KEYSER MARSTON ASSOCIATES
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

To: Meggan Sorensen, Housing Development Officer
City of Long Beach

From: Kathleen Head
Tim Bretz

Date: September 14, 2018

Subject: Vistas Del Puerto Apartments: Financial Gap Analysis

At your request, Keyser Marston Associates, Inc. (KMA) prepared a financial analysis for the project proposed to be developed at 1836-1852 Locust Avenue (Site) by Clifford Beers Housing (Developer). As proposed, the project will include 48 units that will be restricted to extremely-low and lower income households (Project).

The Long Beach Community Investment Company (LBCIC) currently owns the Site. The Developer is requesting financial assistance from the LBCIC for the purposes of acquiring the Site and constructing the Project. The purpose of this KMA analysis is to evaluate the Developer's request for additional financial assistance.

EXECUTIVE SUMMARY

Background

In November 2017, the Developer and the LBCIC entered into a Disposition, Development and Loan Agreement (Agreement) for the purposes of constructing the Project. The Agreement requires the LBCIC to sell the Site to the Developer for fair market value, which was estimated in 2017 at $1.48 million. The Agreement required the LBCIC to provide a $2,825,000 loan (LBCIC Loan) for the following purposes:

1. $1.48 million of the loan proceeds for the acquisition of the Site; and

2. The remaining $1.35 million of the loan proceeds for the construction of the Project.

However, prior to the submittal of the Tax Credit Allocation Committee (TCAC) Application in March 2018, the Developer commissioned an updated appraisal, which estimated the fair market value of the Site at $1.68 million. As such, the LBCIC agreed to increase the LBCIC Loan amount by $200,000 to fund the full fair market value of the Site. Thus, the previous LBCIC Funding Commitment is set at $3,025,000.

The Project was awarded an allocation of Tax Credits in June 2018. As such, the Developer intends to start construction by the end of the year. However, based on discussions with the general contractor chosen for the Project, it is likely that the Project's construction costs will increase substantially over the estimates provided to the LBCIC in Fall 2017. Based on this information, the Developer is requesting an additional $800,000 in financial assistance from the LBCIC. The following memorandum discusses the KMA analysis of the Developer's additional financial assistance request.

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	$27,114,000	$27,194,000	($80,000)
Available Funding Sources	26,392,000	26,394,000	2,000
Financial Gap	$722,000	$800,000	($78,000)

As shown in the preceding table, KMA estimates the Project's financial gap at $722,000. Comparatively, the Developer is requesting $800,000 in additional financial assistance from the LBCIC. This $78,000 differential equates to 0.3% of the Project's total development costs, which can be considered inconsequential.

However, it is important to note that KMA has concerns with the Developer's development cost estimates and ultimately how the $800,000 is provided to the Project. These issues will be discussed further in this memorandum.

Proposed Funding Sources

The following summarizes the proposed funding sources for the Project:

1. KMA estimates that the Project's net operating income (NOI) can support an $823,000 conventional permanent loan.

2. The Developer received an award of 9% Federal Low Income Housing Tax Credits (Tax Credits) that are competitively awarded by TCAC. KMA and the Developer estimate the net Tax Credit proceeds at $18.92 million.

3. The Developer received a $3.36 million loan from the Community Development Commission of the County of Los Angeles (LACDC).

4. The Project will receive an operating subsidy from the Los Angeles County Department of Health Services (DHS) Flexible Housing Subsidy Pool. The DHS Subsidy will support 20 one-bedroom units, two two-bedroom units, and two three-bedroom units.

5. The City of Long Beach (City) has a program that provides waivers of certain public permits and fee costs for affordable housing projects. The Developer estimates these fee waivers at $263,000.

6. The LBCIC previously committed $3.03 million in financial assistance to the Project.

PROJECT DESCRIPTION

The proposed scope of development can be described as follows:

1. The Site area totals 0.62 acres, or approximately 27,000 square feet of land area.

2. The 48-unit Project represents a density of 77 units per acre.

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

	Number of Units	Unit Size (SF)
One-Bedroom Units	22	450
Two-Bedroom Units	13	700
Three-Bedroom Units	13	1,000
Total / Weighted Average	48	667

4. The Project's gross building area (GBA) is estimated at 65,974 square feet, and is comprised of the following:

   a. The residential GBA is estimated at 32,000 square feet;

   b. The retail GBA is estimated at 4,782 square feet;

   c. The community room GBA is estimated at 773 square feet;

   d. The podium parking area GBA is estimated at 13,091 square feet; and

   e. The circulation/common area GBA is estimated at 15,328 square feet.

5. The Project will include 40 at-grade podium parking spaces, which equates to 0.83 parking spaces per unit.

6. The Project's affordability mix is as follows:[1]

Extremely Low H&SC /Tax Credit @ 30% Median	24
Lower H&SC / Tax Credit @ 50% Median	23
Unrestricted Manager's Unit	1
Total Units	48

[1] H&SC refers to the California Health and Safety Code. Median refers to the Los Angeles County median income.

FINANCIAL GAP ANALYSIS

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

Table 1:	Estimated Development Costs
Table 2:	Stabilized Net Operating Income
Table 3:	Financial Gap Calculation

Estimated Development Costs (Table 1)

KMA reviewed the Developer's August 2018 pro forma submittals and July 2018 general contractor's cost estimate, and then independently prepared a pro forma analysis of the Project. The resulting development costs are estimated as follows:

Property Acquisition Costs

The LBCIC currently owns the Site. The Developer intends to purchase the Site from the LBCIC for fair market value. The Developer provided an appraisal prepared by Stringer Appraisers (Appraiser) on October 11, 2017 that sets the fee simple market value of the Site at $1.68 million. As such, the proposed purchase price for the Site is $1.68 million, or $62 per square foot of land area.

Direct Costs

The direct costs assume that that the Project will be not subject to State of California and/or Federal Davis Bacon prevailing wage requirements. A requirement of the Previous LBCIC Funding Commitment was that the Developer needed to obtain at least three general contractors' bids for LBCIC's review and approval prior to selecting a general contractor. The Developer obtained three bids in February 2018, and selected Dreyfuss Construction (Dreyfuss) to be the general contractor for the Project.

In July 2018, the Developer obtained an updated estimate from Dreyfuss. Dreyfuss estimated the direct costs at $16.13 million, which is approximately 5.4% higher than the February 2018 estimate. The direct costs applied in this analysis are based on the July 2018 estimate from Dreyfuss and can be summarized as follows:

1. The off-site improvement costs are estimated at $99,000. City staff should verify the accuracy of this assumption.

2. The on-site improvement costs are estimated at $19 per square foot of land area, or $517,000.

3. The building costs are estimated at $204 per square foot of GBA, which equates to $13.44 million. This estimate includes the costs for residential building costs, retail shell costs, and the podium parking costs.

4. A $119,000 allowance for furnishings, fixtures and equipment is provided.

5. The contractor costs are estimated as follows:

    a. A 10% allowance for contractors' fees and general requirements is provided.

    a. An allowance for construction bonds / general liability insurance at 2% of construction costs is provided.

6. KMA included a $796,000 direct cost contingency allowance, which is equal to 5% of other direct costs. This is a typical contingency allowance requirement for similar new construction affordable housing projects.

However, per discussions with the Developer, Dreyfuss anticipates that construction costs could increase another 8-10% between the July 2018 estimate and the end of the year when the contract with Dreyfuss will likely be executed. As such, the Developer included $2.36 million in additional contingency allowances in their pro forma:

1. An additional direct cost contingency allowance equal to $911,000, or approximately 6% of other direct costs; and

2. An escalation contingency allowance equal to $1.45 million, or approximately 9% of other direct costs.

Together, the typical 5% direct cost contingency allowance, the additional direct cost contingency allowance and the escalation contingency allowance total approximately $3.15 million, or 20% of other direct costs. This allowance is much higher than typical, and is directly attributable to the Developer's request for $800,000 in additional financial assistance.

However, KMA understands both the Developer and Dreyfuss' concern regarding the potential for further construction cost increases between now and the execution of the general contractor's contract. As such, KMA is amenable to allowing the higher than typical contingency allowances to remain in the Project budget. However, the additional LBCIC financial assistance should be disbursed only after the Developer provides documentation that the construction costs have increased, and all other contingency allowances have been expended. This concept is discussed in more detail in the Recommendations Section of this memorandum.

In summary, KMA estimates the total direct costs at $19.08 million. This equates to $289 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 7% of direct costs.

2. The public permits and fees costs are estimated at $799,000, or $16,600 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 $1,600 per unit allowance for marketing and leasing costs is provided.

5. The Developer Fee is estimated at $1.57 million, which is below the maximum amount allowed by TCAC.

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

KMA estimates the total indirect costs at approximately $4.37 million.

Financing Costs

The financing costs for the Project are estimated as follows:

1. The Developer estimates the predevelopment loan interest and holding costs at $165,000.

2. The construction period and absorption period interest costs are estimated at $1.19 million. These costs are based on the following assumptions:

   a. The construction period interest costs are based on a 5.20% interest rate, an 18-month construction period, and a 60% average outstanding balance.

   b. The absorption period interest costs are based on a six-month absorption period with a 100% average outstanding balance.

3. The financing fees are estimated as follows:

   a. The Developer estimates the financing fees for the predevelopment loan at $28,000; and

   b. The financing fees for the construction loan and permanent loan are estimated at 1.0 point each, or $171,000.

4. A $305,000 capitalized operating reserve is provided. This equates to seven months of operating expenses and debt service payments.

5. The Developer did not include a capitalized transition reserve.

6. The Tax Credit fees are estimated at $98,000 based on the following assumptions:

   a. A $2,000 application fee;

   b. A $410 per unit monitoring fee; and

   c. Four percent (4%) of gross Tax Credits proceeds for one year.

KMA estimates the total financing costs at approximately $1.99 million.

Total Development Costs

As shown in Table 1, KMA estimates the total development costs at $27.11 million, which equates to approximately $565,000 per unit. In contrast, the Developer estimates the total development costs at $27.19 million. This represents an $80,000, or less than 1% differential.

However, it is important to note that $3.15 million is attributed to direct cost contingency allowances. The use of these contingency allowances is largely dependent on the rate at which construction costs increase over the next four months.

The Project's funding sources include Tax Credits, LACDC funds, 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.

The affordable rents are based on the most stringent of the requirements imposed by the funding sources proposed to be obtained. The requirements can be summarized as follows:

1. TCAC publishes rent standards for projects that receive Tax Credits.
2. 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.
3. LACDC instructs the Developer as to the appropriate rent standards to utilize for those funds.

Tenant-Paid Rents

The rents used in this analysis are based on 2018 income and rent information published by TCAC and HCD. The maximum allowable rents, net of the appropriate utility allowances, are estimated as follows: [5]

---

[5] The utility allowances are set at: $70 for one-bedroom units; $87 for two-bedroom units; and $110 for three-bedroom units.

Rent Restriction	1-Bedroom	2-Bedrooms	3-Bedrooms
EL H&SC / TC @ 30% Median			
EL H&SC	$346	$381	$410
TCAC	$475	$567	$646
Applicable Rents	$346	$381	$410
Lower H&SC / TC @ 50% Median			
Lower H&SC	$1,039	$1,160	$1,276
TCAC	$839	$1,004	$1,150
Applicable Rents	$839	$1,004	$1,150

Other revenues anticipated to be generated by the Project are as follows:

1. The Developer anticipates that the Project will receive a DHS annual operating subsidy for 24 units. The contract rents, net of a utility allowance, are estimated as follows:

One-Bedroom Units	$1,214
Two-Bedroom Units	$1,576
Three-Bedroom Units	$2,121

2. Laundry and miscellaneous income is estimated to average $4 per unit per month. This equates to $2,500 per year.

Estimated Effective Gross Income

KMA estimates the Project's effective gross (EGI) income at $624,300 based on the following:

1. The gross tenant paid rents are estimated to total $394,300.

2. The DHS operating subsidy income is estimated at $278,100.

3. A vacancy and collection allowance equal to 7.5% of gross income is provided. This equates to $50,600.

Estimated Operating Expenses

The operating expenses are estimated at $439,300 based on the following:

1. The general operating expenses are estimated at $7,000 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 Developer estimated the property tax assessment overrides at $3,000 per year.

3. The annual social services expenses are estimated at $72,000.

4. The City will charge a monitoring fee equal to $150 per unit per year, or $7,200.

5. The Developer provided an allowance for replacement reserve deposits at $450 per unit per year. This is higher than the $250 per unit per year minimum required by TCAC.

Estimated Stabilized Net Operating Income

The Project's EGI is estimated at $624,300, and the operating expenses are estimated at $439,800. This results in estimated stabilized net operating income of $184,500.

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>Permanent Loan</u>

The Project's NOI of $184,500 can support an $823,000 permanent loan based on the following underwriting parameters provided by the Developer:

1. A 5.90% interest rate;

2. A 2.23 debt service coverage ratio; and

3. A 15-year amortization term.

Tax Credit Proceeds

The Developer received a $19.11 million allocation of gross Tax Credits. The Developer anticipates obtaining a Tax Credit equity rate of $0.99 per gross Tax Credit dollar, which equates to $18.92 million in Tax Credit equity available to the Project.

LACDC Loan

The Developer received a $3.36 million loan from LACDC.

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 $263,000.

Previous LBCIC Funding Commitment

The LBCIC previously committed $3.03 million in financial assistance to the Project.

Total Available Outside Funding Sources

As shown in Table 3, both KMA and the Developer estimate the available outside funding sources at $26.39 million.

Financial Gap Calculation

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

	KMA	Developer	Difference
Outside Funding Sources	$26,392,000	$27,194,000	($80,000)
Total Development Cost	27,114,000	26,394,000	2,000
Financial Gap	$722,000	$800,000	($78,000)

Per Unit	$15,000	$17,000	($2,000)

As shown in the preceding table, KMA estimates that the Project exhibits a $722,000 unfunded financial gap. In contrast, the Developer is requesting $800,000 in additional financial assistance from the LBCIC. This represents a $78,000 differential.

However, it is important to note that the additional financial assistance is being requested to fund a higher than typical direct cost contingency allowance. As such, the additional LBCIC financial assistance should be structured as recommended at the end of this memorandum.

TRANSITION RESERVE

The LBCIC and the Developer previously discussed the Project's need for a transition reserve in case the DHS subsidy is not renewed during the first 15 years of operations. As such, the Agreement requires the Developer to fund a $549,000 Transition Reserve as follows:

1. The Developer must fund a $249,000 capitalized Transition Reserve upon completion of construction.

2. The Developer must deposit $100,000 during each of the first three years of operations.

The Developer has requested that the LBCIC amend the requirement for a $249,000 capitalized Transition Reserve, and instead wishes to fund the Transition Reserve through annual deposits from Project operations. The Developer proposes annual Transition Reserve deposits starting at $70,000 in Year 1 and decreasing to $26,000 in Year 15. The annual deposits total $735,000 over the 15 years, which is $186,000 more than the amount required by the Agreement.

However, it is important to note, that the funding of the Transition Reserve through Project operations directly impacts the amount of residual receipts received by the LBCIC. As such, to balance the need for a Transition Reserve and the LBCIC's desire to maximize residual receipts payments, KMA recommends the following structure:

1. The DHS subsidy amount in Year 6 (the first year after the initial 5-year DHS contract term) is estimated at $315,000. This equates to approximately $63,000 per year for each of the first five years of operations. As such, during each of the first five years of operations, $63,000 should be deposited into the Transition Reserve.

2. Based on the $549,000 Transition Reserve requirement outlined in the Agreement, the remaining $234,000 requirement ($549,000 - $315,000 = $234,000) should be funded with annual deposits for the next 10 years. As such, the Transition Reserve deposits in Years 6 – 15 should be set at $23,400 per year.

3. As required by the Agreement, all withdrawals from the Transition Reserve should be subject to approval by the LBCIC.

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 Project exhibits a $722,000 unfunded financial gap. In comparison, the Developer is requesting $800,000 in financial assistance from the LBCIC.

2. The Developer’s direct cost estimates include contingency allowances that total $3.15 million, or approximately 20% of other direct costs. However, direct cost contingency allowances are typically set equal to 5% - 10% of other direct costs. The primary reason for the Developer’s higher than typical direct cost contingency allowance is a concern that construction costs will increase substantially prior to executing the general contractor contract. Based on KMA’s experience with construction costs increases for similar projects currently under construction, KMA understands the Developer’s concern. As such, KMA recommends that any additional LBCIC financial assistance be structured as follows:

    a. The LBCIC can agree to reserve the additional financial assistance for the Project at this time.

    b. However, prior to disbursement, the following should occur:

i. The Developer must provide an executed contract with the general contractor clearly identifying the increase in construction costs.

ii. All other contingency allowances should be expended, prior to the disbursement of the additional LBCIC financial assistance.

iii. If any of the additional LBCIC financial assistance remains unspent at the end of construction, it should be de-committed from the Project and returned to the LBCIC for use in other projects.

3. The Transition Reserve should be structured as follows:

a. During each of the first five years of operations, $63,000 should be deposited into the Transition Reserve; and

b. During Years 6 – 15, the annual Transition Reserve deposits should be set at $23,400 per year.

c. As required by the Agreement, all withdrawals from the Transition Reserve should be subject to approval by the LBCIC.

4. The Agreement requires the following affordability mix:

Extremely Low H&SC / Tax Credit @ 30% Median	11
59% H&SC / Tax Credit @ 40% Median	13
Lower H&SC / Tax Credit @ 50% Median	23
Unrestricted Manager's Unit	1
Total Units	48

However, in order to maximize the LACDC funding amount, the Developer increased the number of units at the Extremely Low Income level. As such, KMA recommends that the LBCIC revise the Agreement to reflect the following affordability mix:

Extremely Low H&SC /Tax Credit @ 30% Median	24
Lower H&SC / Tax Credit @ 50% Median	23
Unrestricted Manager's Unit	1
Total Units	48

5. The Developer should assume that the LBCIC's financial assistance will begin accruing 3% simple interest upon disbursement of the 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
VISTAS DEL PUERTO
LONG BEACH, CALIFORNIA

I.	**Property Acquisition Costs**	1	27,000	Sf Land	$62	/Sf Land		**$1,680,000**
II.	**Direct Costs**	2						
	Off-site Improvements						$99,000	
	On-site Improvements		27,000	Sf Land	$19	/Sf Land	517,000	
	Building Costs	3	65,974	Sf GBA	$204	/Sf GBA	13,440,000	
	Furnishings, Fixtures & Equipment						119,000	
	Contractor Fees / General Requirements		10%	Construction Costs			1,467,000	
	Construction Bonds		2%	Construction Costs			281,000	
	Contingency Allowance		5%	Other Direct Costs			796,000	
	Add'l Developer Contingency Allowance		6%	Other Direct Costs			911,000	
	Escalation Allowance		9%	Other Direct Costs			1,447,000	
	Total Direct Costs		**65,974**	**Sf GBA**	**$289**	**/Sf GBA**		**$19,077,000**
III.	**Indirect Costs**							
	Arch, Eng, Consulting & Construction Mgt		7%	Direct Costs			$1,411,000	
	Public Permits & Fees	4	48	Units	$16,647	/Unit	799,000	
	Taxes, Insurance, Legal & Accounting		2%	Direct Costs			310,000	
	Marketing & Leasing		48	Units	$1,563	/Unit	75,000	
	Developer Fee	5	8%	Eligible Basis			1,567,000	
	Contingency Allowance		5%	Other Indirect Costs			208,000	
	Total Indirect Costs							**$4,370,000**
IV.	**Financing Costs**							
	Predevelopment Interest/Holding Costs	6					$165,000	
	Interest During Construction	7	$16,334,000	Loan Amount	5.20%	Interest	1,189,000	
	Financing Fees							
	Predevelopment Loan	6					28,000	
	Construction Loan		$16,334,000	Loan Amount	1.00	Points	163,000	
	Permanent Loan		$823,000	Loan Amount	1.00	Points	8,000	
	Capitalized Reserves							
	Operating Reserve		7	Months Operating Expenses / Debt Service			305,000	
	Transition Reserve	6					-	
	LACDC Monitoring Fee						31,000	
	TCAC Fees	8					98,000	
	Total Financing Costs							**$1,987,000**
V.	**Total Construction Costs**		**48**	**Units**	**$529,900**	**/Unit**		**$25,434,000**
	Total Development Costs		**48**	**Units**	**$564,900**	**/Unit**		**$27,114,000**

1 Based on an appraisal prepared on October 11, 2017 by Stringer Appraisals that estimates the as-is market value of the site at $1.68 million.
2 Based on Developer estimates. Estimates assume Davis Bacon prevailing wage requirements will not be imposed on the Project.
3 The GBA estimate includes podium parking GBA and retail GBA. The costs include podium parking and retail shell costs.
4 Based on Developer estimate. The estimate should be verified by City staff.
5 This is the maximum amount allowed to be included in the Project per TCAC.
6 Based on Developer estimate.
7 Includes debt on the 85% of the Tax Credit Equity which 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 Includes a $2,000 application fee; $410/unit monitoring fee; and 4% of the gross Tax Credit proceeds for one year.

TABLE 2

STABILIZED NET OPERATING INCOME
VISTAS DEL PUERTO
LONG BEACH, CALIFORNIA

I.	**Gross Residential Income** [1]						
	Manager's Unit	1	Unit	$0	/Unit/Month	$0	
	EL H&SC/TC @ 30% Median						
	1-Bedroom Units @ (450-Sf)	20	Units	$346	/Unit/Month	83,000	
	2-Bedroom Units @ (700-Sf)	2	Units	$381	/Unit/Month	9,100	
	3-Bedroom Units @ (1,000-Sf)	2	Units	$410	/Unit/Month	9,800	
	Lower H&SC/TC @ 50% Median						
	1-Bedroom Units @ (450-Sf)	2	Units	$839	/Unit/Month	20,100	
	2-Bedroom Units @ (700-Sf)	10	Units	$1,004	/Unit/Month	120,500	
	3-Bedroom Units @ (1,000-Sf)	11	Units	$1,150	/Unit/Month	151,800	
	DHS Subsidy						
	EL H&SC/TC @ 30% Median						
	1-Bedroom Units @ (450-Sf)	20	Units	$868	/Unit/Month	208,300	
	2-Bedroom Units @ (700-Sf)	2	Units	$1,195	/Unit/Month	28,700	
	3-Bedroom Units @ (1,000-Sf)	2	Units	$1,711	/Unit/Month	41,100	
	Laundry/Miscellaneous Income	48	Units	$4	/Unit/Month	2,500	
	Gross Rental Income					$674,900	
	(Less) Vacancy & Collection Allowance	7.5%	Gross Base Income			(50,600)	
	Effective Gross Income						**$624,300**
II.	**Operating Expenses**						
	General Operating Expenses	48	Units	$7,000	/Unit	$336,000	
	Property Taxes [2]	48	Units	$63	/Unit	3,000	
	Services	48	Units	$1,500	/Unit	72,000	
	LBCIC Monitoring Fee	48	Units	$150	/Unit	7,200	
	Replacement Reserve	48	Units	$450	/Unit	21,600	
	Total Operating Expenses						**$439,800**
III.	**Net Operating Income**						**$184,500**

[1] Based on 2018 LA County Incomes distributed by HUD/HCD. As pertinent, based on rents published in 2018 by TCAC and the incomes published by HCD for use in the California H&SC Section 50053 calculations. Utility Allowances per the Developer: $70 for 1-Bdrm units; $87 for 2-Bdrm units; and $110 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 apartment units that are restricted to households earning less than 80% of the County median income.

TABLE 3

FINANCIAL GAP CALCULATION
VISTAS DEL PUERTO
LONG BEACH, CALIFORNIA

I. Available Funding Sources

Permanent Loan - Base Income [1]							
Net Operating Income	$184,500	NOI (See Table 2)					
Income Available for Mortgage	2.23	DCR	$82,800	Debt Service			
Interest Rate	5.90%	Interest Rate	10.06%	Mortgage Constant			
Permanent Loan - Base Income						**$823,000**	
Tax Credit Equity [2]							
Gross Tax Credit Value	$19,112,000						
Syndication Rate	$0.99	/Tax Credit Dollar					
Net Tax Credit Equity						**$18,921,000**	
LACDC [3]						**$3,360,000**	
City Impact Fee Waiver [3]						**$263,000**	
Previous LBCIC Funding Commitment						**$3,025,000**	
Total Available Funding Sources							**$26,392,000**

II. Unfunded Financial Gap Calculation

Total Available Funding Sources					$26,392,000	
(Less) Total Development Costs					(27,114,000)	
Unfunded Financial Gap	**48**	**Units**	**$15,000**	**/Unit**		**$722,000**

1 The Project does not generate sufficient cash flow to warrant obtaining a conventional loan.
2 Based on TCAC award.
3 Based on LACDC award.
4 The LBCIC Loan will accrue simple interest at 3% during the construction and lease-up period. KMA estimates this at 24 months.

Prepared by: Keyser Marston Associates, Inc.
Filename: Vista del Puerto_9 12 18; PF_9%_DHS; trb

TABLE 4

CASH FLOW ANALYSIS
VISTAS DEL PUERTO
LONG BEACH, CALIFORNIA

			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
I.	**Gross Residential Income** [1]									
	Gross Rental Income		$396,800	$406,720	$416,888	$427,310	$437,993	$448,943	$460,166	$471,671
	DHS Subsidy		278,100	285,053	292,179	299,483	306,970	314,645	322,511	330,574
	(Less) Vacancy & Collection Allowance		(50,600)	(51,865)	(53,162)	(54,491)	(55,853)	(57,249)	(58,680)	(60,147)
	Effective Gross Base Income		**$624,300**	**$639,908**	**$655,905**	**$672,303**	**$689,110**	**$706,338**	**$723,997**	**$742,097**
II.	**Operating Expenses** [2]									
	General Operating Expenses		$336,000	$347,760	$359,932	$372,529	$385,568	$399,063	$413,030	$427,486
	Property Taxes		3,000	3,060	3,121	3,184	3,247	3,312	3,378	3,446
	Services		72,000	74,520	77,128	79,828	82,622	85,513	88,506	91,604
	LBCIC Monitoring Fee		7,200	7,452	7,713	7,983	8,262	8,551	8,851	9,160
	Replacement Reserve		21,600	21,600	21,600	21,600	21,600	21,600	21,600	21,600
	Total Operating Expenses		**$439,800**	**$454,392**	**$469,494**	**$485,123**	**$501,299**	**$518,040**	**$535,365**	**$553,296**
III.	**Net Operating Income**		**$184,500**	**$185,516**	**$186,411**	**$187,180**	**$187,812**	**$188,299**	**$188,631**	**$188,800**
	(Less) Debt Service [3]		(82,807)	(82,807)	(82,807)	(82,807)	(82,807)	(82,807)	(82,807)	(82,807)
	(Less) Operating Reserve Deposits		(62,929)	(62,929)	(62,929)	(62,929)	(62,929)	(23,436)	(23,436)	(23,436)
	Net Income After Debt Service		**$38,764**	**$39,780**	**$40,676**	**$41,444**	**$42,076**	**$82,056**	**$82,389**	**$82,558**
IV.	**Cash Flow Available for Contingent Payments**		**$38,764**	**$39,780**	**$40,676**	**$41,444**	**$42,076**	**$82,056**	**$82,389**	**$82,558**
	(Less) Asset and Partnership Fees [4]		(15,000)	(15,450)	(15,914)	(16,391)	(16,883)	(17,389)	(17,911)	(18,448)
	(Less) Deferred Developer Fee		0	0	0	0	0	0	0	0
V.	**Cash Flow after Contingent Payments**		**$23,764**	**$24,330**	**$24,762**	**$25,053**	**$25,193**	**$64,667**	**$64,478**	**$64,110**
	Nominal Dollars	**$3,048,467**		**$599,000**	**NPV @ 10% Discount Rate**					
VI.	**Residual Receipt Payments to LBCIC**		**$6,517**	**$6,673**	**$6,791**	**$6,871**	**$6,909**	**$17,735**	**$17,683**	**$17,582**
	Nominal Dollars	**$836,055**		**$164,000**	**NPV @ 10% Discount Rate**					
VII.	**Residual Receipt Payments to LACDC**		**$5,365**	**$5,492**	**$5,590**	**$5,656**	**$5,687**	**$14,598**	**$14,556**	**$14,473**
	Nominal Dollars	**$688,179**		**$135,000**	**NPV @ 10% Discount Rate**					
VIII.	**Net Cash Flow to Developer**		**$11,882**	**$12,165**	**$12,381**	**$12,527**	**$12,597**	**$32,334**	**$32,239**	**$32,055**
	Nominal Dollars	**$1,524,234**		**$299,000**	**NPV @ 10% Discount Rate**					

1 The affordable rents and miscellaneous income are assumed to increase by 102.5%/year. Assumes Year 1 is at stabilization.
2 General operating expenses are assumed to increase by 103.0%/year, property taxes at 102.0%/year and replacement and operating reserves remain constant.
3 SEE TABLE 3
4 Assumes fees increase at 103.0%/year.

Prepared by: Keyser Marston Associates, Inc.
Filename: Vista del Puerto_9 12 18; CF_9%_DHS; trb

TABLE 4

CASH FLOW ANALYSIS
VISTAS DEL PUERTO
LONG BEACH, CALIFORNIA

		Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17
I.	**Gross Residential Income** [1]									
	Gross Rental Income	$483,462	$495,549	$507,938	$520,636	$533,652	$546,993	$560,668	$574,685	$589,052
	DHS Subsidy	338,838	347,309	355,992	364,891	374,014	383,364	392,948	402,772	412,841
	(Less) Vacancy & Collection Allowance	(61,651)	(63,192)	(64,772)	(66,392)	(68,051)	(69,753)	(71,496)	(73,284)	(75,116)
	Effective Gross Base Income	**$760,649**	**$779,665**	**$799,157**	**$819,136**	**$839,614**	**$860,604**	**$882,120**	**$904,173**	**$926,777**
II.	**Operating Expenses** [2]									
	General Operating Expenses	$442,448	$457,934	$473,961	$490,550	$507,719	$525,489	$543,881	$562,917	$582,619
	Property Taxes	3,515	3,585	3,657	3,730	3,805	3,881	3,958	4,038	4,118
	Services	94,810	98,129	101,563	105,118	108,797	112,605	116,546	120,625	124,847
	LBCIC Monitoring Fee	9,481	9,813	10,156	10,512	10,880	11,260	11,655	12,063	12,485
	Replacement Reserve	21,600	21,600	21,600	21,600	21,600	21,600	21,600	21,600	21,600
	Total Operating Expenses	**$571,854**	**$591,060**	**$610,938**	**$631,510**	**$652,800**	**$674,835**	**$697,640**	**$721,242**	**$745,669**
III.	**Net Operating Income**	**$188,795**	**$188,605**	**$188,219**	**$187,626**	**$186,814**	**$185,769**	**$184,479**	**$182,930**	**$181,107**
	(Less) Debt Service [3]	(82,807)	(82,807)	(82,807)	(82,807)	(82,807)	(82,807)	(82,807)	0	0
	(Less) Operating Reserve Deposits	(23,436)	(23,436)	(23,436)	(23,436)	(23,436)	(23,436)	(23,436)		
	Net Income After Debt Service	**$82,553**	**$82,363**	**$81,977**	**$81,384**	**$80,571**	**$79,527**	**$78,237**	**$182,930**	**$181,107**
IV.	**Cash Flow Available for Contingent Payments**	**$82,553**	**$82,363**	**$81,977**	**$81,384**	**$80,571**	**$79,527**	**$78,237**	**$182,930**	**$181,107**
	(Less) Asset and Partnership Fees [4]	(19,002)	(19,572)	(20,159)	(20,764)	(21,386)	(22,028)	(22,689)	(23,370)	(24,071)
	(Less) Deferred Developer Fee	0	0	0	0	0	0	0	0	0
V.	**Cash Flow after Contingent Payments**	**$63,551**	**$62,791**	**$61,818**	**$60,620**	**$59,185**	**$57,499**	**$55,548**	**$159,561**	**$157,037**
	Nominal Dollars									
VI.	**Residual Receipt Payments to LBCIC**	**$17,429**	**$17,221**	**$16,954**	**$16,625**	**$16,232**	**$15,769**	**$15,234**	**$43,760**	**$43,068**
	Nominal Dollars									
VII.	**Residual Receipt Payments to LACDC**	**$14,346**	**$14,175**	**$13,955**	**$13,685**	**$13,361**	**$12,980**	**$12,540**	**$36,020**	**$35,450**
	Nominal Dollars									
VIII.	**Net Cash Flow to Developer**	**$31,776**	**$31,396**	**$30,909**	**$30,310**	**$29,593**	**$28,749**	**$27,774**	**$79,780**	**$78,518**
	Nominal Dollars									

[1] The affordable rents and miscellaneous income are assumed to increase by 102.5%/year. Assumes Year 1 is at stabilization.

[2] General operating expenses are assumed to increase by 103.0%/year, property taxes at 102.0%/year and replacement and operating reserves remain constant.

[3] SEE TABLE 3

[4] Assumes fees increase at 103.0%/year.

Prepared by: Keyser Marston Associates, Inc.
Filename: Vista del Puerto_9 12 18; CF_9%_DHS; trb

TABLE 4

CASH FLOW ANALYSIS
VISTAS DEL PUERTO
LONG BEACH, CALIFORNIA

		Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26
I.	**Gross Residential Income** [1]									
	Gross Rental Income	$603,778	$618,873	$634,344	$650,203	$666,458	$683,120	$700,198	$717,702	$735,645
	DHS Subsidy	423,162	433,741	444,585	455,699	467,092	478,769	490,738	503,007	515,582
	(Less) Vacancy & Collection Allowance	(76,994)	(78,919)	(80,892)	(82,914)	(84,987)	(87,112)	(89,289)	(91,522)	(93,810)
	Effective Gross Base Income	**$949,946**	**$973,695**	**$998,037**	**$1,022,988**	**$1,048,563**	**$1,074,777**	**$1,101,646**	**$1,129,188**	**$1,157,417**
II.	**Operating Expenses** [2]									
	General Operating Expenses	$603,011	$624,116	$645,960	$668,569	$691,969	$716,188	$741,254	$767,198	$794,050
	Property Taxes	4,201	4,285	4,370	4,458	4,547	4,638	4,731	4,825	4,922
	Services	129,217	133,739	138,420	143,265	148,279	153,469	158,840	164,400	170,154
	LBCIC Monitoring Fee	12,922	13,374	13,842	14,326	14,828	15,347	15,884	16,440	17,015
	Replacement Reserve	21,600	21,600	21,600	21,600	21,600	21,600	21,600	21,600	21,600
	Total Operating Expenses	**$770,950**	**$797,114**	**$824,193**	**$852,218**	**$881,223**	**$911,242**	**$942,309**	**$974,463**	**$1,007,741**
III.	**Net Operating Income**	**$178,996**	**$176,581**	**$173,844**	**$170,770**	**$167,340**	**$163,535**	**$159,337**	**$154,724**	**$149,676**
	(Less) Debt Service [3]	0	0	0	0	0	0	0	0	0
	(Less) Operating Reserve Deposits									
	Net Income After Debt Service	**$178,996**	**$176,581**	**$173,844**	**$170,770**	**$167,340**	**$163,535**	**$159,337**	**$154,724**	**$149,676**
IV.	**Cash Flow Available for Contingent Payments**	**$178,996**	**$176,581**	**$173,844**	**$170,770**	**$167,340**	**$163,535**	**$159,337**	**$154,724**	**$149,676**
	(Less) Asset and Partnership Fees [4]	(24,793)	(25,536)	(26,303)	(27,092)	(27,904)	(28,742)	(29,604)	(30,492)	(31,407)
	(Less) Deferred Developer Fee	0	0	0	0	0	0	0	0	0
V.	**Cash Flow after Contingent Payments**	**$154,204**	**$151,044**	**$147,542**	**$143,678**	**$139,436**	**$134,794**	**$129,733**	**$124,232**	**$118,269**
	Nominal Dollars									
VI.	**Residual Receipt Payments to LBCIC**	**$42,291**	**$41,425**	**$40,464**	**$39,404**	**$38,241**	**$36,968**	**$35,580**	**$34,071**	**$32,436**
	Nominal Dollars									
VII.	**Residual Receipt Payments to LACDC**	**$34,811**	**$34,098**	**$33,307**	**$32,435**	**$31,477**	**$30,429**	**$29,287**	**$28,045**	**$26,699**
	Nominal Dollars									
VIII.	**Net Cash Flow to Developer**	**$77,102**	**$75,522**	**$73,771**	**$71,839**	**$69,718**	**$67,397**	**$64,867**	**$62,116**	**$59,135**
	Nominal Dollars									

1 The affordable rents and miscellaneous income are assumed to increase by 102.5%/year. Assumes Year 1 is at stabilization.
2 General operating expenses are assumed to increase by 103.0%/year, property taxes at 102.0%/year and replacement and operating reserves remain constant.
3 SEE TABLE 3
4 Assumes fees increase at 103.0%/year.

TABLE 4

CASH FLOW ANALYSIS
VISTAS DEL PUERTO
LONG BEACH, CALIFORNIA

		Year 27	Year 28	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34	Year 35
I.	**Gross Residential Income** [1]									
	Gross Rental Income	$754,036	$772,887	$792,209	$812,014	$832,315	$853,123	$874,451	$896,312	$918,720
	DHS Subsidy	528,471	541,683	555,225	569,106	583,334	597,917	612,865	628,186	643,891
	(Less) Vacancy & Collection Allowance	(96,155)	(98,559)	(101,023)	(103,548)	(106,137)	(108,790)	(111,510)	(114,298)	(117,155)
	Effective Gross Base Income	**$1,186,353**	**$1,216,012**	**$1,246,412**	**$1,277,572**	**$1,309,511**	**$1,342,249**	**$1,375,805**	**$1,410,201**	**$1,445,456**
II.	**Operating Expenses** [2]									
	General Operating Expenses	$821,842	$850,607	$880,378	$911,191	$943,083	$976,091	$1,010,254	$1,045,613	$1,082,209
	Property Taxes	5,020	5,121	5,223	5,328	5,434	5,543	5,654	5,767	5,882
	Services	176,109	182,273	188,652	195,255	202,089	209,162	216,483	224,060	231,902
	LBCIC Monitoring Fee	17,611	18,227	18,865	19,526	20,209	20,916	21,648	22,406	23,190
	Replacement Reserve	21,600	21,600	21,600	21,600	21,600	21,600	21,600	21,600	21,600
	Total Operating Expenses	**$1,042,182**	**$1,077,827**	**$1,114,718**	**$1,152,899**	**$1,192,415**	**$1,233,312**	**$1,275,639**	**$1,319,445**	**$1,364,783**
III.	**Net Operating Income**	**$144,170**	**$138,184**	**$131,693**	**$124,673**	**$117,097**	**$108,937**	**$100,167**	**$90,755**	**$80,672**
	(Less) Debt Service [3]	0	0	0	0	0	0	0	0	0
	(Less) Operating Reserve Deposits									
	Net Income After Debt Service	**$144,170**	**$138,184**	**$131,693**	**$124,673**	**$117,097**	**$108,937**	**$100,167**	**$90,755**	**$80,672**
IV.	**Cash Flow Available for Contingent Payments**	**$144,170**	**$138,184**	**$131,693**	**$124,673**	**$117,097**	**$108,937**	**$100,167**	**$90,755**	**$80,672**
	(Less) Asset and Partnership Fees [4]	(32,349)	(33,319)	(34,319)	(35,348)	(36,409)	(37,501)	(38,626)	(39,785)	(40,979)
	(Less) Deferred Developer Fee	0	0	0	0	0	0	0	0	0
V.	**Cash Flow after Contingent Payments**	**$111,822**	**$104,865**	**$97,374**	**$89,324**	**$80,688**	**$71,436**	**$61,541**	**$50,970**	**$39,694**
	Nominal Dollars									
VI.	**Residual Receipt Payments to LBCIC**	**$30,668**	**$28,760**	**$26,705**	**$24,498**	**$22,129**	**$19,592**	**$16,878**	**$13,979**	**$10,886**
	Nominal Dollars									
VII.	**Residual Receipt Payments to LACDC**	**$25,243**	**$23,673**	**$21,982**	**$20,165**	**$18,215**	**$16,126**	**$13,893**	**$11,506**	**$8,961**
	Nominal Dollars									
VIII.	**Net Cash Flow to Developer**	**$55,911**	**$52,432**	**$48,687**	**$44,662**	**$40,344**	**$35,718**	**$30,770**	**$25,485**	**$19,847**
	Nominal Dollars									

[1] The affordable rents and miscellaneous income are assumed to increase by 102.5%/year. Assumes Year 1 is at stabilization.
[2] General operating expenses are assumed to increase by 103.0%/year, property taxes at 102.0%/year and replacement and operating reserves remain constant.
[3] SEE TABLE 3
[4] Assumes fees increase at 103.0%/year.

Prepared by: Keyser Marston Associates, Inc.
Filename: Vista del Puerto_9 12 18; CF_9%_DHS; trb

TABLE 4

CASH FLOW ANALYSIS
VISTAS DEL PUERTO
LONG BEACH, CALIFORNIA

		Year 36	Year 37	Year 38	Year 39	Year 40	Year 41	Year 42	Year 43	Year 44
I.	**Gross Residential Income** [1]									
	Gross Rental Income	$941,688	$965,230	$989,361	$1,014,095	$1,039,447	$1,065,433	$1,092,069	$1,119,371	$1,147,355
	DHS Subsidy	659,988	676,488	693,400	710,735	728,504	746,716	765,384	784,519	804,132
	(Less) Vacancy & Collection Allowance	(120,084)	(123,086)	(126,163)	(129,318)	(132,550)	(135,864)	(139,261)	(142,742)	(146,311)
	Effective Gross Base Income	**$1,481,592**	**$1,518,632**	**$1,556,598**	**$1,595,513**	**$1,635,400**	**$1,676,285**	**$1,718,192**	**$1,761,147**	**$1,805,176**
II.	**Operating Expenses** [2]									
	General Operating Expenses	$1,120,086	$1,159,289	$1,199,865	$1,241,860	$1,285,325	$1,330,311	$1,376,872	$1,425,063	$1,474,940
	Property Taxes	6,000	6,120	6,242	6,367	6,494	6,624	6,757	6,892	7,030
	Services	240,019	248,419	257,114	266,113	275,427	285,067	295,044	305,371	316,059
	LBCIC Monitoring Fee	24,002	24,842	25,711	26,611	27,543	28,507	29,504	30,537	31,606
	Replacement Reserve	21,600	21,600	21,600	21,600	21,600	21,600	21,600	21,600	21,600
	Total Operating Expenses	**$1,411,706**	**$1,460,270**	**$1,510,532**	**$1,562,551**	**$1,616,389**	**$1,672,109**	**$1,729,777**	**$1,789,462**	**$1,851,234**
III.	**Net Operating Income**	**$69,886**	**$58,362**	**$46,066**	**$32,962**	**$19,012**	**$4,177**	**($11,585)**	**($28,315)**	**($46,058)**
	(Less) Debt Service [3]	0	0	0	0	0	0	0	0	0
	(Less) Operating Reserve Deposits									
	Net Income After Debt Service	**$69,886**	**$58,362**	**$46,066**	**$32,962**	**$19,012**	**$4,177**	**($11,585)**	**($28,315)**	**($46,058)**
IV.	**Cash Flow Available for Contingent Payments**	**$69,886**	**$58,362**	**$46,066**	**$32,962**	**$19,012**	**$4,177**	**$0**	**$0**	**$0**
	(Less) Asset and Partnership Fees [4]	(42,208)	(43,474)	(44,778)	(32,962)	(19,012)	(4,177)	0	0	0
	(Less) Deferred Developer Fee	0	0	0	0	0	0	0	0	0
V.	**Cash Flow after Contingent Payments**	**$27,678**	**$14,887**	**$1,287**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Nominal Dollars									
VI.	**Residual Receipt Payments to LBCIC**	**$7,591**	**$4,083**	**$353**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Nominal Dollars									
VII.	**Residual Receipt Payments to LACDC**	**$6,248**	**$3,361**	**$291**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Nominal Dollars									
VIII.	**Net Cash Flow to Developer**	**$13,839**	**$7,444**	**$644**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Nominal Dollars									

[1] The affordable rents and miscellaneous income are assumed to increase by 102.5%/year. Assumes Year 1 is at stabilization.
[2] General operating expenses are assumed to increase by 103.0%/year, property taxes at 102.0%/year and replacement and operating reserves remain constant.
[3] SEE TABLE 3
[4] Assumes fees increase at 103.0%/year.

Prepared by: Keyser Marston Associates, Inc.
Filename: Vista del Puerto_9 12 18; CF_9%_DHS; trb

TABLE 4

CASH FLOW ANALYSIS
VISTAS DEL PUERTO
LONG BEACH, CALIFORNIA

		Year 45	Year 46	Year 47	Year 48	Year 49	Year 50	Year 51	Year 52	Year 53
I.	**Gross Residential Income** [1]									
	Gross Rental Income	$1,176,039	$1,205,440	$1,235,576	$1,266,465	$1,298,127	$1,330,580	$1,363,845	$1,397,941	$1,432,889
	DHS Subsidy	824,235	844,841	865,962	887,611	909,801	932,546	955,860	979,756	1,004,250
	(Less) Vacancy & Collection Allowance	(149,969)	(153,718)	(157,561)	(161,500)	(165,537)	(169,676)	(173,918)	(178,266)	(182,722)
	Effective Gross Base Income	**$1,850,305**	**$1,896,563**	**$1,943,977**	**$1,992,577**	**$2,042,391**	**$2,093,451**	**$2,145,787**	**$2,199,432**	**$2,254,417**
II.	**Operating Expenses** [2]									
	General Operating Expenses	$1,526,563	$1,579,992	$1,635,292	$1,692,527	$1,751,766	$1,813,078	$1,876,535	$1,942,214	$2,010,192
	Property Taxes	7,170	7,314	7,460	7,609	7,761	7,916	8,075	8,236	8,401
	Services	327,121	338,570	350,420	362,684	375,378	388,517	402,115	416,189	430,755
	LBCIC Monitoring Fee	32,712	33,857	35,042	36,268	37,538	38,852	40,211	41,619	43,076
	Replacement Reserve	21,600	21,600	21,600	21,600	21,600	21,600	21,600	21,600	21,600
	Total Operating Expenses	**$1,915,166**	**$1,981,333**	**$2,049,814**	**$2,120,689**	**$2,194,043**	**$2,269,962**	**$2,348,536**	**$2,429,858**	**$2,514,024**
III.	**Net Operating Income**	**($64,860)**	**($84,770)**	**($105,837)**	**($128,113)**	**($151,652)**	**($176,512)**	**($202,749)**	**($230,426)**	**($259,606)**
	(Less) Debt Service [3]	0	0	0	0	0	0	0	0	0
	(Less) Operating Reserve Deposits									
	Net Income After Debt Service	**($64,860)**	**($84,770)**	**($105,837)**	**($128,113)**	**($151,652)**	**($176,512)**	**($202,749)**	**($230,426)**	**($259,606)**
IV.	**Cash Flow Available for Contingent Payments**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	(Less) Asset and Partnership Fees [4]	0	0	0	0	0	0	0	0	0
	(Less) Deferred Developer Fee	0	0	0	0	0	0	0	0	0
V.	**Cash Flow after Contingent Payments**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Nominal Dollars									
VI.	**Residual Receipt Payments to LBCIC**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Nominal Dollars									
VII.	**Residual Receipt Payments to LACDC**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Nominal Dollars									
VIII.	**Net Cash Flow to Developer**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Nominal Dollars									

[1] The affordable rents and miscellaneous income are assumed to increase by 102.5%/year. Assumes Year 1 is at stabilization.
[2] General operating expenses are assumed to increase by 103.0%/year, property taxes at 102.0%/year and replacement and operating reserves remain constant.
[3] SEE TABLE 3
[4] Assumes fees increase at 103.0%/year.

Prepared by: Keyser Marston Associates, Inc.
Filename: Vista del Puerto_9 12 18; CF_9%_DHS; trb

TABLE 4

CASH FLOW ANALYSIS
VISTAS DEL PUERTO
LONG BEACH, CALIFORNIA

		Year 54	Year 55
I.	Gross Residential Income [1]		
	Gross Rental Income	$1,468,712	$1,505,429
	DHS Subsidy	1,029,357	1,055,091
	(Less) Vacancy & Collection Allowance	(187,290)	(191,973)
	Effective Gross Base Income	**$2,310,778**	**$2,368,547**
II.	Operating Expenses [2]		
	General Operating Expenses	$2,080,548	$2,153,368
	Property Taxes	8,569	8,740
	Services	445,832	461,436
	LBCIC Monitoring Fee	44,583	46,144
	Replacement Reserve	21,600	21,600
	Total Operating Expenses	**$2,601,132**	**$2,691,287**
III.	**Net Operating Income**	**($290,354)**	**($322,740)**
	(Less) Debt Service [3]	0	0
	(Less) Operating Reserve Deposits		
	Net Income After Debt Service	**($290,354)**	**($322,740)**
IV.	**Cash Flow Available for Contingent Payments**	**$0**	**$0**
	(Less) Asset and Partnership Fees [4]	0	0
	(Less) Deferred Developer Fee	0	0
V.	**Cash Flow after Contingent Payments**	**$0**	**$0**
	Nominal Dollars		
VI.	**Residual Receipt Payments to LBCIC**	**$0**	**$0**
	Nominal Dollars		
VII.	**Residual Receipt Payments to LACDC**	**$0**	**$0**
	Nominal Dollars		
VIII.	**Net Cash Flow to Developer**	**$0**	**$0**
	Nominal Dollars		

1 The affordable rents and miscellaneous income are assumed to increase by 102.5%/year. Assumes Year 1 is at stabilization.
2 General operating expenses are assumed to increase by 103.0%/year, property taxes at 102.0%/year and replacement and operating reserves remain constant.
3 SEE TABLE 3
4 Assumes fees increase at 103.0%/year.

Prepared by: Keyser Marston Associates, Inc.
Filename: Vista del Puerto_9 12 18; CF_9%_DHS; trb