

2023 Rent Increase Proposal Independence Plaza

January 2023



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2017 Recap

Terminology

Income Eligibility

- Affordability determined by categories based on the Area Median Income (AMI)
- Extremely Low-Income < 30% AMI
- \$21,930 in Alameda
- Very Low-Income < 50% AMI
- \$36,550 in Alameda
- Low-Income < 80% AMI
- \$58,480 in Alameda

- Assumes one-person household size

Operating Subsidy

Community Investment Commission (CIC)

- Tax Increment Set Aside for Unit Affordability, per 1989 Agreement
- Allocation for Independence Plaza to support operating deficits
- "The analysis provides for the most conservative approach towards financial subsidy demands for the project over the 30-year period in order to maintain operations guaranteeing affordability to very low income [50% AMI] elderly residents."

Dissolution of Redevelopment – 2011

- Independence Plaza is on the Recognized Obligations Payment Schedule (ROPS)
- \$15 MM outstanding obligation on 2017/2018 ROPS

2017 Recap

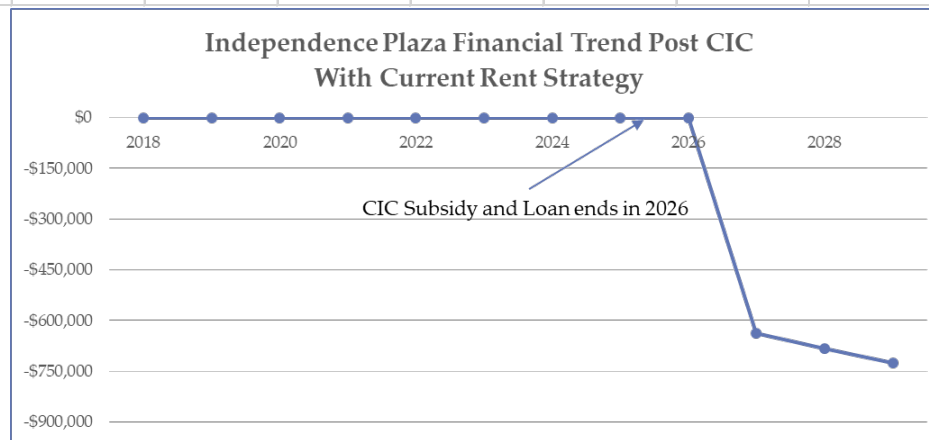
The Challenge

- Built in 1990 - systems nearing 30 years of service
- Property will need investment in the physical structure to continue to serve seniors
- Property built to serve Mixed-Income tenants but now serves majority Low-Income tenants (no Housing Choice Vouchers on property)
- Property operations now depend on a contribution of over \$1M annual operating subsidy
- In 2026, the mortgage matures and the operating subsidy expires
- **At the current rate of income/expense trending, the property will be financially insolvent in 2027**

2017 Recap

The Challenge

	FYE 2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Gross Potential Rent	1,553,316	1,632,770	1,714,757	1,798,213	1,881,204	1,958,428	2,031,601	2,090,175	2,151,419	2,210,952
Vacancy	(77,666)	(73,475)	(51,443)	(53,946)	(56,436)	(58,753)	(60,948)	(62,705)	(64,543)	(66,329)
Misc Income	15,533	16,328	17,148	17,982	18,812	19,584	20,316	20,902	21,514	22,110
Effective Gross Income	1,491,184	1,575,623	1,680,462	1,762,249	1,843,579	1,919,259	1,990,969	2,048,371	2,108,390	2,166,733
Operating Costs	1,868,512	1,924,567	1,982,304	2,041,774	2,103,027	2,166,118	2,231,101	2,298,034	2,366,975	2,437,984
Net Operating Income	(377,328)	(348,944)	(301,843)	(279,525)	(259,447)	(246,858)	(240,132)	(249,663)	(258,585)	(271,251)
Hard Debt	777,096	777,096	777,096	777,096	777,096	777,096	777,096	777,096	453,306	0
Reserve	64,176	64,176	64,176	64,176	64,176	64,176	64,176	64,176	64,176	0
Net Cash Flow	(1,218,600)	(1,190,216)	(1,143,115)	(1,120,797)	(1,100,719)	(1,088,130)	(1,081,404)	(1,090,935)	(776,067)	(271,251)
Capital Repairs	824,777	469,284	516,385	538,703	558,781	571,370	578,096	568,565	884,056	0
Operating Subsidy	2,043,377	1,659,500	1,659,500	1,659,500	1,659,500	1,659,500	1,659,500	1,659,500	1,660,123	0
Net Cash	-	-	-	-	-	-	-	-	-	(271,251)



2017 Recap

The Analysis



- 1989 Affordable Housing Agreement
 - Property is restricted to a minimum of 65 "Affordable" Units
 - 29 units for Very Low Income (50% AMI)
 - 36 Units for Low and Moderate Income (80-120% AMI)
 - Balance of units (120) are not defined as "Affordable"
- Establish Rent Categories at 30%, 50%, 80% AMI, for existing households, increase rents at 10% rate until Maximum Rent within the Rent Category, 10% turnover with only 60% AMI move-ins results in the following:
 - Positive Cash Flow by 2027
 - Use 100% of the Tax Increment Subsidy listed on ROPS
- Board Direction
 - 5% rent increases up to the TCAC Maximum Rent Category, then annual increases based only on published TCAC rents; or
 - New Move-Ins at 60% AMI

Changes since 2017

The Challenge

Move-Ins

- In 2018, new move-ins were charged affordable rents at 60% AMI, and their incomes cannot exceed 80% of area median income.
- In 2022, new move-ins were charged affordable rents at 70% AMI, and their incomes cannot exceed 80% of the median income.

Increases

- In 2018, 2019 & 2020 5% rent increases were implemented
- In 2021 no rent increases were implemented due to the COVID pandemic.
- In 2022 a 3% rental increase for non-subsidized units was implemented in 2022.

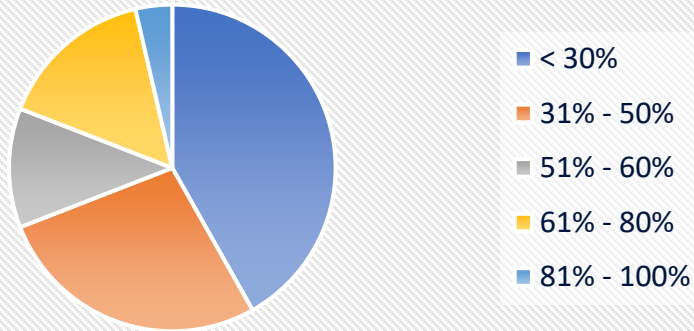
Subsidies

- In 2020, the project received a project-based voucher award for 25 units
- Began to process individuals with Housing Choice Vouchers (payment standard capped at affordable rents charged to new move-ins)
 - As of January 2023 there are 49 residents with the Housing Choice Voucher at IP

Demographics

Non-Subsidized Units – Current

Current Income Levels for Non-Subsidized Residents



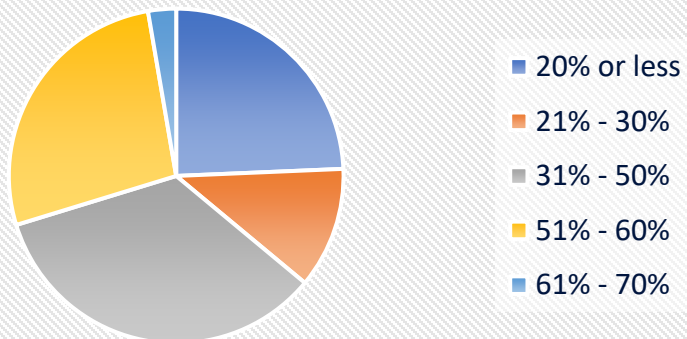
AMI	Number of Residents
< 30%	46
31%-50%	30
51%-60%	13
61%-80%	17
81%-100%	4

	AMI	1 Person	2 Person	3 Person
FY 2022	30%	\$30,000	\$34,300	\$38,600
TCAC	50%	\$50,000	\$57,150	\$64,300
Income	60%	\$60,000	\$68,580	\$77,160
Limits	80%	\$80,000	\$84,800	\$95,400
	100%	\$100,000	\$114,300	\$128,600

Demographics

Non-Subsidized Units - Current

Current Tenant Rent Levels for Non-Subsidized Residents



Rent Level	Number of Residents
< 20%	27
21%-30%	13
31%-50%	37
51%-60%	30
61%-70%	3

	AMI	1 Bed	2 Bed
FY 2022	20%	\$ 478	\$ 572
TCAC	30%	\$ 746	\$ 893
Rent	50%	\$ 1,282	\$ 1,536
Limits	60%	\$ 1,550	\$ 1,858
	70%	\$ 1,818	\$ 2,179

Proposal Set-Asides for Property

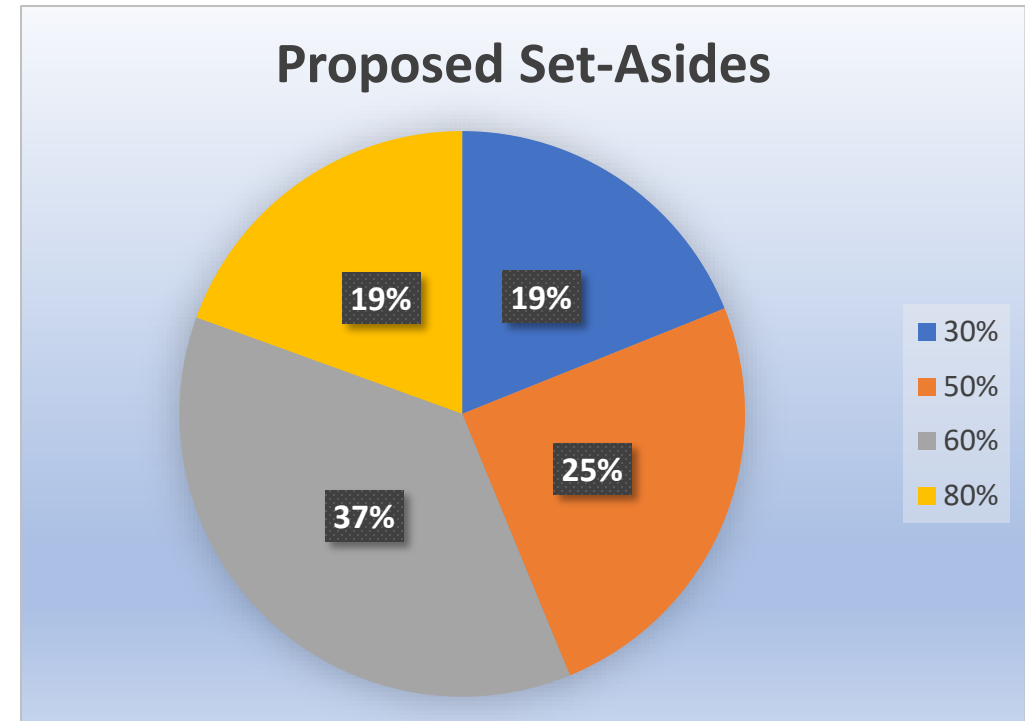
	30%	50%	60%	80%	TOTAL
1 Bedroom	34	38	57	30	159
2 Bedroom	1	8	11	6	26
TOTAL	35	46	68	36	185

	30%	50%	60%	70%*	80%**
1 Bedroom	\$746	\$1,282	\$1,550	\$1,818	\$2,086
2 Bedroom	\$893	\$1,536	\$1,858	\$2,179	\$2,501

**70% Rents Charged w/ 80% AM*

***80% Rent cap to be in place for residents who income exceeds 80%*

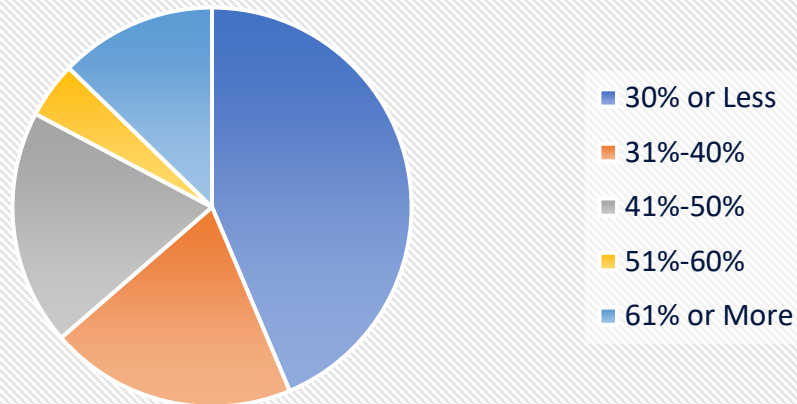
Project Based Vouchers and Housing Choice Vouchers are scattered throughout the mix.



Demographics

Non-Subsidized Units – Current

Number of Non-Subsidized Rent Burden



Rent/Income Ratio	Number of Residents
< 30%	48
31%-40%	22
41%-50%	21
51%-60%	5
> 61%	14

Proposal Rent Increases

Proposal 1: Minimum Annual rent increases of 3.5% for 2023, 2024 and 2025 for all tenants up to the TCAC maximum rent for their assigned income range.

- If approved, this would increase income by approximately \$7,639/mo and increases for tenants range from \$9 to \$65 a month for rent.

Proposal 2: Additional Annual Rent Increases dependent on rent burden for 2023, 2024 and 2025

- For those households that have a rent burden of 35% or less a tiered structure is proposed to gradually align rents with income levels. HUD recommends a 30-40% rent burden for tenants.
- If approved, this would increase income by an additional \$1,992/mo and increases range from \$29 to \$129 a month for rent.

Additional Rent Increase Rate	Rent Burden
1.5 %	26% - 35%
4.5 %	16% - 25%
5.5%	10% - 15%

Proposal 3: Over-Income Households move to the 80% TCAC rent

- Currently there are 5 households whose income is greater than 80% AMI. AHA staff recommends immediately moving those households into the highest income bracket and allow rent to be gradually increased up to the 80% AMI Limit at the highest rent increase rate

Proposal

Total Rent Increases

These tiered rent increases would continue until the unit reaches their TCAC maximum rent for their income designation. At that point, their annual increase would equal the change in the amount of the new TCAC rent cap, which is typically between 2-5% each year.

All residents with a HCV/PBV Voucher will be increased to the 70% Rent Max.

TOTAL Rent Increase Rate	Rent Burden	1 BED	2 BED	Total
3.5 %	> 30%	51	10	61
5 %	31% - 35%	13	1	14
7 %	16% - 25%	22	5	27
8%	10% - 15%	6	1	7
TOTAL		92	17	109



Financial Projections

Set-Asides for Property

Average Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
GPR	2,617,540	2,732,573	2,828,213	2,927,200	3,029,652	3,135,690	3,245,439	3,359,029	3,476,595	3,598,276	3,724,216
Vac	(52,351)	(54,651)	(56,564)	(58,544)	(60,593)	(62,714)	(64,909)	(67,181)	(69,532)	(71,966)	(74,484)
Other Inc	13,088	13,663	14,141	14,636	15,148	15,678	16,227	16,795	17,383	17,991	18,621
EGI	2,578,277	2,691,584	2,785,789	2,883,292	2,984,207	3,088,655	3,196,757	3,308,644	3,424,446	3,544,302	3,668,353
Oper Cost	2,915,124	3,002,578	2,783,390	2,866,891	2,952,898	3,041,485	3,132,729	3,226,711	3,323,513	3,423,218	3,525,915
NOI	(336,847)	(310,994)	2,400	16,401	31,309	47,170	64,028	81,933	100,934	121,084	142,438
Hard Debt	777,096	777,096	777,096	777,096	777,096	-	-	-	-	-	-
Reserve	64,176	64,176	64,176	64,176	64,176	-	-	-	-	-	-
NCF-Ops	(1,178,119)	(1,152,266)	(838,872)	(824,871)	(809,963)	47,170	64,028	81,933	100,934	121,084	142,438
Capital	557,586	1,734,710	1,162,331	1,175,129							
Draw CIC	1,735,705	2,886,976	2,001,203	2,000,000	998,496						
Net Cash	0	0	(0)	(0)	188,533	47,170	64,028	81,933	100,934	121,084	142,438
Balance	7,886,675	4,999,699	2,998,496	998,496	-						

Implementing the following proposals would allow Independence Plaza to reach financial solvency by 2026.

Agenda

- 2017 Recap
 - Terminology
 - The Challenge
 - The Analysis
- Changes since 2017
- Demographics Current Income & Rent
- Proposed Rental Set Asides based on AMI Levels
- Demographics Income/Rent Ratio
- Updated Financial Projections
- Recommendation



Recommendation

Accept an Update on Incomes at Independence Plaza and
Approve Proposed Additional Rent Increases for Certain
Tenants, Subject to State Law.

Thank You