Attachment D

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
Reed T. Kawahara
David Doezema

LOS ANGELES
Kathleen H. Head
James A. Rabe
Gregory D. Soo-Hoo
Kevin E. Engstrom
Julie L. Romey

SAN DIEGO
Paul C. Marra

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

From: Kathleen Head
Tim Bretz

Date: May 9, 2017

Subject: 1795 Long Beach Boulevard: Preliminary Financial Gap Analysis

At your request, Keyser Marston Associates, Inc. (KMA) prepared a preliminary financial analysis for project proposed to be developed at 1795 Long Beach Boulevard (Site) by AMCAL Multi-Housing Inc. (Developer). As proposed, the project will include 101 units that will be restricted to extremely-low, very-low and low income households (Project).

The Developer is requesting financial assistance from the Long Beach Community Investment Company (LBCIC) to acquire the Site. The purpose of the KMA analysis is to evaluate the Developer's assistance request.

EXECUTIVE SUMMARY

Estimated Financial Gap

The results of the KMA financial gap analysis are compared to the Developer's financial proposal in the following table:

	KMA	Developer	Difference
Total Development Costs	$41,978,000	$41,909,000	$69,000
Outside Funding Sources	38,080,000	37,909,000	171,000
Financial Gap	$3,898,000	$4,000,000	($102,000)

As shown in the preceding table, KMA estimates the Project's financial gap at $3.90 million. Comparatively, the Developer is requesting $4.0 million in financial assistance from the LBCIC. The equates to a 2.6% differential, which can be considered inconsequential. However, it is important to note that the KMA and Developer estimates differ on a line item by line item basis.

Proposed Funding Sources

The following summarizes the proposed funding sources for the Project:

1. The Project's stabilized net operating income supports $4.19 million in Tax-Exempt Multifamily Bonds (Bonds), which are allocated by the California Debt Limit Allocation Committee (CDLAC).

2. It is anticipated the Project will receive 40 Section 8 Project-Based Vouchers (PBVs) that are allocated to the Housing Authority of the City of Long Beach (Housing Authority) by the United States Department of Housing and Urban Development (HUD). The Developer will obtain additional Bonds based on the PBV revenue, which are estimated at $2.93 million.

3. The Developer is proposing to utilize the 4% Federal Low Income Housing Tax Credits (Tax Credits) that are automatically awarded to projects that receive a Bond allocation from CDLAC. The net Tax Credit proceeds are estimated at $14.93 million.

4. The Developer is proposing to apply for a $13.62 million loan of Affordable Housing and Sustainable Communities (AHSC) funds managed by the California Department of Housing and Community Development (HCD).

5. The Developer is proposing to defer $1.5 million of the Developer Fee that is included in the Project's development costs. The deferred amount will be repaid from the cash flow generated by the Project over time.

6. The City of Long Beach (City) has a program that provides waivers of certain public permits and fee costs for affordable housing project. The Developer estimates these fee waivers at $560,000.

7. The LBCIC assistance will accrue 3% interest during the Project's predevelopment and construction periods. This interest obligation will be deferred until the completion of construction. The deferred amount will then be included in the residual receipts loan between the LBCIC and the Developer.

PROJECT DESCRIPTION

The proposed scope of development can be described as follows:

1. The Site area totals 1.02 acres, or approximately 44,237 square feet of land area.

2. The 101-unit Project represents a density of 99 units per acre.

3. The Project's unit mix is as follows:

	Number of Units	Unit Size (SF)
One-Bedroom Units	50	600
Two-Bedroom Units	25	800
Three-Bedroom Units	26	1,100
Total / Weighted Average	101	778

4. The Project's gross building area (GBA) is estimated at 98,250 square feet, and is comprised of the following:

   a. The residential GBA is estimated at 78,600;

   b. The retail GBA is estimated at 3,926 square feet; and

   c. The circulation and common area GBA is estimated at 15,688 square feet.

5. The Project will include 80 semi-subterranean parking spaces, which equates to 0.79 parking spaces per unit.

6. The Project's affordability mix is as follows:

Extremely Low H&SC /Tax Credit @ 30% Median [1]	18
Very-Low H&SC / Tax Credit @ 40% Median	22
59% H&SC / Tax Credit @ 45% Median	10
Tax Credit @ 60% Median	50
Unrestricted Manager's Unit	1
Total Units	101

FINANCIAL GAP ANALYSIS

KMA prepared a pro forma analysis to estimate the Project's financial gap. The analysis is located at the end of this memorandum, and is organized as follows:

Table 1:	Estimated Development Costs
Table 2:	Stabilized Net Operating Income & Section 8 PBV Subsidy
Table 3:	Financial Gap Calculation

Estimated Development Costs (Table 1)

KMA reviewed the Developer's May 2, 2017 pro forma and then independently prepared a pro forma analysis of the Project. The resulting development costs are estimated as follows:

Property Assemblage Costs

The following summarizes the property assemblage costs:

1. The proposed purchase price for the Site is $4.0 million, or $90 per square foot of land area. The Developer provided an appraisal prepared by R.P. Laurain & Associates, Inc. (Appraiser) on June 1, 2016 that estimates the fee simple market value of the Site at $3.98 million. [2]

[1] H&SC refers to the California Health and Safety Code.
[2] The appraised value is based on the extraordinary assumption that a one-year escrow period will be provided to allow for the entitlement of the Site at a density of 100 units per acre.

2. The Developer included $61,000 in holding costs and $20,000 in closing costs in the property assemblage cost estimate.

The total property assemblage costs are estimated at $4.08 million.

Direct Costs

The direct costs assume that that the Project will be subject to State of California and/or Federal Davis Bacon prevailing wage requirements. The direct costs applied in this analysis can be summarized as follows:

1. Sitework / Parking:

   a. The Developer estimated the off-site improvement costs at $510,000. City staff should verify the scope and cost of the off-site improvements required to serve the Project.

   b. The on-site improvement costs are estimated at $45 per square foot of land area, or $1.99 million. The Developer has indicated that these costs include a portion of the parking construction costs.

   c. The semi-subterranean parking costs are estimated at $25,000 per space, or $2.0 million.

2. Building costs:

   a. The residential building costs are estimated at $165 per square foot of residential GBA, or $15.56 million.

   b. The retail building costs are estimated at $165 per square foot of retail GBA, or $654,000.

3. The Developer included a $111,000 allowance for furnishings, fixtures and equipment.

4. Contractor costs:

   a. A 14% allowance for contractors' fees and general requirements is provided.

b. An allowance for construction bonds / general liability insurance at 1% of construction costs is provided.

5. A direct cost contingency allowance equal to 10% of other direct costs is provided.

KMA estimates the total direct costs at $26.22 million. This equates to $267 per square foot of GBA.

Indirect Costs

KMA utilized the following assumptions in estimating the indirect costs:

1. The architecture, engineering and consulting costs are estimated at 6% of direct costs.

2. The Developer estimated the public permits and fees costs at $3.34 million, or $33,000 per unit. City staff should verify the accuracy of this estimate.

3. The taxes, insurance, legal and accounting costs are estimated at 2% of direct costs.

4. A $500 per unit allowance for marketing and leasing costs is provided.

5. The Developer set the Developer Fee at $3.50 million, which complies with the standards imposed by the Tax Credit Allocation Committee (TCAC).

6. An indirect cost contingency allowance equal to 5% of other indirect costs is provided.

KMA estimates the total indirect costs at $9.43 million.

Financing Costs

The Project is proposed to be developed with Tax-Exempt Multifamily Bonds allocated by CDLAC. To comply with Internal Revenue Service (IRS) requirements, the Bonds must be equal to at least 50% of the land acquisition costs plus the eligible Tax Credit basis. In addition, the Bond funds must be sufficient to cover the construction costs that do not have funding from other sources.

In this case, the Project's estimated stabilized net operating income and Section 8 PBV subsidy income can only support a $7.12 million Bond; this will be called the Series A Bond. To fulfill the 50% Test, and to provide bridge funding for costs that will be paid for by other sources upon the Project's completion, a Series B Bond totaling $12.15 million must be obtained. The sum of the Series A Bond and Series B Bonds totals $19.27 million.

The financing costs for the Project are estimated as follows:

1. KMA assumes that the LBCIC assistance will accrue 3% simple interest during the development period, which is estimated at 36 months. This equates to approximately $351,000 in interest costs.

2. The construction period interest costs incurred on the Bonds are estimated at $877,000.

3. The financing fees for the Bonds are estimated at 3.50 points, or $674,000.

4. A $288,000 capitalized operating reserve is provided. This equates to three months of operating expenses and debt service payments.

5. The Tax Credit fees are estimated at $58,000 based on the following assumptions:

    a. A $2,000 application fee;

    b. A $410 per unit monitoring fee; and

    c. One-percent (1%) of gross Tax Credits proceeds for one year.

KMA estimates the total financing costs at $2.25 million.

Total Development Costs

As shown in Table 1, KMA estimates the total development costs at $41.98 million, which equates to approximately $416,000 per unit. In comparison, the Developer estimates the total development costs at $41.91 million. This equates to a less than 1% differential, which can be considered an insignificant difference.

Stabilized Net Operating Income & Section 8 PBV Subsidy (Table 2)

The Project's funding sources include Bonds, Tax Credits, and Low and Moderate Income Housing Asset Funds (LMIHAF) held by the Housing Successor to the former Long Beach Redevelopment Agency. These programs all publish the applicable income limits for households that are qualified to reside in the development.

TCAC publishes rent standards for projects that receive Tax Credits. Comparatively, California Health and Safety Code (H&SC) Section 50053 defines the methodology that must be used to calculate the affordable housing costs for projects that are receiving LMIHAF assistance. The Developer will be required to adhere to the strictest of the standards imposed by the funding sources contributed to the Project.

Tenant-Paid Rents

The rents used in this analysis are based on 2017 income and rent information published by TCAC, and 2016 income and rent information published by HCD. The maximum allowable rents, net of the appropriate utility allowances, are as follows:[3]

Rent Restriction	1-Bedroom	2-Bedrooms	3-Bedrooms
EL H&SC / TC @ 30%			
EL H&SC	$347	NA	NA
TCAC	$465	NA	NA
Applicable Rents	$347	NA	NA
EL H&SC / TC @ 40%			
EL H&SC	$606	$676	NA
TCAC	$634	$758	NA
Applicable Rents	$606	$676	NA
EL H&SC / TC @ 45%			
EL H&SC	NA	$807	NA
TCAC	NA	$859	NA
Applicable Rents	NA	$807	NA
TC @ 60%	$972	$1,163	$1,336

[3] The utility allowances are set at: $42 for one-bedroom units; $53 for two-bedroom units; and $70 for three-bedroom units.

The Developer is requesting PBVs for 40 of the income-restricted units. The PBV payments are based on the difference between the rent paid by the tenant and the fair market rent (FMR) approved by HUD. The 2017 FMRs for the PBV units are as follows:

One-Bedroom Units	$1,012
Two-Bedroom Units	$1,331

Estimated Effective Gross Base Income

KMA estimates the Project's effective base gross income at $1.01 million based on the following:

1. The gross tenant paid rents are estimated to total $1.06 million.
2. Laundry and miscellaneous income is estimated to average $9 per unit per month, for a total of $10,900 per year.
3. A vacancy and collection allowance equal to 5.4% of gross income is provided. This equates to $57,600.[4]

Estimated Operating Expenses

The operating expenses are estimated at $680,400 based on the following:

1. The general operating expenses are estimated at $5,250 per unit per year.
2. KMA assumes that the Developer will apply for the property tax abatement that is accorded to non-profit housing organizations that own and operate apartment units restricted to households earning less than 80% of the area median income. The property tax assessment overrides are estimated at $10,000 per year.
3. The social services expenses are estimated at $18,000.

[4] The Developer stated that the 5.4% vacancy rate is a blended vacancy rate arrived at in an agreement with the Department of Health Services (which will provide services to 15 of the PBV units).

4. The City will charge a monitoring fee equal to $140 per unit per year, or $14,100. The Developer did not include the City monitoring fee in their pro forma.

5. The AHSC Loan has a required debt service payment equal to 0.42% of the AHSC Loan amount, which equals to $57,200 per year.

6. The Developer provided an allowance for replacement reserve deposits at $500 per unit per year.

Estimated Stabilized Net Operating Income

The effective gross income derived from the Project's base income is estimated at $1.01 million and the operating expenses are estimated at $680,400. This results in estimated stabilized net operating income of $328,500.

Section 8 PBV Subsidy

The Developer is requesting PBVs for 18 extremely low income units and 22 very-low income units. Based on current FMRs, the gross Section 8 PBV income is estimated at $236,400. After a 5.4% vacancy and collection allowance is deducted, the effective gross Section 8 PBV income totals $223,600.

Financial Gap Calculation

The financial gap is estimated by deducting the available outside funding sources from the Project's total development costs. The outside funding sources anticipated to be received by the Project are described in the following sections of this analysis.

Available Outside Funding Sources

<u>Tax-Exempt Multifamily Bonds – Base Income</u>

To estimate the maximum Bonds that can be supported by the Project's stabilized net operating income, KMA assumed that the Bonds would be underwritten based on the following requirements:

1. A 118% debt service coverage ratio;

2. A 5.75% interest rate; and

3. A 35-year amortization period.

KMA estimates that the Project's stabilized net operating income can support $4.19 million in Bonds.

Tax-Exempt Multifamily Bonds – Section 8 PBV Subsidy

To estimate the maximum Bonds that can be supported by the Project's Section 8 PBV subsidy, KMA assumed that the Bonds would be underwritten based on the following requirements:

1. A 115% debt service coverage ratio;

2. A 5.75% interest rate; and

3. A 35-year amortization period.

KMA estimates that the Project's effective gross Section 8 PBV income can support $2.93 million in Bonds.

Tax Credit Proceeds

KMA estimates the net Federal Tax Credit proceeds at $14.93 million. This estimate is calculated based on the following assumptions:

1. The Project's eligible Tax Credit basis is equal to the lesser of the depreciable costs for the 101 Tax Credit units, or the threshold basis limits established by TCAC. In this case, the depreciable costs of $35.77 million are less than the threshold basis limits.

2. The Project is located in a designated "Difficult to Developer" census tract. This allows the requested eligible basis to be increased by 30%.

3. The Developer set the annual Federal Tax Credit rate at 3.21%. This rate is applied over the 10-year Federal Tax Credit period.

4. 100% of the Project's building area that is included in the eligible basis is located in units that qualify for Federal Tax Credits.

5. The net syndication value supported by the Tax Credit is ultimately determined based on competitive market conditions and on the timing of disbursements. Based on currently available information, the Developer estimates the proceeds at $1.00 per gross Tax Credit dollar.

AHSC Loan

The Developer anticipates receiving a $13.62 million AHSC Loan.

Deferred Developer Fee

The Developer is proposing to defer $1.50 million of the total Developer Fee, which equates to 43% of the total Developer Fee that is included in the Project's development costs. The deferred Developer Fee will be recouped from the cash flow generated by the Project over time.[5]

City Fee Waivers

The City has a program that waives certain public permits and fees costs for affordable housing projects. The Developer estimates the fee waiver amount at $560,000.

LBCIC Deferred Interest

The LBCIC Loan will accrue 3% simple interest during the Project's development period. This accrued interest will be converted to a permanent funding source for the Project, and it will be repaid through the residual receipts generated by the Project over time. KMA estimates this interest amount at $351,000. Comparatively, the Developer did not include deferred LBCIC interest in their pro forma analysis.

Total Available Outside Funding Sources

As shown in Table 3, the outside funding sources available to the Project are estimated at $38.08 million. In comparison, the Developer estimates the available outside funding sources at $37.91 million. This equates to a $171,000 differential, which is due to the following:

[5] No cash flow will be available for residual receipts debt service payments until the entire deferred Developer Fee amount has been recouped by the Developer.

1. The Developer did not include the City monitoring fee in their pro forma. When this is included, the Developer's estimate of stabilized net operating income will decrease by $14,100 per year. In turn, KMA estimates that the Developer's estimate of the supportable Bond amount will decrease by $179,000.

2. The Developer did not include deferred interest on the LBCIC Loan in their analysis. This creates a $351,000 difference from the KMA analysis.

Financial Gap Calculation

Based on the preceding analysis, KMA estimates the Project's financial gap as follows:

Total Development Costs	$41,978,000
(Less) Total Available Funding	(38,080,000)
Financial Gap	$3,898,000
Per Unit	$38,600

As shown in the table above, KMA estimates that the Project exhibits a $3.90 million financial gap. In contrast, the Developer is requesting $4.0 million in financial assistance from the LBCIC. This represents a $102,000 differential, which is an approximately 2.6% difference. It is the KMA opinion that a difference of this magnitude can be considered insignificant.

CONCLUSIONS/RECOMMENDATIONS

The following summarizes the conclusions of the KMA analysis:

1. Based on the currently available information, it is KMA's conclusion that the Developer's request for $4.0 million in LBCIC assistance is supported by the Project economics.

2. The Developer is requesting that the LBCIC's financial assistance be utilized to acquire the Site. It is important to understand that providing acquisition funding is riskier than providing financial assistance during construction. The LBCIC should ensure that this is a priority Site that can be utilized for another allowable public purpose if the proposed Project does not come to fruition.

3. Volatility in the financial markets makes it difficult to accurately predict the amount of outside funding that will ultimately be available to the Project. The following issues should be considered:

   a. Fluctuations in financing market conditions will influence the underwriting standards and interest rates applied to the Bonds.

   b. The potential for federal income tax reform is currently impacting the equity rates being paid by Tax Credit investors. Tax Credit investment rates will continue to fluctuate while this issue is being dealt with by Congress.

   c. AHSC funds are awarded in an extremely competitive process. Furthermore, the Program is funded through California's Cap and Trade auctions, which have not generated as much revenue as had been anticipated. Thus, there is significant risk that this Project will not receive funding, or that the award will be less than the amount included in this analysis. It is anticipated that the AHSC Notice of Funding Availability will be released this summer. At that time the LBCIC and the Developer will be better able to assess the Project's potential to receive funding.

4. The Developer should include the City monitoring fee in their pro forma.

5. The Developer should assume that the LBCIC's financial assistance will begin accruing 3% simple interest upon disbursement of funds. This accrued interest should be included in the principal balance of the LBCIC loan, which will be repaid from the Project's residual receipts.

TABLE 1
ESTIMATED DEVELOPMENT COSTS
1795 LONG BEACH BOULEVARD APARTMENTS
LONG BEACH, CALIFORNIA

I.	**Property Assemblage Costs**								
	Property Acquisition Costs	1	44,237	Sf Land	$90	/Sf Land	$4,000,000	
	Holding Costs						61,000	
	Closing Costs						20,000	
	Total Property Assemblage Costs							**$4,081,000**
II.	**Direct Costs**	2						
	Off-site Improvements	3					$510,000	
	On-site Improvements		44,237	Sf Land	$45	/Sf Land	1,991,000	
	Subterranean Parking Costs		80	Spaces	$25,000	/Space	2,000,000	
	Residential Building Costs		94,288	Sf Res GBA	$165	/Sf Res GBA	15,558,000	
	Retail Building Costs		3,962	Sf Retail GBA	$165	/Sf Retail GBA	654,000	
	Furnishings, Fixtures & Equipment						111,000	
	Contractor Fees / General Requirements		14%	Construction Costs			2,808,000	
	General Liability Insurance / Const Bonds		1%	Construction Costs			201,000	
	Contingency Allowance		10%	Other Direct Costs			2,383,000	
	Total Direct Costs		**98,250**	**Sf GBA**	**$267**	**/Sf GBA**		**$26,216,000**
III.	**Indirect Costs**							
	Architecture, Engineering & Consulting		6%	Direct Costs			$1,573,000	
	Permits & Fees	4	101	Units	$33,033	/Unit	3,336,000	
	Taxes, Ins, Legal & Accounting		2%	Direct Costs			524,000	
	Marketing & Leasing		101	Units	$500	/Unit	51,000	
	Developer Fee	5	11%	Eligible Costs			3,500,000	
	Contingency Allowance		5%	Other Indirect Costs			449,000	
	Total Indirect Costs							**$9,433,000**
IV.	**Financing Costs**							
	City Loan Interest	6					$351,000	
	Interest During Construction							
	Series A Bond	7	$7,120,000	Loan Amount	3.25%	Interest	324,000	
	Series B Bond	8	$12,149,000	Loan Amount	3.25%	Interest	553,000	
	Financing Fees							
	Series A Bond		$7,120,000	Loan Amount	3.5	Points	249,000	
	Series B Bond		$12,149,000	Loan Amount	3.5	Points	425,000	
	Operating Reserve		3	Months Op Exp and Debt Svc Pmts			288,000	
	TCAC Fees	9					58,000	
	Total Financing Costs							**$2,248,000**
V.	**Total Construction Costs**		**101**	**Units**	**$375,200**	**/Unit**		**$37,897,000**
	Total Development Costs		**101**	**Units**	**$415,600**	**/Unit**		**$41,978,000**

1 Based on Developer estimate. An appraisal prepared by R. P. Laurain & Associates, Inc. on June 3, 2016 estimates the fee simple market value of a fully entitled approximately 100-unit project at $3.98 million.
2 Estimates assume prevailing wage requirements will be imposed on the Project.
3 Based on Developer estimate. City staff should verify the scope and cost of the required off-site improvements.
4 Based on Developer estimate. The estimate should be verified by City staff.
5 Based on Developer estimate. The maximum amount allowed by TCAC is equal to 15% of the Project's eligible Tax Credit basis.
6 Assumes that the LBCIC Loan will accrue 3% interest during the predevelopment and construction periods.
7 Includes debt on the 80% of the Tax Credit Equity that will not be funded during construction. Assumes an 18-month construction period with a 60% average outstanding balance and a 6-month absorption period with a 100% average outstanding balance.
8 Equal to 50% of the eligible Tax Credit basis plus the property acquisition costs minus the Series A Bond amount; an 18-month construction period with a 60% average outstanding balance; and a 6-month absorption period with a 100% average outstanding balance.
9 Includes a $2,000 application fee; $410/unit monitoring fee; and 1% of the gross Tax Credit proceeds for one year.

Prepared by: Keyser Marston Associates, Inc.
File name: AMCAL_4% TC_5 9 17; Pro Forma; trb

TABLE 2
STABILIZED NET OPERATING INCOME & SECTION 8 PBV SUBSIDY
1795 LONG BEACH BOULEVARD APARTMENTS
LONG BEACH, CALIFORNIA

I.	**Base Income** [1]							
	Tenant-Paid Rent Income							
	Manager's Unit	1	Unit	$0	/Unit/Month	$0		
	1-Bedroom Units @ (600-Sf)							
	EL Inc H&SC/Tax Credit @ 30% Median	18	Units	$347	/Unit/Month	75,000		
	VL Inc H&SC/Tax Credit @ 40% Median	20	Units	$606	/Unit/Month	145,400		
	Tax Credit @ 60% Median	12	Units	$972	/Unit/Month	140,000		
	2-Bedroom Units @ (800-Sf)							
	VL Inc H&SC/Tax Credit @ 40% Median	2	Units	$676	/Unit/Month	16,200		
	59% H&SC/Tax Credit @ 45% Median	10	Units	$807	/Unit/Month	96,800		
	Tax Credit @ 60% Median	13	Units	$1,163	/Unit/Month	181,400		
	3-Bedroom Units @ (1,100-Sf)							
	Tax Credit @ 60% Median	25	Units	$1,336	/Unit/Month	400,800		
	Gross Tenant-Paid Rent Income	101	Units			$1,055,600		
	Laundry/Miscellaneous Income	101	Units	$9	/Unit/Month	10,900		
	Gross Base Income					$1,066,500		
	(Less) Vacancy & Collection Allowance	5.4%	Gross Income			(57,600)		
	Effective Gross Base Income						**$1,008,900**	
II.	**Operating Expenses**							
	General Operating Expenses	101	Units	$5,253	/Unit	$530,600		
	Property Taxes [2]	101	Units	$99	/Unit	10,000		
	Social Services	101	Units	$178	/Unit	18,000		
	City Monitoring Fee	101	Units	$140	/Unit	14,100		
	Required AHSC Interest Payment [3]	0.42%	AHSC Loan			57,200		
	Replacement Reserve [3]	101	Units	$500	/Unit	50,500		
	Total Operating Expenses	101	Units	$6,737	/Unit		**$680,400**	
III.	**Stabilized Net Operating Income**						**$328,500**	
IV.	**Section 8 PBV Subsidy**							
	1-Bedroom Units @ (600-Sf)							
	EL Inc H&SC/Tax Credit @ 30% Median	18	Units	$623	/Unit/Month	$134,600		
	VL Inc Redev/Tax Credit @ 35% Median	20	Units	$364	/Unit/Month	87,400		
	2-Bedroom Units @ (800-Sf)							
	VL Inc Redev/Tax Credit @ 35% Median	2	Units	$602	/Unit/Month	14,400		
	Gross Section 8 PBV Income					$236,400		
	(Less) Vacancy & Collection Allowance	5.4%	Section 8 Income			(12,800)		
	Effective Gross Section 8 PBV Subsidy						**$223,600**	

1 Based on Los Angeles County 2016/2017 Incomes distributed by HUD/HCD. As pertinent, the rents are based on rents published in 2017 by TCAC and CA H&SC Section 50053 calculation methodology per the 2016 HCD Median. Utility Allowances per the Developer: $42 for 1-Bdrm units; $53 for 2-Bdrm units; and $70 for 3-Bdrm units.

2 Based on Developer estimate. Assumes that the Developer will receive the property tax abatement accorded to non-profit housing organizations that own and operate apartments rented to households earning less than 80% of the area median income.

3 Based on the requirements of the Affordable Housing and Sustainable Communities (AHSC) Program.

Prepared by: Keyser Marston Associates, Inc.
File name: AMCAL_4% TC_5 9 17; Pro Forma; trb

TABLE 3

FINANCIAL GAP CALCULATION
1795 LONG BEACH BOULEVARD APARTMENTS
LONG BEACH, CALIFORNIA

I.	**Available Funding Sources**						
	Tax-Exempt Multifamily Bond Financing - Base Income						
	Stabilized Net Operating Income		$328,500	(See TABLE 2)			
	Income Available for Mortgage	1	1.18	DSCR	$278,496	Debt Service	
	Interest Rate		5.75%	Interest Rate	6.64%	Mortgage Constant	
	Tax-Exempt Multifamily Bond Financing - Base Income					**$4,193,000**	
	Tax-Exempt Multifamily Bond Financing - Section 8 PBV Subsidy						
	Effective Gross Section 8 PBV Subsidy		$223,600	(See TABLE 2)			
	Income Available for Mortgage	1	1.15	DSCR	$194,435	Debt Service	
	Interest Rate		5.75%	Interest Rate	6.64%	Mortgage Constant	
	Tax-Exempt Multifamily Bond Financing - Section 8 PBV Subsidy					**$2,927,000**	
	Tax Credit Equity	2					
	Gross Tax Credit Value		$14,928,000				
	Syndication Rate		$1.00	/Tax Credit Dollar			
	Net Tax Credit Equity					**$14,928,000**	
	AHSC Loan	3				**$13,621,000**	
	Deferred Developer Fee	3	43%	Developer Fee		**$1,500,000**	
	City of Long Beach Fee Waivers	3				**$560,000**	
	LBCIC Deferred Interest	4				**$351,000**	
	Total Available Funding Sources						**$38,080,000**
II.	**Financial Gap Calculation**						
	Total Development Costs					$41,978,000	
	(Less) Total Available Funding Sources					(38,080,000)	
III.	**Financial Gap**		**101**	**Units**	**$38,600**	**/Unit**	**$3,898,000**

1 Assumes a 35-year amortization term.
2 Assumes a $35.8 million eligible basis, plus a 130% difficult-to-develop premium, a 3.2% Tax Credit rate and an applicable fraction of 100%.
3 Based on Developer estimate.
4 The LBCIC Loan will accrue simple interest at 3% during the development period, which will be deferred as a permanent source. KMA estimates the development period at 36 months.

Prepared by: Keyser Marston Associates, Inc.
File name: AMCAL_4% TC_5 9 17; Pro Forma; trb