



CaliforniaAffordableHousingAgency

AGENDA

**THE EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS
CALIFORNIA AFFORDABLE HOUSING AGENCY
EXECUTIVE BOARD MEETING**

August 9, 2021

10:00am

806 W. 19th Street
Merced, CA 95340
(209) 384-0001

DUE TO COVID-19 and PURSUANT TO CHANGES TO THE BROWN ACT ISSUED BY EXECUTIVE ORDER N-29-20 FROM GOVERNOR GAVIN NEWSOM, THE EXECUTIVE COMMITTEE OF THE BOARD OF COMMISSIONERS MEETING HAS BEEN CHANGED FROM MEETING AT 806 WEST 19TH STREET MERCED, CA TO A ZOOM VIDEO AND TELEPHONIC CONFERENCE CALL.

Zoom

<https://zoom.us/j/5600363167?pwd=RmZTR0NabzcrY0ZYQlZyYUd6blpwZz09>

Call-in Number: 1-669-900-9128

Meeting ID: 560 036 3167

Passcode: 293018

Executive Committee Member Locations

2039 Forest Avenue Suite 10
Chico, California 95928

1612 Sisk Road
Modesto, California 95350

1402 D Street
Brawley, California 92227

1400 West Hillcrest Drive
Newbury Park, California 91302

2575 Grand Canal Blvd. Suite 100
Stockton, California 95207

I. CALL TO ORDER AND ROLL

II. DIRECTORS' AND/OR AGENCY ADDITIONS/DELETIONS TO THE AGENDA

(M/S/C): ____ / ____ / ____

III. APPROVAL OF MEETING MINUTES

1. Minutes of June 14, 2021

(M/S/C): ____ / ____ / ____

IV. UNSCHEDULED ORAL COMMUNICATIONS

NOTICE TO THE PUBLIC

At this time, any person(s) may comment on any item that is not on the Agenda. Please state your name and address for the record. Action will not be taken on an item that is not on the Agenda. If it requires action, it will be referred to Staff and/or placed on the next Agenda. In order that all interested parties have an opportunity to speak, please limit comments to a maximum of five (5) minutes.

V. FINANCIAL REPORT OF ADMINISTRATOR

Current Financials of the Agency- June 2021 Financial Report

VI. RESOLUTION, ACTION AND INFORMATION ITEMS

RESOLUTION NO. 2021-09

A RESOLUTION OF THE CALIFORNIA AFFORDABLE HOUSING AGENCY MAKING DETERMINATIONS WITH RESPECT TO THE FINANCING OF A MULTIFAMILY RENTAL HOUSING DEVELOPMENT, DECLARING ITS INTENT TO REIMBURSE CERTAIN EXPENDITURES FROM PROCEEDS OF INDEBTEDNESS, AND AUTHORIZING RELATED ACTIONS

M/S/C: ____ / ____ / ____

B. ACTION ITEMS:

1. Action Item 2021-04A:

Authorization to proceed with the proposed refinancing structures for the proposed financings with K H Equities

M/S/C: ___/___/___

2. ACTION ITEM 2021-05:

Authorization for Executive Director to enter into agreement on behalf of CalAHA with Dawson Holdings, Inc for consulting services for CalAHA development consulting projects for members

M/S/C: ___/___/___

C. INFORMATION/DISCUSSION ITEM(S)

1. Executive Director's Report/Agency Revenue Income Projection for 2021 PowerPoint;
2. Prospective Santa Clara County Project with the Aspen Group
3. Current update on Trio Program;
4. Current update on prospective projects and financings;
5. Current update on member projects and administrative matters.

VII. CLOSED SESSION

None.

VIII. DIRECTORS' COMMENTS

IX. SCHEDULING OF FUTURE EXECUTIVE BOARD MEETINGS

(The second Monday of the month): September 13, 2021, October 11, 2021, November 8, 2021 and December 13, 2021

X. ADJOURNMENT



CaliforniaAffordableHousingAgency

MINUTES

THE EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS CALIFORNIA AFFORDABLE HOUSING AGENCY MEETING

June 14, 2021
10:00 a.m.

806 West 19th Street
Merced, CA

- I. The Board Meeting of the Executive Board of the California Affordable Housing Agency was called to order by Ed Mayer at 10:06 a.m. The roll was taken and a quorum declared present. The following Executive Board Members were present for the meeting:

CalAHA Executive Board Members Present:

1. Ed Mayer, Chairperson and Executive Director, Housing Authority of the County of Butte
2. Kirk Mann, Secretary/Treasurer and Executive Director, Imperial Valley Housing Authority
3. Peter Ragsdale, Executive Director, Housing Authority of the County of San Joaquin
4. Michael Nigh, Executive Director, Housing Authority of the County of Ventura

Members Not Present:

5. Barbara Kauss, Executive Director, Area Housing Authority of the County of Stanislaus

Others Present:

6. Thomas E. Lewis, General Counsel

806 West 19th Street, Merced, CA 95340
(209) 384-0001



7. Nicolas Benjamin, Executive Director - CalAHA
8. Marcela Zuniga, Deputy Director - CalAHA
9. Bob Havlicek, Executive Director of the Housing Authority of the County of Santa Barbara
10. Patrick Howard, Founding Member, Evergreen Pacific Capital, LLC
11. Julie Wunderlich, Bond Counsel Jones Hall

II. Directors' and/or Agency Additions/Deletions to the Agenda: None

(M/S/C): K. Mann/P. Ragsdale -Motion to approve agenda as presented.
Approved: 4-0

II. Approval of the Minutes:

Minutes of March 8, 2021

(M/S/C): K. Mann/P. Ragsdale – Motion to approve agenda as presented.
Approved: 4-0

Minutes of March 29, 2021

(M/S/C): K. Mann/P. Ragsdale – Motion to approve agenda as presented.
Approved: 4-0

IV. Unscheduled Oral Communication:

None.

V. FINANCIAL REPORT OF ADMINISTRATOR:

None.

VI. RESOLUTION, ACTION AND INFORMATION/DISCUSSION ITEMS:

A. RESOLUTION ITEMS:

None.

B. ACTION ITEMS:

1. Action Item 2021-02A:

Approval and acceptance of the Year 2020 Annual Audit Reports

Mr. Mayer asked for an explanation for the reduction of cash on hand over the last few years. Mr. Lewis explained revenue from the 1612 project had been received

and CalAHA is expecting to receive an additional \$100,000 upon completion of the project. Mr. Benjamin reiterated that the audit does not include income from 2020 because CalAHA did not receive it until 2021.

Mr. Mayer indicated that the Court of Fountains project is currently not generating revenue and asked what the plan was to remedy this. Mr. Benjamin explained it was a two part process. One was increasing the rents and the other was leasing the project to Aspen Real Estate Financial, LLC (contingent upon Board approval).

Mr. Ragsdale requested an explanation of anticipated cash flow for CalAHA. Mr. Ragsdale asked for a report to the Board explaining how the cash flow will move from a deficit to a surplus.

(M/S/C): P. Ragsdale/K. Mann – Motion to approve action as presented
Approved: 4-0

2. Action Item 2021-03A

Authorization to proceed with the proposed refinancing structures for the proposed financings with the Aspen Real Estate Financial, LLC.

Mr. Benjamin indicated that CalAHA has an opportunity to partner with the Aspen Real Estate Financial, LLC. Mr. Benjamin indicated that Aspen is ready to move forward with the Court of Fountains project. Each deal with Aspen would be considered and forwarded to the Board on a case-by-case basis. Mr. Benjamin informed the Board that both Patrick Howard and Julie Wunderlich reviewed the proposed Aspen deal for the Inspire Colton Apartments in Los Angeles, Ca. Mr. Mayer indicated he had no objection to move forward. Patrick Howard indicated that he believed it was a favorable structure and there is room for partnership. Mr. Howard expressed his only concern was the mandate to increase rents. Ms. Wunderlich indicated her only concern was needing a cooperation agreement to operate in the County of Los Angeles.

(M/S/C): P. Ragsdale/K. Mann – Motion to approve action as presented
Approved: 4-0

C. INFORMATION/DISCUSSION ITEMS.

1. Nick Benjamin Report on Development – Mr. Benjamin indicated that revenue projections would be presented soon adding that there is definite potential with the Aspen partnership.
3. Current update on Trio Program – Patrick Howard indicated the refinancing of three properties was just completed.

4. Current update on prospective projects and financings: None.
5. Current update on member projects and administrative matters: None.

VII. CLOSED SESSION:

None.

VIII. DIRECTORS' COMMENTS:

None.

IX. SCHEDULING OF FUTURE EXECUTIVE BOARD MEETINGS:

(The second Monday of the month):

(The second Monday of the month):

July 12, 2021, August 9, 2021, September 13, 2021, October 11, 2021, November 8, 2021 and December 13, 2021

X. ADJOURNMENT:

Meeting adjourned @ 10:59 am.

Secretary

Date

CALIFORNIA AFFORDABLE HOUSING AGENCY JPA
COMPILED FINANCIAL STATEMENTS
June 2021

Grey B. Roberts & Co.
2824 Park Avenue, Suite B
Merced, CA 95348

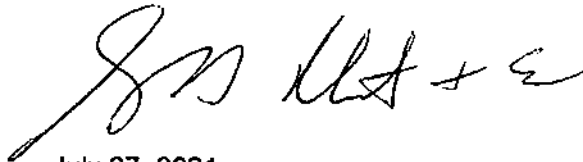
GREY B. ROBERTS & CO.
CERTIFIED PUBLIC ACCOUNTANTS
2824 PARK AVENUE, SUITE B
MERCED, CALIFORNIA 95348
(209) 383-2442

Board of Directors
California Affordable Housing Agency JPA

We have compiled the accompanying cash basis statement of net assets of the general fund of California Affordable Housing Agency JPA as of June 30, 2021 and the related cash basis statement of activities for the six months ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures and the Statement of Cash Flows required by generally accepted accounting principles. If the omitted disclosures and statement were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

A handwritten signature in black ink, appearing to read "JBR" followed by a stylized flourish.

July 27, 2021

California Affordable Housing Agency

Balance Sheet

As of June 30, 2021

	Jun 30, 21
ASSETS	
Current Assets	
Checking/Savings	
Cash	42,000.00
WestAmerica	503,713.21
RaboBank Checking	237,757.11
RaboBank Money Market	226,855.73
Court of Fountains Supplemental	2,299.87
Court of Fountains Main Reserve	59,562.68
F & M Bank - Checking	9,865.15
F & M Bank - Money Market	221,785.01
Total Checking/Savings	1,303,838.76
Other Current Assets	
Accounts Receivable	
Housing Assistance Receivable	16,768.00
Ben Harvy Investments, LLC	50,097.33
A/R Foothill Terrace	40,500.00
A/R Court of Fountains	52,220.00
Accounts Receivable - Other	5,110.00
Total Accounts Receivable	164,695.33
Intercompany Due To	13,436.17
Prepaid Insurance	6,810.36
Tenant Security Deposits	21,035.00
Mortgage Escrow Deposits	-854.29
Other Reserves	437,903.59
Total Other Current Assets	643,026.16
Total Current Assets	1,946,864.92
Fixed Assets	
Land Olive Tree Apartments	110,000.00
Buildings and Improvements	1,333,018.03
Depreciation Building and Improvements	-381,594.00
Total Fixed Assets	1,061,424.03
Other Assets	
AHA Organizational Costs	21,902.48
Accum Amort of Costs	-21,902.48
Bond and loan fees	173,999.52
Accumulated amortizations	-37,539.52
Total Other Assets	136,460.00
TOTAL ASSETS	3,144,748.95

See accountants' report and notes to financial statements

California Affordable Housing Agency
Balance Sheet
As of June 30, 2021

Jun 30, 21

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

Accounts Payable	39,981.82
Total Accounts Payable	<u>39,981.82</u>

Other Current Liabilities

Accrued Interest	27,324.00
Deposit	154,900.00
Direct Deposit Liabilities	50,000.00
Tenant Security Deposits (L)	12,057.00
Series 2004A Bonds	20,000.00
U. S. Dept of Ag Note Payable	1,299.00
Series 2009A Bonds	-8,333.34
LT Portion of Bonds Payable	760,684.00
Current Portion of Notes Pay	215,280.00
LT Portion of Notes Payable	980,447.00
Issuer Holding Acct	296,884.00
Total Other Current Liabilities	<u>2,510,541.66</u>

Total Current Liabilities	<u>2,550,523.48</u>
----------------------------------	---------------------

Total Liabilities	2,550,523.48
--------------------------	--------------

Equity

Change in Net Assets	-45,285.00
Unrestricted Net Assets	-819,602.00
Restricted Net Assets	776,639.00
Owner Contributions	175,000.00
Fund Balance	533,151.29
Net Income	-25,677.82
Total Equity	<u>594,225.47</u>

TOTAL LIABILITIES & EQUITY	<u><u>3,144,748.95</u></u>
---------------------------------------	----------------------------

See accountants' report and notes to financial statements

California Affordable Housing Agency
Profit & Loss
January through June 2021

	<u>Jan - Jun 21</u>
Ordinary Income/Expense	
Income	
Laundry and Vending	-400.26
Annual Issuer's Fee	73,250.00
Reimbursed Costs	231,759.50
Other income	-285.72
Total Income	<u>304,323.52</u>
Expense	
Administrative Expenses	3,650.00
Financial Advisor Fees	9,757.75
Operation and Maintenance	6,765.36
Bank fees/wires	535.19
Insurance Expense	10,591.00
Accounting & Auditing Fee	2,740.00
Legal Expense	148,364.80
Training & Travel	5,261.16
Contract Costs	112,500.00
Office Supplies	3,891.16
Office Rent	6,000.00
Website & Internet Expenses	558.46
Annual Retreat/Conference	5,042.88
Dues & Memberships	895.00
Taxes	13,546.76
Total Expense	<u>330,099.52</u>
Net Ordinary Income	-25,776.00
Other Income/Expense	
Other Income	
Interest Income	98.18
Total Other Income	<u>98.18</u>
Net Other Income	98.18
Net Income	<u><u>-25,677.82</u></u>

See accountants' report and notes to financial statements

RESOLUTION NO. 2021-09

A RESOLUTION OF THE CALIFORNIA AFFORDABLE HOUSING AGENCY MAKING DETERMINATIONS WITH RESPECT TO THE FINANCING OF A MULTIFAMILY RENTAL HOUSING DEVELOPMENT, DECLARING ITS INTENT TO REIMBURSE CERTAIN EXPENDITURES FROM PROCEEDS OF INDEBTEDNESS, AND AUTHORIZING RELATED ACTIONS

WHEREAS, pursuant to the provisions of the Joint Powers Act, comprising Articles 1-4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code, certain public agencies have entered into a joint exercise of powers agreement, dated as of March 1, 2001, as amended, pursuant to which the California Affordable Housing Agency (the "Agency") was organized; and

WHEREAS, pursuant to Articles 1 through 5 of Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California, the Agency is authorized to issue revenue obligations in order to finance the acquisition, construction and/or rehabilitation and development of multifamily projects for persons and families of low and very low income residing within the jurisdiction of the Agency; and

WHEREAS, Aspen Real Estate Financial LLC ("AREF"), or an affiliate thereof, has proposed to enter into a Lease Agreement with the Agency, such that the Agency would acquire a leasehold interest in a 47-unit multifamily rental housing development located at 1363 Colton Street in the City of Los Angeles, California to be known as the Inspire Colton Apartments (the "Project") to be owned by the Agency and operated as workforce housing; and

WHEREAS, the Agency has made a request to the Housing Authority of the City of Los Angeles ("HACLA") to enter into a Cooperative Agreement, permitting the Agency to operate within the jurisdiction of HACLA; and

WHEREAS, the Agency expects to incur or pay from its own funds certain expenditures in connection with the Project prior to the issuance of indebtedness for the purpose of financing costs associated with the Project on a long-term basis; and

WHEREAS, subject to meeting all the conditions set forth in this Resolution, the Agency reasonably expects that debt obligations in an amount of approximately \$25,100,000 (the "Bonds") will be issued and that certain of the proceeds of the Bonds will be used to reimburse the Agency for its prior expenditures for the Project; and

WHEREAS, Section 1.103-8(a)(5) and Section 1.150-2 of the Treasury Regulations require that the Agency declare its reasonable official intent to reimburse prior expenditures for the Project with proceeds of a subsequent borrowing; and

WHEREAS, the Agency now desires to so declare its intent to issue the Bonds, subject to the conditions described below, and to authorize certain actions related thereto.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the California Affordable Housing Agency as follows:

Section 1. The Agency finds and determines that the foregoing recitals are true and correct.

Section 2. The Agency hereby declares its official intent to issue, at one time or from time to time, an aggregate of up to \$25,100,000 principal amount of the Bonds the proceeds of which are to be loaned to the Agency to finance the costs of acquisition of a leasehold interest in the Project by the Agency; including for the purpose of reimbursing to the Agency costs incurred for the Project prior to the issuance of the Bonds.

Section 3. The Bonds will be payable solely from the revenues of the Project and other authorized revenues pursuant to a loan agreement or other agreements to be entered into between the Agency and the Borrower in connection with the financing of the Project.

Section 4. The issuance of the Bonds is subject to the following conditions: (a) the Agency and HACLA shall have entered into a cooperative agreement, (b) the Agency and AREF shall have first agreed to mutually acceptable terms for the acquisition of the Project under a leasehold interest, (c) the Agency shall have agreed to terms for execution and delivery of the Bonds, and mutually acceptable terms and conditions of the Bond indenture, and other related documents for the financing of the Project; (b) all requisite governmental approvals shall have first been obtained; and (c) a resolution approving the financing documents to which the Agency will be a party shall have been adopted by the Board of Directors of the Agency.

Section 5. It is intended that this Resolution shall constitute "some other similar official action" towards the issuance of bonds within the meaning of Section 1.103-8(a)(5) of the Treasury Regulations and "official intent" within the meaning of Section 1.150-2 of the Treasury Regulations, each as applicable under Section 103 of the Internal Revenue Code of 1986, as amended.

Section 6. This Resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED this 9th day of August, 2021.

AYES:

NOES:

ABSENT:

ABSTAIN:

Chair, Board of Directors
California Affordable Housing Agency

Attest:

Secretary, Board of Directors
California Affordable Housing Agency



CaliforniaAffordableHousingAgency

MEMORANDUM

TO: CalAHA Executive Committee

8/9/2021

FROM: Nick Benjamin, Executive Director

SUBJECT: Request from KH Equities to partner with CalAHA

As you are aware, CalAHA has been acquainted with KH Equities, a Los Angeles based developer. Per the attached memo, they are seeking to establish recognition as an agency partner. The basic structure of the partnership is that each transaction/deal will be brought before the board on an individual basis for consideration.





KH Equities

June 29, 2021

To:

Nick Benjamin
Executive Director
California Affordable Housing Agency
806 W. 19th Street
Merced, CA 95340

From:

Daniel Mense
President
KH Equities
1601 Vine St.
Los Angeles, CA 90028

Re: CalAHA participation in select KH Equities' deals to provide regulatory agreement and limited financing

Nick,

I know you introduced our company and concept to your board in your April board meeting. I am requesting that you seek formal board approval to partner with KH Equities on select transactions to provide a regulatory agreement and limited financing for the purposes of creating and preserving affordable housing throughout California. I realize that each deal will be evaluated on its own merit and will require separate board approval. We look forward to a long, fruitful relationship with CalAHA. Thank you for your consideration of this request.

Sincerely,

Daniel Mense
President
KH Equities



California Affordable Housing Agency

MEMORANDUM

TO: CalAHA Executive Committee

8/9/2021

FROM: Nick Benjamin, Executive Director

SUBJECT: Repositioning of Tax Credit Projects in Butte County

We have been working with Ed Mayer and his authority on the repositioning of 3 tax credit projects that are beyond the 15-year compliance period. This will involve transferring the properties to the housing authority or its affiliates and refinancing the projects in order to provide funds for rehabilitation. The project will require a group with prior experience in all aspects of rehabilitation including needs assessments, actual construction work and tenant relocation if necessary. We have been in contact with the principals of Dawson Holdings, Inc. and they are interested in partnering with CalAHA on the development consulting for these projects. We are in the process of preparing an agreement with Dawson Holdings, Inc. and would like the Executive Committee's approval for the Executive Director to negotiate this agreement.

CalAHA Executive Director's Monthly Report

MONTH: July, 2021

Prepared by: Nick Benjamin- Executive Director

Summary of Activities Last Month:

Activity focused on assisting pending projects. (Foothill Terrace, Edwards Estates Phase2 and 1612) Work on the potential lease/sale of Court of Fountains continues. In addition, both Aspen and KH Equities are bringing forth properties for review. Two projects are located in Santa Clara County. New SCCHA ED, Preston Prince was too busy to take them on but gave go-ahead to CalAHA to proceed.

CLIENT/PROJECTS AMOUNT	STATUS/ACTIVITY	EST. DOLLAR
---------------------------	-----------------	-------------

HA Stanislaus County Edwards Estates: Modesto, CA 2-HOME units. Phase 2-33 for sale SFD	Phase I complete. Two HOME restricted units sold 12/20. Design work on Phase 2 in progress. Scheduled for 4/19/2021 submittal to jurisdiction.	\$12.25M
HA Stanislaus County Bentley Estates: Waterford, CA 13-for sale SFD	Seeking new GC to negotiate Bid particulars. Revise loan structure.	\$5.2M
HA Stanislaus County Foothill Terrace: San Andreas, CA 30- 1bd. Units Workforce rental housing	Engineering site plan completed/Awaiting jurisdiction review. GC Bids should be received by 08/30/21, then structure finance.	\$3.9M
HA Stanislaus County	Hotel Acquisition and Rehabilitation (closed escrow 6/30/2020) Rehabilitation efforts in process. Completion of Phase 1 by 10/2021	\$21.5M
HA San Joaquin County Turnpike/Lodi Properties: San Joaquin County, CA	Member agency utilized another contract source. Other projects	

CalAHA Executive Director's Monthly Report

12-18 units of Workforce rental housing	remain in pipeline and possibilities for CalAHA.	
Butte County HA-Bond/Aspen Structure/DH partnership-3 projects	In progress	\$29M
Butte County HA Fogg Ave. Oroville CA	Initial site plan and unit layout in progress. 17 small home units. *Moved to 2021 Target Year	\$3.2M



California Affordable Housing Agency

MEMORANDUM

TO: CalAHA Executive Committee

8/9/2021

FROM: Nick Benjamin, Executive Director

SUBJECT: Agency Revenue/Income Projections for 2021

In the course of the June 8, 2021 board meeting, the board requested a projection of agency revenue/income for the current year and immediate future.

Given the number of potential transactions that are currently in flux, and the respective income capacity of each, I thought it prudent to delay submitting an income projection until this August 9, 2021 meeting in the hope of firming up the evolving information provided. Accordingly, a PowerPoint presentation is attached.





CalAHA Revenue Projections 2021

Nick Benjamin
Executive Director

Current year revenue received:

- ▶ Direct Development Activities (1612 and Foothill Terrace)
- **\$234,014.62**
- ▶ Financing-Transaction Activities (Issuer Fee) -
\$74,870.00

YTD 2021 Income received: **\$308,884.62**

Sources of Projected Revenue:

- ▶ CalAHA continues to serve members with development/construction management services
- ▶ CalAHA has partnered with Aspen Real Estate Financial, LLC (AREF) on June 14, 2021

Sources of Income generated by CalAHA are:

- ▶ Direct development/construction management services-manufactured home sales etc.
- ▶ Traditional Bond Issuance - Set rates by agency policy
- ▶ AREF - Conversion of market rate housing to affordable workforce housing (1% net present value of total project revenue, (NPV) fee for non-rated transactions and 2% NPV on rated transactions)

Short term Projected Revenue CalAHA (3-6 months):

- ▶ Court of Fountains Apartments-Restructure/Refinance
- ▶ Differential between equity and restructure proceeds **\$500,000.00**
- ▶ 1% NPV fee **\$172,946.00**

Total Projected revenue: **\$672,946.00**

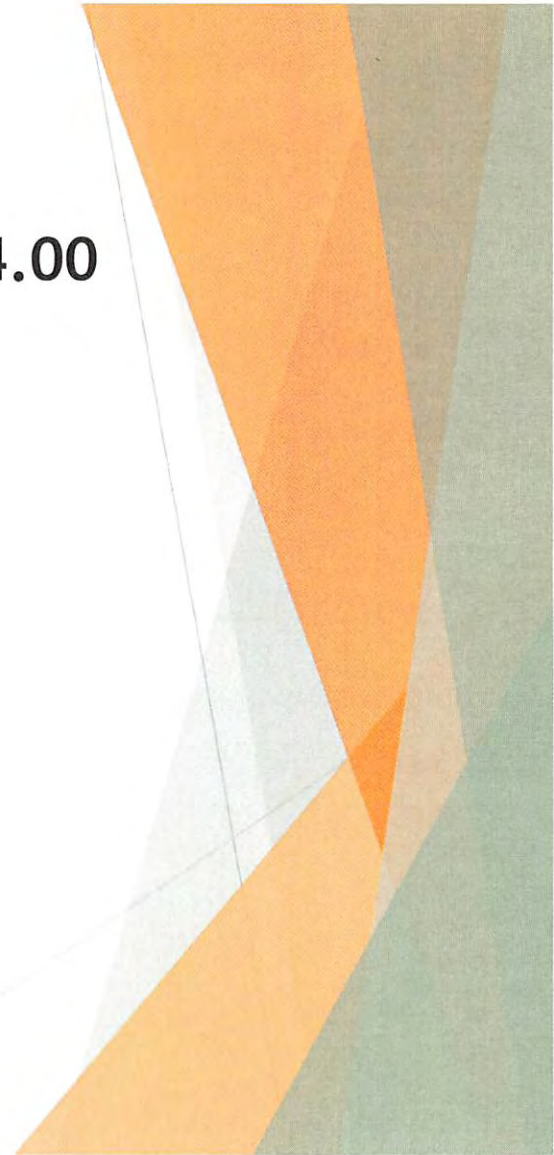
Butte County Properties, AREF restructure or traditional bond financing, plus construction management services.

Approximate total fee: between **\$300,000.00** - **\$400,000.00**

Inspire Apartments, AREF transaction, CalAHA acts as issuer and lessee

- ▶ 47 units of market rate rental housing converted to affordable workforce housing.
- ▶ 1% NPV fee - **\$791,378.00**

Total Projected Short term revenue- **\$1,764,324.00**





CaliforniaAffordableHousingAgency

MEMORANDUM

TO: CalAHA Executive Committee

8/9/2021

FROM: Nick Benjamin, Executive Director

SUBJECT: Structure Analysis – Aspen/AREF from Patrick Howard

Attached for your information is the analysis report regarding the Aspen financing structure and potential impacts to credit worthy guarantors. The report was compiled by longtime CalAHA Financial Analyst, Patrick Howard. The report was necessary to produce for a number of important reasons. Chiefly, so that the CalAHA Executive Committee members could gain a greater understanding of the ASPEN/AREF structure and potential risks associated with the structure.

Mr. Howard has compiled a well written, detailed report for which I am most grateful. I believe you will find it to be a valuable resource.



PHIG Holdings LLC

Structured Finance, Real Estate Investment Banking & Consulting

The purpose for this summary is to provide a review of the proposed structured financing for the California Affordable Housing Agency and its Member Housing Authorities ("CalAHA"). CalAHA was approached by Aspen Real Estate Financial ("Aspen") for consideration of partnering with Aspen and others in an attempt to deliver affordable housing solutions through multifamily acquisitions as financed by Aspen's proprietary structured financing solution.

The ultimate strategy in delivering long-term affordability in this structure is predicated on property tax exemption in order to deliver below market rate rents on larger size, market rate properties offering a higher level of amenities than typical affordable rental properties. An added component to this structure involves the potential use of credit enhancement guarantees that would be provided by CalAHA or others when possible that would provide further economic benefits to the property being financed.

Here are the basic elements of what is being proposed in the financing structure:

- Finance the purchase of multifamily rental projects
- Utilize a long-term 40-year triple net lease with a government agency
- Benefit from property tax exemption due to government agency interest in the property and the possible use of a credit guarantor
- Fees paid to partners, including CalAHA and/or other government agency (-ies)
- Establish below market rents and maintain long-term affordability
- Reserves funded through proceeds up front and on-going cash flow
- Managed by third party property management company

The following are the participating partners in this financing structure:

- Lessor/Assignee: Aspen Real Estate Financial ("Aspen")
- Lessee/Tenant: California Affordable Housing Agency ("CalAHA")
- Guarantor (considered): Housing Authority of the County of Butte ("HACB")
- Tax Opinion: Greenberg Traurig LLP, Attorneys at Law
- CalAHA Consultants: Jones Hall (attorney) & PHIG Holdings (credit and real estate)
- Non-guarantor financings: D.A. Davidson & Co. (bond financing underwriter)
- Property Management: To be determined

Objectives for consulting review:

- Determine viability and sustainability of Aspen's housing financing structure
- Determine structure viability and risk associated for CalAHA as Tenant and sponsor
- Evaluate risk considerations for HACB as Guarantor utilizing its Standard & Poor's Issuer Credit Rating ("A+ rating") to provide guarantor credit coverage for CalAHA transactions
- Considerations for initial projects: 1) HACB owned tax credit properties, 2) Court of Fountains (owned by CalAHA), 3) Inspire Colton on 1363 Colton Street, Los Angeles ("Inspire") and 4) other future projects that would follow utilizing this same structure

PHIG Holdings LLC

Structured Finance, Real Estate Investment Banking & Consulting

Viability and Sustainability:

A comprehensive review of the proposed housing financing structure as presented by Aspen was completed that included numerous conference calls, emails and other correspondence. Given that Aspen's financing structure involves a public-private partnership and the use of a long-term 40-year lease, the following items were reviewed as templates for what would be utilized on every transaction being financed under this financing structure:

- Lease agreement and rider
- Lease abstract
- Proforma financials
- Reserves
- Presentations for projects being considered
- Document examples that had been previously prepared for the City of Pacifica, CA providing examples of a Board Resolution, Regulatory Agreement, and Loan Agreement

The agreement and documents as reviewed all appeared to be comprehensive in their purpose and intent. The financials were also clearly presented and sufficiently highlighted the various components to the structure and the long-term impacts of ownership, both positive and negative.

The financing structure is attempting to establish layers of reserves to help provide protection to the parties in this transaction. Reserves are funded by the Lessor, Aspen, include a first loss cash reserve sized to cover operating deficits up to 15% vacancy, a second loss cash reserve of equal value to absorb additional deficiencies, and a capital reserve funded at the net present value of an assessment at \$450 per unit per year over the term of the lease. Further protection comes by establishing rents at 20% below market rents and maintaining that level through the term that in theory would allow for the project to absorb any market downturns.

Lease payments are based on rent escalation projected at a rate of 3% per year and are paid on a monthly basis from project operating cash flow. The property is subject to a mortgage to secure the underlying debt being used by Aspen to acquire the property and fund reserves, fees, and closing costs. Lease payments are structured to fully cover underlying debt obligations.

A key component to the structure is the ability to benefit from property tax exemption due to CalAHA's equitable interest as Lessee. The property tax exemption amount is credited as part of the Lessee's lease payment.

Lessee's equity interest accrues at a rate of 2.5% per year over the 40-year lease term, and grants a passive interest subject solely to the terms and conditions of the lease. The lease does however grant the Lessee a "Call" provision allowing for a refinancing or buyout beginning in year 25 with all net proceeds benefitting the Lessee.

PHIG Holdings LLC

Structured Finance, Real Estate Investment Banking & Consulting

Fees being paid at closing of transaction include: 2% NPV based to Lessee/Guarantor, 2% to bankers, and transaction fees customary for legal and advisory.

Tenant Risks and Mitigations Thereof:

As Tenant in this structured financing, CalAHA will enter into long-term 40-year lease agreement. CalAHA will earn a fee equal to 1% of the Net Present Value when no credit guaranty is involved and tax-exempt non-rated bonds are used for financing, and a fee equal to 2% of the NPV when there is an investment grade rated credit guarantor involved, such as the HACB and its A+ rating.

Guarantor Risks and Mitigations Thereof:

Under this financing structure, a use of a credit guaranty from an investment grade source allows for more favorable terms for the Lessee due to the lower risk associated for the Lessor. The guaranty serves as a financial intermediary and is responsible for a default by the Lessee, protecting the Lessee from eviction under the terms of the lease. The risk involves the Guarantor having to cover the financial obligation of lease payments should the project cash flow be insufficient to cover fully, and there no longer being any reserves or ability by the Lessee to cover the obligations. This Guarantor risk can further be absorbed through the practice of reserving a portion of those fees received with closing, allowing for even more time to try to restructure the financing in the event of unplanned for and long-lasting complications to the operations of a project having been financed under this structure.

That being said, one of the primary issues for the HACB in lending out their guaranty under this program structure concerns how their Standard & Poor's Issuer Credit Rating ("ICR") would be impacted. This required a conversation with Standard and Poor's to learn how they would analyze HACB's guaranty for purposes of HACB maintaining its "A+" ICR. A conversation was had with S&P credit analyst Alan Bonilla by phone, and he will be meeting internally during the week of July 12-16, 2021 to determine how they might view their analysis impact to the ICR for the credit guaranty.

Based on prior experience, it is expected that S&P will monitor the total guarantor commitments obligated by HACB, but would not modify the rating based on the guarantor commitments unless HACB were to be required to utilize any of its own financial resources to cover any shortfalls as stipulated under the guarantor agreements. That being said, S&P could opt to place some level of capacity on HACB's use of providing such guarantor agreements. It would be expected that for the projects already in HACB's portfolio there would be no adverse rating impact, and the Court of Fountains project would have minimal impact, but larger financings like the Inspire Colton project

PHIG Holdings LLC

Structured Finance, Real Estate Investment Banking & Consulting

may initially cause a negative rating review by S&P until they better understand the individual project fundamentals and assess the potential risk to HACB's ICR from the credit guaranty.

To illustrate the potential adverse impact from lending its ICR as a guaranty in a financing transaction we reexamined a tax-exempt bond financing from 2001 impacting the City of Vallejo Housing Authority where following the tragic events of 9/11 the City's guaranty was triggered requiring on-going payments for the project's debt service until such time as the project was sold. Fortunately, in this case the project was sold at a profit that enabled the City to recapture the funds they had had to provide during the period of operating cash flow shortfalls. With this in mind, it would be prudent for HACB to develop an internal plan to assess a desired level of capacity in the amount of guarantor agreements it would be willing to provide, and this would be viewed as a positive by S&P to see this level of oversight.

Project Evaluations Under Consideration:

BCHA Tax-Credit Projects

The tax-credit projects, 235 units in total, include the following: 1200 Park, Chico and Walker, 678 Buttonwillow, and 2071 Amanda. A transaction involving these properties would be similar to COF in that HACB, like CalAHA for COF, already has an ownership interest in these properties. The structure would include a sale by HACB to Aspen with a lease to CalAHA and a guaranty from HACB. While the impact on HACB's ICR would be considered negligible given that its ICR already accounts for these properties in its assessment, the fee to HACB would be significant at \$796,788. Information on the financing structure and proformas are attached.

Court of Fountains

The Court of Fountains ("COF") property is a 34-unit multifamily apartment complex located at 502 N Mercey Springs Road in the City of Los Banos, Merced County, California. COF is owned by CalAHA and CalAHA is looking to in effect refinance the property by selling the property to Aspen and then lease it back through this financing structure with funds available to complete some desired improvements to the property. CalAHA is requesting from HACB, as a result of HACB having an investment grade ICR, its credit guaranty for the financing for a fee equal to \$172,946. The fee is calculated based on 1% of the Net Present Value of the projected Net Cash Flow over the term of the financing. The guaranty is structured to cover operating shortfalls in the event all Reserves have been drawn down and not replenished. This exposure could result in significant cash requirements to assist in the continuing operating performance of the project; however, CalAHA would take a first loss position prior to guarantor payments and there would presumably be an ability to refinance the debt on the property or sell the property to further diminish or release HACB from on-going obligations in the event they were to occur. Conclusion, the financial risk to HACB in the case of the COF project is deemed low and therefore should not cause any adverse impact to the HACB ICR unless there were ever to occur on-going cash outflow

PHIG Holdings LLC

Structured Finance, Real Estate Investment Banking & Consulting

requirements attributed to the guaranty. Given that CalAHA has owned this property for a number of years now the risk is further mitigated due to CalAHA's experience with this property. Information on the financing structure and proformas are attached.

Inspire Colton, 1363 Colton St., Los Angeles, CA

Due to the large size and location of this project in LA County requiring local housing authority jurisdiction approval for CalAHA it is not recommended that HACB consider this project for its credit guaranty at this time. It is advised that the above projects be completed first in order to determine the feasibility of then engaging in larger projects that could have a more significant impact on HACB and its ICR as too much credit guaranty exposure could limit HACB's ability to utilize its ICR for its own local borrowing needs in the future. In addition, it is advised to continue discussions with S&P to fully understand the potential impact to the ICR for taking on projects of this size.

Future Projects

The fees generated from the financings proposed above could provide an excellent source of additional income and reserves for protecting HACB's ICR for engaging in future financing structures with CalAHA, including Inspire Colton and projects like it.

Conclusion:

It is my conclusion that this structure has merit and would appear to be viable for CalAHA to utilize as one of its financing structures for both it and its Members.

Further, it would appear that the risks associated in this structure would be manageable for HACB as a credit Guarantor enabling the use of monetizing its ICR for its own properties as noted above, as well as for the Court of Fountains project.

Finally, given the size and scale of the Colton project, in addition to its jurisdiction issues requiring additional approvals, I cannot at this time offer a recommendation without further consulting with S&P as to how it will ultimately treat HACB's ICR for these transactions.

Patrick Howard
July 9, 2021



CaliforniaAffordableHousingAgency

MEMORANDUM

TO: CalAHA Executive Committee

8/9/2021

FROM: Nick Benjamin, Executive Director

SUBJECT: Resolution Approving CalAHA Participation as Bond Issuer/Lessee for the Inspire Apartments-Los Angeles, CA.

After months of exposure and research, the Board approved partnership with Aspen Real Estate Financial, LLC (AREF) in the regular meeting of June 14, 2021. Pursuant to the terms of the partnership and Board oversight, each transaction is to be brought before the Board for consideration. The action of converting and/or preserving market rate rental housing is well within the mission and scope of CalAHA.

Accordingly, before you are the documents to approve the initial transaction with AREF. The property is located in Los Angeles, California. The property consists of 47 units of housing (6-studios, 38-1 bd. and 3-2 bd.) currently designated for market rate use (4 of those units are inclusionary set aside for very low-income occupancy). A full offering sheet and underwriting summary of the project is attached. As presented, the transaction would convert the units from market rate occupancy to a weighted average of 86% AMI rental rates (Percentage excludes the four inclusionary units at 30% AMI).

Additional considerations for this transaction are as follows:

- CalAHA legal and consulting fees are included in the transaction;
- Due to the location of the property, a cooperation agreement is required from the Housing Authority of the City of Los Angeles (HACLA) (preliminary work on routing the agreement is underway);



- The 120-day escrow period will allow time for customary due diligence and additional tasks such as securing a property management firm to operate the property;
- The transaction will be underwritten and funded by DA Davidson Company; and
- Efforts on the part of all involved parties are to develop processes and documents that will streamline future transactions.

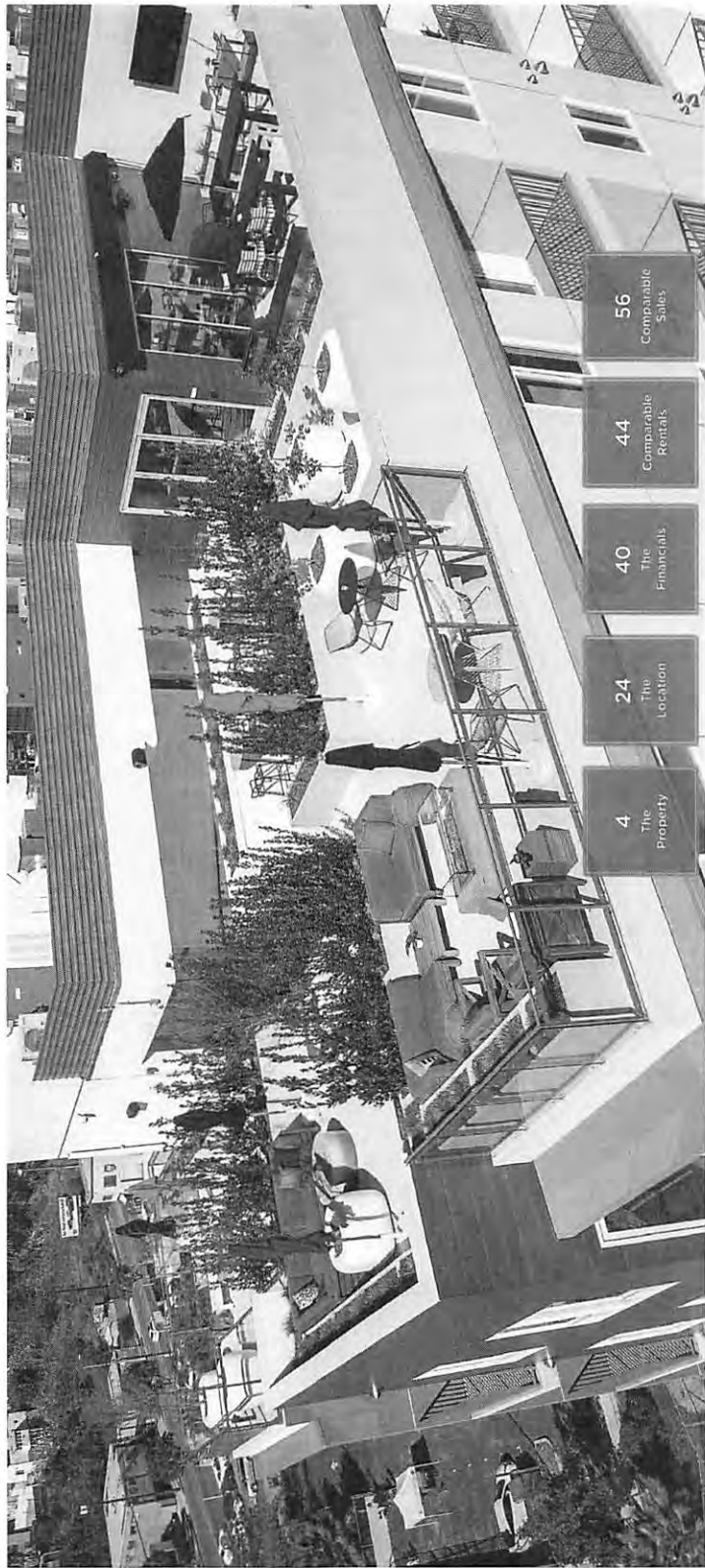


LOCATED IN TRENDY ECHO PARK

1363 COLTON STREET
LOS ANGELES, CA 90026

2021 CONSTRUCTION

47 UNITS



56
Comparable
Sales

44
Comparable
Rentals

40
The
Financials

24
The
Location

4
The
Property



THE
PROPERTY

Investment Highlights

- **Rare Opportunity to Purchase 47 Unit Luxury Lifestyle Community Centrally Located in Trendy Echo Park**
 - **Brand New Construction Completed February 2021**
 - **No Rent Control: Rents for Newly Constructed Units in the Submarket of Over \$4 PSF**
 - **Set Majestically on a Hill and Towering 8 Stories Tall**, the Community Offers an Abundance of Natural Light with Iconic Views of the Downtown LA Skyline and famed Hollywood Sign
 - **Interiors Feature a Fluid Design with Contemporary “Green” Living Features**, including Energy Efficient Stainless Steel Appliances, Smart Thermostats, Keyless Entry, Electric Car and Bike Charging, Shared Electric Bikes for Tenant Use, In Unit W/D, and Designer Finishes
 - **Luxurious Community Amenities** include a Fitness Center, Expansive Rooftop Deck with Multiple Entertaining Areas Featuring Firepits and an Outdoor Kitchen, Sky Lounge with Self Serve Tap Card System for Beer and Kombucha, Secured On-Premises Parking, and Package Receiving Lockers
 - **Offering an Active, Enriching and Adventurous Lifestyle**, Inspire Colton is Walking Distance to Echo Park Lake, the Only Lake on the Eastside that can be Utilized for Recreation (8 miles), Echo Park Indoor Pool (across the street), Echo Park Tennis Courts (4 miles), Echo Park Branch Library (3 miles), and the 10.5 acre Vista Hermosa Natural Park (2 miles) boasting Walking Trails, Streams, Meadows, Picnic Grounds and a Nature-themed Playground
 - **Inspire Colton offers a Suburban Escape for The Young, Chic Demographic that Does Not Want to Live within the Urban Density that Downtown LA offers.** Residents Can Enjoy the Hip Culture, Independent Restaurants and Boutique Shopping of Silver Lake and Echo Park, in addition to the Mainstream Attractions of DTLA, including LA Live Entertainment Complex and Staples Center, Walt Disney Concert Hall, and Acclaimed Theater Venues and Museums
- ↳ Inspire Colton

Investment Highlights

- **Inspire Colton's Central Location Provides Residents with the Option to Work and Travel Elsewhere with Ease.** With Convenient Access to Multiple Metro Stations and Direct Access to Four Major Freeways (the 101 Hollywood Fwy, the 110 Pasadena Fwy, the 5 Santa Ana Fwy, and the 2 Glendale Fwy), Inspire Colton Offers Convenient Access to Major Employment Centers such as Downtown LA, Hollywood, Glendale, and Burbank
- **Inspire Colton is Ideally Positioned for Lease-up, with Virtually No Competition from Brand New Luxury Apartments in Lease-up Nearby.** Echo Park is a Significant Barrier to Entry Market. Lack of Infill Opportunities and Local Anti-development Sentiment have Historically Deterred New Multifamily Projects in the Area
- **Strong Market Fundamentals**
 - The population increased by 8.2% between 2010 and 2020, and is projected to increase by 9.9% between 2020 and 2025, which is nearly twice the national benchmark of 4.7% (within 1 mile)
 - 81% of the housing units are renter occupied (within 1 mile)
 - 35% of the population is at a prime renter age, between 25 and 45 years old (within 1 mile)
 - The average household income of residents 25-44 years old is \$70,596 (within 1 mile)
 - Typical home value within the 90026 zip code is \$1,027,500, a 10% YOY forecasted housing increase in Echo Park (Zillow, Jan. 2021)

Property Info

ADDRESS	1363 Colton Street
CITY	Los Angeles, CA 90026
PRICE	Market Price
NUMBER OF UNITS	47 (includes 4 ELI)
YEAR BUILT	Completed February 2021
PARCEL #	S160-011-006 and -019
BUILDING SF	45,176 SF± (GSF) / 32,440 SF± (NRSF)
NUMBER OF STORIES	8
AVERAGE SF	690 SF±
PARKING	25 Spaces
UNIT MIX	6 - Studio (Urban One) 557-560 SF 38 - 1 Bed / 1 Bath 604-718 SF 3 - 2 Bed / 3 Bath 1,268-1,363 SF 47 TOTAL



Property Summary

Built in 2021, Inspire Colton is a 47-unit lifestyle community centrally located in the trendy Echo Park neighborhood of Los Angeles between downtown LA and Silver Lake. The property is not subject to rent control.

Standing majestically on a hilltop at a towering 8-stories tall, the community offers an abundance of natural light and world-renowned views of the downtown LA skyline and the famed Hollywood sign. The unit interiors feature a fluid design with contemporary features, including energy efficient stainless-steel appliances, smart thermostats, keyless entry, and designer finishes. Amenities include the Sky Lounge, an expansive rooftop deck with numerous entertaining areas featuring firepits and an outdoor kitchen, a fitness center with views, and evening stargazing opportunities.

Offering an active, enriching and adventurous lifestyle, Inspire Colton is walking distance to Echo Park Lake (8 miles), Echo Park Indoor Pool (across the street), Echo Park Tennis Courts (4 miles), Echo Park Branch Library (.3 miles), and the 10.5 acre Vista Hermosa Natural Park (2 miles) boasting walking trails, streams, meadows, picnic grounds and a nature-themed playground. In recent years, nearby Echo Park Lake underwent a two-year, \$45 million renovation and has evolved from a neighborhood landmark into a utopian destination for the residents of Los Angeles. Echo Park was named one of America's Greatest Neighborhoods by the America Planning Association for its breathtaking topography set in the hills above Downtown LA, historic architecture, and pedestrian-oriented streets and stairways.

Inspire Colton offers a unique mix of the hip culture, independent restaurants and boutique shopping of Silverlake and Echo Park, in addition to the mainstream attractions of DTLA, including LA Live entertainment complex featuring Staples Center, Walt Disney Concert Hall, and acclaimed theater venues and museums. DTLA has experienced a recent renaissance and \$17.3 billion of investment since the late 1990's.

In addition to the nearby attractions and amenities, Inspire Colton's central location provides residents with the option to work and travel elsewhere with ease. Within minutes, residents can access multiple metro stations and enjoy direct access to four major freeways (the 101 Hollywood Freeway, the 110 Pasadena Freeway, the 5 Santa Ana Freeway, and the 2 Glendale Freeway) providing convenient access to major employment centers such as Downtown LA, Hollywood, Glendale, and Burbank.



Unit Amenities

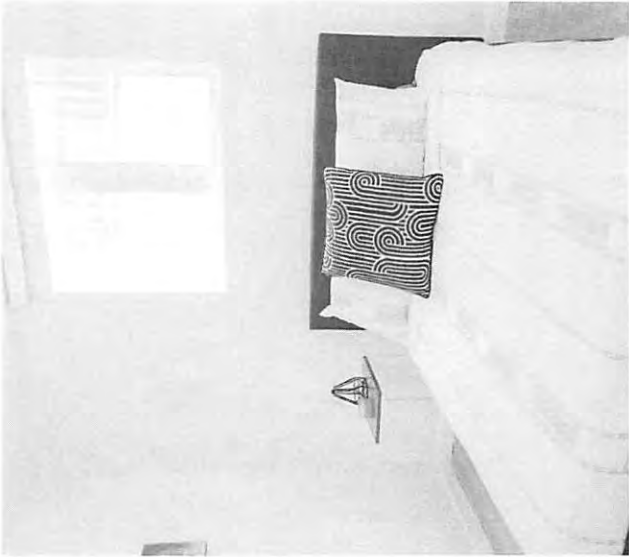
- Downtown Los Angeles and Hollywood Hills Views
- Balconies and Patios in Every Unit
- Abundance of Natural Light
- Central Air/Heating
- Designer Style Kitchen Cabinets
- Dual-Paneled Windows
- "Green Living" Details, Including: Energy Saving Stainless Steel Appliances and Smart Thermostats
- In-Unit Washer/Dryer
- Quartz Countertops
- Hardwood-Style Floors
- Custom Tiled Bathrooms
- Luxurious Glass Shower Doors
- Smart Entry Door Locks
- Walk in Closets*
- Furnished*

*In select units

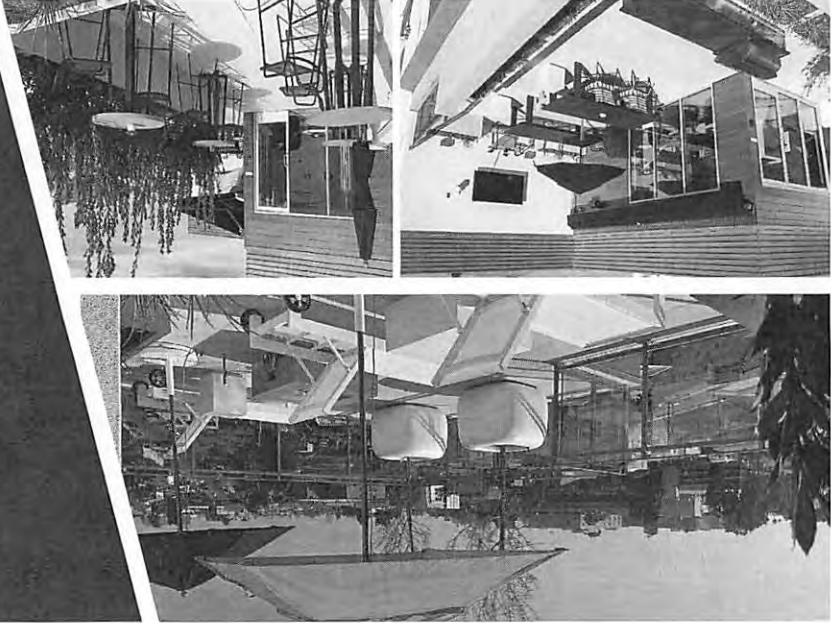




14 Inspire Colton



The Property 15



- Expansive Rooftop Deck with TV, Outdoor Kitchen with BBQ, Fire Pits, and Amazing Views
- State-of-the-Art Fitness Center
- Sky Lounge
- Self-Serve Tap Card System for Beer/Wine
- Secured Underground Parking
- Green Living Amenities, including Electric Car and Bike Charging, Shared Electric Bikes for Tenant Use
- Secured Bike Storage
- High Speed Internet
- Controlled Access/Gated Parking
- Package Receiving Lockers
- Local Art Throughout
- 7 Furnished Units (30+ Day Rental Available)

Community Amenities





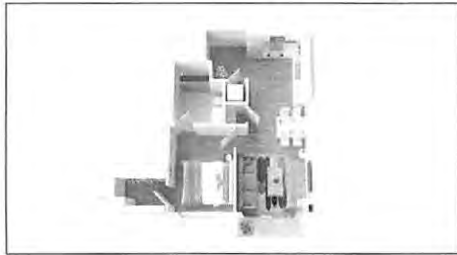
20 Inspire Colton



The Property 21

Floor Plans

1 BEDROOM A (UNITS 305, 408, 508, 608, 708, 804)

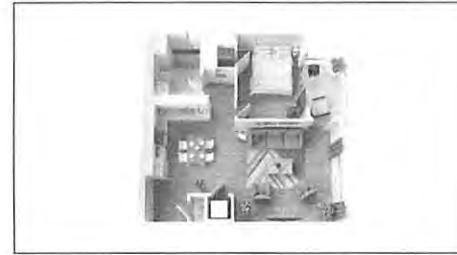


1 BEDROOM CS (UNITS 301, 401, 501, 601, 701)



Floor Plans

1 BEDROOM D (UNITS 402, 502, 602, 702)



1 BEDROOM E (UNITS 403, 404, 405, 503, 504, 505, 603, 604, 605, 703, 704, 705, 801)



Floor Plans

1 BEDROOM F (UNITS 406, 506, 606, 706, 803)

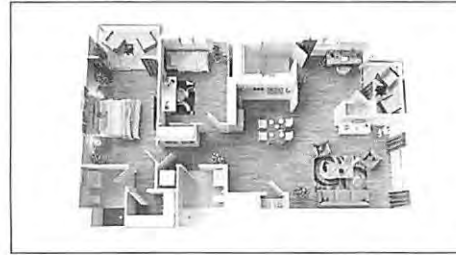


1 BEDROOM G (UNITS 407, 507, 607, 707, 803)



Floor Plans

2 BEDROOM A + DEN (UNIT 302)

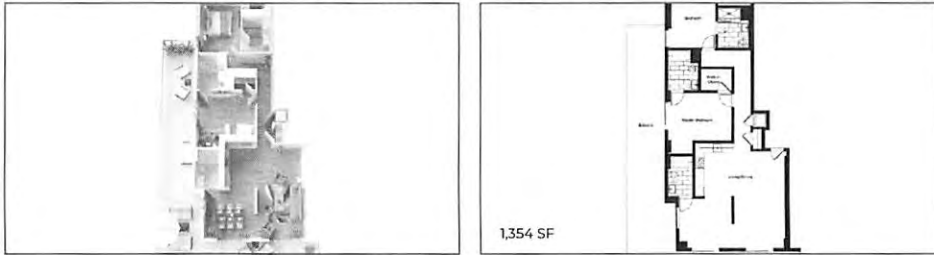


2 BEDROOM B + DEN (UNIT 303)

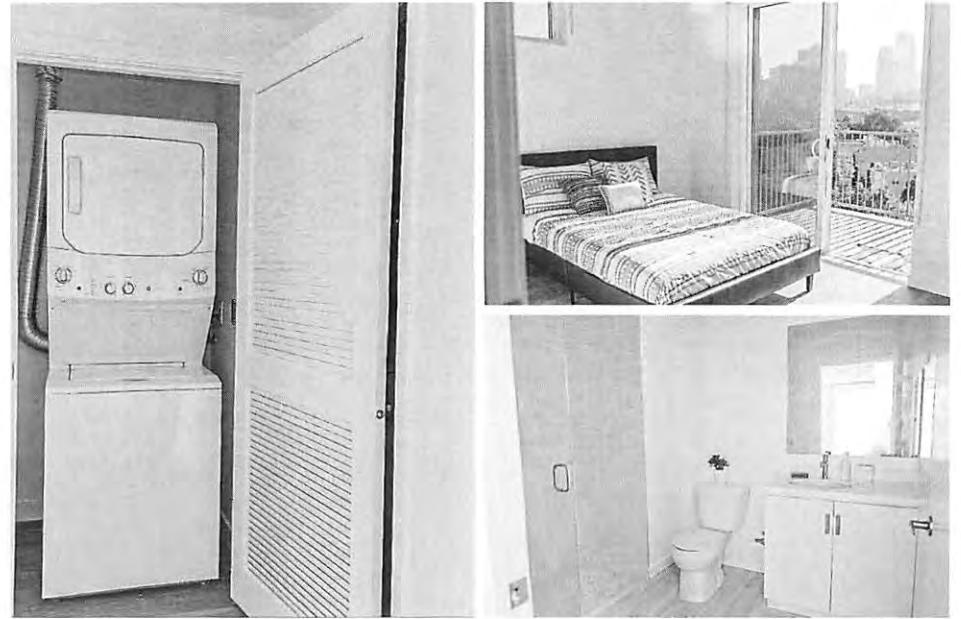


Floor Plans

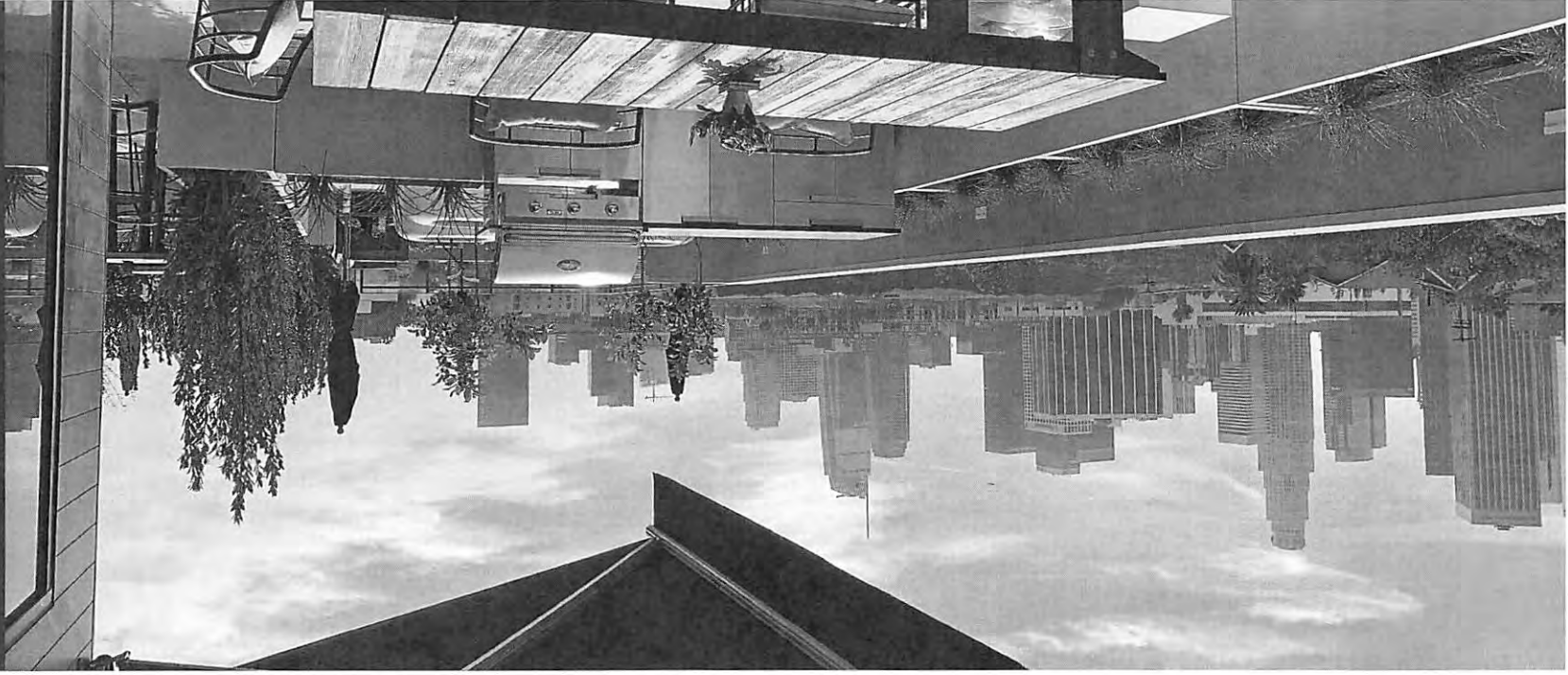
2 BEDROOM C + DEN (UNIT 304)

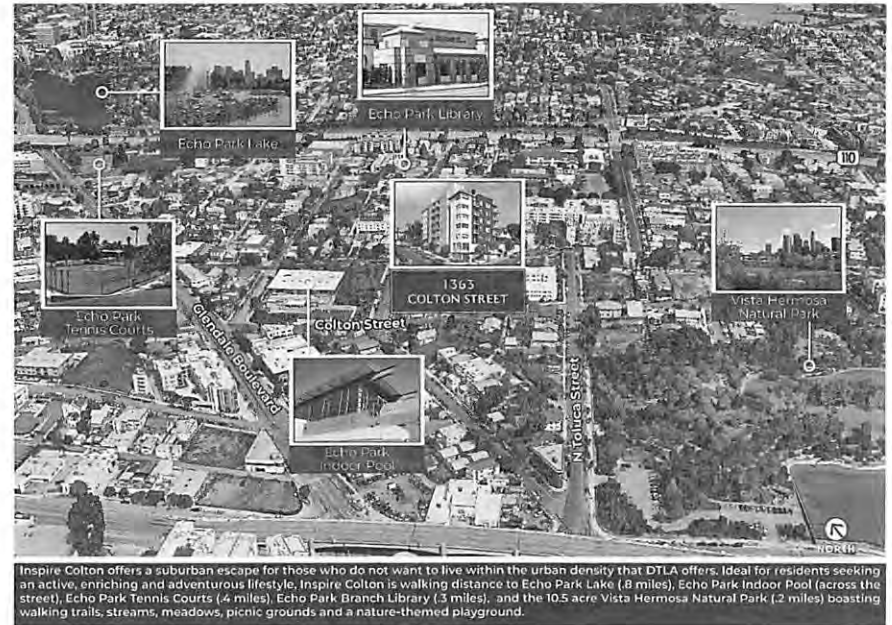


STUDIO B (UNITS 306, 409, 509, 609, 709, 805)



THE
LOCATION





Inspire Colton offers a suburban escape for those who do not want to live within the urban density that DTLA offers. Ideal for residents seeking an active, enriching and adventurous lifestyle, Inspire Colton is walking distance to Echo Park Lake (0.8 miles), Echo Park Indoor Pool (across the street), Echo Park Tennis Courts (4 miles), Echo Park Branch Library (3 miles), and the 10.5 acre Vista Hermosa Natural Park (2 miles) boasting walking trails, streams, meadows, picnic grounds and a nature-themed playground.

Location Description Echo Park

Echo Park attracts a young chic demographic searching for an urban lifestyle in Los Angeles. Conveniently located near Silver Lake, Griffith Park, Downtown Los Angeles, and Hollywood, the neighborhood is attracting younger residents that are looking to be closer to the action while avoiding the tourist-filled streets of Hollywood, Santa Monica, and Venice. Bordered by Silver Lake on the southwest, Echo Park is a mecca for young hipsters, in addition to being one of Los Angeles's most historic and diverse neighborhoods. Echo Park is made up of five major districts, which include Elysian Valley, Elysian Heights, Angelino Heights, Victor Heights, and Historic Filipinotown (HIF). Each district has its own history, architecture, and charm, including stunning Victorian mansions. The vibrant area is the epicenter of the LA experience featuring colorful street murals, coffee shops, stylish boutiques, indie music venues, trendy bars, and taco trucks along Sunset Boulevard, the neighborhood's main thoroughfare.

Occupying 2.4 square miles of Central LA, the neighborhood encompasses Dodger Stadium, Elysian Park and Echo Park Lake (the only lake on the Westside of LA that can be utilized for recreation). In recent years, Echo Park Lake reopened after a \$45 million renovation and features paddle-boating, walking paths, a lotus garden, and the Lady of the Lake statue on its northern shores. Located just south of the lake, Echo Park Recreation Center offers many community programs, picnic and grilling areas, a variety of sports courts, and a seasonal pool.

Dodger Stadium, home of Major League Baseball's (MLB) Los Angeles Dodgers, is the largest stadium in the MLB with a seating capacity of 56,000. In 2019, the Dodgers had the best overall attendance in the MLB with nearly 4 million total spectators. Work is virtually complete on a \$100 million renovation of Dodger Stadium which includes new seating behind the pavilions as well as new concession and entertainment space.

Bordering the stadium is the 600-acre Elysian Park, the city's oldest park, offering hiking trails leading to vista points of downtown's skyline and the LA Basin.



Location Description Silver Lake

Often referred to as Los Angeles's hippest neighborhood, Silver Lake is home to a diverse mix of residents ranging from celebrities, creatives, and professionals to an increasing number of families. Silver Lake offers the best of Los Angeles living, with picturesque hilltop views, boutique shopping, and a dining scene growing in popularity.

Silver Lake Reservoir, which the neighborhood was named after, is a popular 2.25-mile loop for runners and walkers seeking a pleasant stroll through several parks. The main hub of Silver Lake is Sunset Junction, a walkable strip along Sunset Boulevard that boasts dozens of trendy shops as well as local bars and coffee shops.

Nearby Hollywood is defined by its position at the center of the film and entertainment universe, and the local office market reflects this dynamic. Capitol Records, Live Nation, the Academy of Motion Picture Arts and Sciences, and other titans of the industry are headquartered here, while new kid on the block Netflix continues to expand its footprint. Hollywood also has an above-average concentration of jobs associated with the health care industry, thanks to the presence of Kaiser Permanente.

Downtown's rebirth and subsequent luxury building boom may draw some demand away from Northeast LA, but Silver Lake has developed a trendy reputation of its own in recent years, and its appeal to the desired Millennial demographic should continue to draw renters. Northeast LA is a demographic microcosm of LA as a whole: densely populated, culturally diverse, and with a handful of affluent areas rubbing shoulders with a lower-middle-class majority. The Los Angeles River Basin restoration project could help boost demand. It is expected that this project could spur billions of dollars in commercial development along the river's length, and multifamily and retail developers are already showing interest in this area.

Popular with many young professionals, the eastside neighborhoods of Silver Lake and Echo Park are currently home to about 73,930 residents. Combined, their population is projected to increase 5.2% over the next five years, adding over 3,810 new residents.



Location Description Downtown LA



Downtown Los Angeles is the city's urban center where the cutting-edge and the classic sit side-by-side. The area is home to mainstream attractions, including the LA Live entertainment complex featuring Staples Center, Walt Disney Concert Hall and acclaimed theater venues and museums. Long known as the central business district of Los Angeles, DTLA has experienced a renaissance over the years with the influx of bustling restaurants, unique retail, inspiring cultural institutions, music and nightlife and quiet parks. DTLA is attracting a new generation of companies in growth sectors, including world-class architecture firms, pioneering technology startups, popular fashion brands, and new media companies.

L.A. LIVE is the sports and entertainment district that surrounds STAPLES Center, home to the LA Lakers, Sparks and LA Kings, and the Microsoft Theater (7,000 seat concert and awards show venue). At the center of the campus is the Xbox Plaza, a 40,000 sf open air space, featuring six 75-foot towers with LED signage. A wide variety of restaurants can be found throughout, as well as several entertainment venues, including The Novo (a 2,300 person venue), the Conga Room, Lucky Strike Lanes & Lounge, and The GRAMMY Museum®. A 14-screen Regal Cinemas and The Ritz-Carlton Hotel, Los Angeles, the JW Marriott Los Angeles L.A. LIVE and The Ritz-Carlton Residences at L.A. LIVE are located at the northwestern end of the district.

THE MUSIC CENTER is LA's performing arts destination, home to four iconic theaters and four renowned resident companies, Center Theatre Group, the LA Master Chorale, the LA Opera and the LA Philharmonic. The Music Center is a destination where audiences find inspiration in the very best of live performance, as well as nationally recognized arts education. The neighboring **Walt Disney Concert Hall** is an internationally recognized architectural landmark and one of the most acoustically sophisticated concert halls in the world. The 3.6-acre complex is the home of the Los Angeles Philharmonic.

THE BROAD MUSEUM, adjacent to the Walt Disney Concert Hall, is a contemporary art museum and home to 2,000 works in the Broad collection by more than 200 artists. It is considered one of the world's leading collections of postwar and contemporary art. Opened in 2015, the \$140 million building was designed by world-renowned architectural firm Diller Scofidio + Renfro in collaboration with Gensler. The 120,000-square-foot building features two floors of gallery space.



Location Description Downtown LA



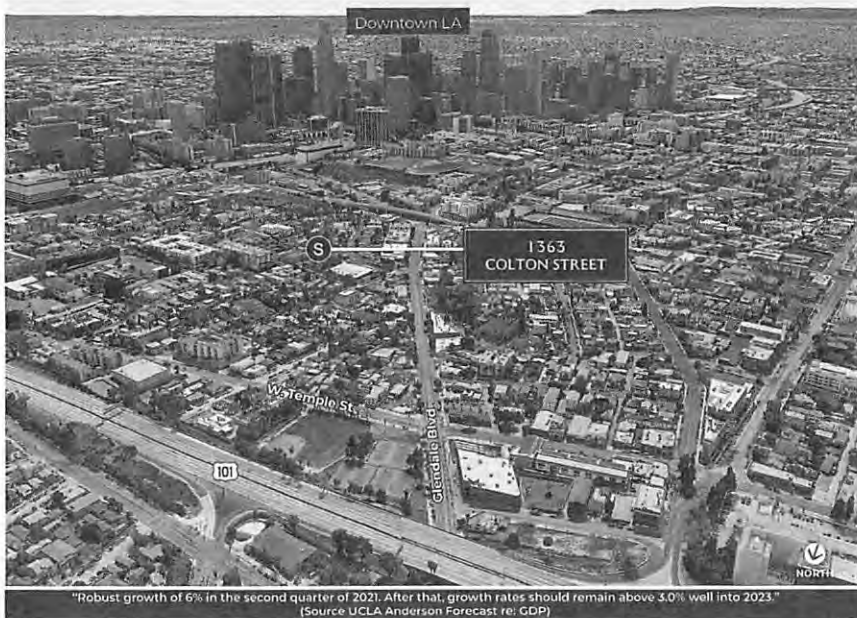
GRAND CENTRAL MARKET, a recipient of Bon Appetit's Best Restaurants of the Year, is one of DTLA's historic landmarks and features a plethora of dining options. Open since 1917, the 30,000 square-foot Grand Central Market is a spacious European-style market showcasing international diversity with upscale restaurant options and food stands featuring produce, dried goods, spices, meats, poultry, seafood and ethnic eateries. In addition to the Market, DTLA is home to classics such as Bottega Louie, Faith & Flower and Perch, as well as local favorites Moriton's The Steakhouse, Engine Co. No. 28, and Border Grill. Casual eateries and food trucks are also area staples.



GRAND PARK is a 12-acre park located in the civic center of DTLA stretching between Los Angeles City Hall and the Music Center. There are four distinct areas featuring amenities ranging from a restored historic Arthur J. Will Memorial Fountain with a new wade-able membrane pool, a small intimate performance lawn, a community terrace, and a grand event lawn. Dotted with fountains, picnic lawns, play areas, bright pink benches, walking paths and seating areas, Grand Park is a bright urban oasis. Also located in the heart of DTLA is **Pershing Square**. The square is made up of hardscapes and grass areas with monuments, statues, a large seating platform, two children's playgrounds, a chess area, a pet area, and an open elevated myan-style amphitheater.



UNION STATION, widely regarded as "the last of the great train stations," Los Angeles Union Station is the largest railroad passenger terminal in the Western United States. The station currently serves as a transportation hub for Metro, Metrolink, Amtrak and other transportation services.



"Robust growth of 6% in the second quarter of 2021. After that, growth rates should remain above 3.0% well into 2023." (Source UCLA Anderson Forecast re: GDP)

LOS ANGELES, CA

1363 COLTON STREET
NEIGHBORHOOD QUICK FACTS

543.7k 
Population (Within Three Miles)

81% 
Renter Occupied Housing Units (Within One Mile)

\$1.027m 
Typical Home Value (95026 zip, Zillow, Jan 2021)

\$70.5k 
Average Household Income of Residents 25-44 Years Old (Within One Mile)

9.9% 
Population Projected Increase 2020 to 2025 (Within One Mile)

NEIGHBORHOOD SHOPPING

1.7mi FROM THE PROPERTY
330k SF SHOPPING DESTINATION
30 TOTAL STORES
Zara | H&M | Nordstrom Rack | Target

NEIGHBORHOOD CONVENIENCES

  
  
Within a two-mile radius of the property

PRIMARY EDUCATION

 **653k** STUDENTS SERVED
1.4k SCHOOLS AND CENTERS
757k JOBS SUPPORTED
Betty Plasencia E3 | SA Castro MS | Belmont HS

DEMAND DRIVER

1.3mi FROM THE PROPERTY
 **1.4k** JOBS SUPPORTED
408 HOSPITAL BEDS
Good Samaritan Hospital

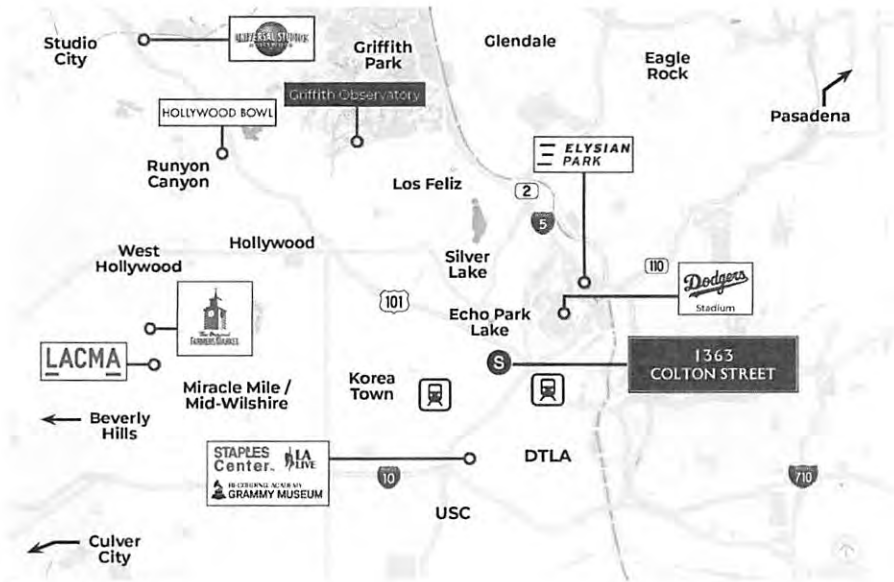
DEMAND DRIVER

20mi FROM THE PROPERTY
 **25.0k** JOBS SUPPORTED
5.6m SF FACILITY
LA Live

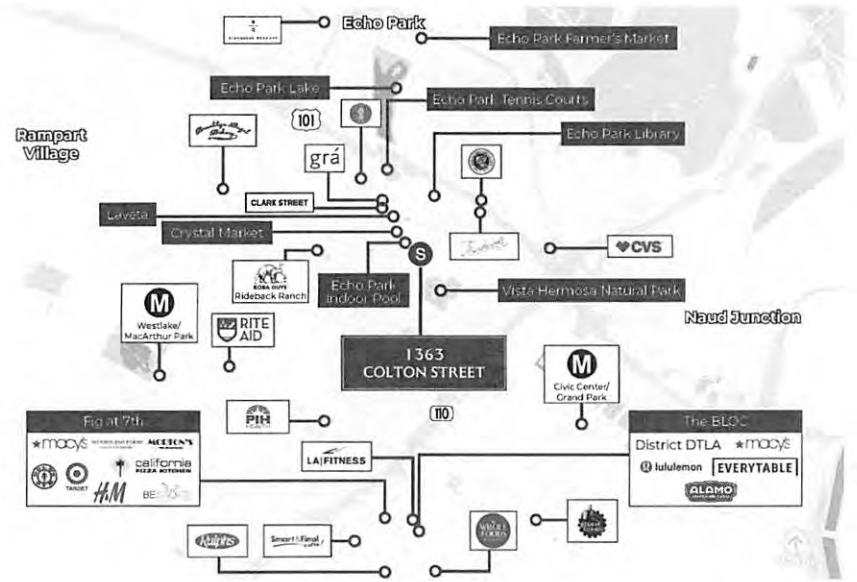
DEMAND DRIVER

4.6mi FROM THE PROPERTY
 **28.9k** JOBS SUPPORTED
46.0k STUDENTS ENROLLED
University of Southern California

Location Map



Points of Interest Map



EMPLOYER PROXIMITY

<1 MILE

THE CAPITAL GROUP COMPANIES, INC.
0.8 Miles | 2,090 Employees

PIH HEALTH GOOD SAMARITAN HOSPITAL
0.8 Miles | 1,430 Employees

- 5,000+ EMPLOYEES
- 3,000-5,000 EMPLOYEES
- 1,000-3,000 EMPLOYEES
- <1,000 EMPLOYEES

1-2 MILES

L.A. CARE HEALTH PLAN
1.0 Miles | 1,450 Employees

KPMG
1.0 Miles | 1,300 Employees

THE RITZ-CARLTON, LOS ANGELES
1.4 Miles | 2,000 Employees

FARMERS INSURANCE
1.4 Miles | 1,000 Employees

UNION BANK
1.6 Miles | 2,000 Employees

CALIFORNIA HOSPITAL MEDICAL CENTER
1.9 Miles | 1,470 Employees

LAC + USC MEDICAL CENTER
2.9 Miles | 9,000 Employees

HOLLYWOOD PRESBYTERIAN MEDICAL CENTER
2.9 Miles | 1,170 Employees

3-5 MILES

KAISER PERMANENTE LOS ANGELES MEDICAL CENTER
3.2 Miles | 6,060 Employees

UNIVERSITY OF SOUTHERN CALIFORNIA
3.4 Miles | 28,870 Employees

PARAMOUNT PICTURES CORP
3.8 Miles | 4,300 Employees

NETFLIX
4.1 Miles | 1,980 Employees

FARMER JOHN
4.7 Miles | 1,300 Employees

OCCIDENTAL COLLEGE
5.2 Miles | 2,000 Employees

SOCALGAS
5.3 Miles | 2,410 Employees

CBS CORPORATION
5.9 Miles | 3,080 Employees

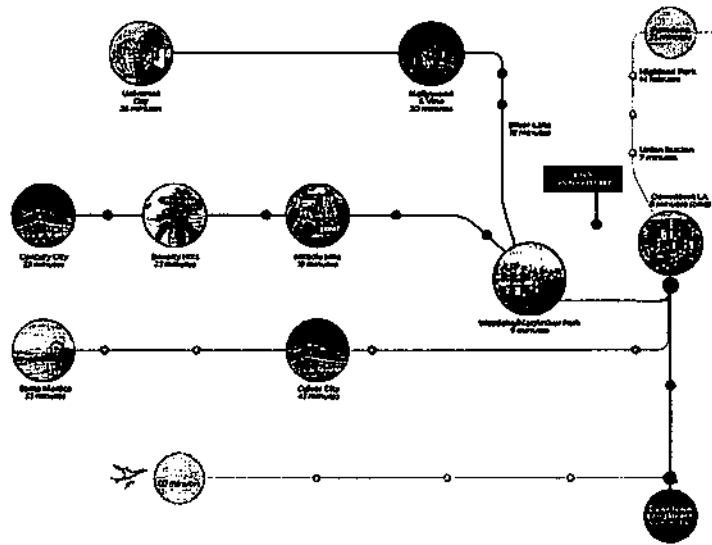
6-15 MILES

STRAIGHT LANDER
6.8 Miles | 3,000 Employees

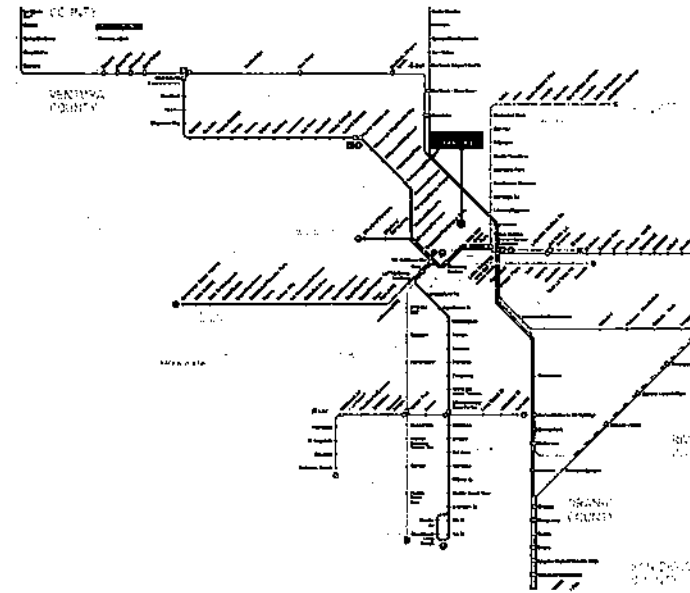
ERNST & YOUNG
13.6 Miles | 2,000 Employees

Transit Oriented Location Map

Transit oriented from San Diego, CA
 (Map constructed from existing rail plans)



Regional Metro Map



Nearby Developments

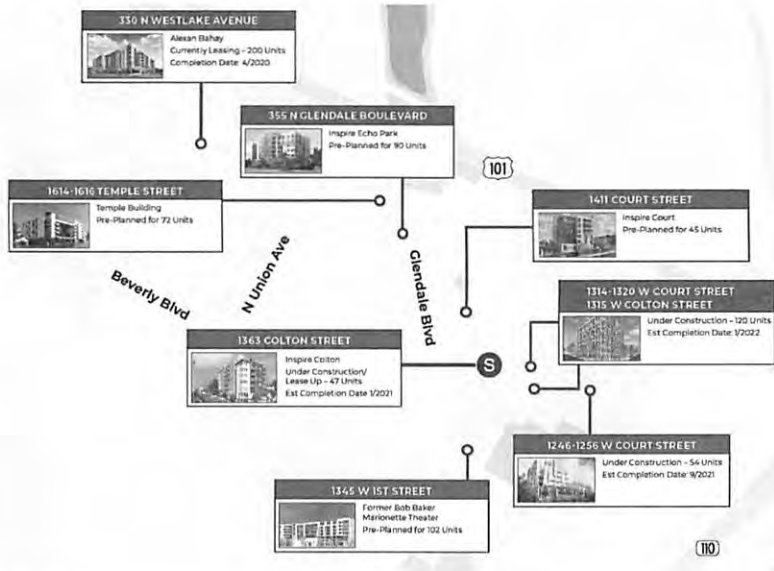


Exhibit 1 Initial Inputs

Inspire Colton Apartments bond analysis

project

Complex Name	Inspire Colton Apartments			
	<i>Moody's</i>	<i>S&P</i>	<i>Fitch</i>	<i>Other rating</i>
Pick				NR
LESSEE & Guarantor [A&B]	CalAHA		Special Purpose Essential Housing Bond	
Complex Address	1363 Colton ST		<i>City St Zip</i>	Los Angeles CA 90026
Description	47 Units 6 Studio, 38 1 BR & 3 2 BR (4 unit inclusionary @ ELI)			
Selling Broker	Matt Benwitt - Lee Assoc.		<i>Phone</i>	
E-mail			<i>Cell</i>	
Notes	Special Conditions: Call Prov @ yr 25			

numbers

Purchase Date	Nov 01, 2021			
Purch. Price Bldg (USD)	23,100,000			<i>USD</i> 23,100,000
Purch. Price Land (USD)	2,000,000			2,000,000
Purchase Price Total (USD)	25,100,000	2.80%	◀ <i>Cap Rate</i>	25,100,000
Lease Term	480	Oct 31, 61		
OR Lease End		0		
pick native currency =>	U.S. Dollar		1 USD =	1 USD
convert to currency =>	U.S. Dollar		1 USD =	1 USD

loan 1

Loan Term <i>n</i>	480			
Base Rate <i>i</i>	3.2500%			<i>Interest Only?</i>
Credit Adjustment <i>i</i>				<i>Months of i ?</i>
Other Adjustment <i>i</i>				
= Loan Rate <i>i</i>	3.2500%			<i>Balloon (USD)</i>
Amortization	1.2205%			<i>Balloon Date</i>
Constant	4.4700%			<i>OR Balloon Mo</i>
PUT override (USD)				
CALL override (USD)				

Zero
Coupon

Exhibit 2 Apartments

Inspire Colton Apartments
analysis [47 units]

cpi

CPI Every ? Years	1
CPI Percentage	3.90%

Rent as a % of income	30.00%
-----------------------	--------

Facility Size?	
Sq Feet/Meters?	Sq F

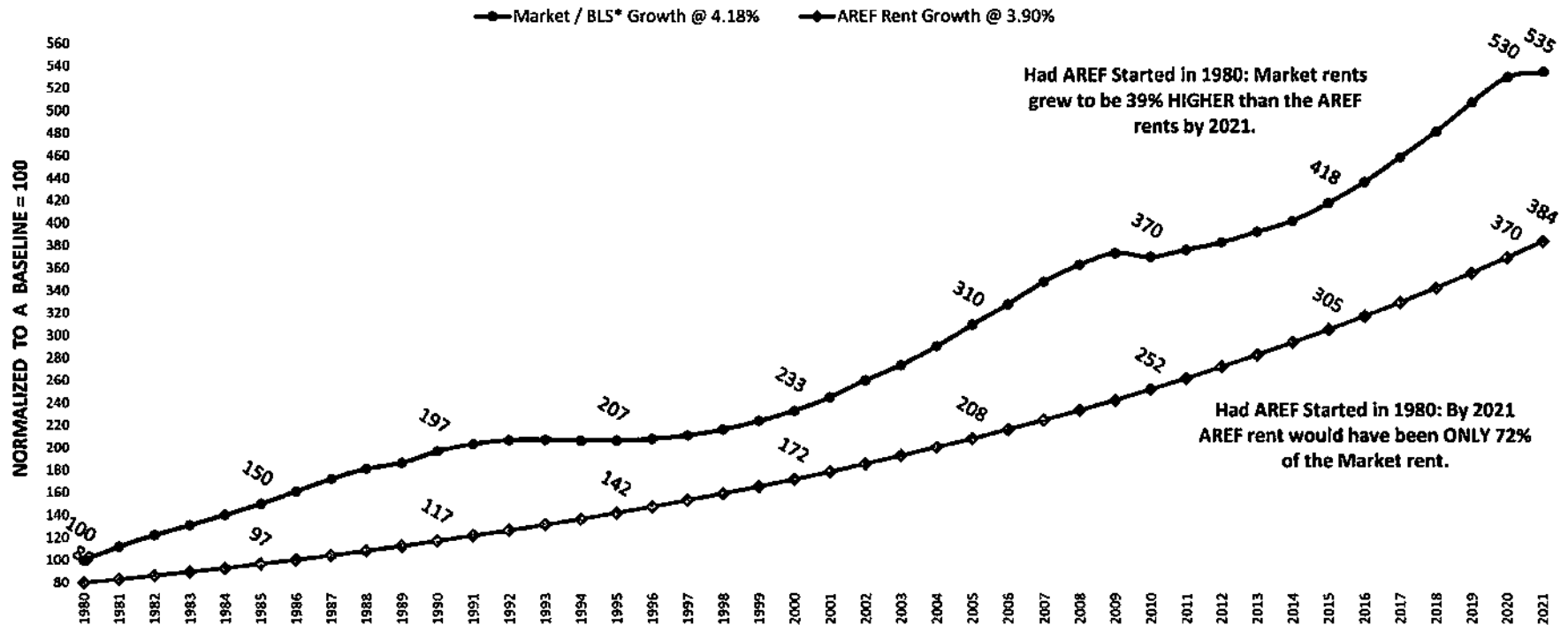
incomes

Type	AMI Equivalent	# of Units	Income Limit	30% Rent of AMI Inc.	Tenant Mo. Rent (or ▶)	Annual Rents (USD)	
Studio	84% AMI	5	69,384	1,734	1,734	104,040	
			-	-	-	-	
1 Bedrm2	82% AMI	35	77,572	1,939	1,939	814,380	
			-	-	-	-	
2 Bedrm	116% AMI	3	123,424	3,085	3,085	111,060	
			-	-	-	-	
Studio	30% AMI	1	24,780	619	619	7,428	
1 Bedrm2	30% AMI	3	28,380	709	709	25,524	
			-	-	-	-	
			-	-	-	-	
			-	-	-	-	
			-	-	-	-	
Total Units:		47		Other / Furn. / Pet	78,600	7.4%	78,600
				RUBS	74,076	7.0%	74,076
				Parking	37,500	3.5%	37,500
							Gross Underwritten Rents
							1,252,608

expenses

Vacancy Allowance	5.00%	0	Effective Gross Income	(62,630)
Guarantor Asset Mgt Fee / OTHER				1,189,978
Capital Reserve (% gross or \$ unit)		450		-
Operating Expenses (include Prop. MGT fee)		6,546		(21,150)
Real Estate Tax is EXEMPT OR in OpEx	1.20000%	0		(307,662)
Total OpEx Per Unit		6,996		-
			Net Oper Income	861,166
			LESSEE DCR	101%
			LESSEE Rent to LESSOR	852,640

Rent of primary residence in Los Angeles-Long Beach-Anaheim, CA, all urban consumers, not seasonally adjusted (Normalized Historical Data over 42 years.)

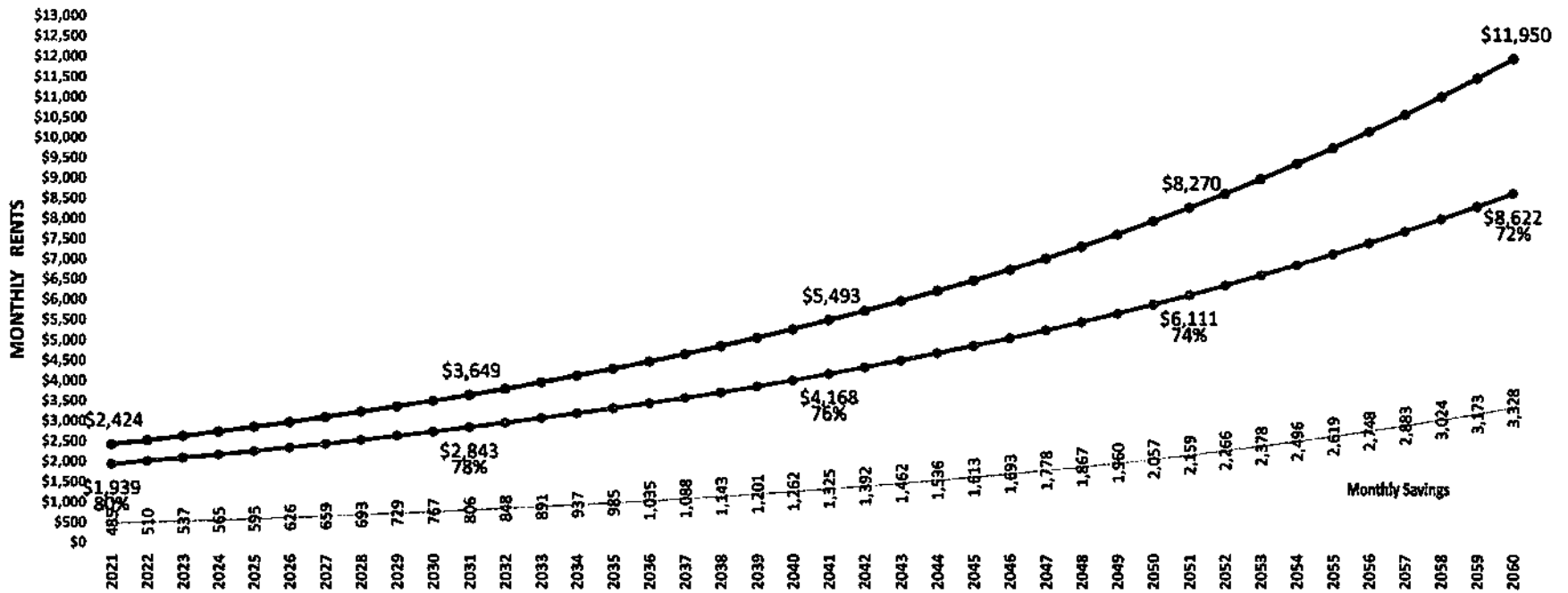


- NOTES: *1) Historical Source: US Bureau Of Labor Statistics (BLS) & Federal Reserve Bank of St. Louis (FRED).
 2) This chart is based on the BLS index growth: starting in 1980 and starts at normalized index 100 and grows 535%.
 3) AREF rent start at 80% (index of 80) of the market rent and grows 384%: (3.90% CAGR)
 4) The MARKET compounded annual Rent growth rate is: (4.18% CAGR)

Los Angeles-Long Beach-Anaheim, CA Rent: future 40 years based on Historical Data.

:: AREF Rents START at 80% of the Market ::

—●— MARKET Rent Growth @ 4.18% —●— AREF Rent Growth @ 3.90%



NOTES: 1) Historical Source: US Bureau Of Labor Statistics (BLS) & Federal Reserve Bank of St. Louis (FRED).
 2) This chart uses a 1 bedroom (2 ppl) rent level.

Exhibit 4 Local Market Rental Comps

Inspire Colton Apartments analysis [47 units]

Rent Comps:		Studio	Studio Sq.Ft.	1 Bedrm2	1 BR2 Sq.Ft.	2 Bedrm	2 BR Sq.Ft.	3 Bedrm	3 BR Sq.Ft.
Park Fifth	427 W Fifth					\$ 4,202	1,022		
THEA	1000 W 8th	\$ 2,069	503			\$ 4,528	1,183		
HWH	354 S Spring	\$ 2,119	578	\$ 2,316	687	\$ 4,386	1,176		
Griffin	755 S Spring	\$ 2,302	596			\$ 4,440	1,201		
Alina	700 W 9th	\$ 2,443	657	\$ 2,590	698	\$ 3,795	1,164		
APEX	900 S Figueroa	\$ 2,142	706	\$ 2,665	844				
8th+Hope	801 S Hope			\$ 2,728	814	\$ 3,864	1,388		
EastView	327 N Boylston	\$ 2,290	697	\$ 2,088	691	\$ 3,094	1,116		
E on Grand	1249 S Grand			\$ 2,212	767	\$ 3,258	1,142		
STOA	222 S Main	\$ 1,940	625	\$ 2,301	771	\$ 3,121	1,151		
La Plaza	555 N Spring			\$ 2,215	768				
Canvas	138 N Beaudry	\$ 1,935	602	\$ 2,294	848				
Harper	800 S Harvard			\$ 2,833		\$ 3,758			
MARKET RENTS & SIZES (Average)		\$ 2,155	621	\$ 2,424	765	\$ 3,844	1,171	\$ -	N/A
Existing Rents Avg/Subj Prop.			\$3.47		\$3.17		\$3.28		
			558		656		1,328		
Moderate Income (Workforce) REDUCED RENT		▼ 80% Of Market		▼ 80% Of Market		▼ 80% Of Market			
Rent Savings Ave @ 84% of AMI vs. Market		\$ 1,734	\$3.11	\$ 1,939	\$2.96	\$ 3,085	\$2.32		
..... Rent Savings Ave @ 82% of AMI vs. Market		\$ 421		\$ 485					
..... Rent Savings Ave @ 116% of AMI vs. Market						\$ 759			
								\$ -	
Moderate Income (Workforce):		▼		▼		▼		▼	
AREF REDUCED RENTS as a % to Market Rents:		80%		80%		80%		0%	

Exhibit 5 Rental Growth & Savings

Inspire Colton Apartments
analysis [47 units]

MONTHLY Tenant Rental Saving over Market

Yr	Studio			1 Bedrm2			2 Bedrm			3 Bedrm					
	CPI W.H. 3.90%	CPI Mrkt 4.18%	Monthly Savings p/ unit	CPI W.H. 3.90%	CPI Mrkt 4.18%	Monthly Savings p/ unit	CPI W.H. 3.90%	CPI Mrkt 4.18%	Monthly Savings p/ unit	CPI W.H. 3.90%	CPI Mrkt 4.18%	Monthly Savings p/ unit			
1	1,734	2,155	421	1	1,939	2,424	485	1	3,085	3,844	759	1			
2	1,802	2,245	443	2	2,015	2,525	511	2	3,205	4,005	799	2			
3	1,872	2,339	467	3	2,093	2,631	538	3	3,330	4,172	842	3			
4	1,945	2,437	492	4	2,175	2,741	566	4	3,460	4,346	886	4			
5	2,021	2,539	518	5	2,260	2,855	596	5	3,595	4,528	933	5			
6	2,100	2,645	545	6	2,348	2,975	627	6	3,735	4,717	982	6			
7	2,181	2,755	574	7	2,439	3,099	660	7	3,881	4,915	1,034	7			
8	2,267	2,870	604	8	2,534	3,229	694	8	4,032	5,120	1,088	8			
9	2,355	2,990	635	9	2,633	3,364	730	9	4,190	5,334	1,144	9			
10	2,447	3,115	669	10	2,736	3,504	768	10	4,353	5,557	1,204	10			
11	2,542	3,246	703	11	2,843	3,651	808	11	4,523	5,789	1,266	11			
12	2,641	3,381	740	12	2,954	3,803	850	12	4,699	6,031	1,332	12			
13	2,744	3,523	778	13	3,069	3,962	894	13	4,882	6,283	1,401	13			
14	2,851	3,670	818	14	3,188	4,128	939	14	5,073	6,546	1,473	14			
15	2,963	3,823	861	15	3,313	4,300	988	15	5,271	6,820	1,549	15			
16	3,078	3,983	905	16	3,442	4,480	1,038	16	5,476	7,105	1,628	16			
17	3,198	4,150	951	17	3,576	4,667	1,091	17	5,690	7,402	1,712	17			
18	3,323	4,323	1,000	18	3,716	4,863	1,147	18	5,912	7,711	1,799	18			
19	3,452	4,504	1,051	19	3,861	5,066	1,205	19	6,142	8,033	1,891	19			
20	3,587	4,692	1,105	20	4,011	5,278	1,266	20	6,382	8,369	1,987	20			

Note: (1) The Workforce Housing 'WH' 3.90% represents the AREF Proforma of 3.90% FIXED yearly increases.

Note: (2) The Market Rent increases 4.18% for this analysis HOWEVER California's maximum allowable yearly increases is 5% PLUS the Local CPI with a cap of 10% total. The Schedule above reflects the Workforce AREF local tenants MONTHLY SAVINGS over the next decade.

Note: (3) n/a

Exhibit 6 1st Loss Reserve

Inspire Colton Apartments
analysis [47 units]

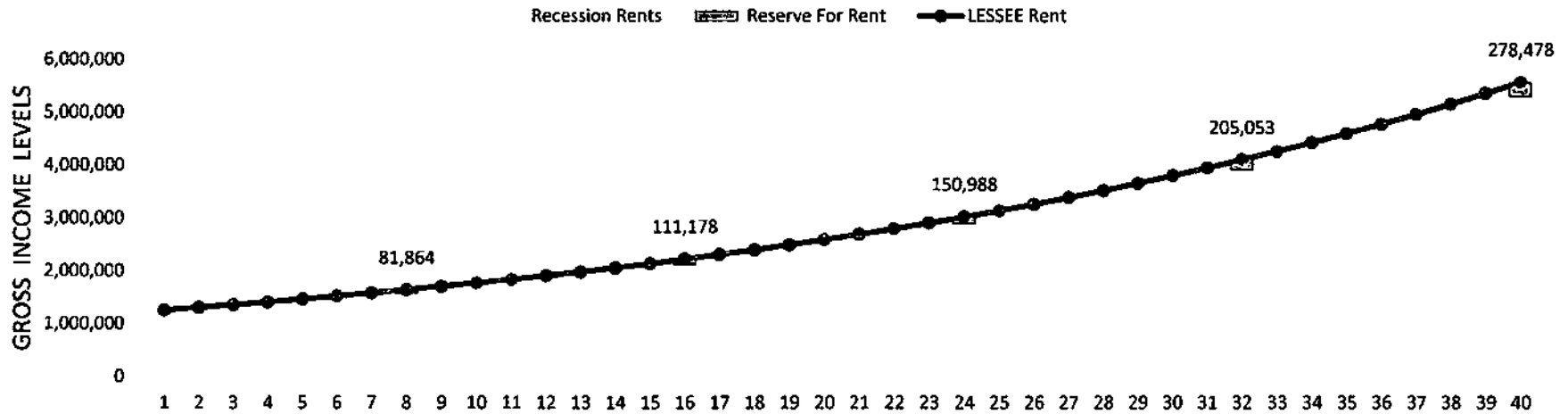
CASH Reserve Funded @ Closing (Guarantor Discretionary Fund)

Lessee Risk Management:

Lessor will provide funds at closing to cover multiple market downturns. This reserve is essentially an Operating Deficit Reserve. In the event of rental loss the Lessee can draw on the reserves.

Assumptions:

- Recession Vacancy Max 15% (incl. the std. vac %)* with a frequency of approx. every 8 years.
- Max Vacancy Duration lasts 6 months.
- * (Funds the 10% Vacancies above the normal 5%)



Funds the 10% Vacancy above the normal 5%

Upfront Funding for shortfall

Shortfall To Cover

Recession in year	of cycle	Years	Upfront Funding	Shortfall To Cover
8	of cycle	Years 1 - 8	69,870 ----grows 2%---->	81,864
16	of cycle	Years 9 - 16	80,987 ----grows 2%---->	111,178
24	of cycle	Years 17 - 24	93,873 ----grows 2%---->	150,988
32	of cycle	Years 25 - 32	108,808 ----grows 2%---->	205,053
40	of cycle	Years 33 - 40	126,120 ----grows 2%---->	278,478

Since 1981 there have been 5 recessions lasting on average of ~12 months with frequencies of ~8 years. Assumption: the down & up cycles last half of the 12 months.

LESSOR (AREF) Provided Reserve: 479,658

Exhibit 7 Project Devel. Costs

Inspire Colton Apartments
analysis [47 units]

Project Data:

Total Units 47

Land & Buildings	Developer	Owner/Lessor	
Existing Structures	23,100,000		
Land Cost	2,000,000		
Legal			
Demolition			
Contingency (% on above totals)	0	0	0.00%
Subtotal	25,100,000	0	

NOTES

Rehab. & New Construction	Developer	Owner/Lessor	
New Structures	0		
Rehabilitation	0		
Accessory Structures			
Green Systems			
Insurance Builder risk			
General Requirements			
Profit and Overhead			
Office, FF&E, Model			
Site Work			
On Site Construction			
Off Site required by Approvals			
Off Site Construction			
Contingency (% on above totals)	0	0	
Subtotal	0	0	

NOTES

Soft Costs	Developer	Owner/Lessor
Cost Estimation / Capital Needs		
Market Study		
Appraisal		10,000
Environmental Study Phase 1/2		
Geotech/Soils reports		7,500
Hazard & Liability Insurance		
Cost Certification		
Marketing & Advertising		100,000

NOTES
For Closing & Dark Appr. @ Yr 25 and 40
GAP to 95%

Exhibit 7 Project Devel. Costs

Project Reserves	Developer	Owner/Lessor	
Rent-up Reserves			
Operating Reserves		479,658	
Capitalized Replacement Reserves			
Escrows			
Honeywell (or other) Reserves			
2nd Loss Guarantee Fund		479,658	
AREF Held MTG Rsv (on Debt Service)		0	
Operating Rsv (op ex)		153,831	6
Lease Payment Rsv (on gr TT rent)		426,320	6
Const PMT/Interest (on gr TT rent)		0	
2%-3% Op Ex Reserves	Skip	0	
Contingency (% on ALL sub-totals)	0	0	
Subtotal	0	1,539,467	
Pre developer fee subtotal	25,100,000	4,043,224	

Developer Fees	Developer	Owner/Lessor	
Developer Project Fee	0		
Advisory/Comm fee (on pp land & bldg)		502,000	2.00%
Construction Mgmt			
Financing Consultant Fees			
CalAHA		791,378	
Subtotal	0	1,293,378	

TOTAL OF COLUMNS: 25,100,000 5,336,602
= TOTAL PROJECT COST: 30,436,602 Per Unit Cost: \$ 647,587

Inspire Colton Apartments analysis [47 units]

NOTES

1st Loss Rsv OpEx During Recessions (5x)
2nd Loss Rsv Trustee Held AREF earned int.
GAP to 95% max 6mo
GAP to 95% max 6mo

NOTES

Matt Benwitt - Lee Assoc.

Exhibit 9 Unit Reserves

Inspire Colton Apartments
analysis [47 units]

Year	Reserve per			future use
		Unit	w CPI Growth	
1	n/a	450	21,150	21,150
2	3.90%	468	21,996	43,146
3	3.90%	486	22,842	65,988
4	3.90%	505	23,735	89,723
5	3.90%	525	24,675	114,398
6	3.90%	545	25,615	140,013
7	3.90%	566	26,602	166,615
8	3.90%	588	27,636	194,251
9	3.90%	611	28,717	222,968
10	3.90%	635	29,845	252,813
11	3.90%	660	31,020	283,833
12	3.90%	686	32,242	316,075
13	3.90%	713	33,511	349,586
14	3.90%	741	34,827	384,413
15	3.90%	770	36,190	420,603
16	3.90%	800	37,600	458,203
17	3.90%	831	39,057	497,260
18	3.90%	863	40,561	537,821
19	3.90%	897	42,119	579,980
20	3.90%	932	43,804	623,784
21	3.90%	968	45,496	669,280
22	3.90%	1,006	47,282	716,562
23	3.90%	1,045	49,115	765,677
24	3.90%	1,086	51,042	816,719
25	3.90%	1,128	53,016	869,735
26	3.90%	1,172	55,084	924,819
27	3.90%	1,218	57,246	982,065
28	3.90%	1,266	59,502	1,041,567
29	3.90%	1,315	61,805	1,103,372
30	3.90%	1,366	64,202	1,167,574
31	3.90%	1,419	66,693	1,234,267
32	3.90%	1,474	69,278	1,303,545
33	3.90%	1,531	71,957	1,375,502
34	3.90%	1,591	74,777	1,450,279
35	3.90%	1,653	77,691	1,527,970
36	3.90%	1,717	80,699	1,608,669
37	3.90%	1,784	83,848	1,692,517
38	3.90%	1,854	87,138	1,779,655
39	3.90%	1,926	90,522	1,870,177
40	3.90%	2,001	94,047	1,964,224

Exhibit 10 LESSEE Rental Payment

Inspire Colton Apartments
analysis [47 units]

Lease Payment For: 1363 Colton ST Los Angeles CA 90026

Year	Master Lease		Cash Reserve	future use		NET DCR LESSEE
	LESSEE Rent ▼	▼ % ▼	▼ % ▼	future use	future use	Rent
1	n/a	861,166	0			852,640
2	3.90%	894,751	0			885,893
3	3.90%	929,647	0			920,442
4	3.90%	965,903	0			956,340
5	3.90%	1,003,573	0			993,637
6	3.90%	1,042,713	0			1,032,389
7	3.90%	1,083,378	0			1,072,652
8	3.90%	1,125,630	0			1,114,485
9	3.90%	1,169,530	0			1,157,950
10	3.90%	1,215,141	0			1,203,110
11	3.90%	1,262,532	0			1,250,032
12	3.90%	1,311,771	0			1,298,783
13	3.90%	1,362,930	0			1,349,435
14	3.90%	1,416,084	0			1,402,063
15	3.90%	1,471,311	0			1,456,744
16	3.90%	1,528,692	0			1,513,557
17	3.90%	1,588,311	0			1,572,585
18	3.90%	1,650,255	0			1,633,916
19	3.90%	1,714,615	0			1,697,639
20	3.90%	1,781,485	0			1,763,847
21	3.90%	1,850,963	0			1,832,637
22	3.90%	1,923,151	0			1,904,110
23	3.90%	1,998,154	0			1,978,370
24	3.90%	2,076,082	0			2,055,527
25	3.90%	2,157,049	0			2,135,692
26	3.90%	2,241,174	0			2,218,984
27	3.90%	2,328,580	0			2,305,524
28	3.90%	2,419,394	0			2,395,440
29	3.90%	2,513,751	0			2,488,862
30	3.90%	2,611,787	0			2,585,928
31	3.90%	2,713,647	0			2,686,779
32	3.90%	2,819,479	0			2,791,563
33	3.90%	2,929,439	0			2,900,434
34	3.90%	3,043,687	0			3,013,551
35	3.90%	3,162,390	0			3,131,080
36	3.90%	3,285,724	0			3,253,192
37	3.90%	3,413,867	0			3,380,066
38	3.90%	3,547,008	0			3,511,889
39	3.90%	3,685,341	0			3,648,853
40	3.90%	3,829,069	0			3,791,158

Exhibit 26 Future Value @EOY 25

Inspire Colton Apartments
bond analysis

PRO FORMA VALUE AT DESIGNATED PERIOD

Year	NOI (Rent)	Cap Rate	Gross Value	Closing Cost	Proj Tab 0 Mos Loss of Rent	TI p/Unit	Net Value	100.00% of Net Value
25.0				2.25%	0			
25	2,392,014	5.00%	47,840,277	(1,076,406)	0	0	46,763,871	46,763,871

**LETTER OF LEASE AGREEMENT
TERMS AND CONDITIONS OF MASTER LEASE**

JULY 15, 2021

Re: Master Lease of INSPIRE COLTON APARTMENTS, 1363 COLTON ST LOS ANGELES CA 90026
(together with the improvements from time to time located thereon, the "Property")

Thank you for the opportunity to provide this Letter of Lease Agreement (this "LOLA") to set forth the basic terms and conditions on which we are prepared to lease and eventually convey our interest in the Property. The general terms and conditions of this LOLA and the transaction (the "Transaction") contemplated by this LOLA are set forth below:

1. **Transaction:** Aspen Real Estate Financial LLC or its affiliates, successors, assigns or designees (collectively, "AREF"), will acquire the fee simple interest in the Land, existing units or construct the Improvements and lease the Property to LESSEE pursuant to the Lease.
2. **LESSOR:** AREF (in such capacity, "LESSOR").
3. **LESSEE:** CalAHA ("LESSEE").
4. **Agreement to Lease:** The Transaction is subject to the negotiation and execution of:
 - a. The Agreement to Lease and
 - b. The Lease. Pursuant to the Agreement to Lease (the "Agreement to Lease"), LESSOR shall agree to lease the Property to LESSEE, and LESSEE shall agree to lease the Property from LESSOR, upon substantial completion of the Improvements (C/O and ready for occupancy) or, if the Property is currently built and occupied, upon the satisfaction of the other conditions set forth therein. The Lease (the "Lease") shall be an Absolute Triple-Net lease of the Property between LESSOR and LESSEE, in which LESSEE is responsible for all costs and expenses incurred in connection with the management, ownership, operation, maintenance, restoration, replacement and repair (whether capital or otherwise as set forth herein) of all improvements and any other buildings or structures, located from time to time on the Land and any furniture, fixtures and equipment used in connection with such improvements, including, without limitation, all premiums for property, liability and other insurance required under the Lease, and any taxes, assessments, and other charges levied or imposed by any public or government authority on
 - i. LESSOR'S fee interest in the Land, the Improvements and the Lease (collectively, the "Fee Estate") and
 - ii. LESSEE'S leasehold interest in the Land and the Improvements pursuant to the Lease (collectively, "Leasehold Estate"). For the avoidance of doubt, the entire Property (including the Improvements) shall remain owned by and the property of

LESSOR for the entire term of the Lease. The Agreement to Lease and the Lease shall be prepared by LESSOR'S counsel for review and approval by LESSEE and its counsel during the Due Diligence Period (as defined below).

This LOLA summarizes some, but not all, of the terms and provisions of the Agreement to Lease and the Lease. The Agreement to Lease and the Lease may contain other material and non-material terms and conditions.

- 5. Capital Reserves** LESSOR has underwritten \$450 per unit per year as an on-going capital reserve. it is the intent of the LESSOR based on a **Forty (40)** year needs assessment to match the detailed capital expenditures required. if to the extent there is a shortfall in the capital reserve account the LESSOR will provide those funds on a present value basis to the reserve account at closing, the \$450 reserve is subject to an annual 3.90% CPI
- 6. Lessee 1st Loss Cash Reserve** At closing LESSOR will fund an additional GAP reserve of \$479,658.
- a. To cover multiple market downturns. Essentially an Operating Deficit Reserve to cover Vacancies of 15.0% (i.e., 10.0% more than std.)
- 7. Lessee 2nd Loss Cash Reserve** At closing LESSOR will fund an additional GAP reserve of \$479,658.
- a. To cover essentially Operating Deficit Reserve (NOT covered in #7 above.)
- b. Annual interest earned is paid to Lessor each subsequent year..
- 8. Lessee "Call" provision to refinance OR buyout** Beginning in year 25:
- a. Lessor will provide to the Lessee a Call provision to require Lessor to refinance the project with 100% of the net proceeds going to the Lessee. In the Proforma example this amount is estimated at \$474,739 per unit.
- b. AREF estimates the capitalized value (5.0% CAP) of the Proforma property (pursuant to the Call) at \$46,763,871. This estimate is based on the AREF rent growth starting at 20% below the market. (Side note: converting to Market Rate rents would produce a substantially higher Value.)
- 9. Lease Term:** Four Hundred and Eighty (480) months (40 years) from closing.
- 10. Purchase and Sale; Due Diligence Review; Execution of Agreement to Lease:** AREF, directly or through an affiliate is negotiating, an agreement (the "Purchase Agreement") to purchase the land of the Property (the "Land") or structures currently built on the Property together with the Land.

The due diligence period (the "Due Diligence Period") under the Purchase Agreement is expected to expire on TBD. Prior to the

expiration of the Due Diligence Period, AREF will endeavor to complete its due diligence of the Property, and shall share with LESSEE its third-party reports, title/survey/zoning summaries and such other diligence materials as LESSEE shall reasonably request. At least five (5) business days prior to the expiration of the Due Diligence Period, LESSEE shall notify AREF in writing if LESSEE is satisfied, in its sole discretion, with its due diligence review the (the "Acceptance Notice"). If LESSEE timely delivers the Acceptance Notice and AREF elects to waive due diligence contingencies under the Purchase Agreement in its sole discretion (the "Agreement to Lease Conditions"), then:

- a. on or prior to the expiration of the Due Diligence Period, AREF and LESSEE shall enter into the Agreement to Lease and
- b. on or prior to the date that is three (3) business day following the expiration of the Due Diligence Period (the "Earnest Money Delivery Date"), LESSEE shall deliver the Earnest Money to the escrow agent under the Purchase Agreement. If LESSEE fails to timely deliver the Acceptance Notice to AREF or if LESSEE fails to timely enter into the Agreement to Lease, AREF may, in its sole discretion, elect to
 - i. waive due diligence contingencies under the Purchase Agreement and proceed to acquire the Land pursuant thereto, or
 - ii. terminate the Purchase Agreement, in each case without entering into the Agreement to Lease or the Lease or consummating any portion of the Transaction.

11. Earnest Money:

If the Agreement to Lease Conditions have been satisfied, then, on or prior to the Earnest Money Delivery Date, LESSEE shall deposit, in escrow with the title company handling the closing under the Purchase Agreement, immediately available funds in the amount of \$TBD (the "Earnest Money") as earnest money towards the entrance into the Lease. The Earnest Money shall be non-refundable to LESSEE except following the termination of the Purchase Agreement in accordance with its terms or upon the default by AREF under the Agreement to Lease following the expiration of any applicable notice and/or cure periods. Upon the entrance by LESSOR and LESSEE into the Lease, the Earnest Money shall be applied as a credit towards LESSEE'S payments of Base Rent under the Lease until reduced to zero.

12. Capitalized Lease Reserve for New Construction

LESSOR will provide GAP Reserves for:

- a. Six (6) months of OpEx coverage to close the gap between actual rents and stabilized occupancy at 95%.
- b. Six (6) months of Master Lease rent coverage to close the gap between actual rents and stabilized occupancy at 95%.
- c. Marketing & Leasing Reserve of \$100,000 to fund Project Specific budgeted costs for Marketing and initial Leasing expenses.
- d. Unit Leases must adhere to pro forma rents.

- 13. Base Rent and Annual CPI:** Base rent payable under the Lease ("**Base Rent**") shall be payable in equal monthly installments, in advance, in the amounts and within the time frames set forth in the Lease. The initial yearly rent is **\$861,166.00** with annual CPI increases of **3.90%**.
- 14. Unit MIX** The Project is to facilitate Moderate Income (Workforce Housing) tenants as defined by the California RHNA definitions as 80% to 120% of AMI. In this Project unit rents are approximately **20%** below Market Rents.
- 15. Fee Mortgage:** LESSOR shall mortgage its fee interest in the Property to its mortgage lender ("**Lender**"). The Lease shall contain customary provisions in favor of Lender and the terms of the Lease shall otherwise be subject to the approval of Lender.
- 16. Assignment of Lease:** LESSOR shall have the absolute and unconditional right, without the consent of LESSEE, to sell the Property and to assign the Lease to any person or entity at any time. LESSEE will not be permitted to directly or indirectly assign, pledge, or encumber the Lease, or any interest therein or any portion thereof, or to obtain any leasehold mortgage financing, without the prior written consent of LESSOR, which may be withheld in LESSOR'S sole discretion. LESSEE shall not be permitted to sublease all or any portion of the Property to any person or party, except to residential tenants or subtenants that occupy the individual units.
- 17. Tax Exemption; Equity Interest; Transfer of Property at End of Term** The Lease and the Transaction shall be structured to qualify for an exemption from taxes under Article XIII, Section 3 of the Constitution of the State of California, and the Lease shall contain such terms and conditions as are necessary to reflect the same. In connection therewith, so long as LESSEE is not in default under the Lease and makes all required rent payments thereunder,
- a. LESSEE shall be granted an equity interest in the Property and
 - b. at the end of the Lease term, LESSOR shall transfer and convey the Property to LESSEE. LESSEE'S equity interest in the Property shall be non-participating, passive, with no voting, consent or approval rights (or any "buy-sell", "right of first offer", "right of first refusal" or other preferential rights), non-transferable, non-redeemable, shall accrue at **2.50%** per annum over the **Forty (40)** year term of the Lease, shall not fully vest until LESSEE has made all required payments of rent through the term of the Lease, and shall be subject to the requirements of LESSOR'S tax advisors. The transfer of the Property to LESSEE at the end of the Lease term shall be
 - i. "as-is", "where-is", without representation or warranty, and without recourse to LESSOR or any of its affiliates, and

- ii. in the nature of a donative instrument or for no consideration (or for such nominal consideration as shall be required in connection with the conveyance).

Notwithstanding anything to the contrary set forth herein, LESSEE'S equity interests in the Property and LESSOR'S obligation to transfer the Property to LESSEE at the end of the Lease term shall be expressly conditioned upon LESSEE'S compliance with its obligations under the Lease.

- c. In the event of any monetary default or uncured non-monetary default by LESSEE under the Lease, in addition to any other customary rights of LESSOR under the Lease (including the right to terminate the Lease),
 - i. LESSEE'S equity interests in the Property shall be deemed reduced to zero, without any right to be redeemed or paid for all or any portion thereof, and
 - ii. LESSOR'S obligation to transfer the Property to LESSEE shall terminate.

If the tax exemption described herein is **not** achieved, then this Project and the Purchase Agreement must be voided.

18. Operation; Moderate AND OR Low-Income Housing Requirements

NONE. The Project is a Private complex subject only to what compliance the LESSEE determines for their tenant unit mix based on a final AREF underwriting.

19. Subletting:

LESSEE shall not be permitted to assign or sublease all or any portion of the Property except to UNIT SUBLESSEE'S (the Tenants in the individual apartments and retail bays.)

20. Closing Costs:

Each of AREF and LESSEE shall pay its own costs and expenses in connection with the Transaction, including all attorneys' fees in connection therewith.

21. Annual Reporting:

LESSOR shall have the right to Annually receive standard absolute triple-net lease accounting, financial reports and other reporting materials with respect to LESSEE and the Property, including statements of cash flow from the Property and rent rolls covering the residential portions of the Property, and evidence of compliance with the Requirements, as shall be set forth in the Lease.

22. Confidentiality:

This LOLA is strictly confidential; neither its existence nor the terms hereof may be disclosed by LESSEE or any of its affiliates, employees or representatives to any person or entity except:

- a. as required by law, regulation or court order or

b. to its financial advisors, accountants or attorneys who have been advised to keep such terms confidential.

23. Brokers: AREF and LESSEE each acknowledge that it has not dealt with any broker, other than Matt Benwitt - Lee Assoc., in connection with the transactions contemplated herein.

24. Property Management LESSEE or a designated party will provide absolute management control of rents and operations void of any governmental or quasi-governmental restrictions, control, or reporting except their own internal city policies and procedures.

25. LESSEE Asset Management Fee LESSOR at closing shall pay \$791,378 as an upfront, onetime fee to CalAHA. (IN ADDITION TO THE NORMAL PROPERTY MANAGEMENT FEES.)

26. Approval/Commitment: This LOLA represents a statement of the parties' general intent only and, except for the paragraphs (the "Binding Provisions") captioned "Confidentiality" and "Approval/Commitment", does not purport to be and does not constitute a binding agreement among the parties. Rather, this LOLA summarizes, for discussion purposes only, the basic business terms of the Transaction that AREF is willing to consider at this time, based upon the information that AREF has received and reviewed to date. However, LESSEE shall be liable for any breach of the Binding Provisions. This LOLA is not intended to be an exhaustive list of all of the terms and conditions of the Transaction.

27. Jurisdiction The Lessee must seek Jurisdiction approval to operate in Los Angeles County.

This LOLA will expire, unless executed and delivered to us by LESSEE prior to 5:00 p.m., Pacific Time, on July 22, 2021. If the above terms are acceptable, please acknowledge your agreement to the provisions of this LOLA by executing this LOLA in the space indicated below and return a copy to me as a PDF attachment to an email at AREFAnalyst@outlook.com. Please feel free to call me at 970.314.4440 at any time to discuss this proposal.

We are hopeful that we can promptly reach mutually acceptable terms regarding the Transaction. We look forward to working with you on this exciting opportunity.

Sincerely,

ASPEN REAL ESTATE FINANCIAL LLC

By: _____

Name: Harry Richard

Title:

ACCEPTED AND AGREED this ____ day of _____ 202_;

By: _____

Name:

Title:

ASPEN REAL ESTATE FINANCIAL "AREF"
UNDERWRITTEN DEAL COMPONENTS PROVIDING RISK MITIGATION
(1363 Colton ST Los Angeles CA 90026. Case Study - 47 units)

AREF has married a successful commercial financing methodology (Credit Tenant Leasing) with the production and acquisition of Workforce Affordable Housing (80-120% AMI). The following outlines a typical deal and the built-in underwriting factors providing risk mitigation against economic failure.

1) Proforma 47 Unit deal located in Los Angeles CA 90026.

We have modelled a New Construction 47 unit deal located in Los Angeles CA 90026. We have utilized underwriting, i.e., Operating Expenses, workforce rents, absorption, etc. consistent with that location and typical for our deal structure. See Exhibit 2: Unit Mix, Revenue and Expense. This chart indicates the unit mix, rent levels and their AMI equivalents, operating expenses, vacancy allowance, annual replacement reserve and resulting NOI.

2) Rental Rate Underwriting parameters

a) By design, AREF housing rents are ALWAYS, at least, 20% below Local Market Rents Comps for comparable class A buildings.

- | | | |
|------|----------------------------------|--|
| i) | 40 year Future Chart. | Indicates Market Rent Growth over time substantially exceed AREF Rent Growth. |
| ii) | 42 year Historical. | Indicates that if AREF 20% below Market rents were increased at <u>3.90%</u> per year to the present day AREF rents would be <u>72%</u> of the current Local Market Rental Comps |
| iii) | Exhibit 4: 20% below comps. | AREF Rents reduced 20% from Local Market Rental Comps. |
| iv) | Exhibit 5: 20 yr tenant savings. | MONTHLY Tenant Rental Savings over Market |
| v) | 1 st loss Reserve. | Lessee / Issuer Discretionary Fund |
| vi) | 2 nd Loss Reserve | Lessee / Issuer Discretionary Fund |

b) AREF Rents at **20% below Local Market Rental Comps** are equivalent to average AMI levels of 82.0% to 116.0% in this case study.

c) Rental Rates (Affordability Levels) can be adjusted by the Owner provided they maintain the revenue required to support the Bond Payments. (But no greater than 120% of AMI.)

3) AREF Financing requires no Regulatory Agreements

- a) Rent Levels and Compliance requirements can be set by Owner
- b) Rents can be raised as desired improving cashflow to Owner

4) AREF Typical Capitalized Reserve Accounts utilized in Underwriting

- a) Acquisition and/or Rehab

- i) Operating Expenses (OpEx): Reserve will provide for OpEx pursuant to a project specific negotiated absorption schedule to stabilization (95% occupancy).
- ii) Marketing & Leasing Reserve: Reserve Account to fund Project Specific budgeted costs for Marketing and initial Leasing expenses.
- iii) Lease Up - Bond Payment: Reserve Provided during Lease up pursuant to a project specific negotiated absorption schedule to stabilization (95% occupancy).
- iv) **\$450 PUPY Replacement:** Reserve **increases at 3.90% per year.** This is significantly higher than the industry "standard" of \$250.

5) Lessee "Call" provision to refinance OR buyout beginning in year **25**.

- a) Lessor will provide to the Lessee a Call provision to require Lessor to refinance the project with 100% of the net proceeds going to the Lessee. In the Proforma example this amount is estimated at **\$474,739 per unit**. See Exhibit 16.
- b) AREF estimates the capitalized value (**5.0% CAP**) of the Proforma property (pursuant to the Call) at **\$46,763,871**. This estimate is based on the AREF rent growth starting at 20% below the market. Converting to Market Rate rents would produce a substantially higher Value. See Exhibit 27.

6) Lessee Fees:

- a) AREF Underwriting provides for an upfront fee payment of **\$791,378**.

7) Owner 1st Loss Cash Reserve Funded @ Closing:

- a) To cover multiple market downturns. Essentially an Operating Deficit Reserve to cover Vacancies of **15.0%** (i.e., **10.0%** more than std.) SEE Exhibit 6.

8) Lessee 2nd Loss Cash Reserve Funded @ Closing:

- a) To cover essentially Operating Deficit Reserve (NOT covered in #7 above.).
- b) Annual interest earned is paid to Lessor each subsequent year.

9) Tax Abatement: Please see attached: Greenberg-Traurig SBE Ruling.

10) The following Projected Amounts are based upon the example Proforma **47** Unit project.

- a) **1st Loss Cash Reserve:** **\$479,658** Future Operating Reserve **funded at closing.**
- b) **2nd Loss Cash Reserve:** **\$479,658** Future Operating Reserve **funded at closing.**
- c) **Year 1 Tenant Savings:** AREF 20% Below Market vs Market Rents

Market Rents	<u>\$1,398,888</u>
Discount Rent 20%	<u>1,062,432</u>
<u>Difference</u>	<u>\$336,456</u>

d) **Capital Reserve difference:** between **\$450** vs. \$250 in total over 40 Years

<u>\$450</u>	<u>\$1,964,224</u>
<u>\$250</u>	<u>470,000</u>
<u>Difference</u>	<u>\$1,494,224</u>

e) **Net Refinance Proceeds:** **\$474,739** per unit generated by a refi in year **25** (Assuming Affordable Rents)

f) **Project Value:** **\$46,763,871** Est. value of the property in year **25** (NOI at **5.0%** Cap Rate) utilizing affordable rents

g) **Operating Expenses (OpEx):** **\$153,831** GAP Reserve during lease up (**6** months)

h) **Lease Up / Bond Payment:** **\$426,320** GAP Reserve during lease up (**6** months)

i) **Marketing & Leasing Reserve:** **\$100,000** GAP Reserve during lease up (**6** months)



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

LEGAL DEPARTMENT

PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0121

1-916-274-3520

www.boe.ca.gov

TED GAINES
First District, Sacramento

MALIA M. COHEN
Second District, San Francisco

ANTONIO VAZQUEZ, CHAIRMAN
Third District, Santa Monica

MIKE SCHAEFER, VICE CHAIR
Fourth District, San Diego

BETTY T. YEE
State Controller

BRENDA FLEMING
Executive Director

July 6, 2021

Mr. Bradley R. Marsh
Greenberg Traurig, LLP
4 Embarcadero Center
Suite 3000
San Francisco, CA 94111

**Re: Request for Opinion Letter Regarding Property Leased to a Local Government
Assignment No.: 20-313**

Dear Mr. Marsh:

This is in response to your request for our opinion regarding whether property is exempt from property taxation under article XIII, section 3 of the California Constitution if land and improvements are leased by a private party to a local government under the terms of the agreement described hereunder and corresponding with the court of appeal decision in *Mayhew Tech Center, Phase II v. Sacramento County* (1992) 4 Cal.App.4th 497 (*Mayhew Tech Center*). As discussed below, it is our opinion that if all the terms of the lease agreement correspond with those described in the *Mayhew* case, the government lessee will hold the essential indicia of ownership sufficient to make the property exempt from local property taxation.

Facts

According to your letter to the State Board of Equalization dated July 29, 2020, a private company will purchase land and improvements throughout the state of California with the intent of leasing the property to local governments as affordable housing. In some circumstances, a multifamily residential building will be constructed on vacant land and in other circumstances a building will be adapted or rehabilitated into a multifamily residential structure. A special-purpose entity will be formed to hold title to the property. The private company will have all the original equity in the special-purpose entity. The agreements with local governments will generally have the following terms:¹

1. The lease agreement term will be 40 years.

¹ It is important to note that we did not review the actual agreements between the private company and the local government entity. For purposes of this letter, we assume that the term or effect of those agreements will be those you list in your letter and that are restated here.

2. The lessee-government will have the exclusive right to occupy and use the property.
3. The lessee-government will be responsible for all costs and expenses incurred in connection with the management, ownership, operation, maintenance, restoration, replacement, and repair of all improvements.
4. The lessee-government will be responsible for all insurance and taxes levied or imposed by any public or government authority.
5. The lessee-government will earn passive equity in the special-purpose entity at an overall rate that will allow it to acquire the entire equity over the term of the agreement. For example, it would earn at an overall rate of 2.5 percent per year over the 40-year lease term. The equity in the special purpose entity will be non-participating, non-voting, and will fully vest when the lessee has made all required rent payments.
6. At the end of the lease agreement term, if all lease payments are made, full equity ownership of the special-purpose entity will vest as-is with the lessee-government automatically, without further payments.
7. In the event of a default by the lessee-government, the lessee-government would receive proceeds from any subsequent sale of the property in the proportion to its equity level in the special purpose entity.

You ask whether property would be exempt from property taxation under article XIII, section 3 of the California Constitution if the entire property is leased to a local government under the terms of the agreement described herein and corresponding with the court of appeal decision in *Mayhew Tech Center, Phase II v. Sacramento County* (1992) 4 Cal.App.4th 497.

Law and Analysis

All real property in California is taxable unless specifically exempted under California law. (Cal. Const., art. XIII, § 1, subd. (a); Rev. & Tax. Code,² § 201.) Section 3 of article XIII of the California Constitution states that: "The following are exempt from property taxation: . . . (b) Property owned by a local government, except as otherwise provided in Section 11(a)."³ In determining the scope of the constitutional exemption, beneficial ownership is the decisive factor. (*Eisley v. Mohan* (1948) 31 Cal.2d 637, 642-643.) While the owner of the legal title to property is presumed to be the owner of the full beneficial title (Evid. Code, § 662), "[a] title clause standing alone is not conclusive of ownership for tax purposes . . ." (*Mayhew Tech Center, supra*, 4 Cal.App.4th at p. 505, quoting *General Dynamics Corp. v. County of L.A.* (1958) 51 Cal.2d 59, 67.) Instead, to ascertain ownership for tax purposes, the court must examine the terms of the agreements involved and determine who holds "the essential indicia of ownership." (*Id.*) (See also Letter to Assessors (LTA) No. 94/10, *Change-in-Ownership: Lease-Purchase Agreement (Mayhew Tech Center, Phase II v. County of Sacramento* (1992) 4 Cal.App.4th 497) [assessors advised that the factors set forth in *Mayhew Tech Center* are to be

² All further statutory references are to the Revenue and Taxation Code unless otherwise specified.

³ Section 11(a) of article XIII of the California Constitution states that lands owned by a local government that are outside its boundaries are taxable.

considered in determining whether a government lessee holds the essential indicia of ownership].)

Additionally, Property Tax Annotation (Annotation)⁴ 560.0021 states, in relevant part:

560.0021 Lease-Purchase Contracts. Property used exclusively by a state or local government agency pursuant to a contract that provides for automatic passage of title to the agency on payment of the agreed rentals should be regarded as beneficially owned by the agency (*Mayhew Tech Center Phase II v. Sacramento County*, 4 Cal.App.4th 497).

Mayhew Tech Center involved property leased and occupied by the California Franchise Tax Board (FTB) under a lease-purchase agreement. The legal title to the property, however, was held by a private party. The Court of Appeal found that the State held "the essential indicia of ownership" despite the fact that the FTB held a lease on the property, pointing to the fact that the developers of the property entered into an agreement with the State of California to finance the acquisition of land and the construction of a building for the FTB, and sold certificates of participation to finance the project. Pursuant to the terms of the lease, the state's rental payments were used to pay off the certificate holders, and legal title automatically vested in the state at the end of the lease if all payments were made. The Court of Appeal affirmed the lower court's conclusion that the property was exempt from local property taxation because the arrangement resembled a purchase through a loan secured by a deed of trust (i.e., a security transaction). Factors supporting this conclusion were: (1) the exclusive right of the state to occupy the property; (2) the automatic vesting of title in the state at the expiration of the lease if all rental payments were made; and (3) in the event of default, the state would receive any surplus funds following sale of the property and payment of the certificate holders. The court also pointed out that the lessor was left without an interest in the property, and the holder of legal title did not hold any right to receive rents, nor any reversionary interest, and title was to be automatically divested in the event of expiration of the lease or default on payment of rent. Thus, the state was the beneficial owner, both in a practical and legal sense, since it had possession and use of the property to the complete exclusion of all others, subject only to the state's own default and the remedies which could result. The property was therefore exempt from taxation. (*Mayhew Tech Center*, *supra*, 4 Cal.App.4th at p. 505.)

In this case, you propose to have a private company purchase land and improvements under long-term leases to local governments, with a special-purpose entity formed to hold title to the property. Similar to *Mayhew Tech Center*, the arrangement appears to closely resemble the financing of a purchase through a loan secured by a deed of trust on the subject property. The lessee-government will have the exclusive right to occupy and use the property, be responsible for all costs and expenses incurred in connection with the management, ownership, operation, maintenance, restoration, replacement, and repair of all improvements, and be responsible for all insurance and taxes levied. The lessee-government will earn passive equity in the special-purpose entity at an overall rate that will allow it to acquire the entire equity over the term of the agreement, such as earning an overall rate of 2.5 percent per year over the 40-year lease term. At the end of the lease term, if all lease payments are made, full equity ownership of the special-

⁴ Property tax annotations are summaries of the conclusions reached in selected legal rulings of State Board of Equalization counsel published in the State Board of Equalization's Property Tax Law Guide. (See Cal. Code Regs., tit. 18, § 5700 for more information regarding annotations.)

purpose entity will automatically vest as-is with the lessee-government without further payments. Additionally, in the event of a default by the lessee-government, the lessee-government would receive proceeds from any subsequent sale of the property in the proportion to its equity level in the special purpose entity. These factors support the conclusion that the lease is substantively similar to a financed sales agreement for the duration of 40 years, and is similar to the terms of the lease in the *Mayhew Tech Center* case. Further, we have no information that the private entity lessor would retain any interest in the property or that the special purpose entity would hold any right to receive rents or retain a reversionary interest; instead, it will be non-participating and non-voting, and title will be automatically divested in the event of expiration of the lease. Thus, absent any other lease terms that would affect the essential indicia of ownership, the lessee-government would be considered the beneficial owner of the property and thereby exempt from taxation.⁵

Finally, we note that the determination of beneficial ownership is a question of fact which depends upon the terms of each agreement. It is the assessor's responsibility to make the initial determination of beneficial ownership in any given case. If the assessor determines that under the particular agreement, the government lessee holds the essential indicia of ownership, then under the holding of the *Mayhew Tech Center* decision, the property is exempt regardless of whether legal title to that property is held by it or by a private individual. (LTA 94/10, *supra*, at p. 2; see also back-up letter to Annotation 560.0021, *supra*; back-up letter to Annotation 560.0010 (Dec. 21, 2001).)

The views expressed in this letter are only advisory in nature; they represent the analysis of the legal staff of the Board based on present law and the facts set forth herein, and are not binding on any person or public entity.

Sincerely,




Sonya Yim
Tax Counsel III (Specialist)

SY:hh

G:/Property/Precedent/GovnProp/2021/20-313.doc

cc: Ms. Brenda Fleming (MIC: 73)
Mr. Henry Nanjo (MIC: 121)
Mr. David Yeung (MIC: 63)
Ms. Lisa Thompson (MIC: 120)

⁵ The back-up letter to Annotation 560.0021 (July 1, 1992) states that it is essential for the lease to terminate upon failure to make a payment and there must be no legal obligation to make payments in future years.

E-2 (1-04) 

STATE BOARD OF EQUALIZATION
PO BOX 942879
SACRAMENTO CA 94279-0121



U.S. POSTAGE  PITNEY BOWES



ZIP 95814 \$ 000.51⁰
02 1W
0001402931 JUL 06 2021

Mr. Bradley R. Marsh
Greenberg Traurig, LLP
4 Embarcadero Center
Suite 3000

9411135983 0023





California Affordable Housing Agency

PAYMENT REGISTER FOR MONTH OF June 2021

Transactions for 5657

Date	Check No.	Payee	Amount	Description
6/7/21	ACH	Quill	163.21	Office supplies
6/10/21	ACH	Mechanics Bank	12.95	Bank service charge
6/7/21	1483	Darryl Young Properties, LLC	1,000	Monthly CalAHA rent
6/8/21	1489	UPCS Inspections, LLC	590	Payment for training seminar
6/4/21	1492	Computer Systems Plus	167.85	Payment for posting of CalAHA monthly agenda and web related services
6/15/21	1482	Nick Benjamin	786.80	Monthly mileage reimbursement





Confidentiality Notice: The information contained in this electronic e-mail and any accompanying attachment(s) is intended only for the use of the intended recipient and may be confidential. If any reader of this communication is not the intended recipient, unauthorized use, disclosure or copying is strictly prohibited, and may be unlawful. If you have received this communication in error, please immediately notify the sender by return e-mail, and delete the original message and all copies from your system. Thank you.

From: EmailThis <bot@emailthis.me>


Sent: Tuesday, August 3, 2021 12:48 PM

To: Matt Benwitt <mbenwitt@lee-re.com>

Subject: Opinion: San Jose Council Should Vote Yes on Program to Finance More Affordable Housing

By Johnny Khamis / May 10, 2021 10

Opinion: San Jose Council Should Vote Yes on Program to Finance More Affordable Housing

 Save unlimited web pages along with a full PDF snapshot of each page.
[Unlock Premium](#) →

The City of San José has the opportunity to preserve and create workforce housing using no new taxes or taxpayer dollars.

No, it's not too good to be true; it's a relatively new concept that the state of California established to allow for joint powers authorities (JPAs) to raise money from private investors to help finance low- and moderate-income housing. So far, there are two organizations in the state working to buy and build desperately needed workforce housing: California Community Housing Agency (CalCHA) and California Statewide Communities Development Authority (CSCDA).

Those two have been buying and managing Class A rental units with no expenses to the municipalities where the developments are located. Once purchased, the units are deed restricted to an affordable rental level for new tenants who earn 80% to 120% of the area median income (AMI). This is a gradual process that does not displace the current residents.

These organizations need permission to operate in each city, and San Jose has the opportunity to work with both. Once it does, it allows private investment to flow into San José to preserve and develop housing for the "missing middle," workforce housing, and

creates a win for taxpayers, a win for workers, and a win for the city. The city of San Jose is poised to vote on this item May 11.

By all measures, the city of San Jose is falling short in the production of affordable workforce housing.

The pace of construction on extremely low- and very low-income housing has picked up slightly with an influx of taxpayer dollars and development fees, like Santa Clara County's Measure A Affordable Housing Bond, San Jose Measure E Real Property Transfer Tax, Residential Impact Fee, Inclusive Housing In-Lieu Fee, and the Commercial Impact Fee.

Meanwhile, market rate units continue to outpace moderate- and low-income production, and housing for the "missing middle" has been forgotten. The city's own Housing Element Annual Report from 2019 showed zero units of deed restricted moderate-income housing completed or in the pipeline for the 2015–2023-time horizon.

We have an opportunity to begin to quickly change this with zero taxpayer dollars and zero financial risk to the city by having the city become an additional member of the joint power authorities.

How it Works

CalCHA and CSCDA issue tax-exempt revenue bonds they use to purchase market rate developments and convert them to deed restricted, affordable housing. After the bonds are paid off (typically over 15 to 30 years) the property goes to the city or its designated agent, while the deed restrictions continue to keep the units affordable.

These organizations are already operating in many cities all over California including Glendale, Hayward, Livermore and Mountain View. Furthermore, because the city will not control or manage the JPA, there is zero liability for taxpayers and there is no recourse to the city if any particular investment fails.

CalCHA and CSDA benefits include:

- Preventing displacement
- Expanding housing affordability

- Requiring no new taxes or fees
- Available to us immediately
- No property management responsibilities for the life of the bonds
- City gains assets once bonds are paid off
- Excess proceeds go back to the City for housing the unhoused or other priorities

Membership in these organizations is a win for our workforce, who will gain access to affordable housing units; a win for taxpayers, who won't be burdened with yet another tax or fee; and a win for the city, which can focus our limited housing dollars on helping the most vulnerable and meeting its Regional Housing Needs Allocation (RHNA) goals.

The program also enhances the whole housing ecosystem, since the property owners who sell to CalCHA- and CSCDA-funded projects will have freed up their funds to reinvest and create new housing supply.

Unfortunately, because this is a relatively new concept, San Jose staff is not recommending going forward because of the unknowns and the loss of property tax revenues, as these units would be exempt—like all the other low-income projects in the city.

What can be done is to allow a pilot program allowing a limited number of projects to go through so we do not take on more risk than the city is willing to take.

Please join me, other cities, the Santa Clara County Association of Realtors (SCCAOR), Silicon Valley Leadership Group (SVLG), Eden Housing, SV@Home, The Bay Area Council, Stronger Foundations, the California Apartment Association (CAA) and others in supporting this win-win-win idea.

Residents can attend the next San Jose City Council meeting on May 11 after 1:30pm or send letters to elected representatives asking them to support workforce housing.

Johnny Khamis is a former San Jose councilman who is currently running for the Santa Clara County Board of Supervisors District 1 seat. Opinions are the author's own and do not necessarily reflect those of San Jose Inside. Send [op-ed](#) pitches to comments@metronews.com.

Source: <https://www.sanjoseinside.com/opinion/opinion-san-jose-council-should-vote-yes-on-program-to-finance-more-affordable-housing/>

This web page was saved on Tuesday, Aug 03 2021.

Upgrade to Premium Plan

- ✓ Save unlimited bookmarks.
- ✓ Get a complete PDF copy of each web page
- ✓ Save PDFs, DOCX files, images and Excel sheets as email attachments.
- ✓ Get priority support and access to latest features.

[Upgrade now →](#)

© Email This