

**EXECUTIVE SUMMARY**

**DATE ISSUED:** February 8, 2010 **REPORT NO:** HCR 10-033  
**ATTENTION:** Chair and Members of the Housing Commission  
For the Agenda of February 19, 2010  
**SUBJECT:** Increased Loan for Arbor Crest Apartments (Council District 3)

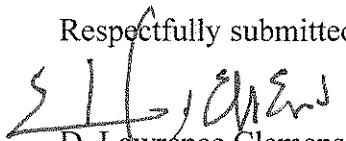
**SUMMARY:** On November 21, 2008 (HCR08-110), the Housing Commission approved a loan to Florida Street Housing Associates, L.P. of up to \$4,900,000, for the acquisition of a one acre site located at 3783-3825 Florida Street. CHW applied for tax credits in the single 2009 TCAC 9% tax credit application round and received a perfect competitive score, but lost out on the TCAC tiebreaker score. CHW intends to apply again on March 25, 2010, and is requesting additional subsidy from the Housing Commission in order to improve its potential TCAC tiebreaker score. The TCAC competitive scoring system for 2010 tax credit rounds, including tiebreaker, was revised and promulgated by TCAC on January 25, 2010. CHW revised its proforma and its request to the Housing Commission on February 1, 2010.

**STAFF RECOMMENDATION:** That the Board of Commissioners recommend that the Housing Authority of the City of San Diego approve the following:

1. A \$2,487,000 residual receipts loan to Florida Street Housing Associates, L.P. as additional gap financing for the development of 83 units of affordable rental housing. This is in addition to the original permanent loan of \$4,900,000, which was used by the developer to acquire the land and brings the total SDHC loan amount to \$7,387,000.
2. Authorization for the President and Chief Executive Officer of the Housing Commission, or designee, to execute necessary documents, including amending, if necessary, the affordability matrix contained in the existing Declaration of Covenants, Conditions and Restrictions recorded with the original Housing Commission Loan.

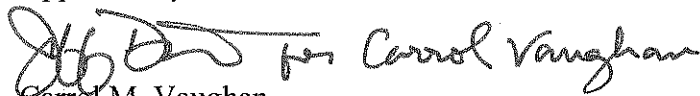
**FISCAL CONSIDERATIONS:** Since the initial \$4,900,000 funding allowed the Limited Partnership to acquire title to the property, this project's 83 units will not count toward the Housing Commission's 350 unit production goal. However, the Housing Commission will have an option to purchase the fee interest from the Limited Partnership after 15 years at its appraised fee simple market value as improved and rent-restricted, less the total Housing Commission principal and accrued interest, and less any tax credit investor exit taxes. The Agreement between the Housing Commission and the Redevelopment Agency provides that, if the Housing Commission exercises its option to purchase the fee interest after Year 15, the Housing Commission will have the option of either paying off the Agency's subordinated residual receipts loan or assuming the Agency's residual receipts loan from the sponsor/developer. This provision gives the Housing Commission some flexibility to respond based on financial conditions at the time of the option to purchase.

Respectfully submitted,



D. Lawrence Clemens  
Senior Vice President

Approved by,



Carol M. Vaughan  
Executive Vice President & Chief Operating Officer

**REPORT**

**DATE ISSUED:** February 8, 2010  
**ATTENTION:** Chair and Members of the Housing Commission  
For the Agenda of February 19, 2010  
**SUBJECT:** Increased Loan for Arbor Crest Apartments (Council District 3)

**HCR 10-033****REQUESTED ACTION:**

Approve a \$2,487,000 residual receipts loan for the potential development of 83 units of affordable rental housing for low-income and very low-income families in the community of North Park.

**STAFF RECOMMENDATION:**

That the Board of Commissioners recommends that the Housing Authority of the City of San Diego approve the following:

1. A \$2,487,000 residual receipts loan to Florida Street Housing Associates, L.P. as gap financing for the development of 83 units of affordable rental housing. This is in addition to the original permanent loan of \$4,900,000 which was used by the developer to acquire the land and brings the total loan amount to \$7,387,000.
2. Authorization for the President and Chief Executive Officer of the Housing Commission, or designee, to execute necessary documents, including amending, if necessary, the affordability matrix contained in the existing Declaration of Covenants, Conditions and Restrictions recorded with the original Housing Commission Loan.

**BACKGROUND:**

On November 21, 2008 (HCR08-110), the Housing Commission approved a loan to Florida Street Housing Associates, L.P. of up to \$4,900,000, for the acquisition of a one acre site located at 3783-3825 Florida Street within the North Park Redevelopment Project Area in order to allow the General Partner, Community HousingWorks (CHW), to meet the due diligence requirements of the seller and gain site control for the purpose of developing affordable housing.

CHW had submitted a loan application for Arbor Crest in response to a Notice of Funding Availability (NOFA) for Construction, Acquisition and Operation of Affordable Rental Housing dated March 14, 2008. CHW is a California 501(c)(3) nonprofit corporation established in 1988 with the mission of developing and operating affordable rental housing for low-income households throughout San Diego County. CHW focuses on services to tenants and benefits to communities and has completed over 29 developments (1,500 units) of affordable rental housing.

The Housing Commission approval included funding of the land acquisition loan prior to CHW receipt of tax credits. CHW closed the Housing Commission loan and acquired the site on February 27, 2009. The Housing Commission's approval limits the borrower to three competitive TCAC 9% tax credit rounds. If tax credit financing and construction financing are not closed within 36 months from the date of funding of the Housing Commission loan, all principal and interest shall be due and payable immediately in a balloon payment.

CHW made an application for tax credits in the single 2009 TCAC 9% tax credit application round, and received a perfect competitive score, but did not have a high enough tiebreaker score to win an allocation of tax credits. CHW intends to apply again on March 25, 2010, and is requesting additional subsidy from the Housing Commission in order to improve its potential TCAC tiebreaker score.

The TCAC competitive scoring system for 2010 tax credit rounds, including the tiebreaker, was revised and promulgated by TCAC on January 25, 2010. CHW revised its proforma rents for competitive scoring, and submitted its revised proforma to the Housing Commission on February 1, 2010. CHW is confident it can remain consistent with the Redevelopment Agency affordability restrictions, but it may need to amend the affordability matrix contained in the existing Declaration of Covenants, Conditions and Restrictions recorded with the original Housing Commission Loan.

### **FISCAL CONSIDERATIONS:**

The initial Housing Commission residual receipts loan amount of \$4,900,000 for site acquisition was less than the appraised land value of \$5,700,000. The proposed increased residual receipts loan amount of \$7,387,000 will be greater than the current or future land value and subordinate to the first deed of trust.

Since the initial \$4,900,000 funding allowed the Limited Partnership to acquire title to the property on behalf of the Limited Partnership, this project's 83 units will not count toward the Housing Commission's 350 unit production goal. However, the Housing Commission will have an option to purchase the fee interest from the Limited Partnership after 15 years at its appraised fee simple market value as improved and restricted for affordable rents, less the total Housing Commission principal and accrued interest, and less any tax credit investor exit taxes.

The Housing Commission has an appraisal dated January 20, 2010, which determined the fee simple interest at the end of the 15-year tax credit period is as follows:

Prospective Market Value of Fee Simple Interest (Restricted Rent) at Year 15	\$8,495,000
Indicated Land Value (Restricted Rent) at Year 15	\$1,699,000
Indicated Improvements Value (Restricted Rent) at Year 15	\$6,795,000
SDHC Land Loan Principal Balance at Year 15	\$4,900,000
SDHC Land Loan Accrued Interest at Year 15	2,063,095
SDHC Gap Loan Principal Balance at Year 15	2,486,949
SDHC Gap Loan Accrued Interest at Year 15	935,595
Total SDHC Loan Balances and Accrued Interest at Year 15	\$10,386,000
Less Tax Credit Investor Exit Tax	(28,047)
Value of SDHC Contributions at Year 15	\$10,357,953
Prospective Market Value of Fee Simple Interest (Restricted Rent) at Year 15	\$ 8,495,000

Under this valuation scenario, therefore, the Housing Commission would have the option to purchase the Leasehold interest (Improvements Value at Restricted Rent at Year 15) from the sponsor/developer with no additional funding from the Housing Commission.

The Agreement between the Housing Commission and the Redevelopment Agency provides that if the Housing Commission exercises its option to purchase the fee interest after Year 15, the Housing Commission will have the option of either paying off the Agency's residual receipts loan which is subordinate to the Housing Commission's residual receipts loan, or assuming the Agency's residual receipts loan from the sponsor/developer. This provision gives the Housing Commission some flexibility to respond based on financial conditions at the time of the option to purchase.

Total Sources of Funds are as follow:

Permanent Loan	\$3,740,000
SDHC residual receipts loan for land acquisition	\$4,900,000
SCHC additional residual receipts loan	2,487,000
Redevelopment Agency residual receipts loan	3,800,000
Accrued interest on soft debt	282,915
Refunds	104,680
Tax Credit Equity @ \$0.75 per tax credit	<u>14,940,140</u>
Total Sources	\$30,254,745

Total Uses of Funds are as follow:

Land costs	\$5,276,529
Construction costs	18,411,628
Financing costs	1,288,534
Reserves	174.253
Permits and Fees	1,194,612
Other development costs	<u>3,626,275</u>
Total Uses	\$30,254,745

The construction cost is estimated to be \$18,411,628 on a non-prevailing wage basis, and is at the high end of per unit (\$221,827) and per square foot (\$201) construction costs reviewed by the Housing Commission. It is noted, however, that the Arbor Crest design includes below grade parking structure, elevators, \$1,734,000 of site work, and about \$600,000 of off-site work. Any construction savings will reduce the residual receipts loan amounts proportionately, and any construction cost overruns will be the responsibility of the sponsor/developer.

Community HousingWorks describes the Arbor Crest Apartments as a four-story Type V (wood-frame construction) building over a Type I (concrete) parking garage and podium deck located on an infill site. The proposed project has a density of over 80 units per acre. Design features include two open courtyards which provide a variety of recreation opportunities to residents, while maximizing natural light into each residential unit and creating pass-through breezes to provide natural cooling and ventilation opportunities. Other sustainable measures proposed include photovoltaic panels, hydronic heat and hot water from high-efficiency central boilers (with potential solar hot water pre-heat), low/no-VOC interior materials, and enhanced unit ventilation for air quality. The building is LEED-registered, and the final target scoring is currently being refined with the architect and design team.

The design is further driven by community input and careful attention to the resident experience. A featured open central stair provides circulation throughout the multi-story building without elevator use. Resident amenities include a large computer lab and learning activities center for Community HousingWorks' award-winning Learning Communities and after school programs. In addition, a common kitchen and large multi-purpose space is provided for indoor programs and resident activities, and a covered outdoor activities patio provides opportunities to take advantage of San Diego's climate for outdoor activities. A large bike storage room and on-site storage areas will also be provided for residents. The walkway along Florida Street was enhanced based on community input. An opening in the building massing at the north courtyard also provides a view corridor from Florida Street through the site to the east, at the suggestion of neighborhood residents.

This development has required the relocation of approximately fifteen households and removal of eight existing structures from the one-acre site. As of this date, all households have been relocated at a final relocation cost of \$313,264 which is included in the project budget. The demolition cost of \$232,000 is included in the total land costs of \$5,276,529.

**PREVIOUS BOARD and/or CITY COUNCIL ACTION:**

The Housing Commission is considering the additional loan on February 19 2010. Staff could be available to report the outcome of the Housing Commission meeting. The initial site acquisition loan to Florida Street Housing Associates, L.P. of up to \$4,900,000 was approved by the Housing Commission on November 21, 2008, and by the Housing Authority on January 20, 2009.

**COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:**

A development concept for the property was approved by the North Park Planning Committee on October 21, 2008. The current multifamily entitlements were approved the City Hearing Officer on June 3, 2009.

**ENVIRONMENTAL REVIEW:**

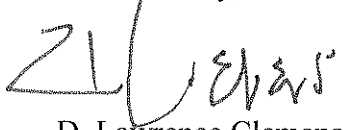
The City of San Diego previously certified (i) the information contained in Mitigated Negative Declaration [MND] No. 89239; (ii) that the matters described in this report are adequately addressed in said MND; and (iii) that there is no substantial change in circumstance, additional information or project changes at this time to warrant additional environmental review.

Should HOME funds constitute a portion of the funding for the project, a final reservation of HOME funds shall occur only upon satisfactory completion of environmental review and receipt by the City of San Diego of a release of funds from the U.S. Department of Housing and Urban Development under 24 CFR Part 58 of the National Environmental Policy Act (NEPA). The parties agree that the provision of any HOME funds to the project is conditioned on the City of San Diego's determination to proceed with, modify, or cancel the project based on the results of subsequent environmental review under NEPA.

**KEY STAKEHOLDERS & PROJECTED IMPACTS:**

Stakeholders include CHW as the nonprofit general partner, Florida Street Housing Partners, LP as the borrower, and the Community of North Park. Development of the property is expected to have a positive impact on the community because it will improve the quality of housing in the neighborhood and provide much-needed rental units affordable to low-income and very low-income families.

Submitted by,



D. Lawrence Clemens  
Senior Vice President

Approved by,



Carrol M. Vaughan  
Executive Vice President & Chief  
Operating Officer

Attachments:      1. CHW proforma  
                         2. CHW Project schedule

A copy is available for review at the Housing Commission offices located at 1122 Broadway, Suite 300 and at the offices of the City Clerk located on the 2<sup>nd</sup> floor of 202 "C" Street.

Information: J. Lohla (619) 578-7595

**Community HousingWorks**  
 Florida Street; North Park, San Diego  
 9% LIHTC - SDHC Additional Contribution / NO Prevailing Wage  
 Development Summary  
 2/1/2010

DEVELOPMENT ASSUMPTIONS			
<b>Site &amp; Structures</b>			
Site (Square Feet / Acres)	43,350	1.00	
Site 1		1.00	
Site 2		0.00	
Assessor's P. Number(s)		TBD	
	<b>SF</b>	<b>Per Unit</b>	<b>Total</b>
Total Land Cost	\$122		\$5,276,529
Residential Land Cost	\$63,573		\$5,276,529
Commercial Land Cost			\$0
Land Cost/Acre			\$0
Number of Buildings	2 Story	Type V	1
Number of Units			83
Density/Acre			83
Restricted Units			0
Leverage Score			55.00
<b>Residential/Commercial Space</b>			
Residential - Net Rentable			70,970
Residential - Corridor Space	13%		10,646
Residential - Community Space			2,928
Residential - Other			7,097
Commercial			0
Allocated Cost of Commercial Construction			0.00%
Total Residential SF			\$1,641
<b>Construction Cost</b>			
	<b>W/O</b>	<b>W/</b>	
	<b>P.Wages</b>	<b>P.Wages</b>	
Site/SF	\$40.00	\$46.00	
Photovoltaic/SF (50% Common Area Served)	\$0.00	\$0.00	
Unit Structures/SF (Net Rentable)	\$120.00	\$138.00	
"Green" upgrades	\$0.00	\$0.00	
Underground Garage/Space Avg			\$20,609
Prevailing Wages	n	15%	
Construction Cost / Net Res. SF	\$	247	
Cost per Unit	\$	364,515	

OPERATING ASSUMPTIONS	
Income Inflation	2.50%
Expenses Inflation	3.50%
Property Tax Inflation	2.00%
Vacancy - Housing	5%
Vacancy - Special Needs Housing	10%
Asset Management Fee	\$12,500
Resident Services Annual Allocation	\$38,500
Partnership Fee	5,000
Discount Rate	0%
Investor Cash Flow Participation	10%
Sponsor Cash Flow Participation	90%

TOTAL SDHC CONTRIBUTION	TOTAL
Per Unit	\$89,000 \$7,387,000
Per Bedroom	\$43,970

PERMANENT FINANCING SOURCES	PER UNIT	% OF TOTAL
Perm. Loan	\$3,740,000	\$45,060 12.36%
SDHC - LAND ACQUISITION	\$4,900,000	\$59,036 16.20%
SDHC - Addtl	\$2,487,000	\$29,964 8.22%
Redevelopment Agency	\$3,800,000	\$45,783 12.56%
	\$0	0.00%
		0.00%
		0.00%
Accrued Interest on Soft Debt	\$282,915	\$3,409 0.94%
Refunds	\$104,689	\$1,281 0.35%
Tax Credit Equity @ 0.75	\$14,940,140	\$180,002 49.38%
<b>TOTAL SOURCES</b>	<b>\$30,254,744</b>	<b>\$364,515 100.00%</b>
Surplus (Gap)		(\$2)

CONSTRUCTION FINANCING SOURCES AND USES	PER UNIT	% OF TOTAL
Construction Loan	\$16,174,961	\$194,879 53.46%
SDHC - LAND ACQUISITION	\$4,900,000	\$59,036 16.20%
SDHC - Addtl	\$2,487,000	\$29,964 8.22%
Redevelopment Agency	\$3,800,000	\$45,783 12.56%
		0.00%
		0.00%
Deferred Costs	\$1,398,768	\$16,853 4.62%
Tax Credit Equity 10%	\$1,494,014	\$18,000 4.94%
<b>TOTAL SOURCES</b>	<b>\$30,254,744</b>	<b>\$364,515 100.00%</b>
Excess (Deficit)		(\$2)

PERMANENT FINANCING USES	PER UNIT	% OF TOTAL
Land Costs	5,276,529	\$63,573 17.44%
Commercial Const Cost 0%	-	\$0 0.00%
Residential Const Cost 100%	18,411,628	\$221,827 60.88%
Financing Costs	1,288,534	\$15,525 4.26%
Accrued Interest on Soft Debt	282,915	\$3,409 0.94%
Reserves	174,253	\$2,099 0.58%
Local Permits and Fees	1,194,612	\$14,393 3.95%
Other Development Costs	\$3,626,275	\$43,690 11.99%
<b>TOTAL USES</b>	<b>\$30,254,744</b>	<b>\$364,515 100.00%</b>
Excess (Deficit)		(\$2)

PARKING CALCULATION				
Residential	Studio	1 BR	2 BR	3 BR
Transit Oriented Pking Ratio	0.75	0.75	1.75	1.75
Parking Spaces	0.00	12.00	57.75	45.50
Reduction for <50%AMI	0.00	(4.50)	(6.25)	(5.00)
Total Parking Spaces	0.00	13.50	51.50	40.50
Total Residential Spaces Required				106
Total Extra Spaces				4
<b>Total Parking</b>	<b>1.33 spaces/unit</b>			110
<b>Total Parking SQFT</b>	<b>317 SF/Staff</b>			34,677

DEVELOPER FEE	
Total Developer Fee	\$1,400,000
	\$0
	\$0
Net Developer Fee @ Completion	\$1,400,000
Earned @ Const Close 40%	\$560,000
Developer Fee During Const & Close out	\$840,000

## NOTES

1) Updates from 12/28/2009 version include: Updated affordability levels to maximize scoring under proposed 2010 TCAC Regulations, remaining consistent with RDA loan restrictions for low income and very low income categories; revised budget to include actual relocation payment amount; corrected parking calculation table; revised construction and perm loan interest rates to reflect market fluctuations; added calculation of proposed 2010 breakeven ratio.

**Florida Street, North Park, San Diego  
Financing Summary**

FINANCING ASSUMPTIONS	
Predevelopment Loan	\$2,088,770
Assumed Balance	50%
Interest Rate	3.00%
Term (months)	12
Construction Loan/LTV	\$16,174,961
Interest Rate	6.00%
Term (months)	24
Assumed Balance	37%
Lease-up and Conversion Term	6
Interest During Construction	538,626
Interest During Lease-up	485,249
<b>Total Constr. Interest</b>	<b>1,023,875</b>
Perm. Loan	\$3,740,000
Interest Rate	8.00%
Amortization	30
Debt C. Ratio	1.15
Term (years)	30
Annual Debt Svc. - Housing	\$329,314
Amount Due at end of Term	\$0
Perm. Loan - Comm'l Allocation	\$0
Interest Rate	8.00%
Amortization	30
Debt Coverage Ratio	1.15
Term (years)	30
Annual Payment	\$0
Amount Due at end of Term	\$0
Residual Loan Funding Sources	
<b>SDHC - LAND ACQUISITION</b>	<b>\$4,900,000</b>
Interest	0.00%
Term (years)	55
Minimum Annual Payment	\$0
Residual Annual Payment	\$0
Total Annual Payment	\$0
<b>SDHC - Add'l GAP</b>	<b>\$2,487,002</b>
A. Housing Portion	\$2,487,000
of which HOME	
Amount per Assisted Unit	\$29,964
B. Commercial	\$0
Amount per SF	
Interest Rate	3.00%
Term (years)	55
Accrued Interest - During Const	\$111,915
Residual Payment	0%
HOME Assisted Units	6.8
<b>Redevelopment Agency</b>	<b>3,800,000</b>
Interest Rate	3.00%
Term (years)	55
Accrued Interest - During Const	171,000
Residual Payment	
Other Funding Sources	
N	\$0
Amount per Assisted Unit	
Interest Rate	0.42%
Term (years)	55
Minimum Annual Payment	-
Residual Annual Payment	
Total Annual Payment	
AHP	0

TAX CREDIT EQUITY			
2009 THRESHOLD BASIS LIMITS - 9%			
# UNITS	Bedroom Count	LIMIT	TOTAL
0	Studio	\$140,349	\$0
24	1	\$161,821	\$3,883,704
33	2	\$195,200	\$6,441,600
26	3	\$249,856	\$6,496,256
			\$0
83	T. TH. BASIS LIMIT		<b>\$16,821,560</b>
<b>ADJUSTMENTS:</b>			
Prevailing Wages (1)	20.0%		0
Parking Beneath Units (1)	7.0%		1,177,509
Day Care Center (1)	2.0%		0
100% Special Needs (1)	2.0%		0
Energy Title 24	4.0%		672,862
Seismic/Environmental	at cost		0
Elevator	10.0%		1,682,156
Energy Technologies	at cost		0
Impact Fees	at cost		1,028,612
50% - 36% AMI (4% only)	65%		0
< 35% AMI (4% only)	11%		0
<b>ADJUSTED TH. BASIS LIMIT</b>			<b>\$21,382,699</b>
Total Eligible Basis			\$23,569,109
Energy ITC adjustment			-
Adjusted, Eligible Basis			\$23,569,109
Amount (Over)/Under Basis Limit			(\$2,186,409)
Voluntary Eligible Basis Reduction			20.37%
Voluntary Eligible Basis Reduction			(\$4,355,196)
Unadjusted Eligible Basis			\$17,027,503
Difficult to Develop Area Adjustment			30%
<b>ADJUSTED ELIGIBLE BASIS</b>			<b>\$22,135,754</b>
Percentage of Affordable Units			100%
Qualified Basis			\$22,135,754
Qualified Basis Reduction			0.00%
Reduction Amount			\$0
<b>ADJUSTED QUALIFIED BASIS</b>			<b>\$22,135,754</b>
Tax Credit Construction Rate			9.00%
Tax Credit Acquisition/Subsidy Rate			3.28%
<b>SELECT 4% or 9% CREDIT OPTION</b>			<b>9.00%</b>
Annual Federal Credit Amount (CALCULATED)			1,992,218
Annual Federal Credit Amount (MAX ALLOWED)			\$1,992,218
<b>FEDERAL CREDIT AMOUNT</b>			<b>\$19,922,179</b>
Total State Credit Amount			\$0
Percentage of Credits Sold			100.0%
Price Per Tax Credit Dollar			0.75
Equity from Federal Credit			\$14,940,140
Equity from State Credit			\$0
Total Gross Proceeds			\$14,940,140
Cost of Syndication			
<b>TOTAL TAX CREDIT EQUITY</b>			<b>\$14,940,140</b>
Tax Credit Equity at Constructio	10.00%		\$1,494,014
Tax Credit Equity at Takeout			\$13,446,126
<b>TCAC FEASIBILITY POINTS (MAX 20)</b>			
Cost Efficiency			20
Credit Reduction			0
Public Subsidy			36
<b>TOTAL</b>			<b>56</b>
<b>2009 TIEBREAKER RATIO</b>			<b>0.63308</b>
<b>2010 (Proposed) TIEBREAKER RATIO</b>			<b>0.80696</b>



PROPOSED AFFORDABILITY MIX			Guidelines		Actual Allocation
			MHP	9% ICAC	
Total Affordable Units:					
% of Units	@	60% of Median:	0%	25%	100%
% of Units	@	50% of Median:	0%	50%	23%
% of Units	@	40% of Median:	11%	15%	45%
% of Units	@	30% of Median:	13%	10%	21%
% of Units	@	25% of Median:	10%	0%	14%
% of Units	@	20% of Median:	10%	0%	0%
% of Units	@	35% - 50% AM			66%
% of Units	@	<35% AM			11%

Total NRSF	67,843
------------	--------

**PROPOSED RENTS**

STABILIZED OTHER INCOME	
Monthly Laundry Income:	\$10
Monthly Deposit Forfeitures:	\$0
Monthly Late Fees:	\$3
Monthly Pet Rent:	\$0
Monthly Misc. Charges:	\$0
<b>Total Monthly Other Income Per Unit:</b>	<b>\$13</b>
<b>Total Monthly Other Income:</b>	
	<b>\$1,079</b>

	UTILITIES			
BEDROOMS:	0	1	2	3 4
Heating(G)				
Cooking(E)	\$1	\$1	\$1	\$1
Water Heat(G)				
Other Elec	\$2	\$3	\$4	\$6
Water & Sewer				
Trash				
Range/Micro				
Refrigerator				
TOTAL	\$3	\$4	\$5	\$7

**UTILITY ASSUMPTIONS**

- (1) Assumes Central Boiler for Hot Water — Owner Paid
- (2) Assumes Hydronic Heat (Central Boiler) for Heating

**Florida Street, North Park, San Diego**  
**Operating Expenses**

83

	ANNUAL TOTAL	Percentage of Total	ANNUAL PER UNIT	PER MONTH	PER UNIT PER MONTH
<b>ADMINISTRATIVE EXPENSES</b>					
Advertising	400	0.10%	4.82	33.33	0.40
Legal	3,500	0.86%	42.17	291.67	3.51
Accounting/Audit	6,500	1.60%	78.31	541.67	6.53
Security	0	0.00%	0.00	0.00	0.00
Credit Checks and Bank Fees	1,120	0.28%	13.49	93.33	1.12
Licenses/Fees	1,050	0.26%	12.65	87.50	1.05
SDHC Monitoring Fee	3,735	0.92%	45.00	311.25	3.75
Office Expense	9,100	2.24%	109.64	758.33	9.14
Other Expense	0	0.00%	0.00	0.00	0.00
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>25,405</b>	<b>6.25%</b>	<b>306.08</b>	<b>2,117</b>	<b>25.51</b>
<b>MANAGEMENT FEE</b> Per Unit/Month \$ 40	<b>39,840</b>	<b>9.81%</b>	<b>480.00</b>	<b>3,320</b>	<b>40.00</b>
<b>UTILITY EXPENSES (uses BL #'s)</b>					
Electricity Tenant Paid - Common Only	7,029	1.73%	84.69	586	7.06
Gas Central Boiler	22,500	5.54%	271.08	1,875	22.59
Water	12,500	3.08%	150.60	1,042	12.55
Sewer	12,500	3.08%	150.60	1,042	12.55
<b>TOTAL UTILITY EXPENSES</b>	<b>54,529</b>	<b>13.42%</b>	<b>656.98</b>	<b>4,544</b>	<b>54.75</b>
<b>PAYROLL EXPENSES</b>					
On-Site Manager 1.5 FTE	47,250	11.63%	569.28	3,938	47.44
Maintenance Personnel	35,000	8.62%	421.69	2,917	35.14
Payroll Taxes/Benefits 40%	32,900	8.10%	396.39	2,742	33.03
<b>TOTAL PAYROLL EXPENSES</b>	<b>115,150</b>	<b>28.35%</b>	<b>1,387.35</b>	<b>9,596</b>	<b>115.61</b>
<b>INSURANCE</b>	<b>25,000</b>	<b>6.15%</b>	<b>301.20</b>	<b>2,083</b>	<b>25.10</b>
<b>REPAIRS &amp; MAINTENANCE</b>					
Painting	6,225	1.53%	75.00	519	6.25
Repairs	20,750	5.11%	250.00	1,729	20.83
Trash Removal	18,924	4.66%	228.00	1,577	0.08
Pest Control	1,250	0.31%	15.06	104	1.26
Landscaping	8,525	2.10%	102.71	710	8.56
Supplies	3,500	0.86%	42.17	292	3.51
Elevator	5,115	1.26%	61.63	426	5.14
Parking deck ops & maint	1,705	0.42%	20.54	142	1.71
Fire Protection	3,978	0.98%	47.93	332	3.99
Lock & Keys	284	0.07%	3.42	24	0.29
Uniforms	120	0.03%	1.45	10	0.12
Telephone / Cable / Internet	0	0.00%	0.00	0	0.00
Other	10,000	2.46%	120.48	833	10.04
<b>TOTAL REPAIRS &amp; MAINTENANCE</b>	<b>80,376</b>	<b>19.79%</b>	<b>968.39</b>	<b>6,698</b>	<b>80.70</b>
<b>TOTAL RESIDENTIAL OPERATING EXPENSES</b>	<b>340,300</b>	<b>83.78%</b>	<b>4,100.00</b>	<b>28,358</b>	<b>341.67</b>
<b>RESIDENT SERVICES</b>	<b>38,500</b>	<b>9.48%</b>	<b>463.86</b>	<b>3,208</b>	<b>38.65</b>
<b>TRANSIT PASS SUBSIDY</b>	<b>0</b>	<b>0.00%</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>
<b>REPLACEMENT RESERVES</b> 300	<b>24,900</b>	<b>6.13%</b>	<b>300.00</b>	<b>2,075</b>	<b>25.00</b>
<b>REAL ESTATE TAXES &amp; ASSESSMENTS</b>	<b>2,500</b>	<b>0.62%</b>	<b>30.12</b>	<b>208</b>	<b>2.51</b>
<b>TOTAL ANNUAL OPERATING EXPENSES</b>	<b>406,200</b>	<b>100.00%</b>	<b>4,893.98</b>	<b>33,850</b>	<b>407.83</b>

**Florida Street; North Park, San Diego  
Development Budget**

ACCT CODE	Enter as Non-PW	Notes	Acquisition Loan	PREDEV	TOTAL COST Non-PW	ELIGIBLE BASIS	CONSTR	DEFER TO PERM.
1200		<b>LAND ACQUISITION</b>						
1210		Land Cost + Value of Arch & Engr.	4,500,000	22,030	4,922,030	0	4,922,030	0
		RELOCATION PAYMENT CREDIT			0			
		ARCHITECTURE / ENGINEERING CREDIT			0			
1225	232,000	Demolition		232,000	232,000	0	232,000	0
1240	10,500	Legal		10,500	10,500	0	10,500	0
1255	0	Existing Improvements Value		0	0	0	0	0
1270	13,969	Title Escrow and Recording		13,969	13,969	0	13,969	0
	98,000	Acquisition Consultant/Broker Fee		98,000	98,000	0	98,000	0
1285	0	Land Interest Cost		0	0	0	0	0
	0%	Land Cost Contingency		0	0	0	0	0
1200		<b>TOTAL ACQUISITION COST</b>	<b>4,900,000</b>	<b>376,529</b>	<b>5,276,529</b>	<b>0</b>	<b>5,276,529</b>	<b>0</b>
1300		<b>CONSTRUCTION WORK</b>						
1310	40.00	On Site Work		18,000	1,734,000	1,734,000	1,734,000	0
1315	599,360	Offsites	allowance		599,360	599,360	599,360	0
	0	Abatement	at on-site work		0	0	0	0
1316	0	Landscaping, tot lot	in on-site work		0	0	0	0
1318	0	Off-Site Improvements cost share			0	0	0	0
1320	120	Direct Construction (cost per gba)			10,996,920	10,996,920	10,996,920	0
1322	0	Photovoltaic system			0	0	0	0
1323	0	"Green" upgrades - (\$ per gross SF)	included above		0	0	0	0
1324	66	Structured Parking (price per sf)			\$2,267,005	2,267,005	2,267,005	0
1326	0	Structures-Elevator - (Enter as Lump Sum)	included in cost		0	0	0	0
1330	1.00%	GC Contingency			158,293	158,293	158,293	0
1335	13	General Conditions (number of months)	\$50,000		900,000	900,000	900,000	0
1340	4.00%	GC Fee			536,503	536,503	536,503	0
1350	0.00%	Contractor Bonds			0	0	0	0
1360	1.00%	General Contractor (GC) Liability Insurance			158,876	158,876	158,876	0
1365	0.50%	Builder's Risk			79,938	79,938	79,938	0
1370	0.00%	Prevailing Wage Monitoring			0	0	0	0
1300		<b>TOTAL CONSTRUCTION</b>		<b>18,000</b>	<b>17,534,884</b>	<b>17,534,884</b>	<b>17,534,884</b>	<b>0</b>
1670	5.0%	<b>CONSTRUCTION CONTINGENCY</b>			<b>876,744</b>	<b>876,744</b>	<b>876,744</b>	<b>0</b>
1400		<b>ARCHITECTURAL FEES</b>						
1410		Design and Con Supervision		830,000	733,000	733,000	733,000	0
		Peer Review/Owner's Rep		12,500	15,000	15,000	15,000	0
		Design / Green Certification		21,151	38,462	38,462	38,462	0
1420		Expenses		28,000	35,000	35,000	35,000	0
1400		<b>TOTAL ARCHITECTURAL COSTS</b>		<b>861,651</b>	<b>821,462</b>	<b>821,462</b>	<b>821,462</b>	<b>0</b>
1480		<b>SURVEY &amp; ENGINEERING COSTS - PRE CONST MOVED TO LAND COST</b>		<b>225,000</b>	<b>278,111</b>	<b>278,111</b>	<b>278,111</b>	<b>0</b>
1500		<b>CONSTRUCTION FINANCING</b>						
1510		Construction Loan Interest			1,023,875	538,826	1,023,875	0
1520	1.00%	Construction Loan Fee			161,750	161,750	161,750	0
1502	90,000	Construction Management		20,000	90,000	90,000	90,000	0
1535	595	Bank Construction Monitoring			12,000	12,000	12,000	0
1540		Accrued Interest on Soft Debt			282,915	282,915	282,915	262,915
1545	26,000	Real Estate Taxes		40,000	25,000	25,000	25,000	0
1503	det. Below	Insurance		2,000	24,800	24,800	24,800	0
	30,000	Construction Loan - Other		20,000	30,000	30,000	30,000	0
1565	17,500	Title Escrow & Recording - Construction (LUMP SUM)			17,500	17,500	17,500	0
1500		<b>TOTAL CONSTRUCTION INTEREST &amp; FEES</b>		<b>91,000</b>	<b>1,667,940</b>	<b>1,182,691</b>	<b>1,385,025</b>	<b>262,915</b>
1570		<b>PERMANENT FINANCING</b>						
1572	1.00%	Permanent Loan Fee - Housing			37,400	0	0	37,400
1575	0.00%	Rate Lock Fee - Housing			0	0	0	0
1578	1.50%	Permanent Loan Fee - Commercial			0	0	0	0
1580	0.00%	Rate Lock Fee - Commercial			0	0	0	0
1582	det. Below	Cost of Issuance	PRIVATE		0	0	0	0
1585		Low Floorer Cap			0	0	0	0
1588	30,000	Title Escrow & Recording - Permanent			30,000	0	0	30,000
1570		<b>TOTAL PERMANENT FINANCING COSTS</b>			<b>67,400</b>	<b>0</b>	<b>0</b>	<b>67,400</b>
1590		<b>PREDEVELOPMENT FINANCING</b>						
1592	0.20%	Predevelopment Loan Fee		4,178	4,178	0	4,178	0
1596		Predevelopment Loan Interest		31,332	31,332	0	31,332	0
1590		<b>TOTAL PREDEVELOPMENT FINANCING</b>		<b>35,509</b>	<b>35,509</b>	<b>0</b>	<b>35,509</b>	<b>0</b>
1600		<b>LEGAL FEES - (ENTER AS LUMP SUM)</b>						
1610	25,000	Bank Legal - Construction + Fees		4,000	25,000	25,000	25,000	0
1620	20,000	Owner Legal - Construction		15,000	20,000	20,000	20,000	0
1630	10,000	Bank Legal - Permanent		10,000	0	0	0	10,000
1640	10,000	Owner Legal - Permanent		10,000	0	0	0	10,000
1600		<b>TOTAL LEGAL COSTS</b>		<b>19,000</b>	<b>65,000</b>	<b>45,000</b>	<b>45,000</b>	<b>20,000</b>
1650		<b>RESERVES</b>						
1652	0	Construction Defect Reserve			0	0	0	0
1655	0	Replacement Reserve - Initial Deposit (Enter per unit)			0	0	0	0
	0	Reserve for AM Fee			0	0	0	0
1658	3	Operating Reserve - ENTER # of MONTHS			174,253	0	0	174,253
1650		<b>TOTAL RESERVE COSTS</b>			<b>174,253</b>	<b>0</b>	<b>0</b>	<b>174,253</b>
1690	14,200	<b>APPRAISAL COSTS</b>			<b>14,200</b>	<b>14,200</b>	<b>0</b>	<b>14,200</b>
1700		<b>OTHER</b>						
1701	det. Below	Tax Credit Fees		115,719	115,719	0	115,719	0
1702		Environmental Consultants		2,230	8,230	8,230	8,230	0
1732	8,500	Accounting/Audit (non-tax credit)			8,500	0	8,500	0
1735	2,000	Permit Processing Fees - (Enter PER UNIT)		125,000	166,000	166,000	166,000	0
1738	12,393	Development Impact Fees - (PER UNIT)			1,028,612	1,028,612	1,028,612	0
1740	15,000	Signage			15,000	0	15,000	0
1742	25,000	Marketing/Rent-Up		228	25,000	0	25,000	0
1745	10,200	Market Study		10,200	10,200	10,200	10,200	0
1748	40,000	PFE			40,000	40,000	40,000	0
1750	det. Below	Utility Deposits			0	0	0	0
1703	det. Below	Relocation		333,500	313,264	313,264	313,264	0
	1,106	Entitlement Consultant		1,106	1,106	0	1,106	0
1759	10%	Soft Cost Contingency		61,018	161,083	161,083	161,083	0
1700		<b>TOTAL OTHER COSTS</b>		<b>847,091</b>	<b>1,912,713</b>	<b>1,416,016</b>	<b>1,912,713</b>	<b>0</b>
1119		<b>SUBTOTAL DEVELOPMENT COST</b>	<b>4,900,000</b>	<b>2,688,770</b>	<b>28,724,745</b>	<b>22,169,109</b>	<b>28,165,977</b>	<b>558,768</b>
1800		<b>DEVELOPER COSTS</b>						
1801		Developer Fee			1,400,000	1,400,000	560,000	840,000
1802	det. Below	Syndication			130,000	0	130,000	0
		Development Consulting			0	0	0	0
1820	0	Project Administration/Other			0	0	0	0
1800		<b>TOTAL DEVELOPER COSTS</b>			<b>1,530,000</b>	<b>1,400,000</b>	<b>690,000</b>	<b>840,000</b>
		<b>TOTAL PROJECT COST</b>			<b>2,656,770</b>	<b>35,254,745</b>	<b>23,685,109</b>	<b>1,366,768</b>

Maximum developer fee lesser of 15% of  
eligible basis or \$2.5 million

3,535,366



Florida Street, North Park, San Diego														
Cash Flow Projections														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>Housing Portion</b>														
Gross Scheduled Income	813,238	833,559	854,329	875,759	897,852	920,632	943,095	966,673	990,830	1,015,610	1,041,001	1,067,026	1,093,701	1,121,044
Other Income	12,548	13,272	13,803	14,444	14,292	14,649	15,016	15,393	15,776	16,170	16,575	16,989	17,414	17,848
Vacancy	(41,308)	(42,542)	(43,400)	(44,485)	(45,591)	(46,737)	(47,900)	(49,080)	(50,331)	(51,589)	(52,879)	(54,201)	(55,556)	(56,943)
Effective Gross Income	784,478	804,489	824,732	845,718	866,553	887,554	908,211	928,983	949,275	969,999	990,696	1,011,314	1,031,858	1,052,331
Operating Expenses	(340,300)	(352,211)	(364,536)	(377,297)	(390,502)	(404,170)	(418,316)	(432,957)	(448,110)	(463,784)	(480,027)	(496,828)	(514,217)	(532,214)
Service Amenities	(38,500)	(39,848)	(41,242)	(42,686)	(44,180)	(45,726)	(47,326)	(48,983)	(50,697)	(52,472)	(54,308)	(56,209)	(58,176)	(60,212)
Transit Pass Subsidy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Replacement Reserves	(24,800)	(25,772)	(26,674)	(27,607)	(28,573)	(29,573)	(30,608)	(31,680)	(32,789)	(33,936)	(35,124)	(36,353)	(37,626)	(38,943)
Real Estate Taxes	(12,500)	(12,550)	(12,601)	(12,653)	(12,706)	(12,760)	(12,815)	(12,872)	(12,929)	(12,988)	(13,047)	(13,108)	(13,171)	(13,234)
Net Operating Income - Res	378,667	384,109	389,547	394,974	400,385	405,778	411,140	416,470	421,760	427,002	432,190	437,316	442,370	447,345
<b>Total Net Operating Income</b>	378,667	384,109	389,547	394,974	400,385	405,778	411,140	416,470	421,760	427,002	432,190	437,316	442,370	447,345
Debt Service - Housing Allocation	(329,314)	(329,314)	(329,314)	(329,314)	(329,314)	(329,314)	(329,314)	(329,314)	(329,314)	(329,314)	(329,314)	(329,314)	(329,314)	(329,314)
<b>After DS Cash Flow</b>	49,354	54,796	60,233	65,660	71,072	76,462	81,826	87,156	92,446	97,689	102,877	108,002	113,057	118,031
Debt Coverage	1.15	1.17	1.18	1.20	1.22	1.23	1.25	1.26	1.28	1.30	1.31	1.33	1.34	1.36
<b>Cash Flow Distribution:</b>														
Partnership Fee - Investor	5,000	5,175	5,356	5,544	5,738	5,938	6,148	6,361	6,584	6,814	7,053	7,300	7,555	7,820
Resident Services	1,900	1,950	2,000	2,050	2,100	2,150	2,200	2,250	2,300	2,350	2,400	2,450	2,500	2,550
Available for Distribution	31,554	36,583	41,487	46,258	50,990	55,678	60,314	64,991	69,402	73,818	78,191	82,453	86,613	90,662
Deferred Developer Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Starting Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Fee Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Available for Residual Split</b>	31,554	36,583	41,487	46,258	50,990	55,678	60,314	64,991	69,402	73,818	78,191	82,453	86,613	90,662
<b>Residual Loan Payments</b>														
SDHC - LAND ACQUISITION	6,076	6,034	6,086	6,141	6,197	6,254	6,311	6,369	6,427	6,486	6,546	6,606	6,667	6,728
SDHC - Adm	3,541	3,541	3,541	3,541	3,541	3,541	3,541	3,541	3,541	3,541	3,541	3,541	3,541	3,541
Redevelopment Agency	5,110	5,110	5,110	5,110	5,110	5,110	5,110	5,110	5,110	5,110	5,110	5,110	5,110	5,110
<b>Total - Residual Payments</b>	15,927	15,927	15,927	15,927	15,927	15,927	15,927	15,927	15,927	15,927	15,927	15,927	15,927	15,927
<b>Sponsor Residual</b>	15,927	15,927	15,927	15,927	15,927	15,927	15,927	15,927	15,927	15,927	15,927	15,927	15,927	15,927
Cash Flow to Investor	14,334	14,334	14,334	14,334	14,334	14,334	14,334	14,334	14,334	14,334	14,334	14,334	14,334	14,334
Cash Flow to Sponsor	1,593	1,593	1,593	1,593	1,593	1,593	1,593	1,593	1,593	1,593	1,593	1,593	1,593	1,593

