



Executive Summary	
CalHFA Project Number	24008
Project Name	Monarch
Type of Development	New Construction
Type of Project	Non-Targeted
Total Units [MIP Restricted Units]	241 (239 restricted)
Street Address	805 R Street
City, County, Zip Code	Sacramento, Sacramento County, 95811
Borrower (Legal entity name)	805 Mutual Housing Associates, L.P.
Developer(s)	Mutual Housing California
Co-Developer	N/A
Approved Conduit Issuances	
Conduit T/E Issuance [CDLAC Meeting: 8/7/2024]	Up to \$61,000,000 (Includes 10% cushion and rounded to nearest \$1m) (assuming current need \$55,161,072)
Conduit Taxable Issuance	\$0
Recycled Bond Volume Cap	\$0
Requested CalHFA Financing for Approval	
CalHFA Tax-Exempt Permanent Loan Amount	\$21,083,000 UW Rate and Loan Term: Est. 6.76%, fixed; 1 st lien; 40/30
CalHFA Taxable Permanent Loan Amount (if any)	\$0
HUD Risk Sharing Requirement (1 st lien loan)	Yes
CalHFA Subordinate/Subsidy Financing Type	Mixed-Income Program (MIP) 2024
CalHFA Subordinate/Subsidy Financing Amount	\$4,000,000 UW Rate and Loan Term: 3.00%, fixed; 2 nd lien; residual receipts; principal and accrued interest due in 30 years
Key Dates and Approvals	
SLC Initial Commitment Approval/ Declaration of Intent Date	4/22/2024
SLC Final Commitment Approval Date	2/28/2025
CDLAC Volume Cap Award Date	8/6/2024
CTCAC Tax Credit Award Date	8/6/2024
CDLAC Closing Deadline	5/5/2025
Construction Loan Closing Date [Est.]	4/15/2025
Est. CalHFA Loan Closing (perm conversion) Date	12/1/2027
Federal Tax Credits (LIHTC) Requested	Federal LIHTC Amount: \$51,924,750 (\$0.92/credit) (\$215,455/unit)
State Tax Credits Requested	State Tax Credit Amount: \$8,648,124 (\$0.915/credit) (\$35,884/unit)
Notes (if any):	



Table of Contents

1. Project Summary.....	1
2. Development and Financing Team	3
3. Summary of Material Changes from Initial Commitment Approval.....	4
4. Requested CalHFA Financing for Approval	4
5. Project Budget & Total Development Cost.....	7
6. Affordability Requirements	14
7. Financial Analysis	15
8. Insurance Requirements.....	22
9. Third-party reports and diligence	23
10. Risk Identification and Mitigations	24
11. Supplementary Project Information.....	25
12. Development Team Experience.....	26
13. Conditions for Approval	30
14. Approval Recommendation and Action.....	31

1	Project Summary
1a	Project Description
	Monarch (the “Project”) is a new construction, family, mixed-income, and mixed-use project. The total development site area is 1.2 acres and is located in Sacramento, Sacramento County. The Project will consist of 1, 5-story mid-rise, elevator serviced building and 4,149 sq. ft of ground-floor commercial area. The commercial space will be leased directly to the tenant from the Borrower. The Project will have total 241 residential units, of which 239 units will be restricted between 30% and 70% of the Sacramento County Area Median Income (AMI). There will be 82 studio units (403 sq. ft.), 136 one-bedroom units (585 sq. ft.), and 21 two-bedroom units (916 sq. ft.). In addition, 1 two-bedroom unit and 1 three-bedroom unit (1,222 sq. ft.) will serve as the managers’ units. 20 of the units restricted at 30% AMI will include project-based Section 8 vouchers provided by the Sacramento Housing & Redevelopment Agency (“SHRA”) with an initial contract term of 20 years, with the possibility to renew the contract for 2 additional terms of 20 years each. These voucher units will be Permanent Supportive Housing for formerly homeless individuals and families referred to the Project through the Continuum of Care program. The Project will have 55 spaces for residential parking and no spaces for commercial parking, which complies with requirements for state surplus land. The site currently consists of a single-level commercial structure occupied by the State of California (State Surplus Land) and is being used for light storage. Department of General Services has remediated all environmental hazards at no charge to the project. The remaining demolition will occur after construction loan closing. The construction budget includes \$491,000 for demolition costs. Relocation requirements do not apply. Environmental Risk: As described in section 9a, The Phase II Environmental Site Assessment dated 1/23/2024 detected elevated levels of volatile organic compounds (Benzene and Chloroform) in the ground water. To mitigate health risks, a vapor barrier will be installed during the course of construction, as recommended by the Phase I/II ESA consultant. Installation of the vapor barrier is included in the construction scope and will be verified prior to permanent loan closing. Although the presence of VOCs in soil vapor at the Site is considered a REC, it is the consultant’s opinion that soil vapor at the detected concentration would not result in intrusion of soil vapor into the Site structures at concentrations that exceed the ESL of 14 ug/m3. Ninyo & Moore recommends no additional investigation of the Site at this time. The Project’s financing structure includes financing from: (i) Tax-exempt (T/E) bonds, (ii) Taxable construction loan, (iii) 4% Federal Low Income Housing Tax Credit (LIHTC) equity, (iv) State Housing Tax Credit Equity, (v) Federal Energy Tax Credit and Energy-efficient Home Tax Credits (45L), (vi) CADA Subordinate Gap Loan, (vii) HCD-LGMG Sponsor loan, (viii) Mutual Housing GP loans, (vi) CalHFA Tax-Exempt Permanent Loan, and (x) CalHFA Subordinate financing through Mixed-Income (MIP) Subsidy Loan. The Project includes Certificated State Tax Credits, which will be contributed to the Project as a State Tax Credit Loan (“STC Loan”) from Mutual Housing California. The Borrower will execute a promissory note in favor of Mutual Housing California in the estimated amount of \$7,900,000 and deed of trust that will be secured against the property and recorded in last lien position. The State Tax Credit loan will bear 0% interest and will not require payments during the 55-year term of this loan, at which time the STC Loan is expected to be forgiven. Regardless, the STC loan maturity will occur 25 years after the CalHFA and MIP loans mature so there is no risk to the Agency as it relates to any potential repayment of the STC loan.

Residential Areas		Commercial Areas (If Mixed-use)	
Land Area (Acres)	1.2	Land Area (Acres)	1.2
Residential Units / Acre	201	Number of Lease spaces	2
Residential Area (Sq. Ft) (see note 1)	125,622	Commercial Area (Sq. Ft)	4,149
Community Area (Sq. Ft)	41,992	Commercial Parking Spaces	0
Supportive Services Area (Sq. Ft)	200	Master/Direct Lease?	Direct
Residential Parking Space	55	Condo Structure (not part of subject financing)	No

Notes (if any):

- Excludes square footage of manager's unit.
- The project includes 4,149 sq. ft of ground-floor commercial space that will not be subdivided and remain part of the project parcel. The commercial space will be a direct lease between the borrower and commercial tenant and is expected to be a triple-net structure. There is \$1,380,552 for commercial improvements included in the construction budget that will be paid from sources other than CalHFA financing and tax credit equity.
- Commercial income has not been included in the project's net operating income used to size CalHFA's amortizing debt. However, CalHFA policy requires any commercial income be applied annually towards repaying residual receipt loans. The current expectation is the developer will relocate their offices to this commercial space with \$0 rent. Prior to permanent loan closing, in the event Mutual Housing California is not the commercial space lessor, an updated appraisal will be engaged to determine the potential commercial income for the commercial space. Any actual residual commercial income (surplus commercial cash after commercial expenses) will be required to be applied annually towards reducing residual receipt payments between subordinate lenders on a pro-rata basis.
- The current ratio of commercial construction costs to tax-exempt bond proceeds is 2.5% (\$1,380,552/\$55,161,072). No more than 5% of the net CalHFA bond proceeds may be used for non-residential development costs; (IRC Section 142 and Treasury Regulation Section 1.142) AND
- As a condition of financing non-residential/commercial construction, any lease payments collected in excess of payments necessary for debt service, operating expenses and any required reserves related to such property, shall be used to reduce rents on units reserved for occupancy by lower-income households and very low-income households in a multifamily rental housing development. (See H&S Code section 51334).

1b	Project Location Geocoder Information		
The Project is located in Sacramento, Sacramento County. The site is currently owned by the State of California and is classified as State Surplus Land and will require 239 units to be restricted at or below 70% AMI. The land will be leased to the borrower by the State of California, as described in section 11.			
Inside Principal City?	Yes	Underserved or Distressed Tract?	No
Census Tract (CT)	40900-06-067-0011.03	% Population Below Poverty Line	26.18%
CT Minority Population %	54.74%	Rural Area?	No
CT Income Level	select	2024 Est. CT Median Family Income	\$113,700
CDLAC/TCAC Opportunity Area Category		Moderate Resource	
CDLAC/TCAC Geographic Region		Capital Region: El Dorado, Placer, Sacramento, Sutter, Yuba, and Yolo Counties	
Project is located in DDA?		No	
Project is located in Federally-designated Qualified Census Tract (QCT) for LIHTC purposes?		Yes	

--

2	Development and Financing Team				
Developer (Sponsor): Mutual Housing California			Co-developer (if any): N/A		
	New to CalHFA?	No		New to CalHFA?	select
	Affordable Housing/LIHTC experience?	Yes		Affordable Housing/LIHTC experience?	select
	Has Projects in California?	Yes		Has Projects in California?	select
Borrower (Legal entity): 801 R Mutual Housing Associates, L.P.			Co-Borrower (if any):		
Construction (Senior) Lender: 1) Banner Bank			Construction Subordinate Lender(s): 1) City of Sacramento 2) CADA Gap Loan 3) HCD-LGMG Sponsor Loan		
Permanent 1st lien Lender: 1) CalHFA			Permanent Subordinate Lender(s): 1) CalHFA MIP (2 nd lien) 2) CADA Gap Loan (3 rd lien) (residual receipts) 3) HCD-LGMG Sponsor Loan (4 th lien) (repaid from borrower's surplus cash)		
Federal LIHTC Investor: Enterprise Housing Credit Investments, LLC			State LIHTC Investor: Sugar Creek Capital		
	Tax Credit Amount	\$51,924,750		Tax Credit Amount	\$8,648,124
Renewable Energy (45L) Tax Credit Investor: Enterprise Housing Credit Investments, LLC					
	Tax Credit Amount	\$602,500			
General Contractor: Sunseri Construction			Management Company (Property Manager): Mutual Housing Management		
	Is an affiliate of Developer?	No		Is an affiliate of Developer?	Yes
	Experience with CalHFA?	Yes		Total number of properties managed	23
Architect: Kuchman Architects			Service Provider: Mutual Housing California		
	Has worked with GC?	Yes		Required by TCAC or other Funding sources?	Yes
	Has experience designing and managing similar projects?	Yes		Terms of service (on-site, number of years)	15
				Support Services Cost (per Operating budget)	\$37,000
	Has housing projects in CA?	Yes		Per unit cost of services meets USRM req.?	Yes
Financial Advisor: California Housing Partnership			Project Consultant: N/A		
Notes (if any): 1. The renewable energy 45L tax credits will be obtained by the developer through the California Energy Commission after construction completion. . The developer confirmed that the credits are not a competitive source and that they are awarded provided that the project's energy model is 10% above code (which the current plans do) . The executed LOI from Enterprise Housing Credit Investments includes the purchase of the 45L credits at approximately \$0.92 per credit. In the event the project does					

not receive 45L credits, the resulting funding gap will be paid through additional deferred developer fee. See section 5f for further details.

3	Summary of Material Changes from Initial Commitment Approval
For any changes marked ☒ please explain the changes and the impact of such changes either in CDLAC scoring, financial risk to the Agency, or any other material impact to the underwriting of the loan	
☐	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
☐	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
☐	Changes in CalHFA required reserves
☒	Changes in Affordability Restrictions including Unit distribution for regulated units
☐	Other material underwriting, project scope or financial structuring changes
Notes: - Development Team Member Changes: - State Tax Credit Investor is Sugar Creek Capital (Enterprise Housing Credit Investments, LLC at Initial Commitment) - Renewable Energy (45L) Tax Credit Investor is Enterprise Housing Credit Investments, LLC (TBD at Initial Commitment) - Changes in project capital stack: - At initial commitment approval, the City of Sacramento was providing \$3MM subordinate loan. This has been incorporated into the CADA subordinate gap loan for final commitment approval. This loan will be repaid through residual receipts. - Change in unit distribution for regulated unit - At initial commitment approval, the unit distribution was deficient 1 unit restricted at 30% AMI. To correct this error, one 50% AMI unit has been converted into a 30% AMI unit to meet MIP unit restriction requirements.	

4	Requested CalHFA Financing for Approval
----------	--

4a	CalHFA Financing Terms		
	CalHFA 1 st Lien Perm Loan	CalHFA Subordinate Loan (MIP Subsidy Loan)	Total CalHFA Financing
Loan Amount (\$)	\$21,083,000	\$4,000,000	\$25,083,000
Loan Term (Year)	30	30	
Amort. Term (Year)	40		
Amort. Type	Partially Amortizing	Non-amortizing	
Lien Position	1 st	2 nd	
UW Interest Rate % (See Note 1)	Est. 6.76%	3.00%	
Loan to Value (%) (See Note 2)	59%	11%	
Combined LTV (CLTV) (%) (See Note 2)			70%
Loan to Cost (%) (See Note 3)	19%	4%	23%
Loan Repayment Source	Net Operating Income (NOI)	Residual Receipts	

Notes:

1. The CalHFA underwritten interest rate includes a spread of 2.47% which will be locked on 2/28/2025 for the CalHFA perm loan. The final rate will be locked prior to issuance of the Final Commitment Letter pursuant to the final commitment approval. A 50 bps underwriting cushion is also included in the CalHFA underwritten interest rate to account for MMD fluctuations prior to Construction Loan Close. Final CalHFA rate will be locked no more than 30 days prior to construction loan closing.
2. Maximum LTV limited to 90%, currently 59%, and maximum CLTV, currently 70%, to be limited to 120% of restricted appraised value based on an acceptable Appraisal. However, if the exit analysis requirements are not met per the Agency's underwriting standards, the CLTV shall not exceed 100%.
3. Loan to Cost, currently 19%, shall not exceed 100% of the total project development cost (see construction sources/uses for total development cost).

4b	CalHFA Loan(s) Security
Select ONE	Description
☐	The CalHFA Perm loan(s) will be secured by a first lien deed of trust (DoT) against the above-described Project site and improvements.
☐	The CalHFA Subordinate (MIP) loan will be secured by a second lien deed of trust (DoT) against the above-described Project site and improvements.
☐	The Agency shall encumber both the fee and leasehold interests in the Development as security for its deeds of trust and regulatory agreements.
☒	CalHFA loan(s) will be secured against the fee interest in the improvements and leasehold Interest in the land.
☒	Assignment of Borrower's interest in Project improvements, Project revenues and escrows



Notes (if any):

The commercial space will not be subdivided from the residential portion of the Project, therefore, CalHFA's loans will be secured against both portions. As described in section 1a, any commercial income is expected to go to the project and be applied annually towards reducing the residual receipt loans, split on a pro-rata basis. Commercial income is not included in CalHFA perm loan sizing. No CalHFA sources or tax credit equity will be used to pay for commercial improvement costs.

5	Project Budget & Total Development Cost		
5a	Construction Financing		
Construction Lender		Banner Bank	
CDLAC/CTCAC Construction Closing Deadline		5/5/2025	
	Bond Issuance Amount		Type of Issuance
Construction Conduit Issuance Amount	\$55,161,072		Tax-Exempt
Construction Conduit Issuance Amount	\$0		Taxable
Construction Conduit Issuance Amount	\$0		T/E Recycled
Total	\$55,161,072		
	Loan Amount	UW Rate	Loan Term
Construction Loan (T/E) (Interest-only, 1 st lien during construction)	\$55,161,072	Est. 7.13%, Fixed (See Note 1)	36 months + 1 6-month extension
Construction Loan (Taxable) (Interest-only, 1 st lien during construction)	\$19,900,122	Est. 7.48%, Fixed (See Note 2)	36 months + 1 6-month extension
CADA Gap Loan	\$11,250,000	3.00% simple (See Note 4)	36-months deferred during construction. 55-years during permanent.
Sponsor Loan (HCD-LGMG)	\$10,000,000	0.00% interest (See Note 5)	36-months deferred during construction. 55-years during permanent.
Notes:			
1. Construction Loan T/E is a fixed rate SOFR + 170 bps. Current SOFR as of 2/13/2025 is 4.34% and the all-in rate is 6.04%.			
2. Construction Loan (Taxable) is a fixed rate SOFR + 205 bps. Current SOFR as of 2/13/2025 is 4.34% and the all-in rate is 6.39%.			
3. The Capital Area Community Development Corporation approved a funding reservation of \$11,250,000 via an award letter dated 12/15/2022 for a residual receipts loan at 3% simple interest and 55 years term to be used to support the project’s construction and permanent financing.			
4. Sponsor Loan (HCD-LGMG) HCD- Excess Sites Local Government Matching Grant Program (“Sponsor Loan-HCD LGMG”) \$10,000,000 was awarded 2/28/2023. For true debt purposes, this source will be provided through a sponsor loan with a 0.00% interest rate for a term of 55 years. This loan is expected to be secured against the leasehold interest of the property and fee interest in the improvements. This loan is expected to be repaid through the borrower’s 50% portion of surplus cash.			
5. Construction interest reserve may be re-sized based on the final locked rate at construction closing. Any resulting funding gaps will be covered by the Developer until permanent loan closing.			

5b	Construction Sources	
Construction Sources:	Amount (\$)	% of Total
Banner Bank Tax Exempt Construction Loan (Loan)	\$55,161,072	54.29%
Banner Bank Conventional Construction Loan (Loan)	\$19,900,122	19.59%
CADA Gap Loan (Loan)	\$11,250,000	11.07%
Sponsor Loan - HCD LGMG (Loan)	\$10,000,000	9.84%
Accrued Deferred Interest (Accrued Interest)	\$369,293	0.36%
Deferred Developer Fee (Developer Fee, Deferral)		
Renewable Energy Tax Credit (45L) Equity (Equity, LIHTC Investor)	\$554,300	0.55%
Enterprise LIHTC Equity Constr. (Equity, LIHTC Investor)	\$4,366,300	4.30%
GP Capital - Sponsor (Equity, General Partner)	\$100	0.00%
Total Construction Sources	\$101,601,187	100%

5c	Construction Uses	
Construction Uses:	Amount (\$)	% of Total
Land and Improvement Value	\$0	0.00%
Other Acquisition Costs	\$611,000	0.60%
Construction/Rehab Costs	\$79,071,500	77.83%
Soft Costs (A&E, Legal, Title, and Other Soft Cost)	\$5,443,118	5.36%
Hard Cost contingency (5.67% of hard costs)	\$4,008,025	3.94%
Soft Cost contingency (3.00% of eligible soft costs) (See notes)	\$250,000	0.25%
Financing Costs (Interest Reserves, Fees, Taxes, and Insurance)	\$7,272,221	7.16%
Local Impact Fees and Permit Fees	\$1,792,000	1.76%
Deferred Developer Fee	\$0	0.00%
Cash Portion Developer Fee	\$1,139,992	1.12%
Other Costs (TCAC Fees, Furnishing, and Other Misc. Fees)	\$2,013,331	1.98%
Operating Reserves	\$0	0.00%
Total Construction Uses	\$101,601,187	100%
Total Construction Cost per unit	\$421,582	
Total Construction Cost per CalHFA MIP Regulated Unit	\$425,110	

Notes (if any):

1. CalHFA will require review and approval of independent third-party prepared plan and cost review report for project plans and specifications (plan & specs) and cost review prior to construction loan closing.
2. The total hard cost contingency in the project is 5.67% of the Hard costs, which includes the contingency in the GC Schedule of Values (SOV). Prior to construction loan closing, the final SOV will be reviewed by the CalHFA inspector to meet the USRM requirements and project scope for completion within the stipulated budget.
3. The total soft cost contingency in the project summary is only 1.01% of eligible costs which appears to be lower than CalHFA USRM required minimum of 2% of eligible costs. This is attributed to construction lender and investor underwriting requirements to include contingencies in specific line items as opposed to a single soft cost contingency line item. The actual soft cost contingency calculation is 3% and meets CalHFA's minimum underwriting requirements.

Total Development Costs	\$ 108,670,130	
Total Construction Costs	\$ (79,071,500)	
Construction Loan Interest Reserve	\$ (6,386,390)	
Operating Reserve	\$ (1,108,832)	
Construction hard Cost Contingency	\$ (4,008,025)	
Soft Cost Contingency	\$ (250,000)	
Developer Overhead/Profit	\$ (6,921,980)	
Basis for Soft Cost Contingency Calc	\$ 10,923,403	
Actual Soft Cost Contingency	\$ 358,702	3.00%

5d	Third-party Plan & Cost Review Summary
General Contractor (GC) Name:	Sunseri Construction
GC Budget (per Schedule of Values)	\$78,347,781 (based on preliminary draft received 2/3/2025)
% of Builder overhead, profit, and general requirements (TCAC allowable 14%)	5% of construction subtotal + general conditions
Type of Construction Contract:	Stipulated Sum
GC Contract Executed? If not, provide status:	Draft GC contract received 2/3/2025 and is under review by all parties. Pending final pricing. Final GC contract must be approved by CalHFA prior to construction loan closing.
GC Hard-Cost Contingency and Sufficiency:	GC contingency is additional \$1,000,000 above hard cost contingency.

Notes:

- Banner Bank has engaged, GTG Consultants, Inc. to perform an independent third-party review of project plans and specifications (plan & specs) and cost review.
- The draft Plan and Cost Review report has been completed and reviewed by CalHFA Inspector. The final Plan and Cost Review and sign off by CalHFA Inspector is a condition to construction closing.

5e	Permanent Sources and Uses	
Permanent Sources:	Amount (\$)	% of Total
CalHFA Tax-Exempt Perm Loan (Loan)	\$21,083,000	19.4%
CalHFA MIP (Loan)	\$4,000,000	3.7%
CADA Gap Loan (Loan)	\$11,250,000	10.4%
Sponsor Loan - HCD LGMG (Loan)	\$10,000,000	9.2%
Accrued Deferred Interest (Accrued Interest)	\$369,293	0.3%
Deferred Developer Fee (Developer Fee, Deferral)	\$4,421,980	4.1%
Sponsor Loan 1 (Loan)	\$1,307,653	1.2%
GP Capital (Equity, General Partner)	\$100	0.0%
Renewable Energy Tax Credit (45L) Equity (Equity, LIHTC Investor)	\$554,300	0.5%
Tax Credit Equity (Equity, LIHTC Investor)	\$55,683,804	51.2%
Total Permanent Sources	\$108,670,130	1%

Permanent Uses:	Amount (\$)	% of Total
Total Loan Payoffs/Equity	\$101,601,187	93.5%
Other Acquisition Costs	\$0	0.0%
Equity	\$0	0.0%
Financing costs	\$178,123	0.2%
Soft costs	\$0	0.0%
Operating Reserves	\$1,108,832	1.0%
Cash Developer Fee paid at Perm Conversion	\$1,360,008	1.3%
Deferred Developer Fees paid from cashflow	\$4,421,980	4.1%
Total Permanent Uses	\$108,670,130	100%
Total Development Cost per unit	\$450,913	
Total Development Cost per CalHFA MIP Restricted Unit	\$454,687	
Notes (if any):		

5f	Federal and State Tax Credits			
Federal LIHTC Tax Credit Investor /Syndicator	Enterprise Housing Credit Investments, LLC			
State Housing Tax Credit Investor /Purchaser	Sugar Creek Capital			
Other Tax Credit Investor/Purchaser	Enterprise Housing Credit Investments, LLC			
Tax Credit Type	Tax Credits Amount (\$)	Pricing (per Credit)	Tax Credit Equity (\$)	Tax Credit Equity per CTCAC Restricted Unit (\$)
Federal Tax Credits (New Const/Rehab)	\$51,924,750	\$0.92	\$47,770,770	\$199,878
State Housing Tax Credits	\$8,648,124	\$0.915	\$7,913,033	\$33,109
Renewable Energy (45L) Tax Credit Investor	\$602,500	\$0.92	\$554,300	\$2,319
Total	\$61,175,374		\$56,238,103	\$235,306
Notes (if any):				
- The Project was awarded volume cap for bonds and Federal LIHTC tax credit allocation in the CDLAC/TCAC meeting on 8/6/2024. - The Project has been awarded State Housing Tax Credits by CalHFA. - The renewable energy 45L tax credits will be obtained by the developer through the California Energy Commission after construction. The developer confirmed that the credits are not a competitive source and that they are awarded provided that the project's energy model is 10% above code (which the current plans do). The executed LOI from Enterprise Housing Credit Investments includes the purchase the 45L credits at approximately \$0.92 per credit.				

50% Aggregate Basis Test Requirements	
Accountant prepared Draft Financial Projections date	4/15/2024
Accounting firm name	Gubb & Barshay LLP
T/E Private-Activity Bond Volume Cap Allocated	\$55,161,072
Aggregate Basis of building and land costs considered	\$105,068,709
% of Aggregate basis financed by T/E Bonds	52.5%
50% Test met per IRC Sec. 42 (h) for LIHTC?	Yes
Notes (if any):	

5g	Developer Fee	
Developer fee category:	TCAC Maximum Limit	Actual Amount in Project Budget
Upfront Cash Developer Fee (a)	\$5,317,910	\$2,500,000
Deferred Developer Fee (DDF) paid from project cash-flow (b)	N/A	\$4,421,980
Total Developer Fee (a) + (b)	\$18,604,975	\$6,921,980
Excess Developer Fee above TCAC Maximum Limit as General Partner (GP) contribution		\$0
Notes (if any):		
For the Final Commitment underwriting, the Borrower must provide evidence that the DDF repayment structure is required pursuant to the Tax Credit Investor's requirements (LOI) and/or Limited Partnership Agreement (LPA).		

2. Any outstanding Deferred Developer Fee remaining at Year 15, even if within TCAC Maximum Limit, will be paid from Borrower's 50% share surplus cash distribution.
3. Any outstanding Deferred Developer Fee remaining in Year 15 and above TCAC Maximum Limit will be treated as developer contribution. The Limited Partnership Agreement (LPA) and the Tax Credit Investor written approval evidencing that any outstanding deferred developer fee remaining in Year 15 will be treated as a GP contribution will be required prior to construction closing.

Note (if any):

5h	Evidence of Cost Containment for projects seeking subsidy
Cost Containment Certification received from Developer?	Yes
Cost Containment Certification acceptable to CalHFA?	Yes
<u>Comments on Cost Containment Strategy:</u> The Developer certified that below cost containment measures have been implemented to minimize construction costs: 1. All major subcontractor and self-performing trades have been competitively bid out. 2. GC has created a critical path schedule to help manage and mitigate potential delays.	
Note (if any):	

5i	Evidence of Subsidy Efficiency
Per the CalHFA Term Sheet requirement, a subsidy efficiency analysis is completed at Initial Commitment, Final Commitment, prior to construction loan closing, and at closing of the CalHFA subordinate financing (perm conversion). Based on the final subsidy efficiency analysis, the CalHFA subsidy loan may be reduced prior to construction closing or perm conversion.	
Parameters of Subsidy Efficiency Analysis [Verify with the FA and check all that apply]	
☒	Year 1 DSCR is 1.20x maximum [If initial DSCR is >1.0x, indicate approval by Credit Officer has been obtained, and describe the reason]
☒	Confirmed that the on-going minimum DSCR of 1.15x through the term of the CalHFA 1 st lien permanent loan based on the Financial Analysis completed at final commitment per Agency's underwriting standards (USRM). A final check will be completed at construction closing and at perm conversion. [Any deviation to be noted here and in the USRM deviation section]
☒	Cash-flow after debt service is limited to (i) Higher of 25% of the anticipated annual must pay debt service payment, or (ii) 8% of gross income, during each of the first 3 years project operation. [Any deviation to be noted here and in the USRM deviation section]
☒	Inflation factors and vacancy rates are consistent with the Agency's underwriting standards (USRM) [Any deviation to be noted here and in the USRM deviation section]
☒	Developer Fee requirements consistent with CalHFA underwriting standards and/or CTCAC Regulation 10327(c)2(B) [Any deviation to be noted here and in the USRM deviation section]
☒	Confirmed the reasonableness of the Capitalized Reserves to be consistent with Agency's underwriting standards (USRM) and the verified with the Investor Limited Partnership Agreement. [Any deviation to be noted here and in the USRM deviation section]
☒	State Tax Credits (STC) maximum requested amount is consistent with CTCAC Regulations 10317 [Any deviation to be noted here and in the Term Sheet variation section]
☐	Confirmed that the Acquisition Cost (if applicable) is the lesser of: i. Purchase price pursuant to a current purchase and sales agreement between unrelated parties, or

	ii. Purchase price of an arm’s length transaction executed within the past 10 years plus reasonable carrying costs, or iii. 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.

5j	High-Cost Explanation	
Total Development Cost (TDC)		\$108,670,130
Total Units		241
TDC/Unit		\$459,179
High-Cost Explanation provided by Developer per CDLAC Regs Section 5233?		N/A
High-Cost explanation acceptable to CalHFA?		N/A
Summary of Project-specific factors contributing to high cost:		
i.	Project located in HUD high-cost designated area?	☐
ii.	State Prevailing Wage (PW) applicable to the project?	☐
iii.	Increase in development cost due to demolition of existing building or structures?	☐
iv.	Increase in development cost due to high environmental remediation costs?	☐
v.	Increase in development cost due to significant off-site improvements due to site specific conditions?	☐
vi.	Increase in development cost due to additional parking spaces or Type 1 podium garage or other commercial space requirements by City, community feedback or other?	☐
vii.	Other atypical costs included in the development cost budget?	☐
viii.	<Additional critical factors noted in the Certification from Developer>	☐
Comments (for any ☒ response, please indicate the costs per the Development Budget line-items)		

6	Affordability Requirements									
6a	CalHFA Regulatory Agreement Requirements									
The CalHFA Permanent Financing Bond Regulatory Agreement will restrict a minimum of 40% of the total units at or below 60% AMI; with 30% of the total units (73 units) at or below 60% AMI and 10% of the total units (25 units) at 50% AMI for 55 years.										
The CalHFA Subsidy Regulatory Agreement will restrict 239 units between 30% and 120% of AMI for a term of 55 years.										
Number of Regulated Units and AMI Restrictions by Each Agency										
Number of Units and Percentage of AMI Rents Restricted by each Agency										
Regulating Agency	Number of Units Restricted For Each AMI Category							120%	Total Units	Percentage
	Lien	30%	40%	50%	60%	70%	80%		Regulated	Regulated
CalHFA Bond	2nd			25	73				98	41%
CalHFA MIP	3rd	25		48		25		141	239	100%
CTCAC	5th	25		74	112	28			239	100%
HCD (LGMG)	1st	25		74	112	28			239	100%
City of Sacramento	4th	25		74	112	28			239	100%
Ground Lease				24			215		239	100%
TOTALS		25	0	74	112	28	0	0	239	100%
Notes (if any):										
1. The CalHFA MIP Subsidy Regulatory Agreement requires 30% of total units (73 units) be restricted at or below 50% of AMI. Of these, a minimum of 10% of total units must be at or below 30% of AMI (25 units at 30% AMI and 48 units at 50% AMI). An additional 10% of total units (25 units) must be restricted between 60% and 80% of AMI with a minimum average of 70% of AMI for a term of 55 years. 2. 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 141 restricted units will be restricted at or below 120% of AMI. 3. In addition, the Project will be restricted by the following jurisdictions described below: a. The City of Sacramento regulatory agreement (wrapped into CADA’s regulatory agreement) will restrict 25 units at or below 30% AMI, 74 units at or below 50% AMI, 112 units at or below 60% AMI, and 28 units at or below 70% AMI. b. Housing and Community Development LGMG regulatory agreements will restrict 25 units at or below 30% AMI, 74 units at or below 50% AMI, 112 units at or below 60% AMI, and 28 units at or below 70% AMI. This regulatory agreement is required to be recorded in senior lien position and will be subject to CalHFA standstill agreement. 4. The HCD ground lease requires a separate regulatory agreement (“HCD (LGMG) Excess Sites Regulatory Agreement”) that will restrict 24 units at or below 50% AMI and 215 units restricted at or below 80% AMI for a term of 99 years.										

Notes (if any):

- The CalHFA MIP Subsidy Regulatory Agreement requires 30% of total units (73 units) be restricted at or below 50% of AMI. Of these, a minimum of 10% of total units must be at or below 30% of AMI (25 units at 30% AMI and 48 units at 50% AMI). An additional 10% of total units (25 units) must 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 141 restricted units will be restricted at or below 120% of AMI.
- In addition, the Project will be restricted by the following jurisdictions described below:
 - The City of Sacramento regulatory agreement (wrapped into CADA's regulatory agreement) will restrict 25 units at or below 30% AMI, 74 units at or below 50% AMI, 112 units at or below 60% AMI, and 28 units at or below 70% AMI.
 - Housing and Community Development LGMG regulatory agreements will restrict 25 units at or below 30% AMI, 74 units at or below 50% AMI, 112 units at or below 60% AMI, and 28 units at or below 70% AMI. This regulatory agreement is required to be recorded in senior lien position and will be subject to CalHFA standstill agreement.
- The HCD ground lease requires a separate regulatory agreement ("HCD (LGMG) Excess Sites Regulatory Agreement") that will restrict 24 units at or below 50% AMI and 215 units restricted at or below 80% AMI for a term of 99 years.

6b

Unit Distribution for each AMI category

The table below outlines the distribution of units for each unit size by AMI category.

Rent Limit Summary Table								
	Studio	1-bdrm	2-bdrm	3-bdrm	4-bdrm	5-bdrm	Total	% Total
30%	18	7	0	0	0	0	25	10%
40%	0	0	0	0	0	0	0	0%
50%	24	44	6	0	0	0	74	31%
60%	39	64	9	0	0	0	112	46%
70%	1	21	6	0	0	0	28	12%
Manager	0	0	1	1	0	0	2	1%
Total	82	136	22	1	0	0	241	
AMI Avg	50.6%	56.8%	60.0%				54.94%	

Note (if any):

- The initial rents at permanent loan closing and in subsequent years must not be less than the underwritten rent levels outlined in the “Rent Summary Table” of the Financial Analysis enclosed as part of this Staff Report.

7	Financial Analysis	
7a	Market Study Summary	
Market Study firm:	Market Study Date: 2/2/2024	
Market Study date within 180 days?	Yes	
Proposed Market Rents for subject property	Studio- \$1,776 1 Br- \$2,092 2 Br- \$2,495 (CalHFA MIP Term Sheet requires maximum allowable rents for all CalHFA restricted units to be lesser of (i) applicable TCAC max rents, or (ii) 10% below market rate for the term of the CalHFA loan. The underwritten rents will be confirmed independently by the appraisal from a third-party appraiser firm engaged by CalHFA and for the term of the CalHFA loan)	
Targeted population income range	30% - 70% AMI	
Absorption Period	4 months	
Absorption rate	60 units per month	
Project Amenities appropriate and sufficient for market and intended tenants?	Yes	
Special Needs Housing – demand/need for Special Needs population, availability of area service providers and sufficiency of on-site services at subject property	Yes	
Utility allowance schedule included in market study report?	Yes	
Regional Market Overview		

- The Primary Market Area (“PMA”) is the central and norther portion of the city of Sacramento (population of 55,187). A Secondary Market Area (“SMA”) was deemed unnecessary by the market study consultant, due to the high demand for affordable units in the PMA, however, demographics for the County of Sacramento (population of 577,798) are included and should be considered the SMA for underwriting purposes.
- The general population in the PMA is anticipated to increase by 3.4% per year and the population in the SMA will increase by 0.3% per year.
- Unemployment in the PMA is 4.9% and the SMA is 4.7%, which evidences a strong employment area.
- Median home value in the PMA is \$540,000.

Local Market Area Analysis

- **Supply:**
 - There are currently 21 affordable family projects in the PMA and they are 99% occupied with long wait lists.
 - There is 1 affordable project(s) under construction expected to complete in May 2024.
 - There is 1 affordable project(s) with a total of 134 estimated units that has been approved by the locality that has yet to start construction.
- **Demand/Absorption:**
 - The project will need to capture 10.2% of the total demand for family units in the PMA. The affordable units are anticipated to lease up at a rate of 40-60 units per month and reach full occupancy within 4-6 months of opening.
- **Summary:**
 - The Market Study absorption and lease-up timelines are in alignment in the Developer’s lease-up plan and operating proforma assumptions.

7b Appraisal Summary		
Appraiser firm: CBRE Valuation & Advisory Services	Appraisal Date: TBD. CalHFA provided report comments 2/4/2025 and updated report is pending. CalHFA approval of final appraisal is required prior to construction loan closing and included in the conditions of approval.	
Engaged by: Banner Bank	Reliance by CalHFA (if co-engaged): Yes	
Appraisal within 180 days of Final Commitment?	Yes	
Appraisal premise	Interest appraised	Valuation
Market Value as-is	Leasehold Interest	\$6,240,000
Market Value upon completion/stabilization as if unencumbered by restricted rents	Leasehold Interest	\$27,820,000
Market Value upon completion/stabilization as encumbered by restricted rents	Leasehold Interest	\$35,210,000
Land Value – net of demolition costs	Leasehold Interest	\$6,240,000

	<i>Underwritten NOI</i>	<i>Appraisal NOI</i>
Appraiser Firm	CBRE Valuation and Advisory Services	CBRE Valuation and Advisory Services
Appraisal Date	TBD	TBD
Appraised As-is Value	\$6,240,000	\$6,240,000
Appraised Land Value	\$6,770,000	\$6,770,000
Appraised As-Completed Value (Restricted)	\$35,210,000	\$35,210,000
Appraisal Investment Value	\$113,680,000	\$113,680,000
Appraisal Cap rate	5.0%	5.0%
NOI (Stabilized Year)	\$1,789,829	\$1,848,591
Appraisal Cap rate	5.0%	5.0%
As-completed Restricted Value Calculated for UW NOI	\$35,210,000	\$35,210,000
1st Lien Loan	\$21,083,000	\$21,083,000
Does the Perm loan include Cash equity payment?	No	No
LTV	58.1%	58.9%
Max LTV allowed	90.00%	90.00%
LTV Check	Ok	Ok
Total CalHFA loans	\$25,083,000	\$25,083,000
CLTV calculated	70.0%	70.0%
Max CLTV allowed	120%	120%
CLTV Check		
LTV Stress Test for HUD Risk Share Underwriting Requirements		
Cap Rate Stress %	0.50%	0.50%
Cap Rate for Stress Test 1	6.00%	6.00%
1st Lien Loan	\$21,083,000	\$21,083,000
Restricted Value	\$32,542,353	\$32,542,353
LTV (Stress Test 1)	64.9%	64.9%
Total CalHFA loans	\$25,083,000	\$25,083,000
CLTV (Stress Test 1)	77%	77%
	Ok	Ok
Comments: The Borrower's estimated NOI is \$1,789,829 which is approximately \$5,635 (~0.3%) lower than the estimated NOI on the appraisal report of \$1,784,194 which is a minor deviation. Regardless, the CalHFA underwriting has been adjusted to match the appraisal NOI for this appraisal. - Considering these deviations, the proposed operating expenses are reasonable based on the Developer's experience with operating a similar project in the area and per the property management agreement. - The proposed operating expense is consistent with and is reasonable based on the appraisal report. - The absorption rate is 40 units per month and should equals a 6-month lease-up period is consistent with the market study.		



7c	Project Operating Budget Assumptions		
Total Units	241	Construction Start Date	4/1/2025
Regulated Units	239	Construction Completion Date	6/1/2027
Manager Units (Market Rate)	2	Construction Period (months)	26
Total Residential Square Feet	125,622	Lease-up Commencement Date:	6/1/2027
Avg Sq Ft/Unit	553	Lease-up Completion Date	10/1/2027
Rental Subsidies?	Yes	Lease-up Period (months)	4
No. of Units with Rental Subsidies	20	Est. Stabilization /Perm Conversion Date	12/1/2027
Rental Subsidy Contract Term (Initial)	20	Lease-up Completion to Stabilization (months)	6

7d			Project Operating Cash-flow Summary		
Operating Budget and Reserve Balances					
	Year 1	Year 5	Year 10	Year 15	Terminal Year
Adjusted Gross Income	3,476,388	3,837,282	4,341,532	4,912,045	7,114,106
Other Income/Subsidies	287,364	305,889	330,784	357,768	453,170
Projected Vacancy and Discount Loss	188,188	207,159	233,616	263,491	378,364
Effective Gross Income (EGI)	3,575,564	3,936,012	4,438,700	5,006,322	7,188,912
Total Operating Expenses	1,785,735	2,038,982	2,408,176	2,846,041	4,712,739
Reserve For Replacement	84,350	87,775	92,252	96,958	112,565
Net Operating Income (NOI)	1,789,829	1,897,031	2,030,525	2,160,281	2,476,173
Total Debt Service & Other Payments	1,528,289	1,528,289	1,528,289	1,528,289	1,528,289
Cash Flow After Debt Service	261,540	368,741	502,235	631,992	947,884
Debt Service Coverage Ratio	1.17	1.24	1.33	1.41	1.62
Income/Expense Ratio	2.00	1.93	1.84	1.76	1.53
Less:					
LP Management Fee*	35,887	40,391	46,824	54,282	0
GP Partnership Management Fee (See Note 2)	5,000	5,628	6,524	7,563	0
Other CalHFA approved Partnership Fee					
Total Fees	\$40,887.00	\$46,019.00	\$53,348.00	\$61,845.00	\$ 0.00
Annual Cap Limit	\$40,500	\$45,583	\$52,843	\$61,260	\$95,441
[*Note: Any Fees above the Annual Cap to be paid from Developer Distribution % below]					
Cashflow for Distribution					
Developer Distribution %	100%	100%	100%	50%	50%
Cumulative Developer Distribution	220,653	1,358,475	3,351,768	5,143,207	11,245,063



Residual Receipts %	0%	0%	0%	50%	50%
Cumulative Residual Receipts Repayment	0	0	0	819,567	6,921,424
<u>Unpaid/Accrued CalHFA loan Balance</u>					
Perm Loan	20,976,667	20,471,830	19,615,697	18,416,415	11,086,580
MIP Loan	4,000,000	4,000,000	4,000,000	3,859,805	2,308,857
<u>Reserves Balances</u>					
Operating Reserve	1,108,832	1,108,832	1,108,832	1,108,832	1,108,832
Rent Reserve					
Transition Operating Reserve					
Replacement Reserve					
Other Reserve					
Notes:					

7e	Rental Assistance and Other Subsidy			
[Background if any]				
Type of Rental Subsidy	Subsidy Administrator	Initial Term of Rental Subsidy Contract	Eligible Units	Renewal/Additional Term for Subsidy Contract
Project-based Vouchers	Sacramento Housing and Redevelopment Agency	20	20	2 20-year extensions
Section 8	N/A	N/A	N/A	N/A
Other rental assistance	N/A	N/A	N/A	N/A
Other Operating Subsidy	N/A	N/A	N/A	N/A
Notes (if any):				
1. The Project will receive PBVs under the Section 8 program for 20 units for an initial term of 20 years with the possibility to renew the contract for 2 additional terms of 20 years each. Renewal is subject to annual HUD appropriations and SHRA administrative approval. The Sacramento Housing and Redevelopment Agency will be the contract administrator. Residents for these units will be referred to the project through Sacramento Continuum of Care.				
Other State and Local Subsidies:				
Other State Subsidies: The Project will be funded by other state funds which include:				
1. HCD-Excess Sites Local Government Matching Grant Program (“Sponsor Loan-HCD LGMG”) \$10,000,000 was awarded 2/28/2023. For true debt purposes, this source will be provided at construction loan closing through a sponsor loan with a 0.00% interest rate for a term of 55 years commencing at permanent loan conversion. This loan is expected to be secured against the leasehold interest of the property and fee interest in the improvements. The loan is expected to be repaid through the borrower’s 50% portion of surplus cash after DDF is fully repaid.				
Other Locality Subsidies: The Project will be funded by other locality funds which include:				
2. Capital Area Development Authority Loan (“CADA loan”) \$8,250,000 was awarded on 12/15/2022 and has an interest rate of 3.00% for a term of 55 years. This loan is being increased to include a \$3MM contribution from the City of Sacramento for a total CADA loan amount of \$11,250,000. This loan is expected to be secured against the leasehold interest of the property and fee interest in the improvements. The loan is intended to be available for permanent financing and will be repaid through a pro-rata share of residual receipts after DDF is repaid.				

7f	Reserve Requirements	
Name of Reserve	Amount	Comments
Operating Expense Reserve (OER)	\$1,108,832	4 months of operating expenses, reserve deposits, and debt service payments will be funded at perm closing and will be held and maintained at that level for the term of the CalHFA permanent loan. The reserve will be held by CalHFA 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.
Replacement Reserves (RR)	\$0 (capitalized) \$84,350 (annually)	The capitalized RR amount is not required for new construction projects. The annual RR amount is sized based on \$350 per unit. CalHFA will hold this reserve.
Transitional Operating Reserve (TOR)	N/A	SHRA policy allows for up to 2 20-year extensions to HAP contract term subject to annual appropriations and administrative approval by SHRA.
Notes:		

7g	Exit Analysis Requirements		
Exit Year	29	Assumed Refi Year	29
Cap Rate Increase	2.00%	Interest Rate Increase	3.00%
UW Loan Amount	\$21,083,000	Max. Refi Loan Size	\$19,829,913
Appraised Value	\$35,077,416	Max LTV at Refi	57%
Unpaid Principal Balance (1 st Lien)	\$0	Unpaid Principal Balance (MIP Subsidy Loan)	\$0
Notes:			
1. The primary source of repayment for both the CalHFA 1 st lien loan and MIP subsidy loan is refinance of the Project's first mortgage. The Exit analysis test for refinancing indicates that the Project will have the ability to fully repay the balance of the Agency's 1 st lien and MIP loans.			

8	Insurance Requirements
---	------------------------

8a	Seismic Review and Earthquake Insurance	
Seismic Review Required?	Yes	
Earthquake Insurance Required?	No	
• This new construction Project will be built to State and City of Sacramento Building Codes. However, the building design required a seismic review which was completed on December 11, 2024 by MHP, Inc. This report determined SEL/SUL (475) at 4% and 7%, respectively. Therefore, the project will not be subject to Earthquake Insurance. 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.		

8b	Flood Designation and Insurance		
Flood Zone Designation:	Zone X	Flood Insurance Required?	Yes
The subject is located in Flood Zone X (area of minimum flood hazard). Zone X is the area determined to be outside the 500-year floodplain and protected by levee from 100-year floodplain. Regardless, new HUD flood guidelines beginning in 2024 do not take the protected levee into account when determining risk and requires the project elevation be at least 2 feet above base flood elevation whereas the project elevation is less than 2 feet above base flood elevation. Flood insurance is required and has been included in the project operating budget.			

8c	Other Insurance Requirements
None	

9	Third-party reports and diligence		
9a	Environmental Review Summary		
Environmental Phase I Site Assessment Firm:	Ninyo & Moore		
Phase I ESA Report Date:	12/21/2024	Reliance Letter with CalHFA as relying party?	Y
Phase II ESA Report Date:	1/23/2024		
NEPA Review Completed?	No	NEPA review Date of completion:	Estimated March 2025.
- The Phase II Environmental Site Assessment dated 1/23/2024 detected elevated levels of volatile organic compounds (Benzene and Chloroform) in the ground water. To mitigate health risks, a vapor barrier will be installed during the course of construction, as recommended by the Phase I/II ESA consultant. Installation of the vapor barrier is included in the construction scope and will be verified prior to permanent loan closing. - Although the presence of VOCs in soil vapor at the Site is considered a REC, it is the consultant's opinion that soil vapor at the detected concentration would not result in intrusion of soil vapor into the Site structures at concentrations that exceed the ESL of 14 ug/m3. Ninyo & Moore recommends no additional investigation of the Site at this time.			

Other Environmental Reports	
Asbestos-containing Material (ACM) Survey Required?	No
Date of Survey:	N/A
Lead-Based Paint (LBP) Survey Required?	No
Date of Survey:	N/A
Other Environmental Reports /studies completed:	Geotechnical Investigation dated 1/12/2023

10	Risk Identification and Mitigations
10a	Underwriting and Term Sheet Variations
Select all that applies <u>AND</u> add any other applicable deviations from USRM or Term Sheet that are not listed	
☐	i. Initial DSCR greater than 1.20x?
☐	ii. Deviation from LTV and CLTV requirements per Agency's underwriting standards
	iii. The Project's proposed operating expenses are below CTCAC minimum
	iv. Utility Allowance less than HUD's allowance?
☐	v. Affordability restrictions (rent and income limits) are NOT in compliance with CalHFA Term Sheets and CalHFA Regulatory Agreement
☐	vi. Deviation in Agency's underwriting standards (USRM) requirements for CalHFA regulated unit sizes (by bedroom count) to be distributed substantially on a pro rata basis across income ranges proportionately to their availability in the development?
☐	vii. Maximum allowable rents for all restricted units is NOT in compliance with CalHFA Term Sheets
☐	viii. Variation in CalHFA Loan(s) requirements for lien position recordation per Program Term Sheets
☐	ix. Variation in CalHFA Loan(s) requirement for loan security and repayment per Agency's underwriting standards (USRM) and Program Term Sheets
☐	x. CalHFA Regulatory Agreements (MIP affordability covenants) are not recorded in senior position to all foreclosable debt.
☐	xi. Exceptions related to the Development Team experience or qualifications including deficiency in diligence obtained or lack of supporting evidence, per the requirements in the Agency's underwriting standards
☒	xii. Exceptions related to Ground Lease structure requirements not meeting the minimum: the ground lease structure is acceptable to Legal, and satisfies the requirement that the first lien perm loan is secured against both fee and leasehold interests in the subject property. The ground lease term exceed any CalHFA subsidy or perm loan term(s) by 10 years or more. The ground lease rents are nominal. The term of the ground lease is equal to or longer than the term of the CalHFA Regulatory Agreement. (See Note 1)
☐	xiii. Failure to meet CalHFA Exit Analysis test requirements
☒	xiv. Deviation from the CalHFA Program Term Sheet requirement for surplus cash distribution allowing higher than 50% distribution to the Developer To comply with tax credit investor requirements that the deferred developer fee be fully repaid by year 15, the developer is requesting a larger than 50% share of surplus cash distribution to be applied towards reducing the deferred developer fee until the earlier of full repayment or year 15.
☐	xv. Project-based rental subsidy contract term is less than Agency's 1 st lien perm loan and/or the proposed rental subsidy contract does not contain an automatic renewal provision.

☐	xvi.	Deviation from the Agency's underwriting standards and/or CDLAC/TCAC regulations related to maximum Developer Fee including cash/upfront fee and Deferred Developer fee requirements
☐	xvii.	Deviations from the Agency's underwriting standards related to Construction Cost budget concerns, contingency requirements below minimum, sources/uses imbalance, sources for environmental remediation and/or off-site improvements not identified or finalized, etc.
☐	xviii.	<Other>

For any response that is ☒ checked, please explain below and discuss potential mitigation strategies:

1. See 11b.

11	Supplementary Project Information
11a	Form of Site Control and Expiration
Current Ownership of Entity of Record: State of California (HCD) The current owner of the site, the State of California (HCD Lessor), and the Project sponsors, Mutual Housing California and Capitol Area Development Authority ("Optionee"), entered into a Ground Lease Option Agreement dated 8/19/2022 which expired on 8/19/2024 ("Expiration Date"). The parties entered into an Extension Agreement on 8/20/2024 to extend the Option Agreement until 8/21/2025.	

11b	Ground Lease (if applicable)		
Ground Lessor	State of California (HCD State Surplus Land)	Capitalized Ground Lease Payment and Source	\$99
Ground Lease Term	99 years	On-going Ground Lease Payment and Source	\$0
The MIP term sheet states that the first lien permanent loan shall be secured against both the fee and leasehold interests in the Property. The HCD Lessor requested that the CalHFA loans be secured solely against the leasehold interest in the land and fee interest in the improvements. This is an exception to the term sheet, but because this request meets the conditions of the Agency's underwriting standards to permit limiting the security interest to the leasehold, and the ground lease rents are nominal, the Multifamily Lending Division recommends granting this request. All Agency subordinate loans shall be secured in the same manner. However, if any lender encumbers both fee and leasehold interests in the land, the CalHFA loan documents will also secure in the fee and leasehold interests in the land. The final ground lease document is subject to CalHFA approval. Lessor must provide approval of CalHFA ground lease rider. Defaults under any loans used to capitalize payments or ongoing residual receipt payments required by the ground lease must not constitute a default under the ground lease.			

11c	Displacement and Relocation of existing tenants
The Project is new construction, therefore, relocation is not applicable.	

11d	Net Loss of Affordable 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.

11e	Project Amenities		
Project Amenities:	Present?	Unit Amenities	Present?
Community Room	☒	Central Heating	☒
Fitness Room	☒	Central A/C	☒
Computer Room	☒	Microwave	☐
Central Laundry Facilities	☒	Washer/Dryer Hookups	☐
Gated Entry	☒	Dishwasher	☒
Security Patrol	☒	Garbage Disposal	☒
Gym	☐	Free Internet Service	☐
<Other>	☐	<Other>	☐
<Other>	☐	<Other>	☐
<Other>	☐	<Other>	☐
<Other>	☐	<Other>	☐
Notes (if any):			

11f	Legislative Districts & Local Support	
Congress:	#7 Doris Matsui	
Assembly:	#6 Maggy Krell	
State Senate	#8 Angelique Ashby	
Local Support:		

12	Development Team Experience		
12a	Developer / Project Sponsor		
Name	Experience with CalHFA	If new, describe if minimum development experience requirements are met per USRM	
Mutual Housing California	0 projects in the CalHFA development pipeline other than the subject. 5 projects completed, all operating as expected.	N/A	
Co-developer Name	N/A	N/A	

Developer Relationship Summary [Pipeline]										
Other than the subject property, Mutual Housing California does not have any projects in CalHFA’s development pipeline.										
Project Name	Project Status	Construction Loan Closing	Est. conversion	Perm Loan Amount	CalHFA Subsidy Amount					
N/A	N/A	N/A	N/A	N/A	N/A					
Mutual Housing Management (affiliated to developer) has 5 projects in CalHFA’s Asset Management portfolio that are performing as expected.										
Developer Relationship Summary [Portfolio]										
Project Name	Project Status	Loan Origination Date	Loan Maturity Date	Loan Amount	UPB as of 01/07/2025	Most Recent DSCR	Most Recent Occ.	Most Recent Risk Rating	Project Type	Performance Issues
Moore Village	Active - Loan Paid In Full	Affordability Restrictions Only								N/A
Mutual Housing at the Highlands	Active	5/25/2010	6/1/2065	\$2,968,839	\$2,968,839	N/A	96%	N/A	MHSA	N/A
Northstar/ Twin Pines	Active - Loan Paid In Full	Affordability Restrictions Only								N/A
Owendale Mutual Hsg	Active	PRA 811 Only								N/A
Tremont Green	Active - Loan Paid In Full	Affordability Restrictions Only								N/A

12b	General Contractor
General Contractor name:	Sunseri Construction
Affiliated entity of the Developer/Borrower?	No
Experience with CalHFA?	Yes
The general contractor (GC) is Sunseri Construction, which has extensive experience in constructing similar affordable housing projects in California and is familiar with CalHFA. The GC and the developer have worked on 7 project(s) that has been completed and is working on 2 projects that are in development stage (including Monarch).	

12c	Architect and Engineering (A&E) firm
Architect name:	Kuchman Architects
Affiliated entity of the GC?	No
Affiliated entity of the Developer/Borrower?	No
Experience with CalHFA?	Yes
The architect is Kuchman Architects, which has extensive experience in designing and managing similar affordable housing projects in California through the locality's building permit process and is familiar with CalHFA. The architect and the developer have worked on 4 project(s) that have been completed and has one project in predevelopment.	

12d	Management Agent (Property Manager)
Name of the Firm	Mutual Housing Management
Third-party or Borrower Affiliate?	Borrower affiliate
Management Fee (Annual fee %)	3.5%
Management Fee (Other incentives)	N/A
Total number of properties managed by the Property Manager (PM)	24
Total number of properties managed for the Developer	18
Total number of properties the PM has in CalHFA portfolio	5
Any property management issues for CalHFA portfolio projects under the management of the Property Manager?	N/A
Notes (if any):	

12e	Borrower Affiliated Entities	
Borrower Legal Entity	805 R Mutual Housing Associates, L.P.	
Borrower Entity Type	a California limited partnership	
<u>Member</u>	<u>% interest</u>	<u>Legal Entity Name:</u>
Managing General Partner	0.005%	805 R Mutual Housing Association, LLC
Administrative General Partner	0.005%	805 R CADA Association, LLC
Investor Limited Partner	99.99%	Mutual Housing Corporation (initial, to be replaced with tax credit investors, see below)
	100.00%	
<u>Managing General Partner</u>	805 R Mutual Housing Association, LLC	
Type of Legal Entity	a California limited liability company	
Ownership		% interest
Mutual Housing California, a California nonprofit public benefit corporation		100%
<u>Administrative General Partner</u>	805 R CADA Association, LLC	
Type of Legal Entity	a California limited liability company	
Ownership		% interest
Capitol Area Community Development Corporation, a California nonprofit public benefit corporation		100%
<u>Investor Limited Partner</u>	Enterprise Housing Credit Investments & Sugar Creek Capital	
Comments on Tax Credit Investor: CalHFA has prior experience with both Enterprise Housing Credit Investments and Sugar Creek Capital.		
Comments on LPA nuances/concerns: None to report at this time.		
Notes (if any):		

12f	Support Service Provider(s)	
Name of Service Provider	Mutual Housing California	
Required by TCAC or other funding sources?	Yes	
Term of Services (on-site, number of years)	20	
Support Services Budget included in the Operating Budget	\$90,000	
Per unit cost of support services meets USRM thresholds?	Yes	
The Residential Services arm of Mutual Housing California will provide the services for all tenants. Services will include 19 hours/week of financial counseling, housing counseling, and leadership development.		

12g	Other Development Team Members (if applicable)
Name of Firm:	N/A
Role:	N/A
Experience: N/A	

13	Conditions for Approval
Approval is conditioned upon: 1. Subject to all MIP program requirements pursuant to applicable term sheets. 2. The CalHFA MIP loan 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. 3. All MIP Loan principal and interest will be due and payable at maturity. 4. No site work or construction commenced prior to the issuance of a HUD Firm Approval Letter, per the HUD Risk Sharing program requirements. 5. CalHFA requires that MIP affordability covenants be recorded in senior position to all foreclosable debt. 6. Funds from the CalHFA permanent loan and/or the subsidy loan shall not be used to fund or offset any portion of the commercial or offsite improvements construction costs, except to the extent such costs are attributable to improvements for the exclusive use by the tenants of the Project. 7. The CalHFA loan(s) will be secured against the leasehold interest in the land and fee interest in the improvements. All subordinate loans are to be secured in the same manner. However, if any lender encumbers both fee and leasehold interests in the land, the CalHFA loan documents will also secure in the fee and leasehold interests in the land. The final ground lease document is subject to CalHFA approval. Lessor must provide approval of CalHFA ground lease rider. 8. Defaults under any loans used to capitalize payments or ongoing residual receipt payments required by the ground lease must not constitute a default under the ground lease. 9. CalHFA will require that the local funding regulatory agreements to contain provisions allowing rent increases to the maximum TCAC rents if rental subsidies are no longer available. 10. CalHFA will require that the local funding regulatory agreements to contain provisions allowing rent increases to the maximum TCAC rents in an event of default. 11. Evidence of acceptable flood insurance will be required prior to permanent loan closing. 12. 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 13. Prior to permanent loan closing, receipt of acceptable commercial space lease to Mutual Housing California for office use. In the event Mutual Housing California is not the commercial space lessor, the actual commercial space lessor agreement is subject to CalHFA review and approval. 14. Prior to permanent loan closing, in the event Mutual Housing California is not the commercial space lessor, an updated appraisal will be engaged to determine the potential commercial income for the commercial space. Any actual residual commercial income will be required to be applied annually towards reducing residual receipt payments between subordinate lenders on a pro-rata basis. 15. The draft appraisal has been submitted and the final appraisal will be subject to Agency's review and approval prior to execution of the CalHFA forward rate lock when an analysis of the appraisal NOI will be completed. In the even the appraised NOI is less than the NOI used for this approval, the CalHFA loan amount may be reduced to meet CalHFA underwriting standards prior to execution of the forward rate lock.	

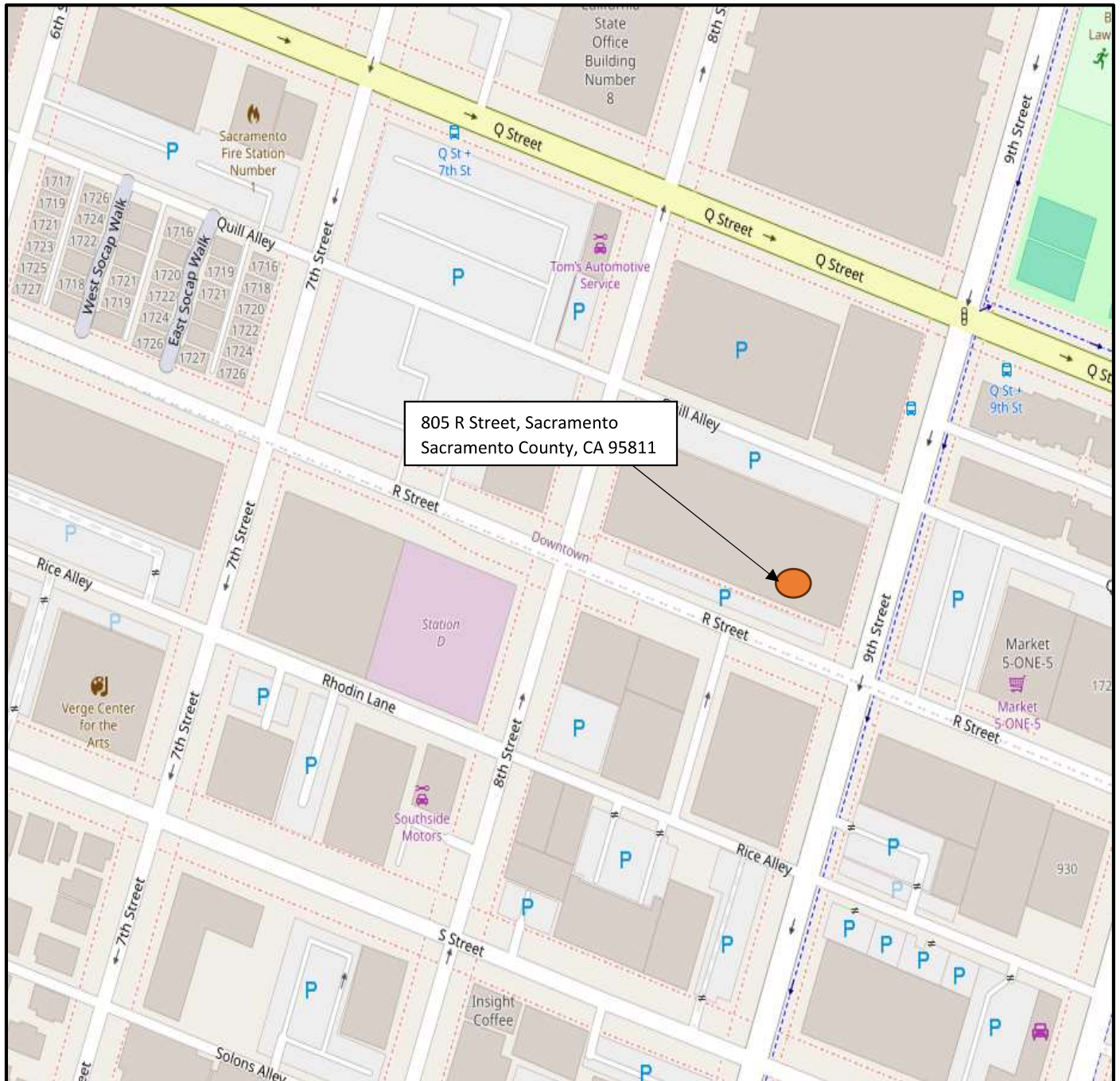
16. At all times appraised NOI will serve as a maximum for underwriting and loan sizing.
17. No more than 5% of the net CalHFA bond proceeds may be used for non-residential development costs; (IRC Section 142 and Treasury Regulation Section 1.142) AND
18. As a condition of financing non-residential/commercial construction, any lease payments collected in excess of payments necessary for debt service, operating expenses and any required reserves related to such property, shall be used to reduce rents on units reserved for occupancy by lower-income households and very low-income households in a multifamily rental housing development. (See H&S Code section 51334).

14	Approval Recommendation and Action
14a	Staff Recommendation and Approval Authorizing the Issuance of a Final Commitment
	The Multifamily Lending Division supports approval of the described financing in the amount(s) requested, subject to the above proposed terms and conditions. The Final Commitment of the Agency is subject to all CalHFA underwriting standards, applicable Term Sheet and CalHFA regulatory requirements, and any other applicable requirements. Any material deviation from the original financing structure, project changes, underwriting assumptions, or the failure of 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.

14b	Senior Loan Committee Action
	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.  Digitally signed by Erwin Tam Date: 2025.03.04 15:28:07 -08'00' Date: _____ Erwin Tam Director of Financing & Senior Loan Committee Chairperson Rebecca Franklin Approved by: Digitally signed by Rebecca Franklin DN: OU=Executive Office, O=California Housing Finance Agency, CN=Rebecca Franklin, E=rfranklin@calhfa.ca.gov Reason: I am the author of this document Location: Date: 2025.03.04 16:10:03-08'00' Foxit PDF Editor Version: 2024.4.1 Date: <u>3/4/2025</u> Rebecca Franklin Chief Deputy Director CalHFA

Monarch

Near



Monarch Far

