Kathy Kleinbaum

From: Andrea Osgood <aosgood@edenhousing.org>
Sent: Monday, December 18, 2017 12:58 PM
To: Kathy Kleinbaum
Cc: Sandra Council; Caleb Roope
Subject: RE: Follow-up Questions from Downtown Opportunity Sites RFP submittal
Attachments: San Mateo TCAC Rents 12-17-17.pdf

Kathy,

Answers provided in line below. Please reach out if you have any further questions.

Happy holidays!

Andrea Osgood | Director of Real Estate Development
Eden Housing, Inc. | 22645 Grand Street | Hayward, CA 94541
Direct: 510.247.8103 | **Cell:** 415.846.2823 | **Fax:** 510.582.0122

From: Kathy Kleinbaum [mailto:kkleinbaum@cityofsanmateo.org]
Sent: Monday, December 04, 2017 3:56 PM
To: Andrea Osgood <aosgood@edenhousing.org>
Cc: Sandra Council <scouncil@cityofsanmateo.org>
Subject: Follow-up Questions from Downtown Opportunity Sites RFP submittal

Dear Andrea,

Thanks so much for your RFP submittal. Staff has reviewed the proposal and has some clarifying questions listed below. Please get the response back to me by the end of the day, Monday, December 18th. Once we get the responses, we plan to go to a closed session of City Council on January 16th to get some direction on criteria to short list the development teams.

1. On page 24, the proposal states the project would be able to leverage an additional $7,400,000 in debt using the TCAC rent limits. Please provide the supporting calculations. Attached is more detailed information about the rent assumptions developed by staff for RFP document. If you have questions on this, please contact Sandy Council.

   Attached are supplemental pages to the pro forma that was included in the RFP that show the additional debt of $7,400,000 associated with using TCAC rents.

2. Clarify the tax credit eligible basis assumption for the public parking component, as it appears that about 50% of the public parking cost is included in eligible basis, whereas a lower percentage (82/623 spaces) appears to be associated with the residential component. Can you provide us with the basis for your reasoning on how much of the public parking cost would be eligible?

   The following chart summarizes the basis eligible designations for each component:

# of Spaces	Designation	Basis Elligible
300	new	No
6	office	No
235	replacement	Yes
82	residential	Yes
623	**TOTAL**	

The 82 spaces which would exclusively serve the residential component are considered a basis eligible cost. As well, the required 235 replacement parking spaces are also considered basis eligible, as they are a required cost of the development. This would be analogous to a City that requires new off-site improvements (sewers, streets, etc) in order to build a new development. These kinds of off-site infrastructure costs are basis eligible. The net new public spaces and office spaces are not eligible.

3. Please provide a sources and uses table for the public parking garage, including both hard and soft costs and all sources of funding. Describe the proposed terms for the City contribution and also clarify any assumptions on the use of parking revenues.

We are looking at this as one development and have not sized the soft costs for the garage separately from the residential component. However, looking just at hard costs:

# of Spaces	Designation	Hard Cost
300	new	$ 10,500,000
6	office	$ 210,000
235	replacement	$ 8,225,000
82	residential	$ 2,870,000
623	**TOTAL**	**$ 21,805,000**

As well, here is a simple sources and uses for the public spaces:

Public Spaces Only	
Uses	
new	$ 10,500,000
replacement	$ 8,225,000
	$ 18,725,000
Sources	
City funds	$ 5,000,000
Contribution from Development	$ 13,725,000
	$ 18,725,000

The $5 million from the City would be structured as a grant to cover the cost of the new public parking, which is excluded from tax credit basis.

The revenues from the public parking spaces are for City use. We assume that we will need to enter into some form of Joint Use Agreement that dictates the ongoing maintenance and upkeep of this garage, and the revenues from the parking spaces could be used to cover those costs. However, we have not assumed that these revenues are used to finance the project, or are in any way split with the Developer.

4. Clarify the proposed repayment basis for the deferred developer fee. Will it be a higher priority than residual receipts payments to the City and other lenders, and if so based on what percentage and for how long? Will the ground lease payments to the City always be a higher priority than repayment of the developer fee?

   Yes, in order to generate tax credit basis on the deferred developer fee, it has to be considered a true and actual cost. In order for a tax attorney to make this finding, we must generally be able to show that any basis eligible deferred amount can be repaid within approximately 12 years. Therefore, the deferred fee will be a higher priority until paid in full.

   The proposed order of the cash flow waterfall after payment of the first lien hard debt is as follows:

   #1: Tax-Exempt Series B Bonds – 50% of cash flow
   #2: Ground Lease –Minimum payment of $50,000, with up to 30% of the remainder cash flow after #1 so long as there are adequate funds to make deferred developer fee payments
   #3: Asset Management Fees (general and limited partners - currently budgeted at $26,400)
   #4: Deferred Developer Fee – All remaining cash flow after payments #1 through #3 until repaid
   #5: Multi-Source Gap Financing and City of San Mateo AH Fund – Once #4 is paid off, 50% of remainder after payments to #1 through #3, shared pro rata based on loan amounts from the different sources
   #6: Remaining 50% to project sponsors (general and limited partners)

5. What is the length of the proposed ground lease term?

   For tax credit purposes, this should be at least 75 years.

If you have any questions about these questions or the process, feel free to reach out to me.

Thanks,

Kathy Kleinbaum
Deputy City Manager
City of San Mateo
330 W. 20th Ave.
San Mateo, CA 94403
(650) 522-7153

OPERATING & LOAN DETAILS

Project:	San Mateo RFP - TCAC Rents	Location:	San Mateo, CA	12/17/2017

	AMI Rent Level	Number of Units	Avg. Unit Sq. Ft.	Gross Rent	Utility Allowance	Net Rent	Monthly Totals	Annual Totals
Studio	50%	0	0	0	0	0	0	0
Studio	60%	0	0	0	0	0	0	0
Studio	120%	0	0	0	0	0	0	0
1BR/1BA	50%	2	530	1,234	62	1,172	2,344	28,128
1BR/1BA	60%	21	530	1,481	62	1,419	29,799	357,588
1BR/1BA	120%	13	530	2,961	62	2,899	37,687	452,244
2BR/1BA	50%	7	726	1,481	86	1,395	9,765	117,180
2BR/1BA	60%	59	726	1,777	86	1,691	99,769	1,197,228
2BR/1BA	120%	37	726	3,554	86	3,468	128,316	1,539,792
3BR/2BA	50%	2	956	1,711	109	1,602	3,204	38,448
3BR/2BA	60%	14	956	2,053	109	1,944	27,216	326,592
3BR/2BA	120%	8	956	4,106	109	3,997	31,976	383,712
4BR/2BA	50%	0	0	0	0	0	0	0
4BR/2BA	60%	0	0	0	0	0	0	0
4BR/2BA	120%	0	0	0	0	0	0	0
1BR/1BA	Manager's	0	0	0	0	0	0	0
2BR/1BA	Manager's	1	726	0	0	0	0	0

			% of Sq. Ft. Affordable	% of Units Affordable	Monthly	Annual
Total Units & Sq. Ft.	164	117,528			$ 370,076	$ 4,440,912
Office Space / Common Area		33,798				
Total Project Sq. Ft.		**151,326**	64.77%	64.63%		

Total Annual Rental Income			**$ 4,440,912**
Other Income			
Laundry / Interest Income	/Unit/Year	$ 150	$ 24,600
Commercial Income	/Unit/Year	$ -	$ -
Total Annual Other Income			**$ 24,600**
Total Annual Potential Gross Income			**$ 4,465,512**
Vacancy & Collection Loss		5%	$ (223,276)
Annual Effective Gross Income			**$ 4,242,236**

Operating Deficit Guarantee	
10% of Perm.	$ 3,750,000
Year 1 Op. Exp.	$ 1,230,000
Guarantee	$ 3,750,000

Replacement Reserves	
Standard/Unit	$ 250
UMR Min/Unit	$ 600
Reserve / Unit	**$ 250**

Project Unit Mix

Unit Type	Number	% of Total
Studio	0	0.00%
1 Bdrm./1 Bath.	36	21.95%
2 Bdrm./1 Bath.	104	63.41%
3 Bdrm./2 Bath.	24	14.63%
4 Bdrm./2 Bath.	0	0.00%
Totals	**164**	**99.99%**

Average Affordability

Unit Type	Number	% of Units	Factor
50%	11	6.75%	0.03
60%	94	57.67%	0.35
120%	58	35.58%	0.43
Average Affordability			**80.67%**

OPERATING & LOAN DETAILS (continued)

Project:	**San Mateo RFP - TCAC Rents**	**Location:**	**San Mateo, CA**	12/17/2017

ANNUAL EXPENSES

	% of Annual EGI	% of Total Operating Exp.	Per Unit	Total
Real Estate Taxes & Special Assessments	4.56%	15.72%	$ 1,179.00	$ 193,300
State Taxes	0.02%	0.07%	$ 5.00	$ 800
Insurance	0.89%	3.07%	$ 230.00	$ 37,720
Licenses	0.01%	0.03%	$ 2.00	$ 350
Fuel & Gas	0.07%	0.25%	$ 19.00	$ 3,100
Electricity	1.45%	5.00%	$ 375.00	$ 61,500
Water & Sewer	2.90%	10.00%	$ 750.00	$ 123,000
Trash Removal	2.03%	7.00%	$ 525.00	$ 86,100
Pest Control	0.05%	0.17%	$ 13.00	$ 2,100
Building & Maintenance Repairs	2.76%	9.50%	$ 713.00	$ 116,900
Building & Maintenance Supplies	1.45%	5.00%	$ 375.00	$ 61,500
Supportive Services	0.99%	3.41%	$ 256.00	$ 42,000
Annual Issuer & Trustee Fees	0.84%	2.88%	$ 216.00	$ 35,450
Gardening & Landscaping	1.16%	4.00%	$ 300.00	$ 49,200
Management Fee	4.50%	15.43%	$ 1,157.00	$ 189,800
On-Site Manager(s)	1.86%	6.40%	$ 480.00	$ 78,720
Other Payroll	0.58%	2.00%	$ 150.00	$ 24,600
Manager's Unit Expense	0.00%	0.00%	$ -	$ -
Cleaning Supplies	0.44%	1.50%	$ 113.00	$ 18,500
Benefits	0.05%	0.16%	$ 12.00	$ 2,000
Payroll Taxes & Work Comp	0.56%	1.93%	$ 145.00	$ 23,800
Advertising	0.44%	1.50%	$ 113.00	$ 18,500
Telephone	0.04%	0.12%	$ 9.00	$ 1,500
Legal & Accounting	0.24%	0.81%	$ 61.00	$ 10,000
Operating Reserves	0.00%	0.00%	$ -	$ -
Office Supplies & Expense	0.12%	0.41%	$ 31.00	$ 5,000
Miscellaneous Administrative	0.08%	0.31%	$ 21.00	$ 3,560
Replacement Reserves	0.97%	3.33%	$ 250.00	$ 41,000
Annual Expenses - Per Unit & Total			**$ 7,500**	**$1,230,000**
Annual Net Operating Income - Per Unit & Total			**$ 18,367**	**$3,012,236**

PERMANENT DEBT ANALYSIS

	LTV Restricted Loan Amounts			***DSC Ratio Restricted Loan Amounts***		
Cap Rate	8.500%	9.000%	9.500%	**	**	***Fixed Loan Amount***
Loan-To-Value Restriction	90%	90%	90%	**	**	
Debt Service Coverage	1.69	1.79	1.89	1.15	1.20	1.20
Loan Amount	$ 31,894,264	$ 30,122,360	$ 28,536,973	$ 46,865,119	$ 44,912,405	$ 44,900,000
Constant	**	**	**	0.055891	0.055891	0.055891
Interest Rate	4.750%	4.750%	4.750%	4.750%	4.750%	4.750%
Amortization Period in Years	40	40	40	40	40	40
Annual Debt Service	$ 1,782,600	$ 1,683,567	$ 1,594,958	$ 2,619,336	$ 2,510,197	$ 2,509,500
Annual Cash Flow	$ 1,229,636	$ 1,328,669	$ 1,417,278	$ 392,900	$ 502,039	$ 502,736
Loan Selection						x

Debt Using RFP Rent Limits	37,500,000
Additional Debt Using TCAC Limits	7,400,000