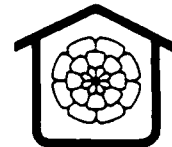


Lompoc Housing & Community
Development Corporation

19 January 2006

Ms. Dinah Perez Lockhart
Community Development Program Manager
City of Lompoc
100 Civic Center Plaza
Lompoc, CA 93436

Dear Dinah,

The Lompoc Housing and Community Development Corporation (LHCDC) herewith requests that the City of Lompoc approve a resubordination of its HOME loan for the Courtyard South Apartments, located at 717-721 North E Street.

As a result of refinancing Courtyard South, LHCDC will take out approximately \$150,000 in equity from the property. The purposes of these funds is multifold:

- 1) To establish a long-term capital replacement reserve for LHCDC rental properties (~\$100,000).
- 2) Provide funds to upgrade the landscaping and install sprinkler systems (~\$30,000) for the three contiguous properties that LHCDC owns in the 700 block of North E Street (709-733 N. E).
- 3) To install a new roof and replace the picket fence at the Marks House, located at 203 North N Street (~\$20,000).

Please note that in the course of refinancing the Courtyard South Apartments, LHCDC will be repaying the \$30,000 CDBG loan that was used to renovate the units several years ago.

Also, please note that LHCDC is strategically utilizing the increased value of this property while maintaining a healthy overall Loan to Value (75%) and maintaining the rents at a level that continues to serve very low income households.

Thank you for your assistance with this resubordination and please let me know if you need any additional information.

Sincerely,

A handwritten signature in black ink that reads "Susan Ehrlich". The signature is fluid and cursive.

Susan Ehrlich
Executive Director

FROM : SUSAN G. EHRLICH

PHONE NO. : 805 934 3534

Feb. 07 2006 12:02PM P1

PRO FORMA - Courtyard South Refinance
Project: 717-721 North E Street

Date: 27 December 2005

Uses

Acquisition	\$240,000	82.76%
Title, Taxes, Insurance, etc.	\$2,000	0.69%
Rehabilitation	\$28,500	9.83%
Site Improvements and Landscaping	\$0	0.00%
Off-Site Improvements	\$0	0.00%
Architecture and Engineering	\$0	0.00%
Survey and Environmental	\$0	0.00%
Soils Report and Testing	\$0	0.00%
Predevelopment Costs (Option, Insp., appraisal)	\$2,975	1.03%
Termite	\$0	0.00%
Bridge Loan Costs	\$0	0.00%
Mortgage Loan Fees (2%)	\$0	0.00%
Legal	\$0	0.00%
Rent-Up and Operating Reserve (2% each)	\$0	0.00%
Contingency (5%)	\$1,425	0.49%
Replacement Reserve	\$0	0.00%
Developer Fees (5.5%)	\$15,100	5.21%
Other:	\$0	0.00%
TOTAL:	\$290,000	100.00%

Sources of Funds

1st Mortgage (8%, 20 yrs., refl in Yr 5)	\$180,000	62.07%
State HOME Funds (3%, 30 yrs., pymt deferred, Interest forgiven at term)	\$50,000	17.24%
City HOME Consortium Funds (3%, 30 yrs., pymt deferred, Interest forgiven at term)	\$30,000	10.34%
City of Lompoc CDBG Rehab Funds (5%, 30 yrs)	\$30,000	10.34%
TOTAL:	\$290,000	100.00%

Cost Per Unit

# of Units: 6	Cost/Unit	\$48,333
	HOME/Unit	\$8,333

Refl Sources of Funds

1st Mortgage (6.5%, 30 yrs)	\$335,000
Less Seller Note balance	-\$152,897
Less City Rehab balance	-\$29,609

Equity Out

	\$152,694
LTV	86%

PRO FORMA - Courtyard South Refinance
Project: 717-721 North E Street

Date: 27 December 2005

	Effective Gross Monthly Income:		\$3,744	
	Monthly	Annual	Per Unit	%EGI
GENERAL & ADMINISTRATIVE				
Property Management Fee (6.5%)	\$243	\$2,920	\$487	6.50%
Office Supplies & Expense	\$20	\$240	\$40	0.53%
Legal & Accounting	\$20	\$240	\$40	0.53%
Miscellaneous	\$0	\$0	\$0	0.00%
TOTAL GENERAL & ADMINISTRATIVE	\$283	\$3,400	\$567	7.57%
PAYROLL & RELATED				
Resident Manager Payroll	\$0	\$0	\$0	0.00%
Maintenance-Contracted Services	\$120	\$1,440	\$240	3.21%
Benefits	\$0	\$0	\$0	0.00%
Payroll Taxes	\$0	\$0	\$0	0.00%
Other	\$0	\$0	\$0	0.00%
TOTAL PAYROLL & RELATED	\$120	\$1,440	\$240	3.21%
UTILITIES				
Electricity	\$70	\$840	\$140	1.87%
Gas	\$0	\$0	\$0	0.00%
Water, Trash & Sewer	\$70	\$840	\$140	1.87%
Telephone	\$0	\$0	\$0	0.00%
TOTAL UTILITIES	\$140	\$1,680	\$280	3.74%
MAINTENANCE & REPAIR				
Trash Removal	\$0	\$0	\$0	0.00%
Landscaping	\$120	\$1,440	\$240	3.21%
Exterminating	\$50	\$600	\$100	1.34%
Painting & Decorating	\$50	\$600	\$100	1.34%
Maintenance Supplies	\$50	\$600	\$100	1.34%
Repairs	\$50	\$600	\$100	1.34%
TOTAL MAINTENANCE & REPAIR	\$320	\$3,840	\$640	8.55%
MARKETING & LEASING				
Advertising	\$0	\$0	\$0	0.00%
Credit Investigations	\$0	\$0	\$0	0.00%
Leasing Fees	\$0	\$0	\$0	0.00%
TOTAL MARKETING & LEASING	\$0	\$0	\$0	0.00%
TAXES & INSURANCE				
Real Estate Taxes	\$5	\$65	\$11	0.14%
Other Taxes, Licenses & Fees	\$0	\$0	\$0	0.00%
Insurance	\$150	\$1,800	\$300	4.01%
TOTAL TAXES & INSURANCE	\$155	\$1,865	\$311	4.15%
TOTAL OPERATING EXPENSES	\$1,019	\$12,225	\$2,038	27.21%
	\$170 per unit			

PRO FORMA - Courtyard South Refinance

Project: 717-721 North E Street

Date: 27 December 2005

Address: 717-721 North E Street
Lompoc, CA

Total Res. Units: 6

ANALYSIS ASSUMPTIONS

Income Increase	3.0%
Expense Increase	3.5%
Operating Reserves	3.0%
Replacement Reserves	3.0%
Vacancy Rate	4%

GROSS INCOME

UNIT TYPE	# MARKET	RENT	# LOW INCOME (60% MED.)	RENT	# VERY LOW INCOME (50% MED.)	RENT	INCOME
0 Bedroom	0	0	0	\$0	0	\$0	\$0
1 Bedroom	0	0	0	\$0	0	\$0	\$0
2 Bedroom	0	0	0	\$0	6	\$650	\$3,900
2 Bedroom	0	0	0	\$0	0	\$0	\$0
4 Bedroom	0	0	0	\$0	0	\$0	\$0
Mgr. Units	0	0	0	\$0	0	\$0	\$0
Total DUs	0	0	0	\$0	6	\$3,900	\$0

Total Monthly Residential Income \$3,900

CASH FLOW ANALYSIS

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Gross Residential Income (+)	\$46,800	\$48,204	\$49,650	\$51,140	\$52,674	\$54,254	\$55,882
Other Income (+)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Vacancy/Loss (-)	-\$1,872	-\$1,928	-\$1,986	-\$2,046	-\$2,107	-\$2,170	-\$2,235
Effective Gross Income (=)	\$44,928	\$46,276	\$47,664	\$49,094	\$50,567	\$52,084	\$53,646
Operating Costs (-)	-\$12,225	-\$12,653	-\$13,096	-\$13,554	-\$14,029	-\$14,520	-\$15,028
Net Operating Income (=)	\$32,703	\$33,623	\$34,568	\$35,540	\$36,538	\$37,564	\$38,618
Debt Service (-)	-\$25,653	-\$25,653	-\$25,653	-\$25,653	-\$25,653	-\$25,653	-\$25,653
Operating Reserves (-)	-\$1,404	-\$1,446	-\$1,490	-\$1,534	-\$1,580	-\$1,628	-\$1,676
Replacement Reserves (-)	-\$1,404	-\$1,446	-\$1,490	-\$1,534	-\$1,580	-\$1,628	-\$1,676
Cash Flow (=)	\$4,241	\$5,077	\$5,936	\$6,818	\$7,724	\$8,655	\$9,612

Debt Coverage Ratio 1.27 1.31 1.35 1.39 1.42 1.46 1.51