

D u t t o n   F l a t s

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# Sources and Uses and 30-Year Cash Flow Projections

# Dutton Flats

## Santa Rosa, CA

### FINANCING PLAN

#### Construction Period Financing Sources

The construction period financing sources, as more fully described below, consist of a conventional construction loan, a grant in the form of a reduction in development impact fees from the city of Santa Rosa, a soft loan from the city of Santa Rosa, limited partner capital contributions, various construction period holdbacks, and cash flow during lease-up operations (pre-perm loan funding). Specific amounts of these funding sources follow:

Construction Loan	\$ 9,388,486
Limited Partner Equity Contribution	\$ 2,127,266
Construction Period Holdbacks (to be paid at perm. loan funding or after)	\$ 2,600,964
Fee Waiver from City of Santa Rosa	\$ 612,155
City of Santa Rosa Development Loan	\$ 3,100,000
Cash Flow from Operations (pre-perm)	<u>\$ 96,030</u>
Estimated Total Const. Period Sources	<u>\$ 17,924,861</u>

The construction loan is a committed financing source as demonstrated by the loan commitment letter from Hunt Real Estate Capital found in Section P of this submittal.

City Real Estate Advisors (CREA) has committed to be the tax credit equity limited partner as is demonstrated by its equity commitment letter found in Section P of this submittal. It is anticipated that CREA's total equity contribution would be received in installments, including during the project's construction.

The Project will receive a waiver from the City of Santa Rosa of certain development impact fees under the High-Density Multi-Family Residential Incentive Program for projects within the Downtown Station Area Specific Plan.

The construction period holdbacks represent a number of project related costs, including developer fee and permanent financing fees/expenses, which are to be paid/expended in conjunction with or subsequent to the funding of the Project's permanent financing.

The \$3,100,000 funding requested in this submittal from the City of Santa Rosa will complete the financing structure for Dutton Flats.

#### Permanent Financing Sources

The construction period financing sources, as more fully described below, consist of a conventional permanent loan, a grant in the form of a reduction in development impact fees from the city of Santa Rosa, a soft loan from the city of Santa Rosa, limited partner capital contributions, various construction period holdbacks, and cash flow during lease-up operations (pre-perm loan funding). Specific amounts of these funding sources follow:

Permanent Loan	\$ 2,970,000
Limited Partner Equity Contribution	\$ 10,636,332
Fee Waiver from City of Santa Rosa	\$ 612,115
City of Santa Rosa Development Loan	\$ 3,100,000
Deferred Developer Fee	\$ 510,384
Cash Flow from Operations (pre-perm)	<u>\$ 96,030</u>
Estimated Total Permanent Sources	<u><u>\$ 17,924,861</u></u>

The permanent loan is a committed financing source as demonstrated by the loan commitment letter from Hunt Real Estate Capital found in Section P of this submittal.

City Real Estate Advisors (CREA) has committed to be the tax credit equity limited partner as is demonstrated by its equity commitment letter found in Section P of this submittal. It is anticipated that CREA's final equity contribution will be received in conjunction with the funding of the permanent loan.

The Project will receive a waiver from the City of Santa Rosa of certain development impact fees under the High-Density Multi-Family Residential Incentive Program for projects within the Downtown Station Area Specific Plan.

A portion of the Project's developer fee is expected to be needed to be deferred upon the funding of the Project's permanent loan. This deferred fee will be paid, with priority, from the Project's annual cashflow. It is anticipated that the deferred portion of the developer fee will be repaid in full from operational cashflow within 14 years.

The \$3,100,000 funding requested in this submittal from the City of Santa Rosa will complete the financing structure for Dutton Flats.

# Sources and Uses

## DUTTON FLATS - SANTA ROSA, CA (Project No. 196)

### SOURCES AND USES - DEVELOPMENT COSTS

41 UNIT FAMILY APTS. - CONVENTIONAL FINANCING W/ 9% LIHTC CREDITS

#### SOURCES OF FUNDS

##### CONSTRUCTION PERIOD (All Sources Prior to Permanent Loan Funding)

CONSTRUCTION LOAN	\$ 9,388,486
PREDEVELOPMENT LOAN	608,263
CAPITAL CONTRIBUTION - Limited Partner - Equity Investor	2,127,266
CONST. PERIOD HOLDBACKS (disbursed upon funding of or after Perm. Loan)	2,600,964
CASH FLOW FROM OPERATIONS - Pre-Perm. Loan Funding	96,030
CITY OF SANTA ROSA FEE WAIVERS	612,115
SOFT LOAN # 1 - CITY OF SANTA ROSA	3,100,000
PRE-DEVELOPMENT LOAN PAYDOWN	(608,263)
TOTAL REHABILITATION PERIOD SOURCES	<u>\$ 17,924,861</u>

##### PERMANENT SOURCES:

CAPITAL CONTRIBUTION - Limited Partner (Tax Credit Equity)	\$ 10,636,332
CASH FLOW FROM OPERATIONS - Pre-Perm. Loan Funding	96,030
PERMANENT LOAN NO. 1 - CONV. PERM. LOAN	2,970,000
CITY OF SANTA ROSA FEE WAIVERS	612,115
DEVELOPER FEE NOTE - DEVELOPER	510,384
SOFT LOAN # 1 - CITY OF SANTA ROSA	3,100,000
TOTAL PERMANENT SOURCES	<u>\$ 17,924,861</u>

#### USES OF FUNDS

ACQUISITION AND PRE-DEVELOPMENT		
PURCHASE PRICE - LAND	\$ 1,300,000	
LEGAL & BROKER FEES	15,000	
CLOSING & TITLE	<u>10,000</u>	\$ 1,325,000
DIRECT COSTS		
ONSITE IMPROVEMENTS	-	
BASE CONSTRUCTION - RESIDENTIAL	7,527,600	
GENERAL REQUIREMENTS	451,656	
CONTRACTOR OVERHEAD AND PROFIT	<u>638,340</u>	8,617,596
INDIRECT COSTS		
ARCHITECTURE	500,000	
ENGINEERING	500,000	
FEES AND PERMITS	1,353,000	
FEASIBILITY	295,000	
LEGAL AND PROFESSIONAL	170,000	
MISC. ORG. / TAXES / INSUR.	140,000	
MARKETING AND LEASING	125,000	
DEVELOPER FEE	<u>2,788,958</u>	5,871,958
FINANCING COSTS		
TAX CREDIT APPLICATION / MONITORING FEES	65,060	
LOAN FINANCING COSTS - Construction Loan	190,000	
LOAN FINANCING COSTS - Permanent Loan	84,652	
INTEREST EXPENSE - Pre-Construction Period	8,347	
INTEREST EXPENSE - Construction Period Only	328,716	
INTEREST EXPENSE - Post Construction Period	296,301	
OPERATING RESERVE	<u>212,508</u>	1,185,584
CONTINGENCY		
CONTINGENCY - CONSTRUCTION	861,760	
CONTINGENCY - SOFT COSTS	<u>62,962</u>	924,722
TOTAL USES OF FUNDS		<u>\$ 17,924,861</u>

# 30-Year Cash Flow Projections

## DUTTON FLATS - SANTA ROSA, CA (Project No. 196)

## 30-YEAR STABILIZED CASH FLOW

41 UNIT FAMILY APTS. - CONVENTIONAL FINANCING W/ 9% LIHTC CREDITS

Estimated Annual AMI Adjustment	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Estimated Annual Vac. / Uncollectible Rent Factor	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Estimated Annual CPI Adjustment	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
GROSS POTENTIAL REVENUE															
Rental Income	\$ 486,120	\$ 498,273	\$ 510,730	\$ 523,498	\$ 536,586	\$ 550,000	\$ 563,750	\$ 577,844	\$ 592,290	\$ 607,097	\$ 622,275	\$ 637,832	\$ 653,777	\$ 670,122	\$ 686,875
Other Income	5,904	6,052	6,203	6,358	6,517	6,680	6,847	7,018	7,193	7,373	7,558	7,747	7,940	8,139	8,342
TOTAL GROSS POTENTIAL REVENUE	492,024	504,325	516,933	529,856	543,102	556,680	570,597	584,862	599,483	614,471	629,832	645,578	661,718	678,261	695,217
Vacancy (See Note 2)	(24,601)	(25,216)	(25,847)	(26,493)	(27,155)	(27,834)	(28,530)	(29,243)	(29,974)	(30,724)	(31,492)	(32,279)	(33,086)	(33,913)	(34,761)
EFFECTIVE GROSS INCOME (EGI)	467,423	479,108	491,086	503,363	515,947	528,846	542,067	555,619	569,509	583,747	598,341	613,299	628,632	644,347	660,456
OPERATING EXPENSES (Excluding Prop. Taxes):	(221,800)	(229,563)	(237,598)	(245,914)	(254,521)	(263,429)	(272,649)	(282,192)	(292,068)	(302,291)	(312,871)	(323,821)	(335,155)	(346,885)	(359,026)
PROPERTY TAXES	0	-	0	0	0	0	0	0	0	0	0	0	0	0	0
NET OPERATING INCOME	245,623	249,545	253,488	257,450	261,427	265,417	269,418	273,427	277,441	281,456	285,470	289,478	293,477	297,462	301,430
REPLACEMENT RESERVE	(12,300)	(12,300)	(12,300)	(12,300)	(12,300)	(12,300)	(12,300)	(12,300)	(12,300)	(12,300)	(12,300)	(12,300)	(12,300)	(12,300)	(12,300)
NET CASH FROM OPERATIONS	233,323	237,245	241,188	245,150	249,127	253,117	257,118	261,127	265,141	269,156	273,170	277,178	281,177	285,162	289,130
NON-OPERATING EXPENDITURES															
PERMANENT LOAN NO. 1 - CONV. PERM. LOAN - P & I	(203,216)	(203,216)	(203,216)	(203,216)	(203,216)	(203,216)	(203,216)	(203,216)	(203,216)	(203,216)	(203,216)	(203,216)	(203,216)	(203,216)	(203,216)
<b>Permanent Loan No. 1 - Debt Coverage Ratio</b>	<b>1.15</b>	<b>1.17</b>	<b>1.19</b>	<b>1.21</b>	<b>1.23</b>	<b>1.25</b>	<b>1.27</b>	<b>1.28</b>	<b>1.30</b>	<b>1.32</b>	<b>1.34</b>	<b>1.36</b>	<b>1.38</b>	<b>1.40</b>	<b>1.42</b>
P'SHIP TAX RETURN / AUDIT REIMBURSE.	(7,500)	(7,763)	(8,034)	(8,315)	(8,606)	(8,908)	(9,219)	(9,542)	(9,876)	(10,222)	(10,579)	(10,950)	(11,333)	(11,730)	(12,140)
PARTNERSHIP ADMINSTRATIVE FEE - LP	(10,000)	(10,350)	(10,712)	(11,087)	(11,475)	(11,877)	(12,293)	(12,723)	(13,168)	(13,629)	(14,106)	(14,600)	(15,111)	(15,640)	(16,187)
DEVELOPER FEE NOTE - DEVELOPER	(12,607)	(15,917)	(19,226)	(22,531)	(25,829)	(29,117)	(32,391)	(35,647)	(38,881)	(42,090)	(45,269)	(48,413)	(51,517)	(54,577)	(58,727)
SOFT LOAN # 1 - CITY OF SANTA ROSA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(21,645)
PARTNERSHIP MANAGEMENT FEE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,215)
TOTAL NON-OPERATING EXPENDITURES	(233,323)	(237,245)	(241,188)	(245,150)	(249,127)	(253,117)	(257,118)	(261,127)	(265,141)	(269,156)	(273,170)	(277,178)	(281,177)	(285,162)	(289,130)
FORECASTED CASH AVAILABLE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## DUTTON FLATS - SANTA ROSA, CA (Project No. 196)

## 30-YEAR STABILIZED CASH FLOW

41 UNIT FAMILY APTS. - CONVENTIONAL FINANCING W/ 9% LIHTC CREDITS

	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Estimated Annual AMI Adjustment	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Estimated Annual Vac. / Uncollectible Rent Factor	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Estimated Annual CPI Adjustment	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051
GROSS POTENTIAL REVENUE															
Rental Income	\$ 704,047	\$ 721,648	\$ 739,689	\$ 758,181	\$ 777,136	\$ 796,564	\$ 816,478	\$ 836,890	\$ 857,813	\$ 879,258	\$ 901,239	\$ 923,770	\$ 946,865	\$ 970,536	\$ 994,800
Other Income	8,551	8,765	8,984	9,208	9,438	9,674	9,916	10,164	10,418	10,679	10,946	11,219	11,500	11,787	12,082
TOTAL GROSS POTENTIAL REVENUE	712,597	730,412	748,673	767,390	786,574	806,239	826,395	847,054	868,231	889,937	912,185	934,990	958,364	982,323	1,006,882
Vacancy (See Note 2)	(35,630)	(36,521)	(37,434)	(38,369)	(39,329)	(40,312)	(41,320)	(42,353)	(43,412)	(44,497)	(45,609)	(46,749)	(47,918)	(49,116)	(50,344)
EFFECTIVE GROSS INCOME (EGI)	676,968	693,892	711,239	729,020	747,246	765,927	785,075	804,702	824,819	845,440	866,576	888,240	910,446	933,207	956,537
OPERATING EXPENSES (Excluding Prop. Taxes):	(371,592)	(384,598)	(398,059)	(411,991)	(426,411)	(441,335)	(456,782)	(472,769)	(489,316)	(506,442)	(524,168)	(542,514)	(561,502)	(581,154)	(601,495)
PROPERTY TAXES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NET OPERATING INCOME	305,375	309,294	313,180	317,029	320,835	324,592	328,293	331,932	335,503	338,997	342,408	345,727	348,945	352,053	355,043
REPLACEMENT RESERVE	(12,300)	(12,300)	(12,300)	(12,300)	(12,300)	(12,300)	(12,300)	(12,300)	(12,300)	(12,300)	(12,300)	(12,300)	(12,300)	(12,300)	(12,300)
NET CASH FROM OPERATIONS	293,075	296,994	300,880	304,729	308,535	312,292	315,993	319,632	323,203	326,697	330,108	333,427	336,645	339,753	342,743
NON-OPERATING EXPENDITURES															
PERMANENT LOAN NO. 1 - CONV. PERM. LOAN - P & I	(203,216)	(203,216)	(203,216)	(203,216)	(203,216)	(203,216)	(203,216)	(203,216)	(203,216)	(203,216)	(203,216)	(203,216)	(203,216)	(203,216)	(203,216)
<b>Permanent Loan No. 1 - Debt Coverage Ratio</b>	<b>1.44</b>	<b>1.46</b>	<b>1.48</b>	<b>1.50</b>	<b>1.52</b>	<b>1.54</b>	<b>1.55</b>	<b>1.57</b>	<b>1.59</b>	<b>1.61</b>	<b>1.62</b>	<b>1.64</b>	<b>1.66</b>	<b>1.67</b>	<b>1.69</b>
P'SHIP TAX RETURN / AUDIT REIMBURSE.	(12,565)	(13,005)	(13,460)	(13,931)	(14,419)	(14,923)	(15,446)	(15,986)	(16,546)	(17,125)	(17,724)	(18,345)	(18,987)	(19,651)	(20,339)
PARTNERSHIP ADMINISTRATIVE FEE - LP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DEVELOPER FEE NOTE - DEVELOPER	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SOFT LOAN # 1 - CITY OF SANTA ROSA	(57,971)	(60,580)	(63,153)	(65,687)	(68,175)	(70,614)	(72,999)	(75,323)	(77,581)	(79,768)	(81,876)	(83,900)	(85,832)	(87,665)	(89,391)
PARTNERSHIP MANAGEMENT FEE	(19,324)	(20,193)	(21,051)	(21,896)	(22,725)	(23,538)	(24,333)	(25,108)	(25,860)	(26,589)	(27,292)	(27,967)	(28,611)	(29,222)	(29,797)
TOTAL NON-OPERATING EXPENDITURES	(293,075)	(296,994)	(300,880)	(304,729)	(308,535)	(312,292)	(315,993)	(319,632)	(323,203)	(326,697)	(330,108)	(333,427)	(336,645)	(339,753)	(342,743)
FORECASTED CASH AVAILABLE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -