DSCR)	**1.17**	**to 1**	
Date: 4/5/22		Senior Staff Date:	04/06/22

PROJECTED PERMANENT LOAN CASH FL0WS — **Kelsey Ayer Station**

Final Commitment — **Project Number 21-019-A/X/N**

	YEAR	1	2	3	4	5	6	7	8	9	10	11	12
RENTAL INCOME	**CPI**												
Restricted Unit Rents	2.50%	1,848,192	1,894,397	1,941,757	1,990,301	2,040,058	2,091,060	2,143,336	2,196,920	2,251,842	2,308,139	2,365,842	2,424,988
Unrestricted Unit Rents	2.50%	-	-	-	-	-	-	-	-	-	-	-	-
Commercial Rents	2.00%	-	-	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	1.50%	503,136	510,683	518,343	526,118	534,010	542,020	550,151	558,403	566,779	575,281	583,910	592,669
Other Project Based Subsidy	1.50%	-	-	-	-	-	-	-	-	-	-	-	-
Income during renovations	0.00%	-	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-	-
Laundry Income	2.50%	16,565	16,979	17,403	17,838	18,284	18,741	19,210	19,690	20,182	20,687	21,204	21,734
Parking & Storage Income	2.50%	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Income	2.50%	-	-	-	-	-	-	-	-	-	-	-	-
GROSS POTENTIAL INCOME (GPI)		**2,367,893**	**2,422,059**	**2,477,503**	**2,534,257**	**2,592,353**	**2,651,821**	**2,712,697**	**2,775,013**	**2,838,804**	**2,904,106**	**2,970,956**	**3,039,391**
VACANCY ASSUMPTIONS	**Vacancy**												
Restricted Unit Rents	5.00%	92,410	94,720	97,088	99,515	102,003	104,553	107,167	109,846	112,592	115,407	118,292	121,249
Unrestricted Unit Rents	7.00%	-	-	-	-	-	-	-	-	-	-	-	-
Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	7.00%	35,220	35,748	36,284	36,828	37,381	37,941	38,511	39,088	39,675	40,270	40,874	41,487
Other Project Based Subsidy	3.00%	-	-	-	-	-	-	-	-	-	-	-	-
Income during renovations	20.00%	-	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-	-
Laundry Income	5.00%	828	849	870	892	914	937	960	985	1,009	1,034	1,060	1,087
Parking & Storage Income	50.00%	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Income	50.00%	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL PROJECTED VACANCY LOSS		**128,457**	**131,317**	**134,242**	**137,235**	**140,298**	**143,431**	**146,638**	**149,919**	**153,276**	**156,711**	**160,226**	**163,823**
EFFECTIVE GROSS INCOME (EGI)		**2,239,435**	**2,290,742**	**2,343,261**	**2,397,022**	**2,452,055**	**2,508,390**	**2,566,059**	**2,625,094**	**2,685,528**	**2,747,395**	**2,810,730**	**2,875,568**
OPERATING EXPENSES	**CPI / Fee**												
Administrative Expenses	3.50%	331,182	342,773	354,770	367,187	380,039	393,340	407,107	421,356	436,103	451,367	467,165	483,516
Management Fee	4.01%	89,689	91,744	93,848	96,001	98,205	100,461	102,771	105,135	107,555	110,033	112,570	115,166
Utilities	3.50%	120,000	124,200	128,547	133,046	137,703	142,522	147,511	152,674	158,017	163,548	169,272	175,196
Operating & Maintenance	3.50%	314,750	325,766	337,168	348,969	361,183	373,824	386,908	400,450	414,466	428,972	443,986	459,525
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
Other Agency Monitoring 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
Other Taxes & Insurance	3.50%	91,550	94,754	98,071	101,503	105,056	108,733	112,538	116,477	120,554	124,773	129,140	133,660
Required Reserve Payments	1.00%	57,500	58,075	58,656	59,242	59,835	60,433	61,037	61,648	62,264	62,887	63,516	64,151
TOTAL OPERATING EXPENSES		**1,014,671**	**1,047,344**	**1,081,122**	**1,116,044**	**1,152,147**	**1,189,474**	**1,228,066**	**1,267,966**	**1,309,221**	**1,351,876**	**1,395,979**	**1,441,581**
NET OPERATING INCOME (NOI)		**1,224,764**	**1,243,398**	**1,262,139**	**1,280,979**	**1,299,908**	**1,318,916**	**1,337,993**	**1,357,127**	**1,376,307**	**1,395,519**	**1,414,751**	**1,433,987**
DEBT SERVICE PAYMENTS	**Lien #**												
Perm	1	1,006,312	1,006,312	1,006,312	1,006,312	1,006,312	1,006,312	1,006,312	1,006,312	1,006,312	1,006,312	1,006,312	1,006,312
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
HCD TOD Loan	3	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000
City of San Jose Loan	4	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL DEBT SERVICE & OTHER PAYMENTS		**1,048,312**	**1,048,312**	**1,048,312**	**1,048,312**	**1,048,312**	**1,048,312**	**1,048,312**	**1,048,312**	**1,048,312**	**1,048,312**	**1,048,312**	**1,048,312**
CASH FLOW AFTER DEBT SERVICE		**176,452**	**195,085**	**213,826**	**232,666**	**251,595**	**270,604**	**289,681**	**308,815**	**327,995**	**347,207**	**366,438**	**385,674**
DEBT SERVICE COVERAGE RATIO		**1.17**	**1.19**	**1.20**	**1.22**	**1.24**	**1.26**	**1.28**	**1.29**	**1.31**	**1.33**	**1.35**	**1.37**
Date Prepared:	04/05/22									Senior Staff Date:	4/6/22		
LESS: Asset Management Fee	3%	25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669	32,619	33,598	34,606
LESS: Partnership Management Fee	3%	7,000	7,210	7,426	7,649	7,879	8,115	8,358	8,609	8,867	9,133	9,407	9,690
net CF available for distribution		**144,452**	**162,125**	**179,878**	**197,699**	**215,579**	**233,507**	**251,471**	**269,459**	**287,458**	**305,454**	**323,433**	**341,379**

	YEAR	1	2	3	4	5	6	7	8	9	10	11	12
Deferred developer fee repayment	1,300,000	1,300,000	1,227,774	1,146,712	1,056,773	957,923	850,134	733,380	607,645	472,915	329,186	176,459	14,743
	50%	72,226	81,063	89,939	98,849	107,789	116,753	125,735	134,730	143,729	152,727	161,717	14,743
Addn'l Services Budget - funded by Borrowe's Share of Suplus Cash		24,192	24,797	25,417	26,052	26,703	27,371	28,055	28,757	29,476	30,212	30,968	31,742
		1,227,774	1,146,712	1,056,773	957,923	850,134	733,380	607,645	472,915	329,186	176,459	14,743	-
Payments for Residual Receipt Payments		*50%*											
RESIDUAL RECEIPTS LOANS	*Payment %*	72,226	81,063	89,939	98,849	107,789	116,753	125,735	134,730	143,729	152,727	161,717	170,689
MIP	*16.77%*	12,112	13,594	15,083	16,577	18,076	19,580	21,086	22,594	24,103	25,612	27,120	28,625
HCD TOD Loan	*36.46%*	26,334	29,555	32,792	36,041	39,300	42,568	45,843	49,122	52,404	55,684	58,962	62,233
City of San Jose Loan	*46.77%*	33,780	37,913	42,064	46,232	50,413	54,606	58,806	63,013	67,222	71,431	75,635	79,831
Total Residual Receipts Payments	**100.00%**	**72,226**	81,063	89,939	98,849	107,789	116,753	125,735	134,730	143,729	152,727	161,717	170,689
Balances for Residual Receipt Payments													
RESIDUAL RECEIPTS LOANS	*Interest Rate*												
MIP---Simple	*2.00%*	4,600,000	4,679,888	4,758,294	4,835,211	4,910,634	4,984,557	5,056,978	5,127,892	5,197,298	5,265,195	5,331,582	5,396,462
HCD TOD Loan---Simple	*3.00%*	10,000,000	10,273,666	10,544,111	10,811,319	11,075,279	11,335,979	11,593,410	11,847,567	12,098,445	12,346,041	12,590,357	12,831,395
City of San Jose Loan---Simple	*3.00%*	12,825,000	13,175,970	13,522,807	13,865,493	14,204,011	14,538,348	14,868,492	15,194,436	15,516,173	15,833,700	16,147,020	16,456,135
Total Residual Receipts Payments		**27,425,000**	28,129,524	28,825,212	29,512,023	30,189,923	30,858,884	31,518,880	32,169,895	32,811,915	33,444,936	34,068,959	34,683,993

PROJECTED PERMANENT LOAN CASH FL0WS								Kelsey Ayer Station						
Final Commitment								Project Number 21-019-A/X/N						
	YEAR	13	14	15	16	17	18	19	20	21	22	23	24	25
RENTAL INCOME	CPI													
Restricted Unit Rents	2.50%	2,485,613	2,547,753	2,611,447	2,676,733	2,743,651	2,812,243	2,882,549	2,954,612	3,028,478	3,104,190	3,181,794	3,261,339	3,342,873
Unrestricted Unit Rents	2.50%	-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial Rents	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	1.50%	601,559	610,582	619,741	629,037	638,472	648,049	657,770	667,637	677,651	687,816	698,133	708,605	719,234
Other Project Based Subsidy	1.50%	-	-	-	-	-	-	-	-	-	-	-	-	-
Income during renovations	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
Laundry Income	2.50%	22,278	22,834	23,405	23,990	24,590	25,205	25,835	26,481	27,143	27,822	28,517	29,230	29,961
Parking & Storage Income	2.50%	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Income	2.50%	-	-	-	-	-	-	-	-	-	-	-	-	-
GROSS POTENTIAL INCOME (GPI)		**3,109,449**	**3,181,169**	**3,254,593**	**3,329,760**	**3,406,714**	**3,485,497**	**3,566,154**	**3,648,730**	**3,733,272**	**3,819,827**	**3,908,445**	**3,999,175**	**4,092,068**
VACANCY ASSUMPTIONS	Vacancy													
Restricted Unit Rents	5.00%	124,281	127,388	130,572	133,837	137,183	140,612	144,127	147,731	151,424	155,209	159,090	163,067	167,144
Unrestricted Unit Rents	7.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	7.00%	42,109	42,741	43,382	44,033	44,693	45,363	46,044	46,735	47,436	48,147	48,869	49,602	50,346
Other Project Based Subsidy	3.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
Income during renovations	20.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
Laundry Income	5.00%	1,114	1,142	1,170	1,200	1,230	1,260	1,292	1,324	1,357	1,391	1,426	1,462	1,498
Parking & Storage Income	50.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Income	50.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL PROJECTED VACANCY LOSS		**167,504**	**171,270**	**175,124**	**179,069**	**183,105**	**187,236**	**191,463**	**195,789**	**200,217**	**204,748**	**209,385**	**214,131**	**218,988**
EFFECTIVE GROSS INCOME (EGI)		**2,941,945**	**3,009,899**	**3,079,468**	**3,150,692**	**3,223,609**	**3,298,261**	**3,374,691**	**3,452,941**	**3,533,055**	**3,615,080**	**3,699,060**	**3,785,044**	**3,873,080**
OPERATING EXPENSES	CPI / Fee													
Administrative Expenses	3.50%	500,439	517,954	536,082	554,845	574,265	594,364	615,167	636,698	658,982	682,047	705,918	730,625	756,197
Management Fee	4.01%	117,825	120,546	123,333	126,185	129,106	132,095	135,156	138,290	141,499	144,784	148,147	151,591	155,117
Utilities	3.50%	181,328	187,675	194,243	201,042	208,078	215,361	222,899	230,700	238,775	247,132	255,781	264,734	273,999
Operating & Maintenance	3.50%	475,609	492,255	509,484	527,316	545,772	564,874	584,645	605,107	626,286	648,206	670,893	694,375	718,678
Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-	-	-	-
CalHFA Monitoring Fee	0.00%	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Other Agency Monitoring Fee	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-
Real Estate Taxes	1.25%	2,902	2,938	2,975	3,012	3,050	3,088	3,126	3,166	3,205	3,245	3,286	3,327	3,368
Other Taxes & Insurance	3.50%	138,338	143,180	148,191	153,378	158,746	164,303	170,053	176,005	182,165	188,541	195,140	201,970	209,039
Required Reserve Payments	1.00%	64,792	65,440	66,095	66,756	67,423	68,098	68,778	69,466	70,161	70,863	71,571	72,287	73,010
TOTAL OPERATING EXPENSES		**1,488,733**	**1,537,489**	**1,587,904**	**1,640,034**	**1,693,940**	**1,749,683**	**1,807,325**	**1,866,932**	**1,928,573**	**1,992,317**	**2,058,237**	**2,126,408**	**2,196,908**
NET OPERATING INCOME (NOI)		**1,453,212**	**1,472,410**	**1,491,565**	**1,510,657**	**1,529,668**	**1,548,579**	**1,567,366**	**1,586,009**	**1,604,482**	**1,622,763**	**1,640,823**	**1,658,636**	**1,676,172**
DEBT SERVICE PAYMENTS	Lien #													
Perm	1	1,006,312	1,006,312	1,006,312	1,006,312	1,006,312	1,006,312	1,006,312	1,006,312	1,006,312	1,006,312	1,006,312	1,006,312	1,006,312
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
HCD TOD Loan	3	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000
City of San Jose Loan	4	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL DEBT SERVICE & OTHER PAYMENTS		**1,048,312**	**1,048,312**	**1,048,312**	**1,048,312**	**1,048,312**	**1,048,312**	**1,048,312**	**1,048,312**	**1,048,312**	**1,048,312**	**1,048,312**	**1,048,312**	**1,048,312**
CASH FLOW AFTER DEBT SERVICE		**404,900**	**424,098**	**443,252**	**462,345**	**481,356**	**500,266**	**519,054**	**537,696**	**556,170**	**574,450**	**592,511**	**610,323**	**627,860**
DEBT SERVICE COVERAGE RATIO		**1.39**	**1.40**	**1.42**	**1.44**	**1.46**	**1.48**	**1.50**	**1.51**	**1.53**	**1.55**	**1.57**	**1.58**	**1.60**
Date Prepared:	04/05/22							Senior Staff Date:	4/6/22					

LESS: Asset Management Fee	3%	35,644	36,713	37,815	38,949	40,118	41,321	42,561	43,838	45,153	46,507	47,903	49,340	50,820
LESS: Partnership Management Fee	3%	9,980	10,280	10,588	10,906	11,233	11,570	11,917	12,275	12,643	13,022	13,413	13,815	14,230
net CF available for distribution		**359,275**	**377,105**	**394,849**	**412,490**	**430,006**	**447,375**	**464,576**	**481,584**	**498,375**	**514,921**	**531,195**	**547,169**	**562,810**

	YEAR	13	14	15	16	17	18	19	20	21	22	23	24	25
Deferred developer fee repayment	1,300,000	-	-	-	-	-	-	-	-	-	-	-	-	-
	50%	-	-	-	-	-	-	-	-	-	-	-	-	-
Addn'l Services Budget - funded by Borrowe's Share of Suplus Cash														
		-	-	-	-	-	-	-	-	-	-	-	-	-
Payments for Residual Receipt Payments														
RESIDUAL RECEIPTS LOANS	*Payment %*	179,638	188,552	197,425	206,245	215,003	223,688	232,288	240,792	249,187	257,460	265,598	273,584	281,405
MIP	*16.77%*	30,125	31,620	33,108	34,587	36,056	37,512	38,955	40,381	41,789	43,176	44,541	45,880	47,192
HCD TOD Loan	*36.46%*	65,496	68,746	71,981	75,197	78,390	81,556	84,692	87,793	90,854	93,870	96,837	99,749	102,600
City of San Jose Loan	*46.77%*	84,016	88,186	92,336	96,461	100,557	104,619	108,641	112,618	116,545	120,414	124,220	127,955	131,613
Total Residual Receipts Payments	**100.00%**	179,638	188,552	197,425	206,245	215,003	223,688	232,288	240,792	249,187	257,460	265,598	273,584	281,405
Balances for Residual Receipt Payments														
RESIDUAL RECEIPTS LOANS	*Interest Rate*													
MIP---Simple	*2.00%*	5,459,838	5,521,712	5,582,092	5,640,984	5,698,397	5,754,341	5,808,828	5,861,874	5,913,493	5,963,704	6,012,528	6,059,987	6,106,107
HCD TOD Loan---Simple	*3.00%*	13,069,162	13,303,666	13,534,920	13,762,939	13,987,742	14,209,352	14,427,795	14,643,103	14,855,310	15,064,457	15,270,587	15,473,750	15,674,001
City of San Jose Loan---Simple	*3.00%*	16,761,054	17,061,787	17,358,351	17,650,766	17,939,055	18,223,248	18,503,379	18,779,488	19,051,620	19,319,825	19,584,161	19,844,691	20,101,485
Total Residual Receipts Payments		35,290,053	35,887,166	36,475,363	37,054,688	37,625,194	38,186,941	38,740,003	39,284,465	39,820,423	40,347,986	40,867,276	41,378,428	41,881,594

PROJECTED PERMANENT LOAN CASH FL0WS					Kelsey	
Final Commitment					Project Number	21-019-A/X/N
	YEAR	26	27	28	29	30
RENTAL INCOME	CPI					
Restricted Unit Rents	2.50%	3,426,445	3,512,106	3,599,908	3,689,906	3,782,154
Unrestricted Unit Rents	2.50%	-	-	-	-	-
Commercial Rents	2.00%	-	-	-	-	-
Project Based Rental Subsidy	1.50%	730,023	740,973	752,088	763,369	774,820
Other Project Based Subsidy	1.50%	-	-	-	-	-
Income during renovations	0.00%	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-
Laundry Income	2.50%	30,710	31,478	32,265	33,071	33,898
Parking & Storage Income	2.50%	-	-	-	-	-
Miscellaneous Income	2.50%	-	-	-	-	-
GROSS POTENTIAL INCOME (GPI)		**4,187,177**	**4,284,557**	**4,384,261**	**4,486,346**	**4,590,871**
VACANCY ASSUMPTIONS	Vacancy					
Restricted Unit Rents	5.00%	171,322	175,605	179,995	184,495	189,108
Unrestricted Unit Rents	7.00%	-	-	-	-	-
Commercial Rents	50.00%	-	-	-	-	-
Project Based Rental Subsidy	7.00%	51,102	51,868	52,646	53,436	54,237
Other Project Based Subsidy	3.00%	-	-	-	-	-
Income during renovations	20.00%	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-
Laundry Income	5.00%	1,535	1,574	1,613	1,654	1,695
Parking & Storage Income	50.00%	-	-	-	-	-
Miscellaneous Income	50.00%	-	-	-	-	-
TOTAL PROJECTED VACANCY LOSS		**223,959**	**229,047**	**234,255**	**239,585**	**245,040**
EFFECTIVE GROSS INCOME (EGI)		**3,963,218**	**4,055,509**	**4,150,006**	**4,246,762**	**4,345,831**
OPERATING EXPENSES	CPI / Fee					
Administrative Expenses	3.50%	782,664	810,057	838,409	867,754	898,125
Management Fee	4.01%	158,727	162,423	166,208	170,083	174,051
Utilities	3.50%	283,589	293,515	303,788	314,421	325,425
Operating & Maintenance	3.50%	743,831	769,865	796,811	824,699	853,564
Ground Lease Payments	3.50%	-	-	-	-	-
CalHFA Monitoring Fee	0.00%	7,500	7,500	7,500	7,500	7,500
Other Agency Monitoring Fee	0.00%	-	-	-	-	-
Real Estate Taxes	1.25%	3,410	3,453	3,496	3,540	3,584
Other Taxes & Insurance	3.50%	216,355	223,928	231,765	239,877	248,272
Required Reserve Payments	1.00%	73,740	74,477	75,222	75,974	76,734
TOTAL OPERATING EXPENSES		**2,269,817**	**2,345,219**	**2,423,199**	**2,503,847**	**2,587,255**
NET OPERATING INCOME (NOI)		**1,693,401**	**1,710,290**	**1,726,807**	**1,742,914**	**1,758,576**
DEBT SERVICE PAYMENTS	Lien #					
Perm	1	1,006,312	1,006,312	1,006,312	1,006,312	1,006,312
-	-	-	-	-	-	-
-	-	-	-	-	-	-
HCD TOD Loan	3	42,000	42,000	42,000	42,000	42,000
City of San Jose Loan	4	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
TOTAL DEBT SERVICE & OTHER PAYMENTS		**1,048,312**	**1,048,312**	**1,048,312**	**1,048,312**	**1,048,312**
CASH FLOW AFTER DEBT SERVICE		**645,088**	**661,978**	**678,494**	**694,602**	**710,264**
DEBT SERVICE COVERAGE RATIO		**1.62**	**1.63**	**1.65**	**1.66**	**1.68**
Date Prepared:	04/05/22				Senior Staff Date:	4/6/22

LESS: Asset Management Fee	3%	52,344	53,915	55,532	57,198	58,914
LESS: Partnership Management Fee	3%	14,656	15,096	15,549	16,015	16,496
net CF available for distribution		**578,088**	**592,967**	**607,413**	**621,388**	**634,854**

	YEAR	26	27	28	29	30
Deferred developer fee repayment	1,300,000	-	-	-	-	-
	50%	-	-	-	-	-
Addn'l Services Budget - funded by Borrowe's Share of Suplus Cash						
		-	-	-	-	-

Payments for Residual Receipt Payments						
RESIDUAL RECEIPTS LOANS	*Payment %*	289,044	296,484	303,707	310,694	317,427
MIP	*16.77%*	48,473	49,720	50,932	52,103	53,232
HCD TOD Loan	*36.46%*	105,385	108,098	110,731	113,279	115,734
City of San Jose Loan	*46.77%*	135,186	138,665	142,044	145,312	148,461
Total Residual Receipts Payments	**100.00%**	289,044	296,484	303,707	310,694	317,427

Balances for Residual Receipt Payments						
RESIDUAL RECEIPTS LOANS	*Interest Rate*					
MIP---Simple	*2.00%*	6,150,916	6,194,443	6,236,723	6,277,791	6,317,688
HCD TOD Loan---Simple	*3.00%*	15,871,401	16,066,015	16,257,917	16,447,186	16,633,907
City of San Jose Loan---Simple	*3.00%*	20,354,622	20,604,186	20,850,271	21,092,978	21,332,416
Total Residual Receipts Payments		42,376,938	42,864,645	43,344,911	43,817,955	44,284,010

MIXED-INCOME LOAN PROGRAM

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

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

Qualifications

APPLICATION:

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

AVAILABILITY:

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

USES:

MIP Subsidy loans must be used in conjunction with CalHFA's Conduit Bond Issuance Program and a construction loan from a CalHFA Mixed-Income Qualified Construction Lender. MIP Subsidy loans must also be used in conjunction with CalHFA's permanent first-lien mortgage financing. CalHFA Mixed-Income Qualified Construction Lender is defined in 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 the project must be tax credit financed, OR
2. Qualified mixed-income project through income averaging pursuant to Internal Revenue Code Section 42 (g)(1)(C).

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Qualifications (continued)

READINESS:

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

1. **Site:** The site must be ready for construction (all potential environmental issues have been identified, mitigation plan is in place, and costs associated with the mitigation plan have been incorporated in the development budget). Environmental issues may include, but not be limited to, receipt of clearances for CEQA, NEPA, and applicable tribal land environmental reviews. Pursuant to HUD-Risk Sharing requirements, sponsor is expected to start the NEPA process shortly after CalHFA verifies application completeness and determines that the project is ready to move forward with an initial commitment ("notification date"). The NEPA clearance and HUD's firm approval letter will be required prior to construction loan closing.
2. **General Contractor and/or Third Party Construction Services Engagement:** At the time of application, Applicant must provide evidence that the applicant or developer has engaged a general contractor or third-party construction services company to provide construction services including, but not limited to, value engineering, bid/budget services, and constructability review of plans and designs. In addition, the proposed construction budget is based on the general contractor's or third-party construction services company's preliminary bid estimates pursuant to the current plans and designs.
3. **Disposition and Development Agreement:** Applicant must provide a copy of the disposition and development agreement, if applicable.
4. **Construction Start:** All projects must commit to begin construction 180 days from the earlier of the date of the tax-exempt bond allocation or 4% federal/state tax credit reservation, unless an extension has been approved by California Tax Credit Allocation Committee (CTCAC), CDLAC, and CalHFA, as applicable. Within the 180-day period, the following items must be submitted to CalHFA in their final form:
    a. A complete updated application form along with a detailed explanation of any changes from the initial application,
    b. An executed construction contract,
    c. Recorded deeds of trust for all construction financing (unless a project's location on tribal trust land precludes this),
    d. Binding commitments for any other financing required to complete project construction,
    e. Copy of a limited partnership agreement executed by the general partner/sponsor and the investor limited partner/equity provider,
    f. Payment of all construction lender fees,
    g. Copies of buildings permits (a grading permit does not suffice to meet this requirement, except 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 required by CalHFA to close construction financing.

Qualifications (continued)

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

1. **Project Cap:** No project may receive more than the lesser of $8 million or the aggregate MIP loan amount calculated based on up to $50,000 per MIP regulated units or up to $60,000 per MIP regulated units for a Project located within the Highest or High Resource areas designated on the CTCAC/HCD Opportunity Area Map.
2. **Sponsor Cap:** No sponsor (any individual, entity, affiliate and related entity) may receive more than the lesser of funding of 2 projects or 20% of total MIP allocation for the respective year.
3. **County Cap:** No one county may receive more than 33% of total MIP allocations for the respective year.
4. **Age-Restricted Cap:** No more than 25% of total MIP funds for the respective year may be received by age-restricted projects (units that are restricted to residents who are 62 years of age or older under the applicable provisions of California Civil Code Section 51.3 and the federal Fair Housing Act), unless a waiver of the minimum age requirement has been granted by U.S. Department of Housing and Urban Development ("HUD").

EVIDENCE OF COST CONTAINMENT:

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

The developer/sponsor must certify that cost containment measures have been implemented to minimize construction costs. These measures should include, but are not limited to, 1) competitively bidding out all major subcontractor and self-performing trades and 2) engaging value engineer/consultant during the design process.

EVIDENCE OF SUBSIDY EFFICIENCY:

A Subsidy Efficiency Analysis will be completed as part of the Application review. The analysis will be completed again prior to closing the MIP Subordinate Loan and the MIP Loan amount may be reduced based on the final analysis. Parameters of the analysis may include but are not limited to the following:

- A maximum of 1.20 Debt Service Coverage Ratio ("DSCR"). 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 a mixed-use project,
- A cash flow 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,
- Developer Fee requirements matching those required under the 4% federal and/or state tax credit reservation,
- Capitalized reserves subject to approval by Agency for reasonableness consistent with the Agency's Underwriting Standards and the Investor Limited Partnership Agreement (ILPA),

Qualifications (continued)	• Review of Excess Sources over final Uses as approved by CalHFA resulting from any of the following: · An increase in tax credit equity, · An increase in permanent loan debt due to a combination of permanent loan rate reduction and/or reduction to operating expense assumptions; • Construction Cost Savings as evidenced by final cost certification, funds shall be used to reduce the MIP loan prior to CalHFA MIP loan closing or if required by other subordinate lenders, funds may be split on a pro rata basis between CalHFA and other subordinate lenders. • State tax credit request is expected to be within a range of $50,000 to $75,000 per unit. The projects that evidence the most efficient use of state tax credits and MIP per adjusted unit shall be prioritized for MIP funding considerations. The state tax credits and MIP per adjusted unit calculation shall be consistent with CDLAC Regulation Section 5231(g)(1) and 5231(g)(2). MIP final commitment shall be subject to the project's receipt of CDLAC's preliminary tax-exempt bond allocations and CTCAC's tax credits reservations, • Acquisition cost shall be the lesser of 1) the purchase price pursuant to a current purchase and sales agreement between unrelated parties, 2) the purchase price of an arm's length transaction executed within the past 10 years plus reasonable carrying costs, or 3) the appraised "as-is" value based on an Appraisal acceptable to CalHFA in its sole discretion. The appraised value of the real estate may be considered if the arm's length transaction exceeds 10 years.
CalHFA Mixed-Income Qualified Construction Lender	A CalHFA Qualified Construction Lender is defined as a Construction Lender that has closed at least five (5) construction loans using tax-exempt bonds and 4% federal and/or state tax credits in California within the last three (3) years and satisfies the requirement set forth within the application.
CalHFA Mixed-Income Development Team Qualifications	The **Developer/Co-Developer/General Partner** must be registered to do business and in good standing in the state of California. A CalHFA Qualified Developer/Co-Developer/General Partner must have developed at least three (3) comparable projects within the past five (5) years or meet the requirements to receive a minimum of 7 points under the CDLAC General Partner Experience category pursuant to CDLAC Regulations Section 5230(f). The proposed **Project Manager** must have personally managed the development of at least two (2) comparable projects within the past five (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. **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 in the State of California. **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.

CalHFA Mixed-Income Development Team Qualifications (Continued)	**Management Company** must have a local presence or a field office in Northern or Southern CA (depending on the location of the Project) and have experience managing at least 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 or meet the requirements to receive a minimum of 3 points under the CDLAC Management Company Experience category pursuant to CDLAC Regulations Section 5230(f).
Permanent First Lien Loan	Must be provided by CalHFA. The permanent loan must meet an initial minimum DSCR of at least 1.15 and must maintain a DSCR of 1.0 or higher for the term of the permanent first lien loan.
Construction First Lien Loan	Provided by a CalHFA Mixed-Income Qualified Construction Lender. All parties shall permit the Agency to, in its sole and absolute discretion, recycle all or a portion of any Bond volume cap related to a paydown of the Bond financed loans, at the conversion of the construction financing to permanent financing and payoff of the Construction Loan, pursuant to the authority provided in Section 146(i)(6) of the Internal Revenue Code of 1986 and CDLAC Regulation Section 5060 (the "Bond Recycling"). The Bond documents, loan documents and any other documents related to the financing of the Development shall contain any necessary approvals and permit all actions necessary to accomplish a Bond Recycling.
Limitations	1. MIP cannot be combined with the CTCAC 9% program. 2. MIP cannot be combined with other state subordinate debt and/or subsidy programs (this does not include state tax credits) with the exception of the Infill Infrastructure Grant, contingent upon restrictions that are compatible with the MIP program requirements. Inclusion of other subordinate debt and subsidy will be allowed at CalHFA's discretion so long as any restrictions of subordinate debt or subsidy are compatible with MIP program requirements outlined herein. 3. Projects that have a below market rate component 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 CTCAC or a tax-exempt bond allocation from CDLAC. 5. Projects will not be eligible for other subsidy resources from CalHFA in addition to MIP.
Mixed-Income Project Occupancy Requirements	**BOND REGULATORY AGREEMENT REQUIREMENTS (ALL PROJECTS):** Must maintain either (a) 20% of the units must be rent restricted and occupied by individuals whose incomes are 50% or less of AMI with adjustments for household size ("20% @ 50% AMI"), OR (b) 40% or more of the units must be both rent restricted and occupied by individuals whose incomes are 60% or less of AMI with adjustments for household size ("40% @ 60% AMI"): in the latter case, CDLAC requires a minimum of 10% of the unit types must be at 50% or less of AMI ("10% @ 50% AMI").

Mixed-Income Project Occupancy Requirements (Continued)	**MIXED INCOME REGULATORY AGREEMENT REQUIREMENTS (ALL PROJECTS):** **Affordability Requirements:** 1. To qualify, a project must meet the following affordability restrictions, based on the HUD or locality (as applicable) income and rent limits which are current at the time of MIP application, for a term of 55 years: a. 10% of total units at or below 50% of AMI, b. 10% of total units between 60% to 80% of AMI with an average of 70% of AMI or greater, subject to the Maximum Allowable Rents outlined below, and c. Remaining 80% of total units at or below 120% of AMI with the exception of the non-restricted manager's unit(s) OR at the affordability restrictions consistent with CTCAC requirements. (Deviations from the average unit affordability levels of 70% AMI will only be considered if Market Study supports such deviations.) 2. Projects must be tax credit transactions that are income-averaged and must not exceed an average affordability of 60% of AMI across all restricted units.
Mixed-Income Project Occupancy Requirements (Continued)	**MAXIMUM ALLOWABLE RENTS:** Rents for all restricted units must be at least 10% below market rents as evidenced by a current Market Study or an Appraisal. This threshold will be analyzed at time of application and again at CalHFA's final commitment approval. The report shall be current within 180 days of Agency's final commitment and may be subject to required updating if the report expires prior to construction loan closing. Any proposed rent adjustments above 5% of the approved rents subsequent to construction loan closing may be considered if supported by a recent or updated Market Study or Appraisal that is dated within 180 days from MIP loan closing, at CalHFA's sole discretion.
Mixed-Income Subordinate Loan	1. Maximum loan amount for each project shall not exceed the lesser of $8 million or the aggregate MIP loan amount calculated based on up to $50,000 per MIP regulated units, unless an exception is approved by Agency in its sole discretion. a. Maximum loan per restricted (tax credit or CalHFA) units between 30%-120% AMI shall be up to $50,000. b. Projects located within the Highest or High Resource areas designated on the CTCAC/HCD Opportunity Area Map shall be eligible for an additional amount up to $10,000 per MIP regulated unit. Opportunity Map Home Page: www.treasurer.ca.gov/ctcac/opportunity.asp 2. Loan size based on project need but cannot be more than 50% of the permanent loan amount.

Mixed-Income Subordinate Loan Rates & Terms	1. **Interest Rate**: Greater of 1% simple interest or the applicable federal rate (AFR) at time of MIP closing. 2. **Loan Term**: The MIP loan term shall be coterminous with the CalHFA permanent first lien loan. 3. **Loan Payment**: Residual receipt repayment based on cash flow analysis and split 50% to Owner and 50% to CalHFA and other residual receipt lenders. Residual receipt is defined as 50% of surplus cash which is determined as net operating income minus total debt service and other Agency approved payments. Payments shall be applied to the current and/or accrued interest and then principal of the MIP loan. Deviation from the net cash flow split may be granted 1) to meet equity investor's deferred developer's fee requirement as evidence by the limited partnership agreement, and 2) is subject to approval(s) by other residual receipt lender(s), as applicable. 4. **Affordability Term**: 55 years. 5. **Prepayment**: May be prepaid at any time without penalty. 6. **Subordination**: A subordination and/or extension of MIP maturity request in conjunction with a re-syndication, refinance, or ownership transfer ("capitalization event(s)") will be considered. If MIP loan is outstanding at time of the capitalization event(s) and requires subordination at the time of such event, the surplus cash split between borrower and CalHFA and other residual receipt lenders may be altered to reflect an increased percentage of residual receipts to CalHFA out of Borrower's share until such time as the MIP loan is paid in full. The remaining residual receipts may be split between other residual receipt lenders. 7. **Funded**: Only at permanent loan conversion.
CalHFA Conduit Bond Program	For more information on CalHFA's Conduit Issuer Program and the fees associated with it, visit CalHFA's website: www.calhfa.ca.gov/multifamily/programs/forms/termsheet-conduit.pdf
CalHFA First Lien Permanent Rates & Terms (subject to change)	For more information on CalHFA's Permanent Loan Program and the fees associated with it, visit CalHFA's website: www.calhfa.ca.gov/multifamily/programs/forms/termsheet-perm-tax-exempt.pdf
Fees (subject to change)	**Loan Fee:** 1.00% of the loan amount (50% due at final commitment and 50% due at CalHFA MIP loan closing). **Conduit Bond Program Fees:** Refer to CalHFA Conduit Bond Program www.calhfa.ca.gov/multifamily/programs/forms/termsheet-conduit.pdf **CDLAC Fees:** Refer to CDLAC regulations for all applicable fees. 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: 01/2021

TAX-EXEMPT PERMANENT LOAN PROGRAM

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

Qualifications	• Available to for-profit, non-profit, and public agency sponsors. • Tax-exempt bond authority must be obtained from the California Debt Limit Allocation Committee (CDLAC) or through a 501(c)(3) exemption. • The Tax-Exempt Permanent Loan may be used with or without 4% low income housing tax credits. • If a lender other than CalHFA is providing short-term, first-lien debt, CalHFA shall be used as the bond issuer (for more information, review the Conduit Issuer Program Term Sheet). • For Section 8 Projects, a final commitment is conditioned upon review and acceptance by CalHFA of the HAP or AHAP contract. • The Perm Loan will be credit-enhanced through CalHFA's HUD/FHA Risk Sharing Program. • For existing CalHFA portfolio loans, the current owner is required to pay off all outstanding CalHFA debt. Visit www.calhfa.ca.gov for the CalHFA Portfolio Loan Prepayment Policy.
Loan Amount	• Minimum Perm Loan amount of $5,000,000. • Minimum 1.15x for initial debt service coverage ratio (include any financing with amortizing debt). If a Project includes CalHFA's subsidy loan, the maximum DSCR at year 1 shall not exceed 1.20, unless CalHFA approves a higher DSCR at its own discretion. The year 1 DSCR underwritten at the time of final loan approval and final commitment must be maintained as the minimum DSCR through the term of the Perm Loan. CalHFA may require the initial DSCR to be higher than the minimum 1.15x, if deemed necessary to meet the Agency's underwriting requirements. • Lesser of 90% of restricted value or 100% of development costs. For Projects with equity being cashed out, the Perm Loan amount will be restricted to no more than 80% of the restricted value.
Fees (subject to change)	• Application Fee: $10,000 non-refundable, due at time of application submittal, and is credited toward the CalHFA Legal Fee at Perm Loan closing. The applicant may be subject to a new Application Fee if the CalHFA commitment expires prior to construction loan closing. • Perm Loan Fee: 1.00%, half due at final commitment, with balance due at Perm Loan closing. • 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 Monitoring Fee: $7,500 annually (not to be duplicated if used in conjunction with CalHFA's Conduit Program). • Inspection fees should be estimated at $500 per month for the term of the construction (reports and fees can be shared with other construction lenders) • Legal Fee: $35,000, half due at final commitment, with balance due at Perm Loan closing. • Administrative Fee: $1,000 at Perm Loan closing. • Letter of Interest Fee: $5,000 at LOI request, and is credited toward the CalHFA Perm Loan Fee See CalHFA standard Conduit Issuer Program Term Sheet for information on conduit issuance fees.

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

Occupancy Requirements (continued)	Any units restricted by the Agency pursuant to this program, including those units restricted in addition to the minimum requirements set forth above, shall be rented at rents up to 30% of the applicable income restriction using the occupancy assumptions required in the Agency's Regulatory Agreement. Rents for all restricted units must be at least 10% below market rents as evidenced by current market study or an appraisal. CalHFA's regulated units must represent a comparable share of the available unit sizes (by bedroom count and square feet) and be disbursed throughout the project.
Due Diligence	The following due diligence is required to be provided at the Owner/Borrower's expense (refer to the program's document checklist for a full list): • Appraisal* (a construction lender's appraisal may be acceptable). • HUD-2530 previous participation clearance. • Construction Costs Review for new construction loans (other construction lender's review is acceptable). • Physical Needs Assessment* ("PNA") for rehabilitation projects with a Replacement Reserve Needs Analysis ("RRNA") over time for the first 20-year term (other lender's PNA/RRNA may be acceptable). • Phase I and Phase II (if applicable) Environmental Site Assessment* including, but not limited to, impact reviews that meet federal environmental requirements (such as historic preservation and noise remediation). The Purpose section of Phase I must state "a purpose of the Phase I is to document compliance with HUD policy pursuant to 24 CFR §58.5(i)(2) or §50.3(i)". • Market Study* satisfactory to CalHFA. • NEPA Review. • Termite/Dry Rot reports* by licensed company. • Seismic review* and other studies may be required at CalHFA's discretion. *Note: Third party reports shall be within 180 days prior to the CalHFA's final commitment approval and may be subject to a new or updated report if the report(s) was completed more than 180 days prior to construction loan closing, in CalHFA's sole discretion.
Required Impounds and Reserves	• Replacement Reserve: Initial cash deposit required for existing Projects with annual deposits between $250 and $500 per unit/per year depending on the Project type and PNA/RRNA findings. • Operating Expense Reserve ("OER"): 3-6 months of operating expenses, reserves, debt service, and monitoring fees due at Perm Loan closing (letter of credit or cash) and held for the life of the CalHFA Perm Loan by CalHFA. In the event OER funds are drawn down during the term of CalHFA Perm Loan, it must be replenished over a period of 12 months to the original level. • Impounds held by CalHFA: One year's prepaid earthquake, hazard and liability insurance premiums, and property tax assessments are collected at loan closing. An earthquake insurance waiver is available for Projects which have met CalHFA earthquake waiver standards during rehabilitation or construction. • Transition Operating Reserve (TOR): required for Projects with state or locally administered rental subsidy contracts with contract terms that are less than 20 years or the CalHFA Perm Loan term. • Other reserves as required (at CalHFA's discretion).

Last revised: 1/2022

CONDUIT ISSUER PROGRAM

MULTIFAMILY HOUSING BONDS

Term sheet effective for applications submitted after March 1, 2022

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

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

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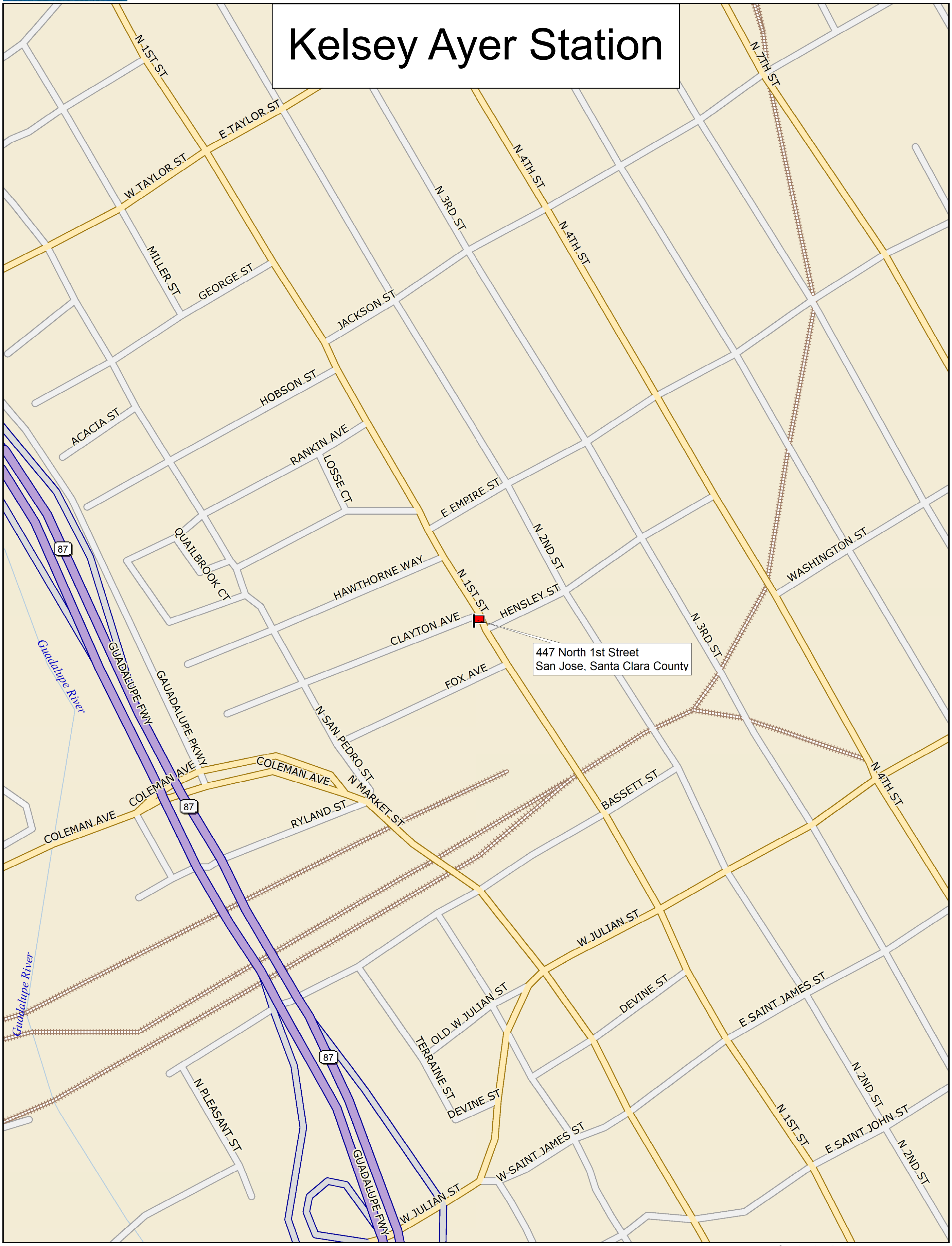
Occupancy Requirements	• Either (A) 20% of the units must be rent restricted and occupied by individuals whose incomes are 50% or less of the area median income as determined by HUD ("AMI") with adjustments for household size ("20% @ 50% AMI"), or (B) 40% or more of the units must be rent restricted and occupied by individuals whose income is 60% or less of AMI, with adjustments for household size ("40% @ 60% AMI"); however in the latter case, a minimum of 10% of the units must be at 50% or less of AMI. • Any units restricted by the Agency pursuant to this program, including those units restricted in addition to the minimum requirements set forth above, shall be rented at rents up to 30% of the applicable income restriction using the occupancy assumptions required in the Agency's Regulatory Agreement. Rents for all restricted units must be at least 10% below market rents as evidenced by a current market study or an appraisal. • Borrower will be required to enter into a Regulatory Agreement which will be recorded against the Project for the Qualified Project Period (as defined in the CalHFA Regulatory Agreement). This includes the later of the federally-required qualified project period, repayment of the Bond funded loan, redemption of the Bonds, the full term of the CDLAC Resolution requirements or 55 years.

Last revised: 03/2022

Kelsey Ayer Station



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TN

MN (12.9°E)

Scale 1 : 6,400

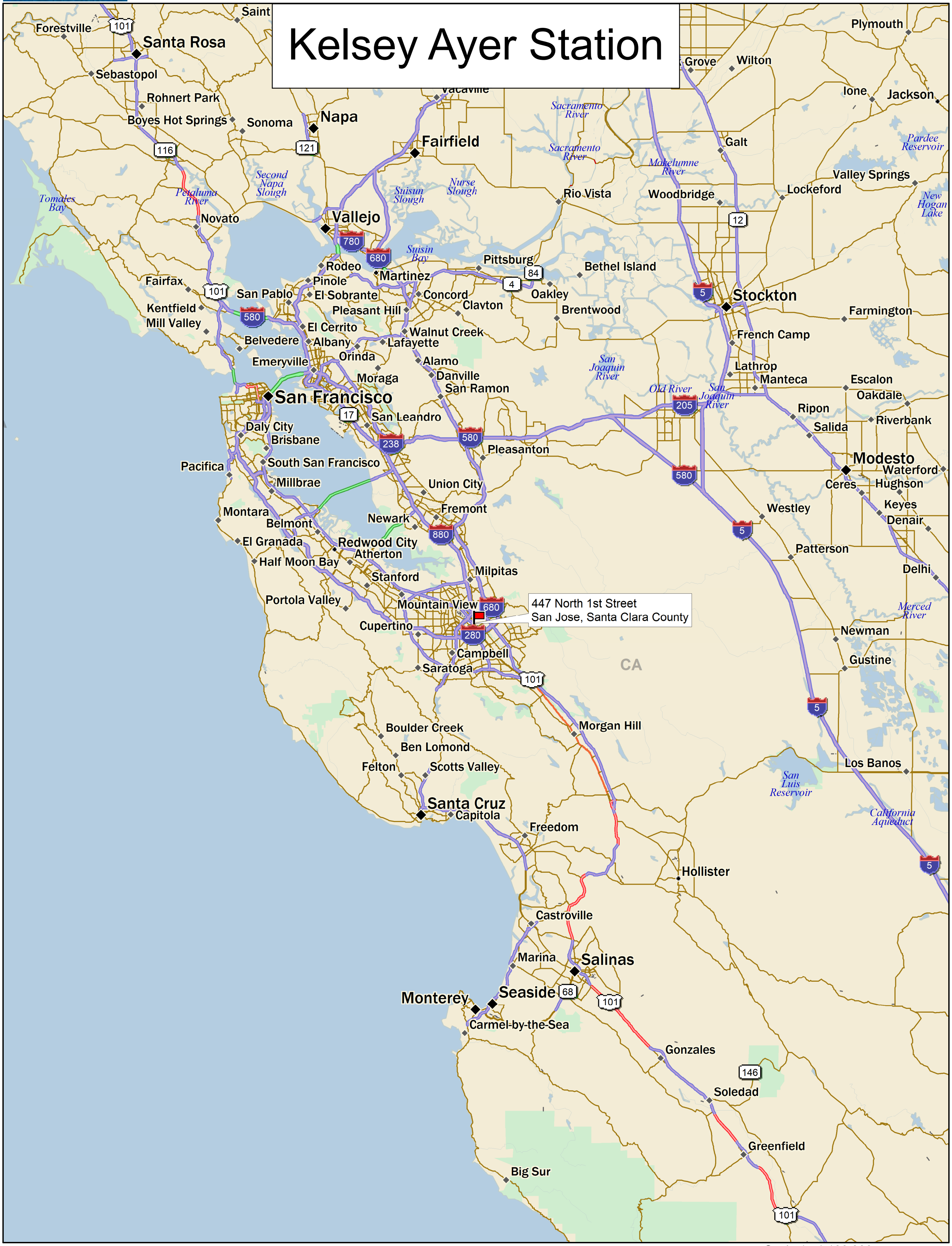
0 180 360 540 720 900 ft

0 40 80 120 160 200 m

1" = 533.3 ft

Data Zoom 15-0

Kelsey Ayer Station



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TN

MN (12.9°E)

Scale 1 : 1,100,000

1" = 17.36 mi

Data Zoom 7-5