

CSCDA INSURANCE REQUIREMENTS

Section 1 - Owner Insurance Coverage Requirements – CSCDA Community Improvement Authority (Owner) shall procure or shall have Administrator procure, at Owner's sole cost and expense, and keep in full force and effect insurance coverage of the types and minimum limits as follows during the term of this Agreement.

Property Coverage

Property Insurance. Insurance against loss customarily included in "All Risk" policies including vandalism, malicious mischief and such other insurable hazards as, under good insurance practices, from time to time are insured against for other property and buildings similar to the Property and Building Equipment in nature, use, location, height, and type of construction. Such insurance policy shall also insure the additional expense of demolition and provide coverage for contingent liability from Operation of Building Laws, Demolition Costs and Increased Cost of Construction Endorsements and containing an "Ordinance or Law Coverage" endorsement. The amount of such "All Risk" insurance shall be not less than one hundred percent (100%) of the replacement cost value of the Property and the Building Equipment. The replacement cost for purposes of this Contract shall mean the estimated total cost of construction required to replace the Improvements with a substitute of like utility, and using modern materials and current standards, design, and layout.

Terrorism Insurance. Terrorism insurance throughout the term of the Loan in amounts and in form and substance satisfactory to CSCDA Community Improvement Authority. Terrorism Insurance coverage may be provided under the Terrorism Risk Insurance Act (TRIA) or its equivalent or a stand-alone Terrorism & Sabotage.

Business Income Insurance. Business Income insurance in an amount equal to at least twelve (12) months actual loss sustained with a limit of liability enough to avoid any co-insurance penalty. Business income limit must provide proceeds which will cover the actual loss of profits, rents, and any extra expenses sustained during the period of at least twelve (12) months following the date of casualty plus a 365-day extended period of indemnity.

Boiler and Machinery Insurance. Boiler and machinery insurance (equipment breakdown) covering all mechanical and electrical equipment against physical damage and any resulting business income loss sustained. Boiler and machinery should be added as a covered peril up to the full policy limits for building, business personal property, and business income.

Flood Insurance. If any portion of the Property is located within an area designated as "flood prone" or a "special flood hazard area" (as defined under the regulations adopted under the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973), flood insurance shall be

provided, in an amount no less than the maximum limit of coverage available under the Federal Flood Insurance Plan.

Liability Coverage

Commercial General Liability. ISO Form CG0001 covering commercial general liability (CGL) on an “occurrence” basis, including products and completed operations, property damage, bodily injury, personal injury, and advertising injury with limits no less than \$1,000,000 per occurrence. If a general aggregate applies, either the general aggregate shall apply separately to this project or location (ISO CG2503 or CG2504) or the general aggregate limit shall be \$2,000,000.

Automobile Liability: ISO Form CA0001 covering Symbol 1(any auto) with limits no less than \$1,000,000 combined single limit per accident for bodily injury and property damage. Symbols 8 and 9 (hired and non-owned auto) are also acceptable if there are no owned autos.

Umbrella Liability. Provided follow form to the underlying liability coverages with limits no less than \$10,000,000 per occurrence and in the aggregate.

All policies shall name CSCDA Community Improvement Authority as a named insured, shall provide that all insurance loss proceeds be payable to CSCDA Community Improvement Authority and the trustee as applicable in Section 5.15 of the Indenture.

Section 2 - Property Manager and Administrator Insurance Coverage Requirements.

Commercial General Liability. ISO Form CG0001 covering commercial general liability (CGL) on an “occurrence” basis, including products and completed operations, property damage, bodily injury, personal injury, and advertising injury with limits no less than \$1,000,000 per occurrence. If a general aggregate applies, either the general aggregate shall apply separately to this project or location (ISO CG2503 or CG2504) or the general aggregate limit shall be \$2,000,000.

Automobile Liability: ISO Form CA0001 covering Symbol 1(any auto) with limits no less than \$1,000,000 combined single limit per accident for bodily injury and property damage. Symbols 8 and 9 (hired and non-owned auto) are also acceptable if there are no owned autos.

Umbrella Liability. Provided follow form to the underlying liability coverages with limits no less than \$5,000,000 per occurrence and in the aggregate.

Worker's Compensation and Employer's Liability Insurance. Workers' Compensation insurance shall be provided as required by any applicable law or regulation. Employer's Liability insurance shall be provided with a limit no less than \$1,000,000 per accident or per employee for bodily injury, accident, or disease.

Employee Dishonesty and Computer Fraud. Employee Dishonesty and Computer Fraud coverage for Loss arising out of or in connection with any fraudulent or dishonest acts committed by the employees or affiliates or non-employee agents of manager, acting alone or in collusion with others, including the property and funds of others in their care, custody or control, in a minimum amount of \$1,000,000 or an amount to sufficiently provide coverage for the funds under management and name CSCDA Community Improvement Authority as Loss Payee.

Errors and Omissions Liability. Professional Liability or Errors and Omissions insurance coverage for the liability for financial loss due to error, omission, negligence of employees in an amount of no less than \$2,000,000 per claim with a deductible no greater than \$100,000 per occurrence.

Employment Practices Liability. Coverage shall be provided by the manager and administrator for all employment related claims in the amount of at least \$1,000,000 per claim, including third party discrimination claims.

Section 3 - General Insurance Provisions

Other Insurance. CSCDA Community Improvement Authority may procure at their sole discretion such other insurance with respect to the Property against loss or damage of the kinds from time to time customarily insured against and in such amounts as are generally required by institutional lenders on loans of similar amounts and secured by property comparable to, and in the general vicinity of, the Property.

Waiver of Subrogation. Manager and Administrator shall waive rights of subrogation against CSCDA Community Improvement Authority which any insurer may acquire by the payment of any loss. The Workers Compensation policy shall be endorsed with a waiver of subrogation in favor of CSCDA Community Improvement Authority for all work performed by the manager, administrator, it's employees, agents, and subcontractors.

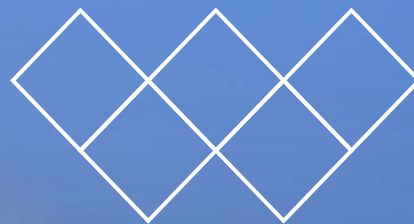
Ratings of Insurers. Insurance coverage described this document, in all cases, with insurers reasonably acceptable to CSCDA Community Improvement Authority, having claims-paying-ability and financial strength ratings by A.M. Best of not less than "A-VII" and its equivalent by the other Rating Agencies. All insurers providing insurance required by this Agreement shall be authorized to issue insurance in the State in which the Property is located.

Form of Insurance Policies; Endorsements. All insurance policies shall be in such form and with such endorsements as are reasonably satisfactory to CSCDA Community Improvement Authority (and CSCDA Community Improvement Authority shall have the right to approve amounts, form, risk coverage, deductibles, loss payees and insureds). A certificate of insurance with respect to all the above-mentioned insurance policies shall be delivered to CSCDA Community Improvement Authority

and certified copies of all such policies shall be delivered to CSCDA Community Improvement Authority upon written request.

Certificates. Certificates of insurance with respect to all replacement policies shall be delivered to CSCDA Community Improvement Authority not less than fifteen (15) Business Days prior to the expiration date of any of the insurance policies required to be maintained hereunder which certificates shall bear notations evidencing payment of applicable premiums. CSCDA Community Improvement Authority may request that Manager or Administrator provides certified copies of such replacement insurance policies on or before the earlier to occur of (i) thirty (30) days after the effective date thereof and (ii) five (5) Business Days after CSCDA Community Improvement Authority's receipt thereof. Certificates shall include the trustee as a loss payee and an additional insured as applicable given the terms of the Indenture in Section 5.15. CSCDA Community Improvement Authority shall not, by the fact of approving, disapproving, accepting, preventing, obtaining or failing to obtain any insurance required in Section 2 of this agreement, incur any liability for or with respect to the amount of insurance carried, the form or legal sufficiency of insurance contracts, solvency of insurance companies, or payment or defense of lawsuits qualified at all times by the obligation of CSCDA Community Improvement Authority to cause the Project to be insured per Section 7.14 of the Indenture.

CSCDA Community Improvement Authority reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other circumstances.



WATERFORD
PROPERTY COMPANY

“MIDDLE INCOME” WORKFORCE HOUSING PROGRAM



CSCDA
CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY



LEAGUE
OF CALIFORNIA
CITIES

130 NEWPORT CENTER DRIVE, SUITE 230
NEWPORT BEACH, CA 92660
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INSURANCE QUESTIONS

➤ Property Insurance Requirements:

- CSCDA/Waterford have provided City Staff with all insurance requirements for assets financed in this program
- Insurance requirements provided are in line with all affordable housing projects in the City of Milpitas that have been financed by CSCDA and other JPA's.

➤ Bond Insurance:

- Bond underwriters have explored this concept, but it is cost prohibitive and not a requirement of other affordable housing projects nor market rate projects.

➤ Tenant Relocation Insurance:

- In the event the entire building is uninhabitable due to a natural event or an “act of god” there are no relocation benefits. We recommend that all tenants have renter's insurance which will protect their personal items but unfortunately there is no relocation benefits. This is consistent with other affordable housing projects and market rate projects in Milpitas and other cities in California.

RENTAL RATES

➤ **Proposed Affordability Levels:**

- 1/3 (124 units) of the units at 60% to 80% of the Area Median Income (AMI),
- 1/3 (124 units) of the units at 81% to 100% of the Area Median Income (AMI),
- 1/3 (124 units) of the units at 101% to 120% of the Area Median Income (AMI)

➤ **Amended Affordability Levels:**

- 40% (148 units) of the units at 60% to 80% of the Area Median Income (AMI),
- 20% (74 units) of the units at 81% to 100% of the Area Median Income (AMI),
- 40% (148 units) of the units at 101% to 120% of the Area Median Income (AMI)

| Unit Type | Type | Total Units | SF | Market Rent | CSCDA Pro Forma Rent | | | | | | CSCDA % Discount to Market | Resident Annual Rent Savings | | |
|-----------------------|--------|-------------|------------|----------------|----------------------|----------------|------------|----------------|------------|----------------|----------------------------|------------------------------|--------------|--------------------|
| | | | | | Units | 80% AMI Rents | Units | 100% AMI Rents | Units | 120% AMI Rents | | | Total Units | Wtd. Avg. Rent |
| 0 BR | Market | 19 | 563 | \$2,278 | 6 | \$2,004 | 6 | \$2,050 | 6 | \$2,096 | 19 | \$2,050 | 10.0% | \$51,933 |
| 1 BR | Market | 193 | 778 | \$2,923 | 64 | \$2,572 | 64 | \$2,631 | 64 | \$2,689 | 193 | \$2,631 | 10.0% | \$676,967 |
| 2 BR | Market | 150 | 1,157 | \$3,427 | 50 | \$3,015 | 50 | \$3,084 | 50 | \$3,152 | 150 | \$3,084 | 10.0% | \$616,777 |
| 3 BR | Market | 9 | 1,667 | \$5,327 | 3 | \$3,684 | 3 | \$4,605 | 3 | \$4,900 | 9 | \$4,397 | 17.5% | \$100,427 |
| Total/Wtd. Avg | | 371 | 942 | \$3,152 | 124 | \$2,749 | 124 | \$2,832 | 124 | \$2,900 | 371 | \$2,827 | 10.3% | \$1,446,104 |

FUNDING FOR CAPITAL IMPROVEMENTS

WATERFORD CAPITAL IMPROVEMENTS BUDGETS (Year 1-35)

| | |
|--|---------------------|
| Capitalized Expense Fund (Funded by Bond Issuance) | \$5,000,000 |
| Operating Reserve (Funded By Bond Issuance) | \$781,000 |
| Annual Operating Reserve (Year 1) | \$300/unit |
| Annual Inflation | 3.00% |
| Annual Operating Reserve (Year 10 increase) | \$1,000 /unit |
| Waterford Total Budgeted Capital Improvements | \$16,557,709 |

MARKET RATE INVESTORS CAPITAL IMPROVEMENT BUDGET (Year 1-35)

| | |
|---|---------------------|
| Capitalized Expense Fund (Funded by Bond Issuance) | \$0 |
| Operating Reserve (Funded By Bond Issuance) | \$0 |
| Annual Operating Reserve (Year 1) | \$300/unit |
| Annual Inflation | 3.00% |
| Annual Operating Reserve (Year 10 increase) | 0 |
| Market Rate Investor Total Budgeted Capital Improvements | \$ 6,729,430 |

PROJECTED FINANCIAL PERFORMANCE

- CSCDA/Waterford has provided detailed annual financial projections proving the projects financial feasibility.
- Key Assumptions:
 - Annual Rent Growth: 3% (please see chart on next slide)
 - Financing Reserves: **(Market Rate Investors do no include the below reserves in their underwriting)**

FINANCING RESERVES

| | | |
|--|-----------|-------------------|
| Capitalized Interest Reserve | \$ | 2,119,719 |
| Debt Coverage Reserve | \$ | 1,615,775 |
| Senior Debt Service Reserve | \$ | 8,078,874 |
| Extraordinary Expense Reserve | \$ | 500,000 |
| Operating Account Reserve | \$ | 447,000 |
| TOTAL ADDITIONAL FINANCING RESERVES | \$ | 12,761,368 |

SANTA CLARA COUNTY RENTAL RATES (20 YEAR PERIOD)

| Period | Rent Growth Y/Y | Asking Rent Per Unit |
|--|-----------------|----------------------|
| 2025 | 4.609% | \$3,420 |
| 2024 | 5.258% | \$3,269 |
| 2023 | 5.893% | \$3,106 |
| 2022 | 5.992% | \$2,933 |
| 2021 EST | 17.713% | \$2,767 |
| 2020 | -7.993% | \$2,351 |
| 2019 | 1.902% | \$2,555 |
| 2018 | 3.616% | \$2,508 |
| 2017 | 2.732% | \$2,420 |
| 2016 | 0.693% | \$2,356 |
| 2015 | 6.142% | \$2,339 |
| 2014 | 5.169% | \$2,204 |
| 2013 | 5.694% | \$2,096 |
| 2012 | 4.889% | \$1,983 |
| 2011 | 3.893% | \$1,890 |
| 2010 | 4.262% | \$1,820 |
| 2009 | -8.532% | \$1,745 |
| 2008 | 1.479% | \$1,908 |
| 2007 | 7.573% | \$1,880 |
| 2006 | 7.428% | \$1,748 |
| ANNUAL AVERAGE | 3.921% | \$ 2,365 |
| Source: COSTAR | | |
| Search Criteria: Santa Clara County (All Apartment Stock) | | |
| Note: This does not include rental premiums for Class A Apartments (Typical Premium 2%-3% Rent Growth for Class A Assets) | | |

TURING TOTAL RENTAL SAVINGS (35 YEARS)

| Unit Type | Rent Growth | Total Units | Size (Wtd. Avg.) | Market Rent | Total Monthly Rents | Annual Rents | Year 1-10 | Year 11-20 | Year 21-35 |
|---------------------------------------|-------------|-------------|------------------|-------------|---------------------|---------------|-----------------------|----------------------|-----------------------|
| Market | 3.5% | 371 | 942 | \$ 3,152 | \$ 1,169,392 | \$ 14,032,704 | \$ 164,623,168 | \$ 232,217,236 | \$ 538,776,281 |
| Middle Income | 3% | 371 | 942 | \$ 2,827 | \$ 1,048,817 | \$ 12,585,804 | \$ 144,282,138 | \$ 193,903,129 | \$ 422,778,644 |
| Total Savings | | | | | | | \$ 20,341,030 | \$ 38,314,108 | \$ 115,997,637 |
| Aggregate Rental Savings | | | | | | | \$ 174,652,774 | | |
| Total Household Rental Savings | | | | | | | \$ 470,762.19 | | |

- The Total projected Aggregate Rental savings is projected to be **\$174,652,774**
- The Total tax loss for the City of Milpitas for the duration of the project is **\$11,221,000**

TURING REVERSION ANALYSIS (35 YEARS)

- In their report, KMA assumed an additional \$28,000,000 in capital needs above the capital needs shown in slide 3 prior to a sale. This is not a market conclusion nor is this a valid assumption.
- The only reason to spend additional capital prior to a sale would be to raise rents above what is currently forecasted and sell the building as a “value add” building. If this were the case the building would sell at a much higher value than shown in the reversion analysis

FINANCIAL BENEFITS TO THE CITY

- Turing is assessed at \$184,403,290 based on the most current property tax bills. Based on a 1.00% general levy rate the annual taxes generated from the property are \$1,844,033.
- Assuming a 15% share of the general levy, it is estimated that Milpitas receives approximately \$276,605 annually from Turing.
- Over a 30-year period, the City of Milpitas will forgo approximately \$11,221,331 in total tax revenue **but will make approximately \$500,003,426 in net proceeds at the end of Year 30.**
- Starting in Year 15, per the Public Benefit Agreement (PBA), Milpitas can dictate if Turing is sold, re-financed or continues to operate “as-is”.
- To the right is a financial analysis showing that assuming a 4% cap rate reversion analysis **the City of Milpitas will be due \$500,003,426 in Year 30 if the asset is sold.**
- If Milpitas chooses not to sell the asset it will be the beneficiary of all “cash flow” once the bonds are paid off.

Future Projected Revenue Analysis - City of Milpitas

| | | |
|--|-----------------|-----------------------|
| | Cap Rate | 4.00% |
| | | <u>Year 30</u> |
| Exit NOI | | \$21,552,907 |
| <u>Total New Adjusted Property Tax Payment</u> | | <u>\$4,024,037</u> |
| Adjusted NOI | | \$25,576,943 |
| Projected Sale Proceeds | | \$639,423,586 |
| Senior Debt Service Reserve - Returned | | \$9,195,019 |
| Series A Bonds remaining at 30 Years | | -\$62,909,870 |
| Series B Bonds remaining at 30 Years | | -\$5,000,000 |
| Surplus Proceeds | | \$580,708,734 |
| Other Taxing Entities | | \$63,587,542 |
| City of Milpitas Property Tax | | \$11,221,331 |
| Total Voted Indebtedness | | \$17,117,766 |
| Net Sales Surplus Proceeds | | \$569,487,403 |
| City Net Surplus Proceeds | | \$500,003,426 |
| City of Milpitas Equity Multiple | | 45.56x |

TAXING AGENCIES AND REVENUE LOSS

- Milpitas Unified School District is a local control funding formula school district; it will receive state apportionment funds to backfill all revenue loss
- Milpitas can repay the other taxing agencies on either a pro-rata basis or share the developed equity per its discretion.

THE CITY OF MILPITAS

- The project team is requesting that the item be considered at the City's September 21, 2021 Council meeting.
- City Council adopts one single resolution (CSCDA has Provided a Draft Resolution to City Staff in April 2021)
- City approves the Public Benefit Agreement "PBA" (CSCDA has Provided a Draft PBA to City Staff in April 2021), this agreement ratifies the City's ability to receive surplus revenue from the project
- The City incurs no fees, costs, liability or administrative responsibilities in connection with the program or individual programs

PARTNERS

- CSCDA/Waterford views this socially beneficial and financially beneficial structure as a true partnership with the City of Milpitas
- CSCDA/Waterford are active participants and investors in the Cities where they do business
- CSCDA/Waterford is excited about the opportunity to reinvest in this beautiful transcendent property and become long term partners with the City





WATERFORD
PROPERTY COMPANY

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City Council Housing Subcommittee

Further Discussions on Affordable Housing and Economic Considerations – CSCDA Community Improvement Authority Proposal for the Turing Apartments

September 9, 2021

City of Milpitas

455 E. Calaveras Blvd., Milpitas, CA 95035
www.ci.milpitas.ca.gov • (408)-586-3000

Background

- May 11, 2021: City Council meeting
 - Councilmember Phan: Discuss and provide direction to staff on an opportunity to create middle-income workforce housing through the California Statewide Communities Development Authority (CSCDA)
 - Council direction:

Staff to enter into agreement with consultant to conduct a study (not at City expense; to be paid for by project owner) to explore the CSCDA proposal for a specific site within the Fields Project.

Information to be distributed to Council at a future meeting.
- September 2, 2021: City Council Housing Subcommittee meeting



**RESPONSES TO SEPT. 2
COUNCILMEMBER QUESTIONS**

ANNUAL ABATED PROPERTY TAX REVENUES

| Year | City of Milpitas | | | All Taxing Agencies | |
|------|------------------|------------------------|--|---------------------|------------------------|
| | Annual | Cumulative, Discounted | | Annual | Cumulative, Discounted |
| 1 | \$380,697 | \$370,000 | | \$2,289,577 | \$2,223,000 |
| 2 | \$388,311 | \$736,000 | | \$2,335,368 | \$4,424,000 |
| 3 | \$396,077 | \$1,098,000 | | \$2,382,076 | \$6,604,000 |
| 4 | \$403,999 | \$1,457,000 | | \$2,429,717 | \$8,763,000 |
| 5 | \$412,079 | \$1,813,000 | | \$2,478,312 | \$10,901,000 |
| 6 | \$420,320 | \$2,165,000 | | \$2,527,878 | \$13,018,000 |
| 7 | \$428,727 | \$2,513,000 | | \$2,578,435 | \$15,114,000 |
| 8 | \$437,301 | \$2,858,000 | | \$2,630,004 | \$17,190,000 |
| 9 | \$446,047 | \$3,200,000 | | \$2,682,604 | \$19,246,000 |
| 10 | \$454,968 | \$3,539,000 | | \$2,736,256 | \$21,282,000 |
| 11 | \$464,067 | \$3,874,000 | | \$2,790,981 | \$23,299,000 |
| 12 | \$473,349 | \$4,206,000 | | \$2,846,801 | \$25,295,000 |
| 13 | \$482,816 | \$4,535,000 | | \$2,903,737 | \$27,273,000 |
| 14 | \$492,472 | \$4,860,000 | | \$2,961,812 | \$29,231,000 |
| 15 | \$502,321 | \$5,183,000 | | \$3,021,048 | \$31,170,000 |
| 16 | \$512,368 | \$5,502,000 | | \$3,081,469 | \$33,090,000 |
| 17 | \$522,615 | \$5,818,000 | | \$3,143,098 | \$34,992,000 |
| 18 | \$533,068 | \$6,131,000 | | \$3,205,960 | \$36,875,000 |
| 19 | \$543,729 | \$6,441,000 | | \$3,270,080 | \$38,740,000 |
| 20 | \$554,604 | \$6,748,000 | | \$3,335,481 | \$40,587,000 |
| 21 | \$565,696 | \$7,053,000 | | \$3,402,191 | \$42,415,000 |
| 22 | \$577,009 | \$7,354,000 | | \$3,470,235 | \$44,227,000 |
| 23 | \$588,550 | \$7,652,000 | | \$3,539,639 | \$46,020,000 |
| 24 | \$600,321 | \$7,947,000 | | \$3,610,432 | \$47,796,000 |
| 25 | \$612,327 | \$8,240,000 | | \$3,682,641 | \$49,555,000 |
| 26 | \$624,574 | \$8,529,000 | | \$3,756,294 | \$51,297,000 |
| 27 | \$637,065 | \$8,816,000 | | \$3,831,419 | \$53,022,000 |
| 28 | \$649,806 | \$9,100,000 | | \$3,908,048 | \$54,730,000 |
| 29 | \$662,803 | \$9,381,000 | | \$3,986,209 | \$56,421,000 |
| 30 | \$676,059 | \$9,660,000 | | \$4,065,933 | \$58,096,000 |

PROJECTED NET FINANCIAL RETURN TO MILPITAS - WATERFORD RENT PROJECTION - 3% ANNUAL RENT GROWTH

| Assumed Year of Sale | 15 | 16 | 17 | 18 | 19 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| I. Sales Proceeds | | | | | |
| Exit Net Operating Income (100% Market Rate) ¹ | \$15,855,000 | \$16,281,000 | \$16,773,000 | \$17,280,000 | \$17,802,000 |
| Additional Property Tax Payment ² | -\$3,022,000 | -\$3,103,000 | -\$3,197,000 | -\$3,293,000 | -\$3,393,000 |
| Adjusted Exit NOI | \$12,833,000 | \$13,178,000 | \$13,576,000 | \$13,987,000 | \$14,409,000 |
| Cap Rate | 5% | 5% | 5% | 5% | 5% |
| Projected Gross Sales Proceeds | \$256,660,000 | \$263,560,000 | \$271,520,000 | \$279,740,000 | \$288,180,000 |
| Senior Debt Service Reserve - Returned to City | \$9,464,655 | \$9,464,655 | \$9,464,655 | \$9,464,655 | \$9,464,655 |
| Series A Bonds remaining at End of Term | (\$227,335,073) | (\$222,913,094) | (\$217,903,200) | (\$212,270,383) | (\$205,977,921) |
| Series B Bonds remaining at End of Term | (\$5,117,350) | (\$5,117,350) | (\$5,117,350) | (\$5,117,350) | (\$5,117,350) |
| Net Proceeds After Debt Retired | \$33,672,232 | \$44,994,211 | \$57,964,105 | \$71,816,922 | \$86,549,383 |
| II. Potential Reimbursement of Foregone Property Tax Revenues | | | | | |
| Reimbursement of Property Tax Foregone by City of Milpitas | \$5,282,453 | \$5,693,563 | \$6,112,894 | \$6,540,613 | \$6,976,885 |
| Reimbursement of Property Tax In Lieu of VLF (PTILVLF) | \$1,301,097 | \$1,402,355 | \$1,505,639 | \$1,610,988 | \$1,718,445 |
| Total Reimbursement to Milpitas | \$6,583,550 | \$7,095,918 | \$7,618,533 | \$8,151,601 | \$8,695,330 |
| Reimbursement of Property Tax to All Other Taxing Entities (at discretion of City of Milpitas) | \$33,011,057 | \$35,580,158 | \$38,200,641 | \$40,873,534 | \$43,599,885 |
| III. Net Return to The City of Milpitas | | | | | |
| Net Return to City if Only Milpitas Prop Tax and PTILVLF is Reimbursed | \$27,088,682 | \$37,898,293 | \$50,345,571 | \$63,665,321 | \$77,854,053 |
| Net Return to City if City and All Other Taxing Entities are Reimbursed | (\$5,922,375) | \$2,318,134 | \$12,144,930 | \$22,791,787 | \$34,254,168 |
| City of Milpitas Equity Multiple (if only City is reimbursed) | 5.11x | 6.34x | 7.61x | 8.81x | 9.95x |
| IV. Net Return to City in 2021 Dollars (discounted at 3%) | | | | | |
| Net Return to City if Only Milpitas Prop Tax and PTILVLF is Reimbursed | \$17,387,194 | \$23,616,963 | \$30,459,899 | \$37,396,666 | \$44,399,079 |
| Net Return to City if City and All Other Taxing Entities are Reimbursed | (\$3,801,347) | \$1,444,585 | \$7,347,882 | \$13,387,773 | \$19,534,674 |

PROJECTED NET FINANCIAL RETURN TO MILPITAS - WATERFORD RENT PROJECTION - 3% ANNUAL RENT GROWTH, CONT'D

| Assumed Year of Sale | 20 | 21 | 22 | 23 | 24 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| I. Sales Proceeds | | | | | |
| Exit Net Operating Income (100% Market Rate) ¹ | \$18,340,000 | \$18,894,000 | \$19,465,000 | \$20,053,000 | \$20,659,000 |
| Additional Property Tax Payment ² | -\$3,495,000 | -\$3,601,000 | -\$3,710,000 | -\$3,822,000 | -\$3,937,000 |
| Adjusted Exit NOI | \$14,845,000 | \$15,293,000 | \$15,755,000 | \$16,231,000 | \$16,722,000 |
| Cap Rate | 5% | 5% | 5% | 5% | 5% |
| Projected Gross Sales Proceeds | \$296,900,000 | \$305,860,000 | \$315,100,000 | \$324,620,000 | \$334,440,000 |
| Senior Debt Service Reserve - Returned to City | \$9,464,655 | \$9,464,655 | \$9,464,655 | \$9,464,655 | \$9,464,655 |
| Series A Bonds remaining at End of Term | (\$198,987,308) | (\$191,258,167) | (\$182,748,169) | (\$173,412,950) | (\$163,206,016) |
| Series B Bonds remaining at End of Term | (\$5,117,350) | (\$5,117,350) | (\$5,117,350) | (\$5,117,350) | (\$5,117,350) |
| Net Proceeds After Debt Retired | \$102,259,996 | \$118,949,138 | \$136,699,135 | \$155,554,355 | \$175,581,289 |
| II. Potential Reimbursement of Foregone Property Tax Revenues | | | | | |
| Reimbursement of Property Tax Foregone by City of Milpitas | \$7,421,883 | \$7,875,781 | \$8,338,757 | \$8,810,993 | \$9,292,673 |
| Reimbursement of Property Tax In Lieu of VLF (PTILVLF) | \$1,828,050 | \$1,939,848 | \$2,053,881 | \$2,170,195 | \$2,288,836 |
| Total Reimbursement to Milpitas | \$9,249,933 | \$9,815,629 | \$10,392,639 | \$10,981,188 | \$11,581,509 |
| Reimbursement of Property Tax to All Other Taxing Entities (at discretion of City of Milpitas) | \$46,380,763 | \$49,217,258 | \$52,110,483 | \$55,061,573 | \$58,071,684 |
| III. Net Return to The City of Milpitas | | | | | |
| Net Return to City If Only Milpitas Prop Tax and PTILVLF is Reimbursed | \$93,010,063 | \$109,133,509 | \$126,306,497 | \$144,573,166 | \$163,999,780 |
| Net Return to City if City and All Other Taxing Entities are Reimbursed | \$46,629,300 | \$59,916,251 | \$74,196,014 | \$89,511,594 | \$105,928,096 |
| City of Milpitas Equity Multiple (if only City is reimbursed) | 11.06x | 12.12x | 13.15x | 14.17x | 15.16x |
| IV. Net Return to City in 2021 Dollars (discounted at 3%) | | | | | |
| Net Return to City If Only Milpitas Prop Tax and PTILVLF is Reimbursed | \$51,497,417 | \$58,664,639 | \$65,918,414 | \$73,254,030 | \$80,677,025 |
| Net Return to City if City and All Other Taxing Entities are Reimbursed | \$25,817,513 | \$32,207,937 | \$38,722,343 | \$45,354,786 | \$52,109,604 |

PROJECTED NET FINANCIAL RETURN TO MILPITAS - WATERFORD RENT PROJECTION - 3% ANNUAL RENT GROWTH, CONT'D

| Assumed Year of Sale | 25 | 26 | 27 | 28 | 29 | 30 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| I. Sales Proceeds | | | | | | |
| Exit Net Operating Income (100% Market Rate) ¹ | \$21,283,000 | \$21,925,000 | \$22,587,000 | \$23,269,000 | \$23,972,000 | \$24,776,000 |
| Additional Property Tax Payment ² | -\$4,056,000 | -\$4,179,000 | -\$4,305,000 | -\$4,435,000 | -\$4,569,000 | -\$4,722,000 |
| Adjusted Exit NOI | \$17,227,000 | \$17,746,000 | \$18,282,000 | \$18,834,000 | \$19,403,000 | \$20,054,000 |
| Cap Rate | 5% | 5% | 5% | 5% | 5% | 5% |
| Projected Gross Sales Proceeds | \$344,540,000 | \$354,920,000 | \$365,640,000 | \$376,680,000 | \$388,060,000 | \$401,080,000 |
| Senior Debt Service Reserve - Returned to City | \$9,464,655 | \$9,464,655 | \$9,464,655 | \$9,464,655 | \$9,464,655 | \$9,464,655 |
| Series A Bonds remaining at End of Term | (\$152,078,650) | (\$139,979,816) | (\$126,856,054) | (\$112,651,375) | (\$97,307,149) | (\$80,761,991) |
| Series B Bonds remaining at End of Term | (\$5,117,350) | (\$5,117,350) | (\$5,117,350) | (\$5,117,350) | (\$5,117,350) | (\$5,117,350) |
| Net Proceeds After Debt Retired | \$196,808,655 | \$219,287,489 | \$243,131,251 | \$268,375,930 | \$295,100,155 | \$324,665,314 |
| II. Potential Reimbursement of Foregone Property Tax Revenues | | | | | | |
| Reimbursement of Property Tax Foregone by City of Milpitas | \$9,783,987 | \$10,285,127 | \$10,796,290 | \$11,317,676 | \$11,849,490 | \$12,391,940 |
| Reimbursement of Property Tax In Lieu of VLF (PTILVLF) | \$2,409,849 | \$2,533,283 | \$2,659,185 | \$2,787,605 | \$2,918,594 | \$3,052,202 |
| Total Reimbursement to Milpitas | \$12,193,836 | \$12,818,410 | \$13,455,475 | \$14,105,281 | \$14,768,084 | \$15,444,142 |
| Reimbursement of Property Tax to All Other Taxing Entities (at discretion of City of Milpitas) | \$61,141,998 | \$64,273,718 | \$67,468,072 | \$70,726,313 | \$74,049,720 | \$77,439,594 |
| III. Net Return to The City of Milpitas | | | | | | |
| Net Return to City If Only Milpitas Prop Tax and PTILVLF is Reimbursed | \$184,614,819 | \$206,469,079 | \$229,675,776 | \$254,270,649 | \$280,332,072 | \$309,221,172 |
| Net Return to City if City and All Other Taxing Entities are Reimbursed | \$123,472,821 | \$142,195,362 | \$162,207,704 | \$183,544,335 | \$206,282,352 | \$231,781,578 |
| City of Milpitas Equity Multiple (if only City is reimbursed) | 16.14x | 17.11x | 18.07x | 19.03x | 19.98x | 21.02x |
| IV. Net Return to City in 2021 Dollars (discounted at 3%) | | | | | | |
| Net Return to City If Only Milpitas Prop Tax and PTILVLF is Reimbursed | \$88,173,066 | \$95,738,623 | \$103,397,521 | \$111,135,790 | \$118,957,895 | \$127,395,029 |
| Net Return to City if City and All Other Taxing Entities are Reimbursed | \$58,971,307 | \$65,935,239 | \$73,024,133 | \$80,222,962 | \$87,535,166 | \$95,490,941 |

PROJECTED NET FINANCIAL RETURN TO MILPITAS - KMA MODIFIED PROJECTION - 2% ANNUAL RENT GROWTH + ASSUMED \$10 MILLION (2021 DOLLARS) ADDITIONAL CAPITAL IMPROVEMENT AT SALE IN YEAR 30

| Assumed Year of Sale | 15 | 16 | 17 | 18 | 19 |
|---|-----------------------|-----------------------|----------------------|----------------------|----------------------|
| I. Sales Proceeds | | | | | |
| Exit Net Operating Income (100% Market Rate) ¹ | \$13,511,000 | \$13,708,000 | \$13,953,000 | \$14,203,000 | \$14,456,000 |
| Additional Property Tax Payment ² | -\$2,575,000 | -\$2,612,000 | -\$2,659,000 | -\$2,707,000 | -\$2,755,000 |
| Adjusted Exit NOI | \$10,936,000 | \$11,096,000 | \$11,294,000 | \$11,496,000 | \$11,701,000 |
| Cap Rate | 5% | 5% | 5% | 5% | 5% |
| Projected Gross Sales Proceeds | \$218,720,000 | \$221,920,000 | \$225,880,000 | \$229,920,000 | \$234,020,000 |
| Senior Debt Service Reserve - Returned to City | \$9,464,655 | \$9,464,655 | \$9,464,655 | \$9,464,655 | \$9,464,655 |
| Series A Bonds remaining at End of Term | (\$242,614,425) | (\$241,081,266) | (\$239,291,039) | (\$237,230,977) | (\$234,887,797) |
| Series B Bonds remaining at End of Term | (\$5,884,137) | (\$5,884,137) | (\$5,884,137) | (\$5,884,137) | (\$5,884,137) |
| Net Proceeds After Debt Retired | (\$20,313,908) | (\$15,580,748) | (\$9,830,521) | (\$3,730,459) | \$2,712,721 |
| II. Potential Reimbursement of Foregone Property Tax Revenues | | | | | |
| Reimbursement of Property Tax Foregone by City of Milpitas | \$5,282,453 | \$5,693,563 | \$6,112,894 | \$6,540,613 | \$6,976,885 |
| Reimbursement of Property Tax In Lieu of VLF (PTILVLF) | \$1,301,097 | \$1,402,355 | \$1,505,639 | \$1,610,988 | \$1,718,445 |
| Total Reimbursement to Milpitas | \$6,583,550 | \$7,095,918 | \$7,618,533 | \$8,151,601 | \$8,695,330 |
| Reimbursement of Property Tax to All Other Taxing Entities (at discretion of City of Milpitas) | \$33,011,057 | \$35,580,158 | \$38,200,641 | \$40,873,534 | \$43,599,885 |
| Assumed Funding of \$28.2 million of additional capital improvements. (\$10 million in 2021 dollars) | \$0 | \$0 | \$0 | \$0 | \$0 |
| III. Net Return to the City of Milpitas | | | | | |
| Net Return to City if Only Milpitas Prop Tax and PTILVLF is Reimbursed and capital improvement is funded | (\$6,583,550) | (\$7,095,918) | (\$7,618,533) | (\$8,151,601) | (\$5,982,609) |
| Net Return to City if City and All Other Taxing Entities are Reimbursed and capital improvement is funded | Not Feasible | Not Feasible | Not Feasible | Not Feasible | Not Feasible |
| City of Milpitas Equity Multiple (if only City is reimbursed) | 0.00x | -2.20x | -1.29x | -0.46x | 0.31x |
| IV. Net Return to City in 2021 Dollars (discounted at 3%) | | | | | |
| Net Sales Proceeds to City if Only Milpitas Prop Tax and PTILVLF is Reimbursed and capital improvement is funded | (\$4,225,730) | (\$4,421,942) | (\$4,609,338) | (\$4,788,206) | (\$3,411,799) |
| Net Sales Proceeds to City if City and All Other Taxing Entities are Reimbursed | Not Feasible | Not Feasible | Not Feasible | Not Feasible | Not Feasible |

PROJECTED NET FINANCIAL RETURN TO MILPITAS - KMA MODIFIED PROJECTION - 2% ANNUAL RENT GROWTH + ASSUMED \$10 MILLION (2021 DOLLARS) ADDITIONAL CAPITAL IMPROVEMENT AT SALE IN YEAR 30

| Assumed Year of Sale | 20 | 21 | 22 | 23 | 24 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| I. Sales Proceeds | | | | | |
| Exit Net Operating Income (100% Market Rate) ¹ | \$14,714,000 | \$14,976,000 | \$15,243,000 | \$15,513,000 | \$15,788,000 |
| Additional Property Tax Payment ² | -\$2,804,000 | -\$2,854,000 | -\$2,905,000 | -\$2,957,000 | -\$3,009,000 |
| Adjusted Exit NOI | \$11,910,000 | \$12,122,000 | \$12,338,000 | \$12,556,000 | \$12,779,000 |
| Cap Rate | 5% | 5% | 5% | 5% | 5% |
| Projected Gross Sales Proceeds | \$238,200,000 | \$242,440,000 | \$246,760,000 | \$251,120,000 | \$255,580,000 |
| Senior Debt Service Reserve - Returned to City | \$9,464,655 | \$9,464,655 | \$9,464,655 | \$9,464,655 | \$9,464,655 |
| Series A Bonds remaining at End of Term | (\$232,247,681) | (\$229,296,254) | (\$226,018,569) | (\$222,399,076) | (\$218,421,611) |
| Series B Bonds remaining at End of Term | (\$5,884,137) | (\$5,884,137) | (\$5,884,137) | (\$5,884,137) | (\$5,884,137) |
| Net Proceeds After Debt Retired | \$9,532,837 | \$16,724,263 | \$24,321,949 | \$32,301,441 | \$40,738,906 |
| II. Potential Reimbursement of Foregone Property Tax Revenues | | | | | |
| Reimbursement of Property Tax Foregone by City of Milpitas | \$7,421,883 | \$7,875,781 | \$8,338,757 | \$8,810,993 | \$9,292,673 |
| Reimbursement of Property Tax In Lieu of VLF (PTILVLF) | \$1,828,050 | \$1,939,848 | \$2,053,881 | \$2,170,195 | \$2,288,836 |
| Total Reimbursement to Milpitas | \$9,249,933 | \$9,815,629 | \$10,392,639 | \$10,981,188 | \$11,581,509 |
| Reimbursement of Property Tax to All Other Taxing Entities (at discretion of City of Milpitas) | \$46,380,763 | \$49,217,258 | \$52,110,483 | \$55,061,573 | \$58,071,684 |
| Assumed Funding of \$28.2 million of additional capital improvements. (\$10 million in 2021 dollars) | \$0 | \$0 | \$0 | \$0 | \$0 |
| III. Net Return to the City of Milpitas | | | | | |
| Net Return to City If Only Milpitas Prop Tax and PTILVLF is Reimbursed and capital improvement is funded | \$282,903 | \$6,908,634 | \$13,929,310 | \$21,320,253 | \$29,157,397 |
| Net Return to City if City and All Other Taxing Entities are Reimbursed and capital improvement is funded | Not Feasible | Not Feasible | Not Feasible | Not Feasible | Not Feasible |
| City of Milpitas Equity Multiple (if only City is reimbursed) | 1.03x | 1.70x | 2.34x | 2.94x | 3.52x |
| IV. Net Return to City in 2021 Dollars (discounted at 3%) | | | | | |
| Net Sales Proceeds to City If Only Milpitas Prop Tax and PTILVLF is Reimbursed and capital improvement is funded | \$156,637 | \$3,713,731 | \$7,269,603 | \$10,802,796 | \$14,343,507 |
| Net Sales Proceeds to City if City and All Other Taxing Entities are Reimbursed | Not Feasible | Not Feasible | Not Feasible | Not Feasible | Not Feasible |

PROJECTED NET FINANCIAL RETURN TO MILPITAS - KMA MODIFIED PROJECTION - 2% ANNUAL RENT GROWTH + ASSUMED \$10 MILLION (2021 DOLLARS) ADDITIONAL CAPITAL IMPROVEMENT AT SALE IN YEAR 30

| Assumed Year of Sale | 25 | 26 | 27 | 28 | 29 | 30 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| I. Sales Proceeds | | | | | | |
| Exit Net Operating Income (100% Market Rate) ¹ | \$16,068,000 | \$16,352,000 | \$16,640,000 | \$16,933,000 | \$17,231,000 | \$17,594,000 |
| <u>Additional Property Tax Payment</u> ² | -\$3,062,000 | -\$3,116,000 | -\$3,171,000 | -\$3,227,000 | -\$3,284,000 | -\$3,353,000 |
| Adjusted Exit NOI | \$13,006,000 | \$13,236,000 | \$13,469,000 | \$13,706,000 | \$13,947,000 | \$14,241,000 |
| Cap Rate | 5% | 5% | 5% | 5% | 5% | 5% |
| Projected Gross Sales Proceeds | \$260,120,000 | \$264,720,000 | \$269,380,000 | \$274,120,000 | \$278,940,000 | \$284,820,000 |
| Senior Debt Service Reserve - Returned to City | \$9,464,655 | \$9,464,655 | \$9,464,655 | \$9,464,655 | \$9,464,655 | \$9,464,655 |
| Series A Bonds remaining at End of Term | (\$214,069,363) | (\$209,324,856) | (\$204,169,921) | (\$198,585,674) | (\$192,552,484) | (\$186,049,950) |
| <u>Series B Bonds remaining at End of Term</u> | (\$5,884,137) | (\$5,884,137) | (\$5,884,137) | (\$5,884,137) | (\$5,884,137) | (\$5,884,137) |
| Net Proceeds After Debt Retired | \$49,631,154 | \$58,975,661 | \$68,790,596 | \$79,114,844 | \$89,968,034 | \$102,350,567 |
| II. Potential Reimbursement of Foregone Property Tax Revenues | | | | | | |
| Reimbursement of Property Tax Foregone by City of Milpitas | \$9,783,987 | \$10,285,127 | \$10,796,290 | \$11,317,676 | \$11,849,490 | \$12,391,940 |
| Reimbursement of Property Tax In Lieu of VLF (PTILVLF) | \$2,409,849 | \$2,533,283 | \$2,659,185 | \$2,787,605 | \$2,918,594 | \$3,052,202 |
| Total Reimbursement to Milpitas | \$12,193,836 | \$12,818,410 | \$13,455,475 | \$14,105,281 | \$14,768,084 | \$15,444,142 |
| Reimbursement of Property Tax to All Other Taxing Entities (at discretion of City of Milpitas) | \$61,141,998 | \$64,273,718 | \$67,468,072 | \$70,726,313 | \$74,049,720 | \$77,439,594 |
| Assumed Funding of \$28.2 million of additional capital improvements. (\$10 million in 2021 dollars) | \$0 | \$0 | \$0 | \$0 | \$0 | \$28,200,000 |
| III. Net Return to the City of Milpitas | | | | | | |
| Net Return to City If Only Milpitas Prop Tax and PTILVLF is Reimbursed and capital improvement is funded | \$37,437,318 | \$46,157,252 | \$55,335,121 | \$65,009,563 | \$75,199,950 | \$58,706,425 |
| Net Return to City if City and All Other Taxing Entities are Reimbursed and capital improvement is funded | Not Feasible | Not Feasible | Not Feasible | Not Feasible | Not Feasible | Not Feasible |
| City of Milpitas Equity Multiple (if only City is reimbursed) | 4.07x | 4.60x | 5.11x | 5.61x | 6.09x | 2.35x |
| IV. Net Return to City in 2021 Dollars (discounted at 3%) | | | | | | |
| Net Sales Proceeds to City If Only Milpitas Prop Tax and PTILVLF is Reimbursed and capital improvement is funded | \$17,880,272 | \$21,402,874 | \$24,911,266 | \$28,414,169 | \$31,910,825 | \$24,186,270 |
| Net Sales Proceeds to City if City and All Other Taxing Entities are Reimbursed | Not Feasible | Not Feasible | Not Feasible | Not Feasible | Not Feasible | Not Feasible |

PROJECTED FINANCIAL RETURNS TO CITY OF MILPITAS – SALE YR. 15

| Sale in Year 15, \$millions | Scenario A: Waterford Projection (3% Annual Growth in Rental Income) | Scenario B: Less Aggressive Projection (2% Annual Growth in Rental Income +\$28.2 million capital improvement in year 30) |
|--|--|--|
| Gross Sales Proceeds | \$256.7 | \$218.7 |
| Net Proceeds After Debt | \$33.7 | Not Feasible |
| Foregone City Property Taxes and Property Taxes In-lieu of Motor Vehicle License Fees | \$6.6 | \$6.6 |
| Net Return to City After Reimbursement of Foregone City Taxes | \$27.1 | (\$6.6) |
| Net City Return in 2021 Dollars if only Foregone City Taxes are Reimbursed | \$17.4 | (\$4.2) |
| Net City Return in 2021 Dollars if All Taxing Agencies Are Reimbursed | Not Feasible | Not Feasible |

PROJECTED FINANCIAL RETURNS TO CITY OF MILPITAS – SALE YR. 30

| Sale in Year 30, \$millions | Scenario A: Waterford Projection (3% Annual Growth in Rental Income) | Scenario B: Less Aggressive Projection (2% Annual Growth in Rental Income +\$28.2 million capital improvement in year 30) |
|---|--|--|
| Gross Sales Proceeds | \$256.7 | \$401.1 |
| Net Proceeds After Debt | \$324.7 | \$102.4 |
| Foregone City Property Taxes and Property Taxes In-lieu of Motor Vehicle License Fees | \$15.4 | \$15.4 |
| Net Return to City After Reimbursement of Foregone City Taxes and \$28.2 million additional capital improvement (Scenario B) | \$309.2 | \$58.8 |
| Net City Return in 2021 Dollars if only Foregone City Taxes are Reimbursed and \$28.2 million of additional capital improvements are funded (Scenario B) | \$127.4 | \$24.2 |
| Net City Return in 2021 Dollars if All Taxing Agencies Are Reimbursed | \$95.5 | \$0 (Net Proceeds are insufficient to provide full reimbursement to taxing agencies) |

FINDINGS AND RECOMMENDATIONS

AFFORDABILITY FINDINGS

1. Rents would be capped at Moderate Income Levels
2. Rental rates paid by existing, income eligible tenants would decrease 10%, or \$323 per month
3. Even with reductions, rental rates would exceed average market rental rates in Milpitas
4. Maximum permitted rental rates exceed current Turing rates by \$900 per month.
5. New tenants could be charged current Turing rent levels
6. Program's affordability benefits are limited to existing, income eligible tenants
7. The projected performance and ability to service debt relies on rents increasing at an average rate of 3% per year
8. No RHNA credit

FINANCIAL FEASIBILITY FINDINGS

1. Over a 30-year period, City would forego a total of \$15.4 million (\$9.7 million in 2021 dollars) of tax revenue
2. Repayment to the City is contingent on project's performance
3. Sale in Year 15 is not feasible if rents grow at 2% per year
4. Net proceeds to City with sale in year 30 are estimated to range from \$24 million to \$127 million, depending on rent growth
5. Project sponsors are not required to invest any equity into the project and receive bulk of compensation from bond proceeds
6. The Project's funding for capital reserves appears to be inadequate to meet the Project's needs throughout the 35-year projected regulatory period

RECOMMENDATIONS

1. The rent reductions should be set at levels that are below market rate levels in Milpitas so that the Project truly delivers enhanced affordability
2. Maximum rent and income restrictions should conform to the Department of Housing and Community Development (HCD) income and rent formulas
3. Project cash flow and reserves should be sized to cover the anticipated capital improvement costs over the 34-year term
4. To ensure affordability benefits, the project's performance should be underwritten with annual rent increases of less than 3%
5. The bond underwriting assumptions should be reviewed by the City's Financial Advisor
6. Any refinancing of Project debt should be subject to the City's approval
7. The Project should be required to submit a series of reports demonstrating that project is being property managed

Next Steps

- September 9, 2021: City Council Housing Subcommittee meeting
- September 21, 2021: City Council meeting
 - Informational discussion
- October 19, 2021 (tentative): City Council meeting
 - Consideration and action



A photograph of the City of Milpitas building at dusk. The building is a modern, curved structure with a light-colored facade and large glass windows. The interior lights are on, and the sky is a deep twilight blue. In the foreground, a fountain with several jets of water is illuminated from below, creating a shimmering effect on the wet pavement.

City of Milpitas

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