REPORT TO CITY COUNCIL

TO: **Honorable Mayor and Members of the City Council**

FROM: **Grant Yates, City Manager**

DATE: **June 13, 2017**

SUBJECT: **Loan Commitment Letter for Cottages at Mission Trail Affordable Housing Project Proposal**

Recommendation

It is recommended the City Council, acting as Housing Successor, approve the Loan Commitment Letter for The Cottages at Mission Trail Affordable Housing Project Proposal.

Background

Pursuant to the Amended and Restated Disposition and Development Agreement (DDA) dated March 8, 2011 by and among the former Redevelopment Agency, Summerly (Developer) and Civic Partners-Elsinore LLC (Master Developer), certain funds equal to 20% of the property tax revenues generated from Developer and Master Developer properties (Pledged Housing Funds) are pledged to Civic Partners-Elsinore LLC for affordable housing purposes. This pledge constitutes a recognized enforceable obligation and has been included on the Successor Agency ROPS. The Pledged Housing Funds are currently held in the City's Low and Moderate Income Housing Asset Fund (LMIHAF). The LMIHAF is administered by the City as the housing successor to the former Redevelopment Agency.

On March 8, 2016, the Successor Agency approved an Affordable Housing Project Proposal. The proposed "Cottages at Mission Trail" is a work force housing rental project to be developed on a portion of a 25.5 acre parcel on Mission Trail south of Hidden Trails within the East Lake Specific Plan. The proposed project will initially consist of approximately 123 two and three-bedroom units restricted to occupancy by households earning not more than 60% of area median income. A general description of the proposed project and conceptual plans are attached as Exhibit A.

Discussion

In accordance with the DDA, Civic Partners-Elsinore LLC submitted a request for City financial assistance for the project. Civic Partners-Elsinore LLC further requested that the City prepare a Loan Commitment Letter that can be submitted with its application for tax credits for the project. The proposed Loan Commitment Letter attached as Exhibit B is subject to the satisfaction of various customary provisions before the loan will be funded, including the requirement that the developer enter into a legally binding loan agreement and related documents.

The City's affordable housing economic consultant, Keyser Marston Associates (KMA), performed a financial gap analysis of the Developer's proposed financing for the project and determined that the proposed financing results in a financially feasible project. The City's financial advisor, Urban Futures, Inc. and Director of Administrative Services concur in KMA's findings. A copy of KMA's analysis is attached as Exhibit C.

The Developer's requested financing from Pledged Housing Funds and other City affordable housing fund accounts is comprised of construction and permanent loans in an aggregate amount not to exceed Five Million Seven Hundred Twenty One Thousand Two Hundred Fifty Dollars ($5,721,250) (Loan). Loan proceeds are to be used to acquire the property and construct the project. Except for certain predevelopment costs not to exceed $500,000, Loan funds will not be disbursed until tax credits have been awarded and all other construction financing is available for the project.

The Developer anticipates issuing tax exempt bonds in an original principal amount of approximately Eighteen Million Dollars ($18,000,000) to finance a portion of the project construction costs. A portion of the bonds, in an original principal amount necessary to result in net proceeds to the project of up to Five Million Dollars ($5,000,000), will be secured by the Developer's pledge of future Pledged Housing Funds under the DDA. The balance would be paid by tax credit equity and project revenues.

In order to facilitate the issuance of bonds, the Developer intends to assign its right to receive future Pledged Housing Funds. City staff recommends that the City Council agree to such assignment provided that no action by the Successor Agency or its Oversight Board is required. If any action by the Successor Agency or Oversight Board is required in connection with Developer's assignment of the future Pledged Housing Funds, both the Loan and City's agreement to release to Developer the future Pledged Housing Funds will be subject to approval by the Oversight Board and the California Department of Finance.

Approval of the Commitment Letter will allow Civic Partners-Elsinore LLC and the City to address the next steps toward project review and implementation. Specifically, the Cottages at Mission Trail is further conditioned on and subject to each of the following: (1) purchase of the property by Developer; (2) an award of tax credits for the project and purchase thereof by a tax credit investor for a price that supports the Developer's financial model; (3) applicable zoning and planning approvals, including CEQA compliance, by the City of Lake Elsinore Planning Commission and City Council; (4) issuance of Bonds to finance the project; (5) negotiation and execution of binding legal documents for sufficient construction and permanent financing for the project.

Fiscal Impact

The Loan will be funded from (i) Pledged Housing Funds and (ii) other funds available to assist affordable housing in the City. One Million Four Hundred Fifty Thousand Dollars ($1,450,000) of the Loan, or such greater amount of Pledged Housing Funds available at construction financing closing, will be funded from accrued Pledged Housing Funds in accordance with the DDA. Approximately Three Million Dollars ($3,000,000) shall be funded from the City's "SARDA Housing Fund," which consists of Low and Moderate Income Housing Asset Fund monies. Approximately Two Hundred Thousand Dollars ($200,000) of the Loan will be funded after completion of the project from the City's "Fund 106" (Fund 106 Loan). Up to One Million Seventy One Thousand Two Hundred Fifty Dollars ($1,071,250) of the Loan will be funded for three years after completion of the project from available current and future deposits of Summerly In-Lieu Fees into the City's "Fund 106."

Prepared By: Barbara Leibold, City Attorney

Approved By: Grant Yates, City Manager

Attachments:

Exhibit A – Project Description

Exhibit B – Loan Commitment Letter for The Cottages at Mission Trail Affordable Housing Project Proposal

Exhibit C – Keyser Marston Associates Report

June 13, 2017

Civic Partners-Elsinore, LLC
7777 Center Avenue, Suite 230
Huntington Beach, CA 92647
Attn: Steve Semingson

Re: Loan Commitment for Rental Housing Project – Cottages Affordable Housing

Dear Mr. Semingson:

Civic Partners-Elsinore, LLC (**Developer**) is a party to that certain Amended and Restated Disposition and Development Agreement (**DDA**) dated as of March 8, 2011, by and among the Redevelopment Agency of the City of Lake Elsinore (**RDA**), McMillin Summerly LLC, and Developer.

Pursuant to Assembly Bill 1x 26, as amended by AB 1484, the RDA was dissolved as of January 31, 2012. Effective February 1, 2012, the City of Lake Elsinore (**City**) assumed the housing rights and obligations of the former RDA, including the Low and Moderate Income Housing Asset Fund (**LMIHAF**) and the housing rights and obligations of the RDA under the DDA. Capitalized terms not defined herein shall have the meaning set forth in the DDA.

Sections 502 and 603 of the DDA permit the Developer to submit an Affordable Housing Project Proposal and to receive Pledged Housing Funds in connection with an approved Affordable Housing Project Proposal. Pledged Housing Funds shall be provided in the amount of Reimbursable Affordable Housing Costs in accordance with the terms and conditions of the DDA.

Developer has submitted an Affordable Housing Project Proposal to acquire property and construct an approximately one hundred forty three (143) unit apartment building (**Project**) restricted to occupancy by households earning up to 60% of area median income in accordance herewith. The Project will be constructed on an approximately 19.46 acre site located on Mission Trail in the City's East Lake Specific Plan (**Property**). The Project constitutes an approved Affordable Housing Project Proposal under the DDA. In accordance with the DDA, the Developer is permitted to receive Pledged Housing Funds in an amount not to exceed Reimbursable Affordable Housing Costs. The City is permitted to assist the Project with other funds in excess of available Pledged Housing Funds in accordance with applicable law.

In connection with its approval of the Affordable Housing Project Proposal, the City has approved construction and permanent loans in an aggregate amount not to exceed Five Million Seven Hundred Twenty One Thousand Two Hundred Fifty Dollars ($5,721,250) (**Loan**) to a limited partnership formed for the purpose of owning the Property and developing the Project in which Developer or its affiliate acts as the co-general partner, AOF/Pacific Affordable Corp. or its affiliate acts as managing general partner, and with such tax credit limited partners as may be reasonably approved by City to invest in the Project (collectively, **Project Developer)**. Proceeds of the Loan are to be used to acquire the Property and construct the Project.

The Loan shall be funded from (i) Pledged Housing Funds and (ii) other funds available to assist affordable housing in the City, in such amounts as deemed appropriate in the City's discretion. City shall determine the order in which Loan funds shall be disbursed. One Million Four Hundred Fifty Thousand Dollars ($1,450,000) of the Loan, or such greater amount as may constitute accrued Pledged Housing Funds at the time of the closing of construction financing for the Project, will be funded from accrued Pledged Housing Funds in accordance with the DDA (**Accrued Funds Loan**). Three Million Dollars ($3,000,000), or such greater or lesser amount as the City determines to be appropriate as a result of an increase in the Accrued Funds Loan or Fund 106 Loan, shall be funded from the City's "SARDA Housing Fund," which consists of Low and Moderate Income Housing Asset Fund monies (**LMIHAF Loan**). Two Hundred Thousand Dollars ($200,000) of the Loan, or such greater or lesser amount as the City determines to be appropriate as a result of funds on hand, adjustments to the Accrued Funds Loan and/or LMIHAF Loan, will be funded after completion of the Project from the City's "Fund 106" (**Fund 106 Loan**). Up to One Million Seventy One Thousand Two Hundred Fifty Dollars ($1,071,250) of the Loan will be funded for three years after completion of the Project as available from current and future Summerly In-Lieu Fees which shall be deposited into the City's "Fund 106" (**Future Fund 106 Loan**). Disbursements from the Future Fund 106 Loan shall be applied against obligations resulting from that certain Purchase and Sale Agreement and Joint Escrow Instructions, dated as of November 14, 2014, by and between ARI Lake Elsinore, LLC, a California limited liability company, and CP Mission, LLC, a California limited liability company, as amended by that certain Reinstatement and First Amendment made and entered into as of December 15, 2016, for the Property. For purposes hereof, "**Summerly In-Lieu Fees**" shall consist solely of affordable housing in-lieu fees paid by the Summerly Project located within the boundaries of Amendment No. 6 to the East Lake Specific Plan.

In no event shall the City be obligated to fund the Accrued Funds Loan, the LMIHAF Loan, Fund 106 Loan, or the Future Fund 106 Loan from any other source of funds other than the funds designated in the foregoing paragraph. Developer, on behalf of itself, Project Developer, and any successors and assigns of either Developer or Project Developer, acknowledges and agrees that the Accrued Funds Loan, the LMIHAF Loan, Fund 106 Loan, and the Future Fund 106 Loan are obligations payable solely from the funds designated above, and not an obligation of the City's general fund, the LMIHAF, Fund 106 or any other funds held by the City.

Developer anticipates issuing tax exempt bonds in an original principal amount of approximately Eighteen Million Dollars ($18,000,000) to finance a portion of the construction costs of the Project (**Bonds**). A portion of the Bonds, in such original principal amount as is necessary to result in net proceeds to the Project of up to Five Million Dollars ($5,000,000), will be secured by Developer's pledge of future Pledged Housing Funds under the DDA (**TIF Bonds**). Accordingly, solely to the extent such funds are available under the terms of the DDA, the City agrees to release to Developer Pledged Housing Funds in future years in an annual amount not to exceed an amount sufficient to fund the aggregate of (a) annual debt service on the TIF Bonds (**Annual Debt Service**), (ii) any additional amount necessary to provide the minimum debt service coverage ratio required for the Bonds (**DSCR Funds**), and (iii) payments on deferred developer fee not funded by operations until such deferred developer fee is paid in full (**Developer Fee Funds**). In no event shall the City be obligated to release more than the annual amount of Pledged Housing Funds to which the Developer is entitled under the DDA in any given year. In the event the City releases Pledged Housing Funds in any given year in excess of the amount needed to fund the foregoing, any excess funds shall be returned to City for deposit into accrued Pledged Housing Funds and to be held in accordance with the terms of the DDA.

Developer, on behalf of itself, Project Developer, and any successors and assigns of either Developer or Project Developer, acknowledges and agrees that the Annual Debt Service, DSCR Funds, and Developer Fee Funds are an obligation payable solely from future Pledged Housing Funds, and not an obligation of the City's general fund, the LMIHAF, Fund 106, or any other funds held by the City.

City acknowledges that in order to facilitate the Bonds, Developer intends to assign its right to receive future Pledged Housing Funds pursuant to the DDA to the Bond issuer and/or Project Developer, and agrees to such assignment provided that no action by the Successor Agency to the Redevelopment Agency of the City of Lake Elsinore (**Successor Agency**) or its Oversight Board with respect to such assignment is required. If any action by the Successor Agency or its Oversight Board is required in connection with Developer's assignment of the future Pledged Housing Funds, both the Loan and City's agreement to release to Developer the future Pledged Housing Funds shall be subject to approval by the Oversight Board and the California Department of Finance.

Disbursement of the proceeds of the Loan and consummation of the transactions contemplated hereby are conditioned upon the negotiation and execution of one or more loan agreements and related documents on terms and conditions acceptable to City.

1. **TERMS OF THE LOAN**. Principal terms of the Loan will include, but not be limited to, the following:

   a. The maximum principal amount of the Loan shall be Five Million Seven Hundred Twenty One Thousand Two Hundred Fifty Dollars ($5,721,250). The outstanding principal balance of the Loan shall bear interest at three percent (3%) per annum simple interest. The Loan shall be due and payable in 55 years from the completion of construction of the Project. Payments of principal and interest shall be paid from residual receipts, with 50% of residual receipts to be disbursed to City in payment thereof. City shall be permitted to apply such payment first to any one of the funds from which the Loan was disbursed. Residual receipts shall mean the effective gross rental income from the improvements, less actual, reasonable and customary costs, fees and expenses of operation directly attributable to the improvements, including, but not limited, to the following: maintenance; alterations; taxes; landscaping; common utilities;

premiums for property damage and liability insurance; any annual license or certificate of occupancy fees required for operation of the Project; security services; advertising and marketing; debt service on subordinate loan(s) not payable out of residual receipts or as otherwise approved by the City Manager; debt service on senior loans providing construction or permanent funding to the Project approved as part of the loan closing process and loans refinancing such debt with no "cash out" to the Developer; a property management fee; a general partner management fee; an asset management fee, deposits into a replacement reserve; deposits into an operating reserve; resident service costs; payment of any Deferred Developer Fee; payment of principal or interest on any indebtedness of Developer to any affiliate of Developer or partner of Developer to repay completion and operating deficit loans relating to the Project (provided that such loans and repayment are permitted by the agreements and programs governing debt and equity invested in the Project); partner loans from the partners of the Borrower (provided that such loans and repayment are permitted by the agreements and programs governing debt and equity invested in the Project); tax credit adjusters as set forth in the Developer's partnership agreement; payments of deductibles in connection with casualty insurance claims not paid from reserves; the amount of uninsured losses actually replaced, repaired or restored, and not paid from reserves; and other ordinary and reasonable operating expenses not listed above. All fees and costs (including, without limitation, general partner management fees, developer fees and deferred developer fee) are to be as outlined in the financial pro forma provided by the Developer to the City dated as of May 19, 2017. Any revisions to such fees and costs shall be reasonably approved by the City Manager as part of the loan closing process.

b. The Loan shall be evidenced by one or more Promissory Note(s) and shall be secured by one or more Deed(s) of Trust in a form acceptable to City. The Deed(s) of Trust shall be recorded against the Property in a lien position subordinate to the commercial construction lenders to the Project and any permanent financing provided by a commercial lender and approved as part of the loan closing process provided that the City receives customary subordinate lender protections. In addition, one or more City regulatory agreements restricting occupancy of no more than 142 apartment units to persons and families earning up to 60% of area median income (as determined in accordance with California Health & Safety Code Section 34176.1(a)(3)(A)) at an affordable rent (as determined in accordance with California Health & Safety Code Section 50053(b)) for the longest feasible time, but no less than 55 years from the date of initial occupancy, will be recorded prior to the disbursement of the City funds. Twenty (20) units shall be restricted to occupancy by very low income households (as determined in accordance with California Health & Safety Code Section 50105) at an affordable rent, and one hundred twenty two (122) units shall be restricted to occupancy by persons and families earning up to 60% of area median income at an affordable rent. In the event the land use approvals require a change to the allocation of units restricted to occupancy by 60% AMI and very low income households, Developer and City agree to negotiate appropriate allocations between 60% AMI and very low income households in good faith, which such revised unit restrictions shall be approved by the City Council and acceptable to other lenders and the investor to the Project.

c. City shall be furnished with evidence that the Project has received all required approvals from all applicable governmental bodies and agencies. Such approvals shall include, but not be limited to, ready to issue building permit letters.

d. "All risk" (special perils) property insurance, including coverage during the course of construction and, if the property is in a flood zone designated for mandatory flood insurance, coverage for the peril of flood, shall be furnished in an amount sufficient to rebuild or replace the improvements at replacement cost new. A policy shall be issued by an insurance company acceptable to City and shall name City as a loss payee. Developer shall furnish or cause to be furnished to City, and Developer shall ensure that the Project contractor furnishes or causes to be furnished to City, general liability insurance policies equivalent in coverage scope to an ISO CG 00 01 10 93 form in an amount of at least $5,000,000 per occurrence. Each policy shall name City and its respective boards, commissions, officials, employees, and agents as additional insureds on an endorsement equivalent in coverage scope to an ISO 20 10 11 85 that includes coverage for both ongoing and completed operations, provided the endorsement is commercially available from the Developer's insurance underwriter. All insurance shall be subject to such other conditions as may be required by the City Risk Manager.

e. Developer shall obtain payment and performance bonds or other surety insuring the payment of the loans and completion of construction as is reasonably approved by City, construction lender and investor in such amount as is reasonably required by City, construction lender and investor. The City shall be a named insured on such bonds or other surety .

f. The Loans shall be non-recourse upon completion of construction.

g. City shall be provided with one or more ALTA Policies of Lender's Title Insurance in the amount of the Loan secured by the Property showing fee title vested in Developer and including such endorsements as reasonably requested by City.

h. Developer shall provide evidence, satisfactory to City, of its compliance with all applicable and reasonable City requirements.

i. Construction of the Project (as evidenced by the issuance of Notice to Proceed) shall commence within the time frame which satisfies the requirements of all programs providing funding for the Project. Should construction not commence by such date, City shall have the right to terminate the City Loan Agreement and/or the commitment for the Loan described herein.

j. City shall reasonably approve the tax credit investor and the terms of its investment in the Project. Any additional funds generated by Developer through enhanced tax credit equity rates will reduce the amount of the Loan, but only to the extent that such additional funds results in a net savings to the Project and only after reduction of any deferred developer fee to an amount not less than $750,000.

k. Construction must be completed and a Certificate of Occupancy issued within twenty-four (24) months from the start of construction or such other date as may be approved in writing by CDLAC, City and any other provider of funding for the project, subject to any permitted extension provided by the senior construction lender and the investor.

l. Loan proceeds will be disbursed in accordance with a disbursement schedule to be finalized before Loan closing.

m. The type of units constructed and their restrictions, and the amount and terms of other financing, shall not differ substantially from those approved by City as of the date hereof.

n. Developer shall pay an annual monitoring fee to City of $60 per restricted unit per annum, as such amount may be increased by 3.0% per annum.

o. The Limited Partner Asset Management Fee for the Project shall not exceed $7,500 in the first year of operations, and shall be paid only after debt service payments are made. Fees to the non-profit general partner and general partner management fees shall not exceed $35,000 in the first year of operations, and shall be paid only after debt service payments are made.

p. City agrees to fund a predevelopment loan for the Project in an amount not to exceed Seven Hundred Seventy One Thousand Five Hundred Dollars ($771,500) from the accrued Pledged Housing Funds. Five Hundred thousand Dollars ($500,000) shall be advanced in accordance with a customary loan agreement to be executed by Developer and related documents in such form as is approved by the City Manager and City Attorney. The balance of the predevelopment loan will be eligible for disbursement in accordance with the predevelopment loan documents upon an award of Tax Credits to the Project.. The outstanding principal balance of the predevelopment loan shall bear interest at three percent (3%) per annum simple interest. A portion of the Loan funded from accrued Pledged Housing Funds shall be used to repay in full any predevelopment loan made by the City to the Developer in connection with the Project at construction loan closing.

2. **CONDITIONS PRECEDENT TO DISBURSEMENT OF THE LOAN:**

a. The Loan commitment described herein is expressly conditioned upon Developer's demonstration, to the satisfaction of City, of receipt of such financing, as is necessary and sufficient to construct and operate the Project in a financially feasible manner, including, without limitation, binding legal agreements for (i) construction financing; (ii) Developer application for and receipt of an allocation of Tax Exempt Bonds from the California Debt Limit Allocation Committee (**CDLAC**) and of Low Income Tax Credits from the California Tax Credit Allocation Committee (**TCAC**), and purchase thereof by a qualified investor(s); (iii) issuance of the TIF Bonds providing minimum net proceeds to be used for construction and/or permanent financing of the Project of up to Five Million Dollars ($5,000,000); and (iv) any additional permanent financing and/or operating subsidies in an aggregate amount sufficient to repay the construction financing and operate the project in a manner that results in sufficient cash flow to pay for customary maintenance and operation of the project, including all required debt service payments.

b. Funding of the Loan, with the exception of the predevelopment loan portion, shall not occur until all construction financing for the Project has closed and is available to Project Developer for Project costs. Funding of the Loan is conditioned upon submission of draw requests accompanied by satisfactory evidence of incurrence of approved construction and related costs of development of the units.

c. This Loan Commitment or the Loan agreement (if any) shall be automatically terminated and of no further force and effect if funding of the Loan and all other construction financing has not occurred by the outside closing date imposed by, as applicable, CDLAC for the tax-exempt bonds that will finance the senior construction loan for the Project, or TCAC with respect to any award of tax credits to the Project.

d. This commitment and any loan agreement(s) to be entered into are expressly conditioned upon compliance with CEQA and all other applicable laws.

e. The Loan commitment described herein is expressly conditioned upon approval of the final loan agreement(s) and all necessary attachments thereto (including, but not limited to, promissory note(s), deed(s) of trust, and regulatory agreement) by the City Manager, and the preparation, execution and delivery of such documentation in form and substance satisfactory to the City Manager and City Attorney incorporating substantially the terms and conditions outlined or referred to above plus the customary terms and conditions of a City loan of this type.

f. This commitment and any loan agreement to be entered into is expressly conditioned upon the execution by Developer's construction lender(s) of a subordination agreement and/or an intercreditor agreement, with such agreement(s) in such form as is acceptable to the City Manager and City Attorney, pursuant to which City subordinates the lien(s) of its Deed(s) of Trust and regulatory agreement(s) to the lien(s) of the deed(s) of trust securing the construction lender's loan subject to customary junior lienholder protections.

g. The Loan commitment described herein is expressly conditioned upon the Developer agreeing to additional covenants relating to property maintenance and funding and expenditure from reserve accounts to be set forth in a Loan agreement executed by the Developer and City.

3. **DUE ORGANIZATION:** Developer warrants that it is, and at closing of the loan it or its approved assignee will be, duly organized and authorized to enter into any documents evidencing and securing the Loan and that evidence in the form of corporate resolutions and the like, reasonably acceptable to City, will be provided. Developer shall furnish such additional evidences, assurances, certifications, acknowledgments, instruments, documents or other items as City may request to evidence Developer's authority to enter into any documents evidencing and securing the Loan.

4. **ACCURACY OF INFORMATION:** City is relying on the information in the documents furnished to it by Developer in making this Loan commitment, including, without limitation, those documents describing the Project and the proposed financing therefore. Developer represents and warrants to City that all information heretofore provided by it is accurate in all material respects and agrees and acknowledges that the commitment described herein is solely for the Project as described in those documents.

5. **APPLICABLE LAW:** This Commitment Letter is made pursuant to, and shall be construed and governed by the laws of California and the United States.

6. **NO OTHER AGREEMENTS:** This Commitment Letter supersedes and cancels all other discussions, representations and agreements, which may exist between Developer and City regarding the Loan. This Commitment Letter is not assignable by Developer except in accordance with the terms set forth herein and upon the prior written consent of City and any such attempted assignment is void. At the closing of the Loan, this Commitment Letter will merge into and be superseded by the documents evidencing and securing the Loan.

7. **TIME OF ESSENCE:** Time is of the essence of each and every obligation set forth in this Commitment Letter.

The Acceptance below must be executed and delivered to City no later than June 15, 2017. If the execution of the Loan agreements (which shall not include funding of the Loan) does not occur by the later of either (a) the outside closing date imposed by the California Debt Limit Allocation Committee for the issuance of the approved tax-exempt bonds that will finance the senior construction loan for the Project, or (b) December 15, 2017, this Commitment Letter and the Loan commitment described herein shall be automatically terminated and of no further force and effect.

Sincerely,

City of Lake Elsinore

By: ___________________________
Grant Yates, City Manager

ACCEPTANCE:

Each individual signing on behalf of Developer acknowledges that he or she has read and understood all of the terms and conditions of this Commitment Letter, and accepts all of them as written above.

Civic Partners-Elsinore LLC, a
California limited liability company

By: [redacted]

The Cottages at Mission Trail
143 units work force housing community

The Cottages at Mission Trail is a new construction development that will bring 143 single family residences to the City of Lake Elsinore, Riverside County, California. 142 of the homes will be Affordable, with 38 two-bedroom and 104 three-bedrooms, available for families earning 50% and 60% AMI, and one manager unit. Each detached home features stove/oven, garbage disposals, dishwasher, and washer/dryer hook-ups. Additionally, there will be 55,000 square feet of outdoor common areas and a community building, with the homes dispersed around a central park. This rental project will be constructed on 19.43 acres along Mission Trail south of Hidden Trails, adding an important element of the City of Elsinore's East Lake Specific Plan for development.

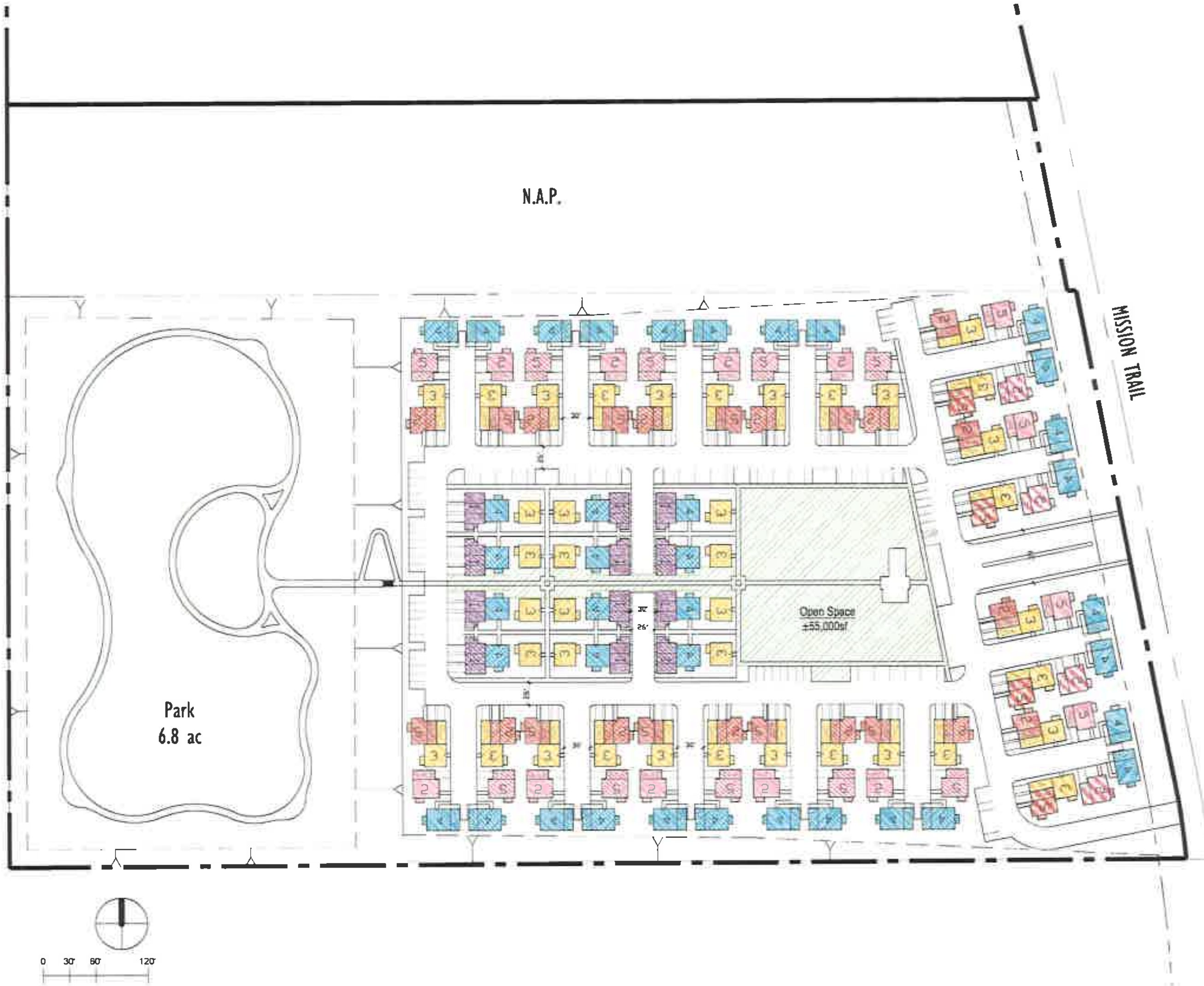
143 Total Units:

- 142 affordable single family homes
  - 2 Bedrooms: 8 units 50% AMI
    30 units 60% AMI
  - 3 Bedrooms: 12 units 50% AMI
    92 units 60% AMI
- 1 manager unit (2 bedrooms)

This project will be developed as a nonprofit work force housing community. Civic Partners is partnering with AOF/Pacific Affordable Housing Corp., a nonprofit.

Civic Partners and its affiliates have been active in real estate development since the 1970's, with several decades of combined specialized experience in partnering with public agencies. The company has capitalized on its development expertise and ability to work with various government agencies in creating significant real estate projects through public/private ventures. Civic Partners was founded in response to a growing demand for experienced firms capable of assisting public agencies in the development of economically viable projects. Civic Partners specializes in bringing together public and private interests to deliver what the community desires: high quality development that adds value to the community. The company has invested its time and effort, almost exclusively, in "public/private" projects, including commercial, market rate and work force residential and mixed-use. The results have provided numerous benefits to communities such as the creation of both short- and long-term job opportunities, an increased tax base and a quality environment in which to live, work and shop.

AOF/Pacific Affordable Housing Corp. was incorporated in 1997 as a nonprofit corporation organized under the laws of the State of California. It is a subordinate of The American Opportunity Foundation, Inc. ("AOF"), a Georgia nonprofit corporation which is exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code. AOF has received a group exemption as a central organization whose subordinates are recognized as exempt from federal taxation under Section 501(c)(3) of the Code. AOF/Pacific Affordable Housing Corp., which has no stockholders and is governed by a board of trustees, was organized to acquire, rehabilitate, sell, or operate affordable housing for moderate to low-income, elderly, and/or mentally or physically challenged persons or families. AOF/Golden State Community Development Corp., a CHDO ("Community Housing Development Organization") is a sister organization to AOF/Pacific Affordable Housing Corp.



Site Summary	
Gross Site Area	19.43 AC
Residential Area	12.63 AC
Park Area	6.80 AC
Dwelling Units	143 DU
Residential Density	7.4 DU/AC

Residential Plan Summary	bed	Net Area	#	%
8-Pack				
P2	2	969	27	25%
P3	3	1,222	27	25%
P4	3	1,219	26	24%
P5	3	1,203	27	25%
Total			107	100%
6-Pack				
P1	2	770	12	33%
P3	3	1,222	12	33%
P4	3	1,219	12	33%
Total			36	100%

Mix		
Type	No. Units	Mix
2 bedroom total	39	27%
3 bedroom total	104	73%
Total	143	100%

Recreation Building	2200 s.f.

Residential Parking Summary		
Parking Provided	Spaces/ Unit	Space
Garage Spaces		143
Driveway Spaces		90
Open Spaces		125
Total parking spaces	2.50	358

Site Summary			
Unit	No of Units	Net Area	Total Beds
P1	12	9,240	
P2	27	26,163	
P3	39	47,658	
P4	38	46,322	
P5	27	32,481	
Total:	143	161,864	390

ASSESSOR PARCELS NUMBERS:
365-030-004 thru 365-030-007
365-030-016 thru 365-030-023
365-030-027 thru 365-030-037

ELECTRIC
SOUTHERN CALIFORNIA EDISON
P.O. BOX 800
ROSEMEAD, CA 91770
P: 1-800-655-4555

GAS
THE GAS COMPANY
P.O. BOX 3150
MONTEREY PARK, CA 91756
P: 1-800-427-2200

WATER & SEWER
ELSINORE VALLEY
MUNICIPAL WATER
DISTRICT (EVMWD)
P.O. BOX 3000
31315 CHANEY STREET
LAKE ELSINORE, CA 92531
P: 951-674-3146

CABLE & BROADBAND
TIME WARNER
ONE TIME WARNER CENTER
NEW YORK, NY 10019-8016
P: 1-888-892-2253

TELEPHONE
SOUTHERN CALIFORNIA
TELEPHONE & ENERGY
27515 ENTERPRISE CIRCLE W.
TEMECULA, CA 92590-4864
P: 1-800-840-6673

THE COTTAGES AT MISSION TRAIL

CIVIC PARTNERS
7777 Center Ave., Suite 230
Huntington Beach, CA 92647
714.230.8000

CONCEPTUAL SITE PLAN

LAKE ELSINORE, CA

KTGY # 130213 2017-04-25

KTGY Group, Inc.
Architecture+Planning
17911 Von Karman Ave., Suite 200
Irvine, CA 92614
949.851.2133
ktgy.com

Park Cluster View

Mission Trails Streetscene

Interior Street View

Exterior Cluster View

MISSION TRAILS PROPERTY

CIVIC PARTNERS
7777 Center Ave., Suite 230
Huntington Beach, CA 92647
714.230.8000

Site Perspectives

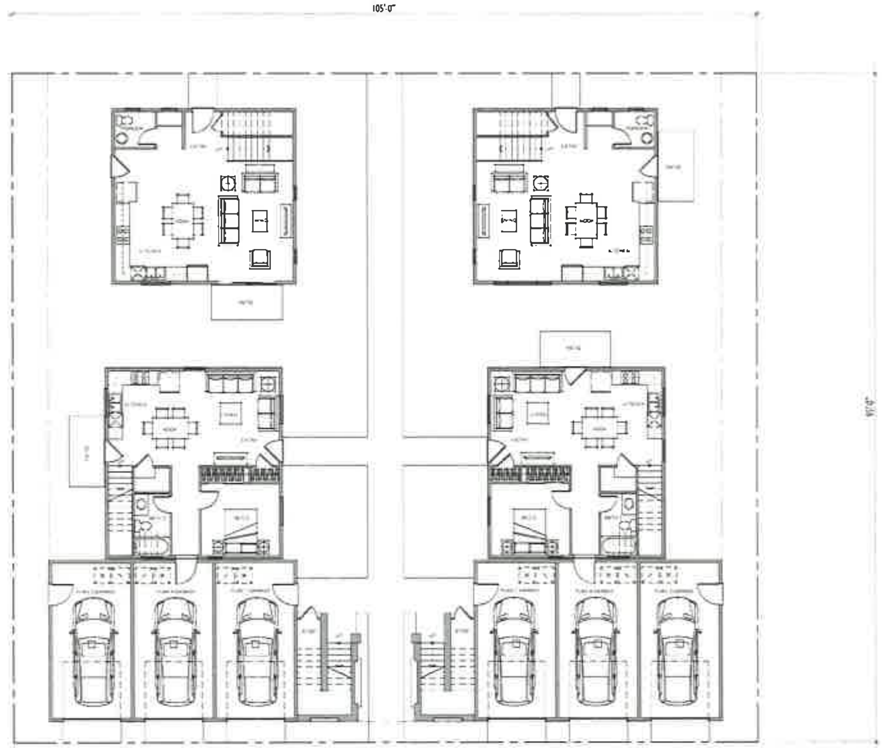
LAKE ELSINORE, CA

05.19.2016

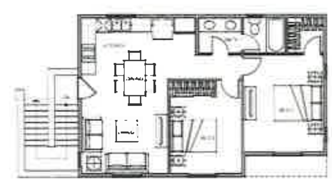
KTGY Group, Inc.
Architecture+Planning
17911 Von Karman Ave., Suite 200
Irvine, CA 92614
949.851.2133
ktgy.com

PLAN 3
3 BED / 1.5 BA
1ST FLOOR - 650 SQ. FT.
2ND FLOOR - 572 SQ. FT.
TOTAL - 1222 SQ. FT.

PLAN 4
3 BED / 2 BA
1ST FLOOR - 675 SQ. FT.
2ND FLOOR - 544 SQ. FT.
TOTAL - 1219 SQ. FT.



PLAN 1 (OVER GARAGES)
2 BED / 1 BA
TOTAL - 770 SQ. FT.



THE COTTAGES AT MISSION TRAIL

CIVIC PARTNERS
7777 Center Ave., Suite 230
Huntington Beach, CA 92647
714.230.8000

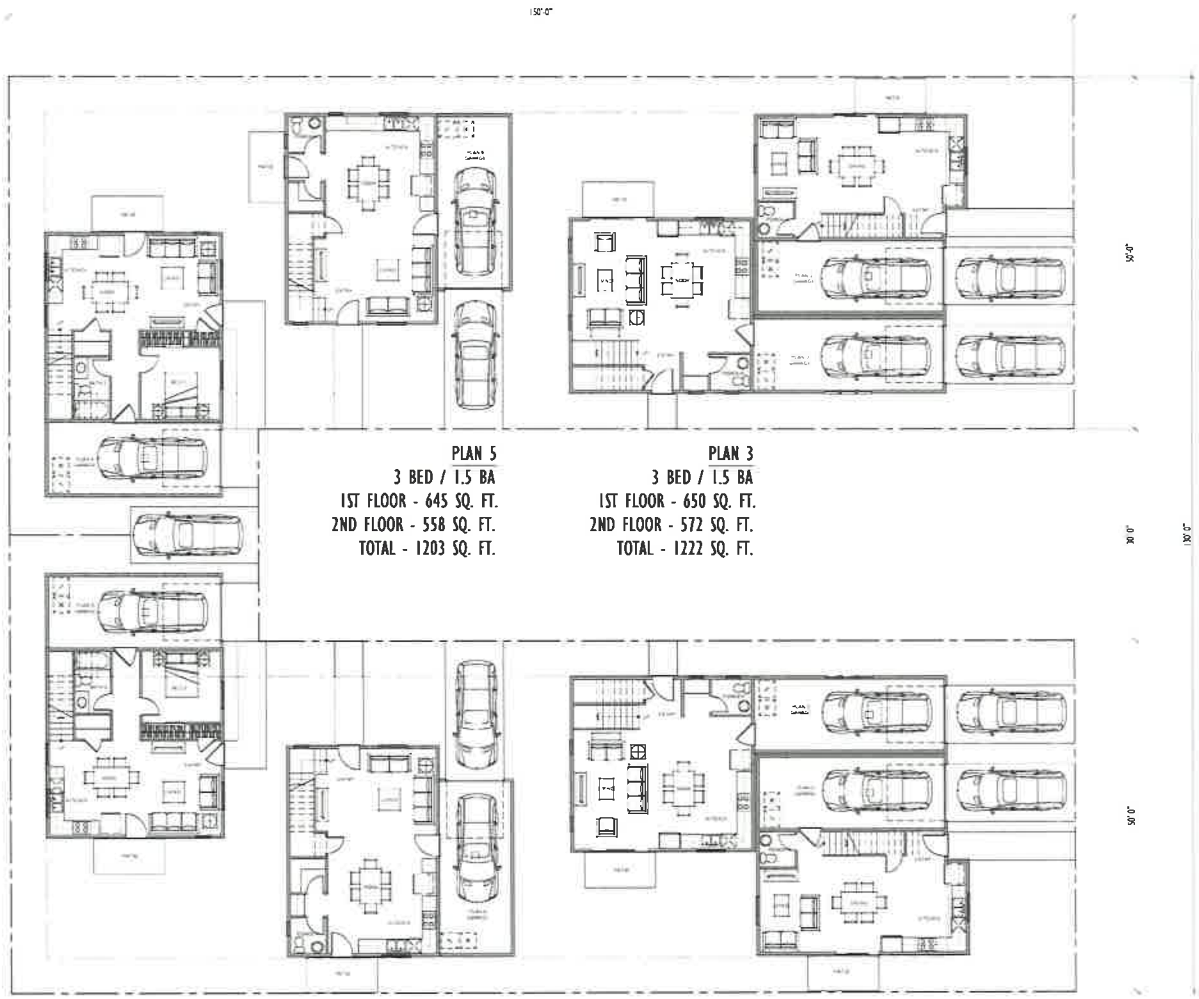
6-PAC INTERIOR CLUSTER PLANS

LAKE ELSINORE, CA

KTGY # 130213 2017-04-25

KTGY Group, Inc.
Architecture+Planning
17911 Von Karman Ave., Suite 200
Irvine, CA 92614
949.851.2133
ktgy.com

PLAN 4
3 BED / 2 BA
1ST FLOOR - 675 SQ. FT.
2ND FLOOR - 544 SQ. FT.
TOTAL - 1219 SQ. FT.



PLAN 2
2 BED / 1.5 BA
1ST FLOOR - 526 SQ. FT.
2ND FLOOR - 442 SQ. FT.
TOTAL - 968 SQ. FT.

0 4 8 16

THE COTTAGES AT MISSION TRAIL

CIVIC PARTNERS
7777 Center Ave., Suite 230
Huntington Beach, CA 92647
714.230.8000

8-PAC EXTERIOR CLUSTER PLANS

LAKE ELSINORE, CA

KTGY # 130213 2017-04 25

KTGY Group, Inc.
Architecture+Planning
17911 Von Karman Ave., Suite 200
Irvine, CA 92614
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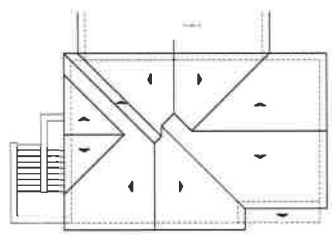
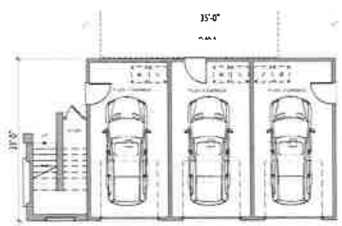


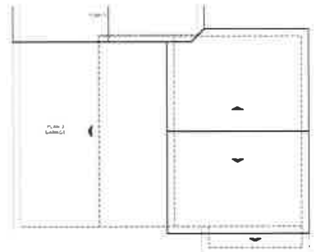
ROOF PLAN

SECOND FLOOR

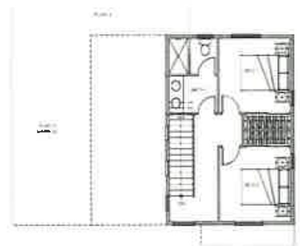


FIRST FLOOR

PLAN 1 (OVER GARAGES)
2 BED / 1 BA
TOTAL - 770 SQ. FT.



ROOF PLAN



SECOND FLOOR

FIRST FLOOR

PLAN 2
2 BED / 1.5 BA
1ST FLOOR - 526 SQ. FT.
2ND FLOOR - 442 SQ. FT.
TOTAL - 968 SQ. FT.

THE COTTAGES AT MISSION TRAIL

CIVIC PARTNERS
7777 Center Ave., Suite 230
Huntington Beach, CA 92647
714.230.8000

2 Bedroom Floor Plans

LAKE ELSINORE, CA

KTGY # 130213 2017-04-25

KTGY Group, Inc.
Architecture+Planning
17911 Von Karman Ave., Suite 200
Irvine, CA 92614
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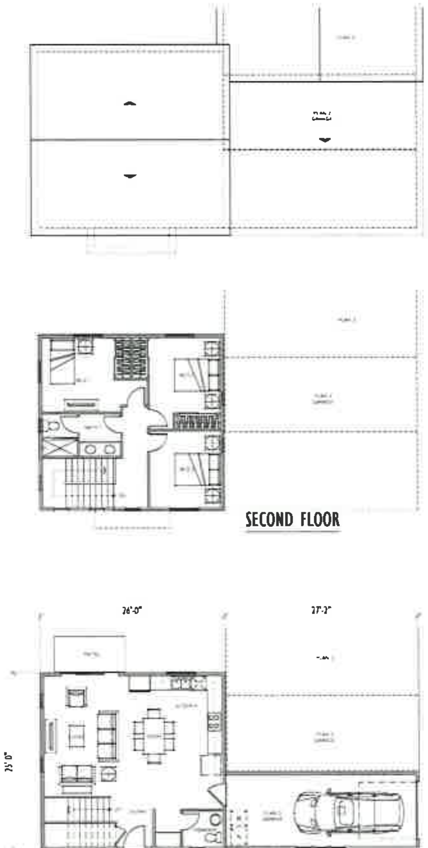

ROOF PLAN

SECOND FLOOR

FIRST FLOOR

PLAN 3
3 BED / 1.5 BA
1ST FLOOR - 650 SQ. FT.
2ND FLOOR - 572 SQ. FT.
TOTAL - 1222 SQ. FT.

ROOF PLAN

SECOND FLOOR

FIRST FLOOR

PLAN 4
3 BED / 2 BA
1ST FLOOR - 675 SQ. FT.
2ND FLOOR - 544 SQ. FT.
TOTAL - 1219 SQ. FT.

ROOF PLAN

SECOND FLOOR

FIRST FLOOR

PLAN 5
3 BED / 1.5 BA
1ST FLOOR - 645 SQ. FT.
2ND FLOOR - 558 SQ. FT.
TOTAL - 1203 SQ. FT.

0 4 8 16

THE COTTAGES AT MISSION TRAIL

CIVIC PARTNERS
7777 Center Ave., Suite 230
Huntington Beach, CA 92647
714.230.8000

3 Bedroom Floor Plans & Front Elevations

LAKE ELSINORE, CA

KTGY # 130213 2017-04-25

KTGY Group, Inc.
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MEMORANDUM

To: Jason Simpson, Assistant City Manager
City of Lake Elsinore

From: Kathleen Head
Tim Bretz

Date: June 6, 2017

Subject: Cottages at Mission Trail Apartment: Financial Gap Analysis

At your request, Keyser Marston Associates, Inc. (KMA) prepared a financial gap analysis for the apartment development being proposed by Civic Partners (Developer) on a 19-acre site located in the City of Lake Elsinore's (City) East Lake Specific Plan (Site). The proposed development consists of 143 apartment units that will be restricted to very-low and low income households (Project).

EXECUTIVE SUMMARY

Financial Assistance Request

The assistance package being requested by the Developer can be described as follows:

1. The Developer is requesting $4.65 million in financial assistance from the City. This assistance is proposed to be used to fill the financial gap associated with the Project.

2. A portion of the purchase price for the Site is being provided in the form of a "Seller Carry Back Loan". The Developer is requesting that the City assist in

repaying this obligation by contributing $1.07 million in “Future In-Lieu Fees” to the Developer.[1]

KMA Conclusions

The results of the KMA analysis can be summarized as follows:

1. The KMA analysis concluded that the Project exhibits a $4.69 million financial gap. This gap is $36,000 higher than the financial gap identified by the Developer. This less than 1% differential can be considered inconsequential. However, it should be noted that the KMA and Developer analyses differ on a line-by-line basis.

2. The financial gap estimate derived from the KMA analysis assumes that the City has agreed to contribute the $1.07 million in Future In-Lieu Fees to assist the Developer in repaying the Seller Carry Back Loan. However, since there is no guarantee that the Future In-Lieu Fees revenue will actually be produced, it is important that the City make it clear that no other City revenue source will be made available for this purpose.

KMA Recommendations

It is KMA’s recommendation that the $5.72 million in assistance being provided by the City be treated as a loan that will be repaid from the cash flow generated by the Project over time.[2] KMA further recommends that the City apply the following basic terms to the residual receipts loan:

1. The repayment term should be set at 55 years;

2. A 3% simple interest rate should be applied to the outstanding principal balance of the loan throughout the loan term; and

3. The debt service on the residual receipts loan should be set at 50% of the cash flow generated by the Project each year.

[1] The Future In-Lieu Fees are anticipated to be paid by the Summerly Project.
[2] The $5.72 million is comprised of the Developer’s request for $4.65 million in financial gap assistance, and the $1.07 million Future In-Lieu Fee contribution to the Seller Carry Back Loan.

Available Outside Funding Sources

The following summarizes the outside funding sources that are anticipated to be available to the Project:

1. The Project can support approximately $11.25 million in Tax-Exempt Multifamily Bonds (Bonds) allocated by the California Debt Limit Allocation Committee (CDLAC);

2. Prior to the dissolution of redevelopment in California in 2012, the former redevelopment agency committed property tax increment funds (TIF) to the Project. The Developer projects that these funds can support a $5.0 million Series B Bond. [3]

3. It is estimated that the Project can obtain approximately $12.50 million in net proceeds from the 4% Low Income Housing Tax Credits (Tax Credits) that are automatically awarded by the California Tax Credit Allocation Committee (TCAC) to projects that receive a Bond Allocation from CDLAC.

4. The Developer is proposing to defer $1.84 million of the Developer Fee that is included in the Project budget.

5. The Seller Carry Back Loan represents a funding source for $1.07 million of the purchase price for the Site.

6. The Developer anticipates generating approximately $379,000 in cash through operations of the apartments during the Project's stabilization period.

The total outside funding sources are estimated at $32.03 million.

[3] The Amended and Restated Disposition and Development Agreement (Agreement) dated March 8, 2011 between the Redevelopment Agency of the City of Lake Elsinore (Former Agency), McMillan Summerly LLC, and the Developer identifies the terms required to utilize the TIF contribution. KMA was not involved in the underwriting applied to the Series B Bond.

Sources of City's Financial Assistance

There is a financial gap between the outside funding sources anticipated to be available to the Project, and the Project's estimated development costs. The City is being asked to fund this financial gap using the following sources:

1. Pledged Housing Funds;

2. Fund 106 monies;

3. Funds held by the Housing Successor to the Former Agency in the Low and Moderate Income Housing Asset Fund (LMIHAF); and

4. Future In-Lieu Fees that may be received from the Summerly Project proposed to be developed in Lake Elsinore.

It is important to note that the City's financial assistance is comprised of funds held by the LMIHAF, and the use of these funds is regulated by requirements imposed by Senate Bill (SB) 341. Specifically, SB 341 requires the LMIHAF funds to be expended as follows within each five-year reporting period:

1. At least 30% of the LMIHAF funds must be expended for the development of rental housing affordable to and occupied by households earning 30% or less of the Area Median Income (AMI) as published by the California Department of Housing and Community Development (HCD) (Extremely-Low Income);

2. No more than 20% of the LMIHAF funds can be expended for the development of rental housing affordable to and occupied by households earning between 60% and 80% of the AMI (Lower Income); and

3. The Income Category between 30% and 60% of the AMI is referenced as Very-Low to Low Income. There is no minimum or maximum expenditure limit for this category.

The Income Test is applied cumulatively over five year periods. This Test does not need to be met on a project-by-project basis.

PROJECT DESCRIPTION

The proposed scope of development for the Project can be described as follows:

1. The Site is comprised of approximately 19 acres of land area.

2. The 143-unit Project represents a density of approximately six units per acre.

3. The proposed unit mix is as follows:

	Number of Units	Unit Size (SF)
Two-Bedroom Units	37	883
Three Bedroom Units	106	1,216
Total/Weighted Average	143	1,132

4. The Project's gross building area (GBA) is estimated at 161,864 square feet.

5. The Developer is proposing to allocate the units as follows:

Very-Low Income Units	20
Low Income Units	122
Unrestricted Manager's Unit	1
Total Units	143

FINANCIAL GAP ANALYSIS

KMA prepared a financial gap analysis to assist in evaluating the Developer's proposal. The analysis is located at the end of this memorandum, and is organized as follows:

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

Estimated Development Costs (Table 1)

KMA reviewed the Developer's May 19, 2017 pro forma, and then independently prepared a pro forma analysis for the Project. The resulting development cost estimates for the Project are as follows:

Acquisition Costs

The Developer estimated the land acquisition costs at $3.13 million, or approximately $4 per square foot of land area. An appraisal was not provided for KMA to review.

Direct Costs

The direct costs assume that the Project will not be subject to State of California prevailing wage requirements. The direct costs applied in the analysis can be summarized as follows:

1. The Developer did not provide an allowance for off-site improvement costs. City staff should verify the assumption that no off-site improvements will be required.

2. The on-site improvement costs are estimated at $2.50 million, or approximately $3 per square foot of land area.

3. The residential building costs are estimated at $14.57 million, or $90 per square foot of land area.

4. The Developer included a $225,000 allowance for furnishings, fixtures and equipment.

5. KMA include a 14% allowance for contractors' fees and general requirements.

6. An allowance for general liability insurance and construction bonds at 2% of construction costs is provided.

7. A direct cost contingency allowance equal to 5% of other direct costs is provided.

KMA estimates the total direct costs at $21.03 million. This equates to approximately $147,000 per unit.

Indirect Costs

KMA applied the following assumptions to estimate the indirect costs:

1. The architecture, engineering and consulting costs are estimated at 6% of direct costs.

2. The Developer estimated the public permits and fees costs at $3.99 million, or $27,905 per unit. City staff should verify the accuracy of this estimate.

3. The taxes, insurance, legal and accounting costs are estimated at 3% of direct costs, or $631,000.

4. A $205,000 allowance for marketing and leasing costs is provided.

5. The Developer Fee is set at $3.67 million, which complies with the Tax Credit limits, and is based on the Developer estimate.

6. An indirect cost contingency allowance equal to 5% of other indirect costs is provided.

KMA estimates the total indirect costs at $10.24 million.

Financing Costs

The Project is proposed to be financed with Bonds allocated by CDLAC. To comply with Internal Revenue Service (IRS) requirements, the Bonds must be equal to at least 50% of the Project's land acquisition costs plus eligible Tax Credit basis. The Bond proceeds must also be sufficient to cover the Project's construction costs that are not to be funded from other sources. To ensure compliance with the 50% test for the Project, the Developer proposes to obtain $18.0 million in Bonds.

KMA allocated the $18.0 million in Bond funds into the following tranches:

1. The Project's estimated net operating income can only support a $11.25 million Bond; this will be called the Series A Bond.

2. The Developer estimates that the TIF revenue can support a $5.0 million Bond; this will be called the Series B Bond.

3. A Series C Bond equal to $1.75 million must be obtained to ensure compliance with the 50% test, and to provide bridge funding for costs that will ultimately be paid for from other sources.

The financing costs for the Project are estimated as follows:

1. The Developer estimated the predevelopment loan interest costs at approximately $13,000.

2. The construction period and absorption period interest costs are estimated at $1.13 million. These costs are based on the following assumptions:

    a. The construction period interest costs are based on a 4.50% interest rate, an 18-month construction period, and a 60% average outstanding balance.

    b. The absorption period interest costs are based on a six-month absorption period with a 100% average outstanding balance.

3. The financing fees are set at 3.5 points. This equates to $630,000.

4. The Developer estimated the City loan fees at $57,000.

5. The capitalized operating reserve is estimated at $410,000, which equates to three months of debt service payments and operating expenses.

6. The Tax Credit fees are estimated at $74,000 based on the following assumptions:

    a. A $2,000 application fee;

    b. A $410 per unit monitoring fee; and

    c. One percent (1%) of gross Tax Credit proceeds for one year.

KMA estimates the total financing costs at $2.32 million.

Total Development Costs

As shown in Table 1, KMA estimates the total development costs at $36.72 million. This equates to $256,800 per unit.

Stabilized Net Operating Income (Table 2)

The Project's funding sources include Bonds, Tax Credits and LMIHAF funds. Each of these programs publishes the applicable income limits for households that are required to reside in the development.

The Bond Program and the Tax Credit Program publish rent standards for projects that receive these funds. Comparatively, California Health and Safety Code (H&SC) Section 50053 defines the affordable housing cost calculation methodology that must be applied to projects assisted with LMIHAF funds. In order for the expenditure to comply with SB 341 requirements, the rents must comply with the Section 50053 affordable housing cost calculations.

The KMA analysis is based on the following household income and affordable rent standards:

1. Income Restrictions: The tenants' income cannot exceed the strictest of:
   a. H&SC income restrictions as defined under Section 50105 for very-low income households, and Section 50079.5 for low income households.
   b. Federal Low Income Housing Tax Credits income restrictions defined under United States Code, Title 26, Section 142(d)(2)(B).
2. Affordability Restrictions: The rents applied to the units must reflect the most stringent of:
   a. The Tax Credit rents published annually by TCAC; and
   b. The rents derived from the affordable housing cost calculation methodology defined in Section 50053.

Net Operating Income

Gross Income

The rents must adhere to the most restrictive of the requirements imposed by the proposed funding sources. The rents used in this analysis are based on 2017 income and rent information published by TCAC, and 2016 income and rent information published by HCD. The maximum allowable rents, net of the appropriate utility allowances, are estimated as follows:[4]

Rent Restriction	Two-Bedroom Units	Three-Bedroom Units
Very-Low H&SC / TC @ 50% Median		
H&SC Rents	$617	$706
TCAC Rents	$612	$699
Applicable Rents	$612	$699
Low H&SC / TC @ 60% Median		
H&SC Rents	$764	$875
TCAC Rents	$757	$867
Applicable Rents	$757	$867

KMA estimates the Project's gross income at $1.41 million, which includes laundry and miscellaneous income averaging $10 per unit per month. After applying a 5% vacancy and collection allowance, KMA estimates the resulting effective gross income at $1.34 million.

Operating Expenses

The operating expenses are estimated as follows:

[4] The monthly utility allowances are estimated at: $114 for two-bedroom units; and $139 for three-bedroom units.

1. The general operating expenses are estimated at approximately $3,810 per unit per year.

2. KMA assumes that the Developer will apply for the property tax abatement that is accorded to non-profit housing organizations that own and operating apartment units that are restricted to households earning less than 80% of the AMI. However, the Project is subject to property tax assessment overrides, which are estimated at $17,500 per year.

3. The Developer included a non-profit partner fee equal to $17,200 in the operating expenses.

4. The annual capital replacement reserve deposits are estimated at $300 per unit per year, which is above the minimum amount required by TCAC.

TIF Income

As discussed previously, TIF revenue was committed to the Project prior to the dissolution of redevelopment in California in 2012. The Developer estimates the TIF income at $510,000 in Year 1.

Stabilized Net Operating Income

The stabilized net operating income is estimated as follows:

Effective Gross Income	$1,335,900
Operating Expenses	(622,400)
TIF Income	510,000
Stabilized Net Operating Income	$1,223,500

Financial Gap Calculation (Table 3)

The financial gap is estimated by deducting the available outside funding sources from the Project's total development costs. The outside funding sources anticipated to be received by the Project are described in the following sections of this analysis.

Total Available Funding Sources

Series A Bond

Based on the following underwriting assumptions, KMA estimates that the Project can support $11.25 million in Series A Bonds:

1. A 132% debt service coverage ratio;
2. A 4.5% interest rate; and
3. A 35-year amortization period.

Series B Bond

A commitment executed prior to the dissolution of redevelopment in California in 2012 allows the Developer to pledge TIF revenue from the former Redevelopment Project Area to secure a bond. The Developer anticipates receiving up to $550,000 in TIF revenue per year for 20 years, which the Developer estimates will support a $5.0 million Series B Bond.[5]

Tax Credit Proceeds

KMA estimates the net Tax Credit proceeds at $12.50 million. This value is calculated based on the following assumptions:

1. The Project's eligible Tax Credit basis is equal to the lesser of the depreciable costs for the 143 Tax Credit units, or the basis limits established by TCAC. In this case, KMA estimates that the $31.23 million in depreciable costs can be included in the Project's eligible basis.
2. The Project is located in a designated "Difficult to Develop" census tract, which allows the eligible Tax Credit basis to be increased by 30%. The resulting total eligible basis is $40.60 million.

[5] The transaction is being structured to allow the Developer to use the TIF revenue remaining after the Series B Bond debt service to repay the Deferred Developer Fee. After full repayment of the Deferred Developer Fee, the net TIF revenue will be retained by the City.

3. The annual Tax Credit rate is set at 3.24%.

4. 100% of the Project's building area is located in units that qualify for Tax Credits.

5. The net syndication value supported by the Tax Credit is ultimately determined based on competitive market conditions and on the timing of the disbursements. Based on currently available information, KMA and the Developer estimate the proceeds at $0.95 per gross Tax Credit dollar.

Deferred Developer Fee

The Developer is proposing to defer $1.84 million of the Developer Fee that is included in the development cost budget. This represents 50% of the total Developer Fee.

Seller Carry-Back Loan

The Seller has agreed to provide a $1.07 million short-term Seller Carry-Back Loan to the Developer. The Seller Carry-Back Loan will not be secured against the property, and it is proposed to be repaid utilizing Future In-Lieu Fees to be received by the City from the Summerly Project.

Cash from Operations

The Developer anticipates utilizing $379,000 of cash from the operation of the Project during the stabilization period to fund a portion of the Project's development costs.

Total Available Outside Funding Sources

As shown in Table 3, KMA estimates the total outside funding sources at $32.03 million.

Financial Gap Conclusion

Based on the assumptions outlined in this analysis, KMA calculates the Project's financial gap as follows:

Total Development Costs	$36,719,000
(Less) Total Available Funding Sources	(32,033,000)
Total Financial Gap	$4,686,000
Per Unit	$32,800

CONCLUSIONS

Based on the preceding financial analysis, KMA estimates the Project's financial gap at $4.69 million. In comparison, the Developer is requesting $4.65 million in financial assistance from the City. This represents a $36,000 difference, which is a less than 1% differential. While this difference can be considered inconsequential, it should be noted that the KMA and Developer estimates vary on a line-by-line basis.

KMA's financial gap estimate includes the assumption that the City will contribute $1.07 million in Future In-Lieu Fees to assist the Developer in repaying the Seller Carry Back Loan. However, if the City does not ultimately receive the Future In-Lieu Fees, the Developer will be fully responsible for repaying the Seller Carry Back Loan.

The combination of $4.65 million in financial gap assistance, and a $1.07 million contribution to the Seller Carry Back Loan totals $5.72 million.

KMA RECOMMENDATIONS

1. KMA recommends that the City structure the $5.72 million in financial assistance as a residual receipts loan that carries the following terms:

    a. A 55-year term;

    b. A 3.0% simple interest rate; and

c. Debt service payments derived from 50% of the Project's residual receipts.

2. The Developer has requested that $771,500 of the City's financial assistance be provided as a predevelopment loan. If the City agrees to this request, KMA recommends that no disbursements be made until Tax Credits are awarded to the Project.

3. The Developer has requested that the City provide Future In-Lieu Fees for the repayment of the Seller Carry-Back Loan. KMA recommends that the City grant this request under the following conditions:

   a. Up to $1.07 million in Future In-Lieu Fees will be provided for the sole purpose of repaying the Seller Carry-Back Loan; and

   b. The City funds should only be disbursed if and when the Future In-Lieu Fees are paid by the Summerly Project.

4. KMA recommends the partnership fees to be limited as follows:

   a. A $7,500 limited partner asset management fee in Year 1, and to be repaid after debt service payments; and

   b. Non-profit partner and general partner management fees capped at a total of $35,000 in Year 1, and repaid after debt service payments.

TABLE 1

ESTIMATED DEVELOPMENT COSTS
TAX-EXEMPT MULTIFAMILY BOND FINANCING/4% TAX CREDITS
COTTAGES AT MISSION TRAIL
LAKE ELSINORE, CALIFORNIA

I.	**Property Acquisition Costs**		**847,678**	**Sf Land**	**$4**	**/Sf Land**		**$3,133,000**
II.	**Direct Costs**	[1]						
	Off-site Improvements						$0	
	On-site Improvements		847,678	Sf Land	$3	/Sf Land	2,500,000	
	Residential Building Costs		161,864	Sf GBA	$90	/Sf GBA	14,568,000	
	Furnishings, Fixtures & Equipment						225,000	
	Contractor Fees / General Requirements		14%	Construction Costs			2,390,000	
	Construction Bonds		2%	Construction Costs			341,000	
	Contingency Allowance		5%	Other Direct Costs			1,001,000	
	Total Direct Costs		**143**	**Units**	**$147,000**	**/Unit**		**$21,025,000**
III.	**Indirect Costs**							
	Architecture, Engineering & Consulting		6%	Direct Costs			$1,262,000	
	Public Permits & Fees	[2]	143	Units	$27,905	/Unit	3,990,000	
	Taxes, Insurance, Legal & Accounting		3%	Direct Costs			631,000	
	Marketing & Leasing		143	Units	$1,434	/Unit	205,000	
	Developer Fee	[3]	13%	Eligible Basis			3,667,000	
	Contingency Allowance		5%	Other Indirect Costs			488,000	
	Total Indirect Costs							**$10,243,000**
IV.	**Financing Costs**							
	Interest During Construction							
	Predevelopment Loan						$13,000	
	Series A Bond	[4]	$11,248,000	Loan Amount	4.50%	Interest	709,000	
	Series B Bond	[5]	5,000,000	Loan Amount	4.50%	Interest	315,000	
	Series C Bond	[6]	1,752,000	Loan Amount	4.50%	Interest	110,000	
	Financing Fees							
	Series A Bond		$11,248,000	Loan Amount	3.50	Points	394,000	
	Series B Bond		$5,000,000	Loan Amount	3.50	Points	175,000	
	Series C Bond		$1,752,000	Loan Amount	3.50	Points	61,000	
	City Loan Fees						57,000	
	Operating Reserve		3	Months Operating Expenses / Debt Service			410,000	
	TCAC Fees	[7]					74,000	
	Total Financing Costs							**$2,318,000**
V.	**Total Development Costs**		**143**	**Units**	**$256,800**	**/Unit**		**$36,719,000**
	Total Construction Costs		**143**	**Units**	**$234,900**	**/Unit**		**$33,586,000**

[1] Estimates assume prevailing wage requirements will not be imposed on the Project.
[2] Based on Developer estimate. The estimate should be verified by City staff.
[3] Based on Developer estimate, which complies with TCAC requirements.
[4] Includes debt on the 22% of the Tax Credit Equity that will not be funded during construction. Assumes an 18-month construction period with a 60% average outstanding balance and a 6-month absorption period with a 100% average outstanding balance.
[5] Based on the Developer's estimate of the bond amount that will be supported by the Tax Increment Financing (TIF) committed to the Project prior to the dissolution of redevelopment in California in 2012.
[6] Equal to 50% of the eligible Tax Credit basis plus the property acquisition costs minus the Series A Bond amount; an 18-month construction period with a 60% average outstanding balance; and a 6-month absorption period with a 100% average outstanding balance.
[7] Includes a $2,000 application fee; $410/unit monitoring fee; and 1% of the gross Tax Credit proceeds for one year.

TABLE 2

STABILIZED NET OPERATING INCOME
TAX-EXEMPT MULTIFAMILY BOND FINANCING/4% TAX CREDITS
COTTAGES AT MISSION TRAIL
LAKE ELSINORE, CALIFORNIA

I.	**Gross Income** [1]							
	Manager's Unit	1	Unit	$0	/Unit/Month	$0		
	VL Income H&SC/TC @ 50% TC Median							
	2-Bedroom Units @ (908-Sf)	8	Units	$612	/Unit/Month	58,800		
	3-Bedroom Units @ (1,216-Sf)	12	Units	$699	/Unit/Month	100,700		
	Low Income H&SC/TC @ 60% TC Median							
	2-Bedroom Units @ (908-Sf)	30	Units	$757	/Unit/Month	272,500		
	3-Bedroom Units @ (1,216-Sf)	92	Units	$867	/Unit/Month	957,200		
	Laundry/Miscellaneous Income	143	Units	$10	/Unit/Month	17,000		
	Gross Income					$1,406,200		
	(Less) Vacancy & Collection Allowance	5%	Gross Income			(70,300)		
	Effective Gross Base Income						**$1,335,900**	
II.	**Operating Expenses**							
	General Operating Expenses	143	Units	$3,810	/Unit	$544,800		
	Property Taxes [2]	143	Units	$123	/Unit	17,500		
	AOP / Pacific Annual Fee	143	Units	$120	/Unit	17,200		
	Replacement Reserve	143	Units	$300	/Unit	42,900		
	Total Operating Expenses	**143**	**Units**	**($4,350)**	**/Unit**		**($622,400)**	
III.	**TIF Income** [3]						**$510,000**	
IV.	**Stabilized Net Operating Income**						**$1,223,500**	

[1] Based on Riverside County Incomes distributed by HUD/HCD. As pertinent, based on rents published in 2017 by TCAC, and the incomes published by HCD in 2016 for use in the California H&SC Section 50053 calculations. Utility allowances per the Developer: $114 for 2-Bdrm units; and $139 for 3-Bdrm units.

[2] Based on Developer estimate. Assumes that the Developer will receive the property tax abatement accorded to non-profit housing organizations that own and operate apartment units that are restricted to households earning less than 80% of the County median income. Property tax obligation is limited to assessment overrides.

[3] Based on a commitment made by the former redevelopment agency prior to the dissolution of redevelopment in California in 2012. The payment increases over time to a cap of $550,000 per year.

Prepared by: Keyser Marston Associates, Inc.
Filename: Civic Partners_143 Units_6 6 17; PF_4%; trb

TABLE 3

FINANCIAL GAP CALCULATION
TAX-EXEMPT MULTIFAMILY BOND FINANCING/4% TAX CREDITS
COTTAGES AT MISSION TRAIL
LAKE ELSINORE, CALIFORNIA

I.	**<u>Available Funding Sources</u>**							
	<u>Tax-Exempt Multi-Family Bond Financing</u>	[1]						
	Series A Bond							
	Net Operating Income		$843,500	NOI (See Table 2)				
	Income Available for Mortgage		1.32	DCR	$638,757	Debt Service		
	Interest Rate		4.50%	Interest Rate	5.68%	Mortgage Constant		
	Total Series A Bond Proceeds						**$11,248,000**	
	Total Series B Bond Proceeds	[2]	$380,000	Annual Debt Service			**$5,000,000**	
	<u>Tax Credit Equity</u>	[3]						
	Gross Tax Credit Value		$13,156,000					
	Syndication Rate		$0.95	/Tax Credit Dollar				
	Net Tax Credit Equity						**$12,498,000**	
	Deferred Developer Fee	[4]	50%	Total Developer Fee			**$1,837,000**	
	Seller Carry-Back Loan	[4]					**$1,071,000**	
	Cash from Operations	[4]					**$379,000**	
	Total Available Funding Sources							**$32,033,000**
II.	**<u>Financial Gap Calculation</u>**							
	Total Available Funding Sources						$32,033,000	
	(Less) Total Development Costs						(36,719,000)	
III.	**Financial Gap**		**143**	**Units**	**($32,800)**	**/Unit**		**($4,686,000)**

[1] Based on a 35-year amortization term.
[2] Secured by the TIF revenue committed to the Project by the former redevelopment agency prior to the dissolution of redevelopment in California in 2012. Assumes a 20-year amortization period.
[3] Assumes a $31.2 million requested unadjusted eligible basis, a 130% difficult-to-develop premium, a 3.24% Tax Credit rate, and an applicable fraction of 100%.
[4] Based on Developer estimate.

Prepared by: Keyser Marston Associates, Inc.
Filename: Civic Partners_143 Units_6 6 17; PF_4%; trb

TABLE 4
CASH FLOW ANALYSIS
TAX-EXEMPT MULTIFAMILY BOND FINANCING/4% TAX CREDITS
COTTAGES AT MISSION TRAIL
LAKE ELSINORE, CALIFORNIA

			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
I.	**Gross Residential Income**	1									
	Gross Income		$1,406,200	$1,441,355	$1,477,389	$1,514,324	$1,552,182	$1,590,986	$1,630,761	$1,671,530	$1,713,318
	(Less) Vacancy & Collection Allowance		(70,300)	(72,058)	(73,859)	(75,705)	(77,598)	(79,538)	(81,526)	(83,565)	(85,654)
	Effective Gross Base Income		**$1,335,900**	**$1,369,298**	**$1,403,530**	**$1,438,618**	**$1,474,584**	**$1,511,448**	**$1,549,234**	**$1,587,965**	**$1,627,664**
II.	**Operating Expenses**	2									
	General Operating Expenses		$544,800	$563,868	$583,603	$604,029	$625,171	$647,051	$669,698	$693,138	$717,398
	Property Taxes		17,500	17,850	18,207	18,571	18,943	19,321	19,708	20,102	20,504
	Replacement Reserve		42,900	42,900	42,900	42,900	42,900	42,900	42,900	42,900	42,900
	Total Operating Expenses		**$605,200**	**$624,618**	**$644,710**	**$665,501**	**$687,013**	**$709,273**	**$732,306**	**$756,140**	**$780,802**
III.	**Net Operating Income**		**$730,700**	**744,680**	**758,820**	**773,118**	**787,571**	**802,175**	**816,928**	**831,826**	**846,863**
	(Less) Permanent Loan Debt Service	3	(638,783)	(638,783)	(638,783)	(638,783)	(638,783)	(638,783)	(638,783)	(638,783)	(638,783)
	Net Income After Debt Service		**$91,917**	**$105,896**	**$120,037**	**$134,335**	**$148,788**	**$163,392**	**$178,145**	**$193,043**	**$208,080**
IV	**Net TIF Income**										
	TIF Income		$510,000	$522,750	$535,819	$549,214	$550,000	$550,000	$550,000	$550,000	$550,000
	(Less) TIF Loan Debt Service	3	(380,000)	(380,000)	(380,000)	(380,000)	(380,000)	(380,000)	(380,000)	(380,000)	(380,000)
	Net TIF Income For DDF or City		**$130,000**	**$142,750**	**$155,819**	**$169,214**	**$170,000**	**$170,000**	**$170,000**	**$170,000**	**$170,000**
IV.	**Cash Flow Available for Contingent Payments**		**$91,917**	**$105,896**	**$120,037**	**$134,335**	**$148,788**	**$163,392**	**$178,145**	**$193,043**	**$208,080**
	(Less) Limited Partner Asset Management Fees	4	(7,500)	(7,725)	(7,957)	(8,195)	(8,441)	(8,695)	(8,955)	(9,224)	(9,501)
	(Less) City Monitoring Fee		(8,580)	(8,837)	(9,103)	(9,376)	(9,657)	(9,947)	(10,245)	(10,552)	(10,869)
	(Less) Deferred Developer Fee		(205,837)	(232,084)	(258,796)	(285,978)	(300,689)	(314,751)	(238,865)	0	0
	(Less) Non-Profit/General Partner Management Fee	4	0	0	0	0	0	0	0	(173,266)	(93,504)
V.	**Cash Flow after Contingent Payments**		**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$90,080**	**$0**	**$94,206**
			$33,808,654	**Nominal Dollars**		**$1,517,000**	**NPV @ 10% Discount Rate**				
VI.	**Residual Receipt Payments to City @ 50% RRs**		**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$45,040**	**$0**	**$47,103**
			$10,303,964	**Nominal Dollars**		**$702,000**	**NPV @ 10% Discount Rate**				
VII.	**Net Cash Flow to Developer @ 50% RRs**		**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$45,040**	**$0**	**$47,103**
			$23,504,689	**Nominal Dollars**		**$815,000**	**NPV @ 10% Discount Rate**				

1 The rents and miscellaneous income are assumed to increase by 102.5%/year.
2 General operating expenses are assumed to increase by 103.5%/year, property taxes at 102.0%/year and replacement reserves remain constant.
3 SEE TABLE 3
4 Assumes fees increase at 103.0%/year.

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Filename: Civic Partners_143 Units_6 6 17; CF_4%_KMA; trb

TABLE 4
CASH FLOW ANALYSIS
TAX-EXEMPT MULTIFAMILY BOND FINANCING/4% TAX CREDI
COTTAGES AT MISSION TRAIL
LAKE ELSINORE, CALIFORNIA

		Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19
I.	Gross Residential Income										
	Gross Income	$1,756,151	$1,800,055	$1,845,056	$1,891,183	$1,938,462	$1,986,924	$2,036,597	$2,087,512	$2,139,700	$2,193,192
	(Less) Vacancy & Collection Allowance	(87,795)	(89,990)	(92,240)	(94,546)	(96,909)	(99,332)	(101,815)	(104,361)	(106,970)	(109,644)
	Effective Gross Base Income	**$1,668,356**	**$1,710,065**	**$1,752,817**	**$1,796,637**	**$1,841,553**	**$1,887,592**	**$1,934,782**	**$1,983,151**	**$2,032,730**	**$2,083,548**
II.	Operating Expenses										
	General Operating Expenses	$742,506	$768,494	$795,392	$823,230	$852,043	$881,865	$912,730	$944,676	$977,739	$1,011,960
	Property Taxes	20,914	21,332	21,759	22,194	22,638	23,091	23,553	24,024	24,504	24,994
	Replacement Reserve	42,900	42,900	42,900	42,900	42,900	42,900	42,900	42,900	42,900	42,900
	Total Operating Expenses	**$806,321**	**$832,727**	**$860,051**	**$888,324**	**$917,581**	**$947,856**	**$979,183**	**$1,011,599**	**$1,045,143**	**$1,079,854**
III.	**Net Operating Income**	**862,035**	**877,338**	**892,766**	**908,313**	**923,972**	**939,736**	**955,599**	**971,552**	**987,586**	**1,003,694**
	(Less) Permanent Loan Debt Service	(638,783)	(638,783)	(638,783)	(638,783)	(638,783)	(638,783)	(638,783)	(638,783)	(638,783)	(638,783)
	Net Income After Debt Service	**$223,252**	**$238,555**	**$253,983**	**$269,530**	**$285,189**	**$300,953**	**$316,816**	**$332,769**	**$348,803**	**$364,911**
IV	Net TIF Income										
	TIF Income	$550,000	$550,000	$550,000	$550,000	$550,000	$550,000	$550,000	$550,000	$550,000	$550,000
	(Less) TIF Loan Debt Service	(380,000)	(380,000)	(380,000)	(380,000)	(380,000)	(380,000)	(380,000)	(380,000)	(380,000)	(380,000)
	Net TIF Income For DDF or City	**$170,000**	**$170,000**	**$170,000**	**$170,000**	**$170,000**	**$170,000**	**$170,000**	**$170,000**	**$170,000**	**$170,000**
IV.	**Cash Flow Available for Contingent Payments**	**$223,252**	**$238,555**	**$253,983**	**$269,530**	**$285,189**	**$300,953**	**$316,816**	**$332,769**	**$348,803**	**$364,911**
	(Less) Limited Partner Asset Management Fees	(9,786)	(10,079)	(10,382)	(10,693)	(11,014)	(11,344)				
	(Less) City Monitoring Fee	(11,195)	(11,531)	(11,877)	(12,233)	(12,600)	(12,978)	(13,367)	(13,768)	(14,181)	(14,607)
	(Less) Deferred Developer Fee	0	0	0	0	0	0	0	0	0	0
	(Less) Non-Profit/General Partner Management Fee	(38,003)	(39,143)	(40,317)	(41,527)	(42,773)	(44,056)	(45,378)	(46,739)	(48,141)	(49,585)
V.	**Cash Flow after Contingent Payments**	**$164,269**	**$177,802**	**$191,407**	**$205,076**	**$218,802**	**$232,575**	**$258,071**	**$272,261**	**$286,481**	**$300,718**
VI.	**Residual Receipt Payments to City @ 50% RRs**	**$82,134**	**$88,901**	**$95,704**	**$102,538**	**$109,401**	**$116,287**	**$129,035**	**$136,131**	**$143,240**	**$150,359**
VII.	**Net Cash Flow to Developer @ 50% RRs**	**$82,134**	**$88,901**	**$95,704**	**$102,538**	**$109,401**	**$116,287**	**$129,035**	**$136,131**	**$143,240**	**$150,359**

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TABLE 4
CASH FLOW ANALYSIS
TAX-EXEMPT MULTIFAMILY BOND FINANCING/4% TAX CREDI
COTTAGES AT MISSION TRAIL
LAKE ELSINORE, CALIFORNIA

		Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29
I.	Gross Residential Income										
	Gross Income	$2,248,022	$2,304,222	$2,361,828	$2,420,874	$2,481,396	$2,543,430	$2,607,016	$2,672,192	$2,738,996	$2,807,471
	(Less) Vacancy & Collection Allowance	(112,385)	(115,195)	(118,075)	(121,026)	(124,052)	(127,153)	(130,332)	(133,591)	(136,930)	(140,354)
	Effective Gross Base Income	**$2,135,637**	**$2,189,028**	**$2,243,753**	**$2,299,847**	**$2,357,343**	**$2,416,277**	**$2,476,684**	**$2,538,601**	**$2,602,066**	**$2,667,118**
II.	Operating Expenses										
	General Operating Expenses	$1,047,379	$1,084,037	$1,121,978	$1,161,248	$1,201,891	$1,243,957	$1,287,496	$1,332,558	$1,379,198	$1,427,470
	Property Taxes	25,494	26,004	26,524	27,055	27,596	28,148	28,711	29,285	29,871	30,468
	Replacement Reserve	42,900	42,900	42,900	42,900	42,900	42,900	42,900	42,900	42,900	42,900
	Total Operating Expenses	**$1,115,773**	**$1,152,941**	**$1,191,402**	**$1,231,202**	**$1,272,387**	**$1,315,005**	**$1,359,106**	**$1,404,743**	**$1,451,968**	**$1,500,838**
III.	**Net Operating Income**	**1,019,864**	**1,036,087**	**1,052,351**	**1,068,645**	**1,084,957**	**1,101,272**	**1,117,577**	**1,133,858**	**1,150,098**	**1,166,280**
	(Less) Permanent Loan Debt Service	(638,783)	(638,783)	(638,783)	(638,783)	(638,783)	(638,783)	(638,783)	(638,783)	(638,783)	(638,783)
	Net Income After Debt Service	**$381,081**	**$397,304**	**$413,568**	**$429,862**	**$446,173**	**$462,489**	**$478,794**	**$495,075**	**$511,315**	**$527,497**
IV	Net TIF Income										
	TIF Income	$550,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
	(Less) TIF Loan Debt Service	(380,000)									
	Net TIF Income For DDF or City	**$170,000**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
IV.	**Cash Flow Available for Contingent Payments**	**$381,081**	**$397,304**	**$413,568**	**$429,862**	**$446,173**	**$462,489**	**$478,794**	**$495,075**	**$511,315**	**$527,497**
	(Less) Limited Partner Asset Management Fees										
	(Less) City Monitoring Fee	(15,045)	(15,496)	(15,961)	(16,440)	(16,933)	(17,441)	(17,965)	(18,504)	(19,059)	(19,630)
	(Less) Deferred Developer Fee	0	0	0	0	0	0	0	0	0	0
	(Less) Non-Profit/General Partner Management Fee	(51,073)	(52,605)	(54,183)	(55,809)	(57,483)	(59,208)	(60,984)	(62,813)	(64,698)	(66,639)
V.	**Cash Flow after Contingent Payments**	**$314,963**	**$329,202**	**$343,423**	**$357,613**	**$371,757**	**$385,840**	**$399,846**	**$413,758**	**$427,558**	**$441,228**
VI.	**Residual Receipt Payments to City @ 50% RRs**	**$157,481**	**$164,601**	**$171,712**	**$178,807**	**$185,879**	**$192,920**	**$199,923**	**$206,879**	**$213,779**	**$220,614**
VII.	**Net Cash Flow to Developer @ 50% RRs**	**$157,481**	**$164,601**	**$171,712**	**$178,807**	**$185,879**	**$192,920**	**$199,923**	**$206,879**	**$213,779**	**$220,614**

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TABLE 4
CASH FLOW ANALYSIS
TAX-EXEMPT MULTIFAMILY BOND FINANCING/4% TAX CREDI
COTTAGES AT MISSION TRAIL
LAKE ELSINORE, CALIFORNIA

		Year 30	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39
I.	Gross Residential Income										
	Gross Income	$2,877,658	$2,949,600	$3,023,340	$3,098,923	$3,176,396	$3,255,806	$3,337,201	$3,420,631	$3,506,147	$3,593,801
	(Less) Vacancy & Collection Allowance	(143,862)	(147,459)	(151,145)	(154,924)	(158,797)	(162,767)	(166,836)	(171,007)	(175,282)	(179,664)
	Effective Gross Base Income	**$2,733,796**	**$2,802,141**	**$2,872,194**	**$2,943,999**	**$3,017,599**	**$3,093,039**	**$3,170,365**	**$3,249,624**	**$3,330,865**	**$3,414,136**
II.	Operating Expenses										
	General Operating Expenses	$1,477,431	$1,529,141	$1,582,661	$1,638,054	$1,695,386	$1,754,725	$1,816,140	$1,879,705	$1,945,495	$2,013,587
	Property Taxes	31,077	31,699	32,333	32,979	33,639	34,312	34,998	35,698	36,412	37,140
	Replacement Reserve	42,900	42,900	42,900	42,900	42,900	42,900	42,900	42,900	42,900	42,900
	Total Operating Expenses	**$1,551,408**	**$1,603,740**	**$1,657,894**	**$1,713,934**	**$1,771,925**	**$1,831,937**	**$1,894,038**	**$1,958,303**	**$2,024,807**	**$2,093,627**
III.	**Net Operating Income**	**1,182,387**	**1,198,400**	**1,214,300**	**1,230,065**	**1,245,674**	**1,261,102**	**1,276,327**	**1,291,321**	**1,306,058**	**1,320,509**
	(Less) Permanent Loan Debt Service	(638,783)	(638,783)	(638,783)	(638,783)	(638,783)	(638,783)	(459,459)	0	0	0
	Net Income After Debt Service	**$543,604**	**$559,617**	**$575,517**	**$591,282**	**$606,891**	**$622,319**	**$816,868**	**$1,291,321**	**$1,306,058**	**$1,320,509**
IV	Net TIF Income										
	TIF Income	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	(Less) TIF Loan Debt Service										
	Net TIF Income For DDF or City	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
IV.	**Cash Flow Available for Contingent Payments**	**$543,604**	**$559,617**	**$575,517**	**$591,282**	**$606,891**	**$622,319**	**$816,868**	**$1,291,321**	**$1,306,058**	**$1,320,509**
	(Less) Limited Partner Asset Management Fees										
	(Less) City Monitoring Fee	(20,219)	(20,826)	(21,451)	(22,094)	(22,757)	(23,440)	(24,143)	(24,867)	(25,613)	(26,382)
	(Less) Deferred Developer Fee	0	0	0	0	0	0	0	0	0	0
	(Less) Non-Profit/General Partner Management Fee	(68,638)	(70,697)	(72,818)	(75,002)	(77,252)	(79,570)	(81,957)	(84,416)	(86,948)	(89,557)
V.	**Cash Flow after Contingent Payments**	**$454,747**	**$468,095**	**$481,249**	**$494,186**	**$506,881**	**$519,309**	**$710,768**	**$1,182,038**	**$1,193,496**	**$1,204,571**
VI.	**Residual Receipt Payments to City @ 50% RRs**	**$227,374**	**$234,047**	**$240,624**	**$247,093**	**$253,441**	**$259,655**	**$355,384**	**$591,019**	**$596,748**	**$602,285**
VII.	**Net Cash Flow to Developer @ 50% RRs**	**$227,374**	**$234,047**	**$240,624**	**$247,093**	**$253,441**	**$259,655**	**$355,384**	**$591,019**	**$596,748**	**$602,285**

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TABLE 4
CASH FLOW ANALYSIS
TAX-EXEMPT MULTIFAMILY BOND FINANCING/4% TAX CREDI
COTTAGES AT MISSION TRAIL
LAKE ELSINORE, CALIFORNIA

		Year 40	Year 41	Year 42	Year 43	Year 44	Year 45	Year 46	Year 47	Year 48	Year 49
I.	**Gross Residential Income**										
	Gross Income	$3,683,646	$3,775,737	$3,870,130	$3,966,883	$4,066,056	$4,167,707	$4,271,900	$4,378,697	$4,488,165	$4,600,369
	(Less) Vacancy & Collection Allowance	(184,156)	(188,760)	(193,479)	(198,316)	(203,274)	(208,356)	(213,565)	(218,904)	(224,376)	(229,986)
	Effective Gross Base Income	**$3,499,490**	**$3,586,977**	**$3,676,651**	**$3,768,567**	**$3,862,782**	**$3,959,351**	**$4,058,335**	**$4,159,793**	**$4,263,788**	**$4,370,383**
II.	**Operating Expenses**										
	General Operating Expenses	$2,084,063	$2,157,005	$2,232,500	$2,310,637	$2,391,510	$2,475,213	$2,561,845	$2,651,510	$2,744,312	$2,840,363
	Property Taxes	37,883	38,641	39,414	40,202	41,006	41,826	42,662	43,516	44,386	45,274
	Replacement Reserve	42,900	42,900	42,900	42,900	42,900	42,900	42,900	42,900	42,900	42,900
	Total Operating Expenses	**$2,164,846**	**$2,238,545**	**$2,314,813**	**$2,393,739**	**$2,475,415**	**$2,559,938**	**$2,647,407**	**$2,737,925**	**$2,831,598**	**$2,928,537**
III.	**Net Operating Income**	**1,334,644**	**1,348,431**	**1,361,838**	**1,374,828**	**1,387,366**	**1,399,413**	**1,410,928**	**1,421,868**	**1,432,190**	**1,441,846**
	(Less) Permanent Loan Debt Service	0	0	0	0	0	0	0	0	0	0
	Net Income After Debt Service	**$1,334,644**	**$1,348,431**	**$1,361,838**	**$1,374,828**	**$1,387,366**	**$1,399,413**	**$1,410,928**	**$1,421,868**	**$1,432,190**	**$1,441,846**
IV	**Net TIF Income**										
	TIF Income	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	(Less) TIF Loan Debt Service										
	Net TIF Income For DDF or City	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
IV.	**Cash Flow Available for Contingent Payments**	**$1,334,644**	**$1,348,431**	**$1,361,838**	**$1,374,828**	**$1,387,366**	**$1,399,413**	**$1,410,928**	**$1,421,868**	**$1,432,190**	**$1,441,846**
	(Less) Limited Partner Asset Management Fees										
	(Less) City Monitoring Fee	(27,173)	(27,988)	(28,828)	(29,693)	(30,584)	(31,501)	(32,446)	(33,419)	(34,422)	(35,455)
	(Less) Deferred Developer Fee	0	0	0	0	0	0	0	0	0	0
	(Less) Non-Profit/General Partner Management Fee	(92,244)	(95,011)	(97,861)	(100,797)	(103,821)	(106,936)	(110,144)	(113,448)	(116,851)	(120,357)
V.	**Cash Flow after Contingent Payments**	**$1,215,227**	**$1,225,432**	**$1,235,149**	**$1,244,339**	**$1,252,962**	**$1,260,976**	**$1,268,338**	**$1,275,001**	**$1,280,916**	**$1,286,034**
VI.	**Residual Receipt Payments to City @ 50% RRs**	**$607,614**	**$612,716**	**$617,574**	**$622,169**	**$626,481**	**$471,272**	**$0**	**$0**	**$0**	**$0**
VII.	**Net Cash Flow to Developer @ 50% RRs**	**$607,614**	**$612,716**	**$617,574**	**$622,169**	**$626,481**	**$789,704**	**$1,268,338**	**$1,275,001**	**$1,280,916**	**$1,286,034**

Prepared by: Keyser Marston Associates, Inc.
Filename: Civic Partners_143 Units_6 6 17; CF_4%_KMA; trb

TABLE 4
CASH FLOW ANALYSIS
TAX-EXEMPT MULTIFAMILY BOND FINANCING/4% TAX CREDI
COTTAGES AT MISSION TRAIL
LAKE ELSINORE, CALIFORNIA

		Year 50	Year 51	Year 52	Year 53	Year 54	Year 55
I.	**Gross Residential Income**						
	Gross Income	$4,715,378	$4,833,262	$4,954,094	$5,077,946	$5,204,895	$5,335,017
	(Less) Vacancy & Collection Allowance	(235,735)	(241,629)	(247,669)	(253,861)	(260,208)	(266,713)
	Effective Gross Base Income	**$4,479,642**	**$4,591,634**	**$4,706,424**	**$4,824,085**	**$4,944,687**	**$5,068,304**
II.	**Operating Expenses**						
	General Operating Expenses	$2,939,776	$3,042,668	$3,149,162	$3,259,382	$3,373,461	$3,491,532
	Property Taxes	46,179	47,103	48,045	49,006	49,986	50,986
	Replacement Reserve	42,900	42,900	42,900	42,900	42,900	42,900
	Total Operating Expenses	**$3,028,855**	**$3,132,671**	**$3,240,106**	**$3,351,288**	**$3,466,346**	**$3,585,417**
III.	**Net Operating Income**	**1,450,787**	**1,458,963**	**1,466,318**	**1,472,797**	**1,478,341**	**1,482,887**
	(Less) Permanent Loan Debt Service	0	0	0	0	0	0
	Net Income After Debt Service	**$1,450,787**	**$1,458,963**	**$1,466,318**	**$1,472,797**	**$1,478,341**	**$1,482,887**
IV	**Net TIF Income**						
	TIF Income	$0	$0	$0	$0	$0	$0
	(Less) TIF Loan Debt Service						
	Net TIF Income For DDF or City	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
IV.	**Cash Flow Available for Contingent Payments**	**$1,450,787**	**$1,458,963**	**$1,466,318**	**$1,472,797**	**$1,478,341**	**$1,482,887**
	(Less) Limited Partner Asset Management Fees						
	(Less) City Monitoring Fee	(36,518)	(37,614)	(38,742)	(39,905)	(41,102)	(42,335)
	(Less) Deferred Developer Fee	0	0	0	0	0	0
	(Less) Non-Profit/General Partner Management Fee	(123,968)	(127,687)	(131,517)	(135,463)	(139,527)	(143,712)
V.	**Cash Flow after Contingent Payments**	**$1,290,301**	**$1,293,662**	**$1,296,058**	**$1,297,430**	**$1,297,712**	**$1,296,840**
VI.	**Residual Receipt Payments to City @ 50% RRs**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
VII.	**Net Cash Flow to Developer @ 50% RRs**	**$1,290,301**	**$1,293,662**	**$1,296,058**	**$1,297,430**	**$1,297,712**	**$1,296,840**

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