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ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

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Affordable Housing
Economic Development

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

From: Tim Bretz

Date: June 3, 2019

Subject: Anaheim and Walnut Apartments: Preliminary Financial Gap Analysis

At your request, Keyser Marston Associates, Inc. (KMA) prepared a preliminary financial gap analysis for the project proposed to be developed at the southwest corner of Anaheim Street and Walnut Avenue (Site) by Bridge Housing Corporation (Developer). As proposed, the project will include 88 apartment units that will be restricted to extremely low, very-low, and low income households (Project). The development will also include approximately 19,200 square feet of clinic and wellness center space. Although the clinic and wellness center will be constructed concurrently with the affordable units, this space will be financed separately, and as such, is not discussed in this memorandum. For the purposes of this memorandum, the "Project" refers only to the residential component of the development. However, the Long Beach Investment Company (LBCIC) should ensure that the Developer has sufficient financing for both the Project as well as the clinic/wellness center component prior to disbursing any funds.

The Site is currently owned by the City of Long Beach (City). The City entered into a purchase and sale agreement for the Site with the Developer in 2016. The Developer is requesting financial assistance from the LBCIC for the purposes of acquiring the Site and developing the Project. The purpose of this KMA analysis is to evaluate the Developer's request for financial assistance.

EXECUTIVE SUMMARY

Estimated Financial Gap

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

	KMA	Developer	Difference
Total Development Costs	\$50,716,000	\$50,796,000	(\$80,000)
Outside Funding Sources	46,798,000	46,796,000	2,000
Financial Gap	\$3,918,000	\$4,000,000	(82,000)

As shown in the preceding table, KMA estimates the Project's financial gap at \$3,918,000. Comparatively, the Developer is requesting \$4,000,000 in financial assistance from the LBCIC. This equates to an approximately 2% differential, which can be considered inconsequential. However, the KMA and Developer analyses differ on a line item by line item basis. In addition, the KMA financial gap estimate is based on a number of extraordinary assumptions that should be re-evaluated during the development process. If any of these assumptions change, the KMA financial gap analysis may need to be revised.

Proposed Funding Sources

The following summarizes the proposed funding sources for the Project:

1. The Project's stabilized net operating income (NOI) supports \$7.62 million in Tax-Exempt Multifamily Bonds (Bonds), which are allocated by the California Debt Limit Allocation Committee (CDLAC).
2. The Developer is proposing to utilize 4% Federal Low Income Housing Tax Credits (Tax Credits) that are automatically awarded to projects that receive a Bond allocation from CDLAC. The net Tax Credit proceeds are estimated at \$19.99 million.

3. It is anticipated that the Project will receive 40 Section 8 Project-Based Vouchers (PBVs) allocated to the Long Beach Housing Authority (LBHA) by the United States Department of Housing and Urban Development (HUD).
4. The Developer proposes to apply for a \$3.40 million loan from the Los Angeles Community Development Authority (LACDA).
5. The Developer propose to apply for a \$10.53 million loan of Multifamily Housing Program (MHP) funds awarded by the California Department of Housing and Community Development (HCD).
6. The Developer proposes to apply for \$870,000 in Affordable Housing Program (AHP) funds awarded by the Federal Home Loan Bank of San Francisco.
7. The City has a program that exempts affordable housing projects from certain public permits and fee costs. The Developer estimates the fee exemption at \$487,000.
8. The Developer is proposing to defer \$950,000 of the Developer Fee that is included in the Project's development costs. The deferred amount will be repaid from the cash flow generated by the Project and must be repaid in full prior to the LBCIC receiving any residual receipts distributions.
9. The Developer is proposing to contribute \$2.95 million, or 48% of the total Developer Fee to the Project as Developer Equity. The Developer Equity should have the following terms:
 - a. The Developer Equity will not be secured by a promissory note;
 - b. The Developer Equity may only be repaid from the Developer's share of the Project's residual receipts; and
 - c. Any portion of the Developer Equity that is not repaid from the Developer's share of the Project's residual receipts may only be repaid upon sale or transfer of the property after the LBCIC Loan is repaid in full.
10. Both the LBCIC and LACDA assistance will accrue 3% simple interest during the Project's construction period. The AHP assistance will accrue 1% simple interest

during the construction period. These interest obligations will be deferred until after the completion of construction. The deferred amounts will then be included in the corresponding loans between LBCIC / LACDC / AHP and the Developer.

PROJECT DESCRIPTION

The proposed scope of development can be described as follows:

1. The Site area totals 1.54 acres, or approximately 67,000 square feet of land area.
2. The 88-unit project represents a density of 57 units per acre.
3. The Project's units mix is as follows:

	Number of Units	Unit Size (SF)
One-Bedroom Units	32	608
Two-Bedroom Units	31	875
Three-Bedroom Units	25	1,241
Total / Weighted Average	88	882

4. The Project's gross building area (GBA) is estimated at 97,120 square feet, and is comprised of the following:¹
 - a. The residential GBA is estimated at 77,606 square feet;
 - b. The community room GBA is estimated at 1,200 square feet; and
 - c. The common area and circulation GBA is estimated at 18,300 square feet.
5. The Project will include 96 above-grade structured parking spaces, which equates to 1.1 parking spaces per unit.

¹ This does not include the 19,200 square feet in clinic/wellness center space. The total GBA for the entire development is estimated at 116,400 square feet.

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

Tax Credit @ 30% AMI (PSH) ²	20
Tax Credit @ 30% AMI / Low HOME ³	20
Tax Credit @ 50% AMI	13
Tax Credit @ 60% AMI	34
Unrestricted Manager's Unit	1
Total Units	88

FINANCIAL GAP ANALYSIS

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

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

Estimated Development Costs (Table 1)

KMA reviewed the Developer's May 22, 2019 pro forma and then independently prepared a pro forma analysis of the Project. The resulting development costs are estimated as follows:

Property Assemblage Costs

The total property assemblage costs are estimated at \$1.87 million and comprised of the following:

² PSH refers to permanent supportive housing units.

³ HOME refers to the HOME Program administered by HUD.

Property Acquisition Costs

The City currently owns the Site and entered into a purchase and sale agreement with the Developer in 2016. The Developer intends to purchase the Site from the City for the appraised fair market value. An appraisal was not available for review at the time of this analysis; however, the Developer estimates the purchase price for the entire Site at \$2.48 million. The total purchase price must be allocated separately to the Project (residential component) and the clinic/wellness center component. As such, the Developer prorated the total acquisition price based on the gross building area attributed to the Project (approximately 75%) and the clinic/wellness center (approximately 25%). As such, the Project's 75% share of the acquisition costs equates to \$1.86 million.

Closing Costs

The Developer estimates the closing costs at \$15,000, or approximately 1% of the total property acquisition costs.

Direct Costs

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

1. The Developer did not break-out the estimated off-site improvement costs into a separate line item in the development budget. As such, City staff should verify the scope and cost of the off-site improvements required to serve the Project.
2. The Developer estimates the site improvement costs at \$1.68 million, which equates to \$25 per square foot of land area.
3. The above-grade structured parking costs are estimated at \$30,000 per parking space, or \$2.88 million.
4. The residential building costs are estimated at \$200 per square foot of GBA, or \$19.42 million.

5. The Developer included a \$75,000 allowance for furnishings, fixtures and equipment.
6. A 14% allowance for contractors' fees and general requirements is provided.
7. An allowance for construction bonds / general liability insurance at 2% of construction costs is provided.
8. The Developer included a total direct cost contingency allowance equal to 15% of other direct costs. This is much higher than the 5% direct cost contingency allowance typically applied to new construction affordable housing projects. Utilizing a 5% direct cost contingency allowance would decrease the contingency allowance by \$2.78 million, which, in turn, would decrease the Project's financial gap. However, given the preliminary nature of the Developer's proposal, the LBCIC is amenable to maintaining this higher direct cost contingency allowance. The LBCIC will include cost savings provisions in the loan agreement to ensure that the LBCIC shares in any cost savings in the event that the full contingency allowance is not needed.

The total direct costs are estimated at \$31.94 million. This equates to \$329 per square foot of GBA.

Indirect Costs

KMA utilized the following assumptions in estimating the indirect costs:

1. The architecture, engineering and consulting costs are estimated at 10% of direct costs.
2. The Developer estimated the public permits and fees costs at \$2.38 million, or approximately \$27,000 per unit. City staff should verify the accuracy of this estimate.
3. The taxes, insurance, legal and accounting costs are estimated at 1.5% of direct costs.
4. A \$2,600 per unit allowance for marketing and leasing costs is provided.

5. The Developer set the Developer Fee at \$6.10 million, which is the maximum amount allowed by TCAC for this Project.⁴
6. An indirect cost contingency allowance equal to 5% of other indirect costs is provided.

KMA estimates the total indirect costs at \$13.01 million.

Financing Costs

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

In this case, the Project's estimated NOI can only support a \$7.62 million Bond; this will be called the Series A Bond. To fulfill the 50% Test, and to provide bridge funding for costs that will be paid for by other sources upon the Project's completion, a Series B Bond totaling \$29.68 million must be obtained. The sum of the Series A and Series B Bonds totals \$37.30 million

The financing costs for the Project are estimated as follows:

1. The Developer will utilize equity to fund a portion of the predevelopment expenses. The Developer estimates the interest costs associated with this predevelopment equity at \$75,000.
2. The construction period interest costs incurred on the Bonds are estimated at \$2.64 million based on the following:
 - a. A 5.0% interest rate;
 - b. A 20-month construction period with a 55% average outstanding balance;
and

⁴ \$2.95 million, or 48% of the total Developer Fee will be contributed back to the Project by the Developer as equity. This equity contribution will be repaid only after the LBCIC is repaid in full. An additional \$950,000 of the Developer Fee will be deferred.

- c. A 6-month absorption period with a 100% average outstanding balance.
3. The financing fees are estimated at 2.0 points, or \$746,000.
4. A \$361,000 capitalized operating reserve is provided. This equates to three months of operating expenses and debt service payments.
5. The Developer estimates the CDLAC fees at \$19,000.
6. The Tax Credit fees are estimated at \$58,000 based on the following assumptions:
 - a. A \$2,000 application fee;
 - b. A \$410 per unit monitoring fee; and
 - c. One percent (1%) of the gross Tax Credit proceeds for one year.

KMA estimates the total financing costs at \$3.90 million.

Total Development Costs

As shown in Table 1, KMA estimates the total development costs at \$50.72 million, which equates to approximately \$576,300 per unit. In comparison, the Developer estimates the total development costs at \$50.80 million. This equates to a less than 1% differential, which can be considered an insignificant difference. However, both the KMA and Developer development cost estimates include higher than typical direct cost contingency allowances. This analysis should be revised if it is determined that the full contingency amount is not necessary.

Stabilized Net Operating Income

The Project's outside funding sources include Bonds, Tax Credits, LACDA funds, MHP funds and AHP funds. In addition, the LBCIC proposes to utilize HOME Program (HOME) funds allocated to the City by HUD and administered by the LBCIC. These programs all publish income limits for the households that are qualified to reside in the development.

TCAC publishes rents standards for projects that receive Tax Credits. In addition, HUD publishes rent standards for projects that utilize HOME funds and HCD publishes rent

standards for projects that utilize MHP funds. The Developer will be required to adhere to the strictest of the standards imposed by the funding sources contributed to the Project.

Tenant-Paid Rents

The rents used in this analysis are based on 2019 income and rent information published by TCAC and HCD, and 2018 income and rent information published by HUD for the HOME Program.⁵ The maximum allowable rents, net of the appropriate utility allowance, is estimated as follows:⁶

Rent Restriction	1-Bdrm	2-Bdrm	3-Bdrm
<u>TC @ 30% AMI / Low HOME</u>			
TCAC	\$558	\$663	\$760
HOME	\$880	\$1,049	\$1,206
Applicable Rents	\$558	\$663	\$760
TC @ 30% AMI (PSH)	\$558	\$663	NA
TC @ 50% AMI	\$950	\$1,133	\$1,303
TC @ 60% AMI	\$1,146	\$1,368	\$1,575

Operating Subsidy

The Developer anticipates that the Project will be awarded an operating subsidy for 40 PBVs from the LBHA. The PBV subsidy income is equal to the difference between the rent paid by the tenant and the LBHA payment standard rent. The 2019 LBHA payment standards applicable to the Project are as follows:

⁵ 2019 HOME Program incomes and rents were not published as of the date of this analysis.

⁶ The Developer estimates the utility allowance at: \$29 for a one-bedroom unit, \$42 for a two-bedroom unit, and \$54 for a three-bedroom unit.

Unit Type	2019 Payment Standard
One-Bedroom Units	\$1,513
Two-Bedroom Units	\$1,950
Three-Bedroom Units	\$2,613

Combined Effective Gross Income

KMA estimates the Project's combined effective gross income at \$1.58 million based on the following:

1. The gross tenant-paid rent income is estimated at \$1.06 million based on the following assumptions:
 - a. The gross tenant-paid rents total \$1.04 million.
 - b. The laundry and miscellaneous income is estimated at \$12 per unit per month, or \$12,500 per year.
2. The gross operating subsidy income is estimated at \$604,300.
3. A 10% vacancy and collection allowance is applied to both the tenant-paid rent income and the operating subsidy income. The vacancy and collection allowance is estimated at \$83,000.

Estimated Operating Expenses

The operating expenses are estimated at \$10,950 per unit per year based on the following:

1. The general operating expenses are estimated at \$6,800 per unit per year, which is above the minimum amount required by TCAC for special needs projects.
2. KMA assumes that the Developer will apply for the property tax abatement that is accorded to non-profit housing organizations that own and operate units restricted to households earning less than 80% of the area median income. The property tax assessment overrides are estimated at \$3,000 per year.

3. The Developer included a \$219,800 allowance for security expenses, which is higher than typical for other recent similar projects analyzed by KMA. However, given the proposed PSH population, the Developer intends to employ on-site security personal 24 hours a day and 7 days a week. The majority of the security budget is comprised of the cost for 24/7 security.
4. The social service expenses are estimated at \$40,000 per year.
5. HCD requires a mandatory annual debt service payment equal to 0.42% of the MHP Loan. This equates to \$44,200 per year.
6. The Developer estimates the Bond Issuer fee at \$4,000 per year.
7. The Developer estimates the City monitoring fee at \$13,900, or \$160 per unit per year.
8. The Developer provided an allowance for replacement reserve deposits at \$450 per unit per year.

Estimated Stabilized Net Operating Income

The combined effective gross income of the Project is estimated at \$1.58 million and the operating expenses are estimated at \$963,600. This results in estimated NOI of \$614,000.

Financial Gap Calculation

Available Outside Funding Sources

Tax-Exempt Multifamily Bonds

To estimate the maximum Bond amount that can be supported by the Project's NOI, KMA assumed that the Bonds would be underwritten based on the following requirements:

1. A 117% debt service coverage ratio;
2. A 6.05% interest rate; and
3. A 35-year amortization period.

KMA estimates that the Project's stabilized NOI can support \$7.62 million in Bonds.

Tax Credit Proceeds

KMA estimates the net Tax Credit proceeds at \$19.99 million. This estimate is calculated based on the following assumptions:

1. The Project's eligible Tax Credit basis is equal to the lesser of the depreciable costs for the 88 Tax Credit units, or the threshold basis limits established by TCAC. In this case, the depreciable costs of \$46.75 million are less than the threshold basis limits.
2. The Project is located in a designated "Difficult to Develop" census tract. This allows the requested eligible basis to be increased by 30%.
3. The Developer set the annual Tax Credit rate at 3.29%. This rate is applied over the 10-year Tax Credit period.
4. 100% of the Project's residential building area is included in the eligible basis is located in units that qualify for Tax Credits.
5. The net syndication value supported by the Tax Credit is ultimately determined based on competitive market conditions, and on the timing of disbursements. Based on currently available information, the Developer estimates the proceeds at \$1.00 per gross Tax Credit dollar.

LACDA Loan

The Developer proposes to apply for \$3.40 million in funds from LACDA in Fall 2019. However, it is important to note that the Notice of Funding Availability (NOFA) has not been released for the upcoming Fall LACDA Funding Round. Thus, the County should ensure that the Developer applies for the maximum allowable amount of LACDA funding, which could result in a decrease in the amount of LBCIC financial assistance required for the Project.

MHP Loan

The Developer proposes to apply for a \$10.53 million MHP Loan from HCD in Summer 2019. However, HCD has not issued the final MHP NOFA as of the date of this report.

LBCIC should ensure that the Developer applies for the maximum allowable amount of MHP funding, which could result in a decrease in the amount of LBCIC financial assistance required for the Project.

AHP Funds

The Developer proposes to apply for \$870,000 in AHP funds awarded by the Federal Home Loan Bank of San Francisco.

City Fee Exemption

The City has a program that exempts affordable housing projects from certain public permits and fees costs. The Developer estimates the fee exemption amount at \$487,000.

Deferred Developer Fee

The Developer is proposing to defer \$950,000 of the total Developer Fee, which equates to 16% of the total Developer Fee that is included in the Project's development costs. The deferred Developer Fee will be recouped from the cash flow generated by the Project over time.⁷

Developer Equity

TCAC regulations allow the Project to receive a \$6.10 million Developer Fee, and the Developer Fee can be included in the Project's eligible Tax Credit basis. Thus, a portion of the Developer Fee is funded by Tax Credit equity.

The Developer proposes to contribute \$2.95 million, or 48% of the Developer Fee back to the Project as Developer Equity. The Developer Equity will be repaid through the Developer's share of residual receipts or upon the sale/transfer of the Project after the LBCIC Loan is repaid in full. The Developer Equity will not be secured by a promissory note.

⁷ No cash flow will be available for residual receipts payments until the entire deferred Developer Fee amount has been recouped by the Developer.

Total Available Outside Funding Sources

As shown in Table 3, the outside funding sources available to the Project are estimated at \$46.80 million, which is approximately equal to the Developer's estimate.

Financial Gap Calculation

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

Total Development Costs	\$50,716,000
(Less) Total Available Funding Sources	(46,798,000)
Financial Gap	\$3,918,000
Per Unit	\$44,500

As shown in the preceding table, KMA estimates that the Project exhibits a \$3.92 million financial gap based on the information currently available. In contrast, the Developer is requesting \$4.0 million in financial assistance from LBCIC. This represents an \$82,000 differential, which is an approximately 2% difference. It is the KMA opinion that a difference of this magnitude can be considered insignificant.

CONCLUSIONS / RECOMMENDATIONS

The following summarizes the conclusions and recommendations of the KMA analysis:

1. Based on the currently available information, it is KMA's conclusion that the Developer's request for \$4.0 million in LBCIC assistance is supported by the Project economics. However, KMA recommends that the LBCIC structure this assistance as an "up to" loan amount, which could ultimately be decreased at a later date, due to the following:
 - a. KMA utilized the Developer's higher than typical 15% direct cost contingency allowance in the KMA analysis. However, a more typical 5% direct cost contingency allowance would decrease the Project's costs by approximately \$2.78 million. This decrease in Project costs would result in a decrease in the Project's warranted financial gap.

included in the corresponding loans between LBCIC / LACDC / AHP and the Developer. KMA estimates the total deferred soft loan interest amount at \$323,000. However, neither KMA nor the Developer included the deferred soft loan interest in the pro forma for the Project as the deferred interest will be not be paid during the construction period and instead will be added to the corresponding outstanding loan balance for each of the soft loans.

5. Based on a preliminary HOME Cost Allocation Analysis (Table 5), the City must designate at least 20 units in the Project as HOME units based on the following unit mix:
 - a. Seven (7) one-bedroom units;
 - b. Seven (7) two-bedroom units; and
 - c. Six (6) three-bedroom units.
6. At least 20% of the HOME-designated units must be restricted as Low HOME units.
7. It is important to note that the City cannot commit HOME funds to the Project until after all of the other funding sources have received formal commitments. At that time, the City must prepare a HOME Subsidy Layering Review in order to formally commit HOME funds to the Project.

TABLE 1

ESTIMATED DEVELOPMENT COSTS¹
ANAHEIM AND WALNUT APARTMENTS
LONG BEACH, CALIFORNIA

I. Property Assemblage Costs						
Property Acquisition Costs	²	88	Units	\$21,111	/Unit	\$1,858,000
Closing Costs		1%	Property Acquisition Costs			15,000
Total Property Assemblage Costs						\$1,873,000
II. Direct Costs						
Off-site Improvements						\$0
On-site Improvements		67,000	Sf Land	\$25	/Sf Land	1,675,000
Parking Costs		96	Spaces	\$30,000	/Space	2,880,000
Residential Shell Costs		97,120	Sf GBA	\$200	/Sf GBA	19,424,000
Furnishings, Fixtures & Equipment		88	Units	\$852	/Unit	75,000
Contractor Fees / General Requirements		14%	Construction Costs			3,357,000
General Liability Insurance / Const Bonds		2%	Construction Costs			360,000
Contingency Allowance	⁴	15%	Other Direct Costs			4,166,000
Total Direct Costs		97,120	Sf GBA	\$329	/Sf GBA	\$31,937,000
III. Indirect Costs						
Architecture, Engineering & Consulting		10.0%	Direct Costs			\$3,194,000
Permits & Fees	⁵	88	Units	\$27,096	/Unit	2,384,000
Taxes, Ins, Legal & Accounting		1.5%	Direct Costs			479,000
Marketing & Leasing		88	Units	\$2,625	/Unit	231,000
Developer Fee	⁶	15%	Eligible Costs			6,098,000
Contingency Allowance		5%	Other Indirects			619,000
Total Indirect Costs						\$13,005,000
IV. Financing Costs						
Interest During Construction						
Developer Predevelopment Loan						\$75,000
Series A Bond	⁷	\$7,622,000	Loan Amount	5.00%	Interest	540,000
Series B Bond	⁸	\$29,677,000	Loan Amount	5.00%	Interest	2,102,000
Financing Fees						
Series A Bond		\$7,622,000	Loan Amount	2.00	Points	152,000
Series B Bond		\$29,677,000	Loan Amount	2.00	Points	594,000
Operating Reserve		3	Months Oper Expenses & Dbt Svc Pmts			361,000
CDLAC Fees						19,000
TCAC Fees	⁹					58,000
Total Financing Costs						\$3,901,000
V. Total Development Costs		88	Units	\$576,300	/Unit	\$50,716,000

- ¹ The assumptions included in this analysis relate only to the residential component of the development and not the clinic/wellness center component.
- ² An appraisal was not available for review. The Developer estimates the total acquisition costs for the entire Site at \$2.48 million with 75% of these costs, or \$1.86 million attributable to the Project (residential component).
- ³ Estimates assume prevailing wage requirements will be imposed on the Project.
- ⁴ Based on Developer estimate.
- ⁵ Based on Developer estimate. The estimate should be verified by City staff.
- ⁶ Based on Developer estimate. The maximum amount allowed by TCAC is equal to 15% of the Project's eligible Tax Credit basis.
- ⁷ Includes debt on the 90% of the Tax Credit Equity which will not be funded during construction. Assumes a 20-month construction period with a 55% average outstanding balance and a 6-month absorption period with a 100% average outstanding balance.
- ⁸ Equal to the unfunded construction costs minus the Series A Bond amount; an 20-month construction period with a 55% average outstanding balance; and a 6-month absorption period with a 100% average outstanding balance.
- ⁹ Includes a \$2,000 application fee; \$410/unit monitoring fee; and 1% of the gross Tax Credit proceeds for one year.

TABLE 2

**STABILIZED NET OPERATING INCOME
ANAHEIM AND WALNUT APARTMENTS
LONG BEACH, CALIFORNIA**

I. Gross Residential Income				
Manager's Unit	1 Unit		\$0 /Unit/Month	\$0
Tax Credit @ 30% Median (PSH)				
1-Bedroom Units @ (608-Sf)	15 Units		\$558 /Unit/Month	100,400
2-Bedroom Units @ (875-Sf)	5 Units		\$663 /Unit/Month	39,800
Low HOME / Tax Credit @ 30% Median				
1-Bedroom Units @ (608-Sf)	2 Units		\$558 /Unit/Month	13,400
2-Bedroom Units @ (875-Sf)	10 Units		\$663 /Unit/Month	79,600
3-Bedroom Units @ (1,241-Sf)	8 Units		\$760 /Unit/Month	73,000
Tax Credit @ 50% Median				
1-Bedroom Units @ (608-Sf)	8 Units		\$950 /Unit/Month	91,200
2-Bedroom Units @ (875-Sf)	3 Units		\$1,133 /Unit/Month	40,800
3-Bedroom Units @ (1,241-Sf)	2 Units		\$1,303 /Unit/Month	31,300
Tax Credit @ 60% Median				
1-Bedroom Units @ (608-Sf)	7 Units		\$1,146 /Unit/Month	96,300
2-Bedroom Units @ (875-Sf)	13 Units		\$1,368 /Unit/Month	213,400
3-Bedroom Units @ (1,241-Sf)	14 Units		\$1,575 /Unit/Month	264,600
Section 8 Subsidy				
Tax Credit @ 30% Median (PSH)				
1-Bedroom Units @ (608-Sf)	15 Units		\$955 /Unit/Month	171,900
2-Bedroom Units @ (875-Sf)	5 Units		\$1,287 /Unit/Month	77,200
Low HOME / Tax Credit @ 30% Median				
1-Bedroom Units @ (608-Sf)	2 Units		\$955 /Unit/Month	22,900
2-Bedroom Units @ (875-Sf)	10 Units		\$1,287 /Unit/Month	154,400
3-Bedroom Units @ (1,241-Sf)	8 Units		\$1,853 /Unit/Month	177,900
Gross Rental Income	88 Units			\$1,043,800
Subsidy Income	40 Units			604,300
Laundry and Miscellaneous	88 Units		\$12 /Unit/Month	12,500
(Less) Vacancy & Collection Allowance	5.00% Gross Income			(83,000)
Effective Gross Income				\$1,577,600
II. Operating Expenses				
General Operating Expenses	88 Units		\$6,808 /Unit	\$599,100
Property Taxes	88 Units		\$34 /Unit	3,000
Security Expenses	88 Units		\$2,497 /Unit	219,800
Services	88 Units		\$455 /Unit	40,000
Mandatory MHP Payment	10,525,000 MHP Loan		0.42% MHP Loan	44,200
Bond Issuer Fee	88 Units		\$45 /Unit	4,000
City of Long Beach Monitoring	88 Units		\$158 /Unit	13,900
Replacement Reserve	88 Units		\$450 /Unit	39,600
Total Operating Expenses	88 Units		\$10,950 /Unit	\$963,600
III. Net Operating Income				\$614,000

¹ Based on Los Angeles County 2019 Incomes distributed by HUD. Based on rents published in 2019 by TCAC and in 2018 by the HOME Program. Utility Allowances per the Developer: \$29 for 1-Bdrm units; \$42 for 2-Bdrm units; and \$54 for 3-Bdrm units.

² 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.

TABLE 3

FINANCIAL GAP CALCULATION
 ANAHEIM AND WALNUT APARTMENTS
 LONG BEACH, CALIFORNIA

I. Available Funding Sources

Tax-Exempt Multifamily Bonds

Net Operating Income	\$614,000	NOI (See Table 2)	
Income Available for Mortgage Interest Rate	1.17	DCR	\$524,621 Debt Service
	6.05%	Interest Rate	6.88% Mortgage Constant

Tax-Exempt Multifamily Bonds **\$7,622,000**

Tax Credit Equity

Gross Tax Credit Value	\$19,994,000	
Syndication Rate	\$1.00	/Tax Credit Dollar

Net Tax Credit Equity **\$19,994,000**

LACDA Loan **\$3,400,000**

MHP **\$10,525,000**

AHP **\$870,000**

City Fee Exemption **\$487,000**

Deferred Development Fee **\$950,000**
16% Total Developer Fee

Developer Equity **\$2,950,000**
48% Total Developer Fee

Total Available Funding Sources **\$46,798,000**

II. Financial Gap Calculation

Total Available Funding Sources	\$46,798,000
(Less) Total Development Costs	(50,716,000)

III. Financial Surplus / (Financial Gap)	88 Units	(\$44,500) /Unit	(\$3,918,000)
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¹ Assumes a 35-year amortization term.

² Assumes a \$46.7 million eligible basis, plus a 130% difficult-to-develop premium, a 3.29% Tax Credit rate and an applicable fraction of 100.00%.

³ Based on Developer estimate.

TABLE 4
CASH FLOW ANALYSIS
ANAHEIM AND WALNUT APARTMENTS
LONG BEACH, CALIFORNIA

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
I. Gross Residential Income¹										
Gross Affordable Rental Income	\$1,043,800	\$1,069,895	\$1,096,642	\$1,124,058	\$1,152,160	\$1,180,964	\$1,210,488	\$1,240,750	\$1,271,769	\$1,303,563
Gross Section 8 Subsidy	604,300	619,408	634,893	650,765	667,034	683,710	700,803	718,323	736,281	754,688
Laundry & Misc. Income	12,500	12,813	13,133	13,461	13,798	14,143	14,496	14,859	15,230	15,611
(Less) Vacancy & Collection Allowance	<u>(83,030)</u>	<u>(85,106)</u>	<u>(87,233)</u>	<u>(89,414)</u>	<u>(91,649)</u>	<u>(93,941)</u>	<u>(96,289)</u>	<u>(98,696)</u>	<u>(101,164)</u>	<u>(103,693)</u>
Effective Gross Base Income	\$1,577,570	\$1,617,009	\$1,657,435	\$1,698,870	\$1,741,342	\$1,784,876	\$1,829,498	\$1,875,235	\$1,922,116	\$1,970,169
II. Operating Expenses²										
General Operating Expenses	\$599,100	\$620,069	\$641,771	\$664,233	\$687,481	\$711,543	\$736,447	\$762,223	\$788,900	\$816,512
Property Taxes	3,000	3,060	3,121	3,184	3,247	3,312	3,378	3,446	3,515	3,585
Security Expenses	219,800	227,493	235,455	243,696	252,226	261,053	270,190	279,647	289,435	299,565
Services	40,000	41,400	42,849	44,349	45,901	47,507	49,170	50,891	52,672	54,516
Mandatory MHP Payment	44,200	44,200	44,200	44,200	44,200	44,200	44,200	44,200	44,200	44,200
Bond Issuer Fee	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
City of Long Beach Monitoring	13,900	13,900	13,900	13,900	13,900	13,900	13,900	13,900	13,900	13,900
Replacement Reserve	<u>39,600</u>	<u>39,600</u>	<u>39,600</u>	<u>39,600</u>	<u>39,600</u>	<u>39,600</u>	<u>39,600</u>	<u>39,600</u>	<u>39,600</u>	<u>39,600</u>
Total Operating Expenses	\$963,600	\$993,722	\$1,024,896	\$1,057,161	\$1,090,555	\$1,125,116	\$1,160,886	\$1,197,907	\$1,236,222	\$1,275,878
III. Net Operating Income	\$613,970	\$623,288	\$632,538	\$641,709	\$650,787	\$659,760	\$668,612	\$677,328	\$685,894	\$694,291
(Less) Debt Service ³	<u>(524,593)</u>	<u>(524,593)</u>	<u>(524,593)</u>	<u>(524,593)</u>	<u>(524,593)</u>	<u>(524,593)</u>	<u>(524,593)</u>	<u>(524,593)</u>	<u>(524,593)</u>	<u>(524,593)</u>
Net Income After Debt Service	\$89,377	\$98,695	\$107,945	\$117,116	\$126,194	\$135,167	\$144,019	\$152,735	\$161,301	\$169,698
IV. Cash Flow Available for Contingent Payments	\$89,377	\$98,695	\$107,945	\$117,116	\$126,194	\$135,167	\$144,019	\$152,735	\$161,301	\$169,698
(Less) Asset Mgt Fees ⁴	<u>(15,000)</u>	<u>(15,525)</u>	<u>(16,068)</u>	<u>(16,631)</u>	<u>(17,213)</u>	<u>(17,815)</u>	<u>(18,439)</u>	<u>(19,084)</u>	<u>(19,752)</u>	<u>(20,443)</u>
(Less) Deferred Developer Fee	<u>(74,377)</u>	<u>(83,170)</u>	<u>(91,877)</u>	<u>(100,485)</u>	<u>(108,981)</u>	<u>(117,351)</u>	<u>(125,580)</u>	<u>(133,651)</u>	<u>(141,528)</u>	<u>0</u>
V. Cash Flow after Contingent Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$27,021	\$149,255
Nominal Dollars	\$18,702,941	\$1,028,000	NPV @ 10% Discount Rate							
VI. Residual Receipt Payments to MHP	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,933	\$43,819
Nominal Dollars	\$5,490,893	\$302,000	NPV @ 10% Discount Rate							
VII. Residual Receipt Payments to LACDA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,563	\$14,155
Nominal Dollars	\$1,773,779	\$97,000	NPV @ 10% Discount Rate							
VIII. Residual Receipt Payments to LBCIC Loan	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,015	\$16,653
Nominal Dollars	\$2,086,799	\$115,000	NPV @ 10% Discount Rate							
IX. Residual Receipt Payments to Developer	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$13,510	\$74,627
Nominal Dollars	\$9,351,471	\$514,000	NPV @ 10% 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 SEE TABLE 3

⁴ Assumes fees increase at 103.5%/year.

TABLE 4
CASH FLOW ANALYSIS
ANAHEIM AND WALNUT APARTMENTS
LONG BEACH, CALIFORNIA

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22
I. Gross Residential Income¹												
Gross Affordable Rental Income	\$1,336,152	\$1,369,556	\$1,403,795	\$1,438,890	\$1,474,862	\$1,511,734	\$1,549,527	\$1,588,265	\$1,627,972	\$1,668,671	\$1,710,388	\$1,753,148
Gross Section 8 Subsidy	773,555	792,894	812,716	833,034	853,860	875,207	897,087	919,514	942,502	966,064	990,216	1,014,971
Laundry & Misc. Income	16,001	16,401	16,811	17,231	17,662	18,104	18,556	19,020	19,496	19,983	20,483	20,995
(Less) Vacancy & Collection Allowance	<u>(106,285)</u>	<u>(108,942)</u>	<u>(111,666)</u>	<u>(114,458)</u>	<u>(117,319)</u>	<u>(120,252)</u>	<u>(123,258)</u>	<u>(126,340)</u>	<u>(129,498)</u>	<u>(132,736)</u>	<u>(136,054)</u>	<u>(139,456)</u>
Effective Gross Base Income	\$2,019,423	\$2,069,909	\$2,121,656	\$2,174,698	\$2,229,065	\$2,284,792	\$2,341,912	\$2,400,459	\$2,460,471	\$2,521,983	\$2,585,032	\$2,649,658
II. Operating Expenses²												
General Operating Expenses	\$845,090	\$874,668	\$905,281	\$936,966	\$969,760	\$1,003,701	\$1,038,831	\$1,075,190	\$1,112,822	\$1,151,771	\$1,192,083	\$1,233,805
Property Taxes	3,657	3,730	3,805	3,881	3,958	4,038	4,118	4,201	4,285	4,370	4,458	4,547
Security Expenses	310,050	320,901	332,133	343,758	355,789	368,242	381,130	394,470	408,276	422,566	437,356	452,663
Services	56,424	58,399	60,443	62,558	64,748	67,014	69,359	71,787	74,300	76,900	79,592	82,377
Mandatory MHP Payment	44,200	44,200	44,200	44,200	44,200	44,200	44,200	44,200	44,200	44,200	44,200	44,200
Bond Issuer Fee	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	-	-
City of Long Beach Monitoring	13,900	13,900	13,900	13,900	13,900	13,900	13,900	13,900	13,900	13,900	13,900	13,900
Replacement Reserve	<u>39,600</u>											
Total Operating Expenses	\$1,316,920	\$1,359,398	\$1,403,362	1,448,863	\$1,495,955	\$1,544,695	\$1,595,139	\$1,647,348	\$1,701,382	\$1,757,307	\$1,811,187	\$1,871,093
III. Net Operating Income	\$702,503	\$710,511	\$718,295	\$725,835	\$733,110	\$740,097	\$746,773	\$753,112	\$759,089	\$764,676	\$773,845	\$778,565
(Less) Debt Service ³	<u>(524,593)</u>											
Net Income After Debt Service	\$177,910	\$185,917	\$193,702	\$201,242	\$208,517	\$215,504	\$222,180	\$228,519	\$234,496	\$240,083	\$249,252	\$253,972
IV. Cash Flow Available for Contingent Payments	\$177,910	\$185,917	\$193,702	\$201,242	\$208,517	\$215,504	\$222,180	\$228,519	\$234,496	\$240,083	\$249,252	\$253,972
(Less) Asset Mgt Fees ⁴	(21,159)	(21,900)	(22,666)	(23,459)	(24,280)	-	-	-	-	-	-	-
(Less) Deferred Developer Fee	<u>0</u>											
V. Cash Flow after Contingent Payments	\$156,751	\$164,018	\$171,036	\$177,783	\$184,237	\$215,504	\$222,180	\$228,519	\$234,496	\$240,083	\$249,252	\$253,972
Nominal Dollars												
VI. Residual Receipt Payments to MHP	\$46,020	\$48,153	\$50,213	\$52,194	\$54,089	\$63,269	\$65,228	\$67,090	\$68,844	\$70,485	\$73,176	\$74,562
Nominal Dollars												
VII. Residual Receipt Payments to LACDA	\$14,866	\$15,555	\$16,221	\$16,861	\$17,473	\$20,438	\$21,071	\$21,673	\$22,239	\$22,769	\$23,639	\$24,087
Nominal Dollars												
VIII. Residual Receipt Payments to LBCIC Loan	\$17,490	\$18,300	\$19,083	\$19,836	\$20,556	\$24,045	\$24,790	\$25,497	\$26,164	\$26,787	\$27,810	\$28,337
Nominal Dollars												
IX. Residual Receipt Payments to Developer	\$78,375	\$82,009	\$85,518	\$88,891	\$92,118	\$107,752	\$111,090	\$114,259	\$117,248	\$120,041	\$124,626	\$126,986
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 SEE TABLE 3

⁴ Assumes fees increase at 103.5%/year.

TABLE 4
CASH FLOW ANALYSIS
ANAHEIM AND WALNUT APARTMENTS
LONG BEACH, CALIFORNIA

	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34
I. Gross Residential Income¹												
Gross Affordable Rental Income	\$1,796,976	\$1,841,901	\$1,887,948	\$1,935,147	\$1,983,526	\$2,033,114	\$2,083,942	\$2,136,040	\$2,189,441	\$2,244,177	\$2,300,281	\$2,357,789
Gross Section 8 Subsidy	1,040,346	1,066,354	1,093,013	1,120,338	1,148,347	1,177,056	1,206,482	1,236,644	1,267,560	1,299,249	1,331,730	1,365,024
Laundry & Misc. Income	21,520	22,058	22,609	23,174	23,754	24,348	24,956	25,580	26,220	26,875	27,547	28,236
(Less) Vacancy & Collection Allowance	<u>(142,942)</u>	<u>(146,515)</u>	<u>(150,178)</u>	<u>(153,933)</u>	<u>(157,781)</u>	<u>(161,726)</u>	<u>(165,769)</u>	<u>(169,913)</u>	<u>(174,161)</u>	<u>(178,515)</u>	<u>(182,978)</u>	<u>(187,552)</u>
Effective Gross Base Income	\$2,715,900	\$2,783,797	\$2,853,392	\$2,924,727	\$2,997,845	\$3,072,791	\$3,149,611	\$3,228,351	\$3,309,060	\$3,391,786	\$3,476,581	\$3,563,496
II. Operating Expenses²												
General Operating Expenses	\$1,276,989	\$1,321,683	\$1,367,942	\$1,415,820	\$1,465,374	\$1,516,662	\$1,569,745	\$1,624,686	\$1,681,550	\$1,740,404	\$1,801,319	\$1,864,365
Property Taxes	4,638	4,731	4,825	4,922	5,020	5,121	5,223	5,328	5,434	5,543	5,654	5,767
Security Expenses	468,506	484,904	501,876	519,441	537,622	556,438	575,914	596,071	616,933	638,526	660,874	684,005
Services	85,260	88,245	91,333	94,530	97,838	101,263	104,807	108,475	112,272	116,201	120,268	124,478
Mandatory MHP Payment	44,200	44,200	44,200	44,200	44,200	44,200	44,200	44,200	44,200	44,200	44,200	44,200
Bond Issuer Fee	-	-	-	-	-	-	-	-	-	-	-	-
City of Long Beach Monitoring	13,900	13,900	13,900	13,900	13,900	13,900	13,900	13,900	13,900	13,900	13,900	13,900
Replacement Reserve	<u>39,600</u>											
Total Operating Expenses	\$1,933,093	\$1,997,262	\$2,063,676	\$2,132,413	\$2,203,554	\$2,277,184	\$2,353,389	\$2,432,260	\$2,513,889	\$2,598,374	\$2,685,815	\$2,776,314
III. Net Operating Income	\$782,806	\$786,535	\$789,716	\$792,314	\$794,291	\$795,607	\$796,222	\$796,092	\$795,171	\$793,412	\$790,766	\$787,182
(Less) Debt Service ³	<u>(524,593)</u>											
Net Income After Debt Service	\$258,213	\$261,942	\$265,123	\$267,721	\$269,698	\$271,014	\$271,629	\$271,498	\$270,578	\$268,819	\$266,173	\$262,588
IV. Cash Flow Available for Contingent Payments	\$258,213	\$261,942	\$265,123	\$267,721	\$269,698	\$271,014	\$271,629	\$271,498	\$270,578	\$268,819	\$266,173	\$262,588
(Less) Asset Mgt Fees ⁴	-	-	-	-	-	-	-	-	-	-	-	-
(Less) Deferred Developer Fee	<u>0</u>											
V. Cash Flow after Contingent Payments	\$258,213	\$261,942	\$265,123	\$267,721	\$269,698	\$271,014	\$271,629	\$271,498	\$270,578	\$268,819	\$266,173	\$262,588
Nominal Dollars												
VI. Residual Receipt Payments to MHP	\$75,807	\$76,902	\$77,836	\$78,599	\$79,179	\$79,566	\$79,746	\$79,708	\$79,437	\$78,921	\$78,144	\$77,092
Nominal Dollars												
VII. Residual Receipt Payments to LACDA	\$24,489	\$24,842	\$25,144	\$25,391	\$25,578	\$25,703	\$25,761	\$25,749	\$25,661	\$25,495	\$25,244	\$24,904
Nominal Dollars												
VIII. Residual Receipt Payments to LBCIC Loan	\$28,810	\$29,226	\$29,581	\$29,871	\$30,092	\$30,239	\$30,307	\$30,293	\$30,190	\$29,994	\$29,699	\$29,299
Nominal Dollars												
IX. Residual Receipt Payments to Developer	\$129,107	\$130,971	\$132,561	\$133,860	\$134,849	\$135,507	\$135,814	\$135,749	\$135,289	\$134,409	\$133,087	\$131,294
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 SEE TABLE 3

⁴ Assumes fees increase at 103.5%/year.

TABLE 4
CASH FLOW ANALYSIS
ANAHEIM AND WALNUT APARTMENTS
LONG BEACH, CALIFORNIA

	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40	Year 41	Year 42	Year 43	Year 44	Year 45	Year 46
I. Gross Residential Income¹												
Gross Affordable Rental Income	\$2,416,733	\$2,477,152	\$2,539,080	\$2,602,557	\$2,667,621	\$2,734,312	\$2,802,670	\$2,872,736	\$2,944,555	\$3,018,169	\$3,093,623	\$3,170,963
Gross Section 8 Subsidy	1,399,149	1,434,128	1,469,981	1,506,731	1,544,399	1,583,009	1,622,584	1,663,149	1,704,727	1,747,346	1,791,029	1,835,805
Laundry & Misc. Income	28,942	29,665	30,407	31,167	31,946	32,745	33,563	34,402	35,262	36,144	37,048	37,974
(Less) Vacancy & Collection Allowance	(192,241)	(197,047)	(201,973)	(207,022)	(212,198)	(217,503)	(222,941)	(228,514)	(234,227)	(240,083)	(246,085)	(252,237)
Effective Gross Base Income	\$3,652,583	\$3,743,898	\$3,837,495	\$3,933,432	\$4,031,768	\$4,132,562	\$4,235,876	\$4,341,773	\$4,450,318	\$4,561,576	\$4,675,615	\$4,792,505
II. Operating Expenses²												
General Operating Expenses	\$1,929,617	\$1,997,154	\$2,067,054	\$2,139,401	\$2,214,280	\$2,291,780	\$2,371,992	\$2,455,012	\$2,540,938	\$2,629,870	\$2,721,916	\$2,817,183
Property Taxes	5,882	6,000	6,120	6,242	6,367	6,494	6,624	6,757	6,892	7,030	7,170	7,314
Security Expenses	707,945	732,723	758,368	784,911	812,383	840,817	870,245	900,704	932,229	964,857	998,626	1,033,578
Services	128,834	133,344	138,011	142,841	147,840	153,015	158,370	163,913	169,650	175,588	181,734	188,094
Mandatory MHP Payment	44,200	44,200	44,200	44,200	44,200	44,200	44,200	44,200	44,200	44,200	44,200	44,200
Bond Issuer Fee	-	-	-	-	-	-	-	-	-	-	-	-
City of Long Beach Monitoring	13,900	13,900	13,900	13,900	13,900	13,900	13,900	13,900	13,900	13,900	13,900	13,900
Replacement Reserve	39,600	39,600	39,600	39,600	39,600	39,600	39,600	39,600	39,600	39,600	39,600	39,600
Total Operating Expenses	\$2,869,979	\$2,966,921	\$3,067,253	\$3,171,096	\$3,278,571	\$3,389,806	\$3,504,932	\$3,624,086	\$3,747,408	\$3,875,045	\$4,007,146	\$4,143,869
III. Net Operating Income	\$782,604	\$776,977	\$770,242	\$762,337	\$753,197	\$742,756	\$730,944	\$717,687	\$702,909	\$686,531	\$668,469	\$648,636
(Less) Debt Service ³	(524,593)	0	0	0	0	0	0	0	0	0	0	0
Net Income After Debt Service	\$258,011	\$776,977	\$770,242	\$762,337	\$753,197	\$742,756	\$730,944	\$717,687	\$702,909	\$686,531	\$668,469	\$648,636
IV. Cash Flow Available for Contingent Payments	\$258,011	\$776,977	\$770,242	\$762,337	\$753,197	\$742,756	\$730,944	\$717,687	\$702,909	\$686,531	\$668,469	\$648,636
(Less) Asset Mgt Fees ⁴	-	-	-	-	-	-	-	-	-	-	-	-
(Less) Deferred Developer Fee	0	0	0	0	0	0	0	0	0	0	0	0
V. Cash Flow after Contingent Payments	\$258,011	\$776,977	\$770,242	\$762,337	\$753,197	\$742,756	\$730,944	\$717,687	\$702,909	\$686,531	\$668,469	\$648,636
Nominal Dollars												
VI. Residual Receipt Payments to MHP	\$75,748	\$228,108	\$226,131	\$223,810	\$221,127	\$218,062	\$214,594	\$210,702	\$206,363	\$201,555	\$196,252	\$190,429
Nominal Dollars												
VII. Residual Receipt Payments to LACDA	\$24,470	\$73,688	\$73,049	\$72,300	\$71,433	\$70,443	\$69,322	\$68,065	\$66,664	\$65,110	\$63,397	\$61,516
Nominal Dollars												
VIII. Residual Receipt Payments to LBCIC Loan	\$28,788	\$86,692	\$85,940	\$85,058	\$84,039	\$82,874	\$81,556	\$80,077	\$78,428	\$76,600	\$74,585	\$72,372
Nominal Dollars												
IX. Residual Receipt Payments to Developer	\$129,005	\$388,489	\$385,121	\$381,168	\$376,599	\$371,378	\$365,472	\$358,844	\$351,455	\$343,265	\$334,234	\$324,318
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 SEE TABLE 3

⁴ Assumes fees increase at 103.5%/year.

TABLE 4
CASH FLOW ANALYSIS
ANAHEIM AND WALNUT APARTMENTS
LONG BEACH, CALIFORNIA

	<u>Year 47</u>	<u>Year 48</u>	<u>Year 49</u>	<u>Year 50</u>	<u>Year 51</u>	<u>Year 52</u>	<u>Year 53</u>	<u>Year 54</u>	<u>Year 55</u>
I. Gross Residential Income ¹									
Gross Affordable Rental Income	\$3,250,238	\$3,331,493	\$3,414,781	\$3,500,150	\$3,587,654	\$3,677,345	\$3,769,279	\$3,863,511	\$3,960,099
Gross Section 8 Subsidy	1,881,700	1,928,743	1,976,961	2,026,385	2,077,045	2,128,971	2,182,195	2,236,750	2,292,669
Laundry & Misc. Income	38,923	39,896	40,894	41,916	42,964	44,038	45,139	46,267	47,424
(Less) Vacancy & Collection Allowance	<u>(258,543)</u>	<u>(265,006)</u>	<u>(271,631)</u>	<u>(278,422)</u>	<u>(285,383)</u>	<u>(292,517)</u>	<u>(299,830)</u>	<u>(307,326)</u>	<u>(315,009)</u>
Effective Gross Base Income	\$4,912,318	\$5,035,126	\$5,161,004	\$5,290,029	\$5,422,280	\$5,557,837	\$5,696,783	\$5,839,202	\$5,985,183
II. Operating Expenses ²									
General Operating Expenses	\$2,915,784	\$3,017,837	\$3,123,461	\$3,232,782	\$3,345,930	\$3,463,037	\$3,584,244	\$3,709,692	\$3,839,531
Property Taxes	7,460	7,609	7,761	7,916	8,075	8,236	8,401	8,569	8,740
Security Expenses	1,069,754	1,107,195	1,145,947	1,186,055	1,227,567	1,270,532	1,315,000	1,361,025	1,408,661
Services	194,678	201,491	208,544	215,843	223,397	231,216	239,309	247,684	256,353
Mandatory MHP Payment	44,200	44,200	44,200	44,200	44,200	44,200	44,200	44,200	44,200
Bond Issuer Fee	-	-	-	-	-	-	-	-	-
City of Long Beach Monitoring	13,900	13,900	13,900	13,900	13,900	13,900	13,900	13,900	13,900
Replacement Reserve	<u>39,600</u>								
Total Operating Expenses	\$4,285,376	\$4,431,832	\$4,583,413	\$4,740,296	\$4,902,668	\$5,070,721	\$5,244,653	\$5,424,671	\$5,610,986
III. Net Operating Income	\$626,942	\$603,294	\$577,591	\$549,733	\$519,612	\$487,116	\$452,129	\$414,532	\$374,196
(Less) Debt Service ³	<u>0</u>								
Net Income After Debt Service	\$626,942	\$603,294	\$577,591	\$549,733	\$519,612	\$487,116	\$452,129	\$414,532	\$374,196
IV. Cash Flow Available for Contingent Payments	\$626,942	\$603,294	\$577,591	\$549,733	\$519,612	\$487,116	\$452,129	\$414,532	\$374,196
(Less) Asset Mgt Fees ⁴	-	-	-	-	-	-	-	-	-
(Less) Deferred Developer Fee	<u>0</u>								
V. Cash Flow after Contingent Payments	\$626,942	\$603,294	\$577,591	\$549,733	\$519,612	\$487,116	\$452,129	\$414,532	\$374,196
Nominal Dollars									
VI. Residual Receipt Payments to MHP	\$184,061	\$177,118	\$169,572	\$161,393	\$152,550	\$143,010	\$132,738	\$121,700	\$109,858
Nominal Dollars									
VII. Residual Receipt Payments to LACDA	\$59,459	\$57,216	\$54,779	\$52,136	\$49,280	\$46,198	\$42,880	\$39,314	\$35,489
Nominal Dollars									
VIII. Residual Receipt Payments to LBCIC Loan	\$69,952	\$67,313	\$64,445	\$61,337	\$57,976	\$54,350	\$50,447	\$46,252	\$41,751
Nominal Dollars									
IX. Residual Receipt Payments to Developer	\$313,471	\$301,647	\$288,796	\$274,866	\$259,806	\$243,558	\$226,065	\$207,266	\$187,098
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 SEE TABLE 3

⁴ Assumes fees increase at 103.5%/year.

**TABLE 5
HOME COST ALLOCATION WORKSHEET - STANDARD MODEL
ANAHEIM AND WALNUT APARTMENTS
LONG BEACH, CALIFORNIA**

Step 1: Determine Comparability, Select Method of Cost Allocation	Net Residential SF	77,606
Step 2: Proposed HOME Investment		\$4,000,000
Step 3: Calculate Actual Cost of HOME Units		
Total Development Costs		\$50,796,518
Ineligible Development Costs ¹		(435,966)
Unit-Specific Upgrades		0
Relocation Costs		0
Assign Relocation Exclusively to HOME Units?		NA

Base Project Cost **\$649 /Sf Gross Residential SF** **\$50,360,552**

<u>Assign Units</u>	<u># of Bdrms</u>	<u>Unit Size</u>	<u>Cost/Unit</u>
1	1	608	\$394,547
2	1	608	\$394,547
3	1	608	\$394,547
4	1	608	\$394,547
5	1	608	\$394,547
6	1	608	\$394,547
7	1	608	\$394,547
8	2	875	\$567,810
9	2	875	\$567,810
10	2	875	\$567,810
11	2	875	\$567,810
12	2	875	\$567,810
13	2	875	\$567,810
14	2	875	\$567,810
15	3	1,241	\$805,317
16	3	1,241	\$805,317
17	3	1,241	\$805,317
18	3	1,241	\$805,317
19	3	1,241	\$805,317
20	3	1,241	\$805,317

Subtotal HOME Unit Costs **\$11,568,404**

Add: Relocation Costs Allocated Exclusively to HOME Units (if applicable) \$0

Actual Cost of HOME Units **\$11,568,404**

Step 4: Calculate Maximum Project Subsidy

<u>Unit Size</u>	<u># of Units</u>	<u>Max Subsidy/Unit</u>	<u>Maximum Subsidy</u>
0 Bedroom	0	\$147,074	\$0
1 Bedroom	7	\$168,600	1,180,200
2 Bedroom	7	\$205,502	1,438,514
3 Bedroom	6	\$265,229	1,591,374
Maximum Project Subsidy	20		\$4,210,088

Step 5: Maximum HOME Investment, Lesser of

Proposed Investment (Step 2)	\$4,000,000
Actual Cost of HOME Units (Step 3)	\$11,568,404
Maximum Project Subsidy (Step 4)	\$4,210,088

Maximum HOME Investment	20 HOME Units	\$4,000,000
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¹ The ineligible costs include: capitalized reserves and furnishings.