



Community Services Department

Connecting People to Opportunities

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CAPITAL LOAN COMMITTEE STAFF REPORT - HOUSING PROJECTS

For the meeting of:

Date: March 28, 2019

Time: 2:00 p.m. – 4:00 p.m.

Location: 706 Laguna St., Santa Barbara, CA

BY: Laurie Baker, Grants and Program Manager
Ted Teyber, Housing Program Specialist
Matt Kropke, Housing Program Specialist
Division of Housing and Community Development (HCD)

RE: Funding recommendations for housing projects utilizing State funds

The purpose of this staff report is to provide information to the Capital Loan Committee (Committee) on proposed affordable housing projects under consideration for funding from State funds. The Committee is being requested to review the proposals for feasibility before the projects are presented to the County Board of Supervisors (Board). Final project approvals or funding reservations/preliminary allocations will be made by the Board at regularly-scheduled Board meetings. Projects may be scheduled on the Board agenda on various dates. The Board schedule will be posted at <http://sbchome.co.santa-barbara.ca.us/>.

NOTICE OF FUNDING AVAILABILITY

The County's Community Services Department, Division of Housing and Community Development Division (HCD) issued a Notice of Funding Availability (NOFA) on October 12, 2018 which made available over \$15 million in local, state and federal funding. The NOFA may be viewed at www.countyofsb.org/housing. In addition to federal entitlement funding such as Community Development Block Grant (CDBG) and HOME Investment Partnerships (HOME), new funding streams from the State of California became available. Following are descriptions of these State funding programs for projects being presented to the Capital Loan Committee:

- The State of California No Place Like Home (NPLH) program provides funding and tools to address affordability issues associated with creating housing units that are specifically set aside for persons with serious mental illness who are chronically homeless, homeless, or at-risk of being chronically homeless. Under the program, the State (and in some cases, the County) may make loans to reduce the initial cost of acquisition and/or construction or rehabilitation of housing, and may set funds aside to subsidize extremely low rent levels over time. A one-time allocation of non-competitive funds will be allocated to the County to be awarded to projects by the County. Competitive funds are awarded by the State via periodic NOFAs until funds are exhausted. <http://www.hcd.ca.gov/grants-funding/active-funding/nplh.shtml>. NPLH requires funded projects to participate in the County's coordinated entry system (CES) for placements.
- The State of California Homeless Emergency Aid Program (HEAP) provides assistance to Continuums of Care to address the homelessness crisis. The County of Santa Barbara is the

Administrative Entity for the Santa Maria/Santa Barbara County Continuum of Care (CoC), which geographically encompasses Santa Barbara County. HEAP funds address immediate homeless challenges throughout the CoC Service Area. Capital housing projects must utilize the County's Coordinated Entry System (CES) for placements and the Homeless Management Information System (HMIS). The Santa Barbara COC has prioritized acquisition of temporary or permanent housing units for HEAP funding. HEAP can be used to create permanent housing opportunities for individuals and families experiencing homelessness.

https://www.bcsb.ca.gov/hcfc/aid_program.html

APPLICATION REVIEW

The NOFA instructed applicants with proposed housing development projects to submit Letters of Intent (LOI) to apply by the application deadline. This first step enabled County staff to prioritize proposed projects based on readiness to proceed given the limited available resources and strict state and federal timelines for expenditure and project completion. County staff reviewed projects for basic threshold requirements. Proposed projects were placed in the following categories:

1. Projects that will have all financing committed for applicable project costs (acquisition, rehab and/or new construction) or will be ready to apply to the State for low-income housing tax credits (LIHTC) on or before June 30, 2019. These applicants were invited to submit a full housing application by January 11, 2019.
2. Projects that will be ready to apply for LIHTC after June 30 but before December 31, 2019.
3. Projects that do not meet the criteria listed in numbers 1 or 2 above, may apply in the next NOFA cycle. Exceptions will be made for projects that plan to apply to the County and State for NPLH funds only (no other County-administered funds included), which will be considered in conjunction with the State's NOFA schedule.

Projects that met the criteria in No. 1 above were reviewed and considered by the Capital Loan Committee at the 2/14/19 meeting. Two projects that met the criteria in No. 2 above are on the Capital Loan Committee 3/28/19 agenda. HCD Staff will continue to work with developers on other projects in this category to be placed on the agenda for future Committee meetings.

HCD Staff Review

Staff screened applications for the following:

- ✓ Eligibility for funding based on criteria of the funding source
- ✓ Meets a County Consolidated Plan Priority¹
- ✓ Timing of financial commitments and applications to State for LIHTC, if applicable
- ✓ Construction timeline
- ✓ Itemized development budget and minimum 15-year operating proforma was submitted.
- ✓ Review of income and rent limits as applicable for the funding source.
- ✓ Project readiness by evidence of site control, zoning approvals, completion of architectural, engineering and other pre-development activities
- ✓ Applicant experience and financial capacity

¹ Consolidated Plan Priorities include funding critical community facilities, removing architectural barriers to people with mobility impairments, maintaining or upgrading existing low-income affordable housing stock, improving the physical character of neighborhoods, including complete streets, parks, and other public spaces, and expanding the supply of permanent supportive housing and Single-Room Occupancy (SRO) units to address the needs of the homeless, households at imminent risk of becoming homeless and/or special needs clients.

CoC Rank and Review Committee Review

Requests for HEAP funds were reviewed by the Santa Maria/Santa Barbara County Continuum of Care (CoC) Rank and Review Committee using the scoring criteria listed below.

- ✓ Program Eligibility
- ✓ Alignment with California’s Housing First Policy
- ✓ Commitment to use County’s Homeless management Information System (HMIS)
- ✓ Commitment to participate in the County’s Coordinated Entry System
- ✓ Applicant financial capacity and capacity to administer the project and associated programs
- ✓ Support for the need of the project
- ✓ Performance and documentation of results
- ✓ Meets established local priority
- ✓ Coordination and Collaboration with other agencies and providers

Capital Loan Committee Review (Committee)

The Committee is being asked to review the projects for construction and long-term feasibility. Project development budgets and operating proformas are provided for each project. The County will record regulatory agreements on the property to ensure income and rent restrictions for 15 years for HEAP projects. The County will record regulatory agreements on the property to ensure income and rent restrictions for 30 years for NPLH projects.

Applicants were invited to attend the Committee meeting to answer any questions the Committee may have on their projects.

County Board of Supervisors (BOS)

Projects that are recommended for funding by staff and committees’ review, will be placed on the agenda of a regularly-scheduled BOS meeting for final funding approval and execution of grant or loan documents. Projects will be scheduled as time permits.

HCD STAFF AND CONTINUUM OF CARE FUNDING RECOMMENDATIONS

The following projects met the criteria in No. 1 above and are recommended for funding by the Santa Maria/Santa Barbara County Continuum of Care (CoC) and/or staff. Staff will return to the Capital Loan Committee at a later date with additional CoC-recommended projects.

Developer/ Project Title	Population/ Occupants	Amount Requested	HCD/CoC Recommendation	Funding Source	Project Location
Salvation Army	Formerly homeless	\$2,500,000	\$2,500,000	HEAP	Santa Barbara
West Cox	Special needs persons experiencing homelessness, veterans and persons with disabilities	\$2,850,000	\$2,850,000	HEAP (\$1,350,000) & NPLH (\$1,500,000)	Santa Maria

PROJECT DESCRIPTIONS

I. Salvation Army – Alisos Street**Exhibit 1 – Development Budget and Operating Proforma**

Salvation Army is proposing the acquisition and development of the property known as 15 S. Alisos Street in the City of Santa Barbara. The property currently has two (2) 2-bedroom houses. Salvation Army is applying for HEAP funds to fund both the acquisition of the property and development thereafter once Site Plan Approval is secured. The project contemplates developing the property with two (2) additional modular homes with multiple “shared housing” units in each. The shared housing units are private bedrooms in 2 and 5-bedroom houses. It is contemplated that the total development will consist of 14 rental units with 12 units restricted for residents at 30% AMI and 2 units for residents at 40% AMI (4 existing units, 5 shared units in new modular building, 5 shared units in a new modular building). The exterior finishing will consist of composite prefinished siding, and composition roofing materials. The units will have energy efficient appliances and HVAC units.

The property is within walking distance of shopping and a public bus stop connecting residents to downtown Santa Barbara.

Planning Approval for the project has not been sought, though the current owner obtained approval for two additional structures on the property similar to that contemplated by the Salvation Army. The City Planning application is to be processed concurrently with the County’s funding review. Accordingly, the project estimates less than 1-year to lease-up from the award of HEAP funding (July 2020).

The Salvation Army is in a long-term lease to use the existing two (2) houses and in contract to close on the sale of the property. Salvation Army has received a commitment of project-based vouchers from the City of Santa Barbara Housing Authority to provide subsidized housing for the residents that will be moving into the existing and proposed permanent housing units. Total project acquisition and development cost is \$2,700,000.

Based upon the staff screening criteria listed above, as well as the budget and proforma attached as Exhibit 1, staff has no outstanding concerns for the project which is now before the Capital Loan Committee for recommendations.

II. Housing Authority County of SB/Halsel Builders – West Cox**Exhibit 2 – Development Budget and Operating Proforma**

The Santa Barbara County Housing Authority, in partnership with Halsel Builders, is proposing to develop the property located at 1141 West Cox Lane in the City of Santa Maria with thirty (30) 1-bedroom rental units consisting of 16 newly constructed pre-fabricated buildings. One of the units will be manager’s unit without income or rent restrictions. Of the 29 affordable units, 13 will be NPLH residential units consisting of three (3) restricted to 50% area median income (AMI) and 10 restricted to 60% AMI. The remaining units will be restricted to 60% AMI. An additional building will be a community building for resident support services, a community meeting room, computer lab, clinic, and landscaped areas for tenants’ recreation.

The Santa Maria/Santa Barbara County Rank & Review (R&R) Committee met on November 28, 2018 to review HEAP and CESH funding applications and make funding recommendations. The bond issuance plan was reviewed and approved by the County’s Debt Advisory Committee on January 22, 2019. The Board of Supervisors completed the TEFRA (Tax Equity and Fiscal Responsibility Act) hearing and approved the bond issuance on March 5, 2019. Site Plan Approval was obtained for a similar senior development. A

Santa Maria Planning Commission amended approval for the project is expected April 3, 2019, and therefore will still be subject to appeal.

The developers are requesting a total of \$2,850,000 in State funding, \$1,500,000 of which is NPLH and \$1,350,000 of which is HEAP funds. The developers intend to submit an application to the California Tax Credit Allocation Committee's (CTCAC) for 4% low-income housing tax credits (LIHTC), which is not allocated on a competitive basis. The developers will issue private activity bonds, which will convert to loans as additional funding sources. Total project cost is \$8,639,955.

Based upon the staff screening criteria listed above, as well as the budget and proforma attached as Exhibit 2, staff has no outstanding concerns for the project which is now before the Capital Loan Committee for recommendations.

Attachments:

Exhibit 1 – Salvation Army Budget & Proforma

Exhibit 2 – West Cox Budget & Proforma

cc: Dinah Lockhart, Deputy Director Housing and Community Development
George Chapjian, Community Services Director

Exhibit 1 - Salvation Army

The Salvation Army Alisos Street Permanent Supportive Housing Development Budget

SOURCES

Santa Barbara County HEAP Grant	\$2,500,000
Non-HEAP funds raised or committed by The Salvation Army (TSA)	\$200,000
TOTAL SOURCES	\$2,700,000

	USES	SOURCES	
		HEAP	TSA
Acquisition	\$2,300,000		
Property Acquisition	\$1,950,000	\$1,750,000	\$200,000
Purchase and Installation of Manufactured Homes	\$350,000	\$350,000	
Hard Costs	\$134,150		
Site Prep	\$74,150	\$74,150	
Additional components to conform to planning requirements	\$60,000	\$60,000	
Soft Costs	\$265,850		
Purchase Option	\$10,000	\$10,000	
Acquisition Closing Costs	\$3,000	\$3,000	
Appraisal	\$6,750	\$6,750	
Architectural Fees	\$35,600	\$35,600	
City of SB – Permits and Related Fees	\$33,000	\$33,000	
Non-Fixed Furniture and Equipment:	\$50,000	\$50,000	
Hill and Associates – project coordination:	\$59,500	\$59,500	
Salvation Army Capital Development Processing Fee (1% of costs):	\$28,000	\$28,000	
Owner Contingency	\$40,000	\$40,000	
TOTAL USES	\$2,700,000	\$2,500,000	\$200,000

20 Year Project Cash Flow Projections The Salvation Army Alisos Permanent Supportive Housing

REVENUE	MULTIPLIER	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Rental Subsidy - 2 bedroom homes	1.025	\$51,504	\$52,792	\$54,111	\$55,464	\$56,851
Rental Subsidy - 5 bedroom homes		\$92,304	\$94,612	\$96,977	\$99,401	\$101,886
Total Revenue		\$143,808	\$147,403	\$151,088	\$154,865	\$158,737
Less Vacancy	10.00%	-\$14,381	-\$14,740	-\$15,109	-\$15,487	-\$15,874
Total Revenue		\$129,427	\$132,663	\$135,979	\$139,379	\$142,863
EXPENSES						
Operating Expenses:	1.025					
Administrative		\$12,804	\$13,124	\$13,452	\$13,789	\$14,133
Staffing		\$32,286	\$33,093	\$33,920	\$34,768	\$35,638
Utilities		\$9,300	\$9,533	\$9,771	\$10,015	\$10,265
Payroll & Payroll Taxes		\$12,591	\$12,906	\$13,228	\$13,559	\$13,898
Insurance		\$2,800	\$2,870	\$2,942	\$3,015	\$3,091
Maintenance		\$11,000	\$11,275	\$11,557	\$11,846	\$12,142
Other Operating Expenses		\$5,600	\$5,740	\$5,884	\$6,031	\$6,181
Total Operating Expenses		\$86,381	\$88,541	\$90,754	\$93,023	\$95,348
Replacement Reserve		\$2,536	\$2,536	\$2,536	\$2,536	\$2,536
Total Expenses		\$88,917	\$91,077	\$93,290	\$95,559	\$97,884
Cash Flow		\$40,510	\$41,586	\$42,689	\$43,820	\$44,979

YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	YEAR 11	YEAR 12	YEAR 13
\$58,272	\$59,729	\$61,222	\$62,753	\$64,321	\$65,929	\$67,578	\$69,267
\$104,434	\$107,044	\$109,720	\$112,463	\$115,275	\$118,157	\$121,111	\$124,139
\$162,706	\$166,773	\$170,943	\$175,216	\$179,596	\$184,086	\$188,689	\$193,406
-\$16,271	-\$16,677	-\$17,094	-\$17,522	-\$17,960	-\$18,409	-\$18,869	-\$19,341
\$146,435	\$150,096	\$153,848	\$157,694	\$161,637	\$165,678	\$169,820	\$174,065
\$14,487	\$14,849	\$15,220	\$15,600	\$15,990	\$16,390	\$16,800	\$17,220
\$36,529	\$37,442	\$38,378	\$39,337	\$40,321	\$41,329	\$42,362	\$43,421
\$10,522	\$10,785	\$11,055	\$11,331	\$11,614	\$11,905	\$12,202	\$12,507
\$14,246	\$14,602	\$14,967	\$15,341	\$15,724	\$16,118	\$16,520	\$16,933
\$3,168	\$3,247	\$3,328	\$3,412	\$3,497	\$3,584	\$3,674	\$3,766
\$12,445	\$12,757	\$13,076	\$13,402	\$13,737	\$14,081	\$14,433	\$14,794
\$6,336	\$6,494	\$6,657	\$6,823	\$6,994	\$7,168	\$7,348	\$7,531
\$97,732	\$100,175	\$102,680	\$105,247	\$107,878	\$110,575	\$113,339	\$116,173
\$2,536	\$2,536	\$2,536	\$2,536	\$2,536	\$2,536	\$2,536	\$2,536
\$100,268	\$102,711	\$105,216	\$107,783	\$110,414	\$113,111	\$115,875	\$118,709
\$46,167	\$47,384	\$48,632	\$49,912	\$51,223	\$52,567	\$53,944	\$55,356

YEAR 14	YEAR 15	YEAR 16	YEAR 17	YEAR 18	YEAR 19	YEAR 20
\$70,999	\$72,774	\$74,593	\$76,458	\$78,369	\$80,329	\$82,337
\$127,242	\$130,423	\$133,684	\$137,026	\$140,451	\$143,963	\$147,562
\$198,241	\$203,197	\$208,277	\$213,484	\$218,821	\$224,291	\$229,899
-\$19,824	-\$20,320	-\$20,828	-\$21,348	-\$21,882	-\$22,429	-\$22,990
\$178,417	\$182,877	\$187,449	\$192,135	\$196,939	\$201,862	\$206,909
\$17,650	\$18,092	\$18,544	\$19,008	\$19,483	\$19,970	\$20,469
\$44,507	\$45,619	\$46,760	\$47,929	\$49,127	\$50,355	\$51,614
\$12,820	\$13,141	\$13,469	\$13,806	\$14,151	\$14,505	\$14,867
\$17,357	\$17,791	\$18,236	\$18,691	\$19,159	\$19,638	\$20,129
\$3,860	\$3,956	\$4,055	\$4,157	\$4,261	\$4,367	\$4,476
\$15,164	\$15,543	\$15,931	\$16,330	\$16,738	\$17,156	\$17,585
\$7,720	\$7,913	\$8,110	\$8,313	\$8,521	\$8,734	\$8,952
\$119,077	\$122,054	\$125,105	\$128,233	\$131,439	\$134,725	\$138,093
\$2,536	\$2,536	\$2,536	\$2,536	\$2,536	\$2,536	\$2,536
\$121,613	\$124,590	\$127,641	\$130,769	\$133,975	\$137,261	\$140,629
\$56,804	\$58,287	\$59,808	\$61,366	\$62,964	\$64,601	\$66,280

Exhibit 2 - West Cox

WEST COX SENIOR GARDENS
FINANCIAL PROJECTION
PROJECT COSTS

	Project Costs	Land and Non- Amort./Depr. Costs	Amortizable Costs	Expensed Costs	Reserves	Syndication	Depreciable Costs	Depreciable but Noneligible costs	Eligible Basis
LAND COST/ACQUISITION									
Land	\$ 1,250,000	\$ 1,250,000					\$ -		\$ -
Demolition	150,000	150,000					-		-
Commissions	-	-					-		-
FMV Above Purchase Price	-	-					-		-
Acquisition	-	-					-		-
<i>Subtotal</i>	1,400,000	1,400,000	-	-	-	-	-	-	-
SITE WORK									
Grading, Drainage, Utilities, Curb, Gutter, Paving, Site Landscape, Shoring	-	-					-		-
Remediation	-	-					-		-
Off-sites	-	-					-		-
Construction Contingency	-	-					-		-
<i>Subtotal</i>	-	-	-	-	-	-	-	-	-
STRUCTURES									
Construction/Rehabilitation	3,532,500						3,532,500		3,532,500
Parking Structure	-						-		-
Solar Panels	300,000						300,000		300,000
Commercial Rehabilitation & Tenant Improvements	-						-		-
Construction Contingency	220,953						220,953		220,953
<i>Subtotal</i>	4,053,453	-	-	-	-	-	4,053,453	-	4,053,453
CONTRACTOR FEES									
General Requirements	179,950						179,950		179,950
Performance Bond	50,000						50,000		50,000
General Liability Insurance	50,000						50,000		50,000
Contractor Profit & Overhead	306,600						306,600		306,600
<i>Subtotal</i>	586,550	-	-	-	-	-	586,550	-	586,550
FINANCING COSTS									
Title, Escrow, Recording (construction term)	25,000						25,000		25,000
Title and Recording (permanent loan)	10,000		10,000				-		-
Bridge Loan Interest-Prior to Rehabilitation	-						-		-
Bridge Loan Interest-During Rehabilitation	-						-		-
Construction Interest	175,000						175,000		175,000
Post-Construction Period Interest	83,333			83,333			-		-
Negative Arbitrage	-						-		-
Underwriter Fee-Tax-Exempt Bonds	-						-		-
Bridge Loan Fees	-						-		-
Construction Loan Fees	50,000						50,000		50,000
Construction Loan Fees-FHA Loan	-						-		-
Gap Lender Costs	-						-		-

Other Construction Loan Costs	40,000					40,000		40,000	
Lender Legal	50,000	25,000				25,000		25,000	
Permanent Loan Fees	34,700	34,700				-		-	
Permanent Loan Fees-FHA Loan	-	-				-		-	
Bond Issuance Costs and Related Legal Fees	120,000	120,000				-		-	
City Review	-	-				-		-	
FHA Mortgage Insurance Premium	-	-				-		-	
FHA Application Fee	-	-				-		-	
FHA Inspection Fee	-	-				-		-	
FHA Processing Fee (third party reports, etc.)	-	-				-		-	
FHA Legal Fees & Additional Borrower Legal	-	-				-		-	
Tax Credit Agency Fees	16,046	16,046				-		-	
<i>Subtotal</i>	604,079	-	205,746	83,333	-	-	315,000	-	315,000
SOFT COSTS									
Architectural and Engineering	175,000					175,000		175,000	
Partnership Legal	60,000	60,000				-		-	
HUD Legal	-	-				-		-	
Accounting Fees	20,670	12,000				8,670		8,670	
Consulting/Professional Fees-HUD	-					-		-	
Energy Consultant	15,000					15,000		15,000	
Taxes	5,000			-		5,000		5,000	
Environmental Audit	10,000					10,000		10,000	
Capital Needs Assessment	-					-		-	
Appraisal	10,000					10,000		10,000	
Impact Fees/Permit Processing Fees	338,344					338,344		338,344	
Relocation Costs & Relocation Consulting	-					-		-	
Furniture, Fixtures, and Equipment	30,000					30,000		30,000	
Soft Cost Contingency	150,000	-				150,000		150,000	
Miscellaneous	-					-		-	
Insurance During Construction	30,000					30,000		30,000	
Tax Credit Investor Due Diligence	60,000	60,000				-		-	
Marketing	10,000			10,000		-		-	
Market Study	10,000					10,000		10,000	
<i>Subtotal</i>	924,014	-	132,000	10,000	-	-	782,014	-	782,014
RESERVES									
Section 8 Transition Reserve	-					-		-	
Working Capital-HUD	-					-		-	
HUD Operating Reserve	-					-		-	
Additional Operating Reserve for Tax Credit Investor	211,307			211,307		-		-	
<i>Subtotal</i>	211,307	-	-	-	211,307	-	-	-	
DEVELOPER FEE									
Developer fee	860,552					860,552	(1)	860,553	
	\$ 8,639,955	\$ 1,400,000	\$ 337,746	\$ 93,333	\$ 211,307	\$ -	\$ 6,597,569	\$ (1)	\$ 6,597,570

WEST COX SENIOR GARDENS
FINANCIAL PROJECTION

Permanent Financing Sources:

Permanent Loan	\$ 3,470,000		Tax-Exempt Bonds
Tax Credit Equity-LIHC	1,983,395	Can consider competing for state credits	
Solar Tax Credit Equity	117,721	\$0.9199 credit price	
Solar Rebates	-		
Public Loan-NPLH	1,500,000		
Second Public Loan-HEAP	1,350,000		
Developer Equity	-		
Deferred Developer Fee	218,839	641,713 paid	
Total	<u>\$ 8,639,955</u>		

Construction Financing Sources:

Construction Loan	\$ 4,669,608		
Bridge Loan	-		
Tax Credit Equity-LIHC	396,679	20.00%	
Solar Tax Credit Equity	23,544	20.00%	
Public Loan	1,500,000		
Second Public Loan	1,350,000		
Deferred Developer Fee	700,124	25% paid at closing	
Total	<u>\$ 8,639,955</u>		

WEST COX SENIOR GARDENS
PROJECTED NET OPERATING RENTAL INCOME

Period ->	1	2	3	4	5	6	7	8
Gross Potential Revenue:								
Rental Income (Residential)	\$ 386,124	\$ 397,708	\$ 409,639	\$ 421,928	\$ 434,586	\$ 447,624	\$ 461,052	\$ 474,884
Section 8 Rents	103,608	106,716	109,918	113,215	116,612	120,110	123,713	127,425
Other Revenue	3,600	3,708	3,819	3,934	4,052	4,173	4,299	4,428
Commercial Income	-	-	-	-	-	-	-	-
Total Gross Potential Revenue	493,332	508,132	523,376	539,077	555,250	571,907	589,064	606,736
Vacancy & Bad Debt Expense	(24,667)	(25,407)	(26,169)	(26,954)	(27,762)	(28,595)	(29,453)	(30,337)
Net Rental Revenue	468,665	482,725	497,207	512,123	527,487	543,312	559,611	576,399
Property Taxes	(10,000)	(10,200)	(10,404)	(10,612)	(10,824)	(11,041)	(11,262)	(11,487)
HUD Mortgage Insurance Premium & Bond Fees	-	-	-	-	-	-	-	-
Operating Expenses (Including Service Amenities)	(190,000)	(195,700)	(201,571)	(207,618)	(213,847)	(220,262)	(226,870)	(233,676)
Net Operating Rental Income (w/o Reserves)	268,665	276,825	285,232	293,893	302,816	312,009	321,479	331,236
Reserve	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)
Net Operating Rental Income	259,665	267,825	276,232	284,893	293,816	303,009	312,479	322,236
Annual Debt Service - Permanent Loan	(223,614)	(223,614)	(223,614)	(223,614)	(223,614)	(223,614)	(223,614)	(223,614)
Forecasted Cash Available/(Shortfall)	\$ 36,052	\$ 44,212	\$ 52,619	\$ 61,280	\$ 70,202	\$ 79,395	\$ 88,866	\$ 98,623
Debt coverage ratio-hard debt	1.161	1.198	1.235	1.274	1.314	1.355	1.397	1.441

Revenue Escalator:	3.0%
Expense Escalator:	3.0%
Property Tax Escalator:	2.0%
Vacancy:	5.0%
Vacancy-Commercial:	10.0%

CASH FLOW WATERFALL

Summary of Payments

Investor Asset Management Fee	7,500	7,725	7,957	8,195	8,441	8,695	8,955	9,224
Non-Profit Partnership Management Fee	12,000	12,360	12,731	13,113	13,506	13,911	14,329	14,758
Deferred Developer Fee & Contractor Fee	16,552	24,127	31,931	39,971	48,255	56,789	1,213	0
Seller Carryback Note	0	0	0	0	0	0	0	0
Administrative General Partner-Partnership Management Fee	0	0	0	0	0	0	64,368	42,340
Public Loans	0	0	0	0	0	0	0	16,150
Other Loan	0	0	0	0	0	0	0	0
Administrative General Partner-Incentive Management Fee	0	0	0	0	0	0	0	14,535
Distribution to Developer/Investor (99.99% to investor)	0	0	0	0	0	0	0	1,615
Total	36,052	44,212	52,619	61,280	70,202	79,395	88,866	98,623

Net Operating Income

WEST COX SENIOR GARDENS
PROJECTED NET OPERATING RENTAL INCOME

Period ->	9	10	11	12	13	14	15	16
Gross Potential Revenue:								
Rental Income (Residential)	\$ 489,130	\$ 503,804	\$ 518,918	\$ 534,486	\$ 550,520	\$ 567,036	\$ 584,047	\$ 601,569
Section 8 Rents	131,248	135,185	139,240	143,418	147,720	152,152	156,716	161,418
Other Revenue	4,560	4,697	4,838	4,983	5,133	5,287	5,445	5,609
Commercial Income	-	-	-	-	-	-	-	-
Total Gross Potential Revenue	624,938	643,686	662,997	682,887	703,373	724,475	746,209	768,595
Vacancy & Bad Debt Expense	(31,247)	(32,184)	(33,150)	(34,144)	(35,169)	(36,224)	(37,310)	(38,430)
Net Rental Revenue	593,691	611,502	629,847	648,743	668,205	688,251	708,898	730,165
Property Taxes	(11,717)	(11,951)	(12,190)	(12,434)	(12,682)	(12,936)	(13,195)	(13,459)
HUD Mortgage Insurance Premium & Bond Fees	-	-	-	-	-	-	-	-
Operating Expenses (Including Service Amenities)	(240,686)	(247,907)	(255,344)	(263,004)	(270,895)	(279,021)	(287,392)	(296,014)
Net Operating Rental Income (w/o Reserves)	341,288	351,644	362,313	373,304	384,628	396,293	408,312	420,693
Reserve	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)
Net Operating Rental Income	332,288	342,644	353,313	364,304	375,628	387,293	399,312	411,693
Annual Debt Service - Permanent Loan	(223,614)	(223,614)	(223,614)	(223,614)	(223,614)	(223,614)	(223,614)	(223,614)
Forecasted Cash Available/(Shortfall)	\$ 108,675	\$ 119,031	\$ 129,699	\$ 140,691	\$ 152,014	\$ 163,680	\$ 175,698	\$ 188,079
Debt coverage ratio-hard debt	1.486	1.532	1.580	1.629	1.680	1.732	1.786	1.841

CASH FLOW WATERFALL

Summary of Payments

Investor Asset Management Fee	9,501	9,786	10,079	10,382	10,693	11,014	11,344	11,685
Non-Profit Partnership Management Fee	15,201	15,657	16,127	16,611	17,109	17,622	18,151	18,696
Deferred Developer Fee & Contractor Fee	0	0	0	0	0	0	0	0
Seller Carryback Note	0	0	0	0	0	0	0	0
Administrative General Partner-Partnership Management Fee	15,201	15,657	16,127	16,611	17,109	17,622	18,151	18,696
Public Loans	34,386	38,965	43,683	48,544	53,551	58,711	64,026	69,502
Other Loan	0	0	0	0	0	0	0	0
Administrative General Partner-Incentive Management Fee	30,947	35,069	39,315	43,689	48,196	52,839	57,623	62,552
Distribution to Developer/Investor (99.99% to investor)	3,439	3,897	4,368	4,854	5,355	5,871	6,403	6,950
Total	108,675	119,031	129,699	140,691	152,014	163,680	175,698	188,079

Net Operating Income

WEST COX SENIOR GARDENS
PROJECTED NET OPERATING RENTAL INCOME

Period ->	17	18	19	20
Gross Potential Revenue:				
Rental Income (Residential)	\$ 619,616	\$ 638,204	\$ 657,350	\$ 677,071
Section 8 Rents	166,260	171,248	176,386	181,677
Other Revenue	5,777	5,950	6,129	6,313
Commercial Income	-	-	-	-
Total Gross Potential Revenue	<u>791,653</u>	<u>815,403</u>	<u>839,865</u>	<u>865,061</u>
Vacancy & Bad Debt Expense	<u>(39,583)</u>	<u>(40,770)</u>	<u>(41,993)</u>	<u>(43,253)</u>
Net Rental Revenue	<u>752,070</u>	<u>774,632</u>	<u>797,871</u>	<u>821,808</u>
Property Taxes	(13,728)	(14,002)	(14,282)	(14,568)
HUD Mortgage Insurance Premium & Bond Fees	-	-	-	-
Operating Expenses (Including Service Amenities)	<u>(304,894)</u>	<u>(314,041)</u>	<u>(323,462)</u>	<u>(333,166)</u>
Net Operating Rental Income (w/o Reserves)	433,448	446,589	460,127	474,073
Reserve	<u>(9,000)</u>	<u>(9,000)</u>	<u>(9,000)</u>	<u>(9,000)</u>
Net Operating Rental Income	<u>424,448</u>	<u>437,589</u>	<u>451,127</u>	<u>465,073</u>
Annual Debt Service - Permanent Loan	(223,614)	(223,614)	(223,614)	(223,614)
Forecasted Cash Available/(Shortfall)	<u>\$ 200,835</u>	<u>\$ 213,975</u>	<u>\$ 227,513</u>	<u>\$ 241,460</u>
Debt coverage ratio-hard debt	1.898	1.957	2.017	2.080

CASH FLOW WATERFALL

Summary of Payments

Investor Asset Management Fee	12,035	12,396	12,768	13,151
Non-Profit Partnership Management Fee	19,256	19,834	20,429	21,042
Deferred Developer Fee & Contractor Fee	0	0	0	0
Seller Carryback Note	0	0	0	0
Administrative General Partner-Partnership Management Fee	19,256	19,834	20,429	21,042
Public Loans	75,143	80,955	86,943	93,112
Other Loan	0	0	0	0
Administrative General Partner-Incentive Management Fee	67,629	72,860	78,249	83,801
Distribution to Developer/Investor (99.99% to investor)	7,514	8,096	8,694	9,311
Total	<u>200,835</u>	<u>213,975</u>	<u>227,513</u>	<u>241,460</u>

Net Operating Income

West Cost Apartments Detailed Budget Pro-forma

	30	Year 1 (12 months)	
OPERATING INCOME			
TENANT INCOME			
Rental Income			
Tenant Rent		386,124	
Section 8 portion		103,608	
Less: Vacancy Loss (5%)		(24,667)	
Total Rental Income		465,065	
Other Tenant Income			
Laundry and Vending		3,600	
Late Charges			
Work Order Charges			
Misc. Tenant Income			
Total Other Tenant Income		3,600	
NET TENANT INCOME		468,665	
TOTAL OPERATING INCOME		468,665	
 OPERATING EXPENSES			
ADMINISTRATIVE			
Admin Salaries-Office		19,875	
Employee Benefits-Admin		5,625	
Legal		3,750	
Accounting & Auditing Fees		8,000	
Management Fee (5% of rental income)		24,486	
Advertising		94	
Office Supplies		1,875	
Telephone & Internet		2,625	
Postage		750	
Admin Service Contracts		750	
Fees and Bank Charges		75	
Other Misc Admin Expenses		375	
TOTAL ADMINISTRATIVE EXPENSES		68,280	
TENANT SERVICES			
Other Tenant Svcs.		938	
Case Management		5,000	
Supportive Services Fee		10,000	
TOTAL ADMINISTRATIVE EXPENSES		15,938	
UTILITIES			
Water		4,050	
Water-Irrigation		3,563	
Electricity		7,000	
Gas		1,600	
Garbage/Trash Removal		5,625	
Sewer		5,025	
TOTAL UTILITY EXPENSES		26,863	
MAINTENANCE AND OPERATIONS			
Maintenance Salaries		19,875	
Employee Benefits-Maint.		10,913	
Maintenance Materials-Other		8,363	
Contract Costs-Other		25,780	
TOTAL MAINTENANCE EXPENSES		64,931	
GENERAL EXPENSES			
Insurance		9,000	
State Tax	If financed with tax credits	800	
Security / Law Enforcement		2,500	
Bad Debt		1,688	
TOTAL GENERAL EXPENSES		13,988	
TOTAL OPERATING EXPENSES		190,000	\$ 6,333
OPERATING NET INCOME		278,665	PUM Includes Tenant Services