AGENDA  SPECIAL MEETING OF THE BOARD OF DIRECTORS
DATE & TIME  Thursday, February 9, 2023 - 6:31 PM
LOCATION
Independence Plaza, 703 Atlantic Avenue, Alameda, CA

Pursuant to Assembly Bill No.361 (Chapter 165, Statutes of 2021) approved by the Governor on September 16, 2021) codified at Government Code Section 54953 a local legislative body is authorized to hold public meetings remotely via teleconferencing without complying with the teleconferencing requirements imposed by the Ralph M. Brown Act when, among other requirements, a legislative body of a local agency holds a meeting during a proclaimed state emergency, and makes the public meeting accessible “via a call-in option or an internet-based service option” to all members of the public seeking to access and attend the meeting, offer public comment, and address the legislative body.

PUBLIC PARTICIPATION
Public access to this meeting is available as follows:
Join Zoom Meeting:
https://us06web.zoom.us/j/83939527392?pwd=QlFkTm04OUlkRU5JVlVZcURuU1dBdz09
Meeting ID: 839 3952 7392
Passcode: 411773

Persons wishing to address the Board of Directors are asked to submit comments for the public speaking portion of the Agenda as follows:

- Send an email with your comment(s) to jpolar@alamedahsg.org and vcooper@alamedahsg.org prior to or during the Board of Directors meeting
- Call and leave a message at (510) 871-7435.

When addressing the Board, on agenda items or business introduced by Directors, members of the public may speak for a maximum of three minutes per agenda item when the subject is before the Board.

Persons in need of special assistance to participate in the meetings of the Alameda Affordable Housing Corporation Board of Directors, please contact (510) 747-4325 (voice), TTY/TRS: 711, or jpolar@alamedahsg.org. Notification 48 hours prior to the meeting will enable the Alameda Affordable Housing Corporation Board of Directors to make reasonable arrangements to ensure accessibility or language assistance.
PLEDGE OF ALLEGIANCE

1. **ROLL CALL** - Board of Directors
2. **COMMISSIONER RECUSALS**
3. Public Comment (Non-Agenda)
4. **CONSENT CALENDAR**
   Consent Calendar items are considered routine and will be approved or accepted by one motion unless a request for removal for discussion or explanation is received from the Board of Directors or a member of the public.
4.A. Approve Minutes of the Special Board of Directors Meeting held January 11, 2023. **Page 3**

5. **AGENDA**
5.A. Accept Report on Incomes at Independence Regarding Proposed Rent Increases for April 2023. **Page 9**
5.B. Create an Ad Hoc Committee on Acquisitions and Rehabilitation projects. **Page 16**
5.C. Accept the report on the Substantial Recapitalization Plan for Esperanza Apartments. **Page 18**
6. **ORAL COMMUNICATIONS, Non-Agenda (Public Comment)**
7. **EXECUTIVE DIRECTOR’S COMMUNICATIONS**
8. **DIRECTORS COMMUNICATIONS, (Communications from the Directors)**
9. **ADJOURNMENT OF REGULAR MEETING**

*** Note ***

Documents related to this agenda are available for public inspection and copying at the Alameda Affordable Housing Corporation office, 701 Atlantic Avenue, during normal business hours.

KNOW YOUR RIGHTS UNDER THE Ralph M. Brown Act: Government’s duty is to serve the public, reaching its decisions in full view of the public. The Board of Directors exists to conduct the business of its constituents. Deliberations are conducted before the people and are open for the people’s review.

In order to assist the Alameda Affordable Housing Corporation’s efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the Alameda Affordable Housing Corporation accommodate these individuals.
DRAFT MINUTES
SPECIAL MEETING OF THE BOARD OF DIRECTORS
WEDNESDAY, JANUARY 11, 2023

PLEDGE OF ALLEGIANCE

Chair Grob called the meeting to order at 7:10 p.m.

1. **ROLL CALL** - Board of Directors

   Present: Director Grob, Director Tamaoki,
   Director Joseph-Brown, Director Kaufman,
   and Director Sidelnikov

   Absent: Director Hadid and Director Husby

2. **COMMISSIONER RECUSALS**

   None.

3. Public Comment (Non-Agenda)

   None.

4. **CONSENT CALENDER**

   Consent Calendar items are considered routine and will be approved or accepted by one
   motion unless a request for removal for discussion or explanation is received from the Board
   of Directors or a member of the public.

   *4.A. Approve Minutes of the Special Board of Directors Meeting held December 15, 2022.
   

   Items accepted or adopted are indicated by an asterisk.

   Director Tamaoki moved to accept the Consent Calendar items, and Director Grob
   seconded the motion. A roll call vote was taken, and the motion passed
   unanimously.

   Yes 5  Director Grob, Director Tamaoki,
5. AGENDA

5.A. Accept an Update on Incomes at Independence Plaza and Approve Proposed Rent Increases for March 2023.

Stephanie Shipe, Director of Portfolio Management, provided a presentation that included a recap of the rent increases implemented since 2017, and summarized the 2023 Rent Increase Proposal for Independence Plaza (IP) property.

In response to the Board, Ms. Shipe stated that while the proposed set-asides are not in a regulatory agreement, the amounts proposed were made in consideration of allowing the property to be financially successful, and the goal to syndicate the property at a future date.

Ms. Shipe stated that staff is presenting the following three proposals for approval:

- 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.
- Proposal 2: Additional Annual Rent Increases dependent on rent burden for 2023, 2024 and 2025. If approved, this proposal would become effective March 1, 2023.
- Proposal 3: Over-Income Households move to the 80% TCAC rent.

Following discussion of these proposals, Director Grob moved to continue the item for one month and create an Ad-Hoc Committee with Director Tamaoki and Director Kaufman to further discuss this item, and Director Tamaoki seconded the motion. A roll call vote was taken, and the motion passed unanimously.

Yes 5 Director Grob, Director Tamaoki, Director Joseph-Brown, Director Kaufman, and Director Sidelnikov

Absent 2 Director Hadid and Director Husby


Joseph Nagel, Construction Project Manager provided a presentation that summarized the Results of the 2022 Physical Needs Assessments (PNA) Studies. Mr. Nagel stated that after staff and FPI perform a full assessment of the needs identified, staff anticipates returning to the Board, in August 2023, with a comprehensive plan and the respectively associated costs.

In response to Director Tamaoki, Sylvia Martinez, Director of Housing Development stated that sources, other than the $9M reserves, which may be able to aid in
covering the 20 year costs (approx. $19M) include project reserves as well as operations (i.e. repairs and upgrades on turns). The portfolio is also managed to allow for occasional withdrawal of funds through leverage or another form of debt in order to fund these types of repairs. It is not anticipated that the $9M reserves will be the sole source of funding for the next 20 years, but the results of this study do reflect that AAHC must address the identified needs strategically.

Director Kaufman moved to approve the Report on Results of 2022 Physical Needs Assessments (PNA) Studies, and Director Grob seconded the motion. A roll call vote was taken, and the motion passed unanimously.

Yes 5 Director Grob, Director Tamaoki, Director Joseph-Brown, Director Kaufman, and Director Sidelnikov

Absent 2 Director Hadid and Director Husby

5.C. Accept the report on the Substantial Recapitalization Plan for Independence Plaza and China Clipper Plaza.

Allyson Ujjimori, Senior Project Manager provided a presentation that summarized the Substantial Recapitalization Plan for Independence Plaza (IP) and China Clipper, and the three Renovation Scopes identified for these properties.

Vanessa Cooper, Executive Director stated that as a part of the overall Strategic Plan to preserve our properties, staff is provided this presentation to inform the Board and seek general feedback. Staff plans to return to the Board with a report on the Esperanza property in March 2023 and a full proposal in August 2023.

In response to Director Grob, Ms. Ujjimori stated that after considering the results of the PNA Studies and the needs, size, and age IP, China Clipper, and Esperanza, staff determined that approximately $5M will be needed to address the critical scope items at these properties.

Director Tamaoki expressed gratitude for the staff’s work on performing such in depth analysis of the property needs.

Director Tamaoki moved to accept the report on the Substantial Recapitalization Plan for Independence Plaza and China Clipper Plaza, and Director Grob seconded the motion. A roll call vote was taken, and the motion passed unanimously.

Yes 5 Director Grob, Director Tamaoki, Director Joseph-Brown, Director Kaufman, and Director Sidelnikov

Absent 2 Director Hadid and Director Husby

Director Kaufman moved to Adopt Resolution of the Board of Directors of the Alameda Affordable Housing Corporation Ratifying the Proclamation of a State of Emergency by the Governor of the State of California on March 4, 2021, and Making Findings Authorizing Continued Remote Teleconference Meetings of the Board of Directors Pursuant to Brown Act Provisions, as amended by Assembly Bill No. 361, and Director Grob seconded the motion. A roll call vote was taken, and the motion passed unanimously.

Yes  5  Director Grob, Director Tamaoki, Director Joseph-Brown, Director Kaufman, and Director Sidelnikov

Absent  2  Director Hadid and Director Husby

6. ORAL COMMUNICATIONS, Non-Agenda (Public Comment)

None.

7. EXECUTIVE DIRECTOR'S COMMUNICATIONS

At the request of Ms. Cooper, Greg Kats, Director of Administrative Services introduced Radha Mehta, Management Analyst and provided a brief summary of her professional experience.

8. DIRECTORS COMMUNICATIONS, (Communications from the Directors)

None.

9. ADJOURNMENT OF REGULAR MEETING

Director Grob adjourned the meeting at 8:31 p.m.
To: Board of Directors  
From: Joseph Nagel, Construction Project Manager  
Prepared By: Joseph Nagel, Construction Project Manager  
Date: February 9, 2023  
4.B.

BACKGROUND
There were a number of costs and planned portfolio projects described in the Reserve Policy and other approvals from the May 2022 Housing Authority of the City of Alameda (AHA) Board of Commissioners meeting. Because of the large number of items currently underway, staff will provide a periodic update on Construction in Progress (CIP) activities.

DISCUSSION
1. Independence Plaza-  
The Board approved up to $1,950,000 in funds to complete the Independence Plaza balcony and guardrail repairs. Permit applications were submitted electronically to the building department on June 16, 2022 for all five (5) buildings (703, 705, 707, 709, 711) and the 5th and final permit was approved on December 20, 2022. Balcony repair work began in Mid-September on the first four buildings and as of January 24, 2023 repairs have been completed on 37 of 53 balconies and all 25 of the additional guardrails. The project paused with the inclement weather but has now resumed.

2. 701 Office/Maintenance Garage Conversion  
   a. Architect RFQ-The RFQ for a design architect was issued on September 19, 2022. RFI questions were received from 11 firms by the October 21, 2022, deadline and the answers to the RFI questions were issued on October 27, 2022. Final RFQ responses were due on November 14, 2022.  
   b. We received 8 submittals for the Office and Maintenance Garage Conversion and selected 4 of the 8 for interviews and expect to make a selection by January 27, 2023.  
   c. GC RFP- The RFP for a General Contractor is being drafted. We expect that this RFP will be issued by June 1, 2023.
3. **Tilden Commons – Security & Readiness for AHA Maintenance**
   At the recently acquired AUSD property at 2615 Eagle Ave., smoke detectors, security alarms and cameras have been installed to properly secure the property. The smoke detectors originally installed were defective and caused false alarms. The vendor agreed to replace the defective units (30) at their cost. We originally expected the replacements to be delivered and installed by November 2022. However, due to supply chain issues, the smoke detectors were received from the manufacturer and installed in early January. All replacement units have been installed and are on-line and in working condition.

4. **Physical Needs Assessments**
   AAHC has contracted with the consulting firm PPA (Physical Property Analysis LLC) to conduct PNA’s (Physical Needs Assessments) on the portfolio of properties. All of the assessments have been completed and we have received all of the reports. AHA staff is currently addressing a short list of life/safety issues noted in the reports. AHA is also reviewing the long term projections for all properties and will present our recommendations to the Board of Commissioners in August 2023.

**FISCAL IMPACT**
The Board has approved these costs from the Construction in Progress section of the 2022 Reserves Policy (May 2022 BOC).

**CEQA**
None.

**RECOMMENDATION**

**ATTACHMENTS**
None

Respectfully submitted,

Joseph Nagel, Construction Project Manager
To: Board of Directors
From: Stephanie Shipe, Director of Portfolio Management
Prepared By: Stephanie Shipe, Director of Portfolio Management
Date: February 9, 2023

BACKGROUND
Independence Plaza was built in 1990 using a HUD insured loan program and contributed to the affordable housing requirements of the City’s Community Investment Commission (CIC) (former Redevelopment Agency) by restricting 65 of the 186 units to Very Low (50% Area Median Income (AMI) or below), Low (80% AMI or below), and Moderate Income (120% AMI or below) households through an Affordable Housing Agreement dated January 18, 1989 (Agreement) which is regulated by the State of California. Within this Agreement, 29 of the 65 units must serve very low-income households. The Agreement also required the Housing Authority to file a plan to make 100% of the units affordable. Along with the Agreement, the property benefits from a tax-increment operating subsidy (Subsidy) to support the operating budget of the property given reduced rental rates for affordability at 50% AMI. This Agreement, and the 80% AMI Housing Authority covenant are the only regulatory restrictions associated with the property. The Agreement has been amended twice (2004 and 2010), to extend the term to 2024 and 2026, respectively. In 2026, the Subsidy will expire. Housing Authority staff refinanced the mortgage in 2014 to secure a reduced interest rate and to align the mortgage terms with the Affordable Housing Agreement and Subsidy expiration. In June 2017, staff presented several scenarios about how to plan for financial self-sufficiency and mortgage maturity when the Subsidy expires, and only rental revenue is available for operations. If no changes were implemented, the property would fall off a financial cliff with a substantial shortfall each year after 2026 and would not have funds to complete necessary upgrades to keep the property in good condition.

Prior board memos on this topic can be found on the AHA website www.alamedahsg.org, or in the board packets of November 2017 and May 2018.

Rent Increases
In 2014, staff implemented a simplified rent policy for new move-ins, including only the three
rent categories identified in the Agreement: 50% AMI, 80% AMI, and 120% AMI. The 50% AMI and 80% AMI rent categories were identified as the “Affordable” units. At present, there are no new entrants into the 50% or 120% rent categories, and the top level has been capped at 80% AMI.

In 2016, staff completed a rent study and income certifications, which were presented to the Board in December of that year. This showed that there were significant variations in rental rates between households for the same income level and same unit size. Additionally, there was a limited connection between a household income and the rent paid. The property had little to no rent increases over the previous decade and the rents were (and remain) well below the affordable rents allowed by the State. In November 2017, staff proposed a 5% rent increase for existing households, the first rent increase since 2015.

This increase went into effect in February 2018, 2019 and again in 2020. No rent increases were implemented in 2021 due to the COVID pandemic. Note: A 3% rental increase for non-subsidized units was implemented in 2022.

New Move-Ins Rents
Turnovers were anticipated to be an opportunity to raise rents without affecting an existing resident. The assumption was that turnover would average 10%/year (about 20 units), which has been consistent over the past 4+ years.
- In 2018, new move-ins were charged affordable rents at 60% AMI, and their incomes cannot exceed 80% of area median income.
- From 2022, new move-ins were charged affordable rents at 70% AMI, and their incomes cannot exceed 80% of the median income.
- The property now has a total of 48 tenant-based section 8 holders as residents (26% of the property).

The with the max rent that can be collected for voucher holders corresponds higher new move-in rent, as required by HUD.

In 2020, the project received a Project-Based Voucher (PBV) award for 25 units that brings additional income to the property, while still allowing very low-income residents to continue to live affordably. The PBV contract added a 15 % increase in tenant revenue over 2020 and 2021. Overall, revenues have increased by 24% compared to the 15% increase predicted in 2018.

Expenses
Although the 2018 memo anticipated a $100,000 annual shortfall each year after 2026, the revised projected annual shortfall after 2026 is $220,000 if current operating expense trends continue, as reported to the Board in November 2021. This is due to inflation, increased property expenses and some rent increases that were not fully implemented as planned, especially during the peak of the COVID pandemic. In November 2021, staff brought an update to the refinancing strategy for Independence Plaza to the Board of Commissioners. Further discussion was had in January 2022 and January 2023 board meetings regarding rents.

Staff are working on several areas to reduce costs including:
• Outsourcing the property March 1, 2023 to FPI, a third party property management company.
• Use CIC funds (approx $6,886,675 remaining) to make essential repairs now before 2026, including the current balcony project and other key repairs.
• A revised process to assess and if necessary, address cost allocation to the property post FY2024-5.

DISCUSSION

Staff has reviewed the current rents and 2022 incomes of all residents at Independence Plaza. After careful review of all households, staff are recommending increases based on bands of rent burden. Staff reviewed the 2022 income levels of all households and compared them to their current rent level.

The current AMI allocation based on residents’ 2022 income is:

<table>
<thead>
<tr>
<th>Non-Subsidized Current Income Levels</th>
<th>Subsidized (PBV/HCV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;= 30%</td>
<td>&lt;= 50%</td>
</tr>
<tr>
<td>1 Bedroom</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>4</td>
</tr>
<tr>
<td>2 Bedroom</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>4</td>
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<td></td>
<td>4</td>
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<tr>
<td></td>
<td>1</td>
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<tr>
<td>TOTAL</td>
<td>46</td>
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<tr>
<td></td>
<td>30</td>
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<tr>
<td></td>
<td>13</td>
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<tr>
<td></td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>73</td>
</tr>
<tr>
<td>TOTAL*</td>
<td>185</td>
</tr>
</tbody>
</table>

*There is one additional unit which is a manager’s unit, not included in this mix.

The current rent ranges for residents in the following income brackets are:

<table>
<thead>
<tr>
<th>Current Rent Ranges</th>
<th>Voucher Rents</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 30%</td>
<td>$1,541-$1,818</td>
</tr>
<tr>
<td>1 Bedroom</td>
<td>$460-$1347</td>
</tr>
<tr>
<td></td>
<td>$482-$1798</td>
</tr>
<tr>
<td></td>
<td>$1,050-$1798</td>
</tr>
<tr>
<td></td>
<td>$833-$1,818</td>
</tr>
<tr>
<td></td>
<td>$833-$1308</td>
</tr>
<tr>
<td>2 Bedroom</td>
<td>$472-$1,616</td>
</tr>
<tr>
<td></td>
<td>$1,166-$1,762</td>
</tr>
<tr>
<td></td>
<td>$991-$1,401</td>
</tr>
<tr>
<td></td>
<td>$1,556-$2,179</td>
</tr>
<tr>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>$1,849-$2,179</td>
</tr>
</tbody>
</table>

The corresponding max 2022 TCAC rents are:

<table>
<thead>
<tr>
<th>TCAC Max RENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>30% 50% 60% 70%* 80%</td>
</tr>
<tr>
<td>1 Bedroom</td>
</tr>
<tr>
<td>$746  $1,282 $1,550 $1,818 $2,086</td>
</tr>
<tr>
<td>2 Bedroom</td>
</tr>
<tr>
<td>$893  $1,536 $1,858 $2,179 $2,501</td>
</tr>
</tbody>
</table>

NOTE: 70% AMI rent is charged with 80% AMI Max Income
Currently, every newly vacant unit is leased at up to the 80% AMI (Income Bracket) with a 70% AMI Rent. This allows the property to reach a more balanced income approach over time which is much needed as the current tenant income and rent is skewed to the lower end, which will not support refinancing in 2026.

Rent Increase Proposals
These proposals are cumulative.

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

AHA is proposing that all households receive a minimum of a 3.5% rent increase. Regular, consistent rent increases are necessary to be able to finance the property in 2026 and to avoid the need for larger increases in the future. It is important to set a rent increase plan for at least 3 years so that the current and new residents understand what is planned. If approved, this would increase income in 2023 by approximately $4,119/mo. and increases for tenants range from $16 to $64 a month for rent. The two subsequent years increase income by $4,263/mo. in 2024 and by $4,412/mo. in 2025 respectfully.

Proposal 2: Additional annual rent increases dependent on rent burden for all non-subsidized tenants for 2023, 2024 and 2025

For those households that have a rent burden of 29% or less a tiered structure is proposed to gradually align rents with income levels. HUD recommends a 30-40% rent burden for tenants.

<table>
<thead>
<tr>
<th>Additional Rent Increase Rate</th>
<th>Rent Burden</th>
<th>Total Annual Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.5%</td>
<td>26% - 29%</td>
<td>$2,396</td>
</tr>
<tr>
<td>3.5%</td>
<td>16% - 25%</td>
<td>$11,915</td>
</tr>
<tr>
<td>4.5%</td>
<td>10% - 15%</td>
<td>$3,492</td>
</tr>
</tbody>
</table>

If approved, this would increase income by an additional $1,484/mo. and increases range from $29 to $113 a month for rent. The two subsequent years would increase income by $1,534/mo. in 2024 and by $1,587/mo. in 2025 respectfully.

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.
Number of households with the proposed increase rate:

<table>
<thead>
<tr>
<th>TOTAL Rent Increase Rate</th>
<th>Rent Burden</th>
<th>1 BED</th>
<th>2 BED</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.5% Contract Rents*</td>
<td>N/A</td>
<td>64</td>
<td>9</td>
<td>73</td>
</tr>
<tr>
<td>3.5 %</td>
<td>&gt; 30%</td>
<td>53</td>
<td>10</td>
<td>63</td>
</tr>
<tr>
<td>5 %</td>
<td>26% - 29%</td>
<td>14</td>
<td>1</td>
<td>15</td>
</tr>
<tr>
<td>7%</td>
<td>16% - 25%</td>
<td>22</td>
<td>5</td>
<td>27</td>
</tr>
<tr>
<td>8%</td>
<td>10% - 15%</td>
<td>6</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>TOTAL</td>
<td>159</td>
<td>26</td>
<td></td>
<td>185</td>
</tr>
</tbody>
</table>

*Contract rents refers to households with either an HCV or PBV subsidy. All households with a voucher are budgeted with a 2.5% increase to adjust to 70% TCAC Max Rent.

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.

For all scenarios, as previously approved by the Board, if the household’s income were to be reduced, rent would not be lowered. The resident would have to apply and be added to an interest list for a unit with a lower set-aside and income qualify using tax credit income qualification guidelines once an available unit comes available. This is a standard method used by TCAC projects to adjust rent burden as incomes change in accordance with fair housing. AHA has previously used this method at IP. These proposals have already been reviewed with the residents at Independence Plaza and January 18th, 2023.

Implementing the following proposals would allow Independence Plaza to reach financial solvency by 2026. Please see the attached proforma budget with 3.7% average increase assumption for 2023, 2024 and 2025.

FISCAL IMPACT
The proposed 2023 increases, including the increase to the subsidized rents, will result in an additional approximately $8,449/month as of April 1st, 2023.

CEQA
Not applicable.

RECOMMENDATION

ATTACHMENTS
AAHC Board of Directors Meeting
February 9, 2023

1. IP Proforma w Tiered Rent Increases

Respectfully submitted,

[Signature]

Stephanie Shipe, Director of Portfolio Management
## Independance Plaza Proforma w/ Tiered Rent Increases

<table>
<thead>
<tr>
<th>Average Expected Rent Increase</th>
<th>8.9%</th>
<th>3.7%</th>
<th>3.7%</th>
<th>3.5%</th>
<th>3.5%</th>
<th>3.5%</th>
<th>3.5%</th>
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<tbody>
<tr>
<td><strong>12 Month Actual</strong></td>
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<tr>
<td><strong>Trailing</strong></td>
<td>FY 23/24</td>
<td>FY 24/25</td>
<td>FY 25/26</td>
<td>FY 26/27</td>
<td>FY 27/28</td>
<td>FY 28/29</td>
<td>FY 29/30</td>
<td>FY 30/31</td>
<td>FY 31/32</td>
</tr>
<tr>
<td>Vacancy</td>
<td>2.0%</td>
<td>(52,990)</td>
<td>(57,599)</td>
<td>(59,732)</td>
<td>(61,962)</td>
<td>(64,130)</td>
<td>(66,375)</td>
<td>(68,698)</td>
<td>(71,102)</td>
</tr>
<tr>
<td>Other Inc</td>
<td>0.25%</td>
<td>13,148</td>
<td>7,200</td>
<td>7,467</td>
<td>7,745</td>
<td>8,016</td>
<td>8,297</td>
<td>8,587</td>
<td>8,888</td>
</tr>
<tr>
<td><strong>Total Operating Costs</strong></td>
<td></td>
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<tr>
<td>NOI</td>
<td>(211,686)</td>
<td>(72,167)</td>
<td>95,017</td>
<td>119,368</td>
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<td>158,065</td>
<td>179,110</td>
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<td>777,096</td>
<td>777,096</td>
<td>777,096</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
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<td>64,176</td>
<td>64,176</td>
<td>64,176</td>
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<td>65,100</td>
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<tr>
<td>NOI-HD-RS</td>
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<td>(913,439)</td>
<td>(746,255)</td>
<td>(721,904)</td>
<td>(703,104)</td>
<td>92,965</td>
<td>114,010</td>
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<td>Expected Draw CIC</td>
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<td>1,500,000</td>
<td>999,699</td>
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<td>92,965</td>
<td>114,010</td>
<td>136,258</td>
<td>159,763</td>
<td>184,585</td>
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### KEY
- **GPRI**
- **Other Income**
- **EGI**
- **NOI**
- **Hard Debt**
  - Gross Potential Rent
  - Laundry, Maintenance Charges, Etc.
  - Effective Gross Income
  - Net Operating Income
  - Mortgage
To: Board of Directors
From: Allyson U jimori, Senior Project Manager
Prepared By: Allyson U jimori, Senior Project Manager

Date: February 9, 2023
Re: Create an Ad Hoc Committee on Acquisitions and Rehabilitation projects.
5.B.

BACKGROUND
The Housing Authority of the City of Alameda (AHA) is evaluating multiple recapitalization opportunities, as well as maintaining the rest of the portfolio’s needs. There are times when board guidance may be needed more frequently than the monthly meeting period allows. Staff would benefit from access to Board members, particularly on financing strategies, scope decisions, and development issues on an ad hoc basis to be responsive during peak periods.

Previously, the Board had other ad hoc development committees, one on the North Housing development and the other on Acquisitions and Development; both have provided fruitful insight and guidance on the pipeline projects.

DISCUSSION
The current pipeline of projects that might be considered by the Committee on Acquisition and Rehabilitation Projects include the recapitalization of Independence Plaza, China Clipper Plaza, Esperanza Apartments, or any proposed portfolio work. It is anticipated that these meetings would be by phone or video conference. It is anticipated that the Ad Hoc Committee on Acquisitions and Rehabilitation Projects will be active only periodically or as staff establish the construction scope, renovation timeline, and loan structure through December 2023.

FISCAL IMPACT
There is no fiscal impact.

CEQA
CEQA is not applicable to this item.
AAHC Board of Directors Meeting
February 9, 2023

**RECOMMENDATION**
Create an Ad Hoc Committee on Acquisitions and Rehabilitation Projects.

**ATTACHMENTS**
None

Respectfully submitted,

[Signature]

Allyson Ujimori, Senior Project Manager
To: Board of Directors  
From: Allyson Ujimori, Senior Project Manager  
Prepared By: Allyson Ujimori, Senior Project Manager  
Date: February 9, 2023  
Re: Accept the report on the Substantial Recapitalization Plan for Esperanza Apartments.  
5.C.  

BACKGROUND  
As owner-operators, the Housing Authority of the City of Alameda (AHA) and its affiliate, the Alameda Affordable Housing Corporation (AAHC), periodically undergo a third-party review of the physical needs at its properties. Since Esperanza is owned by AAHC, this memo is being brought to the AAHC Board.  

Staff is responsible for strategies to recapitalize AHA’s existing portfolio to bring needed maintenance to its properties. The last assessment was done in 2021, when staff presented the AHA Reserves Policy and identified construction in progress (CIP) work of the existing portfolio at an amount more than $10 million. As a part of its recapitalization strategy, Independence Plaza (IP), China Clipper Plaza (CC), and Esperanza Apartments (ESP) are top priorities given their financial position, building condition, and/or size of the property. ESP is the subject of this Board Report. Updates pertaining to IP and CC were presented to the Board in January 2023.  

ESP was built in 1972, and the property is over fifty years old. The 6.9-acre property includes 120 homes. These are all former Public Housing units. There are 24 2-story buildings throughout the property and contain 1-, 2-, 3-, 4-, and 5-bedroom units. AAHC owns the property and improvements. AHA owns the land. In addition, there is a preschool (leased by Alameda Family Services) and a community center which includes leasing and social services offices. Part of the rear parking lot is leased to a local business.  

As of January 2023, the property is managed by FPI Management. General operations and the operating cash balance at the property are healthy, as most households receive rental subsidies, and the property does not have rental restrictions below 80% of the Area Median Income (AMI). Currently, the property has a mortgage that fully matures in 2044, and as of December 2022, the outstanding loan balance is $12.3 million. The monthly payment is
approximately $85,000. The property can exit the loan as early as June 2029 without having to pay a prepayment penalty but must pay the outstanding loan balance (estimated to be approximately $10 million).

In the past, the property has undergone some renovations, including roofing replacement, exterior painting, and window replacement. The property is also routinely passing HQS inspections. However, given the property’s age and size, staff propose additional work to address leaking windows, repairs to the exterior building envelope, accessibility, electrical upgrades, and common area improvements. ESP’s recapitalization feasibility analysis enables staff to evaluate the opportunities to renovate the property immediately and in the future.

**DISCUSSION**

Staff used the same process to evaluate ESP that was applied to IP and CC. Please see Item 5.C from January 2023 for discussion on how staff have evaluated the construction and financial needs of the subject properties, along with discussion of common ways owners pay for renovations.

**Construction Scope**

Across the three target properties, including ESP, scope is generally categorized into three categories: Life-Safety, Minimum, and Syndication scopes. Generally, the Life-Safety Scope includes immediate work pertaining to the safety of residents and staff. The Minimum Scope’s goal is to address the capital needs over the next three years. The Minimum Scope includes addressing life-safety, priority accessibility issues, some common area improvements, and may include a specific number of renovated unit interiors. For ESP, unit renovations include replacing unit electrical breakers, replacing plumbing fixtures, replacing gas wall furnaces, replacing bathroom fans and appliances, replacing kitchen cabinets and countertops, interior painting, and replacing flooring. The Syndication Scope addresses the property needs over the next twenty years, including the items in the Life-Safety and Minimum Scopes, landscape and irrigation improvements, additional replacements of the property’s original finishes and appliances, and additional measures that would go towards meeting applicable funding requirements.

Please see Attachment 1 for a breakdown of anticipated costs for the Life-Safety, Minimum, and Syndication Scopes for Esperanza.

**Financial Analysis**

For all properties, staff evaluated the feasibility of each of the five funding mechanisms:

- Property Reserves
- Mortgage Refinance
- Tax Credit Syndication
- AHA Reserve Policy’s Preservation Funds
- Deferring Maintenance

Additionally, staff explored multiple scenarios for the mortgage and tax credit strategies, where income and/or expenses were modified to allow for financing to be feasible or to generate additional proceeds. The goal of the financial analysis is to establish which funding
strategies could be used to fund the needed improvements.

For ESP, staff evaluated a couple of scenarios for a traditional mortgage refinance and a 4% tax credit syndication. For the mortgage scenarios, staff used escalated property income and expense assumptions to 2029, along with typical underwriting standards. Despite having a balanced budget, typical underwriting criteria hinder the property by not underwriting the Housing Choice Voucher (HCV) income (because it is possible that the tenant could leave and take that voucher elsewhere). For reference, staff projects that the property will receive approximately $1.7 million in HCV subsidies in Fiscal Year 2023. As a result of underwriting practices, the property’s income is too low, and expenses are too high to leverage a mortgage to cover the Life-Safety scope, design, relocation, permitting, and financing costs. Staff evaluated ways to decrease expenses, but the constraints of operating a large, older property proved to be a challenge. It is possible that when the property is converted to a new management company, some operational expenses may be realized. Furthermore, Esperanza’s income restrictions are set to 80% AMI, which most residents are paying through the support of a voucher (either project based or housing choice), with only a handful that are unsubsidized (approx. 11 are unsubsidized, 38 are project based, and approx. 70 are housing choice voucher users). Additional project-based vouchers would help underwriting, but don't bring a great deal of additional income, as most residents are already paying the payment standard rent. In any event, the existing loan cannot be refinanced until its prepayment period ends in 2029. Staff will continue to monitor refinancing as a future option.

Staff evaluated a 4% tax credit strategy given the property’s Syndication Scope is large and requires additional funding sources beyond a mortgage. The 4% program is allocated through a non-competitive process; however, it must be paired with tax-exempt bonds, which over the last two years have become competitive. Under a 4% tax credit strategy, similar operating expenses, the inability to underwrite HCV income, and more strict income restrictions (required by the tax credit program) made it difficult to sustain a mortgage and positive cash flow. Furthermore, the tax-exempt bond program has reduced the availability of bonds for renovation projects, which has created a state-wide slow-down of these types of projects. This financing strategy may be more viable if the California Debt Limit Allocation Committee’s regulations become more favorable to renovation projects and should be re-evaluated periodically as it is a mechanism to do more substantial work on the property.

ESP has two replacement reserves, but neither are sufficient to pay for the needed improvements and renovations. In 2020, AAHC drew down on some of the bank-held reserve funds to pay for asphalt repairs and security camera installation. Of the bank-held reserves, approximately $225,000 remains and of the owner-held reserves, $120,000 remains. Staff recommends holding these reserves with the property for future operations and potential emergencies.

As a fourth option, the property improvements could be funded by the Preservation funds from AHA’s Reserve Policy. This strategy allows AHA to fund a portion of the $4.7 million Minimum Scope. This strategy allows staff to implement the work as soon as possible. Given the existing debt, any funding from AHA would be subordinate to the bank loan and secured through an amended and restated Promissory Note and Deed of Trust.

Lastly, ESP can continue property maintenance and repairs on a limited, as-needed basis. Under this funding scenario, life-safety issues would be addressed immediately. Any work
completed, immediately or in the future, would be paid for through the property operations, until staff are able to identify a feasible way to recapitalize the property with more funding sources.

**Spending Across Three Target Projects**
Given that there are three properties targeted for renovation (IP, CC and ESP) and limited funds (the total renovation fund is $9M), staff recommends allocating spending to meet the Agency’s priorities, which include addressing immediate property needs and improving property operations. It is important to note that the limited scope of the proposed renovations means that there are long-term needs that are being deferred due to the lack of substantial funding. Further discussion of the long-term plans for these three properties is discussed below.

As discussed in the Board Report from January 2023, IP has access to tax-increment operating subsidy (CIC) funds and a portion of these funds can be used for property maintenance. These funds are subject to City and State approval, and staff estimate that there is approximately $1.2 million available for the property renovations, with the potential for up to $2 million. With these funds available, staff can implement renovations on the property without having to utilize AHA’s Reserve Policy Preservation Funds. Since these monies will be reclaimed by the state if not spent by the end of 2026, this should be a priority. Depending on the amount of the approved funds, the property’s Life-Safety scope will be funded, along with the repair or replacement of building systems, like heating ventilation and cooling and water heaters. If more CIC funding is obtained, staff will consider additional scope to address accessibility issues.

CC is the neediest of the properties, with the highest per unit cost, but is also the smallest with only 26 units. The property’s 2018 appraised value for land and improvements was $4.2 million. Considering the value of the property and the needs of other portfolio properties, staff recommends that CC’s construction scope be limited to the Life-Safety Scope. In the January 2023 memo, staff recommended funding the Minimum Scope for CC, which is approximately $2 million. However, after further consideration, staff is concerned about investing that much in a property that is small and has an appraised value of double the cost of renovations ($4.2M). To meet Agency priorities, staff propose to implement the Life-Safety Scope, along with repairs to the exterior breezeways and the conversion of the three-bedroom unit to a two-bedroom unit to provide an onsite manager’s office. The Life-Safety Scope includes work to upgrade electrical panels, replace faulty windows, address minor landscape issues, replace the water heater, replace the roof, and repair roof drainage and downspouts. The office conversion will improve operations by downsizing a difficult-to-rent large unit and providing an on-site office for property management presence. Staff estimate that this work will cost approximately $1.4 million, as outlined in Attachment 2.

ESP has Life-Safety Scope items to address, which staff estimate to cost approximately $1 million. These items include repairing staircases, addressing accessibility issues, repairing the building envelope and leaking windows, and assessing the water service infrastructure. Depending on preliminary cost estimates, there may be opportunities to also improve operations at the site. These may include replacing electrical panels, addressing accessibility items, and replacing the flooring in the common areas.
AHA Reserve Policy & Preservation Funds

In October 2021, the Board approved the creation of the AHA Reserve Policy. This policy established three distinct categories of money that would be funded by Agency proceeds. The three categories are Operating Reserve, Preservation Fund, and Production Fund. The Operating Reserve is used for agency operations and is funded according to industry best practices for organizational stability. The Production Funds are used to support the new construction pipeline. The Preservation Fund is expected to fund renovations across the entire portfolio.

Staff annually evaluate AHA’s net proceeds and provide annual updates to the Board. The Board decides how these proceeds are allocated across the three categories. In February 2022, staff identified approximately $34 million of available funds, of which $9 million was set aside for the Preservation Fund. Some of these funds are anticipated to be spent over the next 2-3 years. A portion of the funds will go towards addressing life-safety and immediate needs across the entire existing portfolio as recommended by the Property Needs Assessments (PNAs) and any urgent accessibility issues. The PNA findings were presented to the Board during the January 2023 meeting. Additionally, the Preservation fund will pay for work associated with the remodel of the AHA maintenance yard into additional office space, as well as the Anne B. Diament balcony repairs required by a 2020 study. Staff anticipate the conversion will cost approximately $2 million and the ABD balcony repairs will cost approximately $1.1 million.

Please refer to Attachment 3 for the anticipated uses of the Preservation Fund.

Given the limited nature of the Preservation Funds, staff would also plan to apply for all funding that becomes available to fund portfolio renovations, like City HOME and Community Development Block Grant (CDBG) funding.

Staff Recommendations

1. Request and expend all available CIC funds between now and 2026 for IP to the extent permitted by the state. Move forward with planning for this work at IP in the 2023-24 AHA budget.
2. Work with a provisional $3.8 million spending cap for completing work at CC and Esperanza. This spending cap may mean only implementing the Life-Safety Scope and targeting high priority/immediate items first. Staff recommend deferring interior unit refurbishment as units are vacated, and to pay for renovations through the property’s operating budget. Staff is using a $3.8 million cap at this time to be spent on CC and ESP because it allows AAHC to implement other work that needs to be done (i.e. the AHA Office Renovation and the Portfolio Work) and leaves some funds available for contingency and/or other work that may arise over the next few years.
3. Apply for any funds, as they become available, that fund portfolio renovations, such as funding through the City’s HOME and CDBG programs.

Related Points of Concern:

- Temporary relocation – In the January 2023 report, staff mentioned the potential need for temporary relocation. Through staff’s latest analysis, unit work is unlikely, which
means that temporary relocation will not be required. However, if there are funds to do unit renovations and temporary relocation is required, staff will be sure to report any plans for temporary relocation to the Board.

- Long-term Households & Renovated Units – Given the limited funds and Agency priorities, unit renovations will need to occur as units are vacated and would be paid for by the property’s operating budget. Typically, when a unit is vacated, property management will renovate the unit for the incoming tenant. Within the three subject properties, there are households that have been long-term tenants and their units have not been renovated. Staff propose analyzing the possibility of offering the longest-tenured households recently renovated units.

- Construction costs – Construction costs are high and continue to rise in the Bay Area. Staff is tracking cost trends and holding healthy contingencies for escalation in the estimates. Staff is also planning to begin working with architects and design consultants later this year, pending approval by the Board of predevelopment expenses, and will eventually hire a third-party construction manager and contractor to price the expected work.

- Ongoing property needs – The proposed scope discussed in staff’s recommendations covers some work that needs to happen in the next three years. The PNAs evaluate the property needs over the next twenty years. While there is a challenging financial landscape (high mortgage rates, limited soft funding, and limited tax credits and bonds available for rehab projects), this may not always be the case. Staff will continue to monitor the financing landscape and track property needs. Future options may include leveraging the Alameda Affordable Housing Trust Fund and/or Moving to Work Funds, evaluating the feasibility of using Faircloth Housing Vouchers, utilizing property income once existing loans are paid off, and monitoring the tax credit program. Furthermore, for a property like CC, where the amount of work needed exceeds over half of the value of the property, staff will evaluate the potential to sell the property.

Next Steps:

- Seismic scope is not included in this analysis. Although seismic scope is not anticipated to be extensive, AHA plans to procure seismic evaluations for its portfolio by mid-2023.
- Present a proposed timeline and estimated cost/scope of work for IP, CC, and ESP and impacts on the available Reserve Policy funds in August 2023.

FISCAL IMPACT

For IP and the use of CIC Funds, staff note that these funds are not immediately available. They can only be requested in tranches every six months, usually between July 1 and December 31 of any given year. Like the IP balcony work, staff will likely need to request the use of an internal bridge loan from AHA that will be repaid once the CIC Funds are delivered.

For CC and Esperanza, AHA would make a one-time investment to cover renovations. The investment will be funded through the Preservation Fund set aside by the Reserve Policy. Staff anticipate that there is sufficient funding in the Preservation Fund to cover the anticipated costs of the two properties.
The one-time investment would be structured as residual receipts loans between AHA and AAHC to complete the contemplated scope of work at each property. The loans will be secured through existing promissory notes and recorded deeds for each property. These documents will need to be amended and restated.

It is also worth noting that IP, CC, and ESP, will be on par or exceed budgeted cash flow by the end of the fiscal year. Any excess generated cash flow from these properties will be utilized to repatriate funds from Alameda Affordable Housing Corporation back to the Housing Authority of the City of Alameda, as the original transfers were made through a seller note mechanism.

**CEQA**
This item is not applicable to CEQA.

**RECOMMENDATION**

**ATTACHMENTS**
1. Item 5.C - Esp Attachments FINAL

Respectfully submitted,

Allyson Ujimori, Senior Project Manager
## ATTACHMENT 1 – Esperanza Apartment’s Scopes & Costs

<table>
<thead>
<tr>
<th></th>
<th>Life-Safety Scope</th>
<th>Minimum w/o Units</th>
<th>Minimum w/ 10 Units</th>
<th>Minimum Scope w/ 25% Units</th>
<th>Syndication Scope</th>
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<td>Life-Safety*</td>
<td>$583,000</td>
<td>$583,000</td>
<td>$583,000</td>
<td>$583,000</td>
<td>$583,000</td>
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<td>Accessibility**</td>
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<td>$235,322</td>
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<td>Unit Interiors</td>
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<td><strong>TOTAL</strong></td>
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<td>Per unit</td>
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*Some Health & Safety renovations also occur in Common Areas and Landscaping & Exterior Building Maintenance.

**Minimum Scope does not include TCAC accessibility requirements that go beyond CA Building Code.

*** Total Contingency = 27%, which includes industry standard of 15%, plus an added 12% for cost escalation

^4Industry standard of 14%.

^5Soft costs for Life-Safety Scope include permitting and prevailing wage monitor. The Minimum Scope soft costs include design costs, prevailing wage monitoring, construction manager, permitting, and temporary relocation. For Syndication Scope, it also includes financing and legal costs.
## ATTACHMENT 2 – China Clipper Life-Safety & Office Costs

<table>
<thead>
<tr>
<th></th>
<th>Life-Safety Scope</th>
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<tbody>
<tr>
<td>Life-Safety*</td>
<td>$543,133</td>
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<td>Accessibility</td>
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<td>Common Area Needs</td>
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<td>Soft Costs</td>
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<td><strong>TOTAL</strong></td>
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<td>Per unit</td>
<td><strong>$51,787</strong></td>
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*Some Health & Safety Improvements will also fall under Accessibility and Common Area Needs.*
### ATTACHMENT 3 – Anticipated uses of the Preservation Fund

<table>
<thead>
<tr>
<th>Preservation Fund - Anticipated Uses</th>
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<tr>
<td>Preservation Fund</td>
<td>$9,000,000</td>
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<tr>
<td>Portfolio Work (see Attachment 4 for detail)</td>
<td>-$1,367,920</td>
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<td>Office Renovation</td>
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<tr>
<td>Annie B. Diament Balconies</td>
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<td>Proposed Rehab Work at CC &amp; ESP (as recommended)</td>
<td>-$3,800,000</td>
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<td><strong>$732,080</strong></td>
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