

Kathy Kleinbaum

From: John Bigley <jbigley@uhcllc.net>
Sent: Monday, December 11, 2017 3:11 PM
To: Kathy Kleinbaum
Cc: Mark Irving
Subject: Follow-up Questions from Downtown Opportunity Sites RFP submittal
Attachments: ParkingSU.pdf; Veterans Village.pdf; Mixed Income 106 Units.pdf

Kathy,

Please see my responses below in Red. I have also attached the following per your request:

1. Parking Sources and Uses
2. Veteran's Village cash flow
3. Mixed Income cash flow

A couple of notes, the parking sources and uses is a little tricky as the sources and uses are intertwined. However, this will give you an idea of how it might look if broken out separately.

The veteran's village cash flow is somewhat contingent on whether congress continues to allow the VASH vouchers to also have service dollars associated with them. There has been some recent discussion on possibly taking this away. If so, they we may need to increase the services budget.

While we have had preliminary discussions with BACDC, the mixed income project has not been through underwriting with the equity investor and will take some structuring.

Please let us know if you have any additional questions.

Regards,

John

From: Kathy Kleinbaum [<mailto:kkleinbaum@cityofsanmateo.org>]
Sent: Monday, December 4, 2017 4:02 PM
To: John Bigley <jbigley@uhcllc.net>
Subject: Follow-up Questions from Downtown Opportunity Sites RFP submittal

John,

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. Please provide more information on the requested \$8.23 million of City funds to offset the requirement for prevailing wages. Is this something you have received from prior partnerships with public entities?
Most of the RFP's we have responded to that involve rent caps have AMI levels at or below 60% AMI so the cost of prevailing wage is partially offset by tax credit equity. In this case, the rent levels are such that we cannot get tax credits and the rent levels are capped which affects both debt sizing and interest from equity investors. If this were a typical market rate development, we would not be required to pay prevailing wages and the rents

would be higher, which would drive more debt. The \$8.23 million funding request is to offset these costs and loss of debt sizing. We need to be able to attract private equity to build the project the City desires. These private sector investors require a return on investment in conjunction with the additional risk associated with rent limits.

2. 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.

Please see attached. Unfortunately, this is not an exact science because of the financing structure and building costs, sub contracts like architecture overlap on project scope. It should be noted that the City's \$5M parking fund only covers a portion of the parking structure costs. It is the other sources (VHHP, debt, tax credits) connected to the veterans housing that make up the majority of the funding. This development leverages \$42 million in outside funding, which is a direct benefit to the City, veterans and homeless, since many of the homeless are veterans.

3. Is a fee-simple transfer of a portion of the land essential for your project proposal?

Fee simple is not required for the veteran's project at 400 E 5th Ave. The mixed income development located at 480 E 4th street would require a fee-simple structure in order to attract outside equity. This reduces their risk profile.

4. Please provide the terms and length of the ground lease proposed for your project.

The ground lease for the veteran's project would be a minimum of 58 years (construction, including lease up period, and 55 years as required under the CDLAC, TCAC and VHHP programs.)

5. Clarify the annual payments to the City from both sites consisting of residual receipts payments from all proposed loans from the City (for both housing and parking) and ground lease payments by including a pro forma cash flow that shows these payments from both sites for 15 years from project stabilization.

On the 400 E 5th Avenue site, the residual receipts to the City Parking Fund through the first 15 years is estimated at \$347,451 (\$5,366,527 over 55 years) and the Land Loan is \$486,432. (\$6,098,327 over 55 years) The parking revenue was noted as an estimate in the note section of the Sources and Uses page (\$185,240 per annum) and was not included in the cash flow of the model. A study would be required to better estimate this number. This City may have a better understanding of the parking needs, which would help in defining this number. The revenue from the parking structure is considered an item to negotiate for the mutual benefit of the Veterans Village and the City.

At 480E 4th Avenue, the City residual receipts for the City Affordable Housing Fund through the first 15 years is estimated at \$384,232 (\$6,532,594 over 55 years), the Land Loan is \$580,627. (\$7,000,000 over 47 years). The Additional City fund through the first 15 years is estimated at \$683,079 (\$11,613,501 over 55 years) while the residual receipts for the Prevailing Wage Offset is estimated at \$580,389 during the first 15 years (\$10,080,664 over 55 years).

In summary, the projected cash flow to the city in the first 15 years for both projects is \$5.8 million and \$46 million over 55 years.

If you have any questions about these questions or the process, feel free to reach out to me. We hope this answers your questions. We look forward to working with you on this exciting opportunity.

Thanks,

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

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