

To: Gregory Robinson, City of Pasadena
 Subject: Heritage Housing Partnership -Feasibility Analysis

March 27, 2007

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The following summarizes findings that relate to the evaluation criteria that the Developer Selection Committee will utilize to rank the proposals.

Outside Funding Sources

The following summarizes the proposed public and private funding sources and the amount of funding requested for each component of the Project:

	<u>Funding Requested</u>
<u>Historical Senior Rental</u>	
Supportable Private Investment	\$2,514,000
Fuller House Moving Allowance	300,000
New Market Tax Credit Proceeds	246,000
Excess Profit from Condo Sales	758,000
Total	<u>\$3,845,000</u>
<u>Family Rental</u>	
Conventional Loan	\$1,168,000
Low Income Housing Tax Credits	11,255,000
Ctr for Comm & Family Services	1,201,000
AHP Grant	200,000
City of Industry	1,658,000
New Market Tax Credit Proceeds	1,387,000
Deferred Developer Fee	581,000
Total	<u>\$17,450,000</u>
<u>Senior Ownership</u>	
None	\$0
<u>Commercial</u>	
None	\$0

Development Costs

The Developer estimates the development costs for each component of the proposed Project as follows:

	<u>Historical Senior Rental</u>	<u>Family Rental</u>	<u>Senior Ownership</u>	<u>Commercial</u>
Per Unit	\$194,400	\$491,700	\$344,700	NA
Per Sf GBA	\$320	\$400	\$330	\$480

However, it should be noted that KMA estimates the development costs, as illustrated below, to be approximately 8% lower than the Developer's estimates.

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	Historical Senior Rental	Family Rental	Senior Ownership	Commercial
Per Unit	\$181,600	\$377,400	\$348,700	NA
Per Sf GBA	\$300	\$300	\$330	\$460

Commission Financial Assistance

The Developer proposes to construct the scope of development through the use of a variety of outside funding sources. The Developer has requested that the Site be donated by the Commission, and that \$7.80 million in direct financial assistance be provided to the Project. However, the Developer's pro forma indicates that they are requesting \$5.37 million in direct financial assistance, plus free land. Comparatively, the KMA analysis indicates that the proposed Project would require free land and \$7.29 million in financial assistance.

Implementation of the Project

The Project includes two subterranean parking garages to serve the entire Project. However, if the proposed 9% Tax Credits are not awarded to the Project, an alternative assistance source will have to be identified to fund over \$15 million in Project costs. This will likely result in delays in the Project's implementation.

Repayment of Financial Assistance

The Developer proposal requests free land plus \$6.10 million in financial assistance which is to be structured through a combination of residual receipts notes and forgivable land loans. However, KMA estimates that the Project will require free land and \$7.29 million in financial assistance.

ADDITIONAL PROPOSAL ISSUE

Income Restrictions

California Health and Safety Code Section 33413 (b) requires that at least 15% of all new and substantially rehabilitated units developed within a project area must be made available to very-low, low and moderate income households. In addition, no less than 40% of the units must be available to very-low income households. The following table compares the number of units in the proposed Project that will meet the Section 33413 affordability requirements to the total proposed income restricted units:

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	Development Proposal	Section 33413 Production Credit
Low & Moderate Income Units	1	0
Very-Low Income Units	40	8
Other	59	0
Total Income Restricted Units	100	8

Of the income restricted units proposed by the Developer, the Commission would be able to received credit for eight inclusionary housing production units. This represents approximately 8% of the units in the Project. This would provide the Commission with deficit for seven inclusionary housing production units that would have to be filled by other residential projects.

**APPENDIX A
HERITAGE HOUSING PARTNERS
FAMILY OWNERSHIP COMPONENT**

APPENDIX A: TABLE 1

ESTIMATED DEVELOPMENT COSTS
 32 RESIDENTIAL CONDOMINIUMS
 FAMILY OWNERSHIP COMPONENT
 HERITAGE HOUSING PARTNERS
 PASADENA, CALIFORNIA

I. Land -Related Costs ¹				
Land Acquisition				\$0
Relocation				89,000
Demolition				47,000
Off-Site Improvements				369,000
Total Land-Related Costs				\$505,000
II. Direct Costs ²				
On-Site Improvements	32 Units	\$10,000 /Unit		\$320,000
Subterranean Parking Structure ³	67 Spaces	\$15,600 /Space		1,042,000
Building Shell	33,400 Sf GBA	\$190 /Sf		6,346,000
FF&E		Allowance		-
Total Direct Costs	33,400 Sf GBA	\$231 /Sf		\$7,708,000
III. Indirect Costs				
Architecture, Engineering & Consulting	6.0% Direct Costs			\$462,000
Public Permits & Fees ⁴	32 Units	\$12,250 /Unit		392,000
Taxes, Legal & Accounting	2.0% Direct Costs			154,000
Insurance	32 Units	\$15,000 /Unit		480,000
Marketing ⁵	32 Units	\$6,560 /Unit		210,000
Developer Fee ⁶	3.0% Revenues			298,000
Soft Cost Contingency Allowance	5.0% Other Indirect Costs			100,000
Total Indirect Costs				\$2,096,000
IV. Financing/Closing Costs				
Interest & Loan Origination Fees ⁷	70.0% Financed			\$300,000
Resid Closing, Comm & Warranties ⁸	5.5% Residential Revenues			542,000
Total Financing/Closing Costs				\$842,000
V. Total Development Costs	33,400 Sf GBA	\$334 /Sf		\$11,151,000
Total Construction Costs	33,400 Sf GBA	\$319 /Sf		\$10,646,000

¹ Based on estimate provided by City Staff, prorated by GBA.

² Estimates assume prevailing wage requirements will be imposed on the Project. The budget includes a 14% allowance for contractor overhead, supervision costs, and profit; a 5% contingency allowance and a 1% allowance for construction bonds.

³ KMA estimated the total parking costs to be \$30,000 per space less the \$14,400 per space benefit from the NMTC program.

⁴ Based on estimates provided by City Staff. Assumes permit fees are equal to \$279,701 ; and impact fees are equal to \$756 per affordable unit.

⁵ Assumes \$5,000 per unit for marketing; and \$50,000 for a model unit.

⁶ See APPENDIX A: TABLE 2 for the sales revenue estimate.

⁷ A 7.0% interest cost for debt and equity; a 12 month construction period; a 5 unit/month absorption period; 10% of the units are presold and close during first month after completion; and 2.0 points for loan origination fees.

⁸ See APPENDIX A: TABLE 2 for residential sales revenue estimates. Assumes 3.0% and 1.5% of residential sales revenues for commissions and closing costs, respectively. Also includes \$3,000/unit for warranties.

APPENDIX A: TABLE 2

RESIDUAL LAND VALUE/(FINANCIAL GAP)
 32 RESIDENTIAL CONDOMINIUMS
 FAMILY OWNERSHIP COMPONENT
 HERITAGE HOUSING PARTNERS
 PASADENA, CALIFORNIA

I. Residential Sales Revenues ¹			
New Moderate - Inclusionary -1-Bdrms - 850 Sf	5 Units	\$189,000 /Unit	\$945,000
New Moderate - Inclusionary -2-Bdrms - 1,050 Sf	5 Units	\$212,100 /Unit	1,061,000
New Moderate - Inclusionary -3-Bdrms - 1,250 Sf	4 Units	\$236,600 /Unit	946,000
New Workforce @ 140%-160% -1-Bdrms - 850 Sf	4 Units	\$304,000 /Unit	1,216,000
New Workforce @ 140%-160% -2-Bdrms - 1,050 Sf	4 Units	\$343,000 /Unit	1,372,000
New Workforce @ 140%-160% -3-Bdrms - 1,250 Sf	4 Units	\$381,900 /Unit	1,528,000
New Market 1-BR -1-Bdrms - 850 Sf	2 Units	\$400,000 /Unit	800,000
New Market 2-BR -2-Bdrms - 1,050 Sf	2 Units	\$475,000 /Unit	950,000
New Market 3-BR -3-Bdrms - 1,250 Sf	2 Units	\$550,000 /Unit	1,100,000
Total Project Sales Revenues	32 Units	\$309,900 /Unit	\$9,918,000
II. Development Costs			
Land-Related Costs	See APPENDIX A: TABLE 1		\$505,000
Construction Costs	See APPENDIX A: TABLE 1		10,646,000
Threshold Developer Profit ²	15.0% Sales Revenues		1,488,000
Total Development Costs	32 Units	\$395,000 /Unit	\$12,639,000
III. Residual Land Value/(Financial Gap)			
Total Project Sales Revenues			\$9,918,000
(Less) Total Development Costs			(12,639,000)
V. Total Residual Land Value/(Financial Gap)	32 Units	(\$85,000) /Unit	(\$2,721,000)

¹ Market rate sales prices are based on Developer's estimates while KMA used the City published affordable sales prices for the income restricted units.

² KMA estimate based on development profit requirements for similar projects.

APPENDIX A: TABLE 3

**KMA & DEVELOPER COMPARISON
FAMILY OWNERSHIP COMPONENT
HERITAGE HOUSING PARTNERS
PASADENA, CALIFORNIA**

	<u>KMA</u>	<u>DEVELOPER</u>	<u>DIFFERENCE</u>
I. <u>Development Costs</u>			
Land Assemblage	\$505,000	\$100,000	\$405,000
Direct Costs	7,708,000	6,912,000	796,000
Indirect Costs	2,096,000	2,915,000	(819,000)
Financing Costs	842,000	1,103,000	(261,000)
Total Development Costs	\$11,151,000	\$11,030,000	\$121,000
Per Unit	\$348,500	\$344,700	\$3,800
II. Residential Sales Revenues	\$9,918,000	\$10,422,000	(\$504,000)
Per Unit	\$309,900	\$325,700	(\$15,800)
III. <u>Development Costs</u>			
Land Related Costs	\$505,000	\$100,000	\$405,000
Construction Costs	10,646,000	10,931,000	(285,000)
Threshold Developer Profit	1,488,000	0	1,488,000
Total Development Costs	\$12,639,000	\$11,031,000	\$1,608,000
IV. <u>Residual Land Value/(Financial Gap)</u>			
Residential Sales Revenues	\$9,918,000	\$10,422,000	(\$504,000)
(Less) Total Development Costs	(12,639,000)	(11,031,000)	(1,608,000)
Residual Land Value/(Financial Gap)	(\$2,721,000)	(\$609,000)	(\$2,112,000)
Per Unit	(\$85,000)	(\$19,000)	(\$66,000)
Per Sf Land Area	(\$22)	(\$5)	(\$17)

**APPENDIX B
HERITAGE HOUSING PARTNERS
FAMILY RENTAL COMPONENT**

APPENDIX B: TABLE 1

**ESTIMATED DEVELOPMENT COSTS
40 VERY-LOW INCOME UNITS & 1 MANAGER'S UNIT
FAMILY RENTAL COMPONENT
HERITAGE HOUSING PARTNERS
PASADENA, CALIFORNIA**

I. Land-Related Costs ¹			
Land Acquisition			\$0
Relocation			135,000
Demolition			72,000
Off-Site Improvements			562,000
Total Land-Related Costs			\$769,000
II. Direct Costs ²			
On-Site Improvements	41 Units	\$10,000 /Unit	\$410,000
Building Shell	45,950 Sf GBA	\$150 /Sf	6,893,000
Subterranean Parking	96 Spaces	\$30,000 /Space	2,880,000
Community Room	1,500 Sf GBA	\$150 /Sf	225,000
Childcare Center	3,350 Sf GBA	\$150 /Sf	503,000
Furnishing	Allowance		50,000
Total Direct Costs	41 Units	\$267,300 /Unit	\$10,961,000
III. Indirect Costs			
Architecture, Engineering & Consulting	6.0% Direct Cost		\$658,000
Permits & Fees ³	41 Units	\$9,430 /Unit	387,000
Taxes, Legal & Accounting	1.5% Direct Cost		164,000
Insurance	41 Units	\$2,000 /Unit	82,000
Marketing/Leasing	41 Units	\$1,000 /Unit	41,000
Developer Fee ⁴	12% Applicable Tax Credit Basis		1,479,000
Soft Cost Contingency	5.0% Other Ind		141,000
Total Indirect Costs	41 Units	\$72,000 /Unit	\$2,952,000
IV. Financing Costs			
Capitalized Reserves ⁵	41 Units	\$1,707 /Units	\$70,000
Tax Credit Costs ⁶			60,000
Interest During Construction ⁷	\$7,209,000 Loan	7.0% Interest	530,000
Loan Origination Fees			
Construction Loan	\$7,209,000	1.50 Points	108,000
Permanent Loan	\$1,197,000	2.00 Points	24,000
Total Financing Costs	41 Units	\$19,300 /Unit	\$792,000
V. Total Development Costs	41 Units	\$377,400 /Unit	\$15,474,000

¹ Based on estimate provided by City Staff, prorated by GBA.

² Estimates assume prevailing wage requirements will be imposed on the Project. The budget includes a 14% allowance for contractor overhead, supervision costs, and profit; a 5% contingency allowance and a 1% allowance for construction bonds.

³ Based on estimates provided by City Staff. Assumes permit fees are equal to \$355,538; and impact fees are equal to \$756 per affordable unit.

⁴ Equal to the amount identified by the Developer. This amount is less than the maximum allowed by TCAC.

⁵ Assumes 3 months of general operating expenses, capital reserve deposits and debt service.

⁶ Includes \$2,000 application fee; \$410/unit monitoring fee; and 4% of the gross Tax Credit proceeds for one-year.

⁷ The construction loan includes 50% of the Tax Credit equity which will not be funded during construction. Assumes a 21 month construction period; & a 60% average outstanding balance.

APPENDIX B: TABLE 2

STABILIZED NET OPERATING INCOME
 40 VERY-LOW INCOME UNITS & 1 MANAGER'S UNIT
 FAMILY RENTAL COMPONENT
 HERITAGE HOUSING PARTNERS
 PASADENA, CALIFORNIA

I. <u>Income</u>¹			
Manager	1 Unit @	\$0 /Month	\$0
<u>VL Inc Redev/Tax Credit @ 30% Median</u>			
2-Bdrms @ 850 Sf	3 Units @	\$400 /Month	14,400
3-Bdrms @ 1,050 Sf	1 Unit @	\$461 /Month	5,500
<u>Tax Credits @ 40% Median</u>			
2-Bdrms @ 850 Sf	3 Units @	\$556 /Month	20,000
3-Bdrms @ 1,050 Sf	1 Unit @	\$641 /Month	7,700
<u>Tax Credit @ 50% Median</u>			
2-Bdrms @ 850 Sf	21 Units @	\$712 /Month	179,400
3-Bdrms @ 1,050 Sf	11 Units @	\$821 /Month	108,400
Laundry/Miscellaneous Income	41 Units @	\$5 /Month	2,000
Gross Income			<u>\$337,400</u>
(Less) Vacancy and Collection	5.0% Gross Income		<u>(16,900)</u>
II. Effective Gross Income (EGI)			\$320,500
III. <u>Operating Expenses</u>²			
General Operating Expenses	41 Units @	\$4,000 /Unit	\$164,000
Property Taxes ³	41 Units @	\$73 /Unit	3,000
Supportive Services ⁴	41 Units @	\$488 /Unit	20,000
Capital Reserve	41 Units @	\$300 /Unit	12,300
Total Operating Expenses	41 Units @	(\$4,860) /Unit	(\$199,300)
IV. <u>Net Operating Income</u>			\$121,200

¹ Based on Los Angeles County 2006 incomes distributed by HUD/HCD. As pertinent, the rents are based on California Health & Safety Code Section 50053; and rents published by TCAC. Utilities allowances: 2-Bdrm - \$68 and 3-Bdrm - \$79; the manager's unit is treated as a low income Tax Credit unit.

² Based on KMA experience with similar projects.

³ Based on assumption that the Developer will receive the property tax abatement accorded to nonprofit organization that develop income restricted apartments.

⁴ Based on Developer estimates.

APPENDIX B: TABLE 3

**RESIDUAL LAND VALUE/(FINANCIAL GAP)
40 VERY-LOW INCOME UNITS & 1 MANAGER'S UNIT
FAMILY RENTAL COMPONENT
HERITAGE HOUSING PARTNERS
PASADENA, CALIFORNIA**

I. Available Funding Sources

A. Conventional Financing

Net Operating Income	\$121,200		
Avail for Debt Service @ 115% Coverage	\$105,400		
Interest Rate/Mortgage Constant	8.00% Interest	8.81% Constant	

Total Supportable Debt **\$1,197,000**

B. Federal Low Income Housing Tax Credit Proceeds ¹

Gross Tax Credit Value	\$10,315,000		
Syndication Value	\$0.95 /Tax Credit Dollar		

Net Tax Credit Value **\$9,790,000**

C. Center for Community & Family Services **\$1,200,664**

D. AHP Grant ² **\$200,000**

41 Units	\$4,878 /Unit	
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E. City of Industry Funds ² **\$1,658,000**

41 Units	\$40,400 /Unit	
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F. NMTC Proceeds for Parking Costs ² **\$1,387,000**

96 Spaces	\$14,444 /Unit	
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G. Deferred Developer Fee ² **\$581,000**

Total Available Funding Sources **\$16,013,664**

II. Residual Land Value/(Financial Gap)

Total Available Funding Sources	\$16,013,664
(Less) Total Development Costs	(15,474,000)

III. Total Residual Land Value/(Financial Gap) **\$539,664**

41 Units	\$13,200 /Unit	
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¹ \$12.7 million eligible basis (including a 130% difficult to develop premium); an 8.10% tax credit rate; and an applicable fraction of 100%.

² Based on Developer estimates.

APPENDIX B: TABLE 4

**KMA & DEVELOPER COMPARISON
40 VERY-LOW INCOME UNITS & 1 MANAGER'S UNIT
FAMILY RENTAL COMPONENT
HERITAGE HOUSING PARTNERS
PASADENA, CALIFORNIA**

	<u>KMA</u>	<u>DEVELOPER</u>	<u>DIFFERENCE</u>
I. <u>Development Costs</u>			
Land-Related Costs	\$769,000	\$35,000	\$734,000
Direct Costs	10,961,000	14,669,000	(3,708,000)
Indirect Costs	2,952,000	3,560,000	(608,000)
Financing Costs	792,000	1,896,000	(1,104,000)
Total Development Costs	\$15,474,000	\$20,160,000	(\$4,686,000)
Per Unit	\$377,400	\$491,700	(\$114,300)
Per Sf GBA	\$300	\$400	(\$90)
II. <u>Net Operating Income</u>			
Effective Gross Income	\$320,500	\$316,900	\$3,600
(Less) Operating Expenses	(199,300)	(199,600)	300
Net Operating Income	\$121,200	\$117,300	\$3,900
III. <u>Available Funding Sources</u>			
Conventional Financing	\$1,197,000	\$1,168,000	\$29,000
Federal Low Income Tax Credits	9,790,000	11,255,000	(1,465,000)
Ctr for Comm & Family Services	1,201,000	1,201,000	0
AHP Grant	200,000	200,000	0
City of Industry Funds	1,658,000	1,658,000	0
NMTC Proceeds for Parking	1,387,000	1,387,000	0
Deferred Developer Fee	581,000	581,000	0
Total Available Funding Sources	\$16,014,000	\$17,450,000	(\$1,436,000)
Per Unit	\$390,600	\$425,600	(\$35,000)
IV. <u>Residual Land Value/(Financial Gap)</u>			
Total Available Funding Sources	\$16,014,000	\$17,450,000	(\$1,436,000)
(Less) Total Development Costs	(15,474,000)	(20,160,000)	4,686,000
V. <u>Total Residual Land Value/(Financial Gap)</u>	\$540,000	(\$2,710,000)	\$3,250,000
Per Unit	\$13,200	(\$66,100)	\$79,300
Per Sf Land Area	\$4	(\$22)	\$26

APPENDIX C
HERITAGE HOUSING PARTNERS
HISTORICAL SENIOR RENTAL COMPONENT

APPENDIX C: TABLE 1

ESTIMATED DEVELOPMENT COSTS
 27 VERY-LOW INCOME UNITS & 0 MANAGER'S UNIT
 HISTORICAL SENIOR RENTAL COMPONENT
 HERITAGE HOUSING PARTNERS
 PASADENA, CALIFORNIA

I. Land-Related Costs¹			
Land Acquisition			\$0
Relocation			43,000
Demolition			23,000
Off-Site Improvements			179,000
Total Land-Related Costs			\$245,000
II. Direct Costs²			
On-Site Improvements	27 Units	\$10,000 /Unit	\$270,000
Rehab & Moving Costs ³	16,200 Sf GBA	\$183 /Sf	2,972,000
Parking	17 Spaces	\$30,000 /Space	510,000
Furnishing	Allowance		0
Total Direct Costs	27 Units	\$139,000 /Unit	\$3,752,000
III. Indirect Costs			
Architecture, Engineering & Consulting	6.0% Direct Cost		\$225,000
Permits & Fees ⁴	27 Units	\$5,900 /Unit	159,000
Taxes, Legal & Accounting	1.5% Direct Cost		56,000
Insurance	27 Units	\$2,000 /Unit	54,000
Marketing/Leasing	27 Units	\$1,000 /Unit	27,000
Developer Fee	3% Direct Costs		113,000
Soft Cost Contingency	5.0% Other Ind		32,000
Total Indirect Costs	27 Units	\$24,700 /Unit	\$666,000
IV. Financing Costs			
Capitalized Reserves ⁵	27 Units	\$1,185 /Units	\$32,000
Interest During Construction ⁶	\$2,549,000 Loan	7.0% Interest	125,000
Loan Origination Fees			
Construction Loan	\$2,549,000	1.50 Points	38,000
Permanent Loan	\$2,265,000	2.00 Points	45,000
Total Financing Costs	27 Units	\$8,900 /Unit	\$240,000
V. Total Development Costs	27 Units	\$181,600 /Unit	\$4,903,000

¹ Based on estimate provided by City Staff, prorated by GBA.

² Estimates assume prevailing wage requirements will be imposed on the Project. The budget includes a 14% allowance for contractor overhead, supervision costs, and profit; a 5% contingency allowance and a 1% allowance for construction bonds.

³ Based on estimates provided by the Developer.

⁴ Based on estimates provided by City Staff. Assumes permit fees are equal to \$138,774; and impact fees are equal to \$756 per affordable unit.

⁵ Assumes 3 months of general operating expenses, capital reserve deposits and debt service.

⁶ The construction loan includes 50% of the Tax Credit equity which will not be funded during construction. Assumes a 14 month construction period; & a 60% average outstanding balance.

APPENDIX C: TABLE 2

STABILIZED NET OPERATING INCOME
 27 VERY-LOW INCOME UNITS & 0 MANAGER'S UNIT
 HISTORICAL SENIOR RENTAL COMPONENT
 HERITAGE HOUSING PARTNERS
 PASADENA, CALIFORNIA

I. Income¹			
Manager	0 Units @	\$0 /Month	\$0
<u>Inclusionary Housing Moderate Income</u>			
1-Bdrm @ 600 Sf	27 Units @	\$1,244 /Month	403,100
Laundry/Miscellaneous Income	27 Units @	\$5 /Month	2,000
Gross Income			<u>\$405,100</u>
(Less) Vacancy and Collection	5.0% Gross Income		(20,300)
II. Effective Gross Income (EGI)			<u>\$384,800</u>
III. Operating Expenses²			
General Operating Expenses	27 Units @	\$3,200 /Unit	\$86,400
Property Taxes ³	27 Units @	\$1,514 /Unit	40,900
Supportive Services ⁴	27 Units @	\$0 /Unit	20,000
Capital Reserve	27 Units @	\$300 /Unit	8,100
Total Operating Expenses	27 Units @	(\$5,760) /Unit	<u>(\$155,400)</u>
IV. Net Operating Income			<u>\$229,400</u>

¹ Based on Los Angeles County 2006 incomes distributed by HUD/HCD. As pertinent, the rents are based on the City's Inclusionary Housing Ordinance rents published by the City; a 1-Bdrm - \$53 utility allowance; and no unit set aside for manager.

² Based on KMA experience with similar projects.

³ Based on the assumption that the units will qualify to receive a property tax exemption due to the Mills Act. Estimate provided by the Developer.

⁴ Based on Developer estimates.

APPENDIX C: TABLE 3

RESIDUAL LAND VALUE/(FINANCIAL GAP)
 27 VERY-LOW INCOME UNITS & 0 MANAGER'S UNIT
 HISTORICAL SENIOR RENTAL COMPONENT
 HERITAGE HOUSING PARTNERS
 PASADENA, CALIFORNIA

I. Available Funding Sources

A. Supportable Private Investment

Stabilized Net Operating Income		\$229,400	
Threshold Return on Investment		9.00%	
			\$2,549,000

Supportable Private Investment

B. Fuller House Moving Allowance ¹	27 Units @	\$11,100 /Unit	\$300,000
C. NMTC Proceeds for Parking ¹	17 Spaces	\$14,444 /Unit	\$246,000
D. Residual Land Value from Ownership Component			\$0

Total Available Funding Sources \$3,095,000

II. Residual Land Value/(Financial Gap)

Total Available Funding Sources		\$3,095,000
(Less) Total Development Costs		(4,903,000)

III. Total Residual Land Value/(Financial Gap)	27 Units	(\$67,000) /Unit	(\$1,808,000)
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¹ Based on Developer estimates.

APPENDIX C: TABLE 4

**KMA & DEVELOPER COMPARISON
27 VERY-LOW INCOME UNITS & 0 MANAGER'S UNIT
HISTORIC SENIOR RENTAL COMPONENT
HERITAGE HOUSING PARTNERS
PASADENA, CALIFORNIA**

	<u>KMA</u>	<u>DEVELOPER</u>	<u>DIFFERENCE</u>
I. <u>Development Costs</u>			
Land-Related Costs	\$245,000	\$100,000	\$145,000
Direct Costs	3,752,000	3,662,000	90,000
Indirect Costs	666,000	1,261,000	(595,000)
Financing Costs	240,000	225,000	15,000
Total Development Costs	\$4,903,000	\$5,248,000	(\$345,000)
Per Unit	\$181,600	\$194,400	(\$12,800)
Per Sf GBA	\$300	\$320	(\$10)
II. <u>Net Operating Income</u>			
Effective Gross Income	\$384,800	\$399,000	(\$14,200)
(Less) Operating Expenses	(155,400)	(212,600)	57,200
Net Operating Income	\$229,400	\$186,400	\$43,000
III. <u>Available Funding Sources</u>			
Supportable Private Investment	\$2,549,000	\$2,514,000	\$35,000
Fuller House Moving Allowance	300,000	300,000	0
NMTC Proceeds for Parking	246,000	246,000	0
Excess Profits from Condominiums	0	785,000	(785,000)
Total Available Funding Sources	\$3,095,000	\$3,845,000	(\$750,000)
Per Unit	\$114,600	\$142,400	(\$27,800)
IV. <u>Residual Land Value/(Financial Gap)</u>			
Total Available Funding Sources	\$3,095,000	\$3,845,000	(\$750,000)
(Less) Total Development Costs	(4,903,000)	(5,248,000)	345,000
V. Total Residual Land Value/(Financial Gap)	(\$1,808,000)	(\$1,403,000)	(\$405,000)
Per Unit	(\$67,000)	(\$52,000)	(\$15,000)
Per Sf Land Area	(\$15)	(\$11)	(\$3)

**APPENDIX D
HERITAGE HOUSING PARTNERS
COMMERCIAL COMPONENT**

APPENDIX D: TABLE 1

ESTIMATED DEVELOPMENT COSTS
COMMERCIAL COMPONENT
HERITAGE HOUSING PARTNERS
PASADENA, CALIFORNIA

I. <u>Land-Related Costs</u>¹				
Land Acquisition				\$0
Demolition				43,000
Relocation				23,000
Off-Site Improvements	\$177,000	Allowance		177,000
				\$243,000
II. <u>Direct Costs</u>²				
On-Site Improvements	16,000	Sf GBA	\$10 /Sf GBA	\$160,000
Parking				
At-Grade Spaces	85	Spaces	\$30,000 /Space	2,550,000
Subterranean Spaces	24	Spaces	\$2,500 /Space	60,000
Building Shell	16,000	Sf GBA	\$120 /Sf GBA	1,920,000
Tenant Improvements	16,000	Sf GLA	\$30 /Sf GBA	480,000
Total Direct Costs				\$5,170,000
III. <u>Indirect Costs</u>				
Architecture, Eng. & Consulting	6.0%	Direct Costs		\$310,000
Permits & Fees ³	16,000	Sf GBA	\$11.89 /Sf GBA	190,000
Taxes, Legal & Accounting	4.1%	Direct Cost		211,000
Insurance	1.0%	Direct Cost		52,000
Marketing/Leasing	16,000	Sf GBA	\$5.00 /Sf GBA	80,000
Developer Fee	3.0%	Direct Cost		155,000
Contingency Allowance	5.0%	Other Ind		50,000
Total Indirect Costs				\$1,048,000
IV. <u>Financing Costs</u>				
NMTC Loan Interest During Construction ⁴	\$5,480,000	Loan	6.0% Interest	\$384,000
NMTC Allocation Fee ⁵	\$5,480,000	Loan	10.0 Points	548,000
Total Financing Costs				\$932,000
V. <u>Total Development Costs</u>	16,000	Sf GBA	\$462 /Sf GBA	\$7,393,000

¹ Based on estimate provided by City Staff, prorated by GBA.

² Estimates assume prevailing wage requirements will be imposed on the Project. The budget includes a 14% allowance for contractor overhead, supervision costs, and profit; a 5% contingency allowance and a 1% allowance for construction bonds.

³ Based on estimates provided by City Staff.

⁴ Based on an 14 month construction and absorption period. Assumes that the loan is interest only and that \$4.11 will be forgiven at the end of the seven year loan term.

⁵ Based on Developer estimate.

APPENDIX D: TABLE 2

STABILIZED NET OPERATING INCOME
 COMMERCIAL COMPONENT
 HERITAGE HOUSING PARTNERS
 PASADENA, CALIFORNIA

I. Gross Income ¹			
Retail	9,500 Sf GLA	\$24.00 /Sf/Year	\$228,000
Office	6,500 Sf GLA	\$24.00 /Sf/Month	156,000
Gross Income			\$384,000
(Less) Vacancy & Collection Allowance	5% Gross Income		(19,200)
II. Effective Gross Income			\$364,800
III. Unreimbursed Operating Expenses			
Management	4.0% EGI		\$14,600
General Expenses ²	800 Sf GLA	\$1.00 /SF GLA	800
Reserves	16,000 Sf GLA	\$0.15 /SF GLA	2,400
Total Unreimbursed Operating Expenses			(\$17,800)
IV. Net Operating Income			\$347,000

¹ Based on market data gathered by KMA.

² Cost assessed against vacant space.

APPENDIX D: TABLE 3

RESIDUAL LAND VALUE/(FINANCIAL GAP)
COMMERCIAL COMPONENT
HERITAGE HOUSING PARTNERS
PASADENA, CALIFORNIA

I.	<u>New Market Tax Credit Loan</u> Initial NMTC Loan				\$5,480,000
II.	Estimated Development Costs		See APPENDIX D: TABLE 1		\$7,393,000
III.	Total Residual Land Value/(Financial Gap)	16,000	Sf GBA	(\$120) /Sf GBA	(\$1,913,000)

APPENDIX D: TABLE 4

**KMA & DEVELOPER COMPARISON
COMMERCIAL COMPONENT
HERITAGE HOUSING PARTNERS
PASADENA, CALIFORNIA**

	<u>KMA</u>	<u>DEVELOPER</u>	<u>DIFFERENCE</u>
I. <u>Development Costs</u>			
Land Assemblage	\$243,000	\$100,000	\$143,000
Direct Costs	5,170,000	4,805,000	365,000
Indirect Costs	1,048,000	1,635,000	(587,000)
Financing Costs	932,000	1,102,000	(170,000)
Total Development Costs	\$7,393,000	\$7,642,000	(\$249,000)
Per Sf GBA	\$460	\$480	(\$20)
II. <u>Effective Gross Income</u>			
Effective Gross Income	\$364,800	\$467,700	(\$102,900)
(Less) Operating Expenses	(17,800)	(24,600)	6,800
Net Operating Income	\$347,000	\$443,100	(\$96,100)
III. <u>Supportable Private Investment</u>			
Net Operating Income	\$347,000	\$443,100	(\$96,100)
Return on Total Investment	6.33%	6.33%	
Total Supportable Private Investment	\$5,480,000	\$6,997,000	(\$1,517,000)
IV. <u>Residual Land Value/(Financial Gap)</u>			
Total Supportable Private Investment	\$5,480,000	\$6,997,000	(\$1,517,000)
(Less) Total Development Costs	(7,393,000)	(7,642,000)	249,000
V. <u>Total Residual Land Value/(Financial Gap)</u>	(\$1,913,000)	(\$645,000)	(\$1,268,000)
Per Sf GBA	(\$120)	(\$40)	(\$80)

**APPENDIX E
HERITAGE HOUSING PARTNERS
DEVELOPMENT COMPONENTS SUMMARY**

APPENDIX E - TABLE 1

KMA DEVELOPMENT COMPONENTS SUMMARY
HERITAGE HOUSING PARTNERS
PASADENA, CALIFORNIA

Project Description	FAMILY RENTAL COMPONENT		HISTORIC SENIOR RENTAL	FAMILY OWNERSHIP COMPONENT		COMMERCIAL COMPONENT		TOTAL PROJECT
	Number of Units	Gross Building Area (Sf)		Number of Units	Gross Building Area (Sf)	Number of Units	Gross Building Area (Sf)	
I.	41		27	32	NA	NA	100	
Number of Affordable Units	41		27	32	NA	NA	100	
Gross Building Area (Sf)	50,800		16,200	33,400	16,000		116,400	
Parking Spaces	96		17	67	85		265	
II.								
<u>Development Costs</u>								
Land Assemblage	\$769,000		\$245,000	\$505,000	\$243,000		\$1,762,000	
Direct Costs	10,961,000		3,752,000	7,708,000	5,170,000		27,591,000	
Indirect Costs	2,952,000		666,000	2,096,000	1,048,000		6,762,000	
Financing Costs	792,000		240,000	842,000	932,000		2,806,000	
Total Development Costs	\$15,474,000		\$4,903,000	\$11,151,000	\$7,393,000		\$38,921,000	
Per Unit	\$377,400		\$181,600	\$348,500	NA		\$389,200	
Per SF GBA	\$300		\$300	\$330	\$460		\$330	
III.								
<u>Average Monthly Rents/Sales Prices</u>								
Per Unit	\$680		\$1,244	\$309,900	NA			
Per SF Net Area	\$0.74		\$2.07	\$297	\$2.00			
IV.								
Net Operating Income/Sales Revenues	\$121,200		\$229,400	\$9,918,000	\$347,000		\$33,120,000	
V.								
Available Funding Sources/Supportable Investment	\$14,627,000		\$3,095,000	\$9,918,000	\$5,480,000		\$33,120,000	
Required Return on Investment	NA		NA	NA	6.3%			
VI.								
<u>Residual Land Value/(Financial Gap)</u>								
Available Funding Sources/Supportable Investment	\$14,627,000		\$3,095,000	\$9,918,000	\$5,480,000		\$33,120,000	
(Less) Threshold Developer Profit	NA		NA	(1,488,000)	NA		(1,488,000)	
(Less) Development Costs	(15,474,000)		(4,903,000)	(11,151,000)	(7,393,000)		(38,921,000)	
Residual Land Value/(Financial Gap)	(\$847,000)		(\$1,808,000)	(\$2,721,000)	(\$1,913,000)		(\$7,289,000)	
Per Unit	(\$20,700)		(\$67,000)	(\$85,000)	NA		(\$63)	
Per SF GBA	(\$17)		(\$112)	(\$81)	(\$120)		(\$63)	
VII.								
<u>Residual Land Value/(Financial Gap)</u>								
Residual Land Value / (Financial Gap)								
Land Cost / Value								
Net Financial Surplus / (Gap)								
VIII.								
<u>Net Financial Surplus / (Gap)</u>								
A. Land Acquisition at Commission Cost								
Net Financial Surplus / (Gap)								
Land Cost / Value								
Net Financial Surplus / (Gap)								
B. Land Acquisition at Estimated Market Value								
Land Cost / Value								
Net Financial Surplus / (Gap)								

APPENDIX E - TABLE 2

DEVELOPER DEVELOPMENT COMPONENTS SUMMARY
HERITAGE HOUSING PARTNERS
PASADENA, CALIFORNIA

I. Project Description	FAMILY RENTAL COMPONENT		HISTORIC SENIOR RENTAL COMPONENT		FAMILY OWNERSHIP COMPONENT		COMMERCIAL COMPONENT		TOTAL PROJECT	
	Number of Units	Gross Building Area (SF)	Number of Units	Gross Building Area (SF)	Number of Units	Gross Building Area (SF)	Number of Units	Gross Building Area (SF)	Number of Units	Gross Building Area (SF)
Number of Units	41		27		32		NA		100	
Number of Affordable Units	41		27		32		NA		100	
Gross Building Area (SF)	50,800		16,200		33,400		16,000		116,400	
Parking Spaces	96		17		67		109		289	
II. Development Costs										
Land-Related Costs	\$35,000		\$100,000		\$100,000		\$100,000		\$335,000	
Direct Costs	14,669,000		3,662,000		6,912,000		4,805,000		30,048,000	
Indirect Costs	3,560,000		1,261,000		2,915,000		1,635,000		9,371,000	
Financing Costs	1,896,000		225,000		1,103,000		1,102,000		4,326,000	
Total Development Costs	\$20,160,000		\$5,248,000		\$11,030,000		\$7,642,000		\$44,080,000	
Per Unit	\$491,700		\$194,400		\$344,700		NA		\$440,800	
Per SF GBA	\$400		\$320		\$330		\$480		\$380	
III. Average Monthly Rents/Sales Prices										
Per Unit	\$695		\$1,296		\$325,688		NA			
Per SF Net Area	\$0.76		\$2.16		\$312		\$4.32			
IV. Net Operating Income/Sales Revenues										
	\$117,300		\$186,400		\$10,422,000		\$443,100		\$38,714,000	
V. Available Funding Sources/Supportable Investment										
Required Return on Investment	\$17,450,000		\$3,845,000		\$10,422,000		\$6,997,000		\$38,714,000	
	NA		NA		NA		6.33%			
VI. Residual Land Value/(Financial Gap)										
Available Funding Sources/Supportable Investment	\$17,450,000		\$3,845,000		\$10,422,000		\$6,997,000		\$38,714,000	
(Less) Threshold Developer Profit	NA		NA		0		NA		0	
(Less) Development Costs	(20,160,000)		(5,248,000)		(11,030,000)		(7,642,000)		(44,080,000)	
Residual Land Value/(Financial Gap)	(\$2,710,000)		(\$1,403,000)		(\$608,000)		(\$645,000)		(\$5,366,000)	
Per Unit	(\$68,100)		(\$52,000)		(\$19,000)		NA		(\$46)	
Per SF GBA	(\$53)		(\$87)		(\$18)		(\$40)		(\$46)	
VII. Residual Land Value/(Financial Gap)										
Residual Land Value / (Financial Gap)										
VIII. Net Financial Surplus / (Gap)										
A. Land Acquisition at Commission Cost										
Land Cost / Value										
(Less) Residual Land Value / (Financial Gap)										
Net Financial Surplus / (Gap)										
B. Land Acquisition at Estimated Market Value										
Land Cost / Value										
(Less) Residual Land Value / (Financial Gap)										
Net Financial Surplus / (Gap)										