CalHFA MULTIFAMILY PROGRAMS DIVISION

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

Senior Loan Committee "Approval": September 7, 2022 for Board Meeting on: September 22, 2022

Project Name, County:	**8181 Allison, San Diego County**	
Address:	**8181 Allison Ave., La Mesa, 91942**	
Type of Project:	**New Construction**	
CalHFA Project Number:	22-018-A/X/S	**Total Units: 147/Family**
Requested Financing by Loan Program:	$31,000,000	**CalHFA Tax-Exempt Bond – Conduit Issuance Amount (Allocated by CDLAC on 6/15/22)**
	$875,000	**CalHFA Tax-Exempt Bond (Supplemental)- Conduit Issuance Amount (CDLAC application to be submitted 9/2022)**
	Up to $14,000,000	**CalHFA Taxable Bond – Conduit Issuance Amount (which may include recycled bonds) (including 10% cushion)**
	$20,685,000	**CalHFA Tax-Exempt or FFB Permanent Loan with HUD Risk Share**
	$4,500,000	**CalHFA MIP Subsidy Loan**
	$2,576,000	**CalHFA Supplemental MIP Subsidy Loan (refer to section 5 for further information)**

DEVELOPMENT/PROJECT TEAM

Developer:	USA Multi-Family Development, Inc.	**Borrower:**	La Mesa 694, L.P.
Permanent Lender:	CalHFA	**Construction Lender:**	Key Bank
Equity Investor:	WNC & Associates	**Management Company:**	USA Multifamily Management, Inc.
Contractor:	USA Construction Management, Inc.	**Architect**	Dahlin Group, Inc.
Loan Officer:	Kevin Brown	**Loan Specialist:**	N/A
Asset Manager:	Jessica Doan	**Loan Administration:**	Julissa Garcia
Legal (Internal):	Amara Harrell (KMTG)	**Legal (External):**	Orrick, Herrington, Sutcliffe
Concept Meeting Date:	5/5/2022	**Approval Expiration Date:**	180 days from Approval

LOAN TERMS

1.		**CONDUIT ISSUANCE/** Citibank **CONSTRUCTION LOAN**	**CalHFA PERMANENT LOAN**	**CalHFA MIP SUBSIDY LOAN AND SUPPLEMENTAL MIP LOAN**
	Total Loan Amount	$31,875,000 (T/E) $12,000,000 (Tax) (which	$20,685,000	**Original MIP: $**4,500,000 **Supplemental MIP**

		may include recycled bonds)		$2,576,000 Total CalHFA MIP Subsidy Loan: $7,076,000 ($48,466/restricted unit)
	Loan Term & Lien Position	36 months- interest only; 1st and 2nd Lien Position during construction. Two six-month extensions available.	40 year –partially amortizing due in year 17; 1st Lien Position at permanent loan conversion	17 year - Residual Receipts; 2nd Lien Position at permanent loan conversion
	Interest Rate	Underwritten at 5.00% (T/E) and 5.25% (Tax) variable rate	Underwritten Rate*: 6.31% (Fixed Rate locked) Estimated rate based on a 36 month forward commitment	Greater of 1% Simple Interest or the Applicable Federal Rate (AFR) at time of MIP closing (3% Simple was used for underwriting purposes)
	Loan to Value (LTV)	45% of investment value	51% of restricted value	N/A
	Loan to Cost	51%	31%	N/A

** The all-in fixed rate of 6.31% is the final rate locked for the loan closing.*

PROJECT SUMMARY

2.	**Legislative Districts**	**Congress:**	#53 Sara Jacobs	**Assembly:**	#79 Akilah Weber	**State Senate:**	#38 Brian Jones
	Brief Project Description	**8181 Allison** (the "Project") is a new construction family mixed income Project. It consists of 1 four-story elevator-served building over 1 podium level with partial subterranean parking. There will be 147 total units, 146 of which will be restricted between 30% and 70% of the San Diego County Area Median Income (AMI). There will be 103 one-bedroom units (578 sf), and 44 two-bedroom units (860 sf). One two-bedroom unit will serve as the manager's unit. The site is currently vacant with a surface parking lot on the western portion. **Financing Structure:** The Project's financing structure includes financing from tax-exempt bonds, taxable loan, 4% Federal Tax Credit equity, a subordinate residual receipts loan from the City of La Mesa, and CalHFA tax-exempt permanent loan program and Mixed-Income Program (original and supplemental). The project will be income averaged, pursuant to TCAC regulations. **Tax Credits and/or CDLAC Status:** The project received an allocation of tax-exempt bonds from CDLAC and an award of 4% federal tax credits from TCAC on 6/15/2022. The Project will be applying in September for a supplemental bond allocation which is expected to be awarded in 2022. The supplemental allocation is being requested to add a cushion to the project's 50% aggregate basis requirement (the "50% test") which is currently at approximately 50%. The supplemental allocation will increase this to approximately 51.9%, 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 La Mesa ("City") for a term of at least 65 years and no greater than 99 years for an amount of $6,620,000. The capitalized ground lease payment of $6,620,00 will be funded by a Housing Successor Loan from the City of the same amount at construction loan closing. The City's loan will be for a term of at least 65 years with an initial payment of $25,000 at					

construction loan closing and thereafter via residual receipts with 3% simple interest per annum. Residual receipt payments to the City's loan will be deferred until the Deferred Developer Fee (DDF) has been fully repaid. After repayment of DDF, the City's payments will be 50% of surplus cash; this will be achieved by a combination of the City's pro rata share of residual receipts and Borrower's portion of surplus cash.

Project Amenities: The Project includes a community room, swimming pool and jacuzzi, exercise room, picnic area, computer room, rooftop lounge, dog washing station, and central laundry facilities. Unit amenities will include central heating and air conditioning, dishwashers, and garbage disposals.

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

- Grocery stores – 0.20 mile
- Schools – 0.36 to 2.95 miles
- Public Library – 0.10 mile
- Public transit – 0.07 mile
- Retail – 0.20 mile
- Park and recreation – 0.36 mile
- Hospitals – 1.21 miles

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

Commercial 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 146 units of affordable housing with a range of restricted rents between 30% of AMI and 70% of AMI which will support much needed rental housing that will remain affordable for 55 years.		

ANTICIPATED PROJECT MILESTONES & SCHEDULE

4.	CDLAC/TCAC Closing Deadline:	12/12/2022	Est. Construction Loan Closing:	12/2022
	Estimated Construction Start:	12/2022	Est. Construction Completion:	July 2024
	Estimated Stabilization and Conversion to Perm Loan(s):		12/2025	

SOURCES OF FUNDS

5.

Construction Sources and Uses

Sources	**Amount**	**Details (Lien Position/Rate/Debt Type)**	**Uses**	**Amount**
Key Bank - Conduit- Tax Exempt	$31,875,000	1st/5.00%/Interest Only	Total Acquisition costs	$6,620,000
Key Bank - Conduit- Taxable (which may include recycled bonds)	$12,000,000	2nd/5.25%/Interest Only	Construction/Rehab Costs	$37,252,644
City of La Mesa (Ground Lease Loan)	$6,620,000	3rd/3.00%/Deferred	Soft Costs	$433,513
Deferred Developer Fee Note	$6,552,185	N/A	Hard Cost contingency	$2,404,700
Investor Equity Contribution	$5,007,817	N/A	Soft Cost contingency	$193,359
			Financing Costs	$6,469,100
			Local Impact Fees	$1,114,230
			Developer Fees	$7,137,811
			Other Costs	$429,645
TOTAL	**$62,055,002**			**$62,055,002**
TOTAL PER UNIT	**$422,143**			

Permanent Sources and Uses

Sources:	**Amount**	**Details (Lien Position/Rate/Debt Type)**	**Uses**	**Amount**
CalHFA Perm Loan	$20,685,000	1st/6.31%/40 year amort due in year 17	Total Loan and Equity Payoffs	$62,055,002
CalHFA MIP Loan	$4,500,000	2nd/3.00%/Residual Receipts	Financing costs	$3,711,706
CalHFA Supplemental MIP Loan**	$2,576,000	2nd/3.00%/Residual Receipts**	Soft costs	$17,500
City of La Mesa (Ground Lease Loan)	$6,620,000	3rd/3.00%/Residual Receipts	Operating Reserves	$568,735
NOI (pre-conversion)*	$1,449,728	N/A		
Deferred Developer Fee Note	$5,483,132	4th/1.00%/Developer Portion CF		
Investor Equity Contributions	$25,039,083	N/A		
TOTAL	**$66,352,943**			**$66,352,943**
TOTAL PER UNIT	**$451,381**			

*The estimated NOI During Construction is based on an 8-month lease-up period and 3 months of stabilized occupancy prior to conversion.

** CalHFA Supplemental MIP loan repayment will have priority over the Original MIP Loan in the repayment priority.

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

At the time of CalHFA's initial commitment (March of 2022), the developer estimated the total development cost (TDC) to be $61,588,651 or $418,970/unit. CalHFA issued an initial commitment based on these initial costs estimates for the developer to use to apply to CDLAC for tax exempt bond cap and to CTCAC for federal tax credits. On June 15, 2022 the Borrower received the related allocations from CDLAC and CTCAC.

On the sources side, there were cost savings related predominantly to 1) increase in investor equity contribution of $1,515,463, 2) increase in deferred developer's fee of $621,306, 3) increase in NOI during construction of $261,523, and (4) a reduction in other soft costs of $1,000,843. On the Uses side, cost increases were related to; 1) increase in construction hard costs of $2,284,755; 2) market related increases driving CalHFA's higher interest rate and spreads which resulted in a $835,000 reduction to the permanent loan amount; 3)increases to interest rates from the Construction Lender which resulted in a $3,048,438 increase to financing costs related to construction period debt service and loan fees. Overall, the deficit in the updated budget is $3,201,000.

The summary of changes in sources and uses between initial commitment vs. current proposed are outlined below:

Summary of changes in Sources/Uses since the Initial Commitment approval					
SOURCES - Major Changes Description	**Initial Commitment Amount $**	**Current Proposed Amount $**	**Increase/ Reduction $**	**Per unit Cost Adjustment**	**% Adjustment of IC Approval**
1 - CalHFA Perm Loan (prior to removal of 25bps cushion)	$20,895,000	$20,060,000	-$835,000	-$5,680	-4.00%
2 - Deferred Developer Fee Note	$4,861,826	$5,483,132	$621,306	$4,227	12.78%
3 – NOI during construction	$1,188,205	$1,449,728	$261,523	$1,779	22.01%
4 - Investor Equity Contribution	$23,523,620	$25,039,083	$1,515,463	$10,309	6.44%
Total Changes in Sources (A)	**$50,468,651**	**$52,031,943**	**$1,563,292**	**$10,635**	**3.10%**

USES - Major Cost Changes Description	**Initial Commitment Amount $**	**Current Proposed Amount $**	**Increase/ Reduction $**	**Per unit Cost Adjustment**	**% Adjustment of IC Approval**
1 - Construction hard cost	$29,777,906	$32,062,661	$2,284,755	$15,543	7.67%
2 - Construction loan cost	$3,294,737	$6,343,175	$3,048,438	$20,738	92.52%
3- Deferred Developer Fee Note	$6,705,869	$7,137,811	$431,942		
3 – Other (Soft Costs)	$0	-$1,000,843	-$1,000,843	-$6,808	-100.00%
Total Changes in Uses (B)	**$39,778,512**	**$44,542,804**	**$4,764,292**	$32,410	11.98%
Current Funding Gap (A-B):			**-$3,201,000**		
Gap Funding sources:					
Increase in CalHFA Perm Loan (Rate lock without 25bps cushion):			**$625,000**		
Supplemental MIP Request:			**$2,576,000**		
Gap funding Sources Total:			**$3,201,000**		
Remaining Funding Gap:			**$0**		

Hard Cost/Soft Cost changes: The developer is a vertically integrated organization and owns the general contractor entity, USA Construction Management, Inc. In an effort to mitigate market disruptions, the Borrower met with their design team and general contractor to evaluate the original construction hard cost budget. As a result, they were able to reduce site work costs by approximately $188,919, however, there was an overall $2,248,755 increase in construction costs attributed to inflation. In addition, the developer was able to negotiate a reduction of the loan origination fee from the construction lender.

Deferred Developer Fee: The current budget also reflects an increase of the total developer's fee by $431,942, however, the current deferred developer's fee (DDF) is approximately $621,306 higher than the original budget, which results in a net increase of DDF by $189,364 (original developer fee $6,705,869 with $4,861,826 deferred and current developer fee $7,137,811 with $5,483,132 deferred). Through the project's final underwriting prior to construction and permanent loan conversion, efforts shall be made to mitigate a portion of the financing gap through restructuring of the Developer fee or direct equity contribution by the Developer.

Perm Loan Reduction & Equity Contribution Adjustment: The equity contribution adjustment is anticipated to be approximately $1,515,463. During final underwriting, the CalHFA permanent loan of $20,895,000 was reduced by $835,000 to $20,060,000. This was attributed to increases in perm loan financing costs related to macroeconomic factors, such as inflation. The underwriting interest rate of 6.31% is inclusive of costs associated with the Agency offering extended rate lock period of 6+ months and interest rate hedging costs incurred by the Agency.

To mitigate the funding gap of $3,201,000 CalHFA was able to increase the perm loan by allowing the removal of 25 bps underwriting cushion and rate locking at 6.31% fixed interest rate for loan closing (perm conversion at 36-month forward from construction loan closing). This resulted in a permanent loan increase of $625,000 to $20,685,000, which reduced the overall funding gap to $2,576,000 as shown above.

The estimated funding gap after exhausting all resources available to the project totals approximately $2,576,000. The Borrower has requested an increase to the MIP Subsidy Loan of $2,576,000 to fund the remaining gap. Pursuant to the TCAC/CDLAC requirements this project must begin construction by December 2022. A $2,576,000 increase in the MIP supplemental subsidy ($17,644/unit) results in an overall MIP Regulated Unit amount of $48,466 per restricted unit. The original MIP and Supplemental MIP total $7,076,000.

Subsidy Efficiency: The Initial MIP commitment for this Project was $4,500,000 ($30,822 per MIP restricted units). The current proposed MIP commitment is $7,076,000 ($48,466 per MIP restricted units) including the requested Supplemental MIP funding.

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

- 4% Federal Tax Credits: $28,638,680 ($196,155 per TCAC restricted unit).

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

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

Other Locality Subsidies: The Project will be funded with $6,620,000 from the City of La Mesa (ground lease loan).

Cost Containment Strategy:
The general contractor is USA Construction Management, Inc. (USACM), a wholly owned and controlled subsidiary of the Developer. As a fully vertically integrated developer, all functional disciplines (Architecture, Development, Construction, Property Management) were engaged early in the design process with the architect and other design consultants to design the best project in the most cost-effective manner. USACM fully bids all construction trades and obtains at least three bids. USACM does not self-perform any trades. USACM develops a detailed critical path construction schedule to ensure the project is delivered on time and within budget and utilizes a Guaranteed Maximum Price (GMP) construction contract with a provision that cost savings go to the owner. The Developer and USACM complete a post construction audit to evaluate and identify further process improvements.

6.	Equity – Cash Out (estimate): Not Applicable

TRANSACTION OVERVIEW

7.	**Proposal and Project Strengths**

- The Project has been awarded 4% tax credits which are projected to generate equity representing approximately 37.7% of total financing sources.
- The developer/sponsor has extensive experience in developing similar affordable housing projects and has experience with CalHFA.
- The Project will serve low-income families ranging between 30% to 70% of AMI. On average, the rents are between 19% to 68% below market rents based on current appraisal.
- The Loan-to-Value will be 51%, which is well below the Agency's maximum requirements of 90%. This results in less risk to the Agency.
- The locality has invested in the success of the Project as demonstrated by a ground lease for at least 65 years and a

ground lease loan.

- The projected portion of the developer's fee that will be collected at or prior to permanent loan conversion is $1,654,679 which could be available to cover cost overruns and/or unforeseen issues during construction.

8. Project Weaknesses with Mitigants:

- The exit analysis assumes 2% increase to the appraisal cap rate (resulting in 5.75%) and a 3% increase of the underwriting interest rate at loan maturity (resulting in 9.31%). Based on these assumptions, the Project will have the ability to fully repay the balance of the Agency's permanent first lien loan and a portion of the Supplemental MIP loan in the estimated amount of $1,855,686, leaving an outstanding balance of $1,685,418 (principal and accrued interest plus the full amount of the original MIP loan in the estimated amount of $6,525,000 (principal and accrued interest). Total combined estimated MIP balance at refinance is $8,210,418. This is expected by CalHFA given the requirement that the MIP loan be co-terminus with the permanent first mortgage. The primary source of repayment for both the first mortgage and the MIP subsidy loan is refinance of the project's first mortgage. To the extent such a refinance is insufficient to fully repay the Supplemental MIP and original MIP loans, it is contemplated that any remaining balance will be paid from a general partner contribution as part of the final close out of partnership obligations to allow re-syndication.
- The Project budget indicates a deficit of approximately $2,576,000. The Borrower has requested a $2,576,000 increase to the initially committed MIP subsidy loan to facilitate the progression of this shovel ready project to construction. Refer to section 5 for detailed project gap analysis.

9. Underwriting Standards or Term Sheet Variations

None

10. Project Specific Conditions of Approval

Approval is conditioned upon:

- The CalHFA loan(s) will be secured against the leasehold interest in the land and fee interest in the improvements. All subordinate loans are to be secured in the same manner. However, if any lender encumbers both fee and leasehold interests in the land, the CalHFA loan documents will also secure in the fee and leasehold interests in the land. The final ground lease document is subject to CalHFA approval. Lessor must provide approval of CalHFA ground lease rider.
- 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.
- No site work or construction commenced prior to the issuance of a HUD Firm Approval Letter.
- 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.
- CalHFA requires that MIP affordability covenants be recorded in senior position to all foreclosable debt.
- The CalHFA subsidy (including the supplemental MIP subsidy loan) will be, in the Agency's sole discretion, the lesser of 1) the principal amount as stated on hereto or 2) an amount as determined by the Agency in the event the financial assumptions change prior to construction loan closing and/or permanent loan closing.
- All MIP Loan principal and interest will be due and payable at maturity. Outstanding Supplemental MIP loan funds will have first repayment priority whether the source of repayment is cash flow during the term of the loan or repayment via refinance, partner contribution, or other source at loan maturity.
- The Project's proposed operating expense does not meet TCAC minimums**,** therefore, Borrower must provide evidence that the proposed operating expense is sufficient to operate the project via an appraisal report and/or other supporting documentation acceptable to CalHFA. Written approval by the investor and all lenders of the final proposed operating expense below the TCAC minimum must be provided prior to construction loan closing.
- Receipt of a Lien Priority/Position Estoppel in form and substance acceptable by CalHFA from all local (city and county) lenders.
- If required, receipt of LPA and investor written approval evidencing that any outstanding deferred developer fee remaining in Year 15 will be treated as a developer contribution. The owner must provide evidence of investor and City's approval of the developer's fee structure.

- The Borrower has requested that 100% of surplus cash be available for the repayment of the deferred developer's fee (DDF) until the earlier of year 15 of operations is complete or full repayment of the DDF. Thereafter, the surplus cash split shall be 50% to Borrower and 50% to Residual Receipt lender(s). As a condition of this approval, the Borrower must provide evidence that the DDF repayment structure is required pursuant to the Limited Partnership Agreement (LPA). In addition, the owner must provide evidence of investor and all residual receipt lender(s) approvals of the total deferred developer's fee structure and residual receipt split. Residual receipt lenders must also agree to defer the payments on their loans.
- Prior to construction closing, receipt of seismic report confirming Probable Maximum Loss (PML) below 20%.
- Any default as to any loan by the Agency for the Development shall constitute a default under any other loan by the Agency for the Development.
- In the event of cost savings at permanent loan conversion, 100% of cost savings will be used to reduce the supplemental portion of the MIP loan amount first (may be shared with other residual receipt lenders on a pro rata basis, if applicable). Once the supplemental portion of the MIP loan amount is fully reduced, the remaining cost savings will be split 50% between reducing the original MIP loan amount (or may be shared with other residual receipt lenders on a pro rata basis, if applicable) and reducing the Deferred Developer Fee.

11. Staff Conclusion/Recommendation:

The Multifamily Lending Division supports approval of the described financing in the amount(s) requested, subject to the above proposed terms and conditions. As noted earlier, the supplemental MIP subsidy loan of $2,576,000 was not part of the Initial Commitment approved by the SLC, and hence approval is being sought for this financing through the subject Final Commitment Approval.

AFFORDABILITY

12. CalHFA Affordability (Occupancy and Rent) Restrictions

The CalHFA Permanent Financing Regulatory Agreement will restrict a minimum of 30% of the total units (45 units) at or below 60% of AMI and an additional 10% of the total units (15 units) restricted at or below 50% of AMI for 55 years.

*The CalHFA MIP Subsidy Regulatory Agreement requires 10% of total units (15 units) be restricted at or below 30% of AMI, 20% of the total units (30 units) restricted at or below 50% of AMI, and 10% of total units (15 units) be restricted between 60% and 80% of AMI, with a minimum average of 70% of AMI for a term of 55 years. The rents for the 60% to 80% tranche will be determined by the minimum income limit of 70% of AMI, not to exceed 80% of AMI. The remaining 86 restricted units will be restricted at or below 120% of AMI. For underwriting purposes, the initial rents at permanent loan closing must be no less than the underwriting rent levels outlined on the "Unit Mix and Rent Summary" enclosed as part of the project's staff report package. The CalHFA permanent loan agreement will require minimum underwriting rent levels as outlined in the Rent Limit Summary Table Below.

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

- The City will restrict 30 units at or below 30% of AMI and 30 units at or below 50% of AMI for a term of at least 65 years. The rents for these units are subject to Surplus Land Act requirements and the rents are based off of County of San Diego published rents.**

Rent Limit Summary Table

Restrictions @ AMI	Total	Studio	1-bdrm	2-bdrm	3-bdrm	4-bdrm	% of Total
30%	30	-	21	9	-	-	20.4%
40%	0	-	-	-	-	-	0.0%
50%	30	-	21	9	-	-	20.4%
60%	0	-	-	-	-	-	0.0%
70%	86	-	61	25	-	-	58.5%
Manager's Unit	1	-	-	1	-	-	0.7%
Total	**147**	**0**	**103**	**44**	**0**	**0**	**100.0%**

The average affordability restriction is 57.67% of AMI based on 146 TCAC-restricted units.

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							
			30% AMI	50 % AMI	60% AMI	70% AMI	<= 120% AMI	Manager's Unit	Total Units Regulated	% of Regulated Units
CalHFA Bond/Risk Share	1st	**55**	0	15	45	0	0	1	59	41%
CalHFA MIP*	2nd	**55**	15	30	0	15	86	1	146	99%
City of La Mesa**	3rd	**65**	30	30	0	0	0	1	60	41%
Tax Credit	4th	**55**	30	30	0	86	0	1	146	99%

13.	Geocoder Information		
Central City:	No	Underserved:	No
Low/Mod Census Tract:	Middle	Below Poverty line:	18.80%
Minority Census Tract:	47.37%	Rural Area:	No

FINANCIAL ANALYSIS SUMMARY

14.	**Capitalized Reserves:**	
	Replacement Reserves (RR):	N/A
	Operating Expense Reserve (OER):	$521,243* OER amount is sized based on 3 months of operating expenses, first lien 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-month period to the original level. *A minimum of 3 to 6 months operating expense, reserves, and debt service ("OER") is required to be held for the life of the CalHFA permanent loan. The OER may be based on 3 months of total operating expense, reserves, and debt service if the developer provides evidence that, within the last 2 years, they have received allocations from TCAC or provided a certification from a third-party accountant that they met TCAC's general partner and management experience pursuant to CTCAC regulations. The developer has submitted supporting documentation that they've met this requirement.
	Transitional Operating Reserve (TOR):	N/A

15.	**Cash Flow Analysis**			
	1st Year DSCR:	1.15	**Project-Based Subsidy Term:**	N/A
	End Year DSCR:	1.61	**Annual Replacement Reserve Per Unit:**	$300/unit
	Residential Vacancy Rate: **Subsidy Vacancy Rate:**	5% N/A	**Rental Income Inflation Rate:** **Subsidy Income Inflation Rate:**	2.50% N/A

	Non-residential Vacancy Rate:	N/A	**Project Expenses Inflation Rate:** **Property Tax Inflation Rate:**	3.50% 1.25%

16. Loan Security

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

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

The exit analysis assumes 2% increase to the appraisal cap rate (resulting in 5.75%) and a 3% increase of the underwriting interest rate at loan maturity (resulting in 9.31%). Based on these assumptions, the Project will have the ability to fully repay the balance of Agency's permanent first lien loan and a portion of the Supplemental MIP loan in the estimated amount of $1,855,686, leaving an outstanding balance of $1,685,418 (principal and accrued interest) plus the full amount of the original MIP loan in the estimated amount of $6,525,000 (principal and accrued interest). Total combined estimated MIP balance at refinance is $8,210,418. This is expected by CalHFA given the requirement that the MIP loan be co- terminus with the permanent first mortgage. The primary source of repayment for both the first mortgage and the MIP subsidy loan is refinance of the project's first mortgage. To the extent such a refinance is insufficient to fully repay the Supplemental MIP and original MIP loans, it is contemplated that any remaining balance will be paid from a general partner contribution as part of the final close out of partnership obligations to allow re-syndication.

APPRAISAL AND MARKET ANALYSIS

18. Appraisal Review **Dated: June 9, 2022**

- The Appraisal dated 06/09/2022, prepared by Burger Valuation Consultants, values the land at $6,620,000.
- The cap rate of 3.75% and a projected $1.54 million of net operating income was used to determine the as-restricted stabilized value. The appraisal report's NOI is approximately $87,000 lower than the project's proposed NOI projections. The difference is attributed to the Developer using payroll and management fees based on similar projects in their portfolio as well as building systems configurations including current energy code and water saving requirements for the City of La Mesa. Additionally, the property manager has certified that the project can be operated based on the proposed expenses. Based on the developer's explanation and supporting documents, staff has determined that the proposed operating expenses are reasonable.
- The as-restricted stabilized value is $40,900,000, which results in the Agency's permanent first lien loan to value (LTV) of 51%. The combined LTV, including MIP subsidy loan is 68%.
- The absorption rate is 6 months and is consistent with the market study.

	Market Study:	Kinetic Valuation Group, Inc.	**Dated: 02/03/2022**

Regional Market Overview

- The Primary Market Area ("PMA") is the central portion of the city of La Mesa (population of 233,739) and the Secondary Market Area ("SMA") is San Diego County (population of 3,287,244)
- The general population in the PMA is anticipated to increase by 1.2% at market entry.
- Unemployment in the PMA is 4.6%; this was a 4.8% decrease from the previous year and evidences a strong employment area. Per the appraisal, the unemployment rate in March 2022 was 3.9% in the San Diego- Carlsbad Metropolitan Statistical Area (MSA). The region has generally experienced a lower unemployment rate compared to the state average.

Local Market Area Analysis

- **Supply:**
  - There are currently 13 affordable family project(s) in the PMA and they are generally 100% occupied with long wait lists.
  - There has been no preliminary reservation for new construction LIHTC affordable projects in the PMA within the past two years based on a review of TCAC, CDLAC and HUD development lists.
- **Demand/Absorption:**
  - The project will need to capture 3.3% of the total demand for one- and two-bedroom family units in the PMA. The affordable units are anticipated to lease up at a rate of 19-25 units per month and reach stabilized occupancy within 6-8 months of opening.

DEVELOPMENT SUMMARY

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

- The property is located on the southeast corner of Allison Avenue and Date Avenue, in the City of La Mesa, San Diego County.
- The site currently consists of a vacant surface parking lot on the western portion, topography slopes downward from the northeast corner to southwest corner, measuring approximately 1.23 acres and is irregular in shape. The parking lot will be demolished during site preparation.
- The site is zoned Downtown Commercial (DC), with permitted multifamily residential use.
- The subject is located in Flood Zone X (area of minimum flood hazard). Zone X is the area determined to be outside the 500-year floodplain and protected by levee from 100-year floodplain, therefore the Project will not be subject to flood insurance.

20. Form of Site Control & Expiration Date

The current owner, City of La Mesa, of the site and the Developer, USA Properties Fund, Inc., entered into a Disposition and Development Agreement dated October 21, 2021 and expires December 12, 2022.

21. Current Ownership Entity of Record

Title is currently vested in City of La Mesa, a municipal corporation as the fee owner.

22. Environmental Review Findings — **Dated:** January 25, 2022

- A Phase I Environmental Site Assessment performed by Essel Environmental, dated January 25, 2022 revealed no evidence of recognized environmental conditions, so no additional investigation was recommended.
- A NEPA review has been initiated and will be completed prior to construction loan closing.

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

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

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

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

PROJECT DETAILS

25. Residential Areas:

Residential Square Footage:	97,374	**Residential Units per Acre:**	120
Community Area Sq. Ftg:	4,016	**Total Parking Spaces:**	117
Supportive Service Areas:	N/A	**Total Building Sq. Footage:**	101,390

26. Mixed-Use Project: ☐ **Yes** ☒ **No**

Non-Residential Sq. Footage:	N/A	**Number of Lease Spaces:**	N/A
Master Lease:	N/A	**Number of Parking Spaces:**	N/A

27. Construction Type: A four-story elevator served building over a podium with partial subterranean parking.

28. Construction/Rehab Scope — **Requires Demolition:** ☐ **Yes** ☒ **No**

- The subject site is new construction.
- The general contractor, USA Construction Management, Inc., is an affiliate of the Borrower entity. The contract will be structured as a Guaranteed Maximum Price (GMP) contract with a 14% for builder overhead, profit, and general requirements, which aligns with TCAC's allowable limit. TCAC's allowable limit is 14%.

29. Construction Budget Comments:

The developer has established cost containment strategies, which are outlined in Section 5 above.

ADDITIONAL DEVELOPMENT/ PROJECT TEAM INFORMATION

30. Borrower Affiliated Entities

- Managing General Partner: Riverside Charitable Corporation, a California limited liability company; 0.001% interest
- Administrative General Partner: USA La Mesa 694, Inc., a California Corporation; 0.009% interest
- Investor Limited Partner: WNC & Associates; 99.99% interest

31. Developer/Sponsor

Founded in 1981 and headquartered in Roseville, CA, USA Properties Fund, Inc. (USA) is a vertically integrated, full-service real estate development, investment, and management company. USA Properties is a developer, owner, and property managers of affordable and market rate family and senior communities. USA Properties has completed 122 projects (17,010 units). In addition, the company has seventeen (17) affordable projects in their development pipeline and six (6) projects under construction including 4 with CalHFA (1 conduit only deal and 3 MIP deals) which are progressing as expected. Two of the 17 pipeline projects are in CalHFA's pipeline, which include this Project and Mainline North that are both seeking CalHFA's permanent first lien and MIP loans.

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

32. Management Agent

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

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

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

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

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

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

The architect is Dahlin Group, a non-affiliated entity to the developer. They have extensive experience in designing and managing similar affordable housing projects in California through the locality's building permit process and is familiar with CalHFA. They have completed over twenty (20) affordable projects in California in the last five years. Dahlin and the developer have worked on 1 project that has been completed and are working on 2 projects that are in development stage.

36. Local Review via Locality Contribution Letter

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

EXHIBITS: Detailed Financial Analysis and applicable Term Sheets

PROJECT SUMMARY — Final Commitment

Acquisition, Rehab, Construction & Permanent Loans — **Project Number 22-018-A/X/S**

Project Full Name	8181 Allison	**Borrower Name:**	La Mesa 694, L.P.
Project Address	8181 Allison Avenue	**Managing GP:**	Riverside Charitable Corporation
Project City	La Mesa	**Developer Name:**	USA Multifamily Development, Inc.
Project County	San Diego	**Investor Name:**	WNC & Associates
Project Zip Code	91942	**Prop Management:**	USA Multifamily Management, Inc.
		Tax Credits:	4
Project Type:	Permanent Loan Only	**Total Land Area (acres):**	1.23
Tenancy/Occupancy:	Individuals/Families	**Residential Square Footage:**	97,374
Total Residential Units:	147	**Residential Units Per Acre:**	119.51
Total Number of Buildings:	1		
Number of Stories:	5	**Covered Parking Spaces:**	117
Unit Style:	Flat	**Total Parking Spaces:**	117
Elevators:	2		

Acq/Construction/Rehab Financing	Loan Amount ($)	Loan Fees	Loan Term (Mo.)	Amort. Period (Yr.)	Starting Interest Rate
Key Bank - Conduit- Tax Exempt	31,875,000	0.810%	36	--	5.000%
Key Bank - Conduit- Taxable	12,000,000	--	36	--	5.250%
City of La Mesa (Ground Lease Loan)	6,620,000	0.000%	36	--	3.000%
--	--	--	--	--	--
Deferred Developer Fee	6,552,185	--		--	
0	-	NA	NA	NA	NA
Investor Equity Contribution	5,007,817	NA	NA	NA	NA
Total	**62,055,002**	NA	NA	NA	NA

Permanent Financing	Loan Amount ($)	Loan Fees	Loan Term (Yr.)	Amort. Period (Yr.)	Starting Interest Rate
Perm	20,685,000	1.000%	17	40	6.310%
MIP	4,500,000	1.000%	17	NA	3.000%
Supplemental MIP	2,576,000	1.000%	17.00	NA	3.000%
--	--	--	--	--	--
City of La Mesa (Ground Lease Loan)	6,620,000	--	55	55	3.000%
Deferred Developer Fee Note	5,483,132	0.000%	15	55	1.000%
NOI During Construction	1,449,728	NA	NA	NA	NA
Investor Equity Contributions	25,039,083	NA	NA	NA	NA
Total	**66,352,943**	NA	NA	NA	NA

Appraised Values Upon Completion of Rehab/Construction

Appraisal Date:	5/5/22	**Capitalization Rate:**	3.75%
Investment Value ($)	71,568,000	**Restricted Value ($)**	40,900,000
Construct/Rehab LTC	51%	**CalHFA Permanent Loan to Cost**	31%
Construct/Rehab LTV	45%	**CalHFA 1st Permanent Loan to Value**	51%
		Combined CalHFA Perm Loan to Value	68%

Additional Loan Terms, Conditions & Comments

Construction/Rehab Loan

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

Permanent Loan

Operating Expense Reserve Deposit	$521,243	Cash
Initial Replacement Reserve Deposit	$0	Cash
Annual Replacement Reserve Per Unit	$300	Cash

Date Prepared: 8/25/22 — Senior Staff Date: 9/1/22

UNIT MIX AND RENT SUMMARY — Final Commitment

8181 Allison — **Project Number 22-018-A/X/S**

PROJECT UNIT MIX					
Unit Type of Style	Number of Bedrooms	Number of Baths	Average Size (Sq. Ft.)	Number of Units	Est. No. of Tenants
Flat	1	1	578	103	154.5
Flat	2	2	860	44	132
-	-	-	-	-	0
-	-	-	-	-	0
-	-	-	-	-	0
-	-	-	-	-	0
				147	286.5

NUMBER OF UNITS AND PERCENTAGE OF AMI RENTS RESTRICTED BY EACH AGENCY							
Agency	Number of Units Restricted For Each AMI Category						
	30%	40%	50%	60%	70%	80%	120%
CalHFA Bond/RiskShare	0	0	15	45	0	0	0
CalHFA MIP	15	0	30	0	15	0	86
Tax Credit	30	0	30	0	86	0	0
City of La Mesa	0	0	30	30	0	0	0

COMPARISON OF AVERAGE MONTHLY RESTRICTED RENTS TO AVERAGE MARKET RENTS							
Unit Type	Restricting Agency	% of Area Median Income	Average Restricted Rents Number of Units	Average Restricted Rents Unit Rent	Average Market Rents	Average Monthly Savings	% of Market Rents
Studios	**HCD**	**30%**	-	-	-	-	-
	CTCAC	**50%**	-	-		-	-
	CTCAC	**70%**	-	-		-	-
	HCD	**50%**	-	-		-	-
	HCD	**50%**	-	-		-	-
	CTCAC	**90%**	-	-		-	-
	CTCAC	**80%**	-	-		-	-
1 Bedroom	**HCD**	**30%**	21	$697	$2,075	$1,378	34%
	CTCAC	**50%**	21	$1,185		$890	57%
	CTCAC	**70%**	61	$1,673		$402	81%
	HCD	**50%**	-	-		-	-
	HCD	**50%**	-	-		-	-
	CTCAC	**90%**	-	-		-	-
	CTCAC	**80%**	-	-		-	-
2 Bedrooms	**HCD**	**30%**	9	$832	$2,600	$1,768	32%
	CTCAC	**50%**	9	$1,397		$1,203	54%
	CTCAC	**70%**	25	$2,003		$597	77%
	HCD	**50%**	-	-		-	-
	HCD	**50%**	-	-		-	-
	CTCAC	**80%**	-	-		-	-
	CTCAC	**-**	-	-		-	-
3 Bedrooms	**HCD**	**30%**	-	-	-	-	-
	CTCAC	**50%**	-	-		-	-
	CTCAC	**70%**	-	-		-	-
	HCD	**50%**	-	-		-	-
	HCD	**50%**	-	-		-	-
	CTCAC	**90%**	-	-		-	-
	CTCAC	**80%**	-	-		-	-
4 Bedrooms	**HCD**	**30%**	-	-	-	-	-
	CTCAC	**50%**	-	-		-	-
	CTCAC	**70%**	-	-		-	-
	HCD	**50%**	-	-		-	-
	HCD	**50%**	-	-		-	-
	CTCAC	**90%**	-	-		-	-
	CTCAC	**80%**	-	-		-	-
5 Bedrooms	**HCD**	**30%**	-	-	-	-	-
	CTCAC	**50%**	-	-		-	-
	CTCAC	**70%**	-	-		-	-
	HCD	**50%**	-	-		-	-
	HCD	**50%**	-	-		-	-
	CTCAC	**90%**	-	-		-	-
	CTCAC	**80%**	-	-		-	-
Date Prepared:	8/25/22					Senior Staff Date:	9/1/22

SOURCES & USES OF FUNDS					Final Commitment
8181 Allison			Project Number	22-018-A/X/S	
SOURCES OF FUNDS	CONST/REHAB	PERMANENT	TOTAL PROJECT SOURCES OF FUNDS		
	$	$	SOURCES ($)	PER UNIT ($)	%
Key Bank - Conduit- Tax Exempt	31,875,000				0.0%
Key Bank - Conduit- Taxable	12,000,000				0.0%
-	-				0.0%
-	-				0.0%
City of La Mesa (Ground Lease Loan)	6,620,000				0.0%
-	-				0.0%
-	-				0.0%
-	-				0.0%
-	-				0.0%
-	-				0.0%
Construct/Rehab Net Oper. Inc.	-				0.0%
Deferred Developer Fee	6,552,185				0.0%
Developer Equity Contribution	-				0.0%
Investor Equity Contribution	5,007,817				0.0%
Perm		20,685,000	20,685,000	140,714	31.2%
MIP		4,500,000	4,500,000	30,612	6.8%
Supplemental MIP		2,576,000	2,576,000	17,524	3.9%
-		-	-	-	0.0%
City of La Mesa (Ground Lease Loan)		6,620,000	6,620,000	45,034	10.0%
Deferred Developer Fee Note		5,483,132	5,483,132	37,300	8.3%
-		-	-	-	0.0%
-		-	-	-	0.0%
-		-	-	-	0.0%
NOI During Construction		1,449,728	1,449,728	9,862	2.2%
-		-	-	-	0.0%
-		-	-	-	0.0%
Construct/Rehab Net Oper. Inc.		-	-	-	0.0%
Deferred Developer Fees		-	-	-	0.0%
Developer Equity Contribution		-	-	-	0.0%
Investor Equity Contributions		25,039,083	25,039,083	170,334	37.7%
TOTAL SOURCES OF FUNDS	**62,055,002**	**66,352,943**	**66,352,943**	**451,381**	**100.0%**
TOTAL USES OF FUNDS (BELOW)	**62,055,002**	**66,352,943**	**66,352,943**	**451,381**	**100.0%**
FUNDING SURPLUS (DEFICIT)	**(0)**	**-**	**(0)**		

USES OF FUNDS	CONST/REHAB	PERMANENT	TOTAL PROJECT USES OF FUNDS		
	$	$	USES ($)	PER UNIT ($)	%
CONSTRUCTION/REHAB SOURCES OF FUNDS		**62,055,002**			
ACQUISITION COSTS					
Lesser of Land Cost or Appraised Value	6,620,000	-	6,620,000	45,034	10.0%
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%
Other (Specify)	-	-	-	-	0.0%
Other (Specify)	-	-	-	-	0.0%
TOTAL ACQUISITION COSTS	**6,620,000**	**-**	**6,620,000**	**45,034**	**10.0%**
CONSTRUCTION/REHAB COSTS					
Offsite Improvements	634,982	-	634,982	4,320	1.0%
Environmental Remediation (Hard Costs)	-	-	-	-	0.0%
Site Work (Hard Cost)	2,710,095	-	2,710,095	18,436	4.1%
Structures (Hard Cost)	28,717,584	-	28,717,584	195,358	43.3%
General Requirements	1,865,000	-	1,865,000	12,687	2.8%
Contractor Overhead	1,311,886	-	1,311,886	8,924	2.0%
Contractor Profit	1,311,886	-	1,311,886	8,924	2.0%
Contractor Bond	-	-	-	-	0.0%
Contractor Liability Insurance	701,211	-	701,211	4,770	1.1%
Personal Property	-	-	-	-	0.0%
HVAC/Resident Damage	-	-	-	-	0.0%
TOTAL CONSTRUCT/REHAB COSTS	**37,252,644**	**-**	**37,252,644**	**253,419**	**56.1%**

SOURCES & USES OF FUNDS					Final Commitment
8181 Allison			Project Number	22-018-A/X/S	
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	1,658,672	-	1,658,672	11,283	2.5%
Supervision	214,500	-	214,500	1,459	0.3%
TOTAL ARCHITECTURAL FEES	**1,873,172**	**-**	**1,873,172**	**12,743**	**2.8%**
SURVEY & ENGINEERING FEES					
Engineering	243,544	-	243,544	1,657	0.4%
Supervision	60,861	-	60,861	414	0.1%
ALTA Land Survey	-	-	-	-	0.0%
TOTAL SURVEY & ENGINEERING FEES	304,405	-	304,405	2,071	0.5%
CONTINGENCY RESERVES					
Hard Cost Contingency Reserve	2,404,700	-	2,404,700	16,359	3.6%
Soft Cost Contingency Reserve	193,359	-	193,359	1,315	0.3%
TOTAL CONTINGENCY RESERVES	2,598,059	-	2,598,059	17,674	3.9%
CONSTRUCT/REHAB PERIOD COSTS					
Loan Interest Reserve					
Key Bank - Conduit- Tax Exempt	2,183,509	-	2,183,509	14,854	0.032907
Key Bank - Conduit- Taxable	-	-	-	-	0
-	-	-	-	-	0.0%
-	-	-	-	-	0.0%
City of La Mesa (Ground Lease Loan)	-	-	-	-	0.0%
-	-	-	-	-	0.0%
Loan Fees					
Key Bank - Conduit- Tax Exempt	258,188	-	258,188	1,756	0.4%
Key Bank - Conduit- Taxable	-	-	-	-	0.0%
-	-	-	-	-	0.0%
-	-	-	-	-	0.0%
City of La Mesa (Ground Lease Loan)	-	-	-	-	0.0%
-	-	-	-	-	0.0%
Other Const/Rehab Period Costs					
Deficit Const/Rehab NOI (Net Operating In	-	-	-	-	0.0%
Credit Enhancement & Application Fees	-	-	-	-	0.0%
Owner Paid Bonds/Insurance	-	-	-	-	0.0%
CalHFA Inspection Fees	18,000	-	18,000	122	0.0%
Real Estate Taxes During Rehab	51,450	-	51,450	350	0.1%
Completion Guaranty Fee	-	-	-	-	0.0%
Wage Monitoring Fee (Davis Bacon, Preva	-	-	-	-	0.0%
Insurance During Rehab	377,709	-	377,709	2,569	0.6%
Title & Recording Fees	67,500	-	67,500	459	0.1%
Other Development Costs	51,957	-	51,957	353	0.1%
Construction Inspections	19,800	-	19,800	135	0.0%
Bond Issuer Fee	49,438	-	49,438	336	0.1%
Cost of Issuance- Construction	-	-	-	-	0.0%
TOTAL CONST/REHAB PERIOD COSTS	**3,077,550**	**-**	**3,077,550**	**20,936**	**4.6%**

SOURCES & USES OF FUNDS					Final Commitment
8181 Allison			Project Number	22-018-A/X/S	
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	103,425	103,425	206,850	1,407	0.3%
MIP	22,500	22,500	45,000	306	0.1%
Supplemental MIP	-	25,760	25,760	175	0.0%
-	-	-	-	-	0.0%
City of La Mesa (Ground Lease Loan)	-	-	-	-	0.0%
Deferred Developer Fee Note	-	-	-	-	0.0%
-	-	-	-	-	0.0%
-	-	-	-	-	0.0%
Permanent Loan Cost of Issuance Fee	-	110,000	110,000	748	0.2%
Post Construction Loan Interest	-	-	-	-	0.0%
Title & Recording (closing costs)	-	33,750	33,750	230	0.1%
Year 1 - Taxes & Special Assessments and Insura	-	37,708	37,708	257	0.1%
CalHFA Fees	-	10,610	10,610	72	0.0%
Developer Contingency	-	102,328	102,328	696	0.2%
Interest Prior to Conversion	-	3,265,625	3,265,625	22,215	4.9%
TOTAL PERMANENT LOAN COSTS	**125,925**	**3,711,706**	**3,837,631**	**26,106**	**5.8%**
LEGAL FEES					
CalHFA Construction/Rehab Loan Legal Fees	-	-	-	-	0.0%
Other Construction/Rehab Loan Legal Fees	-	-	-	-	0.0%
CalHFA Permanent Loan Legal Fees	17,500	17,500	35,000	238	0.1%
Other Permanent Loan Legal Fees	-	-	-	-	0.0%
Sponsor Legal Fees	85,000	-	85,000	578	0.1%
Organizational Legal Fees	-	-	-	-	0.0%
Syndication Legal Fees	-	-	-	-	0.0%
Borrower Legal Fee	-	-	-	-	0.0%
CalHFA Bond Counsel	62,000	-	62,000	422	0.1%
TOTAL LEGAL FEES	**164,500**	**17,500**	**182,000**	**1,238**	**0.3%**
OPERATING RESERVES					
Operating Expense Reserve Deposit	-	521,243	521,243	3,546	0.8%
Initial Replacement Reserve Deposit	-	-	-	-	0.0%
Transition Operating Reserve Deposit	-	-	-	-	0.0%
Rent-Up Reserve Deposit	-	-	-	-	0.0%
HOME Program Replacement Reserve	-	-	-	-	0.0%
Investor Required Reserve	-	47,492	47,492	323	0.1%
Other (Specify)	-	-	-	-	0.0%
TOTAL OPERATING RESERVES	**-**	**568,735**	**568,735**	**3,869**	**0.9%**
REPORTS & STUDIES					
Appraisal Fee	25,250	-	25,250	172	0.0%
Market Study Fee	21,186	-	21,186	144	0.0%
Physical Needs Assessment Fee	-	-	-	-	0.0%
Environmental Site Assessment Reports	25,000	-	25,000	170	0.0%
HUD Risk Share Environmental / NEPA Review F	20,000	-	20,000	136	0.0%
CalHFA Earthquake Waiver Review Fee	-	-	-	-	0.0%
Relocation Consultant	-	-	-	-	0.0%
Soils Reports	-	-	-	-	0.0%
Acoustical Reports	-	-	-	-	0.0%
Termite/Dry Rot	-	-	-	-	0.0%
Consultant/Processing Agent	-	-	-	-	0.0%
Other (Specify)	-	-	-	-	0.0%
TOTAL REPORTS & STUDIES	**91,436**	**-**	**91,436**	**622**	**0.1%**

SOURCES & USES OF FUNDS					Final Commitment
8181 Allison			Project Number	22-018-A/X/S	
USES OF FUNDS	CONST/REHAB	PERMANENT	TOTAL PROJECT USES OF FUNDS		
	$	$	USES ($)	PER UNIT ($)	%
OTHER COSTS					
TCAC Application, Allocation & Monitor Fees	89,317	-	89,317	608	0.1%
CDLAC Fees	15,356	-	15,356	104	0.0%
Local Permits & Fees	943,597	-	943,597	6,419	1.4%
Local Impact Fees	1,114,230	-	1,114,230	7,580	1.7%
Other Local Fees	-	-	-	-	0.0%
Syndicator/Investor Fees & Expenses	-	-	-	-	0.0%
Furnishings	353,000	-	353,000	2,401	0.5%
Accounting & Audits	25,000	-	25,000	170	0.0%
Advertising & Marketing Expenses	148,000	-	148,000	1,007	0.2%
Financial Consulting	-	-	-	-	0.0%
Miscellaneous Administrative Fees	-	-	-	-	0.0%
HUD Risk Share Insurance (First Year Prepaid)	-	-	-	-	0.0%
Property Management Start Up	121,000	-	121,000	823	0.2%
-	-	-	-	-	0.0%
TOTAL OTHER COSTS	**2,809,500**	**-**	**2,809,500**	**19,112**	**4.2%**
SUBTOTAL PROJECT COSTS	**54,917,191**	**66,352,943**	**59,215,132**	**402,824**	**89.2%**
DEVELOPER FEES & COSTS					
Developer Fees, Overhead & Profit	7,137,811	-	7,137,811	48,557	10.8%
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	**7,137,811**	**-**	**7,137,811**	**48,557**	**10.8%**
TOTAL PROJECT COSTS	**62,055,002**	**66,352,943**	**66,352,943**	**451,381**	**100.0%**

PROJECTED INITIAL ANNUAL RENTAL OPERATING BUDGET			Final Commitment
8181 Allison	**Project Number**		**22-018-A/X/S**
INCOME	**AMOUNT**	**PER UNIT**	**%**
Rental Income			
Restricted Unit Rents	$ 2,540,532	$ 17,283	102.11%
Unrestricted Unit Rents	43,200	294	1.74%
Commercial Rents	-	-	0.00%
Rental & Operating Subsidies			
Project Based Rental Subsidy	-	-	0.00%
Other Project Based Subsidy	-	-	0.00%
Income during renovations	-	-	0.00%
Other Subsidy (Specify)	-	-	0.00%
Other Income			
Laundry Income	35,279	240	1.42%
Parking & Storage Income	-	-	0.00%
Miscellaneous Income	-	-	0.00%
GROSS POTENTIAL INCOME (GPI)	**$ 2,619,011**	**$ 17,816**	**105.26%**
Less: Vacancy Loss	**$ 130,951**	**$ 891**	**5.26%**
EFFECTIVE GROSS INCOME (EGI)	**$ 2,488,060**	**$ 18,707**	**100.00%**
OPERATING EXPENSES	**AMOUNT**	**PER UNIT**	**%**
Administrative Expenses	$ 200,962	$ 1,367	$ 0
Management Fee	99,435	676	4.00%
Social Programs & Services	19,200	131	0.77%
Utilities	108,780	740	4.37%
Operating & Maintenance	249,487	1,697	10.03%
Ground Lease Payments	-	-	0.00%
CalHFA Monitoring Fee	7,500	51	0.30%
Other Monitoring Fees	-	-	0.00%
Real Estate Taxes	29,400	200	1.18%
Other Taxes & Insurance	96,232	655	3.87%
Assisted Living/Board & Care	-	-	0.00%
SUBTOTAL OPERATING EXPENSES	**$ 810,996**	**$ 5,517**	**32.60%**
Replacement Reserve	$ 44,100	$ 300	1.77%
TOTAL OPERATING EXPENSES	**$ 855,096**	**$ 5,817**	**34.37%**
NET OPERATING INCOME (NOI)	**$ 1,632,964**	**$ 11,109**	**65.63%**
DEBT SERVICE PAYMENTS	**AMOUNT**	**PER UNIT**	**%**
Perm	$ 1,419,755	$ 9,658	57.06%
Supplemental MIP	$ -	-	0.00%
-	$ -	-	0.00%
City of La Mesa (Ground Lease Loan)	$ -	-	0.00%
Deferred Developer Fee Note	$ -	-	0.00%
-	$ -	-	0.00%
-	$ -	-	0.00%
MIP Annual Fee (applicable for MIP only deals)	$ -	-	0.00%
TOTAL DEBT SERVICE & OTHER PAYMENTS	**$ 1,419,755**	**$ 9,658**	**57.06%**
EXCESS AFTER DEBT SERVICE & MONITORING FEES	**$ 213,209**	**$ 1,450**	**8.57%**
DEBT SERVICE COVERAGE RATIO (DSCR)	**1.15**	**to 1**	
Date: 8/25/22		Senior Staff Date:	09/01/22

PROJECTED PERMANENT LOAN CASH FLOWS — **8181 Allison**

Final Commitment — Project Number 22-018-A/X/S

	YEAR	1	2	3	4	5	6	7	8	9	10	11	12	13	14
RENTAL INCOME	CPI														
Restricted Unit Rents	2.50%	2,540,532	2,604,045	2,669,146	2,735,875	2,804,272	2,874,379	2,946,238	3,019,894	3,095,392	3,172,776	3,252,096	3,333,398	3,416,733	3,502,151
Unrestricted Unit Rents	2.50%	43,200	44,280	45,387	46,522	47,685	48,877	50,099	51,351	52,635	53,951	55,300	56,682	58,099	59,552
Commercial Rents	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	1.50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Project Based Subsidy	1.50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income during renovations	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Laundry Income	2.50%	35,279	36,161	37,065	37,992	38,942	39,915	40,913	41,936	42,984	44,059	45,161	46,290	47,447	48,633
Parking & Storage Income	2.50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Income	2.50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GROSS POTENTIAL INCOME (GPI)		**2,619,011**	**2,684,487**	**2,751,599**	**2,820,389**	**2,890,898**	**2,963,171**	**3,037,250**	**3,113,181**	**3,191,011**	**3,270,786**	**3,352,556**	**3,436,370**	**3,522,279**	**3,610,336**
VACANCY ASSUMPTIONS	Vacancy														
Restricted Unit Rents	5.00%	127,027	130,202	133,457	136,794	140,214	143,719	147,312	150,995	154,770	158,639	162,605	166,670	170,837	175,108
Unrestricted Unit Rents	5.00%	2,160	2,214	2,269	2,326	2,384	2,444	2,505	2,568	2,632	2,698	2,765	2,834	2,905	2,978
Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	5.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Project Based Subsidy	3.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income during renovations	20.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Laundry Income	5.00%	1,764	1,808	1,853	1,900	1,947	1,996	2,046	2,097	2,149	2,203	2,258	2,314	2,372	2,432
Parking & Storage Income	50.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Income	50.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL PROJECTED VACANCY LOSS		**130,951**	**134,224**	**137,580**	**141,019**	**144,545**	**148,159**	**151,863**	**155,659**	**159,551**	**163,539**	**167,628**	**171,818**	**176,114**	**180,517**
EFFECTIVE GROSS INCOME (EGI)		**2,488,061**	**2,550,262**	**2,614,019**	**2,679,369**	**2,746,354**	**2,815,012**	**2,885,388**	**2,957,522**	**3,031,460**	**3,107,247**	**3,184,928**	**3,264,551**	**3,346,165**	**3,429,819**
OPERATING EXPENSES	CPI / Fee														
Administrative Expenses	3.50%	220,162	227,868	235,843	244,098	252,641	261,483	270,635	280,108	289,911	300,058	310,560	321,430	332,680	344,324
Management Fee	4.00%	99,435	101,921	104,469	107,081	109,758	112,502	115,315	118,197	121,152	124,181	127,286	130,468	133,729	137,073
Utilities	3.50%	108,780	112,587	116,528	120,606	124,828	129,197	133,718	138,399	143,242	148,256	153,445	158,816	164,374	170,127
Operating & Maintenance	3.50%	249,487	258,219	267,257	276,611	286,292	296,312	306,683	317,417	328,527	340,025	351,926	364,243	376,992	390,187
Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CalHFA Monitoring Fee	0.00%	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Other Agency Monitoring Fee	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real Estate Taxes	1.25%	29,400	29,768	30,140	30,516	30,898	31,284	31,675	32,071	32,472	32,878	33,289	33,705	34,126	34,553
Other Taxes & Insurance	3.50%	96,232	99,600	103,086	106,694	110,428	114,293	118,294	122,434	126,719	131,154	135,745	140,496	145,413	150,503
Required Reserve Payments	1.00%	44,100	44,541	44,986	45,436	45,891	46,350	46,813	47,281	47,754	48,232	48,714	49,201	49,693	50,190
TOTAL OPERATING EXPENSES		**855,096**	**882,004**	**909,809**	**938,542**	**968,235**	**998,921**	**1,030,633**	**1,063,407**	**1,097,278**	**1,132,284**	**1,168,464**	**1,205,858**	**1,244,508**	**1,284,456**
NET OPERATING INCOME (NOI)		**1,632,964**	**1,668,258**	**1,704,210**	**1,740,827**	**1,778,118**	**1,816,091**	**1,854,754**	**1,894,116**	**1,934,183**	**1,974,963**	**2,016,464**	**2,058,693**	**2,101,657**	**2,145,364**
DEBT SERVICE PAYMENTS	Lien #														
Perm	1	1,419,755	1,419,755	1,419,755	1,419,755	1,419,755	1,419,755	1,419,755	1,419,755	1,419,755	1,419,755	1,419,755	1,419,755	1,419,755	1,419,755
Supplemental MIP	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
City of La Mesa (Ground Lease Loan)	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Developer Fee Note	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MIP Annual Fee (applicable for MIP only deals)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL DEBT SERVICE & OTHER PAYMENTS		**1,419,755**	**1,419,755**	**1,419,755**	**1,419,755**	**1,419,755**	**1,419,755**	**1,419,755**	**1,419,755**	**1,419,755**	**1,419,755**	**1,419,755**	**1,419,755**	**1,419,755**	**1,419,755**
CASH FLOW AFTER DEBT SERVICE		**213,209**	**248,503**	**284,455**	**321,072**	**358,363**	**396,336**	**434,999**	**474,360**	**514,427**	**555,208**	**596,709**	**638,938**	**681,902**	**725,608**
DEBT SERVICE COVERAGE RATIO		**1.15**	**1.18**	**1.20**	**1.23**	**1.25**	**1.28**	**1.31**	**1.33**	**1.36**	**1.39**	**1.42**	**1.45**	**1.48**	**1.51**
Date Prepared:	08/25/22									Senior Staff Date:	9/1/22				

		1	2	3	4	5	6	7	8	9	10	11	12	13	14
LESS: Asset Management Fee	3%	7,500	7,725	7,957	8,195	8,441	8,695	8,955	9,224	9,501	9,786	10,079	10,382	10,693	11,014
LESS: Partnership Management Fee	2%	19,404	19,792	20,188	20,592	21,004	21,424	21,852	22,289	22,735	23,190	23,653	24,126	24,609	25,101
net CF available for distribution		**186,305**	**220,986**	**256,310**	**292,285**	**328,918**	**366,218**	**404,192**	**442,847**	**482,192**	**522,232**	**562,976**	**604,430**	**646,600**	**689,493**

	YEAR	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Deferred developer fee note repayment	5,545,988	5,545,988	5,413,280	5,244,217	5,037,786	4,792,956	4,508,679	4,183,885	3,817,491	3,408,390	2,955,460	2,457,560	1,913,530	1,322,192	682,348
	100%	186,305	220,986	256,310	292,285	328,918	366,218	404,192	442,847	482,192	522,232	562,976	604,430	646,600	682,348
		5,359,683	5,192,294	4,987,907	4,745,501	4,464,038	4,142,461	3,779,694	3,374,644	2,926,198	2,433,228	1,894,585	1,309,101	675,592	-

		1	2	3	4	5	6	7	8	9	10	11	12	13	14
Payments for Residual Receipt Payments		*50%*													
RESIDUAL RECEIPTS LOANS	*Payment %*	-	-	-	-	-	-	-	-	-	-	-	-	-	3,573
MIP	*32.33%*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Supplemental MIP	*20.11%*	-	-	-	-	-	-	-	-	-	-	-	-	-	1,874
0	*0.00%*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
City of La Mesa (Ground Lease Loan)	*47.56%*	-	-	-	-	-	-	-	-	-	-	-	-	-	1,699
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
0	*0.00%*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
0	*0.00%*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Residual Receipts Payments	**100.00%**	-	-	-	-	-	-	-	-	-	-	-	-	-	3,573

		1	2	3	4	5	6	7	8	9	10	11	12	13	14
Balances for Residual Receipt Payments															
RESIDUAL RECEIPTS LOANS	*Interest Rate*														
MIP---Simple	*3.00%*	4,500,000	4,635,000	4,770,000	4,905,000	5,040,000	5,175,000	5,310,000	5,445,000	5,580,000	5,715,000	5,850,000	5,985,000	6,120,000	6,255,000
Supplemental MIP---Simple	*3.00%*	2,576,000	2,653,280	2,730,560	2,807,840	2,885,120	2,962,400	3,039,680	3,116,960	3,194,240	3,271,520	3,348,800	3,426,080	3,503,360	3,580,640
0---Compounding	*0.00%*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
City of La Mesa (Ground Lease Loan)---Simple	*3.00%*	6,620,000	6,818,600	7,017,200	7,215,800	7,414,400	7,613,000	7,811,600	8,010,200	8,208,800	8,407,400	8,606,000	8,804,600	9,003,200	9,201,800
---Compounding	*1.00%*	5,483,132	5,537,963	5,592,795	5,647,626	5,702,457	5,757,289	5,812,120	5,866,951	5,921,783	5,976,614	6,031,445	6,086,277	6,141,108	6,195,939
0---Compounding	*0.00%*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
0---	*0.00%*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Residual Receipts Payments		**19,179,132**	19,644,843	20,110,555	20,576,266	21,041,977	21,507,689	21,973,400	22,439,111	22,904,823	23,370,534	23,836,245	24,301,957	24,767,668	25,233,379

PROJECTED PERMANENT LOAN CASH FL0WS

Final Commitment

	YEAR	15	16	17
RENTAL INCOME	**CPI**			
Restricted Unit Rents	2.50%	3,589,705	3,679,448	3,771,434
Unrestricted Unit Rents	2.50%	61,040	62,566	64,131
Commercial Rents	2.00%	-	-	-
Project Based Rental Subsidy	1.50%	-	-	-
Other Project Based Subsidy	1.50%	-	-	-
Income during renovations	0.00%	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-
Laundry Income	2.50%	49,849	51,095	52,372
Parking & Storage Income	2.50%	-	-	-
Miscellaneous Income	2.50%	-	-	-
GROSS POTENTIAL INCOME (GPI)		**3,700,594**	**3,793,109**	**3,887,937**
VACANCY ASSUMPTIONS	**Vacancy**			
Restricted Unit Rents	5.00%	179,485	183,972	188,572
Unrestricted Unit Rents	5.00%	3,052	3,128	3,207
Commercial Rents	50.00%	-	-	-
Project Based Rental Subsidy	5.00%	-	-	-
Other Project Based Subsidy	3.00%	-	-	-
Income during renovations	20.00%	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-
Laundry Income	5.00%	2,492	2,555	2,619
Parking & Storage Income	50.00%	-	-	-
Miscellaneous Income	50.00%	-	-	-
TOTAL PROJECTED VACANCY LOSS		**185,030**	**189,655**	**194,397**
EFFECTIVE GROSS INCOME (EGI)		**3,515,565**	**3,603,454**	**3,693,540**
OPERATING EXPENSES	**CPI / Fee**			
Administrative Expenses	3.50%	356,375	368,848	381,758
Management Fee	4.00%	140,500	144,012	147,612
Utilities	3.50%	176,082	182,244	188,623
Operating & Maintenance	3.50%	403,843	417,978	432,607
Ground Lease Payments	3.50%	-	-	-
CalHFA Monitoring Fee	0.00%	7,500	7,500	7,500
Other Agency Monitoring Fee	0.00%	-	-	-
Real Estate Taxes	1.25%	34,985	35,422	35,865
Other Taxes & Insurance	3.50%	155,770	161,222	166,865
Required Reserve Payments	1.00%	50,692	51,199	51,711
TOTAL OPERATING EXPENSES		**1,325,746**	**1,368,425**	**1,412,541**
NET OPERATING INCOME (NOI)		**2,189,819**	**2,235,029**	**2,281,000**
DEBT SERVICE PAYMENTS	**Lien #**			
Perm	1	1,419,755	1,419,755	1,419,755
Supplemental MIP	2	-	-	-
-	-	-	-	-
City of La Mesa (Ground Lease Loan)	4	-	-	-
Deferred Developer Fee Note	5	-	-	-
-	-	-	-	-
-	-	-	-	-
MIP Annual Fee (applicable for MIP only deals)	-	-	-	-
TOTAL DEBT SERVICE & OTHER PAYMENTS		**1,419,755**	**1,419,755**	**1,419,755**
CASH FLOW AFTER DEBT SERVICE		**770,063**	**815,273**	**861,244**
DEBT SERVICE COVERAGE RATIO		**1.54**	**1.57**	**1.61**
Date Prepared:	08/25/22			

LESS: Asset Management Fee	3%	11,344	11,685	12,035
LESS: Partnership Management Fee	2%	25,603	26,115	26,638
net CF available for distribution		**733,116**	**777,473**	**822,572**

	YEAR	15	16	17
Deferred developer fee note repayment	5,545,988	-		
	100%	-		
		-	-	-

Payments for Residual Receipt Payments				
RESIDUAL RECEIPTS LOANS	*Payment %*	366,558	388,737	411,286
MIP	*32.33%*	-	-	-
Supplemental MIP	*20.11%*	192,223	203,854	215,678
0	*0.00%*	-	-	-
City of La Mesa (Ground Lease Loan)	*47.56%*	174,335	184,883	195,608
		-	-	-
0	*0.00%*	-	-	-
0	*0.00%*	-	-	-
Total Residual Receipts Payments	**100.00%**	366,558	388,737	411,286

Balances for Residual Receipt Payments				
RESIDUAL RECEIPTS LOANS	*Interest Rate*			
MIP---Simple	*3.00%*	6,390,000	6,525,000	6,660,000
Supplemental MIP---Simple	*3.00%*	3,656,046	3,541,104	3,414,530
0---Compounding	*0.00%*	-	-	-
City of La Mesa (Ground Lease Loan)---Simple	*3.00%*	9,398,701	9,422,966	9,436,683
---Compounding	*1.00%*	6,250,770	6,305,602	6,360,433
0---Compounding	*0.00%*	-	-	-
0---	*0.00%*	-	-	-
Total Residual Receipts Payments		25,695,518	25,794,671	25,871,646

MIXED-INCOME LOAN PROGRAM (2022)

California Housing Finance Agency

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

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

Qualifications

APPLICATION:

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

AVAILABILITY:

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

USES:

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

FINANCING STRUCTURE:

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

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

   OR

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

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Qualifications (continued)

READINESS:

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

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

Qualifications (continued)

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

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

EVIDENCE OF COST CONTAINMENT:

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

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

EVIDENCE OF SUBSIDY EFFICIENCY:

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

- A maximum of 1.20 Debt Service Coverage Ratio ("DSCR") at year 1 ("Initial DSCR"). CalHFA may allow an initial DSCR higher than 1.20 on a case-by-case basis, if deemed necessary. The year 1 DSCR underwritten at the time of final loan approval and final commitment must be maintained through the term of the CalHFA permanent first lien loan,
- A project cash flow that supports the residential component of the project based on the required CalHFA permanent first lien annual debt service coverage ratio,
- A separate project cash flow that supports any commercial component of a mixed-use project,
- A cash flow after debt service shall be limited to the higher of 25% of the anticipated annual must pay debt service payment or 8% of gross income, during each of the first three years of project operation,
- Inflation factors and vacancy rates consistent with the Agency's Underwriting Standards,
- Developer Fee requirements matching those required under the 4% federal and/or state tax credit reservation,
- Capitalized reserves subject to approval by Agency for reasonableness consistent with the Agency's Underwriting Standards and the Investor Limited Partnership Agreement (ILPA),

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

CalHFA Mixed-Income Development Team Qualifications (Continued)	**Management Company** must have a local presence or a field office in Northern or Southern CA (depending on the location of the Project) and have experience managing at least 10 low- to moderate-income, rent-restricted comparable (size and tenant types) projects. Also required is a resume for the proposed on-site Property Manager, reflecting prior experience during the past five years managing onsite project operations and compliance with rent-restricted units or meet the requirements to receive a minimum of 3 points under the CDLAC Management Company Experience category pursuant to CDLAC Regulations Section 5230(f).
Permanent First Lien Loan	Must be provided by CalHFA. The permanent loan must meet an initial minimum DSCR of at least 1.15 and must maintain the year 1 DSCR underwritten at the time of final loan approval and final commitment through the term of the CalHFA permanent first lien loan. The Initial DSCR must not exceed 1.20.
Construction First Lien Loan	Must be provided by a CalHFA Mixed-Income Qualified Construction Lender. All parties shall permit the Agency to, in its sole and absolute discretion, recycle all or a portion of any bond volume cap related to a paydown of the bond-financed loans, at the conversion of the construction financing to permanent financing and payoff of the construction loan, pursuant to the authority provided in Section 146(i)(6) of the Internal Revenue Code of 1986 and CDLAC Regulation Section 5060 (the "Bond Recycling"). The bond documents, loan documents and any other documents related to the financing of the Development shall contain any necessary approvals and permit all actions necessary to accomplish a Bond Recycling.
Limitations	1. MIP cannot be combined with the CTCAC 9% program. 2. MIP cannot be combined with other state subordinate debt and/or subsidy programs (this does not include state tax credits) with the exception of the Infill Infrastructure Grant (IIG), Affordable Housing and Sustainable Communities (AHSC) and Transit Oriented Development (TOD) housing programs. Inclusion of these programs is contingent upon restrictions that are compatible with the MIP program requirements outlined herein. Inclusion of other subordinate debt and subsidy will be allowed at CalHFA's sole discretion so long as any restrictions of subordinate debt or subsidy are compatible with MIP program requirements outlined herein. 3. Projects that have a below market rate component resulting from an inclusionary obligation or are 100% below market as a result of an inclusionary obligation must demonstrate master developer commitment through a dollar-for-dollar match of CalHFA's subsidy resources. Match can be obtained through a monetary match or equivalent in-kind contributions (e.g., land donation, land use fee concessions.) 4. At the time of MIP application, a project must not have already received an allocation of 4% federal and/or state tax credits from CTCAC or a tax-exempt bond allocation from CDLAC. 5. Projects will not be eligible for other subsidy resources from CalHFA in addition to MIP.
Mixed-Income Project Occupancy Requirements	**BOND REGULATORY AGREEMENT REQUIREMENTS (ALL PROJECTS):** Must maintain either (a) 20% of the units must be rent restricted and occupied by individuals whose incomes are 50% or less of AMI with adjustments for household size ("20% @ 50% AMI"), OR (b) 40% or more of the units must be both rent restricted and occupied by individuals whose incomes are 60% or less of AMI with adjustments for household size ("40% @ 60% AMI"): in the latter case, CDLAC requires a minimum of 10% of the unit types must be at 50% or less of AMI ("10% @ 50% AMI").

Mixed-Income Project Occupancy Requirements (Continued)	**MIXED INCOME REGULATORY AGREEMENT REQUIREMENTS (ALL PROJECTS):** **Affordability Requirements:** 1. To qualify, a project must meet the following affordability restrictions, which are based on the HUD and locality (as applicable) income and rent limits which are current at the time of MIP application, for a term of 55 years: a. 30% of total units at or below 50% of AMI. Of these, a minimum of 10% of total units must be at or below 30% of AMI, b. 10% of total units between 60% and 80% of AMI with an average of 70% of AMI or greater, subject to the Maximum Allowable Rents outlined below, and c. Remaining 60% of total units at or below 120% of AMI (with the exception of any non-restricted manager's unit(s)) OR at the affordability restrictions consistent with CTCAC requirements. d. The minimum range between the lowest and highest occupancy target levels must be at least 40%. (Deviations from the above requirements will only be considered if Market Study supports such deviations.) 2. If applicable, tax credit transactions that are income-averaged must have a maximum average affordability up to 60% of AMI across all CTCAC restricted units.
Mixed-Income Project Occupancy Requirements (Continued)	**MAXIMUM ALLOWABLE RENTS:** Rents for all restricted units must be at least 10% below market rents for the MIP affordability term as evidenced by a current market study or appraisal. This threshold will be analyzed at time of application and again at CalHFA's final commitment approval and may be monitored on an ongoing basis for the MIP affordability term. The report shall be current within 180 days of Agency's final commitment and may be subject to required updating if the report expires prior to construction loan closing. For underwriting purposes, CTCAC and locality maximum rents for the respective target income limits must be used. Any proposed rent adjustments above 5% of the approved rents subsequent to construction loan closing may be considered if supported by a recent or updated market study or appraisal that is dated within 180 days of MIP loan closing, at CalHFA's sole discretion. Any units restricted by the Agency pursuant to this program, including those units restricted in addition to the minimum requirements set forth above, shall be rented at rents not to exceed 30% of the applicable income restriction required in the Agency's Regulatory Agreement.
Mixed-Income Subordinate Loan	1. Maximum loan amount for each project shall not exceed the lesser of $8 million or the aggregate MIP loan amount calculated based on up to $60,000 per MIP regulated units, unless an exception is approved by Agency in its sole discretion. a. Maximum loan per restricted (tax credit or CalHFA) units between 30%-120% AMI shall be up to $50,000. b. Projects located within the Highest or High Resource areas pursuant to CTCAC regulations designated on the CTCAC/HCD Opportunity Area Map shall be eligible for an additional amount up to $10,000 per MIP regulated unit. Opportunity Map Home Page: www.treasurer.ca.gov/ctcac/opportunity.asp 2. Loan size based on project need but cannot be more than 50% of the permanent loan amount.

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

Last revised: 01/25/2022

TAX-EXEMPT PERMANENT LOAN PROGRAM

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

Qualifications	• Available to for-profit, non-profit, and public agency sponsors. • Tax-exempt bond authority must be obtained from the California Debt Limit Allocation Committee (CDLAC) or through a 501(c)(3) exemption. • The Tax-Exempt Permanent Loan may be used with or without 4% low income housing tax credits. • If a lender other than CalHFA is providing short-term, first-lien debt, CalHFA shall be used as the bond issuer (for more information, review the Conduit Issuer Program Term Sheet). • For Section 8 Projects, a final commitment is conditioned upon review and acceptance by CalHFA of the HAP or AHAP contract. • The Perm Loan will be credit-enhanced through CalHFA's HUD/FHA Risk Sharing Program. • For existing CalHFA portfolio loans, the current owner is required to pay off all outstanding CalHFA debt. Visit www.calhfa.ca.gov for the CalHFA Portfolio Loan Prepayment Policy.
Loan Amount	• Minimum Perm Loan amount of $5,000,000. • Minimum 1.15x for initial debt service coverage ratio (include any financing with amortizing debt). If a Project includes CalHFA's subsidy loan, the maximum DSCR at year 1 shall not exceed 1.20, unless CalHFA approves a higher DSCR at its own discretion. The year 1 DSCR underwritten at the time of final loan approval and final commitment must be maintained as the minimum DSCR through the term of the Perm Loan. CalHFA may require the initial DSCR to be higher than the minimum 1.15x, if deemed necessary to meet the Agency's underwriting requirements. • Lesser of 90% of restricted value or 100% of development costs. For Projects with equity being cashed out, the Perm Loan amount will be restricted to no more than 80% of the restricted value.
Fees (subject to change)	• Application Fee: $10,000 non-refundable, due at time of application submittal, and is credited toward the CalHFA Legal Fee at Perm Loan closing. The applicant may be subject to a new Application Fee if the CalHFA commitment expires prior to construction loan closing. • Perm Loan Fee: 1.00%, half due at final commitment, with balance due at Perm Loan closing. • Credit Enhancement Fee: included in the interest rate. • Annual Monitoring Fee: $7,500 annually (not to be duplicated if used in conjunction with CalHFA's Conduit Program). • Inspection fees should be estimated at $500 per month for the term of the construction (reports and fees can be shared with other construction lenders) • Legal Fee: $35,000, half due at final commitment, with balance due at Perm Loan closing. • Perm Loan Funding Fee: $110,000 at Perm Loan closing. • Administrative Fee: $1,000 at Perm Loan closing. • Letter of Interest Fee: $5,000 at LOI request, and is credited toward the CalHFA Perm Loan Fee See CalHFA standard Conduit Issuer Program Term Sheet for information on conduit issuance fees.

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

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

Last revised: 5/2022

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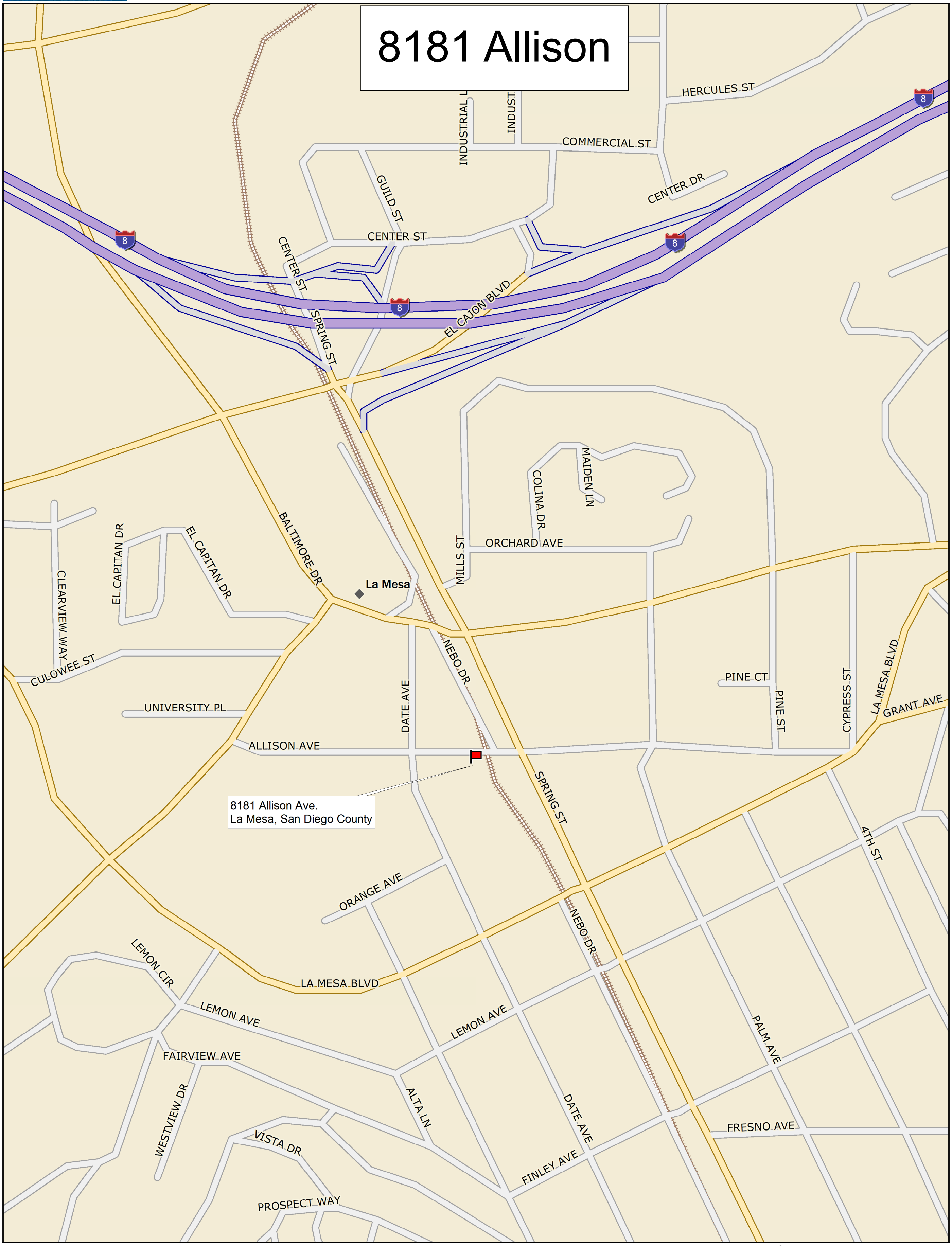
Occupancy Requirements	• Either (A) 20% of the units must be rent restricted and occupied by individuals whose incomes are 50% or less of the area median income as determined by HUD ("AMI") with adjustments for household size ("20% @ 50% AMI"), or (B) 40% or more of the units must be rent restricted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



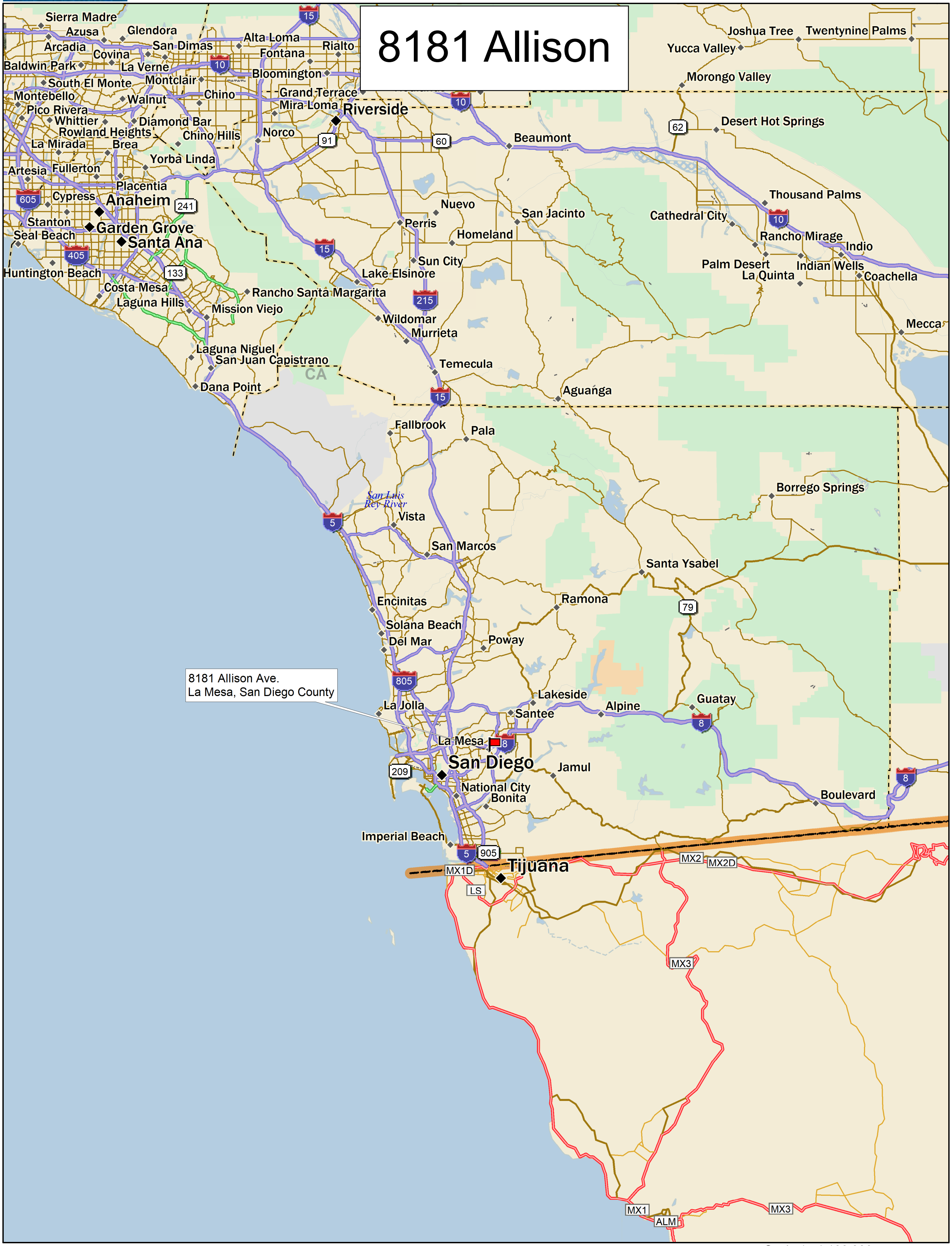
TN
MN (11.0°E)

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



TN
MN (11.1°E)

Scale 1 : 1,100,000

1" = 17.36 mi

Data Zoom 7-5