The
Long Beach Housing Development Company

MEMORANDUM

DATE: June 15, 2011

TO: Board of Directors
The Long Beach Housing Development Company

FROM: Amy Bodek, President

PREPARED BY: Norma C. Lopez, Development Project Manager

SUBJECT: **Loan Agreement for the Acquisition and Rehabilitation of an Apartment Building Located at 6301 Atlantic Ave. (CD 9)**

RECOMMENDATIONS

1. Approve a loan of up to $5,900,000 to a to-be-formed partnership, in which Hunt Capital Partners, LLC or its affiliate acts as the general partner, for the acquisition and rehabilitation of an apartment building located at 6301 Atlantic Ave. ;

2. Authorize the President or designee to negotiate and enter into a Loan Agreement with a to-be-formed partnership, in which Hunt Capital Partners, LLC or its affiliate acts as the general partner; and

3. Authorize the President or designee to execute any and all documents necessary to implement the recommended actions above.

BACKGROUND

Hunt Capital Partners, LLC (Hunt), Western Community Housing, Inc. (WCH), Davila Properties, LLC, and Ashwood Construction, Inc., (collectively, Developer) have formed a development team and plan to form a limited partnership to acquire and rehabilitate an apartment building located at 6301 Atlantic Avenue, which is known as Bellwood Apartments (Bellwood). The to-be-formed partnership, which will develop, own, and manage the property, will be comprised of Hunt as general partner, WCH as managing general partner, and a tax credit investor limited partner. An organizational chart and development team list are included as Exhibit A.

Hunt is an affiliate of Hunt Companies, Inc. (HCI), a national privately owned real estate investor, manager, developer, and contractor. Founded in 1947, HCI's focus and experience is in public-private sector partnerships, military housing, mixed-use, multi-family housing, master-planned communities, government build–to-lease programs, retail, and office space. HCI and affiliates have over $10 billion in assets under

MAKING
AFFORDABLE
HOUSING
HAPPEN

AGENDA ITEM NO. 2

Mailing Address:
110 Pine Avenue
Suite 1200
Long Beach, CA 90802
Tel 562/570-6949
Fax 562/570-5921

management including 65,000 multi-family housing units. The company is headquartered in El Paso, Texas and has 515 regional offices throughout the United States.

WCH is a California non-profit public benefit corporation that was founded in 1999 and is based in Costa Mesa, with a regional office in Los Angeles, WCH's mission is to provide affordable housing and social service programs to low- and moderate-income families and seniors residing in affordable rental housing communities.

Davila Properties, LLC is owned and operated by Roger Davila. Mr. Davila has 37 years of experience in the real estate financing and the development field. He has participated in the development of over 1,400 affordable housing units and has been involved in all aspects of multi-family housing and commercial developments.

Ashwood Construction, Inc. is a California multi-family housing developer/builder. It was established in 1976 and it is family-owned and operated. The company has built over 17,000 units in more than 150 projects ranging in size from fewer than 40 to more than 400 units. The company has been recognized with several awards including a commendation from the City of Pasadena for the King Villages Apartments.

The Developer is requesting gap financing from the LBHDC in the amount of $5,900,000 to acquire and rehabilitate Bellwood and maintain it as an affordable housing community for a period of 55 years.

PROJECT DESCRIPTION

Bellwood is an existing two-story 34-unit apartment building located on the west side of Atlantic Avenue directly across from Houghton Park and just south of Jordan High School (see aerial and site map attached as Exhibit B). It was constructed in 1964 and consists of 12 one-bedroom/one-bath and 22 two-bedroom/one-bath units. The building has 34 parking spaces in enclosed carports and a pool. The Developer is proposing to replace kitchens and bathrooms in all the units; replace floor coverings, appliances, and lighting; upgrade the roof mounted solar and auxiliary hot water systems; upgrade plumbing and electrical systems; replace the roof; install new energy efficient windows; and provide extensive exterior improvements, including new siding, architectural treatments, landscaping and lighting. The timeline for completion of the rehabilitation is seven months after notice to proceed is given. The complete Scope of Work is attached as Exhibit C and renderings are included as Exhibit D.

The building does not and will not include a community room. However, there is funding included in the budget for a social services coordinator, and it is anticipated that WCH will coordinate with existing service providers throughout the City to provide services to the residents.

AFFORDABILITY

The Developer intends to restrict 11 units to serve very low-income residents at 50% of area median income (AMI) and 22 units to serve low-income residents at 60% of AMI. The project will maintain one unrestricted unit for the on-site manager. Rents are expected to be between $573 and $635 for a one-bedroom unit and between $699 to $777 for a two-bedroom unit. These rents will be adjusted accordingly based on the applicable levels dictated by Redevelopment law at the time of completion.

AFFORDABILITY			
AMI Served	1-Bdrm	2-Bdrm	Total
50%	4	7	11
60%	8	14	22
Market Rate (Manager's unit)	0	1	1
Total	12	22	34

RELOCATION

It is anticipated that relocation of the tenants will take place on a temporary and permanent basis. Plans include the temporary relocation of 18 tenants into the vacant units while work is being performed on their units at an average cost of $2,000 per household. It is also anticipated that 15 tenants will be permanently relocated at an average cost of $35,000 per household. The total relocation budget is estimated at $633,000 including consultant costs of $72,000. More details about the nature of the relocation will be available after tenant income certification takes place. Relocation services will follow all applicable Federal, State, and any local requirements.

RELOCATION		
Permanent	15 @ 35,000	$525,000
Temporary	18 @ 2,000	$36,000
Consultant		$72,000
Total		$633,000

The Developer has entered into a contract with Laurin Associates, a relocation consultant, to manage the relocation process. A relocation plan will be finalized and submitted to the Housing Services Bureau staff for approval prior to any relocation activities.

PROJECT FINANCING

The Developer is requesting $5,900,000 in gap assistance from the LBHDC. The total development cost is $9,200,000 or $270,588 per unit. The requested LBHDC assistance translates to $178,788 per restricted unit. Should the Board approve this request, the LBHDC will provide 64% of the total cost of the project. The breakdown of the development costs is shown below.

DEVELOPMENT COST BREAKDOWN		
Land Assemblage	$5,076,000	(acquisition, relocation, extension fee, closing costs)
Direct	$2,240,000	(off-site & on site improvements, construction, insurance, bonds, contingency, etc.)
Indirect	$1,379,000	(architecture, engineering, consultants, permits & fees, taxes, insurance, legal & accounting, marketing & leasing, developer fee)
Financing	$505,000	(construction and permanent loan fees and interest, tax credit fees, capitalized reserves)
Total	$9,200,000	

The Developer anticipates using the following funding sources during construction and for permanent financing.

PROPOSED FUNDING SOURCES	DURING CONSTRUCTION	PERMANENT FUNDING SOURCES
LBHDC	$3,000,000	$5,900,000
Tax-exempt Bonds and 4% Low Income Housing Tax Credits	$492,723	$2,464,000
Conventional Loan	$5,000,0000	$791,000
Developer fees	$707,277	$45,000
Total	**$9,200,000**	**$9,200,000**

Keyser Marston Associates (KMA) reviewed the developer's proforma. Based on KMA's analysis (attached as Exhibit E), the Developer's request of $5,900,000 is warranted. However, KMA has expressed concern about the Developer's tax credit estimate. The Developer has estimated the tax credit equity rate at 84 cents, which is approximately ten cents lower than the current rate identified by KMA. To mitigate this concern, KMA recommends that the LBHDC require the Developer to obtain at least three quotes from well-known tax credit investors. Any savings achieved through a more competitive rate will offset the LBHDC's financial assistance. Furthermore, the Developer will not be allowed to offset any savings through the deferment of additional developer fees.

CONCLUSION

The conversion of the building into an affordable housing project fits into the LBHDC's mission to provide safe and livable neighborhoods by promoting, developing and preserving decent safe and affordable housing for the very low-, low- and moderate income residents of Long Beach. This project will provide deep levels of affordability, which will help the Housing Services Bureau meet its obligation to the State to provide units to very low- and low-income residents. The project is also in line with the revitalization plans for the area. For these reasons, staff recommends approval of a loan of up to $5,900,000, subject to the following conditions:

- Developer will obtain at least three quotes for tax equity rates from well-known tax credit investors.
- Developer will apply for other funding sources such as the City of Industry (Industry) funds and Affordable Housing Program (AHP) funds awarded by the Federal Home Loan Bank
- The LBHDC will not disburse any of the financial assistance until receipt from the Developer of binding funding commitments from all the proposed sources listed above.
- Loan proceeds will be disbursed in accordance with a disbursement schedule to be finalized before loan closing.
- LBHDC loan will be secured by a 2nd trust deed on the property.
- The loan will be structured as a residual receipts loan with a 55-year term and a 1% simple interest rate.

Any additional funds generated by the Developer through enhanced tax credit equity rate and/or awards from Industry and AHP funds will reduce the amount of LBHDC financial assistance accordingly.

The Projects Committee has reviewed this item on June 7, 2011, and recommends the Board's approval.

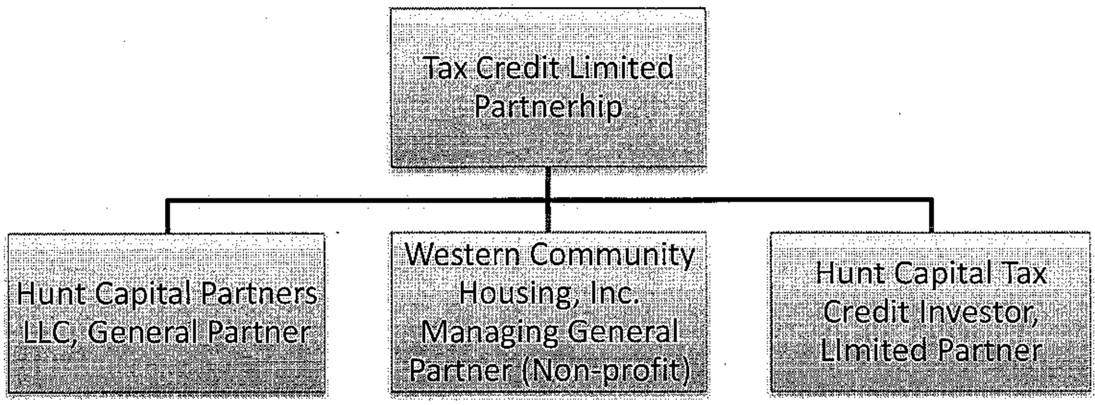
ET:PU:NCL

Attachments:

A. Organizational Chart and Development Team List
B. Aerial and Site Map
C. Scope of Work
D. Renderings
E. KMA Analysis

Exhibit A

Bellwood Apartments Ownership Organizational Chart



DEVELOPMENT TEAM

Developer/Owner: Hunt Capital Partners LLC

Parent Company: Hunt Companies, Inc.

Contractor/ Co-Developers: Ashwood Construction, Inc. /Davila Properties LLC

Managing General Partner (non-profit): Western Community Housing, Inc.

Development Consultant: Davila Properties LLC

Legal: Cox, Castle, Nicholson

Architect: Gomez Architects, Inc. / StudioOneEleven

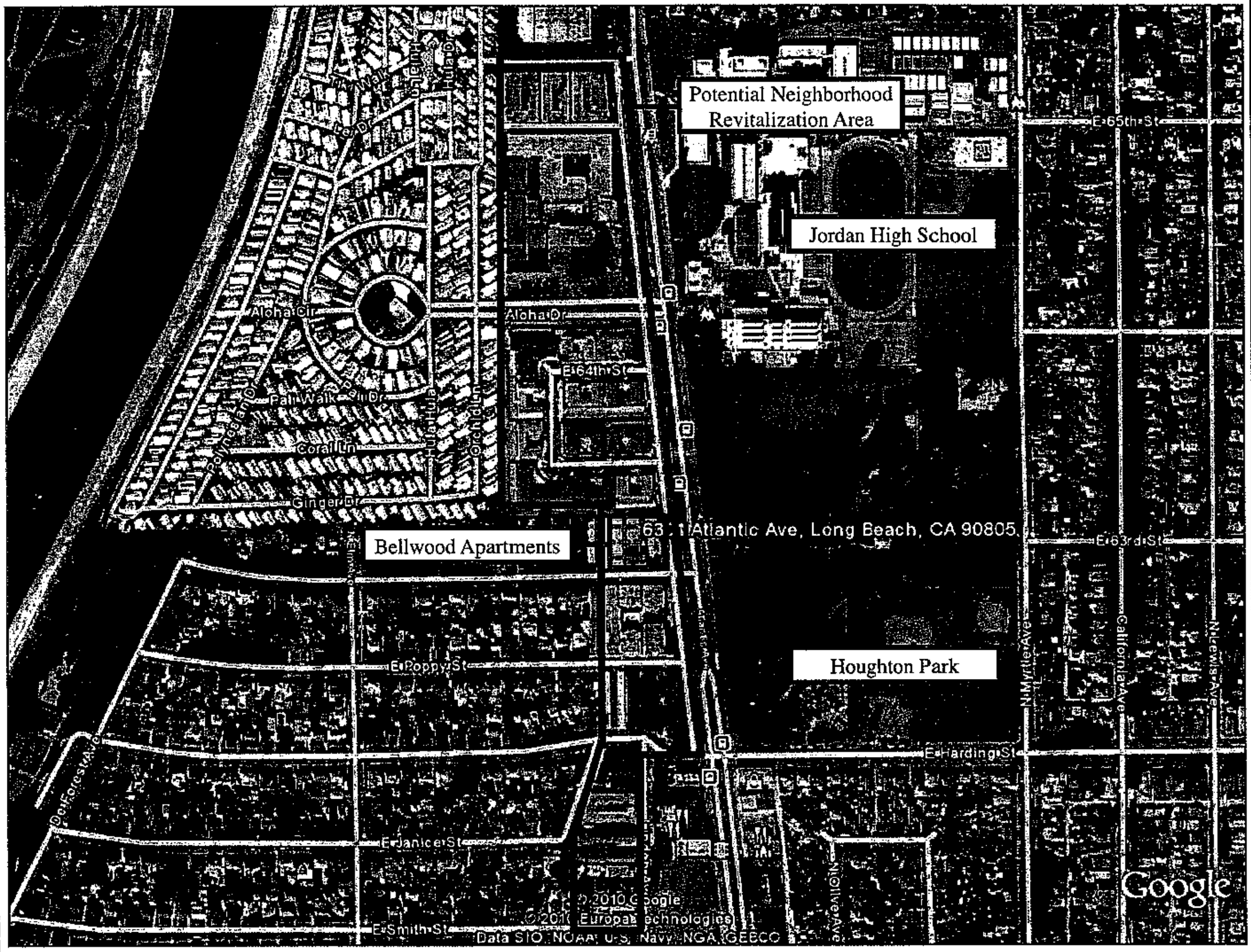
Property Management: Barker Management

Relocation Consultant: Laurin & Associates

Exhibit B

AERIAL

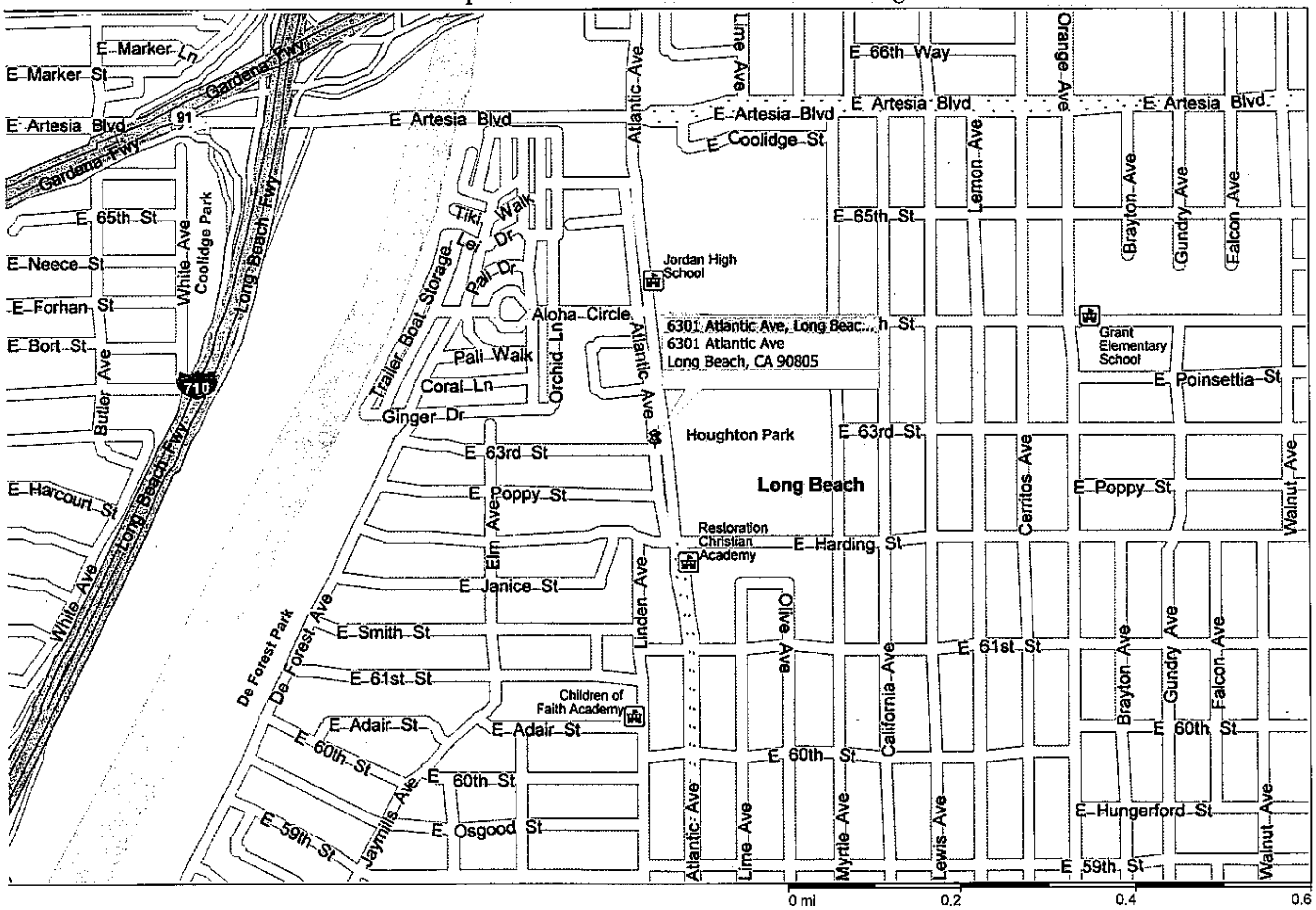
PARK VIEW APARTMENTS



SITE MAP

Long Beach, California

Bellwood Apartments 6301 Atlantic Avenue Long Beach



Ashwood Construction, Inc.

Exhibit C

25-May-11

Bellwood Arms Apartments
6301 Atlantic
Long Beach, CA
Rehabilitation
34 Units

Exhibit A
Hard Cost
Breakdown

Preliminary
NON-PREVAILING WAGE BASED BUDGET ESTIMATE

Acct.	Category	Hard Costs	Description
2000	**Site Work**		
2020	Labor, Demolition & Hauling	$ 105,060	Demolition labor and debris removal
2500	Concrete Paving	$ 42,631	Patch and repair existing drive aisle, repair valley gutter, re-pave with new AC.
2505	Rework Alley Paving	$ 12,669	Sawcut and remove asphalt and base in alley to create landscaping beds.
2610	Pest Control	$ 17,230	Treat as needed.
2900	Landscaping	$ 114,135	Landscape and drainage inc/remove lg trees & adding trees and landscape.
3000	**Concrete**		
3010	Walkway Repairs	$ 28,695	Misc. concrete repairs throughout the site (inc. alley) to meet accessibility requirements.
4000	**Masonry**		
4010	Trash Enclosure (inc slab)	$ 12,669	Construct new city-standard trash enclosure, with footings, slab and apron.
5000	**Metals**		
5200	Stairways	$ 25,496	Replace all stairs to meet code.
5210	Balcony railing	$ 32,939	Repair or replace to meet code.
5220	Perimeter Metal Fence	$ 24,071	Install new metal fencing and gates.
6000	**Wood and Plastics**		
6010	Rough Carpentry	$ 64,095	Framing for elevation change and balcony addition
6110	Patio Fence	$ 6,144	Repair or replace patio divider fencing as needed.
6210	Kitchen Cabinets	$ 321,767	Remove existing cabinets & replace with new cabinets, granite countertops & faucets.
6215	Bath Vanities	$ 33,211	Remove existing vanities and replace with new cabinets, granite countertops & faucets.
7000	**Thermal/Moisture**		
7100	Cement Plaster (Stucco)	$ 31,875	Stucco for elevation change and balcony addition
7110	Cement-board Siding	$ 54,834	Install Hardi-board siding per new elevation.
7200	Insulation (No Formaldehyde)	$ 12,669	Install fiberglass insulation in attic spaces, where accessible (blow-in and batts) to meet R-30.
7300	Roofing	$ 55,695	Replace roofing with new 25-year, comp. shingle.
7410	Balcony deck	$ 29,075	Resurface deck coating at deck and walkway surfaces.
8000	**Doors and Windows**		
8120	Entry doors (inc. laundry room)	$ 16,850	Replace existing entry door with new fiberglass, 6-panel door.
8130	Interior doors	$ 15,710	Replace with 6-panel, hollow core.
8140	Closet Doors	$ 17,737	Re-Frame 8' to 6'-8", install new bi-pass doors.
8150	Garage Doors	$ 30,922	Replace wood garage doors with new metal doors and divide garages into single units.
8610	Vinyl Windows	$ 64,612	Replace existing windows with new, vinyl, dual-glazed windows.
9000	**Finishes**		
9240	Bathroom mirrors	$ 3,877	Replace existing mirrors with surface-mount, tri-fold mirrors
9900	Interior paint	$ 36,613	Repaint all units throughout with low to no VOC paint.
9910	Exterior paint	$ 53,843	Repaint exterior surfaces, trim and fascia complete including new siding.
10000	**Specialties**		
10600	Mailboxes	$ 4,561	
11000	**Equipment**		
11400	Appliances	$ 39,413	Replace existing refrigerator, stove, hood, dishwasher & disposer with Energy Star appliances.
12000	**Furnishings**		
12100	Carpet	$ 40,921	Remove existing flooring and install carpet w/25% recycled content in bedrooms & living rooms.
12120	Ceramic tile flooring	$ 22,076	Remove existing flooring and install new ceramic tile flooring in kitchen, bath, dining and hallway (1st Fl.) using low to no VOC adhesive.
12130	Vinyl Flooring (at wood sub-floor)	$ 13,999	Remove existing flooring and install new vinyl flooring in kitchen, bath, dining and hallway (2nd Fl.) using low to no VOC adhesive.
12150	Vertical Blinds	$ 14,215	Remove existing blinds, install new vertical blinds.
13000	**Special Construction**		
13100	In-fill Lower Windows	$ 46,434	Frame-in and finish lower section of designated upper & lower windows inc/stucco, insul. & drywall.
13200	Remodel laundry room	$ 6,335	Modernize existing laundry room.
15000	**Mechanical**		
15400	Misc. Plumbing	$ 21,537	Misc. plumbing repairs as needed.
15410	Sanitary Sewer Main	$ 9,502	Hydroflush, locate and camera main lines.
15420	Tub & Showers	$ 65,258	Remove existing tubs, replace with new fiberglass tubs with three piece surround and new faucet.
15430	Toilets	$ 10,769	Remove existing toilets and replace with new toilets.
15440	Solar Water Heating	$ 9,502	Repair existing solar water heating system
16000	**Electrical**		
16100	Misc. Electrical	$ 20,460	Misc. electrical repairs as needed.
16150	Energy Star Ceiling Fans	$ 25,845	Install new Energy Star ceiling fans at living room and master bedroom.
16200	Radiant Heating	$ 20,891	Repair existing wall heaters
16300	Lighting Fixtures	$ 15,076	Replace all unit lighting fixtures with new fixtures.
16400	Solar (Photovoltaic) System	$ 82,349	Install new 15Kw solar photovoltaic power system for common area and Manager's unit.
17000	**Contingency**		
17000	Contractor Contingency		
	Subtotal	**$ 1,734,268**	
	Architectural Fees	$ 31,500	
	Contractor Gen Req.@ 4%	$ 69,371	
	Contractor OH & Profit @ 10%	$ 173,427	
	Total	**$ 2,008,566**	

Exhibit D

BELLWOOD APARTMENTS

PROPOSED ARCHITECTURAL ELEVATIONS

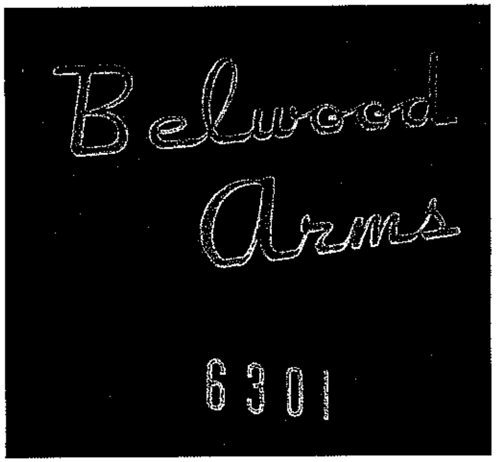
HUNT
COMPANIES, INC.

ASHWOOD
CONSTRUCTION

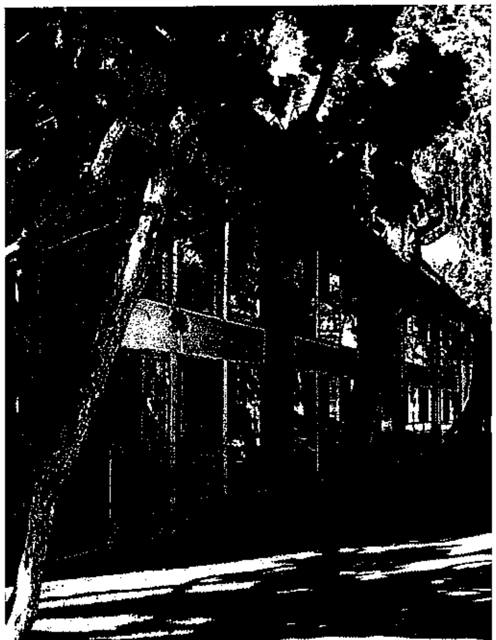
Western Community Housing, Inc.
A Non-Profit Affordable Housing Corporation

DAVILA
PROPERTIES LLC

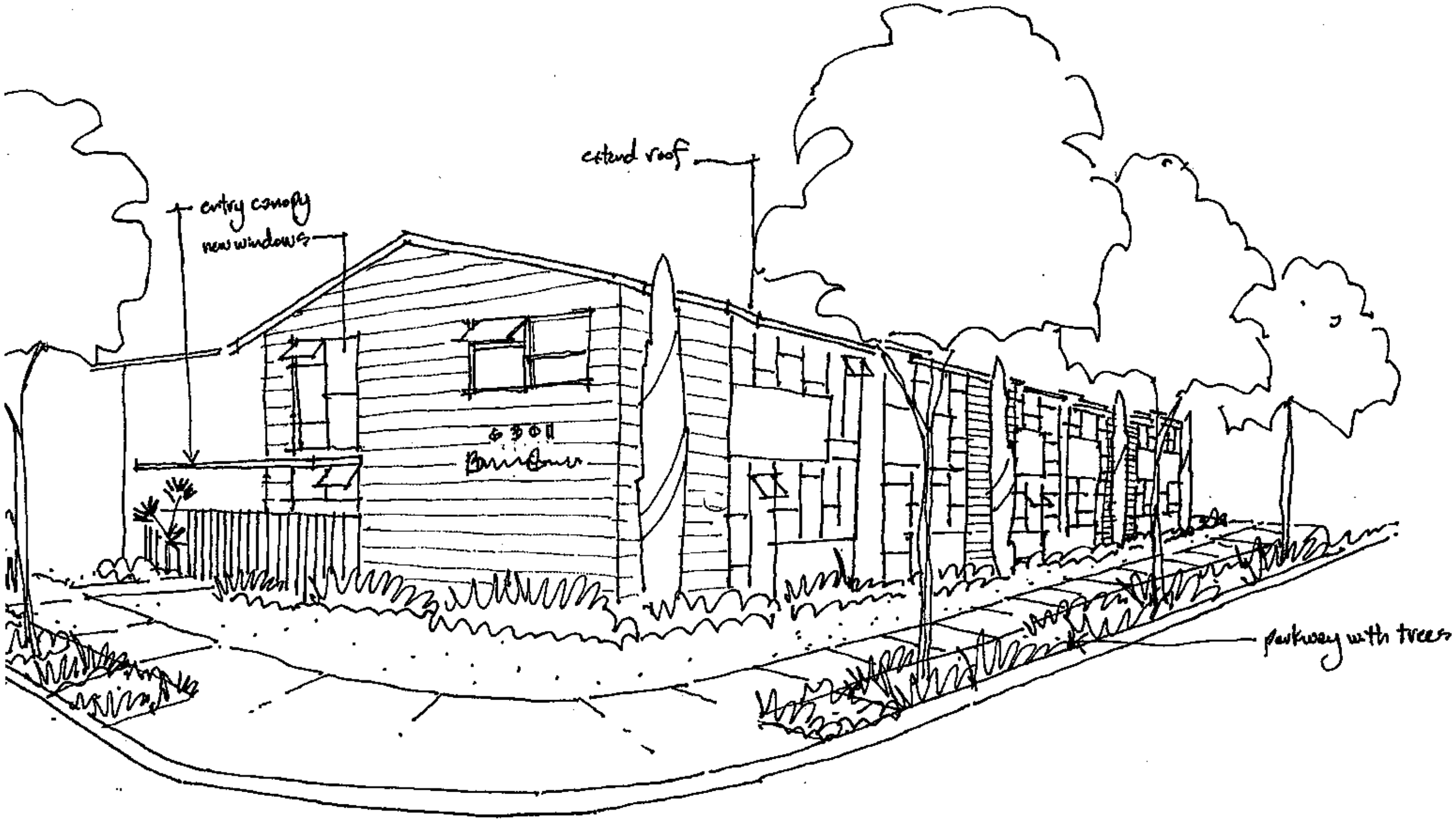

6301 ATLANTIC
Long Beach, CA
ATLANTIC BOULEVARD
studioneleven
Perkowitz+Ruth Architects



Existing project signage

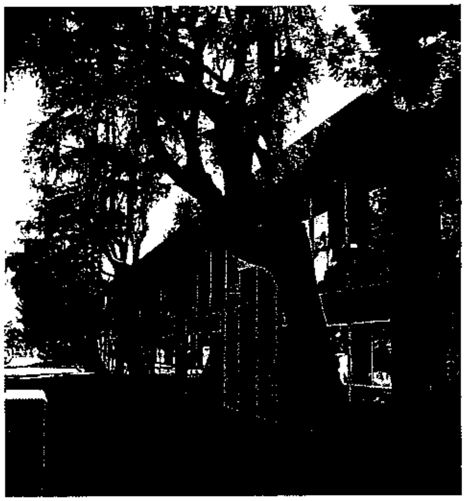


Existing Atlantic elevation with landscape opportunity



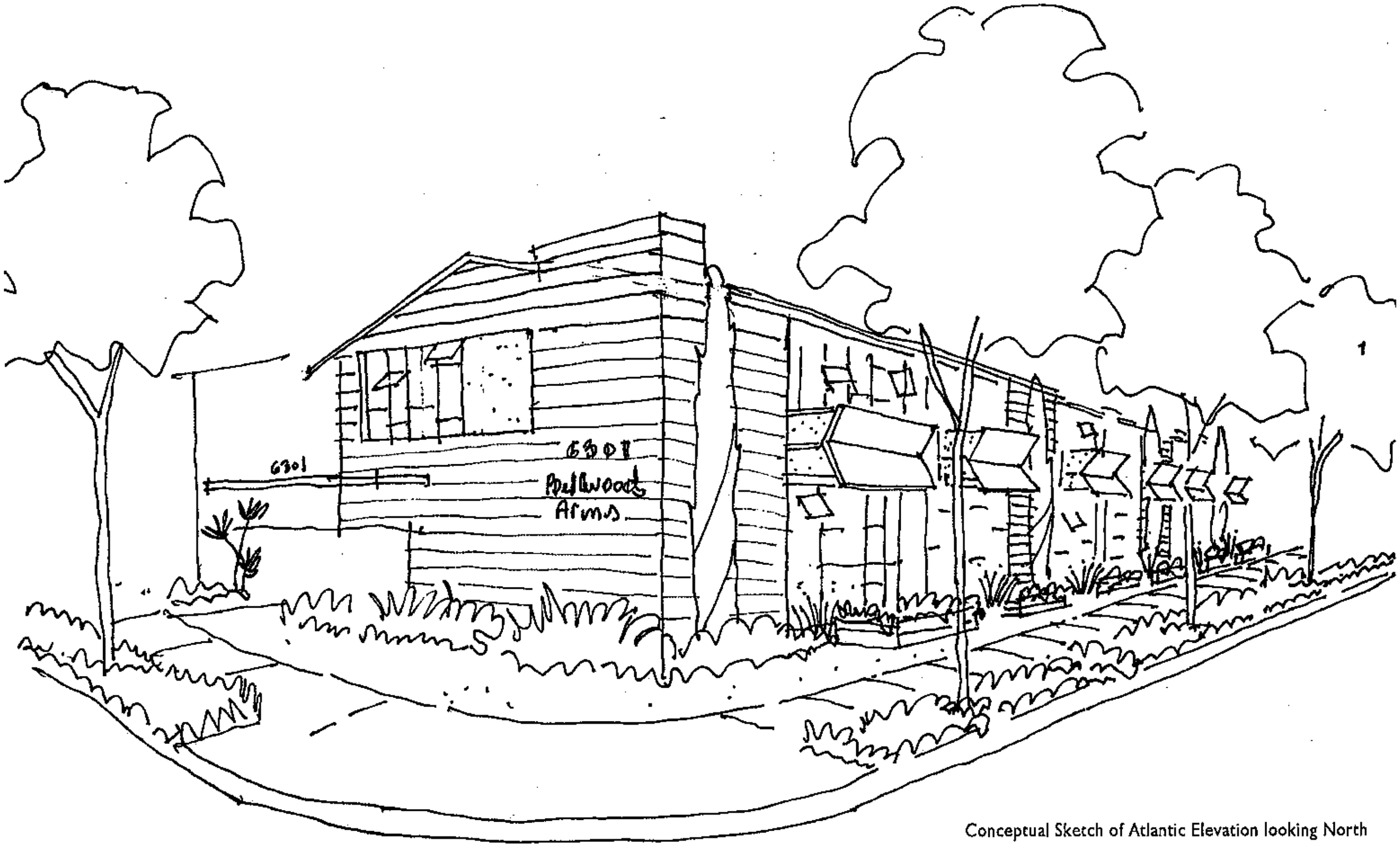
Conceptual Sketch of Atlantic Elevation looking North

View of Atlantic Elevation looking North

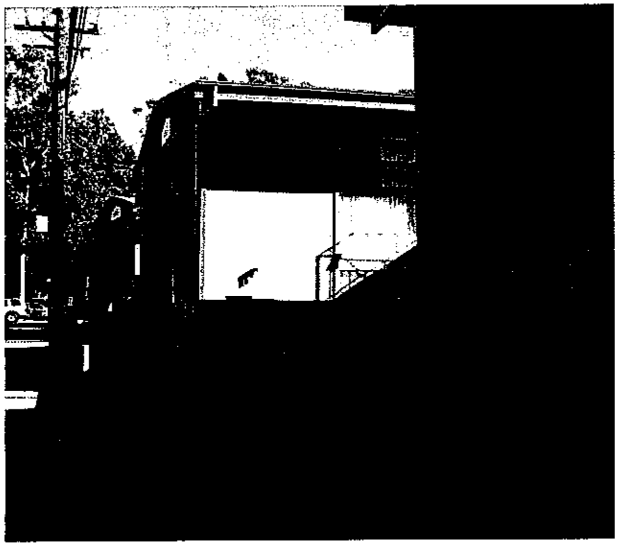


Atlantic Elevation looking South with landscape opportunity

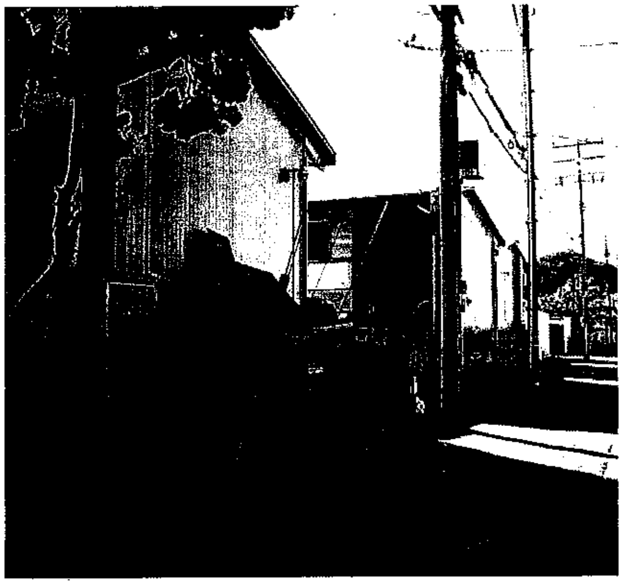
Atlantic Elevation looking North



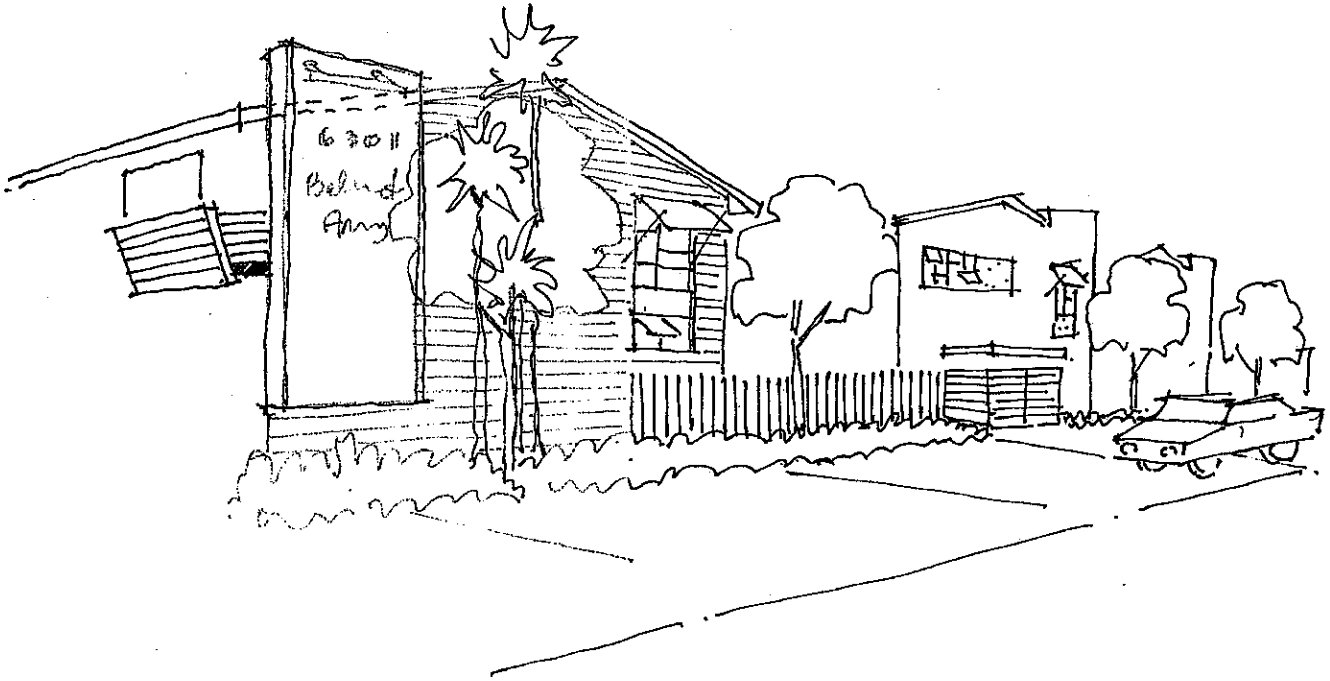
Conceptual Sketch of Atlantic Elevation looking North



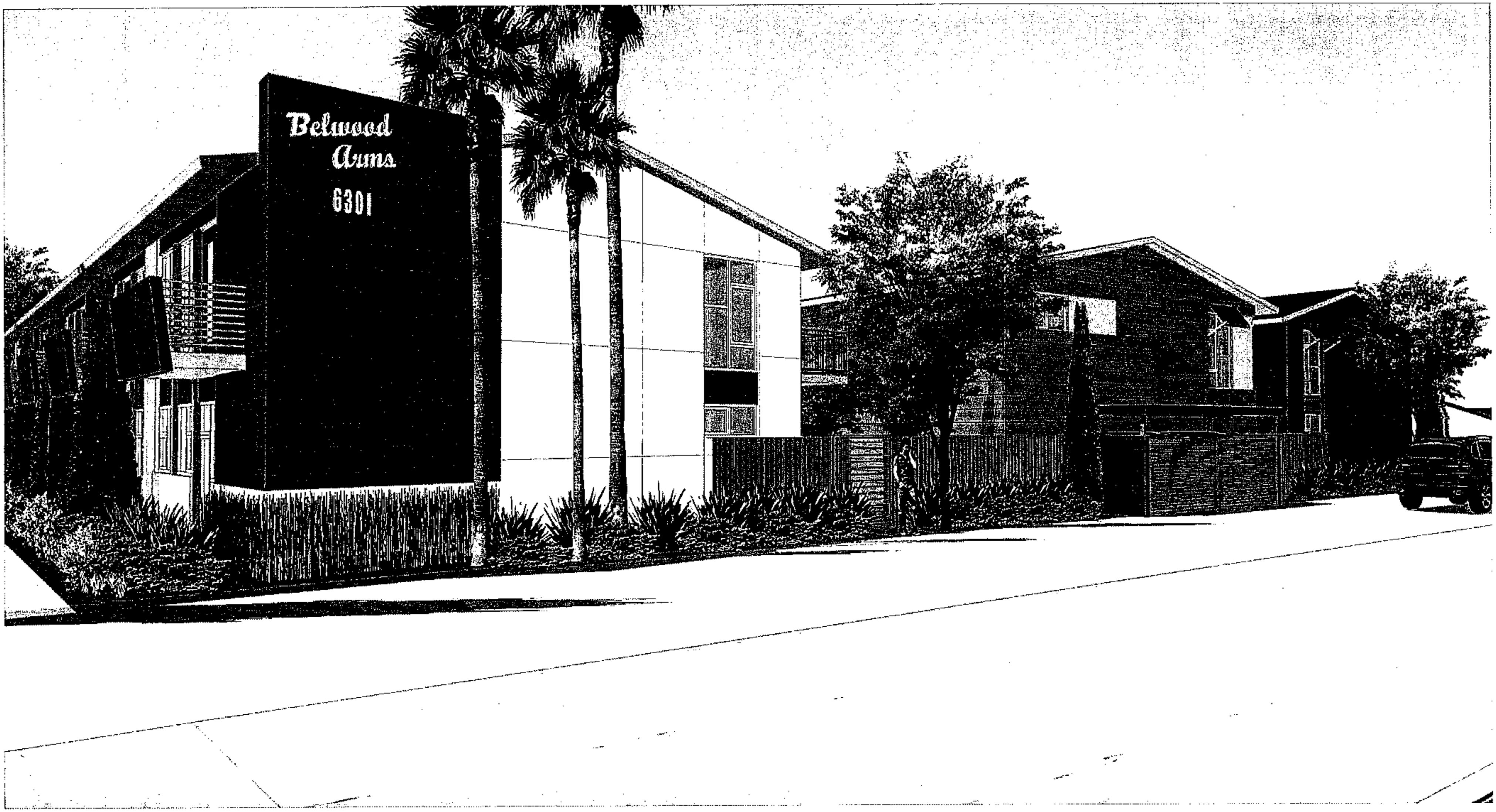
Alley looking East showing landscape opportunity in setback



Alley looking West showing electric panel and exposed dumpsters

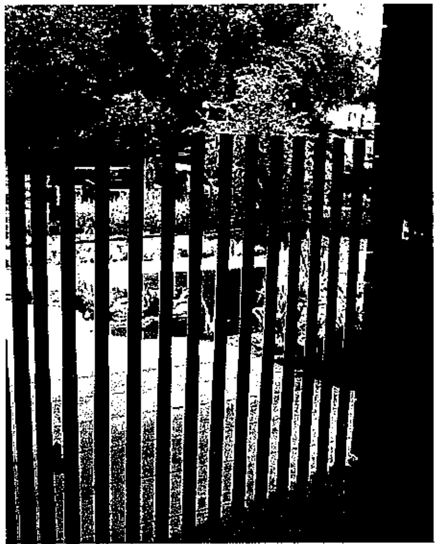


Conceptual Sketch of Alley Elevation looking West

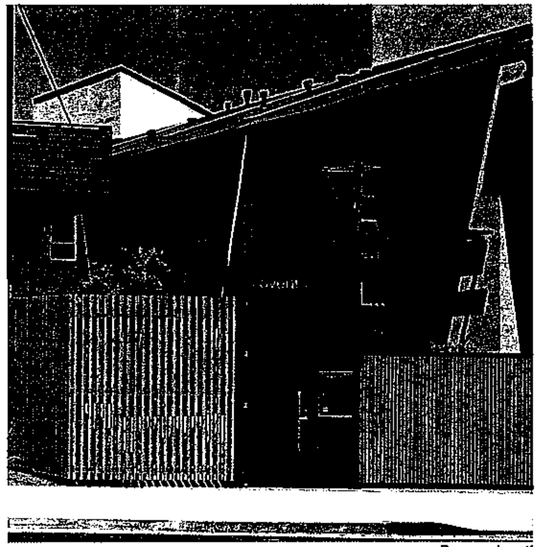


View of Alley looking West

Inviting color pallette

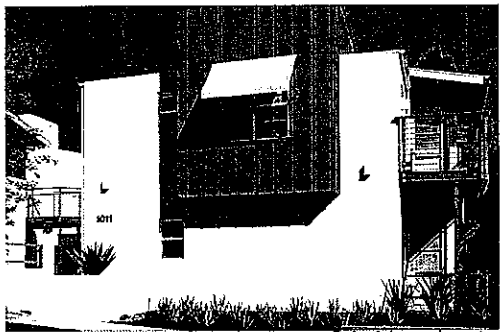


Gate detail



Fence detail

Cementitious siding



Colorful metal awning

Sun shades

DESIGN CRITERIA

LANDSCAPE

- Utilize landscape to define entries, screen surfaces from graffiti and provide privacy for ground floor units
- Continue the parkway and street tree network in front of the development on both 63rd St. and Atlantic Ave.
- Use plant material with thorns adjacent to windows, fences and gates to minimize intrusion
- Improve the alley by creating a secured trash area and landscape

ARCHITECTURE

- Respect and enhance the modern style of the existing buildings
- Vary the buildings through material, color, window locations and roof parapets.
- Emphasize project entries with signage, lighting and trellis
- Provide unit windows on building sides to increase security along 63rd St. and the alley
- Provide shading devices on openings
- Integrate electrical panels and power feeds into the building facade

Exhibit E

KEYSER MARSTON ASSOCIATES.
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

ADVISORS IN:
REAL ESTATE
REDEVELOPMENT
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

SAN FRANCISCO
A. JERRY KEYSER
TIMOTHY C. KELLY
KATE EARLE FUNK
DEBBIE M. KERN
ROBERT J. WETMORE
REED T. KAWAHARA

LOS ANGELES
KATHLEEN H. HEAD
JAMES A. RABE
PAUL C. ANDERSON
GREGORY D. SOO-HOO
KEVIN E. ENGSTROM
JULIE L. ROMEY
DENISE BICKERSTAFF

SAN DIEGO
GERALD M. TRIMBLE
PAUL C. MARRA

To: Patrick Ure, Housing Development Officer
Long Beach Housing Development Company

From: Julie Romey

Date: May 23, 2011

Subject: Bellwood Apartments – Financial Gap Analysis (Revised)

At your request, Keyser Marston Associates, Inc. (KMA) reviewed the revised proposal submitted to the Long Beach Housing Development Company (LBHDC) by Hunt Capital Partners, LLC and Ashwood Construction, Inc. (collectively referred to as the "Developer") on May 21, 2011 for the acquisition and rehabilitation of a 34-unit apartment project located at 6301 Atlantic Avenue (Property). After the rehabilitation of the Property, it is proposed that the units be restricted to low and very-low income households (Project). The purpose of this analysis is to determine the warranted financial assistance for the proposed Project.

EXECUTIVE SUMMARY

The KMA analysis concludes the following:

1. The warranted financial assistance is up to $5.90 million, or $173,500 per unit, which equates to the Developer's request. However, KMA recommends that the financial assistance be conditioned upon the following:

   a. The Developer has conservatively estimated the Tax Credit equity rate at approximately $0.84 per Tax Credit, which is lower than the current market rate. The Developer has agreed to obtain at least three quotes from Tax Credit equity providers for the Tax Credit equity rate. Any additional Tax Credit equity provided to the Project will offset the LBHDC financial assistance.

b. The Developer agrees to apply for outside funding sources, such as the Affordable Housing Program (AHP) funds awarded by the Federal Home Loan Board and City of Industry funds. Any additional funding awarded to the Project will offset the LBHDC financial assistance.

c. The LBHDC should not disburse any of the financial assistance until all of the financing sources have been awarded to the Project.

2. The proposed terms for the LBHDC loan are as follows:

   a. A 1% simple interest rate;

   b. A 55-year term;

   c. None of the LBHDC Loan proceeds will be disbursed until all of the outside funding sources are secured and documented;

   d. Annual payments in the form of 50% of the residual receipts with any outstanding balance due and payable at the end of Year 55; and

   e. Secured with a second trust deed on the Property.

BACKGROUND STATEMENT

The Property was developed in 1964 and is currently in need of substantial rehabilitation. The Developer has entered into a Purchase and Sale Agreement with the current owner (Seller), dated August 18, 2010 and amended on April 14, 2011, to purchase the Property for $4.50 million. However, the appraised value for the Property, dated May 10, 2011 and prepared by Tucker Appraisal Service Corporation, is $4.18 million, or $320,000 lower than the agreed upon purchase price. The Developer and the Seller have since agreed to reduce the purchase price by $111,000 to $4.39 million, which is 5% higher than the appraised value.

The Developer proposes to utilize the following funding sources for the Project:

1. Tax-exempt bonds allocated by the California Debt Limit Allocation Committee (CDLAC);

2. The automatically awarded 4% low income housing federal tax credits (Tax Credits) allocated by the Tax Credit Allocation Committee (TCAC);

3. Deferral of a portion of the Developer fee; and

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

The financial gap analysis is organized as follows:

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

PROJECT DESCRIPTION

The following summarizes the proposed Project:

1. The Property includes three two-story residential buildings with ground level parking.

2. A total of 34 residential units exist on the Property, which include 12 one-bedroom units and 22 two-bedroom units. The proposed Project will keep the existing unit mix.

3. The total gross building area (GBA) for the Project is 29,140 square feet.

4. The Project includes 34 parking spaces in carports and garages.

5. The proposed rehabilitation of the Property includes the following:

   a. Fully renovate the kitchens, bathrooms, floor coverings, exterior improvements;

   b. Provide energy efficient windows, appliances and lighting; and

   c. Upgrade the building insulation and major systems (hot water, roof mounted solar auxiliary hot water, roof, parking, etc.), as needed.

6. The revised proposed affordability mix for the units in accordance with the California Redevelopment Law (CRL) is as follows:

	1-Bdrm Units	2-Bdrm Units	Totals
Very-Low Income Households	4	7	11
Low Income Households	8	14	22
Moderate Income Households	0	0	0
Unrestricted	0	1	1
Totals	12	22	34

7. Amenities and on-site services will include the following:

   a. The Property includes a pool and a patio area.

   b. While the Property does not include a community room, the Developer plans to utilize the park and recreation facilities across the street from the Property to provide services and activities to the tenants.

   c. The on-site services will be provided by Western Community Housing, Inc. and will be determined based on the tenant mix.

8. The rehabilitation of the Property is expected to begin in the January 2012 and conclude within 12 months. Ashwood Construction will be the General Contractor for the Project, as well as a partner in the Developer entity, and will provide a fixed-price contract.

FINANCIAL GAP ANALYSIS

Estimated Development Costs (Table 1)

KMA reviewed the Developer's May 21, 2011 revised pro forma and then independently prepared the following analysis.

Assemblage Costs

<u>Acquisition Costs</u>

The Purchase and Sale Agreement (PSA) between Ashwood Construction and the current Property owner is dated August 2010 and requires a December 2011 closing. According to the PSA, the purchase price for the Property is set at $ 4.50 million, or $133,900 per unit.

The current market value has been established to be $4.18 million, or $123,000 per unit, in a May 2011 appraisal. Therefore, the Developer and the Seller have renegotiated the purchase price to $4.39 million, which is 5% above the appraised value. The reason for the higher than appraised value purchase price is as follows:

1. The Seller is aware that due to the Seller owning the Property for over 10 years, the Project will be able to increase the Tax Credit equity by over $1 million. This fact has not been taken into account in the appraisal.

2. The Seller will also be required to sign certifications pertaining to the 10-year hold matter that leave the Seller with potential liability relating to the Tax Credit laws.

3. The Seller has also agreed to manage the Property for over a year under the Developer's guidelines as related to property ownership structure, tenant leasing agreements, tenant interference due to the relocation process and financial reporting. This is not typically acceptable to sellers of real estate.

<u>Relocation Costs</u>

The Developer's preliminary relocation analysis, based on a review by Laurin & Associates with which the Developer has entered into a contract to provide relocation services, has determined that 15 existing tenants will need to be permanently relocated, which is estimated to cost $35,000 per household. Another 18 existing tenants will be required to be temporarily relocated on-site during the rehabilitation at an estimated cost of $2,000 per tenant. Therefore, the total relocation cost estimate is $633,000, which also includes approximately $72,000 for the Laurin & Associates' contract.

<u>Extension Fee and Closing Costs</u>

The PSA also requires the Developer to pay a $54,000 extension fee due to the revision of the PSA to extend it through December 2011. However, the Project will not be charged the typical commissions and closing costs for such a transaction.

<u>Total Land Assemblage Costs</u>

The cost to assemble the Property is estimated to total $5.08 million, or $149,300 per unit.

Direct Costs

It is assumed that the Project will not be required to pay prevailing wages to contractors and subcontractors. The following summarizes the direct construction cost estimates provided by the Developer:

1. The on-site improvements are estimated at approximately $9,800 per unit, or $333,000.

2. The interior and exterior rehabilitation costs are estimated at $41,200 per unit, or $1.40 million. Ashwood Construction has provided these estimates based on the scope of work previously discussed.

3. Furnishings, fixtures and equipment costs are estimated by the Developer at $50,000, or $1,471 per unit.

4. The contractor fees and general conditions are estimated at 14% of the estimated construction costs, or $243,000. This estimate is the maximum allowed by TCAC.

5. The construction insurance and bonds costs are estimated at approximately 1% of the construction costs, or $22,000.

6. The Developer provided a $191,000 contingency allowance, which is 9% of the other direct costs. Based on KMA's experience, rehabilitation projects typically allow for a 10% to 15% contingency allowance as there are often unexpected expenses in such projects.

KMA and the Developer estimates the total direct costs are estimated at $2.24 million, or $65,900 per unit.

Indirect Costs

The following summarizes the Developer's indirect cost assumptions:

1. The architecture, engineering and consulting costs are estimated at 5% of direct costs, or $122,000.

2. The permits and fees are estimated to be $41,000, or approximately $1,200 per unit. City staff should verify this assumption for accuracy.

3. Taxes, insurance, legal and accounting costs are estimated at 5% of direct costs, or $112,000.

4. Marketing and leasing costs are estimated at $15,000, which equates to $1,000 per unit.

5. Developer fee is based on the maximum fee allowed by TCAC, or 15% of the total eligible basis. Therefore, the Developer fee is set at approximately $997,000.

6. A $92,000 contingency allowance is provided, which equates to 5% of other indirect costs and financing costs.

KMA and the Developer estimate the indirect costs to total $1.38 million.

Financing Costs

The financing costs assumptions are summarized as follows:

1. The interest during the development period is calculated based on the following assumptions:

   a. The tax-exempt bonds will be sized to meet the 50% test required under the CDLAC regulations, which is estimated at $5.00 million by both the Developer and KMA. However, the amount taken down during construction is the difference between the total development costs and the funding sources available during construction;

   b. A 6.33% interest rate;

   c. A 12 month rehabilitation and absorption period; and

   d. An average outstanding balance during the rehabilitation period of 36%.

2. The financing costs, which include tax-exempt bonds issuance costs, are estimated as follows:

   a. Construction loan – 3.30 points;

   b. Permanent loan – 10.59 points; and

   c. TCAC fees - $18,000.

3. The Developer estimated that a $125,000 operating reserve will be required for the Tax-Exempt Bondholders, which includes approximately six-months of operating expenses and debt service.

Both the Developer and KMA estimate the total financing costs to be $505,000.

Total Estimated Development Costs

The total development costs are estimated by KMA and the Developer to be $9.20 million, or $270,600 per unit.

Stabilized Net Operating Income (Table 2)

Income Restrictions

The affordable units must comply with the income restrictions imposed by the various funding programs. Therefore, the affordable units will be subject to the following income restrictions:

	Number of Units	
Designated Requirements [1]	1-Bdrm	2-Bdrm
Section 50105 / 50% Median	4	7
Section 50079.5 / 60% Median	8	14
Unrestricted (Manager's)	0	1

Affordability Restrictions

The rents applied to the units must reflect the most stringent requirements imposed by the various funding sources.[2] The 2010 maximum allowable rents, net of the appropriate utility allowances, are as follows:[3]

	Number of Units	
	1-Bdrm	2-Bdrm
Very-Low Income / 50% Median		
Section 50053	$573	$635
50% TCAC Rents	$719	$858
Applicable Rents	$573	$635
Low Income / 60% Median		
Section 50053	$699	$777
50% TCAC Rents	$875	$1,045
Applicable Rents	$699	$777

It should be noted that one two-bedroom unit will be set-aside as unrestricted for the on-site manager.

[1] "Median" refers to the Los Angeles County median income and "Section" refers to the section of the California Health and Safety Code.

[2] 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.

[3] Monthly utility allowances: $57/one-bedroom and $74/two-bedroom units.

Net Operating Income Calculation

The gross rental income, including miscellaneous revenue estimated at $18 per unit per month, is projected to stabilize at $278,480 by both KMA and the Developer. After the assumption of a 5% vacancy and collection allowance, KMA and the Developer estimated the effective gross income (EGI) at $271,660.

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

1. General operating expenses are estimated at $4,927 per unit, or $167,520. While this estimate is higher than typical, it takes into account the small size of the Project that results in the loss of cost efficiencies.

2. Property taxes are estimated at $4,410, which takes into account the property tax waivers allowed for projects providing affordable units through a non-profit entity.

3. Social services are estimated at $10,000, or $294 per unit.

4. Replacement reserves are set at $300 per unit, or $10,200, which is the TCAC minimum for rehabilitation projects.

The operating expenses are estimated at $192,130, or $5,650 per unit. When the $192,130 in annual operating expenses is deducted from the $271,660 EGI, the resulting stabilized net operating income (NOI) is $79,530.

Financial Gap Calculation (Table 3)

Potential Funding Sources

The following summarizes the potential funding sources:

<u>Tax-Exempt Bonds</u>

The Developer plans to obtain a $5.00 million in tax-exempt bonds for the acquisition and rehabilitation of the Project. However, in order to utilize the tax-exempt bonds mechanism, the amount issued must be at least 50% of the eligible basis plus land costs. Therefore, the issuance amount needs to be at least $4.60 million.

In contrast, $791,000 is supportable as permanent debt. The permanent tax-exempt bond proceeds are estimated based upon the following assumptions:

1. A 1.35 debt coverage ratio, which results in a $58,911 annual debt service payment;[4]

2. First trust deed security;

3. A 6.33% interest rate; and

4. A 30-year amortization period.

Tax Credit Equity

With the tax-exempt bonds, the Project is eligible to receive an automatically awarded 4% Tax Credit allocation. 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 calculated the eligible Tax Credit basis as follows:

    a. The depreciable costs total $3.91 million for the rehabilitation and $3.73 million for the buildings.

    b. The basis limits for the rehabilitation applied by TCAC equal $7.49 million.

    c. The depreciable costs are less than the TCAC basis limits. As such the eligible Tax Credit basis is estimated at $3.91 million for the rehabilitation and $3.73 million for the buildings.

2. Net Tax Credit Proceeds Calculation:

    a. The gross Tax Credit amount supported by the building acquisition is calculated at $1.24 million based on the following assumptions:

        i. The current Tax Credit application sets the annual Tax Credit rate at 3.33%. This rate is applied to the 10-year Tax Credit period.

        ii. One hundred percent (100%) of the Tax Credits are available.

    b. The gross Tax Credit amount supported by the proposed rehabilitation is calculated at $1.69 million based on the following assumptions:

---

[4] The higher than typical debt coverage ratio is to accommodate the proposed deep affordability and the small size of the Project.

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 3.33%. This rate is applied to the 10-year Tax Credit period.

iii. One hundred percent (100%) of the Tax Credits are available.

c. The net syndication value supported by the Tax Credits is ultimately determined based on competitive market conditions and on the timing of the disbursements. The Developer has conservatively estimated the syndication proceeds at $0.8392 per Tax Credit.

Therefore, the net Tax Credit proceeds are estimated at $2.46 million, of which 20% or $493,000 will be available during the rehabilitation period. Given the recent increase in equity rates, KMA recommends that LBHDC require the Developer to obtain at least three quotes from Tax Credit investors and any increase in Tax Credit proceeds should be deducted from the LBHDC financial assistance.

<u>Cash Flow During Rehabilitation</u>

It has been assumed that there will be minimal cash flow generated during the rehabilitation period as the Project will have a vacancy rate of approximately 44%.

<u>Deferred Developer Fee</u>

The Developer proposes to defer $45,000 of the $997,000 Developer fee, or 5% of the Developer fee. The deferred fee should be repaid to the Developer from cash flow proceeds during the first 15 years of the Project.

<u>Total Potential Funding Sources</u>

Both KMA and the Developer estimate the potential funding sources to total $3.30 million. The Developer has also indicated that the Project may be competitive to receive additional outside funding from AHP and City of Industry. Therefore, KMA concludes that the LBHDC should require the Developer to apply for AHP and City of Industry funding as well as obtain equity rate quotes from at least three Tax Credit investors. Any increase in the potential funding sources should be deducted from the LBHDC financial assistance.

Financial Gap Calculation

The following summarizes the estimated financial gap at permanent loan closing:

Total Development Costs	$9,200,000
(Less) Potential Funding Sources	(3,300,000)
Financial Gap	$5,900,000
Per Unit	$173,500

Therefore, KMA concludes that the Developer's request of up to $5.90 million in financial assistance is warranted. The following describes the proposed LBHDC Loan terms:

1. A 1% simple interest rate;
2. A 55-year term;
3. None of the LBHDC Loan proceeds will be disbursed until all of the outside funding sources are secured and documented;
4. Annual payments in the form of 50% of the residual receipts with any outstanding balance due and payable at the end of Year 55; and
5. Secured with a second trust deed on the Property.

CASH FLOW ANALYSIS (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. The affordable rents are estimated to increase at 2% per year.
3. A 5% vacancy and collection allowance is assumed.
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 replacement reserve is increased at 3% per year.

7. A $58,911 annual debt service payment is included for 30 years.

8. One hundred percent (100%) of the remaining cash flow after the debt service payment will be allocated to repay the $45,000 deferred Developer fee.

9. The investor asset management fee is set at $7,500 per year increasing at 3% per year over the 15-year compliance period. Unpaid asset management fees will accrue until there is sufficient cash flow.

10. The non-profit partnership administrative fee is set at $7,500 per year over the 55-year term, increasing at 3% per year. Unpaid asset management fees will accrue until there is sufficient cash flow.

11. The following summarizes the proposed residual receipts distribution:

    a. 50% of the residual receipts are applied to the LBHDC Loan; and

    b. The remaining 50% of the residual receipts will be allocated to the Developer.

The following summarizes the cash flow analysis findings:

1. The LBHDC Loan is projected to negatively amortize and have an outstanding balance of $9.14 million in Year 55 at which time the affordability restrictions will have expired and the LBHDC Loan will be due and payable.

2. The net present value of the payments to the LBHDC, assuming an 8% discount rate and the $9.14 million remaining loan balance paid off in Year 55, equates to $133,000.

3. Beginning in Year 21, the operating reserve will be needed to cover operating expenses and debt service payments until the permanent loan is paid off in Year 30. The operating reserves are projected to also be needed in Years 38 through 55 but the reserve will be 100% disbursed by Year 41 and the Project will have an operating deficit.

4. The deferred Developer fee is expected to be repaid within three years of Project completion.

CONCLUSIONS

The following summarizes the conclusions from the KMA analysis as well as several recommendations:

1. The Developer's request of $5.90 million in financial assistance from the LBHDC is warranted with the following caveats:

   a. The Developer has conservatively estimated the Tax Credit equity rate at approximately $0.84 per Tax Credit, which is lower than the current market rate. The Developer has agreed to obtain at least three quotes from Tax Credit equity providers for the Tax Credit equity rate.

   b. The Developer has agreed to apply for outside funding sources, such as the Affordable Housing Program (AHP) funds awarded by the Federal Home Loan Board and City of Industry funds.

   c. The LBHDC should not disburse any of the financial assistance until all of the financing sources have been awarded to the Project.

2. The proposed LBHDC Loan terms are as follows:

   a. A 1% simple interest rate;

   b. A 55-year term;

   c. None of the LBHDC Loan proceeds will be disbursed until all of the outside funding sources are secured and documented;

   d. Annual payments in the form of 50% of the residual receipts with any outstanding balance due and payable at the end of Year 55; and

   e. Secured with a second trust deed on the Property.

3. The LBHDC Loan is not expected to be repaid until the loan term is completed in Year 55.

Attachments

TABLE 1

ESTIMATED DEVELOPMENT COSTS [1]
6301 ATLANTIC AVENUE
LONG BEACH, CALIFORNIA

I. Land Assemblage Costs							
Land Acquisition Costs [2]	34	Units	$129,088	/Unit	$4,389,000	
Relocation Costs [3]	33	Households	$19,182	/Sf Land	633,000	
Extension Fee		Allowance			54,000	
Closing Costs	0.0%	of Acquisition Costs			0	
Total Land Assemblage Costs	34	Units	$149,300	/Unit		$5,076,000
II. Direct Costs [4]						
Off-site Improvements		Allowance			$0	
On-site Improvements	34	Units	$9,797	/Unit	333,000	
Residential Rehabilitation Costs	34	Units	$41,212	/Unit	1,401,000	
Furnishings, Fixtures & Equipment	34	Units	$1,471	/Unit	50,000	
Contractor Fees / General Requirements	14%	of Construction Costs			243,000	
Construction Insurance / Bonds	1%	of Construction Costs			22,000	
Contingency Allowance [5]	9%	of Other Direct Costs			191,000	
Total Direct Costs	34	Units	$65,900	/Unit		$2,240,000
III. Indirect Costs						
Architecture, Engineering & Consultants	5%	of Direct Costs			$122,000	
Permits & Fees	34	Units	$1,197	/Unit	41,000	
Taxes, Insurance, Legal & Accounting	5%	of Direct Costs			112,000	
Marketing & Leasing [5]	15	New Tenants	$1,000	/New Tenant	15,000	
Developer Fee [6]					997,000	
Contingency Allowance [5]	5%	of Other Ind & Fin Costs			92,000	
Total Indirect Costs						$1,379,000
IV. Financing Costs						
Construction Interest [7]	$5,000,000	Bonds	6.33%	Interest	$113,000	
Financing Fees						
Construction Loan	$5,000,000	Bonds	3.30	Points	165,000	
Permanent Loan	$791,000	Bonds	10.59	Points	84,000	
Tax Credit Fees	34	Units	$555	/Unit	18,000	
Capitalized Reserves						
Operating	6	Months	$20,920	/Month	125,000	
Replacement	34	Units	$0	Months	0	
Total Financing Costs						$505,000
V. Total Development Costs	34	Units	$270,588	/Unit		$9,200,000

[1] Based on Developer's April 8, 2011 pro forma.

[2] Based on the August 2011 Purchase & Sale Agreemetn between Ashwood Construction and the current land owner.

[3] Estimate assumes 15 units will be permanently relocated and 18 units will be temporarily relocated.

[4] Based on Ashwood Construction estimate; does not include a prevailing wage premium.

[5] KMA estimate.

[6] Based on 15% of the eligible costs, which is the maximum fee allowed by TCAC.

[7] Assumes the 50% Test is met; a 12 month rehabilitation/absorption period and a 36% average outstanding balance.

Prepared by: Keyser Marston Associates, Inc.
Filename: 6301 Atlantic Avenue - 05.23.11; Financial Gap - 4%; jlr

TABLE 2

STABILIZED NET OPERATING INCOME
6301 ATLANTIC AVENUE
LONG BEACH, CALIFORNIA

I.	**Project Revenue**				
	Manager Unit(s)	1 Units	$0 /Month	$0	
	VL Inc CRL/50% Median [1]				
	1-Bedroom Units @ (760-Sf)	4 Units	$573 /Month	27,500	
	2-Bedroom Units @ (910-Sf)	7 Units	$635 /Month	53,340	
	Low Inc CRL/60% Median [1]				
	1-Bedroom Units @ (760-Sf)	8 Units	$699 /Month	67,100	
	2-Bedroom Units @ (910-Sf)	14 Units	$777 /Month	130,540	
	Total Potential Gross Rental Income	**34 Units**		**$278,480**	
	Add: Miscellaneous Income [2]	34 Units	$18 /Unit/Month	7,480	
	Total Potential Gross Income				$285,960
	(Less) Vacancy & Collection Allowance [2]	5% of Potential Gross Income			(14,300)
	Effective Gross Income				**$271,660**
II.	**Operating Expenses** [2]				
	General Operating Expenses	34 Units	$4,927 /Unit	$167,520	
	Property Taxes	34 Units	$130 /Unit	4,410	
	Services	34 Units	$294 /Unit	10,000	
	Operating Reserve	34 Units	$0 /Unit	0	
	Replacement Reserve	34 Units	$300 /Unit	10,200	
	Total Operating Expenses	34 Units	$5,650 /Unit		**$192,130**
III.	**Net Operating Income**				$79,530

[1] Based on the lesser of the 2010 TCAC published rents for Los Angeles County and CRL rents per section 50053(a) of the Health and Safety Code. The gross rents are reduced by the following utility allowances: $57/one-bedroom unit and $74/two-bedroom unit.

[2] Developer estimate.

Prepared by: Keyser Marston Associates, Inc.
Filename: 6301 Atlantic Avenue - 05.23.11; Financial Gap - 4%; jlr

TABLE 3

FINANCIAL SURPLUS / (GAP) CALCULATION
6301 ATLANTIC AVENUE
LONG BEACH, CALIFORNIA

I.	**Potential Funding Sources**						
A.	**Tax-Exempt Bonds**						
	Net Operating Income	$79,530	NOI				
	Income Available for Mortgage	1.35	DCR	$58,911	Debt Service		
	Interest Rate / Mortgage Constant	6.33%	Int. Rate	7.45%	Mort. Constant		
	Supportable Permanent Financing					$791,000	
B.	**Tax Credit Equity**	$2,935,808	Gross Value	83.92%	Synd. Rate	**$2,464,000**	
C.	**Cash Flow During Rehabilitation**					$0	
D.	**Deferred Developer Fee**	5%	Developer Fee			$45,000	
	Total Potential Funding Sources						$3,300,000
II.	**Financial Surplus / (Gap) Calculation**						
	Total Potential Funding Sources					$3,300,000	
	(Less) Total Development Costs					(9,200,000)	
	Financial Surplus / (Gap)	34	Units	($173,500)	/Unit		($5,900,000)

Prepared by: Keyser Marston Associates, Inc.
Filename: 6301 Atlantic Avenue - 05.23.11; Financial Gap - 4%; jlr

TABLE 4

CASH FLOW ANALYSIS
6301 ATLANTIC AVENUE
LONG BEACH, CALIFORNIA

			Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
I.	Potential Gross Income												
	Gross Residential Income - Base Rents	102.0% /Year		$285,960	$291,679	$297,513	$303,463	$309,532	$315,723	$322,037	$328,478	$335,048	$341,749
	Gross Residential Income - PBV Subsidy	102.0% /Year		0	0	0	0	0	0	0	0	0	0
	Total Potential Gross Income			$285,960	$291,679	$297,513	$303,463	$309,532	$315,723	$322,037	$328,478	$335,048	$341,749
	(Less) Vacancy & Collection Allowance	5.0% of PGI		(14,298)	(14,584)	(14,875)	(15,173)	(15,476)	(15,786)	(16,102)	(16,424)	(16,752)	(17,087)
	Effective Gross Income			$271,662	$277,095	$282,637	$288,290	$294,056	$299,937	$305,936	$312,054	$318,296	$324,661
II.	Operating Expenses												
	General Operating Expenses	103.0% /Year		$167,520	$172,546	$177,722	$183,054	$188,545	$194,202	$200,028	$206,028	$212,209	$218,576
	Property Taxes	102.0% /Year		4,410	4,498	4,588	4,680	4,774	4,869	4,966	5,066	5,167	5,270
	Social Services	103.0% /Year		10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048
	Operating Reserves			0	0	0	0	0	0	0	0	0	0
	Replacement Reserves	103.0% /Year		10,200	10,506	10,821	11,146	11,480	11,825	12,179	12,545	12,921	13,309
	Total Operating Expenses			$192,130	$197,850	$203,740	$209,807	$216,054	$222,488	$229,114	$235,938	$242,965	$250,202
III.	**Add: Operating Reserve**			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
IV.	**Net Operating Income**			$79,532	$79,246	$78,897	$78,483	$78,002	$77,449	$76,822	$76,117	$75,330	$74,459
	(Less) Annual Debt Service			(58,911)	(58,911)	(58,911)	(58,911)	(58,911)	(58,911)	(58,911)	(58,911)	(58,911)	(58,911)
VI.	**Available Cash Flow**			$20,621	$20,335	$19,986	$19,572	$19,091	$18,538	$17,911	$17,206	$16,419	$15,548
VII.	Contingent Payments												
	Deferred Developer Fee			$20,621	$20,335	$4,044	$0	$0	$0	$0	$0	$0	$0
	Asset Management Fee			0	0	15,942	15,436	8,441	8,695	8,955	9,224	9,501	9,786
	General Partner Fee			0	0	0	4,137	10,649	9,843	8,955	7,982	6,919	5,762
	Total Contingent Payments			$20,621	$20,335	$19,986	$19,572	$19,091	$18,538	$17,911	$17,206	$16,419	$15,548
VIII.	**Residual Receipts**			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Agency	50% of RR		0	0	0	0	0	0	0	0	0	0
		$133,000 NPV @ 8.0%											
	Developer	50% of RR		0	0	0	0	0	0	0	0	0	0
		($26,000) NPV @ 8.0%											

Prepared by: Keyser Marston Associates, Inc.
Filename: 6301 Atlantic Avenue - 05 23 11; CF; ilr

TABLE 4

CASH FLOW ANALYSIS
6301 ATLANTIC AVENUE
LONG BEACH, CALIFORNIA

		Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22
I.	Potential Gross Income												
	Gross Residential Income - Base Rents	$348,584	$355,555	$362,666	$369,920	$377,318	$384,865	$392,562	$400,413	$408,421	$416,590	$424,922	$433,420
	Gross Residential Income - PBV Subsidy	0	0	0	0	0	0	0	0	0	0	0	0
	Total Potential Gross Income	**$348,584**	**$355,555**	**$362,666**	**$369,920**	**$377,318**	**$384,865**	**$392,562**	**$400,413**	**$408,421**	**$416,590**	**$424,922**	**$433,420**
	(Less) Vacancy & Collection Allowance	(17,429)	(17,778)	(18,133)	(18,496)	(18,866)	(19,243)	(19,628)	(20,020)	(20,421)	(20,829)	(21,246)	(21,671)
	Effective Gross Income	**$331,155**	**$337,778**	**$344,533**	**$351,424**	**$358,453**	**$365,622**	**$372,934**	**$380,393**	**$388,001**	**$395,761**	**$403,676**	**$411,749**
II.	Operating Expenses												
	General Operating Expenses	$225,133	$231,887	$238,843	$246,009	$253,389	$260,991	$268,820	$276,885	$285,192	$293,747	$302,560	$311,637
	Property Taxes	5,376	5,483	5,593	5,705	5,819	5,935	6,054	6,175	6,299	6,425	6,553	6,684
	Social Services	13,439	13,842	14,258	14,685	15,126	15,580	16,047	16,528	17,024	17,535	18,061	18,603
	Operating Reserves	0	0	0	0	0	0	0	0	0	0	0	0
	Replacement Reserves	13,708	14,119	14,543	14,979	15,428	15,891	16,368	16,859	17,365	17,886	18,422	18,975
	Total Operating Expenses	**$257,656**	**$265,332**	**$273,237**	**$281,378**	**$289,762**	**$298,397**	**$307,289**	**$316,448**	**$325,879**	**$335,593**	**$345,596**	**$355,899**
III.	**Add: Operating Reserve**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$832**	**$3,060**
IV.	**Net Operating Income**	**$73,499**	**$72,446**	**$71,297**	**$70,046**	**$68,690**	**$67,225**	**$65,645**	**$63,945**	**$62,121**	**$60,168**	**$58,911**	**$58,911**
	(Less) Annual Debt Service	(58,911)	(58,911)	(58,911)	(58,911)	(58,911)	(58,911)	(58,911)	(58,911)	(58,911)	(58,911)	(58,911)	(58,911)
VI.	**Available Cash Flow**	**$14,588**	**$13,535**	**$12,385**	**$11,135**	**$9,779**	**$8,314**	**$6,733**	**$5,034**	**$3,210**	**$1,257**	**$0**	**$0**
VII.	Contingent Payments												
	Deferred Developer Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Asset Management Fee	10,079	10,382	10,693	11,014	9,779	1,565	0	0	0	0	0	0
	General Partner Fee	4,508	3,153	1,692	121	0	6,748	6,733	5,034	3,210	1,257	0	0
	Total Contingent Payments	**$14,588**	**$13,535**	**$12,385**	**$11,135**	**$9,779**	**$8,314**	**$6,733**	**$5,034**	**$3,210**	**$1,257**	**$0**	**$0**
VIII.	**Residual Receipts**	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Agency	0	0	0	0	0	0	0	0	0	0	0	0
	Developer	0	0	0	0	0	0	0	0	0	0	0	0

Prepared by: Keyser Marston Associates, Inc.
Filename: 6301 Atlantic Avenue - 05 23 11; CF; jlr

TABLE 4

CASH FLOW ANALYSIS
6301 ATLANTIC AVENUE
LONG BEACH, CALIFORNIA

		Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34
I.	Potential Gross Income												
	Gross Residential Income - Base Rents	$442,088	$450,930	$459,949	$469,148	$478,531	$488,101	$497,863	$507,821	$517,977	$528,336	$538,903	$549,681
	Gross Residential Income - PBV Subsidy	0	0	0	0	0	0	0	0	0	0	0	0
	Total Potential Gross Income	$442,088	$450,930	$459,949	$469,148	$478,531	$488,101	$497,863	$507,821	$517,977	$528,336	$538,903	$549,681
	(Less) Vacancy & Collection Allowance	(22,104)	(22,546)	(22,997)	(23,457)	(23,926)	(24,405)	(24,893)	(25,391)	(25,898)	(26,416)	(26,945)	(27,484)
	Effective Gross Income	$419,984	$428,384	$436,952	$445,691	$454,604	$463,697	$472,970	$482,430	$492,078	$501,920	$511,958	$522,198
II.	Operating Expenses												
	General Operating Expenses	$320,986	$330,615	$340,534	$350,750	$361,272	$372,110	$383,274	$394,772	$406,615	$418,813	$431,378	$444,319
	Property Taxes	6,818	6,954	7,093	7,235	7,380	7,527	7,678	7,831	7,988	8,148	8,311	8,477
	Social Services	19,161	19,736	20,328	20,938	21,566	22,213	22,879	23,566	24,273	25,001	25,751	26,523
	Operating Reserves	0	0	0	0	0	0	0	0	0	0	0	0
	Replacement Reserves	19,544	20,131	20,734	21,357	21,997	22,657	23,337	24,037	24,758	25,501	26,266	27,054
	Total Operating Expenses	$366,509	$377,436	$388,689	$400,279	$412,215	$424,508	$437,168	$450,206	$463,634	$477,463	$491,705	$506,373
III.	**Add: Operating Reserve**	$5,436	$7,963	$10,649	$13,500	$16,522	$19,722	$23,108	$26,687	$0	$0	$0	$0
IV.	**Net Operating Income**	$58,911	$58,911	$58,911	$58,911	$58,911	$58,911	$58,911	$58,911	$28,445	$24,457	$20,253	$15,824
	(Less) Annual Debt Service	(58,911)	(58,911)	(58,911)	(58,911)	(58,911)	(58,911)	(58,911)	(58,911)	0	0	0	0
VI.	**Available Cash Flow**	$0	$0	$0	$0	$0	$0	$0	$0	$28,445	$24,457	$20,253	$15,824
VII.	Contingent Payments												
	Deferred Developer Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Asset Management Fee	0	0	0	0	0	0	0	0	0	0	0	0
	General Partner Fee	0	0	0	0	0	0	0	0	28,445	24,457	20,253	15,824
	Total Contingent Payments	$0	$0	$0	$0	$0	$0	$0	$0	$28,445	$24,457	$20,253	$15,824
VIII.	**Residual Receipts**	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Agency	0	0	0	0	0	0	0	0	0	0	0	0
	Developer	0	0	0	0	0	0	0	0	0	0	0	0

TABLE 4

CASH FLOW ANALYSIS
6301 ATLANTIC AVENUE
LONG BEACH, CALIFORNIA

		Year 35	Year 36	Year 37	Year 38	Year 39	Year 40	Year 41	Year 42	Year 43	Year 44	Year 45	Year 46
I.	Potential Gross Income												
	Gross Residential Income - Base Rents	$560,675	$571,888	$583,326	$594,993	$606,893	$619,030	$631,411	$644,039	$656,920	$670,058	$683,460	$697,129
	Gross Residential Income - PBV Subsidy	0	0	0	0	0	0	0	0	0	0	0	0
	Total Potential Gross Income	**$560,675**	**$571,888**	**$583,326**	**$594,993**	**$606,893**	**$619,030**	**$631,411**	**$644,039**	**$656,920**	**$670,058**	**$683,460**	**$697,129**
	(Less) Vacancy & Collection Allowance	(28,033)	(28,594)	(29,166)	(29,749)	(30,344)	(30,951)	(31,570)	(32,202)	(32,846)	(33,502)	(34,173)	(34,856)
	Effective Gross Income	**$532,642**	**$543,294**	**$554,160**	**$565,243**	**$576,548**	**$588,079**	**$599,841**	**$611,838**	**$624,074**	**$636,556**	**$649,287**	**$662,273**
II.	Operating Expenses												
	General Operating Expenses	$457,649	$471,378	$485,520	$500,085	$515,088	$530,540	$546,457	$562,850	$579,736	$597,128	$615,042	$633,493
	Property Taxes	8,647	8,820	8,996	9,176	9,359	9,547	9,737	9,932	10,131	10,333	10,540	10,751
	Social Services	27,319	28,139	28,983	29,852	30,748	31,670	32,620	33,599	34,607	35,645	36,715	37,816
	Operating Reserves	0	0	0	0	0	0	0	0	0	0	0	0
	Replacement Reserves	27,865	28,701	29,562	30,449	31,363	32,304	33,273	34,271	35,299	36,358	37,449	38,572
	Total Operating Expenses	**$521,480**	**$537,038**	**$553,061**	**$569,563**	**$586,558**	**$604,061**	**$622,087**	**$640,652**	**$659,773**	**$679,465**	**$699,745**	**$720,632**
III.	**Add: Operating Reserve**	**$0**	**$0**	**$0**	**$4,319**	**$10,009**	**$15,982**	**$11,113**	**$0**	**$0**	**$0**	**$0**	**$0**
IV.	**Net Operating Income**	**$11,162**	**$6,257**	**$1,100**	**$0**	**$0**	**$0**	**($11,133)**	**($28,815)**	**($35,698)**	**($42,909)**	**($50,458)**	**($58,359)**
	(Less) Annual Debt Service	0	0	0	0	0	0	0	0	0	0	0	0
VI.	**Available Cash Flow**	**$11,162**	**$6,257**	**$1,100**	**$0**	**$0**	**$0**	**($11,133)**	**($28,815)**	**($35,698)**	**($42,909)**	**($50,458)**	**($58,359)**
VII.	Contingent Payments												
	Deferred Developer Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Asset Management Fee	0	0	0	0	0	0	0	0	0	0	0	0
	General Partner Fee	11,162	6,257	1,100	0	0	0	0	0	0	0	0	0
	Total Contingent Payments	**$11,162**	**$6,257**	**$1,100**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
VIII.	**Residual Receipts**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**($11,133)**	**($28,815)**	**($35,698)**	**($42,909)**	**($50,458)**	**($58,359)**
	Agency	0	0	0	0	0	0	0	0	0	0	0	0
	Developer	0	0	0	0	0	0	(11,133)	(28,815)	(35,698)	(42,909)	(50,458)	(58,359)

Prepared by: Keyser Marston Associates, Inc.
Filename: 6301 Atlantic Avenue - 05 23 11; CF; ilr

TABLE 4

CASH FLOW ANALYSIS
6301 ATLANTIC AVENUE
LONG BEACH, CALIFORNIA

		Year 47	Year 48	Year 49	Year 50	Year 51	Year 52	Year 53	Year 54	Year 55
I.	Potential Gross Income									
	Gross Residential Income - Base Rents	$711,071	$725,293	$739,799	$754,595	$769,687	$785,080	$800,782	$816,797	$833,133
	Gross Residential Income - PBV Subsidy	0	0	0	0	0	0	0	0	0
	Total Potential Gross Income	$711,071	$725,293	$739,799	$754,595	$769,687	$785,080	$800,782	$816,797	$833,133
	(Less) Vacancy & Collection Allowance	(35,553)	(36,264)	(36,989)	(37,729)	(38,484)	(39,253)	(40,039)	(40,839)	(41,656)
	Effective Gross Income	$675,518	$689,029	$702,809	$716,865	$731,203	$745,827	$760,743	$775,958	$791,477
II.	Operating Expenses									
	General Operating Expenses	$652,498	$672,073	$692,235	$713,002	$734,392	$756,424	$779,116	$802,490	$826,565
	Property Taxes	10,966	11,185	11,409	11,637	11,870	12,107	12,349	12,596	12,848
	Social Services	38,950	40,119	41,323	42,562	43,839	45,154	46,509	47,904	49,341
	Operating Reserves	0	0	0	0	0	0	0	0	0
	Replacement Reserves	39,729	40,921	42,149	43,413	44,716	46,057	47,439	48,862	50,328
	Total Operating Expenses	$742,144	$764,298	$787,115	$810,615	$834,817	$859,743	$885,414	$911,853	$939,082
III.	Add: Operating Reserve	$0	$0	$0	$0	$0	$0	$0	$0	$0
IV.	Net Operating Income	($66,625)	($75,270)	($84,306)	($93,749)	($103,614)	($113,916)	($124,670)	($135,894)	($147,605)
	(Less) Annual Debt Service	0	0	0	0	0	0	0	0	0
VI.	Available Cash Flow	($66,625)	($75,270)	($84,306)	($93,749)	($103,614)	($113,916)	($124,670)	($135,894)	($147,605)
VII.	Contingent Payments									
	Deferred Developer Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Asset Management Fee	0	0	0	0	0	0	0	0	0
	General Partner Fee	0	0	0	0	0	0	0	0	0
	Total Contingent Payments	$0	$0	$0	$0	$0	$0	$0	$0	$0
VIII.	Residual Receipts	($66,625)	($75,270)	($84,306)	($93,749)	($103,614)	($113,916)	($124,670)	($135,894)	($147,605)
	Agency	0	0	0	0	0	0	0	0	9,145,000
	Developer	(66,625)	(75,270)	(84,306)	(93,749)	(103,614)	(113,916)	(124,670)	(135,894)	(147,605)

Prepared by: Keyser Marston Associates, Inc.
Filename: 6301 Atlantic Avenue - 05 23 11; CF; ilr