



**KEYSER MARSTON ASSOCIATES<sup>®</sup>**  
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

**MEMORANDUM**

**ADVISORS IN:**  
Real Estate  
Redevelopment  
Affordable Housing  
Economic Development

**To:** Patrick Ure, Housing Development Officer  
City of Long Beach

**From:** Julie Romey  
Tim Bretz

**cc:** Meggan Sorensen, Development Project Manager III

**Date:** January 3, 2017

**Subject:** Beacon Pointe Apartments: Financial Gap Analysis

**LOS ANGELES**

Kathleen H. Head  
James A. Rabe  
Gregory D. Soo-Hoo  
Kevin E. Engstrom  
Julie L. Romey

**SAN DIEGO**  
Paul C. Marra

At your request, Keyser Marston Associates, Inc. (KMA) reviewed the November 7, 2016 pro forma submitted by Century Housing (Developer) for the Beacon Pointe Apartments, a 121-unit 100% affordable senior housing project (Project). Fifty-percent (50%) of the units will be set-aside for special needs households. The Project will be constructed concurrently with Beacon Place Apartments, a 39-unit 100% affordable supportive housing project (Beacon Place). The Project and Beacon Place are collectively referred to as The Beacon, and will be developed on a 1.60-acre parcel located at southwest corner of Long Beach Boulevard and East Anaheim Street (Site). The two buildings will share one above-grade podium parking structure, and will be constructed at the same time.

The purpose of the KMA analysis is to establish the financial gap associated with the Project, as well as summarize the proposed deal terms and outstanding issues for the financial assistance requested by the Developer.

**EXECUTIVE SUMMARY**

The KMA analysis concludes the following:

1. The Developer is requesting \$10.0 million in permanent financial assistance from the Long Beach Community Investment Company (LBCIC) (LBCIC Loan). KMA estimates that the warranted financial assistance for the Project is \$9.91 million.

This represents a \$95,000 differential, which can be considered inconsequential for a project of this magnitude.

2. It is important to note, that the Beacon will be constructed as one project; however, the two buildings (Beacon Place and Beacon Pointe) will be financed separately using different funding mechanisms. As such, each funding source will need to be in place for both Projects before the construction of The Beacon can begin.
3. The proposed terms of the LBCIC Loan are:
  - a. A 3% simple interest rate;
  - b. A 55-year term; and
  - c. A share of the Project's residual receipts.

## **PROPOSED FUNDING SOURCES**

The following summarizes the proposed funding sources for the Project:

1. The Project's net operating income supports approximately \$6.97 million in conventional permanent financing;
2. The Developer is proposing to apply for 9% Federal Low Income Housing Tax Credits (Federal Tax Credits) that are competitively awarded by the California Tax Credit Allocation Committee (TCAC);
3. The Developer is proposing to apply for State Low Income Housing Tax Credits (State Tax Credits) that are competitively awarded by TCAC;
4. A loan of Affordable Housing Program (AHP) funds awarded by the Federal Home Loan Bank of San Francisco;
5. A Seller Carryback Note provided by Century;
6. A deferred Developer Fee;
7. A loan of low and moderate income housing set-aside (Set-Aside) funds previously committed to the Project from the former Long Beach Housing Development Company (LBHDC) for the acquisition of the Site (LBHDC Acquisition Loan);

8. A loan of former Housing Set-Aside funds (Housing Asset Funds) that were transferred to the Housing Successor Agency and distributed by the LBCIC (LBCIC Loan); and
9. City of Long Beach (City) Fee Waivers.

## **BACKGROUND**

During 2006 and 2007, Meta Housing (Meta) purchased 16 parcels totaling 145,100 square feet (3.33 acres) of land area located at the southwestern corner of Long Beach Boulevard and East Anaheim Street. The purchase price of the parcels totaled \$23.37 million. The Developer provided a \$19.94 million loan to Meta for the purchase of 13 parcels, and the LBHDC provided two loans totaling \$5.15 million for the purchase of three parcels and \$566,000 in lease buyout and closing costs.

Meta originally proposed to develop the 3.33 acre site as one development. However, the collapse of the financial and housing markets in 2008 created the need to shift the project to a two-phase development. As Meta continued to find funding sources for the development, the land loans were required to be extended with the Developer several times.

In 2010, Meta submitted documentation to the LBHDC to develop a 39-unit affordable senior project and a 161-unit senior artist colony project as the first phase of development. The LBHDC approved Meta's development plans and the 200-unit Senior Arts Colony project was completed in 2012.

Upon completion of the Senior Arts Colony, Meta was unable to secure funding to develop the second phase of the project. After discussions between Meta, the Developer and the LBCIC, it was decided that the Developer would take back control of the undeveloped portion of the site dedicated to the second phase of Meta's project. This equates to approximately 1.60 acres of land area.

The Developer is proposing to develop the Project on a portion of this remaining 1.60 acres of land area. The following memorandum discusses the analysis of Project.

## **PROJECT DESCRIPTION**

The proposed scope of development can be described as follows:

1. The land area is comprised of 52,779 square feet, or approximately 1.21 acres.
2. The 121-unit Project represents a density of 100 units per acre.

3. The Project's unit mix is as follows:

	Number of Units	Unit Size (SF)
One-Bedroom Units	110	713
Two-Bedroom Units	11	1,053
Total/Average	121	744

4. The Project's gross building area (GBA) is estimated at 123,539 square feet and is comprised of the following:
- The residential GBA is estimated at 90,013 square feet;
  - The community room GBA is estimated at 4,382 square feet;
  - The retail GBA is estimated at 6,224 square feet; and
  - The circulation/common area GBA is estimated at 22,920 square feet.
5. The Project will consist of five floors of Type III construction over two levels of Type I Podium construction.
6. The Project will include 155 above-grade podium parking spaces, which equates to 1.28 parking spaces per unit.
7. The Project's affordability mix is as follows:

Extremely Low H&SC / Tax Credit @ 30% Median	8
Tax Credit @ 30% Median	52
Tax Credit @ 50% Median	60
Un-restricted Manager's Unit	1
<b>Total Units</b>	<b>121</b>

## FINANCIAL GAP ANALYSIS

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

Table 1:	Estimated Development Costs
Table 2:	Stabilized Net Operating Income
Table 3:	Financial Gap Analysis

### **Estimated Development Costs (Table 1)**

KMA reviewed the Developer's November 7, 2016 pro forma and then independently prepared a forma analysis for the Project. The resulting development cost estimates for the Project are as follows:

#### ***Acquisition Costs***

The land acquisition costs are based on the existing outstanding acquisition debt for the Site. In December 2014, the Developer took back control of the Site from Meta through a workout transaction and assumed \$15.09 million in outstanding debt. This outstanding debt is structured as follows:

1. The Developer's debt was set at \$12.82 million; and
2. The LBHDC Acquisition Loan was set at \$2.28 million.

The Developer prorated the existing debt between the Beacon Place Apartments and the Beacon Pointe Apartments based on the number of units in each project (\$15,092,622 / 160 units = \$94,330 per unit). As such, the Developer set acquisition costs for the Project at \$11.41 million, or \$94,330 per unit.

#### ***Direct Costs***

The direct costs assume that the Project will be subject to State of California and/or Federal Davis Bacon prevailing wage requirements. The direct costs applied in the analysis can be summarized as follows:

1. The Developer estimated the off-site improvement costs at \$1.0 million. City staff should verify the accuracy of the scope and cost estimate for the off-site improvements.
2. The on-site improvement costs are estimated at \$20 per square foot of land area, or \$1.06 million.

3. The above-grade podium parking costs are estimated at \$30,000 per space, or \$4.65 million.
4. Based on the Developer's estimate, the residential building costs are estimated at \$203 per square foot of GBA, or \$23.82 million. The residential portion of the building will be constructed using Type III standards.
5. Based on the Developer's estimate, the retail shell costs are estimated at \$321 per square foot of GBA, or \$2.0 million.
6. The Developer provided a \$682,000 allowance for furnishings, fixtures and equipment.
7. Contractor fees and general requirements are estimated at 12% of construction costs.
8. An allowance for construction bonds and general liability insurance at 2% of construction costs is provided.
9. A direct cost contingency allowance equal to 8% of other direct costs is provided.

KMA estimates the total direct costs at \$40.77 million, or \$330 per square foot of GBA. In comparison, the Developer estimates the total direct costs at \$41.62 million, or \$337 per square foot of GBA. This represents an approximately \$848,000 differential.

The Developer is in the process of getting construction bids from three general contractors. As such, KMA primarily relied on the direct cost estimates provided by the Developer. However, if the construction bids differ from the cost estimates utilized in this analysis, the KMA Financial Gap Analysis may need to be revised.

### ***Indirect Costs***

KMA utilized the following assumptions for estimating the Project's indirect costs:

1. The architecture, engineering and consulting costs are estimated at 4% of direct costs.
2. The Developer estimated the public permits and fees costs at approximately \$25,800 per unit, or \$3.12 million.
3. The taxes, legal, insurance and accounting costs are estimated at 2% of direct costs.
4. Marketing and leasing costs are estimated as follows:

- a. The residential leasing costs are estimated at \$61,000, or approximately \$500 per unit; and
  - b. The retail leasing costs are estimated at \$19,000, or \$3.00 per square foot of retail GBA.
5. The Developer set the Developer Fee at \$2.0 million, which is the maximum amount allowed to be included in the Project under TCAC regulations.
6. An indirect cost contingency allowance equal to 5% of other indirect costs is provided.

KMA estimates the total indirect costs at \$8.02 million. In comparison, the Developer estimates the total indirect costs at \$7.76 million. This represents a \$260,000 differential.

### ***Financing Costs***

The financing costs for the Project are estimated as follows:

- 1. The Developer estimated the interest during construction accrued on the Seller Note at \$119,000. City staff should review the terms of the Seller Note.
- 2. The LBHDC Acquisition Loan and the proposed LBCIC Loan will accrue 3% simple interest during construction. This equates to approximately \$400,000 in City Loan interest costs.
- 3. The construction period and absorption period interest costs are estimated at \$1.60 million. These costs are based on the following assumptions:
  - a. The construction period interest costs are based on a 3.15% interest rate, a 15-month construction period, and a 60% average outstanding balance.
  - b. The absorption period interest costs are based on a six-month absorption period with a 100% average outstanding balance.
- 4. The financing fees are set at 2.25 points. This equates to \$1.07 million.
- 5. The capitalized operating reserve is estimated at \$331,000. This allowance is based on three months of operating expenses and debt service payments.
- 6. The Tax Credit fees are estimated at \$152,000 based on the following assumptions:

- a. A \$2,000 application fee;
- b. A \$410 per unit monitoring fee; and
- c. One percent (4%) of gross Tax Credit proceeds for one year.

KMA estimates the total financing costs at \$3.67 million, while the Developer estimates the total financing costs at \$3.15 million. This represents a \$513,000 differential.

### ***Total Estimated Development Costs***

As shown in Table 1, KMA estimates the total development costs at approximately \$63.89 million, or \$517 per square foot of GBA. In comparison, the Developer estimates the total development costs at \$63.95 million, or \$518 per square foot of GBA. This represents a \$75,000 differential.

However, it is important to note that the KMA and Developer estimates differ on a line item by line item basis. Furthermore, KMA primarily relied on the direct cost estimates provided by the Developer. If the general contractor bids which are currently underway differ from the estimates utilized in this analysis, the KMA Financial Gap Analysis may need to be revised.

### ***Stabilized Net Operating Income (Table 2)***

The Project's funding sources include Federal Tax Credits, State Tax Credits, and Housing Asset Funds. The Housing Asset Funds require that the income and rent standards comply with California Health and Safety Code (H&SC) definitions. Each of these programs publishes the household income limits that must be applied.

The Tax Credit Program publishes rent standards for projects that receive Tax Credits. The H&SC establishes an affordable housing cost calculation methodology defined in Section 50053. As such, the Developer will be required to adhere to the strictest of standards imposed by the funding sources.

### ***Achievable Rent Income***

The rents used in this analysis are based on 2016 income and rent information published by TCAC and HCD. The maximum allowable rents, net of the appropriate utility allowances, are as follows:<sup>1</sup>

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<sup>1</sup> The utility allowances are set at: \$31 for one-bedroom units and \$41 for two-bedroom units.

Rent Restriction	One-Bedroom Units	One-Bedroom Units
<u>EL H&amp;SC / TC @ 30% Median</u>		
EL H&SC	\$358	NA
TCAC	\$457	NA
<b>Applicable Rents</b>	<b>\$358</b>	<b>NA</b>
 <b>TC @ 30% Median</b>	 <b>\$457</b>	 <b>\$545</b>
 <b>TC @ 50% Median</b>	 <b>\$783</b>	 <b>\$936</b>

The Developer also proposes that the 120 income-restricted units will be awarded Section 8 Project-Based Vouchers (PBVs). The PBV payments are based on the difference between the tenants' rent payments and the fair market rents (FMRs) as approved by HUD. The 2016 FMRs for the PBV units are as follows:

One-Bedroom Units	\$981
Two-Bedroom Units	\$1,290

### ***Estimated Effective Gross Income***

KMA estimates the Project's effective gross income (EGI) at \$1.39 million based on the following:

1. The base rental income is estimated at \$900,200.
2. The Section 8 Subsidy income is estimated at \$549,700.
3. Laundry and miscellaneous income is estimated to average \$7 per unit per month, for a total of \$10,200 per year.
4. A vacancy and collection allowance equal to 5% of gross income is provided. This equates to \$73,000.

### ***Estimated Operating Expenses***

The operating expenses are estimated at \$901,400 based on the following assumptions:

1. The general operating expenses are estimated at \$5,770 per unit per year.
2. KMA assumes that the Developer will apply for the property tax abatement that is accorded to non-profit housing organizations that own apartment units restricted to households earning less than 80% of the area median income. The property tax assessment overrides are estimated at \$16,000 per year.
3. The social services expenses are estimated at \$826 per unit per year, or \$100,000.
4. The City will charge a monitoring fee equal to \$125 per unit per year, or \$15,100.
5. The replacement reserve deposits are estimated at \$600 per unit per year.<sup>2</sup>

### ***Estimated Stabilized Net Operating Income***

The Project's EGI is estimated at \$1.39 million, and the operating expenses are estimated at \$901,400. This results in estimated stabilized net operating income (NOI) of \$485,700.

### **Financial Gap Calculation**

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

#### ***Available Outside Funding Sources***

##### **Permanent Loan**

To estimate the maximum permanent loan that can be supported by the Project's NOI, KMA assumed that the loan would be underwritten based on the following requirements:

1. A 120% debt service coverage ratio;
2. A 6.50% interest rate; and
3. A 35-year amortization period.

KMA estimates the Project's NOI can support a \$6.97 million permanent loan.

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<sup>2</sup> This requirement is pending further review and approval by the Permanent Lender.

Federal Tax Credit Proceeds

KMA estimates the net Federal Tax Credit proceeds at \$30.0 million. This value is calculated based on the following assumptions:

1. The Project's eligible Federal Tax Credit basis is equal to the lesser of the depreciable costs for the 121 Tax Credit units, or the threshold basis limits established by TCAC. In this case, the threshold basis limit of \$34.46 million is less than the allowable depreciable costs.
2. The Project is located in a designated "Difficult to Develop" census tract. This allows the requested eligible basis to be increased by 30%.
3. The Developer set the annual Federal Tax Credit rate at 9.0%. This rate is applied over the 10-year Federal Tax Credit period.
4. 100% of the Project's building area is located in units that qualify for Federal Tax Credits.
5. The net syndication value supported by the Federal Tax Credit is ultimately determined based on competitive market conditions and on the timing of disbursements. Based on currently available information, the Developer estimates the proceeds at \$1.20 per gross Federal Tax Credit dollar.

State Tax Credit Proceeds

KMA estimates the net State Tax Credit proceeds at \$7.75 million. This value is calculated based on the following assumptions:

1. The Project's eligible State Tax Credit basis is equal to the lesser of the depreciable costs for the 121 Tax Credit units, or the threshold basis limits established by TCAC. In this case, the threshold basis limit of \$34.46 million is less than the allowable depreciable costs.
2. The Developer set the annual Tax Credit rate at 9.0% for the first three years of the State Tax Credit period, and 3.0% for the fourth year of the State Tax Credit period.
3. 100% of the Project's building area is located in units that qualify for State Tax Credits.
4. The net syndication value supported by the State Tax Credit is ultimately determined based on competitive market conditions and on the timing of

disbursements. Based on currently available information, the Developer estimates the proceeds at \$0.75 per gross State Tax Credit dollar.

#### AHP Loan

The Developer was awarded a \$1.50 million AHP Loan.

#### Seller Carry-Back Note

The Developer, as the Seller of the Site, will provide a \$3.28 million Seller Carry-Back Loan to the Project.

#### Deferred Seller Carry-Back Interest

The Seller Carry-Back Note will accrue interest during the construction period and will be added to the outstanding balance of the Seller Carry-Back Note at the permanent loan conversion event. The Developer estimates this interest at \$119,000.

#### Deferred Developer Fee

The Developer is proposing to defer \$1.00 million of the total Developer Fee, which equates to 50%.

#### LBHDC Acquisition Loan

The LBHDC provided a \$2.28 million loan to acquire a portion of the Site. This loan will remain with the Project.

#### LBHDC/LBCIC Accrued/Deferred Interest

Both the LBHDC Acquisition Loan and the requested LBCIC Loan will accrue 3% simple interest during construction. This interest will be converted to a permanent funding source for the Project to be repaid through residual receipts. KMA estimates this interest at \$400,000.

#### City Fee Waivers

The City will waive \$672,000 of the public permits and fees costs.

#### ***Total Available Outside Funding Sources***

As shown in Table 3, the outside funding sources available to the Project total \$53.98 million. In comparison, the Developer estimates the available outside funding sources at

\$53.95 million. This equates to an \$24,000 differential, which can be considered inconsequential.

However, it is important to understand that the Federal Tax Credits and State Tax Credits are awarded on a competitive basis. In addition, volatility in the financial markets makes it difficult to predict the underwriting standards that will ultimately be applied to the Permanent Loan, Federal Tax Credits, and State Tax Credits. It is possible that the proceeds will vary from the amounts estimated in this analysis.

### ***Financial Gap Calculation***

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

Total Development Costs	\$63,881,000
(Less) Total Available Funding	(53,976,000)
Financial Gap	\$9,905,000
Per Unit	\$81,900

As such, KMA estimates that the Project exhibits a \$9.91 million financial gap. In contrast, the Developer is requesting \$10.0 million in financial assistance from the LBCIC. This represents a \$95,000 differential, which can be considered inconsequential for a project of this magnitude.

## **CONCLUSIONS**

The following summarizes the results of the KMA analysis:

1. It is the KMA conclusion that the Developer's request for \$10.0 million in financial assistance is warranted by the Project's economics.
2. KMA primarily utilized the Developer's construction cost estimates for the purposes of this analysis. However, the Developer is in the process of obtaining three contractor's bids for the Project. If the cost estimates in the contractors' bids differ from the cost estimates utilized in this analysis, the KMA Financial Gap Analysis may need to be revised.
3. It is important to note that the Project will be constructed concurrently with the Beacon Place Apartments project. As such, both projects will need to secure sufficient funding before either can begin construction. Furthermore, both projects include highly competitive funding sources.

4. The proposed terms of the LBCIC Loan are:
  - a. A 3% simple interest rate;
  - b. A 55-year term; and
  - c. A share of the Project's residual receipts.
5. It is important to understand that there is currently substantial volatility in the financial markets. This volatility makes it difficult to predict the underwriting standards that will ultimately be applied to the Permanent Loan, Federal Tax Credits, and State Tax Credits. It is possible that the proceeds will vary from the amounts estimated in this analysis.

TABLE 1

**ESTIMATED DEVELOPMENT COSTS  
BEACON POINTE - 9% TAX CREDIT PROJECT  
LONG BEACH, CALIFORNIA**

<b>I. Property Acquisition Costs</b>	<sup>1</sup>	<b>121 Units</b>	<b>\$94,330 /Unit</b>	<b>\$11,414,000</b>
<b>II. Direct Costs</b>	<sup>2</sup>			
Off-site Improvements	<sup>3</sup>			\$1,000,000
On-site Improvements		52,779 Sf Land	\$20 /Sf Land	1,056,000
Podium Parking Costs		155 Spaces	\$30,000 /Space	4,650,000
Residential Shell Costs	<sup>4</sup>	117,315 Sf Res GBA	\$203 /Sf Res GBA	23,815,000
Retail Shell Costs	<sup>5</sup>	6,224 Sf Retail GBA	\$321 /Sf Retail GBA	1,998,000
Furnishings, Fixtures & Equipment				682,000
Contractor Fees / General Requirements		12% Construction Costs		3,902,000
General Liability Insurance / Const Bonds		2% Construction Costs		650,000
Contingency Allowance		8% Other Direct Costs		3,020,000
<b>Total Direct Costs</b>		<b>123,539 Sf GBA</b>	<b>\$330 /Sf GBA</b>	<b>\$40,773,000</b>
<b>III. Indirect Costs</b>				
Architecture, Engineering & Consulting		4% Direct Costs		\$1,631,000
Permits & Fees	<sup>6</sup>	121 Units	\$25,752 /Unit	3,116,000
Taxes, Ins, Legal & Accounting		2% Direct Costs		815,000
Marketing & Leasing				
Residential		121 Units	\$500 /Unit	61,000
Retail		6,224 Sf Retail GBA	\$3.00 /Sf Retail GBA	19,000
Developer Fee	<sup>7</sup>	5% Eligible Costs		2,000,000
Contingency Allowance		5% Other Indirects		382,000
<b>Total Indirect Costs</b>				<b>\$8,024,000</b>
<b>IV. Financing Costs</b>				
Interest During Construction				
Seller Note	<sup>4</sup>			\$119,000
City Loan Interest	<sup>8</sup>			400,000
Construction Loan	<sup>9</sup>	\$40,519,000 Loan Amount	3.15% Interest	1,595,000
Financing Fees				
Construction Loan		\$40,519,000 Loan Amount	2.25 Points	912,000
Permanent Loan		\$6,974,000 Loan Amount	2.25 Points	157,000
Operating Reserve		3 Months Op Exp and Debt Svc Pmts		331,000
TCAC Fees	<sup>10</sup>			152,000
<b>Total Financing Costs</b>				<b>\$3,666,000</b>
<b>V. Total Construction Costs</b>		<b>123,539 Sf GBA</b>	<b>\$425 /Sf GBA</b>	<b>\$52,463,000</b>
<b>Total Development Costs</b>		<b>123,539 Sf GBA</b>	<b>\$517 /Sf GBA</b>	<b>\$63,877,000</b>

<sup>1</sup> Based on Developer estimate. The purchase price is based on the existing debt for the property. The Developer is one of the entities which is the holder of this existing debt. An appraisal was not provided for review.

<sup>2</sup> Estimates assume prevailing wage requirements will be imposed on the Project. KMA assumes the Project construction costs will be verified by the results of three contractor's bids.

<sup>3</sup> Based on Developer estimate. City staff should verify the scope and cost of the required off-site improvements.

<sup>4</sup> Based on Developer estimate.

<sup>5</sup> Based on Developer estimate. The Developer only included retail shell costs in the Project budget. Based on discussions with the Developer, retail tenant improvement costs will be negotiated and provided by the Developer outside the scope of the Project budget.

<sup>6</sup> Based on Developer estimate. The estimate should be verified by City staff.

<sup>7</sup> Based on Developer estimate. Equal to the maximum amount allowed by TCAC for 9% Tax Credit projects.

<sup>8</sup> Assumes that the Developer will pay 3% interest on the LBHDC/LBCIC Loans during the predevelopment and construction period.

<sup>9</sup> Includes debt on the 87% of the Tax Credit Equity which will not be funded during construction. Assumes a 15-month construction period with a 60% average outstanding balance and a 6-month absorption period with a 100% average outstanding balance.

<sup>10</sup> Includes a \$2,000 application fee; \$410/unit monitoring fee; and 4% of the gross Tax Credit proceeds for one year.

**TABLE 2**

**STABILIZED NET OPERATING INCOME  
BEACON POINTE - 9% TAX CREDIT PROJECT  
LONG BEACH, CALIFORNIA**

<b>I. Gross Residential Income</b>	1			
Manager's Unit		1 Unit	\$0 /Unit/Month	\$0
<b>Base Rental Income</b>				
<b>EL Inc H&amp;SC/Tax Credit @ 30% Median</b>				
1-Bedroom Units @ (713-Sf)		8 Units	\$358 /Unit/Month	34,400
<b>Tax Credit @ 30% Median</b>				
1-Bedroom Units @ (713-Sf)		50 Units	\$457 /Unit/Month	274,200
2-Bedroom Units @ (1,053-Sf)		2 Units	\$545 /Unit/Month	13,100
<b>Tax Credit @ 50% Median</b>				
1-Bedroom Units @ (713-Sf)		52 Units	\$783 /Unit/Month	488,600
2-Bedroom Units @ (1,053-Sf)		8 Units	\$936 /Unit/Month	89,900
<b>Section 8 Subsidy</b>				
<b>EL Inc H&amp;SC/Tax Credit @ 30% Median</b>				
1-Bedroom Units @ (713-Sf)		8 Units	\$623 /Unit/Month	59,800
<b>Tax Credit @ 30% Median</b>				
1-Bedroom Units @ (713-Sf)		50 Units	\$524 /Unit/Month	314,400
2-Bedroom Units @ (1,053-Sf)		2 Units	\$745 /Unit/Month	17,900
<b>Tax Credit @ 50% Median</b>				
1-Bedroom Units @ (713-Sf)		52 Units	\$198 /Unit/Month	123,600
2-Bedroom Units @ (1,053-Sf)		8 Units	\$354 /Unit/Month	34,000
<b>Gross Residential Income</b>		121 Units		\$1,449,900
Laundry/Miscellaneous Income		121 Units	\$7 /Unit/Month	<u>10,200</u>
<b>Gross Income</b>				\$1,460,100
(Less) Vacancy & Collection Allowance		5% Gross Income		<u>(73,000)</u>
<b>Effective Gross Income</b>				<b>\$1,387,100</b>
<b>II. Operating Expenses</b>				
General Operating Expenses		121 Units	\$5,766 /Unit	\$697,700
Property Taxes	2	121 Units	\$132 /Unit	16,000
Services		121 Units	\$826 /Unit	100,000
City Monitoring Fee		121 Units	\$125 /Unit	15,100
Replacement Reserve		121 Units	\$600 /Unit	<u>72,600</u>
<b>Total Operating Expenses</b>		121 Units	<b>\$7,450 /Unit</b>	<b>\$901,400</b>
<b>III. Net Operating Income</b>				<b>\$485,700</b>

<sup>1</sup> Based on Los Angeles County 2016 Incomes distributed by HUD/HCD. As pertinent, the rents are based on rents published in 2016 by TCAC and CA H&SC Section 50053 calculation methodology. Utility Allowances per the Developer: \$31 for 1-Bdrm units and \$41 for 2-Bdrm units.

<sup>2</sup> Based on the assumption that the Developer will receive the property tax abatement accorded to non-profit housing organizations that develop income-restricted apartments.

TABLE 3

**FINANCIAL GAP CALCULATION  
BEACON POINTE - 9% TAX CREDIT PROJECT  
LONG BEACH, CALIFORNIA**

**I. Available Funding Sources**

<b>Tax-Exempt Financing</b>	1		
Net Operating Income	\$485,700	NOI (See Table 2)	
Income Available for Mortgage	1.15	DCR	\$422,348
Interest Rate	5.00%	Interest Rate	6.06% Mortgage Constant
<b>Permanent Loan</b>			<b>\$6,974,000</b>
<b>Federal Tax Credit Equity</b>	2		
Gross Tax Credit Value	\$25,000,000		
Syndication Rate	\$1.20	/Tax Credit Dollar	
<b>Net Federal Tax Credit Equity</b>			<b>\$30,000,000</b>
<b>State Tax Credit Equity</b>	3		
Gross Tax Credit Value	\$9,304,000		
Syndication Rate	\$0.75	/Tax Credit Dollar	<b>\$7,749,000</b>
<b>Net State Tax Credit Equity</b>			
AHP	4		<b>\$1,500,000</b>
Seller Carry-Back Note	4		<b>\$3,282,000</b>
Deferred Developer Fee	4	50% Developer Fee	<b>\$1,000,000</b>
Deferred Seller Carry-Back Interest	4		<b>\$119,000</b>
LBHDC Acquisition Loan	5		<b>\$2,276,000</b>
LBHDC/LBCIC Accrued/Deferred Interest	6		<b>\$400,000</b>
City of LB Fee Waivers			<b>\$672,000</b>
<b>Total Available Funding Sources</b>			<b>\$53,972,000</b>

**II. Financial Gap Calculation**

Total Development Costs	\$63,877,000
(Less) Total Available Funding Sources	(53,972,000)

<b>III. Financial Gap</b>	<b>121 Units</b>	<b>\$81,900 /Unit</b>	<b>\$9,905,000</b>
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**IV. Tiebreaker Score**

59%

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- <sup>1</sup> Assumes a 35-year amortization term.
- <sup>2</sup> Assumes a \$34.5 million eligible basis, plus a 130% difficult-to-develop premium, a 9.0% Tax Credit rate and an applicable fraction of 100%.
- <sup>3</sup> Assumes a \$34.5 million eligible basis, a 9.0% Tax Credit rate for the first three years, a 3.0% Tax Credit rate for the fourth year, and an applicable fraction of 100%.
- <sup>4</sup> Based on Developer estimate.
- <sup>5</sup> The City previously provided a \$2.28 million loan for the acquisition of a portion of the Site.
- <sup>6</sup> The outstanding LBHDC Acquisition Loan and the requested LBCIC Permanent Loan will accrue simple interest at 3% during construction, which will be deferred as a permanent source.