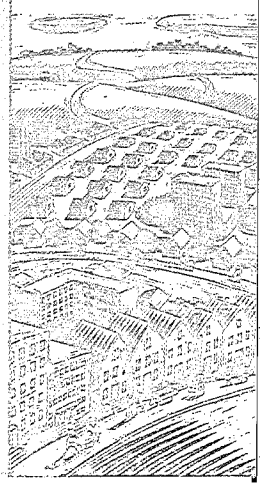
NeighborWorks® AMERICA

Asset Management

Exit Strategies for (LIHTC Projects)



NeighborWorks® Training Institute

NeighborWorks Training Institute
Portland, Oregon
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Course Outline: EXIT STRATEGIES FOR LIHTC PROJECTS

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- **SELF INTRODUCTIONS**
  - Organization
  - Role/title
  - Experience with Limited Partnerships (Tax Credit and Other)
  - Brief Description of the Deals Brought to Class for Discussion

- **WHAT IS THE BACK-END PROBLEM?**
  "Inability to obtain NP ownership of affordable housing projects developed by a nonprofit organizations without making a cash payment to the Limited Partners." How does this arise – Big Picture

  - Tax Barriers – An owner must be at risk and have a profit motive
    - Fair Market Value in excess of debt, including soft debt or else owner isn't at risk.
    - Ability to repay all debt and make a profit over time or else treated as a financing mechanism. (Based on Cash Flows)
    - [More later on Right of First Refusal at a minimum of debt plus taxes.]

  - How do we approach the problem
    - Psychological barrier of paying taxes on sale

  - Who owns what?
    - Property

- Cash Accounts

Break

- **OBTAINING OWNERSHIP AT BACK END**
  - Definitions and Major Controlling Documents
  - Fair Market Value Option
  - Valuation Techniques
    - Discounted Present Value of Cash Flows
    - Phase-In of Higher Rents
    - Section 8 Assumptions
    - Comparable Sales
    - How Restrictions Impact Value
    - Operating Costs for Restricted Units
    - Property Taxes
    - Repairs needed
  - Discount from Fair Market Value
  - Where to find provisions

  - Right of First Refusal under Section 42(i)(7). Option to Purchase Project at a minimum of Debt + Taxes
    - Is a Third Party Offer Required?
    - Determination of Debt
      - OID versus Simple Interest (Deductibility of Interest at time of Sale)
    - Any accrued adjusters or other minimum price provisions
  - Where to find provisions

  - Calculation of Exit Taxes for Investor
    - Date of Sale
    - Purchase Price
    - Owner's Basis
    - Gain or Loss on Sale

  - Capital Accounts - Definition
    - Generic Allocation Rules
    - Keeping track compared to projections
      - Cumulative Losses verses Projections
      - Projecting to date of sale
      - Book Capital Accounts verses Tax Capital Accounts
    - Generic Allocation Rules
      - Gain
      - Loss on Sale
      - Income

- Ordinary Loss
- Minimum Gain Define/explain
- Gross-up

- Donation
  - Donative Intent
  - Gain on Sale Calculation

- 501(c)(3) Status and Paying more than Fair Market Value
  - Protect against threat to 501(c)(3) status when paying over FMV

Lunch

- **PROCEDURES FOR EXERCISING OPTION/RIGHT OF FIRST REFUSAL**
  - Notification of Limited Partner, Lenders, and Regulators
  - Lender and Regulatory Approval
  - Transaction Costs
    - Closing out Partnership
      - Final Audit
      - Tax Return
      - Legal and Consulting
      - Filings
  - Follow the Cash – Flow of Funds
    - Proceeds of Sale – Impact on Capital Account
    - Disposition of Cash Assets
  - Wrap Up
    - Final Audit
    - Final Tax Return
    - Termination of Ownership Entity

- **SAMPLE PURCHASE SCENARIOS**
  - Based on Fair Market Value or Debt, whichever is higher
    - Soft Market
    - Tight Market
  - Based on Sale at Debt plus Taxes

Break

- **STUDENT EXERCISE – SUMMARIZE TERMS OF DEALS**
  - Option and Right of First Refusal
  - Requirement for payment of tax on sale

- Status of reserves
- Debt versus value

- **STUDENT EXERCISE – BACK END ESTIMATION OF TAXES ON SALE**
  - Projected back end tax amount per initial projections
  - Losses to date, comparison to projections
  - Estimate of back end taxes

Day Two

- **REVIEW OF FIRST DAY**

- **IDENTIFICATION OF PARTICIPANT BACK END SITUATIONS**
  - Who has FMV or Debt Options? Is FMV in excess of Debt?
  - Who has FMV or Debt plus taxes Option?
  - Who has Right of First Refusal @ debt + taxes?
  - What is the expected out of pocket costs to purchase project?
  - Strategies for reaching goals

- **ANALYSIS OF PARTICIPANT PROJECTS (DETAILED LOOK AT SEVERAL PROJECTS)**
  - What was expected at closing?
  - What is now projected?
  - What would be ideal situation?

Break

- **CONTINUED ANALYSIS OF PARTICIPANT PROJECTS (DETAILED LOOK AT SEVERAL PROJECTS)**

- **BACK END SOLUTIONS, IMPLEMENTED UP FRONT (MANY OF THESE IDEAS WILL BE INTEGRATED INTO THE DISCUSSION OF INDIVIDUAL PROJECTS THROUGHOUT THE MORNING AND AFTERNOON OF THE SECOND DAY)**

  - Land Lease
    - Accrued Interest vs. Lease – 10 Year Rule
  - General Partner Capital Contribution
  - Soft Loans
    - Accruing Interest, Compounded vs. Simple
  - Due on Sale Provisions

    - Rent Limitations (global and annual, Term)
- Land/Building mark-up from nonprofit at initial closing
- Use of Reserves
- Parking and Zoning Variances
- Tax exempt Use Property
    - Gain on Sale allocations
- Adjustment to Allocation

Lunch

- **SUMMARY OF STUDENT PRESENTATIONS AND DISCUSSION OF PROJECT ISSUES (REMAINDER OF DAY)**
    - Presentation
    - Discussion
    - Questions and Answers

- **BACK END SOLUTIONS, IMPLEMENTED ON THE RUN (MANY OF THESE IDEAS WILL BE INTEGRATED INTO THE DISCUSSION OF INDIVIDUAL PROJECTS THROUGHOUT THE MORNING AND AFTERNOON OF THE SECOND DAY)**

    - Assuming big taxes on Sale
        - Prepayment of Soft Loans
        - Forgiveness of Debt (fees)
        - Increase Rents
        - Reduce Expenditures
        - Section 8
        - Treatment of repairs

    - Assuming Value in Excess of debt
        - Spend Reserves
        - Possibility of Continuing Partnership
        - Reduce Income, make transition difficult (risky strategy)

    - Assuming Value less than debt
        - Consideration of nonprofit Status
        - Long term feasibility. Evaluation of Ability to Pay Hard and Soft.
        - Liability under guarantees.
        - Forgiveness of Debt

Practicum 1: Review the Option and Right-of-First Refusal Agreement

Locate and review the Option Agreement and Right-of -First-Refusal Agreement (if applicable) for your project and answer the following questions:

1. What is the 1st Year of the Credit Period? _____

2. Does the General Partner or the Sponsor have an option to buy:

   A) The Project? _____

   B) The Limited Partnership Interest? _____

3. Does the General Partner or the Sponsor have a Right-of-First-Refusal:

   _____

4. When can the Option/ROFR be exercised?

   A.) Option: _____

   B.) Right-of-First-Refusal _____

5. Does your option and/or right-of-first refusal contain a fair market value component(FMV)?

   A) What is the buy-out formula for the Option?

   B) What is the buy-out formula for the Right of 1st Refusal?

   C) If there is a reference to Fair Market Value, how is it determined?

6. What use restrictions are in place? What is the term? What percentage (or number) of units are covered? What depth of affordability is required for which units (# or percent)?

7. Are the Option and/or Right-of-First-Refusal assignable to another party? If so, to who and under what terms?

Practicum 2: Track the Projected Vs. Actual Tax Losses and Distributions On Your Project

Using your original syndication Proforma, and your K-1s, identify the projected and actual tax losses for the limited partner in your partnership.

	Projected	Actual
Year 1	_____	_____
Year 2	_____	_____
Year 3	_____	_____
Year 4	_____	_____
Year 5	_____	_____
Year 6	_____	_____
Year 7	_____	_____
Year 8	_____	_____
Year 9	_____	_____
Year 10	_____	_____
Year 11	_____	_____
Year 12	_____	_____

Year 13 _____ _____

Year 14 _____ _____

Year 15 _____ _____

Total Projected _____

Actual Losses (Profits) plus projected through Yr. 15 _____

Practicum 3: Outstanding Debt and General Partner Accruals

Based on partnership documents and audits, answer the following questions:

1. Outstanding debt and liabilities:

   A) How much debt to the Sponsor (and/or any affiliate) is outstanding now? How much will be outstanding in the projected year of LP buy-out?

Lender	Amt. Due Now	Projected Amt @ Buy-Out

   B) How much related-party debt is outstanding now? How much will be outstanding in the projected year of LP buy-out?

Lender	Amt. Due Now	Projected Amt. @ Buy-Out

   C) List any fees, payments, land rent, return of capital, etc. that are accruing to the Sponsor or a related party and/or will be due on sale. How much is due now? How much will be due in the projected year of LP buy-out?

Payable	Amt. Due Now	Projected Amt. @ Buy-Out
Ptrship. Mgmt. Fee		

Incentive Mgmt. Fee

Other Fee_____

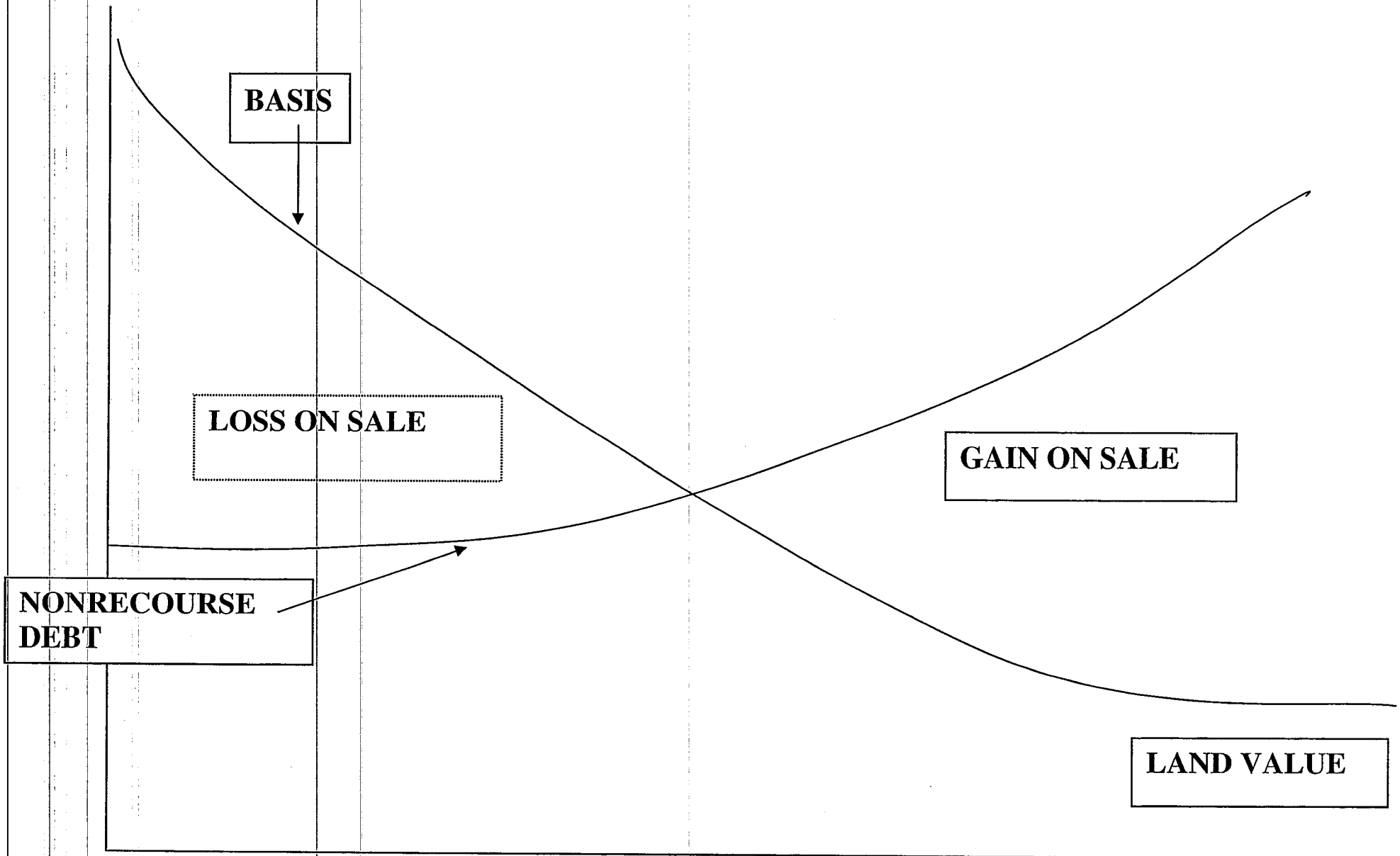
Other Fee_____

Payable	Amt. Due Now	Projected Amt. @ Buy-Out
Ground Rent (Include interest, if any)		
Return of GP Capital		
Guarantee Payments (e.g., operating deficit)		
Other_____		

TAX LIABILITY ASSUMING SALE AT DEBT

		Initial Projections	Based on Operating History
A.	Total Amount of Limited Partner Capital Contributions	_____	_____
B.	Total Income for Tax Purposes (Should be < 0)	_____	_____
C.	Grand Total (A + B)	_____	_____
D.	Marginal Tax Bracket	35%	35%
E.	Tax Savings (Payment) (C x D)	_____	_____
E.	Gross up tax Obligation (if "C" is Negative)	_____	_____

BASIS VERSES NONRECOURSE DEBT OVER TIME



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	AE	AF	AG	AH	AI	AJ
1	SOURCES AND USES OF FUNDS					
2						
3	SOURCES OF FUNDS	AMOUNT	TERMS			INTEREST RATE
4	First Mortgage	1,473,574	Tax Exempt Mortgage, Direct Placement (1.10 DSC minimum)			5.86%
5		20,000,000	Direct Placement Tax Exempt Construction Loan, Silicon Valley Bank, Floating during Construction			5.36%
6	Second Mortgage	7,051,684	MHP Loan from HCD, .42% Paid Currently		OID Rate =	1.90336%
7		0	MHP Loan from HCD, NSSS, 3% Simple, Deferred for 55 Years		OID Rate =	1.79%
8	Third Mortgage	6,150,000	City of Suisun Redevelopment Loan, 55 from C of O, 3% Contingent Interest, $6,150,000 Maximum			3.00%
9		0	Accrued Interest During Construction			
10	Fourth Mortgage	1,800,000	City of Suisun Redevelopment Loan, 55 from C of O, 0% Interest, Takeback Financing		AFR =	5.29%
11		-1,694,323	Less Adjustment for Loan being at less than AFR			
12		5,590	Accrued Interest During Construction			
13		56,000	Deferred Development Fee			
14	General Partner @ .01%	1,288				
15	Limited Partner @ 99.99%	12,874,421				
16	TOTAL SOURCES	47,718,234				
17						
18				BASIS FOR	EXPENSED/	
19	USES OF FUNDS	COST	DEPRECIABLE	4% CREDIT	AMORTIZED	NONDEPRECIABLE
20	Land Acquisition	1,800,000				1,800,000
21	Reduction in Basis as a result of Takeback	-1,694,323				-1,694,323
22	PhotoVoltaic System	375,000	375,000	375,000		
23	Off Site Improvements (Public dedicated & Maintained)	293,000	293,000	293,000		
24	Site Improvements	1,951,407	1,951,407	1,951,407		
25	Structures	13,809,722	13,809,722	13,809,722		
26	Easements	136,768				136,768
27	Contractor Overhead, Profit, and General Conditions	1,648,655	1,648,655	1,648,655		
28	Personal Property in Construction Contract	94,000	94,000	94,000		
29	Contingency	1,998,896	1,998,896	1,998,896		
30	Furnishings	91,600	91,600	91,600		
31	Architecture & Engineering	635,650	635,650	635,650		
32	Soils, Survey, Civil, Testing, etc.	304,500	304,500	304,500		
33	Municipal Fees	262,912	262,912	262,912		
34	Local Impact Fees	2,098,730	2,098,730	2,098,730		
35	Appraisal	15,000	15,000	15,000		
36	Construction Period Interest	1,100,007	564,007	564,007	536,000	
37	Costs of Issuance (see page 3 for detail)	256,000			256,000	
38	Construction Period Insurance	254,894	254,894	254,894		
39	Real Estate Taxes	49,950	49,950	49,950		
40	Soft Cost Contingency	200,000	200,000	200,000		
41	Title & Escrow, Construction Closing	27,500	27,500	27,500		
42	Title & Escrow, Mortgage Closing	16,500			16,500	
43	Start-up Operating Expenses	68,699			68,699	
44	Legal - Construction Loan Closing	45,000	45,000	45,000		
45	Legal - Mortgage Loan Closing	18,000			18,000	
46	Legal - Organization	5,500			5,500	
47	Legal - Syndication	35,000				35,000
48	Tax Credit Allocation Committee Fees	49,241			49,241	
49	Market Study	5,700			5,700	
50	Syndication Consultant	40,000				40,000
51	Marketing Expenses	150,000			150,000	
52	Development Fee	1,400,000	1,400,000	1,400,000		
53	Audit	20,000			20,000	
54	Capitalized Operating Reserve (3 Months of Expenses)	154,727				154,727
55	Repayment of Construction Loan	20,000,000				20,000,000
56						
57	TOTAL PROJECT COSTS	47,718,234	26,120,421	26,120,421	1,125,641	20,472,172
58	Reduce Basis by 1/2 of Photvoltaic Credit		13,332	13,332		
59	Net Basis		26,107,089	26,107,089		

MHP Developer Fee Max	
30	600,000
64	544,000
	1,144,000

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W
1	INCOME, EXPENSES, AND CASH FLOW ANALYSIS						Utility Allowances:	1 Bedroom	2 Bedroom	3 Bedroom		Proportion of First Year		58.33%									
2								$38	$57	$72													
3		Factor	# of	MHP		Initial																	
4	Unit Size		Units	Per Unit		Rents	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
5	1 Bedroom @ 30% of AMI - MHP "B"	1.75%	5	89,924	449,620	378	13,230	22,912	23,312	23,720	24,136	24,558	24,988	25,425	25,870	26,323	26,783	27,252	27,729	28,214	28,708	29,210	29,721
6	1 Bedroom @ 40% of AMI	1.75%	3	69,901	209,703	517	10,857	18,802	19,131	19,466	19,806	20,153	20,506	20,865	21,230	21,601	21,979	22,364	22,755	23,154	23,559	23,971	24,390
7	1 Bedroom @ 50% of AMI	1.75%	8	50,023	400,184	655	36,680	63,522	64,634	65,765	66,916	68,087	69,278	70,490	71,724	72,979	74,256	75,556	76,878	78,223	79,592	80,985	82,402
8	2 Bedroom @ 30% of AMI - MHP "B"	1.75%	15	102,024	1,530,360	442	46,410	80,372	81,779	83,210	84,666	86,148	87,655	89,189	90,750	92,338	93,954	95,598	97,271	98,973	100,705	102,468	104,261
9	2 Bedroom @ 40% of AMI	1.75%	4	77,968	311,872	609	17,052	29,530	30,047	30,573	31,108	31,652	32,206	32,770	33,343	33,927	34,521	35,125	35,739	36,365	37,001	37,649	38,308
10	2 Bedroom @ 50% of AMI	1.75%	24	54,056	1,297,344	775	130,200	225,479	229,424	233,439	237,524	241,681	245,911	250,214	254,593	259,048	263,581	268,194	272,888	277,663	282,522	287,466	292,497
11	3 Bedroom @ 30% of AMI - MHP "B"	1.75%	13	113,115	1,470,495	505	45,955	79,584	80,977	82,394	83,836	85,303	86,796	88,315	89,860	91,433	93,033	94,661	96,318	98,003	99,718	101,463	103,239
12	3 Bedroom @ 40% of AMI	1.75%	5	85,458	427,290	697	24,395	42,247	42,986	43,738	44,504	45,283	46,075	46,881	47,702	48,537	49,386	50,250	51,130	52,025	52,935	53,861	54,804
13	3 Bedroom @ 50% of AMI	1.75%	16	57,801	924,816	889	99,568	172,430	175,448	178,518	181,642	184,821	188,055	191,346	194,695	198,102	201,569	205,096	208,686	212,338	216,054	219,834	223,682
14	3 Bedroom Manager	1.75%	1	30,000	30,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15			94		7,051,684		424,347	734,878	747,738	760,824	774,138	787,686	801,470	815,496	829,767	844,288	859,063	874,097	889,393	904,958	920,795	936,908	953,304
16	Residential Vacancy	5.00%					-145,556	-36,744	-37,387	-38,041	-38,707	-39,384	-40,074	-40,775	-41,488	-42,214	-42,953	-43,705	-44,470	-45,248	-46,040	-46,845	-47,665
17	Laundry and Miscellaneous Income						9,024	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470
18							287,815	713,604	725,821	738,252	750,901	763,771	776,866	790,191	803,748	817,543	831,580	845,862	860,393	875,180	890,224	905,533	921,109
19																							
20	OPERATING EXPENSES	3.50%					264,227	461,247	475,744	490,749	506,278	522,351	538,987	556,205	574,025	592,469	611,559	631,317	651,767	672,932	694,838	717,510	740,976
21	Issuer Monitoring Fee						4,375	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
22																							
23	NET INCOME						19,214	244,857	242,577	240,004	237,123	233,920	230,379	226,486	222,223	217,574	212,520	207,044	201,127	194,748	187,887	180,522	172,632
24	Cash from Development Used to Fund Startup Expenses						68,699																
25																							
26	USES OF NET INCOME																						
27	Debt Service, First Mortgage						26,108	104,431	104,431	104,431	104,431	104,431	104,431	104,431	104,431	104,431	104,431	104,431	104,431	104,431	104,431	104,431	104,431
28	MHP Mortgage Debt Service						7,404	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617
29	Replacement Reserves	3.50%					24,401	42,684	44,178	45,724	47,325	48,981	50,695	52,470	54,306	56,207	58,174	60,210	62,317	64,498	66,756	69,092	71,511
30	Net Cash Available						30,000	68,124	64,350	60,231	55,750	50,890	45,636	39,968	33,869	27,319	20,298	12,786	4,761	-3,799	-12,918	-22,619	-32,927
31						DSC	1.89S	1.508	1.480	1.449	1.416	1.380	1.340	1.298	1.253	1.204	1.151	1.095	1.036	0.972	0.904	0.831	0.754
32				Cash Flow as Percent of Operating Expenses			11.17%	14.53%															
33	USES OF AVAILABLE CASH																						
34	Asset Management Fee						5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000		
35	Deferred Development Fee, Priority Distribution						25,000	31,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
36	Partnership Management Fee						0	25,875	26,781	27,718	28,688	29,692	30,731	31,807	28,869	22,319	15,298	7,786	-239	-8,799	-17,918	-22,619	-32,927
37																							
38	Incentive Management Fee from 50% of Cash Flow			50%			0	3,124	16,285	13,756	11,031	8,099	4,952	1,580	0	0	0	0	0	0	0	0	0
39	Partnership Management Fee from 50% of Cash Flow																						
40																							
41	Repayment of City of Suisun Bay Loan		52.99%	7,950,000			0	1,656	8,630	7,290	5,846	4,292	2,624	838	0	0	0	0	0	0	0	0	0
42	Repayment of MHP Loan		47.01%	7,051,684			0	1,469	7,655	6,466	5,185	3,807	2,328	743	0	0	0	0	0	0	0	0	0
43	Cash Flow to General Partner	0.01%					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
44	Cash Flow to Limited Partner	99.99%					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
45																							
46	ANNUAL OPERATING BUDGET					ANNUAL																	
47	Property Management Fee	3.50%				41,736	24,346	42,588	44,079	45,621	47,218	48,871	50,581	52,352	54,184	56,080	58,043	60,075	62,177	64,354	66,606	68,937	71,350
48	Administrative Costs	3.50%				47,860	27,918	48,837	50,546	52,316	54,147	56,042	58,003	60,033	62,134	64,309	66,560	68,890	71,301	73,796	76,379	79,052	81,819
49	Utilities	3.50%		PV Savings	17,860	60,442	35,258	61,676	63,835	66,069	68,381	70,775	73,252	75,816	78,469	81,216	84,058	87,000	90,045	93,197	96,459	99,835	103,329
50	Payroll Benefits	3.50%				74,251	43,313	75,767	78,419	81,164	84,004	86,945	89,988	93,137	96,397	99,771	103,263	106,877	110,618	114,489	118,497	122,644	126,936
51	Operating & Maintenance	3.50%				144,623	84,363	147,576	152,741	158,087	163,620	169,346	175,273	181,408	187,757	194,329	201,130	208,170	215,456	222,997	230,802	238,880	247,240
52	Insurance	3.50%				37,000	21,583	37,755	39,077	40,445	41,860	43,325	44,842	46,411	48,035	49,717	51,457	53,258	55,122	57,051	59,048	61,114	63,253
53	Property Taxes & CFD Fee	0.00%				46,248	26,978	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248
54	State Partnership Tax	0.00%				800	467	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800
55	TOTAL OPERATING EXPENSES				0	452,960	264,227	461,247	475,744	490,749	506,278	522,351	538,987	556,205	574,025	592,469	611,559	631,317	651,767	672,932	694,838	717,510	740,976
56						457,335		74.57%	3.14%	3.15%	3.16%	3.17%	3.18%	3.19%	3.20%	3.21%	3.22%	3.23%	3.24%	3.25%	3.26%	3.26%	3.27%
57																							
58	REPLACEMENT RESERVE ANALYSIS																						
59	Deposit to Replacement Reserve						24,401	42,684	44,178	45,724	47,325	48,981	50,695	52,470	54,306	56,207	58,174	60,210	62,317	64,498	66,756	69,092	71,511
60	Withdrawals											71,798					223,611					298,674	
61	Interest on Balance		3.00%				0	732	2,035	3,421	4,895	6,462	5,971	7,671	9,475	11,389	13,417	8,856	10,928	13,125	15,454	17,920	11,571
62	End of Year Balance						24,401	67,817	114,029	163,174	215,394	199,039	255,705	315,846	379,627	447,223	295,202	364,268	437,514	515,138	597,348	385,687	468,768
63																							
64	OPERATING RESERVE ANALYSIS																						
65	Deposit to Replacement Reserve							154,727															
66	Withdrawals																						
67	Interest on Balance		3.00%				0	4,642	4,781	4,925	5,072	5,224	5,381	5,543	5,709	5,880	6,057	6,238	6,425	6,618	6,817	7,021	7,232
68	End of Year Balance						0	159,369	164,150	169,075	174,147	179,371	184,753	190,295	196,004	201,884	207,941	214,179	220,604	227,222	234,039	241,060	248,292

	AM	AN	AO	AP	AQ	AR	AS	AT	AU	AV	AW
16	SOURCES AND USES OF CAPITAL CONTRIBUTIONS AND LOAN PROCEEDS		1,473,574	20,000,000	7,051,684	6,150,000	56,000	111,267	1,288	12,874,421	47,718,234
17	Source of loan or equity		1st	Construction	MHP	City	Deferred	Land	GP	LP	
18			Mortgage	Loan	Loan	Loan	Developer Fee	Contribution	Capital	Capital	Totals
19											
20	Land Acquisition	1,800,000						1,800,000			1,800,000
21	Reduction in Basis as a result of Takeback	-1,694,323						-1,694,323			-1,694,323
22	PhotoVoltaic System	375,000		375,000							375,000
23	Off Site Improvements (Public dedicated & Maintained)	293,000		293,000							293,000
24	Site Improvements	1,951,407		1,951,407							1,951,407
25	Structures	13,809,722		11,626,818		2,182,904				0	13,809,722
26	Easements	136,768		136,768							136,768
27	Contractor Overhead, Profit, and General Conditions	1,648,655		1,648,655							1,648,655
28	Personal Property in Construction Contract	94,000		94,000							94,000
29	Contingency	1,998,896		1,998,896							1,998,896
30	Furnishings	91,600		91,600							91,600
31	Architecture & Engineering	635,650		127,130		508,520					635,650
32	Soils, Survey, Civil, Testing, etc.	304,500		60,900		243,600					304,500
33	Municipal Fees	262,912				262,912					262,912
34	Local Impact Fees	2,098,730				2,098,730					2,098,730
35	Appraisal	15,000				15,000					15,000
36	Construction Period Interest	1,100,007		1,094,416		0		5,590			1,100,007
37	Costs of Issuance (see page 3 for detail)	256,000				256,000					256,000
38	Construction Period Insurance	254,894		0		254,894					254,894
39	Real Estate Taxes	49,950		49,950							49,950
40	Soft Cost Contingency	200,000		200,000							200,000
41	Title & Escrow, Construction Closing	27,500				27,500					27,500
42	Title & Escrow, Mortgage Closing	16,500	16,500								16,500
43	Start-up Operating Expenses	68,699		68,699							68,699
44	Legal - Construction Loan Closing	45,000				45,000					45,000
45	Legal - Mortgage Loan Closing	18,000		18,000							18,000
46	Legal - Organization	5,500								5,500	5,500
47	Legal - Syndication	35,000								35,000	35,000
48	Tax Credit Allocation Committee Fees	49,241				49,241					49,241
49	Market Study	5,700				5,700				0	5,700
50	Syndication Consultant	40,000								40,000	40,000
51	Marketing Expenses	150,000		150,000						0	150,000
52	Development Fee	1,400,000				200,000	56,000			1,144,000	1,400,000
53	Audit	20,000								20,000	20,000
54	Capitalized Operating Reserve (3 Months of Expenses)	154,727								154,727	154,727
55	Repayment of Construction Loan	20,000,000	1,457,074	14,761	7,051,684				1,288	11,475,194	20,000,000
56											
57	TOTAL PROJECT COSTS	47,718,234	1,473,574	20,000,000	7,051,684	6,150,000	56,000	111,267	1,288	12,874,421	47,718,234
58											

50% TEST	
Basis	26,107,089
Land Cost	105,677
	26,212,766
Tax Exempt Bond	20,000,000
Percentage	76.30%

COSTS OF ISSUANCE (Assumes Direct Placement)		
Bond Counsel	45,000	
Issuer Fee	25,000	.125% of Bond Amount
Issuer Monitoring Fee (Post Constr.)	0	
Issuer Application	0	
Issuer Counsel	0	
Lender Counsel	30,000	
Lender Origination	100,000	@ .5% of Bond Amount
Lender Inspections and Misc. Exp.	21,000	
CDLAC	7,000	
CDIAC	3,000	
Borrower Counsel	15,000	
Borrower Financial Advisor	10,000	
	256,000	

	AZ	BA	BB	BC	BD
16	DISBURSEMENTS OF LIMITED PARTNER CAPITAL CONTRIBUTIONS				
17			2/1/07	10/1/08	1/1/09
18			100,000	12,199,694	574,727
19					
20	Land Acquisition	0			
21	Reduction in Basis as a result of Takeback	0			
22	PhotoVoltaic System	0			
23	Off Site Improvements (Public dedicated & Maintained)	0			
24	Site Improvements	0			
25	Structures	0			
26	Easements	0			
27	Contractor Overhead, Profit, and General Conditions	0			
28	Personal Property in Construction Contract	0			
29	Contingency	0			
30	Furnishings	0			
31	Architecture & Engineering	0			
32	Soils, Survey, Civil, Testing, etc.	0			
33	Municipal Fees	0			
34	Local Impact Fees	0			
35	Appraisal	0			
36	Construction Period Interest	0			
37	Costs of Issuance (see page 3 for detail)	0			
38	Construction Period Insurance	0			
39	Real Estate Taxes	0			
40	Soft Cost Contingency	0			
41	Title & Escrow, Construction Closing	0			
42	Title & Escrow, Mortgage Closing	0			
43	Start-up Operating Expenses	0			
44	Legal - Construction Loan Closing	0			
45	Legal - Mortgage Loan Closing	0			
46	Legal - Organization	5,500	5,500		
47	Legal - Syndication	35,000	35,000		
48	Tax Credit Allocation Committee Fees	0			
49	Market Study	0			
50	Syndication Consultant	40,000	40,000		
51	Marketing Expenses	0		0	
52	Development Fee	1,144,000	19,500	724,500	400,000
53	Audit	20,000			20,000
54	Capitalized Operating Reserve (3 Months of Expenses)	154,727			154,727
55	Repayment of Construction Loan	11,475,194		11,475,194	0
56					
57	TOTAL PROJECT COSTS	12,874,421	100,000	12,199,694	574,727

	BI	BJ	BK	BL	BM	BN	BO	BP	BQ	BR	BS	BT	BU	BV	BW	BX	BY	BZ
1	SCHEDULE OF TAX CONSEQUENCES																	
2		AMOUNT	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
3	DEPRECIATION																	
4	Residential (27.5 Years)	23,970,083	508,456	871,639	871,639	871,639	871,639	871,639	871,639	871,639	871,639	871,639	871,639	871,639	871,639	871,639	871,639	871,639
5	Residential (40 Years)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	Site Improvements (15 Years, Mid-Year)	1,951,407	97,570	185,384	166,845	150,161	135,145	121,630	121,630	121,630	121,630	121,630	121,630	121,630	121,630	121,630	121,630	
7	Site Improvements (20 Years, Mid-Year)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	Personal Property (5 Years, Mid-Year)	185,600	37,120	59,392	35,635	21,381	21,381	10,691										
9	Personal Property (9 Years, Mid-Year)	0	0	0	0	0	0	0	0	0	0	0						
10																		
11	Residential (27.5 Years)	35,899						1,305	1,305	1,305	1,305	1,305	1,305	1,305	1,305	1,305	1,305	1,305
12	Residential (40 Years)	0						0	0	0	0	0	0	0	0	0	0	0
13	Personal Property (5 Years, Mid-Year)	35,899						7,180	11,488	6,893	4,136	4,136	2,068					
14	Personal Property (9 Years, Mid-Year)	0						0	0	0	0	0	0	0	0	0	0	
15																		
16	Residential (27.5 Years)	111,806											4,066	4,066	4,066	4,066	4,066	4,066
17	Residential (40 Years)	0											0	0	0	0	0	0
18	Personal Property (5 Years, Mid-Year)	111,806											22,361	35,778	21,467	12,880	12,880	6,440
19	Personal Property (9 Years, Mid-Year)	0											0	0	0	0	0	0
20																		
21	Residential (27.5 Years)	149,337																5,430
22	Residential (40 Years)	0																0
23	Personal Property (5 Years, Mid-Year)	149,337																29,867
24	Personal Property (9 Years, Mid-Year)	0																0
25																		
26	Subtotal	26,107,089	643,147	1,116,415	1,074,120	1,043,181	1,028,165	1,012,445	1,006,063	1,001,468	998,711	998,711	1,023,070	1,034,418	1,020,107	1,011,521	1,011,521	918,748
27	check	26,107,089																
28																		
29	EXPENSED AND AMORTIZED ITEMS																	
30	Mortgage Loan Fees, Legal, Title	290,500	5,649	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683
31	Legal - Organization	5,500	642	1,100	1,100	1,100	1,100	458										
32	Tax Credit Allocation Committee Fees	54,941	3,205	5,494	5,494	5,494	5,494	5,494	5,494	5,494	5,494	5,494	2,289					
33	Marketing Expenses	150,000	150,000															
34	Audit	20,000	20,000															
35	Asset Management Fee	0.0%	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
36	Partnership Management Fee	3.5%	25,000	25,875	26,781	27,718	28,688	29,692	30,731	31,807	32,920	34,072	35,265	36,499	37,777	39,099	40,467	41,884
37	Incentive Mangement Fee		0	3,124	16,285	13,756	11,031	8,099	4,952	1,580	0	0	0	0	0	0	0	0
38	Subtotal	520,941	209,495	50,277	64,343	62,752	60,996	58,427	55,861	53,565	53,098	54,250	52,238	51,183	52,460	53,782	55,151	56,567
39	check	520,941																
40																		
41	LOW-INCOME HOUSING TAX CREDITS																	
42	Tax Credit Basis (From Page 1)	26,107,089																
43	Amount of Annual Federal Tax Credits		416,380	911,137	911,137	911,137	911,137	911,137	911,137	911,137	911,137	911,137	494,757					
44																		
45	Basis for CA Credit	26,107,089																
46	Amount of California Tax Credits		911,137	911,137	911,137	660,509												
47																		
48	PHOTOVOLTAIC CREDIT																	
49	Basis for Photovoltaic Credit	375,000																
50	Percentage Financed with Tax Exempt Bonds	76.30%																
51	Basis for Credit	23.70%																
52	Amount of Federal Solar Credit		26,664															
53																		
54	TOTAL CREDITS		1,327,517	1,822,275	1,822,275	1,571,647	911,137	911,137	911,137	911,137	911,137	911,137	494,757					
55																		
56	Tax Credit Percentage	3.49%		RENTUP SCHEDULE		Tax Credit	1st Yr											
57	Amount of Federal Credit Reserved	941,316				Months	Income Mos.											
58	Amount of CA Credit Reserved	3,399,197		June	23	161	115											
59	California Credit Utilized	3,393,922		July	23	138	92											
60	First Year Depreciation Percentage	58.33%		August	23	115	69											
61	First Year Mortgage Amortization Percentage	58.33%		September	24	96	48											
62	First Year Mortgage Tax Credit Percentage	45.70%			93	510	324											
63	Tax Exempt Use Property/ADS Depreciation	0%			1116	45.7%	29.0%											

	CD	CE	CF	CG	CH	CI	CJ	CK	CL	CM	CN	CO	CP	CQ	CR	CS	CT	CU	CV
1	ANALYSIS OF TAXABLE INCOME																		
2		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
3	NET OPERATING INCOME	19,214	244,857	242,577	240,004	237,123	233,920	230,379	226,486	222,223	217,574	212,520	207,044	201,127	194,748	187,887	180,522	172,632	164,194
4	Interest on Replacement & Operating Reserve Accounts	0	5,374	6,816	8,345	9,967	11,686	11,352	13,214	15,184	17,269	19,473	15,094	17,353	19,744	22,271	24,942	18,802	21,512
5	Total Net Income	19,214	250,230	249,392	248,349	247,090	245,606	241,732	239,700	237,407	234,843	231,994	222,139	218,480	214,491	210,158	205,464	191,435	185,705
6																			
7	Deductions:																		
8	Interest on First Mortgage	21,566	85,584	84,450	83,247	81,972	80,620	79,186	77,666	76,055	74,347	72,536	70,616	68,580	66,422	64,133	61,707	59,135	56,409
9	Interest on Construction Loan Carryover	536,000																	
10	Interest on Second Mortgage MHP	78,295	135,569	137,577	139,588	141,645	143,751	145,907	148,112	150,370	152,674	155,022	157,415	159,854	162,339	164,872	167,453	170,083	172,764
11	Third Mortgage	0	1,656	8,630	7,290	5,846	4,292	2,624	838	0	0	0	0	0	0	0	0	0	0
12	Fourth Mortgage - Take-Back	5,886	6,197	6,525	6,870	7,234	7,617	8,019	8,444	8,890	9,361	9,856	10,377	10,926	11,504	12,113	12,754	13,428	14,139
13	Depreciation	643,147	1,116,415	1,074,120	1,043,181	1,028,165	1,012,445	1,006,063	1,001,468	998,711	998,711	1,023,070	1,034,418	1,020,107	1,011,521	1,011,521	918,748	930,229	911,114
14	Expensed Items	209,495	50,277	64,343	62,752	60,996	58,427	55,861	53,565	53,098	54,250	52,238	51,183	52,460	53,782	55,151	56,567	58,033	59,550
15	Total Deductions	1,494,388	1,395,698	1,375,645	1,342,928	1,325,858	1,307,152	1,297,660	1,290,093	1,287,123	1,289,342	1,312,721	1,324,009	1,311,927	1,305,568	1,307,790	1,217,229	1,230,909	1,213,975
16																			
17	NET TAXABLE INCOME	-1,475,174	-1,145,468	-1,126,252	-1,094,579	-1,078,768	-1,061,546	-1,055,929	-1,050,393	-1,049,716	-1,054,499	-1,080,727	-1,101,870	-1,093,447	-1,091,077	-1,097,632	-1,011,765	-1,039,474	-1,028,270
18																			
19	General Partner Share	-148	-115	-113	-109	-108	-106	-106	-105	-105	-105	-108	-110	-109	-109	-110	-101	-104	-103
20	Investor Limited Paratner Share	-1,475,027	-1,145,354	-1,126,140	-1,094,470	-1,078,660	-1,061,440	-1,055,823	-1,050,288	-1,049,611	-1,054,393	-1,080,619	-1,101,760	-1,093,338	-1,090,967	-1,097,522	-1,011,664	-1,039,370	-1,028,167
21																			
22	Marginal tax Bracket	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
23	Limited Partner After Tax Benefits From Operations	516,259	400,874	394,149	383,064	377,531	371,504	369,538	367,601	367,364	369,038	378,217	385,616	382,668	381,839	384,133	354,082	363,780	359,858
24																			
25	Investor Limited Partner Share of Tax Credits																		
26	Federal Low-Income Housing Tax Credits	416,338	911,046	911,046	911,046	911,046	911,046	911,046	911,046	911,046	911,046	494,708	0						
27	Amount of California Tax Credits	592,180	592,180	592,180	429,288	0													
28	Photovoltaic Credit	26,661																	
29																			
30	Total Limited Partner After tax Benefits	1,551,439	1,904,100	1,897,375	1,723,399	1,288,577	1,282,550	1,280,584	1,278,647	1,278,410	1,280,084	872,925	385,616	382,668	381,839	384,133	354,082	363,780	359,858

	CX	CY	CZ	DA	DB	DC	DD	DE	DF	DG	DH	DI	DJ	DK	DL	DM	DN	DO
1	OUTSTANDING DEBT																	
2																		
3	SOURCES OF FUNDS	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
4	First Mortgage	1,469,032	1,450,185	1,430,203	1,409,018	1,386,559	1,362,747	1,337,501	1,310,736	1,282,359	1,252,275	1,220,379	1,186,563	1,150,711	1,112,701	1,072,403	1,029,679	984,383
5	Second Mortgage MHP	7,122,574	7,227,057	7,327,363	7,430,867	7,537,710	7,648,037	7,761,999	7,879,752	8,000,504	8,123,561	8,248,966	8,376,764	8,507,001	8,639,723	8,774,978	8,912,814	9,053,281
6	Third Mortgage	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000
7	Fourth Mortgage	117,153	123,351	129,876	136,746	143,980	151,597	159,616	168,060	176,950	186,311	196,167	206,544	217,470	228,975	241,087	253,841	267,269
8	Total Nonrecourse Debt	14,858,759	14,950,593	15,037,442	15,126,632	15,218,249	15,312,381	15,409,117	15,508,548	15,609,814	15,712,147	15,815,512	15,919,871	16,025,183	16,131,399	16,238,469	16,346,335	16,454,933
9																		
10	Partnership Management Fee Owed	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	29,052	40,805	60,773	89,486	127,502	175,400	233,785	298,287	374,563
11	Deferred Developer Fee	31,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12	Total Recourse Debt	56,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	29,052	40,805	60,773	89,486	127,502	175,400	233,785	298,287	374,563
13	TOTAL DEBT	14,914,759	14,975,593	15,062,442	15,151,632	15,243,249	15,337,381	15,434,117	15,533,548	15,638,866	15,752,952	15,876,284	16,009,357	16,152,685	16,306,799	16,472,254	16,644,622	16,829,497
14	Average Rate of Increase over 2007		0.41%	0.50%	0.53%	0.55%	0.57%	0.58%	0.59%	0.61%	0.62%	0.64%	0.67%	0.69%	0.72%	0.75%	0.77%	0.80%
15																		
16	MHP Mortgage	1.90%	1.90%	1.90%	1.91%	1.91%	1.91%	1.91%	1.91%	1.91%	1.91%	1.91%	1.91%	1.91%	1.91%	1.91%	1.91%	1.91%
17	Balance	7,051,684																
18	Interest on Balance to 12/31	78,295	135,569	137,577	139,588	141,645	143,751	145,907	148,112	150,370	152,674	155,022	157,415	159,854	162,339	164,872	167,453	170,083
19	Payment	7,404	31,086	37,272	36,083	34,802	33,424	31,945	30,360	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617
20	New Balance	7,122,574	7,227,057	7,327,363	7,430,867	7,537,710	7,648,037	7,761,999	7,879,752	8,000,504	8,123,561	8,248,966	8,376,764	8,507,001	8,639,723	8,774,978	8,912,814	9,053,281
21	Number of Years Remaining	54	53	52	51	50	49	48	47	46	45	44	43	42	41	40	39	38
22	Balance Assuming no Unscheduled Payments	17,037,510	19,724,305	19,627,223	19,546,215	19,467,714	19,391,807	19,318,584	19,248,140	19,178,291	19,108,624	19,040,262	18,973,180	18,907,354	18,842,761	18,779,377	18,717,180	18,656,148
23																		
24	Third Mortgage (Book Accounting)	3.00%	simple Interest		Original Balance	7,051,684			29,617	Required MHP Payment								
25	Balance at End of Construction	7,051,684																
26	Interest on Last Balance	123,404	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551
27	Amount Paid from Operations	7,404	31,086	37,272	36,083	34,802	33,424	31,945	30,360	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617
28	New Balance	7,167,684	7,348,149	7,522,428	7,697,895	7,874,643	8,052,769	8,232,375	8,413,566	8,595,499	8,777,432	8,959,366	9,141,299	9,323,233	9,505,166	9,687,100	9,869,033	10,050,967
29																		
30	Ending Balance Assuming no Unscheduled Payment	17,037,574	17,036,105	17,028,450	17,021,984	17,016,799	17,012,992	17,010,664	17,009,921	17,009,921	17,009,921	17,009,921	17,009,921	17,009,921	17,009,921	17,009,921	17,009,921	17,009,921
31																		
32	Third Mortgage	3.00%	Contingent Interest															
33	Initial Balance	6,150,000																
34	Accrued Interest During Construction	0																
35	Interest on Last Balance	0	1,656	8,630	7,290	5,846	4,292	2,624	838	0	0	0	0	0	0	0	0	0
36	Amount Paid from Capital Contributions																	
37	Amount Paid from Operations	0	1,656	8,630	7,290	5,846	4,292	2,624	838	0	0	0	0	0	0	0	0	0
38	End of Year Balance	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000
39																		
40	Fourth Mortgage - Take-Back	5.29%																
41	Initial Balance	105,677																
42	Accrued Interest During Construction	5,590																
43	Interest on Last Balance	5,886	6,197	6,525	6,870	7,234	7,617	8,019	8,444	8,890	9,361	9,856	10,377	10,926	11,504	12,113	12,754	13,428
44	Amount Paid from Capital Contributions																	
45	Amount Paid from Operations																	
46	End of Year Balance	117,153	123,351	129,876	136,746	143,980	151,597	159,616	168,060	176,950	186,311	196,167	206,544	217,470	228,975	241,087	253,841	267,269
47																		
48	Deferred Developer Fee	0.00%																
49	Initial Balance	56,000																
50	Interest on Last Balance	0	0	0	0	0	0	0	0	0	0	0	0					
51	Amount Paid from Capital Contributions																	
52	Amount Paid from Operations	25,000	31,000	0	0	0	0	0	0	0	0	0	0					
53	End of Year Balance	31,000	0	0	0	0	0	0	0	0	0	0	0					

	EL	EM	EN	EO	EP	EQ	ER	ES	ET	EU	EV	EW	EX	EY	EZ	FA	FB	FC	FD
1	CAPITAL ACCOUNT ANALYSIS DURING OWNERSHIP BY LIMITED PARTNERSHIP																		
2	Limited Partner Share																		
3		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
4	Basis	26,360,229	25,717,147	24,600,844	23,526,831	22,483,754	21,455,692	20,515,139	19,509,177	18,507,809	17,509,199	16,510,588	15,711,210	14,676,895	13,656,890	12,645,470	11,634,051	11,014,038	10,083,902
5	Additions to Basis	0	0	0	0	0	71,791	0	0	0	0	223,589	0	0	0	0	298,644	0	0
6	Deductions from Basis	643,082	1,116,303	1,074,012	1,043,077	1,028,062	1,012,344	1,005,962	1,001,367	998,611	998,611	1,022,967	1,034,315	1,020,005	1,011,420	1,011,420	918,656	930,136	911,022
7	Basis at End of Year	25,717,147	24,600,844	23,526,831	22,483,754	21,455,692	20,515,139	19,509,177	18,507,809	17,509,199	16,510,588	15,711,210	14,676,895	13,656,890	12,645,470	11,634,051	11,014,038	10,083,902	9,172,880
8	Balance in Reserve Accounts	24,398	227,163	278,152	332,216	389,502	378,372	440,414	506,091	575,574	649,042	503,092	578,389	658,052	742,286	831,303	626,684	716,988	812,504
9	Basis in Partnership Assets	25,741,546	24,828,007	23,804,983	22,815,970	21,845,194	20,893,511	19,949,591	19,013,900	18,084,773	17,159,630	16,214,302	15,255,284	14,314,942	13,387,756	12,465,354	11,640,722	10,800,891	9,985,384
10	Outstanding Nonrercourse Debt	14,857,273	14,949,098	15,035,938	15,125,119	15,216,727	15,310,850	15,407,576	15,506,997	15,608,253	15,710,576	15,813,930	15,918,279	16,023,580	16,129,786	16,236,845	16,344,700	16,453,288	16,562,539
11																			
12	Minimum Gain on Chargeback	0	0	0	0	0	0	0	0	0	0	0	662,995	1,708,639	2,742,031	3,771,491	4,703,978	5,652,397	6,577,155
13																			
14	LIMITED PARTNER CAPITAL ACCOUNT																		
15	Capital Account Balance At Year Start		10,749,674	10,179,048	9,052,908	7,958,439	6,879,779	5,818,339	4,762,516	3,712,228	2,662,617	1,608,224	527,605	-574,155	-1,667,493	-2,742,031	-3,771,491	-4,703,978	-5,652,397
16	Capital Contribution	12,299,694	574,727																
17	Deductions from Capital Account	-1,475,027	-1,145,354	-1,126,140	-1,094,470	-1,078,660	-1,061,440	-1,055,823	-1,050,288	-1,049,611	-1,054,393	-1,080,619	-1,101,760	-1,093,338	-1,074,537	-1,029,461	-932,487	-948,419	-924,758
18	Syndication Expenses	-74,993																	
19	Cash Flow	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20	End of Year Capital Account	10,749,674	10,179,048	9,052,908	7,958,439	6,879,779	5,818,339	4,762,516	3,712,228	2,662,617	1,608,224	527,605	-574,155	-1,667,493	-2,742,031	-3,771,491	-4,703,978	-5,652,397	-6,577,155
21																			
22	Minimum Gain on Chargeback	0	0	0	0	0	0	0	0	0	0	0	662,995	1,708,639	2,742,031	3,771,491	4,703,978	5,652,397	6,577,155
23	Capital Account Plus Chargeback	10,749,674	10,179,048	9,052,908	7,958,439	6,879,779	5,818,339	4,762,516	3,712,228	2,662,617	1,608,224	527,605	88,840	41,146	0	0	0	0	0
24								Maximum Loss	-1,050,288	-1,049,611	-1,054,393	-1,080,619	-1,101,760	-1,093,338	-1,090,967	-1,097,522	-1,011,664	-1,039,370	-1,028,167
25	CALCULATION OF TAX CONSEQUENCES ON SALE (TRANSFER) OF LIMITED PARTNERSHIP INTERESTS (Outside Basis)																		
26	End of Year Capital Account	10,749,674	10,179,048	9,052,908	7,958,439	6,879,779	5,818,339	4,762,516	3,712,228	2,662,617	1,608,224	527,605	-574,155	-1,667,493	-2,742,031	-3,771,491	-4,703,978	-5,652,397	-6,577,155
27	Syndication Expenses	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993
28	Basis in Partnership Interest	10,824,667	10,254,040	9,127,901	8,033,431	6,954,771	5,893,331	4,837,508	3,787,221	2,737,610	1,683,216	602,597	-499,163	-1,592,501	-2,667,038	-3,696,499	-4,628,985	-5,577,405	-6,502,163
29																			
30	Marginal Tax Bracket	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
31	After Tax Benefits (losses)	3,788,633	3,588,914	3,194,765	2,811,701	2,434,170	2,062,666	1,693,128	1,325,527	958,163	589,126	210,909	-174,707	-557,375	-933,463	-1,293,775	-1,620,145	-1,952,092	-2,275,757

	EM	EN	EO	EP	EQ	ER	ES
44	INTERNAL RATE OF RETURN (CALCULATED QUARTERLY						
45							
46	QUARTER			TOTAL		NET	
47	ENDING	LOSSES	CREDITS	BENEFITS	INVESTMENT	INVESTMENT	IRR
48							5.612%
49	31-Mar-07				100,000	-100,000	
50	30-Jun-07					0	
51	30-Sep-07					0	
52	31-Dec-07					0	
53	31-Mar-08					0	
54	30-Jun-08	172,086	345,060	517,146		517,146	
55	30-Sep-08	172,086	345,060	517,146		517,146	
56	31-Dec-08	172,086	345,060	517,146	12,199,694	-11,682,547	
57	31-Mar-09	100,218	375,807	476,025	574,727	-98,702	
58	30-Jun-09	100,218	375,807	476,025		476,025	
59	30-Sep-09	100,218	375,807	476,025		476,025	
60	31-Dec-09	100,218	375,807	476,025		476,025	
61	31-Mar-10	98,537	375,807	474,344		474,344	
62	30-Jun-10	98,537	375,807	474,344		474,344	
63	30-Sep-10	98,537	375,807	474,344		474,344	
64	31-Dec-10	98,537	375,807	474,344		474,344	
65	31-Mar-11	95,766	335,084	430,850		430,850	
66	30-Jun-11	95,766	335,084	430,850		430,850	
67	30-Sep-11	95,766	335,084	430,850		430,850	
68	31-Dec-11	95,766	335,084	430,850		430,850	
69	31-Mar-12	94,383	227,762	322,144		322,144	
70	30-Jun-12	94,383	227,762	322,144		322,144	
71	30-Sep-12	94,383	227,762	322,144		322,144	
72	31-Dec-12	94,383	227,762	322,144		322,144	
73	31-Mar-13	92,876	227,762	320,638		320,638	
74	30-Jun-13	92,876	227,762	320,638		320,638	
75	30-Sep-13	92,876	227,762	320,638		320,638	
76	31-Dec-13	92,876	227,762	320,638		320,638	
77	31-Mar-14	92,385	227,762	320,146		320,146	
78	30-Jun-14	92,385	227,762	320,146		320,146	
79	30-Sep-14	92,385	227,762	320,146		320,146	
80	31-Dec-14	92,385	227,762	320,146		320,146	
81	31-Mar-15	91,900	227,762	319,662		319,662	
82	30-Jun-15	91,900	227,762	319,662		319,662	
83	30-Sep-15	91,900	227,762	319,662		319,662	
84	31-Dec-15	91,900	227,762	319,662		319,662	
85	31-Mar-16	91,841	227,762	319,603		319,603	
86	30-Jun-16	91,841	227,762	319,603		319,603	
87	30-Sep-16	91,841	227,762	319,603		319,603	
88	31-Dec-16	91,841	227,762	319,603		319,603	
89	31-Mar-17	92,259	227,762	320,021		320,021	
90	30-Jun-17	92,259	227,762	320,021		320,021	
91	30-Sep-17	92,259	227,762	320,021		320,021	
92	31-Dec-17	92,259	227,762	320,021		320,021	
93	31-Mar-18	94,554	227,762	322,316		322,316	
94	30-Jun-18	94,554	227,762	322,316		322,316	
95	30-Sep-18	94,554	39,185	133,739		133,739	
96	31-Dec-18	94,554		94,554		94,554	
97	31-Mar-19	96,404		96,404		96,404	
98	30-Jun-19	96,404		96,404		96,404	
99	30-Sep-19	96,404		96,404		96,404	
100	31-Dec-19	96,404		96,404		96,404	
101	31-Mar-20	95,667		95,667		95,667	
102	30-Jun-20	95,667		95,667		95,667	
103	30-Sep-20	95,667		95,667		95,667	
104	31-Dec-20	95,667		95,667		95,667	
105	31-Mar-21	94,022		94,022		94,022	
106	30-Jun-21	94,022		94,022		94,022	
107	30-Sep-21	94,022		94,022		94,022	
108	31-Dec-21	94,022		94,022		94,022	
109	31-Mar-22	90,078		90,078		90,078	
110	30-Jun-22	90,078		90,078		90,078	
111	30-Sep-22	90,078		90,078		90,078	

	AE	AF	AG	AH	AI	AJ
1	SOURCES AND USES OF FUNDS					
2						
3	SOURCES OF FUNDS	AMOUNT	TERMS			INTEREST RATE
4	First Mortgage	1,474,909	Tax Exempt Mortgage, Direct Placement (1.10 DSC minimum)			5.86%
5		20,000,000	Direct Placement Tax Exempt Construction Loan, Silicon Valley Bank, Floating during Construction			5.36%
6	Second Mortgage	7,051,684	MHP Loan from HCD, .42% Paid Currently		OID Rate =	1.90336%
7		0	MHP Loan from HCD, NSSS, 3% Simple, Deferred for 55 Years		OID Rate =	1.79%
8	Third Mortgage	6,150,000	City of Suisun Redevelopment Loan, 55 from C of O, 3% Contingent Interest, $6,150,000 Maximum			3.00%
9		0	Accrued Interest During Construction			
10	Fourth Mortgage - Treated as Recourse	1,800,000	City of Suisun Redevelopment Loan, 55 from C of O, 0% Interest, Takeback Financing		AFR =	5.29%
11		-1,694,323	Less Adjustment for Loan being at less than AFR			
12		5,590	Accrued Interest During Construction			
13		56,000	Deferred Development Fee		MHP Developer Fee Max	
14	General Partner @ .01%	1,000,000			30	600,000
15	Limited Partner @ 99.99%	12,874,421			64	544,000
16	TOTAL SOURCES	48,718,281				1,144,000
17						
18				BASIS FOR	EXPENSED/	
19	USES OF FUNDS	COST	DEPRECIABLE	4% CREDIT	AMORTIZED	NONDEPRECIABLE
20	Land Acquisition	1,800,000				1,800,000
21	Reduction in Basis as a result of Takeback	-1,694,323				-1,694,323
22	PhotoVoltaic System	375,000	375,000	375,000		
23	Off Site Improvements (Public dedicated & Maintained)	293,000	293,000	293,000		
24	Site Improvements	1,951,407	1,951,407	1,951,407		
25	Structures	13,809,722	13,809,722	13,809,722		
26	Easements	136,768				136,768
27	Contractor Overhead, Profit, and General Conditions	1,648,655	1,648,655	1,648,655		
28	Personal Property in Construction Contract	94,000	94,000	94,000		
29	Contingency	1,998,896	1,998,896	1,998,896		
30	Furnishings	91,600	91,600	91,600		
31	Architecture & Engineering	635,650	635,650	635,650		
32	Soils, Survey, Civil, Testing, etc.	304,500	304,500	304,500		
33	Municipal Fees	262,912	262,912	262,912		
34	Local Impact Fees	2,098,730	2,098,730	2,098,730		
35	Appraisal	15,000	15,000	15,000		
36	Construction Period Interest	1,100,007	564,007	564,007	536,000	
37	Costs of Issuance (see page 3 for detail)	256,000			256,000	
38	Construction Period Insurance	254,894	254,894	254,894		
39	Real Estate Taxes	49,950	49,950	49,950		
40	Soft Cost Contingency	200,000	200,000	200,000		
41	Title & Escrow, Construction Closing	27,500	27,500	27,500		
42	Title & Escrow, Mortgage Closing	16,500			16,500	
43	Start-up Operating Expenses	68,723			68,723	
44	Legal - Construction Loan Closing	45,000	45,000	45,000		
45	Legal - Mortgage Loan Closing	18,000			18,000	
46	Legal - Organization	5,500			5,500	
47	Legal - Syndication	35,000				35,000
48	Tax Credit Allocation Committee Fees	49,241			49,241	
49	Market Study	5,700			5,700	
50	Syndication Consultant	40,000				40,000
51	Marketing Expenses	150,000			150,000	
52	Development Fee	1,400,000	1,400,000	1,400,000		
53	Audit	20,000			20,000	
54	Capitalized Operating Reserve (3 Months of Expenses)	1,154,751				1,154,751
55	Repayment of Construction Loan	20,000,000				20,000,000
56						
57	TOTAL PROJECT COSTS	48,718,281	26,120,421	26,120,421	1,125,664	21,472,196
58	Reduce Basis by 1/2 of Photvoltaic Credit		13,332	13,332		
59	Net Basis		26,107,089	26,107,089		

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W
1	INCOME, EXPENSES, AND CASH FLOW ANALYSIS						Utility Allowances:	1 Bedroom	2 Bedroom	3 Bedroom			Proportion of First Year	58.33%									
2								$38	$57	$72													
3		Factor	# of	MHP		Initial																	
4	Unit Size		Units	Per Unit		Rents	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
5	1 Bedroom @ 30% of AMI - MHP "B"	2.50%	5	89,924	449,620	378	13,230	23,011	23,586	24,176	24,780	25,400	26,035	26,685	27,353	28,036	28,737	29,456	30,192	30,947	31,721	32,514	33,326
6	1 Bedroom @ 40% of AMI	2.50%	3	69,901	209,703	517	10,857	18,883	19,356	19,839	20,335	20,844	21,365	21,899	22,446	23,008	23,583	24,172	24,777	25,396	26,031	26,682	27,349
7	1 Bedroom @ 50% of AMI	2.50%	8	50,023	400,184	655	36,680	63,797	65,392	67,027	68,702	70,420	72,180	73,985	75,835	77,730	79,674	81,666	83,707	85,800	87,945	90,143	92,397
8	2 Bedroom @ 30% of AMI - MHP "B"	2.50%	15	102,024	1,530,360	442	46,410	80,720	82,738	84,807	86,927	89,100	91,328	93,611	95,951	98,350	100,809	103,329	105,912	108,560	111,274	114,056	116,907
9	2 Bedroom @ 40% of AMI	2.50%	4	77,968	311,872	609	17,052	29,658	30,400	31,160	31,939	32,737	33,556	34,395	35,254	36,136	37,039	37,965	38,914	39,887	40,884	41,906	42,954
10	2 Bedroom @ 50% of AMI	2.50%	24	54,056	1,297,344	775	130,200	226,455	232,116	237,919	243,867	249,964	256,213	262,618	269,184	275,913	282,811	289,882	297,129	304,557	312,171	319,975	327,974
11	3 Bedroom @ 30% of AMI - MHP "B"	2.50%	13	113,115	1,470,495	505	45,955	79,929	81,927	83,975	86,075	88,227	90,432	92,693	95,010	97,386	99,820	102,316	104,874	107,495	110,183	112,937	115,761
12	3 Bedroom @ 40% of AMI	2.50%	5	85,458	427,290	697	24,395	42,430	43,491	44,578	45,692	46,835	48,006	49,206	50,436	51,697	52,989	54,314	55,672	57,063	58,490	59,952	61,451
13	3 Bedroom @ 50% of AMI	2.50%	16	57,801	924,816	889	99,568	173,177	177,507	181,944	186,493	191,155	195,934	200,832	205,853	211,000	216,275	221,681	227,223	232,904	238,727	244,695	250,812
14	3 Bedroom Manager	2.50%	1	30,000	30,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15			94		7,051,684		424,347	738,061	756,512	775,425	794,811	814,681	835,048	855,924	877,322	899,255	921,737	944,780	968,400	992,610	1,017,425	1,042,860	1,068,932
16	Residential Vacancy	5.00%					-145,556	-36,903	-37,826	-38,771	-39,741	-40,734	-41,752	-42,796	-43,866	-44,963	-46,087	-47,239	-48,420	-49,630	-50,871	-52,143	-53,447
17	Laundry and Miscellaneous Income						9,024	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470
18							287,815	716,627	734,156	752,123	770,540	789,417	808,765	828,598	848,926	869,762	891,120	913,011	935,449	958,449	982,023	1,006,187	1,030,955
19																							
20	OPERATING EXPENSES	3.50%					264,227	461,247	475,744	490,749	506,278	522,351	538,987	556,205	574,025	592,469	611,559	631,317	651,767	672,932	694,838	717,510	740,976
21	Issuer Monitoring Fee						4,375	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
22																							
23	NET INCOME						19,214	247,880	250,912	253,875	256,762	259,565	262,278	264,893	267,401	269,793	272,060	274,194	276,183	278,017	279,686	281,177	282,479
24	Cash from Development Used to Fund Startup Expenses						68,723																
25																							
26	USES OF NET INCOME																						
27	Debt Service, First Mortgage						26,132	104,526	104,526	104,526	104,526	104,526	104,526	104,526	104,526	104,526	104,526	104,526	104,526	104,526	104,526	104,526	104,526
28	MHP Mortgage Debt Service						7,404	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617
29	Replacement Reserves	3.50%					24,401	42,684	44,178	45,724	47,325	48,981	50,695	52,470	54,306	56,207	58,174	60,210	62,317	64,498	66,756	69,092	71,511
30	Net Cash Available						30,000	71,053	72,591	74,007	75,294	76,441	77,440	78,280	78,951	79,443	79,743	79,840	79,722	79,375	78,787	77,941	76,825
31						DSC	1.895	1.530	1.541	1.552	1.561	1.570	1.577	1.584	1.589	1.592	1.594	1.595	1.594	1.592	1.587	1.581	1.573
32				Cash Flow as Percent of Operating Expenses			11.17%	15.16%															
33	USES OF AVAILABLE CASH																						
34	Asset Management Fee						5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	0	0
35	Deferred Development Fee, Priority Distribution						25,000	31,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
36	Partnership Management Fee						0	25,875	26,781	27,718	28,688	29,692	30,731	31,807	32,920	34,072	35,265	36,499	37,777	39,099	40,467	41,884	43,350
37																							
38	Incentive Management Fee from 50% of Cash Flow			50%			0	4,589	20,405	20,645	20,803	20,875	20,854	20,737	20,516	20,185	19,739	19,171	18,473	17,638	16,660	18,029	16,738
39	Partnership Management Fee from 50% of Cash Flow																						
40																							
41	Repayment of City of Suisun Bay Loan		52.99%	7,950,000			0	2,432	10,813	10,940	11,024	11,062	11,052	10,989	10,872	10,697	10,461	10,159	9,789	9,347	8,829	9,554	8,870
42	Repayment of MHP Loan		47.01%	7,051,684			0	2,157	9,592	9,704	9,779	9,812	9,803	9,747	9,644	9,488	9,279	9,011	8,683	8,291	7,831	8,475	7,868
43	Cash Flow to General Partner	0.01%					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
44	Cash Flow to Limited Partner	99.99%					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
45																							
46	ANNUAL OPERATING BUDGET					ANNUAL																	
47	Property Management Fee	3.50%				41,736	24,346	42,588	44,079	45,621	47,218	48,871	50,581	52,352	54,184	56,080	58,043	60,075	62,177	64,354	66,606	68,937	71,350
48	Administrative Costs	3.50%				47,860	27,918	48,837	50,546	52,316	54,147	56,042	58,003	60,033	62,134	64,309	66,560	68,890	71,301	73,796	76,379	79,052	81,819
49	Utilities	3.50%		PV Savings	17,860	60,442	35,258	61,676	63,835	66,069	68,381	70,775	73,252	75,816	78,469	81,216	84,058	87,000	90,045	93,197	96,459	99,835	103,329
50	Payroll Benefits	3.50%				74,251	43,313	75,767	78,419	81,164	84,004	86,945	89,988	93,137	96,397	99,771	103,263	106,877	110,618	114,489	118,497	122,644	126,936
51	Operating & Maintenance	3.50%				144,623	84,363	147,576	152,741	158,087	163,620	169,346	175,273	181,408	187,757	194,329	201,130	208,170	215,456	222,997	230,802	238,880	247,240
52	Insurance	3.50%				37,000	21,583	37,755	39,077	40,445	41,860	43,325	44,842	46,411	48,035	49,717	51,457	53,258	55,122	57,051	59,048	61,114	63,253
53	Property Taxes & CFD Fee	0.00%				46,248	26,978	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248
54	State Partnership Tax	0.00%				800	467	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800
55	TOTAL OPERATING EXPENSES				0	452,960	264,227	461,247	475,744	490,749	506,278	522,351	538,987	556,205	574,025	592,469	611,559	631,317	651,767	672,932	694,838	717,510	740,976
56						457,335		74.57%	3.14%	3.15%	3.16%	3.17%	3.18%	3.19%	3.20%	3.21%	3.22%	3.23%	3.24%	3.25%	3.26%	3.26%	3.27%
57																							
58	REPLACEMENT RESERVE ANALYSIS																						
59	Deposit to Replacement Reserve						24,401	42,684	44,178	45,724	47,325	48,981	50,695	52,470	54,306	56,207	58,174	60,210	62,317	64,498	66,756	69,092	71,511
60	Withdrawals											71,798					223,611					298,674	
61	Interest on Balance		3.00%				0	732	2,035	3,421	4,895	6,462	5,971	7,671	9,475	11,389	13,417	8,856	10,928	13,125	15,454	17,920	11,571
62	End of Year Balance						24,401	67,817	114,029	163,174	215,394	199,039	255,705	315,846	379,627	447,223	295,202	364,268	437,514	515,138	597,348	385,687	468,768
63																							
64	OPERATING RESERVE ANALYSIS																						
65	Deposit to Replacement Reserve							1,154,751															
66	Withdrawals																						
67	Interest on Balance		3.00%				0	34,643	35,682	36,752	37,855	38,990	40,160	41,365	42,606	43,884	45,201	46,557	47,953	49,392	50,874	52,400	53,972
68	End of Year Balance						0	1,189,394	1,225,075	1,261,828	1,299,682	1,338,673	1,378,833	1,420,198	1,462,804	1,506,688	1,551,889	1,598,445	1,646,399	1,695,791	1,746,664	1,799,064	1,853,036

	AM	AN	AO	AP	AQ	AR	AS	AT	AU	AV	AW
16	SOURCES AND USES OF CAPITAL CONTRIBUTIONS AND LOAN PROCEEDS		1,474,909	20,000,000	7,051,684	6,150,000	56,000	111,267	1,000,000	12,874,421	48,718,281
17	Source of loan or equity		1st	Construction	MHP	City	Deferred	Land	GP	LP	
18			Mortgage	Loan	Loan	Loan	Developer Fee	Contribution	Capital	Capital	Totals
19											
20	Land Acquisition	1,800,000						1,800,000			1,800,000
21	Reduction in Basis as a result of Takeback	-1,694,323						-1,694,323			-1,694,323
22	PhotoVoltaic System	375,000		375,000							375,000
23	Off Site Improvements (Public dedicated & Maintained)	293,000		293,000							293,000
24	Site Improvements	1,951,407		1,951,407							1,951,407
25	Structures	13,809,722		11,626,818		2,182,904				0	13,809,722
26	Easements	136,768		136,768							136,768
27	Contractor Overhead, Profit, and General Conditions	1,648,655		1,648,655							1,648,655
28	Personal Property in Construction Contract	94,000		94,000							94,000
29	Contingency	1,998,896		1,998,896							1,998,896
30	Furnishings	91,600		91,600							91,600
31	Architecture & Engineering	635,650		127,130		508,520					635,650
32	Soils, Survey, Civil, Testing, etc.	304,500		60,900		243,600					304,500
33	Municipal Fees	262,912				262,912					262,912
34	Local Impact Fees	2,098,730				2,098,730					2,098,730
35	Appraisal	15,000				15,000					15,000
36	Construction Period Interest	1,100,007		1,094,416		0		5,590			1,100,007
37	Costs of Issuance (see page 3 for detail)	256,000				256,000					256,000
38	Construction Period Insurance	254,894		0		254,894					254,894
39	Real Estate Taxes	49,950		49,950							49,950
40	Soft Cost Contingency	200,000		200,000							200,000
41	Title & Escrow, Construction Closing	27,500				27,500					27,500
42	Title & Escrow, Mortgage Closing	16,500	16,500								16,500
43	Start-up Operating Expenses	68,723		68,723							68,723
44	Legal - Construction Loan Closing	45,000				45,000					45,000
45	Legal - Mortgage Loan Closing	18,000		18,000							18,000
46	Legal - Organization	5,500								5,500	5,500
47	Legal - Syndication	35,000								35,000	35,000
48	Tax Credit Allocation Committee Fees	49,241				49,241					49,241
49	Market Study	5,700				5,700				0	5,700
50	Syndication Consultant	40,000								40,000	40,000
51	Marketing Expenses	150,000		150,000						0	150,000
52	Development Fee	1,400,000				200,000	56,000			1,144,000	1,400,000
53	Audit	20,000								20,000	20,000
54	Capitalized Operating Reserve (3 Months of Expenses)	1,154,751								1,154,751	1,154,751
55	Repayment of Construction Loan	20,000,000	1,458,409	14,737	7,051,684				1,000,000	10,475,170	20,000,000
56											
57	TOTAL PROJECT COSTS	48,718,281	1,474,909	20,000,000	7,051,684	6,150,000	56,000	111,267	1,000,000	12,874,421	48,718,281
58											

59	50% TEST	
60	Basis	26,107,089
61	Land Cost	105,677
62		26,212,766
63		
64	Tax Exempt Bond	20,000,000
65	Percentage	76.30%

	COSTS OF ISSUANCE (Assumes Direct Placement)		
66	Bond Counsel	45,000	
67	Issuer Fee	25,000	.125% of Bond Amount
68	Issuer Monitoring Fee (Post Constr.)	0	
69	Issuer Application	0	
70	Issuer Counsel	0	
71	Lender Counsel	30,000	
72	Lender Origination	100,000	@ .5% of Bond Amount
	Lender Inspections and Misc. Exp.	21,000	
	CDLAC	7,000	
	CDIAC	3,000	
	Borrower Counsel	15,000	
	Borrower Financial Advisor	10,000	
		256,000	

	AZ	BA	BB	BC	BD
16	DISBURSEMENTS OF LIMITED PARTNER CAPITAL CONTRIBUTIONS				
17			2/1/07	10/1/08	1/1/09
18			100,000	11,199,670	1,574,751
19					
20	Land Acquisition	0			
21	Reduction in Basis as a result of Takeback	0			
22	PhotoVoltaic System	0			
23	Off Site Improvements (Public dedicated & Maintained)	0			
24	Site Improvements	0			
25	Structures	0			
26	Easements	0			
27	Contractor Overhead, Profit, and General Conditions	0			
28	Personal Property in Construction Contract	0			
29	Contingency	0			
30	Furnishings	0			
31	Architecture & Engineering	0			
32	Soils, Survey, Civil, Testing, etc.	0			
33	Municipal Fees	0			
34	Local Impact Fees	0			
35	Appraisal	0			
36	Construction Period Interest	0			
37	Costs of Issuance (see page 3 for detail)	0			
38	Construction Period Insurance	0			
39	Real Estate Taxes	0			
40	Soft Cost Contingency	0			
41	Title & Escrow, Construction Closing	0			
42	Title & Escrow, Mortgage Closing	0			
43	Start-up Operating Expenses	0			
44	Legal - Construction Loan Closing	0			
45	Legal - Mortgage Loan Closing	0			
46	Legal - Organization	5,500	5,500		
47	Legal - Syndication	35,000	35,000		
48	Tax Credit Allocation Committee Fees	0			
49	Market Study	0			
50	Syndication Consultant	40,000	40,000		
51	Marketing Expenses	0		0	
52	Development Fee	1,144,000	19,500	724,500	400,000
53	Audit	20,000			20,000
54	Capitalized Operating Reserve (3 Months of Expenses)	1,154,751			1,154,751
55	Repayment of Construction Loan	10,475,170		10,475,170	0
56					
57	TOTAL PROJECT COSTS	12,874,421	100,000	11,199,670	1,574,751

	BI	BJ	BK	BL	BM	BN	BO	BP	BQ	BR	BS	BT	BU	BV	BW	BX	BY	BZ
1	SCHEDULE OF TAX CONSEQUENCES																	
2		AMOUNT	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
3	DEPRECIATION																	
4	Residential (27.5 Years)	23,970,083	508,456	871,639	871,639	871,639	871,639	871,639	871,639	871,639	871,639	871,639	871,639	871,639	871,639	871,639	871,639	871,639
5	Residential (40 Years)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	Site Improvements (15 Years, Mid-Year)	1,951,407	97,570	185,384	166,845	150,161	135,145	121,630	121,630	121,630	121,630	121,630	121,630	121,630	121,630	121,630	121,630	
7	Site Improvements (20 Years, Mid-Year)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	Personal Property (5 Years, Mid-Year)	185,600	37,120	59,392	35,635	21,381	21,381	10,691										
9	Personal Property (9 Years, Mid-Year)	0	0	0	0	0	0	0	0	0	0	0						
10																		
11	Residential (27.5 Years)	35,899						1,305	1,305	1,305	1,305	1,305	1,305	1,305	1,305	1,305	1,305	1,305
12	Residential (40 Years)	0						0	0	0	0	0	0	0	0	0	0	0
13	Personal Property (5 Years, Mid-Year)	35,899						7,180	11,488	6,893	4,136	4,136	2,068					
14	Personal Property (9 Years, Mid-Year)	0						0	0	0	0	0	0	0	0	0	0	
15																		
16	Residential (27.5 Years)	111,806											4,066	4,066	4,066	4,066	4,066	4,066
17	Residential (40 Years)	0											0	0	0	0	0	0
18	Personal Property (5 Years, Mid-Year)	111,806											22,361	35,778	21,467	12,880	12,880	6,440
19	Personal Property (9 Years, Mid-Year)	0											0	0	0	0	0	0
20																		
21	Residential (27.5 Years)	149,337																5,430
22	Residential (40 Years)	0																0
23	Personal Property (5 Years, Mid-Year)	149,337																29,867
24	Personal Property (9 Years, Mid-Year)	0																0
25																		
26	Subtotal	26,107,089	643,147	1,116,415	1,074,120	1,043,181	1,028,165	1,012,445	1,006,063	1,001,468	998,711	998,711	1,023,070	1,034,418	1,020,107	1,011,521	1,011,521	918,748
27	check	26,107,089																
28																		
29	EXPENSED AND AMORTIZED ITEMS																	
30	Mortgage Loan Fees, Legal, Title	290,500	5,649	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683
31	Legal - Organization	5,500	642	1,100	1,100	1,100	1,100	458										
32	Tax Credit Allocation Committee Fees	54,941	3,205	5,494	5,494	5,494	5,494	5,494	5,494	5,494	5,494	5,494	2,289					
33	Marketing Expenses	150,000	150,000															
34	Audit	20,000	20,000															
35	Asset Management Fee	0.0%	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
36	Partnership Management Fee	3.5%	25,000	25,875	26,781	27,718	28,688	29,692	30,731	31,807	32,920	34,072	35,265	36,499	37,777	39,099	40,467	41,884
37	Incentive Mangement Fee		0	4,589	20,405	20,645	20,803	20,875	20,854	20,737	20,516	20,185	19,739	19,171	18,473	17,638	16,660	18,029
38	Subtotal	520,941	209,495	51,741	68,463	69,640	70,768	71,202	71,763	72,721	73,613	74,435	71,977	70,353	70,933	71,421	71,810	74,596
39	check	520,941																
40																		
41	LOW-INCOME HOUSING TAX CREDITS																	
42	Tax Credit Basis (From Page 1)	26,107,089																
43	Amount of Annual Federal Tax Credits		416,380	911,137	911,137	911,137	911,137	911,137	911,137	911,137	911,137	911,137	494,757					
44																		
45	Basis for CA Credit	26,107,089																
46	Amount of California Tax Credits		911,137	911,137	911,137	660,509												
47																		
48	PHOTOVOLTAIC CREDIT																	
49	Basis for Photovoltaic Credit	375,000																
50	Percentage Financed with Tax Exempt Bonds	76.30%																
51	Basis for Credit	23.70%																
52	Amount of Federal Solar Credit		26,664															
53																		
54	TOTAL CREDITS		1,327,517	1,822,275	1,822,275	1,571,647	911,137	911,137	911,137	911,137	911,137	911,137	494,757					
55																		
56	Tax Credit Percentage	3.49%		RENTUP SCHEDULE		Tax Credit	1st Yr											
57	Amount of Federal Credit Reserved	941,316				Months	Income Mos.											
58	Amount of CA Credit Reserved	3,399,197		June	23	161	115											
59	California Credit Utilized	3,393,922		July	23	138	92											
60	First Year Depreciation Percentage	58.33%		August	23	115	69											
61	First Year Mortgage Amortization Percentage	58.33%		September	24	96	48											
62	First Year Mortgage Tax Credit Percentage	45.70%			93	510	324											
63	Tax Exempt Use Property/ADS Depreciation	0%			1116	45.7%	29.0%											

	CD	CE	CF	CG	CH	CI	CJ	CK	CL	CM	CN	CO	CP	CQ	CR	CS	CT	CU	CV
1	ANALYSIS OF TAXABLE INCOME																		
2		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
3	NET OPERATING INCOME	19,214	247,880	250,912	253,875	256,762	259,565	262,278	264,893	267,401	269,793	272,060	274,194	276,183	278,017	279,686	281,177	282,479	283,578
4	Interest on Replacement & Operating Reserve Accounts	0	35,375	37,716	40,173	42,750	45,452	46,131	49,036	52,081	55,273	58,617	55,413	58,881	62,517	66,328	70,320	65,543	69,654
5	Total Net Income	19,214	283,255	288,628	294,048	299,512	305,018	308,410	313,929	319,482	325,066	330,678	329,606	335,064	340,534	346,014	351,497	348,021	353,232
6																			
7	Deductions:																		
8	Interest on First Mortgage	21,585	85,662	84,526	83,322	82,046	80,693	79,258	77,737	76,124	74,414	72,601	70,680	68,642	66,482	64,191	61,763	59,189	56,460
9	Interest on Construction Loan Carryover	536,000																	
10	Interest on Second Mortgage MHP	78,295	135,569	137,573	139,572	141,612	143,692	145,815	147,981	150,191	152,447	154,749	157,100	159,500	161,950	164,452	167,006	169,609	172,268
11	Third Mortgage	0	2,432	10,813	10,940	11,024	11,062	11,052	10,989	10,872	10,697	10,461	10,159	9,789	9,347	8,829	9,554	8,870	8,096
12	Fourth Mortgage - Take-Back	5,886	6,197	6,525	6,870	7,234	7,617	8,019	8,444	8,890	9,361	9,856	10,377	10,926	11,504	12,113	12,754	13,428	14,139
13	Depreciation	643,147	1,116,415	1,074,120	1,043,181	1,028,165	1,012,445	1,006,063	1,001,468	998,711	998,711	1,023,070	1,034,418	1,020,107	1,011,521	1,011,521	918,748	930,229	911,114
14	Expensed Items	209,495	51,741	68,463	69,640	70,768	71,202	71,763	72,721	73,613	74,435	71,977	70,353	70,933	71,421	71,810	74,596	74,771	74,828
15	Total Deductions	1,494,408	1,398,017	1,382,021	1,353,527	1,340,849	1,326,711	1,321,969	1,319,339	1,318,401	1,320,064	1,342,713	1,353,087	1,339,897	1,332,224	1,332,915	1,244,421	1,256,096	1,236,904
16																			
17	NET TAXABLE INCOME	-1,475,194	-1,114,762	-1,093,393	-1,059,479	-1,041,338	-1,021,694	-1,013,560	-1,005,410	-998,919	-994,998	-1,012,036	-1,023,481	-1,004,833	-991,690	-986,902	-892,924	-908,075	-883,671
18																			
19	General Partner Share	-148	-111	-109	-106	-104	-102	-101	-101	-100	-99	-101	-102	-100	-99	-99	-89	-91	-88
20	Investor Limited Paratner Share	-1,475,046	-1,114,650	-1,093,283	-1,059,373	-1,041,234	-1,021,592	-1,013,458	-1,005,309	-998,819	-994,899	-1,011,934	-1,023,379	-1,004,733	-991,590	-986,803	-892,835	-907,984	-883,583
21																			
22	Marginal tax Bracket	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
23	Limited Partner After Tax Benefits From Operations	516,266	390,128	382,649	370,781	364,432	357,557	354,710	351,858	349,587	348,215	354,177	358,183	351,656	347,057	345,381	312,492	317,794	309,254
24																			
25	Investor Limited Partner Share of Tax Credits																		
26	Federal Low-Income Housing Tax Credits	416,338	911,046	911,046	911,046	911,046	911,046	911,046	911,046	911,046	911,046	494,708	0						
27	Amount of California Tax Credits	592,180	592,180	592,180	429,288	0													
28	Photovoltaic Credit	26,661																	
29																			
30	Total Limited Partner After tax Benefits	1,551,446	1,893,354	1,885,876	1,711,115	1,275,478	1,268,603	1,265,757	1,262,904	1,260,633	1,259,261	848,885	358,183	351,656	347,057	345,381	312,492	317,794	309,254

	CX	CY	CZ	DA	DB	DC	DD	DE	DF	DG	DH	DI	DJ	DK	DL	DM	DN	DO
1	OUTSTANDING DEBT																	
2																		
3	SOURCES OF FUNDS	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
4	First Mortgage	1,470,362	1,451,498	1,431,499	1,410,295	1,387,815	1,363,981	1,338,713	1,311,923	1,283,521	1,253,409	1,221,484	1,187,638	1,151,754	1,113,709	1,073,375	1,030,612	985,275
5	Second Mortgage MHP	7,122,574	7,226,369	7,324,733	7,424,984	7,527,201	7,631,463	7,737,858	7,846,474	7,957,405	8,070,746	8,186,599	8,305,071	8,426,270	8,550,312	8,677,315	8,806,230	8,938,354
6	Third Mortgage	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000
7	Fourth Mortgage	117,153	123,351	129,876	136,746	143,980	151,597	159,616	168,060	176,950	186,311	196,167	206,544	217,470	228,975	241,087	253,841	267,269
8	Total Nonrecourse Debt	14,860,090	14,951,218	15,036,108	15,122,026	15,208,995	15,297,041	15,386,187	15,476,458	15,567,876	15,660,466	15,754,251	15,849,253	15,945,494	16,042,996	16,141,777	16,240,683	16,340,898
9																		
10	Partnership Management Fee Owed	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
11	Deferred Developer Fee	31,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12	Total Recourse Debt	56,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
13	TOTAL DEBT	14,916,090	14,976,218	15,061,108	15,147,026	15,233,995	15,322,041	15,411,187	15,501,458	15,592,876	15,685,466	15,779,251	15,874,253	15,970,494	16,067,996	16,166,777	16,265,683	16,365,898
14	Average Rate of Increase over 2007		0.40%	0.49%	0.52%	0.53%	0.54%	0.55%	0.56%	0.57%	0.57%	0.58%	0.58%	0.59%	0.59%	0.60%	0.60%	0.61%
15																		
16	MHP Mortgage	1.90%	1.90%	1.90%	1.91%	1.91%	1.91%	1.91%	1.91%	1.91%	1.92%	1.92%	1.92%	1.92%	1.92%	1.92%	1.92%	1.93%
17	Balance	7,051,684																
18	Interest on Balance to 12/31	78,295	135,569	137,573	139,572	141,612	143,692	145,815	147,981	150,191	152,447	154,749	157,100	159,500	161,950	164,452	167,006	169,609
19	Payment	7,404	31,774	39,209	39,321	39,396	39,429	39,420	39,364	39,261	39,105	38,896	38,628	38,300	37,908	37,448	38,092	37,485
20	New Balance	7,122,574	7,226,369	7,324,733	7,424,984	7,527,201	7,631,463	7,737,858	7,846,474	7,957,405	8,070,746	8,186,599	8,305,071	8,426,270	8,550,312	8,677,315	8,806,230	8,938,354
21	Number of Years Remaining	54	53	52	51	50	49	48	47	46	45	44	43	42	41	40	39	38
22	Balance Assuming no Unscheduled Payments	17,037,510	19,722,426	19,621,441	19,535,412	19,450,703	19,367,326	19,285,300	19,204,645	19,125,386	19,047,550	18,971,170	18,896,280	18,822,922	18,751,138	18,680,976	18,610,004	18,542,181
23																		
24	Third Mortgage (Book Accounting)	3.00% simple interest			Original Balance	7,051,684			29,617 Required MHP Payment									
25	Balance at End of Construction	7,051,684																
26	Interest on Last Balance	123,404	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551
27	Amount Paid from Operations	7,404	31,774	39,209	39,321	39,396	39,429	39,420	39,364	39,261	39,105	38,896	38,628	38,300	37,908	37,448	38,092	37,485
28	New Balance	7,167,684	7,347,461	7,519,802	7,692,032	7,864,186	8,036,308	8,208,438	8,380,624	8,552,914	8,725,360	8,898,014	9,070,937	9,244,187	9,417,829	9,591,932	9,765,390	9,939,456
29																		
30	Ending Balance Assuming no Unscheduled Payment	17,037,574	17,035,417	17,025,825	17,016,121	17,006,342	16,996,530	16,986,727	16,976,980	16,967,336	16,957,848	16,948,569	16,939,558	16,930,875	16,922,584	16,914,753	16,906,278	16,898,411
31																		
32	Third Mortgage	3.00% Contingent Interest																
33	Initial Balance	6,150,000																
34	Accrued Interest During Construction	0																
35	Interest on Last Balance	0	2,432	10,813	10,940	11,024	11,062	11,052	10,989	10,872	10,697	10,461	10,159	9,789	9,347	8,829	9,554	8,870
36	Amount Paid from Capital Contributions																	
37	Amount Paid from Operations	0	2,432	10,813	10,940	11,024	11,062	11,052	10,989	10,872	10,697	10,461	10,159	9,789	9,347	8,829	9,554	8,870
38	End of Year Balance	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000
39																		
40	Fourth Mortgage - Take-Back	5.29%																
41	Initial Balance	105,677																
42	Accrued Interest During Construction	5,590																
43	Interest on Last Balance	5,886	6,197	6,525	6,870	7,234	7,617	8,019	8,444	8,890	9,361	9,856	10,377	10,926	11,504	12,113	12,754	13,428
44	Amount Paid from Capital Contributions																	
45	Amount Paid from Operations																	
46	End of Year Balance	117,153	123,351	129,876	136,746	143,980	151,597	159,616	168,060	176,950	186,311	196,167	206,544	217,470	228,975	241,087	253,841	267,269
47																		
48	Deferred Developer Fee	0.00%																
49	Initial Balance	56,000																
50	Interest on Last Balance	0	0	0	0	0	0	0	0	0	0	0	0					
51	Amount Paid from Capital Contributions																	
52	Amount Paid from Operations	25,000	31,000	0	0	0	0	0	0	0	0	0	0					
53	End of Year Balance	31,000	0	0	0	0	0	0	0	0	0	0	0					

	EL	EM	EN	EO	EP	EQ	ER	ES	ET	EU	EV	EW	EX	EY	EZ	FA	FB	FC	FD
1	CAPITAL ACCOUNT ANALYSIS DURING OWNERSHIP BY LIMITED PARTNERSHIP																		
2	Limited Partner Share																		
3		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
4	Basis	26,360,229	25,717,147	24,600,844	23,526,831	22,483,754	21,455,692	20,515,139	19,509,177	18,507,809	17,509,199	16,510,588	15,711,210	14,676,895	13,656,890	12,645,470	11,634,051	11,014,038	10,083,902
5	Additions to Basis	0	0	0	0	0	71,791	0	0	0	0	223,589	0	0	0	0	298,644	0	0
6	Deductions from Basis	643,082	1,116,303	1,074,012	1,043,077	1,028,062	1,012,344	1,005,962	1,001,367	998,611	998,611	1,022,967	1,034,315	1,020,005	1,011,420	1,011,420	918,656	930,136	911,022
7	Basis at End of Year	25,717,147	24,600,844	23,526,831	22,483,754	21,455,692	20,515,139	19,509,177	18,507,809	17,509,199	16,510,588	15,711,210	14,676,895	13,656,890	12,645,470	11,634,051	11,014,038	10,083,902	9,172,880
8	Balance in Reserve Accounts	24,398	1,257,085	1,338,971	1,424,860	1,514,925	1,537,558	1,634,375	1,735,870	1,842,247	1,953,716	1,846,906	1,962,517	2,083,704	2,210,707	2,343,778	2,184,533	2,321,572	2,465,225
9	Basis in Partnership Assets	25,741,546	25,857,928	24,865,802	23,908,614	22,970,617	22,052,697	21,143,552	20,243,680	19,351,446	18,464,304	17,558,116	16,639,412	15,740,594	14,856,177	13,977,828	13,198,571	12,405,475	11,638,105
10	Outstanding Nonrecourse Debt	14,741,462	14,826,385	14,904,741	14,983,781	15,063,509	15,143,930	15,225,048	15,306,867	15,389,387	15,472,608	15,556,528	15,641,144	15,726,451	15,812,440	15,899,100	15,985,243	16,072,022	16,159,417
11																			
12	Minimum Gain on Chargeback	0	0	0	0	0	0	0	0	0	0	0	0	0	956,262	1,921,271	2,786,672	3,666,547	4,521,311
13																			
14	LIMITED PARTNER CAPITAL ACCOUNT																		
15	Capital Account Balance At Year Start		9,749,631	10,209,732	9,116,448	8,057,075	7,015,841	5,994,250	4,980,791	3,975,482	2,976,663	1,981,764	969,830	0	0	-956,262	-1,921,271	-2,786,672	-3,666,547
16	Capital Contribution	11,299,670	1,574,751																
17	Deductions from Capital Account	-1,475,046	-1,114,650	-1,093,283	-1,059,373	-1,041,234	-1,021,592	-1,013,458	-1,005,309	-998,819	-994,899	-1,011,934	-969,830	0	-956,262	-965,009	-865,401	-879,875	-854,764
18	Syndication Expenses	-74,993																	
19	Cash Flow	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20	End of Year Capital Account	9,749,631	10,209,732	9,116,448	8,057,075	7,015,841	5,994,250	4,980,791	3,975,482	2,976,663	1,981,764	969,830	0	0	-956,262	-1,921,271	-2,786,672	-3,666,547	-4,521,311
21																			
22	Minimum Gain on Chargeback	0	0	0	0	0	0	0	0	0	0	0	0	0	956,262	1,921,271	2,786,672	3,666,547	4,521,311
23	Capital Account Plus Chargeback	9,749,631	10,209,732	9,116,448	8,057,075	7,015,841	5,994,250	4,980,791	3,975,482	2,976,663	1,981,764	969,830	0	0	0	0	0	0	0
24								Maximum Loss	-1,005,309	-998,819	-994,899	-1,011,934	-1,023,379	-1,004,733	-991,590	-986,803	-892,835	-907,984	-883,583
25	CALCULATION OF TAX CONSEQUENCES ON SALE (TRANSFER) OF LIMITED PARTNERSHIP INTERESTS (Outside Basis)																		
26	End of Year Capital Account	9,749,631	10,209,732	9,116,448	8,057,075	7,015,841	5,994,250	4,980,791	3,975,482	2,976,663	1,981,764	969,830	0	0	-956,262	-1,921,271	-2,786,672	-3,666,547	-4,521,311
27	Syndication Expenses	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993
28	Basis in Partnership Interest	9,824,624	10,284,724	9,191,441	8,132,067	7,090,834	6,069,242	5,055,784	4,050,475	3,051,656	2,056,757	1,044,822	74,993	74,993	-881,270	-1,846,279	-2,711,680	-3,591,555	-4,446,319
29																			
30	Marginal Tax Bracket	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
31	After Tax Benefits (losses)	3,438,618	3,599,653	3,217,004	2,846,224	2,481,792	2,124,235	1,769,524	1,417,666	1,068,079	719,865	365,688	26,247	26,247	-308,444	-646,198	-949,088	-1,257,044	-1,556,212

	EM	EN	EO	EP	EQ	ER	ES
44	INTERNAL RATE OF RETURN (CALCULATED QUARTERLY						
45							
46	QUARTER			TOTAL		NET	
47	ENDING	LOSSES	CREDITS	BENEFITS	INVESTMENT	INVESTMENT	IRR
48							5.469%
49	31-Mar-07				100,000	-100,000	
50	30-Jun-07					0	
51	30-Sep-07					0	
52	31-Dec-07					0	
53	31-Mar-08					0	
54	30-Jun-08	172,089	345,060	517,149		517,149	
55	30-Sep-08	172,089	345,060	517,149		517,149	
56	31-Dec-08	172,089	345,060	517,149	11,199,670	-10,682,521	
57	31-Mar-09	97,532	375,807	473,339	1,574,751	-1,101,412	
58	30-Jun-09	97,532	375,807	473,339		473,339	
59	30-Sep-09	97,532	375,807	473,339		473,339	
60	31-Dec-09	97,532	375,807	473,339		473,339	
61	31-Mar-10	95,662	375,807	471,469		471,469	
62	30-Jun-10	95,662	375,807	471,469		471,469	
63	30-Sep-10	95,662	375,807	471,469		471,469	
64	31-Dec-10	95,662	375,807	471,469		471,469	
65	31-Mar-11	92,695	335,084	427,779		427,779	
66	30-Jun-11	92,695	335,084	427,779		427,779	
67	30-Sep-11	92,695	335,084	427,779		427,779	
68	31-Dec-11	92,695	335,084	427,779		427,779	
69	31-Mar-12	91,108	227,762	318,870		318,870	
70	30-Jun-12	91,108	227,762	318,870		318,870	
71	30-Sep-12	91,108	227,762	318,870		318,870	
72	31-Dec-12	91,108	227,762	318,870		318,870	
73	31-Mar-13	89,389	227,762	317,151		317,151	
74	30-Jun-13	89,389	227,762	317,151		317,151	
75	30-Sep-13	89,389	227,762	317,151		317,151	
76	31-Dec-13	89,389	227,762	317,151		317,151	
77	31-Mar-14	88,678	227,762	316,439		316,439	
78	30-Jun-14	88,678	227,762	316,439		316,439	
79	30-Sep-14	88,678	227,762	316,439		316,439	
80	31-Dec-14	88,678	227,762	316,439		316,439	
81	31-Mar-15	87,965	227,762	315,726		315,726	
82	30-Jun-15	87,965	227,762	315,726		315,726	
83	30-Sep-15	87,965	227,762	315,726		315,726	
84	31-Dec-15	87,965	227,762	315,726		315,726	
85	31-Mar-16	87,397	227,762	315,158		315,158	
86	30-Jun-16	87,397	227,762	315,158		315,158	
87	30-Sep-16	87,397	227,762	315,158		315,158	
88	31-Dec-16	87,397	227,762	315,158		315,158	
89	31-Mar-17	87,054	227,762	314,815		314,815	
90	30-Jun-17	87,054	227,762	314,815		314,815	
91	30-Sep-17	87,054	227,762	314,815		314,815	
92	31-Dec-17	87,054	227,762	314,815		314,815	
93	31-Mar-18	88,544	227,762	316,306		316,306	
94	30-Jun-18	88,544	227,762	316,306		316,306	
95	30-Sep-18	88,544	39,185	127,729		127,729	
96	31-Dec-18	88,544		88,544		88,544	
97	31-Mar-19	84,860		84,860		84,860	
98	30-Jun-19	84,860		84,860		84,860	
99	30-Sep-19	84,860		84,860		84,860	
100	31-Dec-19	84,860		84,860		84,860	
101	31-Mar-20	0		0		0	
102	30-Jun-20	0		0		0	
103	30-Sep-20	0		0		0	
104	31-Dec-20	0		0		0	
105	31-Mar-21	83,673		83,673		83,673	
106	30-Jun-21	83,673		83,673		83,673	
107	30-Sep-21	83,673		83,673		83,673	
108	31-Dec-21	83,673		83,673		83,673	
109	31-Mar-22	84,438		84,438		84,438	
110	30-Jun-22	84,438		84,438		84,438	
111	30-Sep-22	84,438		84,438		84,438	

	AE	AF	AG	AH	AI	AJ
1	SOURCES AND USES OF FUNDS					
2						
3	SOURCES OF FUNDS	AMOUNT	TERMS			INTEREST RATE
4	First Mortgage	1,473,574	Tax Exempt Mortgage, Direct Placement (1.10 DSC minimum)			5.86%
5		20,000,000	Direct Placement Tax Exempt Construction Loan, Silicon Valley Bank, Floating during Construction			5.36%
6	Second Mortgage	7,051,684	MHP Loan from HCD, .42% Paid Currently		OID Rate =	1.90336%
7		0	MHP Loan from HCD, NSSS, 3% Simple, Deferred for 55 Years		OID Rate =	1.79%
8	Third Mortgage - Treated as Recourse	6,150,000	City of Suisun Redevelopment Loan, 55 from C of O, 3% Contingent Interest, $6,150,000 Maximum			3.00%
9		0	Accrued Interest During Construction			
10	Fourth Mortgage	1,800,000	City of Suisun Redevelopment Loan, 55 from C of O, 0% Interest, Takeback Financing		AFR =	5.29%
11		-1,694,323	Less Adjustment for Loan being at less than AFR			
12		5,590	Accrued Interest During Construction			
13		56,000	Deferred Development Fee		MHP Developer Fee Max	
14	General Partner @ .01%	1,288			30	600,000
15	Limited Partner @ 99.99%	12,874,421			64	544,000
16	TOTAL SOURCES	47,718,234				1,144,000
17						
18				BASIS FOR	EXPENSED/	
19	USES OF FUNDS	COST	DEPRECIABLE	4% CREDIT	AMORTIZED	NONDEPRECIABLE
20	Land Acquisition	1,800,000				1,800,000
21	Reduction in Basis as a result of Takeback	-1,694,323				-1,694,323
22	PhotoVoltaic System	375,000	375,000	375,000		
23	Off Site Improvements (Public dedicated & Maintained)	293,000	293,000	293,000		
24	Site Improvements	1,951,407	1,951,407	1,951,407		
25	Structures	13,809,722	13,809,722	13,809,722		
26	Easements	136,768				136,768
27	Contractor Overhead, Profit, and General Conditions	1,648,655	1,648,655	1,648,655		
28	Personal Property in Construction Contract	94,000	94,000	94,000		
29	Contingency	1,998,896	1,998,896	1,998,896		
30	Furnishings	91,600	91,600	91,600		
31	Architecture & Engineering	635,650	635,650	635,650		
32	Soils, Survey, Civil, Testing, etc.	304,500	304,500	304,500		
33	Municipal Fees	262,912	262,912	262,912		
34	Local Impact Fees	2,098,730	2,098,730	2,098,730		
35	Appraisal	15,000	15,000	15,000		
36	Construction Period Interest	1,100,007	564,007	564,007	536,000	
37	Costs of Issuance (see page 3 for detail)	256,000			256,000	
38	Construction Period Insurance	254,894	254,894	254,894		
39	Real Estate Taxes	49,950	49,950	49,950		
40	Soft Cost Contingency	200,000	200,000	200,000		
41	Title & Escrow, Construction Closing	27,500	27,500	27,500		
42	Title & Escrow, Mortgage Closing	16,500			16,500	
43	Start-up Operating Expenses	68,699			68,699	
44	Legal - Construction Loan Closing	45,000	45,000	45,000		
45	Legal - Mortgage Loan Closing	18,000			18,000	
46	Legal - Organization	5,500			5,500	
47	Legal - Syndication	35,000				35,000
48	Tax Credit Allocation Committee Fees	49,241			49,241	
49	Market Study	5,700			5,700	
50	Syndication Consultant	40,000				40,000
51	Marketing Expenses	150,000			150,000	
52	Development Fee	1,400,000	1,400,000	1,400,000		
53	Audit	20,000			20,000	
54	Capitalized Operating Reserve (3 Months of Expenses)	154,727				154,727
55	Repayment of Construction Loan	20,000,000				20,000,000
56						
57	TOTAL PROJECT COSTS	47,718,234	26,120,421	26,120,421	1,125,641	20,472,172
58	Reduce Basis by 1/2 of Photvoltaic Credit		13,332	13,332		
59	Net Basis		26,107,089	26,107,089		

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W
1	INCOME, EXPENSES, AND CASH FLOW ANALYSIS						Utility Allowances:	1 Bedroom	2 Bedroom	3 Bedroom			Proportion of First Year	58.33%									
2								$38	$57	$72													
3		Factor	# of	MHP		Initial																	
4	Unit Size		Units	Per Unit		Rents	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
5	1 Bedroom @ 30% of AMI - MHP "B"	2.50%	5	89,924	449,620	378	13,230	23,011	23,586	24,176	24,780	25,400	26,035	26,685	27,353	28,036	28,737	29,456	30,192	30,947	31,721	32,514	33,326
6	1 Bedroom @ 40% of AMI	2.50%	3	69,901	209,703	517	10,857	18,883	19,356	19,839	20,335	20,844	21,365	21,899	22,446	23,008	23,583	24,172	24,777	25,396	26,031	26,682	27,349
7	1 Bedroom @ 50% of AMI	2.50%	8	50,023	400,184	655	36,680	63,797	65,392	67,027	68,702	70,420	72,180	73,985	75,835	77,730	79,674	81,666	83,707	85,800	87,945	90,143	92,397
8	2 Bedroom @ 30% of AMI - MHP "B"	2.50%	15	102,024	1,530,360	442	46,410	80,720	82,738	84,807	86,927	89,100	91,328	93,611	95,951	98,350	100,809	103,329	105,912	108,560	111,274	114,056	116,907
9	2 Bedroom @ 40% of AMI	2.50%	4	77,968	311,872	609	17,052	29,658	30,400	31,160	31,939	32,737	33,556	34,395	35,254	36,136	37,039	37,965	38,914	39,887	40,884	41,906	42,954
10	2 Bedroom @ 50% of AMI	2.50%	24	54,056	1,297,344	775	130,200	226,455	232,116	237,919	243,867	249,964	256,213	262,618	269,184	275,913	282,811	289,882	297,129	304,557	312,171	319,975	327,974
11	3 Bedroom @ 30% of AMI - MHP "B"	2.50%	13	113,115	1,470,495	505	45,955	79,929	81,927	83,975	86,075	88,227	90,432	92,693	95,010	97,386	99,820	102,316	104,874	107,495	110,183	112,937	115,761
12	3 Bedroom @ 40% of AMI	2.50%	5	85,458	427,290	697	24,395	42,430	43,491	44,578	45,692	46,835	48,006	49,206	50,436	51,697	52,989	54,314	55,672	57,063	58,490	59,952	61,451
13	3 Bedroom @ 50% of AMI	2.50%	16	57,801	924,816	889	99,568	173,177	177,507	181,944	186,493	191,155	195,934	200,832	205,853	211,000	216,275	221,681	227,223	232,904	238,727	244,695	250,812
14	3 Bedroom Manager	2.50%	1	30,000	30,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15			94		7,051,684		424,347	738,061	756,512	775,425	794,811	814,681	835,048	855,924	877,322	899,255	921,737	944,780	968,400	992,610	1,017,425	1,042,860	1,068,932
16	Residential Vacancy	5.00%					-145,556	-36,903	-37,826	-38,771	-39,741	-40,734	-41,752	-42,796	-43,866	-44,963	-46,087	-47,239	-48,420	-49,630	-50,871	-52,143	-53,447
17	Laundry and Miscellaneous Income						9,024	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470	15,470
18							287,815	716,627	734,156	752,123	770,540	789,417	808,765	828,598	848,926	869,762	891,120	913,011	935,449	958,449	982,023	1,006,187	1,030,955
19																							
20	OPERATING EXPENSES	3.50%					264,227	461,247	475,744	490,749	506,278	522,351	538,987	556,205	574,025	592,469	611,559	631,317	651,767	672,932	694,838	717,510	740,976
21	Issuer Monitoring Fee						4,375	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
22																							
23	NET INCOME						19,214	247,880	250,912	253,875	256,762	259,565	262,278	264,893	267,401	269,793	272,060	274,194	276,183	278,017	279,686	281,177	282,479
24	Cash from Development Used to Fund Startup Expenses						68,699																
25																							
26	USES OF NET INCOME																						
27	Debt Service, First Mortgage						26,108	104,431	104,431	104,431	104,431	104,431	104,431	104,431	104,431	104,431	104,431	104,431	104,431	104,431	104,431	104,431	104,431
28	MHP Mortgage Debt Service						7,404	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617	29,617
29	Replacement Reserves	3.50%					24,401	42,684	44,178	45,724	47,325	48,981	50,695	52,470	54,306	56,207	58,174	60,210	62,317	64,498	66,756	69,092	71,511
30	Net Cash Available						30,000	71,147	72,685	74,102	75,388	76,536	77,535	78,375	79,046	79,537	79,838	79,935	79,817	79,470	78,881	78,036	76,919
31						DSC	1.895	1.531	1.542	1.553	1.562	1.571	1.578	1.585	1.590	1.593	1.596	1.596	1.595	1.593	1.588	1.582	1.574
32				Cash Flow as Percent of Operating Expenses			11.17%	15.18%															
33	USES OF AVAILABLE CASH																						
34	Asset Management Fee						5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	0	0
35	Deferred Development Fee, Priority Distribution						25,000	31,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
36	Partnership Management Fee						0	25,875	26,781	27,718	28,688	29,692	30,731	31,807	32,920	34,072	35,265	36,499	37,777	39,099	40,467	41,884	43,350
37																							
38	Incentive Management Fee from 50% of Cash Flow			50%			0	4,636	20,452	20,692	20,850	20,922	20,902	20,784	20,563	20,233	19,786	19,218	18,520	17,686	16,707	18,076	16,785
39	Partnership Management Fee from 50% of Cash Flow																						
40																							
41	Repayment of City of Suisun Bay Loan		52.99%	7,950,000			0	2,457	10,839	10,966	11,049	11,087	11,077	11,014	10,897	10,722	10,486	10,184	9,815	9,372	8,854	9,579	8,895
42	Repayment of MHP Loan		47.01%	7,051,684			0	2,179	9,614	9,726	9,801	9,834	9,825	9,770	9,666	9,510	9,301	9,034	8,706	8,313	7,853	8,497	7,890
43	Cash Flow to General Partner	0.01%					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
44	Cash Flow to Limited Partner	99.99%					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
45																							
46	ANNUAL OPERATING BUDGET					ANNUAL																	
47	Property Management Fee	3.50%				41,736	24,346	42,588	44,079	45,621	47,218	48,871	50,581	52,352	54,184	56,080	58,043	60,075	62,177	64,354	66,606	68,937	71,350
48	Administrative Costs	3.50%				47,860	27,918	48,837	50,546	52,316	54,147	56,042	58,003	60,033	62,134	64,309	66,560	68,890	71,301	73,796	76,379	79,052	81,819
49	Utilities	3.50%		PV Savings		60,442	35,258	61,676	63,835	66,069	68,381	70,775	73,252	75,816	78,469	81,216	84,058	87,000	90,045	93,197	96,459	99,835	103,329
50	Payroll Benefits	3.50%			17,860	74,251	43,313	75,767	78,419	81,164	84,004	86,945	89,988	93,137	96,397	99,771	103,263	106,877	110,618	114,489	118,497	122,644	126,936
51	Operating & Maintenance	3.50%				144,623	84,363	147,576	152,741	158,087	163,620	169,346	175,273	181,408	187,757	194,329	201,130	208,170	215,456	222,997	230,802	238,880	247,240
52	Insurance	3.50%				37,000	21,583	37,755	39,077	40,445	41,860	43,325	44,842	46,411	48,035	49,717	51,457	53,258	55,122	57,051	59,048	61,114	63,253
53	Property Taxes & CFD Fee	0.00%				46,248	26,978	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248	46,248
54	State Partnership Tax	0.00%				800	467	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800
55	TOTAL OPERATING EXPENSES				0	452,960	264,227	461,247	475,744	490,749	506,278	522,351	538,987	556,205	574,025	592,469	611,559	631,317	651,767	672,932	694,838	717,510	740,976
56						457,335		74.57%	3.14%	3.15%	3.16%	3.17%	3.18%	3.19%	3.20%	3.21%	3.22%	3.23%	3.24%	3.25%	3.26%	3.26%	3.27%
57																							
58	REPLACEMENT RESERVE ANALYSIS																						
59	Deposit to Replacement Reserve						24,401	42,684	44,178	45,724	47,325	48,981	50,695	52,470	54,306	56,207	58,174	60,210	62,317	64,498	66,756	69,092	71,511
60	Withdrawals											71,798						223,611				298,674	
61	Interest on Balance		3.00%				0	732	2,035	3,421	4,895	6,462	5,971	7,671	9,475	11,389	13,417	8,856	10,928	13,125	15,454	17,920	11,571
62	End of Year Balance						24,401	67,817	114,029	163,174	215,394	199,039	255,705	315,846	379,627	447,223	295,202	364,268	437,514	515,138	597,348	385,687	468,768
63																							
64	OPERATING RESERVE ANALYSIS																						
65	Deposit to Replacement Reserve							154,727															
66	Withdrawals																						
67	Interest on Balance		3.00%				0	4,642	4,781	4,925	5,072	5,224	5,381	5,543	5,709	5,880	6,057	6,238	6,425	6,618	6,817	7,021	7,232
68	End of Year Balance						0	159,369	164,150	169,075	174,147	179,371	184,753	190,295	196,004	201,884	207,941	214,179	220,604	227,222	234,039	241,060	248,292

	AM	AN	AO	AP	AQ	AR	AS	AT	AU	AV	AW
16	SOURCES AND USES OF CAPITAL CONTRIBUTIONS AND LOAN PROCEEDS		1,473,574	20,000,000	7,051,684	6,150,000	56,000	111,267	1,288	12,874,421	47,718,234
17	Source of loan or equity		1st	Construction	MHP	City	Deferred	Land	GP	LP	
18			Mortgage	Loan	Loan	Loan	Developer Fee	Contribution	Capital	Capital	Totals
19											
20	Land Acquisition	1,800,000						1,800,000			1,800,000
21	Reduction in Basis as a result of Takeback	-1,694,323						-1,694,323			-1,694,323
22	PhotoVoltaic System	375,000		375,000							375,000
23	Off Site Improvements (Public dedicated & Maintained)	293,000		293,000							293,000
24	Site Improvements	1,951,407		1,951,407							1,951,407
25	Structures	13,809,722		11,626,818		2,182,904				0	13,809,722
26	Easements	136,768		136,768							136,768
27	Contractor Overhead, Profit, and General Conditions	1,648,655		1,648,655							1,648,655
28	Personal Property in Construction Contract	94,000		94,000							94,000
29	Contingency	1,998,896		1,998,896							1,998,896
30	Furnishings	91,600		91,600							91,600
31	Architecture & Engineering	635,650		127,130		508,520					635,650
32	Soils, Survey, Civil, Testing, etc.	304,500		60,900		243,600					304,500
33	Municipal Fees	262,912				262,912					262,912
34	Local Impact Fees	2,098,730				2,098,730					2,098,730
35	Appraisal	15,000				15,000					15,000
36	Construction Period Interest	1,100,007		1,094,416		0		5,590			1,100,007
37	Costs of Issuance (see page 3 for detail)	256,000				256,000					256,000
38	Construction Period Insurance	254,894		0		254,894					254,894
39	Real Estate Taxes	49,950		49,950							49,950
40	Soft Cost Contingency	200,000		200,000							200,000
41	Title & Escrow, Construction Closing	27,500				27,500					27,500
42	Title & Escrow, Mortgage Closing	16,500	16,500								16,500
43	Start-up Operating Expenses	68,699		68,699							68,699
44	Legal - Construction Loan Closing	45,000				45,000					45,000
45	Legal - Mortgage Loan Closing	18,000		18,000							18,000
46	Legal - Organization	5,500								5,500	5,500
47	Legal - Syndication	35,000								35,000	35,000
48	Tax Credit Allocation Committee Fees	49,241				49,241					49,241
49	Market Study	5,700				5,700				0	5,700
50	Syndication Consultant	40,000								40,000	40,000
51	Marketing Expenses	150,000		150,000						0	150,000
52	Development Fee	1,400,000				200,000	56,000			1,144,000	1,400,000
53	Audit	20,000								20,000	20,000
54	Capitalized Operating Reserve (3 Months of Expenses)	154,727								154,727	154,727
55	Repayment of Construction Loan	20,000,000	1,457,074	14,761	7,051,684				1,288	11,475,194	20,000,000
56											
57	TOTAL PROJECT COSTS	47,718,234	1,473,574	20,000,000	7,051,684	6,150,000	56,000	111,267	1,288	12,874,421	47,718,234
58											

50% TEST	
Basis	26,107,089
Land Cost	105,677
	26,212,766
Tax Exempt Bond	20,000,000
Percentage	76.30%

COSTS OF ISSUANCE (Assumes Direct Placement)

Bond Counsel	45,000	
Issuer Fee	25,000	.125% of Bond Amount
Issuer Monitoring Fee (Post Constr.)	0	
Issuer Application	0	
Issuer Counsel	0	
Lender Counsel	30,000	
Lender Origination	100,000	@ .5% of Bond Amount
Lender Inspections and Misc. Exp.	21,000	
CDLAC	7,000	
CDIAC	3,000	
Borrower Counsel	15,000	
Borrower Financial Advisor	10,000	
	256,000	

	AZ	BA	BB	BC	BD
16	DISBURSEMENTS OF LIMITED PARTNER CAPITAL CONTRIBUTIONS				
17			2/1/07	10/1/08	1/1/09
18			100,000	12,199,694	574,727
19					
20	Land Acquisition	0			
21	Reduction in Basis as a result of Takeback	0			
22	PhotoVoltaic System	0			
23	Off Site Improvements (Public dedicated & Maintained)	0			
24	Site Improvements	0			
25	Structures	0			
26	Easements	0			
27	Contractor Overhead, Profit, and General Conditions	0			
28	Personal Property in Construction Contract	0			
29	Contingency	0			
30	Furnishings	0			
31	Architecture & Engineering	0			
32	Soils, Survey, Civil, Testing, etc.	0			
33	Municipal Fees	0			
34	Local Impact Fees	0			
35	Appraisal	0			
36	Construction Period Interest	0			
37	Costs of Issuance (see page 3 for detail)	0			
38	Construction Period Insurance	0			
39	Real Estate Taxes	0			
40	Soft Cost Contingency	0			
41	Title & Escrow, Construction Closing	0			
42	Title & Escrow, Mortgage Closing	0			
43	Start-up Operating Expenses	0			
44	Legal - Construction Loan Closing	0			
45	Legal - Mortgage Loan Closing	0			
46	Legal - Organization	5,500	5,500		
47	Legal - Syndication	35,000	35,000		
48	Tax Credit Allocation Committee Fees	0			
49	Market Study	0			
50	Syndication Consultant	40,000	40,000		
51	Marketing Expenses	0		0	
52	Development Fee	1,144,000	19,500	724,500	400,000
53	Audit	20,000			20,000
54	Capitalized Operating Reserve (3 Months of Expenses)	154,727			154,727
55	Repayment of Construction Loan	11,475,194		11,475,194	0
56					
57	TOTAL PROJECT COSTS	12,874,421	100,000	12,199,694	574,727

	BI	BJ	BK	BL	BM	BN	BO	BP	BQ	BR	BS	BT	BU	BV	BW	BX	BY	BZ
1	SCHEDULE OF TAX CONSEQUENCES																	
2		AMOUNT	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
3	DEPRECIATION																	
4	Residential (27.5 Years)	23,970,083	508,456	871,639	871,639	871,639	871,639	871,639	871,639	871,639	871,639	871,639	871,639	871,639	871,639	871,639	871,639	871,639
5	Residential (40 Years)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	Site Improvements (15 Years, Mid-Year)	1,951,407	97,570	185,384	166,845	150,161	135,145	121,630	121,630	121,630	121,630	121,630	121,630	121,630	121,630	121,630	121,630	
7	Site Improvements (20 Years, Mid-Year)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	Personal Property (5 Years, Mid-Year)	185,600	37,120	59,392	35,635	21,381	21,381	10,691										
9	Personal Property (9 Years, Mid-Year)	0	0	0	0	0	0	0	0	0	0	0						
10																		
11	Residential (27.5 Years)	35,899						1,305	1,305	1,305	1,305	1,305	1,305	1,305	1,305	1,305	1,305	1,305
12	Residential (40 Years)	0						0	0	0	0	0	0	0	0	0	0	0
13	Personal Property (5 Years, Mid-Year)	35,899						7,180	11,488	6,893	4,136	4,136	2,068					
14	Personal Property (9 Years, Mid-Year)	0						0	0	0	0	0	0	0	0	0	0	
15																		
16	Residential (27.5 Years)	111,806											4,066	4,066	4,066	4,066	4,066	4,066
17	Residential (40 Years)	0											0	0	0	0	0	0
18	Personal Property (5 Years, Mid-Year)	111,806											22,361	35,778	21,467	12,880	12,880	6,440
19	Personal Property (9 Years, Mid-Year)	0											0	0	0	0	0	0
20																		
21	Residential (27.5 Years)	149,337																5,430
22	Residential (40 Years)	0																0
23	Personal Property (5 Years, Mid-Year)	149,337																29,867
24	Personal Property (9 Years, Mid-Year)	0																0
25																		
26	Subtotal	26,107,089	643,147	1,116,415	1,074,120	1,043,181	1,028,165	1,012,445	1,006,063	1,001,468	998,711	998,711	1,023,070	1,034,418	1,020,107	1,011,521	1,011,521	918,748
27	check	26,107,089																
28																		
29	EXPENSED AND AMORTIZED ITEMS																	
30	Mortgage Loan Fees, Legal, Title	290,500	5,649	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683	9,683
31	Legal - Organization	5,500	642	1,100	1,100	1,100	1,100	458										
32	Tax Credit Allocation Committee Fees	54,941	3,205	5,494	5,494	5,494	5,494	5,494	5,494	5,494	5,494	5,494	2,289					
33	Marketing Expenses	150,000	150,000															
34	Audit	20,000	20,000															
35	Asset Management Fee	0.0%	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
36	Partnership Management Fee	3.5%	25,000	25,875	26,781	27,718	28,688	29,692	30,731	31,807	32,920	34,072	35,265	36,499	37,777	39,099	40,467	41,884
37	Incentive Mangement Fee		0	4,636	20,452	20,692	20,850	20,922	20,902	20,784	20,563	20,233	19,786	19,218	18,520	17,686	16,707	18,076
38	Subtotal	520,941	209,495	51,789	68,510	69,687	70,816	71,250	71,810	72,768	73,661	74,482	72,024	70,400	70,980	71,468	71,858	74,643
39	check	520,941																
40																		
41	LOW-INCOME HOUSING TAX CREDITS																	
42	Tax Credit Basis (From Page 1)	26,107,089																
43	Amount of Annual Federal Tax Credits		416,380	911,137	911,137	911,137	911,137	911,137	911,137	911,137	911,137	911,137	494,757					
44																		
45	Basis for CA Credit	26,107,089																
46	Amount of California Tax Credits		911,137	911,137	911,137	660,509												
47																		
48	PHOTOVOLTAIC CREDIT																	
49	Basis for Photovoltaic Credit	375,000																
50	Percentage Financed with Tax Exempt Bonds	76.30%																
51	Basis for Credit	23.70%																
52	Amount of Federal Solar Credit		26,664															
53																		
54	TOTAL CREDITS		1,327,517	1,822,275	1,822,275	1,571,647	911,137	911,137	911,137	911,137	911,137	911,137	494,757					
55																		
56	Tax Credit Percentage	3.49%		RENTUP SCHEDULE		Tax Credit	1st Yr											
57	Amount of Federal Credit Reserved	941,316				Months	Income Mos.											
58	Amount of CA Credit Reserved	3,399,197		June	23	161	115											
59	California Credit Utilized	3,393,922		July	23	138	92											
60	First Year Depreciation Percentage	58.33%		August	23	115	69											
61	First Year Mortgage Amortization Percentage	58.33%		September	24	96	48											
62	First Year Mortgage Tax Credit Percentage	45.70%			93	510	324											
63	Tax Exempt Use Property/ADS Depreciation	0%			1116	45.7%	29.0%											

	CD	CE	CF	CG	CH	CI	CJ	CK	CL	CM	CN	CO	CP	CQ	CR	CS	CT	CU	CV
1	ANALYSIS OF TAXABLE INCOME																		
2		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
3	NET OPERATING INCOME	19,214	247,880	250,912	253,875	256,762	259,565	262,278	264,893	267,401	269,793	272,060	274,194	276,183	278,017	279,686	281,177	282,479	283,578
4	Interest on Replacement & Operating Reserve Accounts	0	5,374	6,816	8,345	9,967	11,686	11,352	13,214	15,184	17,269	19,473	15,094	17,353	19,744	22,271	24,942	18,802	21,512
5	Total Net Income	19,214	253,254	257,728	262,220	266,729	271,251	273,631	278,107	282,585	287,062	291,534	289,288	293,536	297,761	301,956	306,118	301,281	305,090
6																			
7	Deductions:																		
8	Interest on First Mortgage	21,566	85,584	84,450	83,247	81,972	80,620	79,186	77,666	76,055	74,347	72,536	70,616	68,580	66,422	64,133	61,707	59,135	56,409
9	Interest on Construction Loan Carryover	536,000																	
10	Interest on Second Mortgage MHP	78,295	135,569	137,573	139,572	141,611	143,692	145,814	147,980	150,190	152,446	154,748	157,099	159,498	161,948	164,450	167,005	169,608	172,267
11	Third Mortgage	0	2,457	10,839	10,966	11,049	11,087	11,077	11,014	10,897	10,722	10,486	10,184	9,815	9,372	8,854	9,579	8,895	8,121
12	Fourth Mortgage - Take-Back	5,886	6,197	6,525	6,870	7,234	7,617	8,019	8,444	8,890	9,361	9,856	10,377	10,926	11,504	12,113	12,754	13,428	14,139
13	Depreciation	643,147	1,116,415	1,074,120	1,043,181	1,028,165	1,012,445	1,006,063	1,001,468	998,711	998,711	1,023,070	1,034,418	1,020,107	1,011,521	1,011,521	918,748	930,229	911,114
14	Expensed Items	209,495	51,789	68,510	69,687	70,816	71,250	71,810	72,768	73,661	74,482	72,024	70,400	70,980	71,468	71,858	74,643	74,818	74,875
15	Total Deductions	1,494,388	1,398,011	1,382,017	1,353,524	1,340,847	1,326,710	1,321,969	1,319,340	1,318,404	1,320,068	1,342,719	1,353,095	1,339,906	1,332,235	1,332,928	1,244,436	1,256,113	1,236,924
16																			
17	NET TAXABLE INCOME	-1,475,174	-1,144,758	-1,124,289	-1,091,304	-1,074,118	-1,055,459	-1,048,339	-1,041,233	-1,035,819	-1,033,006	-1,051,185	-1,063,807	-1,046,370	-1,034,474	-1,030,972	-938,318	-954,832	-931,833
18																			
19	General Partner Share	-148	-114	-112	-109	-107	-106	-105	-104	-104	-103	-105	-106	-105	-103	-103	-94	-95	-93
20	Investor Limited Paratner Share	-1,475,027	-1,144,643	-1,124,177	-1,091,194	-1,074,011	-1,055,353	-1,048,234	-1,041,129	-1,035,715	-1,032,903	-1,051,080	-1,063,700	-1,046,265	-1,034,371	-1,030,869	-938,224	-954,737	-931,740
21																			
22	Marginal tax Bracket	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
23	Limited Partner After Tax Benefits From Operations	516,259	400,625	393,462	381,918	375,904	369,374	366,882	364,395	362,500	361,516	367,878	372,295	366,193	362,030	360,804	328,378	334,158	326,109
24																			
25	Investor Limited Partner Share of Tax Credits																		
26	Federal Low-Income Housing Tax Credits	416,338	911,046	911,046	911,046	911,046	911,046	911,046	911,046	911,046	911,046	494,708	0						
27	Amount of California Tax Credits	592,180	592,180	592,180	429,288	0													
28	Photovoltaic Credit	26,661																	
29																			
30	Total Limited Partner After tax Benefits	1,551,439	1,903,851	1,896,688	1,722,252	1,286,950	1,280,420	1,277,928	1,275,442	1,273,547	1,272,562	862,586	372,295	366,193	362,030	360,804	328,378	334,158	326,109

	CX	CY	CZ	DA	DB	DC	DD	DE	DF	DG	DH	DI	DJ	DK	DL	DM	DN	DO
1	OUTSTANDING DEBT																	
2																		
3	SOURCES OF FUNDS	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
4	First Mortgage	1,469,032	1,450,185	1,430,203	1,409,018	1,386,559	1,362,747	1,337,501	1,310,736	1,282,359	1,252,275	1,220,379	1,186,563	1,150,711	1,112,701	1,072,403	1,029,679	984,383
5	Second Mortgage MHP	7,122,574	7,226,347	7,324,689	7,424,917	7,527,111	7,631,351	7,737,723	7,846,316	7,957,223	8,070,541	8,186,372	8,304,820	8,425,995	8,550,013	8,676,993	8,805,884	8,937,985
6	Fourth Mortgage	117,153	123,351	129,876	136,746	143,980	151,597	159,616	168,060	176,950	186,311	196,167	206,544	217,470	228,975	241,087	253,841	267,269
7	Total Nonrecourse Debt	8,708,759	8,799,882	8,884,768	8,970,682	9,057,650	9,145,694	9,234,841	9,325,112	9,416,533	9,509,127	9,602,918	9,697,927	9,794,177	9,891,689	9,990,484	10,089,404	10,189,637
8																		
9	Partnership Management Fee Owed	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
10	Third Mortgage	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000
11	Deferred Developer Fee	31,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12	Total Recourse Debt	56,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
13	TOTAL DEBT	8,764,759	8,824,882	8,909,768	8,995,682	9,082,650	9,170,694	9,259,841	9,350,112	9,441,533	9,534,127	9,627,918	9,722,927	9,819,177	9,916,689	10,015,484	10,114,404	10,214,637
14	Average Rate of Increase over 2007		0.69%	0.83%	0.88%	0.91%	0.93%	0.94%	0.95%	0.97%	0.98%	0.98%	0.99%	1.00%	1.01%	1.02%	1.03%	1.03%
15																		
16	MHP Mortgage	1.90%	1.90%	1.90%	1.91%	1.91%	1.91%	1.91%	1.91%	1.91%	1.92%	1.92%	1.92%	1.92%	1.92%	1.92%	1.92%	1.93%
17	Balance	7,051,684																
18	Interest on Balance to 12/31	78,295	135,569	137,573	139,572	141,611	143,692	145,814	147,980	150,190	152,446	154,748	157,099	159,498	161,948	164,450	167,005	169,608
19	Payment	7,404	31,796	39,231	39,344	39,418	39,452	39,442	39,387	39,283	39,128	38,918	38,651	38,323	37,930	37,470	38,114	37,507
20	New Balance	7,122,574	7,226,347	7,324,689	7,424,917	7,527,111	7,631,351	7,737,723	7,846,316	7,957,223	8,070,541	8,186,372	8,304,820	8,425,995	8,550,013	8,676,993	8,805,884	8,937,985
21	Number of Years Remaining	54	53	52	51	50	49	48	47	46	45	44	43	42	41	40	39	38
22	Balance Assuming no Unscheduled Payments	17,037,510	19,722,366	19,621,362	19,535,315	19,450,587	19,367,191	19,285,146	19,204,471	19,125,192	19,047,336	18,970,935	18,896,025	18,822,646	18,750,841	18,680,658	18,609,665	18,541,821
23																		
24	Third Mortgage (Book Accounting)	3.00% simple Interest			Original Balance	7,051,684		29,617	Required MHP Payment									
25	Balance at End of Construction	7,051,684																
26	Interest on Last Balance	123,404	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551	211,551
27	Amount Paid from Operations	7,404	31,796	39,231	39,344	39,418	39,452	39,442	39,387	39,283	39,128	38,918	38,651	38,323	37,930	37,470	38,114	37,507
28	New Balance	7,167,684	7,347,438	7,519,758	7,691,965	7,864,098	8,036,197	8,208,305	8,380,469	8,552,736	8,725,159	8,897,792	9,070,692	9,243,920	9,417,540	9,591,620	9,765,057	9,939,100
29																		
30	Ending Balance Assuming no Unscheduled Payment	17,037,574	17,035,394	17,025,781	17,016,054	17,006,253	16,996,419	16,986,594	16,976,824	16,967,158	16,957,648	16,948,347	16,939,314	16,930,608	16,922,295	16,914,442	16,905,945	16,898,055
31																		
32	Third Mortgage	3.00%	Contingent Interest															
33	Initial Balance	6,150,000																
34	Accrued Interest During Construction	0																
35	Interest on Last Balance	0	2,457	10,839	10,966	11,049	11,087	11,077	11,014	10,897	10,722	10,486	10,184	9,815	9,372	8,854	9,579	8,895
36	Amount Paid from Capital Contributions																	
37	Amount Paid from Operations	0	2,457	10,839	10,966	11,049	11,087	11,077	11,014	10,897	10,722	10,486	10,184	9,815	9,372	8,854	9,579	8,895
38	End of Year Balance	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000
39																		
40	Fourth Mortgage - Take-Back	5.29%																
41	Initial Balance	105,677																
42	Accrued Interest During Construction	5,590																
43	Interest on Last Balance	5,886	6,197	6,525	6,870	7,234	7,617	8,019	8,444	8,890	9,361	9,856	10,377	10,926	11,504	12,113	12,754	13,428
44	Amount Paid from Capital Contributions																	
45	Amount Paid from Operations																	
46	End of Year Balance	117,153	123,351	129,876	136,746	143,980	151,597	159,616	168,060	176,950	186,311	196,167	206,544	217,470	228,975	241,087	253,841	267,269
47																		
48	Deferred Developer Fee	0.00%																
49	Initial Balance	56,000																
50	Interest on Last Balance	0	0	0	0	0	0	0	0	0	0	0	0					
51	Amount Paid from Capital Contributions																	
52	Amount Paid from Operations	25,000	31,000	0	0	0	0	0	0	0	0	0	0					
53	End of Year Balance	31,000	0	0	0	0	0	0	0	0	0	0	0					

	EL	EM	EN	EO	EP	EQ	ER	ES	ET	EU	EV	EW	EX	EY	EZ	FA	FB	FC	FD
1	CAPITAL ACCOUNT ANALYSIS DURING OWNERSHIP BY LIMITED PARTNERSHIP																		
2	Limited Partner Share																		
3		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
4	Basis	26,360,229	25,717,147	24,600,844	23,526,831	22,483,754	21,455,692	20,515,139	19,509,177	18,507,809	17,509,199	16,510,588	15,711,210	14,676,895	13,656,890	12,645,470	11,634,051	11,014,038	10,083,902
5	Additions to Basis	0	0	0	0	0	71,791	0	0	0	0	223,589	0	0	0	0	298,644	0	0
6	Deductions from Basis	643,082	1,116,303	1,074,012	1,043,077	1,028,062	1,012,344	1,005,962	1,001,367	998,611	998,611	1,022,967	1,034,315	1,020,005	1,011,420	1,011,420	918,656	930,136	911,022
7	Basis at End of Year	25,717,147	24,600,844	23,526,831	22,483,754	21,455,692	20,515,139	19,509,177	18,507,809	17,509,199	16,510,588	15,711,210	14,676,895	13,656,890	12,645,470	11,634,051	11,014,038	10,083,902	9,172,880
8	Balance in Reserve Accounts	24,398	227,163	278,152	332,216	389,502	378,372	440,414	506,091	575,574	649,042	503,092	578,389	658,052	742,286	831,303	626,684	716,988	812,504
9	Basis in Partnership Assets	25,741,546	24,828,007	23,804,983	22,815,970	21,845,194	20,893,511	19,949,591	19,013,900	18,084,773	17,159,630	16,214,302	15,255,284	14,314,942	13,387,756	12,465,354	11,640,722	10,800,891	9,985,384
10	Outstanding Nonrecourse Debt	8,707,888	8,707,888	8,707,888	8,707,888	8,707,888	8,707,888	8,707,888	8,707,888	8,707,888	8,707,888	8,707,888	8,707,888	8,707,888	8,707,888	8,707,888	8,707,888	8,707,888	8,707,888
11																			
12	Minimum Gain on Chargeback	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13																			
14	LIMITED PARTNER CAPITAL ACCOUNT																		
15	Capital Account Balance At Year Start		10,749,674	10,179,759	9,055,582	7,964,387	6,890,377	5,835,023	4,786,790	3,745,660	2,709,945	1,677,042	625,962	0	0	0	0	0	0
16	Capital Contribution	12,299,694	574,727																
17	Deductions from Capital Account	-1,475,027	-1,144,643	-1,124,177	-1,091,194	-1,074,011	-1,055,353	-1,048,234	-1,041,129	-1,035,715	-1,032,903	-1,051,080	-625,962	0	0	0	0	0	0
18	Syndication Expenses	-74,993																	
19	Cash Flow	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20	End of Year Capital Account	10,749,674	10,179,759	9,055,582	7,964,387	6,890,377	5,835,023	4,786,790	3,745,660	2,709,945	1,677,042	625,962	0	0	0	0	0	0	0
21																			
22	Minimum Gain on Chargeback	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23	Capital Account Plus Chargeback	10,749,674	10,179,759	9,055,582	7,964,387	6,890,377	5,835,023	4,786,790	3,745,660	2,709,945	1,677,042	625,962	0	0	0	0	0	0	0
24								Maximum Loss	-1,041,129	-1,035,715	-1,032,903	-1,051,080	-1,063,700	-1,046,265	-1,034,371	-1,030,869	-938,224	-954,737	-931,740
25	CALCULATION OF TAX CONSEQUENCES ON SALE (TRANSFER) OF LIMITED PARTNERSHIP INTERESTS (Outside Basis)																		
26	End of Year Capital Account	10,749,674	10,179,759	9,055,582	7,964,387	6,890,377	5,835,023	4,786,790	3,745,660	2,709,945	1,677,042	625,962	0	0	0	0	0	0	0
27	Syndication Expenses	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993	74,993
28	Basis in Partnership Interest	10,824,667	10,254,751	9,130,574	8,039,380	6,965,369	5,910,016	4,861,782	3,820,653	2,784,938	1,752,035	700,954	74,993	74,993	74,993	74,993	74,993	74,993	74,993
29																			
30	Marginal Tax Bracket	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
31	After Tax Benefits (losses)	3,788,633	3,589,163	3,195,701	2,813,783	2,437,879	2,068,506	1,701,624	1,337,229	974,728	613,212	245,334	26,247	26,247	26,247	26,247	26,247	26,247	26,247

	EM	EN	EO	EP	EQ	ER	ES
44	INTERNAL RATE OF RETURN (CALCULATED QUARTERLY						
45							
46	QUARTER			TOTAL		NET	
47	ENDING	LOSSES	CREDITS	BENEFITS	INVESTMENT	INVESTMENT	IRR
48							5.448%
49	31-Mar-07				100,000	-100,000	
50	30-Jun-07					0	
51	30-Sep-07					0	
52	31-Dec-07					0	
53	31-Mar-08					0	
54	30-Jun-08	172,086	345,060	517,146		517,146	
55	30-Sep-08	172,086	345,060	517,146		517,146	
56	31-Dec-08	172,086	345,060	517,146	12,199,694	-11,682,547	
57	31-Mar-09	100,156	375,807	475,963	574,727	-98,764	
58	30-Jun-09	100,156	375,807	475,963		475,963	
59	30-Sep-09	100,156	375,807	475,963		475,963	
60	31-Dec-09	100,156	375,807	475,963		475,963	
61	31-Mar-10	98,365	375,807	474,172		474,172	
62	30-Jun-10	98,365	375,807	474,172		474,172	
63	30-Sep-10	98,365	375,807	474,172		474,172	
64	31-Dec-10	98,365	375,807	474,172		474,172	
65	31-Mar-11	95,480	335,084	430,563		430,563	
66	30-Jun-11	95,480	335,084	430,563		430,563	
67	30-Sep-11	95,480	335,084	430,563		430,563	
68	31-Dec-11	95,480	335,084	430,563		430,563	
69	31-Mar-12	93,976	227,762	321,738		321,738	
70	30-Jun-12	93,976	227,762	321,738		321,738	
71	30-Sep-12	93,976	227,762	321,738		321,738	
72	31-Dec-12	93,976	227,762	321,738		321,738	
73	31-Mar-13	92,343	227,762	320,105		320,105	
74	30-Jun-13	92,343	227,762	320,105		320,105	
75	30-Sep-13	92,343	227,762	320,105		320,105	
76	31-Dec-13	92,343	227,762	320,105		320,105	
77	31-Mar-14	91,720	227,762	319,482		319,482	
78	30-Jun-14	91,720	227,762	319,482		319,482	
79	30-Sep-14	91,720	227,762	319,482		319,482	
80	31-Dec-14	91,720	227,762	319,482		319,482	
81	31-Mar-15	91,099	227,762	318,860		318,860	
82	30-Jun-15	91,099	227,762	318,860		318,860	
83	30-Sep-15	91,099	227,762	318,860		318,860	
84	31-Dec-15	91,099	227,762	318,860		318,860	
85	31-Mar-16	90,625	227,762	318,387		318,387	
86	30-Jun-16	90,625	227,762	318,387		318,387	
87	30-Sep-16	90,625	227,762	318,387		318,387	
88	31-Dec-16	90,625	227,762	318,387		318,387	
89	31-Mar-17	90,379	227,762	318,141		318,141	
90	30-Jun-17	90,379	227,762	318,141		318,141	
91	30-Sep-17	90,379	227,762	318,141		318,141	
92	31-Dec-17	90,379	227,762	318,141		318,141	
93	31-Mar-18	91,970	227,762	319,731		319,731	
94	30-Jun-18	91,970	227,762	319,731		319,731	
95	30-Sep-18	91,970	39,185	131,154		131,154	
96	31-Dec-18	91,970		91,970		91,970	
97	31-Mar-19	54,772		54,772		54,772	
98	30-Jun-19	54,772		54,772		54,772	
99	30-Sep-19	54,772		54,772		54,772	
100	31-Dec-19	54,772		54,772		54,772	
101	31-Mar-20	0		0		0	
102	30-Jun-20	0		0		0	
103	30-Sep-20	0		0		0	
104	31-Dec-20	0		0		0	
105	31-Mar-21	0		0		0	
106	30-Jun-21	0		0		0	
107	30-Sep-21	0		0		0	
108	31-Dec-21	0		0		0	
109	31-Mar-22	0		0		0	
110	30-Jun-22	0		0		0	
111	30-Sep-22	0		0		0	

APPRAISAL ISSUES

There are several important decisions and factors an appraiser must consider in determining the fair market value. These can have a very large impact on value.

1. Historic Operating Costs. There is no better measure of future operating costs than historic costs especially since the cost of marketing, income certification and services needed by the tenants are all taken into account in historic costs
2. Section 8 Vouchers. When Section 8 Voucher rent is higher than the income would be without the Vouchers, the appraiser has to consider whether the income will expand or contract over time. The increment of income should be heavily discounted in consideration of the uncertainty of the income stream.
3. Rental income going forward if current income is less than the regulatory maximum (or market). Immediately raising rents to the maximum allowed would result in displacement. Appraisers should consider the political reality of evictions through rent increases. In most circumstances, there will not be buyers who will raise rents to the maximum allowed.
4. Displacement of current residents paying less than maximum rents. In most circumstances, new owners would not be willing to cause the displacement of current tenants through the raising of rents. The rate of normal turnover would dictate the rate at which rents can be raised to the maximum allowed rents.
5. Some states have property tax exemptions for certain ownership structures or affordability. The fair market value from the Seller's perspective is greatly enhanced if the buyer takes into consideration the reduced operating costs associated with the exemption. Appraisers should carefully consider the regulations and legislation governing the exemption to insure the value of the exemption goes to the benefit of the tenants (where required) and not the seller.
6. The cost of required repairs or deferred maintenance should be determined and reduce the fair market value accordingly.

HDC HOUSING DEVELOPMENT CENTER
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DATE: May 24, 2006
TO: Year 15 Sponsors Interested in Retaining Properties as Affordable Housing
FROM: The Housing Development Center

INTRODUCTION:

Nationally, the number of projects completing Year 15 Dispositions is growing rapidly. In Oregon, we have only had a handful of projects make this transition, but we benefit from the national experience on these transitions, and have been fortunate to have investors such as Enterprise and National Equity Fund provide recent trainings in Oregon.

While you should be incorporating Year 15 planning into each project from your initial project structuring on, this memo addresses planning for those projects that are already placed in service. For projects already in service, you should undertake an initial review of the critical elements of your Plan in year 10. HDC provides development technical assistance on Year 15 projects, and can recommend tax accountants and attorneys familiar with these transactions if you need assistance.

Your Transition Plan needs to incorporate both:

a) EXITING OF THE INVESTOR, either through a third party acquisition, acquisition of the project by the project sponsor, or purchase of the investor's interest in the partnership or LLC (this third strategy is the most common to date for non-profit sponsors). These exit strategies are referred to from the investor's point of view as the Disposition Plan; and

b) POSITIONING THE PROJECT TO CONTINUE TO PERFORM (both financially and physically) as affordable housing through the Extended Use Period and beyond. This includes addressing needed capital improvements, replenishment of reserves, and/or refinancing loans that are approaching the end of their terms or have unfavorable terms.

These two steps may occur at the same time, or be phased, but together we are referring to these as your Transition Plan. HDC has developed the suggestions in the balance of this memorandum based on information gleaned from national trainings, as well as our direct experience on some early transitions.

PREPARING FOR YEAR 15:

1) **Year 15 planning starts with the initial structuring of your project**: See the HDC Final Year 15 Report on HDC's website (HDC1.org), page 17, for suggestions on negotiating disposition terms as part of your initial partnership or LLC agreement negotiations.

2) **Know your documents:** At the transition of your project from development to asset management, make sure your asset manager and property manager know the existing project requirements:

   a. ESTABLISH A BINDER (S) of all final signed documents including your partnership agreement, option to purchase and/or right of first refusal, primary and subordinate final loan documents, 8609s, and other final documents. It is very helpful to secure and retain a copy of the investor's final financial projections prepared at the time the partnership/ membership agreement is signed. Having these documents available will save you time and money as you prepare for Year 15, as they provide necessary information to effectively negotiate your Disposition Plan with your investor.

   b. ASSEMBLE A SUMMARY OF YOUR COMPLIANCE REQUIREMENTS. Documents on tax credit projects can be inches thick. Documents summaries, created when the documents are still fresh in your mind, creates institutional memory to help bridge the inevitable staff transitions or memory gaps. These summaries are also useful for communicating regulatory requirements to your property manager. As you approach Year 15, a compliance chart facilitates evaluating funder requirements that survive the Year 15 Transition. HDC uses a compliance chart to outline regulatory and reporting requirements, available at http://hdc1.org/downloadable_publications.html

   c. MAINTAIN COPIES OF ALL TAX RETURNS FOR BOTH THE GENERAL PARTNER AND PARTNERSHIP (OR LLC), AND AUDITS for the full life of the project. These will be critical for monitoring exit taxes. Track the first year credits were taken/ Year 15 dates for all of your LIHTC projects on one schedule. *Note that it is very important that the CPA doing the tax returns maintains tax capital accounts. Some do not.*

3) **Monitor Investor Capital Accounts for Exit Taxes & Rate of Return Obligations:** For non-profit sponsors with right of first refusal language that allows the non-profit sponsor to purchase the project under a "debt plus taxes" formula, monitoring projected exit taxes is essential and saves you money at Disposition. However, investors are also expecting a minimum return on their investment, which includes losses. Therefore, monitoring the investor's capital accounts to balance these competing goals is essential. The attached tool http://hdc1.org/downloads/DTM-Enterprise-TrainingModel-Blank.xls developed by DTM and Enterprise, is an excellent format for monitoring capital accounts, estimating exit tax obligations, and modeling disposition strategies. Enterprise has asked that all first time users of this tool obtain technical assistance on the tool before relying on outcomes from the tool. Contact Molly at HDC (503) 335-3668 molly@hdc1.org or carolyn@hdc1.org for sources to obtain technical assistance.

   The following sections summarize key tax/ IRR issues you will be negotiating with your investor. HDC recommends that you work with your tax accountant on these issues annually, especially between Years 10 - 15.

a. INTERNAL RATE OF RETURN (IRR): The investor has projected a certain Internal Rate of Return on the project, and it is important to know whether they have achieved or exceeded that return as part of negotiating the Disposition Plan. It is also critical to know whether you, as general partner/ managing member, have guaranteed this return in your partnership/ membership agreement. It will be important to communicate with the investor to manage delivery of depreciation and losses to balance meeting this return, while limiting potential exit taxes.

b. CREDIT DELIVERY BEFORE YEAR 10: Monitor capital accounts prior to year 10. If it appears that the investor's capital account will go negative before year 10, consult your tax accountant to assure that there are no issues related to delivery of your tax credits. (Generally, credit delivery must follow allocation of losses, and losses may be affected by the relative relationship of the general partner and investor's capital accounts.) It is important that you monitor this because you likely have credit delivery guarantees in your partnership/ membership agreements.

c. PROJECTED EXIT TAXES: Continue monitoring the investor's capital account annually between years 10 and 15. Exit tax obligation increases as the account balances decreases. Evaluate both the current exit tax obligation and the projected exit taxes at the end of Year 15 (end of Compliance Period).

d. PLAN/ IMPLEMENT STRATEGIES TO LIMIT EXIT TAXES: During years 10 – 15, if the investor's capital account balance looks like it will be negative by year 15, work with your tax accountant to identify and propose strategies to your investor to reduce the exit tax obligations starting in Year 11. Strategies could include improving operations to reduce operating losses, forgiving debt, reducing LP interest by up to 1/3 (after year 10), capitalizing rather than expensing repairs, exiting the investor prior to Year 15, or other tax strategies outlined by a tax accountant knowledgeable in the LIHTC program.

4) **Monitor Capital Needs and Replacement Reserve Balances:** Understanding the capital condition of your project is critical both for negotiating your Disposition Plan with your investor, and for planning your Transition Plan. Note:

- Many tax accountants and attorneys agree that the Right of First Refusal language allowing purchase of the "property" for "debt plus taxes" does not include cash reserves as part of the "property". Strategies to keep the reserves with the property may include spending down reserves prior to Year 15, replacing the investor (with the general partner) rather than buying the property under the right of first refusal, or negotiating with the investor for the reserves to stay with the property.

- If your Transition Plan includes refinancing, lenders will be evaluating your loan application based on the expected condition of the property through the term of their loan. They will evaluate reserves, rehabilitation as they would a new loan.

- In Oregon, 82% of the projects (based on survey results in the HDC LIHTC Year 15 Survey, January, 2006) were newly constructed at the time of syndication. Therefore, it is not expected that many of the Oregon Year 15 projects over the next six years will

have significant rehabilitation needs. However, for those projects that need major investments in rehabilitation, recapitalization strategies such as re-financing the primary debt, securing additional subordinate debt, or re-syndication, will need to be part of the Transition Plan.

Based on these issues, HDC recommends:

a. COMPLETE PERIODIC CAPITAL NEEDS ASSESSMENTS on the property. Third party inspectors/ cost estimators (architect/ contractor) can provide an objective analysis and cost estimates based on the current market and trends, but it may make sense to invest in this only periodically. For Transition Plans that will include significant rehabilitation, or if you are negotiating to spend down reserves prior to Year 15, a third party capital need assessment adds credibility to your negotiating position, and/or may be required by your potential funders.

b. MONITOR THE BALANCE OF REPLACEMENT RESERVES, and the projected use and recapitalizing of reserves annually. This should be part of your annual budgeting process as you prepare your capital improvements budget. HDC has a Replacement Reserve Analysis tool, accepted by Oregon Housing and Community Services, which helps evaluate long term replacement reserve requirements: http://hdc1.org/downloadable_publications.html

c. INCORPORATE EXPECTED CAPITAL IMPROVEMENTS into your Year 15 Disposition / Transition Plan. Capital improvement costs are a component of the DTM/ Enterprise Financial Model. Your Disposition/ Transition Plan should also consider the timing of capital improvements. Rehabilitation may need to occur prior to exiting the investor (to use up reserves), or may be undertaken after the disposition, if the source of funding for the work is a new loan or re-syndication. In defining your approach and timing for both needs assessments and capital improvements, consider funding application cycles, who needs to be in ownership at the time of the expenditure, and any funding requirements related to the source of the fund (e.g. public notice requirements, ability of sources to reimburse costs completed prior to loan closing).

5) Think through timing: The emerging practice for investors seems to be to try to complete the disposition paperwork prior to the end of December of the 15th year of the Compliance Period ("Option Year"). Signed documents are then placed in escrow prior to December 31 of that year, and the transfer of the property or equity partner interest occurs on January 1 of the 16th year. Under this scenario, any investor participation in year 16 is being considered non-material, and investors can then avoid tax reporting etc. for Year 16. (Note: OHCS defines the Compliance Period as "the period of 15 taxable years, beginning with the first taxable year of the credit period. The first year of the Compliance Period is the first year in which the owner claims credits." *OHCS QAP 2007 Draft*)

Completing negotiations, securing additional financing, and/or completing capital needs assessments, will take time, particularly if your investors have not previously completed a Year 15 Disposition. Allow time to communicate your Transition Plan to your public and

private lenders, and OHCS, especially if you will need funding or legal documentation or decisions from them to complete your Plan.

NEGOTIATING WITH YOUR INVESTOR

Negotiating with your investor will proceed most favorably if you are prepared: know what you want and know as much as you can about the investor's interests. Know how your project has performed for the investor, and what your investor has agreed to in other dispositions. Negotiations should incorporate your work from the steps above:

1) **Know your documents**: exit terms, sponsor guarantees, investor's expected return per above;

2) **Know your deal**: know the expected return to the investor, capital account balances, capital needs, reserve balances, outstanding debt and estimated value of the property;

3) **Know your investor**: Talk with your investor about their interests, AND talk with other sponsors (and your tax counsel and accountant) about projects that have completed Year 15 Dispositions/ Transitions, or are currently being negotiated with your investor:

   a. Investors are negotiating Year 15 Dispositions on a project by project basis, and no two projects are the same (project debt to value, capital account balances, investor's rate of return compared to projections, etc.);

   b. Many investors are agreeing to terms more favorable than those in the partnership/ membership documents (e.g. some are waiving exit taxes);

   c. Investors are negotiating Year 15 Disposition Plans based on the needs of the specific investment fund/ pool that your project is part of. Each fund will have different earnings, need for losses, and return requirements, and these may vary from year to year as well.

   d. Investors' general approaches to Year 15 seem to vary, with different interpretations of their fiduciary responsibility to maximize the return to their investors.

HDC is currently working on several Year 15 and other preservation projects. Contact Carolyn O'Doherty or Rob Prasch at (503) 335-3668, or Carolyn@hdc1.org.

Thanks to Michelle Silver, Silver Consulting, silverconsulting@comcast.net for her input to this memorandum.

Forward planning, low rehab needs minimize California's Year 15 problems

By Maria Del Rio

Confronting the Year 15 challenge

For much of the past two years, state housing finance agencies have been studying the problem of what happens at the end of the initial 15-year occupancy restrictions for low-income housing tax credit (LIHTC) properties. Trying to manage an exit strategy for some investors and maintain the affordability of precious low-income housing, they have been assessing the extent of their Year 15 challenge and working up plans for responding.

LIHTC properties that came online between 1986 and 1989 could be sold without federal restrictions. Effective in 1990, Congress doubled the affordability period for LIHTC developments from 15 years to 30 years. It also provided an exit route for owners at the end of the Year 15, in which they could request the state allocating agency to either purchase the project or to find another purchaser. If the agency didn't buy or find a buyer within one year after the request, the property would be freed from the affordability requirements – albeit with a three-year transition period restraining rent increases and evictions of low-income tenants.

In this Year 15 special focus, you will find information on what several states are doing to handle the problem, as well as ideas for using tenant ownership in your exit strategy.

For more on Year 15, see *Affordable Housing Finance*, July 2004, page 34, and September 2004, page 56. The North Carolina Housing Finance Agency has a PDF file with Year 15 resources that are helpful for owners in any state. Go to www.nchfa.com/Rental/My15.aspx and click on the "Y15 bibliography" link.

Though tax credit projects across the country are completing their 15-year compliance periods and the limited partners are exiting, the issues are not the same everywhere.

In many states, regulations permit a tax credit project that completes Year 15 to rid itself of rent and income restrictions, although the rents might not actually increase because of market conditions. In the Golden State, chances are that other funding sources will continue to impose rent and income restrictions, without which rents would leap skyward. (California's tax credit program initially required only 15 years of restrictions but now it requires 55 years.)

So the issues in a California Year 15 transfer are not so much about legal and regulatory preservation as they are about assuring that the project is preserved through sufficient capitalization and providing needed rehabilitation. The "at-risk" factor in California projects is economic and physical need, and the "headache" factor is the need to work around short-sighted early partnership agreements.

Virtually all limited partners (LPs) want to get out of tax credit projects after their 15-year commitment is up, prompting disposition of the projects. Provisions concerning disposition in the early tax credit partnership agreements were overly optimistic, as it has turned out. Investors were promised more cash at the back-end, and the general partner (GP) was given only an "option to buy," with no parameters on what would constitute an acceptable purchase price.

This makes dispositions tricky and time-consuming, but luckily the industry quickly grew more savvy in drafting optimal agreements. The next generation of transfers will more commonly be projects in which the GP was provided a right of first refusal and a purchase price of debt plus taxes.

Developers with deals that require some rehab and recapitalization are looking to tax-exempt bonds and the 4% tax credit because the 4% credits aren't competitive and result in quicker funding, compared to 9% credits, said Joel Rubenzahl, director of Community Economics, Inc., in Oakland. Also, "acquisition cost is included in basis for bonds with 4% credits." Data from the California Tax Credit Allocation Committee supported this assessment: Lynn Wehrli, executive director, noted that disposition deals have accounted for 10 applications for 4% credits and only one application for 9% credits.

Joel Rubenzahl

Bonds and other challenges

The 50% test, which requires the bonds to cover at least 50% of the total project cost, "is very tricky," said Rubenzahl. Tax credit disposition deals have difficulty meeting the 50% test because of the continued below-market public loans on the projects, which almost always account for more than 50% of the total acquisition and rehab

project cost.

"The subordinate public lenders in projects that seek rehab and recapitalization through bonds have to accept a partial payoff to reduce the non-bond project indebtedness below 50% of the total project cost," Rubenzahl explained. This also means the note and loan agreement have to be restructured and rewritten to extend the term for another 55 years, to meet California's 55-year compliance period for tax credit projects and because the new investors won't accept other funding sources in the project with a shorter term than the tax credit compliance period.

Burbank Housing spent three years planning the Year 15 resolution for its Fitch Mountain Terrace property in Healdsburg, Calif.

However, that's not so easy to pull off. "Some local government lenders are reluctant to restructure and rewrite their notes and loan agreements," he noted. "This makes deals very hard to negotiate. At the state level, on the other hand, the California Department of Housing & Community Development, a major source of below-market funds, has been responsive to renegotiating its debt agreements."

Rubenzahl is working on more than 20 dispositions right now. The most difficult projects are those with Department of Housing and Urban Development (HUD) funding: "We can forget about changing [HUD], so we just find ways to work with them in their environment."

Appraisals are very important and complicated in the transfer of tax credit projects, Rubenzahl added. "There's a lot of controversy about appraisals and they require a lot of negotiation. These deals are very difficult – in California, only a small number have closed, and these are generally the less complicated ones, where debt is higher than market value and rehab isn't required. Deals that aren't worth the debt [because the appraised value is less than the debt] are the easiest to deal with, because the general partner [GP] just takes over the debt."

Jerry Breed, a partner with Powell, Goldstein, Frazer & Murphy, in Washington, D.C., agreed that disposition of tax credit projects is highly challenging. Focused on just getting through the transfer, "GPs have been avoiding the really tough issues during the exit transaction – they're doing 'rinse and spin' rehabs, minimizing the amount of rehab needed. These projects have physical problems and no financial resources to fix the problems," he said.

Jerry Breed

Lay the groundwork

Luckily, BRIDGE Housing of San Francisco had sufficient reserves to cover the $700,000 cost of the rehabilitation for Coleridge Park Apartments, the first tax credit project disposition in which it became involved, which closed recently in San Francisco. BRIDGE and its co-sponsor, Bernal Heights Neighborhood Association, developed the 49-unit seniors project and were co-GPs. Rehab needs include a new roof, siding, painting, parking area improvements and possibly new appliances. With funds provided by a special grant, Coleridge Park will also undergo a "greenhab" to improve the building's environmental performance, focusing on air quality, energy and resource efficiency, and material sustainability.

BRIDGE and its co-sponsor were able to buy only the interest of the limited partnership, instead of buying the project, which eliminated some of the complexities and reduced the transaction costs. This also avoided the need to rewrite subordinate debt, said Lydia Tan, BRIDGE's executive vice president. Other funding sources included a loan from the redevelopment agency and one from MetLife, which was paid off in the 10th year. A Rural Development Administration loan is still in place.

The biggest difficulty has been pricing the limited partner's interest, according to Tan. "We recently completed the transfer of three projects in the San Francisco Bay Area, without any appraisals – it's all been through negotiation," she said. BRIDGE's out-of-pocket cost to take over Coleridge Park was agreed to be solely the taxes owed by the limited partners, but the organization actually paid less than that because of the largesse of the National Equity Fund (NEF), which was the limited partner

"Who keeps the reserves is part of the negotiation," Tan noted. "So far, the

reserves have stayed with their projects."

Tan recommended that other general partners "start early and have a really good handle on the rehab needs and costs and a strategy to renegotiate with the LP," she said.

Plan ahead

This strategy also worked well for Burbank Housing in Santa Rosa, which just closed its first two transfer deals in Healdsburg and Petaluma. "We started planning three years prior to the transfer, something everyone should do," said John Lowry, executive director. With that forward planning, Burbank realized that the "second transfer deal was going to have tax problems at exit due to the LP writing off too many losses, so Burbank and the LP, which is NEF, agreed to amend and restructure the partnership agreement in Year 13 so that Burbank would receive a share in the tax liability. Through this maneuver, they avoided enough of the tax problems so that the project could be transferred relatively easily.

Burbank's two transfers are small properties, with fewer than 25 units, and have not required rehab or recapitalization. In both transfers, NEF was the LP and was simply replaced in the partnership agreement by the property manager, an affiliate of Burbank that became the co-general partner. This dispensed with the need to dissolve the partnership, and all of the project debt was assumed without need for restructuring. Both projects had Community Development Block Grant and HOME funds.

"NEF was very easy to work with, and that was key to the deal," said Lowry. The reserves have stayed in Burbank's projects, also.

Burbank will have another Year 15 acquisition in 2006, and then approximately one per year thereafter. BRIDGE has three or four more projects completing their 15-year compliance periods in the next couple of years. The first of these will have a number of physical issues, said Tan. Also, the LP in one is exercising its "put," the right it was given in the partnership agreement to require a sale, so it will be a difficult negotiation, she predicted. "Our attitude is however difficult, just get it done."

Tan was joined by both Breed and Rubenzahl in lamenting the old partnership agreements, which were unclear and lead to issues such as defining and establishing fair market value, and which promised cash out to the investor at the back-end based on value and sometimes minimum investor payments.

Breed said that "some investors want residual value/priority return. Early deals anticipated investors getting substantial payments at the end of the 15 years – more market value and more gains – and that's not realistic. What investors thought they were buying 15 years ago was not what they actually bought. Tax credits were only part of the deal for investors at the start of the tax-credit program." ■

Dealing with corporate LPs

A number of deals with corporate LPs are soon approaching Year 15. Given the spirited discussion and popularity of a workshop at the Housing California Conference in April, negotiations between these investors and project sponsors on exit strategies could be very interesting.

During a discussion of how losses that exceed the original investment turn into gains during the LP's exit, a workshop attendee from a large equity investor noted that losses would have to be measured against what was projected originally, and that this would influence what the disposition deal would be.

This prompted another participant to recommend that the front-end people at the investment companies, who are trying to get deals, should talk to the back-end attorneys and asset managers. "If an investor gets a reputation as a hard-ass, they won't be getting many new deals," he said.

States get creative to preserve affordability

By Eric Wong

State housing finance agencies (HFAs) are moving forward to meet their obligations under Sec. 42 to find buyers for post-1989 projects that have reached the end of their initial 15-year low-income housing tax credit (LIHTC) compliance period. The first step in that process is for the HFA to set what the law calls a "qualified contract price" to purchase a property.

Three states have published policies that require extensive documentation so that the price can be calculated by third-party accountants hired by the HFA. They include North Carolina, Virginia and Colorado.

At least five states are supplying worksheets to owners to let them calculate the price for approval by their HFAs: Florida, North Dakota, South Dakota, Texas and Washington.

If a state cannot find a qualified buyer at the qualified contract price, then the owner is released from occupancy restrictions subject to a mandatory three-year transition period that protects residents from rent increases and unjustified evictions.

A number of HFAs are providing incentives for owners to preserve affordability rather than opting out of the program. In addition to setting aside large portions of their federal LIHTC allocations, they are also using their own resources, building up cash reserves by refinancing old housing bonds, said Vincent O'Donnell, vice president for preservation for the Local Initiatives Support Corp. (LISC).

California, Illinois, Massachusetts, Minnesota, New York, Pennsylvania, Virginia, Washington and Wisconsin are states that O'Donnell cited as providing creative financing for preservation.

Here's a look at what some of these states are doing to handle Year 15, deal with compliance in the extended-use period, and provide preservation incentives:

IF A STATE CANNOT FIND A QUALIFIED BUYER AT THE QUALIFIED CONTRACT PRICE, THEN THE OWNER IS RELEASED FROM OCCUPANCY RESTRICTIONS SUBJECT TO A MANDATORY THREE-YEAR TRANSITION PERIOD THAT PROTECTS RESIDENTS FROM RENT INCREASES AND UNJUSTIFIED EVICTIONS.

Texas

The Texas Department of Housing and Community Affairs (TDHCA) has drafted a proposed qualified contract policy to assist owners of post-1989 LIHTC properties that want to exit the program after the initial 15-year compliance period.

The proposal would allow property owners, at the end of the 14th year of the compliance period, to ask TDHCA to help them find a buyer for the property at the qualified contract price. If TDHCA cannot locate a buyer within one year, the extended-use commitment would expire (although the three-year federally mandated transition period would remain).

The policy is in draft form and was to be published in the *Texas Register* for public comment. While the proposal allows owners to submit their own calculations of value, TDHCA would have the right to ask for more information to document price and to engage its own certified public accountant (CPA).

Edwina Carrington, executive director of the agency, said she does not expect to see many sales at the qualified contract price because it's going to be pretty high in many cases.

The backbone of TDHCA's preservation efforts is its qualified allocation plan (QAP) set-aside, which reserves 15% of its $40 million in tax credits for rural housing at risk of converting to market-rate. This year, the set-aside could help allocate $5.8 million in tax credits to these projects.

The QAP also allows at-risk rural housing tax credit applicants to come again to TDHCA for a first-come, first-served forward commitment of tax credits for affordable housing preservation. The "rural rescue" program, which was introduced in the 2004 tax credit round, can allocate a total of $2 million in tax credits for this purpose.

In addition, TDHCA, like some other state housing finance agencies, is considering relaxing its compliance rules for the extended-use period. For example, instead of monitoring an affordable housing project every three years, the agency might do so only every five years, said

Robbye Meyer, bond administrator.

The agency may also modify its tax-exempt bond program to offer 30 points, instead of 10 points, for affordable housing preservation if a project has or had affordable housing units within the past 10 years.

The proposal will be finalized in August.

TDHCA has also offered other types of financial assistance to preserve affordable housing. It recently capped its two-year Preservations Incentives Program by awarding more than $4 million to preserve 10 projects with a total of more than 500 affordable units.

At press time, the balance of funding available to the program had reached a level that made it unfeasible for TDHCA to consider new applicants. It hopes to identify new funding sources for this program and release a new open cycle in the future, said David Danenfelze, multifamily program administrator.

Washington

The Washington State Housing Finance Commission (WSHFC) was one of the first state housing finance agencies to develop a strategy to help market and sell a LIHTC property to a qualified buyer at the end of the 15-year compliance period in order to preserve the property's affordability.

WSHFC also established a new set of monitoring procedures for tax credit properties after Year 15 by allowing waivers for certain requirements. "We believe these changes will prove to be beneficial to owners and managers of tax credit properties by streamlining reporting requirements during this period," said the agency.

Another important preservation tool is the Washington Area Community Investment Fund (WACIF). It offers preservation projects financing such as predevelopment loans, acquisition bridge loans, subordinate loans for Mark-to-Market transactions, and Sec. 8 reserve guarantees.

To date, WACIF has funded 133 loans totaling $9.6 million for nonprofits, leveraging $80 million in public and private capital, resulting in the preservation of 1,437 units of affordable housing and 20 community-based facilities.

Minnesota

The Minnesota Housing Finance Agency (MHFA) has an annual $9.3 million affordable rental housing preservation investment fund that provides low-interest deferred loans. The fund can finance the costs of acquisition, rehabilitation and debt restructuring of federally assisted developments, as well as equity take-out deferred loans. The funds could also be used to finance existing supportive-housing properties.

The owner of an eligible property must enter into an agreement to keep the housing affordable for the maximum term permitted by the federal programs involved. The owner must also give local government; housing and redevelopment authorities; and nonprofit housing organizations the right of first refusal if the rental property is subsequently offered for sale and an outside offer is received.

However, MHFA dropped its 20% set-aside for preservation in this year's QAP. There were not enough credits to include preferences for both homelessness and preservation, said the agency.

Minnesota charges a $5,000 application fee for owners seeking to use its qualified contract exit route at Year 15. The owner also has to pay for submission materials, an appraisal, a market study, and a rent comparability study, according to Molly O'Dell, a CPA with Novogradac & Co., LLP.

Illinois

The state updated its preservation laws to help save more than 33,000 federally assisted housing units over the next five years (see *Affordable Housing Finance*, October 2004, page 2).

The state's 2004 Federally Assisted Housing Preservation Act stretched the previously restrictive definition of "subsidized housing" to include all project-based Sec. 8 properties, LIHTC proper-

Continued on page 35

States get creative

Continued from page 33

ties, and developments with mortgages insured by various Department of Housing and Urban Development (HUD) programs. Owners must now give 12 months instead of six months notice of intent to sell one of these properties.

The law also expands the number of events that would give tenants the right to buy their buildings, and it allows tenant associations to transfer their purchase rights to a third-party developer.

In addition, the state's housing task force this year made preservation a top priority for the next three years.

The Illinois Housing Development Authority continues to have a $3 million set-aside for preservation projects in its QAP.

Massachusetts

MassHousing's QAP sets aside 40% of its tax credits for the preservation of affordable housing. This category includes both federally and state-assisted housing, as well as HOPE VI projects.

MassHousing also refinances existing properties that use HUD-subsidized mortgages where 20% of the units must remain affordable to households earning no more than 80% of the area median income (AMI), or no more than 50% of AMI if HUD risk-sharing is used for credit enhancement.

The Massachusetts Housing Partnership Fund, a quasi-public lender, is another good source for preservation financing, said LISC's O'Donnell. It has closed a number of preservation transactions with primary mortgage loans and no additional credit enhancement.

Unfortunately, the state has terminated its Capital Improvement and Preservation Fund, which helped preserve 2,600 units of affordable housing. Since 2002, the program had committed more than $31 million to affordable housing. The state Department of Housing and Community Development said that it intends to focus exclusively on expanding the housing supply. ■

Tenant ownership provides viable options

By John Brandenburg

The low-income housing tax credit (LIHTC) has helped make affordable housing a reality for millions of Americans. However, the major tax benefits that make LIHTC projects attractive to investors are fully realized in 15 years. Then what?

For projects with credits allocated after 1989, federal law mandates that affordability must be extended for at least another 15 years. A provision in the Internal Revenue Code allows a developer to opt out of the extended-use requirement for a particular project, with state approval, if the state is unable to find a buyer at a formula price (see *Affordable Housing Finance*, July 2004, page 34, and September 2004, page 56).

John Brandenburg

And by Year 15, most investors are looking for exit strategies. Nonprofit developers, however, seek solutions to sustain affordability.

A number of disposition options are available to LIHTC partners, including selling a property to the developer, which may continue to operate it as affordable housing; transferring the property to a charitable organization or government entity; or finding investors to reinvest in the property by using new tax credits to upgrade it for the next 30 years. Federal law allows nonprofit organizations, tenants, tenant co-ops, or government agencies the right of first refusal to purchase properties at a bargain price. If adequate financing is feasible, this can be a winning strategy for everyone.

Selling properties to residents represents another viable option. There are several strategies that allow for resident ownership, including lease-purchase agreements, cooperative (co-op) conversions, and condominium conversions.

Lease-purchase agreements

In some cases, projects are designed from the beginning for eventual sale to residents. These projects are set up under a lease-purchase concept, with the understanding that residents will buy their units when the project reaches Year 15.

> LEASE-PURCHASE PROGRAMS OFFER A TANGIBLE BENEFIT TO LOW-INCOME RESIDENTS: THE OPPORTUNITY FOR HOMEOWNERSHIP.

The Cleveland Housing Network (CHN) pioneered this strategy when the LIHTC program was in its infancy. In January 2005, CHN and The Enterprise Social Investment Corp. (ESIC) began transitioning the latest group of 50 homes, which were developed in 1990, and expect to sell 90% of these units to residents.

Lease-purchase programs offer a tangible benefit to low-income residents: the opportunity for homeownership. These residents are more likely to take an active role in the care of their units, and may even invest their own funds in maintenance and upgrades. Also, residents who plan to buy their units are less likely to move out. This helps maintain high occupancy rates for the duration of a project, minimizing vacancy losses and related expenses.

Co-op conversion

Conversions of projects to housing cooperatives after Year 15 can also be an option to preserve continued affordability. Housing cooperatives are corporations in which each resident is a shareholder. This gives real ownership and control to tenants through an elected board of directors. Because members have input into the long-term direction of the co-op, this transition strategy can ultimately increase the stability of a community, encourage continual improvement, and reduce operating expenses, turnover and crime.

When investors and developers consider co-op conversions, there are a number of factors to keep in mind, including the amount of debt on the property, property rehabilitation needs, and sources of loans for tenants who wish to finance their units.

Condo conversion

Across the country, more and more residents are being priced out of neighborhoods as a result of booming real estate markets. The multifamily industry has recently capitalized on this

trend by converting more than $1.6 billion worth of apartments into condominiums in the first five months of 2005 alone. This opt-out provision that developers can take advantage of after Year 15 makes the condo conversion option more attractive to profit-motivated developers as the market continues to heat up.

However, this trend also presents a valid opportunity to address sustainability solutions for affordable housing. The potential of converting an LIHTC property into mixed-income condos is intriguing.

To make this approach feasible, some of the units in a project may have to be sold at market rates to enable the sale of other units to low-income buyers. Nonprofits may want to consider these options as well. In an effort to preserve affordable housing, the transition of LIHTC properties to condominiums or co-ops warrants further exploration.

Conclusion

For ESIC, the goals are to deliver an investor's projected return and to preserve affordability by transferring those properties sponsored by nonprofit organizations directly to those groups. ESIC has transitioned 22 projects to date, with an additional 78 projects eligible for disposition through 2007. As partners work through the disposition process for an increasing number of LIHTC projects, an effective exit strategy combined with well-considered options to sustain affordability ultimately benefits all. ■

John Brandenburg is managing director of asset management at Enterprise Social Investment Corp. (ESIC). He manages ESIC's activities related to ESIC portfolio performance and property disposition. If you'd like additional information on Year 15 dispositions, please contact John Brandenburg at (410) 772-2554.

YEAR 15

DEFINITIONS

Accruing Interest – Interest calculated on the unpaid principal balance of a loan at rate stated in the loan documents.

Adjusted Basis – The cost basis of a building including any capital improvements minus depreciation.

Affordability Restrictions – Recorded tenant income and rent restrictions that are placed on a project by a city, state (including the state credit allocating agency), bank or other lender of funds to a project. These restrictions are monitored by designated credit agencies and are enforceable for a set period of time. The restrictions bind the property and are assumed by any purchaser of the property.

Allocation Date – Date the tax credits are allocated to the owner. Found on IRS form 8609.

AMI - Area Median Income - Statistical expression used to calculate income guidelines for various projects funded under affordable housing programs. "Area" refers to the Census Bureau's definition of a metropolitan statistical area. For example, the median income for Ohio in 2002 was $51,900, meaning that half of the population of Ohio makes above this amount and half makes below it.

Amortization Period – The period of time over which debt is reduced by regular payments of interest and principal. If the amortization period equals the Term of the debt, then the loan is a fully amortizing loan and will be repaid in full as of the maturity date; if not, then a Balloon payment will be due.

Assignment/Assumption of Debt – One party assumes the liability of another party.

Balloon Payment – The amount of a loan that is unpaid at the end of its term (the unpaid balance). This occurs if the amortization period is greater than the term.

Basis Point – One – one – hundredth of a percentage point (.01%).

Buyout Option - The option giving the General Partner the right to purchase the Limited Partner's interest in the partnership at the Buyout Price.

Buyout Price is the greater of Fair Market Value of the limited partner's interest or all federal, state and local taxes incurred as a result of the sale of the limited partner's interest.

Capital Account – The amount of capital contributed by a partner to a partnership increased by any income, gains and other increases and reduced by losses, distributions and other decreases allocated to that partner.

Capital Contribution – Equity (either cash or property) that is paid into (or transferred to) a partnership by a partner.

Capital Gain – The amount of gain recognized as the result of the sale of a capital asset.

Capital Improvements – Physical work that is completed on a project and is reflected as a capitalized expense.

Capital Loss – The amount of loss recognized as the result of the sale of a capital asset.

Capital Needs Assessment (a.k.a. CNA) - an inspection completed by an architect or engineer which identifies physical work that a project may need and/or a timeline of when repairs and capital improvements may be necessary. The report would typically include a schedule of roof replacements, water heaters, HVAC, etc.

Capitalization Rate (cap rate) – the rate used by an appraiser to determine a project's value under the income approach. The project's NOI is divided by the capitalization rate to derive the project's market value.

Charitable Contribution – A tax deduction that is taken when a for profit entity donates cash, its interest, real estate, etc. to a non profit entity. In a tax credit project, the limited partner may donate its interest, if there is value in the project.

Compliance Period – Begins January 1st of the first year tax credits are taken and ends December 31st of the fifteenth year thereafter. The owner can elect on the 8609 to begin taking credits the year the building is Placed In Service (PIS) or the following year. At the end of Year 15, the IRS will no longer be responsible for compliance monitoring because the tax credit compliance period will expire. For those projects that are bound by extended use restrictions, the IRS has authorized the State Housing Agency to create their own compliance monitoring rules for the duration of the extended use period. As of this date, State housing agencies are considering how to implement compliance monitoring rules, and these rules are expected to vary state by state.

Example: Building PIS 10/01/87 and owner elects to begin credit period in 1988. The Compliance Period ends 12/31/02

Credit Period – The ten-year period over which the low-income housing tax credit is usually taken. It generally begins on the date a property is placed in service, but a taxpayer may elect to start the credit period in the year following the year the low-income housing tax credit property is placed in service. Note that deferring the credit will extend the compliance period an additional year.

Deficit Restoration Obligation (DRO) – Provision in the partnership agreement requiring one or more partners to infuse capital into the partnership to restore negative capital account balances upon liquidation of the partnership or partner's interest.

Dissolution – The process of unwinding a partnership.

Disposition – The transfer or sale of an item, including the property, the partnership interest, reserve and other partnership assets.

Disposition Bond – A bond that may be posted to avoid credit Recapture upon Disposition of the property or partner's interest prior to the end of the compliance period.

Disposition Budget – The general partner should prepare a disposition budget to project expenses related to acquiring the partnership assets including staff time, deferred maintenance issues, legal and accounting, refinancing costs, and other transaction related costs required to transitioning the property for new ownership.

Equity – Cash or property contributed to a partnership by a partner. The partner receives a like amount of capital account credit for its contribution.

Exit Taxes - When the cumulative tax losses claimed by an investor exceed the amount of capital invested, then the investor will recognize a gain at the time of disposition of the property or investor's interest in the partnership. This gain is taxable, and will result in a tax liability, which is referred to as an "exit tax," meaning the taxes due when the investor exits the partnership.

Extended Use Agreement – An agreement between the owner and housing credit agency extending the low-income housing restrictions an additional 15 (or more) years beyond the initial Compliance Period. Federal extended use agreements are required for LIHTC projects with credit allocations after 1989, and many states impose additional extended use restrictions.

Fair Market Value (FMV) - The value of the partnership assets determined by a third party appraisal.

Fiduciary Responsibility – The responsibility of a person or company (syndicator) to holds assets in trust and maintains the responsibility for a beneficiary (investor).

Foreclosure – An action by a Lender to judicially sell property in order to satisfy its debt caused by the failure of a party to make required payments on a mortgage loan. Upon foreclosure, title to the property transfers to the purchaser at the foreclosure sale.

Forgiveness of Debt – The entity holding claim to a debt/loan acknowledges and waives its right to repayment of that debt. Forgiveness of debt is income to the party whose obligations have been released.

8609 Form – IRS document that is filed with a partnership tax return declaring the amount of tax credits for each building and the placed in service date. This is issued after construction is completed and all costs are accounted for.

Gross-up Factor – A method of calculating the true income tax cost to an exiting partner whereby the limited partner's income tax incurred upon exiting or dissolving a partnership is multiplied by a factor to account for the tax on the

income that the limited partner will receive when the general partner pays the limited partners exit tax (i.e., 135% where the tax rate is 35%).

Hard Debt, 1st Mortgage, Must Pay Debt – Any debt or liability incurred by the partnership with required payments regardless of cash flow.

HOME Funds – Federal Funds that may be granted or loaned to a project from a City or State government. If a loan, the interest rate, term and amortization period may vary per project.

HOME Compliance Period – For rehabbed units, the compliance period is 15 years and for new construction, 20 years. Tenant files are required to be maintained for an additional 3-year period after move-out. The Partnership should confirm with their local HOME administrator on the monitoring requirements in years 16-20. It is assumed that HOME agencies will monitor HOME units after year 15.

Internal Rate of Return (IRR) - The IRR for an investment is the discount rate at which the total present value of future cash flows equals the cost of the investment.

Lease-Purchase Option Agreement – The Option Agreement is the document that gives a resident the contingent right to purchase his/her home from the Partnership after the 15 year Compliance Period. It is contingent on: 1) the Partnership taking title to the property; and 2) the resident remaining a tenant in good standing. The Option Agreement provides a framework for the purchase price formula, notification the resident in Year 16 and the amount of time a resident will have to exercise his/her option.

Lease-Purchase – Single Family homes that may be rented for 15 years and then sold to an income eligible tenant at the end of the 15th year. The unit will then be released by allocating agency from the additional 15 year extended use compliance period.

Land Use Restriction Agreement (LURA) – The document containing Affordability Restrictions and other restrictions placed on the project.

Limited Partner – The limited partner is typically an investor or investors, or a fund made up of investors, who own up to 99.99% of the interests in the limited partnership. The limited partner(s) look to the general partner of the partnership to oversee the day to day operations of the partnership. The limited partnership is a vehicle for investors to receive a return on their investment in the form of tax credits, loss benefits and residual value upon disposition.

Limited Partnership – A state law ownership entity comprised of a general partner and one or more limited partners, which in a tax credit deal is formed for the sole purpose of owning real estate. Limited partnerships are disregarded entities for state and federal tax purposes so the losses, credits and profits are passed through to the partners based upon their respective interests.

Limited Partnership Agreement - Is a comprehensive agreement between the limited partner and general partner that reflects the duties, rights, fiduciary obligations and responsibilities of the partners. The Partnership Agreement is the definitive guide to financial requirements and oversight of the operation and disposition of

the partnership assets. Partnership Agreement requirements vary by syndicator and by investment funds.

Minimum Sales Price – Applies to Qualified Contract terms for projects with Extended Use Agreements. Per Section 42(h)(6) of the Code the Minimum Purchase Price for a 100% low-income building equals the outstanding indebtedness secured by the building, plus adjusted investor equity in the building, plus other capital contributions less cash distributions. (Adjusted investor equity means the amount of cash invested with respect to the project increased by the cost of living adjustment for the calendar year)

Minimum Gain (704b) – The amount that nonrecourse debt secured by the Property (land and buildings) exceeds adjusted basis in the company.

Non-Recourse Debt – Debt for which no one can be held personably liable (i.e., no partner bears economic risk of loss). So, the creditor's only remedy upon default is usually to foreclose upon the property that secures the debt.

Operating Reserves – Funds set aside for a project to utilize if the project is unable to meet its cash flow needs or does not have the funds available to pay for a Capital Improvement. *Note: Reserves are assets of the partnership and may be available for distribution to the partners upon sale of the property, unless they are collateral for existing loans. Through negotiation, reserves may be donated to the nonprofit sponsor, expensed as a fee, capitalized into the property or used to pay exit taxes. Some partnership agreements provide for an Exit Tax Reserve to pay exit taxes.*

Outstanding Debt – The sum of all debt secured by the Project including accrued interest, that is due and payable at the end of the Compliance Period. *Note: Although a loan may have a 30 term, upon a transfer, including at year 15, all debt must be repaid, assumed or forgiven, unless the lender approves assumption of the debt by the new owner.*

Placed In Service Date – The date the building is ready for occupancy. Found on IRS form 8609, which is an attachment to each of the Partnership's tax return.

Reallocation – Changing the allocation percentages of taxable deductions or benefits during the Compliance Period. One method to reduce exit taxes to a limited partner is by reallocating losses from the limited partner to the general partner.

Recapture of Tax Credits –The owner is obligated to maintain the required percentage of low income units in the project and by building through annual tenant income certifications and rent restrictions. Failure to meet this obligation can result in the filing of form 8823 with the IRS and the recapture of credits for the unqualified units. General partners are generally obligated to provide tax credit guaranties if any units fall out of compliance. Foreclosure on the Project or sale of the Project (or a partnership interest) before the end of the Compliance Period can also cause recapture, unless a bond is posted and the Project remains low income.

Residency Credit – A residency credit is incorporated into the Lease Purchase purchase price formula to address the issue of fairness (e.g. a one year resident might otherwise realize as much equity as a fifteen year resident). To address this concern, the Option Agreement adds some amount, i.e. $15,000 to the sale price of each house, and then subtracts $1,000 for each year of residency up to fifteen years. Any surplus revenues earned by the general partner can be used to offset costs associated with implementing the Option Agreement or to fund other program goals or expenses.

Replacement Reserves – Reserves established to replace long-lived items on the property, usually funded from current cash flows. See discussion of Operating Reserves.

Resident Tenant Option Agreement – See Lease Purchase Option Agreement.

Residual Value – The value of an interest or real estate after all costs of sale (including repayment of all mortgages) have been deducted.

Resyndication – The process of applying for new tax credits once a project's Compliance Period is over. *Note: The IRS allows projects to receive new tax credits following the end of the Compliance Period if they are eligible under the State's Qualified Allocation Plan (QAP). Some State QAP's provide special set asides to preserve affordability. The IRS has special regulations regarding the ownership structure with resyndicated projects and the Sponsor should consult with their attorney and/or CPA to review the requirements.*

Right of First Refusal – A right offered to tenants (in co-operative form or otherwise), a resident management corporation, a qualified non-profit organization or a government agency, which allows the holder the right to purchase the real property (real estate) at a Minimum Purchase Price. The Minimum Purchase Price is equal to the principal amount of indebtedness secured by the property (other than indebtedness incurred within the 5-year period ending on the date of the sale to the tenants), and all Federal, State, and local taxes attributable to such sale. This right may or may not require an offer from a third party to purchase the real property. Statutory authority for the right of first refusal is contained in Sec. 42(i)(7) of the Code, which applies to projects with LIHTC tax credits allocated after 1989.

704b Analysis - An analysis of the capital accounts of the partners, minimum gain generated by the project and the potential impact on the allocations to the partners as a result of such allocations.

Sale of Limited Partner Interest – The limited partner's interest is sold or transferred to another party. The sale of the interest may be as little as $1.

Sale of Real Estate – The sale of the real estate owned by the partnership. After the real estate is sold, the partnership may be dissolved. This may cause an assessment of transfer taxes. Any reserves associated with the project are assets of the partnership, not part of the real estate, and may be available for distribution at dissolution.

Sponsor Debt – A loan made to a project from a sponsor. Typically these are 2nd, 3rd, or 4th mortgages that are cash flow contingent and have accruing Interest.

Syndicator – This corporate entity i.e. ESIC raises capital from corporations for investment in housing qualifying for Low Income Housing Tax Credits. The syndicator is usually the general partner of a Fund that is the limited partner in a LIHTC limited partnership.

Tax Credit Recapture – See Recapture.

Taxable Gain – See Capital Gain.

Taxable Loss – See Capital Loss.

Tax Rate – The rate at which exit taxes are calculated. For corporate taxpayers the Federal tax rate is usually assumed to be 35%; an additional state tax rate may also be applied.

Tax vs. GAAP – Different methods of financial presentation.

Transaction Costs – Expenses related to sale or transfer of a property or a partnership interest. Costs may include items such as title work, appraisal, accounting fees, legal fees, transfer taxes and transfer fees.

Transfer Tax/Fee – A fee that is charged by a governmental entity upon sale (transfer). This fee may be incurred if the project is sold, but may be avoided in some states if the partnership interests are sold instead.

Yield Maintenance – A method that allows an investor to receive additional benefits in order for it to obtain its projected tax benefits. In a year 16 transaction, this could be payment of cash to the limited partner to increase its total benefits to the amount originally projected.

Contributors to these definitions include:

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YEAR 15 RESYNDICATIONS

Prepared by Craig Emden, Esq.
Venable, LLC

The purpose of this outline is to set forth general parameters for the transfer of low-income housing tax credit projects at the end of the 15-year compliance period in order to preserve the ability of a new tax-credit partnership (the "New Partnership") to enter into a tax credit transaction and to be able to use the acquisition credit.

I. Background.

In order for a project to be entitled to claim acquisition credits on an existing property, among other requirements, Section 42(d) of the Internal Revenue Code provides that:

A. The building must be acquired by purchase (from an unrelated party);
B. There must be at least 10 years between the acquisition of the project by the taxpayer and the date the project was last placed in service, and
C. The building must not have been placed in service by a related party.

For the purposes of A and C above, in general, a partnership is related to a person if that person has more than a 10% ownership in the partnership, or there is more than a 10% common ownership in the case of two partnerships.

II. Interim Transfers of Property or Partnership Interests

Transfers to Nonprofit Sponsors. A transfer of the project to a qualified nonprofit corporation is required in order for the nonprofit to exercise a right of first refusal under Section 42(i)(7) of the Code. This right of first refusal cannot be assigned to a partnership or other for-profit entity. The nonprofit would acquire the project for the right of refusal price of debt plus taxes and then sell the project to the New Partnership. The nonprofit would qualify for an exception to the 10-year placed in service rule as long as the 10-year rule had been met at the time of the acquisition by the nonprofit.

A transfer of the limited partnership interest would not constitute a transfer of the project and therefore would not trigger a new placed in service date. The existing partnership owner could then sell the project to a new partnership as discussed below.

III. Transfer to a New Partnership

A. The project could be sold to a new partnership (either by the old partnership or by the nonprofit after exercise of its right of refusal). The purchase price (and the amount of the acquisition credit) would need to be determined based on the fair market value of the property supported by an appraisal.

B. Assuming the nonprofit or a related party had at least a 10% interest in the old partnership (either through residuals or cash flow fees which could be recharacterized), such parties must have under 10% of all partnership items in the New Partnership. Any partnership management or cash flow contingent fees need to be closely scrutinized to make sure those fees do not get recharacterized as a profits interest. To the extent the purchase price is represented by a note, it would have to provide for interest at least equal to the applicable federal rate under Section 1274(d) of the Code.

C. The New Partnership must be unrelated to the old partnership at the time of its acquisition. Accordingly, the initial limited partner (before the ultimate investor is admitted) must be unrelated.

D. The limited partners of the old partnership must not be related to the investors of the New Partnership. For this purpose, the interests of two or more investors of the old partnership and the interests of two or more investors in the New Partnership will be aggregated. Thus, if two or more investors own, in the aggregate, more than a 10% interest in both partnerships, the New Partnership will not qualify for acquisition credits.

IV. Timing Issues.

A. A carryover allocation needs to be issued in the year the acquisition expenditures are placed in service. Thus, the New Partnership will need to receive a carryover allocation in the year it acquires the project, even if it will be syndicated in a future year.

B. With respect to bond deals, if there is an acquisition and rehabilitation is separated in time, the IRS will scrutinize whether these are part of the same transaction in determining whether the acquisition credit is allowable.

If you have questions about this information, please contact Craig Emden at Venable, LLP (202-216-8521) or caemden@venable.com.

Community Economics

Back End Buyout Case Study

Issues of Valuation:

The Fountains - Mountain View California

1989 Federal and California LIHTC

NP General Partner

Option to Buy LP Interest beginning in 2000 (12th year)

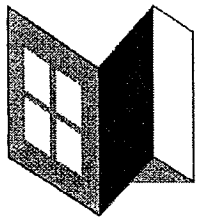
Subject to 30 Year (California) use restriction including limitation on Distributions

Subject to 40 Year Land Lease

A large percentage of Tenants have Section 8 Vouchers

Annual Surplus Cash $450,000

Significant Accrued Ground Lease Rent



Community Economics

Appraisal Technique

Discounted Cash Flow over remaining term of Land Lease

Rental - Income Stream

Operating Expenses

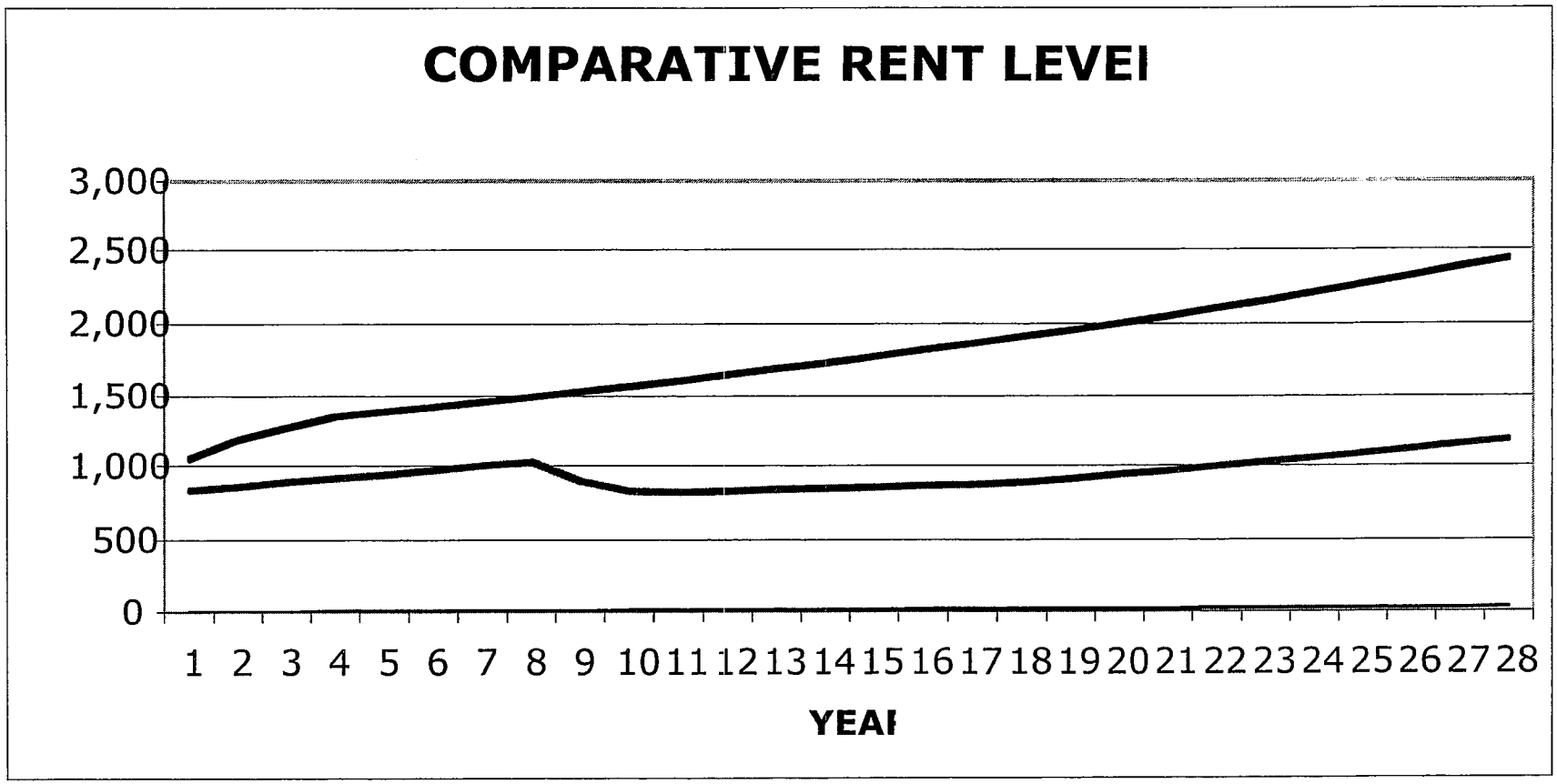
Capitalization or Discount Rate

Impact of Restrictions

Community Economics

ITEM	APPRAISAL 1st VERSION	APPRAISAL 2nd VERSION
Valuation of LP Interest	$4,454,065	$371,521
Annual Rents	$1,403,616 Assumed 100% of Units @ Section 8 FMR	$1,120,704 Current Income
Rent Increase Per Year Expense Increase Per Yr.	3.00% 3.00%	2.50% 3.00%
Operating Expenses	$358,240 Based on Current Costs	$381,719 Added a RR
Before/After Tax	Before	After Tax Due to Nature of Investment
Distributions	100% of Residual Cash	Limited to approx. $1k per Unit by Reg. Agree. Balance of Cash Goes to Reduce Rents

Community Economics



TIPS ON THE CAPITAL ACCOUNT

- Capital Account is:

  "Capital contribution minus losses plus profits minus losses on sale (plus gains on sale) less cash flow distributions less distributions on sale = current state of the capital account"

  [Note: an example of a "profit" would be a grant put in after the project is placed in service.]

- For the investor to take the tax benefits, the capital account has to stay positive or "be allowed" to go negative.

- If the investor's capital account goes to zero and is not allowed to go negative before the end of the tax credit period, the investor can not take the tax credits or the losses going forward until the capital account is allowed to go negative.

- The investor's capital account can go "negative" equal to the amount of minimum gain. If the investor's capital account goes negative, taxes will be due on sale.

  [Note: minimum gain = nonrecourse debt less adjusted basis]

- Historic credits are subtracted from the LP and GP capital accounts.