KEYSER MARSTON ASSOCIATES
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

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

From: Julie Romey

Date: February 9, 2010

Subject: Long Beach & Anaheim - Financial Gap Analysis

At your request, Keyser Marston Associates, Inc. (KMA) reviewed the February 2, 2010 pro forma submitted by Meta Housing (Meta) for a 39 unit 100% affordable senior apartment project (LIHTC Project) and a 147 unit Senior Artist Colony project (SAC Project). The LIHTC and SAC Projects are also described as Phase I, which includes a 0.37-acre parcel (LIHTC Parcel) and a 1.37-acre parcel (SAC Parcel).

The proposed projects are to be constructed on a portion of a 3.33-acre site (Site) at the southwest corner of North Long Beach Boulevard and East Anaheim Street. At a future date, the remaining 1.58-acres, located facing Long Beach Boulevard are proposed to be developed with a mixed-use condominium tower (Phase II). The development entity (Developer) includes Meta and Century Housing (Century), which will be the managing general partner for the Phase I projects. The Developer owns the entire Site.

The purpose of this analysis is to establish the financial gap associated with the LIHTC Project and the SAC Project as well as summarize the proposed deal terms and outstanding issues for the financial assistance requested by the Developer.

EXECUTIVE SUMMARY

The KMA analysis concludes the following:

1. The proposed development costs appear to be reasonable with the exception of the following line-items:

   a. The A&E costs in both projects are significantly higher than typical industry standards. In fact, $1.56 million and $438,000 for the SAC and LIHTC Projects, respectively, can be described as extraordinary costs. The $2.40 million Studio

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One Eleven contract, which doesn't include construction management costs, is the predominant driver in the higher than typical costs. It is recommended that the LBHDC review these costs to decide whether they should be included in the financial gap calculation.

b. The Community/Programming Space costs in the SAC Project are budgeted at $2.28 million, or $150 per square foot of GBA. This estimate is approximately $20 per square foot GBA higher than the residential cost estimate. While the proposed SAC Project will have a higher quality of community and programming space than a typical affordable housing project, this estimate is considerably higher than typical. It is recommended that prior to the establishment of the LBHDC Loan amount, the LBHDC staff should review with the Developer the design specifics and budget line items.

c. The FF&E cost estimate in the LIHTC Project is $150,000 higher than the typical allowance for similar projects. It is recommended that the LHBDC staff should review with the Developer the detailed list of items included in the budget before setting the LBHDC Loan amount for the LIHTC Project.

2. The warranted financial assistance for Phase I is estimated at

   a. SAC Project – Up to $6.93 million, of which LBHDC has already contributed $2.28 million.

   b. LIHTC Project – Up to $6.21 million.

3. Based on the proposed permanent funding sources, the outstanding balance of the LBHDC assistance at the time of permanent loan closing is estimated at

   a. SAC Project – Up to $4.80 million, or $165,700 per affordable unit, which includes the $2.28 million existing LBHDC Loan.

   b. LIHTC Project – Up to $3.41 million, or $90,300 per affordable unit.

4. The proposed terms for both LBHDC loans are as follows:

   a. A 3% simple interest rate;

   b. A 55-year term;

   c. A 25% share of the residual receipts; and

   d. Secured with a second trust deed on the SAC Parcel and the LIHTC Parcel.

5. Based on the KMA cash flow projections, the LBHDC Loan for the SAC Project is estimated to be repaid in Year 36. In contrast, the essentially no payments are expected on the LIHTC Project LBHDC Loan during the 55-year term and have a $9.09 million ending balance in Year 55.

6. The following summarizes the outstanding issues related to the SAC and LIHTC projects.

   a. The Developer has requested that nearly 100% of the $26 million awarded by HCD to the Original Project be allocated to the SAC Project. HCD has yet to respond to the Developer's request. As such, there is potential for a significant increase in the SAC Project financial gap if HCD does not agree with the Developer's proposal.

   b. The Developer has not provided a term sheet from the Tax Credit investors in neither project. As a result, there is uncertainty in whether the proposed deferred Developer fees will be acceptable to an investor given the likeliness of the fees not to be repaid within the 15-year Tax Credit compliance period. If the investors are not in agreement and the $625,000 deferral in the SAC Project and the $310,000 deferral in the LIHTC Project are removed from the Eligible Basis, the Tax Credit equity will decrease by $40,000 in the SAC Project and $268,000 in the LIHTC Project. Thus, the financial gap will increase on a dollar for dollar basis.

   c. The Developer is also proposing to transfer $2.78 million of the IIG funds from the SAC Project to the LIHTC Project after the permanent loans are closed. However, this increase in funding sources for the LIHTC Project will not be disclosed in the TCAC application to enable the reported local assistance to be higher and increase the tie-breaker percentage for competitiveness. It is unclear whether a Tax Credit investor will find this structure acceptable.

   d. A term sheet has not been provided for the construction and permanent loans proposed for the LIHTC Project. Given that the KMA cash flow shows the operating reserve being drawn down beginning in Year 18 to pay the full debt service payment and the Project is potentially unable to support the debt service payments in the last four years of the loan term, there is concern that it will be difficult to find a lender for the LIHTC Project.

   e. The partnership agreement between Century and Meta has not been provided and therefore, the relationship between the two entities needs to be clarified.

7. Century has also requested that the $2.77 million LBHDC Loan on Phase II be subordinated to Century's $17.20 million loan. While the LBHDC Loan would be placed in a riskier position, it has been stated that the Century Board will not approve the proposed transaction if LBHDC does not subordinate its loan.

In conclusion, given the risks outlined in this analysis, it is recommended that the LBHDC only approve the request for financial assistance for the SAC and the LIHTC Projects with the condition that all outside funding sources are secured and documented.

BACKGROUND STATEMENT

During 2006 and 2007, Meta purchased a total of 16 parcels within the Site for a total of $23.37 million. Century provided $19.94 million for the purchase of 13 parcels and including $1.15 million in predevelopment costs. The LBHDC provided two loans totaling $5.15 million for the purchase of three parcels and $566,000 in lease buyout and closing costs. In 2007, Meta proposed to develop the entire Site in one phase including a total of 186 senior apartment units, 170 condominium units and 24,900 square feet of ground floor commercial space (Original Project).

Meta originally hired Archaeon Architects Inc. (Archaeon) for architectural and related services for the project. Because the Original Project was so large and the location deserving of a landmark project, LBHDC staff implemented a cross department review team that included three Redevelopment Agency staff and two Planning Bureau staff members. The team began working with Meta and Archaeon on the site plan and design of the project in late 2007. During several team meetings, staff provided many comments to Meta and Archaeon, and requested that they be incorporated into the design plans. However, Archaeon seemed to be unable or unwilling to make certain changes.

Staff then contracted with Studio One Eleven to provide peer review services to address issues such as monotony, building mass, building heights and open space. The comments from Studio One Eleven were conveyed to Meta and Archaeon during additional meetings and in writing. In October 2008, staff clarified to Meta that the design was still not to the standard necessary for such an important location. Meta then decided to release Archaeon and hired Studio One Eleven as the project architect.

Given the collapse of the financial and housing markets, the condominium component is no longer feasible. As Meta continued to find funding sources, the land loans were required to be extended with Century several times. Ultimately, to keep Century from foreclosing on the property, Meta and Century have agreed to enter into a partnership with Century as the managing general partner of the projects. However, the Developer has not provided a documented agreement to LBHDC, thus, the overall relationship between Century and Meta is not clear.

In the fall of 2009, the Developer approached the LBHDC with the request to develop the overall project in two phases and the LBHDC approved this request. Meta has also received a $10.78 million Transient-Oriented Development (TOD) grant award from the State of California's Housing and Community Development department (HCD) as well as a $15.07 million Infill Infrastructure Grant (IIG). The total HCD assistance available to the Original Project is $25.85 million. However, Meta has requested that HCD allow all but the $761,000 of the TOD funds dedicated to ownership units to be allocated to the SAC Project. HCD has yet to respond to this request.

The following summarizes the proposed funding sources to be utilized in Phase I:

<u>SAC Project</u>

1. Tax-exempt bond proceeds issued through the New Issue Bonds Program (NIBP) that is administered by the Housing and Urban Development department (HUD);

2. Junior tax-exempt bonds provided by private investors and secured by the SAC Project cash flow;

3. The automatically awarded 4% tax credits (Tax Credits) by the Tax Credit Allocation Committee (TCAC);

4. Funds awarded by the State of California's Housing and Community Development Department (HCD):

    a. Transit-oriented Development (TOD) funds; and

    b. Infill Infrastructure Grant (IIG) funds.

5. Deferred Developer fee; and

6. Low and moderate income housing set-aside (Set-Aside) funds from the LBHDC.

<u>LIHTC Project</u>

1. Conventional financing;

2. The competitively awarded 9% Tax Credits by TCAC;

3. Deferred Developer fee; and

4. Set-Aside funds from the LBHDC.

Analysis Organization

The financial gap analysis is organized as follows:

Appendix A:	SAC Project
Appendix B:	LIHTC Project

Each appendix includes pro formas which are organized as follows:

Table 1:	Estimated Development Costs
Table 2:	Stabilized Net Operating Income
Table 3:	Financial Gap Analysis
Table 4:	Cash Flow Analysis

ACQUISITION COST METHODOLOGY

To appropriately allocate the land acquisition costs to each development component, KMA established the following methodology:

1. The Developer and LBHDC has made five land purchases since 2006 as follows:

	Land Area (Sf)	Purchase Price	$/Sf	Financing Source
Acquisition #1	67,600	$9,800,000	$145	Century
Acquisition #2	39,560	8,000,000	$202	Century
Acquisition #3	9,000	990,000	$110	Century
Acquisition #4	16,500	2,310,000	$140	LBHDC
Acquisition #5	11,100	2,275,200	$205	LBHDC
Alley [1]	1,340	0	$0	City
Totals	145,100	$23,375,000	$161	

2. KMA then allocated the land area to the three development components as follows:

	Land Area (Square Feet)			
	SAC	LIHTC	Phase II	Total Site
Acquisition #1	34,390	0	33,210	67,600
Acquisition #2	0	16,220	23,340	39,560
Acquisition #3	9,000	0	0	9,000
Acquisition #4	16,500	0	0	16,500
Acquisition #5	0	0	11,100	11,100
Alley	0	0	1,340	1,340
Totals	59,890	16,220	58,990	145,100

3. The land acquisition costs on a per square foot basis were then applied to the allocated land area as follows:

	Purchase Price ($/Sf)		
	SAC	LIHTC	Phase II
Acquisition #1	$145	NA	$145
Acquisition #2	NA	$202	$202
Acquisition #3	$110	NA	NA
Acquisition #4	$140	NA	NA
Acquisition #5	NA	NA	$205
Alley	NA	NA	$0
Weighted Averages	$138	$202	$171

[1] The City of Long Beach (City) has agreed to dedicate the 1,340 square foot alley to Phase II at no cost.

4. The following summarizes the land cost allocation, which has been agreed to by the Developer:

	Land Area (Sf)	Acquisition Costs
100% Affordable Project	16,220	$3,280,000
Senior Artist Colony	59,890	8,285,000
Phase II	68,990	11,810,000
Totals	145,100	$23,375,000

PROJECT DESCRIPTION

The following summarizes the proposed Project by phase:

Phase I

1. The Developer proposes to construct the following on the Phase I Site:

	SAC	LIHTC	Phase I
Land Area (Acres)	1.37	0.37	1.75
# of Units	147	39	186
Density (DU/Acre)	107	105	106
Gross Building Area (Sf)	133,168	29,684	162,852
FAR	2.22	1.83	2.14
# of Parking Spaces	184	43	227
Parking Ratio	1.25	1.10	1.22

2. The following summarizes the proposed unit mix for the SAC and the LIHTC projects.

	SAC		LIHTC	
	# of Units	Unit Size (Sf)	# of Units	Unit Size (Sf)
One-bedroom Units	86	665	30	588
Two-bedroom Units	61	914	9	858
Three-bedroom Units	0	0	0	0
Totals & Averages	147	770	38	648

3. The Developer proposes to restrict 36% of the total units in Phase I to very-low income households. The affordability mix is described as follows:

	SAC	LIHTC	Phase I
Very-Low Income Units	29	38	67
Low Income Units	0	0	0
Moderate Income Units	0	0	0
Total Affordable Units	29	38	67
% of Total Units	20%	97%	36%

4. The following describes the amenities of each project:

   a. SAC Project – Pool/Spa, Community Room, Library, Theater, Game Room, Art Studios, Classrooms and Gym.

   b. LIHTC Project – Community Room. Residents will have full use of the SAC Project program space and activities.

It is expected that the LIHTC Project development term will be 15 months, including one-month for absorption. The SAC Project is expected to be constructed in 18 months and completely absorbed within 12 months. The Developer plans to go forward with the SAC Project even if the LIHTC Project does not receive a Tax Credit allocation in the first round of 2010.

Phase II

1. While Phase II is currently not considered to be a feasible project, the following describes the proposed tower:

	Condominium Component	Retail Component	Phase II
Land Area (Acres)	NA	NA	1.58
# of Units	170	NA	170
Density (DU/Acre)	107	NA	107
Gross Building Area (Sf)	197,853	24,900	385,332
FAR	2.87	0.36	2.66
# of Parking Spaces	225	118	343
Parking Ratio	1.32	4.74	NA

2. The Developer proposes to restrict 40 condominium units to moderate income households, which equates to 24% of the total units in Phase II.

In the interim, the Developer has agreed to a plan to minimally improve the Phase II Site so that the parcels fronting North Long Beach Boulevard appear finished until Phase II is ready to break ground.

FINANCIAL GAP ANALYSIS

Estimated Total Development Costs

The following summarizes the proposed development costs for the SAC and the LIHTC Projects. The detailed analyses can be located in Appendices A and B.

	SAC	LIHTC	Phase I
Acquisition Costs	$8,851,000	$3,280,000	$12,131,000
Off-site Improvement Costs	619,000	244,000	863,000
Direct Costs	28,103,000	6,497,000	34,600,000
Indirect Costs	11,516,000	3,470,000	14,986,000
Financing Costs	7,252,000	869,000	8,121,000
Total Development Costs	$56,341,000	$14,360,000	$70,701,000
Per Unit	$383,300	$368,200	$380,100
Per Sf GBA	$423	$484	$434

While KMA found most of the development cost estimates to be reasonable, the identification of cost estimates that are higher than typically estimated for similar projects are shown below:

1. SAC Project:

   a. A&E Costs – The $1.56 million in extraordinary costs should be reviewed by the LBHDC and decided whether to accept these costs in the financial gap calculation.

   b. Community/Programming Costs - The Developer should provide the LBHDC staff with a detailed description of what is included in the $2.28 million budget.

2. LIHTC Project:

   a. A&E Costs – The $438,000 in extraordinary costs should be reviewed by the LBHDC and decided whether to accept these costs in the financial gap calculation.

   b. FF&E Costs – The Developer should provide the LBHDC staff with a detailed description of what is included in the $250,000 budget.

   c. Financing Costs – Once the Developer receives an official term sheet from the construction and permanent lenders, the financing costs are likely to be adjusted.

Stabilized Net Operating Income

The following summarizes the proposed net operating income for the SAC and the LIHTC Projects. The detailed analyses can be located in Appendices A and B.

	SAC	LIHTC	Phase I
Effective Gross Income	$2,547,860	$261,530	$2,809,390
(Less) Operating Expenses	(1,147,750)	(191,630)	(1,339,380)
Net Operating Income	$1,400,110	$69,900	$1,470,000

Potential Funding Sources

The following summarizes the proposed funding sources during the construction period for the SAC and the LIHTC Projects.

	Construction Period		
	SAC	LIHTC	Phase I
Construction Financing	$21,560,000	$4,982,000	$26,542,000
Junior Bonds	6,605,000	0	6,605,000
Tax Credit Equity	0	2,143,000	2,143,000
TOD Rental Loan	0	0	0
TOD Infrastructure Grant	5,550,000	0	5,550,000
Infill Infrastructure Grant	15,069,000	0	15,069,000
Negative Arbitrage Reserve	0	0	0
Deferred Developer Fee	625,000	1,022,000	1,647,000
Total Potential Funding Sources	$49,409,000	$8,147,000	$57,556,000
Per Unit	$336,100	$208,900	$309,400
Per Affordable Unit	$1,703,700	$214,400	$859,000

The following summarizes the proposed permanent funding sources during the construction period for the SAC and the LIHTC Projects.

	Permanent Funding Sources		
	SAC	LIHTC	Phase I
Permanent Financing	$21,560,000	$694,000	$22,254,000
Junior Bonds	2,500,000	0	2,500,000
Tax Credit Equity	2,417,000	7,143,000	9,560,000
TOD Rental Loan	4,471,000	0	4,471,000
TOD Infrastructure Grant	5,550,000	0	5,550,000
Infill Infrastructure Grant	12,287,000	2,782,000	15,069,000
Negative Arbitrage Reserve	2,126,000	0	2,126,000
Deferred Developer Fee	625,000	310,000	935,000
Total Potential Funding Sources	$51,536,000	$10,929,000	$62,465,000
Per Unit	$350,600	$280,200	$335,800
Per Affordable Unit	$1,777,100	$287,600	$932,300

The following summarizes the issues associated with several of the proposed funding sources:

1. HCD Funds Allocation Approval

2. Conventional Lender approval for LIHTC Project

3. Tax Credit Investor approval

    a. Deferred Developer Fee

    b. Transfer of IIG funds from the SAC Project to the LIHTC Project

Financial Gap Calculation

The financial gap is calculated by comparing the total development costs to the total potential funding sources. The following summarizes the estimated financial gap during the construction period.

	Construction Period		
	SAC	LIHTC	Phase I
Total Development Costs	$56,341,000	$14,360,000	$70,701,000
(Less) Funding Sources	(49,409,000)	(8,147,000)	(57,556,000)
Financial Gap	$6,932,000	$6,213,000	$13,145,000
Per Affordable Unit	$239,000	$163,500	$196,200

The following summarizes the estimated permanent financial gap:

	Permanent Financial Gap		
	SAC	LIHTC	Phase I
Total Development Costs	$56,341,000	$14,360,000	$70,701,000
(Less) Funding Sources	(51,536,000)	(10,929,000)	(62,465,000)
Financial Gap	$4,805,000	$3,431,000	$8,236,000
Per Affordable Unit	$165,700	$90,300	$122,900

In regards to the SAC Project, the LBHDC has already provided $2.28 million in loan proceeds. It should also be noted that the financial assistance estimated in this analysis will increase and decrease on a dollar for dollar basis if any of the funding sources are not realized, the LBHDC decides to limit the A&E costs, and/or the review by LBHDC staff of the FF&E and community and programming space costs result in a decrease in the estimates.

PROPOSED DEAL STRUCTURE

The following summarizes the proposed LBHDC transaction for the SAC and the LIHTC Projects.

	SAC	LIHTC
Loan Amount during Construction	Up to $6,932,000	Up to $6,213,000
Loan Amount at Permanent	Up to $4,805,000	Up to $3,431,000
Interest Rate	3% Simple	3% Simple
Loan Term	55 Years	55 Years
Payments	25% Residual Receipts	25% Residual Receipts
Security	2nd TD on SAC Parcel	2nd TD on LIHTC Parcel

CASH FLOW ANALYSIS

KMA prepared a 55-year cash flow analysis for both projects and the findings are presented below.

SAC Project

1. The LBHDC Loan is projected to be repaid in Year 35. However, residual receipts payments are not expected to begin until Year 15 when the Junior Bonds have been repaid.

2. The operating reserve fund is not expected to be utilized and is estimated to grow to $3.78 million by Year 55.

3. While 100% of the deferred Developer fee is expected to be repaid, it is not anticipated to occur until Year 17, as it will be paid out of the Developer's share of the residual receipts. However, a Tax Credit investor typically requires any deferred Developer fee to be repaid within 15 years. If the deferred fee cannot be repaid within 15 years, the amount needs to be deducted from the Eligible Basis and thus the Tax Credit equity would likely decrease and the financial gap would increase on a dollar for dollar basis. If the Eligible Basis is required to be reduced by $625,000, the estimated impact on the Tax Credit equity is a reduction of $54,000.

LIHTC Project

1. The LBHDC Loan is not projected to be repaid during the 55-year loan term. In fact, the loan will negatively amortize and have a $9.09 million balance in Year 55.

2. In Year 18, the operating reserve funds are expected to be required to assist in making the full $58,250 annual debt services payment. The operating reserve is projected to be depleted by Year 27, therefore, the total debt service payments are not anticipated to be made in the final four years of the loan term. According to the Developer, PNC, the permanent lender currently reviewing the transaction, has not made an issue of the potential cash flow issues. However, PNC has also not yet provided a term sheet for the proposed loan.

3. While the asset management fee is expected to be supported by the cash flow, the general partnership full fee payment is likely to cease after Year 6.

4. Finally, the Developer proposes that the $310,000 deferred Developer fee be repaid out of Meta's share of the Developer's residual receipts. As such, it is estimated that only $1,150 of the $310,000 deferred Developer fee would be repaid. Again, a term sheet from the Tax Credit Investor has not been provided to verify the acceptance of this structure. However, an investor typically requires any deferred Developer fee to be repaid within 15 years. If the deferred fee cannot be repaid within 15 years, the amount needs to be deducted from the Eligible Basis and thus the Tax Credit equity would likely decrease by approximately $268,000.

PHASE II

The LBHDC currently has a $2.28 million first trust deed on an 11,100 square foot parcel in Phase II. Century, in contrast, has a $17.20 million existing first trust deed on the balance of the Phase II Site. The Century loan includes accrued interest and fees as well as acquisition and predevelopment costs previously funded.

As a condition of the Century Board to approve the proposed transaction for Phase I, the LBHDC has been requested to subordinate the $2.28 million LBHDC loan to the Century $17.20 million loan. In return, the LBHDC loan will be secured with a second trust deed on the entire Phase II site. Therefore, the 1.58-acre site would have a total of $19.47 million of debt on the Phase II site, which equates to $282 per square foot of land area.

While a current appraisal for the Phase II Site has not been provided, the current market value of the Phase II Site is assumed to be considerably lower than $282 per square foot of land area. Therefore, if the LBHDC agrees to the Century proposal to subordinate and Century then decides to foreclose on the property, the LBHDC Loan will be wiped out.

APPENDIX A

SAC PROJECT
FINANCIAL GAP ANALYSIS

FINANCIAL GAP ANALYSIS – SAC PROJECT

Estimated Development Costs (Appendix A – Table 1)

KMA reviewed the Developer's February 2, 2010 pro forma and found the estimated development costs to be reasonable with the exception for the A&E and the Community/Programming Space costs.

Acquisition Costs

The land acquisition cost estimate is based on the following assumptions:

1. The Developer purchased the SAC Parcel for $8.28 million. This equates to $138 per square foot of land area.

2. A total of $385,000 has been expended to buyout the leases of the grocery and check cashing stores that were previously located on the SAC Parcel.

3. The closing costs totaled $181,000, or approximately 2% of the purchase price.

Therefore, the land acquisition costs total $8.85 million, or $148 per square foot of land area and $60,200 per unit.

Off-site Improvement Costs

The City's Department of Development Services (LBDS) approved a menu of off-site improvements that will be required to develop overall Project. While the LBDS originally approved the items based on the entire project being developed at the same time, it has been agreed that 50% of the improvements, predominately along Long Beach Boulevard, can be waived until Phase II is developed. Therefore, The SAC Project portion of the Phase I off-site improvement costs is estimated at $619,000.

Direct Costs

Given the proposed financing sources, the SAC Project will have a prevailing wage requirement, which is included in the direct cost estimates. The following summarizes the direct cost estimate assumptions:

1. Demolition and utility relocation costs are estimated at $677,000, or $11 per square foot of land area.

2. On-site improvements are estimated at $12 per square foot of land area.

3. Given that the timeline for Phase II has not been established, the LBHDC is requiring the Developer to provide fencing, landscaping and hardscaping on Phase II during the interim. These improvements are estimated to cost $100,000, of which $79,000 has been allocated to the SAC Project.

4. The parking garage costs are estimated at approximately $21,100 per space.

5. Residential shell costs are estimated at $131 per square feet of GBA.

6. The community and programming space construction costs are estimated at $2.28 million, or $150 per square foot of GBA. These costs include $401,000 for the frontage along Anaheim, which has recently been included in the budget without a satisfactory explanation of why these costs are in addition to the already high budget estimate. The total cost estimate is higher than the build-out of the residential space, however, it should be noted that the proposed SAC concept is specialized.

7. A $400,000 allowance is provided for furnishings, fixtures and equipment (FF&E), which equals $2,700 per unit.

8. Contractor fees are estimated at 11% of construction costs, which is lower than the 14% maximum imposed by TCAC. Due to the complexity of the Project, a $740,000 allowance is also provided for a crane and manlift.

9. Construction bonds are estimated at approximately 1% of construction costs.

10. A $1.21 million contingency allowance is provided, which equates to approximately 5% of other direct costs.

The total direct costs are estimated to be $28.10 million, or $211 per square foot of GBA. However, the Developer should provide the LBHDC staff with a detailed description of what is included in the $2.28 million budget for the Community/Programming Space costs. If LBHDC staff decides to limit this allowance, the financial gap will decrease on a dollar for dollar basis.

Indirect Costs

The following summarizes the indirect cost estimates assumptions:

1. Architecture, engineering and consulting (A&E) costs are estimated at 6% of direct and off-site improvement costs based on typical industry standards, which equates to $1.72 million. However, the Developer proposes a total of $3.42 million for the A&E costs, which equals 12% of direct and off-site improvement costs. This $1.70 million differential includes $69,000 that was expended on the previous architect, as well as $73,000 for a LEED consultant and $1.56 million, which is considered to be extraordinary costs. However, the Developer has signed contracts as well as back-up for costs paid to date for the $3.42 million estimate.

2. Permits and fees are estimated at $17,765 per unit, which is adjusted for the appropriate fee waivers given to affordable units.

3. Taxes, legal and accounting are estimated at 5% of direct and off-site improvement costs.

4. Insurance costs are estimated at $2,200 per unit.

5. Marketing and leasing costs are estimated at $5,100 per unit.

6. The Developer fee is set at $2.50 million, which is the maximum allowed under the TCAC regulations.

7. A $493,000 contingency allowance is provided, which equates to 4% of other indirect costs.

The total indirect costs are estimated to be $11.52 million. It should be noted that $1.56 million of the indirect costs are considered to be extraordinary. Therefore, it is recommended that LBHDC make a policy decision in regards to accepting these costs in the financial gap calculation.

Financing Costs

The following summarizes the financing cost estimates assumptions:

1. Century provided a $5.51 million acquisition and predevelopment loan, which is secured with a first trust deed on 59,890 square feet of land area in the SAC Parcel. However, Meta was unable to continue to make interest payments on the loan at an 8.5% interest rate. Since Meta has ceased to make interest payments on the loan, a total of $1.76 million in interest and fees have accrued. To avoid foreclosure, Meta and Century have agreed to enter into a partnership, of which Century will be the managing general partner. Century has also agreed to only recognize $625,000, or 25% of the Developer fee, of the total $1.76 million in accrued interest in the development budget. The accrued interest is proposed to be financed by a $625,000 deferral of the Developer fee and paid to Century with Meta's share of the Developer's share of residual receipts.

2. Interest during construction for the $21.56 million tax-exempt bonds is calculated based on the following assumptions:

    a. A 5.07% interest rate;

    b. An 18-month construction period and a 12-month absorption period;

    c. A 63% average outstanding balance; and

    d. Approximately $297,000 of net operating income during the 12-month absorption period.

3. The financing fees proposed by the Developer are driven by the new HUD program, New Issue Bond Program (NIBP), under which the tax-exempt bonds will be issued. These fees are estimated based on the following:

    a. Construction Loan – 1.26 Points;

    b. Permanent Loan – 1.09 Points;

    c. HUD/MIP – 1.73 Points;

d. Issuance Costs – 3.94 Points.

4. HUD requires that not only the estimated construction interest be budgeted; a Negative Arbitrage Reserve must be set-aside at the issuance of the bonds. This reserve is calculated to be $2.13 million, which assumes that 100% of the bonds are deposited into an escrow account that earns 1%. However, this reserve will be released at the completion of construction.

5. HUD also requires significant capitalized reserves to be budgeted, as follows:

    a. Operating Reserves – Approximately seven months of operating expenses and debt service payments.

    b. Replacement Reserves - $823 per unit.

6. Tax Credit fees are estimated at $115,000.

The total financing costs are estimated to be $7.25 million.

Total Estimated Development Costs

The estimated development costs total $56.34 million, or $423 per square foot of GBA. The following summarizes the total estimated development costs:

Acquisition Costs	$8,851,000
Off-site Improvement Costs	619,000
Direct Costs	28,103,000
Indirect Costs	11,516,000
Financing Costs	7,252,000
Total Development Costs	$56,341,000
Per Unit	$383,300
Per Sf GBA	$423

However, based on KMA's experience, the following cost estimates are considered to be extraordinary or need further clarification:

1. A&E Costs – The $1.56 million in extraordinary costs should be reviewed by the LBHDC and decided whether to accept these costs in the financial gap calculation.

2. Community/Programming Costs - The Developer should provide the LBHDC staff with a detailed description of what is included in the $2.28 million budget.

Stabilized Net Operating Income (Appendix A – Table 2)

Income Restrictions

The Developer proposes to set-aside 29 units for very-low income households. The SAC Project affordable units must comply with the income restriction restrictions imposed by the various funding programs. Therefore, the affordable units will be subject to the following income restrictions:

Designated Requirements [2]	Number of Units 1-Bdrm	Number of Units 2-Bdrm
Section 50105 / 40% Median [3]	3	3
Section 50105 / 50% Median	14	9
Unrestricted	68	49
Unrestricted (Manager's Unit)	1	0

Affordability Restrictions

The rents applied to the units must reflect the most stringent requirements imposed by the various funding sources.[4] The 2009 maximum allowable rents, net of the appropriate utility allowances, are as follows:[5]

	One-bedroom Units	Two-bedroom Units
Very-Low Income/40% Median		
Section 50053	$561	$613
40% TCAC Rents	$534	$628
Applicable Rent	$534	$613
Very-Low Income/50% Median		
Section 50079.5	$561	$613
50% TCAC Rents	$683	$806
Applicable Rent	$561	$613

Market Rents

The Developer contends that the specialization of the SAC Project will allow a premium to be added to the market rents. The HUD underwriters have approved the proposed rents, which are as follows:

	Monthly Rent	Monthly Rent / Sf
One-bedroom Units	$1,600	$2.41
Two-bedroom Units	$1,950	$2.13
Weighted Average	$1,746	$2.27

It should be noted that the manager will pay rent on the one-bedroom unit set-aside for the manager.

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[2] The LBHDC requires that very-low income units comply with the California Health and Safety Code Section 50105 (Section 50105) as referenced in the table.

[3] "Median" refers to the Los Angeles County median income.

[4] The affordable rents are estimated based on the strictest of: the calculation methodology established under Section 50053 of the Health and Safety Code and Tax Credit rents that are published annually by TCAC.

[5] Monthly utility allowances: $60/1-bdrm units and $86/2-bdrm units.

Net Operating Income Calculation

The gross rental income, including miscellaneous revenue estimated at $5 per unit per month, is projected to stabilize at $2.68 million. After the assumption of a 5% vacancy and collection allowance, KMA estimated the effective gross income (EGI) is estimated to be $2.55 million.

KMA reviewed the Developer's proposed operating expense assumptions and determined that the estimates were reasonable. The following summarizes the estimates:

1. General operating expenses are estimated at $4,000 per unit.
2. Property taxes are estimated at $410,000 per year.
3. Activity fees are estimated at $39,000, or $265 per unit per year. It should be noted that an additional $41,000 will be allocated to tenant services as revenues are available.
4. The $4.47 million TOD Rental Loan triggers an annual 0.52% fee, which equates to $23,310.
5. Operating expenses are set at $104 per unit per year.
6. Replacement reserves are estimated at $447 per unit per year.

The total operating expenses are estimated at $1.15 million, or $7,800 per unit. When the total operating expenses are deducted from the EGI, the net operating income (NOI) is estimated to total $1.40 million, which is summarized below.

Effective Gross Income	$2,547,860
(Less) Operating Expenses	(1,147,750)
Net Operating Income	$1,400,100

Financial Gap Analysis (Appendix A – Table 3)

Potential Funding Sources

The following summarizes the potential funding sources:

Tax-Exempt Bonds

The Developer has received a $21.56 million allocation from the New Issue Bond Program (NIBP). These tax-exempt bond proceeds were estimated based upon the following assumptions:

1. A 1.11 debt coverage ratio, which results in a $1.26 million annual debt service payment;
2. First trust deed security;
3. A 5.07% interest rate; and

4. A 40-year amortization period.

The tax-exempt bonds will also be available during the construction period.

Junior Bonds

The Developer proposes to issue an additional $6.60 million in tax-exempt bonds.[6] At the end of construction, the balance of these bonds will decrease to $2.50 million. However, the bonds will only be secured with SAC Project residual receipts. The bonds will require an 11% return and 100% of the residual receipts, which is defined as the cash flow after the first trust deed debt service payment, payment of the asset and partnership fees.

Low Income Housing Tax Credit Equity

With the tax-exempt bonds, the SAC Project is eligible to receive a 4% Tax Credit allocation based on the 29 affordable units. The following describes the calculation:

1. Tax Credit Basis Calculation: It can be assumed that the Project's eligible Tax Credit basis is equal to the lesser of the depreciable costs for the Tax Credit units, or the basis limits established by TCAC. KMA and the Developer calculated the eligible Tax Credits basis as follows:

    a. The Projects depreciable costs total $37.49 million.

    b. The basis limits applied by TCAC equal $43.23 million.

    c. The depreciable costs are less than the TCAC basis limits. As such, the eligible Tax Credit basis estimated at $37.49 million.

2. Net Tax Credit Proceeds Calculation:

    a. The gross Tax Credit amount supported by the proposed Project is calculated at $3.26 million based on the following assumptions:

        i. The Project is located in a "Difficult to Develop" census tract. This allows the eligible Tax Credit basis to be increased by 30%.

        ii. The current Tax Credit application sets the annual Tax Credit rate at 3.35%. This rate is applied to the 10-year Tax Credit period.

        iii. Only 20% of the Tax Credits are available given that only 29 of the units will be restricted to very-low income households.

[6] The Developer's pro forma assumes the Junior Bonds at $7.23 million. However, this amount includes the $625,000 deferred Developer fee, which KMA has deducted.

b. The net syndication value supported by the Tax Credits is ultimately determined based on competitive market conditions and on the timing of the disbursements. Based on the Developer's assumption that none of the proceeds will be funded at the completion of construction, the Tax Credit equity rate is estimated at $0.74 per Tax Credit.

Therefore, the net Tax Credit proceeds are estimated at $2.42 million, of which none will be available during the construction period.

Deferred Costs

During the construction period and thereafter, $625,000 of the Developer fee will be deferred. The $625,000 deferral is proposed to be repaid to Century over time.

HCD Funds

The Developer is requesting that HCD allow the TOD and Infill Infrastructure Grant (IIG) funding awarded to the Original Project, with the exception of $721,000 that is dedicated to the Condominium Component in Phase II, to be allocated to the SAC Project. However, HCD has yet to provide a determination in regards to this request. If HCD does not agree to the 100% reallocation of the HCD funds, the SAC Project financial gap will increase on a dollar for dollar basis.

During the construction period, $5.55 million of the TOD Infrastructure Grant and $15.07 million of the IIG Grant will be available. At permanent loan closing, the $4.47 million Rental Loan will be disbursed and $2.78 million of the IIG Grant funds will be transferred to the LIHTC Project.

Negative Arbitrage Reserve

At the end of construction, the $2.13 million Negative Arbitrage Reserve will be released. The reserve will not be required to be applied to the tax-exempt bonds.

Total Potential Funding Sources

The following summarizes the total potential funding sources during the construction period and at permanent loan closing:

	Construction	Permanent	Change in Funding Sources
Tax-exempt Bonds	$21,560,000	$21,560,000	$0
Junior Bonds	6,605,000	2,500,000	(4,105,000)
Tax Credit Equity	0	2,417,000	2,417,000
Deferred Developer Fee	625,000	625,000	0
Neg. Arbitrage Reserve	0	2,126,000	2,126,000
HCD Funds	20,619,000	22,308,000	1,689,000
Total Potential Funding Sources	$49,409,000	$51,536,000	$2,127,000

It should be noted that approximately half of the funding sources are the HCD funds that have yet been approved to be allocated solely to the SAC Project by HUD.

Financial Gap Calculation

The following summarizes the estimated financial gap during the construction period and at permanent loan closing:

	Construction	Permanent	Change in Financial Gap
Total Development Costs	$56,341,000	$56,341,000	$0
(Less) Funding Sources	(49,409,000)	(51,536,000)	(2,127,000)
Total Potential Funding Sources	$6,932,000	$4,805,000	($2,127,000)
Per Affordable Unit	$239,000	$165,700	($73,300)

Therefore, it is concluded that the maximum warranted LBHDC assistance is up to $6.93 million, or $239,000 per affordable unit. Once 100% of the proposed funding sources are in place at the closing of the permanent loan, the financial gap is expected to decrease to $4.80 million, or $165,700 per affordable unit. However, it is recommended that the financial assistance amount be established based on the review and approval of the A&E extraordinary costs and the Community/Programming costs by the LBHDC staff as well as the approval of the allocation of funds by HCD and the deferred Developer fee structure by the Tax Credit Investor. It should be noted that LBHDC has already contributed $2.28 million through land acquisition.

PROPOSED DEAL TERMS

The following summarizes the proposed deal terms:

1. LBHDC will provide up to $6.93 million as a residual receipts loan to the Project (LBHDC Loan) with the following terms:

    a. A 3% simple interest rate;

    b. A 55-year term, at which time the remaining balance of the LBHDC Loan will be due and payable;

    c. Secured by a second trust deed on the entire SAC Parcel; and

    d. Annual payments equal to 25% of the residual receipts.

2. After the permanent loan closes, the LBHDC Loan will be paid down by $2.13 million.

3. The existing $2.28 million LBHDC Loan will be increased by up to $4.65 million.

CASH FLOW ANALYSIS (APPENDIX A – TABLE 4)

KMA also conducted a cash flow analysis to estimate the present value of the debt service payments to the LBHDC. The following describes the basic cash flow assumptions:

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

2. Market rents are projected to increase at 3% per year while the affordable rents are estimated to increase at 2% per year.

3. A 5% vacancy and collection allowance is provided.

4. The general operating expenses and resident services expenses are increased at 3% per year.

5. The property taxes are increased at 2% annually.

6. The operating reserve increases at 3% per year.

7. The replacement reserve is held constant over the life for the Project.

8. Asset management fees are set at $10,000 per year through Year 15.

9. General partnership management fees are set at $10,000 per year and will be held constant over the life of the Project.

10. The additional activity fee of $41,000, is held constant for the life of the Project.

11. The Junior Bonds are to receive an 11% return and be repaid prior to any residual receipts distribution to the LBHDC and the Developer.

12. The following illustrates the proposed residual receipts distribution:

    a. Twenty-five percent (25%) of the residual receipts are applied to the LBHDC Loan; and

    b. The remaining 75% of the residual receipts will be allocated to the Developer, of which 75%, or Meta's portion of the Developer's residual receipts, will be applied to the $625,000 deferred Developer fee.

The following summarizes the cash flow analysis findings:

1. The LBHDC Loan is projected to be repaid in Year 35. However, residual receipts payments are not expected to begin until Year 15 when the Junior Bonds have been repaid.

2. The operating reserve fund is not expected to be utilized and is estimated to grow to $3.78 million by Year 55.

3. While 100% of the deferred Developer fee is expected to be repaid, it is not anticipated to occur until Year 17. However, a Tax Credit investor typically requires any deferred Developer fee to be repaid within 15 years. If the deferred fee cannot be repaid within 15 years, the amount needs to be deducted from the Eligible Basis and thus the Tax Credit equity would likely decrease and the financial gap would increase on a dollar for dollar basis. If the Eligible Basis is required to be reduced by $625,000, the estimated impact on the Tax Credit equity is a reduction of $54,000.

SUMMARY AND CONCLUSION

The following summarizes the conclusions of the KMA analysis:

1. The estimated warranted assistance is up to $6.93 million. However, there are several issues that need to be resolved prior to the finalization of the assistance amount.

   a. Extraordinary A&E Costs – A policy decision needs to be made whether to allow the $1.58 million in extraordinary A&E costs to be included in the calculation of the warranted financial assistance. If the LBHDC chooses not to include these, or a portion of these costs, the financial assistance warranted from the LBHDC will decrease. However, if the current contracts remain in place, the Developer will be required to find additional funding sources.

   b. Community/Programming Space Costs – While the proposed SAC Project will have a higher quality of community and programming space than a typical affordable housing project, the $2.28 million, or $150 per square foot of GBA, cost estimate is considerably higher than what is typical. Therefore, it is recommended that prior to the establishment of the LBHDC Loan amount, the LBHDC staff and the Developer review the design specifics and budget line items.

   c. Deferred Developer Fee Repayment – While the deferred Developer fee does get paid, the total payment is not expected to occur during the 15-year Tax Credit compliance period. The Developer has not yet provided a Tax Credit Investor term sheet that agrees to this assumption. As such, there is potential for the Tax Credit Equity proceeds to be decreased and the financial gap to increase on a dollar for dollar basis. It is recommended that the Developer provide a Tax Credit Investor term sheet verifying that these conditions are acceptable to the investor as well as provide an additional funding source if the Tax Credit equity is reduced.

   d. HCD Funds Allocation Request – While the Developer has assumed that all of the HCD funds that were awarded to the Original Project be allocated to the SAC Project, HCD has not yet approved this structure. Thus, there is a significant risk that a portion of the HCD funds proposed to be available to the SAC Project, will be allocated to the LIHTC Project and/or Phase II. Any decrease in the HCD funds allocated to the SAC Project, will increase the financial gap on a dollar for dollar basis.

e. Operating Reserves – HUD requires significant operating reserves to be capitalized in the development budget as well as set-aside annually from the cash flow. Information has not been provided to the terms of the reserve. These details should be provided to LBHDC.

2. The proposed deal terms are appropriate for the proposed Project.

In conclusion, given the risks outlined in this analysis, it is recommended that the LBHDC only approve the request for financial assistance to the SAC Project with the condition that all outside funding sources are secured and documented.

APPENDIX A - TABLE 1
ESTIMATED DEVELOPMENT COSTS
LONG BEACH & ANAHEIM: PHASE I - SAC PROJECT
LONG BEACH, CALIFORNIA

I.	**Land Assemblage Costs**						
	Acquisition Costs	59,890	Sf Land	$138	/Sf Land	$8,285,000	
	Lease Buyouts		Allowance			385,000	
	Closing Costs	2%	Purchase Price			181,000	
	Total Land Assemblage Costs	**59,890**	**Sf Land**	**$148**	**/Unit**		**$8,851,000**
II.	**Off-site Improvements** [1]		Allowance				**$619,000**
III.	**Direct Costs** [2]						
	Demolition Costs/Utility Relocation	59,890	Sf Land	$11	/Sf Land	$677,000	
	On-site Improvements	59,890	Sf Land	$12	/Sf Land	726,000	
	Phase II Improvements		Allowance			79,000	
	Parking Costs	184	Spaces	$21,076	/Space	3,878,000	
	Residential Shell Costs	117,945	Sf GBA	$131	/Sf GBA	15,399,000	
	Community and Programming Space	15,223	Sf GBA	$150	/Sf GBA	2,282,000	
	Furnishings, Fixtures & Equipment	147	Units	$2,721	/Unit	400,000	
	Contractor Fees / General Requirements	11%	Construction Costs			2,525,000	
	Crane & Manlift		Allowance			740,000	
	Construction Bonds	1%	Construction Costs			185,000	
	Contingency Allowance	5%	Other Direct Costs			1,212,000	
	Total Direct Costs	**133,168**	**Sf GBA**	**$211**	**/Sf GBA**		**$28,103,000**
IV.	**Indirect Costs**						
	Architecture, Engineering & Consulting [3]	6%	Direct + Off-site Costs			$1,723,000	
	Original Architect Costs		Allowance			69,000	
	LEED Consulting Costs		Allowance			73,000	
	Extraordinary A&E Costs [4]	5%	Direct + Off-site Costs			1,558,000	
	Permits & Fees [5]	147	Units	$17,765	/Unit	2,612,000	
	Taxes, Legal & Accounting	5%	Direct + Off-site Costs			1,418,000	
	Insurance	147	Units	$2,178	/Unit	320,000	
	Marketing & Leasing	147	Units	$5,102	/Unit	750,000	
	Developer Fee [6]					2,500,000	
	Contingency Allowance	4%	Other Indirects			493,000	
	Total Indirect Costs						**$11,516,000**
V.	**Financing Costs**						
	Century Land Loan Accrued Interest					$625,000	
	Interest During Construction [7]	$21,560,000	Bonds	5.07%	Interest	2,126,000	
	(Less) Income During Lease-up [4]					(297,000)	
	Financing Fees						
	Construction Loan	$21,560,000	Bonds	1.26	Points	271,000	
	Permanent Loan	$21,560,000	Bonds	1.09	Points	236,000	
	HUD/MIP Costs	$21,560,000	Bonds	1.73	Points	373,000	
	Issuance Costs	$21,560,000	Bonds	3.94	Points	850,000	
	Negative Arbitrage Reserve		Allowance			2,126,000	
	Reserves						
	Operating	7	Months of Operating Expenses			706,000	
	Replacement	147	Units	$823	/Unit	121,000	
	TCAC Fees					115,000	
	Total Financing Costs						**$7,252,000**
VI.	**Total Development Costs**	**133,168**	**Sf GBA**	**$423**	**/Sf GBA**		**$56,341,000**

1 Based on Developer's allocation of offsite costs; assumes City approves waiving the LB Blvd improvements until a later date.
2 Based on Developer estimate; includes a premium for prevailing wage requirement.
3 KMA estimate based on industry standards.
4 Based on Developer estimate.
5 Based on LHBDC staff estimate.
6 Equal to the amount identified by the Developer; amount is equal to the maximum amount allowed by TCAC.
7 Assumes a 18-month construction term and a 12-month absorption term; and an average outstanding balance of 63%.

Prepared by: Keyser Marston Associates, Inc.
Filename: LB & Anaheim - Phase I - 02.04.10; Pro Forma - 4%; jlr; 2/4/2010

APPENDIX A - TABLE 2

STABILIZED NET OPERATING INCOME
LONG BEACH & ANAHEIM: PHASE I - SAC PROJECT
LONG BEACH, CALIFORNIA

I.	Gross Residential Income						
	Manager's Unit	1	Unit	$1,600	/Unit/Month	$19,200	
	VL Inc Redev/Tax Credit @ 40% Median [1]						
	1-Bedroom Units @ (665-Sf)	3	Units	$534	/Unit/Month	19,220	
	2-Bedroom Units @ (914-Sf)	3	Units	$613	/Unit/Month	22,070	
	VL Inc Redev/Tax Credit @ 50% Median [1]						
	1-Bedroom Units @ (665-Sf)	14	Units	$561	/Unit/Month	94,250	
	2-Bedroom Units @ (914-Sf)	9	Units	$613	/Unit/Month	66,200	
	Market Rate [2]						
	1-Bedroom Units @ (665-Sf)	68	Units	$1,600	/Unit/Month	1,305,600	
	2-Bedroom Units @ (914-Sf)	49	Units	$1,950	/Unit/Month	1,146,600	
	Laundry/Miscellaneous Income [3]	147	Units	$5	/Unit/Month	8,820	
	Gross Residential Income	147	Units			$2,681,960	
	(Less) Vacancy & Collection Allowance	5%	Gross Income			(134,100)	
	Effective Gross Income						**$2,547,860**
II.	Operating Expenses [3]						
	General Operating Expenses	147	Units	$4,042	/Unit	$594,100	
	Property Taxes					410,340	
	Services	147	Units	$265	/Unit	39,000	
	MHP Fee	$4,471,000	Loan	0.52%	Loan	23,310	
	Operating Reserve	147	Units	$104	/Unit	15,290	
	Replacement Reserve	147	Units	$447	/Unit	65,710	
	Total Operating Expenses	147	Units	$7,800	/Unit		**$1,147,750**
III.	**Net Operating Income**						**$1,400,110**

1 Based on LA County 2009 incomes distributed by HUD/HCD. The rents are based on the more stringent of California Health & Safety Code Section 50053 and rents published by TCAC. Efficient utility allowances per the Long Beach Housing Authority are $60/1-bedroom units and $86/2-bedroom units.

2 Based on Developer's estimate. Assumes monthly rents at $2.41/sf one-bedroom unit and $2.13/sf two-bedroom units.

3 Based on Developer's estimates.

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APPENDIX A - TABLE 3

FINANCIAL GAP ANALYSIS
LONG BEACH & ANAHEIM: PHASE I - SAC PROJECT
LONG BEACH, CALIFORNIA

I.	**Potential Funding Sources - Construction**						
	A. Tax-Exempt Financing						
	Net Operating Income	$1,400,110	NOI (See Table 2)				
	Income Available for Mortgage	1.11	DCR	$1,260,119	Debt Service		
	Interest Rate/Mortgage Constant	5.07%	Interest	5.84%	Constant		
	Tax-Exempt Financing						**$21,560,000**
	B. Junior Tax-Exempt Bonds [1]						**$6,605,000**
	C. Tax Credit Equity						**$0**
	D. HCD Funds [2]						
	TOD Rental Loan					$0	
	TOD Infrastructure Grant					5,550,000	
	Infill Infrastructure Grant					15,069,000	
	Total HCD Funds						**$20,619,000**
	D. Deferred Developer Fee	25%	Developer Fee				**$625,000**
	Total Potential Funding Sources - Construction						**$49,409,000**
II.	**Financial Gap Calculation - Construction**						
	Total Development Costs					$56,341,000	
	(Less) Total Potential Funding Sources					(49,409,000)	
	Financial Gap - Construction	**29**	**Affordable Units**	**$239,000**	**/Affordable Unit**		**$6,932,000**
III.	**Potential Funding Sources - Permanent**						
	A. Tax-Exempt Bonds						**$21,560,000**
	B. Junior Tax-Exempt Bonds	$139,991	Cash Flow	5.60%	ROE		**$2,500,000**
	C. Tax Credit Equity [3]						
	Gross Tax Credit Value	$3,266,000					
	Syndication Rate	74.00%	/Tax Credit Dollar				
	Net Tax Credit Equity						**$2,417,000**
	D. HCD Funds [2]						
	TOD Rental Loan					$4,471,000	
	TOD Infrastructure Grant					5,550,000	
	Infill Infrastructure Grant					12,287,000	
	Total HCD Funds						**$22,308,000**
	E. Negative Arbitrage Reserve Release						**$2,126,000**
	D. Deferred Developer Fee	25%	Developer Fee				$625,000
	Total Funding Sources - Permanent						**$51,536,000**
IV.	**Financial Gap - Permanent**						
	Total Development Costs					$56,341,000	
	(Less) Total Potential Funding Sources					(51,536,000)	
	Financial Gap - Permanent	**29**	**Affordable Units**	**$165,700**	**/Affordable Unit**		**$4,805,000**

1 Per Developer estimate.
2 The HCD funds have already been awarded to the Project.
3 $37.50 million eligible basis, which includes a 130% difficult to develop premium; a 3.35% Tax Credit rate; and an applicable fraction of 20%.

Prepared by: Keyser Marston Associates, Inc.
Filename: LB & Anaheim - Phase I - 02.04.10; Pro Forma - 4%; jlr; 2/4/2010

APPENDIX A - TABLE 4

CASH FLOW ANALYSIS
LONG BEACH & ANAHEIM: PHASE I - SAC PROJECT
LONG BEACH, CALIFORNIA

			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
I.	**Project Revenue**								
	Gross Rental Income - Market Rate	103.0%	$2,471,400	$2,545,542	$2,621,908	$2,700,566	$2,781,582	$2,865,030	$2,950,981
	Gross Rental Income - Affordable	102.0%	201,740	205,775	209,890	214,088	218,370	222,737	227,192
	Miscellaneous Income	103.0%	8,820	9,085	9,357	9,638	9,927	10,225	10,532
	Gross Income		$2,681,960	$2,760,401	$2,841,156	$2,924,291	$3,009,879	$3,097,992	$3,188,704
	(Less) Vacancy & Collection	5%	(134,098)	(138,020)	(142,058)	(146,214)	(150,494)	(154,899)	(159,435)
	Effective Gross Income		**$2,547,862**	**$2,622,382**	**$2,699,098**	**$2,778,077**	**$2,859,386**	**$2,943,093**	**$3,029,269**
II.	**Operating Expenses**								
	General Operating Expenses	103.0%	$594,100	$611,923	$630,281	$649,189	$668,665	$688,725	$709,386
	Property Taxes	102.0%	410,340	418,547	426,918	435,456	444,165	453,049	462,109
	Services	103.0%	39,000	40,170	41,375	42,616	43,895	45,212	46,568
	MHP Fee	100.0%	23,310	23,310	23,310	23,310	23,310	23,310	23,310
	Operating Reserve	103.0%	15,290	15,749	16,221	16,708	17,209	17,725	18,257
	Replacement Reserve	100.0%	65,710	65,710	65,710	65,710	65,710	65,710	65,710
	Total Operating Expenses		**$1,147,750**	**$1,175,409**	**$1,203,815**	**$1,232,989**	**$1,262,954**	**$1,293,730**	**$1,325,341**
III.	**Net Operating Income**		$1,400,112	$1,446,973	$1,495,283	$1,545,088	$1,596,432	$1,649,362	$1,703,928
	Operating Reserve Advances		0	0	0	0	0	0	0
	(Less) Debt Service		(1,260,119)	(1,260,119)	(1,260,119)	(1,260,119)	(1,260,119)	(1,260,119)	(1,260,119)
	Available Cash Flow for Distribution		**$139,993**	**$186,854**	**$235,164**	**$284,968**	**$336,312**	**$389,243**	**$443,809**
IV.	**Contingent Payments**								
	Asset Management Fee		($10,000)	($10,000)	($10,000)	($10,000)	($10,000)	($10,000)	($10,000)
	General Partnership Fee		(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
	Activity Fee		(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)
	Junior Bonds		(78,993)	(125,854)	(174,164)	(223,968)	(275,312)	(328,243)	(382,809)
	LBHDC Loan		0	0	0	0	0	0	0
V.	**Cash Flow to Developer**		**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	NPV @ 8.0%	$6,872,000							
	CF for Deferred Developer Fee		$0	$0	$0	$0	$0	$0	$0
VI.	**Operating Reserve**								
	Beginning Balance		$706,000	$728,350	$751,382	$775,117	$799,576	$824,781	$850,754
	Interest Income	1.00%	7,060	7,284	7,514	7,751	7,996	8,248	8,508
	Deposits		15,290	15,749	16,221	16,708	17,209	17,725	18,257
	Payments		0	0	0	0	0	0	0
	Ending Balance		728,350	751,382	775,117	799,576	824,781	850,754	877,519
VII.	**LBHDC Loan**								
	Beginning Balance		$4,805,000	$4,949,150	$5,093,300	$5,237,450	$5,381,600	$5,525,750	$5,669,900
	Balance for Interest Calculation		4,805,000	4,805,000	4,805,000	4,805,000	4,805,000	4,805,000	4,805,000
	Interest	3.00%	144,150	144,150	144,150	144,150	144,150	144,150	144,150
	Payment	25%	0	0	0	0	0	0	0
	Ending Balance		4,949,150	5,093,300	5,237,450	5,381,600	5,525,750	5,669,900	5,814,050

Prepared by: Keyser Marston Associates, Inc.
Filename: LB & Anaheim - Phase I - 02.04.10; Cash Flow - 4%; jlr

APPENDIX A - TABLE 4

CASH FLOW ANALYSIS
LONG BEACH & ANAHEIM: PHASE I - SAC PROJECT
LONG BEACH, CALIFORNIA

		Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16
I.	**Project Revenue**									
	Gross Rental Income - Market Rate	$3,039,510	$3,130,696	$3,224,616	$3,321,355	$3,420,996	$3,523,625	$3,629,334	$3,738,214	$3,850,361
	Gross Rental Income - Affordable	231,736	236,371	241,098	245,920	250,838	255,855	260,972	266,192	271,515
	Miscellaneous Income	10,847	11,173	11,508	11,853	12,209	12,575	12,952	13,341	13,741
	Gross Income	$3,282,094	$3,378,239	$3,477,223	$3,579,128	$3,684,043	$3,792,056	$3,903,259	$4,017,747	$4,135,617
	(Less) Vacancy & Collection	(164,104)	(168,912)	(173,861)	(178,956)	(184,202)	(189,603)	(195,163)	(200,887)	(206,781)
	Effective Gross Income	**$3,117,989**	**$3,209,327**	**$3,303,362**	**$3,400,172**	**$3,499,841**	**$3,602,453**	**$3,708,096**	**$3,816,860**	**$3,928,837**
II.	**Operating Expenses**									
	General Operating Expenses	$730,668	$752,588	$775,166	$798,421	$822,373	$847,045	$872,456	$898,630	$925,588
	Property Taxes	471,352	480,779	490,394	500,202	510,206	520,410	530,819	541,435	552,264
	Services	47,965	49,404	50,886	52,413	53,985	55,605	57,273	58,991	60,761
	MHP Fee	23,310	23,310	23,310	23,310	23,310	23,310	23,310	23,310	23,310
	Operating Reserve	18,805	19,369	19,950	20,548	21,165	21,800	22,454	23,127	23,821
	Replacement Reserve	65,710	65,710	65,710	65,710	65,710	65,710	65,710	65,710	65,710
	Total Operating Expenses	**$1,357,810**	**$1,391,160**	**$1,425,416**	**$1,460,604**	**$1,496,750**	**$1,533,879**	**$1,572,021**	**$1,611,203**	**$1,651,454**
III.	**Net Operating Income**	$1,760,180	$1,818,168	$1,877,945	$1,939,568	$2,003,091	$2,068,574	$2,136,075	$2,205,657	$2,277,383
	Operating Reserve Advances	0	0	0	0	0	0	0	0	0
	(Less) Debt Service	(1,260,119)	(1,260,119)	(1,260,119)	(1,260,119)	(1,260,119)	(1,260,119)	(1,260,119)	(1,260,119)	(1,260,119)
	Available Cash Flow for Distribution	**$500,060**	**$558,048**	**$617,826**	**$679,449**	**$742,972**	**$808,455**	**$875,956**	**$945,538**	**$1,017,263**
IV.	**Contingent Payments**									
	Asset Management Fee	($10,000)	($10,000)	($10,000)	($10,000)	($10,000)	($10,000)	($10,000)	($10,000)	$0
	General Partnership Fee	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
	Activity Fee	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)
	Junior Bonds	(439,060)	(497,048)	(556,826)	(618,449)	(681,972)	(747,455)	(814,956)	(836,867)	0
	LBHDC Loan	0	0	0	0	0	0	0	(11,918)	(241,566)
V.	**Cash Flow to Developer**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$35,753**	**$724,698**
	NPV @ 8.0%									
	CF for Deferred Developer Fee	$0	$0	$0	$0	$0	$0	$0	$26,815	$543,523
VI.	**Operating Reserve**									
	Beginning Balance	$877,519	$905,099	$933,519	$962,804	$992,980	$1,024,075	$1,056,116	$1,089,131	$1,123,149
	Interest Income	8,775	9,051	9,335	9,628	9,930	10,241	10,561	10,891	11,231
	Deposits	18,805	19,369	19,950	20,548	21,165	21,800	22,454	23,127	23,821
	Payments	0	0	0	0	0	0	0	0	0
	Ending Balance	905,099	933,519	962,804	992,980	1,024,075	1,056,116	1,089,131	1,123,149	1,158,202
VII.	**LBHDC Loan**									
	Beginning Balance	$5,814,050	$5,958,200	$6,102,350	$6,246,500	$6,390,650	$6,534,800	$6,678,950	$6,823,100	$6,955,332
	Balance for Interest Calculation	4,805,000	4,805,000	4,805,000	4,805,000	4,805,000	4,805,000	4,805,000	4,805,000	4,805,000
	Interest	144,150	144,150	144,150	144,150	144,150	144,150	144,150	144,150	144,150
	Payment	0	0	0	0	0	0	0	(11,918)	(241,566)
	Ending Balance	5,958,200	6,102,350	6,246,500	6,390,650	6,534,800	6,678,950	6,823,100	6,955,332	6,857,917

Prepared by: Keyser Marston Associates, Inc.
Filename: LB & Anaheim - Phase I - 02.04.10; Cash Flow - 4%; jlr

APPENDIX A - TABLE 4

CASH FLOW ANALYSIS
LONG BEACH & ANAHEIM: PHASE I - SAC PROJECT
LONG BEACH, CALIFORNIA

		Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26
I.	**Project Revenue**										
	Gross Rental Income - Market Rate	$3,965,871	$4,084,848	$4,207,393	$4,333,615	$4,463,623	$4,597,532	$4,735,458	$4,877,522	$5,023,847	$5,174,563
	Gross Rental Income - Affordable	276,946	282,485	288,134	293,897	299,775	305,771	311,886	318,124	324,486	330,976
	Miscellaneous Income	14,154	14,578	15,015	15,466	15,930	16,408	16,900	17,407	17,929	18,467
	Gross Income	$4,256,971	$4,381,910	$4,510,543	$4,642,978	$4,779,328	$4,919,710	$5,064,244	$5,213,052	$5,366,263	$5,524,006
	(Less) Vacancy & Collection	(212,848)	(219,095)	(225,527)	(232,149)	(238,966)	(245,985)	(253,212)	(260,652)	(268,313)	(276,200)
	Effective Gross Income	**$4,044,123**	**$4,162,815**	**$4,285,016**	**$4,410,829**	**$4,540,362**	**$4,673,725**	**$4,811,032**	**$4,952,400**	**$5,097,950**	**$5,247,806**
II.	**Operating Expenses**										
	General Operating Expenses	$953,356	$981,957	$1,011,415	$1,041,758	$1,073,011	$1,105,201	$1,138,357	$1,172,508	$1,207,683	$1,243,913
	Property Taxes	563,309	574,575	586,067	597,788	609,744	621,939	634,377	647,065	660,006	673,206
	Services	62,584	64,461	66,395	68,387	70,438	72,551	74,728	76,970	79,279	81,657
	MHP Fee	23,310	23,310	23,310	23,310	23,310	23,310	23,310	23,310	23,310	23,310
	Operating Reserve	24,536	25,272	26,030	26,811	27,615	28,444	29,297	30,176	31,081	32,014
	Replacement Reserve	65,710	65,710	65,710	65,710	65,710	65,710	65,710	65,710	65,710	65,710
	Total Operating Expenses	**$1,692,804**	**$1,735,285**	**$1,778,927**	**$1,823,764**	**$1,869,828**	**$1,917,155**	**$1,965,780**	**$2,015,739**	**$2,067,070**	**$2,119,811**
III.	**Net Operating Income**	$2,351,318	$2,427,530	$2,506,089	$2,587,066	$2,670,534	$2,756,570	$2,845,253	$2,936,662	$3,030,880	$3,127,995
	Operating Reserve Advances	0	0	0	0	0	0	0	0	0	0
	(Less) Debt Service	(1,260,119)	(1,260,119)	(1,260,119)	(1,260,119)	(1,260,119)	(1,260,119)	(1,260,119)	(1,260,119)	(1,260,119)	(1,260,119)
	Available Cash Flow for Distribution	**$1,091,199**	**$1,167,411**	**$1,245,970**	**$1,326,946**	**$1,410,415**	**$1,496,451**	**$1,585,133**	**$1,676,542**	**$1,770,761**	**$1,867,876**
IV.	**Contingent Payments**										
	Asset Management Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	General Partnership Fee	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
	Activity Fee	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)
	Junior Bonds	0	0	0	0	0	0	0	0	0	0
	LBHDC Loan	(260,050)	(279,103)	(298,742)	(318,987)	(339,854)	(361,363)	(383,533)	(406,386)	(429,940)	(454,219)
V.	**Cash Flow to Developer**	**$780,149**	**$837,308**	**$896,227**	**$956,960**	**$1,019,561**	**$1,084,088**	**$1,150,600**	**$1,219,157**	**$1,289,821**	**$1,362,657**
	NPV @ 8.0%										
	CF for Deferred Developer Fee	$54,662	$0	$0	$0	$0	$0	$0	$0	$0	$0
VI.	**Operating Reserve**										
	Beginning Balance	$1,158,202	$1,194,320	$1,231,535	$1,269,881	$1,309,391	$1,350,100	$1,392,045	$1,435,263	$1,479,792	$1,525,671
	Interest Income	11,582	11,943	12,315	12,699	13,094	13,501	13,920	14,353	14,798	15,257
	Deposits	24,536	25,272	26,030	26,811	27,615	28,444	29,297	30,176	31,081	32,014
	Payments	0	0	0	0	0	0	0	0	0	0
	Ending Balance	1,194,320	1,231,535	1,269,881	1,309,391	1,350,100	1,392,045	1,435,263	1,479,792	1,525,671	1,572,942
VII.	**LBHDC Loan**										
	Beginning Balance	$6,857,917	$6,742,017	$6,607,064	$6,452,472	$6,277,635	$6,081,931	$5,864,719	$5,625,335	$5,363,100	$5,077,310
	Balance for Interest Calculation	4,805,000	4,805,000	4,805,000	4,805,000	4,805,000	4,805,000	4,805,000	4,805,000	4,805,000	4,805,000
	Interest	144,150	144,150	144,150	144,150	144,150	144,150	144,150	144,150	144,150	144,150
	Payment	(260,050)	(279,103)	(298,742)	(318,987)	(339,854)	(361,363)	(383,533)	(406,386)	(429,940)	(454,219)
	Ending Balance	6,742,017	6,607,064	6,452,472	6,277,635	6,081,931	5,864,719	5,625,335	5,363,100	5,077,310	4,767,241

Prepared by: Keyser Marston Associates, Inc.
Filename: LB & Anaheim - Phase I - 02.04.10; Cash Flow - 4%; jlr

APPENDIX A - TABLE 4

CASH FLOW ANALYSIS
LONG BEACH & ANAHEIM: PHASE I - SAC PROJECT
LONG BEACH, CALIFORNIA

		Year 27	Year 28	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36
I.	**Project Revenue**										
	Gross Rental Income - Market Rate	$5,329,800	$5,489,694	$5,654,384	$5,824,016	$5,998,736	$6,178,699	$6,364,060	$6,554,981	$6,751,631	$6,954,180
	Gross Rental Income - Affordable	337,595	344,347	351,234	358,259	365,424	372,733	380,187	387,791	395,547	403,458
	Miscellaneous Income	19,021	19,592	20,180	20,785	21,408	22,051	22,712	23,394	24,095	24,818
	Gross Income	$5,686,416	$5,853,633	$6,025,798	$6,203,060	$6,385,569	$6,573,482	$6,766,959	$6,966,166	$7,171,273	$7,382,456
	(Less) Vacancy & Collection	(284,320)	(292,681)	(301,289)	(310,153)	(319,278)	(328,674)	(338,347)	(348,308)	(358,563)	(369,122)
	Effective Gross Income	**$5,402,096**	**$5,560,951**	**$5,724,509**	**$5,892,907**	**$6,066,291**	**$6,244,808**	**$6,428,612**	**$6,617,858**	**$6,812,710**	**$7,013,333**
II.	**Operating Expenses**										
	General Operating Expenses	$1,281,231	$1,319,668	$1,359,258	$1,400,036	$1,442,037	$1,485,298	$1,529,857	$1,575,752	$1,623,025	$1,671,716
	Property Taxes	686,670	700,404	714,412	728,700	743,274	758,140	773,302	788,768	804,544	820,635
	Services	84,107	86,630	89,229	91,906	94,663	97,503	100,428	103,441	106,544	109,741
	MHP Fee	23,310	23,310	23,310	23,310	23,310	23,310	23,310	23,310	23,310	23,310
	Operating Reserve	32,974	33,964	34,982	36,032	37,113	38,226	39,373	40,554	41,771	43,024
	Replacement Reserve	65,710	65,710	65,710	65,710	65,710	65,710	65,710	65,710	65,710	65,710
	Total Operating Expenses	**$2,174,003**	**$2,229,685**	**$2,286,901**	**$2,345,694**	**$2,406,107**	**$2,468,187**	**$2,531,980**	**$2,597,536**	**$2,664,904**	**$2,734,135**
III.	**Net Operating Income**	$3,228,093	$3,331,266	$3,437,607	$3,547,214	$3,660,184	$3,776,622	$3,896,631	$4,020,322	$4,147,806	$4,279,198
	Operating Reserve Advances	0	0	0	0	0	0	0	0	0	0
	(Less) Debt Service	(1,260,119)	(1,260,119)	(1,260,119)	(1,260,119)	(1,260,119)	(1,260,119)	(1,260,119)	(1,260,119)	(1,260,119)	(1,260,119)
	Available Cash Flow for Distribution	**$1,967,974**	**$2,071,147**	**$2,177,488**	**$2,287,094**	**$2,400,065**	**$2,516,502**	**$2,636,512**	**$2,760,203**	**$2,887,687**	**$3,019,079**
IV.	**Contingent Payments**										
	Asset Management Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	General Partnership Fee	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
	Activity Fee	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)
	Junior Bonds	0	0	0	0	0	0	0	0	0	0
	LBHDC Loan	(479,243)	(505,037)	(531,622)	(559,024)	(587,266)	(616,376)	(646,378)	(677,301)	(709,172)	(290,524)
V.	**Cash Flow to Developer**	**$1,437,730**	**$1,515,110**	**$1,594,866**	**$1,677,071**	**$1,761,799**	**$1,849,127**	**$1,939,134**	**$2,031,902**	**$2,127,515**	**$2,677,556**
	NPV @ 8.0%										
	CF for Deferred Developer Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
VI.	**Operating Reserve**										
	Beginning Balance	$1,572,942	$1,621,645	$1,671,825	$1,723,526	$1,776,793	$1,831,674	$1,888,217	$1,946,472	$2,006,491	$2,068,327
	Interest Income	15,729	16,216	16,718	17,235	17,768	18,317	18,882	19,465	20,065	20,683
	Deposits	32,974	33,964	34,982	36,032	37,113	38,226	39,373	40,554	41,771	43,024
	Payments	0	0	0	0	0	0	0	0	0	0
	Ending Balance	1,621,645	1,671,825	1,723,526	1,776,793	1,831,674	1,888,217	1,946,472	2,006,491	2,068,327	2,132,034
VII.	**LBHDC Loan**										
	Beginning Balance	$4,767,241	$4,431,014	$4,058,908	$3,649,053	$3,199,501	$2,708,220	$2,173,091	$1,591,906	$962,362	$282,062
	Balance for Interest Calculation	4,767,241	4,431,014	4,058,908	3,649,053	3,199,501	2,708,220	2,173,091	1,591,906	962,362	282,062
	Interest	143,017	132,930	121,767	109,472	95,985	81,247	65,193	47,757	28,871	8,462
	Payment	(479,243)	(505,037)	(531,622)	(559,024)	(587,266)	(616,376)	(646,378)	(677,301)	(709,172)	(290,524)
	Ending Balance	4,431,014	4,058,908	3,649,053	3,199,501	2,708,220	2,173,091	1,591,906	962,362	282,062	0

Prepared by: Keyser Marston Associates, Inc.
Filename: LB & Anaheim - Phase I - 02.04.10; Cash Flow - 4%; jlr

APPENDIX A - TABLE 4

CASH FLOW ANALYSIS
LONG BEACH & ANAHEIM: PHASE I - SAC PROJECT
LONG BEACH, CALIFORNIA

		Year 37	Year 38	Year 39	Year 40	Year 41	Year 42	Year 43	Year 44	Year 45	Year 46
I.	**Project Revenue**										
	Gross Rental Income - Market Rate	$7,162,805	$7,377,689	$7,599,020	$7,826,990	$8,061,800	$8,303,654	$8,552,764	$8,809,347	$9,073,627	$9,345,836
	Gross Rental Income - Affordable	411,527	419,757	428,153	436,716	445,450	454,359	463,446	472,715	482,169	491,813
	Miscellaneous Income	25,563	26,330	27,120	27,933	28,771	29,634	30,523	31,439	32,382	33,354
	Gross Income	$7,599,895	$7,823,776	$8,054,292	$8,291,639	$8,536,021	$8,787,647	$9,046,733	$9,313,501	$9,588,179	$9,871,002
	(Less) Vacancy & Collection	(379,994)	(391,188)	(402,714)	(414,581)	(426,800)	(439,382)	(452,336)	(465,674)	(479,408)	(493,549)
	Effective Gross Income	**$7,219,901**	**$7,432,588**	**$7,651,578**	**$7,877,058**	**$8,109,221**	**$8,348,266**	**$8,594,397**	**$8,847,826**	**$9,108,770**	**$9,377,453**
II.	**Operating Expenses**										
	General Operating Expenses	$1,721,867	$1,773,523	$1,826,729	$1,881,531	$1,937,977	$1,996,116	$2,055,999	$2,117,679	$2,181,210	$2,246,646
	Property Taxes	837,047	853,788	870,864	888,281	906,047	924,168	942,651	961,504	980,734	1,000,349
	Services	113,033	116,424	119,917	123,514	127,219	131,036	134,967	139,016	143,187	147,482
	MHP Fee	23,310	23,310	23,310	23,310	23,310	23,310	23,310	23,310	23,310	23,310
	Operating Reserve	44,315	45,644	47,013	48,424	49,877	51,373	52,914	54,501	56,137	57,821
	Replacement Reserve	65,710	65,710	65,710	65,710	65,710	65,710	65,710	65,710	65,710	65,710
	Total Operating Expenses	**$2,805,282**	**$2,878,399**	**$2,953,543**	**$3,030,770**	**$3,110,140**	**$3,191,713**	**$3,275,552**	**$3,361,721**	**$3,450,287**	**$3,541,318**
III.	**Net Operating Income**	$4,414,619	$4,554,189	$4,698,035	$4,846,288	$4,999,081	$5,156,553	$5,318,845	$5,486,105	$5,658,483	$5,836,135
	Operating Reserve Advances	0	0	0	0	0	0	0	0	0	0
	(Less) Debt Service	(1,260,119)	(1,260,119)	(1,260,119)	(1,260,119)	0	0	0	0	0	0
	Available Cash Flow for Distribution	**$3,154,499**	**$3,294,069**	**$3,437,916**	**$3,586,169**	**$4,999,081**	**$5,156,553**	**$5,318,845**	**$5,486,105**	**$5,658,483**	**$5,836,135**
IV.	**Contingent Payments**										
	Asset Management Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	General Partnership Fee	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
	Activity Fee	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)
	Junior Bonds	0	0	0	0	0	0	0	0	0	0
	LBHDC Loan	0	0	0	0	0	0	0	0	0	0
V.	**Cash Flow to Developer**	**$3,103,499**	**$3,243,069**	**$3,386,916**	**$3,535,169**	**$4,948,081**	**$5,105,553**	**$5,267,845**	**$5,435,105**	**$5,607,483**	**$5,785,135**
	NPV @ 8.0%										
	CF for Deferred Developer Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
VI.	**Operating Reserve**										
	Beginning Balance	$2,132,034	$2,197,669	$2,265,290	$2,334,956	$2,406,729	$2,480,673	$2,556,853	$2,635,335	$2,716,190	$2,799,489
	Interest Income	21,320	21,977	22,653	23,350	24,067	24,807	25,569	26,353	27,162	27,995
	Deposits	44,315	45,644	47,013	48,424	49,877	51,373	52,914	54,501	56,137	57,821
	Payments	0	0	0	0	0	0	0	0	0	0
	Ending Balance	2,197,669	2,265,290	2,334,956	2,406,729	2,480,673	2,556,853	2,635,335	2,716,190	2,799,489	2,885,304
VII.	**LBHDC Loan**										
	Beginning Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Balance for Interest Calculation	0	0	0	0	0	0	0	0	0	0
	Interest	0	0	0	0	0	0	0	0	0	0
	Payment	0	0	0	0	0	0	0	0	0	0
	Ending Balance	0	0	0	0	0	0	0	0	0	0

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Filename: LB & Anaheim - Phase I - 02.04.10; Cash Flow - 4%; jlr

APPENDIX A - TABLE 4

CASH FLOW ANALYSIS
LONG BEACH & ANAHEIM: PHASE I - SAC PROJECT
LONG BEACH, CALIFORNIA

		Year 47	Year 48	Year 49	Year 50	Year 51	Year 52	Year 53	Year 54	Year 55
I.	**Project Revenue**									
	Gross Rental Income - Market Rate	$9,626,211	$9,914,997	$10,212,447	$10,518,821	$10,834,385	$11,159,417	$11,494,199	$11,839,025	$12,194,196
	Gross Rental Income - Affordable	501,649	511,682	521,916	532,354	543,001	553,861	564,938	576,237	587,762
	Miscellaneous Income	34,354	35,385	36,446	37,540	38,666	39,826	41,021	42,251	43,519
	Gross Income	$10,162,214	$10,462,064	$10,770,809	$11,088,714	$11,416,052	$11,753,104	$12,100,158	$12,457,514	$12,825,477
	(Less) Vacancy & Collection	(508,110)	(523,102)	(538,540)	(554,435)	(570,802)	(587,654)	(605,007)	(622,875)	(641,273)
	Effective Gross Income	**$9,654,104**	**$9,938,962**	**$10,232,270**	**$10,534,280**	**$10,845,251**	**$11,165,450**	**$11,495,151**	**$11,834,639**	**$12,184,204**
II.	**Operating Expenses**									
	General Operating Expenses	$2,314,045	$2,383,467	$2,454,971	$2,528,620	$2,604,479	$2,682,613	$2,763,091	$2,845,984	$2,931,364
	Property Taxes	1,020,356	1,040,763	1,061,578	1,082,810	1,104,466	1,126,556	1,149,087	1,172,068	1,195,510
	Services	151,907	156,464	161,158	165,993	170,972	176,102	181,385	186,826	192,431
	MHP Fee	23,310	23,310	23,310	23,310	23,310	23,310	23,310	23,310	23,310
	Operating Reserve	59,555	61,342	63,182	65,078	67,030	69,041	71,112	73,245	75,443
	Replacement Reserve	65,710	65,710	65,710	65,710	65,710	65,710	65,710	65,710	65,710
	Total Operating Expenses	**$3,634,883**	**$3,731,056**	**$3,829,909**	**$3,931,520**	**$4,035,967**	**$4,143,331**	**$4,253,695**	**$4,367,144**	**$4,483,767**
III.	**Net Operating Income**	$6,019,221	$6,207,906	$6,402,360	$6,602,759	$6,809,284	$7,022,119	$7,241,457	$7,467,495	$7,700,437
	Operating Reserve Advances	0	0	0	0	0	0	0	0	0
	(Less) Debt Service	0	0	0	0	0	0	0	0	0
	Available Cash Flow for Distribution	**$6,019,221**	**$6,207,906**	**$6,402,360**	**$6,602,759**	**$6,809,284**	**$7,022,119**	**$7,241,457**	**$7,467,495**	**$7,700,437**
IV.	**Contingent Payments**									
	Asset Management Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0
	General Partnership Fee	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
	Activity Fee	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)
	Junior Bonds	0	0	0	0	0	0	0	0	0
	LBHDC Loan	0	0	0	0	0	0	0	0	0
V.	**Cash Flow to Developer**	**$5,968,221**	**$6,156,906**	**$6,351,360**	**$6,551,759**	**$6,758,284**	**$6,971,119**	**$7,190,457**	**$7,416,495**	**$7,649,437**
	NPV @ 8.0%									
	CF for Deferred Developer Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0
VI.	**Operating Reserve**									
	Beginning Balance	$2,885,304	$2,973,712	$3,064,791	$3,158,621	$3,255,285	$3,354,868	$3,457,457	$3,563,144	$3,672,021
	Interest Income	28,853	29,737	30,648	31,586	32,553	33,549	34,575	35,631	36,720
	Deposits	59,555	61,342	63,182	65,078	67,030	69,041	71,112	73,245	75,443
	Payments	0	0	0	0	0	0	0	0	0
	Ending Balance	2,973,712	3,064,791	3,158,621	3,255,285	3,354,868	3,457,457	3,563,144	3,672,021	3,784,184
VII.	**LBHDC Loan**									
	Beginning Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Balance for Interest Calculation	0	0	0	0	0	0	0	0	0
	Interest	0	0	0	0	0	0	0	0	0
	Payment	0	0	0	0	0	0	0	0	0
	Ending Balance	0	0	0	0	0	0	0	0	0

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Filename: LB & Anaheim - Phase I - 02.04.10; Cash Flow - 4%; jlr

APPENDIX B

LIHTC PROJECT
FINANCIAL GAP ANALYSIS

FINANCIAL GAP ANALYSIS – LIHTC PROJECT

Estimated Development Costs (Appendix B – Table 1)

KMA reviewed the Developer's February 2, 2010 pro forma and found the estimated development costs to be reasonable except for the A&E and FF&E costs.

Acquisition Costs

The Developer will allocate $3.28 million of the Phase I land value to the LIHTC Project. This equates to $202 per square foot of land area. The LIHTC Parcel is owned entirely by the Developer.

Off-site Improvement Costs

The City's Department of Development Services (LBDS) approved a menu of off-site improvements that will be required to develop the Original Project. While the LBDS originally approved the items based on both phases being developed at the same time, it has been agreed that 50% of the improvements, predominately along Long Beach Boulevard, can be waived until Phase II is developed. Therefore, The LIHTC Project of the Phase I off-site improvement costs is estimated at $244,000.

Direct Costs

Given the proposed financing sources, the LIHTC Project will be required to pay prevailing wages, which are included in the direct cost estimates. The following summarizes the direct cost estimate assumptions:

1. On-site improvements are estimated at $19 per square foot of land area. It should be noted that the LIHTC Parcel is currently vacant.

2. Given that the timeline for Phase II has not been established, the LBHDC is requiring the Developer to provide fencing, landscaping and hardscaping on Phase II during the interim. These improvements are estimated to cost $100,000, of which $21,000 has been allocated to the LIHTC Project.

3. The parking garage costs are estimated at approximately $21,100 per space.

4. Shell costs are estimated at $127 per square feet of GBA, which includes costs for the common areas and the community space.

5. A $250,000 allowance is provided for furnishings, fixtures and equipment (FF&E), which equals $6,510 per unit. This expense is approximately $150,000 higher than the typical costs for similar projects.

6. Contractor fees are estimated at 7% of construction costs, which is lower than the 14% maximum imposed by TCAC. Due to the complexity of the LIHTC Project, a $540,000 allowance is also provided for a crane and manlift.

7. Construction bonds are estimated at approximately 1% of construction costs.

8. A $314,000 contingency allowance is provided, which equates to approximately 5% of other direct costs.

The total direct costs are estimated to be $6.50 million, or $219 per square foot of GBA. However, the Developer should provide the LBHDC staff with a detailed description of what is included in the $250,000 FF&E budget. If the LBHDC staff decides to limit this allowance, the financial gap will decrease on a dollar for dollar basis.

Indirect Costs

The following summarizes the indirect cost estimates assumptions:

1. Architecture, engineering and consulting (A&E) costs are estimated at 8% of direct and off-site improvement costs, which equates to $539,000. However, the Developer proposes a total of $1.02 million for A&E costs, which equals 15% of direct and off-site improvement costs. This $483,000 differential includes $18,000 that was expended on the previous architect, as well as $27,000 for a LEED consultant and $438,000, which is considered to be extraordinary costs. However, the Developer provided signed contracts and back-up for costs paid to date for the $1.02 million estimate.

2. Permits and fees are estimated at $15,300 per unit, which is adjusted for the appropriate fee waivers given to affordable units.

3. Taxes, legal and accounting are estimated at 6% of direct and off-site improvement costs, which is slightly higher than typical 3% to 5% for similar projects. However, these costs include $103,000 in costs spent to date, of which property taxes make up a significant portion.

4. Insurance costs are estimated at $1,500 per unit.

5. Marketing and leasing costs are estimated at $385 per unit.

6. The Developer fee is set at $1.24 million, which is 15% of the eligible basis and the maximum allowed under the TCAC regulations.

7. A $126,000 contingency allowance is provided, which equates to 4% of other indirect costs.

The total indirect costs are estimated to be $3.47 million. It should be noted that $438,000 of the indirect costs are considered to be extraordinary. Therefore, it is recommended that the LBHDC make a policy decision in regards to accepting these costs in the financial gap calculation.

Financing Costs

The following summarizes the financing cost estimates assumptions:

1. Century provided a $1.46 million acquisition and predevelopment loan, which is secured with a first trust deed on the LIHTC Parcel. However, Meta was unable to continue to make interest payments on the loan at 8.5% interest. Since Meta has ceased to make interest payments on the loan, $468,000 in interest and fees have accrued. To avoid foreclosure, Meta and Century agreed to enter into a partnership, of which Century will be the managing general partner. Century has also agreed to only recognize $310,000 of the total $468,000 in accrued interest, or 25% of the Developer fee, in the development budget. The accrued interest is proposed to be financed by a $310,000 deferral of the Developer fee and paid to Century with Meta's share of the Developer's share of residual receipts.

2. Interest during construction for the $4.98 million construction loan is calculated based on the following assumptions:

   a. A 6.75% interest rate;

   b. A 14-month construction period and a one-month absorption period;

   c. A 59% average outstanding balance; and

   d. Approximately $6,800 of net operating income during the one-month absorption period.

3. Financing fees are estimated based on the following:

   a. Construction Loan – 1.90 Points; and

   b. Permanent Loan – 7.48 Points. The higher than typical permanent loan fees are a result of the limited size of the permanent loan and that the Developer has yet to secure a permanent lender for the LIHTC Project.

4. Capitalized reserves are estimated as follows:

   a. Operating Reserves – Approximately three months of operating expenses and debt service payments.

   b. Replacement Reserves - $250 per unit allowance.

5. Tax Credit fees are estimated at $85,000.

The total financing costs are estimated to be $869,000. It should be noted that the Developer has not provided a term sheet from the construction and permanent lenders. Thus it is likely that the financing costs will be adjusted.

Total Estimated Development Costs

The estimated development costs total $14.36 million, or $484 per square foot of GBA. The following summarizes the total estimated development costs:

Acquisition Costs	$3,280,000
Off-site Improvement Costs	244,000
Direct Costs	6,497,000
Indirect Costs	3,470,000
Financing Costs	869,000
Total Development Costs	$14,360,000
Per Unit	$368,200
Per Sf GBA	$484

However, based on KMA's experience, the following cost estimates are considered to be extraordinary, need further clarification or are likely to change:

1. A&E Costs – The $438,000 in extraordinary costs should be reviewed by the LBHDC and decided whether to accept these costs in the financial gap calculation.

2. FF&E Costs – The Developer should provide the LBHDC staff with a detailed description of what is included in the $250,000 budget.

3. Financing Costs – Once the Developer receives an official term sheet from the construction and permanent lenders, the financing costs are likely to be adjusted.

Stabilized Net Operating Income (Appendix B – Table 2)

Income Restrictions

The Developer proposes to set-aside 38 units for very-low income households. The LIHTC Project must comply with the income restriction restrictions imposed by the various funding programs. Therefore, the LIHTC Project will be subject to the following income restrictions:

	Number of Units	
Designated Requirements [7]	1-Bdrm	2-Bdrm
Section 50105 / 30% Median [8]	3	1
Section 50105 / 40% Median	3	1
Section 50105 / 45% Median	2	2
Section 50105 / 50% Median	22	4
Unrestricted (Manager's Unit)	0	1

[7] The LBHDC requires that very-low income units comply with the California Health and Safety Code Section 50105 (Section 50105) as referenced in the table.
[8] "Median" refers to the Los Angeles County median income.

Affordability Restrictions

The rents applied to the units must reflect the most stringent requirements imposed by the various funding sources.[9] The 2009 maximum allowable rents, net of the appropriate utility allowances, are as follows:[10]

	One-bedroom Units	Two-bedroom Units
Very-Low Income/30% Median		
Section 50053	$570	$625
30% TCAC Rents	$394	$461
Applicable Rent	$394	$461
Very-Low Income/40% Median		
Section 50053	$570	$625
40% TCAC Rents	$543	$640
Applicable Rent	$543	$625
Very-Low Income/45% Median		
Section 50053	$570	$625
45% TCAC Rents	$617	$729
Applicable Rent	$570	$625
Very-Low Income/50% Median		
Section 50079.5	$570	$625
50% TCAC Rents	$692	$818
Applicable Rent	$570	$625

Net Operating Income Calculation

The gross rental income, including miscellaneous revenue estimated at $5 per unit per month, is projected to stabilize at $275,300. After the assumption of a 5% vacancy and collection allowance, KMA estimated the effective gross income (EGI) is estimated to be $261,530.

KMA reviewed the Developer's proposed operating expense assumptions and determined that the estimates were reasonable. The following summarizes the estimates:

1. General operating expenses are estimated at $4,400 per unit. This estimate is at the high-end of the typical range for similar projects.

2. Property taxes are estimated at $5,000 per year, which reflects that the Developer will partner with a nonprofit partner to enable the Project to receive a property tax waiver.

3. Activity fees are estimated at $6,000, or $154 per unit per year. It should be noted that the tenants of the LIHTC Project will have access to all of the amenities located at the SAC Project.

[9] The affordable rents are estimated based on the strictest of: the calculation methodology established under Section 50053 of the Health and Safety Code and Tax Credit rents that are published annually by TCAC.
[10] Monthly utility allowances: $51/1-bdrm units and $74/2-bdrm units.

4. Replacement reserves are estimated at $250 per unit per year.

The total operating expenses are estimated at $191,630, or $4,900 per unit. When the total operating expenses are deducted from the EGI, the net operating income (NOI) is estimated to total $69,900, which is summarized below.

Effective Gross Income	$261,530
(Less) Operating Expenses	(191,630)
Net Operating Income	$69,900

Financial Gap Analysis (Appendix B – Table 3)

Potential Funding Sources

The following summarizes the potential funding sources:

Conventional Financing

As previously discussed, the LIHTC Project will be financed with a $4.98 million loan during the construction period. The permanent financing was estimated by the Developer based upon the following assumptions:

1. A 1.20 debt coverage ratio, which results in a $58,250 annual debt service payment;

2. A 7.50% interest rate; and

3. A 30-year amortization period.

The resulting permanent loan is estimated at $694,000.

Low Income Housing Tax Credit Equity

The Developer plans to apply for the competitively awarded 9% Tax Credits during the first round of 2010. The following describes the Tax Credit equity Calculation:

1. Tax Credit Basis Calculation: It can be assumed that the Project's eligible Tax Credit basis is equal to the lesser of the depreciable costs for the Tax Credit units, or the basis limits established by TCAC. KMA and the Developer calculated the eligible Tax Credits basis as follows:

    a. The Project's depreciable costs total $9.55 million.

    b. The basis limits applied by TCAC equal $9.58 million.

    c. The depreciable costs are less than the TCAC basis limits. As such, the eligible Tax Credit basis estimated at $9.55 million. However, to increase the competitiveness of the Project, the Developer plans to deduct $1.30 million from the eligible basis.

2. Net Tax Credit Proceeds Calculation:

a. The gross Tax Credit amount supported by the proposed Project is calculated at $9.65 million based on the following assumptions:

i. The Project is located in a "Difficult to Develop" census tract. This allows the eligible Tax Credit basis to be increased by 30%.

ii. The current Tax Credit application sets the annual Tax Credit rate at 9.00%. This rate is applied to the 10-year Tax Credit period.

b. The net syndication value supported by the Tax Credits is ultimately determined based on competitive market conditions and on the timing of the disbursements. Based on the Developer's assumption that 30% of the proceeds will be funded at the completion of construction, the Tax Credit equity rate is estimated at $0.74 per Tax Credit.

Therefore, the net Tax Credit proceeds are estimated at $7.14 million, of which $2.14 million will be available during the construction period. The estimated tie-breaker is 85.5%. As previously discussed, the Developer has not provided an official term sheet from the Tax Credit Investor.

Deferred Costs

During the construction period, the Developer estimates that $1.02 million of the total development costs, or 7%, can be deferred during the construction period. The Developer proposes to defer $310,000 of the Developer fee. The $310,000 deferral is proposed to be repaid to Century over time.

HCD Funds Transfer

While the Developer has allocated $2.78 million of the already received Infill Infrastructure Grant (IIG) funds to this component of Phase I, these funds will only be available at project completion. According to the Developer, this transfer will not be included in the TCAC application in order to increase the tie-breaker for the Project. Again, since a term sheet from the Tax Credit Investor has not yet been provided, it cannot be verified that this transfer is acceptable to the investor.

Total Potential Funding Sources

The following summarizes the total potential funding sources during the construction period and at permanent loan closing:

	Construction	Permanent	Change in Funding Sources
Conventional Financing	$4,982,000	$694,000	($4,288,000)
Tax Credit Equity	2,143,000	7,143,000	5,000,000
Deferred Costs	1,022,000	310,000	(712,000)
HCD Funds Transfer	0	2,782,000	2,782,000
Total Potential Funding Sources	$8,147,000	$10,929,000	$2,782,000

The Developer has not provided terms sheets for the construction and permanent loans as well as from the Tax Credit Investor. Therefore, the availability of these funding sources cannot be verified.

Financial Gap Calculation

The following summarizes the estimated financial gap during the construction period and at permanent loan closing:

	Construction	Permanent	Change in Financial Gap
Total Development Costs	$14,360,000	$14,360,000	$0
(Less) Funding Sources	(8,147,000)	(10,292,000)	(2,782,000)
Financial Gap	$6,213,000	$3,431,000	$2,782,000
Per Affordable Unit	$163,500	$90,300	$73,200

Therefore, it is concluded that the maximum warranted LBHDC assistance is $6.21 million, or $163,500 per affordable unit. In addition, once 100% of the proposed funding sources are in place at the closing of the permanent loan, the financial gap is anticipated to decrease to $3.43 million, or $90,300 per affordable unit. However, it is recommended that the final assistance amount be established based on the review and approval of the A&E and FF&E costs by the LBHDC staff as well as the receipt of term sheets from the construction and permanent lenders and the Tax Credit Investor.

PROPOSED DEAL TERMS

The following summarizes the proposed deal terms:

1. LBHDC will provide up to $6.21 million as a residual receipts loan to the Project (LBHDC Loan) with the following terms:

   a. A 3% simple interest rate;

   b. A 55-year term, at which time the remaining balance of the LBHDC Loan will be due and payable;

   c. Secured by a second trust deed on the LIHTC Parcel; and

   d. Annual payments equal to 25% of the residual receipts.

2. After the permanent loan closes, the LBHDC Loan will be paid down by up to $2.78 million.

CASH FLOW ANALYSIS (APPENDIX B – TABLE 4)

KMA also conducted a cash flow analysis to estimate the present value of the debt service payments to the LBHDC. The following describes the basic cash flow assumptions:

1. Year 1 is based on the pro forma rent and expense assumptions presented in the stabilized analysis (Table 2). The affordable rents are assumed to increase at 2% per year.

2. A 5% vacancy and collection allowance is provided.

3. The general operating expenses and resident services expenses are increased at 3% per year.

4. The property taxes are increased at 2% annually.

5. The replacement reserve is held constant over the life for the Project.

6. Asset management fees are set at $5,000 per year through Year 15.

7. General partnership management fees are set at $5,000 per year and will be held constant over the life of the Project.

8. The following illustrates the proposed residual receipts distribution:

    a. Twenty-five percent (25%) of the residual receipts are applied to the LBHDC Loan; and

    b. The remaining 75% of the residual receipts will be allocated to the Developer, of which 75%, Meta's portion of the Developer's residual receipts, will be applied to the deferred Developer fee.

The following summarizes the cash flow analysis findings:

1. The LBHDC Loan is not projected to be repaid during the 55-year loan term. In fact, the loan will negatively amortize and have a $9.09 million balance in Year 55.

2. In Year 18, the operating reserve funds are expected to be required to assist in making the full $58,250 annual debt services payment. The operating reserve is projected to be depleted by Year 27, therefore, the total debt service payments are not anticipated to be made in the final four years of the loan term. According to the Developer, PNC, the permanent lender currently reviewing the transaction, has not made an issue of the potential cash flow issues. However, PNC has also not yet provided a term sheet for the proposed loan.

3. While the asset management fee is expected to be supported by the cash flow, the general partnership full fee payment is likely to cease after Year 6.

4. Finally, the Developer proposes that the $310,000 deferred Developer fee be repaid out of Meta's share of the Developer's residual receipts. As such, it is estimated that only $1,150 of the $310,000 deferred Developer fee would be repaid. Again, a term sheet from the Tax Credit Investor has not been provided to verify the acceptance of this structure. However, an investor typically requires any deferred Developer fee to be repaid within 15 years. If the deferred fee cannot be repaid within 15 years, the amount needs to be deducted from the Eligible Basis and thus the Tax Credit equity would likely decrease by approximately $268,000.

SUMMARY AND CONCLUSION

The following summarizes the conclusions of the KMA analysis:

1. The warranted financial assistance is estimated at up to $6.21 million. However, there are several issues that need to be resolved prior to finalizing the assistance amount

   a. Extraordinary A&E Costs – A policy decision needs to be made whether to allow the $438,000 in extraordinary A&E costs to be included in the calculation of the warranted financial assistance. If the LBHDC chooses not to include these costs, or a portion of these costs, the warranted LBHDC financial assistance will decrease. However, if the current contracts remain in place, the Developer will be required to find additional funding sources.

   b. FF&E Costs – While the proposed LIHTC Project is expected to be of a high quality, the $250,000 allowance for FF&E is approximately $150,000 higher than typical for similar projects. Therefore, it is recommended that prior to the establishment of the LBHDC Loan amount, the LBHDC staff and the Developer review the specific FF&E budget line-items.

   c. Deferred Developer Fee Repayment – The repayment of the deferred Developer fee is not expected to occur during the 15-year Tax Credit compliance period. The Developer has not yet provided a Tax Credit Investor term sheet that agrees to this assumption. As such, there is potential for the Tax Credit Equity proceeds to be decreased and the financial gap to increased by approximately $268,000. It is recommended that a Tax Credit investor term sheet verifying this structure be provided as well as a source to fill the potential additional financial gap.

   d. Transfer of HCD Funds / TCAC – While the Developer plans to enter into an agreement with the LBHDC in regards to the transfer of $2.78 million from the SAC Project at the completion of the LIHTC Project, the Developer does not plan to provide this information in the TCAC application in order to increase the tie-breaker points. It is not clear what TCAC's response would be if this agreement were to be disclosed and if this structure would be acceptable to a Tax Credit investor.

   e. TCAC Award – The Developer is proposing a TCAC application that would score the maximum points as well as an 85.5% tie-breaker. Given that TCAC has recently modified the tie-breaker calculation, there is not a legitimate way of knowing what the most competitive tie-breaker should be. However, based on the knowledge of several other projects in LA County that may apply, the proposed tie-breaker points appear to be very competitive. It should be noted that if the LIHTC Project does not receive an allocation in the first round of 2010, the Developer will reapply. However, this portion of Phase I will then be delayed.

f. Construction / Permanent loan term sheets – The Developer should provide the construction and permanent loan terms sheets prior to the establishment of the LBHDC Loan amount.

2. The proposed deal terms are appropriate for the proposed Project.

3. Based on a conservative analysis, it appears that the LIHTC Project may have a cash flow problem within the 15 year compliance period. It is assumed that the Tax Credit Investor will be responsible for carrying the project during the compliance period but it is possible that the Developer will request additional assistance from the LBHDC after the compliance period. However, the more likely scenario is that a Tax Credit Investor will not be willing to the deal terms as proposed by the Developer. As such, there may be an issue of the Developer finding an investor.

In conclusion, given the risks outlined in this analysis, it is recommended that the LBHDC only approve the request for financial assistance to the LIHTC Project with the condition that all outside funding sources are secured and documented.

APPENDIX B - TABLE 1

ESTIMATED DEVELOPMENT COSTS
LONG BEACH & ANAHEIM: PHASE I - LIHTC PROJECT
LONG BEACH, CALIFORNIA

I.	Land Assemblage Costs						
	Acquisition Costs	16,220	Sf Land	$202	/Sf Land	$3,280,000	
	Closing Costs	0%	Purchase Price			-	
	Total Land Assemblage Costs	**16,220**	**Sf Land**	**$202**	**/Unit**		**$3,280,000**
II.	**Off-site Improvements [1]**		Allowance				**$244,000**
III.	Direct Costs [2]						
	Demolition Costs	16,220	Sf Land	$0	/Sf Land	$0	
	On-site Improvements	16,220	Sf Land	$19	/Sf Land	311,000	
	Phase II Improvements			$21,000	Allowance	21,000	
	Parking Costs	43	Spaces	$21,076	/Space	906,000	
	Shell Costs	29,684	Sf GBA	$127	/Sf GBA	3,782,000	
	Furnishings, Fixtures & Equipment	39	Units	$6,410	/Unit	250,000	
	Contractor Fees / General Requirements	7%	Construction Costs			328,000	
	Crane & Manlift		Allowance			540,000	
	Construction Bonds	1%	Construction Costs			45,000	
	Contingency Allowance	5%	Other Direct Costs			314,000	
	Total Direct Costs	**29,684**	**Sf GBA**	**$219**	**/Sf GBA**		**$6,497,000**
IV.	Indirect Costs						
	Architecture, Engineering & Consulting [3]	8%	Direct +Off-site Costs			$539,000	
	Original Architect Costs		Allowance			18,000	
	LEED Costs		Allowance			27,000	
	Extraordinary A&E Costs [4]	6%	Direct +Off-site Costs			438,000	
	Permits & Fees [5]	39	Units	$15,283	/Unit	596,000	
	Taxes, Legal & Accounting	6%	Direct +Off-site Costs			413,000	
	Insurance	39	Units	$1,493	/Unit	58,000	
	Marketing & Leasing	39	Units	$385	/Unit	15,000	
	Developer Fee [6]					1,240,000	
	Contingency Allowance	4%	Other Indirects			126,000	
	Total Indirect Costs						**$3,470,000**
V.	Financing Costs						
	Century Land Loan Accrued Interest					$310,000	
	Interest During Construction [7]	$4,981,981	Loan Amount	6.75%	Interest	255,000	
	Financing Fees						
	Construction Loan	$4,981,981	Loan Amount	1.90	Points	95,000	
	Permanent Loan	$694,000	Loan Amount	7.48	Points	52,000	
	Reserves						
	Operating	3	Months of Operating Expenses			62,000	
	Replacement	39	Units	$256	/Unit	10,000	
	TCAC Fees					85,000	
	Total Financing Costs						**$869,000**
VI.	**Total Development Costs**	**29,684**	**Sf GBA**	**$484**	**/Sf GBA**		**$14,360,000**

1 Based on Developer's allocation of off-site improvement costs; assumes City approves waiving the Long Beach Boulevard Improvements at a later date.
2 Based on Developer estimate; includes a premium for prevailing wage requirement.
3 KMA estimate based on industry standards.
4 Based on Developer estimate.
5 Based on LBHDC staff estimate.
6 Equal to the amount identified by the Developer; amount is equal to the maximum amount allowed by TCAC.
7 Assumes a 14-month construction term and a 1-month absorption term; approximately $6,800 in NOI during absorption; and an average outstanding balance of 59%.

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Filename: LB & Anaheim - Phase I - 02.04.10; Pro Forma - 100% Aff; jlr; 2/4/2010

APPENDIX B - TABLE 2

STABILIZED NET OPERATING INCOME
LONG BEACH & ANAHEIM: PHASE I - LIHTC PROJECT
LONG BEACH, CALIFORNIA

I.	Gross Residential Income [1]						
	Manager's Unit	1	Unit	$1,420	/Unit/Month	$17,040	
	VL Inc Redev/Tax Credit @ 30% Median						
	1-Bedroom Units @ (585-Sf)	3	Unit	$394	/Unit/Month	14,180	
	2-Bedroom Units @ (858-Sf)	1	Unit	$461	/Unit/Month	5,530	
	VL Inc Redev/Tax Credit @ 40% Median						
	1-Bedroom Units @ (585-Sf)	3	Units	$543	/Unit/Month	19,550	
	2-Bedroom Units @ (858-Sf)	1	Units	$625	/Unit/Month	7,500	
	VL Inc Redev/Tax Credit @ 45% Median						
	1-Bedroom Units @ (585-Sf)	2	Units	$570	/Unit/Month	13,680	
	2-Bedroom Units @ (858-Sf)	2	Units	$625	/Unit/Month	15,000	
	VL Inc Redev/Tax Credit @ 50% Median						
	1-Bedroom Units @ (585-Sf)	22	Units	$570	/Unit/Month	150,480	
	2-Bedroom Units @ (858-Sf)	4	Units	$625	/Unit/Month	30,000	
	Low Inc Redev/Tax Credit @ 60% Median [1]						
	1-Bedroom Units @ (585-Sf)	-	Units	$695	/Unit/Month	-	
	2-Bedroom Units @ (858-Sf)	-	Units	$765	/Unit/Month	-	
	Laundry/Miscellaneous Income [2]	39	Units	$5	/Unit/Month	2,340	
	Gross Residential Income	39	Units			$275,300	
	(Less) Vacancy & Collection Allowance	5%	Gross Income			(13,770)	
	Effective Gross Income						**$261,530**
II.	Operating Expenses [2]						
	General Operating Expenses	39	Units	$4,381	/Unit	$170,880	
	Property Taxes	39	Units	$128	/Unit	5,000	
	Activity Fee	39	Units	$154	/Unit	6,000	
	MHP Fee	39	Units	$0	/Unit	-	
	Operating Reserve	39	Units	$0	/Unit	-	
	Replacement Reserve	39	Units	$250	/Unit	9,750	
	Total Operating Expenses	39	Units	$4,900	/Unit		**$191,630**
III.	**Net Operating Income**						**$69,900**

[1] Based on LA County 2009 incomes distributed by HUD/HCD. The rents are based on the more stringent of California Health & Safety Code Section 50053 and rents published by TCAC. Efficient utility allowances per the Long Beach Housing Authority are $51/1-bedroom units and $74/2-bedroom units.

[2] Based on Developer's estimates.

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APPENDIX B - TABLE 3

FINANCIAL GAP ANALYSIS
LONG BEACH & ANAHEIM: PHASE I - LIHTC PROJECT
LONG BEACH, CALIFORNIA

I.	**Potential Funding Sources - Construction**							
	A. Construction Loan						$4,982,000	
	B. Tax Credit Equity	30%	of Total Tax Credit Equity				$2,143,000	
	C. Deferred Costs [1]						$1,022,000	
	Total Potential Funding Sources - Construction							**$8,147,000**
II.	**Financial Gap Calculation - Construction Period**							
	Total Development Costs						$14,360,000	
	(Less) Total Potential Funding Sources						(8,147,000)	
	Financial Gap - Construction	**38**	**Affordable Units**	**$163,500**	**/Affordable Unit**			**$6,213,000**
III.	**Potential Funding Sources - Permanent**							
	A. Supportable Permanent Financing							
	Net Operating Income	$69,900	NOI (See Table 2)					
	Income Available for Mortgage	1.20	DCR	$58,250	Debt Service			
	Interest Rate/Mortgage Constant	7.50%	Interest	8.39%	Constant			
	Supportable Permanent Financing							**$694,000**
	B. Tax Credit Equity [2]							
	Gross Tax Credit Value	$9,652,582						
	Syndication Rate	74.00%	/Tax Credit Dollar					
	Net Tax Credit Equity							**$7,143,000**
	C. HCD Funds [3]							
	1C Rental Loan						$0	
	1C Infrastructure Grant						0	
	IIG Grant						2,782,000	
	Total HCD Funds							**$2,782,000**
	D. Deferred Developer Fee [1]	25%	Developer Fee					**$310,000**
	Total Potential Funding Sources - Permanent							**$10,929,000**
II.	**Financial Gap Calculation - Permanent**							
	Total Development Costs						$14,360,000	
	(Less) Total Potential Funding Sources						(10,929,000)	
	Financial Gap - Permanent	**38**	**Affordable Units**	**$90,300**	**/Affordable Unit**			**$3,431,000**

[1] Based on Developer's estimate.

[2] $9.55 million eligible basis; a voluntary reduction of $1,300,000 of the eligible basis to maximize evaluation points; a 130% difficult to develop premium; a 9.00% Tax Credit rate; and an applicable fraction of 100%.

[3] Transferred from the SAC Project.

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APPENDIX B - TABLE 4

CASH FLOW ANALYSIS
LONG BEACH & ANAHEIM: PHASE I - LIHTC PROJECT
LONG BEACH, CALIFORNIA

			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
I.	Project Revenue											
	Gross Rental Income	102.0%	$272,960	$278,419	$283,988	$289,667	$295,461	$301,370	$307,397	$313,545	$319,816	$326,212
	Miscellaneous Income	102.0%	2,340	2,387	2,435	2,483	2,533	2,584	2,635	2,688	2,742	2,797
	Gross Income		$275,300	$280,806	$286,422	$292,151	$297,994	$303,953	$310,033	$316,233	$322,558	$329,009
	(Less) Vacancy & Collection	5%	(13,765)	(14,040)	(14,321)	(14,608)	(14,900)	(15,198)	(15,502)	(15,812)	(16,128)	(16,450)
	Effective Gross Income		**$261,535**	**$266,766**	**$272,101**	**$277,543**	**$283,094**	**$288,756**	**$294,531**	**$300,422**	**$306,430**	**$312,559**
II.	Operating Expenses											
	General Operating Expenses	103.0%	$170,880	$176,006	$181,287	$186,725	$192,327	$198,097	$204,040	$210,161	$216,466	$222,960
	Property Taxes	102.0%	5,000	5,100	5,202	5,306	5,412	5,520	5,631	5,743	5,858	5,975
	Activity Fee	103.0%	6,000	6,180	6,365	6,556	6,753	6,956	7,164	7,379	7,601	7,829
	Replacement Reserve	100.0%	9,750	9,750	9,750	9,750	9,750	9,750	9,750	9,750	9,750	9,750
	Total Operating Expenses		**$191,630**	**$197,036**	**$202,604**	**$208,338**	**$214,242**	**$220,323**	**$226,585**	**$233,034**	**$239,675**	**$246,514**
III.	**Net Operating Income**		$69,905	$69,729	$69,497	$69,205	$68,852	$68,433	$67,946	$67,388	$66,755	$66,045
	Operating Reserve Advances		0	0	0	0	0	0	0	0	0	0
	(Less) Debt Service		(58,250)	(58,250)	(58,250)	(58,250)	(58,250)	(58,250)	(58,250)	(58,250)	(58,250)	(58,250)
	Available CF for Distribution		**$11,655**	**$11,479**	**$11,247**	**$10,955**	**$10,602**	**$10,183**	**$9,696**	**$9,138**	**$8,505**	**$7,795**
IV.	Contingent Payments											
	Asset Management Fee		($5,000)	($5,000)	($5,000)	($5,000)	($5,000)	($5,000)	($5,000)	($5,000)	($5,000)	($5,000)
	General Partnership Fee		(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(4,696)	(4,138)	(3,505)	(2,795)
	LBHDC Loan		(414)	(370)	(312)	(239)	(150)	(46)	0	0	0	0
V.	**Cash Flow to Developer**		**$1,241**	**$1,109**	**$935**	**$717**	**$451**	**$137**	**$0**	**$0**	**$0**	**$0**
	Net Present Value 8%	**$3,763**										
	CF Applied to Deferred Dev Fee		$931	$832	$701	$537	$338	$103	$0	$0	$0	$0
VI.	Operating Reserve											
	Beginning Balance		$62,000	$62,620	$63,246	$63,879	$64,517	$65,163	$65,814	$66,472	$67,137	$67,808
	Interest Income	1.00%	620	626	632	639	645	652	658	665	671	678
	Payments		0	0	0	0	0	0	0	0	0	0
	Ending Balance		62,620	63,246	63,879	64,517	65,163	65,814	66,472	67,137	67,808	68,487
VII.	LBHDC Loan											
	Beginning Balance		$3,431,000	$3,533,516	$3,636,076	$3,738,695	$3,841,386	$3,944,165	$4,047,050	$4,149,980	$4,252,910	$4,355,840
	Balance for Interest Calculation		3,431,000	3,431,000	3,431,000	3,431,000	3,431,000	3,431,000	3,431,000	3,431,000	3,431,000	3,431,000
	Interest	3.00%	102,930	102,930	102,930	102,930	102,930	102,930	102,930	102,930	102,930	102,930
	Payment	25%	(414)	(370)	(312)	(239)	(150)	(46)	0	0	0	0
	Ending Balance		3,533,516	3,636,076	3,738,695	3,841,386	3,944,165	4,047,050	4,149,980	4,252,910	4,355,840	4,458,770

APPENDIX B - TABLE 4

CASH FLOW ANALYSIS
LONG BEACH & ANAHEIM: PHASE I - LIHTC PROJECT
LONG BEACH, CALIFORNIA

			Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
I.	**Project Revenue**											
	Gross Rental Income	102.0%	$332,737	$339,391	$346,179	$353,103	$360,165	$367,368	$374,716	$382,210	$389,854	$397,651
	Miscellaneous Income	102.0%	2,852	2,909	2,968	3,027	3,088	3,149	3,212	3,277	3,342	3,409
	Gross Income		$335,589	$342,301	$349,147	$356,130	$363,253	$370,518	$377,928	$385,486	$393,196	$401,060
	(Less) Vacancy & Collection	5%	(16,779)	(17,115)	(17,457)	(17,806)	(18,163)	(18,526)	(18,896)	(19,274)	(19,660)	(20,053)
	Effective Gross Income		**$318,810**	**$325,186**	**$331,690**	**$338,323**	**$345,090**	**$351,992**	**$359,032**	**$366,212**	**$373,536**	**$381,007**
II.	**Operating Expenses**											
	General Operating Expenses	103.0%	$229,648	$236,538	$243,634	$250,943	$258,471	$266,225	$274,212	$282,439	$290,912	$299,639
	Property Taxes	102.0%	6,095	6,217	6,341	6,468	6,597	6,729	6,864	7,001	7,141	7,284
	Activity Fee	103.0%	8,063	8,305	8,555	8,811	9,076	9,348	9,628	9,917	10,215	10,521
	Replacement Reserve	100.0%	9,750	9,750	9,750	9,750	9,750	9,750	9,750	9,750	9,750	9,750
	Total Operating Expenses		**$253,557**	**$260,810**	**$268,280**	**$275,972**	**$283,894**	**$292,053**	**$300,454**	**$309,107**	**$318,018**	**$327,194**
III.	**Net Operating Income**		$65,253	$64,376	$63,410	$62,351	$61,196	$59,939	$58,577	$57,105	$55,519	$53,813
	Operating Reserve Advances		0	0	0	0	0	0	0	1,145	2,731	4,437
	(Less) Debt Service		(58,250)	(58,250)	(58,250)	(58,250)	(58,250)	(58,250)	(58,250)	(58,250)	(58,250)	(58,250)
	Available CF for Distribution		**$7,003**	**$6,126**	**$5,160**	**$4,101**	**$2,946**	**$1,689**	**$327**	**$0**	**$0**	**$0**
IV.	**Contingent Payments**											
	Asset Management Fee		($5,000)	($5,000)	($5,000)	($4,101)	($2,946)	($1,689)	($327)	$0	$0	$0
	General Partnership Fee		(2,003)	(1,126)	(160)	0	0	0	0	0	0	0
	LBHDC Loan		0	0	0	0	0	0	0	0	0	0
V.	**Cash Flow to Developer**		**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Net Present Value 8%	**$3,763**										
	CF Applied to Deferred Dev Fee		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
VI.	**Operating Reserve**											
	Beginning Balance		$68,487	$69,171	$69,863	$70,562	$71,267	$71,980	$72,700	$73,427	$73,016	$71,015
	Interest Income	1.00%	685	692	699	706	713	720	727	734	730	710
	Payments		0	0	0	0	0	0	0	(1,145)	(2,731)	(4,437)
	Ending Balance		69,171	69,863	70,562	71,267	71,980	72,700	73,427	73,016	71,015	67,288
VII.	**LBHDC Loan**											
	Beginning Balance		$4,458,770	$4,561,700	$4,664,630	$4,767,560	$4,870,490	$4,973,420	$5,076,350	$5,179,280	$5,282,210	$5,385,140
	Balance for Interest Calculation		3,431,000	3,431,000	3,431,000	3,431,000	3,431,000	3,431,000	3,431,000	3,431,000	3,431,000	3,431,000
	Interest	3.00%	102,930	102,930	102,930	102,930	102,930	102,930	102,930	102,930	102,930	102,930
	Payment	25%	0	0	0	0	0	0	0	0	0	0
	Ending Balance		4,561,700	4,664,630	4,767,560	4,870,490	4,973,420	5,076,350	5,179,280	5,282,210	5,385,140	5,488,070

Prepared by: Keyser Marston Associates, Inc.
Filename: LB & Anaheim - Phase I - 02.04.10; Cash Flow - 100% Aff; jlr

APPENDIX B - TABLE 4

CASH FLOW ANALYSIS
LONG BEACH & ANAHEIM: PHASE I - LIHTC PROJECT
LONG BEACH, CALIFORNIA

			Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
I.	**Project Revenue**											
	Gross Rental Income	102.0%	$405,604	$413,716	$421,991	$430,430	$439,039	$447,820	$456,776	$465,912	$475,230	$484,735
	Miscellaneous Income	102.0%	3,477	3,547	3,618	3,690	3,764	3,839	3,916	3,994	4,074	4,155
	Gross Income		$409,081	$417,263	$425,608	$434,120	$442,803	$451,659	$460,692	$469,906	$479,304	$488,890
	(Less) Vacancy & Collection	5%	(20,454)	(20,863)	(21,280)	(21,706)	(22,140)	(22,583)	(23,035)	(23,495)	(23,965)	(24,445)
	Effective Gross Income		**$388,627**	**$396,400**	**$404,328**	**$412,414**	**$420,663**	**$429,076**	**$437,657**	**$446,411**	**$455,339**	**$464,446**
II.	**Operating Expenses**											
	General Operating Expenses	103.0%	$308,628	$317,887	$327,424	$337,246	$347,364	$357,785	$368,518	$379,574	$390,961	$402,690
	Property Taxes	102.0%	7,430	7,578	7,730	7,884	8,042	8,203	8,367	8,534	8,705	8,879
	Activity Fee	103.0%	10,837	11,162	11,497	11,842	12,197	12,563	12,940	13,328	13,728	14,139
	Replacement Reserve	100.0%	9,750	9,750	9,750	9,750	9,750	9,750	9,750	9,750	9,750	9,750
	Total Operating Expenses		**$336,645**	**$346,377**	**$356,400**	**$366,722**	**$377,353**	**$388,300**	**$399,575**	**$411,186**	**$423,144**	**$435,459**
III.	**Net Operating Income**		$51,983	$50,023	$47,928	$45,692	$43,310	$40,775	$38,082	$35,225	$32,195	$28,987
	Operating Reserve Advances		6,267	8,227	10,322	12,558	14,940	17,475	272	0	0	0
	(Less) Debt Service		(58,250)	(58,250)	(58,250)	(58,250)	(58,250)	(58,250)	(58,250)	(58,250)	(58,250)	(58,250)
	Available CF for Distribution		**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**($19,895)**	**($23,025)**	**($26,055)**	**($29,263)**
IV.	**Contingent Payments**											
	Asset Management Fee		$0	$0	$0	$0	$0	$0	$19,895	$23,025	$26,055	$29,263
	General Partnership Fee		0	0	0	0	0	0	0	0	0	0
	LBHDC Loan		0	0	0	0	0	0	0	0	0	0
V.	**Cash Flow to Developer**		**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Net Present Value 8%	**$3,763**										
	CF Applied to Deferred Dev Fee		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
VI.	**Operating Reserve**											
	Beginning Balance		$67,288	$61,694	$54,083	$44,302	$32,187	$17,568	$269	$0	$0	$0
	Interest Income	1.00%	673	617	541	443	322	176	3	0	0	0
	Payments		(6,267)	(8,227)	(10,322)	(12,558)	(14,940)	(17,475)	(272)	0	0	0
	Ending Balance		61,694	54,083	44,302	32,187	17,568	269	0	0	0	0
VII.	**LBHDC Loan**											
	Beginning Balance		$5,488,070	$5,591,000	$5,693,930	$5,796,860	$5,899,790	$6,002,720	$6,105,650	$6,208,580	$6,311,510	$6,414,440
	Balance for Interest Calculation		3,431,000	3,431,000	3,431,000	3,431,000	3,431,000	3,431,000	3,431,000	3,431,000	3,431,000	3,431,000
	Interest	3.00%	102,930	102,930	102,930	102,930	102,930	102,930	102,930	102,930	102,930	102,930
	Payment	25%	0	0	0	0	0	0	0	0	0	0
	Ending Balance		5,591,000	5,693,930	5,796,860	5,899,790	6,002,720	6,105,650	6,208,580	6,311,510	6,414,440	6,517,370

Prepared by: Keyser Marston Associates, Inc.
Filename: LB & Anaheim - Phase I - 02.04.10; Cash Flow - 100% Aff; jlr

APPENDIX B - TABLE 4

CASH FLOW ANALYSIS
LONG BEACH & ANAHEIM: PHASE I - LIHTC PROJECT
LONG BEACH, CALIFORNIA

			Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
I.	**Project Revenue**											
	Gross Rental Income	102.0%	$494,429	$504,318	$514,404	$524,692	$535,186	$545,890	$556,808	$567,944	$579,303	$590,889
	Miscellaneous Income	102.0%	4,239	4,323	4,410	4,498	4,588	4,680	4,773	4,869	4,966	5,066
	Gross Income		$498,668	$508,641	$518,814	$529,190	$539,774	$550,570	$561,581	$572,813	$584,269	$595,954
	(Less) Vacancy & Collection	5%	(24,933)	(25,432)	(25,941)	(26,460)	(26,989)	(27,528)	(28,079)	(28,641)	(29,213)	(29,798)
	Effective Gross Income		**$473,734**	**$483,209**	**$492,873**	**$502,731**	**$512,785**	**$523,041**	**$533,502**	**$544,172**	**$555,055**	**$566,157**
II.	**Operating Expenses**											
	General Operating Expenses	103.0%	$414,771	$427,214	$440,030	$453,231	$466,828	$480,833	$495,258	$510,116	$525,419	$541,182
	Property Taxes	102.0%	9,057	9,238	9,423	9,611	9,803	9,999	10,199	10,403	10,611	10,824
	Activity Fee	103.0%	14,564	15,000	15,450	15,914	16,391	16,883	17,390	17,911	18,449	19,002
	Replacement Reserve	100.0%	9,750	9,750	9,750	9,750	9,750	9,750	9,750	9,750	9,750	9,750
	Total Operating Expenses		**$448,141**	**$461,202**	**$474,653**	**$488,506**	**$502,773**	**$517,465**	**$532,597**	**$548,180**	**$564,229**	**$580,757**
III.	**Net Operating Income**		$25,593	$22,007	$18,220	$14,225	$10,013	$5,576	$905	($4,008)	($9,174)	($14,601)
	Operating Reserve Advances		0	0	0	0	0	0	0	0	0	0
	(Less) Debt Service		0	0	0	0	0	0	0	0	0	0
	Available CF for Distribution		**$25,593**	**$22,007**	**$18,220**	**$14,225**	**$10,013**	**$5,576**	**$905**	**($4,008)**	**($9,174)**	**($14,601)**
IV.	**Contingent Payments**											
	Asset Management Fee		($25,593)	($22,007)	($18,220)	($14,225)	($10,013)	($5,576)	($905)	$4,008	$9,174	$14,601
	General Partnership Fee		0	0	0	0	0	0	0	0	0	0
	LBHDC Loan		0	0	0	0	0	0	0	0	0	0
V.	**Cash Flow to Developer**		**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Net Present Value 8%	**$3,763**										
	CF Applied to Deferred Dev Fee		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
VI.	**Operating Reserve**											
	Beginning Balance		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Interest Income	1.00%	0	0	0	0	0	0	0	0	0	0
	Payments		0	0	0	0	0	0	0	0	0	0
	Ending Balance		0	0	0	0	0	0	0	0	0	0
VII.	**LBHDC Loan**											
	Beginning Balance		$6,517,370	$6,620,300	$6,723,230	$6,826,160	$6,929,090	$7,032,020	$7,134,950	$7,237,880	$7,340,810	$7,443,740
	Balance for Interest Calculation		3,431,000	3,431,000	3,431,000	3,431,000	3,431,000	3,431,000	3,431,000	3,431,000	3,431,000	3,431,000
	Interest	3.00%	102,930	102,930	102,930	102,930	102,930	102,930	102,930	102,930	102,930	102,930
	Payment	25%	0	0	0	0	0	0	0	0	0	0
	Ending Balance		6,620,300	6,723,230	6,826,160	6,929,090	7,032,020	7,134,950	7,237,880	7,340,810	7,443,740	7,546,670

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Filename: LB & Anaheim - Phase I - 02.04.10; Cash Flow - 100% Aff; jlr

APPENDIX B - TABLE 4

CASH FLOW ANALYSIS
LONG BEACH & ANAHEIM: PHASE I - LIHTC PROJECT
LONG BEACH, CALIFORNIA

			Year 41	Year 42	Year 43	Year 44	Year 45	Year 46	Year 47	Year 48	Year 49	Year 50
I.	**Project Revenue**											
	Gross Rental Income	102.0%	$602,707	$614,761	$627,056	$639,597	$652,389	$665,437	$678,745	$692,320	$706,167	$720,290
	Miscellaneous Income	102.0%	5,167	5,270	5,376	5,483	5,593	5,705	5,819	5,935	6,054	6,175
	Gross Income		$607,873	$620,031	$632,431	$645,080	$657,982	$671,141	$684,564	$698,255	$712,220	$726,465
	(Less) Vacancy & Collection	5%	(30,394)	(31,002)	(31,622)	(32,254)	(32,899)	(33,557)	(34,228)	(34,913)	(35,611)	(36,323)
	Effective Gross Income		**$577,480**	**$589,029**	**$600,810**	**$612,826**	**$625,083**	**$637,584**	**$650,336**	**$663,343**	**$676,609**	**$690,142**
II.	**Operating Expenses**											
	General Operating Expenses	103.0%	$557,417	$574,140	$591,364	$609,105	$627,378	$646,199	$665,585	$685,553	$706,119	$727,303
	Property Taxes	102.0%	11,040	11,261	11,486	11,716	11,950	12,189	12,433	12,682	12,935	13,194
	Activity Fee	103.0%	19,572	20,159	20,764	21,387	22,029	22,690	23,370	24,071	24,794	25,537
	Replacement Reserve	100.0%	9,750	9,750	9,750	9,750	9,750	9,750	9,750	9,750	9,750	9,750
	Total Operating Expenses		**$597,779**	**$615,310**	**$633,364**	**$651,958**	**$671,107**	**$690,828**	**$711,138**	**$732,056**	**$753,598**	**$775,784**
III.	**Net Operating Income**		($20,300)	($26,281)	($32,554)	($39,132)	($46,024)	($53,244)	($60,803)	($68,713)	($76,989)	($85,643)
	Operating Reserve Advances		0	0	0	0	0	0	0	0	0	0
	(Less) Debt Service		0	0	0	0	0	0	0	0	0	0
	Available CF for Distribution		**($20,300)**	**($26,281)**	**($32,554)**	**($39,132)**	**($46,024)**	**($53,244)**	**($60,803)**	**($68,713)**	**($76,989)**	**($85,643)**
IV.	**Contingent Payments**											
	Asset Management Fee		$20,300	$26,281	$32,554	$39,132	$46,024	$53,244	$60,803	$68,713	$76,989	$85,643
	General Partnership Fee		0	0	0	0	0	0	0	0	0	0
	LBHDC Loan		0	0	0	0	0	0	0	0	0	0
V.	**Cash Flow to Developer**		**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Net Present Value 8%	**$3,763**										
	CF Applied to Deferred Dev Fee		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
VI.	**Operating Reserve**											
	Beginning Balance		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Interest Income	1.00%	0	0	0	0	0	0	0	0	0	0
	Payments		0	0	0	0	0	0	0	0	0	0
	Ending Balance		0	0	0	0	0	0	0	0	0	0
VII.	**LBHDC Loan**											
	Beginning Balance		$7,546,670	$7,649,600	$7,752,530	$7,855,460	$7,958,390	$8,061,320	$8,164,250	$8,267,180	$8,370,110	$8,473,040
	Balance for Interest Calculation		3,431,000	3,431,000	3,431,000	3,431,000	3,431,000	3,431,000	3,431,000	3,431,000	3,431,000	3,431,000
	Interest	3.00%	102,930	102,930	102,930	102,930	102,930	102,930	102,930	102,930	102,930	102,930
	Payment	25%	0	0	0	0	0	0	0	0	0	0
	Ending Balance		7,649,600	7,752,530	7,855,460	7,958,390	8,061,320	8,164,250	8,267,180	8,370,110	8,473,040	8,575,970

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APPENDIX B - TABLE 4

CASH FLOW ANALYSIS
LONG BEACH & ANAHEIM: PHASE I - LIHTC PROJECT
LONG BEACH, CALIFORNIA

			Year 51	Year 52	Year 53	Year 54	Year 55
I.	**Project Revenue**						
	Gross Rental Income	102.0%	$734,696	$749,390	$764,378	$779,665	$795,258
	Miscellaneous Income	102.0%	6,298	6,424	6,553	6,684	6,817
	Gross Income		$740,994	$755,814	$770,930	$786,349	$802,076
	(Less) Vacancy & Collection	5%	(37,050)	(37,791)	(38,547)	(39,317)	(40,104)
	Effective Gross Income		**$703,944**	**$718,023**	**$732,384**	**$747,032**	**$761,972**
II.	**Operating Expenses**						
	General Operating Expenses	103.0%	$749,122	$771,596	$794,743	$818,586	$843,143
	Property Taxes	102.0%	13,458	13,727	14,002	14,282	14,567
	Activity Fee	103.0%	26,303	27,093	27,905	28,742	29,605
	Replacement Reserve	100.0%	9,750	9,750	9,750	9,750	9,750
	Total Operating Expenses		**$798,633**	**$822,165**	**$846,400**	**$871,360**	**$897,065**
III.	**Net Operating Income**		($94,689)	($104,142)	($114,017)	($124,328)	($135,093)
	Operating Reserve Advances		0	0	0	0	0
	(Less) Debt Service		0	0	0	0	0
	Available CF for Distribution		**($94,689)**	**($104,142)**	**($114,017)**	**($124,328)**	**($135,093)**
IV.	**Contingent Payments**						
	Asset Management Fee		$94,689	$104,142	$114,017	$124,328	$135,093
	General Partnership Fee		0	0	0	0	0
	LBHDC Loan		0	0	0	0	0
V.	**Cash Flow to Developer**		**$0**	**$0**	**$0**	**$0**	**$0**
	Net Present Value 8%	**$3,763**					
	CF Applied to Deferred Dev Fee		$0	$0	$0	$0	$0
VI.	**Operating Reserve**						
	Beginning Balance		$0	$0	$0	$0	$0
	Interest Income	1.00%	0	0	0	0	0
	Payments		0	0	0	0	0
	Ending Balance		0	0	0	0	0
VII.	**LBHDC Loan**						
	Beginning Balance		$8,575,970	$8,678,900	$8,781,830	$8,884,760	$8,987,690
	Balance for Interest Calculation		3,431,000	3,431,000	3,431,000	3,431,000	3,431,000
	Interest	3.00%	102,930	102,930	102,930	102,930	102,930
	Payment	25%	0	0	0	0	0
	Ending Balance		8,678,900	8,781,830	8,884,760	8,987,690	9,090,620

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