



**KEYSER MARSTON ASSOCIATES™**  
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

## MEMORANDUM

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**To:** Judson Brown, Housing Division Manager  
City of Santa Ana

**From:** Tim Bretz

**Date:** June 4, 2022

**Subject:** WISEPlace Permanent Supportive Housing – Preliminary Financial Gap Analysis

At your request, Keyser Marston Associates, Inc. (KMA) prepared a preliminary financial gap analysis for the project proposed to be developed at 1411 North Broadway (Site) by WISEPlace and Jamboree Housing Corporation (collectively “Developer”). The Developer is proposing to construct a 48-unit apartment project with 47 units designated as Permanent Supportive Housing (PSH) units and restricted to extremely-low income households (Project). One unit will be unrestricted and reserved for an on-site manager.

The Developer is requesting financial assistance from the City of Santa Ana (City) for the purposes of developing the Project. The purpose of this KMA analysis is to evaluate the Developer’s request for financial assistance.

### EXECUTIVE SUMMARY

#### Estimated Financial Gap

The results of the KMA preliminary financial gap analysis are compared to the Developer’s financial assistance request in the following table:

	KMA	Developer	Difference
Total Development Costs	\$28,726,000	\$28,785,000	(\$59 ,000)
Outside Funding Sources	23,529,000	23,529,000	-0-
Financial Gap	\$5,197,000	\$5,256,000	(\$59,000)

As shown in the preceding table, KMA estimates the Project's financial gap at \$5.20 million, which is \$59,000, or approximately 1% less than the Developer's financial gap estimate. This differential can be considered inconsequential for a Project of this magnitude.

### Proposed Funding Sources

The following summarizes the proposed funding sources for the Project:

1. The Housing Authority of the City of Santa Ana (Housing Authority) proposes to provide twenty-five (25) Section 8 Project-Based Vouchers (PBVs) that are allocated to the Housing Authority by the United States Department of Housing and Urban Development (HUD).
2. The Developer is proposing to apply for 9% Federal Low Income Housing Tax Credits (Tax Credits) that are competitively awarded by the California Tax Credit Allocation Committee (TCAC). The net Federal Tax Credit proceeds are estimated at \$20.05 million.
3. The Developer was awarded a \$2.48 million loan of Mental Health Services Act (MHSA) funds from the Orange County Housing Finance Trust (OCHFT).
4. The Developer applied for a \$1.0 million loan of Affordable Housing Program (AHP) funds that are awarded by the Federal Home Loan Bank of San Francisco.

### PROJECT DESCRIPTION

WISEPlace currently owns the Site, and uses the location for their headquarters. The property has earned a Landmark Designation for serving women as the former YWCA. The Site is improved with a one-story structure facing Broadway and a two-story structure along Sycamore Street. As the Landmark Designation status prohibits

demolition and redevelopment of the property, the Developer is proposing an adaptive reuse of the existing one-story structure. The Developer proposes to demolish the existing two-story structure along Sycamore Street, which would then be replaced with a newly constructed four-story building.

In order to develop the Project, WISEPlace proposes to ground lease the Site to the Developer (partnership between WISEPlace and Jamboree Housing Corporation) for \$1 per year. The ground lease will be for a term of at least 65 years.

The proposed scope of development can be described as follows:

1. The Site is comprised of 0.6 acres, or 26,136 square feet of land area.
2. The Project's unit mix is as follows:

	Number of Units	Unit Size (SF)
Studio Units	47	410
Two-Bedroom Units	1	979
Total / Weighted Average	48	422

3. The gross building area (GBA) is estimated at 31,428 square feet, which is comprised of the following:
  - a. The residential living area is estimated at 20,267 square feet;
  - b. The community room / leasing / social service GBA is estimated at 6,502 square feet; and
  - c. The circulation / common area GBA is estimated at 4,659 square feet.
4. The Project includes 20 at-grade structured parking spaces, which equates to approximately 0.4 parking spaces per unit.
5. The Project's proposed affordability mix is as follows:

Tax Credit @ 30% Median / Low HOME	47
Unrestricted Manager's Unit	1
Total Units	48

## FINANCIAL GAP ANALYSIS

KMA prepared a pro forma 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 Calculation
Table 4: Capitalized Operating Subsidy Reserve Analysis
Table 5: Cash Flow Analysis

## ESTIMATED DEVELOPMENT COSTS (TABLE 1)

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

### **Direct Costs**

The direct cost estimates assume that the Project will be subject to State of California and/or Federal Davis Bacon prevailing wage requirements. The direct costs applied in this analysis are based on estimates provided by the Developer and can be summarized as follows:

1. The Developer estimated the off-site improvement costs at \$463,000. City staff should verify the scope and cost of the off-site improvements required to serve the Project.

2. The on-site improvement costs are estimated at \$54 per square foot of land area, or \$1.41 million. This includes the demolition costs of one existing building.
3. The residential building costs are estimated at \$425 per square foot of GBA, or \$13.36 million. This includes the podium parking costs for 20 podium parking spaces. In addition, this line item includes the adaptive reuse costs for the existing one-story building which will remain on the Site.
4. A \$192,000 allowance for furnishing, fixtures and equipment is provided.
5. A 14% allowance for contractor fees and general requirements is provided, which is the maximum allowed by TCAC.
6. An allowance for construction bonds / general liability insurance at 2% of construction costs is provided.
7. A direct cost contingency allowance equal to 5% of other direct costs is provided.

KMA estimates the total direct costs at \$18.85 million. This equates to \$597 per square foot of GBA

It is important to note that the Project's direct cost estimates are at the high end of the typical range for similar affordable housing projects. Per the Developer, they worked with their in-house general contractor to estimate the direct costs used in this analysis. The Developer stated that their cost estimates are based on similar developments that were recently bought out and also based on feedback from major subcontractors with regards to current pricing. However, the construction industry is currently experiencing exponential increases in costs due to supply chain issues and labor shortages.

In addition, the Developer noted that the Project consists of a hybrid of adaptive reuse/rehabilitation and new construction. Based on the Developer's experience, unforeseen conditions are often discovered when opening up existing walls, foundations, roofs, etc. that lead to increased costs. Furthermore, the historic nature of the building adds additional complexity, as the Developer will need to work around and refurbish existing features. The direct cost budget includes additional costs such as support for the existing roof while removing load-bearing walls and replacing items that are in disrepair with items that match the building's historic character.

Prior to formally committing any funds, the City should review the general contractor's contract to confirm the validity of the cost estimates used in this analysis. If the costs identified in the general contractor's contract differ from the estimates used in this analysis, this analysis may need to be updated accordingly.

***Indirect Costs***

1. The architecture, engineering and consulting costs are estimated at 7% of direct costs
2. The Developer estimates the public permits and fees costs at \$1.49 million, or approximately \$31,000 per unit. City staff should verify the accuracy of this estimate.
3. The taxes, insurance, legal and accounting costs are estimated at 3% of direct costs.
4. The Developer included an \$85,000 allowance for relocation costs in the development budget.
5. An approximately \$2,700 per unit allowance for marketing and leasing costs is provided.
6. The Developer Fee is set at \$2.20 million, which is the maximum amount allowed to be included in the Project by TCAC.
7. An indirect cost contingency allowance equal to 10% of other indirect costs is provided.

KMA estimates the total indirect costs at \$6.25 million.

***Financing Costs***

The financing costs for the Project are estimated as follows:

1. The construction period and absorption period interest costs are estimated at \$1.16 million. This estimate is based on the following assumptions:
  - a. A \$16.58 million construction loan;

- b. A 5.25% interest rate;
  - c. A 20-month construction period with a 50% average outstanding loan balance; and
  - d. A 10-month absorption/conversion period with a 100% average outstanding balance.
- 2. The financing fees for the construction loan are estimated at 1.25 points, or \$207,000.
- 3. The following capital reserves are included:
  - a. A \$2.10 million Capitalized Operating Subsidy Reserve (COSR) is provided. The COSR was sized based on the estimated operating deficits over a 20-year period (See Table 4 for KMA estimate).
  - b. A \$146,000 capitalized operating reserve, which is equal to three months of operating expenses.
- 4. The Tax Credit fees are estimated at \$107,000 based on the following:
  - a. A \$2,000 application fee;
  - b. A \$410 per unit monitoring fee; and
  - c. Four percent (4%) of gross Tax Credit proceeds for one year.

KMA estimates the total financing costs at \$3.72 million.

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

As shown in Table 1, KMA estimates the total development costs at \$28.73 million, which equates to approximately \$598,500 per unit. This is \$59,000 less than the Developer's estimate, which equates to a less than 1% differential.

It is important to note that the total development costs include a \$2.10 million COSR, which will be used to fund operations over a 20-year period. When the \$2.10 million is removed from the total development costs, the total construction costs equate to \$26.63 million, or \$554,700 per unit.

In addition, as noted above, the direct cost estimates are at the high end of the typical range. KMA recommends that the City require the Developer to receive three general contractor bids, and ensure that all subcontractors are competitively bid out. If the costs included in the final general contractor contract differ from those utilized in this analysis, this analysis may need to be updated accordingly.

### STABILIZED NET OPERATING INCOME (TABLE 2)

The Project's funding sources include Tax Credits, an OCHFT Loan, and an AHP Loan. In addition, the City intends to utilize HOME – American Rescue Plan (HOME-ARP) funds for the Project. These programs publish the applicable income limits for households that are qualified for reside in the development.

TCAC publishes rent standards for projects that receive Tax Credits. In addition, the HOME Program publishes rent standards that KMA recommends the City utilize to comply with HOME-ARP regulations. Given that the Project is structured as a 100% PSH project reserved for homeless households, the Developer assumes that the tenants will pay rent payments equal to 30% of Supplemental Security Income (SSI).

The Developer will be required to adhere to the strictest of the standards imposed by the funding sources contributed to the Project.

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

The Project rents must adhere to the most restrictive of the requirements imposed by the funding sources. The rents used in this analysis are based on 2022 information published by HUD and TCAC. The maximum allowable rents, net of the appropriate utility allowances, are estimated as follows:<sup>1</sup>

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<sup>1</sup> The Project will pay for all utilities. Therefore, no utility allowance is deducted from the rents.



<b>Rent Restriction</b>	<b>Studio Units</b>
<u>30% AMI TCAC / Low HOME / 30% SSI (PSH)<sup>2</sup></u>	
Number of Units	47
Low HOME Rent	\$1,186
TCAC Rent	\$711
30% SSI Rent <sup>3</sup>	\$286
<b>Applicable Rent</b>	<b>\$286</b>

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

KMA estimates the Project's effective gross income (EGI) at approximately \$583,300 based on the following assumptions:

1. The gross rental income is estimated at \$161,300.
2. The PBV subsidy overhang is estimated at \$418,800 based on a payment standard of \$1,682 for studio units.
3. Laundry and miscellaneous income is estimated to average \$9 per unit per month for a total of \$5,200 per year.
4. A vacancy and collection allowance equal to 7% of gross rental income is provided, which equates to \$41,000.
5. The first year COSR withdrawal is estimated at \$39,000

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

KMA estimates the Project's operating expenses at approximately \$583,400 based on the following assumptions:

1. The general operating expenses are estimated at approximately \$8,450 per unit per year. This is at the high end of the typical range for similar affordable

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<sup>2</sup> AMI = Area Median Income

<sup>3</sup> Per Developer.

housing projects. Per the Developer, the Heroes Landing project currently operates at \$7,200 per unit. Heroes Landing includes 76 units, and as such, economies of scale will be lost at the Project due to its smaller size. In addition, given that the Project is 100% PSH units, the Developer is implementing voice-down security measures, which adds \$36,000 to the annual operating budget.

2. KMA assumes the Developer will apply for the property tax abatement that is accorded to non-profit housing organizations that own and operate apartment units that are restricted to households earning less than 80% of the Median. The Developer estimates that the Project will incur \$6,700 per year in property tax assessment override costs.
3. The Developer is proposing to provide social services at an estimated cost of \$149,800 per year, or \$3,170 per PSH unit. This estimate is at the high end of the typical range. Per the Developer, this budget includes a 1.5 full-time equivalent (FTE) case manager, a 0.5 FTE resident services coordinator, and miscellaneous expenses such as staff benefits, supplies and indirect costs including administration, insurance, legal and accounting. The City should develop a social services plan with the Developer to ensure that the social services provided to the Project align with the Developer's proposed social services budget.
4. The Project will be subject to an OCHFT monitoring fee set at \$4,800 per year.
5. The Developer provided an allowance for replacement reserve deposits at \$360 per unit per year, which meets the requirements of both TCAC and the OCHFT Program.

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

The Project's effective gross income is estimated at \$583,000, and the operating expenses are estimated at \$583,000. This results in an estimated stabilized net operating income of \$0. It's important to note, that the Project's NOI would be negative without the subsidy provided by the COSR.

## 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 Funding Sources***

#### *Permanent Loan*

The Project's NOI does not support a permanent loan.

#### *Tax Credit Proceeds*

#### *Tax Credit Basis*

KMA estimates the net Tax Credit proceeds at \$20.05 million. This estimate is based on the following assumptions:

1. The Project's eligible Tax Credit basis is equal to the lesser of the depreciable costs for the 48 Tax Credit units, or the threshold basis limits established by TCAC. In this case, the Project's depreciable costs are less than the threshold basis limits allowed by TCAC.
2. To increase the competitiveness of the Project's Tax Credit application in the TCAC tiebreaker process, the Developer is proposing to voluntarily exclude a portion of the eligible Tax Credit basis.
3. The Project is located in a designated "Difficult to Develop" census tract.
4. The current Tax Credit regulations set the annual Tax Credit rate at 9.0%. This rate is applied over the 10-year Tax Credit period.
5. 100% of the Project's building area is located in units that qualify for Tax Credits.
6. The net syndication value supported by the Tax Credit is ultimately determined based on competitive market conditions and on the timing of the disbursements. Based on currently available information, KMA and the Developer estimate the proceeds at \$0.94 per gross Federal Tax Credit dollar.

*OCHFT Loan*

The Developer received an award for a \$2.48 million loan from OCHFT.

*AHP Loan*

The Developer applied for a \$1.0 million loan of AHP funds.

*Deferred Developer Fee*

The Developer is not proposing to defer any of the Developer Fee as a permanent funding source.

***Total Available Funding Sources***

As shown in Table 3, KMA estimates the outside funding sources available to the Project to be \$23.53 million.

***Estimated Financial Gap***

Based on the preceding analysis, KMA estimates the Project's financial gap as follows:

Total Development Costs	\$28,726 ,000
(Less) Total Available Outside Funding Sources	(23,529,000)
Financial Gap	\$5,197,000
Per Unit	\$108,300

As shown in the table above, KMA estimates that the Project exhibits a \$5.20 million financial gap. In comparison, the Developer is requesting \$5.26 million in financial assistance from the City. This equates to a \$59,000, or approximately 1% differential, which can be considered inconsequential for a Project of this magnitude.

**CAPITALIZED OPERATING SUBSIDY RESERVE ANALYSIS (TABLE 4)**

KMA also conducted a COSR analysis to estimate the amount of capitalized operating assistance necessary to sustain the Project's operations for a 20-year period.

The following describes the basic cash flow assumptions:

1. Year 1 is based on the pro forma rent and expense assumptions presented in the stabilized NOI analysis (Table 2).
2. Additional revenue and expense assumptions are as follows:
  - a. The affordable rental income, PBV subsidy income and miscellaneous income are escalated at 2.0% per year.
  - b. The general operating expenses and OCHFT monitoring fees are escalated at 3.0% per year.
  - c. The property taxes are escalated at 2.0% per year.
  - d. The social service expenses are escalated at 2.5% per year.
  - e. The replacement reserve deposits remain constant.

As shown in Table 4, the Project's NOI is negative in Year 1, and becomes increasingly negative over the 20-year period. KMA estimates that the operating deficits during this 20-year period total \$2.12 million. In comparison, the Developer is assuming a \$2.10 million COSR for the Project, which is approximately equal to the KMA estimate.

### CASH FLOW ANALYSIS (TABLE 5)

KMA prepared a 55-year cash flow analysis for the Project. The cash flow analysis is based on the assumptions outlined above. As shown in the cash flow, the Project operates at a break-even amount during the first 20 years due to the withdrawal of funds from the COSR.

However, it is important to note that the COSR is expected to be fully expended by Year 20. At that time, the Project's NOI will become immediately negative, and the Project will not be operationally feasible.

As such, the City must anticipate that the Project will require additional operating subsidies after Year 20, or the Project will need to be restructured to generate more rental income. Furthermore, under the current structure, the Project does not generate any residual receipts payments.

## CONCLUSIONS / RECOMMENDATIONS

The following summarizes the conclusions of the KMA analysis:

1. Based on the currently available information, it is KMA's conclusion that the Developer's request for \$5.26 million in financial assistance from the City is supported by the Project's economics.
2. It is important to note that, with the use of a COSR, the Project is structured to be operationally feasible for only 20 years. After Year 20, the Project's NOI is expected to be negative. As such, the Project will need to identify additional operating subsidies or complete a financial restructuring by that time.
3. The Developer's direct costs estimates are at the high end of the typical range. As such, KMA recommends that the City require:
  - a. The Developer should obtain three general contractor bids;
  - b. All subcontractors should be competitively bid out; and
  - c. The City should review the final general contractor's contract, and if the costs differ from those used in this analysis, this analysis may need to be updated.
4. The City will receive Regional Housing Needs Assessment (RHNA) credit for 47 Extremely Low Income units.

**TABLE 1**  
**ESTIMATED DEVELOPMENT COSTS**  
**9% TAX CREDITS**  
**WISEPLACE PSH PROJECT**  
**SANTA ANA, CALIFORNIA**

<b>I. <u>Direct Costs</u></b>				
Off-site Improvements	2			\$463,000
On-site Improvements		26,136 Sf Land	\$54 /Sf Land	1,410,000
Residential Building Costs		31,428 Sf GBA	\$425 /SF GBA	13,357,000
Furnishings, Fixtures & Equipment				192,000
Contractor Fees / General Requirements		14% Construction Costs		2,132,000
General Liability Insurance / Const Bonds		2% Construction Costs		305,000
Contingency Allowance		5% Other Direct Costs		893,000
<b>Total Direct Costs</b>		<b>31,428 Sf GBA</b>	<b>\$597 /Sf GBA</b>	<b>\$18,752,000</b>
<b>II. <u>Indirect Costs</u></b>				
Architecture, Engineering & Consulting		7% Direct Costs		\$1,219,000
Public Permits & Fees	2	48 Units	\$31,049 /Unit	1,490,000
Taxes, Insurance, Legal & Accounting		3% Direct Costs		563,000
Relocation Costs				85,000
Marketing & Leasing		48 Units	\$2,667 /Unit	128,000
Developer Fee	3	11% Eligible Costs		2,200,000
Contingency Allowance		10% Other Indirect Costs		569,000
<b>Total Indirect Costs</b>				<b>\$6,254,000</b>
<b>III. <u>Financing Costs</u></b>				
Interest During Construction	4	\$16,577,000 Loan Amount	5.25% Interest	\$1,160,000
Financing Fees				
Construction Loan		\$16,577,000 Loan Amount	1.25 Points	207,000
Capitalized Reserves				
COSR	5			2,100,000
Operating Reserve		3 Months Op Exp		146,000
TCAC Fees	6			107,000
<b>Total Financing Costs</b>				<b>\$3,720,000</b>
<b>IV. <u>Total Construction Costs (Net COSR)</u></b>				
		<b>48 Units</b>	<b>\$554,700 /Unit</b>	<b>\$26,626,000</b>
<b><u>Total Development Costs</u></b>				
		<b>48 Units</b>	<b>\$598,500 /Unit</b>	<b>\$28,726,000</b>

<sup>1</sup> Estimates assume that Federal Davis Bacon and/or State prevailing wage requirements will be imposed on the Project. The direct costs are based on Developer estimates, and will need to be verified with general contractor bids.

<sup>2</sup> Based on Developer estimate. City staff should verify this estimate.

<sup>3</sup> Equal to the maximum amount allowed by TCAC.

<sup>4</sup> Includes debt on the 90% of the Tax Credit Equity that will not be funded during construction. Assumes a 20-month construction period with a 50% average outstanding balance and a 6-month absorption period with a 100% average outstanding balance.

<sup>5</sup> Based on Developer estimate. See TABLE 4 for KMA estimate.

<sup>6</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**  
**9% TAX CREDITS**  
**WISEPLACE PSH PROJECT**  
**SANTA ANA, CALIFORNIA**

**EXHIBIT 3**

<b>I. <u>Income</u></b>	<sup>1</sup>			
Manager's Unit		1 Unit	\$0 /Unit/Month	\$0
<b><u>Base Income</u></b>				
<b><u>Tax Credit @ 30% Median/Low HOME/30% SSI</u></b>				
Studio Units @ (410-Sf)		47 Units	\$286 /Unit/Month	161,300
<b><u>Section 8 Subsidy Income</u></b>				
<b><u>Tax Credit @ 30% Median/Low HOME/30% SSI</u></b>				
Studio Units @ (410-Sf)		25 Units	\$1,396 /Unit/Month	418,800
Laundry/Miscellaneous Income		48 Units	\$9 /Unit/Month	5,200
Gross Rent Income		48 Units		\$585,300
COSR Withdrawl				39,000
(Less) Vacancy & Collection Allowance		7.0% Gross Rent Income		(41,000)
<b>Effective Gross Rent Income</b>				<b>\$583,300</b>
<b>II. <u>Operating Expenses</u></b>				
General Operating Expenses		48 Units	\$8,450 /Unit	\$405,600
Property Taxes	<sup>2</sup>	48 Units	\$139 /Unit	6,700
Social Services		47 Affordable Units	\$3,170 /Affordable Unit	149,000
OCHFT Monitoring Fee		48 Units	\$100 /Unit	4,800
Replacement Reserve		48 Units	\$360 /Unit	17,300
<b>Total Operating Expenses</b>		48 Units	\$12,154 /Unit	<b>\$583,400</b>
<b>III. <u>Stabilized Net Operating Income</u></b>				<b>(\$100)</b>

<sup>1</sup> Based on Orange County 2022 Incomes distributed by HUD. As pertinent, the rents are based on rents published in 2022 by TCAC and the HOME Program. The Project will pay all utilities.

<sup>2</sup> Assumes the Developer will apply for the property tax welfare exemption accorded to non-profit housing organizations that own and operate apartment units restricted to households earning no more than 80% AMI.



TABLE 3  
FINANCIAL GAP CALCULATION  
9% TAX CREDITS  
WISEPLACE PSH PROJECT  
SANTA ANA, CALIFORNIA

EXHIBIT 3

I. Available Funding Sources

Federal 9% Tax Credit Equity

<sup>1</sup>

Gross Tax Credit Value \$21,331,000  
Syndication Rate \$0.94 /Tax Credit Dollar

**Net Tax Credit Equity** **\$20,049,000**

**OC Housing Finance Trust** <sup>2</sup> **\$2,480,000**

**AHP** <sup>2</sup> **\$1,000,000**

**Deferred Developer Fee** <sup>2</sup> **\$0**

**Total Available Funding Sources** **\$23,529,000**

II. Financial Gap Calculation

Total Development Costs \$28,726,000  
(Less) Total Available Funding Sources (23,529,000)

III.	<b>Financial Gap</b>	<b>48 Units</b>	<b>\$108,300 /Unit</b>	<b>\$5,197,000</b>
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<sup>1</sup> Assumes a \$18.2 million eligible basis, plus a 130% difficult-to-develop premium, a 9.0% Tax Credit rate and an applicable fraction of 100%.  
<sup>2</sup> Based on Developer estimate.

**TABLE 4**  
**CAPITALIZED OPERATING SUBSIDY RESERVE ANALYSIS**  
**9% TAX CREDITS**  
**WISEPLACE PSH PROJECT**  
**SANTA ANA, CALIFORNIA**

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>	<u>Year 11</u>
<b>I. <u>Gross Residential Income</u><sup>1</sup></b>											
Gross Rent Income	\$161,300	\$164,526	\$167,817	\$171,173	\$174,596	\$178,088	\$181,650	\$185,283	\$188,989	\$192,768	\$196,624
Section 8 Subsidy Income	418,800	427,176	435,720	444,434	453,323	462,389	471,637	481,070	490,691	500,505	510,515
Laundry/Miscellaneous Income	5,200	5,304	5,410	5,518	5,629	5,741	5,856	5,973	6,093	6,214	6,339
(Less) Vacancy & Collection Allowance	<u>(40,971)</u>	<u>(41,790)</u>	<u>(42,626)</u>	<u>(43,479)</u>	<u>(44,348)</u>	<u>(45,235)</u>	<u>(46,140)</u>	<u>(47,063)</u>	<u>(48,004)</u>	<u>(48,964)</u>	<u>(49,943)</u>
Effective Gross Rent Income	<b>\$544,329</b>	<b>\$555,216</b>	<b>\$566,320</b>	<b>\$577,646</b>	<b>\$589,199</b>	<b>\$600,983</b>	<b>\$613,003</b>	<b>\$625,263</b>	<b>\$637,768</b>	<b>\$650,524</b>	<b>\$663,534</b>
<b>II. <u>Operating Expenses</u><sup>2</sup></b>											
General Operating Expenses	\$405,600	\$417,768	\$430,301	\$443,210	\$456,506	\$470,202	\$484,308	\$498,837	\$513,802	\$529,216	\$545,092
Property Taxes	6,700	6,834	6,971	7,110	7,252	7,397	7,545	7,696	7,850	8,007	8,167
Social Services	149,000	152,725	156,543	160,457	164,468	168,580	172,794	177,114	181,542	186,081	190,733
OCHFT Monitoring Fee	4,800	4,944	5,092	5,245	5,402	5,565	5,731	5,903	6,080	6,263	6,451
Replacement Reserve	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>
<b>Total Operating Expenses</b>	<b>\$583,400</b>	<b>\$599,571</b>	<b>\$616,207</b>	<b>\$633,322</b>	<b>\$650,929</b>	<b>\$669,043</b>	<b>\$687,679</b>	<b>\$706,851</b>	<b>\$726,575</b>	<b>\$746,867</b>	<b>\$767,743</b>
<b>III. Net Operating Income</b>	<b>(\$39,071)</b>	<b>(\$44,355)</b>	<b>(\$49,887)</b>	<b>(\$55,675)</b>	<b>(\$61,730)</b>	<b>(\$68,060)</b>	<b>(\$74,676)</b>	<b>(\$81,588)</b>	<b>(\$88,806)</b>	<b>(\$96,343)</b>	<b>(\$104,209)</b>
<b>IV. Required COSR Amount (20-Year Total)</b>	<b>(\$2,116,781)</b>										

<sup>1</sup> The affordable rents, PBV subsidy and miscellaneous income are assumed to increase by 102.0%/year. Assumes Year 1 is at stabilization.

<sup>2</sup> General operating expenses are assumed to increase by 103.0%/year, property taxes at 102.0%/year, social services at 102.5%/year and replacement reserves remain constant.

**TABLE 4**  
**CAPITALIZED OPERATING SUBSIDY RESERVE ANALYSIS**  
**9% TAX CREDITS**  
**WISEPLACE PSH PROJECT**  
**SANTA ANA, CALIFORNIA**

	<u>Year 12</u>	<u>Year 13</u>	<u>Year 14</u>	<u>Year 15</u>	<u>Year 16</u>	<u>Year 17</u>	<u>Year 18</u>	<u>Year 19</u>	<u>Year 20</u>
<b>I. <u>Gross Residential Income</u><sup>1</sup></b>									
Gross Rent Income	\$200,556	\$204,567	\$208,659	\$212,832	\$217,089	\$221,430	\$225,859	\$230,376	\$234,984
Section 8 Subsidy Income	520,725	531,140	541,762	552,598	563,650	574,923	586,421	598,150	610,113
Laundry/Miscellaneous Income	6,466	6,595	6,727	6,861	6,999	7,138	7,281	7,427	7,575
(Less) Vacancy & Collection Allowance	<u>(50,942)</u>	<u>(51,961)</u>	<u>(53,000)</u>	<u>(54,060)</u>	<u>(55,141)</u>	<u>(56,244)</u>	<u>(57,369)</u>	<u>(58,516)</u>	<u>(59,687)</u>
Effective Gross Rent Income	<b>\$676,805</b>	<b>\$690,341</b>	<b>\$704,148</b>	<b>\$718,231</b>	<b>\$732,595</b>	<b>\$747,247</b>	<b>\$762,192</b>	<b>\$777,436</b>	<b>\$792,985</b>
<b>II. <u>Operating Expenses</u><sup>2</sup></b>									
General Operating Expenses	\$561,445	\$578,289	\$595,637	\$613,506	\$631,912	\$650,869	\$670,395	\$690,507	\$711,222
Property Taxes	8,331	8,497	8,667	8,841	9,017	9,198	9,382	9,569	9,761
Social Services	195,501	200,388	205,398	210,533	215,796	221,191	226,721	232,389	238,199
OCHFT Monitoring Fee	6,644	6,844	7,049	7,260	7,478	7,703	7,934	8,172	8,417
Replacement Reserve	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>
<b>Total Operating Expenses</b>	<b>\$789,221</b>	<b>\$811,318</b>	<b>834,052</b>	<b>\$857,440</b>	<b>\$881,504</b>	<b>\$906,261</b>	<b>\$931,731</b>	<b>\$957,937</b>	<b>\$984,898</b>
<b>III. Net Operating Income</b>	<b>(\$112,416)</b>	<b>(\$120,977)</b>	<b>(\$129,904)</b>	<b>(\$139,210)</b>	<b>(\$148,908)</b>	<b>(\$159,013)</b>	<b>(\$169,539)</b>	<b>(\$180,501)</b>	<b>(\$191,914)</b>
<b>IV. Required COSR Amount (20-Year Total)</b>									

<sup>1</sup> The affordable rents, PBV subsidy and miscellaneous income are assumed to increase by 102.0%/year. Assumes Year 1 is at stabilization.

<sup>2</sup> General operating expenses are assumed to increase by 103.0%/year, property taxes at 102.0%/year, social services at 102.5%/year and replacement reserves remain constant.

**TABLE 5**  
**CASH FLOW ANALYSIS**  
**9% TAX CREDITS**  
**WISEPLACE PSH PROJECT**  
**SANTA ANA, CALIFORNIA**

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>
<b>I. Gross Residential Income</b> <sup>1</sup>										
Gross Rent Income	\$161,300	\$164,526	\$167,817	\$171,173	\$174,596	\$178,088	\$181,650	\$185,283	\$188,989	\$192,768
Section 8 Subsidy Income	418,800	427,176	435,720	444,434	453,323	462,389	471,637	481,070	490,691	500,505
City COSR Withdrawal <sup>2</sup>	39,071	44,355	49,887	55,675	61,730	68,060	74,676	81,588	88,806	96,343
Laundry/Miscellaneous Income	5,200	5,304	5,410	5,518	5,629	5,741	5,856	5,973	6,093	6,214
(Less) Vacancy & Collection Allowance	<u>(40,971)</u>	<u>(41,790)</u>	<u>(42,626)</u>	<u>(43,479)</u>	<u>(44,348)</u>	<u>(45,235)</u>	<u>(46,140)</u>	<u>(47,063)</u>	<u>(48,004)</u>	<u>(48,964)</u>
Effective Gross Rent Income	<b>\$583,400</b>	<b>\$599,571</b>	<b>\$616,207</b>	<b>\$633,322</b>	<b>\$650,929</b>	<b>\$669,043</b>	<b>\$687,679</b>	<b>\$706,851</b>	<b>\$726,575</b>	<b>\$746,867</b>
<b>II. Operating Expenses</b> <sup>2</sup>										
General Operating Expenses	\$405,600	\$417,768	\$430,301	\$443,210	\$456,506	\$470,202	\$484,308	\$498,837	\$513,802	\$529,216
Property Taxes	6,700	6,834	6,971	7,110	7,252	7,397	7,545	7,696	7,850	8,007
Social Services	149,000	152,725	156,543	160,457	164,468	168,580	172,794	177,114	181,542	186,081
OCHFT Monitoring Fee	4,800	4,944	5,092	5,245	5,402	5,565	5,731	5,903	6,080	6,263
Replacement Reserve	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>
<b>Total Operating Expenses</b>	<b>\$583,400</b>	<b>\$599,571</b>	<b>\$616,207</b>	<b>\$633,322</b>	<b>\$650,929</b>	<b>\$669,043</b>	<b>\$687,679</b>	<b>\$706,851</b>	<b>\$726,575</b>	<b>\$746,867</b>
<b>III. Net Operating Income</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>IV. Cash Flow Available for Contingent Payments</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
(Less) Asset and Partnership Fees <sup>4</sup>	0	0	0	0	0	0	0	0	0	0
(Less) Deferred Developer Fee	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>V. Cash Flow after Contingent Payments</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Nominal Dollars	<b>\$0</b>	<b>\$0</b>	NPV @ 6% Discount Rate							
<b>VI. Residual Receipt Payments to City</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Nominal Dollars	<b>\$0</b>	<b>\$0</b>	NPV @ 6% Discount Rate							
<b>VII. Residual Receipt Payments to OCHFT</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Nominal Dollars	<b>\$0</b>	<b>\$0</b>	NPV @ 6% Discount Rate							
<b>VIII. Net Cash Flow to Developer</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Nominal Dollars	<b>\$0</b>	<b>\$0</b>	NPV @ 6% Discount Rate							

<sup>1</sup> The affordable rents and miscellaneous income are assumed to increase by 102.0%/year. Assumes Year 1 is at stabilization.

<sup>2</sup> SEE TABLE 4

<sup>3</sup> General operating expenses are assumed to increase by 103.0%/year, property taxes at 102.0%/year, social services at 102.5%/year and replacement and operating reserves remain constant.

<sup>4</sup> Assumes fees increase at 103.0%/year.

**TABLE 5**  
**CASH FLOW ANALYSIS**  
**9% TAX CREDITS**  
**WISEPLACE PSH PROJECT**  
**SANTA ANA, CALIFORNIA**

<b>I. Gross Residential Income</b> <sup>1</sup>	<b>Year 11</b>	<b>Year 12</b>	<b>Year 13</b>	<b>Year 14</b>	<b>Year 15</b>	<b>Year 16</b>	<b>Year 17</b>	<b>Year 18</b>	<b>Year 19</b>	<b>Year 20</b>	<b>Year 21</b>
Gross Rent Income	\$196,624	\$200,556	\$204,567	\$208,659	\$212,832	\$217,089	\$221,430	\$225,859	\$230,376	\$234,984	\$239,683
Section 8 Subsidy Income	510,515	520,725	531,140	541,762	552,598	563,650	574,923	586,421	598,150	610,113	622,315
City COSR Withdrawal <sup>2</sup>	104,209	112,416	120,977	129,904	139,210	148,908	159,013	169,539	180,501	191,914	
Laundry/Miscellaneous Income	6,339	6,466	6,595	6,727	6,861	6,999	7,138	7,281	7,427	7,575	7,727
(Less) Vacancy & Collection Allowance	<u>(49,943)</u>	<u>(50,942)</u>	<u>(51,961)</u>	<u>(53,000)</u>	<u>(54,060)</u>	<u>(55,141)</u>	<u>(56,244)</u>	<u>(57,369)</u>	<u>(58,516)</u>	<u>(59,687)</u>	<u>(60,881)</u>
Effective Gross Rent Income	<b>\$767,743</b>	<b>\$789,221</b>	<b>\$811,318</b>	<b>\$834,052</b>	<b>\$857,440</b>	<b>\$881,504</b>	<b>\$906,261</b>	<b>\$931,731</b>	<b>\$957,937</b>	<b>\$984,898</b>	<b>\$808,844</b>
<b>II. Operating Expenses</b> <sup>2</sup>											
General Operating Expenses	\$545,092	\$561,445	\$578,289	\$595,637	\$613,506	\$631,912	\$650,869	\$670,395	\$690,507	\$711,222	\$732,559
Property Taxes	8,167	8,331	8,497	8,667	8,841	9,017	9,198	9,382	9,569	9,761	9,956
Social Services	190,733	195,501	200,388	205,398	210,533	215,796	221,191	226,721	232,389	238,199	244,154
OCHFT Monitoring Fee	6,451	6,644	6,844	7,049	7,260	7,478	7,703	7,934	8,172	8,417	8,669
Replacement Reserve	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>
<b>Total Operating Expenses</b>	<b>\$767,743</b>	<b>\$789,221</b>	<b>\$811,318</b>	<b>834,052</b>	<b>\$857,440</b>	<b>\$881,504</b>	<b>\$906,261</b>	<b>\$931,731</b>	<b>\$957,937</b>	<b>\$984,898</b>	<b>\$1,012,638</b>
<b>III. Net Operating Income</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$203,793)</b>
<b>IV. Cash Flow Available for Contingent Payments</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
(Less) Asset and Partnership Fees <sup>4</sup>	0	0	0	0	0	0	0	0	0	0	0
(Less) Deferred Developer Fee	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>V. Cash Flow after Contingent Payments</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Nominal Dollars											
<b>VI. Residual Receipt Payments to City</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Nominal Dollars											
<b>VII. Residual Receipt Payments to OCHFT</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Nominal Dollars											
<b>VIII. Net Cash Flow to Developer</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Nominal Dollars											

<sup>1</sup> The affordable rents and miscellaneous income are assumed to increase by 102.0%/year. Assumes Year 1 is at stabilization.

<sup>2</sup> SEE TABLE 4

<sup>3</sup> General operating expenses are assumed to increase by 103.0%/year, property taxes at 102.0%/year, social services at 102.5%/year and replacement and operating reserves remain constant.

<sup>4</sup> Assumes fees increase at 103.0%/year.

**TABLE 5**  
**CASH FLOW ANALYSIS**  
**9% TAX CREDITS**  
**WISEPLACE PSH PROJECT**  
**SANTA ANA, CALIFORNIA**

<b>I. Gross Residential Income</b> <sup>1</sup>	<b>Year 22</b>	<b>Year 23</b>	<b>Year 24</b>	<b>Year 25</b>	<b>Year 26</b>	<b>Year 27</b>	<b>Year 28</b>	<b>Year 29</b>	<b>Year 30</b>	<b>Year 31</b>	<b>Year 32</b>
Gross Rent Income	\$244,477	\$249,367	\$254,354	\$259,441	\$264,630	\$269,922	\$275,321	\$280,827	\$286,444	\$292,173	\$298,016
Section 8 Subsidy Income	634,761	647,456	660,405	673,614	687,086	700,828	714,844	729,141	743,724	758,598	773,770
City COSR Withdrawl <sup>2</sup>											
Laundry/Miscellaneous Income	7,881	8,039	8,200	8,364	8,531	8,702	8,876	9,053	9,234	9,419	9,607
(Less) Vacancy & Collection Allowance	<u>(62,098)</u>	<u>(63,340)</u>	<u>(64,607)</u>	<u>(65,899)</u>	<u>(67,217)</u>	<u>(68,561)</u>	<u>(69,933)</u>	<u>(71,331)</u>	<u>(72,758)</u>	<u>(74,213)</u>	<u>(75,697)</u>
Effective Gross Rent Income	<b>\$825,021</b>	<b>\$841,522</b>	<b>\$858,352</b>	<b>\$875,519</b>	<b>\$893,030</b>	<b>\$910,890</b>	<b>\$929,108</b>	<b>\$947,690</b>	<b>\$966,644</b>	<b>\$985,977</b>	<b>\$1,005,696</b>
<b>II. Operating Expenses</b> <sup>2</sup>											
General Operating Expenses	\$754,535	\$777,172	\$800,487	\$824,501	\$849,236	\$874,713	\$900,955	\$927,983	\$955,823	\$984,498	\$1,014,033
Property Taxes	10,155	10,358	10,565	10,777	10,992	11,212	11,436	11,665	11,898	12,136	12,379
Social Services	250,258	256,514	262,927	269,500	276,238	283,144	290,222	297,478	304,915	312,538	320,351
OCHFT Monitoring Fee	8,929	9,197	9,473	9,757	10,050	10,352	10,662	10,982	11,312	11,651	12,000
Replacement Reserve	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>
<b>Total Operating Expenses</b>	<b>\$1,041,178</b>	<b>\$1,070,541</b>	<b>\$1,100,752</b>	<b>\$1,131,835</b>	<b>\$1,163,816</b>	<b>\$1,196,721</b>	<b>\$1,230,575</b>	<b>\$1,265,408</b>	<b>\$1,301,247</b>	<b>\$1,338,122</b>	<b>\$1,376,063</b>
<b>III. Net Operating Income</b>	<b>(\$216,156)</b>	<b>(\$229,019)</b>	<b>(\$242,400)</b>	<b>(\$256,316)</b>	<b>(\$270,787)</b>	<b>(\$285,830)</b>	<b>(\$301,467)</b>	<b>(\$317,718)</b>	<b>(\$334,603)</b>	<b>(\$352,145)</b>	<b>(\$370,366)</b>
<b>IV. Cash Flow Available for Contingent Payments</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
(Less) Asset and Partnership Fees <sup>4</sup>	0	0	0	0	0	0	0	0	0	0	0
(Less) Deferred Developer Fee	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>V. Cash Flow after Contingent Payments</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Nominal Dollars											
<b>VI. Residual Receipt Payments to City</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Nominal Dollars											
<b>VII. Residual Receipt Payments to OCHFT</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Nominal Dollars											
<b>VIII. Net Cash Flow to Developer</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Nominal Dollars											

<sup>1</sup> The affordable rents and miscellaneous income are assumed to increase by 102.0%/year. Assumes Year 1 is at stabilization.

<sup>2</sup> SEE TABLE 4

<sup>3</sup> General operating expenses are assumed to increase by 103.0%/year, property taxes at 102.0%/year, social services at 102.5%/year and replacement and operating reserves remain constant.

<sup>4</sup> Assumes fees increase at 103.0%/year.

**TABLE 5**  
**CASH FLOW ANALYSIS**  
**9% TAX CREDITS**  
**WISEPLACE PSH PROJECT**  
**SANTA ANA, CALIFORNIA**

<b>I. Gross Residential Income</b> <sup>1</sup>	<b>Year 33</b>	<b>Year 34</b>	<b>Year 35</b>	<b>Year 36</b>	<b>Year 37</b>	<b>Year 38</b>	<b>Year 39</b>	<b>Year 40</b>	<b>Year 41</b>	<b>Year 42</b>	<b>Year 43</b>
Gross Rent Income	\$303,976	\$310,056	\$316,257	\$322,582	\$329,034	\$335,615	\$342,327	\$349,173	\$356,157	\$363,280	\$370,546
Section 8 Subsidy Income	789,246	805,031	821,131	837,554	854,305	871,391	888,819	906,595	924,727	943,222	962,086
City COSR Withdrawl <sup>2</sup>											
Laundry/Miscellaneous Income	9,800	9,996	10,196	10,399	10,607	10,820	11,036	11,257	11,482	11,711	11,946
(Less) Vacancy & Collection Allowance	<u>(77,211)</u>	<u>(78,755)</u>	<u>(80,331)</u>	<u>(81,937)</u>	<u>(83,576)</u>	<u>(85,247)</u>	<u>(86,952)</u>	<u>(88,691)</u>	<u>(90,465)</u>	<u>(92,275)</u>	<u>(94,120)</u>
Effective Gross Rent Income	<b>\$1,025,810</b>	<b>\$1,046,327</b>	<b>\$1,067,253</b>	<b>\$1,088,598</b>	<b>\$1,110,370</b>	<b>\$1,132,578</b>	<b>\$1,155,229</b>	<b>\$1,178,334</b>	<b>\$1,201,900</b>	<b>\$1,225,938</b>	<b>\$1,250,457</b>
<b>II. Operating Expenses</b> <sup>2</sup>											
General Operating Expenses	\$1,044,454	\$1,075,787	\$1,108,061	\$1,141,303	\$1,175,542	\$1,210,808	\$1,247,132	\$1,284,546	\$1,323,083	\$1,362,775	\$1,403,658
Property Taxes	12,626	12,879	13,137	13,399	13,667	13,941	14,219	14,504	14,794	15,090	15,392
Social Services	328,360	336,569	344,983	353,608	362,448	371,509	380,797	390,317	400,075	410,076	420,328
OCHFT Monitoring Fee	12,360	12,731	13,113	13,507	13,912	14,329	14,759	15,202	15,658	16,128	16,611
Replacement Reserve	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>
<b>Total Operating Expenses</b>	<b>\$1,415,100</b>	<b>\$1,455,266</b>	<b>\$1,496,593</b>	<b>\$1,539,116</b>	<b>\$1,582,868</b>	<b>\$1,627,887</b>	<b>\$1,674,207</b>	<b>\$1,721,868</b>	<b>\$1,770,909</b>	<b>\$1,821,369</b>	<b>\$1,873,289</b>
<b>III. Net Operating Income</b>	<b>(\$389,290)</b>	<b>(\$408,940)</b>	<b>(\$429,340)</b>	<b>(\$450,518)</b>	<b>(\$472,498)</b>	<b>(\$495,309)</b>	<b>(\$518,978)</b>	<b>(\$543,535)</b>	<b>(\$569,008)</b>	<b>(\$595,430)</b>	<b>(\$622,832)</b>
<b>IV. Cash Flow Available for Contingent Payments</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
(Less) Asset and Partnership Fees <sup>4</sup>	0	0	0	0	0	0	0	0	0	0	0
(Less) Deferred Developer Fee	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>V. Cash Flow after Contingent Payments</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Nominal Dollars											
<b>VI. Residual Receipt Payments to City</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Nominal Dollars											
<b>VII. Residual Receipt Payments to OCHFT</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Nominal Dollars											
<b>VIII. Net Cash Flow to Developer</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Nominal Dollars											

<sup>1</sup> The affordable rents and miscellaneous income are assumed to increase by 102.0%/year. Assumes Year 1 is at stabilization.

<sup>2</sup> SEE TABLE 4

<sup>3</sup> General operating expenses are assumed to increase by 103.0%/year, property taxes at 102.0%/year, social services at 102.5%/year and replacement and operating reserves remain constant.

<sup>4</sup> Assumes fees increase at 103.0%/year.

**TABLE 5**  
**CASH FLOW ANALYSIS**  
**9% TAX CREDITS**  
**WISEPLACE PSH PROJECT**  
**SANTA ANA, CALIFORNIA**

<b>I. Gross Residential Income<sup>1</sup></b>	<b>Year 44</b>	<b>Year 45</b>	<b>Year 46</b>	<b>Year 47</b>	<b>Year 48</b>	<b>Year 49</b>	<b>Year 50</b>	<b>Year 51</b>	<b>Year 52</b>	<b>Year 53</b>	<b>Year 54</b>
Gross Rent Income	\$377,956	\$385,516	\$393,226	\$401,090	\$409,112	\$417,294	\$425,640	\$434,153	\$442,836	\$451,693	\$460,727
Section 8 Subsidy Income	981,328	1,000,954	1,020,973	1,041,393	1,062,221	1,083,465	1,105,134	1,127,237	1,149,782	1,172,777	1,196,233
City COSR Withdrawl <sup>2</sup>											
Laundry/Miscellaneous Income	12,185	12,428	12,677	12,930	13,189	13,453	13,722	13,996	14,276	14,562	14,853
(Less) Vacancy & Collection Allowance	<u>(96,002)</u>	<u>(97,922)</u>	<u>(99,881)</u>	<u>(101,879)</u>	<u>(103,916)</u>	<u>(105,994)</u>	<u>(108,114)</u>	<u>(110,277)</u>	<u>(112,482)</u>	<u>(114,732)</u>	<u>(117,026)</u>
Effective Gross Rent Income	<b>\$1,275,466</b>	<b>\$1,300,976</b>	<b>\$1,326,995</b>	<b>\$1,353,535</b>	<b>\$1,380,606</b>	<b>\$1,408,218</b>	<b>\$1,436,382</b>	<b>\$1,465,110</b>	<b>\$1,494,412</b>	<b>\$1,524,300</b>	<b>\$1,554,786</b>
<b>II. Operating Expenses<sup>2</sup></b>											
General Operating Expenses	\$1,445,768	\$1,489,141	\$1,533,815	\$1,579,830	\$1,627,225	\$1,676,041	\$1,726,323	\$1,778,112	\$1,831,456	\$1,886,399	\$1,942,991
Property Taxes	15,699	16,013	16,334	16,660	16,994	17,333	17,680	18,034	18,394	18,762	19,137
Social Services	430,836	441,607	452,648	463,964	475,563	487,452	499,638	512,129	524,932	538,056	551,507
OCHFT Monitoring Fee	17,110	17,623	18,152	18,696	19,257	19,835	20,430	21,043	21,674	22,324	22,994
Replacement Reserve	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>
<b>Total Operating Expenses</b>	<b>\$1,926,714</b>	<b>\$1,981,685</b>	<b>\$2,038,248</b>	<b>\$2,096,450</b>	<b>\$2,156,338</b>	<b>\$2,217,961</b>	<b>\$2,281,371</b>	<b>\$2,346,618</b>	<b>\$2,413,756</b>	<b>\$2,482,842</b>	<b>\$2,553,930</b>
<b>III. Net Operating Income</b>	<b>(\$651,247)</b>	<b>(\$680,709)</b>	<b>(\$711,253)</b>	<b>(\$742,915)</b>	<b>(\$775,732)</b>	<b>(\$809,744)</b>	<b>(\$844,989)</b>	<b>(\$881,508)</b>	<b>(\$919,344)</b>	<b>(\$958,541)</b>	<b>(\$999,144)</b>
<b>IV. Cash Flow Available for Contingent Payments</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
(Less) Asset and Partnership Fees <sup>4</sup>	0	0	0	0	0	0	0	0	0	0	0
(Less) Deferred Developer Fee	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>V. Cash Flow after Contingent Payments</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Nominal Dollars											
<b>VI. Residual Receipt Payments to City</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Nominal Dollars											
<b>VII. Residual Receipt Payments to OCHFT</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Nominal Dollars											
<b>VIII. Net Cash Flow to Developer</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Nominal Dollars											

<sup>1</sup> The affordable rents and miscellaneous income are assumed to increase by 102.0%/year. Assumes Year 1 is at stabilization.

<sup>2</sup> SEE TABLE 4

<sup>3</sup> General operating expenses are assumed to increase by 103.0%/year, property taxes at 102.0%/year, social services at 102.5%/year and replacement and operating reserves remain constant.

<sup>4</sup> Assumes fees increase at 103.0%/year.



**TABLE 5**  
**CASH FLOW ANALYSIS**  
**9% TAX CREDITS**  
**WISEPLACE PSH PROJECT**  
**SANTA ANA, CALIFORNIA**

<b>I.</b>	<b><u>Gross Residential Income</u><sup>1</sup></b>	<b><u>Year 55</u></b>
	Gross Rent Income	\$469,941
	Section 8 Subsidy Income	1,220,158
	City COSR Withdrawl <sup>2</sup>	
	Laundry/Miscellaneous Income	15,150
	(Less) Vacancy & Collection Allowance	<u>(119,367)</u>
	Effective Gross Rent Income	<b>\$1,585,882</b>
<b>II.</b>	<b><u>Operating Expenses</u><sup>2</sup></b>	
	General Operating Expenses	\$2,001,281
	Property Taxes	19,520
	Social Services	565,295
	OCHFT Monitoring Fee	23,684
	Replacement Reserve	<u>17,300</u>
	<b>Total Operating Expenses</b>	<b>\$2,627,080</b>
<b>III.</b>	<b>Net Operating Income</b>	<b>(\$1,041,198)</b>
<b>IV.</b>	<b>Cash Flow Available for Contingent Payments</b>	<b>\$0</b>
	(Less) Asset and Partnership Fees <sup>4</sup>	0
	(Less) Deferred Developer Fee	<u>0</u>
<b>V.</b>	<b>Cash Flow after Contingent Payments</b>	<b>\$0</b>
	Nominal Dollars	
<b>VI.</b>	<b>Residual Receipt Payments to City</b>	<b>\$0</b>
	Nominal Dollars	
<b>VII.</b>	<b>Residual Receipt Payments to OCHFT</b>	<b>\$0</b>
	Nominal Dollars	
<b>VIII.</b>	<b>Net Cash Flow to Developer</b>	<b>\$0</b>
	Nominal Dollars	

<sup>1</sup> The affordable rents and miscellaneous income are assumed to increase by 102.0%/year. Assumes Year 1 is at stabilization.

<sup>2</sup> SEE TABLE 4

<sup>3</sup> General operating expenses are assumed to increase by 103.0%/year, property taxes at 102.0%/year, social services at 102.5%/year and replacement and operating reserves remain constant.

<sup>4</sup> Assumes fees increase at 103.0%/year.

TABLE 1

**PRELIMINARY HOME-ARP COST ALLOCATION WORKSHEET - STANDARD MODEL**  
**WISEPLACE PSH PROJECT**  
**SANTA ANA, CALIFORNIA**

Step 1: Determine Comparability, Select Method of Cost Allocation				Net Residential SF	20,267
Step 2: Proposed HOME-ARP Investment				1	\$5,256,327
Step 3: Calculate Actual Cost of HOME-ARP Units					
Total Development Costs				1	\$28,785,652
Ineligible Development Costs				2	(4,261,666)
Unit-Specific Upgrades					0
Relocation Costs					0
Assign Relocation Exclusively to HOME Units?					NA
Base Project Cost				\$1,210 /Sf Gross Residential SF	\$24,523,986
Number of Units		# of Bdrms	Unit Size	Cost/Unit	Total HOME-ARP Costs
34		Studio	400	\$484,018	\$16,456,615
Subtotal HOME Unit Costs					\$16,456,615
Add: Relocation Costs Allocated Exclusively to HOME-ARP Units (if applicable)					\$0
Actual Cost of HOME-ARP Units					\$16,456,615
Step 4: Calculate Maximum Project Subsidy					
Unit Size		# of Units	2022 Max Subsidy/Unit		Maximum Subsidy
0 Bedroom		34	\$159,754		\$5,431,636
1 Bedroom		0	\$183,132		0
2 Bedroom		0	\$222,694		0
3 Bedroom		0	\$288,094		0
4 Bedroom		0	\$316,236		0
Maximum Project Subsidy		34			\$5,431,636
Step 5: Maximum HOME-ARP Investment, Lesser of					
Proposed Investment (Step 2)					\$5,256,327
Actual Cost of HOME Units (Step 3)					\$16,456,615
Maximum Project Subsidy (Step 4)					\$5,431,636
Maximum HOME-ARP Investment				34 HOME-ARP Units	\$5,256,327

<sup>1</sup> Includes \$0 in Santa Ana Project Delivery costs.

<sup>2</sup> The ineligible costs include: off-site improvements, community building, capitalized reserves and furnishings.