



KEYSER MARSTON ASSOCIATES
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

DRAFT
MEMORANDUM

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REDEVELOPMENT
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

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To: Patrick Ure, Housing Development Officer
City of Long Beach

From: Julie Romey

Date: August 19, 2010

Subject: Long Beach and Anaheim – Revised Financial Gap Analysis

At your request, Keyser Marston Associates, Inc. (KMA) reviewed the August 18, 2010 revised pro forma submitted by Meta Housing (Meta) for a 39 unit 100% affordable senior apartment project (LIHTC Project) and a 161 unit Senior Artist Colony project (SAC Project). The LIHTC and SAC Projects are also described as Phase I, which includes a 0.37-acre parcel (LIHTC Parcel) and a 1.37-acre parcel (SAC Parcel).

The Long Beach Housing Development Company (LBHDC) approved the two projects and a total of \$13.14 million, or \$196,200 per affordable unit, in financial assistance requested by the Developer in February 2010. However, the LIHTC Project did not receive a Tax Credit award and the SAC Project market study was not approved by HUD. Thus, the Developer has resubmitted the two projects for approval by LBHDC.

The proposed projects are to be constructed on a portion of a 3.33-acre site (Site) at the southwest corner of North Long Beach Boulevard and East Anaheim Street. At a future date, the remaining 1.58-acres, located facing Long Beach Boulevard are proposed to be developed with a mixed-use condominium tower (Phase II). The development entity (Developer) includes Meta and Century Housing (Century), which will be the managing general partner for the Phase I projects. The Developer owns the entire Site.

The purpose of this analysis is to establish the financial gap associated with the LIHTC Project and the SAC Project as well as summarize the revised deal terms and outstanding issues for the financial assistance requested by the Developer.

EXECUTIVE SUMMARY

The KMA analysis concludes the following:

1. The total number of residential units has increased by 14 units while the number of affordable units has increased by 131 units.
2. The State of California's Housing and Community Development department (HCD) has agreed to allocate the entire \$25.85 million in Transient-Oriented Development (TOD) and Infill Infrastructure loans and grants to Phase I. As such, there are no outside funding sources currently identified for Phase II.
3. The revised development costs appear to be reasonable.
4. The warranted financial assistance for Phase I is estimated at:
 - a. SAC Project – Up to \$8.24 million, or \$51,500 per affordable unit, of which LBHDC has already contributed \$2.28 million.
 - b. LIHTC Project – Up to \$4.91 million, or \$129,100 per affordable unit.
 - c. Therefore, the total financial gap during the construction period equates to \$13.14 million, or \$66,400 per affordable unit. This estimate is \$3,000 lower than the February 2010 approved total financial assistance.
5. Based on the proposed permanent funding sources, the outstanding balance of the LBHDC assistance at the time of permanent loan closing is estimated at:
 - a. SAC Project – Up to \$8.24 million, or \$51,500 per affordable unit, which includes the \$2.28 million existing LBHDC Loan.
 - b. LIHTC Project – Up to \$1.91 million, or \$50,200 per affordable unit.
 - c. Therefore, the total financial gap at the time of permanent loan closing is estimated at \$10.14 million, or \$51,200 per affordable unit. This estimate is \$1.91 million higher than the gap estimated in February 2010.
6. The proposed terms for both LBHDC loans are as follows:
 - a. A 3% simple interest rate;
 - b. A 55-year term;
 - c. A 25% share of the residual receipts; and

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- d. Secured with a second trust deed on the SAC Parcel and the LIHTC Parcel.
7. Based on the KMA cash flow projections, the LBHDC Loan for the SAC Project is anticipated to negatively amortize and total \$10.68 million in Year 55. The LIHTC Project LBHDC Loan is also expected to negatively amortize and have a \$4.64 million ending balance in Year 55.
8. The LBHDC has previously agreed to subordinate the \$2.77 million LBHDC Loan on Phase II to Century's \$17.20 million loan if Phase I goes forward.

In conclusion, given the risks outlined in this analysis, it is recommended that the LBHDC only approve the request for financial assistance for the SAC and the LIHTC Projects with the condition that all outside funding sources are secured and documented.

BACKGROUND STATEMENT

During 2006 and 2007, Meta purchased a total of 16 parcels within the Site for a total of \$23.37 million. Century provided \$19.94 million for the purchase of 13 parcels and including \$1.15 million in predevelopment costs. The LBHDC provided two loans totaling \$5.15 million for the purchase of three parcels and \$566,000 in lease buyout and closing costs. In 2007, Meta proposed to develop the entire Site in one phase including a total of 186 senior apartment units, 170 condominium units and 24,900 square feet of ground floor commercial space (Original Project).

Meta originally hired Archaeon Architects Inc. (Archaeon) for architectural and related services for the project. Because the Original Project was so large and the location deserving of a landmark project, LBHDC staff implemented a cross department review team that included three Redevelopment Agency staff and two Planning Bureau staff members. The team began working with Meta and Archaeon on the site plan and design of the project in late 2007. During several team meetings, staff provided many comments to Meta and Archaeon, and requested that they be incorporated into the design plans. However, Archaeon seemed to be unable or unwilling to make certain changes.

Staff then contracted with Studio One Eleven to provide peer review services to address issues such as monotony, building mass, building heights and open space. The comments from Studio One Eleven were conveyed to Meta and Archaeon during additional meetings and in writing. In October 2008, staff clarified to Meta that the design was still not to the standard necessary for such an important location. Meta then decided to release Archaeon and hired Studio One Eleven as the project architect.

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Given the collapse of the financial and housing markets, the condominium component is no longer feasible. As Meta continued to find funding sources, the land loans were required to be extended with Century several times. Ultimately, to keep Century from foreclosing on the property, Meta and Century have agreed to enter into a partnership with Century as the managing general partner of the projects. However, the Developer has not provided a documented agreement to LBHDC, thus, the overall relationship between Century and Meta is not clear.

In the fall of 2009, the Developer approached the LBHDC with the request to develop the overall project in two phases and the LBHDC approved this request. Meta has also received a \$10.78 million TOD grant award from the HCD as well as a \$15.07 million Infill Infrastructure Grant (IIG). The total HCD assistance available to the Original Project is \$25.85 million. Meta requested and received approval for the entire HCD award to be allocated to Phase I.

Due to the inability of the Developer to tie-up financing for the LIHTC and SAC Projects, the Developer has revised the proposed financing to better meet the requirements of a very competitive and conservative financing market. In addition, the Developer has redesigned the SAC Project to include 14 residential units and 14 parking spaces.

The following summarizes the revised funding sources to be utilized in Phase I:

SAC Project

1. Tax-exempt bond proceeds issued through private placement instead of the New Issue Bonds Program (NIBP) that is administered by the Housing and Urban Development department (HUD);
2. The increase in income and affordability restrictions results in market equity no longer supportable by the SAC Project cash flow;
3. The automatically awarded 4% tax credits (Tax Credits) by the Tax Credit Allocation Committee (TCAC);
4. Funds awarded by the State of California's HCD:
 - a. TOD funds; and
 - b. IIG funds.
5. Deferred Developer fee; and

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6. Low and moderate income housing set-aside (Set-Aside) funds from the LBHDC.

LIHTC Project

Conventional financing;

1. The competitively awarded 9% Tax Credits by TCAC;
2. TOD and IIG funds awarded by HCD;
3. The competitively awarded Affordable Housing Program (AHP) funds administered by the Federal Home Loan Bank (FHLB);
4. Deferred Developer fee; and
5. Set-Aside funds from the LBHDC.

Analysis Organization

The financial gap analysis is organized as follows:

Appendix A:	SAC Project
Appendix B:	LIHTC Project

Each appendix includes pro formas which are organized as follows:

Table 1:	Estimated Development Costs
Table 2:	Stabilized Net Operating Income
Table 3:	Financial Gap Analysis
Table 4:	Cash Flow Analysis

PROJECT DESCRIPTION

The following summarizes the proposed Project by phase:

Phase I

1. The Developer proposes to construct the following on the Phase I Site:

	SAC	LIHTC	Phase I
Land Area (Acres)	1.37	0.37	1.75
# of Units	161	39	200
Density (DU/Acre)	117	105	114
Gross Building Area (Sf)	136,634	29,684	166,318
FAR	2.28	1.83	2.19
# of Parking Spaces	190	43	233
Parking Ratio	1.18	1.10	1.17

2. The following summarizes the proposed unit mix for the SAC and the LIHTC Projects.

	SAC		LIHTC	
	# of Units	Unit Size (Sf)	# of Units	Unit Size (Sf)
Studio Units	6	453	0	0
One-bedroom Units	99	660	30	588
Two-bedroom Units	56	860	9	858
Totals & Averages	161	722	39	648

3. The Developer proposes to restrict 99% of the total units in Phase I to very-low, low and moderate income households. The affordability mix is described as follows:

	SAC	LIHTC	Phase I
Very-Low Income Units	29	38	67
Low Income Units	0	0	0
Moderate Income Units	131	0	131
Unrestricted Units	1	1	2
Total Units	161	39	200

- 4. The following describes the amenities of each project:
 - a. SAC Project – Pool/Spa, Community Room, Library, Theater, Game Room, Art Studios, Classrooms and Gym.
 - b. LIHTC Project – Community Room. Residents will have full use of the SAC Project program space and activities.

It is expected that the LIHTC Project development term will be 30 months, including six-months for absorption. The SAC Project is expected to be constructed in 30 months and completely absorbed within six months. The Developer plans to go forward with the SAC Project even if the LIHTC Project does not receive a Tax Credit allocation in the second round of 2010.

Phase II

- 1. While Phase II is currently not considered to be a feasible project, the following describes the proposed tower:

	Condominium Component	Retail Component	Phase II
Land Area (Acres)	NA	NA	1.58
# of Units	170	NA	170
Density (DU/Acre)	107	NA	107
Gross Building Area (Sf)	197,853	24,900	385,332
FAR	2.87	0.36	2.66
# of Parking Spaces	225	118	343
Parking Ratio	1.32	4.74	NA

- 2. The Developer proposes to restrict 40 condominium units to moderate income households, which equates to 24% of the total units in Phase II.

In the interim, the Developer has agreed to a plan to minimally improve the Phase II Site so that the parcels fronting North Long Beach Boulevard appear finished until Phase II is ready to break ground.

FINANCIAL GAP ANALYSIS**Estimated Total Development Costs**

The following summarizes the proposed development costs for the SAC and the LIHTC Projects. The detailed analyses can be located in Appendices A and B.

	SAC	LIHTC	Phase I
Acquisition Costs	\$8,670,000	\$3,280,000	\$11,950,000
Direct Costs	32,584,000	6,780,000	39,364,000
Indirect Costs	9,661,000	3,053,000	12,714,000
Financing Costs	3,927,000	845,000	4,772,000
Total Development Costs	\$54,842,000	\$13,958,000	\$68,800,000
Per Unit	\$340,600	\$357,900	\$344,000
Per Sf GBA	\$401	\$470	\$414

The following summarizes the changes between the February 2010 and the August 2010 total development cost estimates.

	SAC	LIHTC	Phase I
August 2010	\$54,842,000	\$13,958,000	\$68,800,000
(Less) February 2010	(56,341,000)	(14,360,000)	(70,701,000)
Change in Estimated Total Development Costs	(\$1,499,000)	(\$402,000)	(\$1,901,000)

Stabilized Net Operating Income

The following summarizes the proposed net operating income (NOI) for the SAC and the LIHTC Projects. The detailed analyses can be located in Appendices A and B.

	SAC	LIHTC	Phase I
Effective Gross Income	\$1,610,780	\$271,790	\$1,882,570
(Less) Operating Expenses	(727,140)	(195,300)	(922,440)
Net Operating Income	\$883,640	\$76,490	\$960,130

The following summarizes the changes in NOI between the February 2010 and August 2010 estimates:

	SAC	LIHTC	Phase I
August 2010	\$883,640	\$76,490	\$960,130
(Less) February 2010	(1,400,100)	(69,900)	(1,470,010)
Change in Projected NOI	(\$516,470)	\$6,590	(\$509,880)

Potential Funding Sources

The following summarizes the proposed funding sources during the construction period for the SAC and the LIHTC Projects.

	Construction Period Funding Sources		
	SAC	LIHTC	Phase I
Construction Financing	\$29,000,000	\$3,700,000	\$39,364,000
Market Equity	0	0	0
Tax Credit Equity	0	572,000	572,000
TOD Rental Loan	0	0	0
TOD Infrastructure Grant	2,268,000	1,771,000	4,039,000
Infill Infrastructure Grant	13,097,000	1,973,000	15,070,000
AHP Loan	0	380,000	380,000
Deferred Developer Fee	2,241,000	656,000	2,897,000
Total Potential Funding Sources	\$46,606,000	\$9,052,000	\$55,658,000

The following summarizes the changes in construction period financing between the February 2010 and August 2010 estimates:

	SAC	LIHTC	Phase I
August 2010	\$46,606,000	\$9,052,000	\$55,658,000
(Less) February 2010	(49,409,000)	(8,147,000)	(57,556,000)
Change in Construction Period Financing	(\$2,803,000)	\$905,000	(\$1,898,000)

The following summarizes the proposed permanent funding sources during the construction period for the SAC and the LIHTC Projects.

	Permanent Funding Sources		
	SAC	LIHTC	Phase I
Permanent Financing	\$11,001,000	\$779,000	\$11,780,000
Market Equity	0	0	0
Tax Credit Equity	14,329,000	3,811,000	18,140,000
TOD Rental Loan	3,959,000	2,782,000	6,741,000
TOD Infrastructure Grant	2,268,000	1,771,000	4,039,000
Infill Infrastructure Grant	13,097,000	1,973,000	15,070,000
AHP Loan	0	380,000	380,000
Deferred Developer Fee	1,952,000	555,000	2,507,000
Total Potential Funding Sources	\$46,606,000	\$12,051,000	\$58,657,000

The following summarizes the changes in permanent financing between the February 2010 and August 2010 estimates:

	SAC	LIHTC	Phase I
August 2010	\$46,606,000	\$12,051,000	\$58,657,000
(Less) February 2010	(51,536,000)	(10,929,000)	(62,465,000)
Change in Permanent Financing	(\$4,930,000)	\$1,122,000	(\$3,808,000)

Financial Gap Calculation

The financial gap is calculated by comparing the total development costs to the total potential funding sources. The following summarizes the estimated financial gap during the construction period.

	Construction Period Financial Gap		
	SAC	LIHTC	Phase I
Total Development Costs	\$54,842,000	\$13,958,000	\$68,800,000
(Less) Funding Sources	(46,606,000)	(9,052,000)	(55,658,000)
Financial Gap	\$8,236,000	\$4,906,000	\$13,142,000
Per Affordable Unit	\$51,500	\$129,100	\$66,400

The following summarizes the changes in the construction period financial gap between the February 2010 and August 2010 estimates:

	SAC	LIHTC	Phase I
August 2010	\$8,236,000	\$4,906,000	\$13,142,000
(Less) February 2010	(6,932,000)	(6,213,000)	(13,145,000)
Change in Construction Period Financial Gap	\$1,304,000	(\$1,307,000)	(\$3,000)

The following summarizes the estimated permanent financial gap:

	Permanent Financial Gap		
	SAC	LIHTC	Phase I
Total Development Costs	\$54,842,000	\$13,958,000	\$68,800,000
(Less) Funding Sources	(46,606,000)	(12,051,000)	(58,657,000)
Financial Gap	\$8,236,000	\$1,907,000	\$10,143,000
Per Affordable Unit	\$51,500	\$50,200	\$51,200

The following summarizes the changes in permanent financial gap between the February 2010 and August 2010 estimates:

	SAC	LIHTC	Phase I
August 2010	\$8,236,000	\$1,907,000	\$10,143,000
(Less) February 2010	(4,805,000)	(3,431,000)	(8,236,000)
Change in Permanent Financial Gap	\$3,431,000	(\$1,524,000)	\$1,907,000

In regards to the SAC Project, the LBHDC has already provided \$2.28 million in loan proceeds. It should also be noted that the financial assistance estimated in this analysis will increase and decrease on a dollar for dollar basis if any of the funding sources are not realized.

PROPOSED DEAL STRUCTURE

The following summarizes the proposed LBHDC transaction for the SAC and the LIHTC Projects.

	SAC	LIHTC
Loan Amount during Construction	Up to \$8,236,000	Up to \$4,906,000
Loan Amount at Permanent	Up to \$8,236,000	Up to \$1,907,000
Interest Rate	3% Simple	3% Simple
Loan Term	55 Years	55 Years
Payments	25% Residual Receipts	25% Residual Receipts
Security	2 nd TD on SAC Parcel	2 nd TD on LIHTC Parcel

CASH FLOW ANALYSIS

KMA prepared a 55-year cash flow analysis for both projects and the findings are presented below.

SAC Project

1. The LBHDC Loan is projected to negatively amortize and have an outstanding balance of \$10.68 million in Year 55. The total payments to the LBHDC, in nominal dollars, are estimated at \$21.82 million. The total payments to the LBHDC in present value terms, assuming an 8% discount rate is \$1.07 million.
2. The operating reserve fund is not expected to be utilized and is estimated to grow to \$571,200 by Year 15.

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3. The \$1.95 million deferred Developer fee is expected to be repaid in 19 years. While an investor typically requires any deferred Developer fee to be repaid within 15 years, this should not be an issue given that the Eligible Basis is considerably lower than the maximum allowed.

LIHTC Project

1. The LBHDC Loan is not projected to be repaid during the 55-year loan term. As in the SAC Project, the loan will negatively amortize and have a \$4.64 million balance in Year 55. In present value terms, assuming an 8% discount rate, the payments to LBHDC are estimated to total \$134,700 while the payments in nominal dollars are estimated at \$5.05 million.
2. In Year 54, the operating reserve funds are expected to be required to assist in making the full contingent payments.
3. Finally, the Developer proposes that the \$555,000 deferred Developer fee be repaid out of Meta's share of the Developer's residual receipts. As such, it is estimated that the deferred Developer fee would be repaid within 36 years. While an investor typically requires any deferred Developer fee to be repaid within 15 years, this should not be an issue given that the Eligible Basis is considerably lower than the maximum allowed.

PHASE II

The \$760,000 reallocation of the TOD and IIG funds results in Phase II without any dedicated funding sources at this time.

APPENDIX A

**SAC PROJECT
FINANCIAL GAP ANALYSIS**

FINANCIAL GAP ANALYSIS – SAC PROJECT

Estimated Development Costs (Appendix A – Table 1)

KMA reviewed the Developer's August 18, 2010 pro forma and found the estimated development costs to be reasonable.

Acquisition Costs

The land acquisition cost estimate is based on the following assumptions:

1. The value attributed to the SAC Parcel is \$8.28 million. This equates to \$138 per square foot of land area.
2. A total of \$385,000 has been expended to buyout the leases of the grocery and check cashing stores that were previously located on the SAC Parcel.
3. The Developer is no longer budgeting for closing costs, which is an \$181,000 cost savings.

Therefore, the land acquisition costs total \$8.67 million, or \$145 per square foot of land area and \$59,000 per unit. This is an \$181,000 reduction from the February 2010 estimate.

Direct Costs

Given the proposed financing sources, the SAC Project will have a prevailing wage requirement, which is included in the direct cost estimates. The following summarizes the direct cost estimate assumptions:

1. The City's Department of Development Services (LBDS) approved a menu of off-site improvements that will be required to develop the overall Project. While the LBDS originally approved the items based on the entire project being developed at the same time, it has been agreed that 50% of the improvements, predominantly along Long Beach Boulevard, can be waived until Phase II is developed. Therefore, the SAC Project portion of the Phase I off-site improvement costs is estimated at \$1.42 million. This estimate is \$802,000 higher than the February 2010 estimate due to the following:
 - a. The City required traffic signals for Phase I to be integrated with the signalization hardware at the intersection of Long Beach and Anaheim. Therefore, approximately 40% of the costs to modify the signals allocated to Phase II has been transferred to Phase I.
 - b. Final off-site designs along Anaheim require more extensive replacement of off-site curb, gutter and asphalt.

- c. The City required more extensive replacement of existing water lines contiguous to the Project.
 - d. Existing water pressure was found to be lower than predicted resulting in an increase in size of the City's main alley for two blocks from the Site.
 - e. The final design of the Edison rerouting is requiring all aspects of reworking the alley infrastructure to be performed in Phase I.
 - f. The Developer elected to enhance the planting along the west side of the new alley which connects 12th Street to the main alley in order to screen the adjacent property side yard.
 - g. The City required the addition of one more fire hydrant and the relocation of another existing hydrant to the previously anticipated scope.
 - h. Utility and ingress/egress issues increased the number of drive openings.
 - i. The final storm drain design increased the number of under sidewalk drains four-fold.
 - j. Existing sewer laterals will be replaced due to age.
2. Demolition and utility relocation costs are estimated at \$677,000, or \$11 per square foot of land area.
 3. On-site improvements are estimated at \$12 per square foot of land area, or \$726,000.
 4. Given that the timeline for Phase II has not been established, the LBHDC is requiring the Developer to provide fencing, landscaping and hardscaping on Phase II during the interim. These improvements are estimated to cost \$100,000, of which \$79,000 has been allocated to the SAC Project.
 5. The parking garage costs are estimated at approximately \$40,000 per space, or \$7.60 million. This estimate is a \$3.72 million increase from February 2010 due to an additional semi-subterranean parking level.
 6. Residential shell costs are estimated at \$13.67 million, or \$112 per square feet of GBA. This estimate is \$1.73 million lower than the previous estimate.
 7. The community and programming space construction costs are estimated at \$2.13 million, or \$145 per square foot of GBA, which is a \$147,000 decrease in costs since February 2010.
 8. A \$750,000 allowance is provided for furnishings, fixtures and equipment (FF&E), which equals \$2,700 per unit. The Developer has increased this estimate by \$350,000 since February 2010.

9. Contractor fees are estimated at 12% of construction costs, which is lower than the 14% maximum imposed by TCAC. Due to the complexity of the Project, a \$740,000 allowance is also provided for a crane and manlift.
10. Construction bonds are estimated at approximately 1% of construction costs.
11. A \$1.50 million contingency allowance is provided, which equates to approximately 5% of other direct costs, and is \$288,000 lower than the February 2010 estimate.

The total direct costs are estimated to be \$32.58 million, or \$238 per square foot of GBA. This estimate is \$3.86 million higher than the February 2010 estimate, which is predominantly due to the increases in FF&E and parking costs.

Indirect Costs

The following summarizes the indirect cost estimates assumptions:

1. Architecture, engineering and consulting (A&E) costs are estimated at \$3.42 million and remain unchanged from the February 2010 cost estimates approved by the LBHDC Board.
2. Permits and fees are estimated at \$5,700 per unit, which is adjusted for the appropriate fee waivers given to affordable units. This change results in a \$1.69 million decrease in costs.
3. Taxes, legal and accounting are estimated at \$1.47 million, which is \$51,000 higher than the February 2010 estimates.
4. Insurance costs are estimated at \$2,200 per unit, or \$356,000, which is \$36,000 higher than the February 2010 estimate.
5. Marketing and leasing costs are estimated at \$1,100 per unit, which is a \$575,000 decrease from the February 2010 estimates. The decrease is due to the change in affordability restrictions.
6. The Developer fee is set at \$2.50 million, which is the maximum allowed under the TCAC regulations.
7. A \$811,000 contingency allowance, or 9% of the other indirect costs, is provided. This is a \$318,000 increase from the February 2010 estimate due to expectations that the architecture and engineering costs will increase due to the design changes.

The total indirect costs are estimated to be \$9.66 million, which is \$1.85 million lower than the February 2010 estimates. This differential is primarily caused by the decreases in marketing and leasing and permits and fees cost estimates.

Financing Costs

The following summarizes the financing cost estimates assumptions:

1. Century provided a \$5.51 million acquisition and predevelopment loan, which is secured with a first trust deed on 59,890 square feet of land area in the SAC Parcel. However, Meta was unable to continue to make interest payments on the loan at an 8.5% interest rate. Since Meta has ceased to make interest payments on the loan, a total of \$1.76 million in interest and fees have accrued. To avoid foreclosure, Meta and Century have agreed to enter into a partnership, of which Century will be the managing general partner. Century has also agreed to only recognize \$625,000, or 25% of the Developer fee, of the total \$1.76 million in accrued interest in the development budget. The accrued interest is proposed to be financed by a \$625,000 deferral of the Developer fee and paid to Century with Meta's share of the Developer's share of residual receipts.
2. The Developer no longer plans to utilize the NIBP to finance the Project. Instead the Developer will utilize the typical private placement tax-exempt bonds structure. Interest during construction for the \$29.00 million in tax-exempt bonds is calculated based on the following assumptions:
 - a. A 4.35% interest rate;
 - b. A 30-month construction period and a six-month absorption period; and
 - c. A 46% average outstanding balance.
 - d. The increase in interest rate from 4.07% to 4.35% and a six-month increase in construction time results in a \$252,000 increase in interest during construction costs.
3. Due to the change in affordability restrictions from 20% of the SAC Project to 10% for the units, the Project no longer supports a typical equity investment.
4. The financing fees are estimated based on the following:
 - a. Construction Loan – 1.19 Points;
 - b. Permanent Loan – 1.32 Points; and
 - c. Issuance Costs – 0.34 Points.
 - d. The private placement scenario results in a \$1.14 million decrease in financing costs as the SAC Project no longer is required to pay HUD fees.

5. The Developer determined that due to no longer utilizing the NIBP will result in a Negative Arbitrage Reserve no longer being required. This results in a \$2.13 million cost savings.
6. HUD also requires significant capitalized reserves to be budgeted, as follows:
 - a. Operating Reserves – Approximately four-months of operating expenses and debt service payments, which is a decrease from the previously estimated six-months.
 - b. Replacement Reserves – These reserves will no longer be required to be funded during construction.
7. Tax Credit fees are estimated at \$138,000, which is a \$23,000 increase due to the increase in the Tax Credit proceeds.

The total financing costs are estimated to be \$3.93 million, which is a \$3.32 million decrease in costs from the February 2010 estimate. The difference in financing costs estimates is due to primarily the removal of the Negative Arbitrage Reserve requirement.

Total Estimated Development Costs

The estimated development costs total \$54.84 million, or \$401 per square foot of GBA. The following summarizes the total estimated development costs:

	August 2010	February 2010	Difference
Acquisition Costs	\$8,670,000	\$8,851,000	(\$181,000)
Direct Costs	32,584,000	28,722,000	3,862,000
Indirect Costs	9,661,000	11,516,000	(1,855,000)
Financing Costs	3,927,000	7,252,000	(3,325,000)
Total Development Costs	\$54,842,000	\$56,341,000	(\$1,499,000)
Per Unit	\$340,600	\$383,300	(\$42,600)
Per Sf GBA	\$401	\$423	(\$22)

Stabilized Net Operating Income (Appendix A – Table 2)

Income Restrictions

The Developer proposes to set-aside 35 units for very-low income households and 125 units for 60% of the Median households. Previously, the Developer proposed that the SAC Project would only include 29 affordable units and the remaining would be unrestricted. However, HUD did not approve the market study for the market rate units and therefore, the Developer has decided to propose a 100% affordable project.

The SAC Project affordable units must comply with the income restrictions imposed by the various funding programs. Therefore, the affordable units will be subject to the following income restrictions:

Designated Requirements ¹	Number of Units		
	Studio	1-Bdrm	2-Bdrm
Section 50105 / 40% Median	0	3	3
Section 50105 / 50% Median	0	14	9
Section 50093 / 50% Median	6	0	0
Section 50093 / 60% Median	0	81	44
Unrestricted (Manager's Unit)	0	1	0

Affordability Restrictions

The rents applied to the units must reflect the most stringent requirements imposed by the various funding sources.² The 2010 maximum allowable rents, net of the appropriate utility allowances, are as follows:³

	Studio Units	One-bedroom Units	Two-bedroom Units
Very-Low Income/40% Median			
Section 50053	NA	\$578	\$639
40% TCAC Rents	NA	\$569	\$676
Applicable Rent	NA	\$569	\$639
Very-Low Income/50% Median			
Section 50053	NA	\$578	\$639
50% TCAC Rents	NA	\$724	\$862
Applicable Rent	NA	\$578	\$639
Moderate Income/50% Median			
Section 50093	\$1,161	NA	NA
50% TCAC Rents	\$673	NA	NA
Applicable Rent	\$673	NA	NA
Moderate Income/60% Median			
Section 50093	NA	\$1,334	\$1,489
60% TCAC Rents	NA	\$880	\$1,049
Applicable Rent	NA	\$880	\$1,049

It should be noted that the manager will pay market rent on the one-bedroom unit set-aside for the manager.

¹ The LBHDC requires that very-low income units comply with the California Health and Safety Code Section 50105 (Section 50105) and moderate income units comply with Section 50093 as referenced in the table. "Median" refers to the Los Angeles County median income.

² The affordable rents are estimated based on the strictest of: the calculation methodology established under Section 50053 of the Health and Safety Code and Tax Credit rents that are published annually by TCAC.

³ Monthly utility allowances: \$52/studio and 1-bdrm units and \$70/2-bdrm units.

Net Operating Income Calculation

The gross rental income, including miscellaneous revenue estimated at \$5 per unit per month, is projected to stabilize at \$1.69 million. After the assumption of a 5% vacancy and collection allowance, KMA estimated the effective gross income (EGI) is estimated to be \$1.61 million.

KMA reviewed the Developer's proposed operating expense assumptions and determined that the estimates were reasonable. The following summarizes the estimates:

1. General operating expenses are estimated at \$3,600 per unit.
2. Property taxes are estimated at \$30,000 per year. It is assumed that the Developer will partner with a non-profit entity and receive a property tax abatement.
3. No estimates are provided for social services. However, it should be noted that an additional \$41,000 will be allocated to tenant services as revenues are available after debt service payments.
4. The \$3.96 million TOD Rental Loan triggers an annual 0.42% fee, which equates to \$16,600.
5. Replacement reserves are estimated at \$600 per unit per year.

The total operating expenses are estimated at \$727,100, or \$4,500 per unit. When the total operating expenses are deducted from the EGI, the net operating income (NOI) is estimated to total \$883,640, which is summarized below.

	August 2010	February 2010	Changes in NOI
Effective Gross Income	\$1,610,780	\$2,547,860	(\$937,080)
(Less) Operating Expenses	(727,140)	(1,147,750)	420,510
Net Operating Income	\$883,640	\$1,400,110	(\$516,470)

Financial Gap Analysis (Appendix A – Table 3)

Potential Funding Sources

The following summarizes the potential funding sources:

Tax-Exempt Bonds

The Developer plans to obtain \$29.00 million in tax-exempt bonds through private placement for the construction of the SAC Project. However, only \$11.00 million is supportable as permanent debt. The permanent tax-exempt bond proceeds were estimated based upon the following assumptions:

1. A 1.15 debt coverage ratio, which results in a \$766,200 annual debt service payment;
2. First trust deed security;
3. A 5.70% interest rate; and
4. A 30-year amortization period.

Market Equity

Previously, the SAC Project supported \$6.60 million in market equity during the construction period and \$2.50 million that would be repaid from cash flow. However, with 100% of the Project income and rent restricted, the cash flow no longer supports a market equity contribution.

Low Income Housing Tax Credit Equity

With the tax-exempt bonds, the SAC Project is eligible to receive a 4% Tax Credit allocation based on the units. The following describes the calculation:

1. Tax Credit Basis Calculation: It can be assumed that the Project's eligible Tax Credit basis is equal to the lesser of the depreciable costs for the Tax Credit units, or the basis limits established by TCAC. KMA and the Developer calculated the eligible Tax Credits basis as follows:
 - a. The Projects depreciable costs total \$41.56 million.
 - b. The basis limits applied by TCAC equal \$44.65 million.
 - c. The depreciable costs are less than the TCAC basis limits. As such, the eligible Tax Credit basis estimated at \$41.56 million.
2. Net Tax Credit Proceeds Calculation:
 - a. The gross Tax Credit amount supported by the proposed Project is calculated at \$18.37 million based on the following assumptions:

- i. The Project is located in a "Difficult to Develop" census tract. This allows the eligible Tax Credit basis to be increased by 30%.
 - ii. The current Tax Credit application sets the annual Tax Credit rate at 3.40%. This rate is applied to the 10-year Tax Credit period.
 - iii. One hundred percent (100%) of the Tax Credits are available.
- b. The net syndication value supported by the Tax Credits is ultimately determined based on competitive market conditions and on the timing of the disbursements. Based on the Developer's assumption that none of the proceeds will be funded at the completion of construction, the Tax Credit equity rate is estimated at \$0.78 per Tax Credit, which is an increase from the \$0.74 rate estimated in February 2010.

Therefore, the net Tax Credit proceeds are estimated at \$14.33 million, of which none will be available during the construction period.

HCD Funds

The Developer has received approval from HCD to allocate the HCD funds as follows:

TOD Rental Loan	\$3,959,000
TOD Infrastructure Grant	2,268,000
Infill Infrastructure Grant	13,097,000
Total HCD Funds	\$19,324,000

It should be noted that the TOD Rental Loan proceeds will not be available during the construction period.

Deferred Costs

During the construction period, \$2.65 million of the costs will be deferred during the construction period. A total of \$1.95 million of the deferred costs will be Developer fee that will be repaid with the Developer's share of the residual receipts, of which \$625,000 will be paid to Century.

Total Potential Funding Sources

The following summarizes the total potential funding sources during the construction period and at permanent loan closing:

	August 2010	February 2010	Change in Construction Funding Sources
Tax-exempt Bonds	\$29,000,000	\$21,560,000	\$7,440,000
Market Equity	0	6,605,000	(6,605,000)
Tax Credit Equity	0	0	0
TOD Rental Loan	0	0	0
TOD Infrastructure Grant	2,268,000	5,550,000	(3,282,000)
Infill Infrastructure Grant	13,097,000	15,069,000	(1,972,000)
Deferred Costs	2,241,000	625,000	1,616,000
Total Potential Funding Sources	\$46,606,000	\$49,409,000	(\$2,803,000)

	August 2010	February 2010	Change in Permanent Funding Sources
Tax-exempt Bonds	\$11,001,000	\$21,560,000	(\$10,559,000)
Market Equity	0	2,500,000	(2,500,000)
Tax Credit Equity	14,329,000	2,417,000	11,912,000
TOD Rental Loan	3,959,000	4,471,000	(512,000)
TOD Infrastructure Grant	2,268,000	5,550,000	(3,282,000)
Infill Infrastructure Grant	13,097,000	12,287,000	810,000
Deferred Developer Fee	1,952,000	625,000	1,327,000
Negative Arbitrage Release	0	2,126,000	(2,126,000)
Total Potential Funding Sources	\$46,606,000	\$51,536,000	(\$4,930,000)

Financial Gap Calculation

The following summarizes the estimated financial gap during the construction period and at permanent loan closing:

	August 2010	February 2010	Change in Construction Financial Gap
Total Development Costs	\$54,842,000	\$56,341,000	(\$1,499,000)
(Less) Funding Sources	(46,606,000)	(49,409,000)	2,803,000
Total Financial Gap – Construction	\$8,236,000	\$6,932,000	\$1,304,000
Per Affordable Unit	\$51,500	\$239,000	(\$187,500)

	August 2010	February 2010	Change in Permanent Financial Gap
Total Development Costs	\$54,842,000	\$56,341,000	(\$1,499,000)
(Less) Funding Sources	(46,606,000)	(51,536,000)	2,803,000
Total Financial Gap – Permanent	\$8,236,000	\$4,805,000	\$3,431,000
Per Affordable Unit	\$51,500	\$165,700	(\$114,200)

Therefore, it is concluded that the maximum warranted LBHDC assistance is up to \$8.24 million, or \$51,500 per affordable unit. While the estimated financial gap has increased by \$3.39 million since February 2010, the number of affordable units has increased by 131. Thus, the financial gap per unit has decreased by \$114,200. It should be noted that LBHDC has already contributed \$2.28 million through land acquisition.

PROPOSED DEAL TERMS

The following summarizes the proposed deal terms:

1. LBHDC will provide up to \$8.24 million as a residual receipts loan to the Project (LBHDC Loan) with the following terms:
 - a. A 3% simple interest rate;
 - b. A 55-year term, at which time the remaining balance of the LBHDC Loan will be due and payable;
 - c. Secured by a second trust deed on the entire SAC Parcel; and
 - d. Annual payments equal to 25% of the residual receipts.
2. The existing \$2.28 million LBHDC Loan will be increased by up to \$5.96 million.

CASH FLOW ANALYSIS (APPENDIX A – TABLE 4)

KMA also conducted a cash flow analysis to estimate the present value of the debt service payments to the LBHDC. The following describes the basic cash flow assumptions:

1. Year 1 is based on the pro forma rent and expense assumptions presented in the stabilized analysis (Table 2).
2. The affordable rents are estimated to increase at 2% per year.
3. A 5% vacancy and collection allowance is provided.
4. The general operating expenses and resident services expenses are increased at 3% per year.
5. The property taxes are increased at 2% annually.
6. The replacement reserve is held constant over the life for the Project.
7. General partnership management fees are set at \$10,000 per year and will be held constant over the life of the Project.

8. Asset management fees are set at \$10,000 per year through Year 15.
9. The activity fee of \$41,000 is held constant for the life of the Project.
10. The following illustrates the proposed residual receipts distribution:
 - a. Twenty-five percent (25%) of the residual receipts are applied to the LBHDC Loan; and
 - b. The remaining 75% of the residual receipts will be allocated to the Developer, of which 75%, or Meta's portion of the Developer's residual receipts, will be applied to the deferred Developer fee.

The following summarizes the cash flow analysis findings:

1. The LBHDC Loan is projected to negatively amortize and have an outstanding balance of \$10.68 million in Year 55.
2. The operating reserve fund is not expected to be utilized and is estimated to grow to \$571,200 at the end of Year 15.
3. The deferred Developer fee is expected to be repaid within 19 years. While investors would typically require any deferred Developer fee to be repaid within 15 years, this should not be an issue give that the Eligible Basis is considerably lower than the maximum allowed.

SUMMARY AND CONCLUSION

The following summarizes the conclusions of the KMA analysis:

1. The estimated warranted assistance is up to \$8.24 million, which is \$3.43 million more than the amount approved in February 2010. However, a total of 131 additional units will be income and rent restricted and the financial gap per unit has decreased from \$165,700 to \$51,500.
2. Operating Reserves – Tax-exempt bonds underwriters require significant operating reserves to be capitalized in the development budget. Information has not been provided to the terms of the reserve. These details should be provided to LBHDC.
3. The proposed deal terms are appropriate for the proposed Project.

In conclusion, given the risks outlined in this analysis, it is recommended that the LBHDC only approve the request for financial assistance to the SAC Project with the condition that all outside funding sources are secured and documented.

APPENDIX A - TABLE 1
ESTIMATED DEVELOPMENT COSTS
LONG BEACH & ANAHEIM: PHASE I - SAC PROJECT
LONG BEACH, CALIFORNIA

I. Land Assemblage Costs					
Acquisition Costs	59,890	Sf Land	\$138	/Sf Land	\$8,285,000
Lease Buyouts		Allowance			385,000
Closing Costs	0%	Purchase Price			-
Total Land Assemblage Costs	59,890	Sf Land	\$145	/Sf Land	\$8,670,000
III. Direct Costs¹					
Off-site Improvements ²		Allowance			\$1,421,000
Demolition Costs/Utility Relocation	59,890	Sf Land	\$11	/Sf Land	677,000
On-site Improvements	59,890	Sf Land	\$12	/Sf Land	726,000
Phase II Improvements		Allowance			79,000
Parking Costs	190	Spaces	\$40,000	/Space	7,600,000
Residential Shell Costs	121,876	Sf GBA	\$112	/Sf GBA	13,671,000
Community and Programming Space	14,758	Sf GBA	\$145	/Sf GBA	2,135,000
Furnishings, Fixtures & Equipment	161	Units	\$4,658	/Unit	750,000
Contractor Fees / General Requirements	12%	Construction Costs			2,955,000
Crane & Manlift		Allowance			740,000
Construction Bonds	1%	Construction Costs			330,000
Contingency Allowance	5%	Other Direct Costs			1,500,000
Total Direct Costs	136,634	Sf GBA	\$238	/Sf GBA	\$32,584,000
IV. Indirect Costs					
Architecture, Engineering & Consulting ³	11%	Direct Costs			\$3,424,000
Permits & Fees ⁴	161	Units	\$5,754	/Unit	926,000
Taxes, Legal & Accounting ³	5%	Direct Costs			1,469,000
Insurance ⁵	161	Units	\$2,209	/Unit	356,000
Marketing & Leasing ⁵	161	Units	\$1,087	/Unit	175,000
Developer Fee ⁶					2,500,000
Contingency Allowance ⁵	9%	Other Indirects			811,000
Total Indirect Costs					\$9,661,000
V. Financing Costs					
Century Land Loan Accrued Interest	\$2,500,000	Developer Fee	25%	Developer Fee	\$625,000
Construction Loan Interest ⁷	\$29,000,000	Series A Bonds	4.35%	Interest	2,081,000
Series B Loan Interest ⁸	\$0	Series B Bonds	8.00%	Interest	-
Financing Fees ⁵					
Construction Loan	\$29,000,000	Series A Bonds	1.19	Points	346,000
Series B Loan	\$0	Series B Bonds	-	Points	-
Permanent Loan	\$11,001,000	Series A Bonds	1.32	Points	145,000
HUD/MIP Costs	\$0	Bonds	-	Points	-
Issuance Costs	\$29,000,000	Bonds	0.34	Points	100,000
Reserves ⁵					
Operating		4 Months of Operating Expenses & Debt Service			492,000
Replacement	161	Units	\$0	/Unit	-
TCAC Fees ⁵					138,000
Total Financing Costs					\$3,927,000
VI. Total Development Costs	136,634	Sf GBA	\$401	/Sf GBA	\$54,842,000

¹ Based on Developer estimate; includes a premium for prevailing wage requirement.

² Based on Developer's allocation of offsite costs; assumes City approves waiving the LB Blvd improvements until a later date.

³ Based on Developer's estimates and costs approved by LBHDC Board in February 2010.

⁴ Based on Developer's estimates and reviewed by City staff.

⁵ Based on Developer estimate.

⁶ Equal to the amount identified by the Developer; amount is equal to the maximum amount allowed by TCAC.

⁷ Assumes a 30-month construction term and a 6-month absorption term; and an average outstanding balance of 46%.

⁸ Assumes a 30-month construction term and a 6-month absorption term; and an average outstanding balance of 50%.

APPENDIX A - TABLE 2

**STABILIZED NET OPERATING INCOME
LONG BEACH & ANAHEIM: PHASE I - SAC PROJECT
LONG BEACH, CALIFORNIA**

I. Gross Residential Income			
Manager's Unit	1 Unit	\$1,552 /Unit/Month	\$18,620
<u>VL Inc Redev/Tax Credit @ 40% Median ¹</u>			
1-Bedroom Units @ (660-Sf)	3 Units	\$569 /Unit/Month	20,480
2-Bedroom Units @ (860-Sf)	3 Units	\$639 /Unit/Month	23,000
<u>VL Inc Redev/Tax Credit @ 50% Median ¹</u>			
1-Bedroom Units @ (660-Sf)	14 Units	\$578 /Unit/Month	97,100
2-Bedroom Units @ (860-Sf)	9 Units	\$639 /Unit/Month	69,010
<u>Mod Inc Redev/Tax Credit @ 50% Median ¹</u>			
Studio Units @ (453-Sf)	6 Units	\$673 /Unit/Month	48,460
<u>Mod Inc Redev/Tax Credit @ 60% Median ¹</u>			
1-Bedroom Units @ (660-Sf)	81 Units	\$880 /Unit/Month	855,360
2-Bedroom Units @ (860-Sf)	44 Units	\$1,049 /Unit/Month	553,870
Laundry/Miscellaneous Income ²	161 Units	\$5 /Unit/Month	9,660
Gross Residential Income	161 Units		\$1,695,560
(Less) Vacancy & Collection Allowance	5% Gross Income		(84,780)
Effective Gross Income			\$1,610,780
II. Operating Expenses ²			
General Operating Expenses	161 Units	\$3,627 /Unit	\$583,910
Property Taxes	161 Units	\$186 /Unit	30,000
Services	161 Units	\$0 /Unit	-
TOD Loan Fee	\$3,959,000 TOD Rental Loan	0.42% TOD Rental Loan	16,630
Operating Reserve	161 Units	\$0 /Unit	-
Replacement Reserve	161 Units	\$600 /Unit	96,600
Total Operating Expenses	161 Units	\$4,500 /Unit	\$727,140
III. Net Operating Income			\$883,640

¹ Based on LA County 2010 incomes distributed by HUD/HCD. The rents are based on the more stringent of California Health & Safety Code Section 50053 and rents published by TCAC. Efficient utility allowances per the Long Beach Housing Authority are \$52/1-bedroom units and \$70/2-bedroom units.

² Based on Developer's estimates.

APPENDIX A - TABLE 3

FINANCIAL GAP ANALYSIS
 LONG BEACH & ANAHEIM: PHASE I - SAC PROJECT
 LONG BEACH, CALIFORNIA

I. Potential Funding Sources - Construction				
A. Tax-Exempt Financing				\$29,000,000
B. Junior Tax-Exempt Bonds ¹				\$0
C. Tax Credit Equity				\$0
D. <u>HCD Funds</u> ²				
TOD Rental Loan				\$0
TOD Infrastructure Grant				2,268,000
Infill Infrastructure Grant				13,097,000
Total HCD Funds				\$15,365,000
D. Deferred Costs				\$2,241,000
Total Potential Funding Sources - Construction				\$46,606,000
II. Financial Gap Calculation - Construction				
Total Development Costs				\$54,842,000
(Less) Total Potential Funding Sources				(46,606,000)
Financial Gap - Construction	160	Affordable Units	\$51,500	/Affordable Unit
				\$8,236,000
III. Potential Funding Sources - Permanent				
A. Tax-Exempt Bonds				
Net Operating Income	\$883,640	NOI (See Table 2)		
Income Available for Mortgage	1.15	DCR	\$766,214	Debt Service
Interest Rate/Mortgage Constant	5.70%	Interest	6.96%	Constant
Tax-Exempt Financing				\$11,001,000
B. Junior Tax-Exempt Bonds				\$0
C. <u>Tax Credit Equity</u> ³				
Gross Tax Credit Value	\$18,371,000			
Syndication Rate	78.00%	/Tax Credit Dollar		
Net Tax Credit Equity				\$14,329,000
D. <u>HCD Funds</u> ²				
TOD Rental Loan				\$3,959,000
TOD Infrastructure Grant				2,268,000
Infill Infrastructure Grant				13,097,000
Total HCD Funds				\$19,324,000
D. Deferred Developer Fee	78%	Developer Fee		\$1,952,000
Total Funding Sources - Permanent				\$46,606,000
IV. Financial Gap - Permanent				
Total Development Costs				\$54,842,000
(Less) Total Potential Funding Sources				(46,606,000)
Financial Gap - Permanent	160	Affordable Units	\$51,500	/Affordable Unit
				\$8,236,000

¹ Per Developer estimate.

² The HCD funds have already been awarded to the Project.

³ \$41.56 million eligible basis, which includes a 130% difficult to develop premium; a 3.40% Tax Credit rate; and an applicable fraction of 100%.

APPENDIX A - TABLE 4

CASH FLOW ANALYSIS
LONG BEACH & ANAHEIM: PHASE I - SAC PROJECT
LONG BEACH, CALIFORNIA

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
I. Project Revenue										
Gross Rental Income	\$1,685,900	\$1,719,618	\$1,754,010	\$1,789,091	\$1,824,872	\$1,861,370	\$1,898,597	\$1,936,569	\$1,975,301	\$2,014,807
Miscellaneous Income	9,660	9,950	10,248	10,556	10,872	11,199	11,535	11,881	12,237	12,604
Gross Income	\$1,695,560	\$1,729,568	\$1,764,259	\$1,799,646	\$1,835,745	\$1,872,568	\$1,910,132	\$1,948,450	\$1,987,538	\$2,027,411
(Less) Vacancy & Collection	(84,778)	(86,479)	(88,213)	(89,983)	(91,787)	(93,629)	(95,507)	(97,423)	(99,377)	(101,371)
Effective Gross Income	\$1,610,782	\$1,643,089	\$1,676,046	\$1,709,664	\$1,743,957	\$1,778,940	\$1,814,625	\$1,851,027	\$1,888,160	\$1,926,040
	102.0%									
	103.0%									
	5%									
II. Operating Expenses										
General Operating Expenses	\$583,910	\$601,427	\$619,470	\$638,054	\$657,196	\$676,912	\$697,219	\$718,136	\$739,680	\$761,870
Property Taxes	30,000	30,600	31,212	31,836	32,473	33,122	33,785	34,461	35,150	35,853
Services	0	0	0	0	0	0	0	0	0	0
TOD Loan Fee	16,630	16,630	16,630	16,630	16,630	16,630	16,630	16,630	16,630	16,630
Operating Reserve	0	0	0	0	0	0	0	0	0	0
Replacement Reserve	96,600	96,600	96,600	96,600	96,600	96,600	96,600	96,600	96,600	96,600
Total Operating Expenses	\$727,140	\$745,257	\$763,912	\$783,120	\$802,899	\$823,264	\$844,234	\$865,826	\$888,059	\$910,953
	\$883,642	\$897,832	\$912,133	\$926,543	\$941,059	\$955,676	\$970,391	\$985,201	\$1,000,101	\$1,015,087
Operating Reserve Advances	0	0	0	0	0	0	0	0	0	0
(Less) Debt Service	(766,214)	(766,214)	(766,214)	(766,214)	(766,214)	(766,214)	(766,214)	(766,214)	(766,214)	(766,214)
Available Cash Flow for Distribution	\$117,428	\$131,618	\$145,920	\$160,330	\$174,845	\$189,462	\$204,177	\$218,987	\$233,887	\$248,873
	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)
	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)
	(14,107)	(17,655)	(21,230)	(24,832)	(28,461)	(32,115)	(35,794)	(39,497)	(43,222)	(46,968)
LBHDC Loan	\$42,321	\$52,964	\$63,690	\$74,497	\$85,384	\$96,346	\$107,383	\$118,490	\$129,665	\$140,905
Cash Flow to Developer	\$31,741	\$39,723	\$47,767	\$55,873	\$64,038	\$72,260	\$80,537	\$88,868	\$97,249	\$105,679
NPV @ 8.0%										
CF for Deferred Developer Fee										
VI. Operating Reserve										
Beginning Balance	\$492,000	\$496,920	\$501,889	\$506,908	\$511,977	\$517,097	\$522,268	\$527,491	\$532,765	\$538,093
Interest Income	4,920	4,969	5,019	5,069	5,120	5,171	5,223	5,275	5,328	5,381
Deposits	0	0	0	0	0	0	0	0	0	0
Payments	0	0	0	0	0	0	0	0	0	0
Ending Balance	496,920	501,889	506,908	511,977	517,097	522,268	527,491	532,765	538,093	543,474
VII. LBHDC Loan										
Beginning Balance	\$8,236,000	\$8,468,973	\$8,698,398	\$8,924,249	\$9,146,496	\$9,365,115	\$9,580,080	\$9,791,365	\$9,998,948	\$10,202,807
Balance for Interest Calculation	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000
Interest	247,080	247,080	247,080	247,080	247,080	247,080	247,080	247,080	247,080	247,080
Payment	(14,107)	(17,655)	(21,230)	(24,832)	(28,461)	(32,115)	(35,794)	(39,497)	(43,222)	(46,968)
Ending Balance	8,468,973	8,698,398	8,924,249	9,146,496	9,365,115	9,580,080	9,791,365	9,998,948	10,202,807	10,402,918

APPENDIX A - TABLE 4

CASH FLOW ANALYSIS
LONG BEACH & ANAHEIM: PHASE I - SAC PRO
LONG BEACH, CALIFORNIA

	<u>Year 11</u>	<u>Year 12</u>	<u>Year 13</u>	<u>Year 14</u>	<u>Year 15</u>	<u>Year 16</u>	<u>Year 17</u>	<u>Year 18</u>	<u>Year 19</u>	<u>Year 20</u>
I. Project Revenue										
Gross Rental Income	\$2,055,103	\$2,096,205	\$2,138,129	\$2,180,891	\$2,224,509	\$2,268,999	\$2,314,379	\$2,360,667	\$2,407,880	\$2,456,038
Miscellaneous Income	<u>12,982</u>	<u>13,372</u>	<u>13,773</u>	<u>14,186</u>	<u>14,612</u>	<u>15,050</u>	<u>15,501</u>	<u>15,967</u>	<u>16,446</u>	<u>16,939</u>
Gross Income	\$2,068,085	\$2,109,576	\$2,151,902	\$2,195,077	\$2,239,121	\$2,284,049	\$2,329,881	\$2,376,634	\$2,424,326	\$2,472,977
(Less) Vacancy & Collection	<u>(103,404)</u>	<u>(105,479)</u>	<u>(107,595)</u>	<u>(109,754)</u>	<u>(111,956)</u>	<u>(114,203)</u>	<u>(116,494)</u>	<u>(118,832)</u>	<u>(121,217)</u>	<u>(123,649)</u>
Effective Gross Income	\$1,964,680	\$2,004,097	\$2,044,306	\$2,085,323	\$2,127,165	\$2,169,847	\$2,213,387	\$2,257,802	\$2,303,109	\$2,349,328
II. Operating Expenses										
General Operating Expenses	\$784,726	\$808,268	\$832,516	\$857,492	\$883,216	\$909,713	\$937,004	\$965,114	\$994,068	\$1,023,890
Property Taxes	<u>36,570</u>	<u>37,301</u>	<u>38,047</u>	<u>38,808</u>	<u>39,584</u>	<u>40,376</u>	<u>41,184</u>	<u>42,007</u>	<u>42,847</u>	<u>43,704</u>
Services	0	0	0	0	0	0	0	0	0	0
TOD Loan Fee	16,630	16,630	16,630	16,630	16,630	16,630	16,630	16,630	16,630	16,630
Operating Reserve	0	0	0	0	0	0	0	0	0	0
Replacement Reserve	<u>96,600</u>	<u>96,600</u>	<u>96,600</u>	<u>96,600</u>	<u>96,600</u>	<u>96,600</u>	<u>96,600</u>	<u>96,600</u>	<u>96,600</u>	<u>96,600</u>
Total Operating Expenses	\$934,526	\$958,799	\$983,793	\$1,009,530	\$1,036,031	\$1,063,319	\$1,091,418	\$1,120,352	\$1,150,145	\$1,180,824
III. Net Operating Income	\$1,030,154	\$1,045,298	\$1,060,513	\$1,075,794	\$1,091,134	\$1,106,528	\$1,121,969	\$1,137,450	\$1,152,964	\$1,168,504
Operating Reserve Advances	0	0	0	0	0	0	0	0	0	0
(Less) Debt Service	<u>(766,214)</u>	<u>(766,214)</u>	<u>(766,214)</u>	<u>(766,214)</u>	<u>(766,214)</u>	<u>(766,214)</u>	<u>(766,214)</u>	<u>(766,214)</u>	<u>(766,214)</u>	<u>(766,214)</u>
Available Cash Flow for Distribution	\$263,941	\$279,084	\$294,299	\$309,580	\$324,920	\$340,314	\$355,755	\$371,236	\$386,750	\$402,290
IV. Contingent Payments										
General Partnership Fee	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>
Asset Management Fee	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	0	0	0	0	0
Activity Fee	<u>(41,000)</u>	<u>(41,000)</u>	<u>(41,000)</u>	<u>(41,000)</u>	<u>(41,000)</u>	<u>(41,000)</u>	<u>(41,000)</u>	<u>(41,000)</u>	<u>(41,000)</u>	<u>(41,000)</u>
LBHDC Loan	<u>(50,735)</u>	<u>(54,521)</u>	<u>(58,325)</u>	<u>(62,145)</u>	<u>(65,980)</u>	<u>(72,329)</u>	<u>(76,189)</u>	<u>(80,059)</u>	<u>(83,938)</u>	<u>(87,822)</u>
Cash Flow to Developer	\$152,205	\$163,563	\$174,974	\$186,435	\$197,940	\$216,986	\$228,566	\$240,177	\$251,813	\$263,467
NPV @ 8.0%	\$114,154	\$122,672	\$131,231	\$139,826	\$148,455	\$162,739	\$171,425	\$180,133	\$97,631	\$0
CF for Deferred Developer Fee										
VI. Operating Reserve										
Beginning Balance	\$543,474	\$548,909	\$554,398	\$559,942	\$565,541	\$571,197	\$571,197	\$576,909	\$582,678	\$588,505
Interest Income	<u>5,435</u>	<u>5,489</u>	<u>5,544</u>	<u>5,599</u>	<u>5,655</u>	<u>5,712</u>	<u>5,712</u>	<u>5,769</u>	<u>5,827</u>	<u>5,885</u>
Deposits	0	0	0	0	0	0	0	0	0	0
Payments	0	0	0	0	0	0	0	0	0	0
Ending Balance	548,909	554,398	559,942	565,541	571,197	571,197	576,909	582,678	588,505	594,390
VII. LBHDC Loan										
Beginning Balance	\$10,402,918	\$10,599,263	\$10,791,822	\$10,980,577	\$11,165,512	\$11,346,612	\$11,521,364	\$11,692,255	\$11,859,276	\$12,022,418
Balance for Interest Calculation	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000
Interest	<u>247,080</u>	<u>247,080</u>	<u>247,080</u>	<u>247,080</u>	<u>247,080</u>	<u>247,080</u>	<u>247,080</u>	<u>247,080</u>	<u>247,080</u>	<u>247,080</u>
Payment	<u>(50,735)</u>	<u>(54,521)</u>	<u>(58,325)</u>	<u>(62,145)</u>	<u>(65,980)</u>	<u>(72,329)</u>	<u>(76,189)</u>	<u>(80,059)</u>	<u>(83,938)</u>	<u>(87,822)</u>
Ending Balance	10,599,263	10,791,822	10,980,577	11,165,512	11,346,612	11,521,364	11,692,255	11,859,276	12,022,418	12,181,676

APPENDIX A - TABLE 4

CASH FLOW ANALYSIS
LONG BEACH & ANAHEIM: PHASE I - SAC PRO
LONG BEACH, CALIFORNIA

	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
I. Project Revenue										
Gross Rental Income	\$2,505,159	\$2,555,262	\$2,606,367	\$2,658,494	\$2,711,664	\$2,765,898	\$2,821,216	\$2,877,640	\$2,935,193	\$2,993,897
Miscellaneous Income	17,447	17,970	18,510	19,065	19,637	20,226	20,833	21,458	22,101	22,764
Gross Income	\$2,522,606	\$2,573,232	\$2,624,877	\$2,677,559	\$2,731,301	\$2,786,124	\$2,842,048	\$2,899,098	\$2,957,294	\$3,016,661
(Less) Vacancy & Collection	(126,131)	(128,662)	(131,244)	(133,878)	(136,565)	(139,307)	(142,103)	(144,955)	(147,865)	(150,833)
Effective Gross Income	\$2,396,475	\$2,444,570	\$2,493,633	\$2,543,681	\$2,594,736	\$2,646,817	\$2,699,946	\$2,754,142	\$2,809,429	\$2,865,828
II. Operating Expenses										
General Operating Expenses	\$1,054,606	\$1,086,245	\$1,118,832	\$1,152,397	\$1,186,969	\$1,222,578	\$1,259,255	\$1,297,033	\$1,335,944	\$1,376,022
Property Taxes	44,578	45,470	46,379	47,307	48,253	49,218	50,203	51,207	52,231	53,275
Services	0	0	0	0	0	0	0	0	0	0
TOD Loan Fee	16,630	16,630	16,630	16,630	16,630	16,630	16,630	16,630	16,630	16,630
Operating Reserve	0	0	0	0	0	0	0	0	0	0
Replacement Reserve	96,600	96,600	96,600	96,600	96,600	96,600	96,600	96,600	96,600	96,600
Total Operating Expenses	\$1,212,415	\$1,244,945	\$1,278,441	\$1,312,934	\$1,348,452	\$1,385,026	\$1,422,688	\$1,461,469	\$1,501,405	\$1,542,528
III. Net Operating Income	\$1,184,060	\$1,199,626	\$1,215,191	\$1,230,747	\$1,246,284	\$1,261,791	\$1,277,258	\$1,292,673	\$1,308,024	\$1,323,300
Operating Reserve Advances	0	0	0	0	0	0	0	0	0	0
(Less) Debt Service	(766,214)	(766,214)	(766,214)	(766,214)	(766,214)	(766,214)	(766,214)	(766,214)	(766,214)	(766,214)
Available Cash Flow for Distribution	\$417,847	\$433,412	\$448,977	\$464,533	\$480,070	\$495,577	\$511,044	\$526,459	\$541,811	\$557,086
IV. Contingent Payments										
General Partnership Fee	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)
Asset Management Fee	0	0	0	0	0	0	0	0	0	0
Activity Fee	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)
LBHDC Loan	(91,712)	(95,603)	(99,494)	(103,383)	(107,268)	(111,144)	(115,011)	(118,865)	(122,703)	(126,522)
Cash Flow to Developer	\$275,135	\$286,809	\$298,483	\$310,150	\$321,803	\$333,433	\$345,033	\$356,594	\$368,108	\$379,565
NPV @ 8.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CF for Deferred Developer Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
V. Operating Reserve										
Beginning Balance	\$594,390	\$600,333	\$606,337	\$612,400	\$618,524	\$624,709	\$630,957	\$637,266	\$643,639	\$650,075
Interest Income	5,944	6,003	6,063	6,124	6,185	6,247	6,310	6,373	6,436	6,501
Deposits	0	0	0	0	0	0	0	0	0	0
Payments	0	0	0	0	0	0	0	0	0	0
Ending Balance	600,333	606,337	612,400	618,524	624,709	630,957	637,266	643,639	650,075	656,576
VII. LBHDC Loan										
Beginning Balance	\$12,181,676	\$12,337,044	\$12,488,521	\$12,636,107	\$12,779,804	\$12,919,616	\$13,055,552	\$13,187,621	\$13,315,836	\$13,440,213
Balance for Interest Calculation	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000
Interest	247,080	247,080	247,080	247,080	247,080	247,080	247,080	247,080	247,080	247,080
Payment	(91,712)	(95,603)	(99,494)	(103,383)	(107,268)	(111,144)	(115,011)	(118,865)	(122,703)	(126,522)
Ending Balance	12,337,044	12,488,521	12,636,107	12,779,804	12,919,616	13,055,552	13,187,621	13,315,836	13,440,213	13,560,772

APPENDIX A - TABLE 4

CASH FLOW ANALYSIS
LONG BEACH & ANAHEIM: PHASE I - SAC PRO
LONG BEACH, CALIFORNIA

	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
I. Project Revenue										
Gross Rental Income	\$3,053,774	\$3,114,850	\$3,177,147	\$3,240,690	\$3,305,504	\$3,371,614	\$3,439,046	\$3,507,827	\$3,577,984	\$3,649,543
Miscellaneous Income	23,447	24,151	24,875	25,622	26,390	27,182	27,997	28,837	29,702	30,593
Gross Income	\$3,077,222	\$3,139,001	\$3,202,022	\$3,266,311	\$3,331,894	\$3,398,796	\$3,467,043	\$3,536,664	\$3,607,686	\$3,680,137
(Less) Vacancy & Collection	(153,861)	(156,950)	(160,101)	(163,316)	(166,595)	(169,940)	(173,353)	(176,834)	(180,385)	(184,007)
Effective Gross Income	\$2,923,360	\$2,982,050	\$3,041,921	\$3,102,996	\$3,165,299	\$3,228,856	\$3,293,691	\$3,359,831	\$3,427,301	\$3,496,129
II. Operating Expenses										
General Operating Expenses	\$1,417,303	\$1,459,822	\$1,503,617	\$1,548,725	\$1,595,187	\$1,643,042	\$1,692,334	\$1,743,104	\$1,795,397	\$1,849,259
Property Taxes	54,341	55,428	56,536	57,667	58,820	59,997	61,197	62,421	63,669	64,942
Services	0	0	0	0	0	0	0	0	0	0
TOD Loan Fee	16,630	16,630	16,630	16,630	16,630	16,630	16,630	16,630	16,630	16,630
Operating Reserve	0	0	0	0	0	0	0	0	0	0
Replacement Reserve	96,600	96,600	96,600	96,600	96,600	96,600	96,600	96,600	96,600	96,600
Total Operating Expenses	\$1,584,874	\$1,628,480	\$1,673,383	\$1,719,622	\$1,767,237	\$1,816,269	\$1,866,760	\$1,918,754	\$1,972,296	\$2,027,431
III. Net Operating Income										
Operating Reserve Advances	\$1,338,487	\$1,353,571	\$1,368,538	\$1,383,374	\$1,398,062	\$1,412,586	\$1,426,931	\$1,441,076	\$1,455,005	\$1,468,698
(Less) Debt Service	0	0	0	0	0	0	0	0	0	0
Available Cash Flow for Distribution	\$1,338,487	\$1,353,571	\$1,368,538	\$1,383,374	\$1,398,062	\$1,412,586	\$1,426,931	\$1,441,076	\$1,455,005	\$1,468,698
IV. Contingent Payments										
General Partnership Fee	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)
Asset Management Fee	0	0	0	0	0	0	0	0	0	0
Activity Fee	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)
LBHDC Loan	(321,872)	(325,643)	(329,385)	(333,093)	(336,765)	(340,397)	(343,983)	(347,519)	(351,001)	(354,425)
Cash Flow to Developer	\$965,615	\$976,928	\$988,154	\$999,280	\$1,010,296	\$1,021,190	\$1,031,948	\$1,042,557	\$1,053,004	\$1,063,274
NPV @ 8.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CF for Deferred Developer Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
V. Operating Reserve										
Beginning Balance	\$656,576	\$663,142	\$669,773	\$676,471	\$683,236	\$690,068	\$696,969	\$703,938	\$710,978	\$718,087
Interest Income	6,566	6,631	6,698	6,765	6,832	6,901	6,970	7,039	7,110	7,181
Deposits	0	0	0	0	0	0	0	0	0	0
Payments	0	0	0	0	0	0	0	0	0	0
Ending Balance	663,142	669,773	676,471	683,236	690,068	696,969	703,938	710,978	718,087	725,268
VI. LBHDC Loan										
Beginning Balance	\$13,560,772	\$13,485,980	\$13,407,417	\$13,325,113	\$13,239,100	\$13,149,414	\$13,056,097	\$12,959,195	\$12,858,756	\$12,754,834
Balance for Interest Calculation	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000
Interest	247,080	247,080	247,080	247,080	247,080	247,080	247,080	247,080	247,080	247,080
Payment	(321,872)	(325,643)	(329,385)	(333,093)	(336,765)	(340,397)	(343,983)	(347,519)	(351,001)	(354,425)
Ending Balance	13,485,980	13,407,417	13,325,113	13,239,100	13,149,414	13,056,097	12,959,195	12,858,756	12,754,834	12,647,490

APPENDIX A - TABLE 4

CASH FLOW ANALYSIS
LONG BEACH & ANAHEIM: PHASE I - SAC PRO
LONG BEACH, CALIFORNIA

	Year 41	Year 42	Year 43	Year 44	Year 45	Year 46	Year 47	Year 48	Year 49	Year 50	Year 51
I. Project Revenue											
Gross Rental Income	\$3,722,534	\$3,796,985	\$3,872,924	\$3,950,383	\$4,029,391	\$4,109,978	\$4,192,178	\$4,276,022	\$4,361,542	\$4,448,773	\$4,537,748
Miscellaneous Income	31,511	32,457	33,430	34,433	35,466	36,530	37,626	38,755	39,918	41,115	42,349
Gross Income	\$3,754,045	\$3,829,441	\$3,906,355	\$3,984,816	\$4,064,857	\$4,146,509	\$4,229,804	\$4,314,776	\$4,401,460	\$4,489,888	\$4,580,097
(Less) Vacancy & Collection	(187,703)	(191,473)	(195,318)	(199,241)	(203,243)	(207,326)	(211,491)	(215,739)	(220,073)	(224,495)	(229,005)
Effective Gross Income	\$3,566,343	\$3,637,969	\$3,711,037	\$3,785,575	\$3,861,614	\$3,939,183	\$4,018,313	\$4,099,037	\$4,181,386	\$4,265,393	\$4,351,091
II. Operating Expenses											
General Operating Expenses	\$1,904,736	\$1,961,879	\$2,020,735	\$2,081,357	\$2,143,798	\$2,208,112	\$2,274,355	\$2,342,586	\$2,412,863	\$2,485,249	\$2,559,807
Property Taxes	66,241	67,566	68,917	70,296	71,702	73,136	74,598	76,090	77,612	79,164	80,748
Services	0	0	0	0	0	0	0	0	0	0	0
TOD Loan Fee	16,630	16,630	16,630	16,630	16,630	16,630	16,630	16,630	16,630	16,630	16,630
Operating Reserve	0	0	0	0	0	0	0	0	0	0	0
Replacement Reserve	96,600	96,600	96,600	96,600	96,600	96,600	96,600	96,600	96,600	96,600	96,600
Total Operating Expenses	\$2,084,208	\$2,142,675	\$2,202,862	\$2,264,883	\$2,328,729	\$2,394,477	\$2,462,183	\$2,531,906	\$2,603,705	\$2,677,643	\$2,753,784
III. Net Operating Income	\$1,482,135	\$1,495,294	\$1,508,154	\$1,520,692	\$1,532,884	\$1,544,705	\$1,556,130	\$1,567,131	\$1,577,681	\$1,587,750	\$1,597,307
Operating Reserve Advances	0	0	0	0	0	0	0	0	0	0	0
(Less) Debt Service	0	0	0	0	0	0	0	0	0	0	0
Available Cash Flow for Distribution	\$1,482,135	\$1,495,294	\$1,508,154	\$1,520,692	\$1,532,884	\$1,544,705	\$1,556,130	\$1,567,131	\$1,577,681	\$1,587,750	\$1,597,307
IV. Contingent Payments											
General Partnership Fee	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)
Asset Management Fee	0	0	0	0	0	0	0	0	0	0	0
Activity Fee	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)
LBHDC Loan	(357,784)	(361,074)	(364,289)	(367,423)	(370,471)	(373,426)	(376,283)	(379,033)	(381,670)	(384,187)	(386,577)
Cash Flow to Developer	\$1,073,351	\$1,083,221	\$1,092,866	\$1,102,269	\$1,111,413	\$1,120,279	\$1,128,848	\$1,137,098	\$1,145,011	\$1,152,562	\$1,159,730
NPV @ 8.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CF for Deferred Developer Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
V. Operating Reserve											
Beginning Balance	\$725,268	\$732,521	\$739,846	\$747,245	\$754,717	\$762,264	\$769,887	\$777,586	\$785,362	\$793,215	\$801,147
Interest Income	7,253	7,325	7,398	7,472	7,547	7,623	7,699	7,776	7,854	7,932	8,011
Deposits	0	0	0	0	0	0	0	0	0	0	0
Payments	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	732,521	739,846	747,245	754,717	762,264	769,887	777,586	785,362	793,215	801,147	809,159
VII. LBHDC Loan											
Beginning Balance	\$12,647,490	\$12,536,786	\$12,422,793	\$12,305,584	\$12,185,241	\$12,061,850	\$11,935,503	\$11,806,301	\$11,674,348	\$11,539,758	\$11,402,651
Balance for Interest Calculation	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000	8,236,000
Interest	247,080	247,080	247,080	247,080	247,080	247,080	247,080	247,080	247,080	247,080	247,080
Payment	(357,784)	(361,074)	(364,289)	(367,423)	(370,471)	(373,426)	(376,283)	(379,033)	(381,670)	(384,187)	(386,577)
Ending Balance	12,536,786	12,422,793	12,305,584	12,185,241	12,061,850	11,935,503	11,806,301	11,674,348	11,539,758	11,402,651	11,263,154

APPENDIX A - TABLE 4

CASH FLOW ANALYSIS
LONG BEACH & ANAHEIM: PHASE I - SAC PRO
LONG BEACH, CALIFORNIA

	<u>Year 52</u>	<u>Year 53</u>	<u>Year 54</u>	<u>Year 55</u>
I. <u>Project Revenue</u>				
Gross Rental Income	\$4,628,503	\$4,721,073	\$4,815,495	\$4,911,805
Miscellaneous Income	43,619	44,928	46,275	47,664
Gross Income	\$4,672,122	\$4,766,001	\$4,861,770	\$4,959,468
(Less) Vacancy & Collection	<u>(233,607)</u>	<u>(238,301)</u>	<u>(243,089)</u>	<u>(247,974)</u>
Effective Gross Income	\$4,438,516	\$4,527,700	\$4,618,681	\$4,711,494
II. <u>Operating Expenses</u>				
General Operating Expenses	\$2,636,601	\$2,715,699	\$2,797,170	\$2,881,085
Property Taxes	82,363	84,010	85,690	87,404
Services	0	0	0	0
TOD Loan Fee	16,630	16,630	16,630	16,630
Operating Reserve	0	0	0	0
Replacement Reserve	96,600	96,600	96,600	96,600
Total Operating Expenses	\$2,832,193	\$2,912,939	\$2,996,090	\$3,081,719
III. <u>Net Operating Income</u>	\$1,606,322	\$1,614,762	\$1,622,591	\$1,629,776
Operating Reserve Advances	0	0	0	0
(Less) Debt Service	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Available Cash Flow for Distribution	\$1,606,322	\$1,614,762	\$1,622,591	\$1,629,776
IV. <u>Contingent Payments</u>				
General Partnership Fee	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)
Asset Management Fee	0	0	0	0
Activity Fee	(41,000)	(41,000)	(41,000)	(41,000)
LBHDC Loan	<u>(388,831)</u>	<u>(390,940)</u>	<u>(392,898)</u>	<u>(11,078,805)</u>
Cash Flow to Developer	\$1,166,492	\$1,172,821	\$1,178,693	(\$9,500,029)
NPV @ 8.0%	\$0	\$0	\$0	\$0
CF for Deferred Developer Fee	\$0	\$0	\$0	\$0
VI. <u>Operating Reserve</u>				
Beginning Balance	\$809,159	\$817,250	\$825,423	\$833,677
Interest Income	8,092	8,173	8,254	8,337
Deposits	0	0	0	0
Payments	0	0	0	0
Ending Balance	817,250	825,423	833,677	842,014
VII. <u>LBHDC Loan</u>				
Beginning Balance	\$11,263,154	\$11,121,403	\$10,977,543	\$10,831,725
Balance for Interest Calculation	8,236,000	8,236,000	8,236,000	8,236,000
Interest	247,080	247,080	247,080	247,080
Payment	<u>(388,831)</u>	<u>(390,940)</u>	<u>(392,898)</u>	<u>(11,078,805)</u>
Ending Balance	11,121,403	10,977,543	10,831,725	0

APPENDIX B

**LIHTC PROJECT
FINANCIAL GAP ANALYSIS**

FINANCIAL GAP ANALYSIS – LIHTC PROJECT

Estimated Development Costs (Appendix B – Table 1)

KMA reviewed the Developer's August 18, 2010 pro forma and found the estimated development costs to be reasonable.

Acquisition Costs

The Developer will allocate \$3.28 million of the Phase I land value to the LIHTC Project. This equates to \$202 per square foot of land area. The LIHTC Parcel is owned entirely by the Developer.

Direct Costs

Given the proposed financing sources, the LIHTC Project will be required to pay prevailing wages, which are included in the direct cost estimates. The following summarizes the direct cost estimate assumptions:

1. The City's Department of Development Services (LBDS) approved a menu of off-site improvements that will be required to develop the Original Project. While the LBDS originally approved the items based on both phases being developed at the same time, it has been agreed that 50% of the improvements, predominately along Long Beach Boulevard, can be waived until Phase II is developed. Therefore, the LIHTC Project of the Phase I off-site improvement costs is estimated at \$244,000.
2. On-site improvements are estimated at \$19 per square foot of land area. It should be noted that the LIHTC Parcel is currently vacant.
3. Given that the timeline for Phase II has not been established, the LBHDC is requiring the Developer to provide fencing, landscaping and hardscaping on Phase II during the interim. These improvements are estimated to cost \$100,000, of which \$21,000 has been allocated to the LIHTC Project.
4. The parking garage costs are estimated at approximately \$41,900 per space, or \$1.80 million.
5. Shell costs are estimated at \$97 per square feet of GBA, which includes costs for the common areas and the community space.
6. A \$42,000 allowance is provided for furnishings, fixtures and equipment (FF&E), which equals \$1,100 per unit. This estimate has been reduced by the Developer by \$208,000 since February 2010.

7. Contractor fees are estimated at 14% of construction costs, which is the maximum allowed by TCAC. This estimate has increased by \$409,000 since February 2010. Due to the complexity of the LIHTC Project, a \$429,000 allowance is also provided for a crane and manlift. This estimate is \$111,000 lower than the February 2010 estimate.
8. Construction bonds are estimated at approximately 1% of construction costs.
9. A \$263,000 contingency allowance is provided, which equates to approximately 4% of other direct costs. This estimate is \$51,000 lower than the February 2010 estimate.

The total direct costs are estimated to be \$6.78 million, or \$228 per square foot of GBA. This estimate is \$130,000 higher than the February 2010 estimate predominately due to the increase in contractor fees from 7% of construction costs to 14%, which is the maximum allowed under the TCAC guidelines. However, this increase is partially offset by the decrease in FF&E, crane and manlift and contingency allowance estimates

Indirect Costs

The following summarizes the indirect cost estimates assumptions:

1. Architecture, engineering and consulting (A&E) costs are estimated at 15% of direct and off-site improvement costs, which equates to \$1.02 million. This estimate remains unchanged from the February 2010 estimates which were previously approved by the LBHDC Board. These costs include expenditures on the previous architect and LEED consultant.
2. Permits and fees are estimated at \$4,123 per unit, which is adjusted for the appropriate fee waivers given to affordable units and verified by City staff. This is a \$436,000 reduction from the February 2010 estimate.
3. Taxes, legal and accounting are estimated at 6% of direct and off-site improvement costs, which is within the typical 3% to 5% range experienced by similar projects. These costs include \$103,000 in costs spent to date, of which property taxes make up a significant portion. The estimate is \$36,000 lower than the February 2010 estimate.
4. Insurance costs are estimated at \$1,600 per unit, or \$60,000, which is \$2,000 higher than the February 2010 estimate.
5. Marketing and leasing costs are estimated at \$625 per unit, or \$24,000. This estimate is \$9,000 higher than the February 2010 estimate.
6. The Developer fee is set at \$1.32 million, which is 15% of the eligible basis and the maximum allowed under the TCAC regulations. The \$80,000 increase from the February 2010 estimate is due to the increase in estimated eligible basis.

7. A \$90,000 contingency allowance is provided, which equates to 3% of other indirect costs. This estimate is \$36,000 lower than the February 2010 estimate.

The total indirect costs are estimated to be \$3.05 million. This estimate is \$417,000 lower than the February 2010 estimate primarily due to the \$436,000 decrease in the permits and fees estimate. The \$80,000 increase in Developer fee partially offsets the decrease in permits and fees.

Financing Costs

The following summarizes the financing cost estimates assumptions:

1. Century provided a \$1.46 million acquisition and predevelopment loan, which is secured with a first trust deed on the LIHTC Parcel. However, Meta was unable to continue to make interest payments on the loan at 8.5% interest. Since Meta has ceased to make interest payments on the loan, \$468,000 in interest and fees have accrued. To avoid foreclosure, Meta and Century agreed to enter into a partnership, of which Century will be the managing general partner. Century has also agreed to only recognize \$330,000 of the total \$468,000 in accrued interest, or 25% of the Developer fee, in the development budget. The accrued interest is proposed to be financed by a \$330,000 deferral of the Developer fee and paid to Century with Meta's share of the Developer's share of residual receipts. This estimate is \$20,000 higher than the February 2010 estimate due to a higher Developer fee estimate.
2. Interest during construction for the \$3.70 million construction loan is calculated based on the following assumptions:
 - a. A 4.75% interest rate;
 - b. A 24-month construction period and a six-month absorption period; and
 - c. A 50% average outstanding balance.
 - d. The \$264,000 estimate is \$9,000 higher than the February 2010 estimate.
3. Financing fees are estimated based on the following:
 - a. Construction Loan – \$82,000, or 2.22 Points; and
 - b. Permanent Loan – \$53,000, or 6.80 Points. The higher than typical permanent loan fees are a result of the limited size of the permanent loan and that the Developer has yet to secure a permanent lender for the LIHTC Project.
 - c. The financing fees are estimated to be \$12,000 lower than the February 2010 estimate.

4. Capitalized reserves are estimated as follows:
 - a. Operating Reserves – Approximately three months of operating expenses and debt service payments, which equates to a \$3,000 increase from February 2010.
 - b. Replacement Reserves - \$256 per unit allowance.
5. Tax Credit fees are estimated at \$41,000, which is a \$44,000 decrease since February 2010.

The total financing costs are estimated to be \$845,000. It should be noted that the Developer has not provided a term sheet from the construction and permanent lenders. Thus, it is likely that the financing costs will be adjusted. The current estimate is \$24,000 lower than the total financing costs estimated in February 2010.

Total Estimated Development Costs

The estimated development costs total \$13.96 million, or \$470 per square foot of GBA, which is \$402,000 lower than the February 2010 estimate. The following summarizes the total estimated development costs:

	August 2010	February 2010	Change in Total Development Costs
Acquisition Costs	\$3,280,000	\$3,280,000	\$0
Direct Costs	6,780,000	6,741,000	39,000
Indirect Costs	3,053,000	3,470,000	(417,000)
Financing Costs	845,000	869,000	(24,000)
Total Development Costs	\$13,958,000	\$14,360,000	(\$402,000)
Per Unit	\$357,900	\$368,200	(\$9,700)
Per Sf GBA	\$470	\$484	(\$14)

Stabilized Net Operating Income (Appendix B – Table 2)

Income Restrictions

The Developer proposes to set-aside 38 units for very-low income households. The LIHTC Project must comply with the income restrictions imposed by the various funding programs. Therefore, the LIHTC Project will be subject to the following income restrictions:

Designated Requirements ⁴	Number of Units	
	1-Bdrm	2-Bdrm
Section 50105 / 30% Median	3	1
Section 50105 / 40% Median	3	1
Section 50105 / 45% Median	2	2
Section 50105 / 50% Median	22	4
Unrestricted (Manager's Unit)	0	1

Affordability Restrictions

The rents applied to the units must reflect the most stringent requirements imposed by the various funding sources.⁵ The 2010 maximum allowable rents, net of the appropriate utility allowances, are as follows:⁶

	One-bedroom Units	Two-bedroom Units
Very-Low Income/30% Median		
Section 50053	\$578	\$639
30% TCAC Rents	\$414	\$489
Applicable Rent	\$414	\$489
Very-Low Income/40% Median		
Section 50053	\$578	\$639
40% TCAC Rents	\$569	\$676
Applicable Rent	\$569	\$639
Very-Low Income/45% Median		
Section 50053	\$578	\$639
45% TCAC Rents	\$647	\$769
Applicable Rent	\$578	\$639
Very-Low Income/50% Median		
Section 50053	\$578	\$639
50% TCAC Rents	\$724	\$862
Applicable Rent	\$578	\$639

Net Operating Income Calculation

The gross rental income, including miscellaneous revenue estimated at \$5 per unit per month, is projected to stabilize at \$286,100. It should be noted that the rents increased due to the increase in the 2010 Median and the utility allowances also changed since the February 2010 analysis. Thus, the gross rental income has increased since the previous analysis. After the

⁴ The LBHDC requires that very-low income units comply with the California Health and Safety Code Section 50105 (Section 50105) as referenced in the table. "Median" refers to the Los Angeles County median income.

⁵ The affordable rents are estimated based on the strictest of: the calculation methodology established under Section 50053 of the Health and Safety Code and Tax Credit rents that are published annually by TCAC.

assumption of a 5% vacancy and collection allowance, KMA estimated the effective gross income (EGI) is estimated to be \$271,790.

KMA reviewed the Developer's proposed operating expense assumptions and determined that the estimates were reasonable. The following summarizes the estimates:

1. General operating expenses are estimated at \$3,800 per unit.
2. Property taxes are estimated at \$5,000 per year, which reflects that the Developer will partner with a non-profit partner to enable the Project to receive a property tax waiver.
3. Activity fees are estimated at \$6,000, or \$154 per unit per year. It should be noted that the tenants of the LIHTC Project will have access to all of the amenities located at the SAC Project.
4. The TOD Rental Loan has a mandatory debt service payment of \$11,680, or 0.42% of the loan amounts.
5. Replacement reserves are estimated at \$600 per unit per year. This estimate is higher than typical but required by HCD.

The total operating expenses are estimated at \$195,300, or \$5,000 per unit. The operating expenses increased due to the inclusion of the TOD debt service payment and increase in the replacement reserves deposit. When the total operating expenses are deducted from the EGI, the net operating income (NOI) is estimated to total \$76,490, which is summarized below.

	August 2010	February 2010	Changes in NOI
Effective Gross Income	\$271,790	\$261,530	\$10,260
(Less) Operating Expenses	(195,300)	(191,630)	(3,670)
Net Operating Income	\$76,490	\$69,900	\$6,590

Financial Gap Analysis (Appendix B – Table 3)

Potential Funding Sources

The following summarizes the potential funding sources:

⁶ Monthly utility allowances: \$52/1-bdrm units and \$70/2-bdrm units.

Conventional Financing

As previously discussed, the LIHTC Project will be financed with a \$3.70 million loan during the construction period. The permanent financing was estimated by the Developer based upon the following assumptions:

1. A 1.20 debt coverage ratio, which results in a \$63,740 annual debt service payment;
2. A 7.25% interest rate; and
3. A 30-year amortization period.

The resulting permanent loan is estimated at \$779,000. This estimate is \$85,000 higher than the February 2010 estimate due to the increase in rents.

Low Income Housing Tax Credit Equity

The Developer applied for the competitively awarded 9% Tax Credits during the second round of 2010. The following describes the Tax Credit equity Calculation:

1. Tax Credit Basis Calculation: It can be assumed that the Project's eligible Tax Credit basis is equal to the lesser of the depreciable costs for the Tax Credit units, or the basis limits established by TCAC. KMA and the Developer calculated the eligible Tax Credits basis as follows:
 - a. The Project's depreciable costs total \$10.16 million.
 - b. The basis limits applied by TCAC equal \$9.87 million.
 - c. The depreciable costs are less than the TCAC basis limits. As such, the eligible Tax Credit basis estimated at \$9.87 million. However, to increase the competitiveness of the Project, the Developer plans to deduct \$5.80 million from the eligible basis. This is an increase from the \$1.30 million deducted in the Developer's first TCAC application which did not receive an allocation. The increase in deduction will increase the Project's tie-breaker from approximately 86% to approximately 134%.
2. Net Tax Credit Proceeds Calculation:
 - a. The gross Tax Credit amount supported by the proposed Project is calculated at \$4.76 million based on the following assumptions:
 - i. The Project is located in a "Difficult to Develop" census tract. This allows the eligible Tax Credit basis to be increased by 30%.

ii. The current Tax Credit application sets the annual Tax Credit rate at 9.00%. This rate is applied to the 10-year Tax Credit period.

b. The net syndication value supported by the Tax Credits is ultimately determined based on competitive market conditions and on the timing of the disbursements. Based on the Developer's assumption that 15% of the proceeds will be funded at the completion of construction, the Tax Credit equity rate is estimated at \$0.80 per Tax Credit, which is an increase from the \$0.74 estimate in February 2010.

Therefore, the net Tax Credit proceeds are estimated at \$3.81 million, of which \$572,000 will be available during the construction period. As previously discussed, the Developer has not provided an official term sheet from the Tax Credit Investor. The current estimate for Tax Credit proceeds is \$3.33 million lower than the February 2010 estimate due to the reduction in the Eligible Basis to make the application more competitive.

HCD Funds

The Developer received approval from HCD to allocate the HCD funds as follows:

TOD Rental Loan	\$2,782,000
TOD Infrastructure Grant	1,771,000
Infill Infrastructure Grant	1,973,000
Total HCD Funds	\$6,526,000

It should be noted that the TOD Rental Loan proceeds will not be available during the construction period.

AHP Loan

The Developer has been awarded \$380,000 in AHP funds. These loan proceeds will be available during the construction period.

Deferred Costs

During the construction period, the Developer estimates that \$656,000 of the total development costs, or 5%, can be deferred during the construction period. The Developer proposes to defer \$555,000 of the Developer fee.

Total Potential Funding Sources

The following summarizes the total potential funding sources during the construction period and at permanent loan closing:

	August 2010	February 2010	Changes in Construction Period Sources
Construction Loan	\$3,700,000	\$4,982,000	(\$1,282,000)
Tax Credit Equity	572,000	2,143,000	(1,571,000)
TOD Infrastructure Grant	1,771,000	0	1,771,000
Infill Infrastructure Grant	1,973,000	0	1,973,000
AHP Loan	380,000	0	380,000
Deferred Costs	656,000	1,022,000	(366,000)
Total Potential Funding Sources	\$9,052,000	\$8,147,000	\$905,000

	August 2010	February 2010	Changes in Permanent Period Sources
Conventional Financing	\$779,000	\$694,000	\$85,000
Tax Credit Equity	3,811,000	7,143,000	(3,332,000)
TOD Rental Loan	2,782,000	0	2,782,000
TOD Infrastructure Grant	1,771,000	0	1,771,000
Infill Infrastructure Grant	1,973,000	2,782,000	(809,000)
AHP Loan	380,000	0	380,000
Deferred Costs	555,000	310,000	245,000
Total Potential Funding Sources	\$12,051,000	\$10,929,000	\$1,122,000

The Developer has not provided terms sheets for the construction and permanent loans as well as from the Tax Credit Investor. Therefore, the availability of these funding sources cannot be verified.

Financial Gap Calculation

The following summarizes the estimated financial gap during the construction period and at permanent loan closing:

	August 2010	February 2010	Changes in Construction Financial Gap
Total Development Costs	\$13,958,000	\$14,360,000	(\$402,000)
(Less) Funding Sources	(9,052,000)	(8,147,000)	(905,000)
Financial Gap	\$4,906,000	\$6,213,000	(\$1,307,000)
Per Affordable Unit	\$129,100	\$163,500	(\$34,400)

	August 2010	February 2010	Changes in Permanent Financial Gap
Total Development Costs	\$13,958,000	\$14,360,000	(\$402,000)
(Less) Funding Sources	(12,051,000)	(10,929,000)	(1,122,000)
Financial Gap	\$1,907,000	\$3,431,000	(\$1,524,000)
Per Affordable Unit	\$50,200	\$90,300	(\$40,100)

Therefore, it is concluded that the maximum warranted LBHDC assistance is \$4.91 million, or \$129,100 per affordable unit. In addition, once 100% of the proposed funding sources are in place at the closing of the permanent loan, the financial gap is anticipated to decrease to \$1.91 million, or \$50,200 per affordable unit.

PROPOSED DEAL TERMS

The following summarizes the proposed deal terms:

1. LBHDC will provide up to \$4.91 million as a residual receipts loan to the Project (LBHDC Loan) with the following terms:
 - a. A 3% simple interest rate;
 - b. A 55-year term, at which time the remaining balance of the LBHDC Loan will be due and payable;
 - c. Secured by a second trust deed on the LIHTC Parcel;
 - d. Annual payments equal to 25% of the residual receipts; and
 - e. At the permanent loan closing, the Developer will pay down the LBHDC Loan to approximately \$1.91 million.

CASH FLOW ANALYSIS (APPENDIX B – TABLE 4)

KMA also conducted a cash flow analysis to estimate the present value of the debt service payments to the LBHDC. The following describes the basic cash flow assumptions:

1. Year 1 is based on the pro forma rent and expense assumptions presented in the stabilized analysis (Table 2). The affordable rents are assumed to increase at 2% per year.
2. A 5% vacancy and collection allowance is provided.
3. The general operating expenses and resident service expenses are increased at 3% per year.
4. The property taxes are increased at 2% annually.
5. The replacement reserve is held constant over the life for the Project.
6. Asset management fees are set at \$5,000 per year through Year 15.

7. General partnership management fees are set at \$5,000 per year and will be held constant over the life of the Project.
8. The following illustrates the proposed residual receipts distribution:
 - a. Twenty-five percent (25%) of the residual receipts are applied to the LBHDC Loan; and
 - b. The remaining 75% of the residual receipts will be allocated to the Developer, of which 75%, Meta's portion of the Developer's residual receipts, will be applied to the deferred Developer fee.

The following summarizes the cash flow analysis findings:

1. The LBHDC Loan is not projected to be repaid during the 55-year loan term. In fact, the loan will negatively amortize and have a \$4.64 million balance in Year 55.
2. In Year 54, the operating reserve funds are expected to be required to assist in making the contingent payments.
3. Finally, the Developer proposes that the \$555,000 deferred Developer fee be repaid out of Meta's share of the Developer's residual receipts. As such, it is estimated that the deferred Developer fee would be repaid within 36 years. While an investor typically requires any deferred Developer fee to be repaid within 15 years, this should not be an issue given the lower than typical amount of Eligible Basis.

SUMMARY AND CONCLUSION

The following summarizes the conclusions of the KMA analysis:

1. The warranted financial assistance is estimated at up to \$4.91 million, which is a \$1.31 million decrease from the February 2010 approved assistance.
2. The proposed deal terms are appropriate for the proposed Project.

In conclusion, given the risks outlined in this analysis, it is recommended that the LBHDC only approve the request for financial assistance to the LIHTC Project with the condition that all outside funding sources are secured and documented.

APPENDIX B - TABLE 1

ESTIMATED DEVELOPMENT COSTS
 LONG BEACH & ANAHEIM: PHASE I - LIHTC PROJECT
 LONG BEACH, CALIFORNIA

I. Land Assemblage Costs					
Acquisition Costs	16,220	Sf Land	\$202 /Sf Land		\$3,280,000
Closing Costs	0%	Purchase Price			-
Total Land Assemblage Costs	16,220	Sf Land	\$202 /Unit		\$3,280,000
III. Direct Costs ¹					
Off-site Improvements ²		Allowance			\$244,000
Demolition Costs	16,220	Sf Land	\$0 /Sf Land		-
On-site Improvements	16,220	Sf Land	\$19 /Sf Land		311,000
Phase II Improvements			\$21,000 Allowance		21,000
Parking Costs	43	Spaces	\$41,860 /Space		1,800,000
Shell Costs	29,684	Sf GBA	\$97 /Sf GBA		2,888,000
Furnishings, Fixtures & Equipment	39	Units	\$1,083 /Unit		42,000
Contractor Fees / General Requirements	14%	Construction Costs			737,000
Crane & Manlift		Allowance			429,000
Construction Bonds	1%	Construction Costs			45,000
Contingency Allowance	4%	Other Direct Costs			263,000
Total Direct Costs	29,684	Sf GBA	\$228 /Sf GBA		\$6,780,000
IV. Indirect Costs					
Architecture, Engineering & Consulting ³	15%	Direct Costs			\$1,022,000
Permits & Fees ⁴	39	Units	\$4,123 /Unit		160,000
Taxes, Legal & Accounting ³	6%	Direct Costs			377,000
Insurance ⁵	39	Units	\$1,550 /Unit		60,000
Marketing & Leasing ⁵	39	Units	\$625 /Unit		24,000
Developer Fee ⁶					1,320,000
Contingency Allowance ⁵	3%	Other Indirects			90,000
Total Indirect Costs					\$3,053,000
V. Financing Costs					
Century Land Loan Accrued Interest	\$1,320,000	Developer Fee	25% of Developer Fee		\$330,000
Interest During Construction ⁷	\$3,700,000	Loan Amount	4.75% Interest		264,000
Financing Fees ⁵					
Construction Loan	\$3,700,000	Loan Amount	2.22 Points		82,000
Permanent Loan	\$779,000	Loan Amount	6.80 Points		53,000
Reserves ⁵					
Operating		3 Months of Operating Expenses			65,000
Replacement	39	Units	\$256 /Unit		10,000
TCAC Fees ⁵					41,000
Total Financing Costs					\$845,000
VI. Total Development Costs	29,684	Sf GBA	\$470 /Sf GBA		\$13,958,000

¹ Based on Developer estimate; includes a premium for prevailing wage requirement.

²

Based on Developer's allocation of off-site improvement costs; assumes City approves waiving the Long Beach Boulevard Improvements at a later date.

³ Based on Developer's estimates and costs approved by LBHDC Board in February 2010.

⁴ Based on Developer's estimates and reviewed by City staff.

⁵ Based on Developer estimate.

⁶ Equal to the amount identified by the Developer; amount is equal to the maximum amount allowed by TCAC.

⁷ Assumes a 24-month construction term and a 6-month absorption term; approximately \$0 in NOI during absorption; and an average outstanding balance of 50%.

APPENDIX B - TABLE 2

**STABILIZED NET OPERATING INCOME
LONG BEACH & ANAHEIM: PHASE I - LIHTC PROJECT
LONG BEACH, CALIFORNIA**

I. <u>Gross Residential Income</u>¹				
Manager's Unit	1	Unit	\$1,864 /Unit/Month	\$22,370
<u>VL Inc Redev/Tax Credit @ 30% Median</u>				
1-Bedroom Units @ (585-Sf)	3	Unit	\$414 /Unit/Month	14,900
2-Bedroom Units @ (858-Sf)	1	Unit	\$489 /Unit/Month	5,870
<u>VL Inc Redev/Tax Credit @ 40% Median</u>				
1-Bedroom Units @ (585-Sf)	3	Units	\$569 /Unit/Month	20,480
2-Bedroom Units @ (858-Sf)	1	Units	\$639 /Unit/Month	7,670
<u>VL Inc Redev/Tax Credit @ 45% Median</u>				
1-Bedroom Units @ (585-Sf)	2	Units	\$578 /Unit/Month	13,870
2-Bedroom Units @ (858-Sf)	2	Units	\$639 /Unit/Month	15,340
<u>VL Inc Redev/Tax Credit @ 50% Median</u>				
1-Bedroom Units @ (585-Sf)	22	Units	\$578 /Unit/Month	152,590
2-Bedroom Units @ (858-Sf)	4	Units	\$639 /Unit/Month	30,670
Laundry/Miscellaneous Income ²	39	Units	\$5 /Unit/Month	2,340
Gross Residential Income	39	Units		<u>\$286,100</u>
(Less) Vacancy & Collection Allowance	5%	Gross Income		<u>(14,310)</u>
Effective Gross Income				\$271,790
II. <u>Operating Expenses</u>²				
General Operating Expenses	39	Units	\$3,826 /Unit	\$149,220
Property Taxes	39	Units	\$128 /Unit	5,000
Activity Fee	39	Units	\$154 /Unit	6,000
TOD Loan Fee	\$2,782,000	TOD Rental Loan	0.42% TOD Rental Loan	11,680
Operating Reserve	39	Units	\$0 /Unit	-
Replacement Reserve	39	Units	\$600 /Unit	<u>23,400</u>
Total Operating Expenses	39	Units	\$5,000 /Unit	\$195,300
III. <u>Net Operating Income</u>				\$76,490

¹ Based on LA County 2010 incomes distributed by HUD/HCD. The rents are based on the more stringent of California Health & Safety Code Section 50053 and rents published by TCAC. Efficient utility allowances per the Long Beach Housing Authority are \$52/1-bedroom units and \$70/2-bedroom units.

² Based on Developer's estimates.

APPENDIX B - TABLE 3

FINANCIAL GAP ANALYSIS
 LONG BEACH & ANAHEIM: PHASE I - LIHTC PROJECT
 LONG BEACH, CALIFORNIA

I. Potential Funding Sources - Construction				
A.	Construction Loan			\$3,700,000
B.	Tax Credit Equity	15%	of Total Tax Credit Equity	\$572,000
C.	TOD Infrastructure Grant			\$1,771,000
D.	Infill Infrastructure Grant			\$1,973,000
E.	AHP Loan			\$380,000
F.	Deferred Costs ¹			\$656,000
Total Potential Funding Sources - Construction				\$9,052,000
II. Financial Gap Calculation - Construction Period				
Total Development Costs				\$13,958,000
(Less) Total Potential Funding Sources				(9,052,000)
Financial Gap - Construction		38 Affordable Units	\$129,100 /Affordable Unit	\$4,906,000
III. Potential Funding Sources - Permanent				
A. Supportable Permanent Financing				
	Net Operating Income	\$76,490	NOI (See Table 2)	
	Income Available for Mortgage	1.20	DCR	\$63,742 Debt Service
	Interest Rate/Mortgage Constant	7.25%	Interest	8.19% Constant
Supportable Permanent Financing				\$779,000
B. Tax Credit Equity ²				
	Gross Tax Credit Value	\$4,763,648		
	Syndication Rate	80.00%	/Tax Credit Dollar	
Net Tax Credit Equity				\$3,811,000
C. HCD Funds				
	TOD Rental Loan			\$2,782,000
	TOD Infrastructure Grant			1,771,000
	Infill Infrastructure Grant			1,973,000
Total HCD Funds				\$6,526,000
D.	AHP Loan			\$380,000
E.	Deferred Developer Fee ¹	42%	Developer Fee	\$555,000
Total Potential Funding Sources - Permanent				\$12,051,000
II. Financial Gap Calculation - Permanent				
Total Development Costs				\$13,958,000
(Less) Total Potential Funding Sources				(12,051,000)
Financial Gap - Permanent		38 Affordable Units	\$50,200 /Affordable Unit	\$1,907,000

¹ Based on Developer's estimate.

² \$9.88 million eligible basis; a voluntary reduction of \$5,803,572 of the eligible basis to maximize evaluation points; a 130% difficult to develop premium; a 9.00% Tax Credit rate; and an applicable fraction of 100%.

APPENDIX B - TABLE 4

CASH FLOW ANALYSIS
LONG BEACH & ANAHEIM: PHASE I - LIHTC PROJECT
LONG BEACH, CALIFORNIA

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
I. Project Revenue										
Gross Rental Income	\$283,760	\$289,435	\$295,224	\$301,128	\$307,151	\$313,294	\$319,560	\$325,951	\$332,470	\$339,119
Miscellaneous Income	<u>2,340</u>	<u>2,387</u>	<u>2,435</u>	<u>2,483</u>	<u>2,533</u>	<u>2,584</u>	<u>2,635</u>	<u>2,688</u>	<u>2,742</u>	<u>2,797</u>
Gross Income	\$286,100	\$291,822	\$297,658	\$303,612	\$309,684	\$315,878	\$322,195	\$328,639	\$335,212	\$341,916
(Less) Vacancy & Collection	<u>(14,305)</u>	<u>(14,591)</u>	<u>(14,883)</u>	<u>(15,181)</u>	<u>(15,484)</u>	<u>(15,794)</u>	<u>(16,110)</u>	<u>(16,432)</u>	<u>(16,761)</u>	<u>(17,096)</u>
Effective Gross Income	\$271,795	\$277,231	\$282,776	\$288,431	\$294,200	\$300,084	\$306,085	\$312,207	\$318,451	\$324,820
II. Operating Expenses										
General Operating Expenses	\$149,220	\$153,697	\$158,307	\$163,057	\$167,948	\$172,987	\$178,176	\$183,522	\$189,027	\$194,698
Property Taxes	5,000	5,100	5,202	5,306	5,412	5,520	5,631	5,743	5,858	5,975
Activity Fee	6,000	6,180	6,365	6,556	6,753	6,956	7,164	7,379	7,601	7,829
Replacement Reserve	<u>23,400</u>	<u>23,400</u>	<u>23,400</u>	<u>23,400</u>	<u>23,400</u>	<u>23,400</u>	<u>23,400</u>	<u>23,400</u>	<u>23,400</u>	<u>23,400</u>
Total Operating Expenses	\$183,620	\$188,377	\$193,275	\$198,319	\$203,514	\$208,863	\$214,372	\$220,044	\$225,886	\$231,902
III. Net Operating Income	\$88,175	\$88,854	\$89,501	\$90,112	\$90,686	\$91,221	\$91,714	\$92,163	\$92,565	\$92,918
Operating Reserve Advances	0	0	0	0	0	0	0	0	0	0
(Less) Debt Service	<u>(63,742)</u>	<u>(63,742)</u>	<u>(63,742)</u>	<u>(63,742)</u>	<u>(63,742)</u>	<u>(63,742)</u>	<u>(63,742)</u>	<u>(63,742)</u>	<u>(63,742)</u>	<u>(63,742)</u>
Available CF for Distribution	\$24,433	\$25,113	\$25,759	\$26,370	\$26,944	\$27,479	\$27,972	\$28,421	\$28,823	\$29,176
IV. Contingent Payments										
Asset Management Fee	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)
General Partnership Fee	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
LBHDC Loan	<u>(3,608)</u>	<u>(3,778)</u>	<u>(3,940)</u>	<u>(4,093)</u>	<u>(4,236)</u>	<u>(4,370)</u>	<u>(4,493)</u>	<u>(4,605)</u>	<u>(4,706)</u>	<u>(4,794)</u>
V. Cash Flow to Developer	\$10,825	\$11,334	\$11,819	\$12,278	\$12,708	\$13,109	\$13,479	\$13,816	\$14,117	\$14,382
Net Present Value 8%	\$8,119	\$8,501	\$8,864	\$9,208	\$9,531	\$9,832	\$10,109	\$10,362	\$10,588	\$10,787
CF Applied to Deferred Dev Fee	\$134,894									
VI. Operating Reserve										
Beginning Balance	\$65,000	\$65,650	\$66,307	\$66,970	\$67,639	\$68,316	\$68,999	\$69,689	\$70,386	\$71,090
Interest Income	650	657	663	670	676	683	690	697	704	711
Payments	0	0	0	0	0	0	0	0	0	0
Ending Balance	65,650	66,307	66,970	67,639	68,316	68,999	69,689	70,386	71,090	71,800
VII. LBHDC Loan										
Beginning Balance	\$1,907,000	\$1,960,602	\$2,014,034	\$2,067,304	\$2,120,421	\$2,173,395	\$2,226,235	\$2,278,952	\$2,331,557	\$2,384,061
Balance for Interest Calculation	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000
Interest	57,210	57,210	57,210	57,210	57,210	57,210	57,210	57,210	57,210	57,210
Payment	(3,608)	(3,778)	(3,940)	(4,093)	(4,236)	(4,370)	(4,493)	(4,605)	(4,706)	(4,794)
Ending Balance	1,960,602	2,014,034	2,067,304	2,120,421	2,173,395	2,226,235	2,278,952	2,331,557	2,384,061	2,436,477

APPENDIX B - TABLE 4

CASH FLOW ANALYSIS
LONG BEACH & ANAHEIM: PHASE I - LIHTC PROJECT
LONG BEACH, CALIFORNIA

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
I. Project Revenue										
Gross Rental Income	\$345,902	\$352,820	\$359,876	\$367,074	\$374,415	\$381,904	\$389,542	\$397,333	\$405,279	\$413,385
Miscellaneous Income	2,852	2,909	2,968	3,027	3,088	3,149	3,212	3,277	3,342	3,409
Gross Income	\$348,754	\$355,729	\$362,844	\$370,101	\$377,503	\$385,053	\$392,754	\$400,609	\$408,621	\$416,794
(Less) Vacancy & Collection	(17,438)	(17,786)	(18,142)	(18,505)	(18,875)	(19,253)	(19,638)	(20,030)	(20,431)	(20,840)
Effective Gross Income	\$331,317	\$337,943	\$344,702	\$351,596	\$358,628	\$365,800	\$373,116	\$380,579	\$388,190	\$395,954
II. Operating Expenses										
General Operating Expenses	\$200,539	\$206,555	\$212,752	\$219,135	\$225,709	\$232,480	\$239,454	\$246,638	\$254,037	\$261,658
Property Taxes	6,095	6,217	6,341	6,468	6,597	6,729	6,864	7,001	7,141	7,284
Activity Fee	8,063	8,305	8,555	8,811	9,076	9,348	9,628	9,917	10,215	10,521
Replacement Reserve	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400
Total Operating Expenses	\$238,098	\$244,478	\$251,048	\$257,814	\$264,782	\$271,957	\$279,346	\$286,956	\$294,793	\$302,863
III. Net Operating Income	\$93,219	\$93,465	\$93,654	\$93,782	\$93,846	\$93,843	\$93,770	\$93,622	\$93,397	\$93,091
Operating Reserve Advances	0	0	0	0	0	0	0	0	0	0
(Less) Debt Service	(63,742)	(63,742)	(63,742)	(63,742)	(63,742)	(63,742)	(63,742)	(63,742)	(63,742)	(63,742)
Available CF for Distribution	\$29,477	\$29,724	\$29,912	\$30,040	\$30,104	\$30,102	\$30,028	\$29,881	\$29,656	\$29,349
IV. Contingent Payments										
Asset Management Fee	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)	\$0	\$0	\$0	\$0	\$0
General Partnership Fee	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
LBHDC Loan	(4,869)	(4,931)	(4,978)	(5,010)	(5,026)	(6,275)	(6,257)	(6,220)	(6,164)	(6,087)
Cash Flow to Developer	\$14,608	\$14,793	\$14,934	\$15,030	\$15,078	\$18,826	\$18,771	\$18,661	\$18,492	\$18,262
Net Present Value 8%	\$10,956	\$11,095	\$11,201	\$11,273	\$11,309	\$14,120	\$14,078	\$13,995	\$13,869	\$13,696
CF Applied to Deferred Dev Fee										
CF Applied to Deferred Dev Fee	\$134,894									
VI. Operating Reserve										
Beginning Balance	\$71,800	\$72,518	\$73,244	\$73,976	\$74,716	\$75,463	\$76,218	\$76,980	\$77,750	\$78,527
Interest Income	718	725	732	740	747	755	762	770	777	785
Payments	0	0	0	0	0	0	0	0	0	0
Ending Balance	72,518	73,244	73,976	74,716	75,463	76,218	76,980	77,750	78,527	79,312
VII. LBHDC Loan										
Beginning Balance	\$2,436,477	\$2,488,818	\$2,541,097	\$2,593,329	\$2,645,529	\$2,697,713	\$2,748,647	\$2,799,600	\$2,850,590	\$2,901,636
Balance for Interest Calculation	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000
Interest	57,210	57,210	57,210	57,210	57,210	57,210	57,210	57,210	57,210	57,210
Payment	(4,869)	(4,931)	(4,978)	(5,010)	(5,026)	(6,275)	(6,257)	(6,220)	(6,164)	(6,087)
Ending Balance	2,488,818	2,541,097	2,593,329	2,645,529	2,697,713	2,748,647	2,799,600	2,850,590	2,901,636	2,952,759

APPENDIX B - TABLE 4

CASH FLOW ANALYSIS
LONG BEACH & ANAHEIM: PHASE I - LIHTC PROJECT
LONG BEACH, CALIFORNIA

	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
I. Project Revenue										
Gross Rental Income	\$421,652	\$430,085	\$438,687	\$447,461	\$456,410	\$465,538	\$474,849	\$484,346	\$494,033	\$503,914
Miscellaneous Income	3,477	3,547	3,618	3,690	3,764	3,839	3,916	3,994	4,074	4,155
Gross Income	\$425,130	\$433,632	\$442,305	\$451,151	\$460,174	\$469,377	\$478,765	\$488,340	\$498,107	\$508,069
(Less) Vacancy & Collection	(21,256)	(21,682)	(22,115)	(22,558)	(23,009)	(23,469)	(23,938)	(24,417)	(24,905)	(25,403)
Effective Gross Income	\$403,873	\$411,951	\$420,190	\$428,593	\$437,165	\$445,909	\$454,827	\$463,923	\$473,202	\$482,666
II. Operating Expenses										
General Operating Expenses	\$269,508	\$277,593	\$285,921	\$294,499	\$303,334	\$312,434	\$321,807	\$331,461	\$341,405	\$351,647
Property Taxes	7,430	7,578	7,730	7,884	8,042	8,203	8,367	8,534	8,705	8,879
Activity Fee	10,837	11,162	11,497	11,842	12,197	12,563	12,940	13,328	13,728	14,139
Replacement Reserve	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400
Total Operating Expenses	\$311,174	\$319,733	\$328,547	\$337,625	\$346,972	\$356,599	\$366,513	\$376,723	\$387,237	\$398,065
III. Net Operating Income										
Operating Reserve Advances	\$92,699	\$92,217	\$91,642	\$90,969	\$90,193	\$89,309	\$88,313	\$87,200	\$85,964	\$84,600
(Less) Debt Service	0	0	0	0	0	0	0	0	0	0
	(63,742)	(63,742)	(63,742)	(63,742)	(63,742)	(63,742)	(63,742)	(63,742)	(63,742)	(63,742)
Available CF for Distribution	\$28,957	\$28,476	\$27,900	\$27,227	\$26,451	\$25,568	\$24,572	\$23,459	\$22,223	\$20,859
IV. Contingent Payments										
Asset Management Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
General Partnership Fee	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
LBHDC Loan	(5,989)	(5,869)	(5,725)	(5,557)	(5,363)	(5,142)	(4,893)	(4,615)	(4,306)	(3,965)
V. Cash Flow to Developer	\$17,968	\$17,607	\$17,175	\$16,670	\$16,088	\$15,426	\$14,679	\$13,844	\$12,917	\$11,894
Net Present Value 8%	\$13,476	\$13,205	\$12,881	\$12,503	\$12,066	\$11,569	\$11,009	\$10,383	\$9,688	\$8,921
CF Applied to Deferred Dev Fee										
VI. Operating Reserve										
Beginning Balance	\$79,312	\$80,105	\$80,907	\$81,716	\$82,533	\$83,358	\$84,192	\$85,034	\$85,884	\$86,743
Interest Income	793	801	809	817	825	834	842	850	859	867
Payments	0	0	0	0	0	0	0	0	0	0
Ending Balance	80,105	80,907	81,716	82,533	83,358	84,192	85,034	85,884	86,743	87,610
VII. LBHDC Loan										
Beginning Balance	\$2,952,759	\$3,003,980	\$3,055,321	\$3,106,806	\$3,158,459	\$3,210,306	\$3,262,374	\$3,314,691	\$3,367,287	\$3,420,191
Balance for Interest Calculation	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000
Interest	57,210	57,210	57,210	57,210	57,210	57,210	57,210	57,210	57,210	57,210
Payment	(5,989)	(5,869)	(5,725)	(5,557)	(5,363)	(5,142)	(4,893)	(4,615)	(4,306)	(3,965)
Ending Balance	3,003,980	3,055,321	3,106,806	3,158,459	3,210,306	3,262,374	3,314,691	3,367,287	3,420,191	3,473,436

APPENDIX B - TABLE 4

CASH FLOW ANALYSIS
LONG BEACH & ANAHEIM: PHASE I - LIHTC PROJECT
LONG BEACH, CALIFORNIA

	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
I. Project Revenue										
Gross Rental Income	\$513,992	\$524,272	\$634,757	\$545,452	\$556,361	\$567,489	\$578,838	\$590,415	\$602,224	\$614,268
Miscellaneous Income	4,239	4,323	4,410	4,498	4,588	4,680	4,773	4,869	4,966	5,066
Gross Income	\$518,231	\$528,595	\$639,167	\$549,950	\$560,949	\$572,168	\$583,612	\$595,284	\$607,190	\$619,333
(Less) Vacancy & Collection	(25,912)	(26,430)	(26,958)	(27,498)	(28,047)	(28,608)	(29,181)	(29,764)	(30,359)	(30,967)
Effective Gross Income	\$492,319	\$502,165	\$512,209	\$522,453	\$532,902	\$543,560	\$554,431	\$565,520	\$576,830	\$588,367
	102.0%									
	102.0%									
	5%									
ii. Operating Expenses										
General Operating Expenses	\$362,196	\$373,062	\$384,254	\$395,781	\$407,655	\$419,885	\$432,481	\$445,456	\$458,819	\$472,584
Property Taxes	9,057	9,238	9,423	9,611	9,803	9,999	10,199	10,403	10,611	10,824
Activity Fee	14,564	15,000	15,450	15,914	16,391	16,883	17,390	17,911	18,449	19,002
Replacement Reserve	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400
Total Operating Expenses	\$409,216	\$420,700	\$432,527	\$444,707	\$457,250	\$470,167	\$483,470	\$497,170	\$511,279	\$525,810
iii. Net Operating Income	\$83,103	\$81,465	\$79,682	\$77,746	\$75,652	\$73,393	\$70,961	\$68,349	\$65,551	\$62,557
Operating Reserve Advances	0	0	0	0	0	0	0	0	0	0
(Less) Debt Service	0	0	0	0	0	0	0	0	0	0
Available CF for Distribution	\$83,103	\$81,465	\$79,682	\$77,746	\$75,652	\$73,393	\$70,961	\$68,349	\$65,551	\$62,557
IV. Contingent Payments										
Asset Management Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
General Partnership Fee	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
LBHDC Loan	(19,526)	(19,116)	(18,670)	(18,187)	(17,663)	(17,098)	(16,490)	(15,837)	(15,138)	(14,389)
V. Cash Flow to Developer	\$58,577	\$57,349	\$56,011	\$54,560	\$52,989	\$51,295	\$49,471	\$47,512	\$45,413	\$43,168
Net Present Value 8%	\$43,933	\$43,012	\$42,008	\$40,920	\$39,742	\$8,192	\$0	\$0	\$0	\$0
CF Applied to Deferred Dev Fee										
VI. Operating Reserve										
Beginning Balance	\$87,610	\$88,486	\$89,371	\$90,265	\$91,168	\$92,079	\$93,000	\$93,930	\$94,869	\$95,818
Interest Income	876	885	894	903	912	921	930	939	949	958
Payments	0	0	0	0	0	0	0	0	0	0
Ending Balance	88,486	89,371	90,265	91,168	92,079	93,000	93,930	94,869	95,818	96,776
VII. LBHDC Loan										
Beginning Balance	\$3,473,436	\$3,511,121	\$3,549,214	\$3,587,754	\$3,626,777	\$3,666,324	\$3,706,436	\$3,747,156	\$3,788,529	\$3,830,601
Balance for Interest Calculation	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000
Interest	57,210	57,210	57,210	57,210	57,210	57,210	57,210	57,210	57,210	57,210
Payment	(19,526)	(19,116)	(18,670)	(18,187)	(17,663)	(17,098)	(16,490)	(15,837)	(15,138)	(14,389)
Ending Balance	3,511,121	3,549,214	3,587,754	3,626,777	3,666,324	3,706,436	3,747,156	3,788,529	3,830,601	3,873,422

APPENDIX B - TABLE 4

CASH FLOW ANALYSIS
LONG BEACH & ANAHEIM: PHASE I - LIHTC PROJECT
LONG BEACH, CALIFORNIA

	Year 41	Year 42	Year 43	Year 44	Year 45	Year 46	Year 47	Year 48	Year 49	Year 50
I. Project Revenue										
Gross Rental Income	\$626,553	\$639,084	\$651,866	\$664,903	\$678,201	\$691,766	\$705,601	\$719,713	\$734,107	\$748,789
Miscellaneous Income	5,167	5,270	5,376	5,483	5,593	5,705	5,819	5,935	6,054	6,175
Gross Income	\$631,720	\$644,355	\$657,242	\$670,386	\$683,794	\$697,470	\$711,419	\$725,648	\$740,161	\$754,964
(Less) Vacancy & Collection	(31,586)	(32,218)	(32,862)	(33,519)	(34,190)	(34,874)	(35,571)	(36,282)	(37,008)	(37,748)
Effective Gross Income	\$600,134	\$612,137	\$624,380	\$636,867	\$649,604	\$662,597	\$675,849	\$689,365	\$703,153	\$717,216
	102.0%									
	102.0%									
	5%									
II. Operating Expenses										
General Operating Expenses	\$486,761	\$501,364	\$516,405	\$531,897	\$547,854	\$564,290	\$581,218	\$598,655	\$616,615	\$635,113
Property Taxes	11,040	11,261	11,486	11,716	11,950	12,189	12,433	12,682	12,935	13,194
Activity Fee	19,572	20,159	20,764	21,387	22,029	22,690	23,370	24,071	24,794	25,537
Replacement Reserve	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400
Total Operating Expenses	\$540,774	\$556,185	\$572,055	\$588,400	\$605,233	\$622,569	\$640,422	\$658,808	\$677,743	\$697,244
III. Net Operating Income										
Operating Reserve Advances	\$59,360	\$55,952	\$52,324	\$48,467	\$44,371	\$40,028	\$35,427	\$30,557	\$25,409	\$19,971
(Less) Debt Service	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
Available CF for Distribution	\$59,360	\$55,952	\$52,324	\$48,467	\$44,371	\$40,028	\$35,427	\$30,557	\$25,409	\$19,971
IV. Contingent Payments										
Asset Management Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
General Partnership Fee	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
LBHDC Loan	(13,590)	(12,738)	(11,831)	(10,867)	(9,843)	(8,757)	(7,607)	(6,389)	(5,102)	(3,743)
V. Cash Flow to Developer	\$40,770	\$38,214	\$35,493	\$32,600	\$29,529	\$26,271	\$22,820	\$19,168	\$15,307	\$11,229
Net Present Value 8%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CF Applied to Deferred Dev Fee	\$134,894									
VI. Operating Reserve										
Beginning Balance	\$96,776	\$97,744	\$98,721	\$99,709	\$100,706	\$101,713	\$102,730	\$103,757	\$104,795	\$105,843
Interest Income	968	977	987	997	1,007	1,017	1,027	1,038	1,048	1,058
Payments	0	0	0	0	0	0	0	0	0	0
Ending Balance	97,744	98,721	99,709	100,706	101,713	102,730	103,757	104,795	105,843	106,901
VII. LBHDC Loan										
Beginning Balance	\$3,873,422	\$3,917,041	\$3,961,513	\$4,006,892	\$4,053,236	\$4,100,603	\$4,149,056	\$4,198,659	\$4,249,480	\$4,301,587
Balance for Interest Calculation	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000
Interest	57,210	57,210	57,210	57,210	57,210	57,210	57,210	57,210	57,210	57,210
Payment	(13,590)	(12,738)	(11,831)	(10,867)	(9,843)	(8,757)	(7,607)	(6,389)	(5,102)	(3,743)
Ending Balance	3,917,041	3,961,513	4,006,892	4,053,236	4,100,603	4,149,056	4,198,659	4,249,480	4,301,587	4,355,055

APPENDIX B - TABLE 4

CASH FLOW ANALYSIS
LONG BEACH & ANAHEIM: PHASE I - LIHTC PROJECT
LONG BEACH, CALIFORNIA

	Year 51	Year 52	Year 53	Year 54	Year 55
I. Project Revenue					
Gross Rental Income	\$763,765	\$779,040	\$794,621	\$810,514	\$826,724
Miscellaneous Income	6,298	6,424	6,553	6,684	6,817
Gross Income	\$770,063	\$785,465	\$801,174	\$817,197	\$833,541
(Less) Vacancy & Collection	(38,503)	(39,273)	(40,059)	(40,860)	(41,677)
Effective Gross Income	\$731,560	\$746,191	\$761,115	\$776,338	\$791,864
	102.0%				
	102.0%				
	5%				
II. Operating Expenses					
General Operating Expenses	\$654,166	\$673,791	\$694,005	\$714,825	\$736,270
Property Taxes	13,458	13,727	14,002	14,282	14,567
Activity Fee	26,303	27,093	27,905	28,742	29,605
Replacement Reserve	23,400	23,400	23,400	23,400	23,400
Total Operating Expenses	\$717,328	\$738,011	\$759,312	\$781,249	\$803,842
	\$14,232	\$8,180	\$1,803	(\$4,912)	(\$11,978)
III. Net Operating Income	0	0	0	4,912	11,978
Operating Reserve Advances	0	0	0	0	0
(Less) Debt Service	0	0	0	0	0
Available CF for Distribution	\$14,232	\$8,180	\$1,803	\$0	\$0
IV. Contingent Payments					
Asset Management Fee	\$0	\$0	\$0	\$0	\$0
General Partnership Fee	(5,000)	(5,000)	(1,803)	0	0
LBHDC Loan	(2,308)	(795)	0	0	(4,638,001)
V. Cash Flow to Developer	\$6,924	\$2,385	\$0	\$0	(\$4,638,001)
Net Present Value 8%	\$0	\$0	\$0	\$0	\$0
CF Applied to Deferred Dev Fee	\$134,894				
VI. Operating Reserve					
Beginning Balance	\$106,901	\$107,970	\$109,050	\$110,140	\$106,330
Interest Income	1,069	1,080	1,090	1,101	1,063
Payments	0	0	0	(4,912)	(11,978)
Ending Balance	107,970	109,050	110,140	106,330	95,415
VII. LBHDC Loan					
Beginning Balance	\$4,355,055	\$4,409,956	\$4,466,371	\$4,523,581	\$4,580,791
Balance for Interest Calculation	1,907,000	1,907,000	1,907,000	1,907,000	1,907,000
Interest	57,210	57,210	57,210	57,210	57,210
Payment	(2,308)	(795)	0	0	(4,638,001)
Ending Balance	4,409,956	4,466,371	4,523,581	4,580,791	4,638,001