ATTACHMENT D

HOME UNDERWRITING & SUBSIDY LAYERING REVIEW

PCH/MLK Senior Apartments

City of Long Beach

Keyser Marston Associates, Inc.

March 26, 2021

Table of Contents

The City of Long Beach (City) intends to enter into a HOME Loan Agreement with Mercy Housing California (Developer) for the purposes of providing HOME Program (HOME) funds for a 68-unit senior citizen apartment project restricted to extremely-low, very-low and low income households (Project). The Project is proposed to be developed on a 28,350 square foot site located at the northwest corner of Pacific Coast Highway and Martin Luther King Jr. Avenue (Site).

The HOME Loan Agreement will require the City to provide $3.0 million in HOME funds to the Project that are allocated to the City by the United States Department of Housing and Urban Development (HUD). At the City's request, Keyser Marston Associates, Inc. (KMA) prepared the following HOME Underwriting & Subsidy Layering Review for the Project. This analysis is prepared in compliance with the requirements imposed by the HOME Program and the City's HOME Project Underwriting and Subsidy Layering Review Guidelines.

The KMA analysis includes the following components:

1. An underwriting review to determine the feasibility and to ensure that no more than the necessary amount of HOME funds, in combination with other governmental assistance, is invested by the City in order to provide affordable housing. This section also provides an assessment of the reasonableness of the Developer Fee, cash flow, equity appreciation and profit anticipated to be generated by the Project.

2. An evaluation of the Developer's capacity to develop and operate the Project.

3. A review and summary of the residential rental market for the Project.

4. An assessment of other HOME requirements and deadlines, including the financial commitment documentation submitted by the Developer.

I. EXECUTIVE SUMMARY

The Project is proposed to be financed with the following funding sources:

Funding	Source
Tax-Exempt Multifamily Bonds	To be allocated by CDLAC, Provided by Wells Fargo Bank, N.A.
4% Tax Credits	To be allocated by TCAC, Provided by TBD Investor
HOME Loan	Provided by City
LACDA Loan / Deferred Interest	Provided by Los Angeles County Development Authority (LACDA)
Multifamily Housing Program (MHP) Loan	Provided by the California Department of Housing and Community Development (HCD)
Deferred Developer Fee	Provided by Developer
General Partner Equity	Provided by Developer

The KMA analysis concluded the following:

1. Underwriting Analysis:

   a. The Project costs are estimated at $43.66 million and the available funding sources are estimated at $40.66, resulting in a financial gap of approximately $2.98 million. In comparison, the Developer is requesting $3.0 million in HOME funds from the City. This represents a $21,000, or less than 1% differential, which can be considered inconsequential. Thus, the analysis demonstrates that the proposed $3.0 million in HOME assistance is necessary to provide the proposed affordable housing units.

   b. The cash flow analysis projects that the Project will have positive cash flow through the 20-year affordability period.

   c. The developer fee, cash flow projection, equity appreciation, and profit anticipated to be generated by the Project are appropriate.

2. The Developer has demonstrated the development capacity and fiscal soundness to undertake the Project.

3. The Developer provided a market study prepared by The Concord Group on January 26, 2021. The market study was prepared in accordance with the standards imposed by the California Tax Credit Allocation Committee (TCAC), and thus, is in compliance with the HOME requirements.

4. Other HOME Requirements:

HOME Requirement	Conclusion
HOME Program Deadlines	The Project is estimated to meet the construction commencement, Project completion and Project lease-up requirements imposed by HOME.
Written Agreement	The HOME Loan Agreement will meet the HOME requirements for written agreements.
Layering Requirements	The assistance package complies with the HOME layering requirements.
HOME Unit Designation	The Project will meet the HOME requirements for the number of HOME designated units as well as the number of units restricted to very-low income households. The HOME units will be floating.
Affordability Period	The Project will meet the HOME requirement for the affordability period.
Cost Allocation	The HOME units are determined to be comparable to other units within the Project. The standard cost allocation methodology was utilized.

Property Standards	The Project will meet the HOME property standard requirements for new construction and on-going property management.
HOME Rents / Utility Allowances	The HOME units will be restricted at the appropriate rents and utility allowances.
Financial Commitments	Certain funding sources had not been secured for the Project at the time of this analysis.

II. PROJECT DESCRIPTION

The proposed scope of development can be described as follows:

1. The Site is comprised of 0.65 acres, or 28,350 square feet of land are. The Project equates to a density of 104 units per acre.

2. The Project’s total gross building area (GBA) is estimated at 61,380 square feet and is comprised of the following:

   a. 40,140 square feet of residential living area;

   b. 1,180 square feet of residential community room area;

   c. 3,250 square feet of community benefit space; and

   d. 16,810 square feet of circulation and common area.

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

	Number of Units	Avg Unit Size (Sf)
Studio Units	7	513
One-Bedroom Units	60	594
Two-Bedroom Units	1	935
Total/Average	**68**	**590**

4. The Project includes 38 at-grade podium parking spaces, which equates to 0.56 parking spaces per unit.

5. The affordability mix is proposed as follows:

Affordability Mix	
Tax Credit Median @ 25%	15
Tax Credit Median @ 30%	18
Tax Credit Median @ 40%	25
Tax Credit Median @ 80%[1]	9
Manager's Unit (unrestricted)	1
Total Units	**68**

6. The Project will be required to designate at least 18 units as HOME designated units. The Developer has requested that all of the HOME units be designated as Low HOME units.

7. The Long Beach Housing Authority awarded the Project the following operating subsidies:

   a. Fifteen (15) Section 8 Project-Based Vouchers (PBVs); and

   b. Eighteen (18) Veterans Affairs Supportive Housing (VASH) vouchers.

III. PROJECT UNDERWRITING ASSESSMENT

KMA prepared a pro forma analysis to assist in evaluating the Developer's proposal. The purpose of the financial gap analysis is to ensure that the level of HOME investment is necessary to provide quality affordable housing that is financially viable.

The analysis is in Appendix A located at the end of this report and is organized as follows:

Table 1:	Estimated Development Costs
Table 2:	Stabilized Net Operating Income
Table 3:	Financial Gap Calculation
Tables 4A & 4B:	Cash Flow Analyses
Table 5:	HOME Cost Allocation Analysis

A. Estimated Development Costs (Table 1)

KMA reviewed the Developer's pro forma and supporting documentation provided in March 2021. In addition, the Developer provided a direct cost estimate prepared by AMJ Construction Management on January 5, 2021. KMA found the assumptions to be reasonable and necessary to complete the proposed Project. However, KMA recommends that the City continue to review the development budget, contractor's contract, and contractor's draw requests throughout the construction period.

The estimated development costs used in this analysis are as follows:

[1] The incomes will be restricted at 80% Area Median Income (AMI), but the rents will be set at 60% AMI.

Property Assemblage Costs

The total property assemblage costs are estimated to total $2.99 million, or $105 per square foot of land area as follows:

Property Acquisition Costs

The Site is comprised of parcels that have been owned by multiple owners. The Developer purchased the parcels located at 901 – 917 East Pacific Coast Highway for $2.20 million from a private third party. The third party parcels are improved with an auto repair facility and a commercial billboard that will be demolished as part of the Project. An appraisal prepared by Joseph I. Napoliello, MAI (Appraisal) estimates the fair market value of the third party parcels at $2.20 million, which is equal to the purchase price.

The remaining portion of the Site (925 – 941 East Pacific Coast Highway) is currently owned by the Long Beach Successor Agency (Successor Agency). The Developer has entered into a purchase and sale agreement with the Successor Agency to purchase the Successor Agency parcels for $750,000. The Successor Agency parcels are vacant. The Appraisal estimates the fair market value of the Successor Agency parcels at $1.66 million, which is higher than the proposed purchase price.

As such, the Developer proposes to purchase the entire Site for $2.95 million. The Appraisal estimates the fair market value of the combined total Site at $3.50 million, which is higher than the Developer's proposed purchase price.

Relocation Costs

Mercy Housing Relocation, an affiliate of the Developer, prepared a relocation plan on January 27, 2021 for the business tenants currently located at the Site. There are no residential tenants located on the Site. The Relocation Plan estimates the relocation costs for the existing auto repair tenant and commercial billboard at $40,000.

Direct Costs

The direct cost estimates assume that the Project will be subject to Federal Davis Bacon and State of California prevailing wage requirements. The direct costs are estimated at $28.77 million as follows:

1. The Developer estimates the off-site improvement costs at $1.20 million. This includes the costs to underground utilities and widen the alley at the rear of the Site. City staff should verify the scope and cost of the off-site improvements.

2. The demolition and remediation costs are estimated at $475,000. These costs include the demolition of the existing buildings and the installation of a vapor barrier on the parcels that were occupied by the auto repair facility.

3. The on-site improvement costs are estimated at $50 per square foot of land area, or $1.42 million.

4. The residential building costs are estimated at $17.69 million, or $304 per square foot of residential GBA.

5. The community benefit space building costs are estimated at $1.15 million, or $353 per square foot of community benefit space GBA.

6. The Developer included a tenant improvement allowance for the community benefit space equal to $300,000, or $92 per square foot of community benefit space GBA.

7. The Developer included a $572,000 allowance for personal property and furnishings, fixtures and equipment.

8. A 14% allowance for contractor fees and general requirements is included, which is equal to the maximum amount allowed by TCAC.

9. A 2% allowance for construction insurance and bonds is included.

10. A 9% direct cost contingency allowance is provided, which is higher than the more typical 5% direct cost contingency allowance for new construction projects. However, given the current high construction cost environment in Southern California, the Developer's assumption is reasonable.

The direct costs are at the high end of the range that KMA is currently seeing for similar projects within the Los Angeles region. However, given that the Developer provided a cost estimate from a construction management firm, KMA concludes that the proposed direct costs are reasonable and necessary for the construction of the Project. However, the City should continue to review any future construction-related documents to ensure the Project's viability.

Indirect Costs

KMA utilized the following assumptions for the indirect costs:

1. The architecture, engineering and consulting costs are estimated at 6% of direct costs, or $1.72 million.

2. The Developer estimated the public permits and fees costs at $1.14 million, or $16,700 per unit. City staff should verify the accuracy of this estimate.

3. The taxes, insurance, legal and accounting costs are estimated at 1.50% of direct costs, or $432,000.

4. The Developer included a $120,000 allowance for marketing and leasing costs.

5. The Developer Fee is set at $4.86 million, which is the maximum amount allowed by TCAC. However, the Developer will contribute $2.36 million back to the Project as General Partner Equity. Thus, the net Developer Fee is $2.50 million.

6. A 4% indirect cost contingency allowance is provided.[2]

KMA estimates the total indirect costs at $8.61 million, which are reasonable and necessary for the development of the Project.

Financing Costs

The Project is proposed to be financed with Tax-Exempt Multifamily Bonds allocated by the California Debt Limit Allocation Committee (CDLAC). To comply with the 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.

Typically, the Project's estimated net operating income (NOI) would be used to support what is often called the Series A Bond. However, the Project's NOI is insufficient to support permanent debt. As such, 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, the Developer is requesting a Series B Bond totaling $21.47 million from CDLAC.

However, the $21.47 million in Bonds requested from CDLAC is not sufficient to pay for all of the construction costs. As such, the Developer proposes to obtain an additional taxable construction loan (Taxable Tail). KMA estimates the Taxable Tail construction loan at $7.86 million.

The financing costs for the Project are estimated as follows:

1. The Developer obtained both an acquisition loan and predevelopment loan. The interest costs are estimated at $248,000 based on the following assumptions:

   a. The Developer obtained a $2.20 million acquisition loan from Mercy Community Capital with a 5.75% interest rate and a 24-month term. The loan closed in January 2020 and matures in January 2022. The interest costs are estimated at $210,000.

   b. The Developer will fund certain predevelopment expenses with the Developer's line of credit. The interest cost allowance is estimated at approximately $38,000.

[2] KMA typically sets the indirect cost contingency allowance equal to 5% of other indirect costs. However, since a higher than typical direct cost contingency allowance was provided, KMA reduced the indirect cost contingency allowance.

2. The construction period and absorption period interest costs are estimated at $1.41 million. These costs are based on the following assumptions:

    a. The Series B Bond construction period interest costs are based on a 4.0% interest rate, a 20-month construction period, and a 60% average outstanding balance.

    b. The Taxable Tail construction period interest costs are based on a 4.15% interest rate, a 20-month construction period, and a 10% average outstanding balance.

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

3. Both the City's HOME Loan and the LACDA Loan will accrue 3% simple interest during the construction period. However, this interest will be deferred until after construction and added to the HOME Loan and LACDA Loan balances at permanent conversion. The accrued/deferred interest costs are estimated at:

    a. $179,000 for the LACDA Loan; and

    b. $77,000 for the HOME Loan.

4. The financing costs are estimated at $490,000 and are based on the following:

    a. The Series B Bond and Taxable Tail financing costs are estimated at 1.50 points, or $440,000; and

    b. The LACDA and CDLAC financing costs are estimated at $50,000.

5. The Developer provided the following capitalized reserves:

    a. A $223,000 capitalized operating reserve is provided. This equates to approximately three months of operating expenses.

    b. A $611,000 capitalized transition reserve is provided.

6. The Tax Credit fees are estimated at $48,000 based on the following:

    a. A $2,000 application fee;

    b. A $410 per unit monitoring fee; and

    c. One percent (1%) of the gross Tax Credit proceeds for one year.

KMA estimates the total financing costs at $3.28 million, which are reasonable and necessary to complete the Project.

Total Development Costs

As shown in Table 1, KMA estimates the total development costs at $43.66 million, which equates to approximately $642,000 per unit. In comparison, the Developer estimates the total development costs at $43.68 million, or $642,300 per unit. This represents a $20,000, or less than 1% differential, which can be considered inconsequential.

Based on the information provided, KMA finds the Developer's cost estimates to be reasonable and necessary to construct, lease-up, and complete the Project. As the Project moves through the development process, the City needs to keep track of the changes to the costs, if any.

B. Stabilized Net Operating Income (Table 2)

The Project's funding sources include HOME Program funds, MHP funds, LACDA funds, Bonds and Tax Credits. The Project's income and affordability standards must comport with the most stringent of the following standards:

1. Income Restrictions: The tenants' household incomes cannot exceed the strictest of:

    a. HOME Program income restrictions as defined under United States Code, Title 26, Section 142(d)(2)(B).

    b. Federal Low Income Housing Tax Credits income restrictions defined under United States Code, Title 26, Section 142(d)(2)(B).

2. Affordability Restrictions: Rents applied to all of the units must reflect the most stringent of:

    a. HOME Program rents published annually by HUD;

    b. Tax Credit rents published annually by the TCAC.[3]

The HOME affordability requirements will remain in place for 20 years, which is the minimum period that HOME requires. Therefore, the Project will meet the minimum HOME requirements.

Achievable Rental Income

The Project rents must adhere to the most restrictive of the requirements imposed by the proposed funding sources. The rents used in this analysis are based on 2020 income and rent information, which were the rents available at the time of the pro forma analysis. As such, the maximum allowable rents, net of the appropriate utility allowances, are estimated as follows:[4]

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[3] MHP utilizes Tax Credit rents. Unless otherwise specified, LACDA utilizes Tax Credit rents.
[4] The Developer estimates the monthly utility allowances at: $37 for studio units; and $47 for one-bedroom units.

	Studio Units	One-Bedroom Units
<u>25% AMI TCAC / Low HOME</u>		
# of Units	N/A	15
TCAC Rent	N/A	$483
HOME Rent	N/A	$1,011
Applicable Rent	N/A	$483
<u>30% AMI TCAC / Low HOME</u>		
# of Units	7	11
TCAC Rent	$554	$588
HOME Rent	$949	$1,011
Applicable Rent	$554	$588
<u>40% AMI TCAC / Low HOME</u>		
# of Units	N/A	25
TCAC Rent	N/A	$800
HOME Rent	N/A	$1,011
Applicable Rent	N/A	$800
<u>60% AMI TCAC</u>		
# of Units	N/A	9
TCAC Rent	N/A	$1,222
HOME Rent	N/A	N/A
Applicable Rent	N/A	$1,222

Estimated Net Operating Income (NOI)

The Project's effective gross income (EGI) is estimated at approximately $925,700 based on the following assumptions:

1. The gross potential rental income is estimated at $583,000.

2. The PBV subsidy overhang is estimated at $193,900 and the VASH subsidy overhang is estimated $193,700 based on the following:

    a. The PBV payment standard for studio units is set at $1,332 per unit per month; and

    b. The PBV/VASH payment standard for one-bedroom units is set at $1,560 per unit per month.

3. The laundry and miscellaneous income is estimated at $4,100 per year, or $5 per unit per month.

4. The vacancy and collection allowance is estimated based on the following:

    a. A 5% vacancy and collection allowance is applied to the gross residential income; and

b. A 5% vacancy and collection allowance is applied to the PBV and VASH subsidy income.

The residential operating expenses are estimated at $812,100 based on the following assumptions:

1. The general operating expenses are estimated at $8,800 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 apartments restricted to households earning 80% AMI and below. The property tax assessment overrides are estimated at $3,700 per year.

3. The annual social services budget is estimated at $97,300, or $1,431 per unit.

4. MHP requires an annual mandatory debt service payment equal to 0.42% of the MHP Loan amount, or $55,600.

5. The City will charge a $160 per year monitoring fee on all of the affordable units, which totals $10,700.

6. The Developer included a $7,150 per year LACDA monitoring fee.

7. The annual issuer fee is set at $4,000 per year.

8. The annual capital replacement reserve deposits are set at $500 per unit, which is the amount required by MHP.

When the Project's $812,100 in operating expenses are deducted from the Project's $925,700 EGI, KMA estimates the stabilized NOI at $113,600.

C. Financial Gap Analysis (Table 3)

Available Funding Sources:

The following summarizes the available funding sources:

Tax-Exempt Multifamily Bonds

KMA estimates that the Project's stabilized NOI is not sufficient to support a feasible permanent loan amount.

Tax Credit Proceeds

KMA estimates the net Federal Tax Credit proceeds at $17.45 million. This estimate is based on the following assumptions:

1. The Project's eligible Tax Credit basis is equal to the lesser of the depreciable costs for the 68 Tax Credit units, or the threshold basis limits established by TCAC. In this case, the depreciable costs of $37 million are less than the threshold basis limits.

2. The Project is located in a Difficult to Develop Census Tract. This allows the requested eligible basis to be increased by 30%.

3. The annual Federal Tax Credit rate is fixed at 4.0%. This rate is applied over the 10-year Federal Tax Credit period.

4. 100% of the Projects' 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 Credits is ultimately determined based on competitive market conditions and on the timing of disbursements. Based on currently available information, the Developer estimates the Tax Credit proceeds at $0.90 per gross Tax Credit dollar.

LACDA Loan

On January 27, 2021, the Developer received an award of a $7.0 million loan from LACDA.

LACDA Accrued/Deferred Interest

The LACDA Loan will accrue 3% simple interest during construction. The payment of this interest expense will be deferred until after construction and repaid through the Project's residual receipts. The accrued and deferred interest is estimated at $179,000.

City HOME Loan Accrued/Deferred Interest

The City's HOME Loan will accrue 3% simple interest during construction. The payment of this interest expense will be deferred until after construction and repaid through the Project's residual receipts. The accrued and deferred interest is estimated at $77,000.

MHP Loan

On January 22, 2021, the Developer received an award of a $13.25 million loan from MHP.

General Partner Equity

The Developer is proposing to contribute $2.36 million in General Partner Equity to the Project. As such, the net Developer Fee proposed for the Project is $2.50 million.

Deferred Developer Fee

The Developer is proposing to defer $363,000. This equates to 7% of the $4.86 million total developer fee and 15% of the $2.50 million net developer fee. The deferred developer fee will be paid from cash flow, and is required by the IRS to be repaid within 15 years.

Total Available Funding Sources

As shown in Table 3, the available funding sources total $40.68 million.

Financial Gap Calculation

Based on the assumptions outlined in this analysis, the financial gap is calculated as follows:

Financial Gap Calculation	
Total Development Costs	$43,656,000
(Less) Available Funding Sources	(40,677,000)
Financial Gap	**$2,979,000**
Per Affordable Unit	**$43,800**

Based on the KMA analysis, the Project's financial gap is estimated at $2.98 million. In comparison, the Developer is requesting $3.0 million in HOME funds from the City. This represents a $21,000, or less than 1% differential, which can be considered inconsequential. Thus, it is concluded that the $3.0 million in HOME assistance to the Project is warranted by the Project economics.

D. Cash Flow Over Affordability Term (Table 4A & 4B)

KMA also conducted two cash flow analyses of the Project to ensure long-term feasibility and to estimate the net present value of the debt service payments to the City.

The sole differences between the two cash flow scenarios are the escalation factors:

1. In Scenario 1 (Table 4A), which meets TCAC requirements, the residential income, subsidy income and miscellaneous income are escalated at 2.5% per year. The general operating expenses and social services are escalated at 3.5% per year.

2. In Scenario 2 (Table 4B), which meets typical lender underwriting requirements, the residential income, subsidy income and miscellaneous income are escalated at 3.0% per year. The general operating expenses and social services are escalated at 3.0% per year.

The following describes the additional cash flow assumptions of both scenarios:

1. Year 1 is based on the pro forma rent and expense assumptions presented in the stabilized analysis (Table 2).

2. Additional revenue and expense assumptions are as follows:

   a. A 5.0% vacancy and collection allowance.

   b. The property taxes are increased at 2.0% per year.

   c. The mandatory MHP debt service, LBCIC monitoring fee, LACDA monitoring fee, bond issuer fee, and replacement reserves remain constant.

   d. The Developer had not negotiated the limited partner and general partner fees at the time of this analysis. KMA set these fees at $15,000 and escalated at 3% per year.

   e. The deferred Developer Fee will have a 0% interest rate.

   f. KMA set the residual receipts percentages as follows:

      i. The MHP Loan will be repaid with 28% of residual receipts;

      ii. The LACDA Loan will be repaid with 15% of residual receipts;

      iii. The City HOME Loan will be repaid with 6% of residual receipts; and

      iv. The Developer will receive 50% of residual receipts.

   g. The City HOME Loan is estimated to generate the following in nominal terms and present value terms, assuming a 6.0% discount rate:

      i. Escalation at 2.5% income and 3.5% expenses:

	Loan Amount	Nominal Value	Present Value
City HOME Loan	**$3,000,000**	**$64,000**	**$35,000**

      ii. Escalation at 3.0% income and 3.0% expenses:

	Loan Amount	Nominal Value	Present Value
City HOME Loan	**$3,000,000**	**$1,550,000**	**$239,000**

3. Under Scenario 1, the NOI is projected to be negative in Year 23. This is after the 20-year HOME affordability period. However, the Project's budget also includes a capitalized operating reserve to cover any shortfalls. Furthermore, under Scenario 2, the Project's cash flow remains positive throughout the term of the HOME Loan.

E. Profit and Returns

The following analyzes the anticipated profit to the Developer/Owner.

Developer Fees	The total developer fee is set at $4,863,000, which is the maximum allowed per TCAC. However, the Developer will contribute $2.36 million in General Partner equity to the Project. As such, the net developer fee is estimated at $2.50 million.
Cash Flow	The Developer will receive 50% of the annual residual receipts until the soft loans, including the HOME Loan, is repaid in full. At that time, the Developer will receive 100% of the annual residual receipts. The Developer's share of residual receipts is estimated to total $499,000 (NPV of $271,000) over 55 years for Scenario 1, and $12.01 million (NPV of $1.85 million) for Scenario 2. The HOME Loan is not anticipated to be repaid until the end of the 55-year loan term.
Tax Benefits	The Project is anticipated to generate $19.39 million in Federal Tax Credits that will be sold to a TBD investor and the cash will be used as equity in the Project.
Equity Appreciation	The equity appreciation is not expected to be significant until the units can be converted to market rate units.
Identity of Interest Roles	The Developer/Owner will also share Partnership Management Fees with the limited partner (Tax Credit Investor). These fees had not been determined at the time of this analysis.

In conclusion, the developer fee, cash flow projection, equity appreciation, and profit anticipated to be generated by the Project are appropriate.

IV. DEVELOPER ASSESSMENT

Mercy Housing Inc. (Mercy), a nonprofit Nebraska corporation, was founded in the early 1980s and has grown from serving an initial 310 units of affordable housing to over 48,000 households. In 1988, the Developer, Mercy Housing California (MHC) was incorporated as a 501(c)(3) nonprofit corporation for the purpose of developing affordable housing and providing services to low income families, elderly, handicapped, homeless, potentially homeless, or otherwise disadvantaged persons in California. To date, MHC has developed and operates 134 affordable communities with more than 9,190 homes serving lower income seniors, families and people who have experienced homelessness. Mercy also created Mercy Housing Management Group, a subsidiary that provides property management services to Mercy's affordable housing communities.

The following provides an assessment of the experience and the capacity of the Developer to implement the Project, as well as the fiscal soundness of the Developer to meet its financial obligations and risks of the Project.

A. Development Team

The Developer's strategy is to secure and leverage local, state and federal funding sources, and arrange complex financial structures that ensure the highest and best use of available funds. The Development Team involved in the Project will include the following:

1. Erika Villablanca, Associate Director of Real Estate Development – Ms. Villablanca joined MHC in 2013 and brought 12 years of affordable housing and community development experience to the team. She directs the multi-family housing work in the Southern California Regional office. She has successfully secured financing and managed the entitlement, community outreach, design and construction processes for numerous affordable housing developments in Southern California. Ms. Villablanca oversaw the development of El Monte Veterans Village – a 40-unit supportive housing project in El Monte, California.

2. Mary Ruano, Associate Director of Real Estate Development – Ms. Ruano oversees the multi-family developments in San Diego and Orange Counties. She supervises the preparation and submission of applications to public and private financing sources, performs project feasibility analyses, and develops financial pro formas for internal use, lenders, and investors. Prior to joining MHC, Ms. Ruano worked for other affordable housing developers.

3. Edward Holder, Vice President of Real Estate Development – Mr. Holder joined MHC in 2007. In his role, Mr. Holder is responsible for the identification of new development opportunities and strategic partnerships in MHC's Southern California, Bay Area and Sacramento markets. Mr. Holder recently assumed responsibility of MHC's real estate department, which includes a development portfolio of over 4,700 units. Prior to joining MHC, he worked for The Olson Compony and J.P. Morgan Securities, Inc.

The development team will consist of the following entities:

Owner	Mercy Housing California 95, L.P.
Developer	Mercy Housing California
Property Manager	Mercy Housing Management Group
Supportive Services Provider	Mercy Housing California
Architect	Studio 111
Civil Engineer	United Civil Inc.
Landscape Architect	Studio 111
Appraiser	Joseph I. Napoliello, MAI
Energy Consultant	VCA Green
Attorney	Gubb & Barshay LLP
CPA	Cohn Reznick
General Contractor	TBD

B. Ability to Perform

HUD guidance related to this evaluation indicates that the Developer's recent, similar, successful experience developing and operating comparable projects may be used to assist in establishing the Developer's capacity to undertake a project that is requesting HOME Program assistance.

In addition to the experience outlined above, the Developer has completed the following similar projects within the last five years:

<u>Pico-Robertson Senior Community – Los Angeles, California</u>

Pico-Robertson Senior Community is a new affordable rental housing development that is available to seniors 62 years of age and older. It is located on a city-owned parking lot at the corner of Pico and Robertson Boulevards in Los Angeles. The apartments were built above a new parking garage that replaced the existing 39 public parking spaces and provides an additional 34 parking spaces. The project includes 48 units restricted to extremely low and very-low income households. In addition, 12 units are reserved for formerly homeless senior veterans. The project was financed with a variety of public funding sources including: HOME funds, 9% Tax Credits, Veterans Housing and Homelessness Prevention Program (VHHP) funds, Infill Infrastructure Grant funds, and funds from the City of Los Angeles. The total development costs were estimated at $31 million, and the project was completed in Summer 2020.

<u>Baldwin Rose Apartments – El Monte, California</u>

Baldwin Rose Apartments is a 55-unit affordable housing development serving low income families in which the head of the household is a veteran. The project includes 22 units for homeless veterans and 32 units for low income families. The building provides one-, two-, and three-bedroom units, and is located on a 3.71 acre site in El Monte. The project was financed with a variety of public funding sources including: HOME funds, 9% Tax Credits, VHHP funds, and Los Angeles County General Funds. The project's development costs are estimated at $33 million, and the project was completed in early 2020.

Laguna Senior Housing – San Francisco, California

Laguna Senior Housing is a 79-unit apartment project restricted to extremely low and very-low income households. The project is located within a planned unit development in San Francisco. Fifteen of the units are restricted to low income lesbian, gay, bisexual and transgender (LGBT) seniors, and six units are reserved for formerly homeless elders with HIV/AIDS. The project was financed with HOME funds and Tax Credits. The project's development costs were estimated at $48 million, and the project was completed in April 2019.

C. Fiscal Soundness

The Developer has extensive affordable housing development and asset management experience using HOME funds as well as a variety of other federal funding sources. Therefore, it is determined that the Developer meets the financial management systems and practices required by the HOME Program.

The Developer provided audited financial statements for 2018 and 2019 prepared in accordance with generally accepted accounting principles. The financial statements demonstrate that the Developer has sufficient cash-on-hand and financial strength to complete the Project.

D. Conclusion

The Developer has demonstrated the development capacity and fiscal soundness to undertake the Project.

V. MARKET ASSESSMENT

The Developer provided KMA with a multifamily rental market study prepared by The Concord Group. The Market Study was prepared in accordance with the 2020 TCAC market study guidelines. KMA has reviewed the Market Study and prepared a summary of the findings.

A. Identification of Primary Market Area

The market study identifies the Primary Market Area (PMA) as the cities of Long Beach and Signal Hill.

Direction	Boundary
North:	Long Beach City Limits
South:	Pacific Ocean
East:	Long Beach City Limits
West:	Long Beach City Limits

B. Pricing

The following compares the Project's highest proposed rents to the adjusted market rents of surveyed properties:

	Studio Units	One-Bedroom Units
Project's Highest Proposed Rents (2020)	$554	$1,222
Project's Square Footage	510	580
Comparable Properties' Adjusted Average Rent	$1,400	$1,650
Percentage Below Highest Rent	**60%**	**26%**

C. Absorption

The demand estimate indicates there are a sufficient number of income eligible households in the PMA. The Market Study evaluated three nearby affordable projects consisting of 447 units – primarily studio and one-bedroom units. All three properties are near fully occupied with extensive waiting lists. The Market Study estimates that the Project would reach stabilized occupancy within three months of completion.

D. Market Study Conclusions

Based on the market assessment results, KMA concludes that there is adequate demand for affordable housing to support the Project. Therefore, it is anticipated that the Project will be leased up well before the six-month HOME requirement.

VI. HOME REQUIREMENTS

The following summarizes additional HOME requirements.

A. HOME Program Deadlines

Deadline	Regulations	Projections
Acquisition	§92.2 states that acquisition of housing will occur within 6 months of contract date.	Complete
Demolition/Construction	§92.2 states that construction/demolition of property is scheduled or reasonably can be expected to start within 12 months of the agreement date.	The Project is anticipated to start construction by Fall 2021

Project Completion	§92.205(e)(2), 92.2 state that the project must be completed within 4 years of the date the funds are committed to the project.	To be completed within 20 months.
Lease-up	§92.252 states that HOME assisted units must be occupied by an eligible tenant within six months following project completion.	To be completed within 6 months

B. Cost Reasonableness

KMA reviewed the Developer's pro forma and supporting documentation provided in March 2021. The development costs were at the high end of the typical range seen for similar projects within the Los Angeles region. However, the Developer provided a cost estimate prepared by AMJ Construction Management on January 5, 2021. The cost estimate aligns with the direct costs included in the Developer's pro forma. As such, the cost estimates can be deemed reasonable. However, the City should review and approve the final general contractor's contract prior to formally committing HOME funds to the Project. If there are any changes to the scope of development or the Project experiences cost increases during this timeframe, a third party will be required to review the revised estimates.

C. Written Agreement

The City must execute a written agreement before committing HOME funds to the Project. The written agreement must capture the Project and financing terms that result from the underwriting process. The following summarizes the financial deal points that should be memorialized in the written agreement:

1. The term of the HOME Loan is 55 years.

2. The term of the HOME affordability restrictions is at least 20 years.

3. A total of 18 units in the Project are restricted as floating HOME units as follows:

    a. Two (2) studio units will be restricted as HOME units; and

    b. Sixteen (16) one-bedroom units will be restricted as HOME units.

4. The Developer has requested that all 18 of the HOME units be restricted as Low HOME units.

5. The HOME Loan terms are as follows:

a. A total of $3.0 million will be disbursed to the Developer for eligible costs related to the construction of the 18 HOME-assisted units.

b. A 3.0% simple interest rate.

c. The outstanding loan balance will be due and payable at the end of the 55-year term.

d. The loan is secured by a subordinated deed of trust.

e. Annual payments will be made to the City based on a pro rata share of 50% of total annual residual receipts.

The City must verify that the written agreement includes the provisions required in Section 92.504:

Required Provisions	Included in Written Agreement	Section of Written Agreement
Use of HOME Funds	☐	
Affordability	☐	
Project is identified by Address or Legal Description	☐	
Project Requirements	☐	
Property Standards	☐	
Other Federal Requirements	☐	
Affirmative Marketing	☐	
Requests for Disbursement of Funds	☐	
Records & Reports	☐	
Enforcement of the Agreement	☐	
Duration of the Agreement	☐	
Conditions for Religious Organizations	☐	
CHDO Provisions	☐	
Identifies all Parties to the Agreement	☐	
Provides dated signatures for each Party	☐	
Recommended Additional Provisions:		
▪ Description of Project	☐	
▪ Roles & Responsibilities	☐	
▪ Conflict of Interest	☐	
▪ Monitoring	☐	

D. Layering Requirements

HOME regulations require projects to provide a layering analysis demonstrating that the HOME assistance is required to provide affordable housing. Based on the results of the preceding underwriting analysis, KMA concludes that the Developer's request for $3.0 million in HOME assistance from the City is warranted by the Project economics. As such, it can be concluded that the assistance package complies with the HOME layering requirement.

E. Cost Allocation (§92.205(d)) and HOME Unit Designation (Table 5)

HOME funds may only be used to pay eligible costs for HOME assisted units. When the City designates fewer than 100% of the units as HOME assisted, the City must calculate the eligible costs that are allocable to the assisted units and may only pay the actual costs related to those HOME assisted units, capped by the maximum subsidy limits. The financial gap analysis concludes that the Project needs $3.0 million in HOME assistance.

The units are uniform in size and finishes, and thus, can be considered comparable. KMA used the Standard Method to determine the cost allocation. As detailed in Table 5, KMA estimated that eligible project costs equate to $987 per square foot of net residential area. Therefore, a total of $10.38 million can be allocated to the 18 HOME-designated units as specified in Appendix A – Table 5.

However, there is also a maximum HOME subsidy requirement that must be met. In order to commit $3.0 million to this Project, based on the 2020 maximum subsidy limits, two (2) studio units and sixteen (16) one-bedroom units need to be restricted as HOME units.

The following summarizes the maximum HOME subsidy that can be made to the Project based on 18 HOME units:

	Maximum HOME Assistance	Minimum HOME Designated Units
Proposed HOME Assistance	$3,000,000	N/A
Cost Allocation Test	$10,387,193	18 units
Maximum Subsidy Test	$3,118,660	18 units
Maximum Allowable HOME Subsidy	**$3,000,000**	**18 units**

F. Affordability Period

The HOME assisted units must meet the affordability requirements for not less than the applicable period specified in the following table, beginning after project completion:

Rental Projects	Minimum Affordability Period
Acquisition / Rehabilitation Projects:	
HOME Funds Under $15,000 per Unit	5 Years
HOME Funds Under $15,000 - $40,000 per Unit	10 Years
HOME Funds Over $40,000 per Unit	15 Years
Rehabilitation Projects Involving Refinancing	15 Years
New Construction Projects	20 Years

The HOME Program affordability requirements must:

1. Apply without regard to the term of any loan or mortgage, repayment of the HOME investment, or the transfer of ownership;

2. Be imposed by a deed restriction, a covenant running with the land, an agreement restricting the use of the property, or other mechanisms approved by HUD and must give the City the right to require specific performance; and

3. Must be recorded in accordance with State recordation laws.

The HOME Agreement must require the 18 HOME units to be restricted as affordable for at least 20 years. Therefore, the Project will meet the HOME requirement for new construction projects. The affordability restrictions will be detailed in the HOME Loan Agreement that will be recorded on the property.

G. Property Standards (§92.251)

The Project will be subject to the following property standards:

Property Standard	Included in HOME Agreement
State and local codes, ordinances and zoning requirements	☐
Accessibility: ▪ Accessibility requirements of 24 CFR part 8 ▪ Design and construction requirements at 24 CFR 100.205	☐
Disaster Mitigation	Not Applicable
Written cost estimates, construction contracts and construction documents	☐
Construction progress inspections	☐

H. HOME Rents / Utility Allowances

The tenants will be responsible for paying utilities. The following provides the current HOME rents as of March 2021 for Long Beach as published by HUD less the estimated utility allowances:

Restriction Type	Unit Type	Gross Rent	Utility Allowance	Net Rent
Low HOME	Studio	$986	$37	$949
Low HOME	1-Bedroom	$1,056	$45	$1,011
High HOME	Studio	$1,261	$37	$1,224
High HOME	1-Bedroom	$1,353	$45	$1,308

The HOME Program requires that at least 20% of the HOME designated units be restricted as Low HOME units. The Developer has requested that all of the HOME units be restricted as Low HOME units.

I. Financial Commitments

The Developer provided KMA with the following financial commitment documentation. However, the Developer had not secured a Bond Allocation and Tax Credit award at the time of this analysis. The City must review and ensure that all of the financial commitments are in place prior to committing HOME funds to the Project.

Funding	Source
Construction Loan	Commitment letter provided by Wells Fargo dated January 26, 2021.
4% Federal Tax Credits	
City HOME Loan	
LACDA Loan	Committed on January 27, 2021.
MHP Loan	Committed on January 22, 2021.
PBV & VASH Vouchers	Committed on January 26, 2021.
General Partner Equity	Committed by Developer.
Deferred Developer Fee	Committed by Developer.

VII. CERTIFICATIONS

Based on the results of the analysis, the following certifications are provided:

Certifications	Requirement Met
The funding sources discussed in this Report are sufficient, and timely in availability, to cover the Project costs.	☐
The estimated costs for the Project are necessary, reasonable, and in compliance with the cost principles described in 2 CFR part 200.	☒
The scope and budget for the Project are sufficient to meet the HOME property standards set forth at 24 CFR 92.251 over the life of the affordability covenants imposed by the HOME Loan Financing Agreement.	☒
The Developer's operating pro forma includes realistic assumptions regarding the base year revenues and expenses, and reasonable escalation factors for the revenues and expenses.	☒
The market assessment confirms the demand for the Project, and the Project can be expected to be leased up within the 18-month period mandated by HUD.	☒
The Developer's experience and financial capacity are adequate to implement the Project, and meet the financial obligations and risks related to the Project.	☒
The developer fee, cash flow projection, equity appreciation, and profit anticipated to be generated by the Project are appropriate.	☒
The Project meets the minimum HOME investment requirement of $1,000 per HOME designated unit.	☒
The Project will provide the minimum number of HOME-Assisted Units as required under the cost allocation rule at 24 CFR 92.504.	☒
The HOME Program assistance provided to the Project does not exceed the subsidy limits, and the appropriate number of units have been designated as HOME units as established by 24 CFR 92.504.	☒
In accordance with 24 CFR 92.205(e)(2), the Project will be completed within four years of the date the HOME funds are committed.	☒
The Project will comply with the property standards and affordability requirements imposed by CFR 92.252(e).	☒

VIII. COMMITMENT CHECKLIST (§92.2)

HOME funds are not committed to an identifiable project in IDIS until the parties have provided the following:

Requirements	Requirement Met	Completion Dates
Project is associated with approved Consolidated Plan / Annual Action Plan projects	☐	
Environmental Review Requirements have been met	☒	August 22, 2020
Legally binding written agreement has been executed	☐	
All necessary financing is secured	☐	
Subsidy Layering & Underwriting Analysis Completed	☐	
Construction Expected to begin within 12 months	☐	
Commitment Date	☐	

Appendix A

TABLE 1

ESTIMATED DEVELOPMENT COSTS
PCH & MLK APARTMENTS
LONG BEACH, CALIFORNIA

		Note	Quantity	Basis	Rate	Per	Amount	Total
I.	**Property Assemblage Costs**							
	Property Acquisition Costs	1	68	Units	$43,382	/Unit	$2,950,000	
	Relocation Costs						40,000	
	Total Property Assemblage Costs							**$2,990,000**
II.	**Direct Costs**	2						
	Off-site Improvements	3					$1,200,000	
	Demolition/Remediation						475,000	
	On-site Improvements		28,350	Sf Land	$50	/Sf Land	1,418,000	
	Residential Building Costs		58,127	Sf GBA	$304	/Sf GBA	17,688,000	
	Community Benefit Space		3,247	Sf GBA	$353	/Sf GBA	1,147,000	
	Community Benefit Space Tenant Improvements		3,247	Sf GBA	$92	/Sf GBA	300,000	
	Furnishings, Fixtures & Equipment		68	Units	$8,415	/Unit	572,000	
	Contractor Fees / General Requirements		14%	Construction Costs			3,112,000	
	General Liability Insurance / Const Bonds		2%	Construction Costs			445,000	
	Contingency Allowance		9%	Other Direct Costs			2,417,000	
	Total Direct Costs		**61,374**	**Sf GBA**	**$469**	**/Sf GBA**		**$28,774,000**
III.	**Indirect Costs**							
	Architecture, Engineering & Consulting		6.0%	Direct Costs			$1,726,000	
	Permits & Fees	3	68	Units	$16,720	/Unit	1,137,000	
	Taxes, Ins, Legal & Accounting		1.5%	Direct Costs			432,000	
	Marketing & Leasing		68	Units	$1,765	/Unit	120,000	
	Developer Fee	4	15%	Eligible Costs			4,863,000	
	Contingency Allowance		4.0%	Other Indirects			331,000	
	Total Indirect Costs							**$8,609,000**
IV.	**Financing Costs**							
	Acquisition/Predevelopment Loans						$248,000	
	Interest During Construction							
	Series A Bond	5	$0	Loan Amount	4.00%	Interest	-	
	Series B Bond	6	$21,473,000	Loan Amount	4.00%	Interest	1,217,000	
	Taxable Tail Construction Loan	7	$7,861,000	Loan Amount	4.15%	Interest	190,000	
	LACDA Accrued Interest						179,000	
	LBCIC Accrued Interest						77,000	
	Financing Fees							
	Series B Bond		$21,473,000	Loan Amount	1.50	Points	322,000	
	Taxable Tail Construction Loan		$7,861,000	Loan Amount	1.50	Points	118,000	
	LACDA/CDLAC Fees						50,000	
	Captialized Reserves							
	Operating Reserve		3	Months Operating Expenses			223,000	
	Transition Reserve						611,000	
	TCAC Fees	8					48,000	
	Total Financing Costs							**$3,283,000**
V.	**Total Development Costs**		**68**	**Units**	**$642,000**	**/Unit**		**$43,656,000**

1 The Site consists of parcels owned by the Long Beach Successor Agency and a private third party. The Developer purchased the third party parcels for $2.20 million and will purchase the Successor Agency parcels for $750,000. The Developer provided an appraisal prepared by Joseph I. Napoliello MAI on May 23, 2019 that estimates the fair market value of the entire Site at $3.50 million, which is more than the proposed purchase price.

2 The direct cost estimates are based on a cost estimate prepared by AMJ Construction Management and provided by the Developer. Estimates assume prevailing wage requirements will be imposed on the Project.

3 Based on Developer estimate. The estimate should be verified by City staff.

4 Based on Developer estimate. This is equal to the maximum amount allowed by TCAC (15% of the Project's eligible Tax Credit basis).

5 The Project's net operating income does not support a Series A Bond (permanent loan).

6 Equal to the bond amount requested from CDLAC; a 20-month construction period with a 60% average outstanding balance; and a 5-month absorption period with a 100% average outstanding balance.

7 Equal to the remaining construction costs in excess of the Series B Bond; 20-month construction period with a 10% average oustanding balance; and a 5-month absorption period with a 100% average outstanding balance.

8 Includes a $2,000 application fee; $410/unit monitoring fee; and 1% of the gross Tax Credit proceeds for one year.

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TABLE 2

STABILIZED NET OPERATING INCOME
PCH & MLK APARTMENTS
LONG BEACH, CALIFORNIA

I.	**Gross Residential Income** [1]							
	Manager's Unit	1	Unit	$0	/Unit/Month	$0	
	Tax Credit @ 25% Median (PSH - PBV) / Low HOME						
	1-Bedroom Units @ (594-Sf)	15	Units	$483	/Unit/Month	86,900	
	Tax Credit @ 30% Median (PSH - VASH) / Low HOME						
	Studio Units @ (513-Sf)	7	Units	$554	/Unit/Month	46,500	
	1-Bedroom Units @ (594-Sf)	11	Units	$588	/Unit/Month	77,600	
	Tax Credit @ 40% Median / Low HOME						
	1-Bedroom Units @ (594-Sf)	25	Units	$800	/Unit/Month	240,000	
	Tax Credit @ 60% Median [2]						
	1-Bedroom Units @ (594-Sf)	9	Units	$1,222	/Unit/Month	132,000	
	Section 8 Subsidy						
	Tax Credit @ 25% Median (PSH - PBV) / Low HOME						
	1-Bedroom Units @ (594-Sf)	15	Units	$1,077	/Unit/Month	193,900	
	Tax Credit @ 30% Median (PSH - VASH) / Low HOME						
	Studio Units @ (513-Sf)	7	Units	$778	/Unit/Month	65,400	
	1-Bedroom Units @ (594-Sf)	11	Units	$972	/Unit/Month	128,300	
	Gross Rental Income	68	Units			$970,600	
	Laundry and Miscellaneous	68	Units	$5	/Unit/Month	4,100	
	(Less) Vacancy & Collection Allowance	5.00%	Gross Income			(29,000)	
	(Less) Vacancy & Collection Allowance	5.00%	PBV Subsidy			(10,000)	
	(Less) Vacancy & Collection Allowance	5.00%	VASH Subsidy			(10,000)	
	Effective Gross Income						**$925,700**
II.	**Operating Expenses**						
	General Operating Expenses	68	Units	$8,818	/Unit	$599,600	
	Property Taxes [3]	68	Units	$55	/Unit	3,700	
	Services	68	Units	$1,431	/Unit	97,300	
	Mandatory MHP Payment	$13,247,000	MHP Loan	0.42%	MHP Loan	55,600	
	City of Long Beach Monitoring Fee	67	Aff Units	$160	/Aff Unit	10,700	
	LACDA Monitoring Fee	68	Units	$105	/Unit	7,200	
	Bond Issuer Fee					4,000	
	Replacement Reserve	68	Units	$500	/Unit	34,000	
	Total Operating Expenses	68	Units	$11,943	/Unit		**$812,100**
III.	**Net Operating Income**						**$113,600**

[1] Based on Los Angeles County 2020 Incomes distributed by HUD. Based on rents published in 2020 by TCAC and the HOME Program. Utility Allowances per the Developer: $37 for studio units; and $45 for 1-Bdrm units..
[2] Per the Developer, the incomes will be restricted to 80% AMI for these units, but the rents will be set at 60% AMI.
[3] Based on the assumption that the Developer will receive the property tax abatement accorded to non-profit housing organizations that own and operate apartment units restricted to households earning less than 80% of the area median income.

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TABLE 3

FINANCIAL GAP CALCULATION
PCH & MLK APARTMENTS
LONG BEACH, CALIFORNIA

I.	**Available Funding Sources**					
	Tax Credit Equity	1				
	Gross Tax Credit Value		$19,386,000			
	Syndication Rate		$0.90	/Tax Credit Dollar		
	Net Tax Credit Equity				**$17,447,000**	
	LACDA Loan	2			**$7,000,000**	
	LACDA Accrued/Deferred Interest				**$179,000**	
	LBCIC Accrued/Deferred Interest				**$77,000**	
	MHP	2			**$13,247,000**	
	Deferred Developer Fee	2	7%	Total Developer Fee	**$364,000**	
	General Partner Equity	2	49%	Total Developer Fee	**$2,363,000**	
	Total Available Funding Sources					**$40,677,000**
II.	**Financial Gap Calculation**					
	Total Development Costs				$43,656,000	
	(Less) Total Available Funding Sources				(40,677,000)	
III.	**Financial Surplus / (Financial Gap)**		**68**	**Units**	**$43,800 /Unit**	**$2,979,000**

[1] Assumes a $37.3 million eligible basis, plus a 130% difficult-to-develop premium, a 4.00% Tax Credit rate and an applicable fraction of 100.00%.
[2] Based on Developer estimate.

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TABLE 4A
CASH FLOW ANALYSIS
ANNUAL ESCALATIONS: INCOME @ 2.50% / EXPENSES @ 3.50%
PCH & MLK APARTMENTS
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 Affordable Rental Income		$583,000	$597,575	$612,514	$627,827	$643,523	$659,611	$676,101	$693,004
	Gross Section 8 Subsidy		387,600	397,290	407,222	417,403	427,838	438,534	449,497	460,735
	Laundry & Misc. Income		4,100	4,203	4,308	4,415	4,526	4,639	4,755	4,874
	(Less) Vacancy & Collection Allowance		(48,735)	(49,953)	(51,202)	(52,482)	(53,794)	(55,139)	(56,518)	(57,931)
	Effective Gross Base Income		**$925,965**	**$949,114**	**$972,842**	**$997,163**	**$1,022,092**	**$1,047,644**	**$1,073,836**	**$1,100,681**
II.	**Operating Expenses** [2]									
	General Operating Expenses		$599,600	$620,586	$642,307	$664,787	$688,055	$712,137	$737,061	$762,859
	Property Taxes		3,700	3,774	3,849	3,926	4,005	4,085	4,167	4,250
	Services		97,300	100,706	104,230	107,878	111,654	115,562	119,607	123,793
	Mandatory MHP Payment		55,600	55,600	55,600	55,600	55,600	55,600	55,600	55,600
	City of Long Beach Monitoring Fee		10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700
	LACDA Monitoring Fee		7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
	Bond Issuer Fee		4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
	Replacement Reserve		34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000
	Total Operating Expenses		**$812,100**	**$836,566**	**$861,886**	**$888,092**	**$915,214**	**$943,284**	**$972,335**	**$1,002,402**
III.	**Net Operating Income**		**$113,865**	**$112,549**	**$110,956**	**$109,071**	**$106,878**	**$104,361**	**$101,501**	**$98,280**
	(Less) Debt Service [3]		0	0	0	0	0	0	0	0
	Net Income After Debt Service		**$113,865**	**$112,549**	**$110,956**	**$109,071**	**$106,878**	**$104,361**	**$101,501**	**$98,280**
IV.	**Cash Flow Available for Contingent Payments**		**$113,865**	**$112,549**	**$110,956**	**$109,071**	**$106,878**	**$104,361**	**$101,501**	**$98,280**
	(Less) Asset Mgt Fees [4]		(15,000)	(15,450)	(15,914)	(16,391)	(16,883)	(17,389)	(17,911)	(18,448)
	(Less) Deferred Developer Fee		(98,865)	(97,099)	(95,042)	(72,994)	0	0	0	0
V.	**Cash Flow after Contingent Payments**		**$0**	**$0**	**$0**	**$19,686**	**$89,996**	**$86,972**	**$83,590**	**$79,832**
	Nominal Dollars	**$998,993**		**$542,000**	NPV @ 6% Discount Rate					
VI.	**Residual Receipt Payments to MHP (28% RRs)**		**$0**	**$0**	**$0**	**$5,609**	**$25,641**	**$24,780**	**$23,816**	**$22,746**
	Nominal Dollars	**$284,631**		**$154,000**	NPV @ 6% Discount Rate					
VII.	**Residual Receipt Payments to LACDA (15% RRs)**		**$0**	**$0**	**$0**	**$2,964**	**$13,549**	**$13,094**	**$12,585**	**$12,019**
	Nominal Dollars	**$150,405**		**$82,000**	NPV @ 6% Discount Rate					
VIII.	**Residual Receipt Payments to LBCIC Loan (6% RRs)**		**$0**	**$0**	**$0**	**$1,270**	**$5,807**	**$5,612**	**$5,394**	**$5,151**
	Nominal Dollars	**$64,459**		**$35,000**	NPV @ 6% Discount Rate					
IX.	**Residual Receipt Payments to Developer (50% RRs)**		**$0**	**$0**	**$0**	**$9,843**	**$44,998**	**$43,486**	**$41,795**	**$39,916**
	Nominal Dollars	**$499,496**		**$271,000**	NPV @ 6% Discount Rate					

1 The affordable rents, Section 8 subsidy and laundry/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 103.5%/year, property taxes at 102.0%/year and replacement and operating reserves remain constant.
3 The Project does not include permanent debt
4 KMA estimate. Assumes fees increase at 103.0%/year.

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TABLE 4A
CASH FLOW ANALYSIS
ANNUAL ESCALATIONS: INCOME @ 2.50% / EXPENSES @ 3.50%
PCH & MLK APARTMENTS
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 Affordable Rental Income	$710,329	$728,087	$746,289	$764,947	$784,070	$803,672	$823,764	$844,358	$865,467
	Gross Section 8 Subsidy	472,253	484,059	496,161	508,565	521,279	534,311	547,669	561,360	575,394
	Laundry & Misc. Income	4,995	5,120	5,248	5,380	5,514	5,652	5,793	5,938	6,086
	(Less) Vacancy & Collection Allowance	(59,379)	(60,863)	(62,385)	(63,945)	(65,543)	(67,182)	(68,861)	(70,583)	(72,347)
	Effective Gross Base Income	**$1,128,198**	**$1,156,403**	**$1,185,313**	**$1,214,946**	**$1,245,320**	**$1,276,453**	**$1,308,364**	**$1,341,073**	**$1,374,600**
II.	Operating Expenses [2]									
	General Operating Expenses	$789,559	$817,193	$845,795	$875,398	$906,037	$937,748	$970,569	$1,004,539	$1,039,698
	Property Taxes	4,335	4,422	4,510	4,600	4,692	4,786	4,882	4,980	5,079
	Services	128,126	132,610	137,251	142,055	147,027	152,173	157,499	163,011	168,717
	Mandatory MHP Payment	55,600	55,600	55,600	55,600	55,600	55,600	55,600	55,600	55,600
	City of Long Beach Monitoring Fee	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700
	LACDA Monitoring Fee	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
	Bond Issuer Fee	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
	Replacement Reserve	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000
	Total Operating Expenses	**$1,033,519**	**$1,065,725**	**$1,099,057**	**$1,133,553**	**$1,169,256**	**1,206,207**	**$1,244,450**	**$1,284,030**	**$1,324,994**
III.	**Net Operating Income**	**$94,679**	**$90,678**	**$86,257**	**$81,393**	**$76,064**	**$70,246**	**$63,914**	**$57,043**	**$49,606**
	(Less) Debt Service [3]	0	0	0	0	0	0	0	0	0
	Net Income After Debt Service	**$94,679**	**$90,678**	**$86,257**	**$81,393**	**$76,064**	**$70,246**	**$63,914**	**$57,043**	**$49,606**
IV.	**Cash Flow Available for Contingent Payments**	**$94,679**	**$90,678**	**$86,257**	**$81,393**	**$76,064**	**$70,246**	**$63,914**	**$57,043**	**$49,606**
	(Less) Asset Mgt Fees [4]	(19,002)	(19,572)	(20,159)	(20,764)	(21,386)	(22,028)	(22,689)	0	0
	(Less) Deferred Developer Fee	0	0	0	0	0	0	0	0	0
V.	**Cash Flow after Contingent Payments** Nominal Dollars	**$75,678**	**$71,107**	**$66,098**	**$60,629**	**$54,677**	**$48,218**	**$41,225**	**$57,043**	**$49,606**
VI.	**Residual Receipt Payments to MHP (28% RRs)** Nominal Dollars	**$21,562**	**$20,260**	**$18,833**	**$17,274**	**$15,579**	**$13,738**	**$11,746**	**$16,253**	**$14,134**
VII.	**Residual Receipt Payments to LACDA (15% RRs)** Nominal Dollars	**$11,394**	**$10,706**	**$9,952**	**$9,128**	**$8,232**	**$7,260**	**$6,207**	**$8,588**	**$7,469**
VIII.	**Residual Receipt Payments to LBCIC Loan (6% RRs)** Nominal Dollars	**$4,883**	**$4,588**	**$4,265**	**$3,912**	**$3,528**	**$3,111**	**$2,660**	**$3,681**	**$3,201**
IX.	**Residual Receipt Payments to Developer (50% RRs)** Nominal Dollars	**$37,839**	**$35,553**	**$33,049**	**$30,315**	**$27,339**	**$24,109**	**$20,613**	**$28,522**	**$24,803**

1 The affordable rents, Section 8 subsidy and laundry/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 103.5%/year, property taxes at 102.0%/year and replacement and operating reserves remain constant.
3 The Project does not include permanent debt
4 KMA estimate. Assumes fees increase at 103.0%/year.

Prepared by: Keyser Marston Associates, Inc.
Filename: PCH & MLK_3 26 21.xlsm; CF_2.5_3.5; trb

TABLE 4A
CASH FLOW ANALYSIS
ANNUAL ESCALATIONS: INCOME @ 2.50% / EXPENSES @ 3.50%
PCH & MLK APARTMENTS
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 Affordable Rental Income	$887,103	$909,281	$932,013	$955,313	$979,196	$1,003,676	$1,028,768	$1,054,487	$1,080,849
	Gross Section 8 Subsidy	589,779	604,524	619,637	635,128	651,006	667,281	683,963	701,062	718,589
	Laundry & Misc. Income	6,239	6,395	6,554	6,718	6,886	7,058	7,235	7,416	7,601
	(Less) Vacancy & Collection Allowance	(74,156)	(76,010)	(77,910)	(79,858)	(81,854)	(83,901)	(85,998)	(88,148)	(90,352)
	Effective Gross Base Income	**$1,408,965**	**$1,444,189**	**$1,480,294**	**$1,517,301**	**$1,555,234**	**$1,594,115**	**$1,633,968**	**$1,674,817**	**$1,716,687**
II.	**Operating Expenses** [2]									
	General Operating Expenses	$1,076,087	$1,113,751	$1,152,732	$1,193,077	$1,234,835	$1,278,054	$1,322,786	$1,369,084	$1,417,002
	Property Taxes	5,181	5,285	5,390	5,498	5,608	5,720	5,835	5,951	6,070
	Services	174,622	180,734	187,059	193,606	200,383	207,396	214,655	222,168	229,944
	Mandatory MHP Payment	55,600	55,600	55,600	55,600	55,600	55,600	55,600	55,600	55,600
	City of Long Beach Monitoring Fee	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700
	LACDA Monitoring Fee	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
	Bond Issuer Fee	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
	Replacement Reserve	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000
	Total Operating Expenses	**$1,367,390**	**$1,411,269**	**$1,456,681**	**$1,503,682**	**$1,552,326**	**$1,602,671**	**$1,654,776**	**$1,708,703**	**$1,764,516**
III.	**Net Operating Income**	**$41,575**	**$32,921**	**$23,613**	**$13,620**	**$2,908**	**($8,556)**	**($20,808)**	**($33,886)**	**($47,828)**
	(Less) Debt Service [3]	0	0	0	0	0	0	0	0	0
	Net Income After Debt Service	**$41,575**	**$32,921**	**$23,613**	**$13,620**	**$2,908**	**($8,556)**	**($20,808)**	**($33,886)**	**($47,828)**
IV.	**Cash Flow Available for Contingent Payments**	**$41,575**	**$32,921**	**$23,613**	**$13,620**	**$2,908**	**$0**	**$0**	**$0**	**$0**
	(Less) Asset Mgt 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**	**$41,575**	**$32,921**	**$23,613**	**$13,620**	**$2,908**	**$0**	**$0**	**$0**	**$0**
	Nominal Dollars									
VI.	**Residual Receipt Payments to MHP (28% RRs)**	**$11,845**	**$9,380**	**$6,728**	**$3,880**	**$829**	**$0**	**$0**	**$0**	**$0**
	Nominal Dollars									
VII.	**Residual Receipt Payments to LACDA (15% RRs)**	**$6,259**	**$4,956**	**$3,555**	**$2,051**	**$438**	**$0**	**$0**	**$0**	**$0**
	Nominal Dollars									
VIII.	**Residual Receipt Payments to LBCIC Loan (6% RRs)**	**$2,683**	**$2,124**	**$1,524**	**$879**	**$188**	**$0**	**$0**	**$0**	**$0**
	Nominal Dollars									
IX.	**Residual Receipt Payments to Developer (50% RRs)**	**$20,787**	**$16,460**	**$11,806**	**$6,810**	**$1,454**	**$0**	**$0**	**$0**	**$0**
	Nominal Dollars									

1 The affordable rents, Section 8 subsidy and laundry/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 103.5%/year, property taxes at 102.0%/year and replacement and operating reserves remain constant.
3 The Project does not include permanent debt
4 KMA estimate. Assumes fees increase at 103.0%/year.

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TABLE 4A
CASH FLOW ANALYSIS
ANNUAL ESCALATIONS: INCOME @ 2.50% / EXPENSES @ 3.50%
PCH & MLK APARTMENTS
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 Affordable Rental Income	$1,107,871	$1,135,567	$1,163,957	$1,193,056	$1,222,882	$1,253,454	$1,284,790	$1,316,910	$1,349,833
	Gross Section 8 Subsidy	736,553	754,967	773,841	793,188	813,017	833,343	854,176	875,531	897,419
	Laundry & Misc. Income	7,791	7,986	8,186	8,390	8,600	8,815	9,035	9,261	9,493
	(Less) Vacancy & Collection Allowance	(92,611)	(94,926)	(97,299)	(99,732)	(102,225)	(104,781)	(107,400)	(110,085)	(112,837)
	Effective Gross Base Income	**$1,759,605**	**$1,803,595**	**$1,848,685**	**$1,894,902**	**$1,942,274**	**$1,990,831**	**$2,040,602**	**$2,091,617**	**$2,143,907**
II.	Operating Expenses [2]									
	General Operating Expenses	$1,466,597	$1,517,928	$1,571,055	$1,626,042	$1,682,954	$1,741,857	$1,802,822	$1,865,921	$1,931,228
	Property Taxes	6,192	6,315	6,442	6,571	6,702	6,836	6,973	7,112	7,255
	Services	237,992	246,321	254,943	263,866	273,101	282,660	292,553	302,792	313,390
	Mandatory MHP Payment	55,600	55,600	55,600	55,600	55,600	55,600	55,600	55,600	55,600
	City of Long Beach Monitoring Fee	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700
	LACDA Monitoring Fee	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
	Bond Issuer Fee	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
	Replacement Reserve	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000
	Total Operating Expenses	**$1,822,280**	**$1,882,065**	**$1,943,940**	**$2,007,978**	**$2,074,257**	**$2,142,853**	**$2,213,847**	**$2,287,325**	**$2,363,372**
III.	**Net Operating Income**	**($62,676)**	**($78,470)**	**($95,255)**	**($113,077)**	**($131,982)**	**($152,022)**	**($173,246)**	**($195,708)**	**($219,465)**
	(Less) Debt Service [3]	0	0	0	0	0	0	0	0	0
	Net Income After Debt Service	**($62,676)**	**($78,470)**	**($95,255)**	**($113,077)**	**($131,982)**	**($152,022)**	**($173,246)**	**($195,708)**	**($219,465)**
IV.	**Cash Flow Available for Contingent Payments**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	(Less) Asset Mgt 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 MHP (28% RRs)**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Nominal Dollars									
VII.	**Residual Receipt Payments to LACDA (15% RRs)**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Nominal Dollars									
VIII.	**Residual Receipt Payments to LBCIC Loan (6% RRs)**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Nominal Dollars									
IX.	**Residual Receipt Payments to Developer (50% RRs)**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Nominal Dollars									

1 The affordable rents, Section 8 subsidy and laundry/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 103.5%/year, property taxes at 102.0%/year and replacement and operating reserves remain constant.
3 The Project does not include permanent debt
4 KMA estimate. Assumes fees increase at 103.0%/year.

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TABLE 4A
CASH FLOW ANALYSIS
ANNUAL ESCALATIONS: INCOME @ 2.50% / EXPENSES @ 3.50%
PCH & MLK APARTMENTS
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 Affordable Rental Income	$1,383,579	$1,418,168	$1,453,622	$1,489,963	$1,527,212	$1,565,392	$1,604,527	$1,644,640	$1,685,756
	Gross Section 8 Subsidy	919,854	942,851	966,422	990,583	1,015,347	1,040,731	1,066,749	1,093,418	1,120,753
	Laundry & Misc. Income	9,730	9,973	10,223	10,478	10,740	11,009	11,284	11,566	11,855
	(Less) Vacancy & Collection Allowance	(115,658)	(118,550)	(121,513)	(124,551)	(127,665)	(130,857)	(134,128)	(137,481)	(140,918)
	Effective Gross Base Income	**$2,197,505**	**$2,252,443**	**$2,308,754**	**$2,366,472**	**$2,425,634**	**$2,486,275**	**$2,548,432**	**$2,612,143**	**$2,677,446**
II.	**Operating Expenses** [2]									
	General Operating Expenses	$1,998,821	$2,068,780	$2,141,187	$2,216,128	$2,293,693	$2,373,972	$2,457,061	$2,543,058	$2,632,065
	Property Taxes	7,400	7,548	7,699	7,853	8,010	8,170	8,333	8,500	8,670
	Services	324,358	335,711	347,461	359,622	372,209	385,236	398,719	412,674	427,118
	Mandatory MHP Payment	55,600	55,600	55,600	55,600	55,600	55,600	55,600	55,600	55,600
	City of Long Beach Monitoring Fee	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700
	LACDA Monitoring Fee	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
	Bond Issuer Fee	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
	Replacement Reserve	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000
	Total Operating Expenses	**$2,442,079**	**$2,523,538**	**$2,607,846**	**$2,695,103**	**$2,785,411**	**$2,878,878**	**$2,975,614**	**$3,075,733**	**$3,179,353**
III.	**Net Operating Income**	**($244,574)**	**($271,095)**	**($299,093)**	**($328,630)**	**($359,777)**	**($392,603)**	**($427,182)**	**($463,590)**	**($501,907)**
	(Less) Debt Service [3]	0	0	0	0	0	0	0	0	0
	Net Income After Debt Service	**($244,574)**	**($271,095)**	**($299,093)**	**($328,630)**	**($359,777)**	**($392,603)**	**($427,182)**	**($463,590)**	**($501,907)**
IV.	**Cash Flow Available for Contingent Payments**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	(Less) Asset Mgt 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 MHP (28% RRs)**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Nominal Dollars									
VII.	**Residual Receipt Payments to LACDA (15% RRs)**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Nominal Dollars									
VIII.	**Residual Receipt Payments to LBCIC Loan (6% RRs)**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Nominal Dollars									
IX.	**Residual Receipt Payments to Developer (50% RRs)**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Nominal Dollars									

1 The affordable rents, Section 8 subsidy and laundry/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 103.5%/year, property taxes at 102.0%/year and replacement and operating reserves remain constant.

3 The Project does not include permanent debt

4 KMA estimate. Assumes fees increase at 103.0%/year.

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TABLE 4A
CASH FLOW ANALYSIS
ANNUAL ESCALATIONS: INCOME @ 2.50% / EXPENSES @ 3.50%
PCH & MLK APARTMENTS
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 Affordable Rental Income	$1,727,900	$1,771,098	$1,815,375	$1,860,759	$1,907,278	$1,954,960	$2,003,834	$2,053,930	$2,105,278
	Gross Section 8 Subsidy	1,148,772	1,177,491	1,206,929	1,237,102	1,268,029	1,299,730	1,332,223	1,365,529	1,399,667
	Laundry & Misc. Income	12,152	12,455	12,767	13,086	13,413	13,748	14,092	14,444	14,806
	(Less) Vacancy & Collection Allowance	(144,441)	(148,052)	(151,754)	(155,547)	(159,436)	(163,422)	(167,507)	(171,695)	(175,988)
	Effective Gross Base Income	**$2,744,383**	**$2,812,992**	**$2,883,317**	**$2,955,400**	**$3,029,285**	**$3,105,017**	**$3,182,642**	**$3,262,208**	**$3,343,764**
II.	Operating Expenses [2]									
	General Operating Expenses	$2,724,188	$2,819,534	$2,918,218	$3,020,356	$3,126,068	$3,235,480	$3,348,722	$3,465,927	$3,587,235
	Property Taxes	8,843	9,020	9,200	9,384	9,572	9,764	9,959	10,158	10,361
	Services	442,067	457,539	473,553	490,128	507,282	525,037	543,413	562,433	582,118
	Mandatory MHP Payment	55,600	55,600	55,600	55,600	55,600	55,600	55,600	55,600	55,600
	City of Long Beach Monitoring Fee	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700
	LACDA Monitoring Fee	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
	Bond Issuer Fee	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
	Replacement Reserve	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000
	Total Operating Expenses	**$3,286,598**	**$3,397,594**	**$3,512,472**	**$3,631,368**	**$3,754,422**	**$3,881,781**	**$4,013,594**	**$4,150,018**	**$4,291,214**
III.	**Net Operating Income**	**($542,215)**	**($584,602)**	**($629,155)**	**($675,968)**	**($725,137)**	**($776,764)**	**($830,952)**	**($887,810)**	**($947,450)**
	(Less) Debt Service [3]	0	0	0	0	0	0	0	0	0
	Net Income After Debt Service	**($542,215)**	**($584,602)**	**($629,155)**	**($675,968)**	**($725,137)**	**($776,764)**	**($830,952)**	**($887,810)**	**($947,450)**
IV.	**Cash Flow Available for Contingent Payments**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	(Less) Asset Mgt 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 MHP (28% RRs)**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Nominal Dollars									
VII.	**Residual Receipt Payments to LACDA (15% RRs)**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Nominal Dollars									
VIII.	**Residual Receipt Payments to LBCIC Loan (6% RRs)**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Nominal Dollars									
IX.	**Residual Receipt Payments to Developer (50% RRs)**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Nominal Dollars									

1 The affordable rents, Section 8 subsidy and laundry/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 103.5%/year, property taxes at 102.0%/year and replacement and operating reserves remain constant.
3 The Project does not include permanent debt
4 KMA estimate. Assumes fees increase at 103.0%/year.

Prepared by: Keyser Marston Associates, Inc.
Filename: PCH & MLK_3 26 21.xlsm; CF_2.5_3.5; trb

TABLE 4A
CASH FLOW ANALYSIS
ANNUAL ESCALATIONS: INCOME @ 2.50% / EXPENSES @ 3.50%
PCH & MLK APARTMENTS
LONG BEACH, CALIFORNIA

		Year 54	Year 55
I.	Gross Residential Income [1]		
	Gross Affordable Rental Income	$2,157,910	$2,211,858
	Gross Section 8 Subsidy	1,434,659	1,470,525
	Laundry & Misc. Income	15,176	15,555
	(Less) Vacancy & Collection Allowance	(180,387)	(184,897)
	Effective Gross Base Income	**$3,427,358**	**$3,513,042**
II.	Operating Expenses [2]		
	General Operating Expenses	$3,712,788	$3,842,736
	Property Taxes	10,568	10,780
	Services	602,492	623,579
	Mandatory MHP Payment	55,600	55,600
	City of Long Beach Monitoring Fee	10,700	10,700
	LACDA Monitoring Fee	7,200	7,200
	Bond Issuer Fee	4,000	4,000
	Replacement Reserve	34,000	34,000
	Total Operating Expenses	**$4,437,349**	**$4,588,595**
III.	**Net Operating Income**	**($1,009,991)**	**($1,075,553)**
	(Less) Debt Service [3]	0	0
	Net Income After Debt Service	**($1,009,991)**	**($1,075,553)**
IV.	**Cash Flow Available for Contingent Payments**	**$0**	**$0**
	(Less) Asset Mgt 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 MHP (28% RRs)**	**$0**	**$0**
	Nominal Dollars		
VII.	**Residual Receipt Payments to LACDA (15% RRs)**	**$0**	**$0**
	Nominal Dollars		
VIII.	**Residual Receipt Payments to LBCIC Loan (6% RRs)**	**$0**	**$0**
	Nominal Dollars		
IX.	**Residual Receipt Payments to Developer (50% RRs)**	**$0**	**$0**
	Nominal Dollars		

1 The affordable rents, Section 8 subsidy and laundry/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 103.5%/year, property taxes at 102.0%/year and replacement and operating reserves remain constant.
3 The Project does not include permanent debt
4 KMA estimate. Assumes fees increase at 103.0%/year.

Prepared by: Keyser Marston Associates, Inc.
Filename: PCH & MLK_3 26 21.xlsm; CF_2.5_3.5; trb

TABLE 4B
CASH FLOW ANALYSIS
ANNUAL ESCALATIONS: INCOME @ 3.00% / EXPENSES @ 3.00%
PCH & MLK APARTMENTS
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 Affordable Rental Income		$583,000	$600,490	$618,505	$637,060	$656,172	$675,857	$696,132	$717,016
	Gross Section 8 Subsidy		387,600	399,228	411,205	423,541	436,247	449,335	462,815	476,699
	Laundry & Misc. Income		4,100	4,223	4,350	4,480	4,615	4,753	4,896	5,042
	(Less) Vacancy & Collection Allowance		(48,735)	(50,197)	(51,703)	(53,254)	(54,852)	(56,497)	(58,192)	(59,938)
	Effective Gross Base Income		**$925,965**	**$953,744**	**$982,356**	**$1,011,827**	**$1,042,182**	**$1,073,447**	**$1,105,651**	**$1,138,820**
II.	**Operating Expenses** [2]									
	General Operating Expenses		$599,600	$617,588	$636,116	$655,199	$674,855	$695,101	$715,954	$737,432
	Property Taxes		3,700	3,774	3,849	3,926	4,005	4,085	4,167	4,250
	Services		97,300	100,219	103,226	106,322	109,512	112,797	116,181	119,667
	Mandatory MHP Payment		55,600	55,600	55,600	55,600	55,600	55,600	55,600	55,600
	City of Long Beach Monitoring Fee		10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700
	LACDA Monitoring Fee		7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
	Bond Issuer Fee		4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
	Replacement Reserve		34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000
	Total Operating Expenses		**$812,100**	**$833,081**	**$854,691**	**$876,948**	**$899,872**	**$923,483**	**$947,802**	**$972,849**
III.	**Net Operating Income**		**$113,865**	**$120,663**	**$127,666**	**$134,879**	**$142,310**	**$149,964**	**$157,849**	**$165,971**
	(Less) Debt Service [3]		0	0	0	0	0	0	0	0
	Net Income After Debt Service		**$113,865**	**$120,663**	**$127,666**	**$134,879**	**$142,310**	**$149,964**	**$157,849**	**$165,971**
IV.	**Cash Flow Available for Contingent Payments**		**$113,865**	**$120,663**	**$127,666**	**$134,879**	**$142,310**	**$149,964**	**$157,849**	**$165,971**
	(Less) Asset Mgt Fees [4]		(15,000)	(15,450)	(15,914)	(16,391)	(16,883)	(17,389)	(17,911)	(18,448)
	(Less) Deferred Developer Fee		(98,865)	(105,213)	(111,752)	(48,170)	0	0	0	0
V.	**Cash Flow after Contingent Payments**		**$0**	**$0**	**$0**	**$70,318**	**$125,427**	**$132,575**	**$139,938**	**$147,523**
	Nominal Dollars	**$24,028,992**		**$3,703,000**	NPV @ 6% Discount Rate					
VI.	**Residual Receipt Payments to MHP (28% RRs)**		**$0**	**$0**	**$0**	**$20,035**	**$35,736**	**$37,773**	**$39,871**	**$42,032**
	Nominal Dollars	**$6,846,304**		**$1,055,000**	NPV @ 6% Discount Rate					
VII.	**Residual Receipt Payments to LACDA (15% RRs)**		**$0**	**$0**	**$0**	**$10,587**	**$18,884**	**$19,960**	**$21,069**	**$22,211**
	Nominal Dollars	**$3,617,734**		**$558,000**	NPV @ 6% Discount Rate					
VIII.	**Residual Receipt Payments to LBCIC Loan (6% RRs)**		**$0**	**$0**	**$0**	**$4,537**	**$8,093**	**$8,554**	**$9,029**	**$9,519**
	Nominal Dollars	**$1,550,458**		**$239,000**	NPV @ 6% Discount Rate					
IX.	**Residual Receipt Payments to Developer (50% RRs)**		**$0**	**$0**	**$0**	**$35,159**	**$62,714**	**$66,287**	**$69,969**	**$73,761**
	Nominal Dollars	**$12,014,496**		**$1,852,000**	NPV @ 6% Discount Rate					

1 The affordable rents, Section 8 subsidy and laundry/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 103.5%/year, property taxes at 102.0%/year and replacement and operating reserves remain constant.
3 The Project does not include permanent debt
4 KMA estimate. Assumes fees increase at 103.0%/year.

Prepared by: Keyser Marston Associates, Inc.
Filename: PCH & MLK_3 26 21.xlsm; CF_3.0_3.0; trb

TABLE 4B
CASH FLOW ANALYSIS
ANNUAL ESCALATIONS: INCOME @ 3.00% / EXPENSES @ 3.00%
PCH & MLK APARTMENTS
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 Affordable Rental Income	$738,527	$760,683	$783,503	$807,008	$831,219	$856,155	$881,840	$908,295	$935,544
	Gross Section 8 Subsidy	491,000	505,730	520,902	536,529	552,625	569,204	586,280	603,868	621,984
	Laundry & Misc. Income	5,194	5,350	5,510	5,675	5,846	6,021	6,202	6,388	6,579
	(Less) Vacancy & Collection Allowance	(61,736)	(63,588)	(65,496)	(67,461)	(69,484)	(71,569)	(73,716)	(75,928)	(78,205)
	Effective Gross Base Income	**$1,172,985**	**$1,208,174**	**$1,244,420**	**$1,281,752**	**$1,320,205**	**$1,359,811**	**$1,400,605**	**$1,442,623**	**$1,485,902**
II.	**Operating Expenses** [2]									
	General Operating Expenses	$759,555	$782,342	$805,812	$829,987	$854,886	$880,533	$906,949	$934,157	$962,182
	Property Taxes	4,335	4,422	4,510	4,600	4,692	4,786	4,882	4,980	5,079
	Services	123,257	126,954	130,763	134,686	138,727	142,888	147,175	151,590	156,138
	Mandatory MHP Payment	55,600	55,600	55,600	55,600	55,600	55,600	55,600	55,600	55,600
	City of Long Beach Monitoring Fee	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700
	LACDA Monitoring Fee	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
	Bond Issuer Fee	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
	Replacement Reserve	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000
	Total Operating Expenses	**$998,647**	**$1,025,218**	**$1,052,586**	**$1,080,773**	**$1,109,805**	**1,139,707**	**$1,170,506**	**$1,202,227**	**$1,234,899**
III.	**Net Operating Income**	**$174,338**	**$182,956**	**$191,834**	**$200,979**	**$210,399**	**$220,103**	**$230,099**	**$240,396**	**$251,003**
	(Less) Debt Service [3]	0	0	0	0	0	0	0	0	0
	Net Income After Debt Service	**$174,338**	**$182,956**	**$191,834**	**$200,979**	**$210,399**	**$220,103**	**$230,099**	**$240,396**	**$251,003**
IV.	**Cash Flow Available for Contingent Payments**	**$174,338**	**$182,956**	**$191,834**	**$200,979**	**$210,399**	**$220,103**	**$230,099**	**$240,396**	**$251,003**
	(Less) Asset Mgt Fees [4]	(19,002)	(19,572)	(20,159)	(20,764)	(21,386)	(22,028)	(22,689)	0	0
	(Less) Deferred Developer Fee	0	0	0	0	0	0	0	0	0
V.	**Cash Flow after Contingent Payments**	**$155,336**	**$163,384**	**$171,675**	**$180,216**	**$189,013**	**$198,075**	**$207,410**	**$240,396**	**$251,003**
	Nominal Dollars									
VI.	**Residual Receipt Payments to MHP (28% RRs)**	**$44,258**	**$46,551**	**$48,913**	**$51,347**	**$53,853**	**$56,435**	**$59,095**	**$68,493**	**$71,515**
	Nominal Dollars									
VII.	**Residual Receipt Payments to LACDA (15% RRs)**	**$23,387**	**$24,599**	**$25,847**	**$27,133**	**$28,457**	**$29,822**	**$31,227**	**$36,193**	**$37,790**
	Nominal Dollars									
VIII.	**Residual Receipt Payments to LBCIC Loan (6% RRs)**	**$10,023**	**$10,542**	**$11,077**	**$11,628**	**$12,196**	**$12,781**	**$13,383**	**$15,511**	**$16,196**
	Nominal Dollars									
IX.	**Residual Receipt Payments to Developer (50% RRs)**	**$77,668**	**$81,692**	**$85,838**	**$90,108**	**$94,507**	**$99,038**	**$103,705**	**$120,198**	**$125,501**
	Nominal Dollars									

1 The affordable rents, Section 8 subsidy and laundry/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 103.5%/year, property taxes at 102.0%/year and replacement and operating reserves remain constant.
3 The Project does not include permanent debt
4 KMA estimate. Assumes fees increase at 103.0%/year.

Prepared by: Keyser Marston Associates, Inc.
Filename: PCH & MLK_3 26 21.xlsm; CF_3.0_3.0; trb

TABLE 4B
CASH FLOW ANALYSIS
ANNUAL ESCALATIONS: INCOME @ 3.00% / EXPENSES @ 3.00%
PCH & MLK APARTMENTS
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 Affordable Rental Income	$963,610	$992,518	$1,022,294	$1,052,963	$1,084,552	$1,117,088	$1,150,601	$1,185,119	$1,220,673
	Gross Section 8 Subsidy	640,644	659,863	679,659	700,049	721,050	742,682	764,962	787,911	811,548
	Laundry & Misc. Income	6,777	6,980	7,189	7,405	7,627	7,856	8,092	8,334	8,584
	(Less) Vacancy & Collection Allowance	(80,552)	(82,968)	(85,457)	(88,021)	(90,661)	(93,381)	(96,183)	(99,068)	(102,040)
	Effective Gross Base Income	**$1,530,479**	**$1,576,393**	**$1,623,685**	**$1,672,396**	**$1,722,568**	**$1,774,245**	**$1,827,472**	**$1,882,296**	**$1,938,765**
II.	**Operating Expenses** [2]									
	General Operating Expenses	$991,047	$1,020,779	$1,051,402	$1,082,944	$1,115,433	$1,148,896	$1,183,362	$1,218,863	$1,255,429
	Property Taxes	5,181	5,285	5,390	5,498	5,608	5,720	5,835	5,951	6,070
	Services	160,822	165,647	170,616	175,735	181,007	186,437	192,030	197,791	203,725
	Mandatory MHP Payment	55,600	55,600	55,600	55,600	55,600	55,600	55,600	55,600	55,600
	City of Long Beach Monitoring Fee	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700
	LACDA Monitoring Fee	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
	Bond Issuer Fee	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
	Replacement Reserve	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000
	Total Operating Expenses	**$1,268,550**	**$1,303,210**	**$1,338,909**	**$1,375,677**	**$1,413,547**	**$1,452,553**	**$1,492,727**	**$1,534,105**	**$1,576,724**
III.	**Net Operating Income**	**$261,929**	**$273,183**	**$284,777**	**$296,719**	**$309,020**	**$321,692**	**$334,745**	**$348,191**	**$362,041**
	(Less) Debt Service [3]	0	0	0	0	0	0	0	0	0
	Net Income After Debt Service	**$261,929**	**$273,183**	**$284,777**	**$296,719**	**$309,020**	**$321,692**	**$334,745**	**$348,191**	**$362,041**
IV.	**Cash Flow Available for Contingent Payments**	**$261,929**	**$273,183**	**$284,777**	**$296,719**	**$309,020**	**$321,692**	**$334,745**	**$348,191**	**$362,041**
	(Less) Asset Mgt 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**	**$261,929**	**$273,183**	**$284,777**	**$296,719**	**$309,020**	**$321,692**	**$334,745**	**$348,191**	**$362,041**
	Nominal Dollars									
VI.	**Residual Receipt Payments to MHP (28% RRs)**	**$74,628**	**$77,835**	**$81,138**	**$84,541**	**$88,046**	**$91,656**	**$95,375**	**$99,206**	**$103,152**
	Nominal Dollars									
VII.	**Residual Receipt Payments to LACDA (15% RRs)**	**$39,435**	**$41,130**	**$42,875**	**$44,673**	**$46,525**	**$48,433**	**$50,398**	**$52,423**	**$54,508**
	Nominal Dollars									
VIII.	**Residual Receipt Payments to LBCIC Loan (6% RRs)**	**$16,901**	**$17,627**	**$18,375**	**$19,146**	**$19,939**	**$20,757**	**$21,599**	**$22,467**	**$23,360**
	Nominal Dollars									
IX.	**Residual Receipt Payments to Developer (50% RRs)**	**$130,964**	**$136,592**	**$142,388**	**$148,359**	**$154,510**	**$160,846**	**$167,373**	**$174,095**	**$181,020**
	Nominal Dollars									

1 The affordable rents, Section 8 subsidy and laundry/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 103.5%/year, property taxes at 102.0%/year and replacement and operating reserves remain constant.

3 The Project does not include permanent debt

4 KMA estimate. Assumes fees increase at 103.0%/year.

Prepared by: Keyser Marston Associates, Inc.
Filename: PCH & MLK_3 26 21.xlsm; CF_3.0_3.0; trb

TABLE 4B
CASH FLOW ANALYSIS
ANNUAL ESCALATIONS: INCOME @ 3.00% / EXPENSES @ 3.00%
PCH & MLK APARTMENTS
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 Affordable Rental Income	$1,257,293	$1,295,011	$1,333,862	$1,373,878	$1,415,094	$1,457,547	$1,501,273	$1,546,311	$1,592,701
	Gross Section 8 Subsidy	835,895	860,972	886,801	913,405	940,807	969,031	998,102	1,028,045	1,058,886
	Laundry & Misc. Income	8,842	9,107	9,381	9,662	9,952	10,250	10,558	10,875	11,201
	(Less) Vacancy & Collection Allowance	(105,101)	(108,255)	(111,502)	(114,847)	(118,293)	(121,841)	(125,497)	(129,262)	(133,139)
	Effective Gross Base Income	**$1,996,928**	**$2,056,836**	**$2,118,541**	**$2,182,097**	**$2,247,560**	**$2,314,987**	**$2,384,437**	**$2,455,970**	**$2,529,649**
II.	**Operating Expenses** [2]									
	General Operating Expenses	$1,293,092	$1,331,885	$1,371,841	$1,412,997	$1,455,387	$1,499,048	$1,544,020	$1,590,340	$1,638,050
	Property Taxes	6,192	6,315	6,442	6,571	6,702	6,836	6,973	7,112	7,255
	Services	209,836	216,131	222,615	229,294	236,173	243,258	250,556	258,072	265,814
	Mandatory MHP Payment	55,600	55,600	55,600	55,600	55,600	55,600	55,600	55,600	55,600
	City of Long Beach Monitoring Fee	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700
	LACDA Monitoring Fee	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
	Bond Issuer Fee	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
	Replacement Reserve	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000
	Total Operating Expenses	**$1,620,620**	**$1,665,832**	**$1,712,399**	**$1,760,361**	**$1,809,761**	**$1,860,642**	**$1,913,048**	**$1,967,025**	**$2,022,619**
III.	**Net Operating Income**	**$376,308**	**$391,004**	**$406,142**	**$421,736**	**$437,799**	**$454,345**	**$471,389**	**$488,945**	**$507,029**
	(Less) Debt Service [3]	0	0	0	0	0	0	0	0	0
	Net Income After Debt Service	**$376,308**	**$391,004**	**$406,142**	**$421,736**	**$437,799**	**$454,345**	**$471,389**	**$488,945**	**$507,029**
IV.	**Cash Flow Available for Contingent Payments**	**$376,308**	**$391,004**	**$406,142**	**$421,736**	**$437,799**	**$454,345**	**$471,389**	**$488,945**	**$507,029**
	(Less) Asset Mgt 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**	**$376,308**	**$391,004**	**$406,142**	**$421,736**	**$437,799**	**$454,345**	**$471,389**	**$488,945**	**$507,029**
	Nominal Dollars									
VI.	**Residual Receipt Payments to MHP (28% RRs)**	**$107,217**	**$111,404**	**$115,717**	**$120,160**	**$124,737**	**$129,451**	**$134,307**	**$139,309**	**$144,462**
	Nominal Dollars									
VII.	**Residual Receipt Payments to LACDA (15% RRs)**	**$56,656**	**$58,868**	**$61,148**	**$63,495**	**$65,914**	**$68,405**	**$70,971**	**$73,614**	**$76,337**
	Nominal Dollars									
VIII.	**Residual Receipt Payments to LBCIC Loan (6% RRs)**	**$24,281**	**$25,229**	**$26,206**	**$27,212**	**$28,249**	**$29,316**	**$30,416**	**$31,549**	**$32,716**
	Nominal Dollars									
IX.	**Residual Receipt Payments to Developer (50% RRs)**	**$188,154**	**$195,502**	**$203,071**	**$210,868**	**$218,899**	**$227,172**	**$235,694**	**$244,472**	**$253,515**
	Nominal Dollars									

1 The affordable rents, Section 8 subsidy and laundry/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 103.5%/year, property taxes at 102.0%/year and replacement and operating reserves remain constant.

3 The Project does not include permanent debt

4 KMA estimate. Assumes fees increase at 103.0%/year.

Prepared by: Keyser Marston Associates, Inc.
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TABLE 4B
CASH FLOW ANALYSIS
ANNUAL ESCALATIONS: INCOME @ 3.00% / EXPENSES @ 3.00%
PCH & MLK APARTMENTS
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 Affordable Rental Income	$1,640,482	$1,689,696	$1,740,387	$1,792,599	$1,846,377	$1,901,768	$1,958,821	$2,017,586	$2,078,113
	Gross Section 8 Subsidy	1,090,653	1,123,373	1,157,074	1,191,786	1,227,540	1,264,366	1,302,297	1,341,366	1,381,607
	Laundry & Misc. Income	11,537	11,883	12,239	12,607	12,985	13,374	13,776	14,189	14,615
	(Less) Vacancy & Collection Allowance	(137,134)	(141,248)	(145,485)	(149,850)	(154,345)	(158,975)	(163,745)	(168,657)	(173,717)
	Effective Gross Base Income	**$2,605,538**	**$2,683,704**	**$2,764,215**	**$2,847,142**	**$2,932,556**	**$3,020,533**	**$3,111,149**	**$3,204,483**	**$3,300,618**
II.	Operating Expenses [2]									
	General Operating Expenses	$1,687,192	$1,737,808	$1,789,942	$1,843,640	$1,898,949	$1,955,918	$2,014,595	$2,075,033	$2,137,284
	Property Taxes	7,400	7,548	7,699	7,853	8,010	8,170	8,333	8,500	8,670
	Services	273,789	282,002	290,463	299,176	308,152	317,396	326,918	336,726	346,827
	Mandatory MHP Payment	55,600	55,600	55,600	55,600	55,600	55,600	55,600	55,600	55,600
	City of Long Beach Monitoring Fee	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700
	LACDA Monitoring Fee	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
	Bond Issuer Fee	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
	Replacement Reserve	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000
	Total Operating Expenses	**$2,079,880**	**$2,138,858**	**$2,199,603**	**$2,262,169**	**$2,326,611**	**$2,392,984**	**$2,461,347**	**$2,531,759**	**$2,604,282**
III.	**Net Operating Income**	**$525,658**	**$544,847**	**$564,612**	**$584,973**	**$605,945**	**$627,549**	**$649,802**	**$672,725**	**$696,336**
	(Less) Debt Service [3]	0	0	0	0	0	0	0	0	0
	Net Income After Debt Service	**$525,658**	**$544,847**	**$564,612**	**$584,973**	**$605,945**	**$627,549**	**$649,802**	**$672,725**	**$696,336**
IV.	**Cash Flow Available for Contingent Payments**	**$525,658**	**$544,847**	**$564,612**	**$584,973**	**$605,945**	**$627,549**	**$649,802**	**$672,725**	**$696,336**
	(Less) Asset Mgt 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**	**$525,658**	**$544,847**	**$564,612**	**$584,973**	**$605,945**	**$627,549**	**$649,802**	**$672,725**	**$696,336**
	Nominal Dollars									
VI.	**Residual Receipt Payments to MHP (28% RRs)**	**$149,770**	**$155,237**	**$160,869**	**$166,670**	**$172,645**	**$178,800**	**$185,141**	**$191,672**	**$198,399**
	Nominal Dollars									
VII.	**Residual Receipt Payments to LACDA (15% RRs)**	**$79,141**	**$82,030**	**$85,006**	**$88,072**	**$91,229**	**$94,482**	**$97,832**	**$101,283**	**$104,838**
	Nominal Dollars									
VIII.	**Residual Receipt Payments to LBCIC Loan (6% RRs)**	**$33,918**	**$35,156**	**$36,431**	**$37,745**	**$39,098**	**$40,492**	**$41,928**	**$43,407**	**$44,931**
	Nominal Dollars									
IX.	**Residual Receipt Payments to Developer (50% RRs)**	**$262,829**	**$272,423**	**$282,306**	**$292,486**	**$302,973**	**$313,774**	**$324,901**	**$336,362**	**$348,168**
	Nominal Dollars									

1 The affordable rents, Section 8 subsidy and laundry/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 103.5%/year, property taxes at 102.0%/year and replacement and operating reserves remain constant.

3 The Project does not include permanent debt

4 KMA estimate. Assumes fees increase at 103.0%/year.

Prepared by: Keyser Marston Associates, Inc.
Filename: PCH & MLK_3 26 21.xlsm; CF_3.0_3.0; trb

TABLE 4B
CASH FLOW ANALYSIS
ANNUAL ESCALATIONS: INCOME @ 3.00% / EXPENSES @ 3.00%
PCH & MLK APARTMENTS
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 Affordable Rental Income	$2,140,457	$2,204,670	$2,270,810	$2,338,935	$2,409,103	$2,481,376	$2,555,817	$2,632,492	$2,711,466
	Gross Section 8 Subsidy	1,423,055	1,465,747	1,509,719	1,555,011	1,601,661	1,649,711	1,699,202	1,750,178	1,802,683
	Laundry & Misc. Income	15,053	15,505	15,970	16,449	16,942	17,450	17,974	18,513	19,069
	(Less) Vacancy & Collection Allowance	(178,928)	(184,296)	(189,825)	(195,520)	(201,385)	(207,427)	(213,650)	(220,059)	(226,661)
	Effective Gross Base Income	**$3,399,636**	**$3,501,625**	**$3,606,674**	**$3,714,874**	**$3,826,321**	**$3,941,110**	**$4,059,344**	**$4,181,124**	**$4,306,558**
II.	Operating Expenses [2]									
	General Operating Expenses	$2,201,403	$2,267,445	$2,335,468	$2,405,532	$2,477,698	$2,552,029	$2,628,590	$2,707,448	$2,788,671
	Property Taxes	8,843	9,020	9,200	9,384	9,572	9,764	9,959	10,158	10,361
	Services	357,232	367,949	378,988	390,357	402,068	414,130	426,554	439,351	452,531
	Mandatory MHP Payment	55,600	55,600	55,600	55,600	55,600	55,600	55,600	55,600	55,600
	City of Long Beach Monitoring Fee	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700
	LACDA Monitoring Fee	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
	Bond Issuer Fee	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
	Replacement Reserve	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000
	Total Operating Expenses	**$2,678,978**	**$2,755,914**	**$2,835,156**	**$2,916,774**	**$3,000,838**	**$3,087,423**	**$3,176,603**	**$3,268,456**	**$3,363,064**
III.	**Net Operating Income**	**$720,658**	**$745,711**	**$771,518**	**$798,100**	**$825,482**	**$853,687**	**$882,741**	**$912,667**	**$943,494**
	(Less) Debt Service [3]	0	0	0	0	0	0	0	0	0
	Net Income After Debt Service	**$720,658**	**$745,711**	**$771,518**	**$798,100**	**$825,482**	**$853,687**	**$882,741**	**$912,667**	**$943,494**
IV.	**Cash Flow Available for Contingent Payments**	**$720,658**	**$745,711**	**$771,518**	**$798,100**	**$825,482**	**$853,687**	**$882,741**	**$912,667**	**$943,494**
	(Less) Asset Mgt 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**	**$720,658**	**$745,711**	**$771,518**	**$798,100**	**$825,482**	**$853,687**	**$882,741**	**$912,667**	**$943,494**
	Nominal Dollars									
VI.	**Residual Receipt Payments to MHP (28% RRs)**	**$205,329**	**$212,467**	**$219,820**	**$227,394**	**$235,195**	**$243,231**	**$251,509**	**$260,036**	**$268,819**
	Nominal Dollars									
VII.	**Residual Receipt Payments to LACDA (15% RRs)**	**$108,500**	**$112,272**	**$116,157**	**$120,160**	**$124,282**	**$128,529**	**$132,903**	**$137,409**	**$142,050**
	Nominal Dollars									
VIII.	**Residual Receipt Payments to LBCIC Loan (6% RRs)**	**$46,500**	**$48,117**	**$49,782**	**$51,497**	**$53,264**	**$55,084**	**$56,958**	**$58,889**	**$60,878**
	Nominal Dollars									
IX.	**Residual Receipt Payments to Developer (50% RRs)**	**$360,329**	**$372,856**	**$385,759**	**$399,050**	**$412,741**	**$426,844**	**$441,370**	**$456,334**	**$471,747**
	Nominal Dollars									

1 The affordable rents, Section 8 subsidy and laundry/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 103.5%/year, property taxes at 102.0%/year and replacement and operating reserves remain constant.
3 The Project does not include permanent debt
4 KMA estimate. Assumes fees increase at 103.0%/year.

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Filename: PCH & MLK_3 26 21.xlsm; CF_3.0_3.0; trb

TABLE 4B
CASH FLOW ANALYSIS
ANNUAL ESCALATIONS: INCOME @ 3.00% / EXPENSES @ 3.00%
PCH & MLK APARTMENTS
LONG BEACH, CALIFORNIA

		Year 54	Year 55
I.	Gross Residential Income [1]		
	Gross Affordable Rental Income	$2,792,810	$2,876,595
	Gross Section 8 Subsidy	1,856,764	1,912,467
	Laundry & Misc. Income	19,641	20,230
	(Less) Vacancy & Collection Allowance	(233,461)	(240,465)
	Effective Gross Base Income	**$4,435,754**	**$4,568,827**
II.	Operating Expenses [2]		
	General Operating Expenses	$2,872,331	$2,958,501
	Property Taxes	10,568	10,780
	Services	466,107	480,090
	Mandatory MHP Payment	55,600	55,600
	City of Long Beach Monitoring Fee	10,700	10,700
	LACDA Monitoring Fee	7,200	7,200
	Bond Issuer Fee	4,000	4,000
	Replacement Reserve	34,000	34,000
	Total Operating Expenses	**$3,460,507**	**$3,560,871**
III.	**Net Operating Income**	**$975,247**	**$1,007,956**
	(Less) Debt Service [3]	0	0
	Net Income After Debt Service	**$975,247**	**$1,007,956**
IV.	**Cash Flow Available for Contingent Payments**	**$975,247**	**$1,007,956**
	(Less) Asset Mgt Fees [4]	0	0
	(Less) Deferred Developer Fee	0	0
V.	**Cash Flow after Contingent Payments**	**$975,247**	**$1,007,956**
	Nominal Dollars		
VI.	**Residual Receipt Payments to MHP (28% RRs)**	**$277,866**	**$287,185**
	Nominal Dollars		
VII.	**Residual Receipt Payments to LACDA (15% RRs)**	**$146,830**	**$151,755**
	Nominal Dollars		
VIII.	**Residual Receipt Payments to LBCIC Loan (6% RRs)**	**$62,927**	**$65,038**
	Nominal Dollars		
IX.	**Residual Receipt Payments to Developer (50% RRs)**	**$487,624**	**$503,978**
	Nominal Dollars		

1 The affordable rents, Section 8 subsidy and laundry/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 103.5%/year, property taxes at 102.0%/year and replacement and operating reserves remain constant.
3 The Project does not include permanent debt
4 KMA estimate. Assumes fees increase at 103.0%/year.

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TABLE 5
HOME COST ALLOCATION WORKSHEET - STANDARD MODEL
PCH & MLK APARTMENTS
LONG BEACH, CALIFORNIA

Step 1: Determine Comparability, Select Method of Cost Allocation		Net Residential SF	**40,136**
Step 2: Proposed HOME Investment			**$3,000,000**
Step 3: Calculate Actual Cost of HOME Units			
Total Development Costs			$43,675,069
Ineligible Development Costs [1]			(4,053,289)
Unit-Specific Upgrades			0
Relocation Costs			(40,000)
Assign Relocation Exclusively to HOME Units?			NA
Base Project Cost		**$987 /Sf Gross Residential SF**	**$39,621,780**

Assign Units	# of Bdrms	Unit Size	Cost/Unit
1	Studio	513	$506,427
2	Studio	513	$506,427
3	1	594	$585,896
4	1	594	$585,896
5	1	594	$585,896
6	1	594	$585,896
7	1	594	$585,896
8	1	594	$585,896
9	1	594	$585,896
10	1	594	$585,896
11	1	594	$585,896
12	1	594	$585,896
13	1	594	$585,896
14	1	594	$585,896
15	1	594	$585,896
16	1	594	$585,896
17	1	594	$585,896
18	1	594	$585,896

Subtotal HOME Unit Costs	**$10,387,193**
Add: Relocation Costs Allocated Exclusively to HOME Units (if applicable)	$0
Actual Cost of HOME Units	**$10,387,193**

Step 4: Calculate Maximum Project Subsidy

Unit Size	# of Units	Max Subsidy/Unit	Maximum Subsidy
0 Bedroom	2	$153,314	$306,628
1 Bedroom	16	$175,752	2,812,032
2 Bedroom	0	$213,718	0
3 Bedroom	0	$276,782	0
Maximum Project Subsidy	**18**		**$3,118,660**

Step 5: Maximum HOME Investment, Lesser of

Proposed Investment (Step 2)		$3,000,000
Actual Cost of HOME Units (Step 3)		$10,387,193
Maximum Project Subsidy (Step 4)		$3,118,660
Maximum HOME Investment	**18 HOME Units**	**$3,000,000**

[1] The ineligibe costs include: off-site improvements; community room costs; community benefit space costs; capitalized reserves; and furnishings.

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