

MEMORANDUM



The
**Long Beach
Housing
Development
Company**

DATE: March 16, 2011

TO: Board of Directors
The Long Beach Housing Development Company

FROM: *for* *A. Bodek* Amy Bodek, President

PREPARED BY: Meggan Sorensen, Development Project Manager

SUBJECT: **Disposition and Development Agreement and Loan Agreements with Jamboree Housing Corporation for a 14-Unit Rental Rehabilitation Project Located at 1893-1911 Pine Avenue (CD 6)**

RECOMMENDATIONS

1. Authorize the President or designee to negotiate and enter into a Disposition and Development Agreement with Jamboree Housing Corporation for the purchase and rehabilitation of three LBHDC-owned properties located at 1893-1911 Pine Avenue, subject to any approvals required by the Long Beach Redevelopment Agency and the City Council;
2. Approve financial assistance of up to \$5,714,560 to Jamboree Housing Corporation and authorize the President or designee to negotiate the terms of the loans; and
3. Authorize the President or designee to execute any and all documents necessary to implement the Disposition and Development Agreement and Loan Agreements.

BACKGROUND

On September 15, 2010, The Long Beach Housing Development Company (LBHDC) approved an Agreement to Negotiate Exclusively with Jamboree Housing Corporation (Developer) for the rehabilitation of 1893-1911 Pine Avenue. The staff report is attached for your reference (see Attachment 1).

PROJECT DESCRIPTION

The Developer proposes to purchase the three LBHDC-owned properties located at 1893 - 1911 Pine Avenue and rehabilitate and reconfigure the existing substandard structures from 17 units into 14 apartment units,

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AGENDA ITEM NO. 2

Mailing Address:
110 Pine Avenue
Suite 1200
Long Beach, CA 90802
Tel 562/570-6949
Fax 562/570-5921

provide 11 garage and two surface parking spaces, and build a new 480 square foot community room, with a kitchen and bathroom. Each unit will be fully renovated and modernized, including new windows, drywall, fixtures, kitchens, bathrooms and appliances. Four existing units will be combined to create larger floor plans for families. The development will also include laundry facilities, bike racks, a tot-lot, pocket park, community garden and outdoor seating area. Social service programs will be provided to the residents on-site and will also be invited to participate in any social service activities at Puerto del Sol Apartments, another Long Beach development owned and managed by the Developer. The table below shows the proposed unit mix.

Affordability	2 Bedrooms	3 Bedrooms	Total
Very Low	5	-	5
Low	6	2	8
Manager	1		1
Total	12	2	14

REQUEST FOR FINANCIAL ASSISTANCE

The total project cost is estimated at \$5,714,680 or \$408,200 per unit. This amount includes land acquisition costs of \$2,531,880 already incurred by the LBHDC and estimated rehabilitation costs of \$3,182,800. The Developer is requesting a loan from the LBHDC for the full project cost citing that the proposed project cannot support conventional debt and equity contributions due to its size, the affordability restrictions and the Developer's non-profit status.

Staff requested Keyser Marston Associates (KMA) to review the proposal, who concluded that the requested assistance is warranted for the same reason provided by the Developer. KMA's development cost estimate is slightly higher than the Developer's estimate primarily due to additional capitalized operating reserve required in the event the proposed Multi-family Improvement District (MID) is created. KMA's analysis is attached as Attachment 2.

The site is located in the Pine/Locust neighborhood where the City is currently proposing to establish a MID with a goal to reduce crime and revitalize the neighborhood. The proposed MID covers Pine and Locust Avenues between Pacific Coast Highway and 20th Street and will be modeled after the Andy Street MID, whereby property owners will have to agree to assess themselves to fund services they deem necessary to improve their neighborhood. If a MID is not implemented, the financial gap assistance will decrease by \$320,000.

PROPOSED DEAL TERMS

One of the three properties included in the proposed development, 1893 Pine Avenue, was acquired with Neighborhood Stabilization Program (NSP1) funds and was conveyed by the City to the LBHDC for rehabilitation as part of the larger project. Because NSP has different funding guidelines, staff recommends that LBHDC enter into two separate loan agreements with the Developer. One loan will be for up to \$5,336,780 to cover the acquisition costs for 1905-1911 Pine Avenue and the estimated rehabilitation cost of all three properties. The second loan will be for \$377,900, an amount equal to the NSP funds used to acquire 1893 Pine Avenue. The following loan terms are recommended:

- \$5,336,780 loan:
 - Zero interest;
 - 55-year term;
 - Secured by a first trust deed; and
 - Repayment due in full upon expiration of the affordability covenants in year 55

- \$377,900 (NSP) loan:
 - Zero interest;
 - 55-year term;
 - Secured by a second trust deed;
 - Repayment due in full upon expiration of the affordability covenants in year 55; and
 - The LBHDC will transfer the NSP loan repayment to the City/federal government.

Attachments:

- September 15, 2010 Staff Report
- February 4, 2011 KMA Analysis

ET:PU:MS

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The
**Long Beach
 Housing
 Development
 Company**

M E M O R A N D U M

DATE: September 15, 2010.

TO: Board of Directors
 The Long Beach Housing Development Company

FROM: *Ellie Tolentino*
 Ellie Tolentino, Vice President

PREPARED BY: Meggan Sorensen, Development Project Manager

SUBJECT: Agreement to Negotiate Exclusively Between The
 Long Beach Housing Development Company and
 Jamboree Housing Corporation (CD6)

RECOMMENDATIONS

- 1) Authorize the President or designee to enter into an Agreement to Negotiate Exclusively with Jamboree Housing Corporation for a period of 180 days for the rehabilitation of 1893-1911 Pine Avenue; and
- 2) Authorize the President or designee to execute any and all documents necessary to implement the Agreement to Negotiate Exclusively.

BACKGROUND

Jamboree Housing Corporation (Jamboree) has submitted a proposal to rehabilitate three two-story, multifamily buildings located at 1893-1911 Pine Avenue in the Housing Action Plan Central Focus Area. A site map and photos are attached as Attachment A. The proposed development will be 100% affordable and will include 13 low-income rental units, one manager unit, garage parking, a laundry facility, and approximately 8,000 square feet of shared open space.

The Long Beach Housing Development Company (LBHDC) currently owns two of the three buildings, 1905 and 1911 Pine. The City of Long Beach Neighborhood Services Bureau is currently in escrow for the acquisition of 1893 Pine Avenue using Neighborhood Stabilization Program 1 funds. All three buildings are severely blighted, include a multitude of illegal conversions, and are unsafe for occupancy. The total

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Mailing Address:
 110 Pine Avenue
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 Fax 562/570-5921

development site is approximately 20,250 square feet, with 12,767 square feet of existing building area. The structures currently contain 17 units and 38 bedrooms, though it appears that 1 unit is an illegal garage conversion and 9 bedrooms result from other types of non-permitted conversions.

Prior to Jamboree's involvement, Studio One Eleven (Studio) was hired to complete a proposed site plan that maximizes available open space, parking and security; building reconfiguration diagrams that decrease the current unit count and increase unit sizes; and a conceptual landscape/hardscape plan for 1905 and 1911 Pine. This work was completed, and staff has now asked Studio to incorporate 1893 Pine Avenue into the plans. It is proposed that the total unit count for the project will be 14 units that encompass 30 bedrooms (12 two-bedroom units and 2 three-bedroom units). Jamboree will be instructed to utilize the plans created by Studio when developing more detailed construction plans.

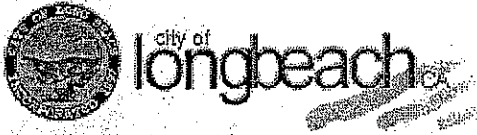
Jamboree was founded in 1990 and has experienced steady growth and geographic expansion ever since. Its portfolio includes development and/or ownership interest of nearly 6,000 affordable homes in 55 California communities – topping a market value of \$1 billion. Jamboree's mission is to create opportunity for their residents through the creation of new and rehabilitated affordable housing and the provision of valuable resident services that strengthen the each community. Jamboree is the developer for Puerto Del Sol and its performance throughout the development and lease-up process was exemplary. In addition, their ongoing management of the project and compliance with monitoring requirements has been outstanding.

Approval of an Agreement to Negotiate Exclusively (ANE) will provide time for the developer to complete a more comprehensive proposal and financial pro forma, and will give staff time to fully analyze the proposal and prepare a recommendation. It does not commit the Board to any future financial obligation on the project. A sample ANE is attached.

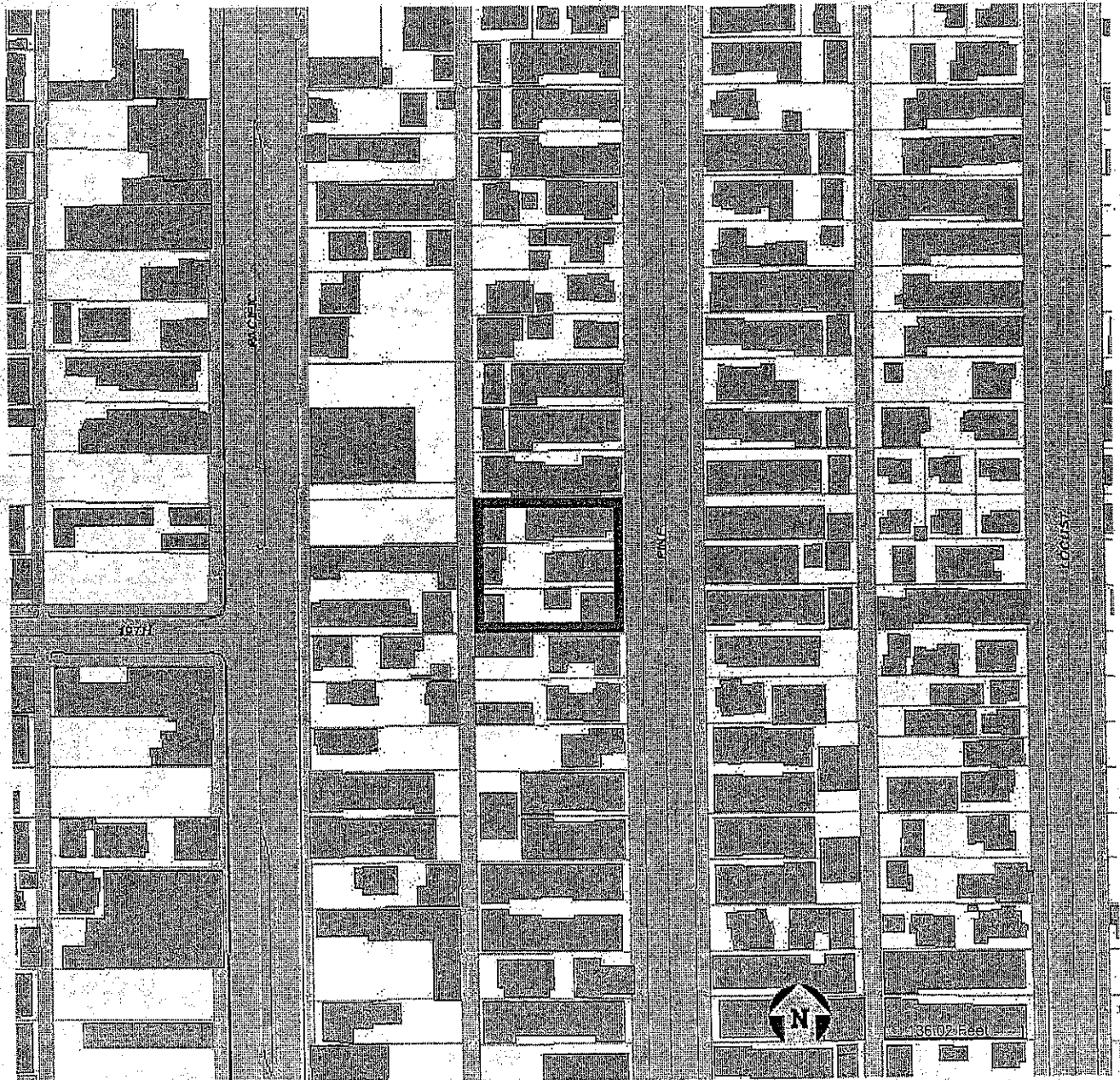
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Attachments:

- A – Site Map and Photos
- B – Sample Agreement to Negotiate Exclusively

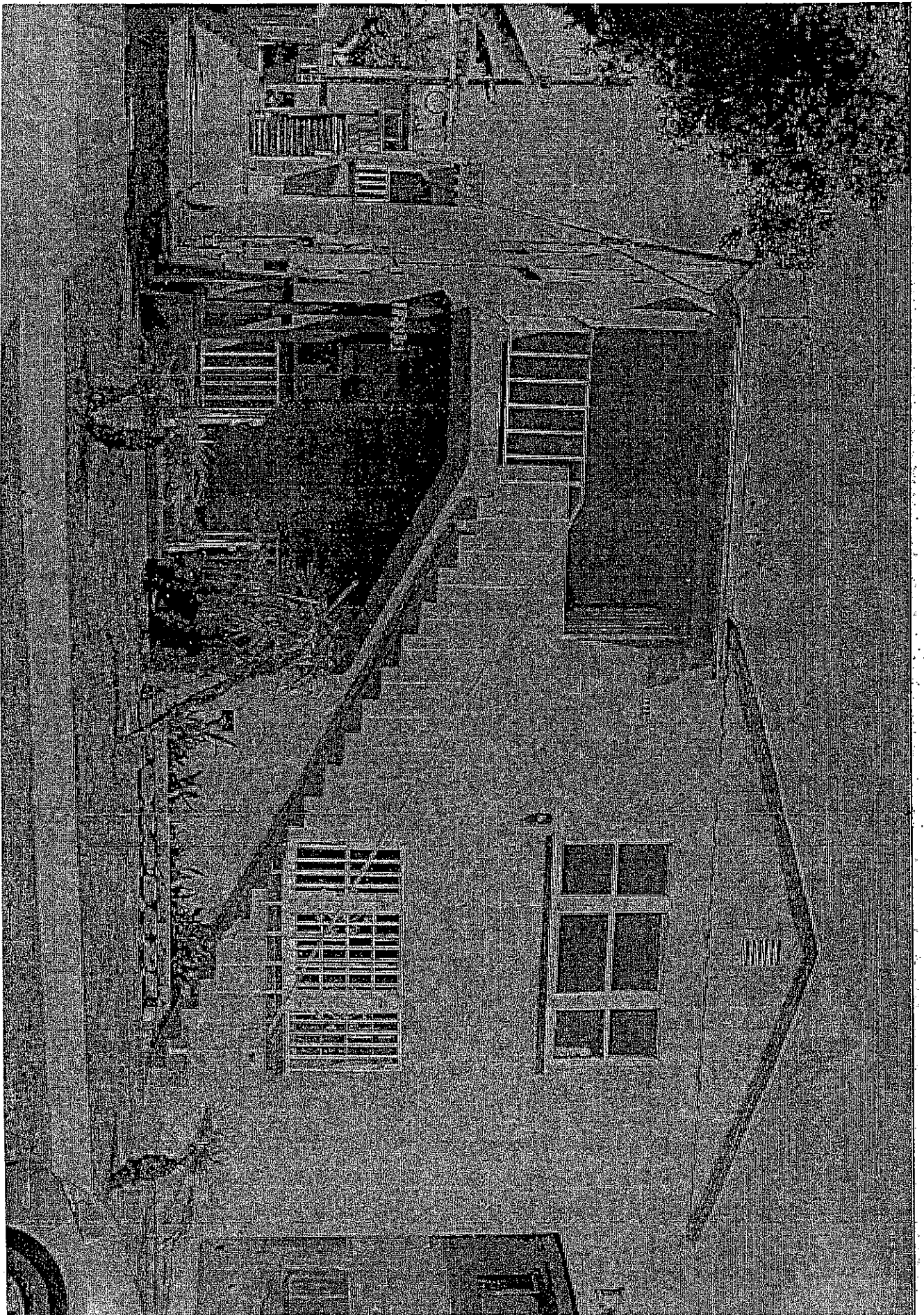


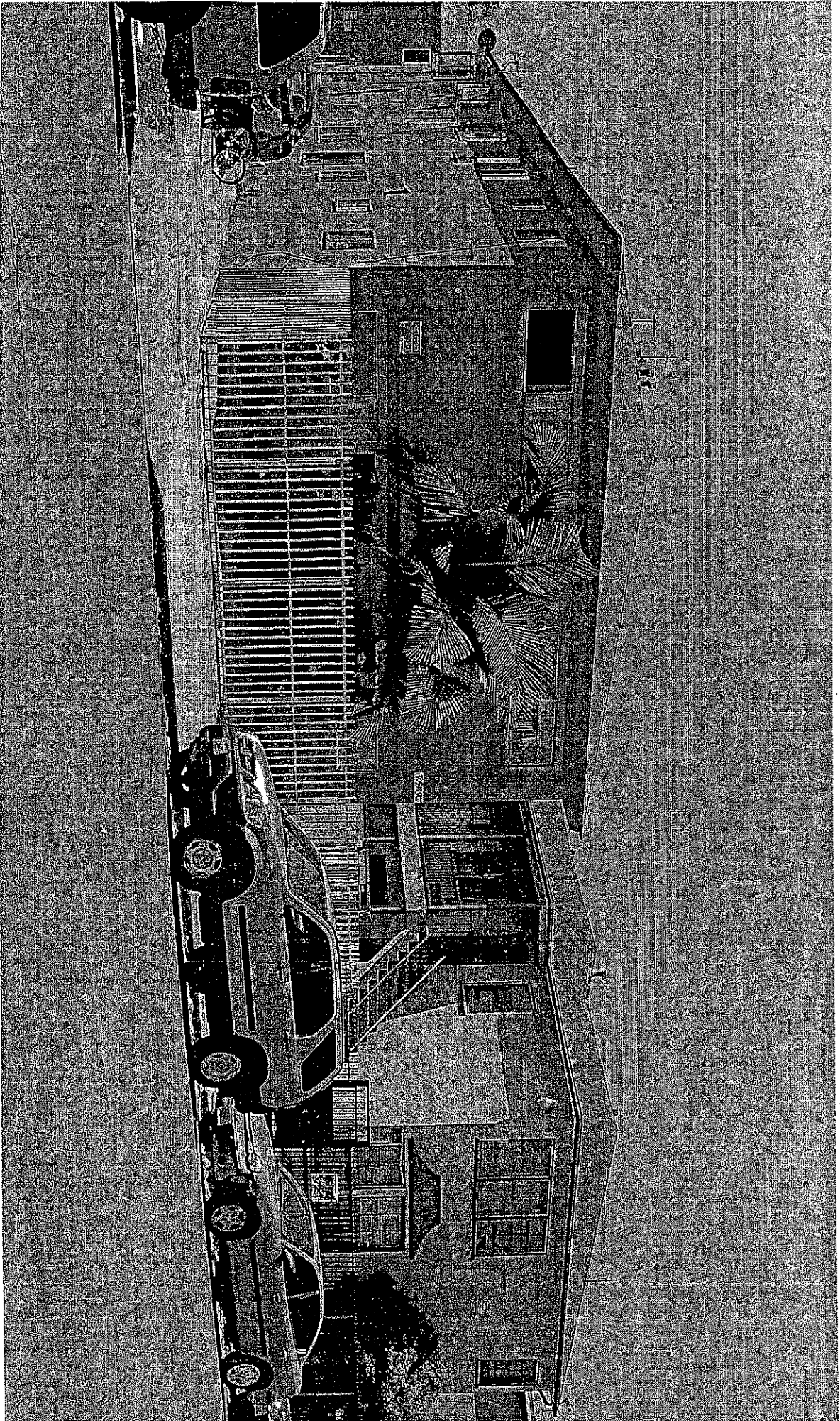
1893-1911 Pine Avenue



Disclaimer

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SAMPLE ONLYAGREEMENT TO NEGOTIATE EXCLUSIVELY

1
2
3 THIS AGREEMENT TO NEGOTIATE EXCLUSIVELY ("Agreement") is
4 entered as of March 4, 2008, between THE LONG BEACH HOUSING
5 DEVELOPMENT COMPANY, a California non-profit public benefit corporation ("LBHDC"),
6 and META HOUSING CORPORATION, a California corporation ("Developer").

1. NEGOTIATIONS

8 LBHDC and Developer agree (for the period stated below) to negotiate in
9 good faith pursuant to the terms of this Agreement to prepare a Disposition and
10 Development Agreement to be entered into between LBHDC and Developer concerning
11 the purchase and development of certain real property within the Central Redevelopment
12 Project Area, more particularly depicted on Exhibit "A" attached to this Agreement (the
13 "Property"). LBHDC agrees (for the period stated below) not to negotiate with any other
14 person or entity regarding development of the Property without the consent of Developer.
15 Nothing in this Agreement shall be deemed a covenant, promise or commitment by
16 LBHDC, the City of Long Beach, or any agency of the City, with respect to the acquisition
17 of property or the approval of development. LBHDC's acceptance of this Agreement is
18 merely an agreement to enter into a period of exclusive negotiations according to the terms
19 hereof, reserving final discretion and approval by LBHDC as to any actions required of it.
20 This Agreement may not be assigned by Developer.

2. NEGOTIATION PERIOD

22 LBHDC and Developer agree to negotiate for one hundred eighty (180) days
23 after the execution date in order to enter into a Disposition and Development Agreement.
24 If, upon the expiration of such period of time, LBHDC and Developer have not each
25 approved and executed a Disposition and Development Agreement, then this Agreement
26 shall automatically terminate and Developer shall have no further rights regarding the
27 subject matter of this Agreement or the Property, and LBHDC shall be free to negotiate
28 with any other person or entities with regard to the Property; provided, however, that

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1 LBHDC and Developer may mutually agree in writing to further extend the exclusive
2 negotiation period for up to two additional periods of ninety (90) days each at the option
3 of LBHDC's President.

4 3. OBLIGATIONS OF DEVELOPER

5 A. Evidence of Financing

6 Developer shall, during the negotiation of the Disposition and
7 Development Agreement, develop a program of financing to provide LBHDC with
8 reasonably satisfactory evidence that financing will be available for acquisition and
9 development of the Property.

10 B. Development Plan

11 During the exclusive negotiating period, Developer shall formulate a
12 development plan for the Property ("Plan"), and shall submit the same to LBHDC for
13 approval. The Plan shall include tabulation of the number of residential units proposed,
14 the square footage of each unit proposed, and a tabulation of the parking spaces
15 proposed, and shall otherwise be in a format reasonably acceptable to LBHDC. Developer
16 shall also prepare and submit all drawings ("Drawings") necessary for a Stage 1 Design
17 Review by LBHDC. Developer shall also furnish such information to LBHDC regarding the
18 proposed project as may be required to perform an environmental review pursuant to the
19 California Environmental Quality Act (CEQA).

20 4. OBLIGATIONS OF LBHDC

21 A. LBHDC Assistance and Cooperation

22 LBHDC shall cooperate fully in providing Developer with appropriate
23 information and assistance.

24 B. LBHDC and City Public Hearing

25 If the negotiations culminate in a Disposition and Development
26 Agreement, signed by Developer, such Agreement shall become effective only after and
27 if the Agreement has been considered and approved by LBHDC.


28 5. CONFIDENTIALITY

1 To the extent permitted by applicable law, the Developer and LBHDC shall
2 maintain all information concerning this Agreement and any pending or subsequent
3 negotiations between LBHDC and Developer as confidential, disclosing information only
4 to those individuals and representatives as designated by the other party; provided that
5 such individuals acknowledge and agree to maintain the confidentiality of such information.

6 THE PARTIES have executed this Agreement as of the date first written above.

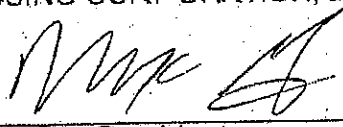
7 THE LONG BEACH HOUSING DEVELOPMENT
8 COMPANY, a California non-profit public benefit
9 corporation

10 Dated: _____, 2008

11 By 
12 _____
13 President
14 _____
15 (Type or Print Name)

16 META HOUSING CORPORATION, a California
17 corporation

18 Dated: March 4, 2008

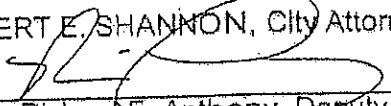
19 By 
20 _____
21 VICE President
22 MARK WOH
23 _____
24 (Type or Print Name)

25 Dated: ~~_____~~, 2008

26 By ~~_____~~
27 _____
28 President
29 _____
30 (Type or Print Name)

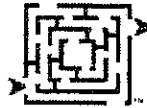
31 The foregoing Agreement to Negotiate Exclusively is hereby approved as to form
32 this 5 day of March, 2008.

33 ROBERT E. SHANNON, City Attorney

34 By: 
35 _____
36 Richard E. Anthony, Deputy

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Long Beach, California 90802-4664
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37 RFA: abc (A08-00641)
38 L:\APPS\CityLaw\32\WP\DOCS\ID022\IP006\00122112.WPD



KEYSER MARSTON ASSOCIATES
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

ADVISORS IN:
REAL ESTATE
REDEVELOPMENT
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

SAN FRANCISCO
A. JERRY KEYSER
TIMOTHY C. KELLY
KATE EARLE FUNK
DEBBIE M. KERN
ROBERT J. WETMORE
REED T. KAWAHARA

LOS ANGELES
KATHLEEN H. HEAD
JAMES A. RABE
PAUL C. ANDERSON
GREGORY D. SOO-HOO
KEVIN E. ENGSTROM
JULIE L. ROMNEY
DENISE BICKERSTAFF

SAN DIEGO
GERALD M. TRIMBLE
PAUL C. MARRA

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

From: Julie Romey

Date: February 4, 2011

Subject: Pine Avenue Rehabilitation Project – Fair Reuse Analysis

At your request, Keyser Marston Associates, Inc. (KMA) reviewed the January 31, 2011 pro forma submitted by Jamboree Housing Company (Developer). The Developer proposes to acquire a 0.46-acre property located on Pine Avenue (Property) and owned by the Long Beach Housing Development Corporation (LBHDC). The Property is currently improved with multi-family residences and the Developer proposes to rehabilitate the buildings into a 14-unit apartment project, which will be restricted to very-low and low income households (Project).

The purpose of the KMA analysis is to determine the fair reuse value of the Property given the proposed scope of development and affordability restrictions.

EXECUTIVE SUMMARY

The Developer proposes to purchase the Property and rehabilitate the existing improvements into 14 apartment units, including 12 two-bedroom units and two three-bedroom units. A total of five units will be restricted to very-low income households, while eight units will be restricted to low income households. In addition, one three-bedroom unit will be reserved for an on-site manager.

The LBHDC acquired the Property in two stages:

1. The City of Long Beach (City) transferred ownership of 1893 Pine Avenue, which was purchased with \$377,900 of Neighborhood Stabilization Program (NSP) funds from the Housing and Urban Development (HUD) department, to LBHDC; and

To: Patrick Ure, City of Long Beach February 4, 2011
Subject: Pine Avenue Rehabilitation Project – Fair Reuse Analysis Page 2

2. LBHDC acquired 1905-1911 Pine Avenue with \$2.15 million of low and moderate income set-aside tax increment (Set-Aside) funds.

The Developer is requesting that the LBHDC convey the Property to the Developer at the cost to assemble the Property, financed by a LBHDC loan of the same amount, as well as provide up to \$3.13 million in financial assistance to the Project.

The following summarizes the results of the KMA analysis:

1. KMA estimates that the reuse value of the Property is \$0 and the warranted financial assistance is \$3.18 million. The KMA estimate is slightly higher than the Developer's request primarily due to the inclusion of an additional capitalized operating reserve due to the proposed Multi-family District Fee (MID Fee).
2. The recommended financial assistance to the Project totals \$5.71 million, or \$408,200 per unit, which includes the LBHDC and City land assemblage costs plus the financial gap.
3. KMA recommends the following LBHDC assistance to be structured as follows:
 - a. A \$5.34 million LBHDC loan (LBHDC Loan) due and payable in 55 years when the affordability covenants expire. No interest rate applied to the LBHDC Loan and secured by a first trust deed. The initial disbursement of \$2.15 million will be made at the time of the Property conveyance and the remaining \$3.18 million will be disbursed as needed during the construction period.
 - b. A \$377,900 NSP loan (NSP Loan) due and payable in 55 years when the affordability covenants expire. The repayment will then be transferred to the federal government. No interest rate will be applied to the NSP Loan and it will be secured with a second trust deed.
 - c. Fifty percent (50%) of the residual receipts should be deposited into the operating reserve and the remaining 50% should be disbursed to the Developer.
4. The Developer fee should be set at \$250,000.
5. If the City does not approve the MID Fee and/or the Project is not required to provide additional accessibility features, the financial gap will decrease by \$320,000 and \$150,000, respectively.

To: Patrick Ure, City of Long Beach

February 4, 2011

Subject: Pine Avenue Rehabilitation Project – Fair Reuse Analysis

Page 3

6. Per California Redevelopment Law (CRL), the LBHDC can take credit for five very-low income units and eight low income units. One unit will be reserved for an on-site manager and will not be restricted.

PROJECT DESCRIPTION

The scope of development currently being proposed can be described as follows:

1. The Property is approximately 20,250 square feet and is improved with 12,767 square feet of existing building area.
2. The Site is currently zoned as R-4-N, which is a high density, multi-family residential district and implements land use district No. 4 of the General Plan.
3. The Project includes the rehabilitation of 14 units, which equates to a density of 30 units per acre. The proposed rehabilitation will include the following:
 - a. Exterior Improvements:
 - i. Reconfiguration of all parking into an alley fed system;
 - ii. Removal of all hardscape areas;
 - iii. Linkage of all properties into one;
 - iv. Creation of a themed fencing and amenity area; and
 - v. Undergrounding of all utilities.
 - b. Interior Improvements:
 - i. Each unit will be fully renovated and modernized, including new drywall, fixtures, kitchens, bathrooms and appliances;
 - ii. Replace windows, garage doors and exterior stucco throughout; and
 - iii. Four units will be combined to create larger floor plans for families.
4. The proposed unit mix is as follows:
5. A 480 square foot community room, including a kitchen and bathrooms, will be constructed on the Property.

6. The gross building area (GBA) for the Project is 12,280 square feet, which equates to a 0.606 FAR.
7. Thirteen (13) apartment units will be subject to the following income and affordability restrictions for CRL purposes:
8. The Project will be served by a total of 13 parking spaces, which equates to a 0.93 spaces per unit parking ratio.
9. The following amenities will be provided on-site:
 - a. A tot-lot;
 - b. A pocket park;
 - c. Laundry facilities;
 - d. A garden plot;
 - e. Bike racks; and
 - f. An outdoor seating area.
10. The Developer will also provide Housing with a Heart activities and social services on-site through a sister property in Long Beach.

FAIR REUSE ANALYSIS

In order to convey property acquired with Set-Aside funds, the LBHDC must estimate the value of the Property in accordance with the restrictions and requirements placed on the Project by the disposition and development agreement (DDA). As such, KMA has prepared an analysis that estimates the value of the Property by comparing the total construction costs to the potential funding sources. The pro forma analysis is located at the end of this memorandum and is organized as follows:

Table 1:	Estimated Construction Costs
Table 2:	Stabilized Net Operating Income
Table 3:	Fair Reuse Value / (Financial Gap) Calculation
Table 4:	Cash Flow Analysis

Estimated Construction Costs (Table 1)

KMA reviewed the Developer's construction cost estimate, and then independently prepared a pro forma analysis for the Project.

To: Patrick Ure, City of Long Beach
Subject: Pine Avenue Rehabilitation Project – Fair Reuse Analysis

February 4, 2011

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The resulting construction costs were estimated as follows:

Direct Costs

The direct cost estimates were prepared by a contractor that completed a cursory inspection of the Property. The contractor's estimates assume that Davis Bacon and prevailing wage requirements will be imposed on the Project. The resulting direct costs are estimated as follows:

1. A \$167,100 allowance is provided for site improvements.
2. The building rehabilitation costs are estimated at \$82,600 per unit, for a total of \$1.16 million.
3. Furnishings, fixtures and equipment are estimated at \$25,000.
4. Contractor fees and general conditions are estimated at 14% of construction costs, which takes into account the small nature of the Project.
5. Construction insurance and bonds are estimated at \$15,600, or 1% of construction costs.
6. A 15% cost contingency allowance is provided, which is an industry standard for rehabilitation projects, totaling \$232,200. In comparison, the Developer applied a \$249,300 contingency allowance.
7. A \$150,000 allowance for accessibility improvements has been provided in case these improvements are required.

In summary, KMA estimated the direct costs to total \$1.93 million, or \$137,900 per unit, which is \$17,100 lower than the Developer's estimate. KMA has applied the contractor's estimate in our financial analysis with the exception of the contingency allowance. However, it is important to understand that it is difficult to accurately quantify rehabilitation costs until a detailed evaluation of the Project has been completed. If additional Project deficiencies are identified, the rehabilitation budget and the reuse analysis conclusions will need to be reevaluated.

Indirect Costs

The following indirect costs are estimated based on the Developer's estimates unless otherwise noted:

1. The costs for architecture, engineering and consulting services are estimated at 17% of direct costs, or \$337,000. While this estimate is higher than typical, the Developer is utilizing Studio 111 as the architect, which has been approved by LBHDC staff.
2. The public permits and fees costs are estimated at \$2,500 per unit.
3. The costs for taxes, insurance, legal and accounting costs during the rehabilitation process are estimated at 9% of the direct costs, or \$171,000.
4. Marketing and leasing costs are estimated at approximately \$2,700 per unit, or \$37,800.
5. The Developer Fee is set at \$250,000, or 13% of the direct costs based on LBHDC staff direction. The Developer has proposed a Developer Fee totaling \$315,000.
6. KMA provided a soft cost contingency allowance equal to 5% of the indirect costs, or \$41,500.

KMA estimated the indirect costs to total \$872,300, which is \$73,500 lower than the Developer's estimate.

Financing Costs

The financing costs were estimated as follows:

1. Given that the LBHDC will be providing the construction and permanent funding, there will not be interest costs or financing fees applied.
2. The Developer proposes to provide \$30,000 in capitalized operating reserves, which equates to approximately four months of operating expenses.
3. LBHDC staff has requested that an additional capitalized operating reserve be established for the impact of the MID fee on the Project cash flow. In order to ensure that the cash flow is not negative during the first 30 years of the Project, KMA estimates that an additional \$320,000 needs to be set-aside in an interest earning account to be used when the Project expenses are higher than the Project revenues.

4. The Developer proposes to provide \$30,000 in capitalized replacement reserves, which equates to approximately \$2,100 per unit. This estimate is within the typical range for rehabilitation projects of this size.

KMA estimated the total financing costs to be \$380,000, which is \$144,700 higher than the Developer's estimate. This differential is due to KMA including the MID reserve which is partially offset by not including \$175,300 in interest and financing fees estimated by the Developer.

Total Estimated Construction Costs

As shown in Table 1, KMA estimated the total construction costs at \$3.18 million, which equates to \$227,300 per unit. In comparison, the Developer estimated the construction costs at \$3.13 million, or \$233,500 per unit. The \$54,100 differential is summarized as follows:

	KMA	Developer	Difference
Direct Costs	\$1,930,500	\$1,947,600	(\$17,100)
Indirect Costs	872,300	945,800	(73,500)
Financing Costs	380,000	235,300	144,700
Total Construction Costs	\$3,182,800	\$3,128,700	\$54,100
Per Unit	\$227,300	\$233,500	\$3,800

Stabilized Net Operating Income (Table 2)

Income and Affordability Restrictions

The City purchased the 1893 Pine Avenue parcel with NSP funds while the LBHDC purchased the 1905-1911 Pine Avenue parcels with Set-Aside funds and plans to fund the financial gap with Set-Aside funds as well. Each funding source imposes specific income and affordability restrictions. To that end, the Project's income and affordability standards must comport with the following income and affordability standards:

1. Income Restrictions: The tenants' income cannot exceed the following:

Unit Type	Number of Units	Restrictions ¹
Two-bedrooms	1	H&SC Section 50105 & Federal 50% Median
Two-bedrooms	4	H&SC Section 50105
Two-bedrooms	7	H&SC Section 50079.3
Three-bedrooms	1	H&SC Section 50079.3

¹ "H&SC" refers to the California Health and Safety Code and "Median" refers to the Los Angeles County Area Median Income.

2. Affordability Restrictions: Rents applied to the unit must reflect the following:

Unit Type	Number of Units	Restrictions
Two-bedrooms	1	H&SC Section 50053(b)(2) & Low HOME / 30% of Actual Income
Two-bedrooms	4	H&SC Section 50053(b)(2)
Two-bedrooms	7	H&SC Section 50053(b)(3)
Three-bedrooms	1	H&SC Section 50053(b)(3)

Net Operating Income (NOI)

The rents applied to all of the units reflect the most restrictive requirements imposed by the proposed funding sources. Based on 2010 income information distributed by HUD and the California Housing and Community Development (HCD) department, the rents, net of the appropriate utility allowances, are estimated as follows:²

Two-bedroom Units	Number of Units	NSP Rents	CRL Rents	Applicable Rents
Very-Low Income	1	\$859	\$636	\$636
Very-Low Income	4	NA	\$636	\$636
Low Income	7	NA	\$778	\$778
Three-bedroom Units				
Low Income	1	NA	\$855	\$855

KMA and the Developer estimate the Project's gross rental income at \$113,770, and assume laundry and miscellaneous income averaging \$8 per unit per month and a 5% vacancy and collection allowance. Thus, KMA and the Developer estimate the effective gross income (EGI) at \$109,350.

KMA and the Developer estimate the residential operating expenses as follows:

1. The general operating expenses are estimated at \$4,855 per unit per year.
2. The Developer has indicated that the Project will be entitled to receive the property tax abatement that is accorded to non-profit housing organizations that own income-restricted rental units. As such, the property taxes are estimated at \$1,500, or \$107 per unit per year.

² The monthly utility allowances are \$73 per two-bedroom units and \$90 per three-bedroom units according to the City's Housing Authority.

3. Security costs are estimated at \$12,000, or \$857 per unit.
4. The City is in the process of establishing a MID Fee that will be charged annually. The Developer estimates that this fee will total \$14,180 for the proposed Project assuming the MID Fee will be \$0.70 per square foot.
5. The annual capital replacement reserve deposit is estimated at \$350 per unit, which totals \$4,900 per year.

As shown in Table 2, the residential operating expenses are estimated to total \$100,550, or \$7,200 per unit. When the EGI is reduced by the operating expenses, KMA and the Developer estimate the stabilized NOI at \$8,800.

Fair Reuse Value Calculation (Table 3)

Given that the projected NOI is less than \$10,000, it is not recommended that the Project be burdened with conventional debt. In addition, given the non-profit status of the Developer, it is feasible for an equity contribution to be provided. Therefore, KMA and the Developer estimate that there are no potential funding sources available to fund the acquisition and rehabilitation of the Project.

To calculate the reuse value / (financial gap) of the Property in regards to the proposed Project, KMA compared the potential funding sources to the total estimated construction costs as follows:

	KMA	Developer	Difference
Potential Funding Sources	\$0	\$0	\$0
(Less) Construction Costs	(3,182,800)	(3,128,700)	(54,100)
Reuse Value / (Financial Gap)	(\$3,182,800)	(\$3,128,700)	(\$54,100)
Per Unit	(\$227,300)	(\$223,500)	(\$3,800)

Based on the KMA analysis the proposed Project warrants the LBHDC to convey the Property to the Developer at no cost and provide up to \$3.18 million in direct financial assistance. The LBHDC and the City has spent \$2.15 million and \$377,900, respectively, to assemble the Property. Therefore, the total financial assistance that is warranted by the Project is up to \$5.71 million, or \$408,200 per unit.

PROPOSED DEAL TERMS

KMA proposes the following structure of the LBHDC assistance:

1. The LBHDC will provide up to \$5.71 million in financial assistance to the Project, distributed as follows:
 - a. A \$5.34 million loan (LBHDC Loan) with the following terms:
 - i. No interest will be applied;
 - ii. A 55-year term;
 - iii. Secured by a first trust deed;
 - iv. Repayment due in full upon the expiration of the affordability covenants in Year 55;
 - v. The initial disbursement of \$2.15 million will be made at the time of the Property conveyance and the remaining \$3.18 million will be disbursed as needed during the construction period.
 - b. A \$377,900 loan (NSP Loan) with the following terms:
 - i. No interest will be applied;
 - ii. A 55-year term;
 - iii. Secured by a second trust deed;
 - iv. Repayment due in full upon the expiration of the affordability covenants in Year 55; and
 - v. The LBHDC will transfer the NSP Loan repayment to the federal government.
2. The Developer fee should be set at \$250,000.
3. Fifty percent (50%) of the residual receipts should be deposited into the operating reserve and the remaining 50% should be disbursed to the Developer.
4. If the City does not approve the MID Fee and/or the Project is not required to provide additional accessibility features, the financial gap will decrease by \$320,000 and \$150,000, respectively.

CASH FLOW ANALYSIS (TABLE 4)

KMA prepared a cash flow analysis for the Project and the following describes the basic assumptions:

1. Year 1 is based on the pro forma rent and expense assumptions presented in the stabilized analysis (Table 2).
 - a. The affordable rents and miscellaneous income are estimated to increase at 2% per year.
 - b. A 5% vacancy and collection allowance is provided.
 - c. The general operating expenses, MID Fee and security expenses as well as the replacement reserve deposits are increased at 3% per year.
 - d. The property taxes are increased at 2% annually.
 - e. The replacement reserve is held constant over the life for the Project.
 - f. The following illustrates the recommended residual receipts distribution:
 - g. Fifty percent (50%) of the residual receipts should be deposited into the Operating Reserve account; and
 - h. The remaining 50% of the residual receipts will be allocated to the Developer.

The following summarizes the cash flow analysis findings:

1. The Project is projected to have a negative NOI beginning in Year 10.
2. Beginning in Year 10, the operating reserve fund be utilized and is estimated to be depleted by Year 33.
3. The present value of the LBHDC and NSP Loans, assuming an 8% discount rate, is \$77,000 and \$5,000, respectively.

To: Patrick Ure, City of Long Beach

February 4, 2011

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REDEVELOPMENT OBLIGATIONS

The use of Set-Aside funds imposes a number of obligations and restrictions on the Project and the Long Beach Redevelopment Agency (Agency). The LBHDC has already approved the Relocation and Replacement Housing Plans that are required under the CRL. The following provides the Inclusionary Housing counts related to this Project as should be report to HCD:

	Very-Low Income Units	Low Income Units	Total Countable Units
Two-bedroom Units	5	7	12
Three-bedroom Units	0	1	1
Totals	5	8	13
% of Totals	38%	62%	100%

State law also imposes proportionality restrictions on the use of Set-Aside funds, which are to be met by the end of 2014. The following provides the proportionality breakdown of the Set-Aside funds in regulation to this Project:

Income Targeting Test		
	Proportionality	Financial Assistance
Very-Low Income	38%	\$2,052,608
Low Income	62%	3,284,172
Total Set-Aside Funds	100%	\$5,336,780

Age Restricted Test		
	Proportionality	Financial Assistance
Age Restricted	0%	\$0
Non-Age Restricted	100%	5,336,780
Total Set-Aside Funds	100%	\$5,336,780

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CONCLUSIONS

The following summarizes the findings of the KMA analysis:

1. It is concluded that the proposed Project cannot support typical debt and equity contributions due to the size of the Project, the affordability restrictions and the non-profit status of the Developer.
2. The KMA analysis concludes that the Property has a reuse value of \$0 and a financial gap of \$3.18 million.
3. When the LBHDC land assemblage costs are added to the financial gap, the total warranted financial assistance is \$5.71 million, or \$408,200 per unit. The financial assistance should be provided as follows:
 - a. A \$5.34 million LBHDC Loan; and
 - b. A \$377,900 NSP Loan.
4. The Developer fee should be set at \$250,000.
5. Fifty percent (50%) of the residual receipts should be deposited into the operating reserve and the remaining 50% should be disbursed to the Developer.
6. If the City does not approve the MID Fee and/or the Project is not required to provide additional accessibility features, the financial gap will decrease by \$320,000 and \$150,000, respectively.
7. Per CRL, the LBHDC can take credit for five very-low income units and eight low income units. One unit will be reserved for an on-site manager and will not be restricted.

Attachment

TABLE 1

**ESTIMATED CONSTRUCTION COSTS
ACQUISITION & REHABILITATION PROJECT
PINE AVENUE WORKFORCE HOUSING
LONG BEACH, CALIFORNIA**

I. Direct Costs ¹			
On-site Improvements	14 Units	\$11,939 /Unit	\$167,100
Rehabilitation Costs	14 Units	\$82,637 /Unit	1,156,900
Furnishings, Fixtures & Equipment	14 Units	\$1,786 /Unit	25,000
Contractor Fees/General Conditions	14%	of Construction Costs	183,700
Construction Insurance/Bonds	1%	of Construction Costs	15,600
Contingency Allowance ²	15%	of Other Direct Costs	232,200
Assessibility Contingency Allowance		Allowance	150,000
Total Direct Costs	14 Units	\$137,900 /Unit	\$1,930,500
II. Indirect Costs ³			
Architecture, Engineering & Consulting	17%	of Direct Costs	\$337,000
Public Permits & Fees	14 Units	\$2,500 /Unit	35,000
Taxes, Insurance, Legal & Accounting	9%	of Direct Costs	171,000
Marketing & Leasing	14 Units	\$2,696 /Unit	37,800
Developer Fee ⁴	13%	of Direct Costs	250,000
Soft Cost Contingency Allowance ²	5%	of Other Indirect Costs	41,500
Total Indirect Costs			\$872,300
IV. Financing Costs			
Interest During Construction ⁵	\$0 Loan	0.00% Interest	\$0
Financing Fees ⁵		0 AOB	
Construction Loan	\$0 Loan	0 Points	0
Permanent Loan	\$0 Loan	0 Points	0
Capitalized Operating Reserves ³	4 Months	\$8,379 /Mo.	30,000
Capitalized Operating Reserves - MID Fee ⁶	38 Months	\$8,379 /Mo.	320,000
Capitalized Replacement Reserves ³	14 Units	\$2,143 /Unit	30,000
Total Financing Costs			\$380,000
V. Total Construction Costs	14 Units	\$227,300 /Unit	\$3,182,800

¹ Based on Developer's estimates. The estimates assume that Davis Bacon and prevailing wage requirements will be imposed on the Project.

² Based on industry standards.

³ Based on Developer's estimate.

⁴ Based on LBHDC staff direction.

⁵ Assumes interest and fees will not be applied to the LBHDC loans during construction.

⁶ If the MID Fee is not approved, this reserve will no longer be necessary.

TABLE 2

**STABILIZED NET OPERATING INCOME
ACQUISITION & REHABILITATION PROJECT
PINE AVENUE WORKFORCE HOUSING
LONG BEACH, CALIFORNIA**

I. <u>Rent Income</u>¹			
Very-Low Income Two-Bedroom ²	5 Units @	\$636 /Month	\$38,160
Low Income Two-Bedroom	7 Units @	\$778 /Month	65,350
Low Income Three-Bedroom	1 Unit @	\$855 /Month	10,260
Manager's Unit Three-Bedroom	1 Unit @	\$0 /Month	0
Gross Residential Income			\$113,770
Laundry/Miscellaneous Income ³	14 Units	\$8 /Unit/Month	1,340
Gross Income			\$115,110
(Less) Vacancy and Collection ³	5.0% Gross Income		(5,760)
Effective Gross Income			\$109,350
II. <u>Operating Expenses</u>³			
General Operating Expenses ⁴	14 Units @	\$4,855 /Unit	\$67,970
Property Taxes ⁵	14 Units @	\$107 /Unit	1,500
Security	14 Units @	\$857 /Unit	12,000
MID Fee ⁶	14 Units @	\$1,013 /Unit	14,180
Replacement Reserve	14 Units @	\$350 /Unit	4,900
Total Operating Expenses	14 Units @	\$7,200 /Unit	\$100,550
III. <u>Net Operating Income</u>			\$8,800

¹ Based on the LA County 2010 income information distributed by HUD/HCD. As pertinent, the rents are based on CA Health & Safety Code Section 50053 calculations & the HOME rent limits published by HUD. Utility allowance is set by the City's Housing Authority at: \$73/two-bedroom unit and \$90/three-bedroom unit.

² One unit will be restricted to NSP

³ Based on Developer's estimate.

⁴ Includes administration, management, operations, maintenance, utilities and insurance costs.

⁵ Assumes the Project will be awarded the property tax abatement accorded to very-low and low income units owned by nonprofit housing organizations. The property tax expense for these units is limited to assessment overrides, which is based on Developer's estimate.

⁶ Based on current City proposal.

TABLE 3

**REUSE VALUE / (FINANCIAL GAP) CALCULATION
ACQUISITION & REHABILITATION PROJECT
PINE AVENUE WORKFORCE HOUSING
LONG BEACH, CALIFORNIA**

I. Reuse Value / (Financial Gap) Calculation

Potential Funding Sources			\$0
(Less) Total Estimated Construction Costs	See TABLE 1		<u>(3,182,800)</u>

Total Reuse Value / (Financial Gap) Calculati	14 Units	(\$227,300) /Unit	(\$3,182,800)
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II. City/Agency Assistance

NSP Loan			\$377,900
LBHDC Loan			<u>5,336,780</u>

Total City/Agency Assistance	14 Units	\$408,200 /Unit	\$5,714,680
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TABLE 4

**CASH FLOW ANALYSIS
ACQUISITION & REHABILITATION PROJECT
PINE AVENUE WORKFORCE HOUSING
LONG BEACH, CALIFORNIA**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
I. Effective Gross Income										
Gross Rental Income	102.0%	\$113,770	\$116,045	\$118,366	\$120,734	\$123,148	\$125,611	\$128,123	\$130,686	\$133,300
Miscellaneous Income	102.0%	1,340	1,367	1,394	1,422	1,450	1,479	1,509	1,539	1,570
Total Potential Gross Income		\$115,110	\$117,412	\$119,760	\$122,156	\$124,599	\$127,091	\$129,633	\$132,225	\$134,870
(Less) Vacancy & Collection Allowance	5%	(5,756)	(5,871)	(5,988)	(6,108)	(6,230)	(6,355)	(6,482)	(6,611)	(6,743)
Effective Gross Income		\$109,355	\$111,542	\$113,772	\$116,048	\$118,369	\$120,736	\$123,151	\$125,614	\$128,126
II. Operating Reserves		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$342
III. Operating Expenses										
General Operating Expenses	103.0%	\$67,970	\$70,009	\$72,109	\$74,273	\$76,501	\$78,796	\$81,160	\$83,595	\$86,102
Property Taxes	102.0%	1,500	1,530	1,561	1,592	1,624	1,656	1,689	1,723	1,757
Security	103.0%	12,000	12,360	12,731	13,113	13,506	13,911	14,329	14,758	15,201
MID Fee	103.0%	14,180	14,605	15,044	15,495	15,960	16,439	16,932	17,440	17,963
Replacement Reserve	103.0%	4,900	5,047	5,198	5,354	5,515	5,680	5,851	6,026	6,207
Total Operating Income		\$100,550	\$103,552	\$106,643	\$109,826	\$113,105	\$116,482	\$119,960	\$123,542	\$127,231
IV. Net Operating Income		\$8,805	\$7,990	\$7,130	\$6,221	\$5,264	\$4,254	\$3,191	\$2,072	\$895
V. Project Cash Flow Distribution										
Operating Reserve Deposits	50%	\$4,402	\$3,995	\$3,565	\$3,111	\$2,632	\$2,127	\$1,595	\$1,036	\$448
Cash Flow to Developer	50%	\$4,402	\$3,995	\$3,565	\$3,111	\$2,632	\$2,127	\$1,595	\$1,036	\$448
VI. LBIHDC Loan										
Beginning Balance		\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780
Interest	0.00%	0	0	0	0	0	0	0	0	0
(Less) Loan Payments	0%	0	0	0	0	0	0	0	0	0
Ending Balance		5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780
VII. NSP Loan										
Beginning Balance		\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900
Interest	0.00%	0	0	0	0	0	0	0	0	0
(Less) Loan Payments	0%	0	0	0	0	0	0	0	0	0
Ending Balance		377,900	377,900	377,900	377,900	377,900	377,900	377,900	377,900	377,900
VIII. Operating Reserve										
Beginning Balance		\$350,000	\$357,902	\$365,476	\$372,696	\$379,534	\$386,961	\$394,947	\$397,462	\$402,473
Interest Income	1.00%	3,500	3,579	3,655	3,727	3,795	3,860	3,919	3,975	4,025
Add: Transfers In		4,402	3,995	3,565	3,111	2,632	2,127	1,595	1,036	448
(Less) Transferred Out		0	0	0	0	0	0	0	0	(342)
Ending Balance		357,902	365,476	372,696	379,534	386,961	394,947	397,462	402,473	410,673

Prepared by: Keyser Marston Associates, Inc.
Filename: Pine Ave WF-Hsg - 02.03.11; CF with MID Reserves; jlr

TABLE 4

CASH FLOW ANALYSIS
ACQUISITION & REHABILITATION PROJECT
PINE AVENUE WORKFORCE HOUSING
LONG BEACH, CALIFORNIA

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21
I. Effective Gross Income											
Gross Rental Income	\$138,685	\$141,459	\$144,288	\$147,174	\$150,117	\$153,119	\$156,182	\$159,305	\$162,492	\$165,741	\$169,056
Miscellaneous Income	1,633	1,866	1,699	1,733	1,768	1,803	1,840	1,876	1,914	1,952	1,991
Total Potential Gross Income	\$140,318	\$143,325	\$145,987	\$148,907	\$151,885	\$154,923	\$158,021	\$161,182	\$164,405	\$167,694	\$171,047
(Less) Vacancy & Collection Allowance	(7,016)	(7,156)	(7,299)	(7,445)	(7,594)	(7,746)	(7,901)	(8,059)	(8,220)	(8,385)	(8,552)
Effective Gross Income	\$133,303	\$135,969	\$138,688	\$141,462	\$144,291	\$147,177	\$150,120	\$153,123	\$156,185	\$159,309	\$162,495
II. Operating Reserves	\$1,641	\$3,005	\$4,436	\$5,937	\$7,510	\$9,159	\$10,885	\$12,692	\$14,583	\$16,561	\$18,629
III. Operating Expenses											
General Operating Expenses	\$91,346	\$94,086	\$96,909	\$99,816	\$102,811	\$105,895	\$109,072	\$112,344	\$115,714	\$119,186	\$122,761
Property Taxes	1,828	1,865	1,902	1,940	1,979	2,019	2,059	2,100	2,142	2,185	2,229
Security	16,127	16,611	17,109	17,622	18,151	18,696	19,256	19,834	20,429	21,042	21,673
MID Fee	19,057	19,628	20,217	20,824	21,449	22,092	22,755	23,437	24,141	24,865	25,611
Replacement Reserve	6,585	6,783	6,986	7,196	7,412	7,634	7,863	8,099	8,342	8,592	8,850
Total Operating Income	\$134,943	\$138,973	\$143,124	\$147,399	\$151,801	\$156,335	\$161,005	\$165,815	\$170,768	\$175,870	\$181,124
IV. Net Operating Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
V. Project Cash Flow Distribution											
Operating Reserve Deposits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Flow to Developer	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
VI. LBHDC Loan											
Beginning Balance	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780
Interest	0	0	0	0	0	0	0	0	0	0	0
(Less) Loan Payments	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780
VII. MSP Loan											
Beginning Balance	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900
Interest	0	0	0	0	0	0	0	0	0	0	0
(Less) Loan Payments	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	377,900	377,900	377,900	377,900	377,900	377,900	377,900	377,900	377,900	377,900	377,900
VIII. Operating Reserve											
Beginning Balance	\$410,673	\$413,139	\$414,265	\$413,972	\$412,175	\$408,786	\$403,715	\$396,867	\$388,144	\$377,442	\$364,655
Interest Income	4,107	4,131	4,143	4,140	4,122	4,088	4,037	3,969	3,881	3,774	3,647
Add: Transfers In	0	0	0	0	0	0	0	0	0	0	0
(Less) Transferred Out	(1,641)	(3,005)	(4,436)	(5,937)	(7,510)	(9,159)	(10,885)	(12,692)	(14,583)	(16,561)	(18,629)
Ending Balance	413,139	414,265	413,972	412,175	408,786	403,715	396,867	388,144	377,442	364,655	349,673

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TABLE 4

**CASH FLOW ANALYSIS
ACQUISITION & REHABILITATION PROJECT
PINE AVENUE WORKFORCE HOUSING
LONG BEACH, CALIFORNIA**

	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30	Year 31	Year 32
I. Effective Gross Income											
Gross Rental Income	\$172,437	\$175,886	\$179,404	\$182,992	\$186,652	\$190,385	\$194,192	\$198,076	\$202,038	\$206,079	\$210,200
Miscellaneous Income	2,031	2,072	2,113	2,155	2,198	2,242	2,287	2,333	2,380	2,427	2,476
Total Potential Gross Income	\$174,468	\$177,958	\$181,517	\$185,147	\$188,850	\$192,627	\$196,480	\$200,409	\$204,417	\$208,506	\$212,676
(Less) Vacancy & Collection Allowance	(8,723)	(8,898)	(9,076)	(9,257)	(9,443)	(9,631)	(9,824)	(10,020)	(10,221)	(10,425)	(10,634)
Effective Gross Income	\$165,745	\$169,060	\$172,441	\$175,890	\$179,408	\$182,996	\$186,656	\$190,389	\$194,197	\$198,081	\$202,042
II. Operating Reserves	\$20,791	\$23,049	\$25,408	\$27,871	\$30,442	\$33,125	\$35,923	\$38,842	\$41,885	\$44,957	\$48,362
III. Operating Expenses											
General Operating Expenses	\$126,444	\$130,238	\$134,145	\$138,169	\$142,314	\$146,584	\$150,981	\$155,510	\$160,176	\$164,981	\$169,930
Property Taxes	2,273	2,319	2,365	2,413	2,461	2,510	2,560	2,612	2,664	2,717	2,771
Security	22,324	22,993	23,683	24,394	25,125	25,879	26,655	27,455	28,279	29,127	30,001
MID Fee	26,379	27,170	27,985	28,825	29,690	30,580	31,498	32,443	33,416	34,419	35,451
Replacement Reserve	9,115	9,389	9,671	9,961	10,260	10,567	10,884	11,211	11,547	11,894	12,250
Total Operating Income	\$186,536	\$192,109	\$197,849	\$203,761	\$209,850	\$216,120	\$222,579	\$229,231	\$236,082	\$243,137	\$250,404
IV. Net Operating Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
V. Project Cash Flow Distribution											
Operating Reserve Deposits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Flow to Developer	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
VI. LBHDC Loan											
Beginning Balance	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780
Interest	0	0	0	0	0	0	0	0	0	0	0
(Less) Loan Payments	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780
VII. NSP Loan											
Beginning Balance	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900
Interest	0	0	0	0	0	0	0	0	0	0	0
(Less) Loan Payments	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	377,900	377,900	377,900	377,900	377,900	377,900	377,900	377,900	377,900	377,900	377,900
VIII. Operating Reserve											
Beginning Balance	\$349,673	\$332,379	\$312,653	\$290,372	\$265,404	\$237,616	\$206,868	\$173,013	\$135,901	\$95,375	\$61,272
Interest Income	3,497	3,324	3,127	2,904	2,654	2,376	2,069	1,730	1,359	954	513
Add: Transfers In	0	0	0	0	0	0	0	0	0	0	0
(Less) Transferred Out	(20,791)	(23,049)	(25,408)	(27,871)	(30,442)	(33,125)	(35,923)	(38,842)	(41,885)	(45,057)	(48,362)
Ending Balance	332,379	312,653	290,372	265,404	237,616	206,868	173,013	135,901	95,375	51,272	3,423

Prepared by: Keyser Marston Associates, Inc.
Filename: Pine Ave WF Hsg - 02.03.11; CF with MID Reserves; jlr

TABLE 4

CASH FLOW ANALYSIS
ACQUISITION & REHABILITATION PROJECT
PINE AVENUE WORKFORCE HOUSING
LONG BEACH, CALIFORNIA

	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40	Year 41	Year 42	Year 43
I. Effective Gross Income											
Gross Rental Income	\$214,404	\$218,692	\$223,066	\$227,527	\$232,078	\$236,720	\$241,454	\$246,283	\$251,209	\$256,233	\$261,358
Miscellaneous Income	2,525	2,576	2,627	2,680	2,733	2,788	2,844	2,901	2,959	3,018	3,078
Total Potential Gross Income	\$216,929	\$221,268	\$225,693	\$230,207	\$234,811	\$239,508	\$244,298	\$249,184	\$254,167	\$259,251	\$264,436
(Less) Vacancy & Collection Allowance	(10,846)	(11,063)	(11,285)	(11,510)	(11,741)	(11,975)	(12,215)	(12,459)	(12,708)	(12,963)	(13,222)
Effective Gross Income	\$206,083	\$210,205	\$214,409	\$218,697	\$223,071	\$227,532	\$232,083	\$236,725	\$241,459	\$246,288	\$251,214
II. Operating Reserves	\$3,457	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
III. Operating Expenses											
General Operating Expenses	\$175,028	\$180,279	\$185,688	\$191,258	\$196,996	\$202,906	\$208,993	\$215,263	\$221,721	\$228,372	\$235,223
Property Taxes	2,827	2,883	2,941	3,000	3,060	3,121	3,183	3,247	3,312	3,378	3,446
Security	30,901	31,828	32,783	33,766	34,779	35,823	36,897	38,004	39,144	40,319	41,528
M/D Fee	36,515	37,610	38,738	39,901	41,098	42,331	43,600	44,908	46,256	47,643	49,073
Replacement Reserve	12,618	12,996	13,386	13,788	14,202	14,628	15,066	15,518	15,984	16,464	16,957
Total Operating Income	\$257,889	\$265,597	\$273,536	\$281,713	\$290,134	\$298,808	\$307,741	\$316,941	\$326,417	\$336,176	\$346,228
IV. Net Operating Income	(\$48,349)	(\$55,392)	(\$59,127)	(\$63,016)	(\$67,063)	(\$71,275)	(\$75,658)	(\$80,217)	(\$84,958)	(\$89,888)	(\$95,014)
V. Project Cash Flow Distribution											
Operating Reserve Deposits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Flow to Developer	(\$48,349)	(\$55,392)	(\$59,127)	(\$63,016)	(\$67,063)	(\$71,275)	(\$75,658)	(\$80,217)	(\$84,958)	(\$89,888)	(\$95,014)
VI. LBHDC Loan											
Beginning Balance	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780
Interest	0	0	0	0	0	0	0	0	0	0	0
(Less) Loan Payments	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780
VI. NSP Loan											
Beginning Balance	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900
Interest	0	0	0	0	0	0	0	0	0	0	0
(Less) Loan Payments	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	377,900	377,900	377,900	377,900	377,900	377,900	377,900	377,900	377,900	377,900	377,900
VII. Operating Reserve											
Beginning Balance	\$3,423	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Income	34	0	0	0	0	0	0	0	0	0	0
Add: Transfers In	0	0	0	0	0	0	0	0	0	0	0
(Less) Transferred Out	(3,457)	0	0	0	0	0	0	0	0	0	0
Ending Balance	0	0	0	0	0	0	0	0	0	0	0

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TABLE 4

CASH FLOW ANALYSIS
ACQUISITION & REHABILITATION PROJECT
PINE AVENUE WORKFORCE HOUSING
LONG BEACH, CALIFORNIA

	Year 44	Year 45	Year 46	Year 47	Year 48	Year 49	Year 50	Year 51	Year 52	Year 53	Year 54	Year 55
I. Effective Gross Income												
Gross Rental Income	\$266,585	\$271,916	\$277,355	\$282,902	\$288,560	\$294,331	\$300,218	\$306,222	\$312,346	\$318,593	\$324,965	\$331,465
Miscellaneous Income	3,140	3,203	3,267	3,332	3,399	3,467	3,536	3,607	3,679	3,752	3,827	3,904
Total Potential Gross Income	\$269,725	\$275,119	\$280,621	\$286,234	\$291,959	\$297,798	\$303,754	\$309,829	\$316,025	\$322,346	\$328,793	\$335,369
(Less) Vacancy & Collection Allowance	(13,486)	(13,756)	(14,031)	(14,312)	(14,598)	(14,890)	(15,188)	(15,491)	(15,801)	(16,117)	(16,440)	(16,768)
Effective Gross Income	\$256,238	\$261,363	\$266,590	\$271,922	\$277,361	\$282,908	\$288,566	\$294,337	\$300,224	\$306,228	\$312,353	\$318,600
II. Operating Reserves												
Operating Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
III. Operating Expenses												
General Operating Expenses	\$242,280	\$249,549	\$257,035	\$264,746	\$272,689	\$280,869	\$289,295	\$297,974	\$306,913	\$316,121	\$325,604	\$335,372
Property Taxes	3,515	3,585	3,657	3,730	3,805	3,881	3,958	4,037	4,118	4,200	4,285	4,370
Security	42,774	44,057	45,379	46,741	48,143	49,587	51,075	52,607	54,185	55,811	57,485	59,209
MID Fee	50,545	52,061	53,623	55,232	56,889	58,595	60,353	62,164	64,029	65,950	67,928	69,966
Replacement Reserve	17,466	17,990	18,530	19,086	19,658	20,248	20,855	21,481	22,126	22,789	23,473	24,177
Total Operating Income	\$356,580	\$367,242	\$378,224	\$389,534	\$401,183	\$413,180	\$425,537	\$438,263	\$451,371	\$464,871	\$478,775	\$493,095
IV. Net Operating Income												
Net Operating Income	(\$100,342)	(\$105,879)	(\$111,634)	(\$117,612)	(\$123,822)	(\$130,272)	(\$136,971)	(\$143,926)	(\$151,147)	(\$158,642)	(\$166,422)	(\$174,495)
V. Project Cash Flow Distribution												
Operating Reserve Deposits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Flow to Developer	(\$100,342)	(\$105,879)	(\$111,634)	(\$117,612)	(\$123,822)	(\$130,272)	(\$136,971)	(\$143,926)	(\$151,147)	(\$158,642)	(\$166,422)	(\$174,495)
VI. LBHDC Loan												
Beginning Balance	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780	\$5,336,780
Interest	0	0	0	0	0	0	0	0	0	0	0	0
(Less) Loan Payments	0	0	0	0	0	0	0	0	0	0	0	(5,336,780)
Ending Balance	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	5,336,780	0
VII. NSP Loan												
Beginning Balance	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900	\$377,900
Interest	0	0	0	0	0	0	0	0	0	0	0	0
(Less) Loan Payments	0	0	0	0	0	0	0	0	0	0	0	(377,900)
Ending Balance	377,900	377,900	377,900	377,900	377,900	377,900	377,900	377,900	377,900	377,900	377,900	0
VIII. Operating Reserve												
Beginning Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Income	0	0	0	0	0	0	0	0	0	0	0	0
Add: Transfers In	0	0	0	0	0	0	0	0	0	0	0	0
(Less) Transferred Out	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	0	0	0	0	0	0	0	0	0	0	0	0

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