CalHFA MULTIFAMILY PROGRAMS DIVISION

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

Senior Loan Committee "Approval": April 5, 2024

Project Name, County:	**Devonwood Apartments, Merced County**	
Address:	**1515 – 1565 Devonwood Dr., Merced, CA 95348**	
Type of Project:	**New Construction**	
CalHFA Project Number:	23-009-A/X/N	**Total Units: 156 Large Family (with 39 Special Needs Units)**
Requested Financing by Loan Program:	Up to $44,000,000*	**CalHFA Tax-Exempt Bond – Conduit Issuance Amount ($35,814,917 allocated by CDLAC on 8/23/2023 and $3,581,491 allocated by CDLAC on 12/21/2023 - current need is $39,396,408)**
	Up to $6,000,000*	**CalHFA Taxable Bond – Conduit Issuance Amount (a portion of which may include recycled bonds -current need is $5,113,778)**
	$9,770,338	**CalHFA Tax-Exempt Permanent Loan with HUD Risk Sharing**
	$4,000,000	**CalHFA MIP Subsidy Loan**
* Approval amount includes 10% cushion rounded up to nearest $1M per CalHFA Policy.		

DEVELOPMENT/PROJECT TEAM

Developer:	The Richman Group of California Development Company, LLC	**Borrower:**	Devonwood Apartments, LP
Permanent Lender:	CalHFA	**Construction Lender:**	Bank of America, N.A.
Equity Investor:	The Richman Group Affordable Housing Corporation	**Management Company:**	Richman Property Services, Inc.
Contractor:	Huff Construction Company, Inc.	**Architect**	Architects Orange, LLP, (Doing business as AO)
Loan Officer:	Jennifer Beardwood	**Loan Specialist:**	N/A
Asset Manager:	Suzanne Ledesma	**Loan Administration:**	Elizabeth Brown
Legal (Internal):	Paul Steinke	**Legal (External):**	Orrick, Herrington & Sutcliffe (CalHFA Bond Counsel)
Concept Meeting Date:	10/5/2023	**Approval Expiration Date:**	180 days from Approval

LOAN TERMS

1.		CONDUIT ISSUANCE/ BANK OF AMERICA CONSTRUCTION LOAN	CalHFA PERMANENT LOAN	CalHFA MIP SUBSIDY LOAN AND SUPPLEMENTAL MIP LOAN
	Total Loan Amount	$39,396,408 (T/E) $5,113,778 (Taxable) Total Bond Issuance: $44,510,186	$9,770,338 *	$4,000,000 ($25,794/restricted unit)
	Loan Term & Lien Position	36 months- interest only with one six-month extension available; 1st Lien Position during construction	40 year – partially amortizing due in year 17; 1st Lien Position during permanent loan term	17 year - Residual Receipts; 2nd Lien Position during permanent loan term
	Interest Rate	SOFR + 2.40% + 10bps adjustment fee (Daily Reset)** Underwritten at 7.82% variable rate	Underwritten at 6.90% (Fixed Rate Locked***) Estimated rate based on a 36-month forward commitment.	3% simple interest. A higher simple interest rate may be used at time of MIP closing in the event the true debt test is at risk for tax credit purposes
	Loan to Value (LTV)	56% of investment value	LTV is 64% of restricted value****	N/A
	Loan to Cost	55%	14%	N/A

** A 3% fee on the difference of the minimum early rate lock amount of $10,113,728 and Final Commitment Loan Amount will be charged at the time of construction closing, Estimated at $10,302.00.*
***As of 3/7/2024 the daily SOFR rate 5.31% which equals a 7.71% rate. Construction interest reserve may be resized based on locked rate at construction loan closing. Any resulting funding gaps will be covered by the developer until permanent loan conversion.*

****The all-in rate of 6.90% is the final rate locked on 11.21.2023 for the loan closing and is valid until construction closing deadline indicated in the Final Rate Lock letter issued by the Agency.*

***** Loan to Value based on appraisal dated 3/19/2024 prepared by CBRE, inc.*

Summary of Material Changes from Initial Commitment Approval	
☐	Changes in Borrower/Sponsor entities including Co-developer(s), if any
☒	Changes in Other Development Team members: Construction Lender, Tax Credit Investor, General Contractor, Property Management Agent, Other lenders including subordinate lenders. The Project architect was changed from BSB Design, Inc (BSB) to Architect Orange LLP (DBA AO). BSB was providing design services for the developer that had previously worked on the site. The Developer briefly engaged BSB for historical information about the project and then chose AO to finish out the design effort, as the Developer has an existing track record of successful projects with AO.
☐	Changes in Project Scope (for example, addition of non-residential component)
☐	Changes in CalHFA loan amount (>10%) or changes in loan terms
☐	Changes in construction schedule and rent-up/conversion timeline
☐	Significant changes in project capital stack impacting project viability: DSCR, exit analysis, etc.

☐ Significant changes in Operating budget as well as rental assistance/operating subsidy assumptions

- Although the contract rents for the 3-bedroom units were decreased as the approved contract rents exceed the weighted average market rent in the market study, the Gross Potential Income increased by $80,508. This is attributed to the inclusion of increased rent limits as released by TCAC on 5/14/2023 and the increase of contract rents for the one and two-bedroom units.
- The operating expenses have increased by $124,599 which is attributed to a $186,820 increase to the administrative expenses, management fee, utilities, and insurance and a $62,221 decrease to the payroll/payroll taxes, maintenance, and other costs (supportive services, business licensing, and taxes) which is the result of finalizing/reclassification of the estimated operating expenses used from initial commitment. These current operating expenses align with the appraisal except for the insurance. The estimated cost for insurance is based on the Developer's per unit cost of their Master insurance Policy and includes the estimated cost of flood insurance for this Project.
- The overall changes to the operating budget results in a decrease of the Project's Net Operating Income (NOI) by $48,117, while Debt Service decreased by $17,737, resulting in the surplus cash after debt service decreasing by $30,380, and reducing the 1st year DSCR by .04bps, as described in the chart below.

	Initial	Final	Difference	% Increase/Decrease
Gross Potential Income (GPI)	$1,804,944	$1,885,442	$80,508	4.5%
Vacancy	$90,247	$94,273	$4,026	4.5%
Total Income (EGI)	**$1,714,697**	**$1,791,179**	**$76,482**	**4.5%**
Admin Exp	$33,690	$87,360	$53,670	159.3%
Mgmt Fee	$85,735	$89,559	$3,824	4.5%
Utilities	$101,900	$136,500	$34,600	34.0%
Payroll/PR Taxes	$220,647	$202,800	-$17,847	-8.1%
Insurance	$100,430	$195,156	$94,726	94.3%
Maintenance	$167,356	$132,600	-$34,756	-20.8%
Other OpEx*	$128,718	$119,100	-$9,618	-7.5%
Total OpEx	**$838,476**	**$963,075**	**$124,599**	**14.9%**
NOI	**$876,221**	**$828,104**	**-$48,117**	**-5.5%**
Debt Service	$737,828	$720,091	-$17,737	-2.4%
Surplus Cash	$138,393	$108,013	-$30,380	-22.0%
DSCR	1.19	1.15	-0.04	
*Other OpEx				
Supportive Services	$75,000	$70,000	-$5,000	-6.7%
Replacement Reserve	$39,000	$39,000	$0	0.0%
CalHFA Monitoring Fee	$7,500	$7,500	$0	0.0%
Business Licensing	$1,500	$0	-$1,500	100.0%
Taxes	$5,718	$2,600	-$3,118	-54.5%
Total Other Expenses	$128,718	$119,100	-$9,618	-7.5%

☒ Changes in CalHFA required reserves

- The required OER has increased by $124,599 which is attributed to the increase of the operating expenses/reserves as described below. Further, based on the final commitment underwriting requirements for Special Needs units and units with project-based vouchers, CalHFA will be requiring a fully funded 6-month Operating Reserve to be held through the term of the CalHFA loan.

	Initial	Final	Difference	% Increase/Decrease
CalHFA - Perm Bond Proceeds (Loan)	$10,011,000	$9,770,338	-$240,662	-2.40%
Total Operating Expenses/Reserves	$838,476	$963,075	$124,599	14.9%
Debt Service Payment	$737,828	$720,091	-$17,373	-2.4%
Required Operating Reserve (3mo)	$394,076	$420,792	$26,716	6.8%

☐ Changes in Affordability Restrictions including Unit distribution for regulated units.

PROJECT SUMMARY

2.	**Legislative Districts**	**Congress:**	#16 Anna Eshoo	**Assembly:**	#21 Adam Gray	**State Senate:**	#12 Shannon Grove

	Brief Project Description	**Devonwood Apartments** (the "Project") is a new construction, family, mixed-income Project. It consists of five, 3-story residential walk-up building and one, 1-story community building. There will be 156 total units, 154 of which will be restricted between 30% and 70% of the Merced County Area Median Income (AMI). There will be 69 one-bedroom units (626 sf), 46 two-bedroom units (978 sf), and 39 three-bedroom units (1,154 sf). In addition, two of the two-bedroom units will serve as the manager's unit. The site is currently vacant. **Financing Structure:** The Project's financing structure includes financing from tax-exempt bonds, taxable bonds, loan from the City of Merced, funding from multiple City of Merced sources via Sponsor loans and the Department of Housing and Community Development via a Sponsor loan, 4% Federal Tax Credit equity (4% Federal LIHTC allocation), state housing tax credits, Agency's tax-exempt loan program and the Mixed-Income Program. **Tax Credits and/or CDLAC Status:** The developer received an allocation for 4% tax credits from TCAC on 8/23/2023 and a supplemental bond cap allocation on 12/21/2023 from CDLAC. The bond cap requested is approximately 52% aggregate basis requirement (the "50% test") **Ground Lease:** Not applicable. **Density Bonus Agreement**: The City approved 2 density bonus concessions in exchange for the project's units to meet income restrictions: 1) the units will not have patios/balconies and 2) allowing roof-mounted mechanical equipment. The Affordable Housing Regulatory Agreement will be recorded in first position, but it will not have foreclosure rights. **Project Amenities:** The Project will include a business center, clubhouse, courtyard, central laundry, exercise facility, on-site management, a picnic area, a playground, recreation areas, a swimming pool, and a service coordinator. Unit amenities will include wall air conditioning, microwave, dishwasher, and garbage disposal. **Local Resources and Services:** For CTCAC/CDLAC purposes, the Project is located within a Low Resource area per CTCAC/HCD's Opportunity Area Map. The Project is in close proximity to the following local amenities and services: • Grocery stores – 0.5 mile • Schools – 1.5 miles • Public Library – 0.8 mile • Public transit – 0.1 mile • Retail – 0.2 mile • Park and recreation – 0.2 mile • Hospitals – 0.6 mile **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 will provide 154 units of affordable housing with a range of restricted rents between 30% AMI and 70% AMI which will support much needed rental housing that will remain affordable for 55 years.		

ANTICIPATED PROJECT MILESTONES & SCHEDULE

4.	CDLAC/CTCAC Closing Deadline:	5/6/2024	Est. Construction Loan Closing:	4/2024
	Estimated Construction Start:	4/2024	Est. Construction Completion:	4/2026
	Estimated Stabilization and Conversion to Perm Loan(s):		8/2026	

SOURCES OF FUNDS

5.

Project Summary Budget		
Construction Sources and Uses		
Sources	**Amount**	**% of Total**
BoA Tax-Exempt Construction Loan (Loan) – 1st lien position, underwritten at 7.82% rate, interest only, 36-month term, with the option for one 6-month extension	$39,396,408	50.73%
BoA Taxable Construction (Loan) – 2nd lien position, underwritten at 7.82% rate, interest only, 36-month term, with the option for one 6-month extension	$5,113,778	6.58%
City of Merced, through CVCAH (HOME CHDO) (Loan) – 3rd lien position, underwritten at 0% rate, deferred during construction, 660-month term,	$3,845,734	4.95%
City of Merced, through CVCAH (CDBG) (Loan) – 4th lien position, underwritten at 0% rate, deferred during construction, 660-month term	$2,375,314	3.06%
City of Merced: Water & Sewer Loan (Loan) – 5th lien position, underwritten at 0% rate, deferred during construction, 660-month term	$1,311,572	1.69%
HCD-IIG, through CVCAH (Loan) – 6th lien position, underwritten at 0% rate, deferred during construction, 660-month term	$5,830,927	7.51%
City of Merced, through CVCAH(ARPA) (Loan) – 7th lien position, underwritten at 0% rate, deferred during construction, 660-month term	$1,309,538	11.09%
Deferred Cost (Developer Fee)	$7,808,800	10.06%
Federal Tax-Credit Equity (Equity, LIHTC Investor) (Federal Tax Credits $0.90665)	$8,611,775	11.09%
State Tax-Credit Equity (Equity, LIHTC Investor) (State Tax Credits: $0.89)	$2,055,376	2.65%
TOTAL CONSTRUCTION SOURCES	**$77,659,222**	
TOTAL PER UNIT	**$497,816**	
Uses	**Amount**	**% of Total**
Total Acquisition costs	$2,750,000	3.54%
Construction/Rehab Costs	$52,095,261	67.08%
Soft Costs	$3,697,452	4.76%
Hard Cost contingency (5.57%)	$2,604,763	3.35%
Soft Cost contingency (2.18%)	$500,000	0.64%

Financing Costs (interest reserves, fees, taxes and insurance)	$2,637,516	3.40%
Local Impact Fees	$2,768,760	3.57%
Deferred Developer Fee	$2,434,175	3.13%
Cash Portion Developer Fee (Paid After Completion)	$1,065,825	1.37%
GP Contribution Developer Fee	$4,400,000	5.67%
Other Costs (A&E, legal, other soft costs)	$2,705,470	3.48%
TOTAL CONSTRUCTION USES	**$77,659,222**	
TOTAL PER UNIT	**$497,816**	

Permanent Sources and Uses		
Sources	**Amount**	**% of Total**
CalHFA Permanent Loan (Loan) – 1st lien position, underwritten at 6.90% rate, 40-year amortization, 17-year term, with the option for two 3-month extensions	$9,770,338	12.4%
CalHFA MIP (Loan) – 2nd lien position, underwritten at 3.00%, term, residual receipts, 17-year term	$4,000,000	5.1%
City of Merced, through CVCAH (HOME CHDO) (Loan) – 3rd lien position, underwritten at 3.00% rate, residual receipts, 55-year term	$3,845,734	4.9%
City of Merced, through CVCAH (CDBG) (Loan) – 4th lien position, underwritten at 3.00% rate, residual receipts, 55-year term	$2,375,314	3.0%
City of Merced: Water & Sewer Loan (Loan) – 5th lien position, underwritten at 3.00% rate, residual receipts, 55-year term	$1,311,572	1.7%
HCD-IIG, through CVCAH (Loan) – 6th lien position, underwritten at 0% rate, residual receipts, 55-year term	$6,478,807	8.2%
City of Merced, through CVCAH(ARPA) (Loan) – 7th lien position, underwritten at 3.00% rate, residual receipts, 55-year term	$1,309,538	1.7%
Deferred Developer Fee (Developer Fee, Deferral)	$2,434,175	3.1%
Contributed Developer Fee (Developer Fee, Contribution)	$4,400,000	5.6%
Tax Credit Equity (Equity, LIHTC Investor) (Federal Tax Credits $0.90665/ State Tax Credits: $0.89)	$42,668,604	54.3%
TOTAL PERMANENT SOURCES	**$78,594,082**	**100%**
TOTAL PER UNIT	**$503,808**	
Uses		
Total Loan Payoffs and Equity	$69,759,222	88.8%
Financing costs	$93,277	.01%
Operating Reserves	$841,583	1.1%
Cash Developer Fee paid at Perm Conversion	$1,065,825	1.4%
Deferred Developer Fees paid from cashflow	$2,434,175	3.1%
GP Contribution Developer Fee	$4,400,000	5.67%
TOTAL PERMANENT USES	**$78,594,082**	
TOTAL PER UNIT	**$503,808**	

Subsidy Efficiency: $4,000,000 ($25,974 per MIP restricted units).

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

- 4% Federal Tax Credits: $37,997,620 assuming estimated pricing of $0.90665($246,737 per TCAC restricted unit).
- State Tax Credits: $9,233,778 assuming estimated pricing of $0.89 ($59,959 per TCAC restricted unit). The Project includes Certificated State Tax Credits, which increases the pricing value of the credits. These credits will be contributed to the Project as a State Tax Credit Loan from Central Valley Coalition for Affordable Housing (CVCAH), who will execute a promissory note in the estimated amount of $8,221,503 and deed of trust that will be secured against the property and recorded in last lien position. The State Tax Credit loan will bear 0% interest and will not require payments during the term of this loan.

Rental Subsidies: The Project will be subsidized by project-based vouchers. 39 units will be subsidized by Project-Based vouchers for an initial term of 20 years with an option to renew. The rental subsidy contract will be administered by the Housing Authority of the County of Merced. These units will be set aside for Special Needs Tenants that consists of families in the child welfare system for whom the absence of housing is a barrier to family reunification, as certified by the county.

- Section 8 units – 31 units @ 30% AMI and 8 units @ 40% AMI.

Other State Subsidies: The Project will be funded by other State funds; HCD is providing funding through the Infill Infrastructure Grant program, via a Sponsor loan, in an amount of $6,478,807.

Other Locality Subsidies: The Project will be funded by locality funds; the City of Merced is providing a loan for $1,311,572 and additional City of Merced funds, via Sponsor loans, totaling $7,530,586.

Cost Containment Strategy: The development team has included several strategies as part of its overall cost containment strategy including:

- Early engagement of the General Contractor (GC) in the design process to work on Value Engineering items early on.
- During the construction document phase, developer will have the GC and 3rd party consultant provide a constructability review of the plans. This approach will help address issues up-front and during design and prevent any potential issue during construction.
- Procurement process: The GC and Subs will work closely to execute LOI and buyout immediately after the execution of the GC contract. This approach will help prevent against any future cost escalation/inflation.
- The GC will identify material that require lead times and get those items submitted for approval and ordered early on.

High-Cost Explanation: N/A

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

TRANSACTION OVERVIEW

7.	**Proposal and Project Strengths**

- The Project has received 4% federal and state tax credits which is projected to generate equity representing 54% of total financing sources.
- The Developer has experience in developing similar affordable housing projects.
- The Project will serve low-income families ranging between 30% to 70% of AMI. On average, the rents are 21% to 65% below market rents based on current appraisal.

- 39 units will be supplemented by HUD's Project-Based vouchers under the Section 8 Project-Based Voucher Program administered by Housing Authority of the County of Merced HUD for a term of 20 year with an automatic option to renew.
- The locality has invested in the success of the Project as demonstrated by a Density Bonus, Grant, Fee Reductions and funding in the total amount of $8,842,158. The density bonus provides concessions of 2 of development standards. In exchange for the density bonus, 154 units will be subject to an Affordable Housing Regulatory Agreement.
- The projected portion of the developer's fee that will be collected at or prior to permanent loan conversion is $5,465,825, of which $4,400,000 will be contributed to the project as a loan from the MGP. The net underwritten cash portion of the developer fee is $1,065,825 which could be available to cover cost overruns at permanent loan conversion.

8. Project Weaknesses with Mitigants:

- Overall crime in the Primary Market Area is higher than in the Metropolitan Statistical Area and the national average. The Project will offer intercom (buzzer), limited access, and video surveillance as security features.
- The developer/sponsor does not have experience with CalHFA; however, they have experience in developing similar affordable projects in this region. This is in alignment with CalHFA's MIP 2023 strategy to encourage more developers to apply and qualify. The locality is familiar with the developer/sponsor and strongly supports the project.
- The primary source of repayment for both the first mortgage and the MIP subsidy loan is refinance of the project's first mortgage. The exit analysis scenario assumes 2% increase to the appraisal cap rate (resulting in 7.25%) and a 3% increase of the underwriting interest rate at loan maturity (resulting in 9.90%) over 17 years period. Based on these assumptions, the expected refinance loan may not be sufficiently sized to be able to fully repay a portion of the 1st lien loan and entire MIP loan leaving a total unpaid balance of $172,630 of 1st lien loan and $5,758,678 of MIP loan balance. Given that underwritten NOI at year 17 is $1,022,918 (with y-o-y average growth of 1.42%) and the terminal year DSCR is a healthy 1.43, the expectation is that the Project will have several avenues to increase the NOI over the 20-year period (3 year conversion and 17 year loan term) to be able to obtain a higher valuation (LTV) to qualify for a higher refinance loan amount to pay off the 1st mortgage loan and all or portion of the MIP loan. For the purposes of approving this exception, the mitigations addressing the refinance risk for CalHFA 1st mortgage are discussed in Section 9 in Underwriting Standards and Term Sheet variations and also in Section 10 on Balloon Exit analysis.
- The Project is located in a Flood Zone AE (a "Special Flood Hazard Area with Base Flood Elevation or Depth Determined). The City of Merced put a moratorium on Letter of Map Revisions – based on Fill ("LOMR-Fs") so the Project is not currently able to have the flood map revised and the Project removed from Flood Zone AE. If and when the moratorium has ceased, the Project will have been construction at height sufficient to remove it from Flood Zone AE and the LOMR-F will be submitted and processed. The Project will be required to purchase and maintain flood insurance for the life of the Project or until it is removed from the flood zone. The developer's proposed operating budget includes $75/unit for the Nation Flood Insurance Program.

9. Underwriting Standards or Term Sheet Variations

- Per MIP Term Sheet, the surplus cash from project operations is shared 50/50 between the Developer and the Residual Receipt Lenders (on a pro-rata basis). However, the Limited Partnership Agreement (LPA) will require the payment of Deferred Developer Fee to be prioritized until year 14 after 100% completion of the property. This will require that 100% of surplus cash be available for payment of the deferred developer fee through year 14. Starting in year 15, the surplus cash will be split 50% to Developer and 50% to CalHFA to be applied towards MIP loan repayment. Any unpaid DDF at the end of Year 15 will be treated as GP contribution. This will result in a delay to the repayment of the CalHFA MIP Loan as outlined above. This is an exception to CalHFA Underwriting Standards, but it is recommended to meet standard LIHTC Investor terms.
- CalHFA Underwriting standards require that for projects with Rental subsidy (state or local) be escalated at 1.0%-2.0% for non-high-cost areas to allow for uncertainty related to local government funding availability and subject to local review for rental subsidy programs administered by local government. 39 units will be supplemented by

Project-Based vouchers under HUD's Section 8 Project-Based Voucher Program administered by Housing Authority of the County of Merced for a term of 20 year with an automatic option to renew. However, an exception has been made to escalate the rents of this projects at 2.5% instead of a more conservative underwriting assumption of 1% - 2% because the term of the Subsidy contract is 20 years which is less than CalHFA loan term of 17 years.

- CalHFA MIP Term Sheet and Underwriting Standards require the MIP loan to be fully repaid at maturity with the 1st lien perm loan which is tested by the Exit analysis test at Final Commitment underwriting. Currently, the exit analysis requirement is not met as there is an unpaid balance of $172,630for the 1st lien loan and unpaid balance of $5,758,678 for the MIP loan at the end of Year 17 (refi year). The Agency underwriting standards require applying mitigation strategies for this – either through reduction in 1st lien debt or converting the loan terms from balloon loan to fully amortizing. However, in this case, an exception is being requested instead for the Final Commitment approval on the condition that the perm loan will be resized to meet the Exit Analysis requirements at perm closing if there is still unpaid 1st lien balance at that time (~36 months from construction closing). Any gap or shortfall in the perm budget at the time will be covered by the Developer at perm conversion and failure to cover any funding gap (perm budget imbalance) will result in CalHFA withdrawing the funding for the Project at conversion. The Developer understands and has acknowledged that at that time that will be the only remedy as the CalHFA loan term cannot be changed due to forward hedge on the loan executed by CalHFA. Additionally, to the extent there is unpaid MIP balance at maturity, it will be paid from General Partner contribution as part of the close out of partnership obligations. This shall be as such documented in the CalHFA loan documents.
- CalHFA Underwriting Standards require that for projects with Rental subsidy (state or local) use blended rate for vacancy such that 5% vacancy rate is applied to regulated units, 7% to Projects with rental subsidy and 10% to Special Needs units. Underwriting at a higher vacancy rate is recommended to allow for uncertainty related to local government funding availability and the subsidy contract and renewal being subject to local review for rental subsidy programs administered by local government. 39 Special Needs units will be supplemented by Project-Based vouchers under HUD Section 8 Project-Based Voucher Program administered by Housing Authority of the County of Merced HUD for a term of 20 year with an automatic option to renew. However, an exception is being requested to use a lower vacancy rate of 5% instead of higher blended rate proportionate to the type and number of units. This poses an underwriting risk as the actual project cash-flow may be insufficient to support the higher debt amount underwritten with higher rental income estimates using 5% vacancy rate. As a mitigation, the Underwriting Standards recommends requiring a higher (6-month) of operating reserve to cover for any operating deficits. Multifamily staff is recommending exceptions to both these requirements. CalHFA will require the Operating Reserve to be sized to 6 months (instead of 3 months) and shall be held through the term of the loan.
- The City is requiring the Borrower to encumber the Property by recording an Affordable Housing Regulatory Agreement, in first position senior to the CalHFA Bond Regulatory Agreement and CalHFA MIP Regulatory Agreement. Prior to construction loan closing and closing of the CalHFA loans, the City Affordable Housing Regulatory Agreement is subject to CalHFA review and approval in accordance with agency underwriting standards which require the City to execute a Standstill Agreement prior to perm loan closing. The Affordable Housing Regulatory Agreement will not have foreclosure rights.
- The USRMs state that Sponsor loans shall be repaid from the Borrower's share of surplus cash. The Project is receiving funding from the City of Merced through a HOME/CHDO Loan and a CDBG Loan that will be made directly to Central Valley Coalition for Affordable Housing (CVCAH), the Managing Member of the Managing General Partner of the Borrower. CVCAH will then loan these funds to the Borrower of the Project via a Sponsor loan. The Developer requests that the repayment of these two Sponsor loans is made via a pro-rata share of residual receipts. Resulting surplus cash split will be:
    - Year 1-14 Developer receives 100% of surplus cash and 0% goes to Residual Receipts lenders.
    - Year 15 and onwards: Borrower receives 50% of surplus cash and balance 50% to be split pro-rata (CalHFA MIP loan 31.15%, Sponsor Loans 48.44% and City of Merced 10.21%.)
    - The City of Merced HOME/CHDO funds must be lent a Community Housing Development Organization (CHDO). CVCAH meets the CHDO requirements. The City HOME/CHDO loan will be for a term of 55 years and will bear 0% interest until construction completion at which point will begin to accrue simple interest at 3.00% per annum. Loan repayment is structured as a residual receipt loan in the City Loan documents and the Sponsor Loan documents will mirror this repayment structure.

- The City of Merced CDBG Loan will be directly to CVCAH for the purchase of the property which will then be sold to the Borrower. The CDBG funds must be used for acquisition costs and the CDBG funds must be expended by the City by March 2024, to meet HUD deadlines or the City could lose next year's allocation of funds from HUD. The City CDBC loan will be for a term of 55 years and will bear 0% interest until construction completion at which point will begin to accrue simple interest at 3.00% per annum. Loan repayment is structured as a residual receipt loan in the City Loan documents and the Sponsor Loan documents will mirror this repayment structure.

10.	**Project Specific Conditions of Approval**

Approval is conditioned upon:

- Closing on construction financing will be subject to final LPA being substantially consistent to the assumptions made at time of final commitment and that it is acceptable to CalHFA, in its sole discretion.
- The Developer acknowledging the requirement to adjust the perm loan at conversion to address the potential refinance risk mitigations, if required, when the project cash-flows are re-underwritten based on actual stabilized rent and expenses Any budget shortfall at perm loan conversion shall be covered from Developer's own sources and failure to have a balanced perm budget will result in CalHFA withdrawing the financing at perm conversion.
- Any default as to any loans by the Agency for the Development shall constitute a default under any other loans by the Agency for the Development.
- No site work or construction commenced prior to the issuance of a HUD Firm Approval Letter.
- CalHFA requires that MIP affordability covenants be recorded in senior position to all foreclosable debt. However, the locality is requiring their Affordable Housing Regulatory Agreement to be recorded 1st (ahead of) CalHFA Bond and CalHFA MIP Regulatory Agreements as indicated in Section 9. Allowance of the City's first lien position is subject to CalHFA receiving a Stand Still Agreement from the City in form and content acceptable to CalHFA in its sole discretion that includes but is not limited to (1) acknowledgement that the affordability restrictions are not foreclosable, and enforcement is limited to specific performance or injunction; and (2) the standstill of certain reporting, penalty, and other non-affordability provisions in the event CalHFA acquires the project.
- CalHFA will require that the local funding regulatory agreements to contain provisions allowing rent increases to the maximum TCAC rents if rental subsidies are no longer available.
- CalHFA requires that MIP affordability covenants be recorded in senior position to all foreclosable debt.
- The CalHFA subsidy 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.
- 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 14 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.
- An estoppel as to the lien priority of the Agency loans and approval of the Agency's form of subordination agreement by all subordinate lenders prior to construction closing.
- Receipt of a certification by the engineer on record that Project has been built to current seismic code acceptable to the Agency prior to permanent closing.
- Evidence of flood insurance acceptable to the Agency.
- Prior to CalHFA loan closing, land use covenants related to previous planned developments on the property shall be removed from title.
- An updated Phase I is required per CalHFA underwriting standards and HUD Risk Share. The current Phase I ESA dated 3/7/2023 exceeds the 180 days validity and an updated Phase I ESA will be required prior to closing.

11.	**Staff Conclusion/Recommendation:**

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

AFFORDABILITY

12.	CalHFA Affordability (Occupancy and Rent) Restrictions

The CalHFA Permanent Financing Regulatory Agreement will restrict a minimum of 30% of the total units (47 units) at or below 60% AMI and 10% of the total units (16 units) at 50% of AMI for 55 years.

Number of Units and Percentage of AMI Rents Restricted by each Agency									
Regulating Agency	Number of Units Restricted For Each AMI Category							Total Units	Percentage
	Lien	30%	40%	50%	60%	70%	120%	Regulated	Regulated
CalHFA Bond	2nd			16	47			63	41%
CalHFA MIP	3rd			32		16	106	154	100%
CTCAC	8th	31	16	63	23	21		154	100%
HCD IIG	7th	31	16	63	23	21		154	100%
City of Merced (CDBG)	4th	17						17	11%
City of Merced (CHDO HOME)	5th	17						17	11%
City of Merced (ARPA)	6th	17						17	11%
Density Bonus*	1st				154			154	100%
TOTALS		31	16	63	44			154	100%

The CalHFA MIP Subsidy Regulatory Agreement requires 20% of total units (32 units) be restricted at or below 50% of AMI, 10% of total units (16 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 106 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.

*The Density Bonus restrictions in the City Affordable Housing Regulatory Agreement will restrict 154 units to for lower -income households with an income averaging of 60% AMI or less than AMI.
The Rent Summary Table is outlined below, which reflects the total number of units for the applicable target occupancy (AMI):

Rent Limit Summary Table								
	Studio	1-bdrm	2-bdrm	3-bdrm	4-bdrm	5-bdrm	Total	% Total
30%	0	11	10	10	0	0	31	20%
40%	0	7	5	4	0	0	16	10%
50%	0	28	19	16	0	0	63	40%
60%	0	13	6	4	0	0	23	15%
70%	0	10	6	5	0	0	21	13%
80%	0	0	0	0	0	0	0	0%
Manager	0	0	2	0	0	0	2	1%
Market	0	0	0	0	0	0	0	0%
Total	0	69	48	39	0	0	156	
AMI Avg		50.6%	48.5%	47.4%			49.2%	

The average affordability restriction is 49% of AMI based on 154 TCAC-restricted units.

13.	Geocoder Information			
	Central City:	Yes	Underserved:	No
	Low/Mod Census Tract:	Moderate	Below Poverty line:	29%
	Minority Census Tract:	83%	Rural Area:	No

EXHIBITS: Detailed Financial Analysis and applicable Term Sheets.

FINANCIAL ANALYSIS SUMMARY

14.	Capitalized Reserves:	
	Replacement Reserves (RR):	N/A Beginning in Year 1 of operations annual Replacement Reserve deposits will be required in the amount of $250/unit (inflated 1% annually). CalHFA will hold reserves throughout the life of the loan.
	Operating Expense Reserve (OER):	$841,583 OER amount is typically sized based on a minimum 6 (six) months of operating expenses, first lien debt service, and annual replacement reserves deposits. For this Project, 6 (six) months of operating expense, reserves, and debt service (“OER”) is required to be held for the life of the CalHFA permanent loan. 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.
	Transitional Operating Reserve (TOR):	Transitional Operating Reserve is not applicable since the initial term of the Project Based Voucher Section 8 HAP Contracts will be 20 years with an automatic renewal for an additional 20 years, which combined exceeds the term of CalHFA permanent first lien loan of 17 years. In addition, as a condition of CalHFA’s approval, CalHFA will require that the local funding regulatory agreements contain provisions allowing rent increases to the maximum CTCAC rents if rental subsidies are no longer available.

15.	Cash Flow Analysis			
	1st Year DSCR:	1.15	**Project-Based Subsidy Term:**	20 years
	End Year DSCR (year 30):	1.44	**Annual Replacement Reserve Per Unit:**	$250/unit
	Residential Vacancy Rate*: **Subsidy Vacancy Rate:**	5.00% 5.00%	**Rental Income Inflation Rate:** **Subsidy Income Inflation Rate:**	2.50% 2.50%
	Non-residential Vacancy Rate:	N/A	**Project Expenses Inflation Rate:** **Property Tax Inflation Rate:**	3.50% 1.25%

- Note: CalHFA Underwriting standards require that for projects with Rental subsidy (state or local) be escalated at 1.0%-2.0% for non-high-cost areas to allow for uncertainty related to local government funding availability and subject to local review for rental subsidy programs administered by local government. 39 Special Needs units will be supplemented by HUD’s Project-Based vouchers under the Section 8 Project-Based Voucher Program administered by Housing Authority of the County of Merced HUD for a term of 20 year with an automatic option to renew. However, an exception has been made to escalate the rents of this projects at 2.5% instead of a more conservative underwriting assumption of 1% - 2% because the term of the Subsidy contract is 20 years which is less than CalHFA loan term of 17 years.

- CalHFA Underwriting Standards require that for projects with Rental subsidy (state or local) use blended rate for vacancy such that 5% vacancy rate is applied to regulated units, 7% to Projects with rental subsidy and 10% to Special Needs units. Underwriting at a higher vacancy rate is recommended to allow for uncertainty related to local government funding availability and the subsidy contract and renewal being subject to local review for rental subsidy programs administered by local government. 39 Special Needs units will be supplemented by Project-Based vouchers under HUD Section 8 Project-Based Voucher Program administered by Housing Authority of the County of Merced HUD for a term of 20 year with an automatic option to renew. However, an exception is being requested to use a lower vacancy rate of 5% instead of higher blended rate proportionate to the type and number of units. This poses an underwriting risk as the actual project cash-flow be insufficient to support the higher debt amount underwritten with higher rental income estimates using 5% vacancy rate. As a mitigation, the Underwriting Standards recommends requiring a higher (6-month) of operating reserve to cover for any operating deficits. Multifamily staff is recommending exceptions to both these requirements. CalHFA will require the Operating Reserve to be sized to 6 months (instead of 3 months) and shall be held through the term of the loan.

16.	**Loan Security**

- The CalHFA Perm loan will be secured by a first lien Deed of Trust and MIP Subsidy loan by a 2nd lien Deed of Trust recorded against the fee interest including but not limited to the Borrower's interest in the above-described Project site and improvements, project revenues and escrows. The CalHFA Regulatory Agreement shall be recorded in a senior position to the CalHFA Deed of Trust. A locality Affordable Housing Regulatory Agreement will be recorded in senior position to the CalHFA Regulatory Agreements and Deeds of Trust. The Affordable Housing Regulatory Agreement will not have foreclosure rights

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

- Staff completed two different exit analysis scenarios. The primary source of repayment for both the first mortgage and the MIP subsidy loan is refinance at maturity. To the extent such a refinance is insufficient to fully repay the MIP loan, 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.
    1. **Underwritten Refinance Analysis:** The first refinance scenario assumes the same cap rate (5.25%), interest rate (6.90 %), income escalator (2.50%) and expense escalator (3.50%) used in the final underwriting with and minimum DSCR of 1.15. Based on these assumptions, a project refinance will fully repay the balance of the Agency's permanent first lien loan. A portion of the subsidy MIP loan totaling $2,833,185 (principal and accrued interest) will remain after refinance and will be repaid by a general partner contribution to the partnership.
    2. **Stress Tested Refinance Analysis:** The second refinance scenario stresses current underwriting assumptions by assuming a 2% increase to the appraisal cap rate (resulting in 7.25%) and a 3% increase of the underwriting interest rate (resulting in 9.90%) at loan maturity. Additionally, this scenario assumes an increase to the required DSCR from 1.15 to 1.20 with the escalators to expenses and income remaining the same; income escalator (2.50%) and expense escalator (3.50%). In this scenario a project refinance would only repay a portion of the outstanding balance of the permanent first lien loan leaving an outstanding balance of $172,630 and an outstanding balance of the total MIP subsidy loan totaling $5,758,678 (principal and accrued interest). These sums would be repaid from a general partner contribution to the partnership.

APPRAISAL AND MARKET ANALYSIS

18.	**Appraisal Review**	**Dated: March 19, 2024**

- The Appraisal dated March 19, 2024, prepared by CBRE, Inc. values the land at $2,500,000. The sponsor provided a land appraisal dated June 27, 2022, from Kinetic Valuation Group that valued the land at $2,650,000.
- The cap rate of 5.25% and projected $890,966 of net operating income were used to determine the appraised value of the subject site. The Borrower's estimated NOI is $828,104 which is approximately $62,862 (~7.05%) lower than the estimated NOI on the appraisal report and is due to the following reasons:

-
  - The Borrower estimated approximately $195,156 for insurance, which is $50,856 (~35.2%) higher than the appraisal's estimated budget of $144,300.
  - The Borrower estimated approximately $89,559 for property management fee, which is $237 (~.26%) lower than the appraisal's estimated budget of $89,796.
  - The CalHFA annual monitoring fee of $7,500 was not included in the appraiser's budget.
  - The Borrower estimated approximately $1,791,179 for effective gross income, which is $4,743 (~.26%) lower than the appraisal's estimate of 1,795,922 which is due to the slightly higher amount of other income used by the appraiser.

  Considering these deviations, the proposed operating expenses are reasonable based on the Developer's experience with operating a similar project in the area and current insurance cost environment.
- The as-restricted stabilized value is $16,970,000 which results in the Agency's permanent first lien loan to value (LTV) of 64%. The combined LTV, including MIP subsidy loan is 81%.
- The capture rate and absorption rate are 5.9% and 6 months (25 units/month), respectively, evidencing there is strong demand for affordable housing within the PMA.

	Market Study:	Novogradac	**Dated: April 27, 2023**

Regional Market Overview

- The Primary Market Area generally consists of the cities of Merced, Bear Creek, Fergus, and portions of Tuttle (population of 103,756) and the Secondary Market Area ("SMA") is the Merced, CA MSA which consists solely of Merced County (population of 284,751).
- The general population in the PMA is anticipated to increase by 0.5% per year through market entry (July 2025) and 2027.
- Unemployment in the SMA is 7.4%, which is higher than the national rate of 3.3%. The MSA has generally experienced a higher unemployment rate compared to the overall nation, which is likely a result of the high presence of manufacturing and agriculture workers in the area.
- Median household income is $60,649 and $63,686 in the PMA and SMA, respectively. Income growth in the PMA exceeded the MSA between 2000 and 2022, and both areas exceeded the overall nation during this time period.

Local Market Area Analysis

- **Supply:**
  - There are currently 12 affordable family project(s) in the PMA and they are between 97-100% occupied with wait lists.
  - There is 1 other affordable project (The Retreat at Merced, which is a Richman Group project) which was completed in the fall of 2022 and was in its initial absorption period at the time the market study was completed.
- **Demand/Absorption:**
  - The project will need to capture 5.9% of the total demand for family units in the PMA. The affordable units are anticipated to lease up at a rate of 25 units per month and reach full occupancy within 6-11 months of opening.

DEVELOPMENT SUMMARY

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

- The property is located on the southwest side of Devonwood Drive, in the city of Merced, Merced County.
- The site is currently vacant, with level topography at street grade, measuring approximately 5.94 acres and is generally rectangular in shape.
- The site is zoned P-D (Planned Development), with permitted multifamily residential use.
  - The subject is located in Flood Zone AE (a "Special Flood Hazard Area with Base Flood Elevation or Depth Determined). The Project submitted for a Conditional Letter of Map Revision – based on Fill ("CLOMR-F") to FEMA and received comments back from FEMA detailing the required elevations to build out of the

current flood plain. Based on these conclusions, the Project will be built out of Flood Zone AE. However, subsequent to receiving the CLOMR-F, the City of Merced put a moratorium on Letter of Map Revisions – based on Fill ("LOMR-Fs") so the Project is not currently able to have the flood map revised and the Project removed from Flood Zone AE. If and when the moratorium has ceased, the Project will have been construction at height sufficient to remove it from Flood Zone AE and the LOMR-F will be submitted and processed. The Project will be required to purchase and maintain flood insurance for the life of the Project or until it is removed from the flood zone. The developer's proposed operating budget includes $75/unit for the Nation Flood Insurance Program.

20. Form of Site Control & Expiration Date

The current owner, Devonwood 64, LP, of the site and the buyer, The Richman Group of California Development Company, LLC, entered into a Purchase and Sale Agreement (PSA) dated July 8, 2022, for an amount of $2,650,000. The PSA was assigned to Devonwood Apartments, LP, and expired on December 15, 2023. On September 13, 2023, the PSA was amended to extend the closing date to December 29,2023 and allow for two 45-day extensions. The Developer exercised the extension provision on February 10, 2024, extending the closing date to March 28, 2024.

On March 13, 2024, the PSA was assigned to CVCAH.

On March 13, 2024, CVCAH entered into a PSA with Devonwood Apartments, LP to purchase the property for an amount of $2,650,000 with an expiration date of May 31, 2024.

The sale of the property needed to be structured in this way so that the City of Merced CDBG Funds could be used to acquire the property. The CDBG funds must be used for acquisition costs and must be expended by the City by March 2024, to meet HUD deadlines or the City could lose next year's allocation of funds from HUD. The City of Merced CDBG Funds will be lent to CVCAH for the purchase of the property which will then be sold to the Borrower.

21. Current Ownership Entity of Record

Title is currently vested in Devonwood 64, LP as the fee owner.

22. Environmental Review Findings **Dated: March 7, 2023**

- A Phase I Environmental Site Assessment performed by AEI Consultants, dated March 7, 2023, revealed no evidence of recognized environmental conditions, so no additional investigation was recommended.
- An updated Phase I will be required prior to construction closing to meet the 180 days validity of the report per CalHFA underwriting standards.

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

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

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

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

PROJECT DETAILS

25. Residential Areas:

Residential Square Footage:	122,283	**Residential Units per Acre:**	26
Community Area Sq. Ft:	24,400	**Total Parking Spaces:**	200
Supportive Service Areas:	0	**Total Building Sq. Footage:**	150,378

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

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

		Master Lease:	☐ **Yes** ☒ **No**	**Number of Parking Spaces:**	N/A
27.	**Construction Type:**	3-story, type-V wood-framed residential building with surface parking spaces.			
28.	**Construction/Rehab Scope**	**Requires Demolition:** ☐ **Yes** ☒ **No**			

- The subject site is new construction.
- The Contractor is not an affiliate of the Borrower entity. The contract will be structured as a Guaranteed Maximum Price (GMP) contract with 9.43% for builder overhead, profit, and general requirements, which aligns with CTCAC's allowable limit (14%)
- The project will meet all green design feature required until Title 24.

29. Construction Budget Comments:

- CalHFA will require an independent review of the costs by a 3rd Party consultant prior to construction loan closing. Agency may commission its own cost review report, if determined necessary, in its sole discretion.
- 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: CVCAH Devonwood Apartments, LLC, a Limited Liability Company, 0.001% interest
  - Managing Member: Central Valley Coalition for Affordable Housing, a California nonprofit organization
- Administrative General Partner: Devonwood GP, LLC, a California Limited Liability Company; 0.0080% interest
  - Managing Member: The Richman Group (TRG) Devonwood Member, LLC
- General Partner: The Richman Group of California Development LLC, a Limited Liability Company; 0.001% interest

Investor Limited Partner: The Richman Group Affordable Housing Corporation; 99.99% interest

31. Developer/Sponsor

- The Richman Group of California Development Company, LLC is an affiliate of The Richman Group Development Corporation (TRG Corp) which was founded in 1987 to syndicate and develop affordable housing. TRG Corp has completed over 140 affordable housing developments in The United States since inception, and over the past 5 years has completed 182 affordable units (2 projects) in California. The Developer met the requirements to receive 7 points for the CDLAC General Partner Experience. This will be their first lending project with CalHFA.

32. Management Agent

The Project will be managed by Richman Property Services, which has extensive experience in managing similar affordable housing projects in the area and manage one CalHFA conduit issuance project that is performing to CalHFA standards. The locality is familiar with this management company and staff received positive feedback regarding the firm's current and prior performance from background and reference checks which implies that the management company will have the capacity and ability to successfully manage the Project.

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

Central Valley Coalition for Affordable Housing ("CVCAH") will provide the services for all tenants. Services will include Instructor-led Adult Educational classes, of at least 84 hours annually and will include: computer training, home-buyer education, GED, resume building, ELS, nutrition, exercise, health information/awareness, art, parenting, on-site food cultivation and preparation and smoking cessation. Health and Wellness services and program, for 175 hour per year, such as crisis intervention, practical counseling and emotional support, cleanliness and hygiene assessment, government and insurance entitlements and physical and mental health assessment. One full-time Service Coordinator will be available to all tenants for 2,080 hours per year. The expense for these services is currently included in the proposed operating budget. Services will be conducted onsite and will be contracted for 15 years.

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

The general contractor (GC) is Huff Construction Company, Inc., which was established in 1971 and has experience in constructing similar affordable housing projects in California, however, CalHFA is not familiar with the general contractor.

The GC and the Developer have worked on 1 project in Merced, that was completed in 2022

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

The architect is Architects Orange LLP (DBA AO Inc.), which has extensive experience in designing and managing similar affordable housing projects in California through the locality's building permit process and is familiar with CalHFA.

The architect and the Developer have worked on 1 project that has been completed and is working on 1 project that is in development stage.

36.	**Local Review via Locality Contribution Letter**

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

36	**Approval Recommendation**
36a	**Staff Recommendation and Final Commitment Approval**

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

Any material deviation from the original financing structure, project changes, underwriting assumptions, failure to meet closing conditions, or the failure to meet a condition of the Final Commitment Letter, if issued, can result in the Agency's decision to not proceed with the financing of the project at any stage during underwriting and prior to the closing of the Agency's financing.

36b	Senior Loan Committee Recommendation

Senior Loan Committee recommends approval of the Final Commitment of the described financing in the amounts requested, subject to the above proposed terms and conditions.

______________________ Date: 04/09/2024

Erwin Tam
Director of Financing & Senior Loan Committee Chairperson

Approved by:

Tiena Johnson Hall
C=US, OU=Executive Office, O=California Housing Finance Agency, CN=Tiena Johnson Hall, E=tjohnsonhall@calhfa.ca.gov

______________________ Date: 4/10/2024

Tiena Johnson Hall
Executive Director
CalHFA

EXHIBITS: Detailed Financial Analysis and applicable Term Sheets

Project Summary

Project Full Name:	Devonwood Apartments	**Borrower Name:**	Devonwood Apartments, LP
Project Address:	1515 - 1565 Devonwood Drive	**Managing GP:**	CVCAH Devonwood Apartments, LLC
Project City:	Merced	**Developer Name:**	The Richman Group of California
Project County:	Merced	**Investor Name:**	The Richman Group Affordable Housing Corporation
Project Zip Code:	93548	**Prop Management:**	Richman Property Services
		Tax Credits:	4%
Project Type:	Other (Specify below)	**Total Land Area (acres):**	5.94
Tenancy/Occupancy:	Large Family	**Residential Square Footage (w/o Manager's Unit):**	122,283
Total Residential Units:	156	**Residential Units Per Acre (Density):**	26
Total Number of Buildings:	6	**Common Area Square Footage:**	24,400
Number of Stories:	3	**Commercial Square Footage:**	0
Unit Style:	Flat	**Covered Parking Spaces:**	0
Elevators:	0	**Uncovered Parking Spaces:**	200
Construction Type:	**New Construction**	**Total Parking Spaces:**	200
		Year Built	N/A

Acq/Construction/Rehab Financing	Lien Priority	Debt Type	Loan Amount ($)	Loan Term (Mo.)	Interest Rate
C. BoA Tax-Exempt Construction Loan	1	Int. Only, Variable	$39,396,408	36	7.82%
C. BoA Taxable Construction	2	Int. Only, Variable	$5,113,778	36	7.82%
C. City of Merced, through CVCAH (HOME CHDO)	3	Deferred, Fixed, Simple	$3,845,734	660	N/A
C. City of Merced, through CVCAH (CDBG)	4	Deferred, Fixed, Simple	$2,375,314	660	N/A
C. City of Merced: Water & Sewer Loan	5	Deferred, Fixed, Simple	$1,311,572	660	N/A
C. HCD-IIG, through CVCAH	6	Deferred, Fixed, Simple	$5,830,927	660	N/A
C. City of Merced, through CVCAH (ARPA)	7	Deferred, Fixed, Simple	$1,309,538	660	N/A
C. Deferred Cost	N/A	Cost Deferral	$7,808,800	N/A	N/A
	N/A	0	N/A	N/A	N/A
C. Federal Tax-Credit Equity	N/A	Equity, LIHTC Investor	$8,611,775	N/A	N/A
C. State Tax-Credit Equity	N/A	Equity, LIHTC Investor	$2,055,376	N/A	N/A
			$77,659,222		

Permanent Financing	Lien Priority	Debt Type	Loan Amount ($)	Loan Term (Yr.)	Amort. Period (Yr.)	Interest Rate
P. CalHFA - 1st Mortgage	1	Fixed, Compounding, Amort.	$9,770,338	17	40	6.90%
P. CalHFA - MIP Loan	2	Fixed, Simple, R.R	$4,000,000	55	N/A	3.00%
P. City of Merced, through CVCAH (HOME CHDO)	3	Fixed, Simple, R.R	$3,845,734	55	N/A	3.00%
P. City of Merced, through CVCAH (CDBG)	4	Fixed, Simple, R.R	$2,375,314	55	N/A	3.00%
P. City of Merced: Water & Sewer Loan	5	Fixed, Simple, R.R	$1,311,572	55	N/A	3.00%
P. HCD-IIG, through CVCAH	6	Fixed, Simple, Other	$6,478,807	55	N/A	N/A
P. City of Merced, through CVCAH (ARPA)	7	Fixed, Simple, R.R	$1,309,538	55	N/A	3.00%
P. Deferred Developer Fee	N/A	Developer Fee, Deferral	$2,434,175	N/A	N/A	N/A
P. Contributed Developer Fee	N/A	Developer Fee, Contribution	$4,400,000	N/A	N/A	N/A
P. Tax Credit Equity	N/A	Equity, LIHTC Investor	$42,668,604	N/A	N/A	N/A
	N/A	$0		N/A	N/A	N/A
	N/A	$0		N/A	N/A	N/A
	N/A	$0		N/A	N/A	N/A
	N/A	$0		N/A	N/A	N/A
			78,594,082			

Appraised Values Upon Completion of Rehab/Construction

Appraisal Date:	2/12/2024	**Capitalization Rate (%):**	5.25%	
Investment Value ($):	$79,250,000	**Restricted Value ($):**	$16,970,000	USRM Req
Construct/Rehab Loan To Cost (%):	57%	**CalHFA Permanent Loan to Cost (%):**	13.85%	80.00%
Construct/Rehab Loan To Value (%):	56%	**CalHFA Permanent Loan to Value (%):**	64%	90.00%
Land Value	$2,500,000	**Combined All CalHFA Loan to Value (%):**	81%	

Additional Loan Terms, Conditions & Comments

Construction/Rehab Loan (if applicable)

Payment/Performance Bond:		**Construction Period (Months):**	23.7
Completion Guarantee Letter of Credit:		**Lease-up period (Months)**	1
		Perm Loan Foward Period (Months):	36

Permanent Loan

Operating Expense Reserve Deposit	$ 841,583.00	**Annual Lease Payment (Stabilized Year)**	
Initial Replacement Reserve Deposit	$ -		
Annual Replacement Reserve Per Unit	$250		
HUD Risk Share Insurance Requested:	Yes		

Unit Mix and Rent Summary

Project Unit Mix					
Unit Type of Style	Number of Bedrooms	Number of Baths	Average Size (Sq. Ft.)	Number of Units	Est. No. of Tenants
	SRO/Studio				0
Flat	1 Bedroom	1	626	69	104
Flat	2 Bedrooms	1	978	48	144
Flat	3 Bedrooms	2	1,154	39	176
	4 Bedrooms				0
	5 Bedrooms				0
		Total:	135,144	156	424

Number of Units and Percentage of AMI Rents Restricted by each Agency										
Regulating Agency	Number of Units Restricted For Each AMI Category								Total Units	Percentage
	Lien	30%	40%	50%	60%	70%	120%	N/A	Regulated	Regulated
CalHFA Bond	2nd			16	47				**63**	41%
CalHFA MIP	3rd			32		16	106		**154**	100%
CTCAC	8th	31	16	63	23	21			**154**	100%
HCD IIG	7th	31	16	63	23	21			**154**	100%
City of Merced (CDBG)	4th	17							**17**	11%
City of Merced (CHDO HOME)	5th	17							**17**	11%
City of Merced (ARPA)	6th	17							**17**	11%
Density Bonus or CUP	1st				154				**154**	100%
TOTALS		31	16	63	44	0	0	N/A	**154**	100%

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	% below Market Rents
Studios							
1 Bedroom					$1,275		
	CTCAC	30%	11	464		$811	36%
	CTCAC	40%	4	$528.00		$747	41%
	CTCAC	50%	28	$682.00		$593	53%
	CTCAC	60%	13	$837.00		$438	66%
	CTCAC	70%	10	$992.00		$283	78%
	CTCAC	40%	3	$619.00		$656	49%
2 Bedroom					$1,575		
	CTCAC	0.3	10	557		$1,018	35%
	CTCAC	40%	2	$622		$953	39%
	CTCAC	50%	19	$807		$768	51%
	CTCAC	60%	6	$993		$582	63%
	CTCAC	70%	6	$1,179		$396	75%
	CTCAC	40%	3	$743		$832	47%
3 Bedrooms					$1,700		
	CTCAC	0.3	10	643		$1,057	38%
	CTCAC	40%	2	$704		$996	41%
	CTCAC	50%	16	$918		$782	54%
	CTCAC	60%	4	$1,133		$567	67%
	CTCAC	70%	5	$1,347		$353	79%
	CTCAC	40%	2	$858		$842	50%
4 Bedrooms							

Total Number of Units Per Above	**154**	**Average AMI:**	**49.16%**
Market Rate Units Not Shown Above	**2**		
Total Project Units	**156**		

Sources and Uses of Funds

			23009-A/X/N			
SOURCES OF FUNDS	**Const/Rehab**	**Permanent**	**Total Project Sources of Funds**			
	$	**$**	**Sources ($)**	**Per Unit ($)**	**% of Total**	**% of Category**
C. BoA Tax-Exempt Construction Loan	39,396,408				50.73%	50.73%
C. BoA Taxable Construction	5,113,778				6.58%	6.58%
C. City of Merced, through CVCAH (HOME CHDO)	3,845,734				4.95%	4.95%
C. City of Merced, through CVCAH (CDBG)	2,375,314				3.06%	3.06%
C. City of Merced: Water & Sewer Loan	1,311,572				1.69%	1.69%
C. HCD-IIG, through CVCAH	5,830,927				7.51%	7.51%
C. City of Merced, through CVCAH (ARPA)	1,309,538				1.69%	1.69%
C. Deferred Cost	7,808,800				10.06%	10.06%
C. Federal Tax-Credit Equity	8,611,775				11.09%	11.09%
C. State Tax-Credit Equity	2,055,376				2.65%	2.65%
P. CalHFA - 1st Mortgage		9,770,338	9,770,338	62,630	12.43%	12.4%
P. CalHFA - MIP Loan		4,000,000	4,000,000	25,641	5.09%	5.1%
P. City of Merced, through CVCAH (HOME CHDO)		3,845,734	3,845,734	24,652	4.89%	4.9%
P. City of Merced, through CVCAH (CDBG)		2,375,314	2,375,314	15,226	3.02%	3.0%
P. City of Merced: Water & Sewer Loan		1,311,572	1,311,572	8,408	1.67%	1.7%
P. HCD-IIG, through CVCAH		6,478,807	6,478,807	41,531	8.24%	8.2%
P. City of Merced, through CVCAH (ARPA)		1,309,538	1,309,538	8,394	1.67%	1.7%
P. Deferred Developer Fee		2,434,175	2,434,175	15,604	3.10%	3.1%
P. Contributed Developer Fee		4,400,000	4,400,000	28,205	5.60%	5.6%
P. Tax Credit Equity		42,668,604	42,668,604	273,517	54.29%	54.3%
TOTAL SOURCES OF FUNDS	**77,659,222**	**78,594,082**	**78,594,082**	**503,808**		
TOTAL USES OF FUNDS (BELOW)	**77,659,222**	**78,594,082**	**78,594,082**	**503,808**		
FUNDING SURPLUS (DEFICIT)	**-**	**-**	**-**			

USES OF FUNDS	**Const/Rehab**	**Permanent**	**Total Project Uses of Funds**			
	$	**$**	**Uses ($)**	**Per Unit ($)**	**%TDC**	**% of Category**
TOTAL EQUITY AND LOAN PAYOFF		**77,659,222**				
LAND COST/ACQUISITION						
Land Cost or Value	2,650,000		2,650,000	16,987	3.37%	96.4%
Demolition	-		-	-		0.0%
Legal	100,000		100,000	641	0.13%	3.6%
Land Lease Repayment	-		-	-		0.0%
Existing Improvement Value	-		-	-		0.0%
Off-Site Improvements	-		-	-		0.0%
Predevelopment Interest/Holding Costs	-		-	-		0.0%
Assumed, Accrued Interest on Existing Debt (Rehab/Acquisition)	-		-	-		0.0%
Excess Purchase Price Over Appraisal	-		-	-		0.0%
	-			-		0.0%
	-			-		0.0%
	-			-		0.0%
	-			-		0.0%
	-			-		0.0%
TOTAL LAND COST/ACQUISITION	**2,750,000**	-	**2,750,000**	17,628	3.50%	100.0%

USES OF FUNDS (contd)	Const/Rehab	Permanent	Total Project Uses of Funds			
	$	$	Uses ($)	Per Unit ($)	%TDC	% of Category
REHABILITATION COSTS						
Site Work (Hard Cost)	-		-	-		
Structures (Hard Cost)	-		-	-		
General Requirements	-		-	-		
Contractor Overhead	-		-	-		
Contractor Profit	-		-	-		
Prevailing Wages	-		-	-		
Contractor/General Liability Insurance	-		-	-		
Third-Party Construction Management	-		-	-		
Relocation Expenses	-		-	-		
Other: (Specify)	-		-	-		
	-			-		
TOTAL REHAB COSTS	**-**	**-**	**-**	-	0.00%	0.0%
CONSTRUCTION COSTS						
Site Work	5,940,225		*5,940,225*	38,078	7.56%	11.4%
Structures	40,855,469		40,855,469	261,894	51.98%	78.4%
General Requirements	1,746,670		1,746,670	11,197	2.22%	3.4%
Contractor Overhead	1,698,983		1,698,983	10,891	2.16%	3.3%
Contractor Profit	970,847		970,847	6,223	1.24%	1.9%
Prevailing Wages	-		-	-		0.0%
General Liability Insurance	621,342		621,342	3,983	0.79%	1.2%
Third-Party Construction Management	-		-	-		0.0%
Bond Premium	261,725		261,725	1,678	0.33%	0.5%
	-			-		0.0%
TOTAL CONSTRUCT COSTS	**52,095,261**	**-**	**52,095,261**	**333,944**	66.28%	100.0%
ARCHITECTURAL/ENGINEERING/SURVEY FEES						
Design	1,711,700		1,711,700	10,972	2.18%	95.4%
Survey/Engineering	-		-	-		0.0%
Supervision	82,300		82,300	528	0.10%	4.6%
	-			-		0.0%
TOTAL ARCHITECTURAL/ENGINEERING/SURVEY FEES	1,794,000	-	1,794,000	11,500	2.28%	100.0%
CONSTRUCTION INTEREST AND FEES						
Construction Loan Interest	2,185,910		2,185,910	14,012	2.78%	100.0%
	-			-		0.0%
	-			-		0.0%
Subtotal (Should Match Constr. Loan Interest Amount):	2,185,910					100.0%
Construction Origination/Loan Fees	333,826		333,826	2,140	0.42%	100.0%
	-			-		0.0%
	-			-		0.0%
Subtotal (Should Match Constr. Origination/Loan Fee Amount):	333,826					100.0%
Credit Enhancement/Application Fee	-		-	-		0.0%
Bond Premium	-		-	-		0.0%
Cost of Issuance	186,606		186,606	1,196	0.24%	12.8%
Title & Recording	150,000		150,000	962	0.19%	10.2%
Taxes	25,000		25,000	160	0.03%	1.7%
Insurance	-		-	-		0.0%
CDLAC Fee - 13,788.74	-			-		0.0%
CalHFA Issuer Fee -49,467	-			-		0.0%
CalHFA Inspection - 15,000	-			-		0.0%
Other	-			-		0.0%
Post Construction Interest	1,101,846		1,101,846	7,063	1.40%	75.3%
Subtotal:	**$ 1,463,452**					100.0%
TOTAL CONSTRUCTION COST	3,983,188	-	3,983,188		5.1%	

USES OF FUNDS (contd)	Const/Rehab $	Permanent $	Total Project Uses of Funds Uses ($)	Per Unit ($)	%TDC	% of Category
PERMANENT FINANCING COSTS						
Origination/Loan Fees	93,278	93,277	186,555	1,196	0.24%	100.0%
CalHFA Perm - 146,555	-					0.0%
CAlHFA MIP - 40,000	-					0.0%
	-					0.0%
	-					0.0%
	-					0.0%
	-					0.0%
Subtotal (Should Match All Origination/Loan Fees Amount):	**$ 93,278.00**	**$ 93,277.00**	**$ 186,555.00**			100.0%
Credit Enhancement & Application Fees	-		-	-		
Subtotal (Should Match All Credit Enhancement & Appl. Fees Amount):	**$ -**	**$ -**	**-**			0.0%
Title & Recording (closing costs)	-		-	-		0.0%
Taxes	-		-	-		0.0%
Insurance	-		-	-		0.0%
	-			-		0.0%
	-			-		0.0%
	-			-		0.0%
CalHFA Monthly Inspection Fees ($500/mo. Or $14,200 total) and CalHFA Rate Lock Fee Below Min Loan Amount (3% of difference of $8,707)	24,502		$ 24,502.00	157	0.03%	11.6%
TOTAL PERMANENT FINANCING COSTS	**117,780**	**93,277**	**211,057**	135292.95%	0.3%	11.6%
LEGAL FEES AND THIRD-PARTY CONSULTING FEES						
Lender Legal Paid by Applicant	150,000		150,000	96153.85%	0.2%	34.1%
	-					0.0%
	-					0.0%
Subtotal (Should Match Legal Paid by Applicant Amount): $ -						
Financial Consulting, Application Preparation/Review	-		-	-		0.0%
Entitlement Services, Building Permit Expediting	-		-	-		0.0%
Tenant File Review Services	-		-	-		0.0%
Other: [Borrower Legal ($225k) & Bond Counsel ($65k)]	290,000		$ 290,000	1,859	0.37%	65.9%
$ -	-			-		0.0%
TOTAL LEGAL FEES	**440,000**	**-**	**440,000**	**2,821**	0.56%	100.0%
RESERVES						
Rent Reserves	-		-	-		0.0%
Capitalized Rent Reserves	-		-	-		0.0%
Operating Expense Reserve	-	841,583	841,583	5,395	1.07%	100.0%
Transition Operating Reserve	-			-		0.0%
Initial Replacement Reserve	-			-		0.0%
Investor Required Reserve	-			-		0.0%
-	-		$ -	-		0.0%
TOTAL RESERVES	**-**	**841,583**	**841,583**	**5,395**	1.1%	100.0%
CONTINGENCY COSTS						
Contruction Hard Cost Contingency 5.57%	2,604,763		*2,604,763*	16,697	3.31%	83.9%
Soft Cost Contingency 2.18%	500,000		*500,000*	3,205	0.64%	16.1%
TOTAL CONTINGENCY COSTS	**3,104,763**	**-**	**3,104,763**	**19,902**	3.95%	100.0%

USES OF FUNDS (contd)	Const/Rehab $	Permanent $	Total Project Uses of Funds Uses ($)	Per Unit ($)	%TDC	% of Category
OTHER PROJECT COSTS						
TCAC Application, Allocation & Monitor Fees	$ 103,138		$ 103,138	661	0.13%	1.9%
Environmental Audit	$ 25,000		$ 25,000	160	0.03%	0.5%
Local Development Impact Fees	$ 2,768,760		$ 2,768,760	17,748	3.52%	50.6%
Permit Processing Fees	$ 295,812		$ 295,812	1,896	0.38%	5.4%
Capital Fees	$ -		$ -	-		0.0%
Marketing	$ 125,000		$ 125,000	801	0.16%	2.3%
Furnishings	$ 500,000		$ 500,000	3,205	0.64%	9.1%
Market Study	$ 12,500		$ 12,500	80	0.02%	0.2%
Accounting/Reimbursables	$ 25,000		$ 25,000	160	0.03%	0.5%
Appraisal Costs	$ 12,500		$ 12,500	80	0.02%	0.2%
	$ -			-		0.0%
	$ -			-		0.0%
	$ -			-		0.0%
	$ -			-		0.0%
	$ -			-		0.0%
Construction Manager ($200k) & Solar ($500k)	$ 700,000		$ 700,000	4,487	0.89%	12.8%
Builder's Risk	$ 906,520		$ 906,520	5,811	1.15%	16.6%
-	$ -		$ -	-		0.0%
TOTAL OTHER PROJECT COSTS	**5,474,230**	**-**	**5,474,230**	**35,091**	6.97%	100.0%
SUBTOTAL PROJECT COSTS	**69,759,222**	**934,860**	**70,694,082**	**427,634**	89.95%	
DEVELOPER FEES & COSTS						
Developer Overhead/Profit	7,900,000		7,900,000	50,641	10.1%	100.0%
Processing Agent Fees	-		-	-		0.0%
Broker Fees Paid to Related Party	-		-	-		0.0%
Construction Management by Developer	-		-	-		0.0%
	-			-		0.0%
Other: (Specify)	-		$ -	-		0.0%
TOTAL DEVELOPER FEES & COSTS	**7,900,000.00**	**-**	**7,900,000**	**50,641**	10.1%	100.0%
TOTAL DEVELOPMENT COSTS (TDC)	**77,659,222.00**	**78,594,082**	**78,594,082**	**503,808**	**100%**	
NET BUDGET SURPLUS/DEFICIT	**-**	**-**	**-**			

Projected Initial Annual Operating Budget				
OPERATING INCOME				
Income	**% Increase**	**Amount**	**Per Unit**	**% of Category**
Rental Income				
Restricted Unit Rents	2.50%	$ 1,462,644	$ 9,376	77.58%
Unrestricted Unit Rents	2.50%	$ -	$ -	0.00%
Commercial Rents	2.00%	$ -	$ -	0.00%
Rental & Operating Subsidies				
Project Based Rental Subsidy	1.50%	$ 390,360	$ 2,502	20.70%
Other Project Based Subsidy	1.50%	$ -	$ -	0.00%
Other Income				
Laundry Income	2.50%	$ 32,448	$ 208	1.72%
Parking & Storage Income	2.50%	$ -	$ -	0.00%
	0.00%		$ -	0.00%
GROSS POTENTIAL INCOME (GPI)		**$ 1,885,452**	**12,086**	
VACANCY RATES	**%**			
Restricted Unit Rents	5.00%	$ 73,132	$ 469	77.58%
Unrestricted Unit Rents	5.00%	$ -	$ -	0.00%
Commercial Rents	50.00%	$ -	$ -	0.00%
Project Based Rental Subsidy	5.00%	$ 19,518	$ 125	20.70%
Other Project Based Subsidy	5.00%	$ -	$ -	0.00%
Laundry Income	5.00%	$ 1,622	$ 10	1.72%
Parking & Storage Income	50.00%	$ -	$ -	0.00%
-	0.00%	$ -	$ -	0.00%
TOTAL VACANCY LOSS		**$ 94,273**	**604**	
EFFECTIVE GROSS INCOME (EGI)		**$ 1,791,179**	**11,482**	

OPERATING EXPENSES				
Administrative Expenses	**% Increase**	**Amount**	**Per Unit**	**% of Category**
Advertising	3.50%	$ 12,360	79	1.3%
Legal	3.50%	$ 15,000	96	1.6%
Accounting/Audit	3.50%	$ 13,000	83	1.3%
Security	3.50%	$ -	0	0.0%
Miscellaneous Administrative Expenses	3.50%	$ 47,000	301	4.9%
Total Administrative Expenses:	3.50%	$ 87,360	560	9.1%
Management Fee	**3.50%**	$ 89,559	574	9.3%
Utilities	**% Increase**	**Amount**	**Per Unit**	**% of Category**
Fuel	3.50%	$ -	0	0.0%
Gas	3.50%	$ -	0	0.0%
Electricity	3.50%	$ 31,500	202	3.3%
Water/Sewer	3.50%	$ 105,000	673	10.9%
	3.50%		0	0.0%
Total Utilities:	3.50%	$ 136,500	875	14.2%
Payroll Expenses	**% Increase**	**Amount**	**Per Unit**	**% of Category**
On-site Managers	3.50%	$ 76,814	492	8.0%
Number of Staff:	2			
Maintenance Personnel	3.50%	$ 64,208	412	6.7%
Number of Rent-Free Units:	2			
Employee Benefits/Payroll Expenses/ Employee Apartments	3.50%	$ 61,778	396	6.4%
Total Payroll/Payroll Taxes:		$ 202,800	1,300	21.1%
Insurance	**3.50%**	$ 195,156	1,251	20.3%
Maintenance	**% Increase**	**Amount**	**Per Unit**	**% of Category**
Painting	3.50%	$ 19,875	127	2.1%
Repairs	3.50%	$ 46,551	298	4.8%
Trash Removal	3.50%	$ 27,854	179	2.9%
Exterminating	3.50%	$ 12,000	77	1.2%
Grounds	3.50%	$ 15,100	97	1.6%
Elevator	3.50%	$ -	0	0.0%
Pool Maintenance/Fire Alarm + Monitoring	3.50%	$ 11,220	72	1.2%
Total Maintenance:	3.50%	$ 132,600	850	13.8%
Other Operating Expenses	**% Increase**	**Amount**	**Per Unit**	**% of Category**
-	3.50%	$ -	0	0.0%
(specify here)	3.50%	$ -	0	0.0%
(specify here)	3.50%	$ -	0	0.0%
(specify here)	3.50%	$ -	0	0.0%
(specify here)	3.50%	$ -	0	0.0%
Total Other Expenses:	3.50%	$ -	0	0.0%
Total Annual Residential Operating Expenses		**$ 843,975**	**5,410**	87.6%
Transit Pass/Internet	3.50%	$ -	0	0.0%
Total Annual Services Amenities Budget	2.50%	$ 70,000	449	7.3%
Total Annual Reserve for Replacement	1.00%	$ 39,000	250	4.0%
Total Annual Monitoring Fees	0.00%	$ -	0	0.0%
CalHFA Monitoring Fee	0.00%	$ 7,500		
Total Annual Real Estate Taxes	1.25%	$ 2,600	17	0.3%
Specialty Locality Taxes (community facilities district, mello roos, etc)	2.00%	$ -	0	0.0%
Social Services	3.50%	$ -	0	0.0%
Other (Specify):	3.50%	$ -	0	0.0%
	3.50%		0	0.0%
GRAND TOTAL EXPENSES		**$ 963,075**	**6,174**	100%
NET OPERATING INCOME (NOI)		**$ 828,104**		
DEBT SERVICE PAYMENTS		**Amount**	**Per Unit**	
P. CalHFA - 1st Mortgage		$ 720,091	$ 4,616	
			$ -	
TOTAL DEBT SERVICE & OTHER PAYMENTS		**$ 720,091**		
EXCESS AFTER DEBT SERVICE & MONITORING FEES		**$ 108,014**		
DEBT SERVICE COVERAGE RATIO (DSCR)		**1.15**		

Project Summary Budget		
Construction Sources and Uses		
Sources	**Amount**	**% of Total**
BoA Tax-Exempt Construction Loan (Loan)	$39,396,408	50.73%
BoA Taxable Construction (Loan)	$5,113,778	6.58%
City of Merced, through CVCAH (HOME CHDO) (Loan)	$3,845,734	4.95%
City of Merced, through CVCAH (CDBG) (Loan)	$2,375,314	3.06%
City of Merced: Water & Sewer Loan (Loan)	$1,311,572	1.69%
HCD-IIG, through CVCAH (Loan)	$5,830,927	7.51%
City of Merced, through CVCAH (ARPA) (Loan)	$1,309,538	1.69%
Deferred Cost (Cost Deferral)	$7,808,800	10.06%
Federal Tax-Credit Equity (Equity, LIHTC Investor)	$8,611,775	11.09%
State Tax-Credit Equity (Equity, LIHTC Investor)	$2,055,376	2.65%
TOTAL CONSTRUCTION SOURCES	**$77,659,222**	
TOTAL PER UNIT	**$497,816**	
Uses	**Amount**	**% of Total**
Total Acquisition costs	$2,750,000	3.54%
Construction/Rehab Costs	$52,095,261	67.08%
Soft Costs	$3,697,452	4.76%
Hard Cost contingency	$2,604,763	3.35%
Soft Cost contingency	$500,000	0.64%
Financing Costs	$2,637,516	3.40%
Local Impact Fees	$2,768,760	3.57%
Deferred Developer Fee	$2,434,175	3.13%
Cash Portion Developer Fee (Paid After Completion)	1,065,825	1.37%
GP Contribution Developer Fee	$4,400,000	5.67%
Other Costs	$2,705,470	3.48%
Operating Reserves	$0	0.00%
TOTAL CONSTRUCTION USES	**$77,659,222**	
TOTAL PER UNIT	**$497,816**	
	OK	

Permanent Sources and Uses		
Sources	**Amount**	**% of Total**
CalHFA - 1st Mortgage (Loan)	$9,770,338	12.4%
CalHFA - MIP Loan (Loan)	$4,000,000	5.1%
City of Merced, through CVCAH (HOME CHDO) (Loan)	$3,845,734	4.9%
City of Merced, through CVCAH (CDBG) (Loan)	$2,375,314	3.0%
City of Merced: Water & Sewer Loan (Loan)	$1,311,572	1.7%
HCD-IIG, through CVCAH (Loan)	$6,478,807	8.2%
City of Merced, through CVCAH (ARPA) (Loan)	$1,309,538	1.7%
Deferred Developer Fee (Developer Fee, Deferral)	$2,434,175	3.1%
Contributed Developer Fee (Developer Fee, Contribution)	$4,400,000	5.6%
Tax Credit Equity (Equity, LIHTC Investor)	$42,668,604	54.3%
TOTAL PERMANENT SOURCES	**$78,594,082**	**100.0%**
TOTAL PER UNIT	**$503,808**	
Uses	**Amount**	**% of Total**
Total Loan Payoffs and Equity	$69,759,222	88.8%
Financing costs	$93,277	0.1%
Soft costs	$0	0.0%
Soft Cost Contingency	$0	0.0%
Operating Reserves	$841,583	1.1%
Cash Developer Fee paid at Perm Conversion	$1,065,825	1.4%
Deferred Developer Fees paid from cashflow	$2,434,175	3.1%
GP Contribution Developer Fee	$4,400,000	5.67%
TOTAL PERMANENT USES	**$78,594,082**	**100%**
TOTAL PER UNIT	**$ 503,808**	
CHECK	**OK**	

Operating Proforma Summary

					Comments
Total Units	156		Construction Start Date	4/10/2024	
Regulated Units	0		Construction Completion Date	4/1/2026	
Manager Units (Market Rate)	2		Construction Period (months)	23.7	
Total Residential Square Feet	122,283		Lease-up Commencement Date:	Apr-26	
Avg Sq Ft/Unit	135,144		Lease-up Completion Date	May-26	
Rental Subsidies?	390,360		Lease-up Period (months)	1	
No. of Units with Rental Subsidies	39		Perm Conversion Date	8/1/2026	
Rental Subsidy Contract Term (Initial)	20		Lease-up Completion to Perm (months)	4	

Project Unit Mix	Average	Number of	30%	40%	50%	60%	70%	120%	Comments
No. of Bedrooms	**Size (Sq. Ft.)**	**Units**							
SRO/Studio	0	0	0	0	0	0	0	0	
1 Bedroom	626	69	11	7	28	13	10	0	
2 Bedrooms	978	46	10	5	19	6	6	0	
3 Bedrooms	1,154	39	10	4	16	4	5	0	
4 Bedrooms	0	0	0	0	0	0	0	0	
5 Bedrooms	0	0	0	0	0	0	0	0	
Total	17,898	154							

Operating Budget & Reserve Summary	Year 1	Year 5	Year 10	Year 15	Terminal Year	Underwriting Comments
	1	**5**	**10**	**15**	**17**	
Adjusted Gross Income	1,462,644	1,614,485	1,826,642	2,066,678	2,171,303	
Other Income/Subsidies	422,808	466,701	528,029	597,417	627,661	
Projected Vacancy and Discount Loss	94,273	104,059	117,734	133,205	139,948	
Effective Gross Income (EGI)	1,791,179	1,977,127	2,236,938	2,530,890	2,659,016	
Total Operating Expenses	963,075	1,096,564	1,290,733	1,520,469	1,623,759	
Reserve For Replacement	39,000	40,584	42,654	44,829	45,731	
Net Operating Income (NOI)	828,104	880,563	946,205	1,010,420	1,035,257	
Total Debt Service & Other Payments	720,091	720,091	720,091	720,091	720,091	
Cash Flow After Debt Service	108,014	160,472	226,114	290,330	315,167	
Debt Service Coverage Ratio	1.15	1.22	1.31	1.40	1.44	
Income/Expense Ratio	1.86	1.80	1.73	1.66	1.64	
Less:						
LP Management Fee	5,000	5,000	5,000	5,000	0	
GP Partnership Management Fee	20,000	20,000	20,000	20,000	0	
Cashflow for Distribution and RR repayment						
Developer Distribution %	100%	111%	115%	58%	66%	
Cumulative Developer Distribution	83,014	546,075	1,420,580	2,487,080	2,796,077	
Residual Receipts %	0%	-11%	-15%	42%	34%	
Cumulative Residual Repts Repayment	0	0	0	132,665	441,662	
Unpaid CalHFA loan Balance						
Perm Loan	9,722,920	9,496,980	9,111,381	8,567,458	8,291,793	
MIP Subordinate (RR) Loan	4,000,000	4,480,000	5,080,000	5,680,000	5,831,517	
Reserves Balances:						
Operating Reserve	841,583	841,583	841,583	841,583	841,583	
Rent Reserve	0					
Transition Operating Reserve	0	0	0	0	0	
Replacement Reserve	0					
Other Reserve						

Cashflow Projections											
	YEAR	1	2	3	4	5	6	7	8	9	10
RENTAL INCOME	**Inflation %**										
Restricted Unit Rents	2.50%	$ 1,462,644	$ 1,499,210	$ 1,536,690	$ 1,575,108	$ 1,614,485	$ 1,654,847	$ 1,696,219	$ 1,738,624	$ 1,782,090	$ 1,826,642
Unrestricted Unit Rents	2.50%	-	-	-	-	-	-	-	-	-	-
Commercial Rents	2.00%	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	2.50%	390,360	400,119	410,122	420,375	430,884	441,657	452,698	464,015	475,616	487,506
Other Project Based Subsidy	1.50%	-	-	-	-	-	-	-	-	-	-
Laundry Income	2.50%	32,448	33,259	34,091	34,943	35,817	36,712	37,630	38,570	39,535	40,523
Parking & Storage Income	2.50%	-	-	-	-	-	-	-	-	-	-
-	0.00%	-	-	-	-	-	-	-	-	-	-
GROSS POTENTIAL INCOME (GPI)		**$ 1,885,452**	**$ 1,932,588**	**$ 1,980,903**	**$ 2,030,426**	**$ 2,081,186**	**$ 2,133,216**	**$ 2,186,546**	**$ 2,241,210**	**$ 2,297,240**	**$ 2,354,671**
VACANCY AND OTHER LOSSES	**%**										
Restricted Unit Rents	5.00%	$ 73,132	$ 74,961	$ 76,835	$ 78,755	$ 80,724	$ 82,742	$ 84,811	$ 86,931	$ 89,104	$ 91,332
Unrestricted Unit Rents	5.00%	-	-	-	-	-	-	-	-	-	-
Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	5.00%	19,518	20,006	20,506	21,019	21,544	22,083	22,635	23,201	23,781	24,375
Other Project Based Subsidy	5.00%	-	-	-	-	-	-	-	-	-	-
Laundry Income	5.00%	1,622	1,663	1,705	1,747	1,791	1,836	1,881	1,929	1,977	2,026
Parking & Storage Income	50.00%	-	-	-	-	-	-	-	-	-	-
-	0.00%	-	-	-	-	-	-	-	-	-	-
PROJECTED VACANCY AND OTHER LOSSES		**$ 94,273**	**$ 96,629**	**$ 99,045**	**$ 101,521**	**$ 104,059**	**$ 106,661**	**$ 109,327**	**$ 112,060**	**$ 114,862**	**$ 117,734**
EFFECTIVE GROSS INCOME (EGI)		**$ 1,791,179**	**$ 1,835,959**	**$ 1,881,858**	**$ 1,928,904**	**$ 1,977,127**	**$ 2,026,555**	**$ 2,077,219**	**$ 2,129,149**	**$ 2,182,378**	**$ 2,236,938**
OPERATING EXPENSES	**Inflation %**										
Administrative Expenses	3.50%	$ 87,360	$ 90,418	$ 93,582	$ 96,858	$ 100,248	$ 103,756	$ 107,388	$ 111,146	$ 115,036	$ 119,063
Management Fee	3.50%	89,559	92,694	95,938	99,296	102,771	106,368	110,091	113,944	117,932	122,060
Utilities	3.50%	136,500	141,278	146,222	151,340	156,637	162,119	167,793	173,666	179,744	186,035
Payroll/Payroll Taxes	3.50%	202,800	209,898	217,244	224,848	232,718	240,863	249,293	258,018	267,049	276,396
Insurance	3.50%	195,156	201,986	209,056	216,373	223,946	231,784	239,897	248,293	256,983	265,978
Maintenance	3.50%	132,600	137,241	142,044	147,016	152,162	157,487	162,999	168,704	174,609	180,720
Other Operating Expenses	3.50%	-	-	-	-	-	-	-	-	-	-
Services & Amenities	2.50%	70,000	71,750	73,544	75,382	77,267	79,199	81,179	83,208	85,288	87,420
Reserve for Replacement	1.00%	39,000	39,390	39,784	40,182	40,584	40,989	41,399	41,813	42,231	42,654
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
Real Estate & Specialty Taxes	1.25%	2,600	2,633	2,665	2,699	2,732	2,767	2,801	2,836	2,872	2,908
TOTAL OPERATING EXPENSES		**$ 963,075**	**$ 994,787**	**$ 1,027,580**	**$ 1,061,493**	**$ 1,096,564**	**$ 1,132,832**	**$ 1,170,340**	**$ 1,209,129**	**$ 1,249,245**	**$ 1,290,733**
NET OPERATING INCOME (NOI)		**$ 828,104**	**$ 841,172**	**$ 854,278**	**$ 867,411**	**$ 880,563**	**$ 893,723**	**$ 906,879**	**$ 920,020**	**$ 933,133**	**$ 946,205**
DEBT SERVICE PAYMENTS	**Lien**										
P. CalHFA - 1st Mortgage	1	$ 720,091	$ 720,091	$ 720,091	$ 720,091	$ 720,091	$ 720,091	$ 720,091	$ 720,091	$ 720,091	$ 720,091
TOTAL DEBT SERVICE		**$ 720,091**	**$ 720,091**	**$ 720,091**	**$ 720,091**	**$ 720,091**	**$ 720,091**	**$ 720,091**	**$ 720,091**	**$ 720,091**	**$ 720,091**
CASH FLOW AFTER DEBT SERVICE		**$ 108,014**	**$ 121,081**	**$ 134,187**	**$ 147,320**	**$ 160,472**	**$ 173,632**	**$ 186,788**	**$ 199,929**	**$ 213,042**	**$ 226,114**
DEBT SERVICE COVERAGE RATIO (DSCR)		**1.15**	**1.17**	**1.19**	**1.20**	**1.22**	**1.24**	**1.26**	**1.28**	**1.30**	**1.31**
DSCR CHECK (USRM)		Target	Target	Target	Target	Target	Target	Target	Target	Target	Target

LP Management Fee	0.0%	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000
GP Partnership Management Fee	0.0%	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000
Cashflow available for distribution		**$ 83,014**	**$ 96,081**	**$ 109,187**	**$ 122,320**	**$ 135,472**	**$ 148,632**	**$ 161,788**	**$ 174,929**	**$ 188,042**	**$ 201,114**

		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Developer Distribution	***100%***	**$ 83,014**	**$ 96,081**	**$ 109,187**	**$ 122,320**	**$ 135,472**	**$ 148,632**	**$ 161,788**	**$ 174,929**	**$ 188,042**	**$ 201,114**
Deferred developer fee start balance	**2,434,175**	2,434,175	2,351,161	2,255,080	2,145,893	2,023,573	1,888,100	1,739,468	1,577,680	1,402,751	1,214,708
Deferred Developer fee payment	**14**	83,014	96,081	109,187	122,320	135,472	148,632	161,788	174,929	188,042	201,114
Deferred Developer fee end balance		$ 2,351,161	$ 2,255,080	$ 2,145,893	$ 2,023,573	$ 1,888,100	$ 1,739,468	$ 1,577,680	$ 1,402,751	$ 1,214,708	$ 1,013,595
Additional Developer Distribution		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Residual Receipt Payments	*50%*	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Payment %	-	-	-	-	-	-	-	-	-	-
P. CalHFA - MIP Loan	*31.15%*	-	-	-	-	-	-	-	-	-	-
P. City of Merced, through CVCAH (HOME CHDO)	*29.95%*	-	-	-	-	-	-	-	-	-	-
P. City of Merced, through CVCAH (CDBG)	*18.50%*	-	-	-	-	-	-	-	-	-	-
P. City of Merced: Water & Sewer Loan	*10.21%*	-	-	-	-	-	-	-	-	-	-
P. City of Merded, through CVCAH (ARPA)	*0.00%*	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
Total Residual Receipts Payments	**89.80%**	-	-	-	-	-	-	-	-	-	-

Balances for Residual Receipt Payments

RESIDUAL RECEIPTS LOANS	*Interest Rate*	1	2	3	4	5	6	7	8	9	10
P. CalHFA - MIP Loan	*3.00%*	$ 4,000,000	$ 4,120,000	$ 4,240,000	$ 4,360,000	$ 4,480,000	$ 4,600,000	$ 4,720,000	$ 4,840,000	$ 4,960,000	$ 5,080,000
P. City of Merced, through CVCAH (HOME CHDO)	*3.00%*	3,845,734	3,961,106	4,076,478	4,191,850	4,307,222	4,422,594	4,537,966	4,653,338	4,768,710	4,884,082
P. City of Merced, through CVCAH (CDBG)	*3.00%*	2,375,314	2,446,573	2,517,833	2,589,092	2,660,352	2,731,611	2,802,871	2,874,130	2,945,389	3,016,649
P. City of Merced: Water & Sewer Loan	*3.00%*	1,311,572	1,350,919	1,390,266	1,429,613	1,468,961	1,508,308	1,547,655	1,587,002	1,626,349	1,665,696
P. City of Merded, through CVCAH (ARPA)											
0											
0											
0											
Total Residual Receipts Payments		**$ 11,532,620**	**$ 11,878,599**	**$ 12,224,577**	**$ 12,570,556**	**$ 12,916,534**	**$ 13,262,513**	**$ 13,608,492**	**$ 13,954,470**	**$ 14,300,449**	**$ 14,646,427**

Cashflow Projections											
	YEAR	11	12	13	14	15	16	17	18	19	20
RENTAL INCOME	Inflation %										
Restricted Unit Rents	2.50%	$ 1,872,308	$ 1,919,116	$ 1,967,094	$ 2,016,271	$ 2,066,678	$ 2,118,345	$ 2,171,303	$ 2,225,586	$ 2,281,225	$ 2,338,256
Unrestricted Unit Rents	2.50%	-	-	-	-	-	-	-	-	-	-
Commercial Rents	2.00%	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	2.50%	499,694	512,186	524,991	538,116	551,568	565,358	579,492	593,979	608,828	624,049
Other Project Based Subsidy	1.50%	-	-	-	-	-	-	-	-	-	-
Laundry Income	2.50%	41,536	42,575	43,639	44,730	45,848	46,994	48,169	49,373	50,608	51,873
Parking & Storage Income	2.50%	-	-	-	-	-	-	-	-	-	-
-	0.00%	-	-	-	-	-	-	-	-	-	-
GROSS POTENTIAL INCOME (GPI)		**$ 2,413,538**	**$ 2,473,876**	**$ 2,535,723**	**$ 2,599,116**	**$ 2,664,094**	**$ 2,730,697**	**$ 2,798,964**	**$ 2,868,938**	**$ 2,940,662**	**$ 3,014,178**
VACANCY AND OTHER LOSSES	%										
Restricted Unit Rents	5.00%	$ 93,615	$ 95,956	$ 98,355	$ 100,814	$ 103,334	$ 105,917	$ 108,565	$ 111,279	$ 114,061	$ 116,913
Unrestricted Unit Rents	5.00%	-	-	-	-	-	-	-	-	-	-
Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	5.00%	24,985	25,609	26,250	26,906	27,578	28,268	28,975	29,699	30,441	31,202
Other Project Based Subsidy	5.00%	-	-	-	-	-	-	-	-	-	-
Laundry Income	5.00%	2,077	2,129	2,182	2,236	2,292	2,350	2,408	2,469	2,530	2,594
Parking & Storage Income	50.00%	-	-	-	-	-	-	-	-	-	-
-	0.00%	-	-	-	-	-	-	-	-	-	-
PROJECTED VACANCY AND OTHER LOSSES		**$ 120,677**	**$ 123,694**	**$ 126,786**	**$ 129,956**	**$ 133,205**	**$ 136,535**	**$ 139,948**	**$ 143,447**	**$ 147,033**	**$ 150,709**
EFFECTIVE GROSS INCOME (EGI)		**$ 2,292,861**	**$ 2,350,183**	**$ 2,408,937**	**$ 2,469,161**	**$ 2,530,890**	**$ 2,594,162**	**$ 2,659,016**	**$ 2,725,491**	**$ 2,793,629**	**$ 2,863,469**
OPERATING EXPENSES	Inflation %										
Administrative Expenses	3.50%	$ 123,230	$ 127,543	$ 132,007	$ 136,627	$ 141,409	$ 146,358	$ 151,481	$ 156,783	$ 162,270	$ 167,950
Management Fee	3.50%	126,332	130,753	135,330	140,066	144,969	150,043	155,294	160,729	166,355	172,177
Utilities	3.50%	192,547	199,286	206,261	213,480	220,952	228,685	236,689	244,973	253,547	262,421
Payroll/Payroll Taxes	3.50%	286,069	296,082	306,445	317,170	328,271	339,761	351,652	363,960	376,699	389,883
Insurance	3.50%	275,287	284,922	294,894	305,215	315,898	326,954	338,398	350,242	362,500	375,188
Maintenance	3.50%	187,045	193,592	200,368	207,381	214,639	222,151	229,927	237,974	246,303	254,924
Other Operating Expenses	3.50%	-	-	-	-	-	-	-	-	-	-
Services & Amenities	2.50%	89,606	91,846	94,142	96,496	98,908	101,381	103,915	106,513	109,176	111,906
Reserve for Replacement	1.00%	43,080	43,511	43,946	44,386	44,829	45,278	45,731	46,188	46,650	47,116
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
Real Estate & Specialty Taxes	1.25%	2,944	2,981	3,018	3,056	3,094	3,133	3,172	3,211	3,252	3,292
TOTAL OPERATING EXPENSES		**$ 1,333,640**	**$ 1,378,016**	**$ 1,423,911**	**$ 1,471,377**	**$ 1,520,469**	**$ 1,571,244**	**$ 1,623,759**	**$ 1,678,074**	**$ 1,734,252**	**$ 1,792,357**
NET OPERATING INCOME (NOI)		**$ 959,221**	**$ 972,167**	**$ 985,027**	**$ 997,784**	**$ 1,010,420**	**$ 1,022,918**	**$ 1,035,257**	**$ 1,047,417**	**$ 1,059,377**	**$ 1,071,112**
DEBT SERVICE PAYMENTS	**Lien**										
P. CalHFA - 1st Mortgage	1	$ 720,091	$ 720,091	$ 720,091	$ 720,091	$ 720,091	$ 720,091	$ 720,091			
TOTAL DEBT SERVICE		**$ 720,091**	**$ 720,091**	**$ 720,091**	**$ 720,091**	**$ 720,091**	**$ 720,091**	**$ 720,091**	**$ -**	**$ -**	**$ -**
CASH FLOW AFTER DEBT SERVICE		**$ 239,130**	**$ 252,076**	**$ 264,936**	**$ 277,693**	**$ 290,330**	**$ 302,827**	**$ 315,167**			
DEBT SERVICE COVERAGE RATIO (DSCR)		**1.33**	**1.35**	**1.37**	**1.39**	**1.40**	**1.42**	**1.44**	**N/A**	**N/A**	**N/A**
DSCR CHECK (USRM)		**Target**	**Target**	**Target**	**Target**	**Target**	**Target**	**Target**			

		11	12	13	14	15	16	17	18	19	20
LP Management Fee	0.0%	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ -	$ -	$ -	$ -	$ -
GP Partnership Management Fee	0.0%	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ -	$ -	$ -	$ -	$ -
Cashflow available for distribution		**$ 214,130**	**$ 227,076**	**$ 239,936**	**$ 252,693**	**$ 265,330**	**$ 302,827**	**$ 315,167**	**$ -**	**$ -**	**$ -**

		100%	100%	100%	100%	50%	50%	50%			
Developer Distribution	***100%***	**$ 214,130**	**$ 227,076**	**$ 239,936**	**$ 252,693**	**$ 132,665**	**$ 151,414**	**$ 157,583**	**$ -**	**$ -**	**$ -**
Deferred developer fee start balance	**2,434,175**	1,013,595	799,465	572,389	332,453	79,760	-	-	-	-	-
Deferred Developer fee payment	**14**	214,130	227,076	239,936	252,693	79,760	-	-	-	-	-
Deferred Developer fee end balance		$ 799,465	$ 572,389	$ 332,453	$ 79,760	$ -	$ -	$ -	$ -	$ -	$ -
Additional Developer Distribution		$ -	$ -	$ -	$ -	$ 52,905	$ 151,414	$ 157,583	$ -	$ -	$ -

Residual Receipt Payments	*50%*	0%	0%	0%	0%	50%	50%	50%			
	Payment %	-	-	-	-	132,665	151,414	157,583	-	-	-
P. CalHFA - MIP Loan	*31.15%*	-	-	-	-	41,322	47,161	49,083	-	-	-
P. City of Merced, through CVCAH (HOME CHDO)	*29.95%*	-	-	-	-	39,728	45,343	47,190	-	-	-
P. City of Merced, through CVCAH (CDBG)	*18.50%*	-	-	-	-	24,538	28,006	29,147	-	-	-
P. City of Merced: Water & Sewer Loan	*10.21%*	-	-	-	-	13,549	15,464	16,094	-	-	-
P. City of Merded, through CVCAH (ARPA)	*0.00%*	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
Total Residual Receipts Payments	**89.80%**	**-**	**-**	**-**	**-**	**119,137**	**135,974**	**141,514**	**-**	**-**	**-**

Balances for Residual Receipt Payments

RESIDUAL RECEIPTS LOANS	*Interest Rate*	11	12	13	14	15	16	17	18	19	20
P. CalHFA - MIP Loan	*3.00%*	$ 5,200,000	$ 5,320,000	$ 5,440,000	$ 5,560,000	$ 5,680,000	$ 5,758,678	$ 5,831,517	$ 5,902,434	$ 6,022,434	$ 6,142,434
P. City of Merced, through CVCAH (HOME CHDO)	*3.00%*	4,999,454	5,114,826	5,230,198	5,345,570	5,460,942	5,536,586	5,606,616	5,674,798	5,790,170	5,905,542
P. City of Merced, through CVCAH (CDBG)	*3.00%*	3,087,908	3,159,168	3,230,427	3,301,686	3,372,946	3,419,667	3,462,921	3,505,033	3,576,293	3,647,552
P. City of Merced: Water & Sewer Loan	*3.00%*	1,705,044	1,744,391	1,783,738	1,823,085	1,862,432	1,888,230	1,912,114	1,935,367	1,974,714	2,014,061
P. City of Merded, through CVCAH (ARPA)											
0											
0											
0											
Total Residual Receipts Payments		**$ 14,992,406**	**$ 15,338,385**	**$ 15,684,363**	**$ 16,030,342**	**$ 16,376,320**	**$ 16,603,162**	**$ 16,813,167**	**$ 17,017,632**	**$ 17,363,610**	**$ 17,709,589**

Cashflow Projections											
	YEAR	21	22	23	24	25	26	27	28	29	30
RENTAL INCOME	Inflation %										
Restricted Unit Rents	2.50%	$ 2,396,713	$ 2,456,630	$ 2,518,046	$ 2,580,997	$ 2,645,522	$ 2,711,660	$ 2,779,452	$ 2,848,938	$ 2,920,161	$ 2,993,165
Unrestricted Unit Rents	2.50%	-	-	-	-	-	-	-	-	-	-
Commercial Rents	2.00%	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	2.50%	639,650	655,642	672,033	688,833	706,054	723,706	741,798	760,343	779,352	798,836
Other Project Based Subsidy	1.50%	-	-	-	-	-	-	-	-	-	-
Laundry Income	2.50%	53,170	54,499	55,862	57,258	58,690	60,157	61,661	63,202	64,782	66,402
Parking & Storage Income	2.50%	-	-	-	-	-	-	-	-	-	-
-	0.00%	-	-	-	-	-	-	-	-	-	-
GROSS POTENTIAL INCOME (GPI)		**$ 3,089,533**	**$ 3,166,771**	**$ 3,245,940**	**$ 3,327,089**	**$ 3,410,266**	**$ 3,495,523**	**$ 3,582,911**	**$ 3,672,483**	**$ 3,764,296**	**$ 3,858,403**
VACANCY AND OTHER LOSSES	%										
Restricted Unit Rents	5.00%	$ 119,836	$ 122,832	$ 125,902	$ 129,050	$ 132,276	$ 135,583	$ 138,973	$ 142,447	$ 146,008	$ 149,658
Unrestricted Unit Rents	5.00%	-	-	-	-	-	-	-	-	-	-
Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	5.00%	31,983	32,782	33,602	34,442	35,303	36,185	37,090	38,017	38,968	39,942
Other Project Based Subsidy	5.00%	-	-	-	-	-	-	-	-	-	-
Laundry Income	5.00%	2,658	2,725	2,793	2,863	2,934	3,008	3,083	3,160	3,239	3,320
Parking & Storage Income	50.00%	-	-	-	-	-	-	-	-	-	-
-	0.00%	-	-	-	-	-	-	-	-	-	-
PROJECTED VACANCY AND OTHER LOSSES		**$ 154,477**	**$ 158,339**	**$ 162,297**	**$ 166,354**	**$ 170,513**	**$ 174,776**	**$ 179,146**	**$ 183,624**	**$ 188,215**	**$ 192,920**
EFFECTIVE GROSS INCOME (EGI)		**$ 2,935,056**	**$ 3,008,432**	**$ 3,083,643**	**$ 3,160,734**	**$ 3,239,753**	**$ 3,320,746**	**$ 3,403,765**	**$ 3,488,859**	**$ 3,576,081**	**$ 3,665,483**
OPERATING EXPENSES	Inflation %										
Administrative Expenses	3.50%	$ 173,828	$ 179,912	$ 186,209	$ 192,726	$ 199,472	$ 206,453	$ 213,679	$ 221,158	$ 228,898	$ 236,910
Management Fee	3.50%	178,204	184,441	190,896	197,577	204,493	211,650	219,058	226,725	234,660	242,873
Utilities	3.50%	271,606	281,112	290,951	301,135	311,674	322,583	333,873	345,559	357,653	370,171
Payroll/Payroll Taxes	3.50%	403,529	417,653	432,271	447,400	463,059	479,266	496,040	513,402	531,371	549,969
Insurance	3.50%	388,319	401,910	415,977	430,536	445,605	461,201	477,343	494,051	511,342	529,239
Maintenance	3.50%	263,846	273,081	282,638	292,531	302,769	313,366	324,334	335,686	347,435	359,595
Other Operating Expenses	3.50%	-	-	-	-	-	-	-	-	-	-
Services & Amenities	2.50%	114,703	117,571	120,510	123,523	126,611	129,776	133,020	136,346	139,755	143,249
Reserve for Replacement	1.00%	47,587	48,063	48,544	49,029	49,520	50,015	50,515	51,020	51,530	52,046
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
Real Estate & Specialty Taxes	1.25%	3,333	3,375	3,417	3,460	3,503	3,547	3,591	3,636	3,682	3,728
TOTAL OPERATING EXPENSES		**$ 1,852,456**	**$ 1,914,618**	**$ 1,978,914**	**$ 2,045,417**	**$ 2,114,206**	**$ 2,185,358**	**$ 2,258,955**	**$ 2,335,082**	**$ 2,413,826**	**$ 2,495,279**
NET OPERATING INCOME (NOI)		**$ 1,082,600**	**$ 1,093,815**	**$ 1,104,730**	**$ 1,115,317**	**$ 1,125,547**	**$ 1,135,389**	**$ 1,144,811**	**$ 1,153,778**	**$ 1,162,255**	**$ 1,170,204**
DEBT SERVICE PAYMENTS	**Lien**										
P. CalHFA - 1st Mortgage	1										
TOTAL DEBT SERVICE		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CASH FLOW AFTER DEBT SERVICE											
DEBT SERVICE COVERAGE RATIO (DSCR)		**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
DSCR CHECK (USRM)											

LP Management Fee	0.0%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
GP Partnership Management Fee	0.0%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cashflow available for distribution		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Developer Distribution	***100%***	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deferred developer fee start balance	**2,434,175**	-	-	-	-	-	-	-	-	-	-
Deferred Developer fee payment	**14**	-	-	-	-	-	-	-	-	-	-
Deferred Developer fee end balance		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Additional Developer Distribution		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Residual Receipt Payments	*50%*										
	Payment %	-	-	-	-	-	-	-	-	-	-
P. CalHFA - MIP Loan	*31.15%*	-	-	-	-	-	-	-	-	-	-
P. City of Merced, through CVCAH (HOME CHDO)	*29.95%*	-	-	-	-	-	-	-	-	-	-
P. City of Merced, through CVCAH (CDBG)	*18.50%*	-	-	-	-	-	-	-	-	-	-
P. City of Merced: Water & Sewer Loan	*10.21%*	-	-	-	-	-	-	-	-	-	-
P. City of Merded, through CVCAH (ARPA)	*0.00%*	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
Total Residual Receipts Payments	**89.80%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Balances for Residual Receipt Payments

RESIDUAL RECEIPTS LOANS	*Interest Rate*	21	22	23	24	25	26	27	28	29	30
P. CalHFA - MIP Loan	*3.00%*	$ 6,262,434	$ 6,382,434	$ 6,502,434	$ 6,622,434	$ 6,742,434	$ 6,862,434	$ 6,982,434	$ 7,102,434	$ 7,222,434	$ 7,342,434
P. City of Merced, through CVCAH (HOME CHDO)	*3.00%*	6,020,914	6,136,286	6,251,658	6,367,030	6,482,402	6,597,774	6,713,146	6,828,518	6,943,890	7,059,262
P. City of Merced, through CVCAH (CDBG)	*3.00%*	3,718,812	3,790,071	3,861,331	3,932,590	4,003,849	4,075,109	4,146,368	4,217,628	4,288,887	4,360,146
P. City of Merced: Water & Sewer Loan	*3.00%*	2,053,408	2,092,755	2,132,103	2,171,450	2,210,797	2,250,144	2,289,491	2,328,838	2,368,185	2,407,533
P. City of Merded, through CVCAH (ARPA)											
0											
0											
0											
Total Residual Receipts Payments		**$ 18,055,567**	**$ 18,401,546**	**$ 18,747,525**	**$ 19,093,503**	**$ 19,439,482**	**$ 19,785,460**	**$ 20,131,439**	**$ 20,477,418**	**$ 20,823,396**	**$ 21,169,375**

Cashflow Projections	YEAR	31	32	33	34	35	36	37	38	39	40
RENTAL INCOME	Inflation %										
Restricted Unit Rents	2.50%	$ 3,067,995	$ 3,144,694	$ 3,223,312	$ 3,303,895	$ 3,386,492	$ 3,471,154	$ 3,557,933	$ 3,646,882	$ 3,738,054	$ 3,831,505
Unrestricted Unit Rents	2.50%	-	-	-	-	-	-	-	-	-	-
Commercial Rents	2.00%	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	2.50%	818,806	839,277	860,259	881,765	903,809	926,404	949,564	973,304	997,636	1,022,577
Other Project Based Subsidy	1.50%	-	-	-	-	-	-	-	-	-	-
Laundry Income	2.50%	68,062	69,763	71,508	73,295	75,128	77,006	78,931	80,904	82,927	85,000
Parking & Storage Income	2.50%	-	-	-	-	-	-	-	-	-	-
-	0.00%	-	-	-	-	-	-	-	-	-	-
GROSS POTENTIAL INCOME (GPI)		**$ 3,954,863**	**$ 4,053,735**	**$ 4,155,078**	**$ 4,258,955**	**$ 4,365,429**	**$ 4,474,564**	**$ 4,586,429**	**$ 4,701,089**	**$ 4,818,617**	**$ 4,939,082**
VACANCY AND OTHER LOSSES	%										
Restricted Unit Rents	5.00%	$ 153,400	$ 157,235	$ 161,166	$ 165,195	$ 169,325	$ 173,558	$ 177,897	$ 182,344	$ 186,903	$ 191,575
Unrestricted Unit Rents	5.00%	-	-	-	-	-	-	-	-	-	-
Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	5.00%	40,940	41,964	43,013	44,088	45,190	46,320	47,478	48,665	49,882	51,129
Other Project Based Subsidy	5.00%	-	-	-	-	-	-	-	-	-	-
Laundry Income	5.00%	3,403	3,488	3,575	3,665	3,756	3,850	3,947	4,045	4,146	4,250
Parking & Storage Income	50.00%	-	-	-	-	-	-	-	-	-	-
-	0.00%	-	-	-	-	-	-	-	-	-	-
PROJECTED VACANCY AND OTHER LOSSES		**$ 197,743**	**$ 202,687**	**$ 207,754**	**$ 212,948**	**$ 218,271**	**$ 223,728**	**$ 229,321**	**$ 235,054**	**$ 240,931**	**$ 246,954**
EFFECTIVE GROSS INCOME (EGI)		**$ 3,757,120**	**$ 3,851,048**	**$ 3,947,324**	**$ 4,046,007**	**$ 4,147,157**	**$ 4,250,836**	**$ 4,357,107**	**$ 4,466,035**	**$ 4,577,686**	**$ 4,692,128**
OPERATING EXPENSES	Inflation %										
Administrative Expenses	3.50%	$ 245,201	$ 253,784	$ 262,666	$ 271,859	$ 281,374	$ 291,222	$ 301,415	$ 311,965	$ 322,884	$ 334,184
Management Fee	3.50%	251,374	260,172	269,278	278,702	288,457	298,553	309,002	319,817	331,011	342,596
Utilities	3.50%	383,127	396,537	410,416	424,780	439,647	455,035	470,961	487,445	504,506	522,163
Payroll/Payroll Taxes	3.50%	569,218	589,140	609,760	631,102	653,190	676,052	699,714	724,204	749,551	775,785
Insurance	3.50%	547,763	566,934	586,777	607,314	628,570	650,570	673,340	696,907	721,299	746,544
Maintenance	3.50%	372,181	385,207	398,689	412,644	427,086	442,034	457,505	473,518	490,091	507,244
Other Operating Expenses	3.50%	-	-	-	-	-	-	-	-	-	-
Services & Amenities	2.50%	146,830	150,500	154,263	158,120	162,073	166,124	170,277	174,534	178,898	183,370
Reserve for Replacement	1.00%	52,566	53,092	53,623	54,159	54,701	55,248	55,800	56,358	56,922	57,491
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
Real Estate & Specialty Taxes	1.25%	3,774	3,821	3,869	3,918	3,966	4,016	4,066	4,117	4,169	4,221
TOTAL OPERATING EXPENSES		**$ 2,579,534**	**$ 2,666,688**	**$ 2,756,841**	**$ 2,850,098**	**$ 2,946,565**	**$ 3,046,355**	**$ 3,149,582**	**$ 3,256,366**	**$ 3,366,829**	**$ 3,481,100**
NET OPERATING INCOME (NOI)		**$ 1,177,586**	**$ 1,184,360**	**$ 1,190,483**	**$ 1,195,910**	**$ 1,200,592**	**$ 1,204,481**	**$ 1,207,525**	**$ 1,209,669**	**$ 1,210,857**	**$ 1,211,028**
DEBT SERVICE PAYMENTS	**Lien**										
P. CalHFA - 1st Mortgage	1										
TOTAL DEBT SERVICE		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CASH FLOW AFTER DEBT SERVICE											
DEBT SERVICE COVERAGE RATIO (DSCR)		**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
DSCR CHECK (USRM)											

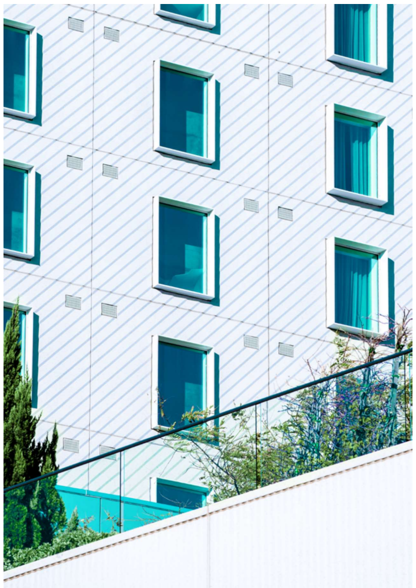
LP Management Fee	0.0%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
GP Partnership Management Fee	0.0%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cashflow available for distribution		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Developer Distribution	***100%***	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deferred developer fee start balance	**2,434,175**	-	-	-	-	-	-	-	-	-	-
Deferred Developer fee payment	**14**	-	-	-	-	-	-	-	-	-	-
Deferred Developer fee end balance		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Additional Developer Distribution		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Residual Receipt Payments	*50%*										
	Payment %	-	-	-	-	-	-	-	-	-	-
P. CalHFA - MIP Loan	*31.15%*	-	-	-	-	-	-	-	-	-	-
P. City of Merced, through CVCAH (HOME CHDO)	*29.95%*	-	-	-	-	-	-	-	-	-	-
P. City of Merced, through CVCAH (CDBG)	*18.50%*	-	-	-	-	-	-	-	-	-	-
P. City of Merced: Water & Sewer Loan	*10.21%*	-	-	-	-	-	-	-	-	-	-
P. City of Merded, through CVCAH (ARPA)	*0.00%*	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
Total Residual Receipts Payments	**89.80%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Balances for Residual Receipt Payments

RESIDUAL RECEIPTS LOANS	*Interest Rate*	31	32	33	34	35	36	37	38	39	40
P. CalHFA - MIP Loan	*3.00%*	$ 7,462,434	$ 7,582,434	$ 7,702,434	$ 7,822,434	$ 7,942,434	$ 8,062,434	$ 8,182,434	$ 8,302,434	$ 8,422,434	$ 8,542,434
P. City of Merced, through CVCAH (HOME CHDO)	*3.00%*	7,174,634	7,290,006	7,405,378	7,520,750	7,636,122	7,751,494	7,866,866	7,982,238	8,097,610	8,212,982
P. City of Merced, through CVCAH (CDBG)	*3.00%*	4,431,406	4,502,665	4,573,925	4,645,184	4,716,444	4,787,703	4,858,962	4,930,222	5,001,481	5,072,741
P. City of Merced: Water & Sewer Loan	*3.00%*	2,446,880	2,486,227	2,525,574	2,564,921	2,604,268	2,643,616	2,682,963	2,722,310	2,761,657	2,801,004
P. City of Merded, through CVCAH (ARPA)											
0											
0											
0											
Total Residual Receipts Payments		**$ 21,515,353**	**$ 21,861,332**	**$ 22,207,311**	**$ 22,553,289**	**$ 22,899,268**	**$ 23,245,246**	**$ 23,591,225**	**$ 23,937,204**	**$ 24,283,182**	**$ 24,629,161**



Multifamily Housing Bonds

Conduit Issuer Program

Term sheet effective for applications submitted after January 1, 2023

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 the CalHFA website for the CalHFA Portfolio Loan Prepayment Policy.

Bond Amount

Bond amounts are determined by the loan amount of the lender.

Fees *(subject to change)*

Application Fee: $5,000 non-refundable, due at time of application is submitted (to cover the cost of the TEFRA required for tax-exempt issuances) and credited toward the CalHFA Issuer Fee.

Issuer Fee:

1. The greater of $15,000 or 18.75 basis points (BPs) of the Bond amount if lesser than or equal to $20 million.
2. If more than $20 million: $37,500 + 5 BPs for the amount above $20 million.
3. Supplemental bonds issued after the initial Bond closing will be assessed an additional issuer fee which will be calculated for the supplemental bond issuance amount under the applicable fee structure above.

Annual Monitoring 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 Monitoring Fee shall be $4,000 through both the Qualified Project Period and the CDLAC compliance period.

For taxable only issuances, annual monitoring fees above will be charged based on the taxable bond financed loan(s) for the term of the CalHFA affordability restrictions.

For supplemental bonds issued after the initial Bond closing, the monitoring fee will be prorated from the date of the supplemental issuance until the due date for the annual monitoring fee for the original Bond issuance. Afterward, the annual monitoring fee will be calculated as described above, based on the total amount of Bonds issued for the project.

California Housing Finance Agency
500 Capitol Mall Suite 1400, MS-990
Sacramento, CA 95814

Kevin Brown
Housing Finance Officer
(916) 326-8808
kbrown@calhfa.ca.gov

Ashley Carroll
Loan Administrator
(916) 326-8810
acarroll@calhfa.ca.gov

If used in conjunction with a CalHFA permanent loan product, the annual monitoring fee will not be duplicated. Please refer to the applicable permanent loan term sheet for the annual monitoring fee.

Public Sale & Bond Purchase Agreements: Additional fee of $5,000 to $10,000 applies when Bonds are sold to the public or when the bond transaction includes a Bond Purchase Agreement (California State Treasurer's Office, Public Finance Division fee).

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, is due to CalHFA within 20 calendar days after award of CDLAC allocation. 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.

Occupancy Requirements

- Projects must follow 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 (i.e., 30% @ 60% AMI; 10% @ 50% AMI).
- 501(c)3 bond restrictions require 75% of the total units to be restricted at 80% or less of AMI and either option A or B above, which will be a portion of the 75% of total restricted units.
- 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.

Multifamily Subordinate Loans

Mixed-Income Program (2023)

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

The MIP subsidy loan (MIP Loan) must be paired with CalHFA's Conduit Bond Issuer Program and CalHFA's Tax-Exempt Permanent Loan Program. CalHFA will work with MIP applicants to assess the benefits of utilizing CalHFA's Bond Recycling Program during the project construction and/or permanent loan periods and may require recycled bonds to be included as a source, subject to availability and project feasibility. Eligible projects must create newly constructed, regulated units that meet the income and occupancy requirements reflected below. Approval of all MIP funding allocations will be subject to the sole discretion of CalHFA.

Mixed-Income Program Subsidy Loan Limits

MIP Loan amount for each project will be based on project need and will be limited to the lesser of the following:

1. $4 million; or
2. $50,000 per restricted unit (between 30%-120% AMI). Projects located within the Highest or High Resource areas pursuant to California Tax Credit Allocation Committee (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; or
3. 50% of the permanent loan amount.

Application

MIP applicants must submit a completed application package which includes all items listed on the application, application addendum, and checklist. Incomplete application packages will not be considered. The application and checklist can be found at www.calhfa.ca.gov/multifamily/mixedincome/forms. If the MIP applicant is not able to meet the readiness timeline referenced below, MIP awards may be rescinded.

Qualifications

Availability

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

Uses

MIP Loans must be used in conjunction with CalHFA's Conduit Bond Issuer Program and a construction loan from a CalHFA Mixed-Income Qualified Construction Lender (as defined below). MIP Loans must also be used in conjunction with CalHFA's Tax-Exempt Permanent Loan Program. CalHFA will work with MIP applicants to assess the benefits of utilizing CalHFA's Bond Recycling

California Housing Finance Agency
500 Capitol Mall Suite 1400, MS-990
Sacramento, CA 95814

Kevin Brown
Housing Finance Officer
(916) 326-8808
kbrown@calhfa.ca.gov

Jennifer Beardwood
Housing Finance Officer
(916) 326-8805
jbeardwood@calhfa.ca.gov

Last revised: 02/2023

Program during the project construction and/or permanent loan periods and may require recycled bonds to be included as a source, subject to availability and project feasibility.

Financing Structure

Projects accessing the MIP Loans must be structured as both 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; and
2. Qualified mixed-income project through income averaging pursuant to Internal Revenue Code Section 42 (g)(1)(C).

Readiness

MIP applicants must have evidence of site control and they must be prepared to submit for an award of tax-exempt bond cap and 4% tax credits from the California Debt Limit Allocation Committee (CDLAC) and CTCAC, respectively. Project applicants will only receive funds if an award of tax-exempt bond cap is issued within the issuance timeframes specified in the CDLAC Regulations Section 5100.

- **Site:** The site must be ready for construction. Any potential environmental issues must have been identified, mitigation plans must be in place, and costs associated with the mitigation plan must be incorporated in the development budget. Environmental issues may include, but are not limited to, receipt of clearances for CEQA, NEPA, and applicable tribal land environmental reviews. Pursuant to HUD-Risk Sharing requirements, the MIP applicant 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.
- **General Contractor and/or Third-Party Construction Services Engagement:** At the time of application, the MIP applicant must provide evidence that a general contractor or third-party construction services company has been engaged to provide construction services including, but not limited to; value engineering, bid/budget services, and constructability review of plans and designs. The proposed construction budget must be based on the general contractor's or third-party construction services company's preliminary bid estimates pursuant to the current plans and designs.
- **Disposition and Development Agreement:** The MIP applicant must provide a copy of the disposition and development agreement, if applicable.
- **Construction Start:** All projects must commit to begin construction 180 or 194 days from the earlier of the date of the tax-exempt bond allocation or the 4% federal/state tax credit reservation, unless an extension has been approved by CTCAC, CDLAC, and CalHFA, as applicable. Within the 180- or 194-day period (as may be applicable pursuant to CDLAC Regulations Section 5230(i) and CTCAC Regulations Section 10325(c)(7)), the following items must be submitted to CalHFA in their final form:
  - An executed construction contract.

- A complete, updated application form with a detailed explanation of any changes, including but not limited to, changes in sources and uses from the initial application.
- Recorded deeds of trust for all construction financing (unless a project's location on tribal trust land precludes this).
- Binding commitments for construction and permanent financing, including any sponsor loan and any other financing required to complete project construction.
- Copy of a limited partnership agreement executed by the general partner and the investor limited partner/equity provider.
- An updated CTCAC Attachment 16, if applicable.
- 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.
- Copy of the notice to proceed delivered to the contractor.
- If no construction lender is involved, evidence must be submitted within 180 or 194 days, as applicable, that the equity partner has been admitted to the ownership entity, and that an initial disbursement of funds has occurred.
- Other documentation and information required by CalHFA to close construction financing.

Evidence Of Cost Containment

A Cost Containment Certification must be provided at the time of Application and Construction Loan Closing, if applicable. The Cost Containment Certification acceptable to CalHFA may be found on the agency's website.

The MIP applicant must certify that cost containment measures have been implemented to minimize construction costs. These measures should include, but are not limited to:

1. competitively bidding out all major subcontractor and self-performing trades; and
2. engaging 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 at initial commitment. The analysis will be completed again at final commitment, 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 1.20x Debt Service Coverage Ratio (DSCR) at year 1 (Initial DSCR). CalHFA may allow an initial DSCR higher than 1.20x on a case-by-case basis, if deemed necessary. The underwriting prior to construction and permanent closing must show an on-going minimum DSCR of 1.15x through the term of the CalHFA permanent first lien loan.

Qualifications: Evidence of Subsidy Efficiency continued

- 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, if applicable.
- 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 consistent with CTCAC Regulation Section 10327(c)2(B).
- Capitalized reserves subject to approval by Agency for reasonableness consistent with the Agency's Underwriting Standards and the Investor Limited Partnership Agreement (ILPA).
- Review of Excess Sources over final Uses as approved by CalHFA resulting from any of the following:
  - An increase in tax credit equity.
  - An increase in permanent loan debt due to newly obtained financing, a permanent loan rate reduction or adjustments to residential income and operating expense assumptions.
- Construction Cost Savings funds evidenced by final cost certification 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 credits (STC) maximum requested amount shall be consistent with CTCAC Regulations Section 10317. MIP Loan 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 either:
  1. Purchase price pursuant to a current purchase and sales agreement between unrelated parties; or
  2. Purchase price of an arm's length transaction executed within the past 10 years plus reasonable carrying costs; or
  3. Appraised "as-is" value based on a current 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.

Project Application Ranking Qualifications*

The prioritization of MIP project application(s) shall follow a ranking calculation method described below:

1. **Project Public Benefit and Efficiency:** MIP project applications shall be initially assigned a ranking number based on the highest amount of public benefit per dollar of the total cost-adjusted amounts of the tax-exempt bond allocation requested from CDLAC, plus the state tax credit allocation requested from CTCAC consistent with CDLAC Regulation Section 5231(g)(1) and 5231(g)(2) (Project Rank Number). Next, the Project Rank Number may be adjusted pursuant the below bonus factors, subject to eligibility:

   — **MIP Efficiency Bonus:** The total requested MIP amount as a percentage of the eligible maximum MIP per unit shall be eligible for an adjustment to the original Project Rank Number based on a sliding scale per the below chart:

MIP as % of Eligible Maximum Per Unit	Adjustment
<20%	-0.500
20-40%	-0.375
41-60%	-0.250
61%-80%	-0.125
>80%	0.000

   — **STC and Soft Funds Leveraging Bonus:** The total requested STC amount and total permissible soft funds (refer to limitations section) as a percentage of the maximum STC shall be eligible for an adjustment to the original Project Rank Number based on a sliding scale per the below chart:

STC as % of Eligible Maximum Per Unit	Adjustment
>80%	-0.500
61%-80%	-0.375
41-60%	-0.250
20-40%	-0.125
<20%	0.000

   — **New Developer Bonus:** Developers that are new to MIP (requesting MIP funding for the first time) shall be eligible for -1 adjustment to the initial Project Rank Number. Developers that have not received MIP funding awards in the past two years shall be eligible for -0.5 adjustment to the initial Project Rank Number.

   — **Geographic Distribution Bonus:** Projects located in a city with a population over 1 million, that has not received MIP funding in the prior two years, will be eligible for -1 adjustment to the initial Project Rank Number. Projects located in a city with a population over 500,000, and up to 1 million, that has not received MIP funding in the prior two years, will be eligible for -0.5 adjustment to the initial Project Rank Number.

Additionally, Application Ranking and Selection will be subject to the following criteria:

2. **Project Cap:** Per Project MIP funds available will be equal to the lesser of the following:
   a. Maximum MIP Loan Amount of $4 million per Project application.
   b. Maximum of $50,000 per MIP regulated unit for Projects located in Moderate, Low, or Lowest Resource Areas.
   c. Maximum of $60,000 per MIP regulated unit for Projects located in High or Highest Resource Areas.[1]
   d. Maximum MIP Loan Amount may be no more than 50% of the CalHFA Permanent Loan.

1. Determination of resources Area Type shall be pursuant to CTCAC regulation designated on the CTCAC/HCD Opportunity Area Map.

3. **Sponsor Cap:** No Sponsor (any individual, entity, affiliate and/or related/affiliated entity) may receive an allocation of MIP funds for more than one Project application. Sponsor shall be defined as any individual, entity, affiliate and/or related entities that has 51% or more in the general, managing, and/or administrative partnership of the MIP applicant. An exception to the Sponsor Cap limit may be considered for any Sponsor that partners with an Emerging Developer to submit a MIP project application so long as the Emerging Developer has a 51% ownership interest in the general, managing, and/or administrative partnership entity of the MIP applicant. Emerging Developer will be defined as any Sponsor which cannot independently meet the MIP Developer/Co-Developer/General Partner qualifications as outlined below.
4. **County Cap:** No county may receive more than 25% of total MIP allocations for the respective year.
5. **Age-Restricted Cap:** No more than 25% of total MIP funds for the respective year may be received by age-restricted Project Applications (units that are restricted to residents who are 55 years of age or older under the applicable provisions of California Civil Code Section 51.3 and the federal Fair Housing Act).

* *In future years, MIP may be awarded using additional factors, including, but not limited to cost containment as measured by change in total development cost from initial commitment to construction close.*

CalHFA Mixed-Income Qualified Construction Lender

A CalHFA Mixed-Income 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 requirements 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 necessary to receive a minimum of seven points under the CDLAC General Partner Experience category pursuant to CDLAC Regulations Section 5230(f). Developers who do not meet these requirements are encouraged to partner with firms that can provide the required expertise and experience, which may include but is not limited to partnering with another development firm and/or third-party financial consultants.
- 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. The GC must provide resumes of the principals, key staff, and the proposed on-site construction supervisor and provide evidence that they are familiar with federal, state, and locality building code requirements for comparable projects.
- **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.
- **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 necessary to receive a minimum of three points under the CDLAC Management Company Experience category pursuant to CDLAC Regulations Section 5230(f).

Permanent First Lien Loan

All project applications receiving an allocation of MIP funds must utilize CalHFA's Permanent Loan Program which includes the requirement that the underwriting prior to construction and permanent loan closing shows a minimum 1.15x initial debt service coverage ratio (including any financing with amortizing debt) for the term of the permanent 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. The initial DSCR must not exceed 1.20x.

Any project application that contemplates a ground lease must accommodate CalHFA's requirement that the first lien permanent loan shall be secured against both the fee and leasehold interests in the Property. The ground lease term must exceed any CalHFA subsidy or permanent loan term(s) by 10 years or more. The term of the ground lease must be equal to or longer than the term of the CalHFA Regulatory Agreement(s).

Construction First Lien Loan

Must be provided by a CalHFA Mixed-Income Qualified Construction Lender. All parties shall permit the Agency to 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 (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

- MIP cannot be combined with the CTCAC 9% program.
- MIP cannot be combined with other state subordinate debt and/or subsidy programs (this does not include state tax credits) except 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 debt and subsidy may be considered on a case-by-case basis in CalHFA's sole discretion so long as any restrictions of subordinate debt or subsidy are compatible with MIP program requirements outlined herein.
- 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.)
- 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.
- 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 and CalHFA requires a minimum of 10% of the unit types must be at 50% or less of AMI (i.e., 30%@60% AMI; 10%@50% AMI).

Mixed Income Regulatory Agreement Requirements (All Projects)

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:

- 20% of total units at or below 50% of AMI; and
- 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
- Remaining 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; and
- 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 a current market study and/or appraisal report(s) support such deviations.)

The maximum average affordability is up to 60% of AMI across all CTCAC restricted units.

Maximum Allowable Rents

Rents for all restricted units must be underwritten at the lesser of either:

1. The CTCAC or locality maximum rents (whichever is applicable) based on the target occupancy; or
2. 10% below market rents, as evidenced by a current market study and/or appraisal, for the MIP affordability term.

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 90 days of Agency's final commitment and may be subject to a new or updated report if the appraisal was completed more than 90 days prior to construction and/or permanent loan closing, in the Agency'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 (target occupancy) required in the Agency's Regulatory Agreement.

Mixed-Income Subordinate Loan Rates & Terms

- **Interest Rate:** 3% simple interest. A higher simple interest rate may be used at time of MIP closing in the event the true debt test is at risk for tax credit purposes.
- **Loan Term:** The MIP Loan term shall be coterminous with the CalHFA permanent first lien loan and is due upon prepayment of the CalHFA permanent first lien loan.
- **Lien Position:** MIP Loan shall be in second lien position, after the CalHFA permanent first lien loan.
- **Loan Payment:** "Surplus cash" is determined as net operating income minus total debt service and other Agency approved payments. Surplus cash distributions shall permit 50% to Borrower and 50% shall be paid pro rata as "Residual Receipts" between CalHFA and other governmental residual receipt lenders. Payments shall be applied to the current and/or accrued interest and then principal of the MIP Loan.
- **Affordability Term:** 55 years.
- **Prepayment:** The MIP Loan may be prepaid at any time without penalty.
- **Funded:** Only at permanent loan conversion.

CalHFA Conduit Issuer & Bond Recycling Programs *(subject to change)*

For more information on conduit issuer and bond recycling rates and terms, refer to CalHFA's Conduit Issuer Program and Bond Recycling Program term sheets.

CalHFA Permanent First Lien Rates & Terms *(subject to change)*

For more information on permanent first lien rates and terms, refer to CalHFA's Tax-Exempt Permanent Loan Program Term Sheet.

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 Issuer Program Fees:** Refer to CalHFA Conduit Issuer Program Term Sheet.
- **CDLAC Fees:** Refer to CDLAC regulations for all applicable fees.
- **Other Fees:** Refer to CalHFA Tax-Exempt Permanent Loan Program term sheet for first mortgage loan fees, credit enhancements, trustee fees, legal fees, inspection fees, administrative fees. ■

Multifamily First-Lien Loans

Tax-Exempt Permanent Loan Program

CalHFA's (the "Agency") Tax-Exempt Permanent Loan Program ("Perm Loan") provides 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").

Loan Amount

- Minimum Perm Loan amount of $5,000,000.
- Minimum 1.15x initial debt service coverage ratio (DSCR) (including any financing with amortizing debt). If a Project includes an Agency subsidy loan, the maximum DSCR at Year 1 shall not exceed 1.20x, unless approved by Agency in its sole discretion. Agency underwriting, prior to both the construction and permanent loan closings, must show an on-going minimum DSCR of 1.15x through the term of the CalHFA permanent, first-lien loan. CalHFA may, in its sole discretion, require that the initial DSCR be higher than 1.15x as deemed necessary to mitigate risk and to meet the Agency's underwriting requirements.
- Limited to the lesser of 90% of the Project's current restricted appraised value or 100% of total Project development costs. For Perm Loans that will finance a cash equity payment to the Borrower, the Perm Loan amount will be restricted to no more than 80% of the Project's then current restricted appraised value.

Qualifications

- Available to for-profit, nonprofit, and public agency sponsors.
- Tax-exempt bond authority must be obtained from the California Debt Limit Allocation Committee (CDLAC) for tax-exempt bonds not subject to a 501(c)(3) exemption or issued using recycled volume cap.
- The Perm Loan may be used with or without 4% Low-Income Housing Tax Credits.
- If CalHFA is providing a Perm Loan, then the Agency must be used as the bond issuer (for more information, review the **CalHFA Conduit Issuer Program Term Sheet**).
- For Section 8 Projects, a final Perm Loan commitment will be conditioned upon review and acceptance by CalHFA of the HAP or AHAP contract.
- The Perm Loan will be credit-enhanced by the HUD/FHA Risk Sharing Program.
- For existing CalHFA portfolio loans, the current owner is required to pay off all outstanding CalHFA debt. Please refer to the CalHFA website for the **CalHFA Portfolio Loan Prepayment Policy**.

CalHFA℠

California Housing Finance Agency
500 Capitol Mall Suite 1400, MS-990
Sacramento, CA 95814

Kevin Brown
Housing Finance Officer
(916) 326-8808
kbrown@calhfa.ca.gov

Jennifer Beardwood
Housing Finance Officer
(916) 326-8805
jbeardwood@calhfa.ca.gov

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Tax-Exempt Permanent Loan Program

Fees *(subject to change)*

Application Fee: $10,000 non-refundable, due at time of application submittal, and credited toward the CalHFA Perm Loan Funding 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 Funding Fee: 1.50% of the greater of the Perm Loan amount indicated in the Final Commitment or the actual Perm Loan amount at Perm Loan closing. 50% of the fee is due at Final Commitment, with the balance, including any fee increase related to an increase in the actual Perm Loan amount, due at the time of approval of loan increase.

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 Issuer Program*).

Inspection fees are estimated at $500 per month for the term of the construction Perm Loan Funding Fee.

Letter of Interest Fee: $5,000 at LOI request, and credited toward the CalHFA Perm Loan Funding Fee.

See CalHFA standard Conduit Issuer Program Term Sheet *for information on conduit issuance fees.*

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 17-Year Balloon:** 2.60% to 3.750%
- **Estimated CalHFA Spread 30-Year Balloon:** 2.30% to 3.50%
- **Estimated CalHFA Spread Fully Amortizing Loans:** 2.20% to 3.65%

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 three years, unless CalHFA grants extensions as outlined below, in its sole discretion.

Amortization/Term:

- **Amortization:** Up to 40-year Amortization
- **Term:** Fully Amortizing, and 17- or 30-Year Balloons available.[1]
- **Perm Loan Increase or Decrease Requirements:** Any increase or decrease in the committed Perm Loan amount must be approved by the Agency and shall include the payment of a fee to be determined at the time of Perm Loan modification approval.

Rates continued

- Up to two, three-month extension(s) permitted upon payment of a fee equal to 0.25% of the Perm Loan amount plus possible additional financial cost related to the extension for each three-month extension. An extension of the Rate Lock prior to construction closing shall not affect the availability of these two optional extensions. Approval of any extension of the Rate Lock related to construction closing shall be in the Agency's sole discretion.
- **Breakage Fee** *(if applicable)***:** Due between construction loan closing and Perm Loan closing and calculated based on hedge termination cost.

[1] *Balloon loans and terms are subject to approval by the Agency and will not be provided unless such financing is supported by Agency's underwriting and exit analysis.*

Loan Closing Requirements

- 90% stabilized rental housing occupancy for 90 days as evidenced by rent rolls.
- DSCR of at least 1.15x as underwritten at the time of Perm Loan closing.
- 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 or commercial occupancy as evidenced by executed leases or guarantees, if applicable.
- Deposit Account Control Agreement between CalHFA, the Borrower and lending institution holding the Development Account is in form and substance acceptable to all parties and ready to be executed at Perm Loan closing.
- The project equity out may be held back until the completion of any necessary rehabilitation, if applicable.
- All closing requirements outlined on the Agency's Final Commitment Letter and document checklist, as applicable.

Prepayment

The Perm Loan may be prepaid at par after 15 years of the Perm Loan period. Additionally, the Perm Loan may be prepaid after 10 years of the Perm Loan period subject to a yield maintenance calculation equal to the *Current Fannie Mae Prepayment Premium (Standard Yield Maintenance – Fixed Rate)* at the time of Final Commitment, which can be found at:

multifamily.fanniemae.com/media/5646/display

The Perm Loan may not be prepaid prior to 10 full years of the Perm Loan period.

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 Loan) and be subordinate to CalHFA financing. Any exception to this policy, including joint priority (pari passu) will require prior approval from the Agency and/or the CalHFA Board of Directors (if applicable). A Lien Priority/Position Estoppel from any subordinate lenders in form and substance acceptable to CalHFA will be required prior to construction financing closing, if applicable.

Ground Lease

Any Project application that contemplates a ground lease must accommodate CalHFA's requirement that the Perm Loan shall be secured against both the fee and leasehold interests in the property. The ground lease term must exceed any CalHFA subsidy or permanent loan term(s) by 10 years or more. The term of the ground lease must be equal to or longer than the term of the CalHFA Regulatory Agreement(s).

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).

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 with appropriate reliance provided to CalHFA may be acceptable).
- **HUD-2530 previous participation clearance.**

- **Construction Costs Review** for new construction projects (other construction lender's review is acceptable with appropriate reliance, if required by the Agency, in its discretion).
- **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*** with scope of study and vendor 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 completed 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. An exception is the appraisal report, which must be completed within 90 days prior to Final Commitment and may be subject to a new or updated report if the appraisal was completed more than 90 days prior to construction and/or Perm Loan closing, in the Agency'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, the OER 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 less than the CalHFA Perm Loan term.
- Other reserves as required (at CalHFA's discretion).