

CalHFA MULTIFAMILY PROGRAMS DIVISION**Final Commitment Staff Report & Request for Loan Approval of Permanent Take-Out Loan for Tax
Exempt financing with Mixed Income Program Subsidy Financing
Senior Loan Committee "Approval": 12/20/2023 for Board Meeting on: 1/25/2024**

Project Name, County:	Maison's Sierra, Los Angeles County	
Address:	SE Corner of Avenue H4 & Fig Avenue, Lancaster, CA 93534	
Type of Project:	New Construction	
CalHFA Project Number:	23-008-A/X/S	Total Units: 196 Single Family Rental Units
Requested Financing by Loan Program:	Up to \$39,000,000*	CalHFA Tax-Exempt Bond – Conduit Issuance Amount (\$35,000,000 allocated by CDLAC on 8/23/23)
	Up to \$7,000,000*	CalHFA Tax-Exempt Recycled Bond – Conduit Issuance Amount (assuming current need is \$5,900,000)
	\$27,875,000	CalHFA Tax-Exempt Permanent Loan with HUD Risk Sharing
	\$1,600,000	CalHFA MIP Subsidy Loan
*Approval amount includes 10% cushion rounded up to nearest \$1M.		

DEVELOPMENT/PROJECT TEAM

Developer:	Ravello Holdings, Inc.	Borrower:	Maison's Sierra Phase 1, LP
Permanent Lender:	CalHFA	Construction Lender:	Merchants Bank of Indiana
Equity Investor:	WNC & Associates	Management Company:	ConAm Management Corporation
Contractor:	Ravello West Construction	Architect	Bassenian Lagoni
Loan Officer:	Kevin Brown	Loan Specialist:	N/A
Asset Manager:	Cristina Green	Loan Administration:	Mirna Ramirez
Legal (Internal):	Marc Victor/Torin Heenan	Legal (External):	Orrick, Herrington, Sutcliffe LLP
Concept Meeting Date:	08/31/2023	Approval Expiration Date:	180 days from Approval

LOAN TERMS

1.		CONDUIT ISSUANCE/ Merchants Bank of Indiana CONSTRUCTION LOAN	CalHFA PERMANENT LOAN	CalHFA MIP SUBSIDY LOAN
	Total Loan Amount	\$35,000,000 (T/E) ["Facility A"] \$16,200,000 Equity Bridge /Construction loan (Taxable, includes \$5,900,000 recycled bonds) ["Facility B"]	\$27,875,000 (T/E)	\$1,600,000 (\$8,247/restricted unit)
	Loan Term & Lien Position	30 months- interest only; 1 st Lien position during construction One 6-month extension available. Equity Bridge /Construction loan (2 nd lien position during construction)	40 year – partially amortizing due in year 17; 1 st Lien position during permanent loan term	17 year - Residual Receipts; 2 nd Lien position during permanent loan term
	Interest Rate subject to change and locked 30 days prior to loan closing)	SOFR+250 bps Index 30-Day Average SOFR resetting monthly Underwritten at 7.06.% variable rate	Underwritten at 6.98% that includes a .50% cushion* MMD15 index rate 11/16/2023 Estimated rate based on a 36-month forward commitment.	3% simple interest. – A higher simple interest rate may be used at time of MIP closing in the event the true debt test is at risk for tax credit purposes.
	Loan to Value (LTV)	LTV is 63% of investment value	LTV is 66% of restricted value**	N/A
	Loan to Cost	71%	39%	N/A

*CalHFA spreads locked on 12/13/2023 Underwriting cushion of 0.50% is included to account for MMD fluctuations prior to Construction Loan Close. Final CalHFA rate will be locked 30 days prior to construction loan closing.

**Loan to Value based on appraisal dated 11/13/2023 prepared by BBG, Inc.

Summary of Material Changes from Initial Commitment Approval	
☐	Changes in Borrower/Sponsor entities including Co-developer(s), if any
☒	Changes in Other Development Team members: Construction Lender, Tax Credit Investor, General Contractor, Property Management Agent, Other lenders including subordinate lenders The property management company at CalHFA initial commitment was Aperto Property Management. This was changed to ConAm Management Corporation which meets CalHFA's minimum requirements and does not have any impact on TCAC scoring. The developer considers that ConAm is well-suited for managing the project based on their experience in managing this type of projects.
☐	Changes in Project Scope (for example, addition of non-residential component)
☐	Changes in CalHFA loan amount (>10%) or changes in loan terms
☐	Changes in construction schedule and rent-up/conversion timeline
☐	Significant changes in project capital stack impacting project viability: DSCR, exit analysis, etc.

- ☒ Significant changes in Operating budget as well as rental assistance/operating subsidy assumptions
- The Effective Gross Income has increased by \$273,852 which is attributed to the inclusion of increased rent limits as released by TCAC on 5/14/2023.
 - The operating expenses have increased by \$53,300 which is attributed to a \$30,400 increase to the administrative expenses and a \$25,700 decrease to maintenance costs (net change \$4,700 increase to operating expenses) which is the result of reallocating costs as the estimated operating expenses are finalized before construction closing. There is a \$48,600 increase to insurance costs to provide a cushion for potential insurance rate increases prior to permanent loan closing.
 - The overall changes to the operating budget results in an increase of the Project's Net Operating Income (NOI) by \$53,300, decreasing the surplus cash after debt service by \$19,490, and reducing the 1st year DSCR by 3bps, as described in the chart below.

	Initial	Final	Difference	% Increase/Decrease
Effective Gross Income	3,503,640	3,777,492	273,852	7.8%
Vacancy	175,182	188,875	13,693	7.8%
Total Income	3,328,458	3,588,617	260,159	7.8%
Admin Exp	78,400	108,800	30,400	38.8%
Mgmt Fee	109,838	109,838	-	0.0%
Utilities	84,280	84,280	-	0.0%
Payroll/PR Taxes	392,000	392,000	-	0.0%
Insurance	176,400	225,000	48,600	27.6%
Maintenance	215,600	189,900	(25,700)	-11.9%
Other OpEx*	89,500	89,500	-	0.0%
Total OpEx	1,146,018	1,199,318	53,300	4.7%
NOI	2,182,440	2,389,299	206,859	9.5%
Debt Service	1,847,481	2,073,830	226,349	12.3%
Surplus Cash	334,959	315,469	(19,490)	-5.8%
DSCR	1.18	1.15	(0.03)	-2.5%
*Other OpEx				
Misc Tax/License	0	0	-	0.0%
Supportive Services	33,000	33,000	-	0.0%
Replacement Reserve	49,000	49,000	-	0.0%
CalHFA Monitoring Fee	7,500	7,500	-	0.0%
Total Other Income	89,500	89,500	-	0.0%

- ☒ Changes in CalHFA required reserves
- The required operating expense reserve has increased by \$66,313 which is attributed to the project increasing its CalHFA permanent loan amount and operating expenses as described below.

	Initial	Final	Difference	%
Permanent Loan	26,950,000	27,875,000	925,000	3.4%
Total Operating Expenses/Reserves	1,146,018	1,199,318	53,300	4.7%
Debt Service Payment	1,847,481	2,073,830	226,349	12.3%
Required Operating Reserve (3mo)	751,974	818,287	66,313	8.8%

- ☐ Changes in Affordability Restrictions including Unit distribution for regulated units

PROJECT SUMMARY

2.	Legislative Districts	Congress:	#27 Mike Garcia	Assembly:	#39 Juan Carrillo	State Senate:	#21 Scott Wilk
	Brief Project Description	Maison's Sierra (the "Project") is a new construction, family, mixed-income Project. It consists of one community building and 196 single-family dwellings (total 197 buildings) on one 25-acre parcel that will be owned by the borrower. 194 units will be restricted between 30% and 70% of the Los Angeles County Area Median Income (AMI). There will be 40 one-bedroom units (650 sf), 78 two-bedroom units (850sf), and 78 three-bedroom units (1,200 sf). One one-bedroom unit and one two-bedroom unit will serve as unrestricted manager's units. The site is currently vacant, undeveloped land. Financing Structure: The Project's financing structure includes financing from tax-exempt bonds, recycled bonds, an equity bridge loan, 4% Federal Tax Credit equity, 4% state housing tax credits, Agency's tax-exempt loan program and the Mixed-Income Program. Tax Credits and/or CDLAC Status: The developer received an allocation for 4% tax credits and bond cap from CTCAC and CDLAC on 8/23/2023. The bond cap requested is approximately 51% aggregate basis requirement (the "50% test"). Ground Lease: Not applicable. Project Amenities: The Project includes a community building with business center, courtyard, exercise facility, central laundry facility, jacuzzi, picnic areas, playground, and swimming pool. Unit amenities will include patios, central air conditioning, dishwashers, garbage disposals, microwaves, and washer/dryer connections. Local Resources and Services: For CTCAC/CDLAC purposes, the Project is located within a Low Resource area per CTCAC/HCD's Opportunity Area Map. The Project is near the following local amenities and services: Grocery stores – 0.3 mile Schools – 1.2 miles Public Library – 1.1 miles Public transit – 0.4 mile Retail – 2.3 miles Park and recreation – 0.2 mile Hospitals – 2.1 miles					
		Non-displacement and No Net Loss: To the extent feasible, it is the Agency's priority to mitigate the overall effects upon affordable housing availability that may arise from multifamily developments that may result in permanent displacement of existing affordable housing residents and/or net loss of existing affordable housing units. The Project is a new construction project, with no related demolition of existing affordable housing, hence no existing affordable housing units will be lost nor will existing residential households be displaced as a result of this development. Commercial and/or Other (i.e., Parking) Space: The Project does not include commercial space.					

MISSION

3.	CalHFA Mission/Goals	
This Project and financing proposal provide 194 units of affordable housing with a range of restricted rents between 30% AMI and 70% AMI which will support much needed rental housing that will remain affordable for 55 years.		

ANTICIPATED PROJECT MILESTONES & SCHEDULE

4.	CDLAC/CTCAC Closing Deadline:	02/01/2024	Est. Construction Loan Closing:	February 2024
	Estimated Construction Start:	February 2024	Est. Construction Completion:	February 2026
	Estimated Stabilization and Conversion to Perm Loan(s):	May 2026		

SOURCES OF FUNDS

5.	Project Summary Budget		
	Construction Sources and Uses		
	Sources	Amount	% of Total
	Merchants- Tax Exempt- Conduit (Construction Loan) 1 st lien position, 7.06% rate, interest only- 36-month term [Facility A]	\$35,000,000	48.3%
	Merchants- Recycled T/E- Conduit (Construction Loan) 2 nd lien position, 7.06% rate, interest only- 36-month term [Facility B]	\$5,900,000	8.1%
	Merchants- Equity Bridge Loan (Construction Loan) 2 nd lien position, 7.06% rate, interest only- 36-month term [Facility B]	\$10,300,000	14.2%
	LIHTC Equity (Equity, LIHTC Investor) @ \$0.85/Federal credit and \$0.75/State ,	\$14,725,000	20.3%
	Deferred Developer Fee (Developer Fee, Deferral) (87% of total developer fee)	\$6,528,776	9.1%
	TOTAL CONSTRUCTION SOURCES	\$72,453,776	100%
	TOTAL PER UNIT	\$369,662	
	Uses	Amount	% of Total
	Land Acquisition costs	\$2,577,320	3.6%
	Construction/Rehab Costs	\$42,710,609	59.1%
	Soft Costs	\$2,345,178	3.2%
	Hard Cost contingency (12.2% of hard costs)	\$4,551,336	6.3%
	Soft Cost contingency (6.4% of other costs)	\$1,767,918	2.4%
	Financing Costs (interest reserves, fees, taxes, and insurance)	\$4,539,944	6.3%
	Local Permit & Impact Fees city of Lancaster	\$4,900,000	6.3%
	Developer Fee	\$4,106,279	6%
	Cash Portion Developer Fee (Paid at perm conversion)	\$3,393,721	4.7%
	Other Costs (A&E, legal, other soft costs)	\$668,184	1.3%
	Operating Reserves (Refer to section 14 for details)	\$893,287	1.2%
	TOTAL CONSTRUCTION USES	\$72,453,776	100%

TOTAL PER UNIT	\$369,662	
Permanent Sources and Uses		
Sources	Amount	% of Total
CalHFA Permanent Loan (Loan) 1 st lien position, 17-year term with 40-year amortization Rate estimate 6.98% including 50bps cushion - final rate will be locked 30 days prior to construction loan closing)	\$27,875,000	38.5%
CalHFA MIP Loan (Loan) 2 nd lien position, 3.00% residual receipts, 17-year term	\$1,600,000	2.2%
Deferred Developer Fee (Developer Fee, Deferral) (67% of total developer fee)	\$4,106,279	5.7%
Tax Credit Equity (Equity, LIHTC Investor) @ \$0.85/Federal and \$0.75/State	\$38,872,497	53.6%
TOTAL PERMANENT SOURCES	\$72,453,776	100.0%
TOTAL PER UNIT	\$369,662	
Uses	Amount	% of Total
Total Loan Payoffs and Equity	\$64,519,651	89%
Financing costs	\$434,125	0.6%
Cash Developer Fee paid at Perm Conversion	\$3,393,721	4.7%
Deferred Developer Fees paid from cashflow	\$4,106,279	5.7%
TOTAL PERMANENT SOURCES	\$72,453,776	100.0%
TOTAL PER UNIT	\$369,662	

Subsidy Efficiency: \$1,600,000 (\$8,247 per MIP restricted units).

Tax Credit Type(s), Amount(s) and per total units:

- 4% Federal Tax Credits (WNC): \$33,589,670 (\$173,143 per TCAC restricted unit).
- State Tax Credits (WNC): \$12,865,979* (\$66,320 per TCAC restricted unit).

* The project has elected to not certificate the State Tax Credits which resulted in a slightly lower STC equity in the project from the State Tax Credits generated by the project.

Rental Subsidies: The Project will not be subsidized by project-based vouchers.

Other State Subsidies: The Project will not be funded by other state funds.

Other Locality Subsidies: The Project will not be funded by locality funds.

Cost Containment Strategy: Based on the cost containment certification provided as part of the TCAC and MIP applications, the developer has built a cost containment protocol from years of experience developing comparable projects, which includes:

	1. Early project team was engaged during the conceptual design process through building permit. Issuing and establishing specific/clear roles and responsibilities of each party involved. 2. A third-party construction professional has been contracted to conduct a feasibility/cost analysis and any concerns raised in this report should be addressed before commencement. 3. The general contractor (GC) will establish a detailed critical path schedule ("CMP") to manage and mitigate potential schedule delays and time extension requests. CMP must include utility connections, mailbox setup, or other coordination items necessary for the certificate of completion. Any deviations, particularly to critical path items, should be evaluated for time or cost impact. In addition, the GC must provide ownership with a complete assessment of any substantiated delays to the critical path (e.g., unforeseen conditions) documented by change order(s). 4. Evaluating Exclusions and Exceptions within the GC contract for potential cost impact. Resolve these potential impacts before construction commencement when possible. 5. Establishing clear expectations and protocols for the request for information "RFI" management during construction, which may avoid compensable time delays and disputes during the construction period. 6. Utilizing GMP as the preferred form of GC contract, with cost savings returned to Owner. The GC should provide a minimum of 3 bids for each trade, emphasizing all the major ones. 7. Allowances will be minimized and reserved for value engineering items that may be added back to the contract if hard cost contingency appears sufficient.
6.	Equity – Cash Out (estimate): Not Applicable

TRANSACTION OVERVIEW

7.	Proposal and Project Strengths • The Project anticipates receiving 4% federal tax credits which is projected to generate equity representing 53.7% of total financing sources. WNC will be the investor and is paying \$0.85/credit for the federal credits and \$0.75/credit for state credits. • The developer/sponsor has developed and completed 3 affordable housing projects similar to the project's design (single-family dwellings), in the area that were completed on schedule and within the development budgets, as described in section 31. • The Project will serve low-income families ranging between 30% to 70% of AMI. On average, the rents are between 26% to 74% below market rents based on an appraisal dated 11/13/2023 prepared by BBG, Inc. • The cash developer fee that will be collected at or prior to permanent loan conversion is \$2,468,518 which could be available to cover cost overruns at permanent loan conversion. • The exit analysis assumes a 2% increase (to 7.75%) to the cap rate and 3% increase (to 9.98%) of the underwriting interest rate at loan maturity. Based on these assumptions, the Project will have the ability to refinance and fully repay the balance of the Agency's permanent first lien and subsidy loans in year 17.
8.	Project Weaknesses with Mitigants: • The development of single-family rental is a new project type for CalHFA. The Multifamily staff has reviewed the Developer's experience in both constructing and leasing this project type and also reviewed the Market Study and Appraisal which support the market and financial feasibility of this project. • The Developer, Ravello Holdings, Inc. does not meet the minimum Development Experience Requirements of CalHFA underwriting standards or TCAC and has partnered with AHA High Desert MGP, LLC (owned by Affordable Housing Access, Inc.) as the Managing General Partner to meet the TCAC minimum requirements of 5 or more projects in service more than 3 years ago, including 1 in service more than 5 years and 2 California LIHTC projects. The Multifamily Staff has verified that the Managing General Partner will be able to step in the role of the

Developer, in the event the Project's primary Developer is unable to deliver the project on time and within budget, and fulfill all the obligations under the Limited Partnership Agreement to deliver the project on time and operate the project per the regulatory requirements of the subject financing.

9. Underwriting Standards or Term Sheet Variations

- The MIP term sheet requires that starting in the first year of project operations the surplus project cash-flow be split 50% to Borrower to be applied for the Deferred Developer fee payment and balance 50% to be applied pro rata as "Residual Receipts" between CalHFA and other governmental residual receipt lenders. However, the Tax Credit Investor is requiring that the Deferred Developer Fee (DDF) payment be prioritized over the residual receipt lenders such that DDF of the \$4,106,279 is fully paid by Year 14, after which the surplus cash will be distributed 50/50 between Developer and the Residual Receipts lenders starting in Year 15. This is a Term Sheet variation and impacts the residual receipt payments for the CalHFA MIP loan. However, the proposed DDF structure variation is recommended for approval since the cash-flow from the project are sufficient to fully repay the CalHFA MIP loan by maturity in Year 17 with 50/50 split from Year 1. As a condition of this approval, the Borrower must provide evidence that the DDF repayment structure is required pursuant to the Limited Partnership Agreement (LPA). In addition, the owner must provide evidence of investor and all residual receipt lender(s) approvals of the total deferred developer's fee structure and residual receipt split. Based on the current financial analysis, the DDF is fully repaid in year 14 and the balance of the MIP principal and interest (\$2,080,000) will be fully repaid before maturity in year 17.
- The Project's proposed operating expense is \$5,662 per unit per annum (PUPA) is below, but still within the 15% waiver threshold, of the CTCAC minimum of \$6,000 PUPA. Actual operating expenses will be used for final underwriting prior to permanent loan closing, at which time the CalHFA permanent loan may be resized to meet the 1.15 DSCR requirement. Approvals of the proposed operating expense from the investor, all lenders, and CTCAC are required prior to construction closing.
- The underwriting includes a total of \$196,560 of additional annual income. This is comprised of \$32,160 of laundry income, \$117,000 annually (\$50 per unit per month) of Solar Offset income and \$47,400 (\$20 per unit per month) of cable access for the residents. County of Los Angeles utility allowance schedule requires electrical costs of \$57 for 1-bedroom units, \$72 for 2-bedroom units and \$88 for 3-bedroom units which is accounted for in the Project's proposed net rents. The total cost of electricity charged to the residents will only be \$50 per unit per month, regardless of the unit type, and will cover all electrical costs. This income will be retained by the project and is included in the net operating income and supported by the appraisal.

10.	Project Specific Conditions of Approval
	Approval is conditioned upon: • Receipt of a certification by the engineer on record that Project has been built to current seismic code acceptable to the Agency prior to permanent closing. • Prior to construction loan closing, CalHFA and Tax Credit Investor evidence of confirmation of residual receipt split percentages as indicated in Section 9 and per the final commitment underwriting included in the Financial Analysis attached to the staff report. • Receipt and review of Final Plan and Cost review (PCR) prepared by third-party consultant engaged by Merchants Bank of Indiana. • CalHFA approval of construction contract prior to construction loan closing. • Any default as to any loans by the Agency for the Development shall constitute a default under any other loans by the Agency for the Development. • CalHFA requires that MIP affordability covenants be recorded in senior position to all foreclosable debt. • No site work or construction shall commence prior to the issuance of a HUD Firm Approval Letter. • Subject to receipt and CalHFA approval of a subordination agreement subordinating TCAC's interests to the Agency loans prior to permanent loan closing. • An estoppel as to the lien priority of the Agency loans and approval of the Agency's form of subordination agreement by all subordinate lenders prior to construction closing. • The CalHFA subsidy will be, in the Agency's sole discretion, the lesser of 1) the principal amount as stated on hereto or 2) an amount as determined by the Agency in the event the financial assumptions change prior to construction loan closing and/or permanent loan closing. • All MIP Loan principal and interest will be due and payable at full repayment of CalHFA permanent loan. • Subject to all MIP program requirements pursuant to term sheet. • The Tax Credit Investor Letter of Interest requires Evidence that the DDF repayment structure is required pursuant to the Limited Partnership Agreement (LPA). In addition, the owner must provide evidence of investor and all residual receipt lender(s) approvals of the total deferred developer's fee structure and residual receipt split. • The Project's proposed operating expense is \$5,662 is below, but still within the 15% waiver threshold, of the CTCAC minimum of \$6,000. Approvals of the proposed operating expense from the investor, all lenders, and CTCAC are required prior to construction closing. • Closing on construction financing will be subject to final LPA being substantially consistent to the assumptions made at time of final commitment and as presented in the Financial Analysis summary presented in this Final Commitment Staff Report, and that it is acceptable to CalHFA, in its sole discretion.
11.	Staff Conclusion/Recommendation:
	The Multifamily Lending Division supports approval of the described financing in the amounts requested, subject to the above proposed terms and conditions.

AFFORDABILITY**12. CalHFA Affordability (Occupancy and Rent) Restrictions**

The CalHFA Permanent Financing Regulatory Agreement will restrict a minimum of 40% of the total units at or below 60% AMI; with 30% of the total units (59 units) at or below 60% AMI and 10% of the total units (20 units) at 50% of AMI for 55 years.

Number of Units and Percentage of AMI Rents Restricted by each Agency										
Regulating Agency	Number of Units Restricted for Each AMI Category								Total Units	Percentage
	Lien	30%	40%	50%	60%	70%	120%	N/A	Regulated	Regulated
CalHFA Bond	1st			20	59				79	41%
CalHFA MIP	2nd			40		20	134		194	100%
CTCAC	3rd	20		28	59	87			194	100%
Other									0	0%
TOTALS		20	0	28	59	87	0	N/A	194	100%

*The CalHFA MIP Subsidy Regulatory Agreement requires 20% of total units (40 units) to be restricted at or below 50% of AMI. 10% of total units (20 units) be restricted between 60% and 80% of AMI with a minimum average of 70% of AMI for a term of 55 years. The rents for the 60% to 80% tranche will be determined by the minimum income limit of 70% of AMI, not to exceed 80% of AMI. The remaining 134 restricted units will be restricted at or below 120% of AMI. For underwriting purposes, the initial rents at permanent loan closing must be no less than the underwriting rent levels outlined on the "Unit Mix and Rent Summary" enclosed as part of the project's staff report package. The CalHFA permanent loan agreement will require minimum underwriting rent levels as outlined in the Rent Limit Summary Table Below.

The Rent Summary Table is outlined below, which reflects the total number of units for the applicable target occupancy (AMI):

Rent Limit Summary Table					
	1-bdrm	2-bdrm	3-bdrm	Total	% Total
30%	6	7	7	20	10%
40%	0	0	0	0	0%
50%	3	12	13	28	14%
60%	11	24	24	59	30%
70%	19	34	34	87	44%
120%	0	0	0	0	0%
Manager	1	1	0	2	1%
Total	40	78	78	196	
AMI Avg	59.5%	60.1%	60.0%	59.9%	

The average affordability restriction is 59.9% of AMI based on 194 TCAC-restricted units.

13. Geocoder Information

Central City:	No	Underserved:	No
Low/Mod Census Tract:	Moderate	Below Poverty line:	21%
Minority Census Tract:	86.29%	Rural Area:	No

FINANCIAL ANALYSIS SUMMARY

14.	Capitalized Reserves:			
	Replacement Reserves (RR):	\$0 capitalized replacement reserve. \$49,000 Annual replacement reserve contributions are sized based on \$250 per unit. CalHFA will hold this reserve and the reserve payments will inflate by 1% annually.		
	Operating Expense Reserve (OER):	\$818,287 The USRM requires that the OER amount be sized based on a minimum of 3 to 6 months of operating expenses, first lien debt service, and annual replacement reserves deposits. For this Project, a minimum of 3 months of operating expense, reserves, and debt service (“OER”) is required to be held for the life of the CalHFA permanent loan. The OER may be based on 3 months of total operating expense, reserves, and debt service if the developer provides evidence that, within the last 2 years, they have received allocations from TCAC or provided a certification from a third-party accountant that they met TCAC’s general partner and management experience pursuant to CTCAC regulations. The developer has submitted supporting documentation that they’ve met this requirement. CalHFA will hold this reserve for the term of the CalHFA permanent loan and in the event the OER is drawn down during the term of the loan, the OER must be replenished over a 12-month period to the original level. Rent Reserves: The development budget includes a \$75,000 rent reserve that will be funded during construction and held by the equity investor. This reserve requirement will expire at permanent loan closing at which time the reserve amount will be refunded to the project.		
	Transitional Operating Reserve (TOR):	Not applicable.		
15.	Cash Flow Analysis			
	1 st Year DSCR:	1.15	Project-Based Subsidy Term:	N/A
	End Year DSCR (year 17):	1.55	Annual Replacement Reserve Per Unit:	\$250/unit
	Residential Vacancy Rate:	5%	Rental Income Inflation Rate:	2.50%
	Subsidy Vacancy Rate:	N/A	Subsidy Income Inflation Rate:	N/A
	Non-residential Vacancy Rate:	N/A	Project Expenses Inflation Rate:	3.50%
			Property Tax Inflation Rate:	N/A
*Vacancy rates, inflation factors and required replacement reserves are as outlined in the appraisal dated 11/13/2023.				
- The developer/sponsor met the threshold requirements for the proposed OER budget, which is based on 3 months of total operating expense, reserves, and debt service. - For purposes of CalHFA’s DSCR covenant, the Project underwriting must show a minimum of 1.15 DSCR for the term of the permanent loan.				
16.	Loan Security			
The CalHFA Perm loan will be secured by a 1st lien Deed of Trust and MIP Subsidy loan by a 2nd lien Deed of Trust recorded against the fee interest including but not limited to the Borrower’s interest in the e above-described Project				

site and improvements, project revenues and escrows. The CalHFA Regulatory Agreement shall be recorded in a senior position to the CalHFA Deed of Trust.

17. Balloon Exit Analysis **Applicable:** ☒ Yes ☐ No

- The primary source of repayment for both the first mortgage and the MIP subsidy loan is refinance of the project's first mortgage. The exit analysis assumes a 2% increase (to 7.75%) to the cap rate and 3% increase (to 9.98%) of the underwriting interest rate at loan maturity. Based on these assumptions, the Project will have the ability to fully repay the balance of the Agency's permanent first lien and subsidy loans in year 17.

APPRAISAL AND MARKET ANALYSIS

18a) Appraisal Review

Dated: November 13, 2023

- The Appraisal dated November 13, 2023, prepared by BBG, Inc., values the land at \$3,470,000.
- The cap rate of 5.75% and projected \$2,437,031 of net operating income were used to determine the appraised value of the subject site. The Borrower's estimated NOI is \$2,391,099, which is \$45,932 (2%) lower than the estimated NOI on the appraisal report, and is largely due to the following reasons:
 - The Borrower Estimated Gross Income of \$3,588,617 is \$39,976 (1%) lower than the appraiser's estimate of \$3,628,593, which is attributed to the appraisal considering pet fees, which are not eligible for underwriting.
 - The Borrower estimated insurance costs of \$225,000 is \$47,620 (25%) higher than the appraiser's estimate of \$177,380, which is attributed to the borrower cushioning the insurance costs in anticipation of rate increases prior to permanent loan conversion.
 - The Borrower estimated approximately \$189,600 for repairs and administration, which is \$25,700 (12%) lower than the appraisal's estimated budget of \$215,600. The Borrower's proposed estimated repairs and administration budget is based on the current operations of similar nearby projects in their portfolio.

Considering these deviations, the Developer's proposed operating expenses are used for underwriting purposes since they are more conservative than the appraisal and reasonable based on the Developer's experience with operating similar projects in the area and per the property management certification and property management agreement. Additionally, actual operating expenses will be used for final underwriting prior to permanent loan closing, at which time the CalHFA permanent loan may be resized to meet the 1.15 DSCR requirement.

- The as-restricted stabilized value is \$42,400,000, which results in the Agency's permanent first lien loan-to-value (LTV) of 66%. The combined LTV, including the MIP subsidy loan is 70%.
 - The absorption rate is 10 units per month, which is 15 units lower than the market study's absorption rate, which was based on 2022 income and expense limits whereas the appraisal was based on 2023 limits. However, the developer will complete and start leasing units in stages of 10 units so stabilized occupancy is expected to occur within 3 months after completion.
 - The underwriting includes a total of \$117,000 of additional annual income. This is comprised of \$117,000 annually (\$50 per unit per month) of Solar Offset income. County of Los Angeles utility allowance schedule requires electrical costs of \$57 for 1-bedroom units, \$72 for 2-bedroom units and \$88 for 3-bedroom units which is accounted for in the Project's proposed net rents. The total cost of electricity charged to the residents will only be \$50 per unit per month, regardless of the unit type, and will cover all electrical costs. This income will be retained by the project and is included in the net operating income. The appraisal supports this additional income.
- The Project's proposed operating expense is \$5,662 per unit is below, but still within the 15% waiver threshold, of the CTCAC minimum of \$6,000 per unit. Approvals of the proposed operating expense from the investor, all lenders, and CTCAC are required prior to construction closing. Actual operating expenses will be used for final underwriting prior to permanent loan closing, at which time the CalHFA permanent loan may be resized to meet the 1.15 DSCR requirement.

18b)	Market Study:	Novogradac	Dated: March 17, 2023
<u>Regional Market Overview</u> - The Primary Market Area ("PMA") is the eastern portion of the City of Lancaster, including the neighborhoods of Columbia East, Skytower Park, Lincoln, East Garden, and Joshua (population of 124,682) and the Secondary Market Area ("SMA") is Los Angeles-Long Beach-Anaheim, CA (Metropolitan Statistical Area) (population of 13.1 million) - The general population in the PMA is anticipated to decrease by 0.4% per year whereas the appraisal indicates the population decreasing by only 0.02% per year. - Unemployment in the SMA is 3.9% as of 12/31/2022.			
<u>Local Market Area Analysis</u> Supply: - There are currently 12 family projects within the PMA and those that provided occupancy information were 95-100% occupied with the majority maintaining wait lists. - There are four affordable projects under construction which are anticipated to complete in 2023. Demand/Absorption: - The project will need to capture 11% of the total demand for family units in the PMA. The affordable units are anticipated to lease up at a rate of 25 units per month and reach full occupancy within eight months of opening. For underwriting purposes, CalHFA is relying on the absorption rate of 10 units per month as indicted in the appraisal since it is a current analysis of market conditions.			

DEVELOPMENT SUMMARY

19.	Site Description	Requires Flood Insurance: ☐ Yes ☒ No
- The property is located on the southwest corner intersection of W Avenue H and Sierra Highway within a residential and commercial area which includes portions of undeveloped land, in the City of Lancaster, Los Angeles County. - The site is currently vacant, with level topography at street grade, measuring approximately 25.28 acres and is generally rectangular in shape. - The site is zoned MDR for moderate density residential, with permitted multifamily residential use. - The subject is not located in Flood Zone X (shaded) (area of minimum flood hazard). Zone X (shaded) is the area determined to be outside the 500-year floodplain and protected by levee from 100-year floodplain, therefore the Project will not be subject to flood insurance.		
20.	Form of Site Control & Expiration Date	
The current site owner, Lancaster Housing Authority, and the contemplated Project owner, Ravello Holdings, Inc., entered into a Disposition and Development Agreement (DDA) for the entire 60-acre parcel of which the Phase I (subject site) was purchased for an amount of \$2,466,680.83, dated May 10, 2023. The DDA requires the construction of 350 affordable housing units to be built upon 60 acres in 3 phases. This project represents phase 1 of the development and will include 196 affordable units built upon 25 acres that will be subdivided from the larger 55-acre parcel at construction loan closing. The borrower is only acquiring 25 acres at this time. The completion of the remaining 2 phases is independent from phase 1. Phase 2 is expected to close February 2025 and phase 3 is expected to close February 2026, the dates of which may be extended, depending on the timing of upcoming CDLAC/TCAC rounds and the project's ability to apply and get the volume cap and tax credit allocations, if needed.		
21.	Current Ownership Entity of Record	
Title is currently vested in Lancaster Housing Authority as the fee owner.		
22.	Environmental Review Findings	Dated: 9/23/2023

A draft Phase I Environmental Site Assessment performed by Nova Group, dated September 23, 2023, revealed no evidence of recognized environmental conditions, so no additional investigation was recommended.	
23. Seismic	Requires Earthquake Insurance: ☐ Yes ☒ No
This new Project will be built to State and City of Lancaster Building Codes so no seismic review is required.	
24. Relocation	Requires Relocation: ☐ Yes ☒ Not Applicable
The Project is new construction; therefore, relocation is not applicable.	

PROJECT DETAILS

25. Residential Areas:				
	Residential Square Footage:	184,358	Residential Units per Acre:	8
	Community Area Sq. Ft:	1,846	Total Parking Spaces:	325
	Supportive Service Areas:	N/A	Total Building Sq. Footage:	199,737
26. Mixed-Use Project:	☐ Yes ☒ No			
	Non-Residential Sq. Footage:	N/A	Number of Lease Spaces:	N/A
	Master Lease:	☐ Yes ☒ No	Number of Parking Spaces:	N/A
27. Construction Type:	One hundred ninety-six (196) separate one-story residential buildings and one community building, type-V wood-framed residential building on a poured concrete slab each with a garage for one vehicle.			
28. Construction/Rehab Scope	Requires Demolition: ☐ Yes ☒ No			
- The subject site is new construction. - The Contractor is an affiliate of the Borrower entity. The contract will be structured as a Stipulated Sum contract that must not exceed 14% for builder overhead, profit, and general requirements, which aligns with CTCAC's allowable limit (14%). - All electric for the project is being provided by solar. However, the developer confirmed that there will still be a connection to the electrical utility in the event the solar is insufficient. - Green design includes: - Solar PV panels installation for renewable energy - Low-flow toilets and plumbing fixtures - MWELO landscape design - EV Charging Circuit feature - LED lighting - Energy Star exhaust fans/ventilation - Electric tier 3 heat pump tanked water heater				
29. Construction Budget Comments:				
- CalHFA will require a copy of an independent review of the costs by a 3rd Party consultant, that has been engaged by the construction lender, prior to construction loan closing. Agency may commission its own cost review report, if determined necessary, in its sole discretion. - The developer has established cost containment strategies, which are outlined in Section 5 above.				

ADDITIONAL DEVELOPMENT/ PROJECT TEAM INFORMATION

30.	Borrower Affiliated Entities																																
1.	Managing General Partner: AHA High Desert MGP, LLC, a California limited liability company; 0.01% interest Managing Member: Affordable Housing Access, Inc., a California nonprofit public benefit corporation.																																
2.	Administrative General Partner: Ravello MODs Sierra Phase 1, LLC, a California limited liability company; 0.01% interest. Managing Member: Ravello Holdings, Inc., a California limited liability company																																
3.	Investor Limited Partner: WNC & Associates, Inc.; 99.98% interest																																
31.	Developer/Sponsor																																
Ravello Holdings, Inc. (Ravello) is a California Corporation with 25-years of experience and is the administrative general partner and developer of the project. As of October 2023, Ravello has 3 housing projects (517 units) under construction and 4 housing projects (570 units) in pre-development. Ravello has completed 2 projects of similar detached single-family structure design with a third nearing completion. Maison's Sierra is Ravello's first project with CalHFA. <table border="1"> <thead> <tr> <th>Project Name</th> <th>Location</th> <th>Type</th> <th>Units</th> <th>Completed</th> <th>Occupancy</th> <th>Total Cost</th> <th>Cost P/U</th> </tr> </thead> <tbody> <tr> <td>Vello Valley</td> <td>Lancaster, Los Angeles County</td> <td>Market</td> <td>172</td> <td>Oct-22</td> <td>93%</td> <td>\$48,000,000</td> <td>\$279,070</td> </tr> <tr> <td>Maison's Palmdale</td> <td>Palmdale, Los Angeles County</td> <td>LIHTC</td> <td>118</td> <td>Jul-23</td> <td>100%</td> <td>\$40,000,000</td> <td>\$338,983</td> </tr> <tr> <td>Maison's Village</td> <td>Palmdale, Los Angeles County</td> <td>Affordable</td> <td>170</td> <td>75% Complete</td> <td>Pre-Leasing</td> <td>\$55,000,000</td> <td>\$323,529</td> </tr> </tbody> </table> Affordable Housing Access, Inc. (AHA) is a non-profit public benefit corporation that was formed in 1999 and has provided non-profit status to over 174 projects (21,476 units) including 2 projects in CalHFA's portfolio (Linden Manor 03018 and Oak Tree Village 02056) which are both performing as expected. Other than the subject property, AHA does not have any other projects in CalHFA's development pipeline. The Multifamily Staff has verified that the Managing General Partner will be able to step in the role of the Developer, in the event the Project primary Developer is unable to deliver the project on time and within budget, and fulfill all the obligations under the Limited Partnership Agreement to deliver the project on time and operate the project per the regulatory requirements of the subject financing.		Project Name	Location	Type	Units	Completed	Occupancy	Total Cost	Cost P/U	Vello Valley	Lancaster, Los Angeles County	Market	172	Oct-22	93%	\$48,000,000	\$279,070	Maison's Palmdale	Palmdale, Los Angeles County	LIHTC	118	Jul-23	100%	\$40,000,000	\$338,983	Maison's Village	Palmdale, Los Angeles County	Affordable	170	75% Complete	Pre-Leasing	\$55,000,000	\$323,529
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Maison's Village	Palmdale, Los Angeles County	Affordable	170	75% Complete	Pre-Leasing	\$55,000,000	\$323,529																										
32.	Management Agent																																
The Project will be managed by ConAm Management Corporation, which has extensive experience in managing affordable housing projects in California, Colorado, Missouri, Nevada, Texas, and Washington, and currently manages 20 projects in CalHFA's asset management portfolio which are performing as expected. Ravello has partnered with ConAm in one other project of similar design, Maison's Village which is in its pre-leasing period, as shown in section 31.																																	
33.	Service Provider Required by TCAC or other funding source? ☒ Yes ☐ No																																
The Borrower has elected to provide a Service Coordinator. Life Skills Training and Educational Programs (LifeSTEPS) will provide the services for all tenants. Services will include a minimum of 84 hours of instructor-led adult educational, health and wellness, or skill building classes, and a minimum of 257 hours/week of health and wellness services and programs. The expense for these services is currently included in the proposed operating budget. Services will be conducted onsite. CTCAC requires site services for 15 years.																																	
34.	Contractor Experienced with CalHFA? ☐ Yes ☒ No																																

The general contractor (GC) is Ravello West Construction, Inc (RWC) is an affiliated company of the developer and does not have prior experience with CalHFA. RWC was formed in 2014, however, its principals have extensive experience in constructing housing and has completed 2 completed projects of similar design, and a 3 rd nearing completion, in California. CalHFA underwriting standards require 3 comparable projects completed and built in the last 5 years. The Multifamily Staff has received satisfactory evidence that RWC meets the minimum GC experience and qualification requirements.	
35.	Architect Experienced with CalHFA? ☐ Yes ☒ No
The architect is Bassenian Lagoni (BL), which does not have prior experience with CalHFA. BL was created over 45 years ago and has extensive experience designing similar projects including 8 projects within the last 3 years. This is the architect and developer's first partnership, however, the developer is verifying project designs with their inhouse architect which has experience designing similar affordable housing projects in California. CalHFA has received satisfactory evidence that BL meets the minimum development team requirements.	
36.	Local Review via Locality Contribution Letter
The locality, City of Lancaster, returned the local contribution letter stating they strongly support the project.	
37	Approval Recommendation
37a	Staff Recommendation and Final Commitment Approval

The Multifamily Lending Division supports approval of the described financing in the amount(s) requested, subject to the above proposed terms and conditions.

Any material deviation from the original financing structure, project changes, underwriting assumptions, failure to meet closing conditions, or the failure to meet a condition of the Final Commitment Letter, if issued, can result in the Agency's decision to not proceed with the financing of the project at any stage during underwriting and prior to the closing of the Agency's financing.

37b**Senior Loan Committee Recommendation**

Senior Loan Committee recommends approval of the Final Commitment of the described financing in the amount(s) requested, subject to the above proposed terms and conditions.


Date: 12/26/2023

Erwin Tam

Director of Financing & Senior Loan Committee Chairperson

Approved by:



Tiena Johnson Hall
C=US, OU=Executive Office, O=California
Housing Finance Agency, CN=Tiena
Johnson Hall, E=tjohnsonhall@calhfa.ca.gov
I am approving this document
12.1.3

Date: 1/9/2024

Tiena Johnson Hall
Executive Director
CalHFA

EXHIBITS: Detailed Financial Analysis and applicable Term Sheets

Financial Analysis FC Approval Maisons Sierra 11-29-23 for credit review-final

Unit Mix and Rent Summary

Project Unit Mix					
Unit Type of Style	Number of	Number of	Average	Number of	Est. No. of
	Bedrooms	Baths	Size (Sq. Ft.)	Units	Tenants
	SRO/Studio				0
Flat	1 Bedroom	1	692	40	60
Flat	2 Bedrooms	1	917	78	234
Flat	3 Bedrooms	2	1,251	78	351
	4 Bedrooms				0
	5 Bedrooms				0
		Total:	196,784	196	645

Number of Units and Percentage of AMI Rents Restricted by each Agency

Regulating Agency	Number of Units Restricted For Each AMI Category							N/A	Total Units	Percentage
	Lien	30%	40%	50%	60%	70%	120%		Regulated	Regulated
CalHFA Bond	1st			20	59				79	41%
CalHFA MIP	2nd			39		20	135		194	100%
CTCAC	3rd	20		28	59	87			194	100%
City [Add Funding Type]									0	0%
City [Add Funding Type]									0	0%
County [Add Funding Type]									0	0%
County [Add Funding Type]									0	0%
HAP Use Agreement									0	0%
Local Dev Agreement									0	0%
Density Bonus or CUP									0	0%
Ground Lease									0	0%
Other									0	0%
TOTALS		20	0	28	59	87	0	N/A	194	100%

Comparison of Average Monthly Restricted Rents to Average Market Rents

Unit Type	Restricting Agency	% of Area Median Income	Average Restricted Rents		Average Market Rents	Average Monthly Savings	% below Market Rents
			Number of Units	Unit Rent			
Studios							
1 Bedroom					\$2,000		
	CTCAC	30%	6	539		\$1,461	27%
	CTCAC	50%	3	\$1,012.00		\$988	51%
	CTCAC	60%	11	\$1,249.00		\$751	62%
	CTCAC	70%	19	\$1,485.00		\$515	74%
2 Bedroom					\$2,500		
	CTCAC	0.3	7	645		\$1,855	26%
	CTCAC	50%	12	\$1,212		\$1,288	48%
	CTCAC	60%	24	\$1,496		\$1,004	60%
	CTCAC	70%	34	\$1,780		\$720	71%
3 Bedrooms					\$2,800		
	CTCAC	0.3	7	730		\$2,070	26%
	CTCAC	50%	13	\$1,386		\$1,414	50%
	CTCAC	60%	24	\$1,714		\$1,086	61%
	CTCAC	70%	34	\$2,042		\$758	73%
4 Bedrooms							

Total Number of Units Per Above 194
 Market Rate Units Not Shown Above 2
 Total Project Units 196

Average AMI 59.34%

Financial Analysis_FC Approval_Maisons Sierra_11-29-23_for credit review-final

USES OF FUNDS (contd)	Const/Rehab	Permanent	Total Project Uses of Funds		%TDC	% of Category
	\$	\$	Uses (\$)	Per Unit (\$)		
REHABILITATION COSTS						
Site Work (Hard Cost)	-		-	-		
Structures (Hard Cost)	-		-	-		
General Requirements	-		-	-		
Contractor Overhead	-		-	-		
Contractor Profit	-		-	-		
Prevailing Wages	-		-	-		
Contractor/General Liability Insurance	-		-	-		
Third-Party Construction Management	-		-	-		
Relocation Expenses	-		-	-		
Other: (Specify)	-		-	-		
	-			-		
TOTAL REHAB COSTS	-	-	-	-	0.00%	0.0%
CONSTRUCTION COSTS						
Site Work	10,192,000		10,192,000	52,000	14.07%	23.9%
Structures	27,114,855		27,114,855	138,341	37.42%	63.5%
General Requirements	2,238,411		2,238,411	11,420	3.09%	5.2%
Contractor Overhead	500,000		500,000	2,551	0.69%	1.2%
Contractor Profit	1,865,343		1,865,343	9,517	2.57%	4.4%
Prevailing Wages	-		-	-		0.0%
General Liability Insurance	350,000		350,000	1,786	0.48%	0.8%
Third-Party Construction Management	-		-	-		0.0%
Other: (P&P Bond)	450,000		450,000	2,296	0.62%	1.1%
	-			-		0.0%
TOTAL CONSTRUCT COSTS	42,710,609	-	42,710,609	217,911	58.95%	100.0%
ARCHITECTURAL/ENGINEERING/SURVEY FEES						
Design	500,000		500,000	2,551	0.69%	33.3%
Survey/Engineering	1,000,000		1,000,000	5,102	1.38%	66.7%
Supervision	-		-	-		0.0%
	-			-		0.0%
TOTAL ARCHITECTURAL/ENGINEERING/SURVEY FEES	1,500,000	-	1,500,000	7,653	2.07%	100.0%
CONSTRUCTION INTEREST AND FEES						
Construction Loan Interest	3,500,000		3,500,000	17,857	4.83%	100.0%
	-			-		0.0%
	-			-		0.0%
Subtotal (Should Match Constr. Loan Interest Amount):	3,500,000					100.0%
Construction Origination/Loan Fees	505,444		505,444	2,579	0.70%	100.0%
	-			-		0.0%
	-			-		0.0%
Subtotal (Should Match Constr. Origination/Loan Fee Amount):	505,444					100.0%
Credit Enhancement/Application Fee	-		-	-		0.0%
Bond Premium	-		-	-		0.0%
Cost of Issuance	-		-	-		0.0%
Title & Recording	100,000		100,000	510	0.14%	26.6%
Taxes	100,000		100,000	510	0.14%	26.6%
Insurance	85,000		85,000	434	0.12%	22.6%
CDIAC Fee	-			-		0.0%
CalHFA Issuer Fee	-			-		0.0%
CalHFA Inspection	-			-		0.0%
Other	-			-		0.0%
Other: (Construction Monitoring)	91,000		91,000	464	0.13%	24.2%
Subtotal:	\$ 376,000					100.0%
TOTAL CONSTRUCTION COST	4,381,444	-	4,381,444		6.0%	

USES OF FUNDS (contd)	Const/Rehab \$	Permanent \$	Total Project Uses of Funds			
			Uses (\$)	Per Unit (\$)	%TDC	% of Category
PERMANENT FINANCING COSTS						
Origination/Loan Fees	404,250		404,250	2,063	0.56%	100.0%
	-					0.0%
	-					0.0%
	-					0.0%
	-					0.0%
	-					0.0%
Subtotal (Should Match All Origination/Loan Fees Amount):	\$ 404,250.00	\$ -	\$ 404,250.00			100.0%
Credit Enhancement & Application Fees	-		-	-		
Subtotal (Should Match All Credit Enhancement & Appl. Fees Amount):	\$ -	\$ -				0.0%
Title & Recording (closing costs)	-		-	-		0.0%
Taxes	-		-	-		0.0%
Insurance	-		-	-		0.0%
	-		-	-		0.0%
	-		-	-		0.0%
Other: (Bond Fees)	130,250	-	\$ 130,250.00	665	0.18%	24.4%
TOTAL PERMANENT FINANCING COSTS	534,500	-	534,500	272704.08%	0.7%	24.4%
LEGAL FEES AND THIRD-PARTY CONSULTING FEES						
Lender Legal Paid by Applicant	140,000		140,000	71428.57%	0.2%	29.8%
	-					0.0%
	-					0.0%
Subtotal (Should Match Legal Paid by Applicant Amount):	\$ -					
Financial Consulting, Application Preparation/Review	-		-	-		0.0%
Entitlement Services, Building Permit Expediting	-		-	-		0.0%
Tenant File Review Services	-		-	-		0.0%
Other: (Developer Legal)	329,178		\$ 329,178	1,679	0.45%	70.2%
	-			-		0.0%
	-			-		0.0%
TOTAL LEGAL FEES	469,178	-	469,178	2,394	0.65%	100.0%
RESERVES						
Rent Reserves	75,000		75,000	383	0.10%	8.4%
Capitalized Rent Reserves	-		-	-		0.0%
Operating Expense Reserve	818,287	-	818,287	4,175	1.13%	91.6%
Transition Operating Reserve	-			-		0.0%
Initial Replacement Reserve	-			-		0.0%
Investor Required Reserve	-			-		0.0%
Other: (Specify)	-		\$ -	-		0.0%
TOTAL RESERVES	893,287	-	893,287	4,558	1.2%	100.0%
CONTINGENCY COSTS						
Construction Hard Cost Contingency (Warning)	12.20% 4,551,336		4,551,336	23,221	6.28%	72.0%
Soft Cost Contingency (Warning)	6.39% 1,767,918		1,767,918	9,020	2.44%	28.0%
TOTAL CONTINGENCY COSTS	6,319,254	-	6,319,254	32,241	8.72%	100.0%

USES OF FUNDS (contd)	Const/Rehab \$	Permanent \$	Total Project Uses of Funds		%TDC	% of Category
			Uses (\$)	Per Unit (\$)		
OTHER PROJECT COSTS						
TCAC Application, Allocation & Monitor Fees	\$ 114,540	\$ -	\$ 114,540	584	0.16%	2.1%
Environmental Audit	\$ -		\$ -	-		0.0%
Local Development Impact Fees	\$ 4,600,000		\$ 4,600,000	23,469	6.35%	82.6%
Permit Processing Fees	\$ 300,000		\$ 300,000	1,531	0.41%	5.4%
Capital Fees	\$ -		\$ -	-		0.0%
Marketing	\$ 289,558		\$ 289,558	1,477	0.40%	5.2%
Furnishings	\$ 200,000		\$ 200,000	1,020	0.28%	3.6%
Market Study	\$ -		\$ -	-		0.0%
Accounting/Reimbursables	\$ 58,236		\$ 58,236	297	0.08%	1.0%
Appraisal Costs	\$ -		\$ -	-		0.0%
	\$ -			-		0.0%
	\$ -			-		0.0%
	\$ -			-		0.0%
	\$ -			-		0.0%
	\$ -			-		0.0%
Other: (Other Soft Costs)	\$ 5,850		\$ 5,850	30	0.01%	0.1%
Other: (Specify)	\$ -		\$ -	-		0.0%
Other: (Specify)	\$ -		\$ -	-		0.0%
TOTAL OTHER PROJECT COSTS	5,568,184	-	5,568,184	28,409	7.69%	100.0%
SUBTOTAL PROJECT COSTS	64,953,776	-	64,953,776	309,043	89.65%	
DEVELOPER FEES & COSTS						
Developer Overhead/Profit	7,500,000	-	7,500,000	38,265	10.4%	100.0%
Processing Agent Fees	-		-	-		0.0%
Broker Fees Paid to Related Party	-		-	-		0.0%
Construction Management by Developer	-		-	-		0.0%
	-			-		0.0%
Other: (Specify)	-		\$ -	-		0.0%
TOTAL DEVELOPER FEES & COSTS	7,500,000.00	-	7,500,000	38,265	10.4%	100.0%
TOTAL DEVELOPMENT COSTS (TDC)	72,453,776.00	72,453,776	72,453,776	369,662	100%	
NET BUDGET SURPLUS/DEFICIT	-	-	-			

Projected Initial Annual Operating Budget				
OPERATING INCOME				
Income	% Increase	Amount	Per Unit	% of Category
Rental Income				
Restricted Unit Rents	2.50%	\$ 3,568,788	\$ 18,208	94.48%
Unrestricted Unit Rents	2.50%	\$ 12,144	\$ 62	0.32%
Commercial Rents	2.00%	\$ -	\$ -	0.00%
Rental & Operating Subsidies				
Project Based Rental Subsidy	1.50%	\$ -	\$ -	0.00%
Other Project Based Subsidy	1.50%	\$ -	\$ -	0.00%
Other Income				
Laundry Income	2.50%	\$ 32,160	\$ 164	0.85%
Parking & Storage Income	2.50%	\$ -	\$ -	0.00%
Solar Panel Electrical & Wifi/Cable	0.00%	\$ 164,400	\$ 839	4.35%
GROSS POTENTIAL INCOME (GPI)		\$ 3,777,492	19,273	
VACANCY RATES	%			
Restricted Unit Rents	5.00%	\$ 178,439	\$ 910	94.48%
Unrestricted Unit Rents	5.00%	\$ 607	\$ 3	0.32%
Commercial Rents	50.00%	\$ -	\$ -	0.00%
Project Based Rental Subsidy	5.00%	\$ -	\$ -	0.00%
Other Project Based Subsidy	5.00%	\$ -	\$ -	0.00%
Laundry Income	5.00%	\$ 1,608	\$ 8	0.85%
Parking & Storage Income	50.00%	\$ -	\$ -	0.00%
Solar Panel Electrical & Wifi/Cable	5.00%	\$ 8,220	\$ 42	4.35%
TOTAL VACANCY LOSS		\$ 188,875	964	
EFFECTIVE GROSS INCOME (EGI)		\$ 3,588,617	18,309	

OPERATING EXPENSES				
Administrative Expenses	% Increase	Amount	Per Unit	% of Category
Advertising	3.50%	\$ 29,400	150	2.5%
Legal	3.50%	\$ 29,400	150	2.5%
Accounting/Audit	3.50%	\$ -	0	0.0%
Security	3.50%	\$ -	0	0.0%
G&A	3.50%	\$ 50,000	255	4.2%
Total Administrative Expenses:	3.50%	\$ 108,800	555	9.1%
Management Fee	3.50%	\$ 109,838	560	9.2%
Utilities	% Increase	Amount	Per Unit	% of Category
Fuel	3.50%	\$ -	0	0.0%
Gas	3.50%	\$ 21,160	108	1.8%
Electricity	3.50%	\$ 30,070	153	2.5%
Water/Sewer	3.50%	\$ 33,050	169	2.8%
	3.50%	\$ 0	0	0.0%
Total Utilities:	3.50%	\$ 84,280	430	7.0%
Payroll Expenses	% Increase	Amount	Per Unit	% of Category
On-site Managers	3.50%	\$ 184,040	939	15.3%
Number of Staff:	6			
Maintenance Personnel	3.50%	\$ 97,760	499	8.2%
Number of Rent-Free Units:	1			
Payroll Taxes/Benefits/Bonuses	3.50%	\$ 110,200	562	9.2%
Total Payroll/Payroll Taxes:		\$ 392,000	2,000	32.7%
Insurance	3.50%	\$ 225,000	1,148	18.8%
Maintenance	% Increase	Amount	Per Unit	% of Category
Painting	3.50%	\$ -	0	0.0%
Repairs	3.50%	\$ 68,600	350	5.7%
Trash Removal	3.50%	\$ -	0	0.0%
Exterminating	3.50%	\$ -	0	0.0%
Grounds	3.50%	\$ 58,800	300	4.9%
Elevator	3.50%	\$ -	0	0.0%
Turnover + Contracts	3.50%	\$ 62,500	319	5.2%
Total Maintenance:	3.50%	\$ 189,900	969	15.8%
Other Operating Expenses	% Increase	Amount	Per Unit	% of Category
(specify here)	3.50%	\$ -	0	0.0%
(specify here)	3.50%	\$ -	0	0.0%
(specify here)	3.50%	\$ -	0	0.0%
(specify here)	3.50%	\$ -	0	0.0%
(specify here)	3.50%	\$ -	0	0.0%
Total Other Expenses:	3.50%	\$ -	0	0.0%
Total Annual Residential Operating Expenses		\$ 1,109,818	5,662	92.5%
Transit Pass/Internet	3.50%	\$ -	0	0.0%
Total Annual Services Amenities Budget	3.00%	\$ 33,000	168	2.8%
Total Annual Reserve for Replacement	1.00%	\$ 49,000	250	4.1%
Total Annual Monitoring Fees	0.00%	\$ -	0	0.0%
CalHFA Monitoring Fee	0.00%	\$ 7,500		
Total Annual Real Estate Taxes	1.25%	\$ -	0	0.0%
Specialty Locality Taxes (community facilities district, mello	2.00%	\$ -	0	0.0%
Other (Specify):	3.50%	\$ -	0	0.0%
Other (Specify):	3.50%	\$ -	0	0.0%
	3.50%	\$ 0	0	0.0%
GRAND TOTAL EXPENSES		\$ 1,199,318	6,119	100%
NET OPERATING INCOME (NOI)		\$ 2,389,299		
DEBT SERVICE PAYMENTS				
		Amount	Per Unit	
P. CalHFA Permanent Loan		\$ 2,073,830	\$ 10,581	
TOTAL DEBT SERVICE & OTHER PAYMENTS		\$ 2,073,830		
EXCESS AFTER DEBT SERVICE & MONITORING FEES		\$ 315,469		
DEBT SERVICE COVERAGE RATIO (DSCR)		1.15		

Operating Proforma Summary

Comments

Total Units	196	Construction Start Date	2/1/2024	
Regulated Units	0	Construction Completion Date	2/2/2026	
Manager Units (Market Rate)	2	Construction Period (months)	24	
Total Residential Square Feet	184,358	Lease-up Commencement Date:	2/1/2026	
Avg Sq Ft/Unit	196,784	Lease-up Completion Date	5/1/2026	
Rental Subsidies?	0	Lease-up Period (months)	3	
No. of Units with Rental Subsidies	0	Perm Conversion Date	5/1/2026	
Rental Subsidy Contract Term (Initial)	0	Lease-up Completion to Perm (months)	3	

Project Unit Mix	Average	Number of	30%	40%	50%	60%	70%	120%	Comments
No. of Bedrooms	Size (Sq. Ft.)	Units							
SRO/Studio	0	0	0	0	0	0	0	0	
1 Bedroom	692	39	6	0	3	11	19	0	
2 Bedrooms	917	77	7	0	12	24	34	0	
3 Bedrooms	1,251	78	7	0	13	24	34	0	
4 Bedrooms	0	0	0	0	0	0	0	0	
5 Bedrooms	0	0	0	0	0	0	0	0	
Total	86,860	194							

Operating Budget & Reserve Summary	Year 1	Year 5	Year 10	Year 15	Terminal Year	Underwriting Comments
	1	5	10	15	17	
Adjusted Gross Income	3,580,932	3,952,679	4,472,093	5,059,763	5,315,914	
Other Income/Subsidies	196,560	199,899	204,563	209,841	212,142	
Projected Vacancy and Discount Loss	188,875	207,629	233,833	263,480	276,403	
Effective Gross Income (EGI)	3,588,617	3,944,949	4,442,824	5,006,124	5,251,653	
Total Operating Expenses	1,199,318	1,369,173	1,616,716	1,910,196	2,042,321	
Reserve For Replacement	49,000	50,990	53,591	56,324	57,456	
Net Operating Income (NOI)	2,389,299	2,575,776	2,826,108	3,095,928	3,209,332	
Total Debt Service & Other Payments	2,073,830	2,073,830	2,073,830	2,073,830	2,073,830	
Cash Flow After Debt Service	315,469	501,945	752,278	1,022,098	1,135,502	
Debt Service Coverage Ratio	1.15	1.24	1.36	1.49	1.55	
Income/Expense Ratio	2.99	2.88	2.75	2.62	2.57	
Less:						
LP Management Fee	10,000	11,255	13,048	15,126	0	
GP Partnership Management Fee	9,800	11,030	12,787	14,823	0	
Cashflow for Distribution and RR repayment						
Developer Distribution %	50%	50%	50%	50%	50%	
Cumulative Developer Distribution	147,835	967,318	2,532,877	4,743,750	5,850,706	
Residual Receipts %	50%	50%	50%	50%	50%	
Cumulative Residual Repts Repayment	147,835	967,318	2,532,877	4,743,750	5,850,706	
Unpaid CalHFA loan Balance						
Perm Loan	27,742,664	27,110,813	26,028,558	24,495,851	23,716,970	
MIP Subordinate (RR) Loan	1,600,000	1,043,455	0	0	0	
Reserves Balances:						
Operating Reserve	818,287	818,287	818,287	818,287	818,287	
Rent Reserve	75000					
Transition Operating Reserve	0	0	0	0	0	
Replacement Reserve	0					
Other Reserve						

Cashflow Projections											
	YEAR	1	2	3	4	5	6	7	8	9	10
RENTAL INCOME	Inflation %										
Restricted Unit Rents	2.50%	\$ 3,568,788	\$ 3,658,008	\$ 3,749,458	\$ 3,843,194	\$ 3,939,274	\$ 4,037,756	\$ 4,138,700	\$ 4,242,167	\$ 4,348,222	\$ 4,456,927
Unrestricted Unit Rents	2.50%	12,144	12,448	12,759	13,078	13,405	13,740	14,083	14,435	14,796	15,166
Commercial Rents	2.00%	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	1.50%	-	-	-	-	-	-	-	-	-	-
Other Project Based Subsidy	1.50%	-	-	-	-	-	-	-	-	-	-
Laundry Income	2.50%	32,160	32,964	33,788	34,633	35,499	36,386	37,296	38,228	39,184	40,163
Parking & Storage Income	2.50%	-	-	-	-	-	-	-	-	-	-
Solar Panel Electrical & Wifi/Cable	0.00%	164,400	164,400	164,400	164,400	164,400	164,400	164,400	164,400	164,400	164,400
GROSS POTENTIAL INCOME (GPI)		\$ 3,777,492	\$ 3,867,819	\$ 3,960,405	\$ 4,055,305	\$ 4,152,578	\$ 4,252,282	\$ 4,354,479	\$ 4,459,231	\$ 4,566,602	\$ 4,676,657
VACANCY AND OTHER LOSSES	%										
Restricted Unit Rents	5.00%	\$ 178,439	\$ 182,900	\$ 187,473	\$ 192,160	\$ 196,964	\$ 201,888	\$ 206,935	\$ 212,108	\$ 217,411	\$ 222,846
Unrestricted Unit Rents	5.00%	607	622	638	654	670	687	704	722	740	758
Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	5.00%	-	-	-	-	-	-	-	-	-	-
Other Project Based Subsidy	5.00%	-	-	-	-	-	-	-	-	-	-
Laundry Income	5.00%	1,608	1,648	1,689	1,732	1,775	1,819	1,865	1,911	1,959	2,008
Parking & Storage Income	50.00%	-	-	-	-	-	-	-	-	-	-
Solar Panel Electrical & Wifi/Cable	5.00%	8,220	8,220	8,220	8,220	8,220	8,220	8,220	8,220	8,220	8,220
PROJECTED VACANCY AND OTHER LOSSES		\$ 188,875	\$ 193,391	\$ 198,020	\$ 202,765	\$ 207,629	\$ 212,614	\$ 217,724	\$ 222,962	\$ 228,330	\$ 233,833
EFFECTIVE GROSS INCOME (EGI)		\$ 3,588,617	\$ 3,674,428	\$ 3,762,385	\$ 3,852,540	\$ 3,944,949	\$ 4,039,668	\$ 4,136,755	\$ 4,236,269	\$ 4,338,272	\$ 4,442,824
OPERATING EXPENSES	Inflation %										
Administrative Expenses	3.50%	\$ 108,800	\$ 112,608	\$ 116,549	\$ 120,629	\$ 124,851	\$ 129,220	\$ 133,743	\$ 138,424	\$ 143,269	\$ 148,283
Management Fee	3.50%	109,838	113,682	117,661	121,779	126,042	130,453	135,019	139,745	144,636	149,698
Utilities	3.50%	84,280	87,230	90,283	93,443	96,713	100,098	103,602	107,228	110,981	114,865
Payroll/Payroll Taxes	3.50%	392,000	405,720	419,920	434,617	449,829	465,573	481,868	498,733	516,189	534,256
Insurance	3.50%	225,000	232,875	241,026	249,462	258,193	267,229	276,582	286,263	296,282	306,652
Maintenance	3.50%	189,900	196,547	203,426	210,546	217,915	225,542	233,436	241,606	250,062	258,814
Other Operating Expenses	3.50%	-	-	-	-	-	-	-	-	-	-
Services & Amenities	3.00%	33,000	33,990	35,010	36,060	37,142	38,256	39,404	40,586	41,803	43,058
Reserve for Replacement	1.00%	49,000	49,490	49,985	50,485	50,990	51,499	52,014	52,535	53,060	53,591
CalHFA Monitoring Fee	0.00%	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Real Estate & Specialty Taxes	1.25%	-	-	-	-	-	-	-	-	-	-
TOTAL OPERATING EXPENSES		\$ 1,199,318	\$ 1,239,642	\$ 1,281,359	\$ 1,324,520	\$ 1,369,173	\$ 1,415,371	\$ 1,463,168	\$ 1,512,619	\$ 1,563,782	\$ 1,616,716
NET OPERATING INCOME (NOI)		\$ 2,389,299	\$ 2,434,787	\$ 2,481,025	\$ 2,528,020	\$ 2,575,776	\$ 2,624,297	\$ 2,673,587	\$ 2,723,651	\$ 2,774,490	\$ 2,826,108
DEBT SERVICE PAYMENTS	Lien										
P. CalHFA Permanent Loan	1	\$ 2,073,830	\$ 2,073,830	\$ 2,073,830	\$ 2,073,830	\$ 2,073,830	\$ 2,073,830	\$ 2,073,830	\$ 2,073,830	\$ 2,073,830	\$ 2,073,830
P. CalHFA MIP Loan	2	-	-	-	-	-	-	-	-	-	-
TOTAL DEBT SERVICE		\$ 2,073,830	\$ 2,073,830	\$ 2,073,830	\$ 2,073,830	\$ 2,073,830	\$ 2,073,830	\$ 2,073,830	\$ 2,073,830	\$ 2,073,830	\$ 2,073,830
CASH FLOW AFTER DEBT SERVICE		\$ 315,469	\$ 360,957	\$ 407,195	\$ 454,190	\$ 501,945	\$ 550,467	\$ 599,757	\$ 649,820	\$ 700,660	\$ 752,278
DEBT SERVICE COVERAGE RATIO (DSCR)		1.15	1.17	1.20	1.22	1.24	1.27	1.29	1.31	1.34	1.36
DSCR CHECK (USRM)		Target	Target	Target	Target	Target	Target	Target	Target	Target	Target

LP Management Fee	3.0%	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
GP Partnership Management Fee	3.0%	\$ 9,800	\$ 10,094	\$ 10,397	\$ 10,709	\$ 11,030	\$ 11,361	\$ 11,702	\$ 12,053	\$ 12,414	\$ 12,787
Cashflow available for distribution		\$ 295,669	\$ 340,563	\$ 386,189	\$ 432,554	\$ 479,660	\$ 527,513	\$ 576,115	\$ 625,469	\$ 675,578	\$ 726,443

		50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Developer Distribution	50%	\$ 147,835	\$ 170,281	\$ 193,095	\$ 216,277	\$ 239,830	\$ 263,756	\$ 288,057	\$ 312,734	\$ 337,789	\$ 363,222
Deferred developer fee start balance	4,106,279	4,106,279	3,958,444	3,788,163	3,595,068	3,378,792	3,138,961	2,875,205	2,587,147	2,274,413	1,936,624
Deferred Developer fee payment	14	147,835	170,281	193,095	216,277	239,830	263,756	288,057	312,734	337,789	363,222
Deferred Developer fee end balance		\$ 3,958,444	\$ 3,788,163	\$ 3,595,068	\$ 3,378,792	\$ 3,138,961	\$ 2,875,205	\$ 2,587,147	\$ 2,274,413	\$ 1,936,624	\$ 1,573,402
Additional Developer Distribution		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Residual Receipt Payments	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
	Payment %	147,835	170,281	193,095	216,277	239,830	263,756	288,057	312,734	337,789	363,222
P. CalHFA MIP Loan	100.00%	147,835	170,281	193,095	216,277	239,830	263,756	288,057	312,734	337,789	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
Total Residual Receipts Payments	100.00%	147,835	170,281	193,095	216,277	239,830	263,756	288,057	312,734	337,789	-

Balances for Residual Receipt Payments											
RESIDUAL RECEIPTS LOANS	Interest Rate	1	2	3	4	5	6	7	8	9	10
P. CalHFA MIP Loan	3.00%	\$ 1,600,000	\$ 1,500,165	\$ 1,374,889	\$ 1,223,041	\$ 1,043,455	\$ 834,929	\$ 596,220	\$ 326,049	\$ 23,096	\$ -
0											
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0											
Total Residual Receipts Payments		\$ 1,600,000	\$ 1,500,165	\$ 1,374,889	\$ 1,223,041	\$ 1,043,455	\$ 834,929	\$ 596,220	\$ 326,049	\$ 23,096	\$ -

Cashflow Projections											
	YEAR	11	12	13	14	15	16	17	18	19	20
RENTAL INCOME		Inflation %									
Restricted Unit Rents	2.50%	\$ 4,568,350	\$ 4,682,559	\$ 4,799,623	\$ 4,919,614	\$ 5,042,604	\$ 5,168,669	\$ 5,297,886	\$ 5,430,333	\$ 5,566,091	\$ 5,705,244
Unrestricted Unit Rents	2.50%	15,545	15,934	16,332	16,741	17,159	17,588	18,028	18,479	18,940	19,414
Commercial Rents	2.00%	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	1.50%	-	-	-	-	-	-	-	-	-	-
Other Project Based Subsidy	1.50%	-	-	-	-	-	-	-	-	-	-
Laundry Income	2.50%	41,168	42,197	43,252	44,333	45,441	46,577	47,742	48,935	50,159	51,413
Parking & Storage Income	2.50%	-	-	-	-	-	-	-	-	-	-
Solar Panel Electrical & Wifi/Cable	0.00%	164,400	164,400	164,400	164,400	164,400	164,400	164,400	164,400	164,400	164,400
GROSS POTENTIAL INCOME (GPI)		\$ 4,789,463	\$ 4,905,090	\$ 5,023,607	\$ 5,145,087	\$ 5,269,604	\$ 5,397,235	\$ 5,528,055	\$ 5,662,147	\$ 5,799,590	\$ 5,940,470
VACANCY AND OTHER LOSSES		%									
Restricted Unit Rents	5.00%	\$ 228,418	\$ 234,128	\$ 239,981	\$ 245,981	\$ 252,130	\$ 258,433	\$ 264,894	\$ 271,517	\$ 278,305	\$ 285,262
Unrestricted Unit Rents	5.00%	777	797	817	837	858	879	901	924	947	971
Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	5.00%	-	-	-	-	-	-	-	-	-	-
Other Project Based Subsidy	5.00%	-	-	-	-	-	-	-	-	-	-
Laundry Income	5.00%	2,058	2,110	2,163	2,217	2,272	2,329	2,387	2,447	2,508	2,571
Parking & Storage Income	50.00%	-	-	-	-	-	-	-	-	-	-
Solar Panel Electrical & Wifi/Cable	5.00%	8,220	8,220	8,220	8,220	8,220	8,220	8,220	8,220	8,220	8,220
PROJECTED VACANCY AND OTHER LOSSES		\$ 239,473	\$ 245,254	\$ 251,180	\$ 257,254	\$ 263,480	\$ 269,862	\$ 276,403	\$ 283,107	\$ 289,980	\$ 297,024
EFFECTIVE GROSS INCOME (EGI)		\$ 4,549,990	\$ 4,659,835	\$ 4,772,427	\$ 4,887,833	\$ 5,006,124	\$ 5,127,373	\$ 5,251,653	\$ 5,379,039	\$ 5,509,611	\$ 5,643,447
OPERATING EXPENSES		Inflation %									
Administrative Expenses	3.50%	\$ 153,473	\$ 158,845	\$ 164,404	\$ 170,158	\$ 176,114	\$ 182,278	\$ 188,658	\$ 195,261	\$ 202,095	\$ 209,168
Management Fee	3.50%	154,937	160,360	165,973	171,782	177,794	184,017	190,458	197,124	204,023	211,164
Utilities	3.50%	118,885	123,046	127,353	131,810	136,424	141,198	146,140	151,255	156,549	162,028
Payroll/Payroll Taxes	3.50%	552,955	572,308	592,339	613,071	634,528	656,737	679,723	703,513	728,136	753,621
Insurance	3.50%	317,385	328,493	339,990	351,890	364,206	376,953	390,147	403,802	417,935	432,563
Maintenance	3.50%	267,873	277,248	286,952	296,995	307,390	318,149	329,284	340,809	352,737	365,083
Other Operating Expenses	3.50%	-	-	-	-	-	-	-	-	-	-
Services & Amenities	3.00%	44,349	45,680	47,050	48,462	49,915	51,413	52,955	54,544	56,180	57,866
Reserve for Replacement	1.00%	54,126	54,668	55,214	55,767	56,324	56,887	57,456	58,031	58,611	59,197
CalHFA Monitoring Fee	0.00%	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Real Estate & Specialty Taxes	1.25%	-	-	-	-	-	-	-	-	-	-
TOTAL OPERATING EXPENSES		\$ 1,671,484	\$ 1,728,148	\$ 1,786,776	\$ 1,847,435	\$ 1,910,196	\$ 1,975,133	\$ 2,042,321	\$ 2,111,838	\$ 2,183,766	\$ 2,258,190
NET OPERATING INCOME (NOI)		\$ 2,878,506	\$ 2,931,687	\$ 2,985,651	\$ 3,040,398	\$ 3,095,928	\$ 3,152,240	\$ 3,209,332	\$ 3,267,201	\$ 3,325,844	\$ 3,385,257
DEBT SERVICE PAYMENTS		Lien									
P. CalHFA Permanent Loan	1	\$ 2,073,830	\$ 2,073,830	\$ 2,073,830	\$ 2,073,830	\$ 2,073,830	\$ 2,073,830	\$ 2,073,830	-	-	-
P. CalHFA MIP Loan	2	-	-	-	-	-	-	-	-	-	-
TOTAL DEBT SERVICE		\$ 2,073,830	\$ 2,073,830	\$ 2,073,830	\$ 2,073,830	\$ 2,073,830	\$ 2,073,830	\$ 2,073,830	\$ -	\$ -	\$ -
CASH FLOW AFTER DEBT SERVICE		\$ 804,676	\$ 857,857	\$ 911,821	\$ 966,568	\$ 1,022,098	\$ 1,078,410	\$ 1,135,502			
DEBT SERVICE COVERAGE RATIO (DSCR)		1.39	1.41	1.44	1.47	1.49	1.52	1.55	N/A	N/A	N/A
DSCR CHECK (USRM)		Target	Target	Target	Target	Target	Target	Target			

LP Management Fee	3.0%	\$ 13,439	\$ 13,842	\$ 14,258	\$ 14,685	\$ 15,126	\$ -	\$ -	\$ -	\$ -	\$ -
GP Partnership Management Fee	3.0%	\$ 13,170	\$ 13,565	\$ 13,972	\$ 14,392	\$ 14,823	\$ -	\$ -	\$ -	\$ -	\$ -
Cashflow available for distribution		\$ 778,067	\$ 830,449	\$ 883,591	\$ 937,491	\$ 992,149	\$ 1,078,410	\$ 1,135,502	\$ -	\$ -	\$ -

	50%	50%	50%	50%	50%	50%	50%	50%			
Developer Distribution	50%	\$ 389,033	\$ 415,225	\$ 441,795	\$ 468,746	\$ 496,074	\$ 539,205	\$ 567,751	\$ -	\$ -	\$ -
Deferred developer fee start balance	4,106,279	1,573,402	1,184,369	769,144	327,349	-	-	-	-	-	-
Deferred Developer fee payment	14	389,033	415,225	441,795	327,349	-	-	-	-	-	-
Deferred Developer fee end balance		\$ 1,184,369	\$ 769,144	\$ 327,349	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Developer Distribution		\$ -	\$ -	\$ -	\$ 141,397	\$ 496,074	\$ 539,205	\$ 567,751	\$ -	\$ -	\$ -

Residual Receipt Payments		50%	50%	50%	50%	50%	50%	50%			
	Payment %	389,033	415,225	441,795	468,746	496,074	539,205	567,751	-	-	-
P. CalHFA MIP Loan	100.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
Total Residual Receipts Payments	100.00%	-	-	-	-	-	-	-	-	-	-

Balances for Residual Receipt Payments												
RESIDUAL RECEIPTS LOANS	Interest Rate	11	12	13	14	15	16	17	18	19	20	
P. CalHFA MIP Loan	3.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
0												
0												
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0												
Total Residual Receipts Payments		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Cashflow Projections											
	YEAR	21	22	23	24	25	26	27	28	29	30
RENTAL INCOME		Inflation %									
Restricted Unit Rents	2.50%	\$ 5,847,875	\$ 5,994,072	\$ 6,143,923	\$ 6,297,521	\$ 6,454,959	\$ 6,616,333	\$ 6,781,742	\$ 6,951,285	\$ 7,125,067	\$ 7,303,194
Unrestricted Unit Rents	2.50%	19,899	20,397	20,907	21,429	21,965	22,514	23,077	23,654	24,245	24,852
Commercial Rents	2.00%	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	1.50%	-	-	-	-	-	-	-	-	-	-
Other Project Based Subsidy	1.50%	-	-	-	-	-	-	-	-	-	-
Laundry Income	2.50%	52,698	54,015	55,366	56,750	58,169	59,623	61,113	62,641	64,207	65,812
Parking & Storage Income	2.50%	-	-	-	-	-	-	-	-	-	-
Solar Panel Electrical & Wifi/Cable	0.00%	164,400	164,400	164,400	164,400	164,400	164,400	164,400	164,400	164,400	164,400
GROSS POTENTIAL INCOME (GPI)		\$ 6,084,872	\$ 6,232,884	\$ 6,384,596	\$ 6,540,101	\$ 6,699,493	\$ 6,862,871	\$ 7,030,332	\$ 7,201,981	\$ 7,377,920	\$ 7,558,258
VACANCY AND OTHER LOSSES		%									
Restricted Unit Rents	5.00%	\$ 292,394	\$ 299,704	\$ 307,196	\$ 314,876	\$ 322,748	\$ 330,817	\$ 339,087	\$ 347,564	\$ 356,253	\$ 365,160
Unrestricted Unit Rents	5.00%	995	1,020	1,045	1,071	1,098	1,126	1,154	1,183	1,212	1,243
Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	5.00%	-	-	-	-	-	-	-	-	-	-
Other Project Based Subsidy	5.00%	-	-	-	-	-	-	-	-	-	-
Laundry Income	5.00%	2,635	2,701	2,768	2,837	2,908	2,981	3,056	3,132	3,210	3,291
Parking & Storage Income	50.00%	-	-	-	-	-	-	-	-	-	-
Solar Panel Electrical & Wifi/Cable	5.00%	8,220	8,220	8,220	8,220	8,220	8,220	8,220	8,220	8,220	8,220
PROJECTED VACANCY AND OTHER LOSSES		\$ 304,244	\$ 311,644	\$ 319,230	\$ 327,005	\$ 334,975	\$ 343,144	\$ 351,517	\$ 360,099	\$ 368,896	\$ 377,913
EFFECTIVE GROSS INCOME (EGI)		\$ 5,780,628	\$ 5,921,240	\$ 6,065,366	\$ 6,213,096	\$ 6,364,519	\$ 6,519,727	\$ 6,678,816	\$ 6,841,882	\$ 7,009,024	\$ 7,180,345
OPERATING EXPENSES		Inflation %									
Administrative Expenses	3.50%	\$ 216,489	\$ 224,066	\$ 231,908	\$ 240,025	\$ 248,426	\$ 257,121	\$ 266,120	\$ 275,435	\$ 285,075	\$ 295,052
Management Fee	3.50%	218,554	226,204	234,121	242,315	250,796	259,574	268,659	278,062	287,794	297,867
Utilities	3.50%	167,699	173,569	179,644	185,931	192,439	199,174	206,145	213,360	220,828	228,557
Payroll/Payroll Taxes	3.50%	779,997	807,297	835,553	864,797	895,065	926,392	958,816	992,374	1,027,107	1,063,056
Insurance	3.50%	447,702	463,372	479,590	496,376	513,749	531,730	550,341	569,603	589,539	610,173
Maintenance	3.50%	377,861	391,086	404,774	418,941	433,604	448,780	464,488	480,745	497,571	514,986
Other Operating Expenses	3.50%	-	-	-	-	-	-	-	-	-	-
Services & Amenities	3.00%	59,602	61,390	63,231	65,128	67,082	69,095	71,168	73,303	75,502	77,767
Reserve for Replacement	1.00%	59,789	60,387	60,991	61,601	62,217	62,839	63,468	64,102	64,743	65,391
CalHFA Monitoring Fee	0.00%	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Real Estate & Specialty Taxes	1.25%	-	-	-	-	-	-	-	-	-	-
TOTAL OPERATING EXPENSES		\$ 2,335,194	\$ 2,414,871	\$ 2,497,312	\$ 2,582,615	\$ 2,670,878	\$ 2,762,206	\$ 2,856,704	\$ 2,954,484	\$ 3,055,659	\$ 3,160,348
NET OPERATING INCOME (NOI)		\$ 3,445,434	\$ 3,506,369	\$ 3,568,054	\$ 3,630,481	\$ 3,693,640	\$ 3,757,521	\$ 3,822,112	\$ 3,887,398	\$ 3,953,365	\$ 4,019,997
DEBT SERVICE PAYMENTS		Lien									
P. CalHFA Permanent Loan	1	-	-	-	-	-	-	-	-	-	-
P. CalHFA MIP Loan	2	-	-	-	-	-	-	-	-	-	-
TOTAL DEBT SERVICE		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CASH FLOW AFTER DEBT SERVICE											
DEBT SERVICE COVERAGE RATIO (DSCR)		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
DSCR CHECK (USRM)											

LP Management Fee	3.0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
GP Partnership Management Fee	3.0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cashflow available for distribution		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Developer Distribution	50%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred developer fee start balance	4,106,279	-	-	-	-	-	-	-	-	-	-
Deferred Developer fee payment	14	-	-	-	-	-	-	-	-	-	-
Deferred Developer fee end balance		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Developer Distribution		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Residual Receipt Payments	50%										
	Payment %	-	-	-	-	-	-	-	-	-	-
P. CalHFA MIP Loan	100.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
Total Residual Receipts Payments	100.00%	-	-	-	-	-	-	-	-	-	-

Balances for Residual Receipt Payments											
RESIDUAL RECEIPTS LOANS	Interest Rate	21	22	23	24	25	26	27	28	29	30
P. CalHFA MIP Loan	3.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0											
0											
0											
0											
0											
0											
Total Residual Receipts Payments		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Cashflow Projections											
	YEAR	31	32	33	34	35	36	37	38	39	40
RENTAL INCOME		Inflation %									
Restricted Unit Rents	2.50%	\$ 7,485,774	\$ 7,672,918	\$ 7,864,741	\$ 8,061,360	\$ 8,262,894	\$ 8,469,466	\$ 8,681,203	\$ 8,898,233	\$ 9,120,689	\$ 9,348,706
Unrestricted Unit Rents	2.50%	25,473	26,110	26,762	27,431	28,117	28,820	29,541	30,279	31,036	31,812
Commercial Rents	2.00%	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	1.50%	-	-	-	-	-	-	-	-	-	-
Other Project Based Subsidy	1.50%	-	-	-	-	-	-	-	-	-	-
Laundry Income	2.50%	67,458	69,144	70,873	72,645	74,461	76,322	78,230	80,186	82,191	84,246
Parking & Storage Income	2.50%	-	-	-	-	-	-	-	-	-	-
Solar Panel Electrical & Wifi/Cable	0.00%	164,400	164,400	164,400	164,400	164,400	164,400	164,400	164,400	164,400	164,400
GROSS POTENTIAL INCOME (GPI)		\$ 7,743,105	\$ 7,932,572	\$ 8,126,777	\$ 8,325,836	\$ 8,529,872	\$ 8,739,009	\$ 8,953,374	\$ 9,173,098	\$ 9,398,316	\$ 9,629,164
VACANCY AND OTHER LOSSES		%									
Restricted Unit Rents	5.00%	\$ 374,289	\$ 383,646	\$ 393,237	\$ 403,068	\$ 413,145	\$ 423,473	\$ 434,060	\$ 444,912	\$ 456,034	\$ 467,435
Unrestricted Unit Rents	5.00%	1,274	1,305	1,338	1,372	1,406	1,441	1,477	1,514	1,552	1,591
Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
Project Based Rental Subsidy	5.00%	-	-	-	-	-	-	-	-	-	-
Other Project Based Subsidy	5.00%	-	-	-	-	-	-	-	-	-	-
Laundry Income	5.00%	3,373	3,457	3,544	3,632	3,723	3,816	3,912	4,009	4,110	4,212
Parking & Storage Income	50.00%	-	-	-	-	-	-	-	-	-	-
Solar Panel Electrical & Wifi/Cable	5.00%	8,220	8,220	8,220	8,220	8,220	8,220	8,220	8,220	8,220	8,220
PROJECTED VACANCY AND OTHER LOSSES		\$ 387,155	\$ 396,629	\$ 406,339	\$ 416,292	\$ 426,494	\$ 436,950	\$ 447,669	\$ 458,655	\$ 469,916	\$ 481,458
EFFECTIVE GROSS INCOME (EGI)		\$ 7,355,949	\$ 7,535,944	\$ 7,720,438	\$ 7,909,544	\$ 8,103,378	\$ 8,302,058	\$ 8,505,705	\$ 8,714,443	\$ 8,928,400	\$ 9,147,705
OPERATING EXPENSES		Inflation %									
Administrative Expenses	3.50%	\$ 305,379	\$ 316,067	\$ 327,130	\$ 338,579	\$ 350,430	\$ 362,695	\$ 375,389	\$ 388,528	\$ 402,126	\$ 416,200
Management Fee	3.50%	308,293	319,083	330,251	341,810	353,773	366,155	378,970	392,234	405,962	420,171
Utilities	3.50%	236,557	244,836	253,405	262,275	271,454	280,955	290,788	300,966	311,500	322,402
Payroll/Payroll Taxes	3.50%	1,100,263	1,138,772	1,178,629	1,219,881	1,262,577	1,306,767	1,352,504	1,399,842	1,448,836	1,499,546
Insurance	3.50%	631,529	653,632	676,509	700,187	724,694	750,058	776,310	803,481	831,603	860,709
Maintenance	3.50%	533,010	551,665	570,974	590,958	611,641	633,049	655,206	678,138	701,873	726,438
Other Operating Expenses	3.50%	-	-	-	-	-	-	-	-	-	-
Services & Amenities	3.00%	80,100	82,503	84,978	87,527	90,153	92,857	95,643	98,512	101,468	104,512
Reserve for Replacement	1.00%	66,045	66,705	67,372	68,046	68,726	69,414	70,108	70,809	71,517	72,232
CalHFA Monitoring Fee	0.00%	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Real Estate & Specialty Taxes	1.25%	-	-	-	-	-	-	-	-	-	-
TOTAL OPERATING EXPENSES		\$ 3,268,674	\$ 3,380,764	\$ 3,496,748	\$ 3,616,763	\$ 3,740,948	\$ 3,869,450	\$ 4,002,418	\$ 4,140,010	\$ 4,282,385	\$ 4,429,710
NET OPERATING INCOME (NOI)		\$ 4,087,275	\$ 4,155,180	\$ 4,223,690	\$ 4,292,782	\$ 4,362,430	\$ 4,432,609	\$ 4,503,287	\$ 4,574,434	\$ 4,646,015	\$ 4,717,995
DEBT SERVICE PAYMENTS		Lien									
P. CalHFA Permanent Loan	1	-	-	-	-	-	-	-	-	-	-
P. CalHFA MIP Loan	2	-	-	-	-	-	-	-	-	-	-
TOTAL DEBT SERVICE		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CASH FLOW AFTER DEBT SERVICE											
DEBT SERVICE COVERAGE RATIO (DSCR)		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
DSCR CHECK (USRM)											

LP Management Fee	3.0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
GP Partnership Management Fee	3.0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cashflow available for distribution		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Developer Distribution	50%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred developer fee start balance	4,106,279	-	-	-	-	-	-	-	-	-	-
Deferred Developer fee payment	14	-	-	-	-	-	-	-	-	-	-
Deferred Developer fee end balance		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Developer Distribution		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Residual Receipt Payments	50%										
	Payment %	-	-	-	-	-	-	-	-	-	-
P. CalHFA MIP Loan	100.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
	0.00%	-	-	-	-	-	-	-	-	-	-
Total Residual Receipts Payments	100.00%	-	-	-	-	-	-	-	-	-	-

Balances for Residual Receipt Payments											
RESIDUAL RECEIPTS LOANS	Interest Rate	31	32	33	34	35	36	37	38	39	40
P. CalHFA MIP Loan	3.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0											
0											
0											
0											
0											
0											
Total Residual Receipts Payments		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Mixed-Income Program (2023)

The California Housing Finance Agency (CalHFA or Agency) Mixed-Income Program (MIP) provides long-term, subordinate subsidy financing for new construction multi-family housing projects restricting units (tax credit or CalHFA) between 30% and 120% of county Area Median Income (AMI).

The MIP subsidy loan (MIP Loan) must be paired with CalHFA's Conduit Bond Issuer Program and CalHFA's Tax-Exempt Permanent Loan Program. CalHFA will work with MIP applicants to assess the benefits of utilizing CalHFA's Bond Recycling Program during the project construction and/or permanent loan periods and may require recycled bonds to be included as a source, subject to availability and project feasibility. Eligible projects must create newly constructed, regulated units that meet the income and occupancy requirements reflected below. Approval of all MIP funding allocations will be subject to the sole discretion of CalHFA.

Mixed-Income Program Subsidy Loan Limits

MIP Loan amount for each project will be based on project need and will be limited to the lesser of the following:

1. \$4 million; or
2. \$50,000 per restricted unit (between 30%-120% AMI). Projects located within the Highest or High Resource areas pursuant to California Tax Credit Allocation Committee (CTCAC) regulations designated on the [CTCAC/HCD Opportunity Area Map](#) shall be eligible for an additional amount up to \$10,000 per MIP regulated unit; or
3. 50% of the permanent loan amount.

Application

MIP applicants must submit a completed application package which includes all items listed on the application, application addendum, and checklist. Incomplete application packages will not be considered. The application and checklist can be found at www.calhfa.ca.gov/multifamily/mixedincome/forms. If the MIP applicant is not able to meet the readiness timeline referenced below, MIP awards may be rescinded.

Qualifications

Availability

Available to for-profit, nonprofit, and public agency sponsors. Development teams must meet all the requirements in the Development Team Qualifications section below.

Uses

MIP Loans must be used in conjunction with CalHFA's Conduit Bond Issuer Program and a construction loan from a CalHFA Mixed-Income Qualified Construction Lender (as defined below). MIP Loans must also be used in conjunction with CalHFA's Tax-Exempt Permanent Loan Program. CalHFA will work with MIP applicants to assess the benefits of utilizing CalHFA's Bond Recycling

Multifamily Subordinate Loans



California Housing Finance Agency
500 Capitol Mall Suite 1400, MS-990
Sacramento, CA 95814

Kevin Brown
Housing Finance Officer
(916) 326-8808
kbrown@calhfa.ca.gov

Jennifer Beardwood
Housing Finance Officer
(916) 326-8805
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Qualifications: Uses continued

Program during the project construction and/or permanent loan periods and may require recycled bonds to be included as a source, subject to availability and project feasibility.

Financing Structure

Projects accessing the MIP Loans must be structured as both of the following:

1. Tax-exempt bond and 4% tax credit project where at least 51% of the units in the project must be tax-credit financed; and
2. Qualified mixed-income project through income averaging pursuant to Internal Revenue Code Section 42 (g)(1)(C).

Readiness

MIP applicants must have evidence of site control and they must be prepared to submit for an award of tax-exempt bond cap and 4% tax credits from the California Debt Limit Allocation Committee (CDLAC) and CTCAC, respectively. Project applicants will only receive funds if an award of tax-exempt bond cap is issued within the issuance timeframes specified in the CDLAC Regulations Section 5100.

- **Site:** The site must be ready for construction. Any potential environmental issues must have been identified, mitigation plans must be in place, and costs associated with the mitigation plan must be incorporated in the development budget. Environmental issues may include, but are not limited to, receipt of clearances for CEQA, NEPA, and applicable tribal land environmental reviews. Pursuant to HUD-Risk Sharing requirements, the MIP applicant is expected to start the NEPA process shortly after CalHFA verifies application completeness and determines that the project is ready to move forward with an initial commitment (notification date). The NEPA clearance and HUD's firm approval letter will be required prior to construction loan closing.
- **General Contractor and/or Third-Party Construction Services Engagement:** At the time of application, the MIP applicant must provide evidence that a general contractor or third-party construction services company has been engaged to provide construction services including, but not limited to; value engineering, bid/budget services, and constructability review of plans and designs. The proposed construction budget must be based on the general contractor's or third-party construction services company's preliminary bid estimates pursuant to the current plans and designs.
- **Disposition and Development Agreement:** The MIP applicant must provide a copy of the disposition and development agreement, if applicable.
- **Construction Start:** All projects must commit to begin construction 180 or 194 days from the earlier of the date of the tax-exempt bond allocation or the 4% federal/state tax credit reservation, unless an extension has been approved by CTCAC, CDLAC, and CalHFA, as applicable. Within the 180- or 194-day period (as may be applicable pursuant to CDLAC Regulations Section 5230(i) and CTCAC Regulations Section 10325(c)(7)), the following items must be submitted to CalHFA in their final form:
 - An executed construction contract.

Qualifications: Construction Start continued

- A complete, updated application form with a detailed explanation of any changes, including but not limited to, changes in sources and uses from the initial application.
- Recorded deeds of trust for all construction financing (unless a project's location on tribal trust land precludes this).
- Binding commitments for construction and permanent financing, including any sponsor loan and any other financing required to complete project construction.
- Copy of a limited partnership agreement executed by the general partner and the investor limited partner/equity provider.
- An updated CTCAC Attachment 16, if applicable.
- Copies of buildings permits (a grading permit does not suffice to meet this requirement, except if the city or county as a rule does not issue building permits prior to the completion of grading, then a grading permit shall suffice; if the project is a design build project in which the city or county does not issue building permits until designs are fully complete, the city or county shall have approved construction to begin) or the applicable tribal documents.
- Copy of the notice to proceed delivered to the contractor.
- If no construction lender is involved, evidence must be submitted within 180 or 194 days, as applicable, that the equity partner has been admitted to the ownership entity, and that an initial disbursement of funds has occurred.
- Other documentation and information required by CalHFA to close construction financing.

Evidence Of Cost Containment

A Cost Containment Certification must be provided at the time of Application and Construction Loan Closing, if applicable. The [Cost Containment Certification](#) acceptable to CalHFA may be found on the agency's website.

The MIP applicant must certify that cost containment measures have been implemented to minimize construction costs. These measures should include, but are not limited to:

1. competitively bidding out all major subcontractor and self-performing trades; and
2. engaging a value engineer/consultant during the design process.

Evidence Of Subsidy Efficiency

A Subsidy Efficiency Analysis will be completed as part of the application review at initial commitment. The analysis will be completed again at final commitment, prior to construction loan closing, and closing of the MIP subordinate loan. The MIP Loan amount may be reduced based on the final analysis. Parameters of the analysis may include, but are not limited to, the following:

- A maximum of 1.20x Debt Service Coverage Ratio (DSCR) at year 1 (Initial DSCR). CalHFA may allow an initial DSCR higher than 1.20x on a case-by-case basis, if deemed necessary. The underwriting prior to construction and permanent closing must show an on-going minimum DSCR of 1.15x through the term of the CalHFA permanent first lien loan.

Qualifications: Evidence of Subsidy Efficiency continued

- A project cash flow that supports the residential component of the project based on the required CalHFA permanent first lien annual debt service coverage ratio.
- A separate project cash flow that supports any commercial component of a mixed-use project, if applicable.
- A cash flow after debt service shall be limited to the higher of 25% of the anticipated annual must pay debt service payment or 8% of gross income, during each of the first three years of project operation.
- Inflation factors and vacancy rates consistent with the Agency's Underwriting Standards.
- Developer Fee requirements consistent with CTCAC Regulation Section 10327(c)2(B).
- Capitalized reserves subject to approval by Agency for reasonableness consistent with the Agency's Underwriting Standards and the Investor Limited Partnership Agreement (ILPA).
- Review of Excess Sources over final Uses as approved by CalHFA resulting from any of the following:
 - An increase in tax credit equity.
 - An increase in permanent loan debt due to newly obtained financing, a permanent loan rate reduction or adjustments to residential income and operating expense assumptions.
- Construction Cost Savings funds evidenced by final cost certification shall be used to reduce the MIP Loan prior to CalHFA MIP Loan closing or if required by other subordinate lenders, funds may be split on a pro rata basis between CalHFA and other subordinate lenders.
- State tax credits (STC) maximum requested amount shall be consistent with CTCAC Regulations Section 10317. MIP Loan final commitment shall be subject to evidence of project's receipt of CDLAC's preliminary tax-exempt bond allocations and CTCAC's tax credits reservations within the respective year.
- Acquisition cost shall be the lesser of either:
 1. Purchase price pursuant to a current purchase and sales agreement between unrelated parties; or
 2. Purchase price of an arm's length transaction executed within the past 10 years plus reasonable carrying costs; or
 3. Appraised "as-is" value based on a current appraisal acceptable to CalHFA in its sole discretion. The appraised value of the real estate may be considered if the arm's length transaction exceeds 10 years.

Project Application Ranking Qualifications*

The prioritization of MIP project application(s) shall follow a ranking calculation method described below:

1. **Project Public Benefit and Efficiency:** MIP project applications shall be initially assigned a ranking number based on the highest amount of public benefit per dollar of the total cost-adjusted amounts of the tax-exempt bond allocation requested from CDLAC, plus the state tax credit allocation requested from CTCAC consistent with CDLAC Regulation Section 5231(g)(1) and 5231(g)(2) (Project Rank Number). Next, the Project Rank Number may be adjusted pursuant to the below bonus factors, subject to eligibility:

- **MIP Efficiency Bonus:** The total requested MIP amount as a percentage of the eligible maximum MIP per unit shall be eligible for an adjustment to the original Project Rank Number based on a sliding scale per the below chart:

MIP as % of Eligible Maximum Per Unit	Adjustment
<20%	-0.500
20-40%	-0.375
41-60%	-0.250
61%-80%	-0.125
>80%	0.000

- **STC and Soft Funds Leveraging Bonus:** The total requested STC amount and total permissible soft funds (refer to limitations section) as a percentage of the maximum STC shall be eligible for an adjustment to the original Project Rank Number based on a sliding scale per the below chart:

STC as % of Eligible Maximum Per Unit	Adjustment
>80%	-0.500
61%-80%	-0.375
41-60%	-0.250
20-40%	-0.125
<20%	0.000

- **New Developer Bonus:** Developers that are new to MIP (requesting MIP funding for the first time) shall be eligible for -1 adjustment to the initial Project Rank Number. Developers that have not received MIP funding awards in the past two years shall be eligible for -0.5 adjustment to the initial Project Rank Number.
- **Geographic Distribution Bonus:** Projects located in a city with a population over 1 million, that has not received MIP funding in the prior two years, will be eligible for -1 adjustment to the initial Project Rank Number. Projects located in a city with a population over 500,000, and up to 1 million, that has not received MIP funding in the prior two years, will be eligible for -0.5 adjustment to the initial Project Rank Number.

Additionally, Application Ranking and Selection will be subject to the following criteria:

2. **Project Cap:** Per Project MIP funds available will be equal to the lesser of the following:

- a. Maximum MIP Loan Amount of \$4 million per Project application.
- b. Maximum of \$50,000 per MIP regulated unit for Projects located in Moderate, Low, or Lowest Resource Areas.
- c. Maximum of \$60,000 per MIP regulated unit for Projects located in High or Highest Resource Areas.¹
- d. Maximum MIP Loan Amount may be no more than 50% of the CalHFA Permanent Loan.

1. *Determination of resources Area Type shall be pursuant to CTCAC regulation designated on the CTCAC/HCD Opportunity Area Map.*

3. **Sponsor Cap:** No Sponsor (any individual, entity, affiliate and/or related/affiliated entity) may receive an allocation of MIP funds for more than one Project application. Sponsor shall be defined as any individual, entity, affiliate and/or related entities that has 51% or more in the general, managing, and/or administrative partnership of the MIP applicant. An exception to the Sponsor Cap limit may be considered for any Sponsor that partners with an Emerging Developer to submit a MIP project application so long as the Emerging Developer has a 51% ownership interest in the general, managing, and/or administrative partnership entity of the MIP applicant. Emerging Developer will be defined as any Sponsor which cannot independently meet the MIP Developer/Co-Developer/General Partner qualifications as outlined below.

4. **County Cap:** No county may receive more than 25% of total MIP allocations for the respective year.

5. **Age-Restricted Cap:** No more than 25% of total MIP funds for the respective year may be received by age-restricted Project Applications (units that are restricted to residents who are 55 years of age or older under the applicable provisions of California Civil Code Section 51.3 and the federal Fair Housing Act).

* *In future years, MIP may be awarded using additional factors, including, but not limited to cost containment as measured by change in total development cost from initial commitment to construction close.*

CalHFA Mixed-Income Qualified Construction Lender

A CalHFA Mixed-Income Qualified Construction Lender is defined as a Construction Lender that has closed at least five construction loans using tax-exempt bonds and 4% federal and/or state tax credits in California within the last three years and satisfies the requirements set forth within the application.

CalHFA Mixed-Income Development Team Qualifications

- The **Developer/Co-Developer/General Partner** must be registered to do business and in good standing in the state of California. A CalHFA Qualified Developer/Co-Developer/General Partner must have developed at least three comparable projects within the past five years or meet the requirements necessary to receive a minimum of seven points under the CDLAC General Partner Experience category pursuant to CDLAC Regulations Section 5230(f). Developers who do not meet these requirements are encouraged to partner with firms that can provide the required expertise and experience, which may include but is not limited to partnering with another development firm and/or third-party financial consultants.
- The proposed **Project Manager** must have personally managed the development of at least two comparable projects within the past five years.
- **Financial Consultants** hired to assist the Developer in meeting the minimum experience requirements must be able to provide details regarding at least three comparably-financed projects over the last five years.
- **Architects** new to CalHFA must provide information for three comparable projects they designed that were built and occupied within the past five years in California.
- **General Contractor** (GC) must be licensed by the State of California. GCs new to CalHFA must provide information related to three comparable (in design) projects built in the past five years. The GC must provide resumes of the principals, key staff, and the proposed on-site construction supervisor and provide evidence that they are familiar with federal, state, and locality building code requirements for comparable projects.
- **Tax Credit Investors** must have closed/executed at least five investor limited partnership agreements for a comparable deal structure using tax-exempt bonds and 4% federal and/or state tax credits in California within the last three years.
- **Management Company** must have a local presence or a field office in Northern or Southern CA (depending on the location of the Project) and have experience managing at least 10 low- to moderate-income, rent-restricted comparable (size and tenant types) projects. Also required is a resume for the proposed on-site Property Manager, reflecting prior experience during the past five years managing onsite project operations and compliance with rent-restricted units or meet the requirements necessary to receive a minimum of three points under the CDLAC Management Company Experience category pursuant to CDLAC Regulations Section 5230(f).

Permanent First Lien Loan

All project applications receiving an allocation of MIP funds must utilize CalHFA's Permanent Loan Program which includes the requirement that the underwriting prior to construction and permanent loan closing shows a minimum 1.15x initial debt service coverage ratio (including any financing with amortizing debt) for the term of the permanent loan. CalHFA may require the initial DSCR to be higher than the minimum 1.15x if deemed necessary to meet the Agency's underwriting requirements. The initial DSCR must not exceed 1.20x.

Any project application that contemplates a ground lease must accommodate CalHFA's requirement that the first lien permanent loan shall be secured against both the fee and leasehold interests in the Property. The ground lease term must exceed any CalHFA subsidy or permanent loan term(s) by 10 years or more. The term of the ground lease must be equal to or longer than the term of the CalHFA Regulatory Agreement(s).

Construction First Lien Loan

Must be provided by a CalHFA Mixed-Income Qualified Construction Lender. All parties shall permit the Agency to recycle all or a portion of any bond volume cap related to a paydown of the bond-financed loans, at the conversion of the construction financing to permanent financing and payoff of the construction loan, pursuant to the authority provided in Section 146(i)(6) of the Internal Revenue Code of 1986 and CDLAC Regulation Section 5060 (Bond Recycling). The bond documents, loan documents and any other documents related to the financing of the Development shall contain any necessary approvals and permit all actions necessary to accomplish a Bond Recycling.

Limitations

- MIP cannot be combined with the CTCAC 9% program.
- MIP cannot be combined with other state subordinate debt and/or subsidy programs (this does not include state tax credits) except the Infill Infrastructure Grant (IIG), Affordable Housing and Sustainable Communities (AHSC) and Transit Oriented Development (TOD) housing programs. Inclusion of these programs is contingent upon restrictions that are compatible with the MIP program requirements outlined herein.
- Inclusion of other debt and subsidy may be considered on a case-by-case basis in CalHFA's sole discretion so long as any restrictions of subordinate debt or subsidy are compatible with MIP program requirements outlined herein.
- Projects that have a below market rate component resulting from an inclusionary obligation or are 100% below market as a result of an inclusionary obligation must demonstrate master developer commitment through a dollar-for-dollar match of CalHFA's subsidy resources. Match can be obtained through a monetary match or equivalent in-kind contributions (e.g., land donation, land use fee concessions.)
- At the time of MIP application, a project must not have already received an allocation of 4% federal and/or state tax credits from CTCAC or a tax-exempt bond allocation from CDLAC.
- Projects will not be eligible for other subsidy resources from CalHFA in addition to MIP.

Mixed-Income Project Occupancy Requirements

Bond Regulatory Agreement Requirements (All Projects)

Must maintain either:

- a. 20% of the units must be rent restricted and occupied by individuals whose incomes are 50% or less of AMI with adjustments for household size (20% @ 50% AMI); or
- b. 40% or more of the units must be both rent restricted and occupied by individuals whose incomes are 60% or less of AMI with adjustments for household size (40% @ 60% AMI): in the latter case, CDLAC and CalHFA requires a minimum of 10% of the unit types must be at 50% or less of AMI (i.e., 30% @ 60% AMI; 10% @ 50% AMI).

Mixed Income Regulatory Agreement Requirements (All Projects)

To qualify, a project must meet the following affordability restrictions, which are based on the HUD and locality (as applicable) income and rent limits which are current at the time of MIP application, for a term of 55 years:

- 20% of total units at or below 50% of AMI; and
- 10% of total units between 60% and 80% of AMI with an average of 70% of AMI or greater, subject to the Maximum Allowable Rents outlined below; and
- Remaining units at or below 120% of AMI (with the exception of any non-restricted manager's unit(s)) OR at the affordability restrictions consistent with CTCAC requirements; and
- The minimum range between the lowest and highest occupancy target levels must be at least 40%.

(Deviations from the above requirements will only be considered if a current market study and/or appraisal report(s) support such deviations.)

The maximum average affordability is up to 60% of AMI across all CTCAC restricted units.

Maximum Allowable Rents

Rents for all restricted units must be underwritten at the lesser of either:

1. The CTCAC or locality maximum rents (whichever is applicable) based on the target occupancy; or
2. 10% below market rents, as evidenced by a current market study and/or appraisal, for the MIP affordability term.

This threshold will be analyzed at time of application and again at CalHFA's final commitment approval and may be monitored on an ongoing basis for the MIP affordability term. The report shall be current within 90 days of Agency's final commitment and may be subject to a new or updated report if the appraisal was completed more than 90 days prior to construction and/or permanent loan closing, in the Agency's sole discretion.

Any units restricted by the Agency pursuant to this program, including those units restricted in addition to the minimum requirements set forth above, shall be rented at rents not to exceed 30% of the applicable income restriction (target occupancy) required in the Agency's Regulatory Agreement.

Mixed Income Program

Mixed-Income Subordinate Loan Rates & Terms

- **Interest Rate:** 3% simple interest. A higher simple interest rate may be used at time of MIP closing in the event the true debt test is at risk for tax credit purposes.
- **Loan Term:** The MIP Loan term shall be coterminous with the CalHFA permanent first lien loan and is due upon prepayment of the CalHFA permanent first lien loan.
- **Lien Position:** MIP Loan shall be in second lien position, after the CalHFA permanent first lien loan.
- **Loan Payment:** “Surplus cash” is determined as net operating income minus total debt service and other Agency approved payments. Surplus cash distributions shall permit 50% to Borrower and 50% shall be paid pro rata as “Residual Receipts” between CalHFA and other governmental residual receipt lenders. Payments shall be applied to the current and/or accrued interest and then principal of the MIP Loan.
- **Affordability Term:** 55 years.
- **Prepayment:** The MIP Loan may be prepaid at any time without penalty.
- **Funded:** Only at permanent loan conversion.

CalHFA Conduit Issuer & Bond Recycling Programs *(subject to change)*

For more information on conduit issuer and bond recycling rates and terms, refer to CalHFA's [Conduit Issuer Program](#) and [Bond Recycling Program](#) term sheets.

CalHFA Permanent First Lien Rates & Terms *(subject to change)*

For more information on permanent first lien rates and terms, refer to [CalHFA's Tax-Exempt Permanent Loan Program Term Sheet](#).

Fees *(subject to change)*

- **Loan Fee:** 1.00% of the loan amount (50% due at final commitment and 50% due at CalHFA MIP Loan closing).
- **Conduit Issuer Program Fees:** Refer to CalHFA Conduit Issuer Program Term Sheet.
- **CDLAC Fees:** Refer to CDLAC regulations for all applicable fees.
- **Other Fees:** Refer to CalHFA Tax-Exempt Permanent Loan Program term sheet for first mortgage loan fees, credit enhancements, trustee fees, legal fees, inspection fees, administrative fees. ■

The information provided in this program description is for guidance only. While we have taken care to provide accurate information, we cannot cover every circumstance nor program nuance. This program description is subject to change from time to time without prior notice. The California Housing Finance Agency does not discriminate on any prohibited basis in employment or in the admission and access to its programs or activities. Not printed at taxpayer expense.



Multifamily First-Lien Loans

Tax-Exempt Permanent Loan Program

CalHFA's (the "Agency") Tax-Exempt Permanent Loan Program ("Perm Loan") provides tax-exempt, long-term financing for affordable multifamily rental housing projects. Eligible projects include newly constructed or acquisition/rehabilitation developments that provide affordable housing opportunities for individuals, families, seniors, veterans, and special needs tenants ("Project").

Loan Amount

- Minimum Perm Loan amount of \$5,000,000.
- Minimum 1.15x initial debt service coverage ratio (DSCR) (including any financing with amortizing debt). If a Project includes an Agency subsidy loan, the maximum DSCR at Year 1 shall not exceed 1.20x, unless approved by Agency in its sole discretion. Agency underwriting, prior to both the construction and permanent loan closings, must show an on-going minimum DSCR of 1.15x through the term of the CalHFA permanent, first-lien loan. CalHFA may, in its sole discretion, require that the initial DSCR be higher than 1.15x as deemed necessary to mitigate risk and to meet the Agency's underwriting requirements.
- Limited to the lesser of 90% of the Project's current restricted appraised value or 100% of total Project development costs. For Perm Loans that will finance a cash equity payment to the Borrower, the Perm Loan amount will be restricted to no more than 80% of the Project's then current restricted appraised value.

Qualifications

- Available to for-profit, nonprofit, and public agency sponsors.
- Tax-exempt bond authority must be obtained from the California Debt Limit Allocation Committee (CDLAC) for tax-exempt bonds not subject to a 501(c)(3) exemption or issued using recycled volume cap.
- The Perm Loan may be used with or without 4% Low-Income Housing Tax Credits.
- If CalHFA is providing a Perm Loan, then the Agency must be used as the bond issuer (for more information, review the [CalHFA Conduit Issuer Program Term Sheet](#)).
- For Section 8 Projects, a final Perm Loan commitment will be conditioned upon review and acceptance by CalHFA of the HAP or AHAP contract.
- The Perm Loan will be credit-enhanced by the HUD/FHA Risk Sharing Program.
- For existing CalHFA portfolio loans, the current owner is required to pay off all outstanding CalHFA debt. Please refer to the CalHFA website for the [CalHFA Portfolio Loan Prepayment Policy](#).



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Fees *(subject to change)*

Application Fee: \$10,000 non-refundable, due at time of application submittal, and credited toward the CalHFA Perm Loan Funding Fee at Perm Loan closing. The applicant may be subject to a new Application Fee if the CalHFA commitment expires prior to construction loan closing.

Perm Loan Funding Fee: 1.50% of the greater of the Perm Loan amount indicated in the Final Commitment or the actual Perm Loan amount at Perm Loan closing. 50% of the fee is due at Final Commitment, with the balance, including any fee increase related to an increase in the actual Perm Loan amount, due at the time of approval of loan increase.

Credit Enhancement Fee: included in the interest rate.

Annual Monitoring Fee: \$7,500 annually (not to be duplicated if used in conjunction with CalHFA's *Conduit Issuer Program*).

Inspection fees are estimated at \$500 per month for the term of the construction Perm Loan Funding Fee.

Letter of Interest Fee: \$5,000 at LOI request, and credited toward the CalHFA Perm Loan Funding Fee.

See *CalHFA standard Conduit Issuer Program Term Sheet for information on conduit issuance fees.*

Rate & Terms *(subject to change)*

Interest Rate:

- **17-Year Balloon Loans:** 15-Year "AAA" *Municipal Market Data* (MMD) plus CalHFA spread
- **30-Year Balloon and Fully Amortizing Loans:** 30-Year "AAA" MMD plus CalHFA spread
- **Estimated CalHFA Spread 17-Year Balloon:** 2.60% to 3.750%
- **Estimated CalHFA Spread 30-Year Balloon:** 2.30% to 3.50%
- **Estimated CalHFA Spread Fully Amortizing Loans:** 2.20% to 3.65%

Rate may be locked up to 30 days prior to the construction loan closing. Rate may be locked for the term of the construction period, not to exceed three years, unless CalHFA grants extensions as outlined below, in its sole discretion.

Amortization/Term:

- **Amortization:** Up to 40-year Amortization
- **Term:** Fully Amortizing, and 17- or 30-Year Balloons available.¹
- **Perm Loan Increase or Decrease Requirements:** Any increase or decrease in the committed Perm Loan amount must be approved by the Agency and shall include the payment of a fee to be determined at the time of Perm Loan modification approval.

Rates continued

- Up to two, three-month extension(s) permitted upon payment of a fee equal to 0.25% of the Perm Loan amount plus possible additional financial cost related to the extension for each three-month extension. An extension of the Rate Lock prior to construction closing shall not affect the availability of these two optional extensions. Approval of any extension of the Rate Lock related to construction closing shall be in the Agency's sole discretion.
- **Breakage Fee (if applicable):** Due between construction loan closing and Perm Loan closing and calculated based on hedge termination cost.

¹ *Balloon loans and terms are subject to approval by the Agency and will not be provided unless such financing is supported by Agency's underwriting and exit analysis.*

Loan Closing Requirements

- 90% stabilized rental housing occupancy for 90 days as evidenced by rent rolls.
- DSCR of at least 1.15x as underwritten at the time of Perm Loan closing.
- 90% of tax credit investor equity shall have been paid into the Project.
- Project income is sufficient to pay operating expenses, required debt service, reserves and monitoring fees.
- For mixed-use Projects, 100% non-residential or commercial occupancy as evidenced by executed leases or guarantees, if applicable.
- Deposit Account Control Agreement between CalHFA, the Borrower and lending institution holding the Development Account is in form and substance acceptable to all parties and ready to be executed at Perm Loan closing.
- The project equity out may be held back until the completion of any necessary rehabilitation, if applicable.
- All closing requirements outlined on the Agency's Final Commitment Letter and document checklist, as applicable.

Prepayment

The Perm Loan may be prepaid at par after 15 years of the Perm Loan period. Additionally, the Perm Loan may be prepaid after 10 years of the Perm Loan period subject to a yield maintenance calculation equal to the *Current Fannie Mae Prepayment Premium (Standard Yield Maintenance – Fixed Rate)* at the time of Final Commitment, which can be found at:

multifamily.fanniemae.com/media/5646/display

The Perm Loan may not be prepaid prior to 10 full years of the Perm Loan period.

All prepayments require a prior written 120-day notice to CalHFA.

Subordinate Financing

Financing or grants are encouraged from local governments and third parties to achieve project feasibility. All financing, leases, development and regulatory agreements must be coterminous (or have a longer term than the combined terms of any CalHFA Loan) and be subordinate to CalHFA financing. Any exception

Subordinate Financing continued

to this policy, including joint priority (pari passu) will require prior approval from the Agency and/or the CalHFA Board of Directors (if applicable). A Lien Priority/Position Estoppel from any subordinate lenders in form and substance acceptable to CalHFA will be required prior to construction financing closing, if applicable.

Ground Lease

Any Project application that contemplates a ground lease must accommodate CalHFA's requirement that the Perm Loan shall be secured against both the fee and leasehold interests in the property. The ground lease term must exceed any CalHFA subsidy or permanent loan term(s) by 10 years or more. The term of the ground lease must be equal to or longer than the term of the CalHFA Regulatory Agreement(s).

Occupancy Requirements

Must maintain the greater of:

- A) existing affordability restrictions, or
- B) either:
 - i) 20% of the units must be rent restricted and occupied by individuals whose incomes are 50% or less of the area (county) median gross income as determined by HUD (AMI) with adjustments for household size ("20% @ 50% AMI"), or
 - ii) 40% or more of the units must be both rent restricted and occupied by individuals whose income is 60% or less of the AMI, with adjustments for household size ("40% @ 60% AMI"); however in the latter case, a minimum of 10% of the units must be at 50% or less of AMI (i.e., 30% @ 60% AMI; 10% @ 50% AMI).

Any units restricted by the Agency pursuant to this program, including those units restricted in addition to the minimum requirements set forth above, shall be rented at rents up to 30% of the applicable income restriction using the occupancy assumptions required in the Agency's Regulatory Agreement. Rents for all restricted units must be at least 10% below market rents as evidenced by current market study or an appraisal.

CalHFA's regulated units must represent a comparable share of the available unit sizes (by bedroom count and square feet) and be disbursed throughout the project.

Due Diligence

The following due diligence is required to be provided at the Owner/Borrower's expense (refer to the program's document checklist for a full list):

- **Appraisal*** (a construction lender's appraisal with appropriate reliance provided to CalHFA may be acceptable).
- **HUD-2530 previous participation clearance.**

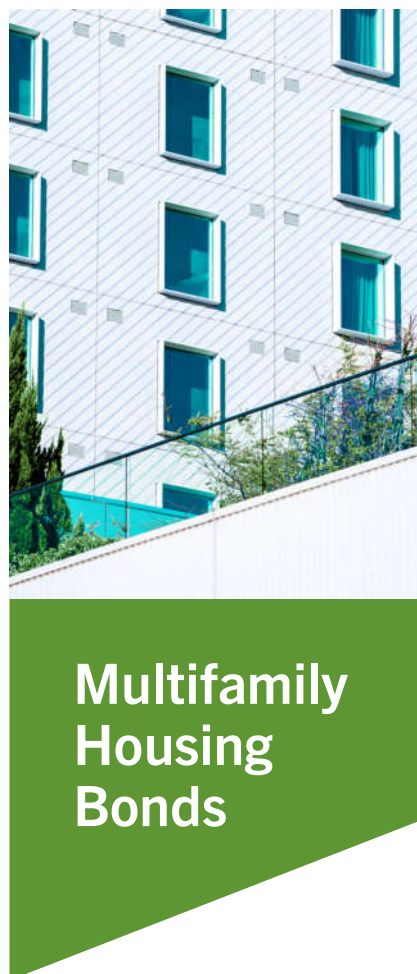
Due Diligence continued

- **Construction Costs Review** for new construction projects (other construction lender's review is acceptable with appropriate reliance, if required by the Agency, in its discretion).
- **Physical Needs Assessment*** (PNA) for rehabilitation projects with a Replacement Reserve Needs Analysis (RRNA) over time for the first 20-year term (other lender's PNA/RRNA may be acceptable). A RRNA for a longer time period may be required if the Perm Loan term is greater than 20 years.
- **Phase I and Phase II (if applicable) Environmental Site Assessment*** including, but not limited to, impact reviews that meet federal environmental requirements (such as historic preservation and noise remediation). The Purpose section of Phase I must state "a purpose of the Phase I is to document compliance with HUD policy pursuant to 24 CFR §58.5(i)(2) or §50.3(i)".
- **Market Study*** with scope of study and vendor satisfactory to CalHFA.
- **NEPA Review.**
- **Termite/Dry Rot reports*** by licensed company.
- **Seismic review*** and other studies may be required at CalHFA's discretion.

Note: *Third-party reports shall be completed within 180 days prior to the CalHFA's final commitment approval and may be subject to a new or updated report if the report(s) was completed more than 180 days prior to construction loan closing, in CalHFA's sole discretion. An exception is the appraisal report, which must be completed within 90 days prior to Final Commitment and may be subject to a new or updated report if the appraisal was completed more than 90 days prior to construction and/or Perm Loan closing, in the Agency's sole discretion.*

Required Impounds and Reserves

- **Replacement Reserve:** Initial cash deposit required for existing Projects with annual deposits between \$250 and \$500 per unit/per year depending on the Project type and PNA/RRNA findings.
- **Operating Expense Reserve (OER):** 3-6 months of operating expenses, reserves, debt service, and monitoring fees due at Perm Loan closing (letter of credit or cash) and held for the life of the CalHFA Perm Loan by CalHFA. In the event OER funds are drawn down during the term of CalHFA Perm Loan, the OER must be replenished over a period of 12 months to the original level.
- **Impounds held by CalHFA:** One year's prepaid earthquake, hazard and liability insurance premiums, and property tax assessments are collected at loan closing. An earthquake insurance waiver is available for Projects which have met CalHFA earthquake waiver standards during rehabilitation or construction.
- **Transition Operating Reserve (TOR):** required for Projects with state or locally administered rental subsidy contracts with contract terms that are less than 20 years or less than the CalHFA Perm Loan term.
- Other reserves as required (at CalHFA's discretion).



Conduit Issuer Program

Term sheet effective for applications submitted after January 1, 2023

The **CalHFA Conduit Issuer Program** is designed to facilitate access to tax-exempt and taxable bonds (“Bond”) by developers that seek financing for eligible projects that provide affordable multifamily rental housing for individuals, families, seniors, veterans or special needs tenants (“Project”). The conduit Bonds may be used to finance the acquisition, rehabilitation, and/or development of an existing Project, or they can be used for the construction of a new Project.

Qualifications

- Available to for-profit, nonprofit or public agency sponsors.
- Nonprofit borrowers may be eligible for 501(c)(3) bonds.
- If bond proceeds are utilized to pay off an existing CalHFA portfolio loan, visit the CalHFA website for the [CalHFA Portfolio Loan Prepayment Policy](#).

Bond Amount

Bond amounts are determined by the loan amount of the lender.

Fees *(subject to change)*

Application Fee: \$5,000 non-refundable, due at time of application is submitted (to cover the cost of the TEFRA required for tax-exempt issuances) and credited toward the CalHFA Issuer Fee.

Issuer Fee:

1. The greater of \$15,000 or 18.75 basis points (BPs) of the Bond amount if lesser than or equal to \$20 million.
2. If more than \$20 million: \$37,500 + 5 BPs for the amount above \$20 million.
3. Supplemental bonds issued after the initial Bond closing will be assessed an additional issuer fee which will be calculated for the supplemental bond issuance amount under the applicable fee structure above.

Annual Monitoring Fee: 5 BPs of the tax-exempt bond issuance amount due at construction loan closing and due annually thereafter until permanent loan conversion. After permanent loan conversion, billed annually in advance, 5 BPs of unpaid principal balance amount of tax-exempt bond financed loan(s) until Bonds are fully redeemed. Minimum Annual Monitoring Fee shall be \$4,000 through both the Qualified Project Period and the CDLAC compliance period.

For taxable only issuances, annual monitoring fees above will be charged based on the taxable bond financed loan(s) for the term of the CalHFA affordability restrictions.

For supplemental bonds issued after the initial Bond closing, the monitoring fee will be prorated from the date of the supplemental issuance until the due date for the annual monitoring fee for the original Bond issuance. Afterward, the annual monitoring fee will be calculated as described above, based on the total amount of Bonds issued for the project.



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Fees continued

If used in conjunction with a CalHFA permanent loan product, the annual monitoring fee will not be duplicated. Please refer to the applicable permanent loan term sheet for the annual monitoring fee.

Public Sale & Bond Purchase Agreements: Additional fee of \$5,000 to \$10,000 applies when Bonds are sold to the public or when the bond transaction includes a Bond Purchase Agreement (California State Treasurer's Office, Public Finance Division fee).

CDLAC Allocation Fee: 0.035% of the Bond amount, \$1,200 of which is due at time of CDLAC application submittal with the remaining fee due at construction loan closing and payable to CDLAC.

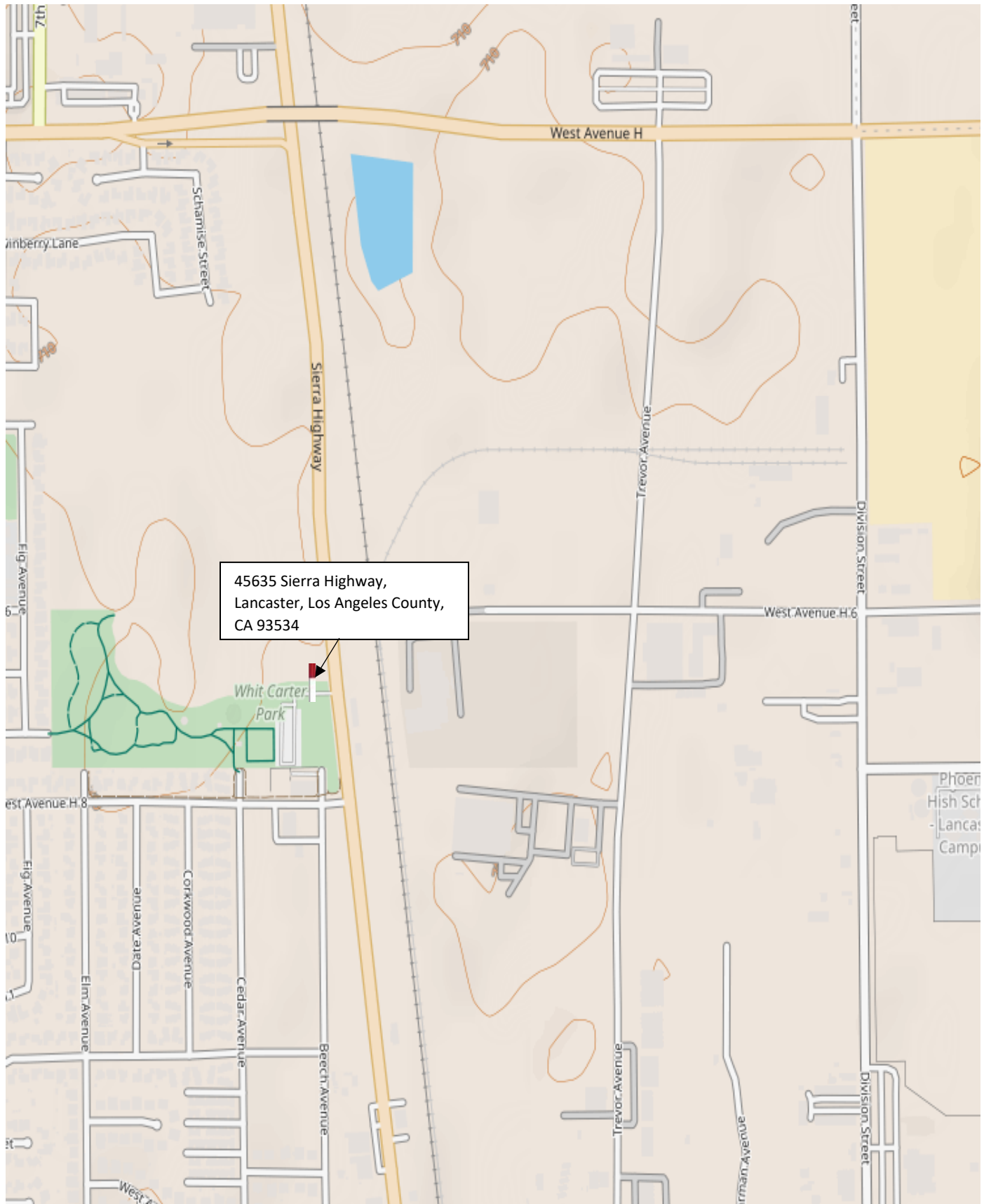
CDLAC Performance Deposit: 0.50% of the requested Bond amount, not to exceed \$100,000, is due to CalHFA within 20 calendar days after award of CDLAC allocation. Deposit to be refunded after the Bond closing, upon receipt of authorization letter from CDLAC.

The Borrower shall be responsible for all other costs of Bond issuance including fees of the underwriter, trustee, rating agencies, lender, compliance administrator, all Bond counsel legal fees, and any other parties required to complete the transaction.

Occupancy Requirements

- Projects must follow either:
 - A) 20% of the units must be rent restricted and occupied by individuals whose incomes are 50% or less of the Area Median Income as determined by HUD (AMI) with adjustments for household size ("20% @ 50% AMI"), or,
 - B) 40% or more of the units must be rent-restricted and occupied by individuals whose income is 60% or less of AMI, with adjustments for household size ("40% @ 60% AMI"); however in the latter case, a minimum of 10% of the units must be at 50% or less of AMI (i.e., 30% @ 60% AMI; 10% @ 50% AMI).
- 501(c)3 bond restrictions require 75% of the total units to be restricted at 80% or less of AMI and either option A or B above, which will be a portion of the 75% of total restricted units.
- Any units restricted by the Agency pursuant to this program, including those units restricted in addition to the minimum requirements set forth above, shall be rented at rents up to 30% of the applicable income restriction using the occupancy assumptions required in the Agency's Regulatory Agreement. Rents for all restricted units must be at least 10% below market rents as evidenced by a current market study or an appraisal
- Borrower will be required to enter into a *Regulatory Agreement* which will be recorded against the Project for the Qualified Project Period (as defined in the *CalHFA Regulatory Agreement*). This includes the later of the federally-required qualified project period, repayment of the Bond-funded loan, redemption of the Bonds, the full term of the CDLAC Resolution requirements or 55 years. ■

Maison's Sierra- Near



Maison's Sierra - Far

