

City Council of
October 18, 2011

(Companion to Redevelopment Agency Item 4A)

Honorable Mayor and Members
of the City Council
City Hall
Torrance, California

Members of the Council:

SUBJECT: Community Development – Review report and recommendations submitted by consultant and authorize staff to collect information regarding selection of a developer for mixed-use at 1640 Cabrillo Avenue.

RECOMMENDATION

Recommendation of the Community Development Director that City Council:

- 1) Review and concur with the report and recommendations submitted by Keyser Marston & Associates regarding the requests for proposal received for mixed-use workforce housing development at 1640 Cabrillo Avenue (RFP B2011-01); and
- 2) Authorize staff to collect additional information from the two highest rated firms: Meta Housing Corporation and Related California.

(Companion to Redevelopment Agency Item 4A)

BACKGROUND AND ANALYSIS

The City of Torrance Redevelopment Agency acquired the property located at 1640 Cabrillo Avenue (“the Site”) in the Downtown Redevelopment Project Area in October of 2009. This site was purchased using Low-Moderate Income Housing Set-Aside funds with the intention to develop mixed-use workforce housing in accordance with the 5-Year Housing Implementation Plan. A Request for Proposals (RFP) was sent out to prospective development firms on November 10, 2010, and proposals were due at 2:00 P.M. on January 13, 2011. Seven eligible proposals were submitted from the following development teams:

- AMCAL Multi-Housing
- American Communities, LLC
- LINC Housing
- Meta Housing Corporation
- National Community Renaissance
- RELATED/ Mar Ventures, Inc.
- ROEM Corporation

A selection committee made up of five members of City staff was formed to review and score each proposal. The team reviewed the proposals based on several factors, including responsiveness to the RFP, design, layout, compatibility with the character of the Downtown, and financial feasibility. Two rounds of interviews were held during the months of February and March. Based on the findings of this review period and interviews, staff went before the City Council on May 24, 2011 to recommend Meta Housing Corporation be selected as the developer for the Site.

The selection committee identified the proposal submitted by Meta Housing Corporation (Meta) as the most compatible with the needs and development goals of the Agency. The committee determined that Meta's proposal was the best fit with the character of Downtown due to its attractive design, size, amenities, layout, and unit mix. The proposal includes approximately 4,480 square feet of ground floor commercial space, and 45 workforce housing units (fifteen (15) one-bedroom units, sixteen (16) two-bedroom units and fourteen (14) three-bedroom units). The cost of development per unit is also among the most conservative of all proposals received. In addition, the committee looked at Meta's extensive portfolio in developing similar multi-family, affordable, and mixed-use housing developments, and determined that Meta would be highly capable in the development of 1640 Cabrillo Avenue.

At the May 24th City Council meeting, staff was directed to contract with a consultant to further assist in the evaluation of the Request for Proposal submittals from a financial perspective. Following this direction, staff contracted with Keyser Marston Associates (KMA) to conduct a thorough financial analysis for each proposal. KMA specializes in public/private real estate development, and the consultant assigned to the review has expertise in tax credit financing deals. The consultant has met with City staff on multiple occasions to obtain all the necessary information required to conduct the analysis, and delivered a report with findings to the Community Development Department on August 12th, 2011.

KMA analyzed each proposal in its entirety, but particularly focused on the financial feasibility of the pro formas and whether the proposals would be able to secure the Tax Credit deals that the pro formas were based on. According to KMA's analysis (see Attachment A), several assumptions have changed since the time the proposals were collected. Since January 2011, the California Tax Credit Allocation Committee (TCAC) has modified the scoring standards by which federal low income housing tax credits are awarded. As such, none of the proposals received are still competitive based on the updated scoring rubric. In addition, TCAC increased the minimum general operating expenses per unit, as well as the annual budget for social services expenses, which impact the financial feasibility of each proposal. Finally, the Area Median Income was updated in late May, and slightly increased the restricted rent levels for workforce housing. Therefore, the pro formas for each of the proposals are not in compliance with the current TCAC underwriting standards.

Notwithstanding, KMA rated each of the proposals after accounting for the industry standard changes and ranked them based on the financial information provided. Below are the findings, ordered from highest to lowest performing.

Development Team	Rank
Meta Housing	1
Related Companies / Mar Ventures	2
AMCAL – Alternative 1	3
AMCAL – Alternative 2	4
ROEM Corporation	5
National CORE – Alternative 1	6
National CORE – Alternative 2	7
American Communities	8
LINC Housing	9

More information on how KMA arrived at its findings can be found in the detailed report dated August 12, 2011 (Attachment A).

While separate review processes were undertaken by the selection committee made up of City staff and KMA, both have arrived at the same conclusion as to the two most capable developers for this project, Meta Housing Corporation and Related Companies/ Mar Ventures. The five-member selection committee carefully reviewed each of the proposals for their design, architectural style, financial strength, services, and sustainability to determine the right fit for the character of Downtown. KMA's expertise honed in on the financial feasibility of each proposal and evaluated each proposal's ability to secure tax credits based on the information provided. As these reviews appear to confirm each other's assertions, Staff feels confident in moving forward with the next steps in the RFP process.

The KMA report proposes that the two highest rated firms resubmit updated pro formas to reflect the TCAC updates and standardized assumptions for the land value, permits, and demolition & remediation costs (See Page 3 of Attachment A). After the pro-formas are re-submitted with the updated information, staff recommends that the City allow KMA to evaluate the financial strength of the revised proposals. Following a brief review period, staff would then present a final recommendation to Council. Council may then make a final selection and proceed with next step in the Request for Proposals Process and enter into a Disposition and Development Agreement with the chosen firm.

The status of Redevelopment is currently awaiting a ruling by the State Supreme Court on *CRA vs. Matosantos*, which challenges the constitutionality of ABX1-26 & 27. The Court has set forth an expedited processing schedule and anticipates making a decision before January 15, 2012, when the first of two payments for ABX1-27 would otherwise be due. As a result, Cities and Agencies are barred from entering into new contracts and/or agreements for the use of redevelopment funds until a ruling has been made. The City may proceed with the RFP review and selection process with the understanding that any further action will be contingent upon the outcome of the lawsuit.

If the Supreme Court issues a decision that continues redevelopment agencies to continue to exist and operate, the City will then be ready to complete the project process for the development of the Site.

Redevelopment staff has reviewed the Keyser Marston & Associates report and recommends that the Agency direct staff to request additional information from the two highest rated proposals and allow KMA to evaluate the revised proposals. Redevelopment staff will bring forward to Agency the final developer recommendation to construct a mixed-use workforce housing project located at 1640 Cabrillo Avenue.

Respectfully submitted,

CONCUR:

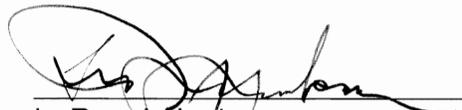
JEFFERY W. GIBSON
COMMUNITY DEVELOPMENT DIRECTOR



Jeffery W. Gibson
Community Development Director

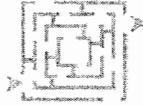
By 

Gregg Lodan, AICP
Planning Manager



LeRoy J. Jackson
City Manager

Attachment: A) Keyser Marston Associates Memorandum (8/12/2011)



KEYSER MARSTON ASSOCIATES
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

WESTWOOD
REAL ESTATE
REDEVELOPMENT
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

VALLEY CENTER
A. BERRY KEYSER
TIMOTHY C. KELLY
KATE LABEL FUNK
PETER M. KERN
ROBERT J. WELMORE
REED F. KAWAHARA

DOWNTOWN
KATHLEEN EL HEAY
JAMES A. RABE
PAUL C. ANDERSON
GREGORY D. SORRISO
KEVIN J. ENGSTROM
JULIE L. ROMNEY
DENISE BICKERSTAFF

SAN DIEGO
GERALD M. TRIMBLE
PAUL C. MARRA

To: Jeff Gibson, Community Development Director
City of Torrance

From: Julie Romey

Date: August 12, 2011

Subject: Cabrillo RFP Review

At the request of the Torrance Redevelopment Agency (Agency), Keyser Marston Associates, Inc. (KMA) has reviewed the proposals submitted by seven developers for the Agency-owned 0.85-acre site located at 1640 Cabrillo (Site) in the Downtown Redevelopment Project Area. The purpose of the KMA analysis is to review and provide a financial analysis of the seven proposals as well as a ranking based on the financial proposals.

EXECUTIVE SUMMARY

Since the seven developers submitted the proposals in January 2011, the following industry changes have occurred that will impact the proposed financial assistance amounts:

1. The California Tax Credit Allocation Committee (TCAC), which allocates the federal low income housing tax credits (9% Tax Credits), changed the second tie-breaker calculation. Given the competitiveness of the 9% Tax Credit program, the projects that are awarded Tax Credits are based on the second tie-breaker score. As such, none of the proposals would have received an allocation in the first 2011 TCAC round.
2. TCAC has also increased the minimum general operating expenses to \$4,800 per unit for Los Angeles County large family projects, which is an increase from the previous \$4,500 per unit.
3. In addition, TCAC requires an annual budget for on-site tenant services to be \$10,000.

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
Page 2

4. The 2011 Los Angeles County area median income (Median) has been published and the rents have increased slightly.

Based on current industry standards and information provided by the Agency, KMA analyzed the proposed financial assistance request for each proposal. The following briefly summarizes the findings:

1. AMCAL – Alternative 1: This proposal limits the units to 30 units which is below the maximum allowed per the current zoning. As such, the proposed project not as cost efficient as it could be due to the project design.
2. AMCAL – Alternative 2: While this proposal includes 45 residential units, this level of density could be designed in such a way that subterranean parking is not necessary. As a result, the proposed project costs more than is necessary due to the project design.
3. American Communities: The proposal includes 34 residential units, nearly 8,000 square feet of ground floor retail and a subterranean parking structure. A subterranean parking structure increases the construction costs significantly. In addition, the proposed level of commercial space and its configuration do not appear to be marketable at this time.
4. LINC Housing: This proposal included a math error in the Tax Credit calculation and did not provide information in regards to amenities and services to be provided on-site as well as the level of sustainability proposed.
5. Meta Housing: The proposal, while needing to be modified to reflect the previously mentioned changes, includes the most affordable units for the least amount of financial assistance.
6. National CORE – Alternative 1: The inefficient design requires subterranean parking, which the developer has estimated to be significantly higher in cost than industry standards.
7. National CORE – Alternative 2: While this proposal includes the largest number of units at 52, which will require subterranean parking, the developer's estimate of the parking costs in this alternative is excessive.
8. Related Companies / Mar Ventures: While the pro forma needs to be modified, KMA estimated the financial assistance request to be essentially what the developer has proposed.
9. ROEM Corporation: The proposal and the Site plans do not match and the pro forma did not include a detailed enough breakout of the direct construction costs

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
Page 3

to determine the reason for the high construction costs. The proposed design should be the lowest cost type of construction of all of the proposals but the estimated costs do not reflect this.

The following provides the proposal rankings based the financial analysis:

	Rank
Meta Housing	1
Related Companies / Mar Ventures	2
AMCAL – Alternative 1	3
AMCAL – Alternative 2	4
ROEM Corporation	5
National CORE – Alternative 1	6
National CORE – Alternative 2	7
American Communities	8
LINC Housing	9

In conclusion, given the significant changes in the Tax Credit program as well as none of the proposals using the correct rents, KMA recommends that the Agency request that the top two developers resubmit their pro formas prior to a final decision be determined in regards to the financial assistance level of the proposals.

The following next steps are recommended:

1. Request that Meta and Related submit updated pro formas assuming the following:
 - a. Provide 9% Tax Credit and Tax-Exempt bonds / 4% Tax Credit scenarios;
 - b. Assumed a \$2,200,000 purchase price;
 - c. The off-site improvements estimated at \$110,000;
 - d. The remediation / demolition costs set at \$275,000;
 - e. Permits and fees estimated as follows:
 - i. Meta - \$265,000;
 - ii. Related - \$217,000;
 - f. The lower of the low and very-low income California Redevelopment Law (CRL) rents as well as TCAC rents should be assumed;

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
 Page 4

- g. The estimated general operating expenses must at least meet TCAC's \$4,800 per unit minimum;
 - h. The estimated social services expenses must at least meet TCAC's \$10,000 per year;
 - i. Do not assume any other outside funding sources, such as AHP or MHP funds, at this time;
 - j. At least 20% of the developer fee should be deferred;
 - k. Provide the 2011 tie-breaker calculation and discuss how the target score was set;
 - l. Do not include any income or value for the Commercial Component; and
 - m. Limit the developer fee to \$1,400,000.
2. Based on the revised pro formas, select a developer and begin negotiations to enter into a disposition and development agreement (DDA).
 3. Conclude negotiations and execute the DDA so that the selected project can submit a 9% Tax Credit application in the first TCAC round of 2012.

BACKGROUND STATEMENT

In late 2010, the City of Torrance (City) issued a Request for Proposals (RFP) for the Agency-owned Site. The Site, located in the Agency's Downtown Project Area, is zoned as Downtown Redevelopment Project (DRP) and has a General Plan designation of Commercial Center (C-CTR). The current use of the Site includes approximately 10,000 square feet of office, maintenance and storage building space with the remaining land area used for storage and surface parking. Class Termite and Pest Control, Inc. is the current tenant while the Site was used as a car dealership previous to 1980.

The Phase I and a limited Phase II reports indicate that there will be some environmental remediation necessary to develop the Site. However, the Agency intends to sell the Site "as is" and the selected developer will be responsible for the remediation liability.

The intent of the RFP was to generate a mixed-use development that provides low and very-low income rental housing units with ground floor commercial space. The existing zoning designation allows for a density of 43 units per acre, which equates to 36 residential units. The RFP provided a recommended range for the number of units at 30

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
Page 5

to 40 units and ground floor commercial space to range from 3,480 square feet to 8,700 square feet. In addition, the RFP specifies that 100% of the units should be restricted as affordable to low and very-low income households, as defined by CRL and the unit mix should include one, two and three bedroom units.

While sustainable design and construction is not required in the RFP, the projects received up to 10 bonus points if it is included. In addition, the RFP required the affordability covenants to be in effect for 99 years. The RFP also states that the project may be subject to prevailing wages. However, at a later date the Agency staff advised all of the proposers to assume prevailing wages in the construction cost estimates.

On January 11, 2011, seven developers submitted proposals in response to the RFP. In May 2011, the Agency recommended Meta Housing as the chosen developer for the Site. However, while the RFP laid out the evaluation criteria, which did not include points for the financial feasibility of the proposals. In particular, the evaluation process did not take into account the competitiveness of the proposals in relation to the 9% Tax Credit program competition. As such, the City engaged KMA to analyze the seven proposals in regards to the financial feasibility of the proposals.

The detailed KMA analysis of the seven proposals is provided in the following tables located at the end of this memorandum:

Appendix A
Summary of Proposals

Table 1	Project Description Comparison
Table 2	Total Development Cost Comparison
Table 3	Stabilized Net Operating Income Comparison
Table 4	Financial Gap Comparison

Appendix B
KMA Analysis Assumptions

Appendix C
Pro Forma Analysis

Table 1	AMCAL – Alternative 1
Table 2	AMCAL – Alternative 2
Table 3	American Communities
Table 4	LINC Housing Corporation
Table 5	Meta Housing Corporation
Table 6	National CORE – Alternative 1
Table 7	National CORE – Alternative 2
Table 8	Related Companies / Mar Ventures
Table 9	ROEM Corporation

To: Jeff Gibson, City of Torrance
 Subject: Cabrillo RFP Review

August 12, 2011
 Page 6

INDUSTRY CHANGES SINCE JANUARY 2011

9% Tax Credit Program

All seven proposals assume an award of the federal low income housing tax credits (Tax Credits) that are administered by TCAC. There are two Tax Credit programs, of which one is competitively awarded (9% Tax Credits) and the second is automatically awarded when a project receives a tax-exempt bond allocation from the California Debt Allocation Committee (CDLAC). The seven developers have structured the proposals for the 9% Tax Credit program.

Since the proposals were received by the Agency in January 2011, TCAC has changed the scoring system for the second tie-breaker, which typically determines which projects are awarded the 9% Tax Credits. When the proposals were submitted, each developer estimated a tie-breaker that would likely win an allocation based on the winning projects from the second round of applications in 2010. The new tie-breaker calculation and the announcement of the projects that received an allocation in the first round of 2011 have changed the likeliness of the proposals to receive a future allocation. The following compares the 2010 tie-breaker calculation to the 2011 calculation for each proposal:

	2010 Tie-Breaker ¹	2011 Tie-Breaker ²
AMCAL - Alternative 1	95.66%	57.42%
AMCAL - Alternative 2	96.07%	57.10%
American Communities	98.75%	58.87%
LINC Housing	104.53%	78.88%
Meta Housing	93.40%	53.57%
National CORE - Alternative 1	102.45%	54.03%
National CORE - Alternative 2	91.07%	47.62%
Related / Mar Vista	102.50%	63.15%
ROEM	95.10%	56.33%

In Los Angeles County, three projects were awarded 9% Tax Credits and the 2011 Tie-Breaker scores were 69.103%, 67.337% and 24.000%. KMA has determined that to be competitive, a project needs to have at least a 70% 2011 Tie-Breaker score for future rounds. While the LINC proposal would likely receive a 9% Tax Credit award, it is due to the inclusion of a \$1.20 million funding source that has not yet been awarded to the project. In addition, the LINC proposal includes a math error in their Tax Credit

¹ The 2010 tie-breaker was calculated as follows: [total committed public assistance divided by total project costs] plus [1 minus (requested eligible basis divided by total project costs)].

² The 2011 tie-breaker is calculated as follows: [total committed public assistance divided by total project costs] plus [(1 minus (requested eligible basis divided by total project costs))/3].

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
Page 7

calculation. As such, it is unlikely that as proposed, any of the proposals would receive a 9% Tax Credit allocation.

For underwriting purposes, TCAC also changed two minimum standards, which are as follows:

1. The minimum general operating expenses must be \$4,800 per unit. These expenses do not include property taxes, social services or reserves. This minimum requirement has increased since the developers submitted the proposals.
2. A minimum of \$10,000 per year must be allocated to social services provided to the tenants.

Affordable Rents

In mid-2011, the State of California's Housing and Community Development Department (HCD), the United States Department of Housing and Urban Development (HUD) and TCAC published the 2011 income limits that govern the affordable rents for the various programs. The median income for Los Angeles County (Median) increased slightly. As such, the affordable rents have also slightly increased from those assumed in the proposals.

However, the Agency purchased the Site with Housing Set-Aside Funds (Housing Funds) and plans to use the same funding source to meet additional funding gaps. Therefore, the rents need to also meet the standards outlined in the California Health and Safety Code, which is known as CRL. The CRL rents for the same income categories are lower than the rents allowed by TCAC. As a result, the rents in all of the proposals need to be decreased.

ANALYSIS OF PROPOSALS

In order to analyze the financial proposals, KMA first reviewed each proposal, which is detailed in Appendix A. KMA then established industry standards based on similar projects and information provided by Agency staff (Appendix B). Finally, KMA compared the proposals to the KMA financial pro forma for each project. The following summarizes the findings:

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
Page 8

AMCAL

AMCAL submitted two development alternatives for the Site.

Alternative 1

The first proposal (Alternative 1) includes 30 residential units, 3,500 square feet of ground floor commercial space and 73 parking spaces provided in an at-grade parking structure. With 30 residential units, Alternative 1 will not require a density bonus. The proposed project also includes 1,700 square feet in community space, including a game room, media room, kitchen, computer room and laundry facilities on each residential floor. The social services are proposed to be provided by LifeSteps and will include classes for the residents as well as afterschool programs. The level of sustainability proposed is LEED Gold or Platinum.

The proposed average affordability level of the restricted units is 47% of the Median. The following summarizes the breakout of the affordable units:

Affordability Restrictions		Number of Units				
CRL	TCAC	One-bedroom	Two-bedrooms	Three-bedrooms	Four-bedrooms	Totals
Very-Low Income	30% Median	0	0	0	0	0
Very-Low Income	40% Median	0	2	1	0	3
Very-Low Income	45% Median	0	8	4	0	12
Very-Low Income	50% Median	2	7	5	0	14
Low Income	60% Median	0	0	0	0	0
Unrestricted	Manager	0	0	1	0	1
Totals		2	17	11	0	30

AMCAL requests that the project receive \$5.22 million, or \$174,200 per unit, in financial assistance from the Agency, of which \$2.83 million will be a land contribution. The assistance is to be provided as a residual receipts loan with a 55-year term, a 3% compounded interest rate and payments in the form of 50% of residual receipts. The Agency loan will be secured with a second trust deed.

Analysis (Appendix C – Table 1)

The following summarizes the major issues with the proposal:

1. The estimated total development costs are \$2.05 million, or 18%, higher than the KMA estimate. The following summarizes the significant reasons for the differential:

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
Page 9

- a. AMCAL assumed the purchase price of the Site to be \$630,000 higher than the Agency's estimate based on an appraisal.
 - b. The at-grade parking garage costs are higher than typical at \$18,600 per space.
 - c. The architecture, engineering and consulting estimate is higher than typical at 14% of direct costs.
 - d. The permits and fees estimated by AMCAL are \$219,000 higher than the City's estimate.
2. The stabilized net operating income (NOI) projection is \$108,500 higher than the KMA estimate for the following reasons:
- a. CRL rents are not being utilized by AMCAL as required in the RFP.
 - b. The TCAC minimum for general operating expenses is not being met and a budget for the social services offered at the project was not included.
 - c. AMCAL assumed \$1.00 per square foot per month commercial lease rates and a 15% vacancy factor. In contrast, KMA did not include income from the Commercial Component.
3. The proposed funding sources, other than Housing Funds, is estimated to be \$2.58 million higher than the KMA estimate due to the following:
- a. The combination of an aggressive debt coverage ratio of 1.15 and a higher projected NOI, results in a conventional loan that is \$703,000 higher than the KMA estimate.
 - b. The Tax Credit equity estimated by AMCAL assumes a \$0.96 equity rate and a 57.42% tie-breaker. Given that KMA assumed a \$0.95 equity rate and a 70.0% tie-breaker as well as a lower eligible basis due to lower construction cost estimates, the AMCAL Tax Credit equity estimate is \$1.50 million higher than the KMA estimate.
 - c. AMCAL assumes that 27% of the \$1.30 million developer fee will be deferred and repaid from cash flow while KMA assumed 20% of the \$1.06 million developer fee will be deferred.
 - d. AMCAL also assumed that the Commercial Component would generate \$238,000 in equity, assuming a 15% return on equity rate. KMA did not attribute any debt or equity to the Commercial Component.

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
Page 10

4. AMCAL proposed that the loan and affordability covenant terms be 55-years instead of the 99-years requested in the RFP.
5. The following summarizes the difference between the total assistance estimated by AMCAL and KMA:

	Proposal	KMA	Difference
Land Contribution	\$2,830,000	\$2,200,000	\$630,000
Financial Assistance	2,395,000	3,553,000	(1,158,000)
Residual Receipts Loan	\$5,225,000	\$5,753,000	(\$528,000)
Per Unit	\$174,200	\$191,800	(\$17,600)

Based on the preceding analysis, KMA concludes that the Alternative 1 proposal is not cost effective due to the limited number of units. In addition, AMCAL would be requested to make significant changes to the pro forma assumptions in order for the proposal to be competitive for 9% Tax Credits.

Alternative 2

The second AMCAL proposal (Alternative 2) includes 45 residential units, 3,500 square feet of ground floor commercial space and 106 parking spaces provided in a two-level parking structure of which one level is below-grade. The project will require a 25% density bonus. The proposed project also includes 2,000 square feet in community space, including a game room, media room, kitchen, computer room and laundry facilities on each residential floor. The social services are proposed to be provided by LifeSteps and will include classes for residents and afterschool programs. The level of sustainability proposed is LEED Gold or Platinum.

The proposed average affordability level of the restricted units is 47% of the Median. The following summarizes the breakout of the affordable units:

Affordability Restrictions		Number of Units				
CRL	TCAC	One-bedroom	Two-bedrooms	Three-bedrooms	Four-bedrooms	Totals
Very-Low Income	30% Median	0	0	0	0	0
Very-Low Income	40% Median	0	3	2	0	5
Very-Low Income	45% Median	0	9	10	0	19
Very-Low Income	50% Median	2	16	2	0	20
Low Income	60% Median	0	0	0	0	0
Unrestricted	Manager	0	0	1	0	1
Totals		2	28	15	0	45

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
Page 11

AMCAL requests that the project receive \$6.78 million, or \$150,800 per unit, in financial assistance from the Agency, of which \$2.83 million will be a land contribution. The assistance is to be provided as a residual receipts loan with a 55-year term, a 3% compounded interest rate and payments in the form of 50% of residual receipts. The loan will be secured with a second trust deed.

Analysis (Appendix C – Table 2)

The following summarizes the major issues with the proposal:

1. The estimated total development costs are \$1.30 million, or 8%, higher than the KMA estimate. The following summarizes the significant differences:
 - a. AMCAL assumed the purchase price of the Site to be \$630,000 higher than the Agency's estimate based on an appraisal.
 - b. The permits and fees estimated by AMCAL are \$340,000 higher than the City's estimate.
 - c. AMCAL has included a developer fee, while allowable by TCAC, is \$475,000 higher than what is allowed in the eligible basis for Tax Credit calculation purposes. Therefore, the additional developer fee does not generate Tax Credit equity and is not recommended to be allowed by the Agency.
2. The stabilized NOI projection is \$138,800 higher than the KMA estimate for the following reasons:
 - a. CRL rents are not being utilized by AMCAL as required in the RFP.
 - b. The TCAC minimums for general operating expenses and social services are not being met.
 - c. AMCAL assumed \$1.00 per square foot per month commercial lease rates and a 15% vacancy factor. In contrast, KMA did not include income from the Commercial Component.
3. The proposed funding sources, other than Housing Funds, is estimated to be \$2.80 million higher than the KMA estimate due to the following:
 - a. The combination of an aggressive debt coverage ratio of 1.15 and a higher NOI projection, results in a conventional loan that is \$1.05 million higher than the KMA estimate.

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
Page 12

- b. The Tax Credit equity estimated by AMCAL assumes a \$0.96 equity rate and a 57.49% tie-breaker. Given that KMA assumed a \$0.95 equity rate and a 70.0% tie-breaker as well as a lower eligible basis due to lower construction cost estimates, the AMCAL Tax Credit equity estimate is \$1.45 million higher than the KMA estimate.
 - c. AMCAL assumes that 19% of the \$1.87 million developer fee will be deferred and repaid from cash flow while KMA assumed 20% of the \$1.40 million developer fee will be deferred.
 - d. AMCAL also assumed that the Commercial Component would generate \$231,000 in equity, assuming a 15% return on equity rate. KMA did not attribute any debt or equity to the Commercial Component.
4. AMCAL proposed that the loan and affordability covenant terms be 55-years instead of the 99-years requested in the RFP.
 5. The following summarizes the difference between the total assistance estimated by AMCAL and KMA:

	Proposal	KMA	Difference
Land Contribution	\$2,830,000	\$2,200,000	\$630,000
Financial Assistance	3,955,000	6,079,000	(2,124,000)
Residual Receipts Loan	\$6,785,000	\$8,279,000	(\$1,494,000)
Per Unit	\$150,800	\$184,000	(\$33,200)

Based on the preceding analysis, KMA concludes that the Alternative 2 proposal is not cost efficient due to the increased density that requires a level of subterranean parking. In addition, AMCAL would be required to make significant changes to the pro forma in order to be competitive for the 9% Tax Credits.

American Communities

The American Communities (AC) proposal includes 34 residential units, 7,920 square feet of ground floor commercial space and 66 parking spaces provided in a two-level parking structure of which one level is below-grade. The project will not require a density bonus. The proposed project also includes 1,200 square feet in community space, including a computer learning center and kitchen area. The social services are proposed to be provided by Central Valley Coalition for Affordable Housing and will include afterschool programs. The level of sustainability proposed is LEED Silver.

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
Page 13

The proposed average affordability level of the restricted units is 47% of the Median.
The following summarizes the breakout of the affordable units:

Affordability Restrictions		Number of Units				
CRL	TCAC	One-bedroom	Two-bedrooms	Three-bedrooms	Four-bedrooms	Totals
Very-Low Income	30% Median	1	1	2	0	4
Very-Low Income	40% Median	0	0	0	0	0
Very-Low Income	45% Median	11	0	4	0	15
Very-Low Income	50% Median	0	2	5	0	7
Low Income	60% Median	4	0	3	0	7
Unrestricted	Manager	0	1	0	0	1
Totals		16	4	14	0	34

AC requests that the project receive \$4.90 million, or \$144,100 per unit, in financial assistance from the Agency, of which \$2.00 million will be a land contribution. The assistance is to be provided as a residual receipts loan with a 30 to 55-year term, a 4% simple interest rate and payments in the form of 50% of residual receipts. The loan will be secured with a second trust deed.

Analysis (Appendix C – Table 3)

The following summarizes the major issues with the proposal:

1. The AC proposal assumes that the Site includes 0.80-acres instead of 0.85-acres, which would have impacted the design of the project as well as the estimated construction costs.
2. Based on the Site plan, the retail configuration is not ideal for attracting commercial tenants given that a large amount of the space is too deep for the likely tenant base.
3. In addition, the amount of commercial space proposed at nearly 8,000 square feet is over 3,000 square feet more than the next highest amount of retail proposed by the other developers. Given the current market conditions of downtown Torrance, and that AC proposes the revenue will come from selling the space as condominiums after the project is completed, increases the financial gap associated with the proposal.
4. With only 34 residential units proposed and nearly 8,000 square feet of commercial space proposed, subterranean parking is not supportable.

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
Page 14

5. The estimated total development costs are \$12.58 million, or 11%, lower than the KMA estimate. The following summarizes the significant reasons for the differential:
 - a. Assumed that the purchase price of the Site to be \$200,000 lower than the Agency's appraisal.
 - b. Low remediation costs are assumed and no off-site improvements included in the budget.
 - c. Estimates do not include tenant improvements for the Commercial Component in the construction costs in the budget due to the assumption that these costs will be deducted from the sale of the commercial space as condominiums.
 - d. Low architecture, engineering and consulting costs are estimated.
6. The stabilized NOI projection is \$89,600 higher than the KMA estimate for the following reasons:
 - a. CRL rents are not being utilized by AC as required in the RFP.
 - b. The utility allowances deducted from the gross rents do not include space heating.
 - c. The TCAC minimums for general operating expenses and social services are not being met. In particular, a budget for the proposed social services was not provided.
7. The proposed funding sources, other than Housing Funds, is estimated to be \$616,000 higher than the KMA estimate due to the following:
 - a. The higher projected NOI results in a conventional loan that is \$1.06 million higher than the KMA estimate.
 - b. The Tax Credit equity estimated by AC assumes a \$0.95 equity rate and a 58.87% tie-breaker. Given that KMA assumed a \$0.95 equity rate and a 70.0% tie-breaker as well as a higher eligible basis due to higher construction cost estimates, the AC Tax Credit equity estimate is \$585,000 lower than the KMA estimate.
 - c. AC assumes that 30% of the \$1.27 million developer fee will be deferred and repaid from cash flow while KMA assumed 20% of the \$1.19 million developer fee will be deferred.

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
Page 15

8. AC proposes that the loan and affordability covenant terms be up to 55-years instead of the 99-years requested in the RFP.
9. The following summarizes the difference between the AC and KMA estimate of the warranted financial assistance for the proposed project.

	Proposal	KMA	Difference
Land Contribution	\$2,000,000	\$2,200,000	(\$200,000)
Financial Assistance	2,900,000	4,828,000	(1,928,000)
Residual Receipts Loan	\$4,900,000	\$7,028,000	(\$2,128,000)
Per Unit	\$144,100	\$206,700	(\$62,600)

As discussed in the preceding analysis, KMA concludes that the proposed project has significant design issues that impact the cost and requested financial assistance of the project.

LINC Housing

The LINC Housing (LINC) proposal includes 39 residential units, 4,358 square feet of ground floor commercial space and 74 parking spaces provided in an at-grade parking structure as well as surface parking. The project will require an 8% density bonus. The proposal did not provide descriptions of the amenities, social services or sustainability level proposed.

The proposed average affordability level of the restricted units is 51% of the Median. The following summarizes the breakout of the affordable units:

Affordability Restrictions		Number of Units				
CRL	TCAC	One-bedroom	Two-bedrooms	Three-bedrooms	Four-bedrooms	Totals
Very-Low Income	30% Median	0	2	1	1	4
Very-Low Income	40% Median	0	5	4	0	9
Very-Low Income	45% Median	0	0	0	0	0
Very-Low Income	50% Median	0	3	2	0	5
Low Income	60% Median	13	2	2	3	20
Unrestricted	Manager	0	0	0	1	1
Totals		13	12	9	5	39

LINC requests that the project receive \$8.51 million, or \$218,200 per unit, in financial assistance from the Agency, of which \$1.74 million will be a land contribution. The assistance is to be provided as a residual receipts loan with a 55-year term, a 4% simple interest rate and payments in the form of 50% of residual receipts. The loan will be secured with a second trust deed.

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
Page 16

Analysis (Appendix C – Table 4)

The following summarizes the major issues with the proposal:

1. The proposal assumes that seven one-bedroom units and five two-bedroom units will be further restricted to individuals with emotional disturbances and/or mental illnesses. However, there is no discussion provided in regards to how this assumption will impact operations at the project.
2. The estimated total development costs are \$14.70 million, or 15%, higher than the KMA estimate. The following summarizes the differential:
 - a. LINC assumed that the purchase price of the Site would be \$1.74 million, which is less than the Agency's appraisal.
 - b. No off-site improvement costs are included in the budget.
 - c. The contractor and general conditions fees estimated at 18% of the construction costs are higher than the maximum 14% allowed by TCAC.
 - d. Permits and fees are estimated to be overstated by \$585,000.
 - e. The capitalized operating reserves are high at six months.
3. The stabilized NOI projection is \$55,900 higher than the KMA estimate for the following reasons:
 - a. CRL rents are not being utilized by LINC as required in the RFP.
 - b. The projected operating expenses are in excess of the TCAC minimums for general operating expenses, social services and replacement reserves. In fact, the social services budget is \$25,000, or \$15,000 higher than the TCAC minimum, and there is no explanation provided. Presumably, this budget estimate is due to the inclusion of Mental Health Services Act (MHSA) funds allocated through Los Angeles County.
4. The proposed funding sources, other than Housing Funds, is estimated to be \$341,000 lower than the KMA estimate due to the following:
 - a. The higher NOI projection, results in a conventional loan that is \$481,000 higher than the KMA estimate.

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
Page 17

- b. The Tax Credit equity estimated by LINC assumes a \$0.85 equity rate and a 78.88% tie-breaker. However, the LINC pro forma includes a math error in the Tax Credit calculation. LINC has assumed that the Tax Credit rate is 3.5% when it should be 9.0%. Given that KMA assumed a \$0.95 equity rate and a 70.0% tie-breaker as well as a lower eligible basis due to lower construction cost estimates and a 9.0% Tax Credit rate, the Tax Credit equity estimated by LINC is \$1.78 million lower than the KMA estimate.
 - c. LINC proposes to defer no developer fee while KMA assumed 20% of the \$1.93 million developer fee will be deferred.
 - d. LINC also proposes to restrict 12 units to individuals with emotional disturbances and/or mental illnesses. As such, LINC also proposes to obtain \$1.20 million in MHSA funds. However, this is also a competitive process and there is no mention in the proposal of how the inclusion of such tenants will impact the management of the project.
5. LINC proposes that the loan and affordability covenant terms be 55-years instead of the 99-years requested in the RFP.
 6. The following summarizes the difference between the LINC and KMA estimate of the warranted financial assistance for the proposed project.

	Proposal	KMA	Difference
Land Contribution	\$1,742,000	\$2,200,000	(\$458,000)
Financial Assistance	6,768,000	4,081,000	2,687,000
Residual Receipts Loan	\$8,510,000	\$6,281,000	\$2,229,000
Per Unit	\$218,200	\$161,100	\$57,100

KMA concludes that the LINC proposal is incomplete due to the math error in calculating the Tax Credit equity, insufficient information provided in regards to the use of the MHSA funds and the lack of descriptions of the proposed amenities, tenant services and sustainability level.

Meta Housing

The Meta Housing Corporation (Meta) proposal includes 45 residential units, 4,480 square feet of ground floor commercial space and 89 parking spaces provided in an at-grade parking structure. The project will require a 25% density bonus. The proposal also includes 2,704 square feet of community space that will include a computer center, weight room, and two community rooms. No description was provided for the level of services that will be provided on-site. The level of sustainability proposed is LEED Gold.

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
Page 18

The proposed average affordability level of the restricted units is 47% of the Median.
The following summarizes the breakout of the affordable units:

Affordability Restrictions		Number of Units				
CRL	TCAC	One-bedroom	Two-bedrooms	Three-bedrooms	Four-bedrooms	Totals
Very-Low Income	30% Median	1	2	2	0	5
Very-Low Income	40% Median	3	3	3	0	9
Very-Low Income	45% Median	0	0	0	0	0
Very-Low Income	50% Median	6	6	6	0	18
Low Income	60% Median	5	4	3	0	12
Unrestricted	Manager	0	1	0	0	1
Totals		15	16	14	0	45

Meta requests that the project receive \$5.00 million, or \$111,100 per unit, in financial assistance from the Agency, of which \$2.22 million will be a land contribution. The assistance is to be provided as a residual receipts loan with a 55-year term, a 0% interest rate and payments in the form of 50% of residual receipts. The loan will be secured with a second trust deed.

Analysis (Appendix C – Table 5)

The following summarizes the major issues with the proposal:

1. The estimated total development costs are \$15.45 million, or 8%, higher than the KMA estimate. The following summarizes the differential:
 - a. Meta proposes a purchase price for the Site that is \$20,000 higher than the appraised value.
 - b. The permits and fees are estimated to be overstated by approximately \$835,000.
 - c. Meta has included a developer fee, while allowable by TCAC, is approximately \$130,000 higher than what is allowed in the eligible basis for Tax Credit calculation purposes. Therefore, the additional developer fee does not generate Tax Credit equity and is not recommended to be allowed by the Agency.
2. The stabilized NOI projection is \$126,200 higher than the KMA estimate for the following reasons:
 - a. CRL rents are not being utilized by Meta as required in the RFP.

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
Page 19

- b. In contrast, at approximately \$5,700 per units, the estimated general operating expenses are significantly higher than the TCAC minimum and industry standards.
 - c. Commercial income is included assuming a \$1.85 per square foot monthly rental rate, a 20% vacancy and collection allowance and \$1.67 per square foot in annual operating expenses. These assumptions add \$72,065 to the NOI.
3. The proposed funding sources, other than Housing Funds, is estimated to be \$3.20 million higher than the KMA estimate due to the following:
 - a. The higher projected NOI results in a conventional loan that is \$1.37 million higher than the KMA estimate.
 - b. The Tax Credit equity estimated by Meta assumes a \$1.00 equity rate and a 53.57% tie-breaker. Given that KMA assumed a \$0.95 equity rate and a 70.0% tie-breaker as well as a lower eligible basis due to lower construction cost estimates, the Meta Tax Credit equity estimate is \$1.28 million higher than the KMA estimate.
 - c. Meta assumes that 12% of the \$1.53 million developer fee will be deferred and repaid from cash flow while KMA assumed 20% of the \$1.35 million developer fee will be deferred.
 - d. Meta has also included \$440,000 in competitively awarded Affordable Housing Program (AHP) funds as well as \$200,000 in equity proceeds for the commercial component, which would only earn a 3% return on equity.
4. Meta proposes that the loan and affordability covenant terms be 55-years instead of the 99-years requested in the RFP.
5. The following summarizes the difference between the Meta and KMA estimate of the warranted financial assistance for the proposed project.

	Proposal	KMA	Difference
Land Contribution	\$2,220,000	\$2,200,000	\$20,000
Financial Assistance	2,780,000	4,836,000	(2,056,000)
Residual Receipts Loan	\$5,000,000	\$7,036,000	(\$2,036,000)
Per Unit	\$111,100	\$156,400	(\$45,300)

KMA concludes that the Meta proposal is cost efficient in design. However, significant changes to the pro forma will be required to enable the project to be competitive for 9% Tax Credits.

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
Page 20

National CORE

National CORE (CORE) submitted two development alternatives for the Site.

Alternative 1

The first CORE proposal includes 40 residential units, 4,000 square feet of ground floor commercial space and 97 parking spaces provided in a two-level parking structure including one subterranean level. The project will require an 11% density bonus. The proposal also includes 4,000 square feet of community space that will include a computer room, fitness center, and a community room. On-site social services will be provided by HOPE, including afterschool programs. The level of sustainability proposed is LEED Silver.

The proposed average affordability level of the restricted units is 48% of the Median. The following summarizes the breakout of the affordable units:

Affordability Restrictions		Number of Units				
CRL	TCAC	One-bedroom	Two-bedrooms	Three-bedrooms	Four-bedrooms	Totals
Very-Low Income	30% Median	1	2	2	0	5
Very-Low Income	40% Median	0	0	0	0	0
Very-Low Income	45% Median	1	7	6	0	14
Very-Low Income	50% Median	2	6	5	0	13
Low Income	60% Median	0	5	2	0	7
Unrestricted	Manager	0	0	1	0	1
Totals		4	20	16	0	40

CORE requests that the project receive \$8.53 million, or \$213,200 per unit, in financial assistance from the Agency, of which \$2.20 million will be a land contribution. The assistance is to be provided as a residual receipts loan with a 99-year term, a 3% interest rate. CORE did not provide a proposal for the level of residual receipts that will be payments on the Agency loan. The loan will be secured with a second trust deed.

Analysis (Appendix C – Table 6)

The following summarizes the major issues with the proposal:

1. The estimated total development costs are \$22.76 million, or 44%, higher than the KMA estimate. The following summarizes the differential:
 - a. CORE estimated the parking structure to cost \$62,600 per space, which is significantly higher than what is typical for similar projects.

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
Page 21

- b. In addition, the CORE estimate for architecture, engineering and consulting is lower than typical for similar projects.
2. The stabilized NOI projection is \$99,000 higher than the KMA estimate for the following reasons:
 - a. CRL rents are not being utilized by CORE as required in the RFP.
 - b. Commercial income is included assuming a \$2.00 per square foot monthly rental rate, a 50% vacancy and collection allowance and \$4.50 per square foot in annual operating expenses. These assumptions add \$30,000 to the NOI.
3. The proposed funding sources, other than Housing Funds, is estimated to be \$6.26 million higher than the KMA estimate due to the following:
 - a. The higher NOI projection results in a conventional loan that is \$984,000 higher than the KMA estimate.
 - b. The Tax Credit equity estimated by CORE assumes a \$1.25 equity rate and a 59.71% tie-breaker. This equity rate assumption is extremely high. Given that KMA assumed a \$0.95 equity rate and a 70.0% tie-breaker as well as a lower eligible basis due to lower construction cost estimates, the CORE Tax Credit equity estimate is \$5.16 million higher than the KMA estimate.
 - c. CORE assumes that 17% of the \$1.20 million developer fee will be deferred and repaid from cash flow while KMA assumed 20% of the \$1.40 million developer fee will be deferred.
 - d. A \$200,000 AHP award is also assumed by CORE.
4. While agreeing to restrict the units as affordable for 99 years, CORE did not propose a level of residual receipts payments.
5. The following summarizes the difference between the CORE and KMA estimate of the warranted financial assistance for the proposed project.

	Proposal	KMA	Difference
Land Contribution	\$2,200,000	\$2,200,000	\$0
Financial Assistance	6,327,000	5,618,000	709,000
Residual Receipts Loan	\$8,527,000	\$7,818,000	\$709,000
Per Unit	\$213,200	\$195,500	\$17,700

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
Page 22

KMA concludes that the design, including subterranean parking for a 40-unit project is not cost efficient. In addition, the CORE assumptions of \$62,600 per space for a subterranean parking structure as well as the \$1.25 per Tax Credit equity rate are excessive.

Alternative 2

The second CORE proposal (Alternative 2) includes 52 residential units, 4,000 square feet of ground floor commercial space and 128 parking spaces provided in a two-level parking structure including one subterranean level. The project will require a 44% density bonus. The proposal also includes 4,000 square feet of community space that will include a computer room, fitness center, and a community room. On-site social services will be provided by HOPE, including afterschool programs. The level of sustainability proposed is LEED Silver.

The proposed average affordability level of the restricted units is 48% of the Median. The following summarizes the breakout of the affordable units:

Affordability Restrictions		Number of Units				
CRL	TCAC	One-bedroom	Two-bedrooms	Three-bedrooms	Four-bedrooms	Totals
Very-Low Income	30% Median	1	3	2	0	6
Very-Low Income	40% Median	0	0	0	0	0
Very-Low Income	45% Median	1	10	7	0	18
Very-Low Income	50% Median	2	9	6	0	17
Low Income	60% Median	0	6	4	0	10
Unrestricted	Manager	0	0	1	0	1
Totals		4	28	20	0	52

CORE requests that the project receive \$10.69 million, or \$205,600 per unit, in financial assistance from the Agency, of which \$2.20 million will be a land contribution. The assistance is to be provided as a residual receipts loan with a 99-year term, a 3% interest rate. CORE did not provide a proposal for the level of residual receipts that will be payments on the Agency loan. The loan will be secured with a second trust deed.

Analysis (Appendix C – Table 7)

The following summarizes the major issues with the proposal:

1. The estimated total development costs are \$12.18 million, or 74%, higher than the KMA estimate. The following summarizes the differential:

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
Page 23

- a. CORE estimated the parking structure to cost \$67,700 per space, which is significantly higher than what is typical for similar projects.
 - b. The permits and fees are estimated to be overstated by approximately \$1.42 million.
2. The stabilized NOI projection is \$130,000 higher than the KMA estimate for the following reasons:
- a. CRL rents are not being utilized by CORE as required in the RFP.
 - b. The TCAC minimum for general operating expenses is not being met.
 - c. Commercial income is included assuming a \$2.00 per square foot monthly rental rate, a 50% vacancy and collection allowance and \$4.50 per square foot in annual operating expenses. These assumptions add \$30,000 to the NOI.
3. The proposed funding sources, other than Housing Funds, is estimated to be \$8.29 million higher than the KMA estimate due to the following:
- a. The higher NOI projection results in a conventional loan that is \$1.27 million higher than the KMA estimate.
 - b. The Tax Credit equity estimated by CORE assumes a \$0.96 equity rate and a 55.32% tie-breaker. Given that KMA assumed a \$0.95 equity rate and a 70.0% tie-breaker as well as a lower eligible basis due to lower construction cost estimates, the CORE Tax Credit equity estimate is \$6.90 million higher than the KMA estimate.
 - c. CORE assumes that 17% of the \$1.20 million developer fee will be deferred and repaid from cash flow while KMA assumed 20% of the \$1.40 million developer fee will be deferred.
 - d. A \$200,000 AHP award is also assumed by CORE.
4. While agreeing to restrict the units as affordable for 99 years, CORE did not propose a level of residual receipts payments.

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
Page 24

5. The following summarizes the difference between the CORE and KMA estimate of the warranted financial assistance for the proposed project.

	Proposal	KMA	Difference
Land Contribution	\$2,200,000	\$2,200,000	\$0
Financial Assistance	8,492,000	7,117,000	1,375,000
Residual Receipts Loan	\$10,692,000	\$9,317,000	\$1,375,000
Per Unit	\$205,600	\$179,200	\$26,400

While the number of units proposed in this alternative requires subterranean parking, the CORE construction cost estimates are significantly higher than typical costs experienced with similar projects.

Related / Mar Ventures

The Related Companies and Mar Ventures (Related) propose to develop 39 residential units, 2,200 square feet of ground floor commercial space and 71 at-grade structured parking spaces on the Site. The project will require an 8% density bonus. Also included is 2,750 square feet of leasing office, community room and kitchen space as well as a tot lot. Social services are to be provided by Project Access. The level of sustainability proposed is LEED Gold.

The proposed average affordability level of the restricted units is 46% of the Median. The following summarizes the breakout of the affordable units:

Affordability Restrictions		Number of Units				
CRL	TCAC	One- bedroom	Two- bedrooms	Three- bedrooms	Four- bedrooms	Totals
Very-Low Income	30% Median	2	1	1	0	4
Very-Low Income	40% Median	3	2	3	0	8
Very-Low Income	45% Median	0	0	0	0	0
Very-Low Income	50% Median	10	8	8	0	26
Low Income	60% Median	0	0	0	0	0
Unrestricted	Manager	1	0	0	0	1
Totals		16	11	12	0	39

Related requests that the project receive \$6.26 million, or \$160,600 per unit, in financial assistance from the Agency, of which \$2.20 million will be a land contribution. However, Related did not provide a description of the proposed loan terms.

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
Page 25

Analysis (Appendix C – Table 8)

The following summarizes the major issues with the proposal:

1. The estimated total development costs are \$14.41 million, or 15%, higher than the KMA estimate. The following summarizes the differential:
 - a. Direct costs, specifically the on-site improvement and parking cost estimates, are higher than typical.
 - b. Architecture, engineering and consulting and the taxes, insurance, legal and accounting costs are higher than typical.
 - c. Permits and fees are estimated to be overstated by \$134,000.
2. The stabilized NOI projection is \$67,080 higher than the KMA estimate for the following reasons:
 - a. CRL rents are not being utilized by Related as required in the RFP.
 - b. The operating expense assumptions are not broken out in the proposal but appear to exceed the TCAC minimums.
 - c. Commercial income is included assuming a \$1.00 per square foot monthly rental rate, a 50% vacancy and collection allowance and no annual operating expenses. These assumptions add \$13,200 to the NOI.
3. The proposed funding sources, other than Housing Funds, is estimated to be \$1.82 million higher than the KMA estimate due to the following:
 - a. The higher NOI projection results in a conventional loan that is \$667,000 higher than the KMA estimate.
 - b. The Tax Credit equity estimated by Related assumes a \$0.99 equity rate and a 63.15% tie-breaker. Given that KMA assumed a \$0.95 equity rate and a 70.0% tie-breaker as well as a lower eligible basis due to lower construction cost estimates, the Related Tax Credit equity estimate is \$1.39 million higher than the KMA estimate.
 - c. Related assumes that none of the \$1.40 million developer fee will be deferred and repaid from cash flow while KMA assumed 20% of the \$1.21 million developer fee will be deferred.

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
Page 26

4. Related did not provide loan or covenant terms in the proposal.
5. The following summarizes the difference between the Related and KMA estimate of the warranted financial assistance for the proposed project.

	Proposal	KMA	Difference
Land Contribution	\$2,200,000	\$2,200,000	\$0
Financial Assistance	4,063,000	4,040,000	23,000
Residual Receipts Loan	\$6,263,000	\$6,240,000	\$23,000
Per Unit	\$160,600	\$160,000	\$600

While the design proposed by Related is efficient, the proposed construction costs are higher than typical. However, the KMA analysis indicates that the proposed financial gap is essentially equal to the amount calculated by KMA.

ROEM Corporation

ROEM Corporation (ROEM) proposes to develop 37 residential units, 3,750 square feet of ground floor commercial space and 92 tuck under parking spaces on the Site. The project would require a 3% density bonus. In addition, the proposal states that the project will also include a community room, library, entertainment room, catering kitchen and tot lot. However, the plans provided in the proposal and the construction costs do not appear to include these amenities. The proposed services to be offered on-site to the residents include financial literacy, family management and ESL classes as well as afterschool programs. The proposal while indicating that the project will be built to LEED and/or Green standards, the level of sustainability was not described.

The proposed affordability averages 48% of the Median and is summarized as follows:

Affordability Restrictions		Number of Units				
CRL	TCAC	One-bedroom	Two-bedrooms	Three-bedrooms	Four-bedrooms	Totals
Very-Low Income	30% Median	1	2	1	0	4
Very-Low Income	40% Median	1	4	3	0	8
Very-Low Income	45% Median	0	0	0	0	0
Very-Low Income	50% Median	2	8	5	0	15
Low Income	60% Median	2	4	3	0	9
Unrestricted	Manager	0	1	0	0	1
Totals		6	19	12	0	37

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
Page 27

ROEM requests that the project receive \$5.85 million, or \$158,100 per unit, in financial assistance from the Agency, of which \$2.20 million will be a land contribution. The assistance is to be provided as a residual receipts loan with a 35-year term, a 3% interest rate and residual receipts payments of 50%. The loan will be secured with a second trust deed.

Analysis (Appendix C – Table 9)

The following summarizes the major issues with the proposal:

1. The estimated total development costs are \$15.83 million, or 25%, higher than the KMA estimate. The following summarizes the significant differences:
 - a. Direct costs 19% higher than the KMA estimate. However, given that the parking costs are not broken out in the budget, KMA could not determine what was driving the inflated costs.
 - b. Higher than typical architecture, engineering and consulting costs.
 - c. Permits and fees are overstated by an estimated \$438,000.
 - d. ROEM has included a developer fee, while allowable by TCAC, is \$400,000 higher than what is allowed in the eligible basis for Tax Credit calculation purposes. Therefore, the additional developer fee does not generate Tax Credit equity and is not recommended to be allowed by the Agency.
 - e. Six months of operating reserves are higher than typical.
2. The stabilized NOI projection is \$155,800 higher than the KMA estimate for the following reasons:
 - a. CRL rents are not being utilized by ROEM as required in the RFP.
 - b. While the detailed operating expenses were broken out, social services do not appear to be budgeted in these costs.
 - c. Commercial income is included assuming a \$1.25 per square foot monthly rental rate, a 35% vacancy and collection allowance and no annual operating expenses. These assumptions add \$36,600 to the NOI.

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
Page 28

3. The proposed funding sources, other than Housing Funds, is estimated to be \$3.55 million higher than the KMA estimate due to the following:
 - a. The combination of an aggressive debt coverage ratio of 1.15 and a higher projected NOI, results in a conventional loan that is \$1.90 million higher than the KMA estimate.
 - b. The Tax Credit equity estimated by ROEM assumes a \$0.88 equity rate and a 56.33% tie-breaker. Given that KMA assumed a \$0.95 equity rate and a 70.0% tie-breaker as well as a lower eligible basis due to lower construction cost estimates, the ROEM Tax Credit equity estimate is \$1.47 million higher than the KMA estimate.
 - c. ROEM assumes that 17% of the \$1.80 million developer fee will be deferred and repaid from cash flow while KMA assumed 20% of the \$1.18 million developer fee will be deferred.
 - d. ROEM also assumed that \$111,600 of cash flow will be available during the lease-up period. However, this assumes the higher NOI projection will be realized.
4. ROEM proposes that the residual receipts loan have a term of 35 years but does not address the affordability covenant restrictions.
5. The following summarizes the difference between the ROEM and KMA estimate of the warranted financial assistance for the proposed project.

	Proposal	KMA	Difference
Land Contribution	\$2,200,000	\$2,200,000	\$0
Financial Assistance	3,650,000	4,059,000	(409,000)
Residual Receipts Loan	\$5,850,000	\$6,259,000	(\$409,000)
Per Unit	\$158,100	\$169,200	(\$11,100)

The ROEM proposal states that the project will include a community room; however, this assumption is not reflected in the Site plans nor the construction cost estimates. In addition, the proposed design should be the most cost effective but the estimates do not reflect this.

To: Jeff Gibson, City of Torrance
Subject: Cabrillo RFP Review

August 12, 2011
Page 29

CONCLUSIONS

Based on the analysis of each proposal, KMA has ranked the proposals as follows:

	Rank
Meta Housing	1
Related Companies / Mar Ventures	2
AMCAL – Alternative 1	3
AMCAL – Alternative 2	4
ROEM Corporation	5
National CORE – Alternative 1	6
National CORE – Alternative 2	7
American Communities	8
LINC Housing	9

It is recommended that the Agency require Meta and Related to resubmit their proposals, taking into account the TCAC changes, the 2011 rents and imposing the CRL rent levels.

Attachments

Appendix A
Summary of Proposals

APPENDIX A - TABLE 1

PROJECT DESCRIPTION COMPARISON
CABRILLO AVENUE RFP
TORRANCE, CALIFORNIA

	Alternative 1		Alternative 2		American Communities		LINC Housing	META	Alternative 1 National CORE		Alternative 2 National CORE		Related / Mar Ventures		ROEM	
	AMICAL	AMCAL	At-grade & Subterranean	At-grade & Subterranean	At-grade & Subterranean	At-grade & Subterranean			At-Grade / Subterranean	At-Grade / Subterranean	At-Grade / Subterranean	At-Grade / Subterranean	At-grade Structure	8% Density Bonus		At-grade Structure
I. Proposed Project Type																
Parking Type	At-grade Structure	At-grade & Subterranean	At-grade & Subterranean	At-grade & Subterranean	At-grade Structure / Surface	At-grade Structure	At-grade Structure	At-grade Structure	At-grade / Subterranean	At-grade / Subterranean	At-grade / Subterranean	At-grade / Subterranean	At-grade Structure	At-grade Structure	Tuck-under	
Variances / CLUPs	None	25% Density Bonus	None	None	8% Density Bonus	25% Density Bonus	8% Density Bonus	25% Density Bonus	11% Density Bonus	11% Density Bonus	44% Density Bonus	44% Density Bonus	8% Density Bonus	8% Density Bonus	3% Density Bonus	
II. Proposed Unit Mix																
One-bedroom Units	2	2	16	16	13	15	13	15	4	4	4	4	16	16	6	
Two-bedroom Units	17	28	4	4	12	16	12	16	12	12	20	20	11	11	28	
Three-bedroom Units	11	15	14	14	10	14	10	14	16	16	20	20	12	12	19	
Four-bedroom Units	0	0	0	0	4	0	4	0	0	0	0	0	0	0	12	
Total Units	30	45	34	34	39	45	39	45	40	40	52	52	39	39	37	
III. Unit Sizes																
One-bedroom Units	700	700	654	654	524	600	524	600	592	592	592	592	613	613	709	
Two-bedroom Units	850	850	941	941	810	800	810	800	884	884	884	884	935	935	984	
Three-bedroom Units	1,100	1,100	1,167	1,167	1,014	1,100	1,014	1,100	1,183	1,183	1,183	1,183	1,076	1,076	1,208	
Four-bedroom Units	0	0	0	0	1,408	0	1,408	0	0	0	0	0	0	0	0	
Average Unit Size (SF)	932	927	899	899	828	827	828	827	974	974	977	977	846	846	1,012	
IV. Gross Building Area (SF)																
Residential Living Area	27,950	41,700	30,565	30,565	32,304	37,200	32,304	37,200	38,976	38,976	50,780	50,780	33,005	33,005	37,449	
Community Room / Laundry	1,700	2,000	1,200	1,200	0	2,704	0	2,704	4,000	4,000	4,000	4,000	2,750	2,750	0	
Common Area / Circulation	0	0	3,216	3,216	4,753	758	4,753	758	0	0	0	0	0	0	0	
Total Residential GBA	29,650	43,700	34,981	34,981	37,057	40,662	37,057	40,662	42,976	42,976	54,780	54,780	35,755	35,755	37,449	
Ground Floor Retail	3,500	3,500	7,920	7,920	4,358	4,480	4,358	4,480	4,000	4,000	4,000	4,000	2,200	2,200	3,750	
Total Gross Building Area	33,150	47,200	42,901	42,901	41,415	45,142	41,415	45,142	46,976	46,976	58,780	58,780	37,955	37,955	41,199	
V. Parking Spaces																
Residential Spaces	66	99	39	39	65	67	65	67	81	81	112	112	62	62	68	
Commercial Spaces	7	7	27	27	9	22	9	22	16	16	16	16	9	9	24	
Total Parking Spaces	73	106	66	66	74	89	74	89	97	97	128	128	71	71	92	
VI. Project Amenities																
Game/reading room; media room; computer room; common eating area with kitchen; laundry rooms on each residential floor	Game/reading room; media room; computer room; common eating area with kitchen; laundry rooms on each residential floor	Game/reading room; media room; computer room; common eating area with kitchen; laundry rooms on each residential floor	Roof top deck; computer learning center; kitchen; recreational area	Roof top deck; computer learning center; kitchen; recreational area	No description provided	Computer center; weight room; two community rooms; laundry facilities; two landscaped courtyards with BBQ area and Tot Lots; manager's office and lobby.	Computer center; weight room; two community rooms; laundry facilities; two landscaped courtyards with BBQ area and Tot Lots; manager's office and lobby.	Computer center; weight room; two community rooms; laundry facilities; two landscaped courtyards with BBQ area and Tot Lots; manager's office and lobby.	Community room; computer center; central laundry; fitness center; BBQ; tot lot	Community room; computer center; central laundry; fitness center; BBQ; tot lot	Community room; computer center; central laundry; fitness center; BBQ; tot lot	Community room; computer center; central laundry; fitness center; BBQ; tot lot	Community room; computer center; central laundry; fitness center; BBQ; tot lot	Community room; kitchen; Tot lot	Community room; kitchen; Tot lot	Community room; library; entertainment room; computer room; catering kitchen; tot lot
VII. On-Site Services	To be provided by LifeSTEPS	To be provided by LifeSTEPS	Provided by Central Valley Coalition for Affordable Housing; computer learning center; after school programs; health & wellness programs	Provided by Central Valley Coalition for Affordable Housing; computer learning center; after school programs; health & wellness programs	No description provided	No description	No description	No description	Provided by HOPE; After school programs	Provided by Project Access	Provided by Project Access	Financial literacy; family management; ESL; after school programs				
VIII. CalGreen	LEED Gold or Platinum Certification	LEED Gold or Platinum Certification	LEED Silver certification	LEED Silver certification	No certification proposed	LEED Gold Certification	LEED Gold Certification	LEED Gold Certification	LEED Silver Certification	LEED Silver Certification	LEED Silver Certification	LEED Silver Certification	LEED Gold Certification	LEED Gold Certification	LEED and/or Built it Green certification	
XI. Project Metrics																
Density (Units / Acre)	35	53	40	40	46	53	46	53	47	47	61	61	46	46	44	
FAR (SF GBA / SF Land Area)	0.90	1.27	1.16	1.16	1.12	1.22	1.12	1.22	1.27	1.27	1.59	1.59	1.03	1.03	1.11	
Parking Ratio (Spaces / Unit)	2.20	2.20	3.41	3.41	1.67	1.49	1.67	1.49	2.03	2.03	2.15	2.15	1.59	1.59	1.84	
Parking Ratio (Spaces / 1,000 SF Retail)	2.00	2.00	4.7%	4.7%	51%	48%	51%	48%	4.7%	4.7%	4.00	4.00	4.00	4.00	6.40	
Average Affordability % of Units Restricted	47%	98%	97%	97%	97%	98%	97%	98%	98%	98%	48%	48%	46%	46%	48%	

APPENDIX A - TABLE 2
TOTAL DEVELOPMENT COST COMPARISON
CABRILLO AVENUE REP
TORRANCE, CALIFORNIA

Project Summary	Alternative 1 AMCAL		Alternative 2 AMCAL		American Communities		LINC Housing		META		Alternative 1 National CORE		Alternative 2 National CORE		Related / Mar Ventures		ROEM
	At-grade/Structure	At-grade/Structure	At-grade/Structure	At-grade/Structure	At-grade/Structure	At-grade/Structure	At-grade/Structure	At-grade/Structure	At-grade/Structure	At-grade/Structure	At-Grade/Subterranean	At-Grade/Subterranean	At-Grade/Subterranean	At-Grade/Subterranean	At-grade/Structure	Tuck-under	
I. Parking Type																	
Total Units	30	45	39	39	34	39	39	39	45	40	40	40	40	39	39	37	
Residential SF GBA	29,650	43,700	37,057	37,057	34,981	37,057	37,057	37,057	40,662	42,976	42,976	42,976	42,976	35,755	35,755	37,449	
Commercial SF GBA	3,500	3,500	7,920	7,920	7,920	7,920	7,920	7,920	4,480	4,000	4,000	4,000	4,000	2,200	2,200	3,750	
Total Project SF GBA	33,150	47,200	44,977	44,977	42,901	44,977	44,977	44,977	45,142	46,976	46,976	46,976	46,976	37,955	37,955	41,199	
Parking Spaces	73	106	74	74	66	74	74	74	89	97	97	97	97	71	71	92	
II. Total Development Costs																	
Total Development Costs	\$13,644,265	\$18,040,679	\$14,699,913	\$14,699,913	\$12,584,979	\$14,699,913	\$14,699,913	\$14,699,913	\$15,448,784	\$22,783,528	\$22,783,528	\$22,783,528	\$22,783,528	\$14,406,344	\$14,406,344	\$15,832,406	
Per Unit	\$454,809	\$404,904	\$370,146	\$370,146	\$370,146	\$370,146	\$370,146	\$370,146	\$343,306	\$569,088	\$569,088	\$569,088	\$569,088	\$369,393	\$369,393	\$427,903	
Per SF GBA	\$412	\$382	\$385	\$385	\$385	\$385	\$385	\$385	\$342	\$485	\$485	\$485	\$485	\$380	\$380	\$384	
Total Construction Costs	\$10,814,265	\$15,210,679	\$12,957,913	\$12,957,913	\$10,584,979	\$12,957,913	\$12,957,913	\$12,957,913	\$13,228,784	\$20,563,528	\$20,563,528	\$20,563,528	\$20,563,528	\$12,349,176	\$12,349,176	\$13,632,406	
Per Unit	\$360,476	\$338,015	\$332,254	\$332,254	\$311,323	\$332,254	\$332,254	\$332,254	\$293,973	\$514,088	\$514,088	\$514,088	\$514,088	\$312,983	\$312,983	\$368,443	
Per SF GBA	\$326	\$322	\$313	\$313	\$247	\$313	\$313	\$313	\$293	\$438	\$438	\$438	\$438	\$322	\$322	\$331	
III. Prevailing Wage Assumptions	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
IV. Land Assemblage Costs																	
Acquisition Costs (\$/SF Land Area)	\$76	\$76	\$47	\$47	\$54	\$47	\$47	\$47	\$60	\$59	\$59	\$59	\$59	\$59	\$59	\$59	
Demolition Costs (\$/SF Land Area)	\$4	\$4	\$7	\$7	\$2	\$7	\$7	\$7	\$3	\$3	\$3	\$3	\$3	\$4	\$4	\$4	
Closing Costs (% of Acquisition Costs)	0%	0%	1%	1%	0%	1%	1%	1%	1%	0%	0%	0%	0%	0%	0%	0%	
Total Land Assemblage Costs (\$/Unit)	\$81	\$81	\$54	\$54	\$56	\$54	\$54	\$54	\$62	\$62	\$62	\$62	\$62	\$67	\$67	\$63	
Total Land Assemblage Costs (\$/Unit)	\$99,515	\$66,344	\$51,462	\$51,462	\$60,882	\$51,462	\$51,462	\$51,462	\$50,778	\$57,511	\$57,511	\$57,511	\$57,511	\$63,462	\$63,462	\$63,514	
V. Direct Costs																	
Off-site Improvements (Allowance)	\$130,232	\$130,232	\$0	\$0	\$0	\$0	\$0	\$0	\$62,500	\$312,000	\$312,000	\$312,000	\$312,000	\$100,000	\$100,000	\$150,000	
Parking Costs (\$/Space)	\$7	\$7	\$4	\$4	\$6	\$4	\$4	\$4	\$4	\$22	\$22	\$22	\$22	\$22	\$22	\$3	
Residential Shell Costs (\$/SF Residential)	\$126	\$126	\$118	\$118	\$114	\$118	\$118	\$118	\$126	\$118	\$118	\$118	\$118	\$111	\$111	\$168	
Commercial Shell Costs (\$/SF Commercial)	\$126	\$101	\$75	\$75	\$75	\$75	\$75	\$75	\$0	\$80	\$80	\$80	\$80	\$82	\$82	\$100	
FF&E (\$/Unit)	\$1,100	\$1,100	\$0	\$0	\$0	\$0	\$0	\$0	\$1,889	\$2,500	\$2,500	\$2,500	\$2,500	\$3,846	\$3,846	\$2,027	
Contractor Fees / General Requirements (% of Const. Costs)	14%	15%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	
Construction Insurance / Bonds (% of Construction Costs)	0%	0%	2%	2%	2%	2%	2%	2%	3%	1%	1%	1%	1%	2%	2%	1%	
Contingency Allowance (% of Other Directs)	5%	5%	5%	5%	6%	5%	5%	5%	5%	6%	6%	6%	6%	5%	5%	5%	
Total Direct Costs (\$/SF Project GBA)	\$216	\$222	\$209	\$209	\$172	\$209	\$209	\$209	\$188	\$229	\$229	\$229	\$229	\$207	\$207	\$207	
Total Direct Costs (\$/Unit)	\$239,178	\$233,232	\$222,234	\$222,234	\$216,686	\$222,234	\$222,234	\$222,234	\$188,416	\$386,494	\$386,494	\$386,494	\$386,494	\$201,624	\$201,624	\$230,295	
VI. Indirect Costs																	
Architecture, Engineering & Consulting (% of Directs)	13%	9%	9%	9%	7%	9%	9%	9%	11%	5%	5%	5%	5%	12%	12%	13%	
Permits & Fees (\$/GBA)	\$12	\$13	\$8	\$8	\$8	\$8	\$8	\$8	\$24	\$30	\$30	\$30	\$30	\$9	\$9	\$16	
Taxes, Insurance, Legal & Accounting (% of Directs)	4%	3%	3%	3%	4%	3%	3%	3%	4%	2%	2%	2%	2%	4%	4%	4%	
Marketing & Leasing (\$/Unit)	\$550	\$550	\$650	\$650	\$588	\$650	\$650	\$650	\$2,000	\$1,000	\$1,000	\$1,000	\$1,000	\$2,564	\$2,564	\$1,622	
Marketing & Leasing (\$/SF Commercial)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Developer Fee	\$1,302,424	\$1,874,880	\$1,529,656	\$1,529,656	\$1,270,319	\$1,529,656	\$1,529,656	\$1,529,656	\$1,335,453	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,400,000	\$1,400,000	\$1,800,180	
Contingency Allowance (% of Indirect Costs)	0%	0%	4%	4%	0%	4%	4%	4%	2%	3%	3%	3%	3%	3%	3%	3%	
VII. Financing Costs																	
Construction Loan (Interest Rate)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	4.62%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	6.50%	
Construction Loan (Points)	1.50	1.29	1.87	1.87	1.05	1.87	1.87	1.87	1.72	1.96	1.96	1.96	1.96	2.48	2.48	1.30	
Permanent Loan (Points)	3.08	2.31	2.68	2.68	1.59	2.68	2.68	2.68	0.00	3.00	3.00	3.00	3.00	4.90	4.90	4.22	
Operating (Months of Op Exp / Ds)																	
Replacement (\$/Unit)																	
Tax Credit Fees (\$/Unit)	\$1,349	\$1,225	\$873	\$873	\$1,165	\$873	\$873	\$873	\$1,156	\$1,752	\$1,752	\$1,752	\$1,752	\$1,179	\$1,179	\$1,137	
Eligible Basis	\$9,985,257	\$13,899,209	\$9,739,116	\$9,739,116	\$11,184,479	\$9,739,116	\$9,739,116	\$9,739,116	\$11,184,479	\$11,559,579	\$11,559,579	\$11,559,579	\$11,559,579	\$11,153,579	\$11,153,579	\$12,001,200	

STABILIZED NET OPERATING INCOME COMPARISON
CABRILLO AVENUE REP
TORRANCE, CALIFORNIA

	Alternative 1 AMCAL	Alternative 2 AMCAL	American Communities	LINC Housing	META	Alternative 1 National CORE	Alternative 2 National CORE	Related / Mar Ventures	ROEM
Total Units	30	45	34	39	45	40	52	39	37
Average Unit Size	932	927	899	828	827	974	977	846	1,012
Residential SF GBA	29,650	43,700	34,981	37,057	40,662	42,976	54,780	37,449	37,449
Commercial SF GBA	3,500	3,500	7,920	4,358	4,480	4,000	4,000	2,200	3,750
Total Project SF GBA	33,150	47,200	42,901	41,415	45,142	46,976	58,780	37,955	41,199
II. Affordability Mix									
ITCAC Affordability Mix									
30% of Median	0	0	4	4	5	5	6	4	4
40% of Median	3	5	0	9	0	0	0	8	8
45% of Median	12	19	15	0	0	14	18	0	0
50% of Median	14	20	7	5	18	13	17	26	15
60% of Median	0	0	0	20	12	7	10	0	9
Unrestricted	1	1	1	1	1	1	1	1	1
CRL Affordability Mix									
Very Low Income	29	44	26	18	32	32	41	38	27
Low Income	0	0	7	20	12	7	10	0	9
Unrestricted	1	1	1	1	1	1	1	1	1
Average Affordability	47%	47%	47%	51%	48%	47%	48%	46%	48%
II. Residential Income									
Gross Residential Income	\$297,732	\$443,520	\$326,976	\$407,724	\$457,253	\$401,028	\$531,012	\$347,472	\$418,860
Laundry / Miscellaneous Income	3,240	4,860	4,080	4,212	4,860	3,840	4,992	2,808	4,684
Gross Income	\$300,972	\$448,380	\$331,056	\$411,936	\$462,113	\$404,868	\$536,004	\$350,280	\$423,744
(Less) Vacancy & Collection Allowance	(15,049)	(22,419)	(16,553)	(20,597)	(23,106)	(20,242)	(26,798)	(17,514)	(21,187)
Effective Gross Income - Residential	\$285,923	\$425,961	\$314,503	\$391,339	\$439,007	\$384,626	\$509,206	\$332,766	\$402,557
III. Commercial Income									
Gross Commercial Income	\$42,000	\$42,000	\$0	\$0	\$99,456	\$96,000	\$96,000	\$26,400	\$56,250
(Less) Vacancy & Collection Allowance	(6,300)	(6,300)	0	0	(18,891)	(48,000)	(48,000)	(13,200)	(19,688)
Effective Gross Income - Commercial	\$35,700	\$35,700	\$0	\$0	\$79,565	\$48,000	\$48,000	\$13,200	\$36,562
III. Operating Expenses - Residential									
General Operating Expenses	\$135,000	\$202,500	\$153,000	\$195,000	\$257,710	\$193,200	\$240,560	\$214,500	\$186,956
Commercial Expenses	0	0	0	0	7,500	18,000	18,000	0	0
Property Taxes	0	0	0	0	2,500	2,000	2,000	0	0
Services	16,200	16,200	0	25,000	13,500	10,600	13,480	0	0
Replacement Reserve	7,500	11,250	8,500	13,650	13,500	15,000	20,800	0	0
Total Operating Expenses - Residential	\$158,700	\$229,950	\$161,500	\$233,650	\$293,710	\$239,800	\$294,840	\$214,500	\$198,056
IV. Stabilized Net Operating Income									
Residential Component	\$162,923	\$231,711	\$153,003	\$157,689	\$224,862	\$192,826	\$262,366	\$131,466	\$141,063
Commercial Component	\$127,223	\$196,011	\$153,003	\$157,689	\$152,797	\$162,826	\$232,366	\$118,266	\$204,501
Commercial Component	\$35,700	\$35,700	\$0	\$0	\$72,065	\$30,000	\$30,000	\$13,200	\$36,562
V. Metrics									
Average Residential Rent (\$/Unit/Month)	\$856	\$840	\$826	\$894	\$866	\$857	\$868	\$762	\$970
Commercial Rent (\$/SF GBA/Month)	\$1.00	\$1.00	\$0.00	\$0.00	\$1.85	\$2.00	\$2.00	\$1.00	\$1.25
Laundry/Miscellaneous Income (\$/Unit/Month)	\$9	\$9	\$10	\$9	\$8	\$8	\$8	\$6	\$11
Vacancy & Collection Allowance (% of Gross Income)	5%	5%	5%	5%	5%	5%	5%	5%	5%
Annual General Operating Expenses (\$/Unit)	\$4,500	\$4,500	\$4,500	\$5,727	\$4,830	\$4,626	\$5,500	\$5,500	\$5,053
Monthly Services (\$/Unit/Month)	\$45	\$30	\$0	\$53	\$23	\$22	\$22	\$0	\$0
Annual Replacement Reserve (\$/Unit)	\$250	\$250	\$250	\$350	\$300	\$400	\$400	\$0	\$300
Total Annual Operating Expenses (\$/Unit)	\$5,290	\$5,110	\$4,750	\$5,991	\$6,527	\$5,995	\$5,670	\$5,500	\$5,353

FINANCIAL GAP COMPARISON
CABRILLO AVENUE RFP
TORRANCE, CALIFORNIA

	Alternative 1 AMCAL	Alternative 2 AMCAL	American Communities	LUNC Housing	META	Alternative 1 National CORE	Alternative 2 National CORE	Related / Mar Ventures	ROEM
Total Units	30	45	34	39	45	40	52	39	37
Average Unit Size	932	927	899	828	827	977	977	846	1,012
Density	35	53	40	46	53	47	61	46	44
FAR	0.90	1.27	1.16	1.27	1.27	1.27	1.59	1.03	1.11
Affordable Units	29	44	33	38	44	39	51	38	36
Average Affordability	47%	47%	47%	51%	48%	47%	48%	46%	48%
II. Potential Funding Sources									
Conventional Loan	\$1,318,492	\$2,082,115	\$1,692,000	\$1,492,391	\$2,347,114	\$1,915,000	\$2,582,000	\$1,305,691	\$2,748,388
Tax Credit Equity - 9%	6,513,051	8,592,968	5,615,889	3,497,600	7,276,790	11,921,767	14,874,741	6,837,432	6,821,856
Cash Flow During Lease-up	0	0	0	0	0	0	0	0	111,557
Affordable Housing Program Loan	0	0	0	1,200,000	440,000	200,000	200,000	0	0
MSHA Loan	0	0	0	0	0	0	0	0	0
Deferred Fee	237,721	230,597	0	0	200,000	0	0	0	0
Total Potential Funding Sources	\$8,069,264	\$10,905,680	\$7,307,889	\$6,189,991	\$10,263,904	\$14,036,767	\$17,656,741	\$8,143,123	\$9,682,801
III. Permanent Loan Terms									
Debt Coverage Ratio	1.15	1.15	1.19	1.20	1.20	1.20	1.20	1.20	1.15
Interest Rate	7.50%	7.25%	6.50%	8.00%	7.00%	7.50%	7.50%	7.50%	6.95%
Amortization Term (Years)	30	30	30	30	30	30	30	30	40
III. Tax Credit Calculation									
Eligible Basis	\$9,675,256	\$13,899,209	\$9,739,116	\$11,597,714	\$11,184,479	\$14,143,293	\$18,320,725	\$11,153,579	\$11,624,610
Voluntary Exclusion	\$3,857,702	\$6,404,906	\$4,681,523	\$2,554,146	\$4,965,000	\$5,875,044	\$5,077,544	\$5,250,000	\$4,998,800
Gross Tax Credits	\$6,806,539	\$8,768,335	\$5,917,384	\$4,114,823	\$7,276,790	\$9,556,851	\$15,494,522	\$6,907,187	\$7,752,197
Tax Credit Rate	9.00%	9.00%	9.00%	3.50%	9.00%	9.00%	9.00%	9.00%	9.00%
Syndication Value (\$/Credit)	\$0.96	\$0.98	\$0.95	\$0.85	\$1.00	\$1.25	\$0.96	\$0.99	\$0.88
Average Pay-h During Construction	25%	25%	33%	20%	20%	53%	51%	10%	50%
Second Tie Breaker - 2011	57%	57%	59%	79%	54%	60%	55%	63%	56%
III. Financial Gap Calculation									
Total Development Costs	\$13,644,265	\$18,040,679	\$12,584,979	\$14,699,913	\$15,448,784	\$22,763,528	\$28,549,116	\$14,406,344	\$15,832,406
(Less) Total Potential Funding Sources	(8,069,264)	(10,905,680)	(7,307,889)	(6,189,991)	(10,263,904)	(14,036,767)	(17,656,741)	(8,143,123)	(9,682,801)
Financial Gap	\$5,575,001	\$7,134,999	\$5,277,090	\$8,509,922	\$5,184,880	\$8,726,761	\$10,892,385	\$6,263,221	\$6,149,605
Per Unit	\$185,833	\$158,556	\$155,209	\$218,203	\$115,220	\$218,169	\$209,469	\$160,595	\$166,206
IV. Developer Request									
Assistance Request	\$5,225,000	\$6,785,000	\$4,900,000	\$8,509,921	\$5,000,000	\$8,526,761	\$10,692,386	\$6,263,220	\$5,850,000
Land	\$2,830,000	\$2,830,000	\$2,000,000	\$1,742,000	\$2,220,000	\$2,200,000	\$2,200,000	\$2,200,000	\$2,200,000
Development	\$2,395,000	\$3,955,000	\$2,900,000	\$6,767,921	\$2,780,000	\$6,326,761	\$8,492,386	\$4,063,220	\$3,650,000
Assistance Terms	Residual Receipts loan with a 3% compounded interest rate, 55 year term, 50% residual receipts payment and secured with a second trust deed.	Residual Receipts loan with a 3% compounded interest rate, 55 year term, 50% residual receipts payment and secured with a second trust deed.	Residual Receipts loan with a 4% simple interest rate, 30 to 55 year term, 50% residual receipts payment and secured with a second trust deed.	Residual Receipts loan with a 4% simple interest rate, 55 year term, 50% residual receipts payment and secured with a second trust deed.	Residual Receipts loan with a 0% simple interest rate, 55 year term, 50% residual receipts payment and secured with a second trust deed.	Residual Receipts loan with a 3% simple interest rate, 99 year term, 50% residual receipts payment not provided and secured with a second trust deed.	Residual Receipts loan with a 3% simple interest rate, 99 year term, 50% residual receipts payment not provided and secured with a second trust deed.	Residual Receipts loan with a 3% simple interest rate, 99 year term, 50% residual receipts payment and secured with a second trust deed.	Residual Receipts loan with a 3% simple interest rate, 35 year term, 50% residual receipts payment and secured with a second trust deed.
Entitlements	None	25% Density Bonus	None	8% Density Bonus	25% Density Bonus	11% Density Bonus	44% Density Bonus	8% Density Bonus	3% Density Bonus

Appendix B
KMA Analysis Assumptions

KMA ANALYSIS ASSUMPTIONS

Due to the significant changes to the 9% Tax Credit program and the publishing of the 2011 CRL and TCAC rents, KMA analyzed each proposal based on the following assumptions which are either based on industry standards, KMA's experience with similar projects or assumptions provided by Agency/City staff.

Development Costs

Land Assemblage Costs

1. Land Purchase Price – Several developers assumed that the purchase price for the Site would be either higher or lower than \$2.20 million, which is the land value estimated in an appraisal commissioned by the Agency. In order to compare the proposals, KMA assumed that the purchase price will be \$2.20 million. It should be noted that TCAC requires that the appraisal be completed within six months of the application submission. As such, the Site will need to be reappraised at the time of the TCAC application so that the purchase price will be factored into the Tie-Breaker score.
2. Remediation / Demolition – Several reports indicate that environmental remediation will be required for the Site. In addition, the existing improvements will need to be demolished. The developers have assumed a range of \$50,000 to \$275,000 for these costs. Agency staff has directed KMA to utilize the highest estimate, or \$275,000, for each proposal, which equates to \$7 per square foot of land area.
3. Closing Costs – The 1% of the purchase price, or \$22,000.

Direct Costs

1. Agency staff directed the developers to assume prevailing wages will be a requirement for the selected project. KMA has assumed a 15% premium over the non-prevailing wage cost estimates.
2. Off-site Improvements - City staff has estimated these costs at \$110,000.
3. On-site Improvements - \$12 per square foot of land area, which equates to \$426,000 for each proposal.
4. Parking Garage Costs:
 - a. Subterranean - \$23,000 per space;
 - b. At-grade structure - \$11,500 per space; and

- c. Surface parking - \$5,250 per space.
- 5. Residential Shell Costs - \$115 per square foot of residential gross building area (GBA).
- 6. Commercial Shell and Tenant Improvement Costs - \$115 per square foot of commercial GBA.
- 7. Furnishings, Fixtures & Equipment costs - \$1,000 per unit.
- 8. Contractor Fees and General Conditions – 14% of the construction costs, which is the TCAC maximum.
- 9. Construction Insurance and Bonds – 2% of the construction costs.
- 10. Contingency Allowance – 5% of the other direct costs.

Indirect Costs

- 1. Architecture, engineering and consulting costs – 10% of total direct costs.
- 2. Permits and fees costs – Based on City staff estimates:

	Permits & Fees	\$/Sf GBA
AMCAL - Alternative 1	\$193,000	\$5.82
AMCAL - Alternative 2	\$278,000	\$5.89
American Communities	\$233,000	\$5.44
LINC Housing	\$175,000	\$5.43
Meta Housing	\$265,000	\$5.87
National CORE - Alternative 1	\$269,000	\$5.72
National CORE - Alternative 2	\$336,000	\$5.72
Related / Mar Vista	\$217,000	\$5.71
ROEM	\$237,000	\$5.74

- 3. Taxes, Insurance, Legal and Accounting – 3% of total direct costs.
- 4. Marketing Costs:
 - a. Residential Component - \$500 per unit; and
 - b. Commercial Component - \$5 per square foot of Commercial GBA.
- 5. Developer Fee – Lesser of 15% of eligible basis and \$1,400,000, which is the maximum amount allowed in the eligible basis for the Tax Credit calculation.
- 6. Contingency Allowance – 5% of other indirect costs.

Financing Costs

1. Interest During Construction
 - a. The loan amount is set at the lesser of 65% of the project costs and the amount needed after the other proposed funding sources are taken into account;
 - b. A 6.5% interest rate;
 - c. 65% average outstanding balance; and
 - d. Construction period – 18 months with subterranean parking and 12 months with at-grade parking, plus six months for absorption.
2. Financing Fees
 - a. Construction loan – Two points; and
 - b. Permanent loan – Two points.
3. TCAC Fees
 - a. Application Fee - \$2,000
 - b. Allocation Fee - 4% of first year gross tax credit allocation
 - c. Monitoring Fee - \$400 per unit
4. Operating Reserves – Three months of operating expenses and debt service payments.

Stabilized Net Operating Income

Residential Component

1. Affordability Restrictions – KMA included each developer’s proposed TCAC rents. However, the TCAC rents are also assumed to be limited by the very-low and low income CRL rents, as follows:
 - a. CRL restrictions:
 - i. The income restrictions will be governed by Sections 50105 and 50079.5 of the California Health and Safety Code for very-low and low income households, respectively.

- ii. The following provides the 2011 affordable rents allowed by CRL for each income category:³

	Very-Low Income Units ⁴			Low Income ⁵		
	Gross Rent	(Less) Utility Allowance	Net Rent	Gross Rent	(Less) Utility Allowance	Net Rent
One-Bedroom Unit	\$600	(\$50)	\$550	\$720	(\$50)	\$670
Two-Bedroom Unit	\$720	(\$61)	\$659	\$864	(\$61)	\$803
Three-Bedroom Unit	\$832	(\$74)	\$758	\$998	(\$74)	\$924
Four-Bedroom Unit	\$928	(\$92)	\$836	\$1,114	(\$92)	\$1,022

- b. TCAC Restrictions: The following are the 2011 TCAC published rents net of the same utility allowances previously discussed.

	Net Rent				
	30% Median	40% Median	45% Median	50% Median	60% Median
One-Bedroom Unit	\$430	\$591	\$671	\$751	\$911
Two-Bedroom Unit	\$515	\$708	\$804	\$900	\$1,092
Three-Bedroom Unit	\$592	\$814	\$925	\$1,036	\$1,258
Four-Bedroom Unit	\$651	\$899	\$1,022	\$1,146	\$1,397

2. Effective Gross Income

- a. Miscellaneous income – \$5 per unit per month; and
- b. Vacancy and collection allowance – 5% of gross income.

3. Operating Expenses

- a. General operating expenses - \$4,800 per unit per TCAC minimum.
- b. Property Taxes - \$5,000 allowance for assessments, which assumes that the projects will receive a property tax abatement due to the proposed partnerships with non-profit entities.
- c. Social Services - \$10,000 allowance per TCAC minimum.
- d. Replacement Reserves - \$250 per unit per TCAC minimum.

³ The gross rents are reduced by the current utility allowances published by Los Angeles County Housing Authority for basic electricity, gas cooking, gas heating, gas water heating and air conditioning.

⁴ In accordance with Section 50053(b)(2) of the California Health and Safety Code.

⁵ In accordance with Section 50053(b)(3) of the California Health and Safety Code.

Commercial Component

Given that the existing commercial market in downtown Torrance is depressed and none of the developers provided executed lease agreements, KMA assumed that the ground floor commercial space value should not be factored into this analysis. It is unlikely that any projected income from the commercial component will be underwritten by lender given the current market.

While Housing Funds cannot be used to fund the commercial component, developer equity, in the form of deferred developer fee can fill the gap. Any agreement with a developer should include a provision that requires any future sales proceeds or annual income to be applied to the Agency loan after repayment of the deferred developer fee.

Funding Sources

9% Tax Credit Program

1. The Eligible Basis is calculated by deducting the non-depreciable costs from the total project costs. The costs associated with the Commercial Component were calculated on a pro rata basis based on the square footage.
2. Based on the first round of 2011 allocations for Los Angeles County, KMA projected that a 70% tie-breaker will be necessary to obtain an allocation of 9% Tax Credits.
3. The gross Tax Credits were calculated assuming the Eligible Basis, reduced by the amount to generate a 70% tie-breaker, is multiplied by a 130% boost for being in a qualified census tract, a 9% Tax Credit rate and 10 years.
4. The Tax Credit equity rates have recently increased significantly and typically range from \$0.90 to a \$1.00 per Tax Credit. KMA estimates the equity rate at \$0.95 per Tax Credit.
5. In order to achieve the higher Tax Credit equity rates, the amount of equity provided by the investor is typically limited to 20% of net Tax Credit equity.

Conventional Loan

KMA estimated that the following conventional loan terms can be achieved assuming that the Commercial Component NOI is not included:

1. A 1.20 debt coverage ratio;
2. A 6.50% interest rate; and
3. A 30-year amortization term.

Deferred Developer Fee

In order to provide the investor with a contingency for cost overruns and thus allowing a \$0.95 per Tax Credit equity rate, KMA assumed that 50% of the estimated developer fee can be deferred during construction while 20% can be deferred and paid back from cash flow.

Appendix C
Analysis of Proposal

APPENDIX C - TABLE 1

AMCAL - ALTERNATIVE 1
PRO FORMA ANALYSIS COMPARISON
TORRANCE, CALIFORNIA

I. <u>Project Description</u>			
Gross Building Area			33,150
Number of Units			30
Commercial Space			3,500
Parking Type			At-grade Structure
Number of Parking Spaces			73
II. <u>Total Development Costs</u>			
	<u>Developer</u>	<u>KMA</u>	<u>Difference</u>
A. <u>Land Acquisition Costs</u>			
Purchase Price	\$2,830,000	\$2,200,000	\$630,000
Demolition / Remediation Costs	155,000	275,000	(120,000)
Closing Costs	0	22,000	(22,000)
Total Land Acquisition Costs	\$2,985,000	\$2,497,000	\$488,000
Per Sf Land Area	\$81	\$67	\$13
B. <u>Direct Costs</u>			
Off-site Improvements	\$130,000	\$110,000	\$20,000
On-site Improvements	242,000	426,000	(184,000)
Parking Costs	1,358,000	840,000	518,000
Residential Shell Costs	3,740,000	3,410,000	330,000
Commercial Shell & TI Costs	441,000	403,000	38,000
Furnishings, Fixtures & Equipment	33,000	30,000	3,000
Contractor Fees / General Requirements	867,000	765,000	102,000
Construction Insurance / Bonds	0	109,000	(109,000)
Contingency Allowance	365,000	318,000	47,000
Total Direct Costs	\$7,176,000	\$6,411,000	\$765,000
Per Sf GBA	\$216	\$193	\$23
C. <u>Indirect Costs</u>			
Architecture, Engineering & Consultants	\$968,000	\$641,000	\$327,000
Permits & Fees	412,000	193,000	219,000
Taxes, Insurance, Legal & Accounting	275,000	192,000	83,000
Marketing & Leasing - Residential	17,000	15,000	2,000
Marketing & Leasing - Commercial	0	18,000	(18,000)
Developer Fee	1,302,000	1,057,000	245,000
Contingency Allowance	0	106,000	(106,000)
Total Indirect Costs	\$2,974,000	\$2,222,000	\$752,000
D. <u>Financing Costs</u>			
Construction Interest	\$204,000	\$273,000	(\$69,000)
Financing Fees			
Construction Loan	90,000	86,000	4,000
Permanent Loan	41,000	12,000	29,000
Tax Credit Fees	40,000	35,000	5,000
Capitalized Operating Reserves	135,000	55,000	80,000
Total Financing Costs	\$510,000	\$461,000	\$49,000
Total Development Costs	\$13,645,000	\$11,591,000	\$2,054,000
Per Sf GBA	\$412	\$350	\$62
Total Construction Costs	\$10,815,000	\$9,391,000	\$1,566,000
Per Sf GBA	\$326	\$283	\$47
III. <u>Stabilized Net Operating Income</u>			
A. <u>Residential Component</u>			
Affordability Mix (as a % of Median)			47%
Gross Residential Rentail Income	\$297,732	\$238,596	\$59,136
Miscellaneous Income	3,240	1,800	1,440
Gross Income	\$300,972	\$240,396	\$60,576
(Less) Vacancy & Collection Allowance	(15,049)	(12,020)	(3,029)
Effective Gross Income	\$285,923	\$228,376	\$57,547
General Operating Expenses	\$135,000	\$144,000	(\$9,000)
Property Taxes	0	5,000	(5,000)
Social Services	0	10,000	(10,000)
Replacement Reserves	16,200	7,500	8,700
Total Operating Expenses	\$151,200	\$166,500	(\$15,300)
Stabilized Residential NOI	\$134,723	\$61,876	\$72,847
B. <u>Commercial Component NOI</u>			
	\$35,700	\$0	\$35,700
C. <u>Stabilized Project NOI</u>			
	\$170,423	\$61,876	\$108,547
IV. <u>Proposed Funding Sources</u>			
Conventional Loan(s)	\$1,318,000	\$615,000	\$703,000
9% Tax Credit Equity	6,513,000	5,012,000	1,501,000
Deferred Developer Fee	350,000	211,000	139,000
Other	238,000	0	238,000
Total Proposed Funding Sources	\$8,419,000	\$5,838,000	\$2,581,000
2011 Tie-Breaker	57.42%	70.00%	
V. <u>Financial Gap Calculation</u>			
Total Development Costs	\$13,645,000	\$11,591,000	\$2,054,000
(Less) Proposed Funding Sources	(8,419,000)	(5,838,000)	(2,581,000)
Financial Gap	\$5,226,000	\$5,753,000	(\$527,000)
Per Unit	\$174,200	\$191,800	(\$17,600)

Prepared by: Keyser Marston Associates, Inc.

Filename: Cabrillo Ave Proposal Review - 08.07.11; AMCAL 1 - PF; jlr

APPENDIX C - TABLE 2

AMCAL - ALTERNATIVE 2
PRO FORMA ANALYSIS COMPARISON
TORRANCE, CALIFORNIA

I. Project Description			
Gross Building Area			47,200
Number of Units			45
Commercial Space			3,500
Parking Type			At-grade & Subterranean
Number of Parking Spaces			106
II. Total Development Costs			
A. Land Acquisition Costs	Developer	KMA	Difference
Purchase Price	\$2,830,000	\$2,200,000	\$630,000
Demolition / Remediation Costs	155,000	275,000	(120,000)
Closing Costs	0	22,000	(22,000)
Total Land Acquisition Costs	\$2,985,000	\$2,497,000	\$488,000
Per Sf Land Area	\$81	\$67	\$13
B. Direct Costs			
Off-site Improvements	\$130,000	\$110,000	\$20,000
On-site Improvements	242,000	426,000	(184,000)
Parking Costs	2,393,000	2,438,000	(45,000)
Residential Shell Costs	5,504,000	5,026,000	478,000
Commercial Shell & TI Costs	353,000	403,000	(50,000)
Furnishings, Fixtures & Equipment	50,000	45,000	5,000
Contractor Fees / General Requirements	1,294,000	1,215,000	79,000
Construction Insurance / Bonds	0	174,000	(174,000)
Contingency Allowance	530,000	506,000	24,000
Total Direct Costs	\$10,496,000	\$10,343,000	\$153,000
Per Sf GBA	\$222	\$219	\$3
C. Indirect Costs			
Architecture, Engineering & Consultants	\$968,000	\$1,034,000	(\$66,000)
Permits & Fees	618,000	278,000	340,000
Taxes, Insurance, Legal & Accounting	317,000	310,000	7,000
Marketing & Leasing - Residential	25,000	23,000	2,000
Marketing & Leasing - Commercial	0	18,000	(18,000)
Developer Fee	1,875,000	1,400,000	475,000
Contingency Allowance	0	153,000	(153,000)
Total Indirect Costs	\$3,803,000	\$3,216,000	\$587,000
D. Financing Costs			
Construction Interest	\$347,000	\$401,000	(\$54,000)
Financing Fees			
Construction Loan	107,000	127,000	(20,000)
Permanent Loan	48,000	21,000	27,000
Tax Credit Fees	55,000	50,000	5,000
Capitalized Operating Reserves	200,000	82,000	118,000
Total Financing Costs	\$757,000	\$681,000	\$76,000
Total Development Costs	\$18,041,000	\$16,737,000	\$1,304,000
Per Sf GBA	\$382	\$355	\$28
Total Construction Costs	\$15,211,000	\$14,537,000	\$816,000
Per Sf GBA	\$322	\$308	\$17
III. Stabilized Net Operating Income			
A. Residential Component			
Affordability Mix (as a % of Median)			47%
Gross Residential Rental Income	\$443,520	\$361,968	\$81,552
Miscellaneous Income	4,860	2,700	2,160
Gross Income	\$448,380	\$364,668	\$83,712
(Less) Vacancy & Collection Allowance	(22,419)	(18,233)	(4,186)
Effective Gross Income	\$425,961	\$346,435	\$79,526
General Operating Expenses	\$202,500	\$216,000	(\$13,500)
Property Taxes	0	5,000	(5,000)
Social Services	0	10,000	(10,000)
Replacement Reserves	16,200	11,250	4,950
Total Operating Expenses	\$218,700	\$242,250	(\$23,550)
Stabilized Residential NOI	\$207,261	\$104,185	\$103,076
B. Commercial Component NOI	\$35,700	\$0	\$35,700
C. Stabilized Project NOI	\$242,961	\$104,185	\$138,776
IV. Proposed Funding Sources			
Conventional Loan(s)	\$2,082,000	\$1,035,000	\$1,047,000
9% Tax Credit Equity	8,593,000	7,143,000	1,450,000
Deferred Developer Fee	350,000	280,000	70,000
Other	231,000	0	231,000
Total Proposed Funding Sources	\$11,256,000	\$8,458,000	\$2,798,000
2011 Tie-Breaker	57.10%	70.00%	
V. Financial Gap Calculation			
Total Development Costs	\$18,041,000	\$16,737,000	\$1,304,000
(Less) Proposed Funding Sources	(11,256,000)	(8,458,000)	(2,798,000)
Financial Gap	\$6,785,000	\$8,279,000	(\$1,494,000)
Per Unit	\$150,800	\$184,000	(\$33,200)

Prepared by: Keyser Marston Associates, Inc.

Filename: Cabrillo Ave Proposal Review - 08.07.11; AMCAL 2 - PF; jlr

APPENDIX C - TABLE 3

AMERICAN COMMUNITIES
 PRO FORMA ANALYSIS COMPARISON
 TORRANCE, CALIFORNIA

I. <u>Project Description</u>			
Gross Building Area			42,901
Number of Units			34
Commercial Space			7,920
Parking Type			At-grade & Subterranean
Number of Parking Spaces			66
II. <u>Total Development Costs</u>			
	<u>Developer</u>	<u>KMA</u>	<u>Difference</u>
A. <u>Land Acquisition Costs</u>			
Purchase Price	\$2,000,000	\$2,200,000	(\$200,000)
Demolition / Remediation Costs	70,000	275,000	(205,000)
Closing Costs	0	22,000	(22,000)
Total Land Acquisition Costs	\$2,070,000	\$2,497,000	(\$427,000)
Per Sf Land Area	\$56	\$67	(\$12)
B. <u>Direct Costs</u>			
Off-site Improvements	\$0	\$110,000	(\$110,000)
On-site Improvements	225,000	426,000	(201,000)
Parking Costs	1,200,000	1,311,000	(111,000)
Residential Shell Costs	3,995,000	4,023,000	(28,000)
Commercial Shell & TI Costs	594,000	911,000	(317,000)
Furnishings, Fixtures & Equipment	0	34,000	(34,000)
Contractor Fees / General Requirements	842,000	988,000	(146,000)
Construction Insurance / Bonds	100,000	141,000	(41,000)
Contingency Allowance	411,000	411,000	0
Total Direct Costs	\$7,367,000	\$8,355,000	(\$988,000)
Per Sf GBA	\$172	\$195	(\$23)
C. <u>Indirect Costs</u>			
Architecture, Engineering & Consultants	\$515,000	\$836,000	(\$321,000)
Permits & Fees	325,000	233,000	92,000
Taxes, Insurance, Legal & Accounting	303,000	251,000	52,000
Marketing & Leasing - Residential	20,000	17,000	3,000
Marketing & Leasing - Commercial	0	40,000	(40,000)
Developer Fee	1,270,000	1,188,000	82,000
Contingency Allowance	0	128,000	(128,000)
Total Indirect Costs	\$2,433,000	\$2,693,000	(\$260,000)
D. <u>Financing Costs</u>			
Construction Interest	\$525,000	\$332,000	\$193,000
Financing Fees			
Construction Loan	53,000	105,000	(52,000)
Permanent Loan	27,000	13,000	14,000
Tax Credit Fees	40,000	42,000	(2,000)
Capitalized Operating Reserves	70,000	60,000	10,000
Total Financing Costs	\$715,000	\$552,000	\$163,000
Total Development Costs	\$12,585,000	\$14,097,000	(\$1,512,000)
Per Sf GBA	\$293	\$329	(\$35)
Total Construction Costs	\$10,585,000	\$11,897,000	(\$1,085,000)
Per Sf GBA	\$247	\$277	(\$25)
III. <u>Stabilized Net Operating Income</u>			
A. <u>Residential Component</u>			
Affordability Mix (as a % of Median)			47%
Gross Residential Rental Income	\$326,976	\$261,252	\$65,724
Miscellaneous Income	4,080	2,040	2,040
Gross Income	\$331,056	\$263,292	\$67,764
(Less) Vacancy & Collection Allowance	(16,553)	(13,165)	(3,388)
Effective Gross Income	\$314,503	\$250,127	\$64,376
General Operating Expenses	\$153,000	\$163,200	(\$10,200)
Property Taxes	0	5,000	(5,000)
Social Services	0	10,000	(10,000)
Replacement Reserves	8,500	8,500	0
Total Operating Expenses	\$161,500	\$186,700	(\$25,200)
Stabilized Residential NOI	\$153,003	\$63,427	\$89,576
B. <u>Commercial Component NOI</u>			
	\$0	\$0	\$0
C. <u>Stabilized Project NOI</u>			
	\$153,003	\$63,427	\$89,576
IV. <u>Proposed Funding Sources</u>			
Conventional Loan(s)	\$1,692,000	\$630,000	\$1,062,000
9% Tax Credit Equity	5,616,000	6,201,000	(585,000)
Deferred Developer Fee	377,000	238,000	139,000
Other	0	0	0
Total Proposed Funding Sources	\$7,685,000	\$7,069,000	\$616,000
2011 Tie-Breaker	58.87%	70.00%	
V. <u>Financial Gap Calculation</u>			
Total Development Costs	\$12,585,000	\$14,097,000	(\$1,512,000)
(Less) Proposed Funding Sources	(7,685,000)	(7,069,000)	(616,000)
Financial Gap	\$4,900,000	\$7,028,000	(\$2,128,000)
Per Unit	\$144,100	\$206,700	(\$62,600)

APPENDIX C - TABLE 4

LINC HOUSING
PRO FORMA ANALYSIS COMPARISON
TORRANCE, CALIFORNIA

I. <u>Project Description</u>			
Gross Building Area			41,415
Number of Units			39
Commercial Space			4,358
Parking Type			At-grade Structure / Surface
Number of Parking Spaces			74
II. <u>Total Development Costs</u>			
	<u>Developer</u>	<u>KMA</u>	<u>Difference</u>
A. <u>Land Acquisition Costs</u>			
Purchase Price	\$1,742,000	\$2,200,000	(\$458,000)
Demolition / Remediation Costs	250,000	275,000	(25,000)
Closing Costs	15,000	22,000	(7,000)
Total Land Acquisition Costs	\$2,007,000	\$2,497,000	(\$490,000)
Per Sf Land Area	\$54	\$67	(\$13)
B. <u>Direct Costs</u>			
Off-site Improvements	\$0	\$110,000	(\$110,000)
On-site Improvements	160,000	426,000	(266,000)
Parking Costs	1,126,000	788,000	338,000
Residential Shell Costs	4,846,000	4,262,000	584,000
Commercial Shell & TI Costs	654,000	501,000	153,000
Furnishings, Fixtures & Equipment	97,000	39,000	58,000
Contractor Fees / General Requirements	1,235,000	891,000	344,000
Construction Insurance / Bonds	160,000	127,000	33,000
Contingency Allowance	389,000	371,000	18,000
Total Direct Costs	\$8,667,000	\$7,515,000	\$1,152,000
Per Sf GBA	\$209	\$181	\$28
C. <u>Indirect Costs</u>			
Architecture, Engineering & Consultants	\$763,000	\$752,000	\$11,000
Permits & Fees	760,000	175,000	585,000
Taxes, Insurance, Legal & Accounting	243,000	225,000	18,000
Marketing & Leasing - Residential	25,000	20,000	5,000
Marketing & Leasing - Commercial	0	22,000	(22,000)
Developer Fee	1,530,000	1,193,000	337,000
Contingency Allowance	124,000	119,000	5,000
Total Indirect Costs	\$3,445,000	\$2,506,000	\$939,000
D. <u>Financing Costs</u>			
Construction Interest	\$245,000	\$86,000	\$159,000
Financing Fees			
Construction Loan	80,000	74,000	6,000
Permanent Loan	40,000	20,000	20,000
Tax Credit Fees	34,000	40,000	(6,000)
Capitalized Operating Reserves	182,000	74,000	108,000
Total Financing Costs	\$581,000	\$294,000	\$287,000
Total Development Costs	\$14,700,000	\$12,812,000	\$1,888,000
Per Sf GBA	\$355	\$309	\$46
Total Construction Costs	\$12,958,000	\$10,612,000	\$2,378,000
Per Sf GBA	\$313	\$256	\$57
III. <u>Stabilized Net Operating Income</u>			
A. <u>Residential Component</u>			
Affordability Mix (as a % of Median)			51%
Gross Residential Rental Income	\$407,724	\$327,876	\$79,848
Miscellaneous Income	4,212	2,340	1,872
Gross Income	\$411,936	\$330,216	\$81,720
(Less) Vacancy & Collection Allowance	(20,597)	(16,511)	(4,086)
Effective Gross Income	\$391,339	\$313,705	\$77,634
General Operating Expenses	\$195,000	\$187,200	\$7,800
Property Taxes	0	5,000	(5,000)
Social Services	25,000	10,000	15,000
Replacement Reserves	13,650	9,750	3,900
Total Operating Expenses	\$233,650	\$211,950	\$21,700
Stabilized Residential NOI	\$157,689	\$101,755	\$55,934
B. <u>Commercial Component NOI</u>			
	\$0	\$0	\$0
C. <u>Stabilized Project NOI</u>			
	\$157,689	\$101,755	\$55,934
IV. <u>Proposed Funding Sources</u>			
Conventional Loan(s)	\$1,492,000	\$1,011,000	\$481,000
9% Tax Credit Equity	3,498,000	5,281,000	(1,783,000)
Deferred Developer Fee	0	239,000	(239,000)
Other	1,200,000	0	1,200,000
Total Proposed Funding Sources	\$6,190,000	\$6,531,000	(\$341,000)
2011 Tie-Breaker	78.88%	70.00%	
V. <u>Financial Gap Calculation</u>			
Total Development Costs	\$14,700,000	\$12,812,000	\$1,888,000
(Less) Proposed Funding Sources	(6,190,000)	(6,531,000)	341,000
Financial Gap	\$8,510,000	\$6,281,000	\$2,229,000
Per Unit	\$218,200	\$161,100	\$57,100

Prepared by: Keyser Marston Associates, Inc.

Filename: Cabrillo Ave Proposal Review - 08.07.11; LINC - PF; jlr

APPENDIX C - TABLE 5

META HOUSING
PRO FORMA ANALYSIS COMPARISON
TORRANCE, CALIFORNIA

I. <u>Project Description</u>			
Gross Building Area			45,142
Number of Units			45
Commercial Space			4,480
Parking Type			At-grade Structure
Number of Parking Spaces			89
II. <u>Total Development Costs</u>			
	Developer	KMA	Difference
A. <u>Land Acquisition Costs</u>			
Purchase Price	\$2,220,000	\$2,200,000	\$20,000
Demolition / Remediation Costs	50,000	275,000	(225,000)
Closing Costs	15,000	22,000	(7,000)
Total Land Acquisition Costs	\$2,285,000	\$2,497,000	(\$212,000)
Per Sf Land Area	\$62	\$67	(\$6)
B. <u>Direct Costs</u>			
Off-site Improvements	\$62,000	\$110,000	(\$48,000)
On-site Improvements	1,623,000	426,000	1,197,000
Parking Costs	0	1,024,000	(1,024,000)
Residential Shell Costs	5,134,000	4,676,000	458,000
Commercial Shell & TI Costs	0	515,000	(515,000)
Furnishings, Fixtures & Equipment	85,000	45,000	40,000
Contractor Fees / General Requirements	976,000	984,000	(8,000)
Construction Insurance / Bonds	202,000	141,000	61,000
Contingency Allowance	397,000	410,000	(13,000)
Total Direct Costs	\$8,479,000	\$8,331,000	\$148,000
Per Sf GBA	\$188	\$185	\$3
C. <u>Indirect Costs</u>			
Architecture, Engineering & Consultants	\$973,000	\$833,000	\$140,000
Permits & Fees	1,100,000	265,000	835,000
Taxes, Insurance, Legal & Accounting	309,000	250,000	59,000
Marketing & Leasing - Residential	90,000	23,000	67,000
Marketing & Leasing - Commercial	0	22,000	(22,000)
Developer Fee	1,535,000	1,347,000	188,000
Contingency Allowance	100,000	137,000	(37,000)
Total Indirect Costs	\$4,107,000	\$2,877,000	\$1,230,000
D. <u>Financing Costs</u>			
Construction Interest	\$286,000	\$328,000	(\$42,000)
Financing Fees			
Construction Loan	129,000	103,000	26,000
Permanent Loan	0	20,000	(20,000)
Tax Credit Fees	52,000	45,000	7,000
Capitalized Operating Reserves	111,000	81,000	30,000
Total Financing Costs	\$578,000	\$577,000	\$1,000
Total Development Costs	\$15,449,000	\$14,282,000	\$1,167,000
Per Sf GBA	\$342	\$316	\$26
Total Construction Costs	\$13,229,000	\$12,082,000	\$1,379,000
Per Sf GBA	\$293	\$268	\$31
III. <u>Stabilized Net Operating Income</u>			
A. <u>Residential Component</u>			
Affordability Mix (as a % of Median)			47%
Gross Residential Rentail Income	\$457,253	\$356,172	\$101,081
Miscellaneous Income	4,860	2,700	2,160
Gross Income	\$462,113	\$358,872	\$103,241
(Less) Vacancy & Collection Allowance	(23,106)	(17,944)	(5,162)
Effective Gross Income	\$439,007	\$340,928	\$98,078
General Operating Expenses	\$257,710	\$216,000	\$41,710
Property Taxes	2,500	5,000	(2,500)
Social Services	12,500	10,000	2,500
Replacement Reserves	13,500	11,250	2,250
Total Operating Expenses	\$286,210	\$242,250	\$43,960
Stabilized Residential NOI	\$152,797	\$98,678	\$54,118
B. <u>Commercial Component NOI</u>			
	\$72,065	\$0	\$72,065
C. <u>Stabilized Project NOI</u>			
	\$224,862	\$98,678	\$126,183
IV. <u>Proposed Funding Sources</u>			
Conventional Loan(s)	\$2,347,000	\$980,000	\$1,367,000
9% Tax Credit Equity	7,277,000	5,997,000	1,280,000
Deferred Developer Fee	185,000	269,000	(84,000)
Other	640,000	0	640,000
Total Proposed Funding Sources	\$10,449,000	\$7,246,000	\$3,203,000
2011 Tie-Breaker	53.57%	70.00%	
V. <u>Financial Gap Calculation</u>			
Total Development Costs	\$15,449,000	\$14,282,000	\$1,167,000
(Less) Proposed Funding Sources	(10,449,000)	(7,246,000)	(3,203,000)
Financial Gap	\$5,000,000	\$7,036,000	(\$2,036,000)
Per Unit	\$111,100	\$156,400	(\$45,300)

Prepared by: Keyser Marston Associates, Inc.

Filename: Cabrillo Ave Proposal Review - 08.07.11; META - PF; jlr

APPENDIX C - TABLE 5

NATIONAL CORE - ALTERNATIVE 1
 PRO FORMA ANALYSIS COMPARISON
 TORRANCE, CALIFORNIA

I. <u>Project Description</u>			
Gross Building Area			46,976
Number of Units			40
Commercial Space			4,000
Parking Type			At-Grade / Subterranean
Number of Parking Spaces			97
II. <u>Total Development Costs</u>			
	<u>Developer</u>	<u>KMA</u>	<u>Difference</u>
A. <u>Land Acquisition Costs</u>			
Purchase Price	\$2,200,000	\$2,200,000	\$0
Demolition / Remediation Costs	100,000	275,000	(175,000)
Closing Costs	0	22,000	(22,000)
Total Land Acquisition Costs	\$2,300,000	\$2,497,000	(\$197,000)
Per Sf Land Area	\$62	\$67	(\$5)
B. <u>Direct Costs</u>			
Off-site Improvements	\$312,000	\$110,000	\$202,000
On-site Improvements	800,000	426,000	374,000
Parking Costs	6,071,000	1,829,000	4,242,000
Residential Shell Costs	5,069,000	4,942,000	127,000
Commercial Shell & TI Costs	320,000	460,000	(140,000)
Furnishings, Fixtures & Equipment	100,000	40,000	60,000
Contractor Fees / General Requirements	1,774,000	1,126,000	648,000
Construction Insurance / Bonds	127,000	161,000	(34,000)
Contingency Allowance	887,000	468,000	419,000
Total Direct Costs	\$15,460,000	\$9,562,000	\$5,898,000
Per Sf GBA	\$329	\$204	\$126
C. <u>Indirect Costs</u>			
Architecture, Engineering & Consultants	\$830,000	\$956,000	(\$126,000)
Permits & Fees	1,400,000	269,000	1,131,000
Taxes, Insurance, Legal & Accounting	335,000	287,000	48,000
Marketing & Leasing - Residential	40,000	20,000	20,000
Marketing & Leasing - Commercial	0	20,000	(20,000)
Developer Fee	1,200,000	1,400,000	(200,000)
Contingency Allowance	100,000	148,000	(48,000)
Total Indirect Costs	\$3,905,000	\$3,100,000	\$805,000
D. <u>Financing Costs</u>			
Construction Interest	\$735,000	\$375,000	\$360,000
Financing Fees			
Construction Loan	138,000	118,000	20,000
Permanent Loan	57,000	19,000	38,000
Tax Credit Fees	70,000	46,000	24,000
Capitalized Operating Reserves	99,000	74,000	25,000
Total Financing Costs	\$1,099,000	\$632,000	\$467,000
Total Development Costs	\$22,764,000	\$15,791,000	\$6,973,000
Per Sf GBA	\$485	\$336	\$148
Total Construction Costs	\$20,564,000	\$13,591,000	\$7,170,000
Per Sf GBA	\$438	\$289	\$153
III. <u>Stabilized Net Operating Income</u>			
A. <u>Residential Component</u>			
Affordability Mix (as a % of Median)			47%
Gross Residential Rental Income	\$401,028	\$324,744	\$76,284
Miscellaneous Income	3,840	2,400	1,440
Gross Income	\$404,868	\$327,144	\$77,724
(Less) Vacancy & Collection Allowance	(20,242)	(16,357)	(3,885)
Effective Gross Income	\$384,626	\$310,787	\$73,839
General Operating Expenses	\$193,200	\$192,000	\$1,200
Property Taxes	2,000	5,000	(3,000)
Social Services	10,600	10,000	600
Replacement Reserves	16,000	10,000	6,000
Total Operating Expenses	\$221,800	\$217,000	\$4,800
Stabilized Residential NOI	\$162,826	\$93,787	\$69,039
B. <u>Commercial Component NOI</u>			
	\$30,000	\$0	\$30,000
C. <u>Stabilized Project NOI</u>			
	\$192,826	\$93,787	\$99,039
IV. <u>Proposed Funding Sources</u>			
Conventional Loan(s)	\$1,915,000	\$931,000	\$984,000
9% Tax Credit Equity	11,922,000	6,762,000	5,160,000
Deferred Developer Fee	200,000	280,000	(80,000)
Other	200,000	0	200,000
Total Proposed Funding Sources	\$14,237,000	\$7,973,000	\$6,264,000
2011 Tie-Breaker	59.71%	70.00%	
V. <u>Financial Gap Calculation</u>			
Total Development Costs	\$22,764,000	\$15,791,000	\$6,973,000
(Less) Proposed Funding Sources	(14,237,000)	(7,973,000)	(6,264,000)
Financial Gap	\$8,527,000	\$7,818,000	\$709,000
Per Unit	\$213,200	\$195,500	\$17,700

Prepared by: Keyser Marston Associates, Inc.

Filename: Cabrillo Ave Proposal Review - 08.07.11; CORE 1 - PF; jlr

APPENDIX C - TABLE 7

NATIONAL CORE - ALTERNATIVE 2
 PRO FORMA ANALYSIS COMPARISON
 TORRANCE, CALIFORNIA

I. Project Description			
Gross Building Area			58,780
Number of Units			52
Commercial Space			4,000
Parking Type			At-Grade / Subterranean
Number of Parking Spaces			128
II. Total Development Costs			
A. Land Acquisition Costs			
	<u>Developer</u>	<u>KMA</u>	<u>Difference</u>
Purchase Price	\$2,200,000	\$2,200,000	\$0
Demolition / Remediation Costs	100,000	275,000	(175,000)
Closing Costs	0	22,000	(22,000)
Total Land Acquisition Costs	\$2,300,000	\$2,497,000	(\$197,000)
Per Sf Land Area	\$62	\$67	(\$5)
B. Direct Costs			
Off-site Improvements	\$312,000	\$110,000	\$202,000
On-site Improvements	800,000	426,000	374,000
Parking Costs	8,673,000	1,829,000	6,844,000
Residential Shell Costs	6,696,000	4,942,000	1,754,000
Commercial Shell & TI Costs	320,000	460,000	(140,000)
Furnishings, Fixtures & Equipment	100,000	40,000	60,000
Contractor Fees / General Requirements	2,366,000	1,126,000	1,240,000
Construction Insurance / Bonds	169,000	161,000	8,000
Contingency Allowance	1,014,000	468,000	546,000
Total Direct Costs	\$20,450,000	\$9,562,000	\$10,888,000
Per Sf GBA	\$348	\$163	\$185
C. Indirect Costs			
Architecture, Engineering & Consultants	\$880,000	\$1,208,000	(\$328,000)
Permits & Fees	1,760,000	336,000	1,424,000
Taxes, Insurance, Legal & Accounting	385,000	362,000	23,000
Marketing & Leasing - Residential	40,000	26,000	14,000
Marketing & Leasing - Commercial	0	20,000	(20,000)
Developer Fee	1,200,000	1,400,000	(200,000)
Contingency Allowance	100,000	168,000	(68,000)
Total Indirect Costs	\$4,365,000	\$3,520,000	\$845,000
D. Financing Costs			
Construction Interest	\$979,000	\$462,000	\$517,000
Financing Fees			
Construction Loan	167,000	146,000	21,000
Permanent Loan	77,000	26,000	51,000
Tax Credit Fees	87,000	56,000	31,000
Capitalized Operating Reserves	125,000	97,000	28,000
Total Financing Costs	\$1,435,000	\$787,000	\$648,000
Total Development Costs	\$28,550,000	\$16,366,000	\$12,184,000
Per Sf GBA	\$486	\$278	\$207
Total Construction Costs	\$26,350,000	\$14,166,000	\$12,381,000
Per Sf GBA	\$448	\$241	\$211
III. Stabilized Net Operating Income			
A. Residential Component			
Affordability Mix (as a % of Median)			48%
Gross Residential Rental Income	\$531,012	\$428,376	\$102,636
Miscellaneous Income	4,992	3,120	1,872
Gross Income	\$536,004	\$431,496	\$104,508
(Less) Vacancy & Collection Allowance	(26,798)	(21,575)	(5,223)
Effective Gross Income	\$509,206	\$409,921	\$99,285
General Operating Expenses	\$240,560	\$249,600	(\$9,040)
Property Taxes	2,000	5,000	(3,000)
Social Services	13,480	10,000	3,480
Replacement Reserves	20,800	13,000	7,800
Total Operating Expenses	\$276,840	\$277,600	(\$760)
Stabilized Residential NOI	\$232,366	\$132,321	\$100,045
B. Commercial Component NOI	\$30,000	\$0	\$30,000
C. Stabilized Project NOI	\$262,366	\$132,321	\$130,045
IV. Proposed Funding Sources			
Conventional Loan(s)	\$2,582,000	\$1,314,000	\$1,268,000
9% Tax Credit Equity	14,875,000	7,975,000	6,900,000
Deferred Developer Fee	200,000	280,000	(80,000)
Other	200,000	0	200,000
Total Proposed Funding Sources	\$17,857,000	\$9,569,000	\$8,288,000
2011 Tie-Breaker	55.32%	70.00%	
V. Financial Gap Calculation			
Total Development Costs	\$28,550,000	\$16,366,000	\$12,184,000
(Less) Proposed Funding Sources	(17,857,000)	(9,569,000)	(8,288,000)
Financial Gap	\$10,693,000	\$6,797,000	\$3,896,000
Per Unit	\$205,600	\$130,700	\$74,900

Prepared by: Keyser Marston Associates, Inc.

Filename: Cabrillo Ave Proposal Review - 08.07.11; CORE 2 - PF; jlr

APPENDIX C - TABLE 8

RELATED COMPANIES / MAR VENTURES
PRO FORMA ANALYSIS COMPARISON
TORRANCE, CALIFORNIA

I. <u>Project Description</u>			
Gross Building Area			37,955
Number of Units			39
Commercial Space			2,200
Parking Type			At-grade Structure
Number of Parking Spaces			71
II. <u>Total Development Costs</u>			
	Developer	KMA	Difference
A. <u>Land Acquisition Costs</u>			
Purchase Price	\$2,200,000	\$2,200,000	\$0
Demolition / Remediation Costs	275,000	275,000	0
Closing Costs	0	22,000	(22,000)
Total Land Acquisition Costs	\$2,475,000	\$2,497,000	(\$22,000)
Per Sf Land Area	\$67	\$67	(\$1)
B. <u>Direct Costs</u>			
Off-site Improvements	\$100,000	\$110,000	(\$10,000)
On-site Improvements	800,000	426,000	374,000
Parking Costs	1,260,000	817,000	443,000
Residential Shell Costs	3,960,000	4,112,000	(152,000)
Commercial Shell & TI Costs	180,000	253,000	(73,000)
Furnishings, Fixtures & Equipment	150,000	39,000	111,000
Contractor Fees / General Requirements	921,000	839,000	82,000
Construction Insurance / Bonds	112,000	120,000	(8,000)
Contingency Allowance	380,000	350,000	30,000
Total Direct Costs	\$7,863,000	\$7,066,000	\$797,000
Per Sf GBA	\$207	\$186	\$21
C. <u>Indirect Costs</u>			
Architecture, Engineering & Consultants	\$931,000	\$707,000	\$224,000
Permits & Fees	351,000	217,000	134,000
Taxes, Insurance, Legal & Accounting	480,000	212,000	268,000
Marketing & Leasing - Residential	100,000	20,000	80,000
Marketing & Leasing - Commercial	0	11,000	(11,000)
Developer Fee	1,400,000	1,210,000	190,000
Contingency Allowance	100,000	119,000	(19,000)
Total Indirect Costs	\$3,362,000	\$2,496,000	\$866,000
D. <u>Financing Costs</u>			
Construction Interest	\$347,000	\$293,000	\$54,000
Financing Fees			
Construction Loan	168,000	93,000	75,000
Permanent Loan	64,000	13,000	51,000
Tax Credit Fees	46,000	41,000	5,000
Capitalized Operating Reserves	81,000	66,000	15,000
Total Financing Costs	\$706,000	\$506,000	\$200,000
Total Development Costs	\$14,406,000	\$12,565,000	\$1,841,000
Per Sf GBA	\$380	\$331	\$49
Total Construction Costs	\$12,206,000	\$10,365,000	\$1,863,000
Per Sf GBA	\$322	\$273	\$49
III. <u>Stabilized Net Operating Income</u>			
A. <u>Residential Component</u>			
Affordability Mix (as a % of Median)			46%
Gross Residential Rental Income	\$347,472	\$288,540	\$58,932
Miscellaneous Income	2,808	2,340	468
Gross Income	\$350,280	\$290,880	\$59,400
(Less) Vacancy & Collection Allowance	(17,514)	(14,544)	(2,970)
Effective Gross Income	\$332,766	\$276,336	\$56,430
General Operating Expenses	\$214,500	\$187,200	\$27,300
Property Taxes	0	5,000	(5,000)
Social Services	0	10,000	(10,000)
Replacement Reserves	0	9,750	(9,750)
Total Operating Expenses	\$214,500	\$211,950	\$2,550
Stabilized Residential NOI	\$118,266	\$64,386	\$53,880
B. <u>Commercial Component NOI</u>			
	\$13,200	\$0	\$13,200
C. <u>Stabilized Project NOI</u>			
	\$131,466	\$64,386	\$67,080
IV. <u>Proposed Funding Sources</u>			
Conventional Loan(s)	\$1,306,000	\$639,000	\$667,000
9% Tax Credit Equity	6,837,000	5,444,000	1,393,000
Deferred Developer Fee	0	242,000	(242,000)
Other	0	0	0
Total Proposed Funding Sources	\$8,143,000	\$6,325,000	\$1,818,000
2011 Tie-Breaker	63.15%	70.00%	
V. <u>Financial Gap Calculation</u>			
Total Development Costs	\$14,406,000	\$12,565,000	\$1,841,000
(Less) Proposed Funding Sources	(8,143,000)	(6,325,000)	(1,818,000)
Financial Gap	\$6,263,000	\$6,240,000	\$23,000
Per Unit	\$160,600	\$160,000	\$600

Prepared by: Keyser Marston Associates, Inc.

Filename: Cabrillo Ave Proposal Review - 08.07.11; RELATED - PF; jlr

APPENDIX C - TABLE 9

ROEM CORPORATION
PRO FORMA ANALYSIS COMPARISON
TORRANCE, CALIFORNIA

I. <u>Project Description</u>			
Gross Building Area			41,199
Number of Units			37
Commercial Space			3,750
Parking Type			Tuck-under
Number of Parking Spaces			92
II. <u>Total Development Costs</u>			
	<u>Developer</u>	<u>KMA</u>	<u>Difference</u>
A. <u>Land Acquisition Costs</u>			
Purchase Price	\$2,200,000	\$2,200,000	\$0
Demolition / Remediation Costs	150,000	275,000	(125,000)
Closing Costs	0	22,000	(22,000)
Total Land Acquisition Costs	\$2,350,000	\$2,497,000	(\$147,000)
Per Sf Land Area	\$63	\$67	(\$4)
B. <u>Direct Costs</u>			
Off-site Improvements	\$150,000	\$110,000	\$40,000
On-site Improvements	100,000	426,000	(326,000)
Parking Costs	0	529,000	(529,000)
Residential Shell Costs	6,298,000	4,307,000	1,991,000
Commercial Shell & TI Costs	375,000	431,000	(56,000)
Furnishings, Fixtures & Equipment	75,000	37,000	38,000
Contractor Fees / General Requirements	1,024,000	851,000	173,000
Construction Insurance / Bonds	94,000	122,000	(28,000)
Contingency Allowance	405,000	354,000	51,000
Total Direct Costs	\$8,521,000	\$7,167,000	\$1,354,000
Per Sf GBA	\$207	\$174	\$33
C. <u>Indirect Costs</u>			
Architecture, Engineering & Consultants	\$1,087,000	\$717,000	\$370,000
Permits & Fees	675,000	237,000	438,000
Taxes, Insurance, Legal & Accounting	381,000	215,000	166,000
Marketing & Leasing - Residential	60,000	19,000	41,000
Marketing & Leasing - Commercial	0	19,000	(19,000)
Developer Fee	1,800,000	1,182,000	618,000
Contingency Allowance	110,000	119,000	(9,000)
Total Indirect Costs	\$4,113,000	\$2,508,000	\$1,605,000
D. <u>Financing Costs</u>			
Construction Interest	\$422,000	\$302,000	\$120,000
Financing Fees			
Construction Loan	65,000	95,000	(30,000)
Permanent Loan	116,000	17,000	99,000
Tax Credit Fees	42,000	39,000	3,000
Capitalized Operating Reserves	204,000	68,000	136,000
Total Financing Costs	\$849,000	\$521,000	\$328,000
Total Development Costs	\$15,833,000	\$12,693,000	\$3,140,000
Per Sf GBA	\$384	\$308	\$76
Total Construction Costs	\$13,633,000	\$10,493,000	\$3,287,000
Per Sf GBA	\$331	\$255	\$80
III. <u>Stabilized Net Operating Income</u>			
A. <u>Residential Component</u>			
Affordability Mix (as a % of Median)			48%
Gross Residential Rental Income	\$418,860	\$299,976	\$118,884
Miscellaneous Income	4,884	2,220	2,664
Gross Income	\$423,744	\$302,196	\$121,548
(Less) Vacancy & Collection Allowance	(21,187)	(15,110)	(6,077)
Effective Gross Income	\$402,557	\$287,086	\$115,471
General Operating Expenses	\$186,956	\$177,600	\$9,356
Property Taxes	0	5,000	(5,000)
Social Services	0	10,000	(10,000)
Replacement Reserves	11,100	9,250	1,850
Total Operating Expenses	\$198,056	\$201,850	(\$3,794)
Stabilized Residential NOI	\$204,501	\$85,236	\$119,265
B. <u>Commercial Component NOI</u>			
	\$36,562	\$0	\$36,562
C. <u>Stabilized Project NOI</u>			
	\$241,063	\$85,236	\$155,827
IV. <u>Proposed Funding Sources</u>			
Conventional Loan(s)	\$2,749,000	\$847,000	\$1,902,000
9% Tax Credit Equity	6,822,000	5,351,000	1,471,000
Deferred Developer Fee	300,000	236,000	64,000
Other	112,000	0	112,000
Total Proposed Funding Sources	\$9,983,000	\$6,434,000	\$3,549,000
2011 Tie-Breaker	56.33%	70.00%	
V. <u>Financial Gap Calculation</u>			
Total Development Costs	\$15,833,000	\$12,693,000	\$3,140,000
(Less) Proposed Funding Sources	(9,983,000)	(6,434,000)	(3,549,000)
Financial Gap	\$5,850,000	\$6,259,000	(\$409,000)
Per Unit	\$158,100	\$169,200	(\$11,100)

Prepared by: Keyser Marston Associates, Inc.

Filename: Cabrillo Ave Proposal Review - 08.07.11; ROEM - PF; jlr