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 approval for Tax-Exempt and Taxable Conduit Issuance.

Senior Loan Committee "Approval": April 10, 2024

Project Name, County:	**1612 Apartments, Stanislaus County**	
Address:	**1612 Sisk Road, Modesto, 95350**	
Type of Project:	**Acquisition/Rehab (Adaptive Reuse)**	
CalHFA Project Number:	23005-A/X/N	**Total Units: 144 (Individuals)**
Requested Financing by Loan Program:	**Up to** $23,000,000*	**CalHFA Tax-Exempt Bond – Conduit Issuance Amount ($18,494,731 allocated by CDLAC on 8/23/2023 and $1,849,473 allocated by CDLAC on 11/30/2023 - current need - $20,344,204)**
	Up to $9,000,000*	**CalHFA Taxable Bond – Conduit Issuance Amount (a portion of which may include recycled bonds) (assuming current need is $8,150,122)**
	$9,673,530	**CalHFA Tax-Exempt Permanent Loan with HUD Risk Sharing**
	$3,931,976	**CalHFA MIP Subsidy Loan**

*Approval amount includes 10% cushion rounded up to nearest $1M per CalHFA Policy.

DEVELOPMENT/PROJECT TEAM

Developer:	Stanislaus Regional Housing Authority	**Borrower:**	1612 Apartments, L.P.
Permanent Lender:	CalHFA	**Construction Lender:**	Citibank, N.A.
Equity Investor:	CREA, LLC	**Management Company:**	Buckingham Property Management, Inc.
Contractor:	Jade-Ex, LLC	**Architect**	HMR Architects
Loan Officer:	Jennifer Beardwood	**Loan Specialist:**	N/A
Asset Manager:	Ana Espinoza	**Loan Administration:**	Elizabeth Brown
Legal (Internal):	Paul Steinke	**Legal (External):**	Orrick, Herrington & Sutcliffe
Concept Meeting Date:	8/21/2023	**Approval Expiration Date:**	180 days from Approval

LOAN TERMS

1.		**CONDUIT ISSUANCE/** Citibank, N.A. **CONSTRUCTION LOAN**	**CalHFA PERMANENT LOAN**	**CalHFA MIP SUBSIDY LOAN**
	Total Loan Amount	$20,344,204 (T/E) $8,150,122 (Tax)	$9,673,530	$3,931,976 ($27,496/restricted unit)

	Loan Term & Lien Position	24-months- interest only plus one 6-month extension at 0.25%; 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 (subject to change and locked 30 days prior to loan closing)	1-Month Term SOFR + 2.00% (T/E) – (Monthly Reset) 1-Month SOFR + 2.50% (Tax) – (Monthly Reset) Underwritten at 8.10% variable rate (T/E) and 8.60% variable rate (Tax)	Underwritten at 6.41% that includes a .50% cushion* 15-yr MMD - + 3.09% 15-yr MMD Date – 2/1/2024 Estimated rate based on a 24-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)	LTV is 74% of investment value	LTV is 65% of restricted value**	N/A
	Loan to Cost	65%	22.08%	N/A

**CalHFA spreads locked on 2/28/2024 (subsequent to CalHFA Final Commitment Approval). Cushion is to account for MMD fluctuations prior to Construction Loan Close. Final CalHFA rate will be locked 30 days prior to construction loan closing.*

*** Loan to Value based on appraisal dated 2/1/2024 prepared by Burger Valuation Consultants.*

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. Investor changed from Red Stone Equity Partners LLC to CREA, LLC, as CREA, LLC offered more advantageous pricing to the Project. The Management Company was changed from Barker Management Inc. to Buckingham Property Management, Inc. (Buckingham). Buckingham was the property management company identified in the application submitted to CDLAC and TCAC, so this change does not impact the CDLAC scoring, and Buckingham meets the CalHFA experience requirements. The Stanislaus Regional Housing Authority is working on a current project and want to maintain a relationship with this property management company.
☐	Changes in Project Scope (for example, addition of non-residential component)

☒ Changes in CalHFA loan amount (>10%) or changes in loan terms

The CalHFA permanent loan increased by 23.01%, from $7,863,952 to $9,673,530. The increased rent limits as released by TCAC on 5/14/2023 and increase of the contract rents for the Section 8 Project-based units. , allowed the project to support more debt. The increase in project costs and better tax credit pricing generated additional tax credit equity and the increase in project costs required an increase of the deferred developer fee (“DDF”). The increases to the CalHFA perm loan, tax credit equity and increased DDF, offset the additional loan payoffs (primarily due to an increase to construction costs of $3,824,007) financing costs and operating reserves, as described in the chart below.

	Initial Commitment	Final Commitment	Difference	% Increase/Decrease
CalHFA – Perm Bond Proceeds (Loan)	$7,863,952	$9,673,530	$1,809,578	23.01%
Stanislaus Regional HA – Seller Carryback (Loan)	$5,462,921	$5,462,921	$0	0.00%
Stanislaus Regional HA – PLHA (Loan)	$2,000,000		-$2,000,000	-100.00%
Stanislaus Regional HA Improvement Note (Loan)	$1,200,000		-$1,200,000	-100.00%
Stanislaus Regional HA – (Loan 1)		$2,000,000	$2,000,000	100.00%
Stanislaus Regional HA – (Loan 2)		$1,400,000	$1,400,000	100.00%
CalHFA – MIP (Loan)	$3,931,976	$3,931,976	$0	0.00%
Deferred Developer Fee (Developer Fee, Deferral)	$1,530,460	$3,373,138	$1,842,678	120,40%
Tax Credit Equity (Equity, LIHTC Investor)	$16,764,883	$17,972,366	$1,207,483	7.20%
TOTAL PERMANENT SOURCES	$38,754,192	$43,813,931	$5,059,739	13.06%
TOTAL PER UNIT	$269,126	$304,263	$35,137	13.06%
Total Loan Payoffs and Equity	$33,791,693	$39,432,201	$5,640,509	16.69%
Financing costs	$78,640	$92,211	$13,572	17.26%
Operating Reserves	$412,146	$578,364	$166,218	40.33%
Cash Developer Fee paid at Perm Conversion	$2,941,254	$338,017	-$2,603,237	-88,51%
Deferred Developer Fees paid from cashflow	$1,530,460	$3,373,138	$1,842,678	120.40%
TOTAL PERMANENT USES	$38,754,192	$43,813,931	$5,059,739	13.06%
TOTAL PER UNIT	$269,126	$304,263	$35,137	13.06%

☐ Changes in construction schedule and rent-up/conversion timeline

☒ Significant changes in project capital stack impacting project viability: DSCR, exit analysis, etc.

- 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. 47 units will be subsidized by HUD, of which 42 will be Project-Based vouchers under Section 8 and 5 will be VASH vouchers administered by Stanislaus Regional Housing Authority (SRHA) for a term of 20 years. This is an underwriting exception and is discussed in section 9.
- This assumption impacts the DCSR with a year 17 DCSR of 1.43 with the 2.5% escalator as opposed to 1.36 with a 2.0% escalator.
- This also impacts the exit analysis with an outstanding 1st lien balance after refinance of $307,612 with the 2.5% escalator as opposed $1,091,025 with a 2.0% escalator.

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

- The Gross Potential Income ("GPI") has increased by $129,913 which is attributed to the inclusion of increased rent limits as released by TCAC on 5/14/2023 and an increase of the contract rents for the Section 8 Project-based vouchers.
- The total operating expenses have increased by $9,929. This is primarily attributed to the decreases to administrative expenses, payroll/payroll taxes, insurance and other expenses (supportive services being provided at no cost to the Project, and an increase in the management fee, utilities and replacement reserve (RR). The management fee is based on 5% of the underwritten adjusted gross income per the property management agreement. The utilities estimates are higher due to property management's experience with properties where the residents do not pay for the utilities. The RR increase is due to increasing the per unit per year amount from $250 to $400 (as the lower amount was used in error and the increase to $400 was based on the Reserve Analysis prepared by CalHFA) which almost offset the increase in utility costs. The overall changes to the operating budget, an increase of $9,929 (.09%), results in an increase of the Project's Net Operating Income (NOI) by $112,576 and increase in the debt service of $92,596 which increases the surplus cash after debt service by $19,980 and has no impact on the 1st year DSCR, as shown in the chart below.

	Initial	Final	Difference	% Increase/Decrease
Gross Potential Income (GPI)	$1,830,203	$1,960,116	$129,913	7.1%
Vacancy	$91,510	$98,918	$7,408	8.1%
Total Income	**$1,738,693**	**$1,861,198**	**$122,505**	**7.0%**
Admin Exp	$102,000	$42,900	-$59,100	-57.9%
Mgmt Fee	$67,935	$91,792	$23,857	35.1%
Utilities	$245,873	$377,600	$131,727	53.6%
Payroll/PR Taxes	$248,000	$236,989	-$11,011	-4.4%
Insurance	$95,000	$64,591	-$30,409	-32.0%
Maintenance	$193,935	$168,700	-$25,235	-13.0%
Other OpEx*	$102,600	$82,700	-$19,900	-19.4%
Total OpEx	**$1,055,343**	$1,065,272	$9,929	0.9%
NOI	**$683,350**	**$795,926**	**$112,576**	**16.5%**
Debt Service	$579,587	$672,183	$92,596	16.0%
Surplus Cash	$103,763	$123,743	$19,980	19.3%
DSCR	1.18	1.18	0.00	

*Other OpEx				
Supportive Services	$12,500	$0	-$12,500	-100.0%
Replacement Reserve	$36,000	$57,600	$21,600	60.0%
CalHFA Monitoring Fee	$7,500	$7,500	$0	0.0%
Reciprocal Use Expenses	$25,000	$0	-$25,000	100.0%
Taxes	$21,600	$17,600	-$4,000	-18.5%
Total Other Expenses	$102,600	$82,700	-$19,900	-19.4%

☒ Changes in CalHFA required reserves.

- The required operating expense reserve has increased by $25,631 which is attributed to the increase in the debt service payment of the increased CalHFA permanent loan as described below.

	Initial	Final	Difference	% Increase/Decrease
Total Operating Expenses/Reserves	$1,055,343	$1,065,272	$9,929	0.9%
Debt Service Payment	$579,587	$672,183	$92,596	16.0%
Required Operating Reserve (3mo)	$408,733	$434,364	$25,631	6.3%

☐ Changes in Affordability Restrictions including Unit distribution for regulated units

PROJECT SUMMARY

2.	Legislative Districts	Congress:	#5 Tom McClintock	Assembly:	#22 Juan Alanis	State Senate:	#5 Susan Talamantes Eggman

Brief Project Description

1612 Apartments (the “Project”) is an adaptive re-use, mixed-income project serving individuals. It consists of one, 2-story residential walk-up building. There will be 144 total units 143 (~315 sf each), of which will be restricted between 30% and 80% of the Stanislaus County Area Median Income (“AMI”) and the remaining studio unit, of 610 sf, will serve as the manager unit.

The site is currently occupied by a vacant 148-room hotel, originally built in 1973. The property was acquired by the Housing Authority of the County of Stanislaus (now known as the Stanislaus Regional Housing Authority (“SRHA”)) on June 30, 2020, for $13,500,000 and the building and site have been condominiumized into 3 components as described below with further details provided in the table included in this section. Unit 2 is being sold to 1612 Apartments, L.P. for $14,354,982. SRHA is providing a seller carry back loan for $5,462,921.

- Unit 1 consists of a warehouse structure and the housing authority’s office and is solely owned by the Stanislaus Regional Housing Authority.
- Unit 2 consists of the 144-unit affordable housing development and will be owned by 1612 Apartments, L.P.
- The parking lot, entry ways and common space between Units 1 and 2 (i.e. the “Association Common Area Parcel”) will be owned by an unincorporated association comprised of two members – the 1612 Apartments, L.P. and SRHA (50/50 ownership) by virtue of their ownership of Unit 1 and Unit 2, respectively. The

Association Common Area Parcel will effectively operate as an easement that will benefit Units 1 and 2.

Condo desc.	Building Area (Existing Building)	Approx. Gross Building Area %	Land Area %	Comments
Condo Unit 1 Owner – Stanislaus Regional Housing Authority)[1]	Total Gross SF: 52,900[2] Net Sq Ft[3]: 46,5053 sf including 3,700 sf (new construction) Office space, meeting space, common space and 14,066 maintenance shop	39.39%	N/A	Not part of subject financing
Condo Unit 2 (Owner – 1612 Apartments, L.P. "Project")	Total Gross SF: 81,380[2] Net Sq Ft[3]: 45,045 rentable area for affordable housing development and +/- 26,497 sq of common space (13,079 sq ft – manager unit, corridors/hallways and 13,418 – exercise room, event space, 2 conference rooms, reading area and laundry rooms. 144 studio units (~315 sf)	60.61%	N/A	CalHFA MIP project financing (subject property)
Association Common Area[3] (Owners- of the Association are 1612 Apartments, L.P. and Stanislaus Regional Housing Authority)	The parcel of land the building sits on to the center of the earth and the air space from the top of the building to 50 feet above the building and 75 feet above the building to infinity.	N/A	7.16 acres	Not part of subject financing
Total	134,280 Gross SF 118,047 – Net SF	100%	7.16 acres	

Note 1: The original condo recordation in June 2020 for Unit 1 only included 36,900 sf of existing building. Per the Building Permits issued in 2021, new commercial addition of 3,700 sf office space and 15,596 sf of warehouse space were included and are part of Unit 1 to be owned and occupied by the SRHA.

Note 2: This information was provided in a letter from Price, Postel & Param LLP dated 3/28/2024 and will be documented in the First Amendment to Declarations of Covenants, Conditions and Restrictions for 1612 Sisk Road Commercial Condominiums to be recorded at construction loan closing.
Note 3: Net and gross square footage calculations provided by the developer.

Condo Unit 2 is the Project, which currently includes 148 hotel rooms which will be converted into 144 affordable workforce housing units for individuals including a set-aside for previously homeless veterans. An agreement will be executed for Borrower to use the meeting space owned by the SRHA of Unit 1.

Financing Structure: The Project's financing structure includes financing from tax-exempt bonds, taxable or recycled bonds, 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 and bond cap from CTCAC and CDLAC on 08/24/2023 and allocation from CDLAC for supplemental bonds on 11/30/2023. The bond cap requested is approximately 50.13% aggregate basis requirement (the "50% test"). The CDLAC bond issuance deadline is 4/22/2024.

Ground Lease: Not applicable.

Project Amenities: The Project includes a community room, computer room, business center, exercise room, laundry room, picnic area, playground, on-site management, secured entry, courtesy patrol, and surveillance camera. Unit amenities will include mini split heat/cool, refrigerator, two-burner stove, disposal, dishwasher, and microwave.

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 – 0.25 miles
- Schools – 0.6 miles
- Public Library – 2.9 miles
- Public transit – 0.25 miles
- Park and recreation – 0.65 miles
- Hospitals – 1.86 miles
- Police Department 0.37 miles
- Fire Station – 0.64 miles

Non-displacement and No Net Loss: To the extent feasible, it is the Agency's priority to mitigate the overall effects upon affordable housing availability that may arise from multifamily developments that may result in permanent displacement of existing affordable housing residents and/or net loss of existing affordable housing units. The Project is an adaptive reuse of a hotel, 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. ap) Space: The Project does not include commercial space.

MISSION

3.	**CalHFA Mission/Goals**	
Project and financing proposal provide 143 units of affordable housing with a range of restricted rents between 30% AMI and 80% of AMI which will support much needed rental housing that will remain affordable for 55 years.		

ANTICIPATED PROJECT MILESTONES & SCHEDULE

4.	CDLAC/CTCAC Closing Deadline:	4/22/2024	Est. Construction Loan Closing:	4/2024
	Estimated Construction Start:	04/2024	Est. Construction Completion:	7/2025
	Estimated Stabilization and Conversion to Perm Loan(s):		1/2026	

SOURCES OF FUNDS

5.

Construction Sources and Uses

Sources	Amount	% of Total
Citi – Construction Loan – TE (Loan) – 1st lien position, 8.10% rate, interest only – 24 months	$20,344,204	50.74%
Citi – Construction Loan – Taxable Loan) – 1st lien position, 8.60% rate, interest only – 24 months	$8,150,122	20.33%
CREA (Equity, LIHTC Investor) (equity pricing $0.877 Fed/$0.88 State)	$2,740,057	6.83%
Stanislaus Regional HA – Seller Carryback Note (Loan) – 2nd lien position, 7.00% rate, deferred – 24 months	$5,462,921	13.62%
Stanislaus Regional HA – GAP Loan 1 (Loan, Sponsor) – 3rd position, 7.00%, deferred – 24 months	$2,000,000	4.99%
Stanislaus Regional HA – GAP Loan 2 (Loan, Sponsor) – 4th lien position, 7.00%, deferred – 24 months	$1,400,000	3.49%
TOTAL CONSTRUCTION SOURCES	**$40,097,304**	
TOTAL PER UNIT	**$278,454**	

Uses	Amount	% of Total
Total Acquisition costs	$14,953,406	37.29%
Construction/Rehab Costs	$16,789,257	41.87%
Soft Costs	$1,666,215	4.16%
Hard Cost contingency (11.36%)	$1,626,086	4.06%
Soft Cost contingency (2.16%)	$542,573	1.35%
Financing Costs	$3,211,481	8.01%
Local Impact Fees	100,000	0.25%
Deferred Developer Fee	$665,103	1.66%
Other Costs	$543,183	1.35%
TOTAL CONSTRUCTION SOURCES	**$40,097,304**	
TOTAL PER UNIT	**$278,454**	

Permanent Sources and Uses

Sources	Amount	% of Total
CalHFA – Perm Loan (Loan) 1st lien position, 6.41% rate, 17-year term with 40-year amortization	$9,673,530	22.1%

CalHFA – MIP (Loan) – 2nd lien position, 3.00% rate, residual receipts, 17-year term	$3,931,976	9.0%
Stanislaus Regional HA – (Loan) – 3rd lien position, 7.00% rate, paid from borrower's share of surplus cash, 55-year term	$1,400,000	3.2%
Stanislaus Regional HA – (Loan) – 4th lien position, 7.00% rate, paid from borrower's share of surplus cash, 55-year term	$2,000,000	4.6%
Stanislaus Regional HA – Seller Carryback (Loan) 5th lien position, 7.00% rate, paid from borrower's share of surplus cash, 55-year term*	$5,462,921	12.5%
Deferred Developer Fee (Developer Fee, Deferral)	$3,373,138	7.7%
Tax Credit Equity (Equity, LIHTC Investor)	$17,972,366	41.0%
TOTAL PERMANENT SOURCES	**$43,813,931**	**100.0%**
TOTAL PER UNIT	**$304,263**	
Uses	**Amount**	**% of Total**
Total Loan Payoffs and Equity	$39,432,201	90.0%
Financing costs	$92,211	0.2%
Operating Reserves	$578,364	1.3%
Cash Developer Fee paid at Perm Conversion	$338,017	.8%
Deferred Developer Fees paid from cashflow	$3,373,138	7.7%
TOTAL PERMANENT SOURCES	**$43,813,931**	**100.0%**
TOTAL PER UNIT	**$304,263**	

***Seller Carry Back Loan**: CalHFA underwriting policy requires any difference between the appraised value if used for the Acquisition cost and the proportionate share of the arm's length transaction to be covered by the Seller Carryback loan that shall be repaid form the Borrower's 50% share of surplus cash. Accordingly, any repayment of the Seller Carryback loan is not considered separately in the Financial Analysis and Underwriting as it is expected to be repaid from the Borrower's share of the 50% surplus cash.

Subsidy Efficiency: $3,931,976 ($27,496 per MIP restricted units).

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

- 4% Federal Tax Credits: $14,716,130 ($102,910 per TCAC restricted unit/$.877 per tax credit).
- State Tax Credits: $5,757,182* ($40,260 per TCAC restricted unit/$.88 per tax credit).

The Project includes Certificated State Tax Credits, which will be contributed to the Project as a State Tax Credit Loan from Great Valley Housing Development Corporation, who will execute a promissory note in the estimated amount of $5,065,814 and deed of trust that will be secured against the property and recorded in last lien position. The State Tax Credit loan be for a 55-year term, 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. 47 units will be subsidized by HUD, of which 42 will be Project-Based vouchers under Section 8 and 5 will be VASH vouchers, all for an initial term of 20 years. No renewal language was included in the written commitment. The rental subsidy contract will be administered by (SRHA).

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

Other Locality Subsidies: The Project will be funded by locality funds two SRHA gap loans ($2,000,000 and $1,400,000) and a SRHA Seller Carryback loan ($5,462,921) as described above.

Cost Containment Strategy:
The Developer has listed the following cost containment measures:

1. Early engagement of project team (EOC – Engineers/Owner/Contractors or a firm that provides construction services) during the project conceptual design process through building permit issuance and establish specific/clear roles and responsibilities of each party involved.
2. Hire a third-party construction professional to conduct a feasibility/cost analysis. Any concerns raised in this report should be addressed prior to commencement.
3. Require the general contractor ("***GC***") to establish a construction management plan with a detailed critical path schedule to manage and mitigate potential schedule delays and time extension requests. CMP should include utility connections, mailbox set up, or other coordination items necessary for certificate of completion. Any deviations, particularly to critical path items, should be evaluated for time or cost impact. Any substantiated delays to the critical path should be evaluated for ownership and will be formally documented through the change order process.
4. Evaluate Exclusions and Exceptions within GC contract for potential cost impact. If possible, the potential impacts will be resolved prior to construction commencement.
5. Establish clear expectations and protocols for the request for information management during construction, which may avoid compensable time delays and disputes during the construction period.
6. Utilize guaranteed maximum price (GMP) contract as the preferred form of GC contract, with cost savings returned to owner. GC should be required to provide a minimum of 3 bids (when available) for each trade, with an emphasis on all major trades.
7. Allowances will be minimized and reserved for value engineering items that may be added back to contract if hard cost contingency appears sufficient.
8. Owner will establish and document a formal lessons learned process after construction completion to mitigate future construction issues.

The Developer utilized all of the above cost containment measures except utilizing a GMP contract. A stipulated sum contract will be used. The Developer opted for this type of contract because their consultant, Bob Havlicek of RPH Development, LLC (RPH) and who is also the Executive Director of the Housing Authority of the County of Santa Barbara, determined that, the detailed plan revisions and specifications for this Project, that the certainty of a Stipulated Sum contract rather than utilizing a Guaranteed Maximum Price which has the potential for inflating the value of the contract provided more comfort. The Housing Authority of the County of Santa Barbara utilizes a Stipulated Sum contract on nearly every project. The Stipulated Sum contract was derived from a HUD approved form of contract that Housing Authorities utilize in federally funded projects and was modified slightly for use in non-federally funded projects.

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

TRANSACTION OVERVIEW

7. Proposal and Project Strengths

- The Project anticipates receiving 4% federal and state tax credits which is projected to generate equity representing ~41% of total financing sources.
- The projected portion of the developer's fee that will be collected at or prior to permanent loan conversion is $338,017, which could be available to cover cost overruns at permanent loan conversion.
- The Project will serve low-moderate income individual and previously homeless veterans ranging between 30% and 80% of AMI. On average, the rents are between 13% to 67% below market rents based on an Appraisal dated February 1, 2024.

- 47 units will be supplemented by Project-Based vouchers under the Section 8 and VASH programs administered by the SRHA for a term of 20 years.
- The locality has invested in the success of the Project as demonstrated by providing Section 8 and VASH PBVs for 47 (32%) of the 143 restricted units and by providing subordinate loans in the aggregate amount of $8,862,921.

8. Project Weaknesses with Mitigants:

- The Developer/administrative general partner, SRHA, does not have experience with CalHFA, however, they have experience developing a similar adaptive reuse affordable housing project. The managing general partner of the borrower, Kingdom Development, Inc., has extensive experience in developing affordable housing projects utilizing 4% tax credits and tax-exempt bonds. Both general partners in the borrower have experience in this region. CalHFA has recently closed another MIP project with Kingdom which totals 394 units and is located in Antioch.
- Phase I dated 3/9/2023 identified environmental issues that include possible asbestos, lead based paint, and mold. The development budget includes an estimated amount of $445,175 included in the construction budget for abatement, which is the anticipated costs associated with addressing these environmental issues. Remediation of all environmental findings is a part of the construction plan and budget. Evidence of environmental clearance will be required as a prerequisite to closing the CalHFA permanent and MIP loans.
- The total estimated DDF is not anticipated to be fully repaid by year 15. The developer has confirmed that they will forgo any outstanding developer fee in year 15 and treat the amount as a contribution to the partnership. This condition will be documented in the Borrower's Limited Partnership Agreement.
- 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 a 2% increase to the appraisal cap rate (resulting in 7.75%) and a 3% increase of the underwriting interest rate at loan maturity (resulting in 9.41%) over 17 years period. Based on these assumptions, the expected refinance loan may not be sufficiently sized to, be able to fully repay the balance of the Agency's permanent first lien loan at maturity. A refinance would only be sufficient to repay a portion (of the 1st lien loan and entire MIP loan leaving a total unpaid balance of $307,612 of 1st lien loan and $5,701,365 of MIP loan balance. Given that underwritten NOI at year 17 is $951,248 (with y-o-y average growth of .93%) 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 (2 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.
- Agency's permanent loan leaving an outstanding balance of $307,612 of the permanent loan and leaving an outstanding balance of $5,701,365 (principal and accrued interest) of the total MIP subsidy debt. The primary source of repayment for both the first mortgage and the MIP subsidy loan is refinance of the project's first mortgage. A refinance will not be sufficient to fully repay the Agency's first lien permanent loan, nor the MIP loan (estimated deficit repayment sources of $6,008,977) and it is contemplated that any remaining balance will be paid from a general partner contribution as part of the final close out of partnership obligations to allow re-syndication.

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). A higher than 50% share of surplus cash is to be distributed to the borrower (for the DDF payment) during the tax credit compliance period of 15 years in consideration to avoid any negative impact to the tax credit basis amount. For the subject loan, the entirety of the project cash flow will be needed to repay the DDF resulting in an outstanding balance on the MIP Loan of $5,701,365 at year 17 (loan maturity). This structure will eliminate the surplus cash available for repayment of residual receipts loans.
- CalHFA Underwriting standards require that 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. 47 units will be supplemented by Project-Based vouchers under HUD's Section 8 Project-Based Voucher Program administered by SRHA for a term of 20 years.

	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 greater than the CalHFA loan term of 17 years.
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 Project shall constitute a default under any other loans by the Agency for the Project.
- No site work or construction commenced prior to the issuance of a HUD Firm Approval Letter.
- Final subdivision/condo structure will be subject to Agency's approval.
- 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 DDF until the earlier of year 15 of operations is complete or full repayment of the DDF. Thereafter, the surplus cash split shall be 50% to Borrower and 50% to Residual Receipt lender. As a condition of this approval, the Borrower must provide evidence that the DDF repayment structure is required pursuant to the LPA. In addition, the Borrower must provide evidence of investor and all residual receipt lender approvals of the total DDF structure and residual receipt split. Residual receipt lenders must also agree to defer the payments on their loans.
- The total DDF of $3,373,138 will not be fully repaid by year 15 per project cashflow, therefore the Borrower must provide evidence of investor approval of the total DDF payment structure. Receipt of LPA and investor written approval evidencing that any outstanding DDF remaining in Year 15 will be treated as a developer contribution.
- Final environmental remediation and plan must be provided and approved by CalHFA prior to construction loan closing. In addition, evidence of environmental clearance must be provided and approved by CalHFA prior to permanent loan closing.
- Payment of all SRHA Sponsor loans (1.4M Gap Loan, 2M Gap loan and ~5.46M Seller Carryback loan) will come from of the borrower's share of surplus cash.
- Receipt of and CalHFA approval of subordination agreements subordinating TCAC's interests to the Agency loans prior to permanent loan closing, if necessary.
- 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.
- CalHFA review and approval of any and all regulatory agreements and CCRs recorded or to be recorded against the Project.
- CalHFA review and approval of the agreement to be executed between the Borrower and SRHA for the tenants to use the meeting rooms in Unit 1.
- Prior to permanent loan closing, termination and removal from title of the document titled "Right of Way and Service Agreement" recorded on January 16, 1998, as instrument number 98-0004419-00.
- Prior to permanent loan closing, termination and removal from title of the document titled "Regulatory Agreement and Declaration of Restrictive Covenants" recorded on June 30, 2020, as instrument number 2020-0046498-00.
- Prior to permanent loan closing, CalHFA review and approval of the Condominium Plan, the Association formation documents, the Declaration of Covenants, Conditions and Restrictions, and any and all other documents related to Unit 1, Unit 2, and the Association Common Area Parcel. If CalHFA so requires, the Borrower, CalHFA and SRHA (and any other party to any of the subject documents) shall enter into an addendum to any such documents in order to ensure adequate mortgagee protections.
- A Certified Access Specialist (CASp) Report acceptable to the Agency will be required prior to permanent loan closing.

- An updated Phase I is required per CalHFA underwriting standards and HUD Risk Share. The current Phase I ESA dated 3/9/2023 exceeds the 180 days validity and an updated Phase I ESA will be required prior to closing.

AFFORDABILITY

11. CalHFA Affordability (Occupancy and Rent) Restrictions

The CalHFA Permanent Financing Regulatory Agreement will restrict a minimum of 40% of the total units at or below 60% AMI; with 30% of the total units (43 units) at or below 60% AMI and 10% of the total units (15 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%	50%	60%	70%	80%	120%	N/A	Regulated	Regulated
CalHFA Bond	1st		15	43					**58**	41%
CalHFA MIP	2nd		29		15		99		**143**	100%
CTCAC	3rd	40	7	16	39	41			**143**	100%
SRHA (1.4M Gap Loan)	4th					71			**71**	50%
SRHA (2M Gap Loan)	5th					71			**71**	50%
SHRA (Seller Carry Back)	6th					71			**71**	50%
TOTALS		40	7	16	39	41	0	N/A	**143**	100%

*The CalHFA MIP Subsidy Regulatory Agreement requires 20% of total units (29 units) be restricted at or below 50% of AMI 10% of total units (15 units) be restricted between 60% and 80% of AMI with a minimum average of 70% of AMI for a term of 55 years. The rents for the 60% to 80% tranche will be determined by the minimum income limit of 70% of AMI, not to exceed 80% of AMI. The remaining 99 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 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%	**40**	**0**	**0**	**0**	**0**	**0**	**40**	**28%**
50%	**7**	**0**	**0**	**0**	**0**	**0**	**7**	**5%**
60%	**16**	**0**	**0**	**0**	**0**	**0**	**16**	**11%**
70%	**39**	**0**	**0**	**0**	**0**	**0**	**39**	**27%**
80%	**41**	**0**	**0**	**0**	**0**	**0**	**41**	**28%**
120%	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0%**

N/A	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0%**
Manager	**1**	**0**	**0**	**0**	**0**	**0**	**1**	**1%**
Market	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0%**
Total	**144**	**0**	**0**	**0**	**0**	**0**	**144**	
AMI Avg	**59.6%**						**59.6%**	

The average affordability restriction is 59.6% of AMI based on 143 TCAC-restricted units.

12.	**Geocoder Information**		
Central City:	Yes	Underserved:	No
Low/Mod Census Tract:	Moderate	Below Poverty line:	15.51%
Minority Census Tract:	74.27%	Rural Area:	No

FINANCIAL ANALYSIS SUMMARY

13.	**Capitalized Reserves:**	
	Replacement Reserves (RR):	$144,000.00 Beginning in Year 1 of operations, annual Replacement Reserve deposits will be required in the amount of $400/unit (inflated 1% annually) per the Replacement Reserve Analysis completed by CalHFA. CalHFA will hold reserves throughout the life of the loan
	Operating Expense Reserve (OER):	$434,363 OER amount is typically sized based on a minimum 3 months of operating expenses, first lien debt service, and annual replacement reserves deposits. For this Project, 3 months of operating expense, reserves, and debt service (“OER”) is required to be held for the life of the CalHFA permanent loan. The OER may be based on 3 months of total operating expense, reserves, and debt service if the developer provides evidence that, within the last 2 years, that they have received allocations from TCAC or provide a certification from a third- party accountant that they met TCAC’s general partner and management experience pursuant to CTCAC regulations. The developer has submitted supporting documentation that they’ve met this requirement. 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):	Not applicable. A Transition Operating Reserve is not applicable since the initial term of the Project Based Section 8 HAP Contract will be 20 years which 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.
14.	**Cash Flow Analysis**	

	1st Year DSCR:	1.18	**Project-Based Subsidy Term:**	20 years with no language on the option to renew.
	End Year DSCR:	1.43	**Annual Replacement Reserve Per Unit:**	$400/unit
	Residential Vacancy Rate:	5%	**Rental Income Inflation Rate:**	2.50%
	Subsidy Vacancy Rate:	5.21%	**Subsidy Income Inflation Rate:**	2.50%
	Non-residential Vacancy Rate:	5%	**Project Expenses Inflation Rate:**	3.50%
			Property Tax Inflation Rate:	1.25%

15. 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 in Unit 2, 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 Regulatory Agreement will be recorded in senior position to the CalHFA Regulatory Agreements and Deeds of Trust.

16. 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 (Expected Scenario) Refinance Analysis:** The first refinance scenario assumes the same cap rate (5.75%), interest rate (6.41 %), 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 $2,918,354 (principal and accrued interest) will remain after refinance and will be repaid by a general partner contribution to the partnership.
    2. **Stress Tested (Worst Case Scenario) Refinance Analysis:** The second refinance scenario stresses current underwriting assumptions by assuming a 2% increase to the appraisal cap rate (resulting in 7.75%) and a 3% increase of the underwriting interest rate (resulting in 9.41%) 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 $307,612 and an outstanding balance of the MIP subsidy loan totaling $5,701.365 (principal and accrued interest). These sums would be repaid from a general partner contribution to the partnership.

APPRAISAL AND MARKET ANALYSIS

17. Appraisal Review **Dated: February 1,2024**

- The Appraisal dated 2/1/2024, prepared by Burger Valuation Consultants, values the land at $4,680,000.
- The cap rate of 5.75% and the proposed operating expense is consistent with and is reasonable based on the appraisal report with the Developer's estimates approximately $67,064 higher (6.30%) than the appraisal. Costs for taxes, electric, water/sewer and management fee were higher than the appraiser's estimates while insurance, maintenance, and administration were lower. The replacement reserves were increased to $400 per unit and the appraisal listed as $250 per unit.
- The Project is proposing to not to use a Utility Allowance because all utilities are master metered and will be paid from operations resulting in lower surplus cash for the project.

- The as-restricted completion and stabilized value is $14,900,000, which results in the Agency's permanent first lien loan to value of 65%.
- The capture rate and absorption rate are 26% and 3 months, respectively, and are more favorable than the market study which estimates a 55% capture rate. The difference is the result of the appraisal utilizing all unit sizes in their supply estimates while the market study focused on studios. The absorption rate assumes a pre-leasing period of 4 months at 20 units per month.

Market Study:	Raney Planning and Management, Inc. and Laurin Associates	Dated: March 9, 2023

Regional Market Overview

- The Primary Market Area ("***PMA***") is the city of Modesto (population of 219,221) and the Secondary Market Area ("***SMA***") is Stanislaus County (population of 556,919)
- The general population in the PMA is anticipated to increase by 0.1% between 2025 and 2028.
- Unemployment in the PMA is 4.6%, which evidences a strong employment area. Per the appraisal, the unemployment rate in the region in September was slightly lower at 4.2%. The region has generally experienced a lower unemployment rate compared to the County and State.

Local Market Area Analysis

- **Supply:**
  - There is one family LIHTC project within a 1-mile radius of the subject property and four affordable family projects outside of a 1-mile radius. All are 100% occupied. Four have wait lists; two out of the four have 2-3 year wait lists.
  - There is one affordable project (1 1-BR, 53 2-BRs, and 20 3-BRs) currently planned in the market area. A completion timeline was not provided.
- **Demand/Absorption:**
  - The Project will need to capture 55% of the total demand for 138 income-eligible family studio units in the PMA and 9.1% for the 5 homeless veterans designated units. All 143 affordable units are anticipated to lease up at a rate of 14-36 units per month and reach full occupancy within 6 months of opening. The underwritten absorption rate is in line with these estimates

DEVELOPMENT SUMMARY

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

- The property is located on the northeast side of Highway 99 and south of Plaza Parkway, in the City of Modesto, Stanislaus County.
  - The site is currently improved with a former Hotel. The originally acquired site totaled 7.16 acres with level topography at street grade and irregular in shape.
    - The site has been condominiumized into 3 units discussed in section 1.
    - The site is zoned C-3 (Highway Commercial), with permitted multifamily residential use.
    - The subject is located in Flood Zone X. Zone X is the area determined to be outside the 500-year floodplain and protected by levee from 100-year floodplain, therefore the Project will not be subject to flood insurance.
    - The site consists of an existing commercial structure, a single building with two floors of double-loaded corridors that is currently vacant. Improvements will occur within the existing structure.

19. Form of Site Control & Expiration Date

The current owner, Stanislaus Regional Housing Authority ("***SRHA***"), of the site and 1612 Apartments L.P., entered into a Purchase and Sale Agreement and Purchase Agreement Addendum both dated March 15, 2023, which expires within 194 days of an allocation of Low-Income Housing Tax Credits to Buyer from CTCAC, which has been extended to April 30, 2024, for an amount of $14,354,982. Conditions of the sale include owner's acceptance of a Promissory Note as partial payment (a Seller Carryback Loan) in an amount not to exceed $5,500,000. The Seller Carryback promissory note will accrue 7%

simple interest and be payable from the Borrower's share of surplus cash over 55 years with balloon payments of outstanding principal and accrued interest at the end of the term.

The property was purchased by the Housing Authority of the County of Stanislaus on June 24, 2020.

An appraisal dated 4/3/2024, prepared by BBG, Inc. that was engaged by the Construction Lender and incudes CalHFA as an intended user, was used to support the acquisition cost of the subject property by the Borrower. The property was valued at total of $11,500,000; existing improvements valued at $9,200,000 and land values of $2,300,000.

20. Current Ownership Entity of Record

Title is currently vested in Housing Authority of the County of Stanislaus as the fee owner.
The Housing Authority of the County of Stanislaus underwent a name change and is now the Stanislaus Regional Housing Authority.

21. Environmental Review Findings **Dated: 03/09/2023**

- A Phase I Environmental Site Assessment (soils report) performed by AEI Consultants, dated March 9, 2023, revealed no evidence of recognized environmental conditions, so no additional investigation was recommended
- A NEPA review has been initiated and was completed on September 17, 2023.
- A lead and asbestos survey was completed May 15, 2020 and identified asbestos and lead to be present in the building. A mitigation plan for the removal or encapsulation of asbestos and lead will be required prior to construct loan closing and evidence of remediation will be required prior to permanent loan closing.

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

- According to a third-party seismic report by Partner Engineering & Science, Inc. dated August 10, 2023, the Probable Maximum Loss ("***PML***") scenario expected loss is 9% within a 475-year period, which meets the Agency's earthquake insurance waiver requirement threshold of 20%.

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

- The Project is adaptive reuse of a vacant hotel building, therefore, relocation is not applicable.

PROJECT DETAILS

24. Residential Areas:

Residential Square Footage:	45,045	**Residential Units per Acre:**	20 based on entire site
Community Area Sq. Ft and Common Areas	32,135	**Total Parking Spaces:**	180 (owned by the Association)
Supportive Service Areas:	N/A	**Total Building Sq. Footage (Unit 2):**	71,542

25. 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

26. Construction Type: Existing 2-story painted stucco over wood-frame building.

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

- The subject site is an adaptive reuse and full rehab of a vacant hotel building, converting 148 hotel rooms into 144 studios and upgrading the existing atrium area to common space with amenities for the residents.
- The contract will be structured as a Stipulated Sum with a 13.77% for builder overhead, profit, and general requirements, which aligns with CTCAC's allowable limit (14%).

- Environmental remediation of contaminants outlined on section 22 above is included in the development budget in the estimated amount of $445,175.
  - The construction/rehabilitation budget for this project totals approximately $16,968,000. The scope includes the following:
    - Storm drain protection - $47,524
    - Abatement (Asbestos) - $567,025
    - Fill pool/spa - $55,635
    - Roofing System –$ 1,026,576
    - Demolition – $598,423
    - Fire Sprinklers – $627,111
    - Windows/Doors - $883,627
    - Mechanical - $1,344,191
    - Plumbing/Drains - $2,089,109
    - Electrical - $3,056,757
    - Framing/Drywall - $2,296,356
    - Paint/Primer – $607,212Concrete Floors - $276,872
    - Unit Cabinets/Counter Tops - $681,640
    - Parking Lot – $471,885
    - Trash enclosures - $100,675
    - Laundry rooms – 178,295
    - Tree trimming - $5,000
    - General conditions - $870,273
    - GC overhead/profit - $1,183,814
  - In addition, hard cost contingency of $1,626,086 (11.36% of total hard costs) has been included in the development budget.

28. 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

29. Borrower Affiliated Entities

- Managing General Partner: Kingdom 1612, LLC, a California nonprofit public benefit corporation; 0.0034% interest
  - Sole Member: Kingdom Development, Inc., a California nonprofit public benefit corporation
- Administrative General Partner: Stan Regional 1612 Apartments, LLC, a California limited liability company; 0.0033% interest
  - Sole Member: Stanislaus Regional Housing Authority, a public body corporate and politic
- Co-Administrative General Partner: GVHDC 1612 Apartments, LLC, a California limited liability company; 0.0033% interest
  - Sole Member: Greater Valley Housing Development Corporation, a California nonprofit public benefit corporation and an affiliate of Stanislaus Regional Housing Authority

Investor Limited Partner: CREA 1612 Apartments, LLC; 99.989% interest
Special Limited Partner: CREA SLP, LLC; 0.001%

30. Developer/Sponsor

- SHRA is a regional housing authority that was established in 1949 and is governed by a citizen's commission appointed by the County Board of Supervisors. SRHA currently serves 8 counties (Stanislaus, Alpine, Amador, Calaveras, Inyo, Mariposa, Mono, and Tuolumne) and is committed to providing "decent, safe and affordable rental housing and home ownership opportunities". The agency's 2023 annual plan indicates that SRHA is a high performer PHA with a housing inventory that includes 647 public housing units and 4,929 housing choice vouchers. SRHA has one 38-unit project under construction, 127 units (4 projects) completed in the last five years, 5 projects in the pipeline. This is their first project with CalHFA.

31. **Management Agent**

The Project will be managed by Buckingham Property Management, Inc. ("Buckingham"), which has extensive experience in managing affordable housing projects in the area, with 58 affordable projects across California, and has experience with CalHFA. Buckingham has been managing an adaptive re-use, former hotel, project since 2018 and formerly managed 2 adaptive reuse projects. The locality is familiar with this management company and has found the company's performance satisfactory.

This will be the second project that partners Buckingham with SRHA as developer.

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

- The Borrower will provide services from 6 different service providers; all providers have committed to providing services at no cost both to the residents and to the property. Therefore, projected operating expenses will not include any resident services fees. Four providers will offer instructor-led adult education, health + wellness, or skill building classes. An additional two providers will offer health + wellness services involving individualized support. Providers that have made service commitments include at a minimum:
    - Educational Employees Credit Union (84 hours/year)
    - Project YES (120 hours/year)
    - Turlock Gospel Mission (40 years/year)
    - Stanislaus County Office of Education - Prevention Homeless Program (40 hours/year for 5 years)
    - Health Plan of San Joaquin (86 hours/year)
    - Golden Valley Health Centers (48-60 hours/quarterly)

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

The general contractor is Jade-Ex, LLC ("***Jade***"), which has experience in constructing similar hotel conversions to apartment use in California, completing 8 adaptive reuse projects between 2018 and 2021. Jade does not have experience with CalHFA.

This will be the first project that partners the GC and developer.

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

The architect is HMR Architects (HMR), established in Sacramento, CA in 1949, has extensive experience in designing and managing affordable housing projects in California through the locality's building permit process. HMR has been working with housing authorities in California for several decades providing plans for new construction and rehabilitation projects. Their experience includes over 60 projects with over 1,000 units for five different housing authorities. Most projects were new construction or rehabilitation of existing housing authority sites. HMR has most recently worked with The Housing Authority of the County of Butte on a full rehab project to convert former military base housing to Farm Labor Housing and worked with SRHA on 1 project that has been completed, which was a hotel conversion to 102-unit multifamily housing that was completed in 2020. In addition, they are partnering on 4 projects in the pipeline and 1 project under construction.

HMR does not have experience with CalHFA.

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

The locality, City of Modesto, 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 amount(s) requested, subject to the above proposed terms and conditions.

Erwin Tam Date: 04/11/2024

Erwin Tam
Director of Financing & Senior Loan Committee Chairperson

Approved by:

Tiena Johnson Hall
Tiena Johnson Hall
C=US, OU=Executive Office,
O=California Housing
Finance Agency, CN=Tiena
Johnson Hall, E=tjohnsonhall
@calhfa.ca.gov
Date: 4/12/2024

Tiena Johnson Hall
Executive Director
CalHFA

EXHIBITS: Detailed Financial Analysis and applicable Term Sheet

Multifamily Financial Analysis (FA) Summary 1: Project Summary

Project Summary

Project Full Name:	1612 Apartments	**Borrower Name:**	1612 Apartments, L.P.
Project Address:	1612 Sisk Rd	**Managing GP:**	Stan Regional 1612 Apartments, LLC
Project City:	Modesto	**Developer Name:**	Stanislaus Regional Housing Authority
Project County:	Stanislaus	**Investor Name:**	CREA, LLC
Project Zip Code:	95350	**Prop Management:**	Buckingham Property Management, Inc.
		Tax Credits:	4%
Project Type:	One or Two Story Garden	**Total Land Area (acres):**	7.16
Tenancy/Occupancy:	Non-Targeted	**Residential Square Footage (w/o Manager's Unit):**	45,045
Total Residential Units:	144	**Residential Units Per Acre (Density):**	20
Total Number of Buildings:	1	**Common Area Square Footage:**	13,079
Number of Stories:	2	**Commercial Square Footage:**	0
Unit Style:	Flat	**Covered Parking Spaces:**	0
Elevators:	0	**Uncovered Parking Spaces:**	180
Construction Type:	**Adaptive Reuse**	**Total Parking Spaces:**	180
		Year Built	1973

Acq/Construction/Rehab Financing	**Lien Priority**	**Debt Type**	**Loan Amount ($)**	**Loan Term (Mo.)**	**Interest Rate**
C. Citi - Construction Loan - TE	1	Int. Only, Fixed, Simple	$20,344,204	24	8.10%
C. Citi - Construction Loan - Taxable	1	Int. Only, Fixed, Simple	$8,150,122	24	8.60%
C. CREA LLC	N/A	Equity, LIHTC Investor	$2,740,057	N/A	N/A
C. Stanislaus Regional HA - Seller Carryback Note	2	Deferred, Fixed, Simple	$5,462,921	660	7.00%
C. Stanislaus Regional HA - Loan	3	Deferred, Fixed, Simple	$2,000,000	660	7.00%
C. Stanislaus Regional HA	4	Deferred, Fixed, Simple	$1,400,000	660	7.00%
	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
			$40,097,304		

Permanent Financing	**Lien Priority**	**Debt Type**	**Loan Amount ($)**	**Loan Term (Yr.)**	**Amort. Period (Yr.)**	**Interest Rate**
P. CalHFA - Perm Bond Proceeds	1	Fixed, Compounding, Amort.	$9,673,530	17	40	6.41%
P. Stanislaus Regional HA - Seller Carryback	5	Fixed, Simple, Other	$5,462,921	55	N/A	7.00%
P. Stanislaus Regional HA	4	Fixed, Simple, Other	$2,000,000	55	N/A	7.00%
P. CalHFA - MIP	2	Fixed, Simple, R.R	$3,931,976	17	40	3.00%
P. Stanislaus Regional HA	3	Fixed, Simple, Other	$1,400,000	55	N/A	7.00%
P. Deferred Developer Fee	N/A	Developer Fee, Deferral	$3,373,138	N/A	N/A	N/A
P. Tax Credit Equity	N/A	Equity, LIHTC Investor	$17,972,366	N/A	N/A	N/A
			43,813,931			

Appraised Values Upon Completion of Rehab/Construction

Appraisal Date:	12/7/2023	**Capitalization Rate (%):**	5.75%	
Investment Value ($):	$38,715,000	**Restricted Value ($):**	$14,900,000	USRM Req
Construct/Rehab Loan To Cost (%):	65%	**CalHFA Permanent Loan to Cost (%):**	22.08%	80.00%
Construct/Rehab Loan To Value (%):	**74%**	**CalHFA Permanent Loan to Value (%):**	65%	90.00%
Land Value	$4,680,000	**Combined All CalHFA Loan to Value (%):**	91%	

Additional Loan Terms, Conditions & Comments

Construction/Rehab Loan (if applicable)

Payment/Performance Bond:		**Construction Period (Months):**	0
Completion Guarantee Letter of Credit:		**Lease-up period (Months)**	0
		Perm Loan Foward Period (Months):	36

Permanent Loan

Operating Expense Reserve Deposit	$ 434,364.00	**Annual Lease Payment (Stabilized Year)**	
Initial Replacement Reserve Deposit	$ 144,000.00		
Annual Replacement Reserve Per Unit	$400		
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	315	144	216
	2 Bedrooms				0
	3 Bedrooms				0
	4 Bedrooms				0
	5 Bedrooms				0
		Total:	45,360	144	216

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%**	**50%**	**60%**	**70%**	**80%**	**120%**	**N/A**	**Regulated**	**Regulated**
CalHFA Bond	1st		15	43					**58**	41%
CalHFA MIP	2nd		29		15		99		**143**	100%
CTCAC	3rd	40	7	16	39	41			**143**	100%
SRHA (1.4M Gap Loan)	4th					71			**71**	50%
SRHA (2M Gap Loan)	5th					71			**71**	50%
SHRA (Seller Carry Back)	6th					71			**71**	50%
TOTALS		40	7	16	39	41	0	N/A	**143**	100%

Comparison of Average Monthly Restricted Rents to Average Market Rents

Unit Type	Restricting Agency	% of Area Median Income	Average Restricted Rents		Average Market Rents	Average Monthly Savings	% below Market Rents
			Number of Units	**Unit Rent**			
Studios					$1,350		
	CTCAC	30%	5	443		$907	33%
	CTCAC	30%	35	$443		$907	33%
	CTCAC	50%	7	$738		$612	55%
	CTCAC	60%	16	$886		$464	66%
	CTCAC	70%	39	$1,033		$317	77%
	CTCAC	80%	41	$1,181		$169	87%
1 Bedroom							
2 Bedroom							
3 Bedrooms							
4 Bedrooms							

Total Number of Units Per Above	**143**	**Average AMI**	**59.17%**
Market Rate Units Not Shown Above	**1**		
Total Project Units	**144**		

Sources and Uses of Funds

23005-A/X/N

SOURCES OF FUNDS	Const/Rehab	Permanent	Total Project Sources of Funds			
	$	$	Sources ($)	Per Unit ($)	% of Total	% of Category
C. Citi - Construction Loan - TE	20,344,204				50.74%	50.74%
C. Citi - Construction Loan - Taxable	8,150,122				20.33%	20.33%
C. CREA LLC	2,740,057				6.83%	6.83%
C. Stanislaus Regional HA - Seller Carryback Note	5,462,921				13.62%	13.62%
C. Stanislaus Regional HA - Loan	2,000,000				4.99%	4.99%
C. Stanislaus Regional HA	1,400,000				3.49%	3.49%
P. CalHFA - Perm Bond Proceeds		9,673,530	9,673,530	67,177	22.08%	22.1%
P. Stanislaus Regional HA - Seller Carryback		5,462,921	5,462,921	37,937	12.47%	12.5%
P. Stanislaus Regional HA		2,000,000	2,000,000	13,889	4.56%	4.6%
P. CalHFA - MIP		3,931,976	3,931,976	27,305	8.97%	9.0%
P. Stanislaus Regional HA		1,400,000	1,400,000	9,722	3.20%	3.2%
P. Deferred Developer Fee		3,373,138	3,373,138	23,425	7.70%	7.7%
P. Tax Credit Equity		17,972,366	17,972,366	124,808	41.02%	41.0%
TOTAL SOURCES OF FUNDS	**40,097,304**	**43,813,931**	**43,813,931**	**304,263**		
TOTAL USES OF FUNDS (BELOW)	**40,097,304**	**43,813,931**	**43,813,931**	**304,263**		
FUNDING SURPLUS (DEFICIT)	**-**	**(0)**	**(0)**			

USES OF FUNDS	Const/Rehab	Permanent	Total Project Uses of Funds			
	$	$	Uses ($)	Per Unit ($)	%TDC	% of Category
TOTAL EQUITY AND LOAN PAYOFF		**40,097,304**				
LAND COST/ACQUISITION						
Land Cost or Value	2,300,000		2,300,000	15,972	5.25%	15.4%
Demolition	598,424		598,424	4,156	1.37%	4.0%
Legal	-		-	-		0.0%
Land Lease Repayment	-		-	-		0.0%
Existing Improvement Value	9,200,000		9,200,000	63,889	21.00%	61.5%
Off-Site Improvements	-		-	-		0.0%
Predevelopment Interest/Holding Costs	944,982		944,982	6,562	2.16%	6.3%
Assumed, Accrued Interest on Existing Debt (Rehab/Acquisition)	-		-	-		0.0%
Excess Purchase Price Over Appraisal	1,910,000		1,910,000	13,264	4.36%	12.8%
	-			-		0.0%
	-			-		0.0%
	-			-		0.0%
	-			-		0.0%
	-			-		0.0%
TOTAL LAND COST/ACQUISITION	**14,953,406**	-	**14,953,406**	103,843	34.13%	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	-		-	-		0.0%
Structures	14,315,490		14,315,490	99,413	32.67%	85.3%
General Requirements	870,273		870,273	6,044	1.99%	5.2%
Contractor Overhead	591,907		591,907	4,110	1.35%	3.5%
Contractor Profit	591,907		591,907	4,110	1.35%	3.5%
Prevailing Wages	-		-	-		0.0%
General Liability Insurance	169,680		169,680	1,178	0.39%	1.0%
Third-Party Construction Management	250,000		250,000	1,736	0.57%	1.5%
Other: (Specify)	-		-	-		0.0%
	-			-		0.0%
TOTAL CONSTRUCT COSTS	**16,789,257**	-	**16,789,257**	**116,592**	38.32%	100.0%
ARCHITECTURAL/ENGINEERING/SURVEY FEES						
Design	459,036		459,036	3,188	1.05%	82.1%
Survey/Engineering	-		-	-		0.0%
Supervision	100,000		100,000	694	0.23%	17.9%
	-			-		0.0%
TOTAL ARCHITECTURAL/ENGINEERING/SURVEY FEES	559,036	-	559,036	3,882	1.28%	100.0%
CONSTRUCTION INTEREST AND FEES						
Construction Loan Interest	2,824,326		2,824,326	19,613	6.45%	100.0%
	-			-		0.0%
	-			-		0.0%
Subtotal (Should Match Constr. Loan Interest Amount):	2,824,326					100.0%
Construction Origination/Loan Fees	284,943		284,943	1,979	0.65%	100.0%
	-			-		0.0%
	-			-		0.0%
Subtotal (Should Match Constr. Origination/Loan Fee Amount):	284,943					100.0%
Credit Enhancement/Application Fee	-		-	-		0.0%
Bond Premium	460,000		460,000	3,194	1.05%	60.8%
Cost of Issuance	247,179		247,179	1,717	0.56%	32.6%
Title & Recording	50,000		50,000	347	0.11%	6.6%
Taxes	-		-	-		0.0%
Insurance	-		-	-		0.0%
CDLAC Fee - $7,120.47	-			-		0.0%
CalHFA Issuer Fee - $41,747	-			-		0.0%
CalHFA Inspection - $12,000	-			-		0.0%
CalHA Monitoring - $7,500	-			-		0.0%
Other: (Specify)	-		-	-		0.0%
Subtotal:	$ **757,179**					100.0%
TOTAL CONSTRUCTION COST	3,866,448	-	3,866,448		8.8%	

USES OF FUNDS (contd)		Const/Rehab $	Permanent $	Total Project Uses of Funds			
				Uses ($)	Per Unit ($)	%TDC	% of Category
PERMANENT FINANCING COSTS							
Origination/Loan Fees		92,212	92,211	184,423	1,281	0.42%	100.0%
$145,103 - CalHFA Perm		-					0.0%
$39,320 - CalHFA MIP		-					0.0%
		-					0.0%
		-					0.0%
		-					0.0%
		-					0.0%
Subtotal (Should Match All Origination/Loan Fees Amount):		**$ 92,211.71**	**$ 92,211.00**	**$ 184,422.71**			100.0%
Credit Enhancement & Application Fees		-		-	-		
Subtotal (Should Match All Credit Enhancement & Appl. Fees Amount):		**$ -**	**$ -**	-			0.0%
Title & Recording (closing costs)		10,000		10,000	69	0.02%	5.1%
Taxes		-		-	-		0.0%
Insurance		-		-	-		0.0%
		-			-		0.0%
		-			-		0.0%
		-			-		0.0%
Other: (Specify)		-		$ -	-		0.0%
TOTAL PERMANENT FINANCING COSTS		**102,212**	**92,211**	**194,423**	135015.77%	0.4%	5.1%
LEGAL FEES AND THIRD-PARTY CONSULTING FEES							
Lender Legal Paid by Applicant		100,000		100,000	69444.44%	0.2%	28.6%
		-					0.0%
		-					0.0%
Subtotal (Should Match Legal Paid by Applicant Amount):	**$ -**						
Financial Consulting, Application Preparation/Review		250,000		250,000	1,736	0.57%	71.4%
Entitlement Services, Building Permit Expediting		-		-	-		0.0%
Tenant File Review Services		-		-	-		0.0%
Other: (Specify)		-		$ -	-		0.0%
	$ -	-			-		0.0%
TOTAL LEGAL FEES		**350,000**	**-**	**350,000**	**2,431**	0.80%	100.0%
RESERVES							
Rent Reserves		-		-	-		0.0%
Capitalized Rent Reserves		-		-	-		0.0%
Operating Expense Reserve		-	434,364	434,364	3,016	0.99%	75.1%
Transition Operating Reserve		-			-		0.0%
Initial Replacement Reserve		-	144,000	144,000	1,000	0.33%	24.9%
Investor Required Reserve		-			-		0.0%
Other: (Specify)		-		$ -	-		0.0%
TOTAL RESERVES		**-**	**578,364**	**578,364**	**4,016**	1.3%	100.0%
CONTINGENCY COSTS							
Contruction Hard Cost Contingency	11.36%	1,626,086		*1,626,086*	11,292	3.71%	75.0%
Soft Cost Contingency	2.16%	542,573		*542,573*	3,768	1.24%	25.0%
TOTAL CONTINGENCY COSTS		**2,168,659**	**-**	**2,168,659**	**15,060**	4.95%	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	$ 182,184		$ 182,184	1,265	0.42%	28.3%
Environmental Audit	$ -		$ -	-		0.0%
Local Development Impact Fees	$ 100,000		$ 100,000	694	0.23%	15.5%
Permit Processing Fees	$ 160,999		$ 160,999	1,118	0.37%	25.0%
Capital Fees	$ -		$ -	-		0.0%
Marketing	$ 50,000		$ 50,000	347	0.11%	7.8%
Furnishings	$ 70,000		$ 70,000	486	0.16%	10.9%
Market Study	$ 15,000		$ 15,000	104	0.03%	2.3%
Accounting/Reimbursables	$ 55,000		$ 55,000	382	0.13%	8.6%
Appraisal Costs	$ 10,000		$ 10,000	69	0.02%	1.6%
	$ -			-		0.0%
	$ -			-		0.0%
	$ -			-		0.0%
	$ -			-		0.0%
	$ -			-		0.0%
Other: (Specify)	$ -		$ -	-		0.0%
Other: (Specify)	$ -		$ -	-		0.0%
Other: (Specify)	$ -		$ -	-		0.0%
TOTAL OTHER PROJECT COSTS	**643,183**	**-**	**643,183**	**4,467**	1.47%	100.0%
SUBTOTAL PROJECT COSTS	**39,432,201**	**670,575**	**40,102,776**	**251,641**	91.53%	
DEVELOPER FEES & COSTS						
Developer Overhead/Profit	665,103	3,046,052	3,711,155	25,772	8.5%	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	**665,102.83**	**3,046,052**	**3,711,155**	**25,772**	8.5%	100.0%
TOTAL DEVELOPMENT COSTS (TDC)	**40,097,304.00**	**43,813,931**	**43,813,931**	**304,263**	**100%**	
NET BUDGET SURPLUS/DEFICIT	**-**	**(0)**	**(0)**			

Projected Initial Annual Operating Budget

OPERATING INCOME

Income	**% Increase**	**Amount**	**Per Unit**	**% of Category**
Rental Income				
Restricted Unit Rents	2.50%	$ 1,509,240	$ 10,481	77.00%
Unrestricted Unit Rents	2.50%	$ -	$ -	0.00%
Commercial Rents	2.00%	$ -	$ -	0.00%
Rental & Operating Subsidies				
Project Based Rental Subsidy	1.50%	$ 434,316	$ 3,016	22.16%
Other Project Based Subsidy	1.50%	$ -	$ -	0.00%
Other Income				
Laundry Income	2.50%	$ 16,560	$ 115	0.84%
Parking & Storage Income	2.50%	$ -	$ -	0.00%
	0.00%		$ -	0.00%
GROSS POTENTIAL INCOME (GPI)		**$ 1,960,116**	**13,612**	
VACANCY RATES	**%**			
Restricted Unit Rents	5.00%	$ 75,462	$ 524	77.00%
Unrestricted Unit Rents	5.00%	$ -	$ -	0.00%
Commercial Rents	50.00%	$ -	$ -	0.00%
Project Based Rental Subsidy	5.00%	$ 21,716	$ 151	22.16%
Other Project Based Subsidy	5.00%	$ -	$ -	0.00%
Laundry Income	5.00%	$ 828	$ 6	0.84%
Parking & Storage Income	50.00%	$ -	$ -	0.00%
-	0.00%	$ -	$ -	0.00%
TOTAL VACANCY LOSS		**$ 98,006**	**681**	
EFFECTIVE GROSS INCOME (EGI)		**$ 1,862,110**	**12,931**	

Multifamily Financial Analysis (FA) Summary 4: Initial Year Annual Operating Budget

OPERATING EXPENSES				
Administrative Expenses	**% Increase**	**Amount**	**Per Unit**	**% of Category**
Advertising	3.50%	$ 7,500	52	0.7%
Legal	3.50%	$ 11,200	78	1.1%
Accounting/Audit	3.50%	$ 12,000	83	1.1%
Security	3.50%	$ 600	4	0.1%
Office expenses	3.50%	$ 11,600	81	1.1%
Total Administrative Expenses:	3.50%	$ 42,900	298	4.0%
Management Fee	**3.50%**	$ 91,792	637	8.6%
Utilities	**% Increase**	**Amount**	**Per Unit**	**% of Category**
Fuel	3.50%	$ -	0	0.0%
Gas	3.50%	$ 26,000	181	2.4%
Electricity	3.50%	$ 191,600	1,331	18.0%
Water/Sewer	3.50%	$ 160,000	1,111	15.0%
	3.50%		0	0.0%
Total Utilities:	3.50%	$ 377,600	2,622	35.4%
Payroll Expenses	**% Increase**	**Amount**	**Per Unit**	**% of Category**
On-site Managers	3.50%	$ 85,600	594	8.0%
Number of Staff:	0			
Maintenance Personnel	3.50%	$ 95,680	664	9.0%
Number of Rent-Free Units:	1			
Payroll taxes & benefits	3.50%	$ 55,709	387	5.2%
Total Payroll/Payroll Taxes:		$ 236,989	1,646	22.2%
Insurance	**3.50%**	$ 64,591	449	6.1%
Maintenance	**% Increase**	**Amount**	**Per Unit**	**% of Category**
Painting	3.50%	$ 40,000	278	3.8%
Repairs	3.50%	$ 49,000	340	4.6%
Trash Removal	3.50%	$ 50,000	347	4.7%
Exterminating	3.50%	$ 3,000	21	0.3%
Grounds	3.50%	$ 23,000	160	2.2%
Elevator	3.50%	$ -	0	0.0%
Supplies	3.50%	$ 3,700	26	0.3%
Total Maintenance:	3.50%	$ 168,700	1,172	15.8%
Other Operating Expenses	**% Increase**	**Amount**	**Per Unit**	**% of Category**
(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%
(specify here)	3.50%	$ -	0	0.0%
Total Other Expenses:	3.50%	$ -	0	0.0%
Total Annual Residential Operating Expenses		**$ 982,572**	**6,823**	92.2%
Transit Pass/Internet	3.50%	$ -	0	0.0%
Total Annual Services Amenities Budget	2.50%	$ -	0	0.0%
Total Annual Reserve for Replacement	1.00%	$ 57,600	400	5.4%
Total Annual Monitoring Fees	0.00%	$ -	0	0.0%
CalHFA Monitoring Fee	0.00%	$ 7,500		
Total Annual Real Estate Taxes	1.25%	$ 17,600	122	1.7%
Specialty Locality Taxes (community facilities district, mello	2.00%	$ -	0	0.0%
Other (Specify):	3.50%	$ -	0	0.0%
Other (Specify):	3.50%	$ -	0	0.0%
	3.50%		0	0.0%
GRAND TOTAL EXPENSES		**$ 1,065,272**	**7,398**	100%
NET OPERATING INCOME (NOI)		**$ 796,838**		

DEBT SERVICE PAYMENTS		**Amount**	**Per Unit**	
P. CalHFA - Perm Bond Proceeds		$ 672,183	$ 4,668	
			$ -	
TOTAL DEBT SERVICE & OTHER PAYMENTS		**$ 672,183**		
EXCESS AFTER DEBT SERVICE & MONITORING FEES		**$ 124,655**		
DEBT SERVICE COVERAGE RATIO (DSCR)		**1.19**		

Project Summary Budget

Construction Sources and Uses

Sources	Amount	% of Total
Citi - Construction Loan - TE (Loan)	$20,344,204	50.74%
Citi - Construction Loan - Taxable (Loan)	$8,150,122	20.33%
CREA LLC (Equity, LIHTC Investor)	$2,740,057	6.83%
Stanislaus Regional HA - Seller Carryback Note (Loan)	$5,462,921	13.62%
Stanislaus Regional HA - Loan (Loan)	$2,000,000	4.99%
Stanislaus Regional HA (Loan)	$1,400,000	3.49%
TOTAL CONSTRUCTION SOURCES	**$40,097,304**	
TOTAL PER UNIT	**$278,454**	

Uses	Amount	% of Total
Total Acquisition costs	$14,953,406	37.29%
Construction/Rehab Costs	$16,789,257	41.87%
Soft Costs	$1,666,215	4.16%
Hard Cost contingency	$1,626,086	4.06%
Soft Cost contingency	$542,573	1.35%
Financing Costs	$3,211,481	8.01%
Local Impact Fees	100,000	0.25%
Deferred Developer Fee	665,103	1.66%
Other Costs	$543,183	1.35%
TOTAL CONSTRUCTION USES	**$40,097,304**	
TOTAL PER UNIT	**$278,454**	

OK

Permanent Sources and Uses

Sources	Amount	% of Total
CalHFA - Perm Bond Proceeds (Loan)	$9,673,530	22.1%
Stanislaus Regional HA - Seller Carryback (Loan)	$5,462,921	12.5%
Stanislaus Regional HA (Loan)	$2,000,000	4.6%
CalHFA - MIP (Loan)	$3,931,976	9.0%
Stanislaus Regional HA (Loan)	$1,400,000	3.2%
Deferred Developer Fee (Developer Fee, Deferral)	$3,373,138	7.7%
Tax Credit Equity (Equity, LIHTC Investor)	$17,972,366	41.0%
TOTAL PERMANENT SOURCES	**$43,813,931**	**100.0%**
TOTAL PER UNIT	**$304,263**	

Uses	Amount	% of Total
Total Loan Payoffs and Equity	$39,432,201	90.0%
Financing costs	$92,211	0.2%
Soft costs	$0	0.0%
Soft Cost Contingency	$0	0.0%
Operating Reserves	$578,364	1.3%
Cash Developer Fee paid at Perm Conversion	$341,889	0.8%
Deferred Developer Fees paid from cashflow	$3,369,266	7.7%
TOTAL PERMANENT USES	**$43,813,931**	**100.0%**
TOTAL PER UNIT	**$ 304,263**	

CHECK **OK**

Operating Proforma Summary

Total Units	144
Regulated Units	0
Manager Units (Market Rate)	1
Total Residential Square Feet	45,045
Avg Sq Ft/Unit	45,360
Rental Subsidies?	434,316
No. of Units with Rental Subsidies	47
Rental Subsidy Contract Term (Initial)	20

		Comments
Construction Start Date	4/22/2024	
Construction Completion Date	7/1/2025	
Construction Period (months)		
Lease-up Commencement Date:	7/1/2025	
Lease-up Completion Date	11/1/2025	
Lease-up Period (months)		
Perm Conversion Date	1/1/2026	
Lease-up Completion to Perm (months)	6	

Project Unit Mix	Average	Number of	30%	50%	60%	70%	80%	120%	Comments
No. of Bedrooms	Size (Sq. Ft.)	Units							
SRO/Studio	0	143	40	7	16	39	41	0	
1 Bedroom	315	0	0	0	0	0	0	0	
2 Bedrooms	0	0	0	0	0	0	0	0	
3 Bedrooms	0	0	0	0	0	0	0	0	
4 Bedrooms	0	0	0	0	0	0	0	0	
5 Bedrooms	0	0	0	0	0	0	0	0	
Total	0	143							

Operating Budget & Reserve Summary	Year 1	Year 5	Year 10	Year 15	Terminal Year	Underwriting Comments
	1	5	10	15	17	
Adjusted Gross Income	1,509,240	1,665,919	1,884,834	2,132,517	2,240,475	
Other Income/Subsidies	450,876	497,683	563,082	637,076	669,328	
Projected Vacancy and Discount Loss	98,918	109,187	123,535	139,768	146,844	
Effective Gross Income (EGI)	1,861,198	2,054,414	2,324,381	2,629,824	2,762,959	
Total Operating Expenses	1,065,272	1,213,459	1,429,323	1,685,137	1,800,277	
Reserve For Replacement	57,600	59,939	62,996	66,210	67,541	
Net Operating Income (NOI)	795,926	840,955	895,058	944,687	962,682	
Total Debt Service & Other Payments	672,183	672,183	672,183	672,183	672,183	
Cash Flow After Debt Service	123,743	168,772	222,875	272,504	290,499	
Debt Service Coverage Ratio	1.18	1.25	1.33	1.41	1.43	
Income/Expense Ratio	1.75	1.69	1.63	1.56	1.53	
Less:						
LP Management Fee	14,400	16,207	18,789	21,781	0	
GP Partnership Management Fee	23,600	26,562	30,793	35,697	0	
Cashflow for Distribution and RR repayment						
Developer Distribution %	100%	109%	112%	113%	73%	
Cumulative Developer Distribution	85,743	529,852	1,303,455	2,297,886	2,583,965	
Residual Receipts %	0%	-9%	-12%	-13%	27%	
Cumulative Residual Repts Repayment	0	0	0	0	286,079	
Unpaid CalHFA loan Balance						
Perm Loan	9,619,862	9,367,340	8,945,827	8,365,554	8,076,276	
MIP Subordinate (RR) Loan	3,931,976	4,403,813	4,993,610	5,583,406	5,678,495	
Reserves Balances:						
Operating Reserve	434,364	434,364	434,364	434,364	434,364	
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%	$ 1,509,240	$ 1,546,971	$ 1,585,645	$ 1,625,286	$ 1,665,919	$ 1,707,567	$ 1,750,256	$ 1,794,012	$ 1,838,862	$ 1,884,834
Unrestricted Unit Rents	2.50%	-	-	-	-	-	-	-	-	-	-
Commercial Rents	2.00%	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	2.50%	434,316	445,174	456,303	467,711	479,404	491,389	503,673	516,265	529,172	542,401
Other Project Based Subsidy	1.50%	-	-	-	-	-	-	-	-	-	-
Laundry Income	2.50%	16,560	16,974	17,398	17,833	18,279	18,736	19,205	19,685	20,177	20,681
Parking & Storage Income	2.50%	-	-	-	-	-	-	-	-	-	-
-	0.00%	-	-	-	-	-	-	-	-	-	-
GROSS POTENTIAL INCOME (GPI)		**$ 1,960,116**	**$ 2,009,119**	**$ 2,059,347**	**$ 2,110,831**	**$ 2,163,601**	**$ 2,217,691**	**$ 2,273,134**	**$ 2,329,962**	**$ 2,388,211**	**$ 2,447,916**
VACANCY AND OTHER LOSSES	**%**										
Restricted Unit Rents	5.00%	$ 75,462	$ 77,349	$ 79,282	$ 81,264	$ 83,296	$ 85,378	$ 87,513	$ 89,701	$ 91,943	$ 94,242
Unrestricted Unit Rents	5.00%	-	-	-	-	-	-	-	-	-	-
Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	5.21%	22,628	23,194	23,773	24,368	24,977	25,601	26,241	26,897	27,570	28,259
Other Project Based Subsidy	5.00%	-	-	-	-	-	-	-	-	-	-
Laundry Income	5.00%	828	849	870	892	914	937	960	984	1,009	1,034
Parking & Storage Income	50.00%	-	-	-	-	-	-	-	-	-	-
-	0.00%	-	-	-	-	-	-	-	-	-	-
PROJECTED VACANCY AND OTHER LOSSES		**$ 98,918**	**$ 101,391**	**$ 103,926**	**$ 106,524**	**$ 109,187**	**$ 111,916**	**$ 114,714**	**$ 117,582**	**$ 120,522**	**$ 123,535**
EFFECTIVE GROSS INCOME (EGI)		**$ 1,861,198**	**$ 1,907,728**	**$ 1,955,421**	**$ 2,004,307**	**$ 2,054,414**	**$ 2,105,775**	**$ 2,158,419**	**$ 2,212,380**	**$ 2,267,689**	**$ 2,324,381**
OPERATING EXPENSES	**Inflation %**										
Administrative Expenses	3.50%	$ 42,900	$ 44,402	$ 45,956	$ 47,564	$ 49,229	$ 50,952	$ 52,735	$ 54,581	$ 56,491	$ 58,468
Management Fee	3.50%	91,792	95,005	98,330	101,771	105,333	109,020	112,836	116,785	120,873	125,103
Utilities	3.50%	377,600	390,816	404,495	418,652	433,305	448,470	464,167	480,413	497,227	514,630
Payroll/Payroll Taxes	3.50%	236,989	245,284	253,869	262,754	271,950	281,469	291,320	301,516	312,069	322,992
Insurance	3.50%	64,591	66,852	69,191	71,613	74,120	76,714	79,399	82,178	85,054	88,031
Maintenance	3.50%	168,700	174,605	180,716	187,041	193,587	200,363	207,375	214,634	222,146	229,921
Other Operating Expenses	3.50%	-	-	-	-	-	-	-	-	-	-
Services & Amenities	2.50%	-	-	-	-	-	-	-	-	-	-
Reserve for Replacement	1.00%	57,600	58,176	58,758	59,345	59,939	60,538	61,144	61,755	62,373	62,996
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%	17,600	17,820	18,043	18,268	18,497	18,728	18,962	19,199	19,439	19,682
TOTAL OPERATING EXPENSES		**$ 1,065,272**	**$ 1,100,458**	**$ 1,136,856**	**$ 1,174,509**	**$ 1,213,459**	**$ 1,253,753**	**$ 1,295,437**	**$ 1,338,560**	**$ 1,383,171**	**$ 1,429,323**
NET OPERATING INCOME (NOI)		**$ 795,926**	**$ 807,270**	**$ 818,565**	**$ 829,798**	**$ 840,955**	**$ 852,022**	**$ 862,982**	**$ 873,820**	**$ 884,518**	**$ 895,058**
DEBT SERVICE PAYMENTS	**Lien**										
P. CalHFA - Perm Bond Proceeds	1	$ 672,183	$ 672,183	$ 672,183	$ 672,183	$ 672,183	$ 672,183	$ 672,183	$ 672,183	$ 672,183	$ 672,183
TOTAL DEBT SERVICE		**$ 672,183**	**$ 672,183**	**$ 672,183**	**$ 672,183**	**$ 672,183**	**$ 672,183**	**$ 672,183**	**$ 672,183**	**$ 672,183**	**$ 672,183**
CASH FLOW AFTER DEBT SERVICE		**$ 123,743**	**$ 135,087**	**$ 146,382**	**$ 157,615**	**$ 168,772**	**$ 179,838**	**$ 190,799**	**$ 201,637**	**$ 212,335**	**$ 222,875**
DEBT SERVICE COVERAGE RATIO (DSCR)		**1.18**	**1.20**	**1.22**	**1.23**	**1.25**	**1.27**	**1.28**	**1.30**	**1.32**	**1.33**
DSCR CHECK (USRM)		**Target**	**Target**	**Target**	**Target**	**Target**	**Target**	**Target**	**Target**	**Target**	**Target**

LP Management Fee	3.0%	$ 14,400	$ 14,832	$ 15,277	$ 15,735	$ 16,207	$ 16,694	$ 17,194	$ 17,710	$ 18,241	$ 18,789
GP Partnership Management Fee	3.0%	$ 23,600	$ 24,308	$ 25,037	$ 25,788	$ 26,562	$ 27,359	$ 28,180	$ 29,025	$ 29,896	$ 30,793
Cashflow available for distribution		**$ 85,743**	**$ 95,947**	**$ 106,068**	**$ 116,091**	**$ 126,003**	**$ 135,786**	**$ 145,425**	**$ 154,901**	**$ 164,198**	**$ 173,294**

		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Developer Distribution	***100%***	**$ 85,743**	**$ 95,947**	**$ 106,068**	**$ 116,091**	**$ 126,003**	**$ 135,786**	**$ 145,425**	**$ 154,901**	**$ 164,198**	**$ 173,294**
Deferred developer fee start balance	**3,369,266**	3,369,266	3,382,028	3,384,664	3,376,954	3,358,689	3,329,666	3,289,697	3,238,600	3,176,210	3,102,373
Deferred Developer fee payment	**15**	85,743	95,947	106,068	116,091	126,003	135,786	145,425	154,901	164,198	173,294
Deferred Developer fee end balance		$ 3,382,028	$ 3,384,664	$ 3,376,954	$ 3,358,689	$ 3,329,666	$ 3,289,697	$ 3,238,600	$ 3,176,210	$ 3,102,373	$ 3,016,951
Additional Developer Distribution		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
DDF Interest	3%										
Residual Receipt Payments	*50%*	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Payment %	-	-	-	-	-	-	-	-	-	-
P. CalHFA - MIP	*100.00%*	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
Total Residual Receipts Payments	**100.00%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Balances for Residual Receipt Payments

RESIDUAL RECEIPTS LOANS	*Interest Rate*	1	2	3	4	5	6	7	8	9	10
P. CalHFA - MIP	*3.00%*	$ 3,931,976	$ 4,049,935	$ 4,167,895	$ 4,285,854	$ 4,403,813	$ 4,521,772	$ 4,639,732	$ 4,757,691	$ 4,875,650	$ 4,993,610
0											
0											
0											
0											
0											
0											
0											
Total Residual Receipts Payments		**$ 3,931,976**	**$ 4,049,935**	**$ 4,167,895**	**$ 4,285,854**	**$ 4,403,813**	**$ 4,521,772**	**$ 4,639,732**	**$ 4,757,691**	**$ 4,875,650**	**$ 4,993,610**

Cashflow Projections											
	YEAR	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
RENTAL INCOME	**Inflation %**										
Restricted Unit Rents	2.50%	$ 1,931,955	$ 1,980,254	$ 2,029,760	$ 2,080,504	$ 2,132,517	$ 2,185,830	$ 2,240,475	$ 2,296,487	$ 2,353,899	$ 2,412,747
Unrestricted Unit Rents	2.50%	-	-	-	-	-	-	-	-	-	-
Commercial Rents	2.00%	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	2.50%	555,961	569,860	584,107	598,709	613,677	629,019	644,745	660,863	677,385	694,319
Other Project Based Subsidy	1.50%	-	-	-	-	-	-	-	-	-	-
Laundry Income	2.50%	21,198	21,728	22,271	22,828	23,399	23,984	24,583	25,198	25,828	26,474
Parking & Storage Income	2.50%	-	-	-	-	-	-	-	-	-	-
-	0.00%	-	-	-	-	-	-	-	-	-	-
GROSS POTENTIAL INCOME (GPI)		**$ 2,509,114**	**$ 2,571,842**	**$ 2,636,138**	**$ 2,702,042**	**$ 2,769,593**	**$ 2,838,832**	**$ 2,909,803**	**$ 2,982,548**	**$ 3,057,112**	**$ 3,133,540**
VACANCY AND OTHER LOSSES	**%**										
Restricted Unit Rents	5.00%	$ 96,598	$ 99,013	$ 101,488	$ 104,025	$ 106,626	$ 109,291	$ 112,024	$ 114,824	$ 117,695	$ 120,637
Unrestricted Unit Rents	5.00%	-	-	-	-	-	-	-	-	-	-
Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	5.21%	28,966	29,690	30,432	31,193	31,973	32,772	33,591	34,431	35,292	36,174
Other Project Based Subsidy	5.00%	-	-	-	-	-	-	-	-	-	-
Laundry Income	5.00%	1,060	1,086	1,114	1,141	1,170	1,199	1,229	1,260	1,291	1,324
Parking & Storage Income	50.00%	-	-	-	-	-	-	-	-	-	-
-	0.00%	-	-	-	-	-	-	-	-	-	-
PROJECTED VACANCY AND OTHER LOSSES		**$ 126,623**	**$ 129,789**	**$ 133,034**	**$ 136,359**	**$ 139,768**	**$ 143,263**	**$ 146,844**	**$ 150,515**	**$ 154,278**	**$ 158,135**
EFFECTIVE GROSS INCOME (EGI)		**$ 2,382,491**	**$ 2,442,053**	**$ 2,503,105**	**$ 2,565,682**	**$ 2,629,824**	**$ 2,695,570**	**$ 2,762,959**	**$ 2,832,033**	**$ 2,902,834**	**$ 2,975,405**
OPERATING EXPENSES	**Inflation %**										
Administrative Expenses	3.50%	$ 60,515	$ 62,633	$ 64,825	$ 67,094	$ 69,442	$ 71,872	$ 74,388	$ 76,992	$ 79,686	$ 82,475
Management Fee	3.50%	129,482	134,014	138,704	143,559	148,583	153,784	159,166	164,737	170,503	176,470
Utilities	3.50%	532,642	551,285	570,580	590,550	611,219	632,612	654,753	677,669	701,388	725,936
Payroll/Payroll Taxes	3.50%	334,296	345,997	358,107	370,640	383,613	397,039	410,936	425,318	440,205	455,612
Insurance	3.50%	91,112	94,301	97,601	101,017	104,553	108,212	112,000	115,920	119,977	124,176
Maintenance	3.50%	237,968	246,297	254,917	263,839	273,074	282,631	292,523	302,762	313,358	324,326
Other Operating Expenses	3.50%	-	-	-	-	-	-	-	-	-	-
Services & Amenities	2.50%	-	-	-	-	-	-	-	-	-	-
Reserve for Replacement	1.00%	63,626	64,262	64,905	65,554	66,210	66,872	67,541	68,216	68,898	69,587
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%	19,928	20,177	20,429	20,685	20,943	21,205	21,470	21,738	22,010	22,285
TOTAL OPERATING EXPENSES		**$ 1,477,069**	**$ 1,526,465**	**$ 1,577,568**	**$ 1,630,438**	**$ 1,685,137**	**$ 1,741,728**	**$ 1,800,277**	**$ 1,860,852**	**$ 1,923,525**	**$ 1,988,368**
NET OPERATING INCOME (NOI)		**$ 905,422**	**$ 915,588**	**$ 925,536**	**$ 935,244**	**$ 944,687**	**$ 953,842**	**$ 962,682**	**$ 971,181**	**$ 979,309**	**$ 987,036**
DEBT SERVICE PAYMENTS	**Lien**										
P. CalHFA - Perm Bond Proceeds	1	$ 672,183	$ 672,183	$ 672,183	$ 672,183	$ 672,183	$ 672,183	$ 672,183			
TOTAL DEBT SERVICE		**$ 672,183**	**$ 672,183**	**$ 672,183**	**$ 672,183**	**$ 672,183**	**$ 672,183**	**$ 672,183**	**$ -**	**$ -**	**$ -**
CASH FLOW AFTER DEBT SERVICE		**$ 233,239**	**$ 243,405**	**$ 253,353**	**$ 263,061**	**$ 272,504**	**$ 281,659**	**$ 290,499**			
DEBT SERVICE COVERAGE RATIO (DSCR)		**1.35**	**1.36**	**1.38**	**1.39**	**1.41**	**1.42**	**1.43**	**N/A**	**N/A**	**N/A**
DSCR CHECK (USRM)		**Target**	**Target**	**Target**	**Target**	**Target**	**Target**	**Target**			

LP Management Fee	3.0%	$ 19,352	$ 19,933	$ 20,531	$ 21,147	$ 21,781	$ -	$ -	$ -	$ -	$ -
GP Partnership Management Fee	3.0%	$ 31,716	$ 32,668	$ 33,648	$ 34,657	$ 35,697	$ -	$ -	$ -	$ -	$ -
Cashflow available for distribution		**$ 182,170**	**$ 190,804**	**$ 199,174**	**$ 207,257**	**$ 215,026**	**$ 281,659**	**$ 290,499**	**$ -**	**$ -**	**$ -**

		100%	100%	100%	100%	100%	50%	50%			
Developer Distribution	***100%***	**$ 182,170**	**$ 190,804**	**$ 199,174**	**$ 207,257**	**$ 215,026**	**$ 140,830**	**$ 145,250**	**$ -**	**$ -**	**$ -**
Deferred developer fee start balance	**3,369,266**	3,016,951	2,919,825	2,810,891	2,690,068	2,557,296	2,412,538	2,484,914	2,559,462	2,636,246	2,715,333
Deferred Developer fee payment	**15**	182,170	190,804	199,174	207,257	215,026	-	-	-	-	-
Deferred Developer fee end balance		$ 2,919,825	$ 2,810,891	$ 2,690,068	$ 2,557,296	$ 2,412,538	$ 2,484,914	$ 2,559,462	$ 2,636,246	$ 2,715,333	$ 2,796,793
Additional Developer Distribution		$ -	$ -	$ -	$ -	$ -	$ 140,830	$ 145,250	$ -	$ -	$ -
DDF Interest	3%										
Residual Receipt Payments	*50%*	0%	0%	0%	0%	0%	50%	50%			
	Payment %	-	-	-	-	-	140,830	145,250	-	-	-
P. CalHFA - MIP	*100.00%*	-	-	-	-	-	140,830	145,250	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
Total Residual Receipts Payments	**100.00%**	**-**	**-**	**-**	**-**	**-**	**140,830**	**145,250**	**-**	**-**	**-**

Balances for Residual Receipt Payments

RESIDUAL RECEIPTS LOANS	*Interest Rate*	11	12	13	14	15	16	17	18	19	20
P. CalHFA - MIP	*3.00%*	$ 5,111,569	$ 5,229,528	$ 5,347,487	$ 5,465,447	$ 5,583,406	$ 5,701,365	$ 5,678,495	$ 5,651,205	$ 5,769,164	$ 5,887,123
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Total Residual Receipts Payments		**$ 5,111,569**	**$ 5,229,528**	**$ 5,347,487**	**$ 5,465,447**	**$ 5,583,406**	**$ 5,701,365**	**$ 5,678,495**	**$ 5,651,205**	**$ 5,769,164**	**$ 5,887,123**

Cashflow Projections											
	YEAR	**21**	**22**	**23**	**24**	**25**	**26**	**27**	**28**	**29**	**30**
RENTAL INCOME	**Inflation %**										
Restricted Unit Rents	2.50%	$ 2,473,065	$ 2,534,892	$ 2,598,264	$ 2,663,221	$ 2,729,802	$ 2,798,047	$ 2,867,998	$ 2,939,698	$ 3,013,190	$ 3,088,520
Unrestricted Unit Rents	2.50%	-	-	-	-	-	-	-	-	-	-
Commercial Rents	2.00%	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	2.50%	711,677	729,469	747,706	766,399	785,559	805,198	825,328	845,961	867,110	888,787
Other Project Based Subsidy	1.50%	-	-	-	-	-	-	-	-	-	-
Laundry Income	2.50%	27,135	27,814	28,509	29,222	29,953	30,701	31,469	32,256	33,062	33,889
Parking & Storage Income	2.50%	-	-	-	-	-	-	-	-	-	-
-	0.00%	-	-	-	-	-	-	-	-	-	-
GROSS POTENTIAL INCOME (GPI)		**$ 3,211,878**	**$ 3,292,175**	**$ 3,374,480**	**$ 3,458,842**	**$ 3,545,313**	**$ 3,633,945**	**$ 3,724,794**	**$ 3,817,914**	**$ 3,913,362**	**$ 4,011,196**
VACANCY AND OTHER LOSSES	**%**										
Restricted Unit Rents	5.00%	$ 123,653	$ 126,745	$ 129,913	$ 133,161	$ 136,490	$ 139,902	$ 143,400	$ 146,985	$ 150,660	$ 154,426
Unrestricted Unit Rents	5.00%	-	-	-	-	-	-	-	-	-	-
Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	5.21%	37,078	38,005	38,955	39,929	40,928	41,951	43,000	44,075	45,176	46,306
Other Project Based Subsidy	5.00%	-	-	-	-	-	-	-	-	-	-
Laundry Income	5.00%	1,357	1,391	1,425	1,461	1,498	1,535	1,573	1,613	1,653	1,694
Parking & Storage Income	50.00%	-	-	-	-	-	-	-	-	-	-
-	0.00%	-	-	-	-	-	-	-	-	-	-
PROJECTED VACANCY AND OTHER LOSSES		**$ 162,088**	**$ 166,141**	**$ 170,294**	**$ 174,552**	**$ 178,915**	**$ 183,388**	**$ 187,973**	**$ 192,672**	**$ 197,489**	**$ 202,426**
EFFECTIVE GROSS INCOME (EGI)		**$ 3,049,790**	**$ 3,126,035**	**$ 3,204,185**	**$ 3,284,290**	**$ 3,366,397**	**$ 3,450,557**	**$ 3,536,821**	**$ 3,625,242**	**$ 3,715,873**	**$ 3,808,770**
OPERATING EXPENSES	**Inflation %**										
Administrative Expenses	3.50%	$ 85,362	$ 88,350	$ 91,442	$ 94,642	$ 97,955	$ 101,383	$ 104,932	$ 108,604	$ 112,405	$ 116,340
Management Fee	3.50%	182,647	189,039	195,656	202,504	209,591	216,927	224,519	232,378	240,511	248,929
Utilities	3.50%	751,344	777,641	804,859	833,029	862,185	892,361	923,594	955,920	989,377	1,024,005
Payroll/Payroll Taxes	3.50%	471,558	488,063	505,145	522,825	541,124	560,063	579,665	599,954	620,952	642,685
Insurance	3.50%	128,522	133,021	137,676	142,495	147,482	152,644	157,987	163,516	169,240	175,163
Maintenance	3.50%	335,677	347,426	359,586	372,172	385,198	398,679	412,633	427,075	442,023	457,494
Other Operating Expenses	3.50%	-	-	-	-	-	-	-	-	-	-
Services & Amenities	2.50%	-	-	-	-	-	-	-	-	-	-
Reserve for Replacement	1.00%	70,283	70,986	71,696	72,413	73,137	73,868	74,607	75,353	76,106	76,867
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%	22,564	22,846	23,131	23,421	23,713	24,010	24,310	24,614	24,921	25,233
TOTAL OPERATING EXPENSES		**$ 2,055,458**	**$ 2,124,871**	**$ 2,196,691**	**$ 2,271,000**	**$ 2,347,885**	**$ 2,427,436**	**$ 2,509,747**	**$ 2,594,914**	**$ 2,683,035**	**$ 2,774,216**
NET OPERATING INCOME (NOI)		**$ 994,332**	**$ 1,001,163**	**$ 1,007,495**	**$ 1,013,291**	**$ 1,018,513**	**$ 1,023,121**	**$ 1,027,074**	**$ 1,030,328**	**$ 1,032,837**	**$ 1,034,554**
DEBT SERVICE PAYMENTS	**Lien**										
P. CalHFA - Perm Bond Proceeds	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	3.0%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
GP Partnership Management Fee	3.0%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cashflow available for distribution		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Developer Distribution	***100%***	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Deferred developer fee start balance	**3,369,266**	2,796,793	2,880,697	2,967,118	3,056,131	3,147,815	3,242,250	3,339,517	3,439,703	3,542,894	3,649,181
Deferred Developer fee payment	**15**	-	-	-	-	-	-	-	-	-	-
Deferred Developer fee end balance		$ 2,880,697	$ 2,967,118	$ 3,056,131	$ 3,147,815	$ 3,242,250	$ 3,339,517	$ 3,439,703	$ 3,542,894	$ 3,649,181	$ 3,758,656
Additional Developer Distribution		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
DDF Interest	3%										
Residual Receipt Payments	*50%*										
	Payment %	-	-	-	-	-	-	-	-	-	-
P. CalHFA - MIP	*100.00%*	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
Total Residual Receipts Payments	**100.00%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Balances for Residual Receipt Payments

RESIDUAL RECEIPTS LOANS	*Interest Rate*	21	22	23	24	25	26	27	28	29	30
P. CalHFA - MIP	*3.00%*	$ 6,005,082	$ 6,123,042	$ 6,241,001	$ 6,358,960	$ 6,476,920	$ 6,594,879	$ 6,712,838	$ 6,830,797	$ 6,948,757	$ 7,066,716
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Total Residual Receipts Payments		**$ 6,005,082**	**$ 6,123,042**	**$ 6,241,001**	**$ 6,358,960**	**$ 6,476,920**	**$ 6,594,879**	**$ 6,712,838**	**$ 6,830,797**	**$ 6,948,757**	**$ 7,066,716**

Cashflow Projections											
	YEAR	31	32	33	34	35	36	37	38	39	40
RENTAL INCOME	Inflation %										
Restricted Unit Rents	2.50%	$ 3,165,733	$ 3,244,876	$ 3,325,998	$ 3,409,148	$ 3,494,377	$ 3,581,736	$ 3,671,280	$ 3,763,062	$ 3,857,138	$ 3,953,567
Unrestricted Unit Rents	2.50%	-	-	-	-	-	-	-	-	-	-
Commercial Rents	2.00%	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	2.50%	911,007	933,782	957,127	981,055	1,005,581	1,030,721	1,056,489	1,082,901	1,109,974	1,137,723
Other Project Based Subsidy	1.50%	-	-	-	-	-	-	-	-	-	-
Laundry Income	2.50%	34,736	35,604	36,494	37,407	38,342	39,300	40,283	41,290	42,322	43,380
Parking & Storage Income	2.50%	-	-	-	-	-	-	-	-	-	-
-	0.00%	-	-	-	-	-	-	-	-	-	-
GROSS POTENTIAL INCOME (GPI)		$ 4,111,476	$ 4,214,263	$ 4,319,619	$ 4,427,610	$ 4,538,300	$ 4,651,757	$ 4,768,051	$ 4,887,253	$ 5,009,434	$ 5,134,670
VACANCY AND OTHER LOSSES	%										
Restricted Unit Rents	5.00%	$ 158,287	$ 162,244	$ 166,300	$ 170,457	$ 174,719	$ 179,087	$ 183,564	$ 188,153	$ 192,857	$ 197,678
Unrestricted Unit Rents	5.00%	-	-	-	-	-	-	-	-	-	-
Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	5.21%	47,463	48,650	49,866	51,113	52,391	53,701	55,043	56,419	57,830	59,275
Other Project Based Subsidy	5.00%	-	-	-	-	-	-	-	-	-	-
Laundry Income	5.00%	1,737	1,780	1,825	1,870	1,917	1,965	2,014	2,064	2,116	2,169
Parking & Storage Income	50.00%	-	-	-	-	-	-	-	-	-	-
-	0.00%	-	-	-	-	-	-	-	-	-	-
PROJECTED VACANCY AND OTHER LOSSES		$ 207,487	$ 212,674	$ 217,991	$ 223,441	$ 229,027	$ 234,752	$ 240,621	$ 246,637	$ 252,803	$ 259,123
EFFECTIVE GROSS INCOME (EGI)		$ 3,903,989	$ 4,001,589	$ 4,101,628	$ 4,204,169	$ 4,309,273	$ 4,417,005	$ 4,527,430	$ 4,640,616	$ 4,756,631	$ 4,875,547
OPERATING EXPENSES	Inflation %										
Administrative Expenses	3.50%	$ 120,411	$ 124,626	$ 128,988	$ 133,502	$ 138,175	$ 143,011	$ 148,016	$ 153,197	$ 158,559	$ 164,108
Management Fee	3.50%	257,641	266,659	275,992	285,651	295,649	305,997	316,707	327,792	339,264	351,139
Utilities	3.50%	1,059,845	1,096,940	1,135,333	1,175,069	1,216,197	1,258,764	1,302,820	1,348,419	1,395,614	1,444,460
Payroll/Payroll Taxes	3.50%	665,179	688,461	712,557	737,496	763,308	790,024	817,675	846,294	875,914	906,571
Insurance	3.50%	181,294	187,639	194,206	201,003	208,039	215,320	222,856	230,656	238,729	247,085
Maintenance	3.50%	473,506	490,079	507,232	524,985	543,359	562,377	582,060	602,432	623,517	645,340
Other Operating Expenses	3.50%	-	-	-	-	-	-	-	-	-	-
Services & Amenities	2.50%	-	-	-	-	-	-	-	-	-	-
Reserve for Replacement	1.00%	77,636	78,412	79,197	79,989	80,788	81,596	82,412	83,236	84,069	84,909
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%	25,548	25,868	26,191	26,518	26,850	27,186	27,525	27,869	28,218	28,571
TOTAL OPERATING EXPENSES		$ 2,868,561	$ 2,966,183	$ 3,067,194	$ 3,171,714	$ 3,279,866	$ 3,391,775	$ 3,507,573	$ 3,627,395	$ 3,751,384	$ 3,879,683
NET OPERATING INCOME (NOI)		$ 1,035,427	$ 1,035,406	$ 1,034,434	$ 1,032,455	$ 1,029,408	$ 1,025,231	$ 1,019,858	$ 1,013,220	$ 1,005,248	$ 995,864
DEBT SERVICE PAYMENTS	Lien										
P. CalHFA - Perm Bond Proceeds	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	3.0%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
GP Partnership Management Fee	3.0%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cashflow available for distribution		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Developer Distribution	100%	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deferred developer fee start balance	3,369,266	3,758,656	3,871,416	3,987,558	4,107,185	4,230,400	4,357,312	4,488,032	4,622,673	4,761,353	4,904,194
Deferred Developer fee payment	15	-	-	-	-	-	-	-	-	-	-
Deferred Developer fee end balance		$ 3,871,416	$ 3,987,558	$ 4,107,185	$ 4,230,400	$ 4,357,312	$ 4,488,032	$ 4,622,673	$ 4,761,353	$ 4,904,194	$ 5,051,319
Additional Developer Distribution		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
DDF Interest	3%										
Residual Receipt Payments	50%										
	Payment %	-	-	-	-	-	-	-	-	-	-
P. CalHFA - MIP	100.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
Total Residual Receipts Payments	100.00%	-	-	-	-	-	-	-	-	-	-

Balances for Residual Receipt Payments

RESIDUAL RECEIPTS LOANS	Interest Rate	31	32	33	34	35	36	37	38	39	40
P. CalHFA - MIP	3.00%	$ 7,184,675	$ 7,302,635	$ 7,420,594	$ 7,538,553	$ 7,656,512	$ 7,774,472	$ 7,892,431	$ 8,010,390	$ 8,128,350	$ 8,246,309
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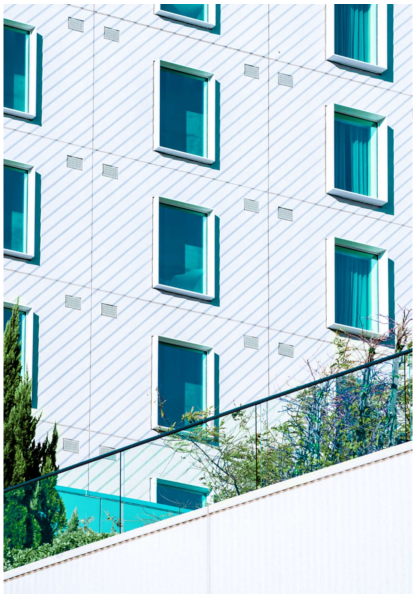
Total Residual Receipts Payments		$ 7,184,675	$ 7,302,635	$ 7,420,594	$ 7,538,553	$ 7,656,512	$ 7,774,472	$ 7,892,431	$ 8,010,390	$ 8,128,350	$ 8,246,309



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.

CalHFA℠

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Sacramento, CA 95814

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Last revised: 02/2023

Fees continued

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

California Housing Finance Agency
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Last revised: 02/2023

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 multifamily 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

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.

- 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.

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[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. ■

The information provided in this program description is for guidance only. While we have taken care to provide accurate information, we cannot cover every circumstance nor program nuance. This program description is subject to change from time to time without prior notice. The California Housing Finance Agency does not discriminate on any prohibited basis in employment or in the admission and access to its programs or activities. Not printed at taxpayer expense.

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**.

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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.

- 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).