DATE: OCTOBER 25, 2004

TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION

FROM: CYNTHIA J. KURTZ, CHIEF EXECUTIVE OFFICER

SUBJECT: AMENDMENT AGREEMENT TO OWNER PARTICIPATION, PURCHASE, DEVELOPMENT, LOAN AND LEASE AGREEMENT NO. CDC-517 BETWEEN LOS ANGELES COMMUNITY DESIGN CENTER AND PASADENA COMMUNITY DEVELOPMENT COMMISSION FOR THE ORANGE GROVE GARDENS 38-UNIT AFFORDABLE RENTAL HOUSING PROJECT AT 252-284 E. ORANGE GROVE BLVD.

## RECOMMENDATION

It is recommended that the Pasadena Community Development Commission ("PCDC") take the following actions:

1. Approve the key terms of the Amendment Agreement to Owner Participation, Purchase, Development, Loan and Lease Agreement No. CDC-517 (the "Agreement") as described in this staff report, including: a) the provision of additional loan assistance in the amount of $801,000, b) the elimination of the requirement for a payment in-lieu of property taxes; c) the subordination of PCDC's fee interest to the Citibank construction trust deed loan with full cure rights; d) pledge to provide supplemental permanent financing in the event Section 8 Project-Based Vouchers are not approved by HUD; e) authorizing the Chief Executive Officer to take any and all steps necessary to implement the Agreement as amended.

2. Approve a journal voucher appropriating $801,000 from the PCDC Housing Opportunities Fund for the Orange Grove Gardens projecct.

## ADVISORY BODIES

The Northwest Commission, at its meeting on October 12, 2004, unanimously approved the staff recommendation.

The Community Development Committee, at its meeting on October 14, 2004, unanimously approved the staff recommendation.

## BACKGROUND

On November 3, 2003 the Pasadena Community Development Commission ("PCDC") approved the terms and conditions of Owner Participation, Purchase, Development, Loan and Lease Agreement No. CDC-517 ("Agreement") with the Los Angeles Community Design Center ("Developer") for the development of Orange Grove Gardens, a 38-unit affordable housing complex for families located at 252-284 E. Orange Grove Blvd. ("Project").

Under the original terms of the Agreement, the Project site was acquired by PCDC at a consideration of $1,600,000 and leased to the Developer pursuant to a ground lease agreement. The Agreement also obligated PCDC to provide the Developer with loan assistance totaling $510,200 for the development of the Project and Section 8 project-based rental vouchers for nine (9) dwelling units. Within the past year, the Developer has successfully applied for and received over $8.3 million in assistance from highly competitive funding sources:

| | |
|---|---|
| $ 190,000 | Federal Home Loan Bank "Affordable Housing Program" loan |
| 1,057,000 | Los Angeles County "City of Industry" loan |
| 7,115,000 | California Tax Credit Allocation Committee tax credits |
| $8,362,000 | Total |

In addition, the Developer has received a commitment of $9.8 million in construction financing and approximately $1.4 million in permanent financing from Citibank.

Unfortunately, during this period, the construction industry has experienced significant increases in the cost of building materials. Consequently, on September 9, 2004 the Developer informed the City that the total development cost of the Project had increased to $12 million (excluding property acquisition costs) from the $9.3 million cost estimated when the Agreement was approved one year ago, resulting in a financing shortfall of approximately $2.67 million. Prior to approaching the City for additional assistance, however, the Developer reduced the gap by over $1.63 million through a combination of value engineering, cost reductions, additional deferral of its Developer fee, and aggressively securing more favorable conventional financing terms and tax credit pricing. Keyser Marston Associates ("KMA"), PCDC's economic consultant, performed a financial analysis of the Developer's request and determined that the unmet financing gap for the Project is $1,001,000. The analysis is attached to this report.

## KEY TERMS OF AMENDMENT AGREEMENT

To resolve the $1,001,000 financing gap based upon the KMA analysis, it is recommended that PCDC provide an amount not to exceed $801,000 in additional loan assistance to the Developer for Project development costs. With this additional assistance, the PCDC loan amount for the Project will total $1,311,200 ($510,200 loan under current Agreement plus additional $801,000). The key repayment provisions of the PCDC loan, which will have a term of 55 years and bear simple interest at the rate of 3% per annum, will not be altered under the proposed Amendment Agreement (the "Amendment"). Annual payments on the loan will be made from available residual receipts per the existing terms of the Agreement. According to the KMA analysis, the PCDC loan is expected to be fully satisfied by Year 47 of the 55-year term.

The balance of the financing gap, $200,000, would be filled by eliminating the requirement under the present terms of the Agreement that the Developer contribute an annual payment in-lieu of property taxes ("PILOT") to PCDC. Under the existing terms of the Agreement, the Developer would have been required to make an annual PILOT contribution to PCDC in the amount of $16,700 (subject to 2% annual increases).

The total Project cost is now estimated at $13,420,200:

| | |
|---|---|
| $ 1,666,000 | Property (holding & acquisition) |
| 8,325,200 | Direct costs |
| 2,537,000 | Indirect costs |
| 891,000 | Financing costs |
| $13,420,200 | Total |

The proposed permanent financing for the Project is summarized as follows:

| | |
|---|---|
| $ 7,115,000 | Low Income Housing Tax Credit Proceeds |
| 2,911,200 | PCDC direct assistance (property acquisition, project development) |
| 920,000 | Primary Conventional Financing |
| 443,000 | Secondary Conventional Financing supported by PCDC Section 8 |
| 1,057,000 | Los Angeles County "City of Industry" Loan |
| 783,000 | Deferred Developer Fee |
| 190,000 | Federal Home Loan Bank "Affordable Housing Program" Loan |
| $13,420,200 | Total |

Citibank has committed to providing over $9.8 million in construction financing and approximately $1.4 million in permanent financing for the Project, subject to two conditions to be satisfied at time of loan closing: 1) PCDC subordination of its fee interest in the subject property to their trust deed construction loan in the event of foreclosure during construction; and 2) a pledge of supplemental permanent financing in the event that the nine (9) Section 8 Project-Based vouchers committed by PCDC to the Project are not approved by HUD. With respect to these conditions, staff recommends as follows:

a) Subordination of PCDC fee interest to the Citibank trust deed construction loan in the event of foreclosure during the construction period subject to PCDC having full cure rights during both the construction and permanent financing periods, and PCDC retaining approval rights over Developer's construction draws.

b) Provide the required pledge, which shall be shared equally by PCDC and Developer. The pledge shall terminate immediately upon HUD approval of the Section 8 Project-Based vouchers. Any PCDC permanent financing provided pursuant to this pledge will be secured by a trust deed loan underwritten in accordance with similar terms contemplated for the Citibank conventional financing. In staff's estimation, the likelihood that HUD would not approve the Section 8 voucher commitment prior to completion of the Project is very low.

In addition to the key financing terms discussed above, it is anticipated that the Amendment will include clarification of provisions in the Agreement and/or modifications which are technical in nature.

The additional loan assistance proposed brings the PCDC financial investment in the Project to a total of $3,354,200. This amount consists of $1,600,000 for property acquisition; $1,311,200 in loan assistance; and Section 8 project-based vouchers for nine (9) units with a present value of $443,000. This equates to a PCDC subsidy of approximately $88,300 per unit for family rental housing, and compares favorably to local subsidy levels for other similar affordable rental housing projects in the Los Angeles county area (e.g., Mercy Housing project in Los Angeles - $98,000 per unit; L. A. Family Housing project in Los Angeles - $108,000; Jamboree Housing project in Long Beach - $113,000; Community Corporation project in Santa Monica - $123,000).

**PROJECT STATUS**

The Project received final design approval from the Design Commission on September 13, 2004 and is currently in plan check. Pursuant to the State tax credit regulations, the Developer is required to commence construction on the Project by November 15, 2004, otherwise the tax credit award will be rescinded. PCDC approval of the subject recommendation will enable the Developer to move the Project into construction by this deadline. The Developer is a nonprofit housing sponsor with a distinguished record of building quality affordable housing developments in Southern California.

**FISCAL IMPACT**

Approval of the subject recommendation will result in a reduction in the PCDC Housing Opportunities Fund balance by $801,000. In addition, the Developer would not be required to make an annual PILOT payment to PCDC, which amounts to $16,700, subject to 2% annual increases.

Respectfully submitted,

Cynthia J. Kurtz
Chief Executive Officer

Prepared by:

James Wong
Project Manager

Reviewed by:

Gregory Robinson, Administrator
Housing and Community
Development Division

Approved by:

Richard J. Bruckner, Director
Planning and Development Department

OGGAmend-PCDC.doc

KEYSER MARSTON ASSOCIATES INC.

500 SOUTH GRAND AVENUE, SUITE 1480
LOS ANGELES, CALIFORNIA 90071
PHONE: 213 622-8095
FAX: 213/622-5204
WWW.KEYSERMARSTON.COM



**MEMORANDUM**

**To:** Greg Robinson, Housing Administrator
City of Pasadena

**From:** Kathleen Head

**Date:** October 19, 2004

**Subject:** Orange Grove Gardens Apartments:
HOME Layering Analysis

At your request, Keyser Marston Associates, Inc. (KMA) prepared a layering review for a 38-unit apartment project (Project) proposed to be developed on a 1.16 acre site located at 252-284 East Orange Grove Boulevard (Site). The Project will be developed by the Los Angeles Community Design center (Developer), and will be subject to long-term income and affordability restrictions. The purpose of the KMA analysis is to estimate the amount of public assistance warranted by the Project, and to identify the funding sources that will be used to fill the Project's financial gap.

**EXECUTIVE SUMMARY**

The Project includes 38 two- and three-bedroom units and 69 parking spaces. All 38 units will be rented to very-low income households with incomes ranging from 30% to 50% of the Los Angeles County median (Median) income. The Project will receive funding from the following sources:

1. Conventional long-term financing;

2. The competitively awarded 9% Low Income Housing Tax Credits (Tax Credits);

3. City of Industry loan funds distributed by the Los Angeles County Community Development Commission (Industry Funds);

4. An Affordable Housing Program grant awarded by the Federal Home Loan Bank (AHP); and

5. A deferral of 72% of the "Developer Fee" amount that is included in the Project's development cost budget.

The Pasadena Community Development Commission (Commission) will fill the financial gap between the Project costs and the available outside funding sources. The Commission assistance will be derived from the following sources:

1. The Site was purchased received with HOME Program funds provided to the Commission by the United States Department of Housing and Urban Development (HUD). The Site will be ground leased to the Developer with the payments based on the cash flow generated by the Project.

2. HUD Project Based Section 8 rental assistance funds will be provided to nine units over at least a 10-year term.

3. The Commission's direct financial contribution will be derived from the following sources:

   a. HOME Program funds;

   b. Property tax increment funds received by the Pasadena Redevelopment Agency (80% Funds); and

   c. Other funding sources such as in-lieu fees revenues from the City of Pasadena (City) Inclusionary Housing Ordinance, or State Matching funds that were recently received by the Commission.

The Project has already been awarded Tax Credits, Industry Funds and AHP funds. Thus, all the competitively awarded sources proposed to be used for the Project are now available for use. The following analysis identifies the supportable amount of Commission financing. The results of the analysis can be summarized as follows:

1. Supportable Commission Financial Assistance:

   a. The cost to acquire the Site totaled $1.6 million. The Site will be ground leased to the Project at a nominal cost.

   b. The commitment to provide Project Based Section 8 assistance to the Project has a value of approximately $443,000.

   c. The remaining gap between the estimated Project costs and the available outside funding sources totals $1.31 million.

2. HUD establishes subsidy limits based on the number of bedrooms included in the units that receive HOME Program assistance. Based on the 2004 limits, and the amount of HOME Program assistance being provided, at least 11 units must be designated as HOME units.

3. The Project will be subject to State of California prevailing wage requirements. As the assistance package is proposed to be structured, the Project will not be subject to federal Davis Bacon wage requirements. However, if more HOME Program assistance is provided than is currently anticipated, it is possible that Davis Bacon wage requirements will also be triggered.

**FINANCIAL ANALYSIS**

KMA prepared a pro forma analysis to estimate the amount of Commission financial assistance required to make the Project financially feasible. The pro forma is presented at the conclusion of this memorandum, and is organized as follows:

| | |
|---|---|
| Table 1: | Estimated Construction Costs |
| Table 2: | Net Operating Income |
| Table 3: | Supportable Commission Assistance Calculation |
| Table 4: | Commission Assistance Sources |
| Table 5: | HOME Program Units Calculation |

**Estimated Construction Costs (Table 1)**

The Developer obtained a construction cost bid for the Project from Dreyfuss Construction; the bid is based on the assumption that both Davis Bacon and State prevailing wage requirements will be imposed on the Project.[1] The KMA direct cost estimates are based on the Dreyfuss Construction September 2, 2004 bid, and KMA independently estimated the indirect cost and financing costs for the Project. The construction costs are estimated as follows:

1. Direct Construction Costs [2]

   a. The City's Planning Department has identified the off-site improvements that will be required to serve the Project. The costs for these improvements are estimated at $61,000.

---

[1] HUD imposes Davis Bacon wage requirements on projects with more than 11 HOME units. The State of California imposes Sate prevailing wage requirements on projects with multiple assistance sources.
[2] The direct construction costs include a 13% allowance for contractors' fees; a 3% allowance for construction bonds and insurance; and a 10% direct cost contingency allowance.

b. The on-site improvement and landscaping costs are estimated at $438,000, or approximately $8.60 per square foot of land area.

c. The costs to build a one-level parking structure are estimated at $870,000, or $12,600 per space.

d. The building costs are estimated at $7.11 million, or $152 per square foot of gross building area.

2. Indirect Costs

a. The architecture, engineering and consulting fees; and taxes, legal and accounting fees are estimated at 8% and 3% of direct costs, respectively.

b. The public permits and fees costs are estimated at $212,000 or $5,600 per unit.

c. The Developer estimated the insurance costs at $108,000, which equals $2,800 per unit.

d. The marketing and leasing costs are estimated at $19,000, or $500 per unit.

e. The Developer Fee is set at $1.09 million, which equals 10% of the applicable Tax Credit basis. This is below the 15% of tax credit basis maximum that is allowed by the Tax Credit Allocation Committee (TCAC).

f. An allowance equal to 5% of the indirect and financing costs are provided as a contingency allowance.

3. Financing Costs

a. KMA estimated the construction period interest costs at $562,000, based on the following assumptions:

i. The construction loan amount is set equal to the construction costs minus the assistance sources available during construction and the costs that can be deferred until after construction is completed.

ii. It is estimated that the average outstanding balance on the construction loan will be 60% over life of the construction period.

iii. The construction loan is anticipated to carry an average interest rate of 7%.

b. The financing fees are estimated at $174,000, which equals 1.5 points on the construction loan and 2.0 points on the permanent financing.

c. A $78,000 capitalized reserve account is assumed to be funded during construction.

d. The TCAC fees are estimated at $77,000.

The total construction costs are estimated at $11.98 million. This equates to $315,200 per unit.

**Net Operating Income (Table 2)**

***Revenues***

The Project is receiving Tax Credits, Industry Funds, HOME funds, and HUD Project Based Section 8 rental assistance, each of which impose specific income and affordability restrictions. Recognizing that the Project must comply with the strictest income and affordability restrictions imposed by any of the programs, the Project will include the following unit mix:

| | Two-Bedroom Units | Three-Bedroom Units | Total |
|---|---|---|---|
| Manager's Unit | 1 | 0 | 1 |
| 30% of Median | 2 | 2 | 4 |
| 45% of Median | 4 | 2 | 6 |
| 50% of Median | 11 | 16 | 27 |
| Total | 18 | 20 | 38 |

The rents for all the units comply with the requirements imposed by the various funding sources. In addition, the units restricted at 30% and 45% of the Median meet the requirements imposed by the replacement housing and inclusionary housing production obligations defined in California Health and Safety Code Sections 33413 (a) and (b). The rents allowed in 2004, net of the appropriate utility allowances, are as follows:[3]

| | Two-Bedroom Units | Three-Bedroom Units |
|---|---|---|
| Manager's Unit | $0 | N.A. |
| 30% of Median | $334 | $385 |
| 45% of Median | $535 | $617 |
| 50% of Median | $602 | $664 |

[3] The monthly utility allowances are $68 for two-bedroom units and $79 for three-bedroom units.

The Commission will designate nine of the units as Project Based Section 8 units. The Section 8 assistance for these units will be set at the difference between the "Fair Market Rents" established by the City in June 2004, and the allowable income restricted rents. In 2004, the Section 8 assistance amounts are:

| | Number of Units | Monthly Assistance |
|---|---|---|
| Two-Bedroom Units | | |
| 30% of Median | 2 | $687 |
| 45% of Median | 3 | $486 |
| Three-Bedroom Units | | |
| 30% of Median | 2 | $993 |
| 45% of Median | 2 | $761 |

The gross rental income is estimated at $264,700, and the Project Based Section 8 assistance is estimated at $76,100. When $2,300 per year in laundry and miscellaneous income is included, the gross income for the Project is estimated at $343,100. The gross income is then reduced by a 5% allowance for vacancy and collection expenses, which results in $325,900 in effective gross income (EGI).

***Expenses***

The annual operating expenses for the Project are estimated as follows:

1. The annual general operating expenses are estimated at $3,400 per unit.

2. KMA has assumed that the Developer will apply for the property tax abatement that is accorded to nonprofit organizations that own very-low and low income apartment units. In addition, KMA has been instructed to assume that no property tax in-lieu payment (PILOT) will be assessed by the City.

3. A reserve for future operating losses is provided. The contributions to this fund are set at 3% of EGI annually.

4. A $300 per unit per year allowance is provided to fund a reserve for future capital repairs.

5. The Project must provide supportive services to the residents. The costs that can be funded out of the Project's operating budget are limited to $10,000 in the first year, increasing at an inflationary rate thereafter.

The total annual operating expenses are estimated at $160,400. This equates to $4,220 per unit.

***Net Operating Income***

Net operating income (NOI) is typically equal to the EGI minus the operating expenses. However, in this case, the Project Based Section 8 assistance is only guaranteed to be provided over a 10-year term. Thus, it is necessary to separate the NOI generated by the income restricted rents from the rental supplement provided by the Section 8 Program. Based on the 2004 estimates, the results can be summarized as follows:

| | Base Income | Section 8 Assistance |
|---|---|---|
| Gross Revenue | $267,000 [4] | $76,100 |
| (Less) Vacancy & Collection Allowance | (13,400) | (3,800) |
| EGI | $253,600 | $72,300 |
| (Less) Operating Expenses | (160,400) | N.A. |
| NOI | $93,200 | $72,300 |

**Supportable Commission Assistance Calculation (Table 3)**

The supportable Commission assistance is estimated by deducting the available outside funding sources from the Project costs. These funding sources are comprised of the following:

1. KMA estimates that the Project can obtain $920,000 in permanent financing. The underwriting assumptions include:

   a. NOI of $93,200;

   b. A 115% debt service coverage ratio;

   c. An 8% interest rate, which equates to an 8.81% mortgage constant; and

   d. A 30-year loan term.

2. The Project received 9% Tax Credits in the competitive process, and the Developer has entered into a syndication agreement for the credits. KMA estimates that the net Tax Credit proceeds total $7.11 million, which represents a pay-in equal to $.96 per dollar of gross Tax Credit proceeds.

3. The Project has been awarded a $1.06 million in Industry Funds loan.

[4] Includes rent income plus laundry and miscellaneous income.

4. The Project has been granted $190,000 in AHP funds.

5. The Developer will defer $783,000 of the "Developer Fee" included in the Project's budget. This equates to 72% of the total fee; the deferred fee will be recouped from the Project's cash flow over time.

The available outside funding sources total $10.07 million. The Project's resulting financial gap is calculated as follows:

| | | |
|---|---|---|
| Available Funding Sources | | $10,065,000 |
| Costs | | |
| Estimated Construction Costs | ($11,977,000) | |
| Site Acquisition Costs | (1,600,000) | |
| Value Engineering Cost Savings | 158,000 | |
| Net Costs | | ($13,419,000) |
| Financial Gap | | $3,354,000 |

**Commission Assistance Sources (Table 4)**

The Project demonstrates the need for $3.35 million in Commission assistance to achieve financial feasibility. This assistance is proposed to be provided from the following sources:

1. The Commission has committed to provide Project Based Section 8 rental assistance to nine units in the Project for at least 10 years. KMA estimates that this commitment can secure approximately $443,000 in conventional financing with a 10-year amortization period.

2. The Commission has dedicated $1.91 million in HOME Program funds to the Project. The HOME funds are being put to the following uses:

   a. $1.6 million was used to acquire the Site; and

   b. $310,000 has been earmarked for direct financial assistance to the Project.

3. The Agency provided the Commission with $200,000 in 80% funds to contribute to the Project.

4. The Project exhibits an $801,000 gap for which Commission funding sources have not yet been identified. It is anticipated that the Commission will use Inclusionary Housing In-Lieu Fees and/or State Matching funds to fill this gap.

**HOME Units Calculation (Table 5)**

HUD establishes two tests for quantifying the number of designated HOME units that must be included in the Project. These tests can be described as follows:

1. The base test calculates the minimum number of HOME units based on the percentage of total costs that are funded with HOME Program assistance. The calculation for the Project is:

   a. $1.91 million in HOME Program assistance is being provided.

   b. The Project costs are estimated at $11.98 million.

   c. The HOME Program assistance equals 16% of the Project costs.

   d. The Project includes 38 units.

   e. 16% of the 38 unit Project equals six units, so at least six units must be designated as HOME units.

2. HUD establishes subsidy limits for projects based on the number of bedrooms included in the assisted units. The subsidy limit test for the Project can be described as follows:

   a. As of January 1, 2004, the HOME subsidy limits in Los Angeles County are $151,318 for two-bedroom units and $195,751 for three-bedroom units.

   b. KMA allocated the $1.91 million in HOME Program assistance based on the unit mix in the Project. This results in $904,700 allocated to two-bedroom units and $1.01 million allocated to three-bedroom units.

   c. Based on the identified subsidy limits, the Project must include at least six two-bedroom units and five three-bedroom units. The HOME units derived from this methodology total 11 units.

The two tests generate an obligation to provide six units and 11 units, respectively. To adhere to both the HOME unit designation requirements, it will be necessary to designate at least 11 units as HOME units. Based on the KMA analysis, the requirement should be met with five two-bedroom units and six three-bedroom units.

The HOME Program also requires at least 20% of the units assisted with HOME funds to be affordable to very-low income households, and the balance of the HOME designated units to be reserved for low income households. Given that all 38 units in the Project will be restricted to very-low income households, the Project meets this HOME Program requirement.

**CONCLUSIONS**

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

1. The Project has an estimated financial gap of $3.35 million, or approximately $88,300 per unit. The Commission is proposing to fill this gap using a variety of funding sources, including $1.91 million in HOME Program funds.

2. The Commission is proposing to allocate nine Project Based Section 8 units and $1.91 million in HOME Program funds to bridge a portion of the Project's financial gap. These contributions are warranted by the Project economics.

3. If $1.91 million in HOME funds are contributed to the Project, at least 11 units must be designated as HOME units.

4. The Project fulfills the income and affordability requirements imposed by HUD. In addition, the income and affordability restrictions will be imposed over a 99-year term, which exceeds the covenant requirements imposed by the HOME Program guidelines.

**TABLE 1**
**ESTIMATED CONSTRUCTION COSTS**
**37 VERY-LOW INCOME UNITS AND 1 MANAGER'S UNIT**
**SEPTEMBER 2004 ANALYSIS**
**ORANGE GROVE APARTMENTS**
**PASADENA, CALIFORNIA**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| I. | **Property Costs** [1] | | | | | | | |
| | Demolition | | | | | | $19,000 | |
| | Environmental | | | | | | 47,000 | |
| | **Total Land Assemblage Costs** | | | | | | | $66,000 |
| II. | **Direct Costs** | | | | | | | |
| | Off-Site Improvements [2] | | | | | | $61,000 | |
| | On-Site Improvements [3] | 50,754 | Sf Land | $8.60 | /Sf | | 438,000 | |
| | Parking [3] | 69 | Spaces | $12,600 | /Space | | 870,000 | |
| | Building Shell [3] | 46,800 | Sf GBA | $152 | /Sf | | 7,114,000 | |
| | **Total Direct Costs** | 38 | Units | $223,200 | /Unit | | | $8,483,000 |
| III. | **Indirect Costs** | | | | | | | |
| | Architecture, Engineering & Consulting | 8.0% | Direct Cost | | | | $679,000 | |
| | Permits & Fees [2] | 38 | Units | $5,570 | /Unit | | 212,000 | |
| | Taxes, Legal & Accounting | 3.0% | Direct Cost | | | | 254,000 | |
| | Insurance [1] | 38 | Units | $2,840 | /Unit | | 108,000 | |
| | Marketing/Leasing | 38 | Units | $500 | /Unit | | 19,000 | |
| | Developer Fee [4] | 11% | Applicable Tax Credit Basis | | | | 1,093,000 | |
| | Contingency | 5.0% | Ind + Fin Cost | | | | 172,000 | |
| | **Total Indirect Costs** | 38 | Units | $66,800 | /Unit | | | $2,537,000 |
| IV. | **Financing Costs** | | | | | | | |
| | Land Loan Interest [1] | | | | | | $151,000 | |
| | Interest During Construction [5] | $9,776,000 | Loan | 7.00% | Interest | | 411,000 | |
| | Loan Origination Fees | | | | | | | |
| | Construction Loan | $9,776,000 | Loan | 1.50 | Points | | 147,000 | |
| | Permanent Loan | $1,363,000 | Loan | 2.00 | Points | | 27,000 | |
| | *Capitalized Reserve Account* [1] | | | | | | 78,000 | |
| | Tax Credit Costs/City of Industry Monitoring [1] | | | | | | 77,000 | |
| | **Total Financing Costs** | 38 | Units | $23,400 | /Unit | | | $891,000 |
| V. | **Total Construction Costs** | 38 | Units | $315,200 | /Unit | | | $11,977,000 |

[1] Based on Developer estimate.
[2] Based on the City's estimate.
[3] Based on Dreyfuss Construction bid dated 9/2/04. Assumes prevailing wage requirements will be imposed on the Project. Budget includes a 13% allowance for contractor overhead, general conditions, & profit; a 3% allowance for construction bonds & contractor insurance; and a 10% direct cost contingency allowance.
[4] Equal to the lesser of 15% of the applicable tax credit basis; or the amount identified by the Developer.
[5] 12 month construction period. Avg outstanding balance is set at 60% The construction loan amount is equal to the construction costs minus the assistance funds available during construction and the deferred costs.

**TABLE 2**
**NET OPERATING INCOME**
**37 VERY-LOW INCOME UNITS AND 1 MANAGER'S UNIT**
**SEPTEMBER 2004 ANALYSIS**
**ORANGE GROVE APARTMENTS**
**PASADENA, CALIFORNIA**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| I. | Income [1] | | | | | | | |
| | Manager | 1 | Unit @ | $0 | /Month | $0 | | |
| | Redevelopment, HOME & Industry VL Inc/Tax Credit @ 30% Median [2] | | | | | | | |
| | Two-Bedroom | 2 | Units @ | $334 | /Month | 8,000 | | |
| | Three-Bedroom | 2 | Units @ | $385 | /Month | 9,200 | | |
| | Redevelopment, HOME & Industry VL Inc/Tax Credit @ 45% Median [2] | | | | | | | |
| | Two-Bedroom | 4 | Units @ | $535 | /Month | 25,700 | | |
| | Three-Bedroom | 2 | Units @ | $617 | /Month | 14,800 | | |
| | HOME & Industry VL Inc/Tax Credit @ 50% Median [3] | | | | | | | |
| | Two-Bedroom | 11 | Units @ | $602 | /Month | 79,500 | | |
| | Three-Bedroom | 16 | Units @ | $664 | /Month | 127,500 | | |
| | Section 8 Supplement [4] | | | | | | | |
| | Two-Bedroom @ 30% Median | 2 | Units @ | $687 | /Month | 16,500 | | |
| | Three-Bedroom @ 30% Median | 2 | Units @ | $993 | /Month | 23,800 | | |
| | Two-Bedroom @ 45% Median | 3 | Units @ | $486 | /Month | 17,500 | | |
| | Three-Bedroom @ 45% Median | 2 | Units @ | $761 | /Month | 18,300 | | |
| | Laundry/Miscellaneous Income | 38 | Units @ | $5 | /Month | 2,300 | | |
| | **Gross Income** | | | | | $343,100 | | |
| | (Less) Vacancy and Collection | 5.0% | Gross Income | | | (17,200) | | |
| | **Effective Gross Income** | | | | | | $325,900 | |
| II. | **Operating Expenses** | | | | | | | |
| | General Operating Expenses | 38 | Units @ | $3,400 | /Unit | $129,200 | | |
| | Property Taxes [5] | 38 | Units @ | $0 | /Unit | 0 | | |
| | Operating Reserve | 3% | EGI | | | 9,800 | | |
| | Capital Reserve | 38 | Units @ | $300 | /Unit | 11,400 | | |
| | Resident Services | | | | | 10,000 | | |
| | **Total Operating Expenses** | 38 | Units @ | $4,220 | /Unit | | ($160,400) | |
| III. | **Net Operating Income** | | | | | | $165,500 | |

[1] All rents are net of the following utilities allowances: Two-Bdrm $68; and Three-Bdrm $79.

[2] Based on Los Angeles County 2004 incomes distributed by HUD; the redevelopment rents allowed by California Health & Safety Code Section 50053; the Low HOME Rents; the rents published by Los Angeles County for the Industry Program; and the Tax Credit rents published by TCAC.

[3] Based on Los Angeles County 2004 incomes distributed by HUD; the Low HOME Rents; the rents published by Los Angeles County for the Industry Program; and the Tax Credit rents published by TCAC.

[4] Equal to the difference between the June 2004 FMRs of $1,021 for 2-bdrm units and $1,378 for 3-bdrm units; and the allowable income restricted rent for the applicable units in 2004.

[5] Based on the assumption that the Developer receives the property tax abatement accorded to nonprofit housing organizations that own very-low and low income rental units.

TABLE 3

**FINANCIAL GAP CALCULATION**
**37 VERY-LOW INCOME UNITS AND 1 MANAGER'S UNIT**
**SEPTEMBER 2004 ANALYSIS**
**ORANGE GROVE APARTMENTS**
**PASADENA, CALIFORNIA**

| | | | | | | |
|---|---|---|---|---|---|---|
| **I.** | **Available Funding Sources** | | | | | |
| | **A. Conventional Financing - Base Income** [1] | | | | | |
| | Net Operating Income | | $93,200 | | | |
| | Avail for Debt Service @ 115% Coverage | | $81,000 | | | |
| | Interest Rate/Mortgage Constant | 8.00% | Interest | 8.81% Constant | | |
| | **Total Supportable Debt** | | | | $920,000 | |
| | **B. Low Income Housing Tax Credit Proceeds** [2] | | | | | |
| | Gross Tax Credit Value | $7,411,000 | | | | |
| | Discount to Market Value | 96.00% | | | | |
| | **Net Tax Credit Value** | | | | $7,115,000 | |
| | **C. City of Industry Loan** | 38 | Units | $27,816 /Unit | $1,057,000 | |
| | **D. AHP Grant** | 38 | Units | $5,000 /Unit | $190,000 | |
| | **E. Deferred Developer Fee** [3] | | | | $783,000 | |
| | **Total Available Funding Sources** | | | | | $10,065,000 |
| **II.** | **Financial Gap Calculation** | | | | | |
| | Total Available Funding Sources | | | | $10,065,000 | |
| | (Less) Construction Costs | | | | (11,977,000) | |
| | (Less) Land Acquisition Costs | | | | (1,600,000) | |
| | Plus: Value Engineering Cost Savings [4] | | | | 158,000 | |
| | **Financial Gap** | 38 | Units | $88,300 /Unit | | ($3,354,000) |

[1] "Base Income" equals NOI minus the effective gross income generated by the Section 8 Supplement.

[3] $10.6 million eligible basis (including a 130% difficult to develop premium); an 8.10% tax credit rate; and an applicable fraction of 100%. The calculation assumes that the Developer forgos $939,200 of gross Tax Credit value to maximize the points received in the TCAC application third tie-breaker.

[4] The deferred amount is not being included in the Tax Credit basis, because it is not projected to be repaid within 13 years. The Developer is proposing to use a portion of the deferred fees to recoup the $92,000 of land carrying costs that were excluded by the City.

[5] Based on Developer estimates.

Prepared by: Keyser Marston Associates, Inc.
File Name: 10_19_04_OG; Pf; 10/19/2004

TABLE 4

**COMMISSION ASSISTANCE SOURCES**
**37 VERY-LOW INCOME UNITS AND 1 MANAGER'S UNIT**
**SEPTEMBER 2004 ANALYSIS**
**ORANGE GROVE APARTMENTS**
**PASADENA, CALIFORNIA**

| | | | | | |
|---|---|---|---|---|---|
| I. | **Conventional Financing - Section 8 Supplement** [1] | | | | |
| | Effective Gross Income | $72,300 | | | |
| | Avail for Debt Service @ 115% Coverage | $62,900 | | | |
| | Interest Rate/Mortgage Constant | 7.45% Interest | 14.21% Constant | | |
| | **Total Supportable Debt** | | | $443,000 | |
| II. | **HOME Program** | | | | |
| | Commission Land Acquisition | | $1,600,000 | | |
| | Portion of Commission Loan Amount [2] | | 310,000 | | |
| | **Total HOME Program Funds** | | | $1,910,000 | |
| III. | **80% Property Tax Increment** | | | $200,000 | |
| IV. | **Other Funding Sources** [3] | | | $801,000 | |
| V. | **Total Commission Assistance Sources** | | | | $3,354,000 |
| | Commission Land Acquisition | | | $1,600,000 | |
| | Project Based Section 8 Assistance | | | 443,000 | |
| | *Direct Financial Contribution* | | | 1,311,000 | |

[1] Assumes the Section 8 Supplement is provided for a guaranteed term of 10 years.

[2] The funds were drawn from a loan provided by Fannie Mae. The repayment source for this portion of the Fannie Mae loan is HOME funds.

[3] Could be provided from Inclusionary Housing In-lieu Fees or State Match funds. Will not be provided from property tax increment housing set-aside funds.

TABLE 5

**HOME PROGRAM UNITS CALCULATION**
**37 VERY-LOW INCOME UNITS AND 1 MANAGER'S UNIT**
**SEPTEMBER 2004 ANALYSIS**
**ORANGE GROVE APARTMENTS**
**PASADENA, CALIFORNIA**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| I. | **Assumptions:** | | | | | | |
| | A. Total HOME Program Assistance | $1,910,000 | | | | | |
| | B. HOME Program Subsidy Limits/Unit | | | | | | |
| | Two-Bedroom Units | $151,318 | /Unit | | | | |
| | Three-Bedroom Units | $195,751 | /Unit | | | | |
| II. | **Required HOME Units** | | | | | | |
| | A. HOME Units (Base Calculation) [1] | $1,910,000 | Assistance | $11,977,000 | Costs | 6 | Units |
| | B. Maximum Subsidy Limits Methodology | | | | | | |
| | Two-Bedroom Units | $904,700 | Allocation | $151,318 | /Unit | 6 | Units |
| | Three-Bedroom Units | $1,005,300 | Allocation | $195,751 | /Unit | 5 | Units |
| | Total Units | | | | | 11 | Units |
| III. | **Minimum Number of HOME Units Required** | | | | | 11 | Units |

[1] The first step in the calculation is to divide the total HOME assistance by the total land acquisition and construction costs. This percentage is then multiplied times the total units in the project. The result is the number of HOME units required by the HUD calculation methodology.

Prepared by: Keyser Marston Associates, Inc.
*File Name: 10_19_04_OG; Pf; 10/19/2004*

**TABLE 6**
**CASH FLOW PROJECTION**
**ORANGE GROVE APARTMENTS**
**PASADENA, CALIFORNIA**

| | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 |
|---|---|---|---|---|---|---|---|---|---|
| I. | **Gross Income** [1] | | | | | | | | |
| | Very-Low Income Units | $264,700 | $271,318 | $278,100 | $285,053 | $292,179 | $299,484 | $306,971 | $314,645 |
| | Net Section 8 Supplement [2] | 76,100 | 78,764 | 81,520 | 84,373 | 87,327 | 90,383 | 93,546 | 96,820 |
| | Laundry/Misc Income | 2,300 | 2,381 | 2,464 | 2,550 | 2,639 | 2,732 | 2,827 | 2,926 |
| | Gross Income | $343,100 | $352,462 | $362,084 | $371,976 | $382,145 | $392,598 | $403,344 | $414,392 |
| | (Less) Vacancy & Collection | (17,155) | (17,623) | (18,104) | (18,599) | (19,107) | (19,630) | (20,167) | (20,720) |
| | **Effective Gross Income** | $325,945 | $334,838 | $343,980 | $353,378 | $363,038 | $372,968 | $383,177 | $393,672 |
| II. | **Operating Expenses** | | | | | | | | |
| | General Operating Expenses [3] | ($129,200) | ($133,722) | ($138,402) | ($143,246) | ($148,260) | ($153,449) | ($158,820) | ($164,378) |
| | Property Taxes [4] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Reserve [5] | (9,778) | (10,045) | (10,319) | (10,601) | (10,891) | (11,189) | (11,495) | (11,810) |
| | Capital Reserve [6] | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) |
| | Resident Services [3] | (10,000) | (10,350) | (10,712) | (11,087) | (11,475) | (11,877) | (12,293) | (12,723) |
| | **Total Operating Expenses** | ($160,378) | ($165,517) | ($170,834) | ($176,335) | ($182,026) | ($187,915) | ($194,008) | ($200,311) |
| III. | **Net Operating Income** | $165,567 | $169,321 | $173,146 | $177,043 | $181,011 | $185,053 | $189,170 | $193,361 |
| | **(Less) Debt Service** | | | | | | | | |
| | Base Income | ($81,721) | ($81,721) | ($81,721) | ($81,721) | ($81,721) | ($81,721) | ($81,721) | ($81,721) |
| | Section 8 Supplement | (64,392) | (64,392) | (64,392) | (64,392) | (64,392) | (64,392) | (64,392) | (64,392) |
| | **Net Income After Debt Service** | $19,454 | $23,208 | $27,033 | $30,930 | $34,899 | $38,941 | $43,057 | $47,248 |
| | (Less) Asset/Partnership Management & Audit Fees [7] | (10,000) | (10,350) | (10,712) | (11,087) | (11,475) | (11,877) | (12,293) | (12,723) |
| IV. | **Net Income Available After Debt Service + Fee** | $9,454 | $12,858 | $16,321 | $19,843 | $23,423 | $27,064 | $30,764 | $34,525 |
| | Plus: Operating Reserve Contribution | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| V. | **Net Income After Operating Reserve Contribution** | $9,454 | $12,858 | $16,321 | $19,843 | $23,423 | $27,064 | $30,764 | $34,525 |
| VI. | **Operating Expenses, Debt Service & Fees as % EGI** | 97% | 96% | 95% | 94% | 94% | 93% | 92% | 91% |

[1] 102.5%/yr.
[2] Assumes that the funds are contributed annually for 30 years; the annual increase is set at 103.50%/year.
[3] Increased at 103.5%/year
[4] Assumes that property tax abatement is obtained by the Developer.
[5] Equal to 3% EGI to an accumulated balance cap of $250,000.
[6] Set at a fixed amount of $300/unit per year
[7] The Fees are set at the lesser of the available cash flow plus funds in the operating reserve, or $10,000 in Year 1 increasing at 103.5%/year Net Section 8 Supplement funds are excluded from the equation.

Prepared by Keyser Marston Associates, Inc
File Name 10_19_04_OG, Cf, 10/19/2004

**TABLE 6**
**CASH FLOW PROJECTION**
***ORANGE GROVE APARTMENTS***
**PASADENA, CALIFORNIA**

| | | Year 9 | Year 10 | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Year 16 |
|---|---|---|---|---|---|---|---|---|---|
| I. | **Gross Income** [1] | | | | | | | | |
| | Very-Low Income Units | $322,511 | $330,574 | $338,838 | $347,309 | $355,992 | $364,892 | $374,014 | $383,365 |
| | *Net Section 8 Supplement* [2] | 100,209 | 103,716 | 107,347 | 111,104 | 114,992 | 119,017 | 123,183 | 127,494 |
| | Laundry/Misc. Income | 3,029 | 3,135 | 3,244 | 3,358 | 3,475 | 3,597 | 3,723 | 3,853 |
| | Gross Income | $425,749 | $437,425 | $449,429 | $461,771 | $474,460 | $487,506 | $500,920 | $514,712 |
| | (Less) Vacancy & Collection | (21,287) | (21,871) | (22,471) | (23,089) | (23,723) | (24,375) | (25,046) | (25,736) |
| | **Effective Gross Income** | $404,462 | $415,554 | $426,958 | $438,682 | $450,737 | $463,131 | $475,874 | $488,976 |
| II. | **Operating Expenses** | | | | | | | | |
| | General Operating Expenses [3] | ($170,132) | ($176,086) | ($182,249) | ($188,628) | ($195,230) | ($202,063) | ($209,135) | ($216,455) |
| | Property Taxes [4] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Reserve [5] | (12,134) | (12,467) | (12,809) | (13,160) | (13,522) | (13,894) | (8,284) | 0 |
| | Capital Reserve [6] | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) |
| | Resident Services [3] | (13,168) | (13,629) | (14,106) | (14,600) | (15,111) | (15,640) | (16,187) | (16,753) |
| | **Total Operating Expenses** | ($206,834) | ($213,582) | ($220,564) | ($227,788) | ($235,263) | ($242,997) | ($245,007) | ($244,609) |
| III. | **Net Operating Income** | $197,628 | $201,972 | $206,394 | $210,894 | $215,474 | $220,134 | $230,867 | $244,368 |
| | **(Less) Debt Service** | | | | | | | | |
| | Base Income | ($81,721) | ($81,721) | ($81,721) | ($81,721) | ($81,721) | ($81,721) | ($81,721) | ($81,721) |
| | Section 8 Supplement | (64,392) | (64,392) | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Net Income After Debt Service** | $51,515 | $55,859 | $124,673 | $129,173 | $133,753 | $138,413 | $149,146 | $162,646 |
| | (Less) Asset/Partnership Management & Audit Fees [7] | (13,168) | (13,629) | (14,106) | (14,600) | (15,111) | (15,640) | (16,187) | (16,753) |
| IV. | **Net Income Available After Debt Service + Fee** | $38,347 | $42,230 | $110,567 | $114,573 | $118,642 | $122,773 | $132,959 | $145,893 |
| | Plus: Operating Reserve Contribution | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| V. | **Net Income After Operating Reserve Contribution** | $38,347 | $42,230 | $110,567 | $114,573 | $118,642 | $122,773 | $132,959 | $145,893 |
| VI. | **Operating Expenses, Debt Service & Fees as % EGI** | 91% | 90% | 74% | 74% | 74% | 73% | 72% | 70% |

[1] 102.5%/yr.
[2] Assumes that the funds are contributed annually for 30 years; the annual increase is set at 103.50%/year.
[3] Increased at 103.5%/year.
[4] Assumes that property tax abatement is obtained by the Developer.
[5] Equal to 3% EGI to an accumulated balance cap of $250,000
[6] Set at a fixed amount of $300/unit per year.
[7] The Fees are set at the lesser of the available cash flow plus funds in the operating reserve, or $10,000 in Year 1 increasing at 103.5%/year. Net Section 8 Supplement funds are excluded from the equation.

**TABLE 6**
**CASH FLOW PROJECTION**
**ORANGE GROVE APARTMENTS**
**PASADENA, CALIFORNIA**

| | | Year 17 | Year 18 | Year 19 | Year 20 | Year 21 | Year 22 | Year 23 | Year 24 |
|---|---|---|---|---|---|---|---|---|---|
| I. | **Gross Income** [1] | | | | | | | | |
| | Very-Low Income Units | $392,949 | $402,772 | $412,842 | $423,163 | $433,742 | $444,585 | $455,700 | $467,092 |
| | Net Section 8 Supplement [2] | 131,956 | 136,575 | 141,355 | 146,302 | 151,423 | 156,723 | 162,208 | 167,885 |
| | Laundry/Misc. Income | 3,988 | 4,128 | 4,272 | 4,422 | 4,577 | 4,737 | 4,902 | 5,074 |
| | Gross Income | $528,893 | $543,475 | $558,469 | $573,887 | $589,741 | $606,045 | $622,810 | $640,052 |
| | (Less) Vacancy & Collection | (26,445) | (27,174) | (27,923) | (28,694) | (29,487) | (30,302) | (31,141) | (32,003) |
| | **Effective Gross Income** | $502,448 | $516,301 | $530,545 | $545,192 | $560,254 | $575,743 | $591,670 | $608,049 |
| II. | **Operating Expenses** | | | | | | | | |
| | General Operating Expenses [3] | ($224,031) | ($231,872) | ($239,988) | ($248,387) | ($257,081) | ($266,079) | ($275,391) | ($285,030) |
| | Property Taxes [4] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Reserve [5] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Capital Reserve [6] | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) |
| | Resident Services [3] | (17,340) | (17,947) | (18,575) | (19,225) | (19,898) | (20,594) | (21,315) | (22,061) |
| | **Total Operating Expenses** | ($252,771) | ($261,219) | ($269,962) | ($279,012) | ($288,379) | ($298,073) | ($308,106) | ($318,491) |
| III. | **Net Operating Income** | $249,678 | $255,082 | $260,583 | $266,180 | $271,876 | $277,670 | $283,564 | $289,558 |
| | **(Less) Debt Service** | | | | | | | | |
| | Base Income | ($81,721) | ($81,721) | ($81,721) | ($81,721) | ($81,721) | ($81,721) | ($81,721) | ($81,721) |
| | Section 8 Supplement | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Net Income After Debt Service** | $167,956 | $173,361 | $178,862 | $184,459 | $190,154 | $195,948 | $201,842 | $207,837 |
| | (Less) Asset/Partnership Management & Audit Fees [7] | (17,340) | (17,947) | (18,575) | (19,225) | (19,898) | (20,594) | (21,315) | (22,061) |
| IV. | **Net Income Available After Debt Service + Fee** | $150,617 | $155,414 | $160,287 | $165,234 | $170,256 | $175,354 | $180,527 | $185,776 |
| | Plus: Operating Reserve Contribution | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| V. | **Net Income After Operating Reserve Contribution** | $150,617 | $155,414 | $160,287 | $165,234 | $170,256 | $175,354 | $180,527 | $185,776 |
| VI. | **Operating Expenses, Debt Service & Fees as % EGI** | 70% | 70% | 70% | 70% | 70% | 70% | 69% | 69% |

[1] 102.5%/yr.
[2] Assumes that the funds are contributed annually for 30 years; the annual increase is set at 103.50%/year
[3] Increased at 103.5%/year.
[4] Assumes that property tax abatement is obtained by the Developer.
[5] Equal to 3% EGI to an accumulated balance cap of $250,000.
[6] Set at a fixed amount of $300/unit per year
[7] The Fees are set at the lesser of the available cash flow plus funds in the operating reserve, or $10,000 in Year 1 increasing at 103.5%/year. Net Section 8 Supplement funds are excluded from the equation.

Prepared by: Keyser Marston Associates, Inc.
File Name: 10_19_04_OG; Cf; 10/19/2004

**TABLE 6**
**CASH FLOW PROJECTION**
**ORANGE GROVE APARTMENTS**
**PASADENA, CALIFORNIA**

| | | Year 25 | Year 26 | Year 27 | Year 28 | Year 29 | Year 30 | Year 31 | Year 32 |
|---|---|---|---|---|---|---|---|---|---|
| I. | **Gross Income** [1] | | | | | | | | |
| | Very-Low Income Units | $478,770 | $490,739 | $503,007 | $515,583 | $528,472 | $541,684 | $555,226 | $569,107 |
| | Net Section 8 Supplement [2] | 173,761 | 179,843 | 186,137 | 192,652 | 199,395 | 206,374 | | |
| | Laundry/Misc. Income | 5,252 | 5,435 | 5,626 | 5,823 | 6,026 | 6,237 | 6,456 | 6,682 |
| | Gross Income | $657,783 | $676,017 | $694,771 | $714,058 | $733,894 | $754,295 | $561,682 | $575,788 |
| | (Less) Vacancy & Collection | (32,889) | (33,801) | (34,739) | (35,703) | (36,695) | (37,715) | (28,084) | (28,789) |
| | **Effective Gross Income** | $624,894 | $642,217 | $660,032 | $678,355 | $697,199 | $716,581 | $533,598 | $546,999 |
| II. | **Operating Expenses** | | | | | | | | |
| | General Operating Expenses [3] | ($295,006) | ($305,331) | ($316,018) | ($327,078) | ($338,526) | ($350,375) | ($362,638) | ($375,330) |
| | Property Taxes [4] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Reserve [5] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Capital Reserve [6] | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) |
| | Resident Services [3] | (22,833) | (23,632) | (24,460) | (25,316) | (26,202) | (27,119) | (28,068) | (29,050) |
| | **Total Operating Expenses** | ($329,239) | ($340,364) | ($351,877) | ($363,794) | ($376,128) | ($388,893) | ($402,106) | ($415,780) |
| III. | **Net Operating Income** | $295,654 | $301,853 | $308,155 | $314,561 | $321,071 | $327,687 | $131,492 | $131,219 |
| | **(Less) Debt Service** | | | | | | | | |
| | Base Income | ($81,721) | ($81,721) | ($81,721) | ($81,721) | ($81,721) | ($81,721) | $0 | $0 |
| | Section 8 Supplement | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Net Income After Debt Service** | $213,933 | $220,132 | $226,433 | $232,839 | $239,350 | $245,966 | $131,492 | $131,219 |
| | (Less) Asset/Partnership Management & Audit Fees [7] | (22,833) | (23,632) | (24,460) | (25,316) | (26,202) | (27,119) | (28,068) | (29,050) |
| IV. | **Net Income Available After Debt Service + Fee** | $191,100 | $196,499 | $201,974 | $207,524 | $213,148 | $218,847 | $103,424 | $102,168 |
| | Plus: Operating Reserve Contribution | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| V. | **Net Income After Operating Reserve Contribution** | $191,100 | $196,499 | $201,974 | $207,524 | $213,148 | $218,847 | $103,424 | $102,168 |
| VI. | ***Operating Expenses, Debt Service & Fees as % EGI*** | 69% | 69% | 69% | 69% | 69% | 69% | 81% | 81% |

[1] 102.5%/yr

[2] Assumes that the funds are contributed annually for 30 years; the annual increase is set at 103.50%/year.

[3] Increased at 103.5%/year.

[4] Assumes that property tax abatement is obtained by the Developer.

[5] Equal to 3% EGI to an accumulated balance cap of $250,000.

[6] Set at a fixed amount of $300/unit per year.

[7] The Fees are set at the lesser of the available cash flow plus funds in the operating reserve, or $10,000 in Year 1 increasing at 103.5%/year. Net Section 8 Supplement funds are excluded from the equation.

Prepared by: Keyser Marston Associates Inc
File Name: 10_19_04_OG; Cf; 10/19/2004

**TABLE 6**
**CASH FLOW PROJECTION**
**ORANGE GROVE APARTMENTS**
**PASADENA, CALIFORNIA**

| | | Year 33 | Year 34 | Year 35 | Year 36 | Year 37 | Year 38 | Year 39 | Year 40 |
|---|---|---|---|---|---|---|---|---|---|
| I. | **Gross Income** [1] | | | | | | | | |
| | Very-Low Income Units | $583,334 | $597,918 | $612,866 | $628,187 | $643,892 | $659,989 | $676,489 | $693,401 |
| | Net Section 8 Supplement [2] | | | | | | | | |
| | Laundry/Misc. Income | 6,915 | 7,157 | 7,408 | 7,667 | 7,936 | 8,213 | 8,501 | 8,798 |
| | Gross Income | $590,250 | $605,075 | $620,274 | $635,855 | $651,828 | $668,203 | $684,990 | $702,200 |
| | (Less) Vacancy & Collection | (29,512) | (30,254) | (31,014) | (31,793) | (32,591) | (33,410) | (34,249) | (35,110) |
| | **Effective Gross Income** | $560,737 | $574,822 | $589,260 | $604,062 | $619,236 | $634,793 | $650,740 | $667,090 |
| II. | **Operating Expenses** | | | | | | | | |
| | General Operating Expenses [3] | ($388,467) | ($402,063) | ($416,135) | ($430,700) | ($445,774) | ($461,376) | ($477,525) | ($494,238) |
| | Property Taxes [4] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Reserve [5] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Capital Reserve [6] | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) |
| | Resident Services [1] | (30,067) | (31,119) | (32,209) | (33,336) | (34,503) | (35,710) | (36,960) | (38,254) |
| | **Total Operating Expenses** | ($429,934) | ($444,582) | ($459,744) | ($475,436) | ($491,677) | ($508,487) | ($525,885) | ($543,892) |
| III. | **Net Operating Income** | $130,804 | $130,239 | $129,516 | $128,626 | $127,559 | $126,306 | $124,856 | $123,198 |
| | **(Less) Debt Service** | | | | | | | | |
| | Base Income | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | Section 8 Supplement | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Net Income After Debt Service** | $130,804 | $130,239 | $129,516 | $128,626 | $127,559 | $126,306 | $124,856 | $123,198 |
| | (Less) Asset/Partnership Management & Audit Fees [7] | (30,067) | (31,119) | (32,209) | (33,336) | (34,503) | (35,710) | (36,960) | (38,254) |
| IV. | **Net Income Available After Debt Service + Fee** | $100,737 | $99,120 | $97,308 | $95,290 | $93,057 | $90,596 | $87,896 | $84,944 |
| | Plus: Operating Reserve Contribution | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| V. | **Net Income After Operating Reserve Contribution** | $100,737 | $99,120 | $97,308 | $95,290 | $93,057 | $90,596 | $87,896 | $84,944 |
| VI. | **Operating Expenses, Debt Service & Fees as % EGI** | 82% | 83% | 83% | 84% | 85% | 86% | 86% | 87% |

[1] 102.5%/yr
[2] Assumes that the funds are contributed annually for 30 years; the annual increase is set at 103.50%/year.
[3] Increased at 103.5%/year.
[4] Assumes that property tax abatement is obtained by the Developer.
[5] Equal to 3% EGI to an accumulated balance cap of $250,000.
[6] Set at a fixed amount of $300/unit per year.
[7] The Fees are set at the lesser of the available cash flow plus funds in the operating reserve, or $10,000 in Year 1 increasing at 103.5%/year. Net Section 8 Supplement funds are excluded from the equation.

**TABLE 6**
**CASH FLOW PROJECTION**
**ORANGE GROVE APARTMENTS**
**PASADENA, CALIFORNIA**

| | | Year 41 | Year 42 | Year 43 | Year 44 | Year 45 | Year 46 | Year 47 | Year 48 |
|---|---|---|---|---|---|---|---|---|---|
| I. | **Gross Income** [1] | | | | | | | | |
| | Very-Low Income Units | $710,736 | $728,505 | $746,717 | $765,385 | $784,520 | $804,133 | $824,236 | $844,842 |
| | Net Section 8 Supplement [2] | | | | | | | | |
| | Laundry/Misc. Income | 9,106 | 9,425 | 9,755 | 10,096 | 10,450 | 10,815 | 11,194 | 11,586 |
| | Gross Income | $719,843 | $737,930 | $756,472 | $775,482 | $794,970 | $814,948 | $835,430 | $856,428 |
| | (Less) Vacancy & Collection | (35,992) | (36,896) | (37,824) | (38,774) | (39,748) | (40,747) | (41,772) | (42,821) |
| | **Effective Gross Income** | $683,851 | $701,033 | $718,649 | $736,708 | $755,221 | $774,201 | $793,659 | $813,607 |
| II. | **Operating Expenses** | | | | | | | | |
| | General Operating Expenses [3] | ($511,536) | ($529,440) | ($547,971) | ($567,150) | ($587,000) | ($607,545) | ($628,809) | ($650,817) |
| | Property Taxes [4] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Reserve [5] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Capital Reserve [6] | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) |
| | Resident Services [3] | (39,593) | (40,978) | (42,413) | (43,897) | (45,433) | (47,024) | (48,669) | (50,373) |
| | **Total Operating Expenses** | ($562,529) | ($581,818) | ($601,783) | ($622,447) | ($643,833) | ($665,968) | ($688,878) | ($712,590) |
| III. | **Net Operating Income** | $121,322 | $119,215 | $116,866 | $114,261 | $111,388 | $108,233 | $104,781 | $101,017 |
| | **(Less) Debt Service** | | | | | | | | |
| | Base Income | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | Section 8 Supplement | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Net Income After Debt Service** | $121,322 | $119,215 | $116,866 | $114,261 | $111,388 | $108,233 | $104,781 | $101,017 |
| | (Less) Asset/Partnership Management & Audit Fees [7] | (39,593) | (40,978) | (42,413) | (43,897) | (45,433) | (47,024) | (48,669) | (50,373) |
| IV. | **Net Income Available After Debt Service + Fee** | $81,729 | $78,237 | $74,453 | $70,364 | $65,955 | $61,209 | $56,111 | $50,644 |
| | Plus: Operating Reserve Contribution | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| V. | **Net Income After Operating Reserve Contribution** | $81,729 | $78,237 | $74,453 | $70,364 | $65,955 | $61,209 | $56,111 | $50,644 |
| VI. | **Operating Expenses, Debt Service & Fees as % EGI** | 88% | 89% | 90% | 90% | 91% | 92% | 93% | 94% |

[1] 102.5%/yr.
[2] Assumes that the funds are contributed annually for 30 years; the annual increase is set at 103.50%/year.
[3] Increased at 103.5%/year.
[4] Assumes that property tax abatement is obtained by the Developer.
[5] *Equal to 3% EGI to an accumulated balance cap of $250,000.*
[6] Set at a fixed amount of $300/unit per year.
[7] The Fees are set at the lesser of the available cash flow plus funds in the operating reserve, or $10,000 in Year 1 increasing at 103.5%/year. Net Section 8 Supplement funds are excluded from the equation.

TABLE 6
CASH FLOW PROJECTION
ORANGE GROVE APARTMENTS
PASADENA, CALIFORNIA

| | | Year 49 | Year 50 | Year 51 | Year 52 | Year 53 | Year 54 | Year 55 |
|---|---|---|---|---|---|---|---|---|
| I. | **Gross Income** [1] | | | | | | | |
| | Very-Low Income Units | $865,963 | $887,612 | $909,803 | $932,548 | $955,861 | $979,758 | $1,004,252 |
| | Net Section 8 Supplement [2] | | | | | | | |
| | Laundry/Misc. Income | 11,991 | 12,411 | 12,845 | 13,295 | 13,760 | 14,242 | 14,740 |
| | *Gross Income* | $877,955 | $900,023 | $922,648 | $945,843 | $969,622 | $994,000 | $1,018,992 |
| | (Less) Vacancy & Collection | (43,898) | (45,001) | (46,132) | (47,292) | (48,481) | (49,700) | (50,950) |
| | **Effective Gross Income** | $834,057 | $855,022 | $876,516 | $898,551 | $921,141 | $944,300 | $968,043 |
| II. | **Operating Expenses** | | | | | | | |
| | General Operating Expenses [3] | ($673,596) | ($697,172) | ($721,573) | ($746,828) | ($772,967) | ($800,020) | ($828,021) |
| | Property Taxes [4] | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Operating Reserve [5] | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Capital Reserve [6] | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) | (11,400) |
| | Resident Services [3] | (52,136) | (53,961) | (55,849) | (57,804) | (59,827) | (61,921) | (64,088) |
| | **Total Operating Expenses** | ($737,132) | ($762,532) | ($788,822) | ($816,032) | ($844,194) | ($873,341) | ($903,509) |
| III. | **Net Operating Income** | $96,925 | $92,490 | $87,694 | $82,519 | $76,947 | $70,958 | $64,533 |
| | **(Less) Debt Service** | | | | | | | |
| | Base Income | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | Section 8 Supplement | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Net Income After Debt Service** | $96,925 | $92,490 | $87,694 | $82,519 | $76,947 | $70,958 | $64,533 |
| | (Less) Asset/Partnership Management & Audit Fees [7] | (52,136) | (53,961) | (55,849) | (57,804) | (59,827) | (61,921) | (64,088) |
| IV. | **Net Income Available After Debt Service + Fee** | $44,789 | $38,529 | $31,845 | $24,715 | $17,120 | $9,037 | $445 |
| | Plus: Operating Reserve Contribution | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| V. | **Net Income After Operating Reserve Contribution** | $44,789 | $38,529 | $31,845 | $24,715 | $17,120 | $9,037 | $445 |
| VI. | **Operating Expenses, Debt Service & Fees as % EGI** | 95% | 95% | 96% | 97% | 98% | 99% | 100% |

[1] 102.5%/yr.
[2] Assumes that the funds are contributed annually for 30 years; the annual increase is set at 103.50%/year.
[3] Increased at 103.5%/year.
[4] Assumes that property tax abatement is obtained by the Developer.
[5] Equal to 3% EGI to an accumulated balance cap of $250,000.
[6] Set at a fixed amount of $300/unit per year.
[7] The Fees are set at the lesser of the available cash flow plus funds in the operating reserve, or $10,000 in Year 1 increasing at 103.5%/year. Net Section 8 Supplement funds are excluded from the equation.

TABLE 7
DEFERRED DEVELOPER FEE/COMMISSION LOAN REPAYMENT
ORANGE GROVE APARTMENTS
PASADENA, CALIFORNIA

| | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 |
|---|---|---|---|---|---|---|---|---|
| I. | **Net Income After Debt Service & Fees** [1] | $9,454 | $12,858 | $16,321 | $19,843 | $23,423 | $27,064 | $30,764 |
| | (Less) Debt Service Deferred Developer Fee[2] | (9,454) | (12,858) | (16,321) | (19,843) | (23,423) | (27,064) | (30,764) |
| II. | **Net Income Available for Commission Loan** | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | (Less) Debt Service Commission Loan[3] | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Net Income After Commission Loan** | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | **NPV Commission Loan Rpymt @ 10% Disc. Rate/Nominal Value** | $208,000 | $2,538,000 | | | | | |
| III. | **Commission Ground Lease Payment 4** | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | **NPV Commission Ground Lse @ 10% Disc. Rate/Nominal Value** | $1,000 | $97,000 | | | | | |

[1] See TABLE 6. Excludes Operating Reserve contributions.

[2] Deferred Developer Fee equals $783,000; interest @ 5.0%; and debt service @ 100% of available cash flow plus 100% Section 8 revenue until deferred Developer Fee is repaid.

[3] Loan equals $1,311,000; interest @ 3%; no debt service until the deferred Developer Fee is repaid, then the Commission receives 100% of the Section 8 revenue plus 37% of the available cash flow until the Commission loan is repaid.

[4] Payments commence after the Commission loan is repaid. Payments equal to 37% of base cash flow, plus Section 8 revenue available after deferred Developer Fee and Commission Loan are repaid.

Prepared by Keyser Marston Associates, Inc
File Name: 10_19_04_OG Fee_Loan_Repymt; 10/19/2004

**TABLE 7**
**DEFERRED DEVELOPER FEE/COMMISSION LOAN REPAYMENT**
**ORANGE GROVE APARTMENTS**
**PASADENA, CALIFORNIA**

| | | Year 8 | Year 9 | Year 10 | Year 11 | Year 12 | Year 13 | Year 14 |
|---|---|---|---|---|---|---|---|---|
| I. | **Net Income After Debt Service & Fees** [1] | $34,525 | $38,347 | $42,230 | $110,567 | $114,573 | $118,642 | $122,773 |
| | (Less) Debt Service Deferred Developer Fee[2] | (34,525) | (38,347) | (42,230) | (110,567) | (114,573) | (118,642) | (122,773) |
| II. | **Net Income Available for Commission Loan** | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | (Less) Debt Service Commission Loan[3] | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Net Income After Commission Loan** | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | **NPV Commission Loan Rpymt @ 10% Disc. Rate/Nominal Value** | | | | | | | |
| III. | **Commission Ground Lease Payment 4** | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | **NPV Commission Ground Lse @ 10% Disc. Rate/Nominal Value** | | | | | | | |

[1] See TABLE 6. Excludes Operating Reserve contributions.

[2] Deferred Developer Fee equals $783,000; interest @ 5.0%; and debt service @ 100% of available cash flow plus 100% Section 8 revenue until deferred Developer Fee is repaid.

[3] Loan equals $1,311,000; interest @ 3%; no debt service until the deferred Developer Fee is repaid, then the Commission receives 100% of the Section 8 revenue plus 37% of the available cash flow until the Commission loan is repaid.

[4] Payments commence after the Commission loan is repaid. Payments equal to 37% of base cash flow, plus Section 8 revenue available after deferred Developer Fee and Commission Loan are repaid.

Prepared by: Keyser Marston Associates, Inc.
File Name: 10_19_04_OG; Fee_Loan_Repymt; 10/19/2004

**TABLE 7**
**DEFERRED DEVELOPER FEE/COMMISSION LOAN REPAYMENT**
**ORANGE GROVE APARTMENTS**
***PASADENA, CALIFORNIA***

| | | Year 15 | Year 16 | Year 17 | Year 18 | Year 19 | Year 20 | Year 21 |
|---|---|---|---|---|---|---|---|---|
| I. | **Net Income After Debt Service & Fees** [1] | $132,959 | $145,893 | $150,617 | $155,414 | $160,287 | $165,234 | $170,256 |
| | (Less) Debt Service Deferred Developer Fee[2] | (132,959) | (145,893) | (150,617) | (155,414) | (112,023) | 0 | 0 |
| II. | **Net Income Available for Commission Loan** | $0 | $0 | $0 | $0 | $48,264 | $165,234 | $170,256 |
| | (Less) Debt Service Commission Loan [3] | 0 | 0 | 0 | 0 | (36,276) | (153,247) | (158,331) |
| | **Net Income After Commission Loan** | $0 | $0 | $0 | $0 | $11,987 | $11,987 | $11,925 |
| | **NPV Commission Loan Rpymt @ 10% Disc. Rate/Nominal Value** | | | | | | | |
| III. | **Commission Ground Lease Payment 4** | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | **NPV Commission Ground Lse @ 10% Disc. Rate/Nominal Value** | | | | | | | |

1 See TABLE 6. Excludes Operating Reserve contributions.

2 Deferred Developer Fee equals $783,000; interest @ 5.0%; and debt service @ 100% of available cash flow plus 100% Section 8 revenue until deferred Developer Fee is repaid.

3 Loan equals $1,311,000; interest @ 3%; no debt service until the deferred Developer Fee is repaid, then the Commission receives 100% of the Section 8 revenue plus 37% of the available cash flow until the Commission loan is repaid.

4 Payments commence after the Commission loan is repaid. Payments equal to 37% of base cash flow, plus Section 8 revenue available after deferred Developer Fee and Commission Loan are repaid.

**TABLE 7**
**DEFERRED DEVELOPER FEE/COMMISSION LOAN REPAYMENT**
**ORANGE GROVE APARTMENTS**
***PASADENA, CALIFORNIA***

| | | Year 22 | Year 23 | Year 24 | Year 25 | Year 26 | Year 27 | Year 28 |
|---|---|---|---|---|---|---|---|---|
| I. | **Net Income After Debt Service & Fees** [1] | $175,354 | $180,527 | $185,776 | $191,100 | $196,499 | $201,974 | $207,524 |
| | (Less) Debt Service Deferred Developer Fee[2] | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II. | **Net Income Available for Commission Loan** | $175,354 | $180,527 | $185,776 | $191,100 | $196,499 | $201,974 | $207,524 |
| | (Less) Debt Service Commission Loan [3] | (163,557) | (168,928) | (174,448) | (180,121) | (185,953) | (191,946) | (198,107) |
| | **Net Income After Commission Loan** | $11,797 | $11,600 | $11,328 | $10,979 | $10,547 | $10,027 | $9,416 |
| | **NPV Commission Loan Rpymt @ 10% Disc. Rate/Nominal Value** | | | | | | | |
| III. | **Commission Ground Lease Payment 4** | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | **NPV Commission Ground Lse @ 10% Disc. Rate/Nominal Value** | | | | | | | |

[1] See TABLE 6. Excludes Operating Reserve contributions.

[2] Deferred Developer Fee equals $783,000; interest @ 5.0%; and debt service @ 100% of available cash flow plus 100% Section 8 revenue until deferred Developer Fee is repaid.

[3] Loan equals $1,311,000; interest @ 3%; no debt service until the deferred Developer Fee is repaid, then the Commission receives 100% of the Section 8 revenue plus 37% of the available cash flow until the Commission loan is repaid.

[4] Payments commence after the Commission loan is repaid. Payments equal to 37% of base cash flow, plus Section 8 revenue available after deferred Developer Fee and Commission Loan are repaid

Prepared by Keyser Marston Associates, Inc.
File Name: 10_19_04_OG, Fee_Loan_Repymt, 10/19/2004

**TABLE 7**
**DEFERRED DEVELOPER FEE/COMMISSION LOAN REPAYMENT**
**ORANGE GROVE APARTMENTS**
***PASADENA, CALIFORNIA***

| | | Year 29 | Year 30 | Year 31 | Year 32 | Year 33 | Year 34 | Year 35 |
|---|---|---|---|---|---|---|---|---|
| I. | **Net Income After Debt Service & Fees** [1] | $213,148 | $218,847 | $103,424 | $102,168 | $100,737 | $99,120 | $97,308 |
| | (Less) Debt Service Deferred Developer Fee[2] | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II. | **Net Income Available for Commission Loan** | $213,148 | $218,847 | $103,424 | $102,168 | $100,737 | $99,120 | $97,308 |
| | (Less) Debt Service Commission Loan[3] | (204,440) | (210,949) | (37,937) | (37,476) | (36,951) | (36,358) | (35,693) |
| | **Net Income After Commission Loan** | $8,708 | $7,898 | $65,487 | $64,692 | $63,785 | $62,762 | $61,614 |
| | **NPV Commission Loan Rpymt @ 10% Disc. Rate/Nominal Value** | | | | | | | |
| III. | **Commission Ground Lease Payment 4** | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | **NPV Commission Ground Lse @ 10% Disc. Rate/Nominal Value** | | | | | | | |

[1] See TABLE 6. Excludes Operating Reserve contributions.

[2] Deferred Developer Fee equals $783,000; interest @ 5.0%; and debt service @ 100% of available cash flow plus 100% Section 8 revenue until deferred Developer Fee is repaid.

[3] Loan equals $1,311,000; interest @ 3%; no debt service until the deferred Developer Fee is repaid, then the Commission receives 100% of the Section 8 revenue plus 37% of the available cash flow until the Commission loan is repaid

[4] Payments commence after the Commission loan is repaid. Payments equal to 37% of base cash flow, plus Section 8 revenue available after deferred Developer Fee and Commission Loan are repaid.

**TABLE 7**
**DEFERRED DEVELOPER FEE/COMMISSION LOAN REPAYMENT**
**ORANGE GROVE APARTMENTS**
**PASADENA, CALIFORNIA**

| | | Year 36 | Year 37 | Year 38 | Year 39 | Year 40 | Year 41 | Year 42 |
|---|---|---|---|---|---|---|---|---|
| I. | **Net Income After Debt Service & Fees** [1] | $95,290 | $93,057 | $90,596 | $87,896 | $84,944 | $81,729 | $78,237 |
| | (Less) Debt Service Deferred Developer Fee [2] | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II. | **Net Income Available for Commission Loan** | $95,290 | $93,057 | $90,596 | $87,896 | $84,944 | $81,729 | $78,237 |
| | (Less) Debt Service Commission Loan [3] | (34,953) | (34,134) | (33,231) | (32,241) | (31,158) | (29,979) | (28,698) |
| | **Net Income After Commission Loan** | $60,337 | $58,923 | $57,364 | $55,655 | $53,786 | $51,750 | $49,539 |
| | **NPV Commission Loan Rpymt @ 10% Disc. Rate/Nominal Value** | | | | | | | |
| III. | **Commission Ground Lease Payment 4** | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | **NPV Commission Ground Lse @ 10% Disc. Rate/Nominal Value** | | | | | | | |

[1] See TABLE 6 Excludes Operating Reserve contributions

[2] Deferred Developer Fee equals $783,000; interest @ 5.0%, and debt service @ 100% of available cash flow plus 100% Section 8 revenue until deferred Developer Fee is repaid.

[3] Loan equals $1,311,000; interest @ 3%; no debt service until the deferred Developer Fee is repaid, then the Commission receives 100% of the Section 8 revenue plus 37% of the available cash flow until the Commission loan is repaid.

[4] Payments commence after the Commission loan is repaid. Payments equal to 37% of base cash flow, plus Section 8 revenue available after deferred Developer Fee and Commission Loan are repaid

TABLE 7
DEFERRED DEVELOPER FEE/COMMISSION LOAN REPAYMENT
ORANGE GROVE APARTMENTS
PASADENA, CALIFORNIA

| | | Year 43 | Year 44 | Year 45 | Year 46 | Year 47 | Year 48 | Year 49 |
|---|---|---|---|---|---|---|---|---|
| I. | **Net Income After Debt Service & Fees** [1] | $74,453 | $70,364 | $65,955 | $61,209 | $56,111 | $50,644 | $44,789 |
| | (Less) Debt Service Deferred Developer Fee[2] | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II. | **Net Income Available for Commission Loan** | $74,453 | $70,364 | $65,955 | $61,209 | $56,111 | $50,644 | $44,789 |
| | (Less) Debt Service Commission Loan[3] | (27,310) | (25,810) | (24,193) | (22,452) | (3,316) | 0 | 0 |
| | **Net Income After Commission Loan** | $47,143 | $44,554 | $41,762 | $38,757 | $52,795 | $50,644 | $44,789 |
| | **NPV Commission Loan Rpymt @ 10% Disc. Rate/Nominal Value** | | | | | | | |
| III. | **Commission Ground Lease Payment 4** | $0 | $0 | $0 | $0 | ($17,266) | ($18,577) | ($16,429) |
| | **NPV Commission Ground Lse @ 10% Disc. Rate/Nominal Value** | | | | | | | |

[1] See TABLE 6. Excludes Operating Reserve contributions.

[2] Deferred Developer Fee equals $783,000; interest @ 5.0%; and debt service @ 100% of available cash flow plus 100% Section 8 revenue until deferred Developer Fee is repaid.

[3] Loan equals $1,311,000, interest @ 3%; no debt service until the deferred Developer Fee is repaid, then the Commission receives 100% of the Section 8 revenue plus 37% of the available cash flow until the Commission loan is repaid

[4] Payments commence after the Commission loan is repaid. Payments equal to 37% of base cash flow, plus Section 8 revenue available after deferred Developer Fee and Commission Loan are repaid.

**TABLE 7**
**DEFERRED DEVELOPER FEE/COMMISSION LOAN REPAYMENT**
**ORANGE GROVE APARTMENTS**
**PASADENA, CALIFORNIA**

| | | Year 50 | Year 51 | Year 52 | Year 53 | Year 54 | Year 55 |
|---|---|---|---|---|---|---|---|
| I. | **Net Income After Debt Service & Fees** [1] | $38,529 | $31,845 | $24,715 | $17,120 | $9,037 | $445 |
| | (Less) Debt Service Deferred Developer Fee[2] | 0 | 0 | 0 | 0 | 0 | 0 |
| II. | **Net Income Available for Commission Loan** | $38,529 | $31,845 | $24,715 | $17,120 | $9,037 | $445 |
| | (Less) Debt Service Commission Loan[3] | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Net Income After Commission Loan** | $38,529 | $31,845 | $24,715 | $17,120 | $9,037 | $445 |
| | **NPV Commission Loan Rpymt @ 10% Disc. Rate/Nominal Value** | | | | | | |
| III. | **Commission Ground Lease Payment 4** | ($14,133) | ($11,681) | ($9,066) | ($6,280) | ($3,315) | ($163) |
| | **NPV Commission Ground Lse @ 10% Disc. Rate/Nominal Value** | | | | | | |

[1] See TABLE 6. Excludes Operating Reserve contributions.

[2] Deferred Developer Fee equals $783,000; interest @ 5.0%; and debt service @ 100% of available cash flow plus 100% Section 8 revenue until deferred Developer Fee is repaid.

[3] Loan equals $1,311,000, interest @ 3%; no debt service until the deferred Developer Fee is repaid, then the Commission receives 100% of the Section 8 revenue plus 37% of the available cash flow until the Commission loan is repaid.

[4] Payments commence after the Commission loan is repaid. Payments equal to 37% of base cash flow, plus Section 8 revenue available after deferred Developer Fee and Commission Loan are repaid.