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**AFFORDABLE HOUSING AND ECONOMIC CONSIDERATIONS
CSCDA COMMUNITY IMPROVEMENT AUTHORITY PROPOSAL
TURING APARTMENTS**

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City of Milpitas

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TABLE OF CONTENTS

	<i>Page</i>
I. EXECUTIVE SUMMARY	1
II. INTRODUCTION	6
III. DESCRIPTION OF THE TURING APARTMENTS AND THE PROPOSED TRANSACTION	9
IV. AFFORDABILITY CONSIDERATIONS.....	12
V. POTENTIAL FINANCIAL RETURNS TO THE CITY OF MILPITAS.....	21
VI. ECONOMICS OF TRANSACTION STRUCTURE AND CITY RISKS.....	28
VII. SUMMARY OF INTERVIEWS WITH STAFF FROM CITIES THAT ELECTED TO NOT PARTICIPATE IN THE PROGRAM	31
VIII. PRELIMINARY FINDINGS AND RECOMMENDATIONS	33
IX. LIMITING CONDITIONS	36

List of Exhibits

Exhibit 1: Proposed Compensation to Parties	2
Exhibit 2: Projected Financial Returns to City of Milpitas	4
Exhibit 3. Turing Apartments – Unit Mix.....	9
Exhibit 4. Turing Apartments – Unit Mix and Current Rental Rates	12
Exhibit 5. Current Market Rents at Turing Compared to Other Market Rate Units in Milpitas	13
Exhibit 6. Proposed Restricted Rents for Existing Income-Eligible Tenants	15
Exhibit 7. Maximum Rents Under CSCDA Limits Compared to Maximum Rents under HCD Regulations ..	16
Exhibit 8. Growth in Area Median Income Compared to Market Rents in Milpitas, 2001- 2021.....	18
Exhibit 9. Estimated Foregone Property Tax Revenues to Taxing Agencies, FY 2021-22	22
Exhibit 10. Projected Abated Property Taxes and Foregone Milpitas PTILVLF Revenue During Regulatory Period	23
Exhibit 11. Projected Net Financial Return to Milpitas - Waterford Projection - 3% Annual Rent Growth..	24
Exhibit 12. Projected Net Financial Return to Milpitas - KMA Modified Projection - 2% Annual Rent Growth + Assumed \$10 million (2021 dollars) additional capital improvement at sale	26
Exhibit 13. Rents Savings Created by CSCDA Program Compared to Foregone Property Tax.....	27
Exhibit 14. Anticipated Sources and Uses of Funds	28

List of Tables

Table 1. Comparison of Turing Rental Rates to Rents of Other Market Rate Rental Units in Milpitas

Table 2. Affordability of Turing and Market Rate Rental Apartments in Milpitas

Table 3. Affordability of Current Rents for Occupied Units Relative to HCD Requirements

Table 4A. Rent Savings Created by CSCDA Program Compared to Foregone Ad Valorem Property Tax and Property Tax in-lieu of Vehicle License Fee (PTILVLF) Revenues, Assuming 3% Annual Rent Increases

Table 4B. Rent Savings Created by CSCDA Program Compared to Foregone Ad Valorem Property Tax and PTILVLF Revenues, Assuming 2% Annual Rent Increases

Table 5A. Waterford Residential's Net Operating Income Projection for Turing Apartments

Table 5B. Modified Residential Net Operating Income Projection for Turing Apartments, Assuming 2% Annual Rent Increases

Table 6A. Waterford Projection of Net Cash Flow after Debt, Assuming 3% Annual Rent Increases

Table 6B. Modified Projection of Net Cash Flow after Deb, Assuming 2% Annual Rent Increases

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I. EXECUTIVE SUMMARY

A. Summary of CSCDA Program

The City of Milpitas is considering joining the Community Improvement Authority (Authority), which is an affiliate of the California Statewide Communities Development Authority (CSCDA) and supporting the purchase of the Turing Apartments for the purpose of converting the 371-unit market rate project to Moderate income housing.

The Authority would be exempt from the payment of all ad valorem property taxes. The abatement of property taxes would reduce the Project's operating expenses, which in turn would enable the Authority to decrease monthly rental rates.

Under the terms of the program, the rental rates being charged to existing income eligible residents would be decreased by approximately 10% with an average reduction of \$323 per month, as existing leases are renewed. Annual rent increases over the 34-year bond term would be limited to the lesser of the annual increase in the Area Median Income (AMI) or 4%. Rents on units that turn over would be subject to the maximum permitted rents under the Regulatory Agreement. Existing residents who do not meet the income requirements would not be displaced.

During the regulatory term, the City of Milpitas would not bear any responsibility or liability for the operation of the Project or the repayment of the bonds. The Authority is a public entity separate and apart from its members, and any debts or obligations incurred by the Authority will not constitute debts or obligations of its member agencies.

The term for the repayment of the bonds is anticipated to be 34 years. The City, at its sole discretion, would be permitted to purchase or force a sale of the Project at any point between year 15 and the end of the bond term. The net proceeds from the sale of the Project after the payment of any outstanding debt would accrue to the City. The Project would be conveyed on an "as is" basis and the City or future owner would be responsible for making any needed capital improvements as well as paying ad valorem property taxes, which would be reinstated (unless the new owner is a non-profit and eligible for abatement).

B. Affordability Considerations

1. The proposed program would provide restricted rents for existing tenants that are within HCD's limits for Moderate Income housing for a period of 34 years.
2. Under the proposal, rents on existing tenants would be decreased from 8% to 12%, with an average monthly saving of \$323.

3. The Turing commands premium rents relative to other market rate projects in Milpitas. As a result, even with an average 10% reduction in rental rates, the proposed reduced rental rates would exceed average market rental rates in Milpitas.
4. The rental rates to be charged on new tenants as spaces turn over would be subject to the CSCDA maximum rents, which exceed market area rents and, in most cases, exceed the current market rate rents currently charged by Turing.
5. Given that the proposed reduced rents would exceed average market rate rents in Milpitas and that the rents on new leases would likely be significantly higher than the market rate rents in Milpitas, the Project's affordability benefits are, at best, very limited.
6. The rent restrictions will not provide the City with any credit towards meeting its Regional Housing Needs Allocation, which is of critical importance to the City of Milpitas

C. Financial Feasibility Considerations

The Project's financing does not require an investment of cash equity and all debt is secured solely by the revenue generated by the Project. The structure of the transaction provides significant up-front compensation to the Administrator (Waterford), CSCDA, and the current owner of the Project. In contrast, the potential financial returns to the bond holders, the City and other taxing agencies are entirely at risk and subject to the financial performance of the Project.

1. The projected payments to the parties are as follows:

Exhibit 1: Proposed Compensation to Parties

	Funded from bond proceeds	Funded from cash flow
Seller of Turing (affiliate of Lyon Living)	\$235,250,000	None
CSCDA	\$1,250,000	Year 6+: \$250,000 annually
Administrator (Waterford)	\$4,250,000 up front; \$5,000,000 upon sale after year 15	Year 6+: \$250,000 annually, escalated at 3%
Greystone	None	1.75% of gross effective income; \$18,000 monthly minimum.
Costs of Issuance	\$7,421,000	

2. Over a 30-year period, it is estimated that the City would forego a total of \$15.4 million (\$9.7 million in 2021 dollars) of property tax revenue, comprised of \$12.4 million of ad valorem property tax revenue and \$3.0 million of property tax in-lieu of vehicle license fee revenues from the state that are linked to taxable assessed property values. Including all taxing agencies, foregone tax revenues would approximate \$92.9 million over a 30-year period.

3. Compensation to the City is limited to net sales proceeds after the payment of all outstanding debt, which will not occur until sometime after the completion of the Project's 15th operating year and the end of the bond term, which is scheduled for the end of the 34th operating year.
4. As proposed, required annual debt service on the bonds will consist of only interest payments. The bonds will be redeemed only if there is available cash flow. It is not anticipated that the bonds will receive an investment grade rating by any of the primary bond rating agencies.
5. The cash flow projections prepared by the Administrator (Waterford Residential) assume that rents will increase at a steady rate of 3% per year, which is aggressive given that the Area Median Income has increased at an average annual rate of 2.2% and the average market rate rents for apartments in Milpitas has increased at an average annual rate of 2.8% over the past ten years.
6. The projected performance of the Project is driven by many factors. Small deviations from projected rent increases, interest income, and operating expenses could have significant impacts on the Project's ability to pay down the outstanding bond principal, the Project's viability, and the amount of net sales revenue that will be available to reimburse the City for foregone property tax revenue.
7. The Project's funding for capital reserves appears to be inadequate to meet the Project's needs throughout the 35-year projected regulatory period, which would result in the need for the City to fund capital improvements upon the transfer of the property to the City.
8. Net proceeds to the City will be driven by the Project's performance. As shown in Exhibit 2, based on the projection prepared by Waterford, the City could receive approximately \$127.4 million (2021 dollars)¹ of net return if the Project is sold at fair market value at the end of the Project's 30th operating year, only the City's foregone tax revenues are recovered, and the Project is not in need of additional capital improvements beyond the funding identified in the projection. Net receipts would decline to \$95.5 million if all taxing agencies are reimbursed for ad valorem tax revenues that were not received while the Project was owned by the Authority and exempt from ad valorem property taxes.

However, if rents grow at a less aggressive rate of 2% per year, and the Project is in need of an assumed \$28.2 million of capital improvements (\$10 million in 2021 dollars) to ready the property for sale, it is projected that the City would receive only \$24.2 million of net return². This is a marginal return given the risk associated with the Project. And,

¹ For purposes of this analysis, future dollars have been discounted at 3% per year, to provide an estimate of the current value, net of inflation.

² The cash flow projection reflecting a 2% annual increase in rents indicates that the Project could not be sold at the end of the 15th operating year because the cash flow will be insufficient to retire outstanding debt.

under this scenario, net sale proceeds would not be sufficient to fully reimburse all taxing agencies for foregone tax revenues.

Exhibit 2: Projected Financial Returns to City of Milpitas

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)
Net Proceeds After Debt	\$324.7	\$102.4
Foregone City Property Taxes and Property Taxes In-lieu of Motor Vehicle License Fees ³	\$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)

D. Recommendations

If the City elects to participate in the CSCDA program, we recommend the following:

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. The proposed rent levels exceed average market rate rental rates, which largely nullifies the argument that the Project will enhance the affordability of apartments in Milpitas.
2. Rent and income restrictions contained in the Regulatory Agreement should conform to the Department of Housing and Community Development (HCD) income and rent formulas. As proposed, the rent and income formulas are not consistent with the HCD formulas and result in significantly higher rents than what would be permitted by HCD.
3. The Property Condition Report should address the Project’s needs for a 34-year term and the Project’s financing plan provide funding to cover the anticipated capital improvement costs over the 34-year term. The draft property condition report only

³ The City also currently receives a reimbursement of a portion of property taxes that are allocated to the Education Revenue Augmentation Fund.(ERAF) in excess of the amount needed to fund schools, which is commonly referred to as Excess ERAF. The magnitude of reimbursement may change over the bond term and, for purposes of this analysis, has not been included as foregone revenue to the City. It is captured as a foregone revenue to ERAF.

addresses 12 years of needs. The proposed annual contributions for capital improvements appears to be inadequate.

4. Any refinancing of Project debt should be subject to the City's approval.
5. The Project should be required to submit proposed rent increases to the City's approval to ensure that the affordability restrictions are enforced.
6. The Project should be required to submit an annual report to the City demonstrating that the affordability covenants are being properly implemented and enforced.
7. The Administrator should be obligated to certify that the affordability covenants are being properly implemented and enforced.
8. The Project's cash flow projection should be based on more conservative assumptions to reduce the level of risk and provide greater assurance for long-term viability.
9. The bond underwriting assumptions should be reviewed by an underwriter retained by the City and the City's Financial Advisor to ensure that the financial structure is sound and consistent with industry standards for multifamily revenue bonds and is appropriate for the City's participation.
10. Greystar should be required to submit its tenant selection plan, maintenance plan, staffing plan and marketing plan for the City's approval.
11. Greystar should be required to submit annual reports on the Project's operations, including the Project's rent roll, that clearly track the annual increase in rental rates, operating expenses, capital improvements, vacancy rates, bond interest and redemption payments, and all bond specific payments.

II. INTRODUCTION

The City of Milpitas is considering joining the Community Improvement Authority (Authority), which is an affiliate of the California Statewide Communities Development Authority (CSCDA) and supporting the purchase of the 371-unit Class A Turing Apartments (Project) located at 1365 McCandless Drive for the purpose of converting the market rate project to Moderate-income rental housing. CSCDA is a joint powers authority founded and sponsored by the League of California Cities and the California State Association of Counties. It was created in 1988 to enable local government and eligible private entities to access low-cost, tax exempt financing for projects that provide public benefits. CSCDA has more than 530 cities, counties and special districts as “members” and has issued more than \$65 billion through more than 1,700 transactions. CSCDA Community Improvement Authority is a recently established JPA that is focused on supporting moderate-income housing production. At least three projects have closed financing. Although the Authority has a limited operating history, the Authority’s program partners (including Waterford Residential) are in discussion with cities throughout the state regarding Projects similar to the Turing. The cities are in different stages of review and due diligence.

As proposed, the City would join the Authority, approve the form of a Public Benefit Agreement, and approve the JPA’s issuance of tax-exempt bonds for the acquisition of the Turing Apartments. The Project would be owned by the Authority and income and rent restrictions would be recorded on the Project that would restrict approximately 33% of the units to households earning up to 80% of the Area Median Income (AMI), 33% to households earning up to 100% of the AMI, and 33% to households earning up to 120% of the AMI for a minimum period of 34 years

The Authority would be exempt from the payment of all ad valorem property taxes. The abatement of property taxes would reduce the Project’s operating expenses, which in turn would enable the Authority to decrease monthly rental rates. The value created by the property tax abatement and tax-exempt financing would also enhance the supported sales price of the Project and provide funding for a Project Administrator, who would facilitate the transaction and be administer the Project on the Authority’s behalf.

Under the terms of the program, the rental rates being charged to existing income eligible residents would be decreased by specified amounts as existing leases are renewed and annual rent increases over the bond term would be limited to the lesser of the annual increase in the Area Median Income (AMI) or 4%⁴. Rents on units that turn over would be subject to the maximum permitted rents under the Regulatory Agreement. Existing residents who do not meet the income requirements would not be displaced.

⁴ The specific terms would be subject to negotiation between the City, the JPA, and the bond issuing company.

During the regulatory term, the City of Milpitas would not bear any responsibility or liability for the operation of the Project or the repayment of the bonds. The Authority is a public entity separate and apart from its members, and any debts or obligations incurred by the Authority will not constitute debts or obligations of its member agencies. If the City were to proceed with the program, the bonds issued for the Authority's acquisition of the Turing Apartments would be indebtedness solely of the Authority, and payable only from revenues of the Project.

The term for the repayment of the bonds is typically 30 to 35 years. Under the Public Benefit Agreement, the City, at its sole discretion, would be permitted to purchase or force a sale of the Project at any point between year 15 and the end of the bond term⁵. The net proceeds of the sale (after paying off debt), would accrue to the City. The Project would be conveyed on an "as is" basis and the City or future owner would be responsible for making any needed capital improvements as well as paying ad valorem property taxes, which would be reinstated (unless the new owner is a non-profit and eligible for abatement).

The City of Milpitas is in the process of evaluating the merits of participating in the program, and retained KMA to assess:

- the degree to which the proposed rent reductions will enhance the affordability of the project and meet the City's affordable housing objectives;
- the potential financial returns to the City relative to the value of foregone property tax revenues over the 30+ year term;
- economic aspects of transaction structure and potential risks and liabilities to the City; and
- the factors that led three other cities to decline to participate in a similar offer by CSCDA.

To undertake this review, KMA received and reviewed the following:

- Financial pro forma information provided by the proposed Project Administrator, Waterford Residential. The information provides estimates of sources and uses of funds for the purchase of the Project by the Authority, proposed reductions in unit rental rates, anticipated operating projections for a 34-year term and anticipated reversion value to the City of Milpitas upon conveyance. Waterford also provided recent property tax assessments, an appraisal of the property, and a property condition report;
- A Draft Public Benefit Agreement for execution by the CSCDA Community Improvement Authority (Owner) and the City of Milpitas (Host);
- A Draft Project Administration Agreement for execution by the CSCDA Community Improvement Authority (Owner) and Waterford Property Company, LLC (Administrator);

⁵ A term of 34 years is contemplated by the draft Public Benefit Agreement prepared for the Turing transaction.

- Draft Purchase and Sale Agreement for execution between Milpitas -District 1 Owner, LLC (Owner) and Waterford Residential 8, LLC (Buyer);
- Draft Property Management Agreement between CSCDA Improvement Authority (Owner) and Greystar California, Inc. (Manager);
- Information from the City of Milpitas regarding the City's affordable housing goals.
- Market information from CoStar and other public sources on the City of Milpitas and the subject property;
- Santa Clara County Controller data on ad valorem property taxes and property tax assessments that apply to the Project; and
- A sample trust indenture, which Waterford proposes would be similar to the indenture for the Turing transaction.

KMA discussed the proposed program details with representatives of Waterford Residential. KMA also contacted staff from the cities of San Jose, Oakland and Santa Clara to understand their experiences with the CSCDA program and their decisions to not participate in the program.

III. DESCRIPTION OF THE TURING APARTMENTS AND THE PROPOSED TRANSACTION

A. Turing Apartments

Turing Apartments is a Class A mid-rise apartment complex with 371 units located at 1365 McCandless Street in Milpitas, at the southwest corner of the intersection of McCandless Drive and Great Mall Parkway. The Project was built in 2019 and is 7-stories in height. The 780,000 square foot building consists of 496,000 square feet of residential space, 47,000 square feet of ground floor retail space⁶, and a 237,000 square foot parking garage. The project contains a mix of studios, 1-bedroom, 2-bedroom and 3-bedroom units, with an average unit size of 942 square feet. The unit mix is as follows:

Exhibit 3. Turing Apartments – Unit Mix

Unit Type	Units	Avg. SF
Studios	19	563
1 Beds	193	778
2 Beds	150	1,157
3 Beds	9	1,667
Total	371	942

The property offers extensive common-area amenities, including a rooftop pool, tri-level fitness center, outdoor sports bar, courtyards, coffee bar, private cabanas, bike storage room, presentation kitchen, bocce ball court, etc. According to a recent appraisal, the units have good quality interior finishes including quartz countertops, wood-grain finish flooring, central HVAC, dual master suites, in-unit washer/dryer, patio or balcony, and keyless unit entry.

The owner of the Project is Milpitas – District 1 Owner, LLC a Delaware limited liability company that is related to Lyon Living.

B. Proposed Transaction

As proposed, only the residential portion of the Turing Apartments would be the subject of the transaction. The retail portion would be separately owned and continue to be subject to the payment of property taxes. The key aspects of the proposed transaction are as follows:

- The City of Milpitas would agree to join the Authority, which would acquire the Project
- The City would approve the Authority's issuance of bonds for the acquisition of the Turing Apartments and approve the form Public Benefit Agreement. The form Public

⁶ The retail component of the project would remain in separate ownership and is not a part of the subject transaction. The retail component would continue to be subject to all applicable property taxes.

Benefit Agreement defines the terms under which the City can acquire the property. The City may negotiate terms of the Public Benefit Agreement, such as selection criteria for new tenants for vacant units, property management practices, and a requirement that the Authority provide annual reports to the City.

- The Authority and a selected bond company would execute a Trust Indenture pursuant to which the Authority would issue tax exempt bonds for the purchase of the property. The anticipated term of the bond is 34 years.
- The Authority and the Bond Trustee would also execute a Regulatory Agreement and Declaration of Restrictive Covenants which would govern the income and rent restrictions on the property for a term of not less than 30 years or until all debt on the Project is retired. The City has the right to negotiate terms of the Regulatory Agreement.
- The City of Milpitas and the Authority would execute a Public Benefit Agreement that conforms to the form Public Benefit Agreement approved by the City at the time that the City approved the sale of bonds. Under the Public Benefit Agreement, the City would have the right to exercise the option to call for the Project's sale for a term beginning 15 years from the issuance of the bonds through the date on which no Project debt remains outstanding. The minimum sales price would be the amount necessary to retire all Project debt, pay transaction costs, and any amounts due to the Authority. Any excess sales proceeds would be transferred to the City. The City would have full discretion over the use of the excess sales proceeds. While a sale any time after the 15th operating year would be permitted, there is a strong possibility that the sales proceeds in the 16th operating year would not be sufficient to retire all outstanding debt, which would prohibit a sale at that time.
- The Authority and Waterford Property Company, LLC would execute a Project Administration Agreement to provide the terms under which Waterford would serve as the Project's Administrator. The Administrator facilitates the purchase of the property and oversees the operation of the property on behalf of the Authority until the debt is repaid and the Project is sold to the City or another entity.
- The Authority and Greystar, Inc. would execute a Property Management Agreement pursuant to which Greystar would conduct the day-to-day operations of the Project under the Administrator's supervision.
- The bonds would be comprised of a Series A issue that would be used to acquire the property and a subordinate Series B issue, which would be used to provide compensation to the Project Administrator (Waterford Property Company, LLC).
- The proposed bond underwriter for the Turing transaction is Goldman Sachs Group, Inc.

- There would be a simultaneous purchase and sale of the property between Milpitas – District 1 Owner and Waterford and then between Waterford and the Authority
- Once acquired by the Authority, the Project would be exempt from paying all ad valorem property taxes.
- While the Project is owned by the Authority, the City is exempt from any liability or responsibility related to the Project's financings or operation.
- The pro forma prepared by Waterford estimates that the bonds will not be fully retired until the end of the Project's 34th operating year. Therefore, a sale prior to the 34th operating year would require a sales price sufficient to retire the outstanding debt.
- While the City would be permitted to sell the property at its fair market value after the bonds have been retired, this may not be politically desirable if tenants would face eviction or significant rent increase due to the sale.

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IV. AFFORDABILITY CONSIDERATIONS

The primary public benefit of the CSCDA Moderate Income program is to increase the supply of deed restricted Moderate Income rental housing. Pursuant to CSCDA's proposal, a regulatory agreement would be recorded against the property that would restrict the occupancy and rents to households earning no more than 120% of the AMI⁷, with 33% of the units restricted to households earning no more than 80% of the AMI, 33% to households earning no more than 100% of the AMI and 33% to households earning no more than 120% of the AMI. Rental rates would not exceed 35% of the income limit for each income tier. Annual tenant rent increases would be limited to no more than the increase in the AMI or 4%, whichever is less. The income and rent restrictions would be in place for the term of the bonds. These are the standard provisions of the CSCDA program. If the City elects to participate in the program, the City would have the opportunity to negotiate deeper affordability levels and other terms of the regulatory agreement.

While all Turing units would be subject to the CSCDA income and rent limits, Waterford is proposing deeper rent decreases for existing income eligible households, which are described in Section IV C.

A. Turing Apartments' Current Rental Rates

As shown in Exhibit 4, the Turing's current effective rents range from \$2,278 per month for studios to \$5,327 per month for three-bedroom units. The average rent across all unit sizes is \$3,155 per month. The unit mix and current average effective rental rates are as follows:

Exhibit 4. Turing Apartments – Unit Mix and Current Rental Rates

Unit Type	Units	% of Units	Avg. SF	Effective Rent	Rent per SF
Studios	19	5%	563	\$2,278	\$4.05
1 Beds	193	52%	778	\$2,923	\$3.76
2 Beds	150	40%	1,157	\$3,427	\$2.96
3 Beds	9	2%	1,667	\$5,327	\$3.20
Total	371	100%	942	\$3,155	\$3.35

According to Waterford, the property's current vacancy rate is 9.4%, compared with 11.2% for the entire stock of multifamily apartments in Milpitas. In 2019, Milpitas' average vacancy rate was 4.6%, which would indicate that Turing's vacancy rate will decline as the regional economy recovers from the pandemic.

⁷ Existing tenants with annual household incomes that exceed the CSCDA program limit of 120% of AMI would be permitted to retain tenancy of their units.



B. Turing's Current Rent Levels Compared with Other Market Rate Units in Milpitas

As shown in Exhibit 5 and detailed in Table 1, the current rental rates at Turing are significantly higher than the average rental rates of market rate apartments in Milpitas, which is attributable to both Turing being one of the newer projects in Milpitas and the relatively larger sizes of Turing's one-, two-, and three-bedroom units. The average rent differential is \$560 per month, which represents a 22% premium over market rate apartments throughout the City of Milpitas.

Exhibit 5. Current Market Rents at Turing Compared to Other Market Rate Units in Milpitas

Unit Type	Current Monthly Average Rental Rate		
	<i>Turing</i>	<i>Market Rate Units in Milpitas</i>	<i>Difference</i>
Studio Units	\$2,278	\$2,155	\$123 (+6%)
One Bedroom Units	\$2,923	\$2,376	\$547 (+23%)
Two Bedroom Units	\$3,427	\$2,887	\$540 (+19%)
Three Bedroom Units	\$5,327	\$3,317	\$2,010 (+61%)
Avg, all Units	\$3,152	\$2,595	\$560 (+22%)

C. Proposed Rent Reductions for Existing Income Eligible Tenants

As proposed, the rents charged to existing income-eligible tenants would be decreased by approximately 10%⁸, as follows:

- The rental rates to households with incomes that do not exceed 80% of the AMI would be reduced by 12%,

⁸ The rental rates on the three-bedroom units would be decreased by 27% for the 80% AMI units, 10% for the 100% AMI units and 8% for the 120% AMI units.

- the rates to households with incomes that do not exceed 100% of the AMI would be reduced by 10%, and
- the rates to households with incomes that do not exceed 120% of the AMI would be reduced by 8%.

As shown in Exhibit 6, rent reductions would average \$323 per unit, per month. With the rent reductions, the rents on existing income-eligible tenants would average \$2,050 for studios, \$2,631 for one-bedroom units, \$3,084 for two-bedroom units, and \$4,520 for three-bedroom units, for an average rent of \$2,832 across all units. Future annual rent increases on these existing tenants would be capped at the lesser of the increase in the AMI or 4%.

It should be noted that these rent reductions would be implemented gradually, as the leases of existing tenants are renewed and would not apply to future new tenants or to existing tenants with incomes that exceed 120% of the AMI. Waterford has indicated that it will evaluate the incomes of existing tenants to determine eligibility for rent reductions after the transaction is complete. Waterford anticipates that it will take approximately 3-years for all tenancies to convert to income-eligible tenants.

The resulting reduced rents for existing income eligible tenants would be less than what is currently charged at Turing, but the reduced rates for all units (excluding studios) would remain above the average market rents in Milpitas. On average, the reduced rental rates would exceed the market average in Milpitas by \$237 per month. The studios would rent for approximately \$105 per month below the market rate average, while the one-bedroom rents would be approximately \$255 per month or 11% above market, two-bedroom rents would be \$197 per month or 7% above market, and three-bedroom rents would be \$1,203 per month or 36% above market.

Exhibit 6. Proposed Restricted Rents for Existing Income-Eligible Tenants

	Studios	One Bedrooms	Two Bedrooms	Three Bedrooms	Average
Proposed Reduced Rents for Existing Income-Eligible Tenants					
80% of AMI	\$2,004	\$2,572	\$3,015	\$3,866	\$2,755
100% of AMI	\$2,050	\$2,631	\$3,084	\$4,794	\$2,839
120% of AMI	\$2,096	\$2,689	\$3,152	\$4,900	\$2,902
Average	\$2,050	\$2,631	\$3,084	\$4,520	\$2,832
Current Turing Rents	\$2,278	\$2,923	\$3,427	\$5,327	\$3,155
<i>Proposed Rent Reduction</i>					
80% of AMI	(\$274)	(\$351)	(\$412)	(\$1,461)	(\$400)
100% of AMI	(\$228)	(\$292)	(\$343)	(\$533)	(\$315)
120% of AMI	(\$182)	(\$234)	(\$275)	(\$426)	(\$253)
Current Avg. Market Rents, Citywide	\$2,155	\$2,376	\$2,887	\$3,317	\$2,595
Difference between Proposed Reduced Rents and Citywide Avg. Mkt Rents	-\$105	+\$255	+197	+\$1,203	+\$237

D. Maximum Rents for Income Eligible Households Permitted by CSCDA

Once acquired by the Authority, all Turing units would be subject to income and rent restrictions pursuant to the standard requirements of the CSCDA program unless the City negotiates specific requirements⁹. The CSCDA methodology uses rent limits published by the California Tax Credit Allocation Committee (TCAC) and allows for 35% of income to be spent on rent, exclusive of utility expenses. As shown in Exhibit 7, the maximum allowable monthly rent under the CSCDA program averages \$4,064 across Turing’s unit mix, which is \$909 more than Turing’s current average market rental rate of \$3,155 per unit. The CSCDA maximum allowable rent for three-bedroom units at the 80% and 100% AMI levels are the only situations for which Turing’s current rent exceed the maximum permitted by CSCDA. The CSCDA rents at even the 80% AMI level are approximate to the Turing’s current market rate rents for studios, one and two-bedroom units.

Under the proposed program, the rents on units that turn over would be limited by the CSCDA maximums throughout the regulatory period. Given that the Turing’s current market rate rents are less than the CSCDA maximums for all units excluding units with three bedrooms, it is possible that the rents charged to new tenants of studios, one-bedroom units, two-bedroom units and a portion of the three-bedroom units would be the same as Turing’s current market rate rents.

⁹ As proposed, the rents on units occupied by existing income eligible tenants would be less than the maximum rents permitted under the standard CSCDA restrictions.

Most affordable housing programs in the state are aligned with the income and rent levels permitted by the State Department of Housing and Community Development (HCD). HCD publishes income limits for use in calculating affordable rents and caps affordable housing costs at 30% of income, which is inclusive of an allowance for utilities. Because of the higher incomes and housing costs permitted by the CSCDA program, the maximum rents permitted by CSCDA are significantly higher than the rents permitted by HCD. Exhibit 5 presents a comparison of affordable rents using the standard HCD assumptions and the CSCDA assumptions. As shown, the CSCDA allowable rents exceed rent levels permitted by HCD by \$824 to \$1,507 per month, with an average difference of \$1,107 per month, which represents a 37% premium.

Exhibit 7. Maximum Rents Under CSCDA Limits Compared to Maximum Rents under HCD Regulations

	Studios	One Bedrooms	Two Bedrooms	Three Bedrooms	Average
<i>Maximum CSCDA Rents</i>					
80% of AMI	\$2,707	\$3,094	\$3,481	\$3,866	\$3,251
100% of AMI	\$3,383	\$3,868	\$4,352	\$4,833	\$4,064
120% of AMI	\$4,060	\$4,641	\$5,222	\$5,800	\$4,876
Average	\$3,383	\$3,868	\$4,352	\$4,833	\$4,064
<i>Maximum HCD Rents</i>					
80% of AMI	\$1,883	\$2,169	\$2,434	\$2,698	\$2,275
100% of AMI	\$2,470	\$2,840	\$3,188	\$3,537	\$2,980
120% of AMI	\$3,000	\$3,445	\$3,869	\$4,293	\$3,616
Average	\$2,451	\$2,818	\$3,163	\$3,509	\$2,957
<i>Difference</i>					
80% of AMI	\$824	\$925	\$1,047	\$1,168	\$976
100% of AMI	\$913	\$1,028	\$1,164	\$1,296	\$1,084
120% of AMI	\$1,060	\$1,196	\$1,353	\$1,507	\$1,261
Average	+\$932	+\$1,050	+\$1,188	+\$1,324	\$1,107

Sources: KMA calculations using HCD income limits, Santa Clara County utility allowances, and TCAC income limits

CSCDA permitted rents at the 80% of AMI rent level exceed the HCD permitted rents at the 100% of AMI level. In addition, the CSCDA 100% of AMI rent limits exceed the HCD 120% of AMI rent limits for all unit types excluding three bedrooms.

E. Current and Proposed Rents Relative to HCD Affordability Levels

As presented in Table 2, Turing’s current average rental rates for studios, one-bedroom and two-bedroom units are affordable to households earning 93%, 103% and 107% of the Area Median Income (AMI)¹⁰, respectively. These affordability levels are within the Moderate-Income range of 80% to 120% of the AMI. The average rental rate for the three-bedroom units is affordable to households earning 147% of the AMI, which exceeds the limit for Moderate Income. With the

¹⁰ Rents have been measured relative to standard HCD regulations.

proposed rent reductions, the affordability levels for those units that are currently occupied by income eligible households will deepen to approximately 84% of AMI for studio units, 93% for one-bedroom units, 97% of AMI for two-bedroom units and 123% for three-bedroom units. A full breakdown of the affordability of current units at Turing is shown in Table 3.

While the proposed rents for existing income eligible tenants will be reduced, under standard practices, CSCDA would be permitted to charge new tenants up to the maximum rent levels permitted by CSCDA, which exceed the current market rate rent levels charged at Turing for all unit types, except three-bedroom units. The maximum rents permitted by CSCDA also exceed the average market rate rent for all apartments in Milpitas. So, with turnover, the Project's rents could trend toward current, unrestricted rent levels. Because of these considerations, the affordable housing benefits of the Project could be very limited. The units will have deed restrictions, but the rental rates on many units could approximate or exceed average market rate rents in Milpitas.

F. Rents and AMI have grown unevenly over the past two decades.

As shown in the following graphs and data chart, the annual growth rates of market rate rents and the AMI have differed significantly over the past twenty years. Rents dropped significantly from 2001 to 2005, then grew until 2008 before dropping again in 2009. This was followed by a period of fairly steady growth until 2020. In comparison, the AMI grew sharply between 2001 and 2003, then was flat with slight declines from 2003 through 2016, and then increased at a relatively rapid rate from 2016 through 2021.

For the 10-year period of 2009 through 2019, the AMI has increased at an average annual rate of 2.2%, while apartment rents in Milpitas have increased at higher average annual rate of 2.8%. The averages over the 20-year term of 2001 through 2021 are heavily impacted by both the dotcom bust in the early 2000s and the pandemic and not considered to be less indicative of the future than the experience over the 2009 -2019 period.

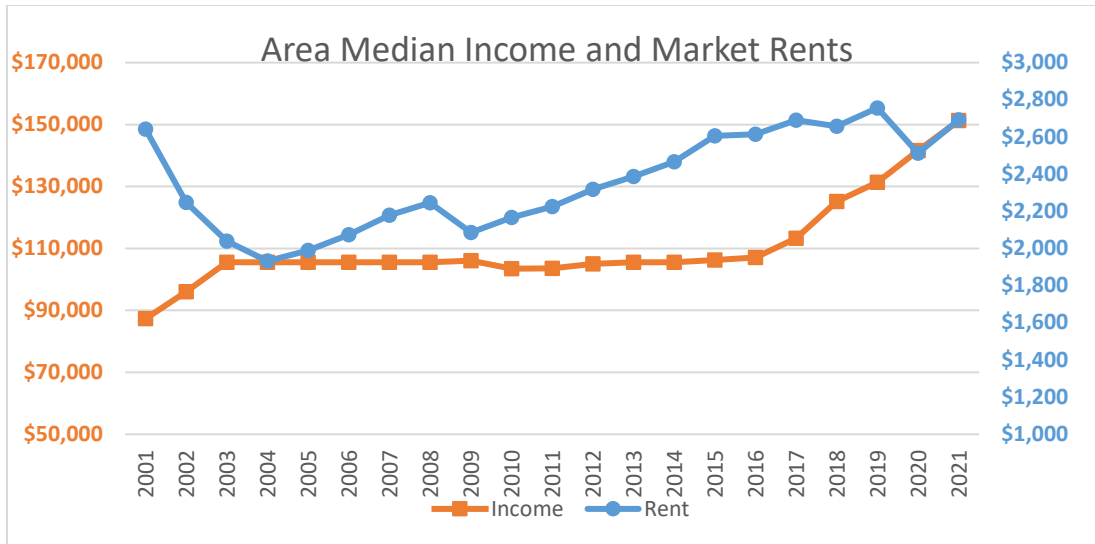


Exhibit 8. Growth in Area Median Income Compared to Market Rents in Milpitas, 2001- 2021

Year	Area Median Income		Milpitas Market Rate Apts.	
	4-person Household	% Change	Market Rate Apartment Rents	% Change
2001	\$87,300		\$2,642	
2002	\$96,000	10%	\$2,247	-15%
2003	\$105,500	10%	\$2,040	-9%
2004	\$105,500	0%	\$1,932	-5%
2005	\$105,500	0%	\$1,989	3%
2006	\$105,500	0%	\$2,073	4%
2007	\$105,500	0%	\$2,179	5%
2008	\$105,500	0%	\$2,246	3%
2009	\$106,100	1%	\$2,085	-7%
2010	\$103,500	-2%	\$2,167	4%
2011	\$103,600	0%	\$2,225	3%
2012	\$105,000	1%	\$2,319	4%
2013	\$105,500	0%	\$2,387	3%
2014	\$105,500	0%	\$2,466	3%
2015	\$106,300	1%	\$2,605	6%
2016	\$107,100	1%	\$2,615	0%
2017	\$113,300	6%	\$2,690	3%
2018	\$125,200	11%	\$2,658	-1%
2019	\$131,400	5%	\$2,756	4%
2020	\$141,600	8%	\$2,513	-9%
2021	\$151,300	7%	\$2,692	7%
Average Annual Change, 2001-2021:		2.9%		0.3%
Average Annual Change, 2009-2019:		2.2%		2.8%

G. Future Rent Increases

The Project's cash flow projection prepared by Waterford assumes a 3% annual increase in overall average rents at Turing, which is consistent with the historic growth in market rate rents over the past decade, but significantly exceeds the average growth rate of the AMI. Per discussions with Waterford, this growth is generated both by annual increases in rents charged to current tenants (restricted to the lesser of annual AMI growth or 4%) and by the turnover of tenants, when rents are reset at the lesser of the maximums permitted under the CSCDA regulations or market rates. Given that the reduced rents are higher than market area rents (except for studios), it is possible that the project could experience significant turnover and the Project's rents will grow at an average of 3%. However, based on past experiences, it is likely that there will be years in which the AMI is flat, or only increases at 1%. During those years, rent increases on existing tenants will be limited to the increase in AMI. In those years, it is likely that the Project will not achieve a 3% growth rate. Given these considerations, KMA has prepared an income and cash flow projection of the Project assuming a 2% annual increase in rents, which KMA believes is a more realistic assumption given the historic pattern of increases in the AMI. The implications of this less aggressive projection on the Project's cash flow and financial returns to the City are presented in Section V of this report.

H. CSCDA Rents and Covenants Relative to RHNA Requirements

Based on the DRAFT 2023-2031 RHNA, the City's production goals are as follows:

- Very Low Income 1,685 units
- Low Income 970 units
- Moderate Income 1,131 units
- Above Moderate Income 2,927 units
- Total New Housing 6,713 units

Unfortunately, the CSCDA program is not aligned with addressing RHNA needs for the following reasons:

- RHNA requires deed restrictions to be in place for 55 years and the CSCDA program is designed for restrictions that are in place for approximately 30 years.
- The CSCDA income limits are higher than the RHNA income limits.
- For Moderate Income units to count towards RHNA, the units must be new construction, which is not the case with the Turing Project;

I. City's Role in Affordability Covenants and Compliance

Under standard CSCDA terms, the City does not have any role in ensuring that affordability covenants are properly implemented. Ensuring compliance is a service provided by the Service

Administrator. The Regulatory Agreement and the Public Benefit Agreement should contain provisions that require the Administrator to provide detailed annual reports to the City that demonstrate that the affordability covenants are being properly implemented. The Administrator should also certify that the covenants are being implemented per the requirements of the Regulatory Agreement.

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V. POTENTIAL FINANCIAL RETURNS TO THE CITY OF MILPITAS

The direct financial impacts to the City from the proposed transaction consist of: 1) foregone ad valorem property tax revenues from the Project during the regulatory term; 2) foregone property tax in lieu of vehicle license fee revenues (PTILVLF) from the state; and 3) potential receipts from the future sale of the Project after the regulatory period terminates and the property is conveyed to the City¹¹. It should be noted that the City would have the right to request for the Project to be sold any time after the 15th year following the issuance of the acquisition bonds. If the City were to elect to request a sale before the end of the scheduled term, a minimum sales price would need to be effectuated that would be sufficient to fully defease outstanding bonds and any other outstanding debt, pay transaction costs, and pay any amounts due to CSCDA.

There are no financial expenditures, liabilities, or obligations to the City that would be created by joining the Authority¹². The Authority is a public entity separate and apart from its members, and any debt or obligations incurred by the Authority will not constitute debts or obligations of any of its member agencies, including the City of Milpitas. Bonds issued for the Authority's acquisition of the Turing Apartments would be indebtedness solely of the Authority and payable only from revenues of the Project.

A. Foregone Property Taxes

As shown in Exhibit 9, the base 1% tax levy on the Project is estimated to total approximately \$1.88 million in FY 2021/22. Additional ad valorem taxes approved by voters total \$333,000, for a total estimated annual payment of \$2.2 million of ad valorem property taxes to affected taxing agencies. The Turing Project also generates approximately \$75,000 property tax revenue in lieu of vehicle license fee (PTILVLF) revenue to the City of Milpitas¹³. If the Project is purchased by the Authority, the Project would be exempt from paying ad valorem property taxes, which would significantly reduce the Project's annual expenses. The City of Milpitas collects approximately 16.24% of the base 1% tax levy net of ERAF or approximately \$305,460 per year. Including the loss of PTILVLF revenue, the revenue loss to the City of Milpitas resulting from the property's new tax-exempt status would approximate \$381,000 per year.

It should be noted that the City of Milpitas as the "host" City, is the only taxing agency that must agree to join the Authority, approve of the issuance of bonds for the subject transaction, and has rights to receive any excess sales proceeds from the sale of the Project at the end of the

¹¹ In addition to these impacts the City will also forego the reimbursement of excess ERAF that is attributable to the Project. The Excess ERAF impacts may diminish or not be applicable over time. These impacts have not been measured or included in this analysis.

¹² There will be additional costs to the City associated with staff time to monitor the Project. These costs have not been estimated and have not been included in this analysis.

¹³ Milpitas receives approximately \$0.4 per \$1,000 of assessed value growth over the City's assessed value in FY 2004/5.

regulatory period. The other taxing agencies do not have the legal authority to deny the ability of the Authority to purchase the Project or to require reimbursement for foregone property tax revenues upon the sale of the Project at the end of the regulatory period.

Exhibit 9. Estimated Foregone Property Tax Revenues to Taxing Agencies, FY 2021-22

Assessed Value		
Land & Improvements		\$186,491,455
Personal Property		<u>\$1,599,901</u>
Project Assessed Value		\$188,091,356
General Levy (1% of Assessed Value)		
City of Milpitas	16.24%	\$305,460
Milpitas Unified	40.08%	\$753,870
San Jose Evergreen Community College	6.50%	\$122,259
County School Service	3.16%	\$59,437
ERAF	14.78%	\$277,999
Santa Clara County	14.03%	\$263,892
Bay Area Air Quality Management District	0.18%	\$3,386
Santa Clara County Importation Water - Misc District	0.49%	\$9,216
Santa Clara County Library	2.56%	\$48,151
Santa Clara Valley Water District	0.16%	\$3,009
Santa Clara County Water District Zone 1	1.69%	\$31,787
Santa Clara County Water District Zone 4	0.13%	\$2,445
Total General Levy	100.00%	\$1,880,914
Voted Indebtedness		
County Retirement Levy	0.0388%	\$72,979
County Library Retirement	0.0024%	\$4,514
Elementary or Unified School Bonds	0.0898%	\$168,906
Community College Bonds	0.0357%	\$67,149
<u>County Bond 2008 Hosp Fac</u>	<u>0.0069%</u>	<u>\$12,978</u>
Subtotal	0.1736%	\$326,527
SCVWD-State Water Project (Land & Imp Only)	0.0037%	\$6,900
Total Voted Indebtedness		\$333,427
Property Tax In-lieu of Motor Vehicle License Fees (PTILVLF)		\$75,237
Total Foregone Property Taxes to Taxing Agencies, FY2021-22		\$2,289,577

Note: The property is located within a former RDA and net distributions to each specific taxing agency may be less than shown due to distributions to the Successor Agency to pay existing obligations. As the Successor Agency's obligations decline, the distributions to the Successor Agency will decline and the distributions to the taxing agencies will move toward the distributions shown in this chart.

Source: Turing FY2020-21 Secured Property Tax Bill, Santa Clara County Assessor data

The Project Administrator has estimated that the acquisition bonds will be retired 34 years following issuance. For purposes of this analysis, it has been assumed that the City would

purchase and then sell the property at the end of year 30. As shown in Exhibit 10, it is estimated that the cumulative total of foregone property tax revenues to the City of Milpitas over the 30-year term would approximate \$9.7 million in 2021 dollars. The cumulative total of foregone property tax revenue for all taxing agencies is projected at \$58.1 million over the 30-year term, in 2021 dollars.

Exhibit 10. Projected Abated Property Taxes and Foregone Milpitas PTILVLF Revenue During Regulatory Period

	Year 1	Year 15	Year 30
All Taxing Entities			
Annual (Increases @ 2% per yr)	\$2,289,577	\$3,021,048	\$4,065,933
Cumulative (Discounted @ 3%)		\$31,170,000	\$58,096,000
City of Milpitas			
Annual (Increases @ 2% per yr)	\$380,697	\$502,321	\$676,059
Cumulative (Discounted @ 3%)		\$5,183,000	\$9,660,000

Source: Turing FY2020-21 Secured Property Tax Bill, Santa Clara County Assessor data.

B. Potential Sales Proceeds available to the City at the End of 30-Year Term

The net sales proceeds that could potentially be available to the City upon a sale at the end of a 30-year term has been estimated based on the cash flow projections prepared by Waterford as well as a less aggressive projection prepared by KMA. The less aggressive scenario assumes that rental rates increase at 2% per year compared with Waterford’s assumption that they increase at 3% per year and that an additional \$28.2 million is spent on capital improvements to ready the property for sale. This investment approximates \$10 million in 2021 dollars. For both projections, KMA assumed that the property would be sold at fair market value without any affordable housing restrictions in year 30. The key findings of the Waterford Projection are presented in Exhibit 11 and the key findings of the 2% rent growth projection are presented in Exhibit 12.

1. Potential Proceeds Based on Cash Flow Projection Prepared by Waterford

As shown in Exhibit 11A, it is estimated that the property could potentially support a sales price of approximately \$401 million, assuming a market capitalization rate of 5% and that capital improvements would not be needed to ready the property for sale.

It is projected that approximately \$85.8 million of bond debt will remain outstanding at the end of the 30th year, which would need to be paid out of escrow. It is also estimated that the Senior Debt Service Reserve balance of \$9.5 million would be available for distribution to the City. The net proceeds after the repayment of outstanding debt would total \$325 million.

Under the CSCDA program, reimbursing any of the other taxing agencies for foregone property tax revenues during the regulatory period is at the discretion of the City. Foregone property taxes for all taxing agencies are estimated to total \$92.9 million. If the City were to reimburse all taxing entities, the net remaining proceeds to the city would total approximately \$232 million, or \$95 million in 2021 dollars. If the City were to elect to not provide any reimbursement to other taxing agencies, the net return to the City would total \$127.4 million in 2021 dollars. Under these projections the City's investment of \$15.4 million of property tax revenues could yield a net return of \$127 million if none of the other taxing agencies are reimbursed for foregone property taxes or up to \$95 million if all taxing agencies are reimbursed. In either case, the sale of the Project would yield a significant return to the City.

Exhibit 11. Projected Net Financial Return to Milpitas - Waterford Projection - 3% Annual Rent Growth

Assumed Year of Sale	Year 15	Year 30
I. Sales Proceeds		
Exit Net Operating Income (100% Market Rate) ¹	\$15,855,000	\$24,776,000
<u>Additional Property Tax Payment²</u>	<u>-\$3,022,000</u>	<u>-\$4,722,000</u>
Adjusted Exit NOI	\$12,833,000	\$20,054,000
Cap Rate	5%	5%
Projected Gross Sales Proceeds	\$256,660,000	\$401,080,000
Senior Debt Service Reserve - Returned to City	\$9,464,655	\$9,464,655
Series A Bonds remaining at End of Term	(\$227,335,073)	(\$80,761,991)
<u>Series B Bonds remaining at End of Term</u>	<u>(\$5,117,350)</u>	<u>(\$5,117,350)</u>
Net Proceeds After Debt Retired	\$33,672,232	\$324,665,314
II. Potential Reimbursement of Foregone Property Tax Revenues		
Reimbursement of Property Tax Foregone by City of Milpitas	\$5,282,453	\$12,391,940
Reimbursement of Property Tax In Lieu of VLF (PTILVLF)	\$1,301,097	\$3,052,202
Reimbursement of Property Tax to All Other Taxing Entities (at discretion of City of Milpitas)	\$33,011,057	\$77,439,594
III. Net Return to The City of Milpitas		
Net Return to City If Only Milpitas Prop Tax and PTILVLF is Reimbursed	\$27,088,682	\$309,221,172
Net Return to City if City and All Other Taxing Entities are Reimbursed	(\$5,922,375)	\$231,781,578
City of Milpitas Equity Multiple (if only City is reimbursed)	5.11x	21.02x
Net Return to City If Only Milpitas Prop Tax and PTILVLF is Reimbursed	\$17,387,194	\$127,395,029
Net Return to City if City and All Other Taxing Entities are Reimbursed	(\$3,801,347)	\$95,490,941

1. Project is sold without affordability restrictions. KMA estimated Net Operating Income using Waterford Residential's market rent growth, income and expense assumptions.
2. Property taxes estimated by KMA based on projected sales price.

2. Potential Financial Returns to Milpitas Based on Modified Cash Flow Projection, Reflecting 2% Annual Rent Increases and \$28 million capital investment at end of 30-year Term

The amount of net proceeds is a function of the economic performance of the Project over the 30-year term and is subject to considerable uncertainty and risk. For example, after 30 years, it is possible that a major capital investment would be needed that exceeds the amount of accumulated reserves. Rehabilitation costs would reduce the amount of available net proceeds, which could have a detrimental impact on potential receipts to the City. The Public Benefit Agreement, which details the City's right to sales proceeds is subordinate to the interest in the Project that is securing the bonds or other Project debt. Therefore, the financial returns to the City are at risk if the Project's cash flow is not sufficient to meet the requirements of Project debt.

The Authority is also permitted to refinance the property without any approval of the City, which could create a situation in which the property carries debt beyond what is contained in the cash flow projections. An additional key assumption is that rents increase at an average annual rate of 3% over the entire 30-year term. Given that the rent increases on existing tenants is limited to the lesser of the increase in the AMI or 4%, that the AMI is often flat, and that market rate rents increased at an average rate of 2.8 percent over the past 10 years, and that capital costs are understated, it is likely that the projected rent escalations are overly optimistic and that the Project's net operating income would be less than projected, which would lead to a lower sales price upon the end of the regulatory term.

Given these risks, KMA has prepared a modified cash flow projection that reflects a 2% annual increase in rents (rather than 3% in the Waterford model) and that \$28 million (\$10 million in 2021 dollars) of proceeds is used to fund capital improvements. The findings of this modified, less aggressive projection are presented in Exhibit 12.

As shown, under this scenario gross proceeds are estimated to total \$102.4 million at the end of year 30, which would yield a net return of \$58.8 million (\$24.2 million in 2021 dollars) to the City if only the City is reimbursed for foregone revenues and the capital investment of \$28.2 million is funded from proceeds. This return is much lower than the Projected return of \$127 million yielded by the Waterford projection. It is also important to note that under this more conservative projection, it is projected that sales proceeds would not be sufficient to reimburse all of the taxing agencies and fund the \$28.2 million of capital improvements. The projection also indicates that a sale at the end of year 15 would not be feasible because sales proceeds would not be sufficient to retire the outstanding bond debt.

Exhibit 12. Projected Net Financial Return to Milpitas - KMA Modified Projection - 2% Annual Rent Growth + Assumed \$10 million (2021 dollars) additional capital improvement at sale

Assumed Year of Sale	Year 15	Year 30
I. Sales Proceeds		
Exit Net Operating Income (100% Market Rate) ¹	\$13,511,000	\$17,594,000
<u>Additional Property Tax Payment</u> ²	<u>-\$2,575,000</u>	<u>-\$3,350,000</u>
Adjusted Exit NOI	\$10,936,000	\$14,244,000
Cap Rate	5%	5%
Projected Gross Sales Proceeds	\$218,720,000	\$284,880,000
Senior Debt Service Reserve - Returned to City	\$9,464,655	\$9,464,655
Series A Bonds remaining at End of Term	(\$242,614,425)	(\$186,049,950)
<u>Series B Bonds remaining at End of Term</u>	<u>(\$5,884,137)</u>	<u>(\$5,884,137)</u>
Net Proceeds After Debt Retired	(\$20,313,908)	\$102,410,567
II. Potential Reimbursement of Foregone Property Tax Revenues		
Reimbursement of Property Tax Foregone by City of Milpitas	\$5,282,453	\$12,391,940
Reimbursement of Property Tax In Lieu of VLF (PTILVLF)	\$1,301,097	\$3,052,202
Reimbursement of Property Tax to All Other Taxing Entities (at discretion of City of Milpitas)	\$33,011,057	\$77,439,594
Assumed Funding of \$28.2 million of additional capital improvements. (\$10 million in 2021 dollars)	\$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	(\$6,583,550)	\$58,766,425
Net Return to City if City and All Other Taxing Entities are Reimbursed and capital improvement is funded	(\$6,583,550)	\$0
City of Milpitas Equity Multiple (if only City is reimbursed)	-1.00x	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	(\$4,225,730)	\$24,210,989
Net Sales Proceeds to City if City and All Other Taxing Entities are Reimbursed	(\$4,225,730)	\$0

1. Project is sold without affordability restrictions. KMA estimated Net Operating Income using Waterford's assumptions for operating expenses. Income reflects assumed 2% annual increase in rents.

2. Property taxes estimated by KMA based on projected sales price.

Another key consideration is that given the City's need for affordable housing, a likely scenario is that the City would elect to sell the Project to a non-profit to continue as an affordable housing project. It is very possible that capital improvements would be needed to keep the project in good condition. Under these scenarios, the Project would not generate any revenues to the City and the taxing entities would not be reimbursed for the foregone property tax revenues that were abated over the 30-year term.

C. Comparison of Foregone Property Tax Revenue to Rent Savings Created by CSCDA program

Exhibit 13 and Tables 4A and 4B present a comparison of the magnitude of foregone property tax revenues to the cumulative value of the rent savings achieved at Turing. In summary, the taxing agencies would forego approximately \$92.9 million in property tax revenue over the 30-year term. The City’s portion of foregone tax revenue totals \$15.4 million in exchange for the investment. As shown in Table 4A, based on the Waterford cash flow projection, Turing tenants would save approximately \$74.9 million in rent relative to the projected rents had the Turing continued to operate as a market-rate project. The value of the foregone property tax revenues exceeds the value of the rent abatement because a portion of that value is captured by the agents of the transaction, including the owner of Turing before it was sold to CSCDA, who would receive an above-market sales price, the Administrator, who would receive fees for facilitating the transaction, and CSCDA.

Under the more conservative projection, which reflects a 2% annual increase in rents, it is estimated that the tenants would save approximately \$159.5 million in rent relative to the projected rents had the Turing continued to operate as a market rate project. Under these assumptions, the rent savings significantly exceed the amount of foregone property taxes.

Exhibit 13. Rents Savings Created by CSCDA Program Compared to Foregone Property Tax Cumulative, Year 1 through Year 30

Cumulative, Year 1 through Year 30				
<i>Rental Income, Assuming 100% market rate project</i>	<i>Rental Income with CSCDA Restrictions</i>	<i>Rent Savings Due to CSCDA Program</i>	<i>Foregone Property Tax Payments</i>	<i>Amount by Which Foregone PPTX exceeds Rent Savings</i>
Based on Waterford Cash Flow Projection				
\$667.6 million	\$592.7 million	\$74.9 million	\$92.9 million	\$18.0million
Based on Modified Cash Flow Projection with 2% Annual Rent Increases				
\$667.6 million	\$508.1 million	\$159.5 million	\$92.9 million	-\$66.6 million

VI. ECONOMICS OF TRANSACTION STRUCTURE AND CITY RISKS

The anticipated sources and uses of funds for the acquisition of the Project are shown in Exhibit 14. As shown the acquisition would be fully financed by a tax-exempt bond issued by the Authority as well as a subordinate Series B bond providing a preferred return to Waterford, the Project Administrator. The Series A Bond would be sold to institutional investors with a \$249.1 million principal and a \$17.1 million issuance premium. A Series B Bond of \$5 million would also be issued, which would provide a potential future payment of \$5 million to the Administrator.

Exhibit 14. Anticipated Sources and Uses of Funds

Sources of Funds	Total	%
Series A	\$249,069,856	92%
Series A Issuance Premium	\$17,104,762	6%
Series B	\$5,000,000	2%
Total Sources	\$271,174,618	100%
Uses of Funds		
		%
Project Acquisition Account	\$237,350,000	88%
Capital Expense Fund	\$3,063,173	1%
Operating Reserve	\$784,255	0.3%
Coverage Reserve	\$1,892,931	1%
Senior Debt Service Reserve	\$9,464,655	3%
Capitalized Admin. Fees	\$2,500,000	1%
Initial Pmt. Project Admin	\$3,000,000	1%
Project Admin. Preferred Return	\$5,000,000	2%
Extraordinary Expense	\$500,000	0.2%
Operating Account	\$448,326	0.2%
Costs of Issuance	\$7,421,278	3%
Total Use of Funds	\$271,174,617	100%

As proposed, CSCDA would purchase the Turing for a purchase price of \$235,250,000. A recent appraisal of the property established the Project's value at \$224 million as a market rate project and a value of \$279 million under the assumption that property taxes are abated and the Project participates in the CSCDA program. The appraisal demonstrates that the CSCDA program enhances the value of the property.

Based on the projections prepared by Waterford, the Project's successful operating performance is closely tied to:

- Achieving 3% annual rental increases through AMI adjustments and turnover. The rent increases are needed to support increases in operating expenses, to have sufficient cash flow to start paying down the outstanding bond principal and to maintain a 1.0 cash debt service coverage ratio. These are both aggressive assumptions.

- Investment earnings on the senior debt service reserve fund of 1.9% per year, which enables the project to start paying down the outstanding bond principal;
- Short term investment earnings of 1.05%
- Reducing the property's vacancy to 5% by the 3rd year;
- Interest only bonds with principal paid from available cash flow and released reserve funds; and
- Use of the coverage reserve fund to meet annual 1.2 debt coverage requirements. On a cash basis, the annual debt service coverage is 1.0.

In their entirety, these operating projections appear to be aggressively optimistic. Small deviations in actual performance relative to the projections could result in the Project needing to draw down on the reserve funds to pay operating costs and interest costs, which could jeopardize the Project's ability to release the debt service reserves for use to pay down the principal owed on the bonds. Tables 5A and 6A present Waterford's cash flow and debt service projections.

Given the aggressive assumptions of the Waterford cash flow projection, KMA modified the projection to reflect a 2% annual growth rate of rents rather than the 3% annual increase reflected in the Waterford projection. As shown in Exhibit 12, under the modified projection, the net return to the City is significantly less than under the Waterford projection. The projection also indicates that a sale in year 15 is not feasible.

A. Repayment of Project Debt is secured solely by the Project and not the City

One of the key benefits of the revenue bond structure is that the repayment of the debt is secured solely by the revenue generated by the Project. The City of Milpitas would not bear any direct risk relative to curing a default of the bond. However, if there were to be a default, the City would not be able to recover any portion of foregone property tax revenues.

B. Payments to the Project Administrator and CSCDA

Up-front fees to the Administrator to be funded from bond proceeds total \$4.25 million. Upon the sale of the Project, the Administrator would earn an additional return of \$5 million. This is an incentive for ensuring the Project's success. In addition to receiving a distribution of bond proceeds, the Administrator and CSCDA would each receive \$250,000 annually from the Project's cash flow. The Administrator's share would increase at a rate of 3% per year while CSCDA's share would not escalate.

Total scheduled compensation to Waterford over the projected 35-year term approximates \$12.8 million in 2021 dollars.

Bond proceeds to CSCDA total \$1,250,000. Including the annual payment of \$250,000 from cash flow, scheduled compensation to CSCDA over the projected 35-year term totals \$5.05 million in 2021 dollars.

C. Property Management Fee

Greystar's management fee be 1.75% of gross effective income, with a minimum payment of \$18,000 per month. This fee is significantly less than the current management expenses incurred by the Project and other apartment complexes in the market area. Greystar is the largest "institutional" multifamily property management company in the country and is able to get much better efficiencies through its scale than the current owner. Greystar manages Waterford's entire "middle income" portfolio, which is now over 2,000 units and over \$1.1 billion in bond issuances.

D. Funds for Capital Improvements

Funding for capital improvements is limited to the \$3.1 million funded with bond proceeds and annual contributions of \$300 per unit for first 9 years (escalated) and increasing to \$700 per unit (without escalation) in year 10. In 2021 dollars, the Project has sufficient funds for a total of \$7.6 million of capital improvements over 35 years, which is inconsistent with the findings of the Property Condition Report, which estimates a need for \$3.1 million of improvements over the first 12 years. Extrapolating the report's estimates for the first 12 years to 35 years would indicate a need for \$9 million of capital replacement funds. An estimated need of \$9 million is likely to be inadequate because the Property Condition Report did not include any need for many capital improvements that would be needed as the Project ages, including landscaping improvements, paving improvements, roof repairs, replacing doors and windows, and improvements to kitchens and bathrooms. We recommend that the Property Condition Report be revised to account for the Project's needs over 35 years, including a healthy contingency factor, and that sufficient funds be deposited to cover the projected needs over the 35-year term.

VII. SUMMARY OF INTERVIEWS WITH STAFF FROM CITIES THAT ELECTED TO NOT PARTICIPATE IN THE PROGRAM

At the direction of the City of Milpitas, KMA interviewed staff at cities that have decided not to participate in CSCDA program. The purpose of the interviews was to identify the reasons behind the cities' decisions in order to understand better the potential concerns with the program. KMA spoke with staff at the cities of Santa Clara, San Jose, and Oakland. Oakland city staff requested that their interview remain confidential. The findings from the Santa Clara and San Jose interviews are summarized below.

The City of Santa Clara staff indicated that while they see potential with the Middle Income Housing program model, they feel there would be more benefit if the program could be used for new construction projects rather than acquisition projects. Their concerns with the current program include the following:

- The significant amount of foregone property tax revenues for at least 30 years without receiving substantial affordability benefits in return.
- The City would prefer to target households earning 80% of AMI, as there is a lack of demand for rental units affordable to the 100% – 120% AMI range.
- The reduction in rents in the building relies on natural turnover and therefore, there is no guarantee regarding when the building will be fully affordable.
- The structure of the regulatory agreement is such that the units do not qualify for RHNA credit, which is the main concern of the City Council and community members.

The City of San Jose staff prepared a detailed staff report discussing their position regarding the MIH program. They also referred City Council to a memo prepared by HR&A for the City of Long Beach, which identified several potential issues of concern. City Council directed staff to review the MIH proposals and prepare a term sheet that would mitigate the issues of concern. Staff was able to mitigate some of the issues but not all. Some issues that could not be mitigated were:

- The Structure of the Joint Powers Authority (JPA): San Jose would have joined the JPA as an alternate member and not a voting member. Legal counsel was worried about what recourse the City would have as a non-voting member. Since the JPA was already set up, it was unlikely that the structure could be modified.
- Enforceability of Affordability Restrictions: The program gave the City no way to enforce the affordability restrictions.

The following issues could be at least partially mitigated, although there was hesitancy from the investors on some of them:

- San Jose Staff was concerned with the amount of debt that the property would carry.

- The Debt Service Coverage Ratio was close to 1.0, which is a level that the City's Finance Department would not underwrite to on other deals.
- The City has interest in the property being well maintained and having sufficient cash flow to fund ongoing maintenance and capital expenses, because they need the property to have sufficient value at the end of the 30-year term.
- The MIH program asserts that the local jurisdiction takes ownership of the building after 30 years. However, in the City's analysis, this might not be the case. The City only takes ownership of the building after all the debt is repaid. When City staff analyzed some of the proposed deals, there was still outstanding debt at the end of 30 years.
- The Finance Department was concerned about sufficient reserves to cover repairs over 30 years. Some of the pro forma/cash flow examples showed the reserve accounts still fully funded at the end of 30 years, with no withdrawals made for capital expenses.
- The 100% and 120% AMI affordable rent levels were close to market rate rents, so there was no significant affordability benefit. The only immediate affordability benefit came at the 80% AMI level.
 - Staff acknowledges that the program provides annual "rent control," but notes that it takes time to get the full affordability benefit because it depends on natural turnover with no displacement of current tenants.
 - The property is receiving the full property tax exemption regardless of the income levels of the tenants.
- San Jose Staff felt that the levels of fees were too high, especially for the project administrator. In addition, they were concerned that the investor was not contributing any equity to the project.
- There was concern that the MIH investors are paying above market prices for the buildings, which would artificially inflate the real estate market.

In addition to these issues, San Jose Staff also had the following concerns:

- While there is no direct financial risk to the City, there is reputational risk. Staff was concerned by the uncertainty of what could occur at the end of the 30-year term.
- The Finance Department was concerned that the State Treasurer might have issues with the MIH program, leaving the City at risk. Similarly, they were concerned that the IRS could determine that the properties do not qualify for a property tax exemption.

City Council directed staff to explore creating a similar structure on a regional level with the Association of Bay Area Governments or the Bay Area Housing Finance Authority. Ideally, the regional program would be structured with a similar premise, but would mitigate the risks outlined above.

VIII. PRELIMINARY FINDINGS AND RECOMMENDATIONS

A. Affordability Considerations

1. The proposed rent reductions would decrease the rental rates paid by existing income eligible households by approximately 10%, or \$323 per month. These rent reductions would only apply to existing tenants and only as leases renew.
2. The Turing commands premium rents relative to other market rate projects in Milpitas. As a result, even with an average 10% reduction in rental rates, the proposed reduced rental rates would exceed average market rental rates in Milpitas.
3. The proposed rental rates for studios, one-bedroom units, and two-bedroom units meet both CSCDA and HCD limits for Moderate Income housing.
4. The proposed rental rates for a portion of the three-bedroom units exceed HCD limits for Moderate Income housing, but they would meet CSCDA's limits for Moderate Income housing.
5. The rental rates to be charged on new tenants as spaces turn over would be subject to the CSCDA maximum rents, which exceed market area rents and, in most cases, exceed the current market rate rents currently charged by Turing. It is likely that the rents on new leases would be significantly higher than the market rate rents in Milpitas.
6. The projected performance and ability to service debt relies on rents increasing at an average rate of 3% per year. This rate of increase exceeds the average rate of growth of the AMI over the past 10 years or 20 years. The project's financial needs will likely result in the need to maximize rent increase on new tenants and rents could be equal to Turing's current market rate rents for all units, except three-bedroom units.
7. The rent restrictions will not provide the City with any credit towards meeting its Regional Housing Needs Allocation, which is of critical importance to the City of Milpitas

B. Financial Feasibility Considerations

1. Over a 30-year period, it is estimated that the City would forego a total of \$15.4 million (\$9.7 million in 2021 dollars) of ad valorem property tax revenue and property taxes in lieu of vehicle license fee revenue.
2. The projected performance of the Project is dependent on numerous factors. Small deviations from projected rent increases, interest income, and operating expenses could have significant impacts on the Project's ability to pay down the outstanding bond

principal, viability, and yield sales revenue to reimburse the City for foregone property tax revenue.

3. The Project's funding for capital reserves appears to be inadequate to meet the Project's needs throughout the 35-year projected regulatory period.
4. The sale of the Project at the end of the 30-year term could potentially yield significant proceeds to the City. As projected by Waterford, the City could receive a net return of \$95 million (2021 dollars) if the Project is sold at fair market value and all taxing agencies are reimbursed for foregone property taxes. However, the size of the net surplus is very sensitive to the operations of the Project, future market conditions and factors over which the City has no control. If the projection is modified to reflect a more conservative assumption regarding rent increases (2% per year rather than 3%) and includes a capital investment in year 30, the projected return to the City drops dramatically. Under that scenario, it is projected that net sales revenues would not be sufficient to reimburse all of the taxing agencies for foregone property tax revenues and fund the capital replacement investment. If the City only reimburses itself and funds the capital investment, it is anticipated that the City's net return would approximate \$24.2 million in 2021 dollars. This return is marginal given the level of risk involved with the Project.
5. As proposed the Project's financing does not require an investment of cash equity and all debt is secured solely by the revenue generated by the Project. The structure of the transaction provides significant up-front compensation to the Administrator, CSCDA, and the current owner of the Project. In contrast, the potential financial returns to the bond holders, the City and other taxing agencies are subject to risk and the financial performance of the project.

C. Recommendations

If the City elects to participate in the CSCDA program, we recommend the following:

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. The proposed rent levels exceed average market rate rental rates, which largely nullifies the argument that the Project will enhance the affordability of apartments in Milpitas.
2. Rent and income restrictions contained in the Regulatory Agreement should conform to the Department of Housing and Community Development (HCD) income and rent formulas. As proposed, the rent and income formulas are not consistent with the HCD formulas and result in significantly higher rents than what would be permitted by HCD.

3. The Property Condition Report should address the Project's needs for a 34-year term and the Project's financing plan provide funding to cover the anticipated capital improvement costs over the 34-year term. The draft property condition report only addresses 12 years of needs. The proposed annual contributions for capital improvements appears to be inadequate.
4. Any refinancing of Project debt should be subject to the City's approval.
5. The Project should be required to submit proposed rent increases to the City's approval to ensure that the affordability restrictions are enforced.
6. The Project should be required to submit an annual report to the City demonstrating that the affordability covenants are being properly implemented and enforced.
7. The Administrator should be obligated to certify that the affordability covenants are being properly implemented and enforced.
8. The Project's cash flow projection should be based on more conservative assumptions to reduce the level of risk and provide greater assurance for long-term viability.
9. The bond underwriting assumptions should be reviewed by an underwriter retained by the City and the City's Financial Advisor to ensure that the financial structure is sound and consistent with industry standards for multifamily revenue bonds and is appropriate for the City's participation.
10. Greystar should be required to submit its tenant selection plan, maintenance plan, staffing plan and marketing plan for the City's approval.
11. Greystar should be required to submit annual reports on the Project's operations, including the Project's rent roll, that clearly track the annual increase in rental rates, operating expenses, capital improvements, vacancy rates, bond interest and redemption payments, and all bond specific payments.

IX. LIMITING CONDITIONS

1. KMA is not advising or recommending any action be taken by the City with respect to any prospective, new or existing municipal financial products or issuance of municipal securities (including with respect to the structure, timing, terms and other similar matters concerning such financial products or issues);
2. KMA is not acting as a Municipal Advisor to the City and does not assume any fiduciary duty hereunder, including, without limitation, a fiduciary duty to the City pursuant to Section 15B of the Exchange Act with respect to the services provided hereunder and any information and material contained in KMA's work product; and
3. The City shall discuss any such information and material contained in KMA's work product with any and all internal and/or external advisors and experts, including its own municipal advisors, that it deems appropriate before acting on the information and material.

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Table 1
Comparison of Turing Rental Rates to Rents of Other Market Rate Rental Units in Milpitas
City of Milpitas, CA

Building Name	Year Built	Total Units	Studio				One Bedrooms				Two Bedrooms				Three Bedrooms			
			# of Units	SF/ Unit	Rent	Rent/SF	# of Units	SF/ Unit	Rent	Rent/SF	# of Units	SF/ Unit	Rent	Rent/SF	# of Units	SF/ Unit	Rent	Rent/SF
Subject Property - Turing - Avg.																		
Current Effective Rents¹	2018	371	19	563	\$2,278	\$4.05	193	778	\$2,923	\$3.76	150	1,157	\$3,427	\$2.96	9	1,667	\$5,327	\$3.20
Subject Property- Turing - Proposed Avg. Rents																		
At 80%			6.3		\$2,004	\$3.56	64.3		\$2,572	\$3.31	50		\$3,015	\$2.61	3		\$3,866	\$2.32
At 100%			6.3		\$2,050	\$3.64	64.3		\$2,631	\$3.38	50		\$3,084	\$2.67	3		\$4,794	\$2.88
At 120%			6.3		<u>\$2,096</u>	<u>\$3.72</u>	64.3		<u>\$2,689</u>	<u>\$3.46</u>	50		<u>\$3,152</u>	<u>\$2.72</u>	3		<u>\$4,901</u>	<u>\$2.94</u>
Average					\$2,050	\$3.64			\$2,631	\$3.38			\$3,084	\$2.67			\$4,520	\$2.71
Proposed Change in Monthly Rental Rates																		
At 80%					\$274				\$351				\$412				\$1,461	
At 100%					\$228				\$292				\$343				\$533	
At 120%					<u>\$182</u>				<u>\$234</u>				<u>\$275</u>				<u>\$426</u>	
Average					\$228				\$292				\$343				\$807	
Market Rate Units in Milpitas²																		
Anton Aspire	2020	317	36	542	\$2,225	\$4.11	161	731	\$2,668	\$3.65	120	1,104	\$3,398	\$3.08				
The Edge Apartments	2018	381					146	666	\$2,353	\$3.53	235	892	\$3,073	\$3.45				
Capitol 650	2018	351					245	750	\$2,856	\$3.81	106	1,117	\$3,657	\$3.28				
Amalfi Apartments	2015	378					191	690	\$2,270	\$3.29	187	870	\$2,813	\$3.23				
ILARA Apartments	2015	200	30	578	\$2,142	\$3.71	45	767	\$2,387	\$3.11	125	1,136	\$3,042	\$2.68				
Apex	2014	366	23	581	\$2,062	\$3.55	149	736	\$2,271	\$3.08	125	1,044	\$2,858	\$2.74	69	1,275	\$3,515	\$2.76
Mill Creek Apartments	1991	516					180	644	\$2,132	\$3.31	276	959	\$2,604	\$2.72	60	1,303	\$3,439	\$2.64
Spinnaker Pointe Apartments	1989	220					100	718	\$1,792	\$2.50	120	900	\$2,596	\$2.88				
555 Apartments	1973	137					40	635	\$2,159	\$3.40	65	850	\$2,590	\$3.05	32	974	\$2,983	\$3.06
Spring Valley Apartment Homes	1963	120					29	606	\$1,885	\$3.11	62	832	\$1,979	\$2.38	29	1,006	\$2,959	\$2.94
Weighted Average Rents, Milpitas Apts.		2,986	89	564	\$2,155	\$3.83	1,286	704	\$2,376	\$3.37	1,421	968	\$2,887	\$2.99	190	1,192	\$3,317	\$2.80
Difference between Current Turing Rents and Market Rents					\$123	\$0.22			\$547	\$0.39			\$540	-\$0.03			\$2,010	\$0.40
Difference between Proposed Average Turing Rents and Market Rents					-\$105	-\$0.19			\$254	\$0.01			\$197	-\$0.33			\$1,204	-\$0.09

¹ Source: Cash Flow projection provided by property owner. Averages differ slightly from those calculated by KMA in Table 3.

² Source : CoStar. Effective rents for apartments with more than 100 units.

Table 2
Affordability of Turing and Market Rate Rental Apartments in Milpitas
City of Milpitas, CA

	Market Rate Rentals in Milpitas				Current Turing Rents				Proposed Average Turing Rents, Existing Income Eligible Hhlds. ⁴			
	Studio	One Bedroom	Two Bedroom	Three Bedroom	Studio	One Bedroom	Two Bedroom	Three Bedroom	Studio	One Bedroom	Two Bedroom	Three Bedroom
Average Monthly Effective Rent¹	\$2,155	\$2,376	\$2,887	\$3,317	\$2,278	\$2,923	\$3,427	\$5,327	\$2,050	\$2,631	\$3,084	\$4,520
Annual Rent	\$25,859	\$28,518	\$34,643	\$39,798	\$27,336	\$35,076	\$41,124	\$63,924	\$24,600	\$31,568	\$37,004	\$54,245
Annual Utility Expenses ²	\$2,136	\$2,232	\$2,592	\$2,952	\$2,136	\$2,232	\$2,592	\$2,952	\$2,136	\$2,232	\$2,592	\$2,952
Total Annual Housing Expenses	\$27,995	\$30,750	\$37,235	\$42,750	\$29,472	\$37,308	\$43,716	\$66,876	\$26,736	\$33,800	\$39,596	\$57,197
Est. Renter's Gross Household Income assuming 30% of income is spent on housing costs	\$93,316	\$102,499	\$124,118	\$142,501	\$98,240	\$124,360	\$145,720	\$222,920	\$89,120	\$112,667	\$131,987	\$190,655
Area Median Household Income 2021 ³												
Hhld of One Person	\$105,900				\$105,900				\$105,900			
Hhld of Two People		\$121,050				\$121,050				\$121,050		
Hhld of Three People			\$136,150				\$136,150				\$136,150	
Hhld of Four People				\$151,300				\$151,300				\$151,300
Affordability Level of Rent as a % of AMI (Per HCD Regulations)	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate	Above Moderate	Moderate ⁴	Moderate	Moderate	Above Moderate
Hhld of One Person	88%				93%				84%			
Hhld of Two People		85%				103%				93%		
Hhld of Three People			91%				107%				97%	
Hhld of Four People				94%				147%				126%

¹ See Table 1.

² Source: Santa Clara County Housing Authority. Assumes tenant pays for electricity, electric heat, water, gas, sewer, trash.

³ Source: HCD. Per the California Government code, affordable rents are calculated based on an assumed household size equal to the number of bedrooms plus 1.

⁴ Property owner is proposing the restricted rents will be split evenly between 80%, 100% and 120% AMI. This calculation is based on the average rents.

Table 3
Affordability of Current Rents for Occupied Units Relative to HCD Requirements
Turing Apartments
City of Milpitas, CA

Unit Type	Current Lease Rent	Annual Lease Rent	Annual Utility Allowance	Total Housing Expenses	HCD Requirements	
					Household Income Required @ 30%	Percent of AMI
A1	\$2,943	\$35,316	\$2,232	\$37,548	\$125,160	103%
A1	\$2,780	\$33,360	\$2,232	\$35,592	\$118,640	98%
A1	\$2,475	\$29,700	\$2,232	\$31,932	\$106,440	88%
A1	\$2,535	\$30,420	\$2,232	\$32,652	\$108,840	90%
A2	\$2,875	\$34,500	\$2,232	\$36,732	\$122,440	101%
A2	\$2,575	\$30,900	\$2,232	\$33,132	\$110,440	91%
A2	\$2,560	\$30,720	\$2,232	\$32,952	\$109,840	91%
A2	\$2,445	\$29,340	\$2,232	\$31,572	\$105,240	87%
A2	\$2,195	\$26,340	\$2,232	\$28,572	\$95,240	79%
A2	\$2,950	\$35,400	\$2,232	\$37,632	\$125,440	104%
A2	\$2,650	\$31,800	\$2,232	\$34,032	\$113,440	94%
A2	\$2,350	\$28,200	\$2,232	\$30,432	\$101,440	84%
A2	\$2,650	\$31,800	\$2,232	\$34,032	\$113,440	94%
A2	\$2,560	\$30,720	\$2,232	\$32,952	\$109,840	91%
A2	\$2,860	\$34,320	\$2,232	\$36,552	\$121,840	101%
A2	\$2,868	\$34,416	\$2,232	\$36,648	\$122,160	101%
A2	\$2,645	\$31,740	\$2,232	\$33,972	\$113,240	94%
A2	\$2,816	\$33,792	\$2,232	\$36,024	\$120,080	99%
A2	\$2,816	\$33,792	\$2,232	\$36,024	\$120,080	99%
A2	\$2,345	\$28,140	\$2,232	\$30,372	\$101,240	84%
A2	\$2,645	\$31,740	\$2,232	\$33,972	\$113,240	94%
A2	\$2,808	\$33,696	\$2,232	\$35,928	\$119,760	99%
A2	\$2,858	\$34,296	\$2,232	\$36,528	\$121,760	101%
A2	\$2,260	\$27,120	\$2,232	\$29,352	\$97,840	81%
A2	\$2,645	\$31,740	\$2,232	\$33,972	\$113,240	94%
A2	\$2,195	\$26,340	\$2,232	\$28,572	\$95,240	79%
A2	\$2,560	\$30,720	\$2,232	\$32,952	\$109,840	91%
A2	\$2,645	\$31,740	\$2,232	\$33,972	\$113,240	94%
A2	\$2,345	\$28,140	\$2,232	\$30,372	\$101,240	84%
A2	\$2,870	\$34,440	\$2,232	\$36,672	\$122,240	101%
A2	\$2,645	\$31,740	\$2,232	\$33,972	\$113,240	94%
A2	\$2,385	\$28,620	\$2,232	\$30,852	\$102,840	85%
A2	\$2,891	\$34,692	\$2,232	\$36,924	\$123,080	102%
A2	\$2,870	\$34,440	\$2,232	\$36,672	\$122,240	101%
A2	\$2,450	\$29,400	\$2,232	\$31,632	\$105,440	87%
A2	\$2,450	\$29,400	\$2,232	\$31,632	\$105,440	87%
A2	\$2,575	\$30,900	\$2,232	\$33,132	\$110,440	91%
A2	\$2,475	\$29,700	\$2,232	\$31,932	\$106,440	88%
A2	\$2,485	\$29,820	\$2,232	\$32,052	\$106,840	88%
A2	\$2,375	\$28,500	\$2,232	\$30,732	\$102,440	85%
A2	\$2,275	\$27,300	\$2,232	\$29,532	\$98,440	81%

Unit Type	Current Lease Rent	Annual Lease Rent	Annual Utility Allowance	Total Housing Expenses	HCD Requirements	
					Household Income Required @ 30%	Percent of AMI
A2	\$2,883	\$34,596	\$2,232	\$36,828	\$122,760	101%
A2	\$2,475	\$29,700	\$2,232	\$31,932	\$106,440	88%
A2	\$2,575	\$30,900	\$2,232	\$33,132	\$110,440	91%
A2	\$2,906	\$34,872	\$2,232	\$37,104	\$123,680	102%
A2	\$2,745	\$32,940	\$2,232	\$35,172	\$117,240	97%
A2	\$2,575	\$30,900	\$2,232	\$33,132	\$110,440	91%
A2	\$2,275	\$27,300	\$2,232	\$29,532	\$98,440	81%
A2	\$2,685	\$32,220	\$2,232	\$34,452	\$114,840	95%
A2	\$2,903	\$34,836	\$2,232	\$37,068	\$123,560	102%
A2	\$2,871	\$34,452	\$2,232	\$36,684	\$122,280	101%
A2	\$2,650	\$31,800	\$2,232	\$34,032	\$113,440	94%
A2	\$2,814	\$33,768	\$2,232	\$36,000	\$120,000	99%
A2	\$2,275	\$27,300	\$2,232	\$29,532	\$98,440	81%
A2	\$2,512	\$30,144	\$2,232	\$32,376	\$107,920	89%
A2	\$2,705	\$32,460	\$2,232	\$34,692	\$115,640	96%
A2	\$2,605	\$31,260	\$2,232	\$33,492	\$111,640	92%
A2	\$2,395	\$28,740	\$2,232	\$30,972	\$103,240	85%
A2	\$2,885	\$34,620	\$2,232	\$36,852	\$122,840	101%
A2	\$2,888	\$34,656	\$2,232	\$36,888	\$122,960	102%
A2	\$2,390	\$28,680	\$2,232	\$30,912	\$103,040	85%
A2	\$2,630	\$31,560	\$2,232	\$33,792	\$112,640	93%
A2	\$2,320	\$27,840	\$2,232	\$30,072	\$100,240	83%
A2	\$2,951	\$35,412	\$2,232	\$37,644	\$125,480	104%
A2	\$3,011	\$36,132	\$2,232	\$38,364	\$127,880	106%
A3	\$2,295	\$27,540	\$2,232	\$29,772	\$99,240	82%
A3	\$2,854	\$34,248	\$2,232	\$36,480	\$121,600	100%
A3	\$2,900	\$34,800	\$2,232	\$37,032	\$123,440	102%
A3	\$2,900	\$34,800	\$2,232	\$37,032	\$123,440	102%
A3	\$2,395	\$28,740	\$2,232	\$30,972	\$103,240	85%
A4	\$2,575	\$30,900	\$2,232	\$33,132	\$110,440	91%
A4	\$2,755	\$33,060	\$2,232	\$35,292	\$117,640	97%
A4	\$2,815	\$33,780	\$2,232	\$36,012	\$120,040	99%
A4	\$2,480	\$29,760	\$2,232	\$31,992	\$106,640	88%
A4	\$3,077	\$36,924	\$2,232	\$39,156	\$130,520	108%
A4	\$2,280	\$27,360	\$2,232	\$29,592	\$98,640	81%
A4	\$2,195	\$26,340	\$2,232	\$28,572	\$95,240	79%
A4	\$2,475	\$29,700	\$2,232	\$31,932	\$106,440	88%
A4	\$2,315	\$27,780	\$2,232	\$30,012	\$100,040	83%
A4	\$3,055	\$36,660	\$2,232	\$38,892	\$129,640	107%
A4	\$2,680	\$32,160	\$2,232	\$34,392	\$114,640	95%
A4	\$2,605	\$31,260	\$2,232	\$33,492	\$111,640	92%
A4	\$2,380	\$28,560	\$2,232	\$30,792	\$102,640	85%
A4	\$2,755	\$33,060	\$2,232	\$35,292	\$117,640	97%
A4	\$2,650	\$31,800	\$2,232	\$34,032	\$113,440	94%
A4	\$2,590	\$31,080	\$2,232	\$33,312	\$111,040	92%
A4	\$2,390	\$28,680	\$2,232	\$30,912	\$103,040	85%

Unit Type	Current Lease Rent	Annual Lease Rent	Annual Utility Allowance	Total Housing Expenses	HCD Requirements	
					Household Income Required @ 30%	Percent of AMI
A4	\$2,680	\$32,160	\$2,232	\$34,392	\$114,640	95%
A4	\$2,680	\$32,160	\$2,232	\$34,392	\$114,640	95%
A4	\$2,390	\$28,680	\$2,232	\$30,912	\$103,040	85%
A4	\$2,475	\$29,700	\$2,232	\$31,932	\$106,440	88%
A4	\$2,980	\$35,760	\$2,232	\$37,992	\$126,640	105%
A4	\$2,300	\$27,600	\$2,232	\$29,832	\$99,440	82%
A4	\$2,745	\$32,940	\$2,232	\$35,172	\$117,240	97%
A4	\$2,565	\$30,780	\$2,232	\$33,012	\$110,040	91%
A4	\$2,962	\$35,544	\$2,232	\$37,776	\$125,920	104%
A4	\$2,977	\$35,724	\$2,232	\$37,956	\$126,520	105%
A4	\$2,980	\$35,760	\$2,232	\$37,992	\$126,640	105%
A4	\$2,690	\$32,280	\$2,232	\$34,512	\$115,040	95%
A4	\$2,987	\$35,844	\$2,232	\$38,076	\$126,920	105%
A4	\$2,795	\$33,540	\$2,232	\$35,772	\$119,240	99%
A4	\$2,650	\$31,800	\$2,232	\$34,032	\$113,440	94%
A4	\$2,690	\$32,280	\$2,232	\$34,512	\$115,040	95%
A4	\$2,790	\$33,480	\$2,232	\$35,712	\$119,040	98%
A4	\$3,000	\$36,000	\$2,232	\$38,232	\$127,440	105%
A4	\$2,635	\$31,620	\$2,232	\$33,852	\$112,840	93%
A4	\$2,675	\$32,100	\$2,232	\$34,332	\$114,440	95%
A4	\$2,580	\$30,960	\$2,232	\$33,192	\$110,640	91%
A4	\$2,965	\$35,580	\$2,232	\$37,812	\$126,040	104%
A4	\$2,965	\$35,580	\$2,232	\$37,812	\$126,040	104%
A4	\$2,565	\$30,780	\$2,232	\$33,012	\$110,040	91%
A4	\$2,390	\$28,680	\$2,232	\$30,912	\$103,040	85%
A4	\$2,980	\$35,760	\$2,232	\$37,992	\$126,640	105%
A4	\$2,980	\$35,760	\$2,232	\$37,992	\$126,640	105%
A4	\$2,580	\$30,960	\$2,232	\$33,192	\$110,640	91%
A4	\$2,280	\$27,360	\$2,232	\$29,592	\$98,640	81%
A4	\$2,580	\$30,960	\$2,232	\$33,192	\$110,640	91%
A4	\$2,455	\$29,460	\$2,232	\$31,692	\$105,640	87%
A4	\$2,645	\$31,740	\$2,232	\$33,972	\$113,240	94%
A4	\$2,495	\$29,940	\$2,232	\$32,172	\$107,240	89%
A4	\$2,995	\$35,940	\$2,232	\$38,172	\$127,240	105%
A4	\$2,405	\$28,860	\$2,232	\$31,092	\$103,640	86%
A4	\$3,002	\$36,024	\$2,232	\$38,256	\$127,520	105%
A4	\$2,590	\$31,080	\$2,232	\$33,312	\$111,040	92%
A4	\$2,300	\$27,600	\$2,232	\$29,832	\$99,440	82%
A4	\$2,405	\$28,860	\$2,232	\$31,092	\$103,640	86%
A4	\$2,755	\$33,060	\$2,232	\$35,292	\$117,640	97%
A4	\$3,012	\$36,144	\$2,232	\$38,376	\$127,920	106%
A4	\$2,942	\$35,304	\$2,232	\$37,536	\$125,120	103%
A4	\$2,987	\$35,844	\$2,232	\$38,076	\$126,920	105%
A4	\$2,495	\$29,940	\$2,232	\$32,172	\$107,240	89%
A4	\$2,280	\$27,360	\$2,232	\$29,592	\$98,640	81%
A4	\$2,977	\$35,724	\$2,232	\$37,956	\$126,520	105%

Unit Type	Current Lease Rent	Annual Lease Rent	Annual Utility Allowance	Total Housing Expenses	HCD Requirements	
					Household Income Required @ 30%	Percent of AMI
A4	\$2,580	\$30,960	\$2,232	\$33,192	\$110,640	91%
A4	\$2,590	\$31,080	\$2,232	\$33,312	\$111,040	92%
A4	\$3,005	\$36,060	\$2,232	\$38,292	\$127,640	105%
A4	\$2,255	\$27,060	\$2,232	\$29,292	\$97,640	81%
A4	\$2,680	\$32,160	\$2,232	\$34,392	\$114,640	95%
A4	\$2,977	\$35,724	\$2,232	\$37,956	\$126,520	105%
A4	\$2,977	\$35,724	\$2,232	\$37,956	\$126,520	105%
A4	\$2,410	\$28,920	\$2,232	\$31,152	\$103,840	86%
A4	\$2,680	\$32,160	\$2,232	\$34,392	\$114,640	95%
A4	\$2,550	\$30,600	\$2,232	\$32,832	\$109,440	90%
A4	\$3,022	\$36,264	\$2,232	\$38,496	\$128,320	106%
A4	\$3,035	\$36,420	\$2,232	\$38,652	\$128,840	106%
A4	\$3,032	\$36,384	\$2,232	\$38,616	\$128,720	106%
A4	\$2,705	\$32,460	\$2,232	\$34,692	\$115,640	96%
A4	\$2,480	\$29,760	\$2,232	\$31,992	\$106,640	88%
A4	\$3,035	\$36,420	\$2,232	\$38,652	\$128,840	106%
A4	\$2,645	\$31,740	\$2,232	\$33,972	\$113,240	94%
A4	\$3,042	\$36,504	\$2,232	\$38,736	\$129,120	107%
A4	\$2,255	\$27,060	\$2,232	\$29,292	\$97,640	81%
A4	\$2,720	\$32,640	\$2,232	\$34,872	\$116,240	96%
A4	\$2,725	\$32,700	\$2,232	\$34,932	\$116,440	96%
A4	\$2,610	\$31,320	\$2,232	\$33,552	\$111,840	92%
A4	\$2,610	\$31,320	\$2,232	\$33,552	\$111,840	92%
A4	\$2,480	\$29,760	\$2,232	\$31,992	\$106,640	88%
A4	\$3,005	\$36,060	\$2,232	\$38,292	\$127,640	105%
A4	\$2,255	\$27,060	\$2,232	\$29,292	\$97,640	81%
A4	\$3,017	\$36,204	\$2,232	\$38,436	\$128,120	106%
A4	\$2,995	\$35,940	\$2,232	\$38,172	\$127,240	105%
A4	\$2,610	\$31,320	\$2,232	\$33,552	\$111,840	92%
A4	\$2,595	\$31,140	\$2,232	\$33,372	\$111,240	92%
A4	\$2,745	\$32,940	\$2,232	\$35,172	\$117,240	97%
A4	\$2,995	\$35,940	\$2,232	\$38,172	\$127,240	105%
A4	\$2,650	\$31,800	\$2,232	\$34,032	\$113,440	94%
A4	\$3,065	\$36,780	\$2,232	\$39,012	\$130,040	107%
A4	\$3,050	\$36,600	\$2,232	\$38,832	\$129,440	107%
A4	\$2,200	\$26,400	\$2,232	\$28,632	\$95,440	79%
A4	\$3,025	\$36,300	\$2,232	\$38,532	\$128,440	106%
A4	\$2,790	\$33,480	\$2,232	\$35,712	\$119,040	98%
A4	\$2,625	\$31,500	\$2,232	\$33,732	\$112,440	93%
A4	\$3,022	\$36,264	\$2,232	\$38,496	\$128,320	106%
A4	\$2,565	\$30,780	\$2,232	\$33,012	\$110,040	91%
A4	\$3,100	\$37,200	\$2,232	\$39,432	\$131,440	109%
A4	\$2,900	\$34,800	\$2,232	\$37,032	\$123,440	102%
A4	\$2,395	\$28,740	\$2,232	\$30,972	\$103,240	85%
A4	\$3,012	\$36,144	\$2,232	\$38,376	\$127,920	106%
A4	\$2,885	\$34,620	\$2,232	\$36,852	\$122,840	101%

Unit Type	Current Lease Rent	Annual Lease Rent	Annual Utility Allowance	Total Housing Expenses	HCD Requirements	
					Household Income Required @ 30%	Percent of AMI
A5	\$3,400	\$40,800	\$2,232	\$43,032	\$143,440	118%
A5	\$3,440	\$41,280	\$2,232	\$43,512	\$145,040	120%
A5	\$3,055	\$36,660	\$2,232	\$38,892	\$129,640	107%
A5	\$3,485	\$41,820	\$2,232	\$44,052	\$146,840	121%
A5	\$3,403	\$40,836	\$2,232	\$43,068	\$143,560	119%
B1	\$3,265	\$39,180	\$2,592	\$41,772	\$139,240	102%
B1	\$3,533	\$42,396	\$2,592	\$44,988	\$149,960	110%
B1	\$3,528	\$42,336	\$2,592	\$44,928	\$149,760	110%
B1	\$2,990	\$35,880	\$2,592	\$38,472	\$128,240	94%
B1	\$3,115	\$37,380	\$2,592	\$39,972	\$133,240	98%
B1	\$3,335	\$40,020	\$2,592	\$42,612	\$142,040	104%
B1	\$3,145	\$37,740	\$2,592	\$40,332	\$134,440	99%
B1	\$3,325	\$39,900	\$2,592	\$42,492	\$141,640	104%
B1	\$3,235	\$38,820	\$2,592	\$41,412	\$138,040	101%
B2	\$3,563	\$42,756	\$2,592	\$45,348	\$151,160	111%
B2	\$3,705	\$44,460	\$2,592	\$47,052	\$156,840	115%
B2	\$3,440	\$41,280	\$2,592	\$43,872	\$146,240	107%
B2	\$3,495	\$41,940	\$2,592	\$44,532	\$148,440	109%
B3	\$3,552	\$42,624	\$2,592	\$45,216	\$150,720	111%
B3	\$3,350	\$40,200	\$2,592	\$42,792	\$142,640	105%
B3	\$3,835	\$46,020	\$2,592	\$48,612	\$162,040	119%
B3	\$3,275	\$39,300	\$2,592	\$41,892	\$139,640	103%
B3	\$3,425	\$41,100	\$2,592	\$43,692	\$145,640	107%
B3	\$3,275	\$39,300	\$2,592	\$41,892	\$139,640	103%
B3	\$3,110	\$37,320	\$2,592	\$39,912	\$133,040	98%
B3	\$3,410	\$40,920	\$2,592	\$43,512	\$145,040	107%
B3	\$3,525	\$42,300	\$2,592	\$44,892	\$149,640	110%
B3	\$3,295	\$39,540	\$2,592	\$42,132	\$140,440	103%
B3	\$3,295	\$39,540	\$2,592	\$42,132	\$140,440	103%
B3	\$3,095	\$37,140	\$2,592	\$39,732	\$132,440	97%
B3	\$3,295	\$39,540	\$2,592	\$42,132	\$140,440	103%
B3	\$3,095	\$37,140	\$2,592	\$39,732	\$132,440	97%
B3	\$3,395	\$40,740	\$2,592	\$43,332	\$144,440	106%
B3	\$3,245	\$38,940	\$2,592	\$41,532	\$138,440	102%
B3	\$3,510	\$42,120	\$2,592	\$44,712	\$149,040	109%
B3	\$3,110	\$37,320	\$2,592	\$39,912	\$133,040	98%
B3	\$3,805	\$45,660	\$2,592	\$48,252	\$160,840	118%
B3	\$3,195	\$38,340	\$2,592	\$40,932	\$136,440	100%
B3	\$3,395	\$40,740	\$2,592	\$43,332	\$144,440	106%
B3	\$3,195	\$38,340	\$2,592	\$40,932	\$136,440	100%
B3	\$3,295	\$39,540	\$2,592	\$42,132	\$140,440	103%
B3	\$3,295	\$39,540	\$2,592	\$42,132	\$140,440	103%
B3	\$3,395	\$40,740	\$2,592	\$43,332	\$144,440	106%
B3	\$3,225	\$38,700	\$2,592	\$41,292	\$137,640	101%
B3	\$3,000	\$36,000	\$2,592	\$38,592	\$128,640	94%
B3	\$2,975	\$35,700	\$2,592	\$38,292	\$127,640	94%

Unit Type	Current Lease Rent	Annual Lease Rent	Annual Utility Allowance	Total Housing Expenses	HCD Requirements	
					Household Income Required @ 30%	Percent of AMI
B3	\$3,846	\$46,152	\$2,592	\$48,744	\$162,480	119%
B3	\$3,500	\$42,000	\$2,592	\$44,592	\$148,640	109%
B3	\$3,195	\$38,340	\$2,592	\$40,932	\$136,440	100%
B3	\$3,335	\$40,020	\$2,592	\$42,612	\$142,040	104%
B3	\$3,195	\$38,340	\$2,592	\$40,932	\$136,440	100%
B3	\$3,225	\$38,700	\$2,592	\$41,292	\$137,640	101%
B3	\$3,225	\$38,700	\$2,592	\$41,292	\$137,640	101%
B3	\$2,990	\$35,880	\$2,592	\$38,472	\$128,240	94%
B3	\$3,771	\$45,252	\$2,592	\$47,844	\$159,480	117%
B3	\$3,065	\$36,780	\$2,592	\$39,372	\$131,240	96%
B3	\$3,525	\$42,300	\$2,592	\$44,892	\$149,640	110%
B3	\$3,210	\$38,520	\$2,592	\$41,112	\$137,040	101%
B3	\$3,810	\$45,720	\$2,592	\$48,312	\$161,040	118%
B3	\$3,410	\$40,920	\$2,592	\$43,512	\$145,040	107%
B3	\$3,410	\$40,920	\$2,592	\$43,512	\$145,040	107%
B3	\$2,995	\$35,940	\$2,592	\$38,532	\$128,440	94%
B3	\$3,175	\$38,100	\$2,592	\$40,692	\$135,640	100%
B3	\$3,810	\$45,720	\$2,592	\$48,312	\$161,040	118%
B3	\$3,775	\$45,300	\$2,592	\$47,892	\$159,640	117%
B3	\$3,235	\$38,820	\$2,592	\$41,412	\$138,040	101%
B3	\$3,235	\$38,820	\$2,592	\$41,412	\$138,040	101%
B3	\$3,435	\$41,220	\$2,592	\$43,812	\$146,040	107%
B3	\$3,335	\$40,020	\$2,592	\$42,612	\$142,040	104%
B3	\$3,335	\$40,020	\$2,592	\$42,612	\$142,040	104%
B3	\$3,736	\$44,832	\$2,592	\$47,424	\$158,080	116%
B3	\$3,235	\$38,820	\$2,592	\$41,412	\$138,040	101%
B3	\$3,020	\$36,240	\$2,592	\$38,832	\$129,440	95%
B3	\$3,625	\$43,500	\$2,592	\$46,092	\$153,640	113%
B3	\$3,510	\$42,120	\$2,592	\$44,712	\$149,040	109%
B3	\$3,595	\$43,140	\$2,592	\$45,732	\$152,440	112%
B3	\$3,525	\$42,300	\$2,592	\$44,892	\$149,640	110%
B3	\$3,110	\$37,320	\$2,592	\$39,912	\$133,040	98%
B3	\$3,110	\$37,320	\$2,592	\$39,912	\$133,040	98%
B3	\$3,810	\$45,720	\$2,592	\$48,312	\$161,040	118%
B3	\$3,810	\$45,720	\$2,592	\$48,312	\$161,040	118%
B3	\$3,355	\$40,260	\$2,592	\$42,852	\$142,840	105%
B3	\$3,455	\$41,460	\$2,592	\$44,052	\$146,840	108%
B3	\$3,305	\$39,660	\$2,592	\$42,252	\$140,840	103%
B3	\$3,225	\$38,700	\$2,592	\$41,292	\$137,640	101%
B3	\$3,355	\$40,260	\$2,592	\$42,852	\$142,840	105%
B3	\$3,455	\$41,460	\$2,592	\$44,052	\$146,840	108%
B3	\$3,250	\$39,000	\$2,592	\$41,592	\$138,640	102%
B3	\$3,250	\$39,000	\$2,592	\$41,592	\$138,640	102%
B3	\$3,668	\$44,016	\$2,592	\$46,608	\$155,360	114%
B3	\$3,335	\$40,020	\$2,592	\$42,612	\$142,040	104%
B3	\$3,350	\$40,200	\$2,592	\$42,792	\$142,640	105%

Unit Type	Current Lease Rent	Annual Lease Rent	Annual Utility Allowance	Total Housing Expenses	HCD Requirements	
					Household Income Required @ 30%	Percent of AMI
B3	\$3,250	\$39,000	\$2,592	\$41,592	\$138,640	102%
B3	\$3,450	\$41,400	\$2,592	\$43,992	\$146,640	108%
B3	\$3,250	\$39,000	\$2,592	\$41,592	\$138,640	102%
B3	\$3,250	\$39,000	\$2,592	\$41,592	\$138,640	102%
B3	\$3,250	\$39,000	\$2,592	\$41,592	\$138,640	102%
B3	\$3,240	\$38,880	\$2,592	\$41,472	\$138,240	102%
B3	\$3,425	\$41,100	\$2,592	\$43,692	\$145,640	107%
B3	\$3,455	\$41,460	\$2,592	\$44,052	\$146,840	108%
B3	\$3,325	\$39,900	\$2,592	\$42,492	\$141,640	104%
B3	\$3,325	\$39,900	\$2,592	\$42,492	\$141,640	104%
B3	\$3,050	\$36,600	\$2,592	\$39,192	\$130,640	96%
B3	\$3,615	\$43,380	\$2,592	\$45,972	\$153,240	113%
B3	\$3,410	\$40,920	\$2,592	\$43,512	\$145,040	107%
B3	\$3,680	\$44,160	\$2,592	\$46,752	\$155,840	114%
B3	\$3,910	\$46,920	\$2,592	\$49,512	\$165,040	121%
B3	\$3,880	\$46,560	\$2,592	\$49,152	\$163,840	120%
B3	\$3,280	\$39,360	\$2,592	\$41,952	\$139,840	103%
B3	\$3,480	\$41,760	\$2,592	\$44,352	\$147,840	109%
B3	\$3,115	\$37,380	\$2,592	\$39,972	\$133,240	98%
B3	\$3,876	\$46,512	\$2,592	\$49,104	\$163,680	120%
B3	\$3,680	\$44,160	\$2,592	\$46,752	\$155,840	114%
B3	\$3,270	\$39,240	\$2,592	\$41,832	\$139,440	102%
B3	\$3,545	\$42,540	\$2,592	\$45,132	\$150,440	110%
B3	\$3,250	\$39,000	\$2,592	\$41,592	\$138,640	102%
B3	\$3,270	\$39,240	\$2,592	\$41,832	\$139,440	102%
B3	\$3,675	\$44,100	\$2,592	\$46,692	\$155,640	114%
B3	\$4,070	\$48,840	\$2,592	\$51,432	\$171,440	126%
B3	\$3,996	\$47,952	\$2,592	\$50,544	\$168,480	124%
B3	\$3,755	\$45,060	\$2,592	\$47,652	\$158,840	117%
B3	\$3,570	\$42,840	\$2,592	\$45,432	\$151,440	111%
B3	\$3,745	\$44,940	\$2,592	\$47,532	\$158,440	116%
B3	\$3,745	\$44,940	\$2,592	\$47,532	\$158,440	116%
B3	\$4,015	\$48,180	\$2,592	\$50,772	\$169,240	124%
B3	\$3,615	\$43,380	\$2,592	\$45,972	\$153,240	113%
B4	\$3,505	\$42,060	\$2,592	\$44,652	\$148,840	109%
B4	\$3,345	\$40,140	\$2,592	\$42,732	\$142,440	105%
B4	\$3,782	\$45,384	\$2,592	\$47,976	\$159,920	117%
B4	\$3,827	\$45,924	\$2,592	\$48,516	\$161,720	119%
C1	\$5,245	\$62,940	\$2,952	\$65,892	\$219,640	145%
C1	\$4,890	\$58,680	\$2,952	\$61,632	\$205,440	136%
C1	\$5,150	\$61,800	\$2,952	\$64,752	\$215,840	143%
C2	\$5,747	\$68,964	\$2,952	\$71,916	\$239,720	158%
C2	\$5,795	\$69,540	\$2,952	\$72,492	\$241,640	160%
C2	\$5,210	\$62,520	\$2,952	\$65,472	\$218,240	144%
C2	\$5,500	\$66,000	\$2,952	\$68,952	\$229,840	152%
J1	\$2,534	\$30,408	\$2,136	\$32,544	\$108,480	102%

Unit Type	Current Lease Rent	Annual Lease Rent	Annual Utility Allowance	Total Housing Expenses	HCD Requirements	
					Household Income Required @ 30%	Percent of AMI
J1	\$2,095	\$25,140	\$2,136	\$27,276	\$90,920	86%
J1	\$2,310	\$27,720	\$2,136	\$29,856	\$99,520	94%
J1	\$2,510	\$30,120	\$2,136	\$32,256	\$107,520	102%
J1	\$2,305	\$27,660	\$2,136	\$29,796	\$99,320	94%
J1	\$2,457	\$29,484	\$2,136	\$31,620	\$105,400	100%
J1	\$2,457	\$29,484	\$2,136	\$31,620	\$105,400	100%
J1	\$2,095	\$25,140	\$2,136	\$27,276	\$90,920	86%
J1	\$2,245	\$26,940	\$2,136	\$29,076	\$96,920	92%
J1	\$1,895	\$22,740	\$2,136	\$24,876	\$82,920	78%
J1	\$1,995	\$23,940	\$2,136	\$26,076	\$86,920	82%
J1	\$1,925	\$23,100	\$2,136	\$25,236	\$84,120	79%
J1	\$2,525	\$30,300	\$2,136	\$32,436	\$108,120	102%
J1	\$2,472	\$29,664	\$2,136	\$31,800	\$106,000	100%
J1	\$2,195	\$26,340	\$2,136	\$28,476	\$94,920	90%
J1	\$2,517	\$30,204	\$2,136	\$32,340	\$107,800	102%
J1	\$1,895	\$22,740	\$2,136	\$24,876	\$82,920	78%
J1	\$2,200	\$26,400	\$2,136	\$28,536	\$95,120	90%
J1	\$2,115	\$25,380	\$2,136	\$27,516	\$91,720	87%

PROJECT AVERAGES

Studios	\$2,250	\$26,995	\$2,136	\$29,131	\$97,103	92%
1 BRs	\$2,693	\$32,320	\$2,232	\$34,552	\$115,174	95%
2 BRs	\$3,415	\$40,977	\$2,592	\$43,569	\$145,231	107%
3 BRs	\$5,362	\$64,349	\$2,952	\$67,301	\$224,337	148%
All Units	\$2,993	\$35,918	\$2,376	\$38,294	\$127,645	100%

Excludes vacant units.

Table 4A

**Rent Savings Created by CSCDA Program Compared to Foregone Ad Valorem Property Tax and Property Tax In-lieu of Vehicle License Fee (PTILVLF) Revenues, Assuming 3% Annual Rent Increase
City of Milpitas**

Growth Rates

Market Rents	3%
Restricted Rents	3%
Property Taxes	2%

Year	Gross Potential Rent			Foregone Property Tax Payment &
	100% Market Rate	With Restricted Rents	Difference (Rent Savings)	
1	\$14,032,048	\$13,745,495	\$286,553	\$2,289,577
2	\$14,453,010	\$13,486,316	\$966,694	\$2,335,368
3	\$14,886,600	\$13,171,921	\$1,714,679	\$2,382,076
4	\$15,333,198	\$13,567,079	\$1,766,119	\$2,429,717
5	\$15,793,194	\$13,974,091	\$1,819,103	\$2,478,312
6	\$16,266,990	\$14,393,314	\$1,873,676	\$2,527,878
7	\$16,754,999	\$14,825,114	\$1,929,886	\$2,578,435
8	\$17,257,649	\$15,269,867	\$1,987,782	\$2,630,004
9	\$17,775,379	\$15,727,963	\$2,047,416	\$2,682,604
10	\$18,308,640	\$16,199,802	\$2,108,838	\$2,736,256
11	\$18,857,900	\$16,685,796	\$2,172,104	\$2,790,981
12	\$19,423,637	\$17,186,370	\$2,237,267	\$2,846,801
13	\$20,006,346	\$17,701,961	\$2,304,385	\$2,903,737
14	\$20,606,536	\$18,233,020	\$2,373,516	\$2,961,812
15	\$21,224,732	\$18,780,010	\$2,444,722	\$3,021,048
16	\$21,861,474	\$19,343,411	\$2,518,063	\$3,081,469
17	\$22,517,318	\$19,923,713	\$2,593,605	\$3,143,098
18	\$23,192,838	\$20,521,424	\$2,671,413	\$3,205,960
19	\$23,888,623	\$21,137,067	\$2,751,556	\$3,270,080
20	\$24,605,282	\$21,771,179	\$2,834,102	\$3,335,481
21	\$25,343,440	\$22,424,315	\$2,919,126	\$3,402,191
22	\$26,103,743	\$23,097,044	\$3,006,699	\$3,470,235
23	\$26,886,856	\$23,789,955	\$3,096,900	\$3,539,639
24	\$27,693,461	\$24,503,654	\$3,189,807	\$3,610,432
25	\$28,524,265	\$25,238,764	\$3,285,501	\$3,682,641
26	\$29,379,993	\$25,995,926	\$3,384,067	\$3,756,294
27	\$30,261,393	\$26,775,804	\$3,485,589	\$3,831,419
28	\$31,169,235	\$27,579,078	\$3,590,156	\$3,908,048
29	\$32,104,312	\$28,406,451	\$3,697,861	\$3,986,209
30	\$33,067,441	\$29,258,644	\$3,808,797	\$4,065,933
TOTAL	\$667,580,531	\$592,714,550	\$74,865,980	\$92,883,736

Sources: Waterford Residential, Santa Clara County Assessor.

Table 4B

**Rent Savings Created by CSCDA Program Compared to Foregone Ad Valorem Property Tax and Property Tax In-lieu of Vehicle License Fee (PTILVLF) Revenues, Assuming Annual 2% Rent Increase
City of Milpitas**

Growth Rates

Market Rents	3%
Restricted Rents	2%
Property Taxes	2%

Year	Gross Potential Rent			Foregone Property Tax Payment &
	100% Market Rate	With Restricted Rents	Difference (Rent Savings)	
1	\$14,032,048	\$13,745,495	\$286,553	\$2,289,577
2	\$14,453,010	\$13,419,881	\$1,033,129	\$2,335,368
3	\$14,886,600	\$12,979,782	\$1,906,818	\$2,382,076
4	\$15,333,198	\$13,239,378	\$2,093,820	\$2,429,717
5	\$15,793,194	\$13,504,166	\$2,289,028	\$2,478,312
6	\$16,266,990	\$13,774,249	\$2,492,741	\$2,527,878
7	\$16,754,999	\$14,049,734	\$2,705,266	\$2,578,435
8	\$17,257,649	\$14,330,729	\$2,926,921	\$2,630,004
9	\$17,775,379	\$14,617,343	\$3,158,036	\$2,682,604
10	\$18,308,640	\$14,909,690	\$3,398,950	\$2,736,256
11	\$18,857,900	\$15,207,884	\$3,650,016	\$2,790,981
12	\$19,423,637	\$15,512,041	\$3,911,595	\$2,846,801
13	\$20,006,346	\$15,822,282	\$4,184,063	\$2,903,737
14	\$20,606,536	\$16,138,728	\$4,467,808	\$2,961,812
15	\$21,224,732	\$16,461,502	\$4,763,230	\$3,021,048
16	\$21,861,474	\$16,790,733	\$5,070,742	\$3,081,469
17	\$22,517,318	\$17,126,547	\$5,390,771	\$3,143,098
18	\$23,192,838	\$17,469,078	\$5,723,760	\$3,205,960
19	\$23,888,623	\$17,818,460	\$6,070,163	\$3,270,080
20	\$24,605,282	\$18,174,829	\$6,430,453	\$3,335,481
21	\$25,343,440	\$18,538,325	\$6,805,115	\$3,402,191
22	\$26,103,743	\$18,909,092	\$7,194,651	\$3,470,235
23	\$26,886,856	\$19,287,274	\$7,599,582	\$3,539,639
24	\$27,693,461	\$19,673,019	\$8,020,442	\$3,610,432
25	\$28,524,265	\$20,066,480	\$8,457,785	\$3,682,641
26	\$29,379,993	\$20,467,809	\$8,912,184	\$3,756,294
27	\$30,261,393	\$20,877,165	\$9,384,227	\$3,831,419
28	\$31,169,235	\$21,294,709	\$9,874,526	\$3,908,048
29	\$32,104,312	\$21,720,603	\$10,383,709	\$3,986,209
30	\$33,067,441	\$22,155,015	\$10,912,426	\$4,065,933
TOTAL	\$667,580,531	\$508,082,022	\$159,498,508	\$92,883,736

Sources: Waterford Residential, Santa Clara County Assessor.

Table 5A
Waterford Residential's Net Operating Income Projection for Turing Apartments
City of Milpitas, CA

Assumptions

Asset Turing
 County SANTA CLARA
 Total Units 371
 Total SF 349,349

AMI % Target

80% 33%
 100% 33%
 120% 33%

100%

Unit Type	Type	Total Units	SF	Market Rent	Max Allowable Rent			Pro Forma Rent				Authority Rent	% Discount to In Place			
					80% AMI	100% AMI	120% AMI	Units	80% AMI	Units	100% AMI			Units	120% AMI	
0 BR	Market	19	563	\$2,278	\$2,707	\$3,383	\$4,060	6	\$2,004	6	\$2,050	6	\$2,096	19	\$2,050	10.00%
1 BR	Market	193	778	\$2,923	\$3,094	\$3,868	\$4,641	64	\$2,572	64	\$2,631	64	\$2,689	193	\$2,631	10.00%
2 BR	Market	150	1,157	\$3,427	\$3,481	\$4,352	\$5,222	50	\$3,015	50	\$3,084	50	\$3,152	150	\$3,084	10.00%
3 BR	Market	9	1,667	\$5,327	\$3,866	\$4,833	\$5,800	3	\$3,866	3	\$4,794	3	\$4,900	9	\$4,520	15.14%
		371	942	\$3,152	\$3,250	\$4,062	\$4,874	124	\$2,754	124	\$2,837	124	\$2,900	371	\$2,830	10.21%

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Table 5A
Waterford Residential's Net Operating Income Projection for Turing Apartments
City of Milpitas, CA

Growth Rates							
	0.00%	20.00%	40.00%	100.00%	100.00%	100.00%	100.00%
Turnover	0.00%	20.00%	40.00%	100.00%	100.00%	100.00%	100.00%
Converted Unit Rent	0.00%	0.00%	1.50%	3.00%	3.00%	3.00%	3.00%
Non-Converted Unit Rent	0.00%	0.00%	1.50%	3.00%	3.00%	3.00%	3.00%
Other Income	0.00%	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Expenses	0.00%	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Utilities	0.00%	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Taxes	0.00%	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Vacancy	8.00%	8.00%	6.50%	5.00%	5.00%	5.00%	5.00%
COVID 19 Concessions	1.50%	1.50%	0.75%	0.00%	0.00%	0.00%	0.00%
COVID 19 Bad Debt	1.50%	1.50%	0.75%	0.50%	0.50%	0.50%	0.50%
Year	0	1	2	3	4	5	6
Revenue							
% AMI Target Rents	80%						
Converted Units	0	25	64	124	124	124	124
Non-Converted Units	124	99	59	0	0	0	0
Converted Unit Rent	\$2,754	\$2,754	\$2,795	\$2,879	\$2,965	\$3,054	\$3,146
Non-Converted Unit Rent	\$3,152	\$3,152	\$3,199	\$3,295	\$3,394	\$3,496	\$3,601
% AMI Target Rents	100%						
Converted Units	0	25	64	124	124	124	124
Non-Converted Units	124	99	59	0	0	0	0
Converted Unit Rent	\$2,837	\$2,837	\$2,879	\$2,966	\$3,055	\$3,146	\$3,241
Non-Converted Unit Rent	\$3,152	\$3,152	\$3,199	\$3,295	\$3,394	\$3,496	\$3,601
% AMI Target Rents	120%						
Converted Units	0	25	64	124	124	124	124
Non-Converted Units	124	99	59	0	0	0	0
Converted Unit Rent	\$2,900	\$2,900	\$2,943	\$3,031	\$3,122	\$3,216	\$3,313
Non-Converted Unit Rent	\$3,152	\$3,152	\$3,199	\$3,295	\$3,394	\$3,496	\$3,601
Gross Potential Rent	\$14,032,048	\$13,745,495	\$13,486,316	\$13,171,921	\$13,567,079	\$13,974,091	\$14,393,314
LTL	0	0	(101,147)	(197,579)	(203,506)	(209,611)	(215,900)
Gross Scheduled Rent	14,032,048	13,745,495	13,385,169	12,974,343	13,363,573	13,764,480	14,177,414
Vacancy	(1,122,564)	(1,099,640)	(870,036)	(648,717)	(668,179)	(688,224)	(708,871)
COVID 19 Concessions	(210,481)	(206,182)	(100,389)	0	0	0	0
Bad Debt	(210,481)	(206,182)	(100,389)	(64,872)	(66,818)	(68,822)	(70,887)
Non-Revenue Units	(132,178)	(132,178)	(134,161)	(138,186)	(142,331)	(146,601)	(150,999)
Effective Rental Income	12,356,345	12,101,313	12,180,194	12,122,568	12,486,245	12,860,833	13,246,657
Other Income	311,854	311,854	321,210	330,846	340,771	350,994	361,524
Parking Income	0	0	0	0	0	0	0
RUBS	509,868	509,868	525,164	540,919	557,147	573,861	591,077
Total Other Income	821,722	821,722	846,374	871,765	897,918	924,855	952,601
Effective Gross Income	13,178,067	12,923,035	13,026,568	12,994,333	13,384,163	13,785,688	14,199,259
Operating Expenses							
Payroll	779,705	779,705	803,096	827,189	852,005	877,565	903,892
Marketing	176,225	176,225	181,512	186,957	192,566	198,343	204,293
General & Administrative	136,950	136,950	141,059	145,290	149,649	154,138	158,763
Turnover	92,500	92,500	95,275	98,133	101,077	104,110	107,233
Repairs & Maintenance	151,300	151,300	155,839	160,514	165,330	170,289	175,398
Contract Services	405,672	405,672	417,842	430,377	443,289	456,587	470,285
Utilities	679,824	679,824	700,219	721,225	742,862	765,148	788,102
Total Controllable Expenses	2,422,176	2,422,176	2,494,841	2,569,687	2,646,777	2,726,180	2,807,966
Management Fee	230,616	226,153	227,965	227,401	234,223	241,250	248,487
Insurance	224,455	224,455	231,189	238,124	245,268	252,626	260,205
Real Estate Taxes	0	0	0	0	0	0	0
Direct Assessments	264,237	264,237	269,521	274,912	280,410	286,018	291,739
Total Fixed Expenses	719,308	714,845	728,675	740,437	759,901	779,894	800,431
Total Operating Expenses	3,141,484	3,137,021	3,223,516	3,310,124	3,406,678	3,506,074	3,608,396
NET OPERATING INCOME	10,036,583	9,786,014	9,803,052	9,684,209	9,977,485	10,279,614	10,590,862

Prepared by Waterford Residential.

Table 5A
Waterford Residential's Net Operating Income Projection for Turing Apartments
City of Milpitas, CA

Growth Rates									
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Year	7	8	9	10	11	12	13	14	
Turnover	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Converted Unit Rent	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Non-Converted Unit Rent	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Other Income	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Expenses	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Utilities	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Taxes	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Vacancy	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
COVID 19 Concessions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
COVID 19 Bad Debt	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Revenue									
% AMI Target Rents	80%								
Converted Units	124	124	124	124	124	124	124	124	124
Non-Converted Units	0	0	0	0	0	0	0	0	0
Converted Unit Rent	\$3,240	\$3,337	\$3,438	\$3,541	\$3,647	\$3,756	\$3,869	\$3,985	\$3,985
Non-Converted Unit Rent	\$3,709	\$3,820	\$3,935	\$4,053	\$4,174	\$4,299	\$4,428	\$4,561	\$4,561
% AMI Target Rents	100%								
Converted Units	124	124	124	124	124	124	124	124	124
Non-Converted Units	0	0	0	0	0	0	0	0	0
Converted Unit Rent	\$3,338	\$3,438	\$3,541	\$3,647	\$3,757	\$3,869	\$3,986	\$4,105	\$4,105
Non-Converted Unit Rent	\$3,709	\$3,820	\$3,935	\$4,053	\$4,174	\$4,299	\$4,428	\$4,561	\$4,561
% AMI Target Rents	120%								
Converted Units	124	124	124	124	124	124	124	124	124
Non-Converted Units	0	0	0	0	0	0	0	0	0
Converted Unit Rent	\$3,412	\$3,514	\$3,620	\$3,728	\$3,840	\$3,955	\$4,074	\$4,196	\$4,196
Non-Converted Unit Rent	\$3,709	\$3,820	\$3,935	\$4,053	\$4,174	\$4,299	\$4,428	\$4,561	\$4,561
Gross Potential Rent	\$14,825,114	\$15,269,867	\$15,727,963	\$16,199,802	\$16,685,796	\$17,186,370	\$17,701,961	\$18,233,020	
LTL	(222,377)	(229,048)	(235,919)	(242,997)	(250,287)	(257,796)	(265,529)	(273,495)	
Gross Scheduled Rent	14,602,737	15,040,819	15,492,044	15,956,805	16,435,509	16,928,574	17,436,432	17,959,524	
Vacancy	(730,137)	(752,041)	(774,602)	(797,840)	(821,775)	(846,429)	(871,822)	(897,976)	
COVID 19 Concessions	0	0	0	0	0	0	0	0	
Bad Debt	(73,014)	(75,204)	(77,460)	(79,784)	(82,178)	(84,643)	(87,182)	(89,798)	
Non-Revenue Units	(155,529)	(160,195)	(165,001)	(169,951)	(175,049)	(180,301)	(185,710)	(191,281)	
Effective Rental Income	13,644,057	14,053,379	14,474,980	14,909,230	15,356,507	15,817,202	16,291,718	16,780,469	
Other Income	372,370	383,541	395,047	406,899	419,106	431,679	444,629	457,968	
Parking Income	0	0	0	0	0	0	0	0	
RUBS	608,809	627,073	645,886	665,262	685,220	705,777	726,950	748,758	
Total Other Income	981,179	1,010,614	1,040,933	1,072,161	1,104,326	1,137,455	1,171,579	1,206,726	
Effective Gross Income	14,625,236	15,063,993	15,515,913	15,981,391	16,460,832	16,954,657	17,463,297	17,987,196	
Operating Expenses									
Payroll	931,009	958,939	987,707	1,017,338	1,047,858	1,079,294	1,111,673	1,145,023	
Marketing	210,422	216,735	223,237	229,934	236,832	243,937	251,255	258,792	
General & Administrative	163,525	168,431	173,484	178,689	184,049	189,571	195,258	201,116	
Turnover	110,450	113,763	117,176	120,692	124,312	128,042	131,883	135,839	
Repairs & Maintenance	180,660	186,080	191,662	197,412	203,335	209,435	215,718	222,189	
Contract Services	484,394	498,925	513,893	529,310	545,189	561,545	578,391	595,743	
Utilities	811,745	836,098	861,181	887,016	913,627	941,035	969,266	998,344	
Total Controllable Expenses	2,892,205	2,978,971	3,068,340	3,160,390	3,255,202	3,352,858	3,453,444	3,557,047	
Management Fee	255,942	263,620	271,528	279,674	288,065	296,707	305,608	314,776	
Insurance	268,011	276,051	284,333	292,863	301,649	310,698	320,019	329,620	
Real Estate Taxes	0	0	0	0	0	0	0	0	
Direct Assessments	297,573	303,525	309,595	315,787	322,103	328,545	335,116	341,818	
Total Fixed Expenses	821,526	843,196	865,457	888,325	911,816	935,950	960,743	986,214	
Total Operating Expenses	3,713,731	3,822,167	3,933,797	4,048,715	4,167,018	4,288,808	4,414,187	4,543,261	
NET OPERATING INCOME	10,911,505	11,241,826	11,582,116	11,932,676	12,293,814	12,665,849	13,049,110	13,443,935	

Prepared by Waterford Residentic

Table 5A
Waterford Residential's Net Operating Income Projection for Turing Apartments
City of Milpitas, CA

Growth Rates							
Turnover	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Converted Unit Rent	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Non-Converted Unit Rent	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Other Income	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Expenses	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Utilities	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Taxes	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Vacancy	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
COVID 19 Concessions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
COVID 19 Bad Debt	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Year	15	30	31	32	33	34	35
Revenue							
% AMI Target Rents	80%						
Converted Units	124	124	124	124	124	124	124
Non-Converted Units	0	0	0	0	0	0	0
Converted Unit Rent	\$4,105	\$6,395	\$6,587	\$6,784	\$6,988	\$7,197	\$7,413
Non-Converted Unit Rent	\$4,698	\$7,319	\$7,539	\$7,765	\$7,998	\$8,238	\$8,485
% AMI Target Rents	100%						
Converted Units	124	124	124	124	124	124	124
Non-Converted Units	0	0	0	0	0	0	0
Converted Unit Rent	\$4,228	\$6,587	\$6,785	\$6,989	\$7,198	\$7,414	\$7,637
Non-Converted Unit Rent	\$4,698	\$7,319	\$7,539	\$7,765	\$7,998	\$8,238	\$8,485
% AMI Target Rents	120%						
Converted Units	124	124	124	124	124	124	124
Non-Converted Units	0	0	0	0	0	0	0
Converted Unit Rent	\$4,322	\$6,734	\$6,936	\$7,144	\$7,358	\$7,579	\$7,806
Non-Converted Unit Rent	\$4,698	\$7,319	\$7,539	\$7,765	\$7,998	\$8,238	\$8,485
Gross Potential Rent	\$18,780,010	\$29,258,644	\$30,136,404	\$31,040,496	\$31,971,711	\$32,930,862	\$33,918,788
LTL	(281,700)	(438,880)	(452,046)	(465,607)	(479,576)	(493,963)	(508,782)
Gross Scheduled Rent	18,498,310	28,819,765	29,684,358	30,574,888	31,492,135	32,436,899	33,410,006
Vacancy	(924,916)	(1,440,988)	(1,484,218)	(1,528,744)	(1,574,607)	(1,621,845)	(1,670,500)
COVID 19 Concessions	0	0	0	0	0	0	0
Bad Debt	(92,492)	(144,099)	(148,422)	(152,874)	(157,461)	(162,184)	(167,050)
Non-Revenue Units	(197,020)	(306,950)	(316,159)	(325,644)	(335,413)	(345,475)	(355,839)
Effective Rental Income	17,283,883	26,927,727	27,735,559	28,567,626	29,424,655	30,307,394	31,216,616
Other Income	471,707	734,904	756,952	779,660	803,050	827,141	851,956
Parking Income	0	0	0	0	0	0	0
RUBS	771,221	1,201,537	1,237,583	1,274,711	1,312,952	1,352,341	1,392,911
Total Other Income	1,242,928	1,936,442	1,994,535	2,054,371	2,116,002	2,179,482	2,244,867
Effective Gross Income	18,526,812	28,864,169	29,730,094	30,621,997	31,540,657	32,486,877	33,461,483
Operating Expenses							
Payroll	1,179,374	1,837,426	1,892,549	1,949,325	2,007,805	2,068,039	2,130,080
Marketing	266,556	415,286	427,744	440,577	453,794	467,408	481,430
General & Administrative	207,149	322,732	332,414	342,386	352,658	363,237	374,134
Turnover	139,915	217,982	224,522	231,257	238,195	245,341	252,701
Repairs & Maintenance	228,855	356,548	367,245	378,262	389,610	401,298	413,337
Contract Services	613,615	955,993	984,672	1,014,213	1,044,639	1,075,978	1,108,257
Utilities	1,028,295	1,602,050	1,650,111	1,699,615	1,750,603	1,803,121	1,857,215
Total Controllable Expenses	3,663,759	5,708,016	5,879,257	6,055,635	6,237,304	6,424,423	6,617,155
Management Fee	324,219	505,123	520,277	535,885	551,961	568,520	585,576
Insurance	339,508	528,943	544,811	561,156	577,990	595,330	613,190
Real Estate Taxes	0	0	0	0	0	0	0
Direct Assessments	348,655	469,243	478,628	488,201	497,965	507,924	518,083
Total Fixed Expenses	1,012,382	1,503,309	1,543,716	1,585,241	1,627,916	1,671,774	1,716,848
Total Operating Expenses	4,676,141	7,211,326	7,422,973	7,640,876	7,865,220	8,096,197	8,334,004
NET OPERATING INCOME	13,850,671	21,652,843	22,307,121	22,981,121	23,675,437	24,390,679	25,127,479

Prepared by Waterford Residentic

Table 5B
Modified Residential Net Operating Income Projection for Turing Apartments, Assuming 2% Annual Rent Increases
Milpitas, CA

Assumptions

Asset **Turing**
 County **SANTA CLARA**
 Total Units 371
 Total SF 349,349

AMI % Target

80% 33%
100% 33%
120% 33%

100%

120% rents = 1.2*100% rents

Unit Type	Type	Total Units	SF	Market Rent	Max Allowable Rent			Pro Forma Rent			Units	Average Rent	% Discount to In Place			
					80% AMI	100% AMI	120% AMI	Units	80% AMI	Units				100% AMI	Units	120% AMI
0 BR	Market	19	563	\$2,278	\$2,707	\$3,383	\$4,060	6	\$2,004	6	\$2,050	6.3	\$2,096	19	\$2,050	10.00%
1 BR	Market	193	778	\$2,923	\$3,094	\$3,868	\$4,641	64	\$2,572	64	\$2,631	64.3	\$2,689	193	\$2,631	10.00%
2 BR	Market	150	1,157	\$3,427	\$3,481	\$4,352	\$5,222	50	\$3,015	50	\$3,084	50.0	\$3,152	150	\$3,084	10.00%
3 BR	Market	9	1,667	\$5,327	\$3,866	\$4,833	\$5,800	3	\$3,866	3	\$4,794	3.0	\$4,900	9	\$4,520	15.14%
		371	942	\$3,152	\$3,250	\$4,062	\$4,874	124	\$2,754	124	\$2,837	124	\$2,900	371	\$2,830	10.21%

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Table 5B
Modified Residential Net Operating Income Projection for Turing Apartments, Assuming 2% Annual Rent Increases
Milpitas, CA

Assumptions									
Asset	Turing								
County	SANTA CLARA								
Total Units	371								
Total SF	349,349								
AMI	% Target								
80%	33%								
100%	33%								
120%	33%								
	100%								
Growth Rates									
Turnover	0.00%	20.00%	40.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Converted Unit Rent	0.00%	0.00%	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Non-Converted Unit Rent	0.00%	0.00%	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Other Income	0.00%	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Expenses	0.00%	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
KMA: LOSS TO LEASE	0.00%	0.00%	0.75%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Utilities	0.00%	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Taxes	0.00%	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Vacancy	8.00%	8.00%	6.50%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
COVID 19 Concessions	1.50%	1.50%	0.75%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
COVID 19 Bad Debt	1.50%	1.50%	0.75%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Year	0	1	2	3	4	5	6	7	8
Revenue									
% AMI Tarq 80%									
Converted Units	0	25	64	124	124	124	124	124	124
Non-Converted Units	124	99	59	0	0	0	0	0	0
Converted Unit Rent	\$2,754	\$2,754	\$2,781	\$2,837	\$2,894	\$2,951	\$3,011	\$3,071	\$3,132
Non-Converted Unit Rent	\$3,152	\$3,152	\$3,183	\$3,247	\$3,312	\$3,378	\$3,446	\$3,515	\$3,585
% AMI Tarq 100%									
Converted Units	0	25	64	124	124	124	124	124	124
Non-Converted Units	124	99	59	0	0	0	0	0	0
Converted Unit Rent	\$2,837	\$2,837	\$2,865	\$2,922	\$2,981	\$3,040	\$3,101	\$3,163	\$3,226
Non-Converted Unit Rent	\$3,152	\$3,152	\$3,183	\$3,247	\$3,312	\$3,378	\$3,446	\$3,515	\$3,585
% AMI Tarq 120%									
Converted Units	0	25	64	124	124	124	124	124	124
Non-Converted Units	124	99	59	0	0	0	0	0	0
Converted Unit Rent	\$2,900	\$2,900	\$2,929	\$2,987	\$3,047	\$3,108	\$3,170	\$3,234	\$3,298
Non-Converted Unit Rent	\$3,152	\$3,152	\$3,183	\$3,247	\$3,312	\$3,378	\$3,446	\$3,515	\$3,585
Gross Potential Rent	\$14,032,048	\$13,745,495	\$13,419,881	\$12,979,782	\$13,239,378	\$13,504,166	\$13,774,249	\$14,049,734	\$14,330,729
LTL	0	0	(100,649)	(194,697)	(198,591)	(202,562)	(206,614)	(210,746)	(214,961)
Gross Scheduled Rent	14,032,048	13,745,495	13,319,232	12,785,086	13,040,787	13,301,603	13,567,635	13,838,988	14,115,768
Vacancy	(1,122,564)	(1,099,640)	(865,750)	(639,254)	(652,039)	(665,080)	(678,382)	(691,949)	(705,788)
COVID 19 Concessions	(210,481)	(206,182)	(99,894)	0	0	0	0	0	0
Bad Debt	(210,481)	(206,182)	(99,894)	(63,925)	(65,204)	(66,508)	(67,838)	(69,195)	(70,579)
Non-Revenue Units	(132,178)	(132,178)	(133,500)	(136,170)	(138,893)	(141,671)	(144,504)	(147,395)	(150,342)
Effective Rental Income	12,356,345	12,101,313	12,120,194	11,945,736	12,184,651	12,428,344	12,676,911	12,930,449	13,189,058
Other Income	311,854	311,854	321,210	330,846	340,771	350,994	361,524	372,370	383,541
RUBS	509,868	509,868	525,164	540,919	557,147	573,861	591,077	608,809	627,073
Total Other Income	821,722	821,722	846,374	871,765	897,918	924,855	952,601	981,179	1,010,614
Effective Gross Income	13,178,067	12,923,035	12,966,567	12,817,501	13,082,569	13,353,199	13,629,512	13,911,628	14,199,672
Operating Expenses									
Payroll	779,705	779,705	803,096	827,189	852,005	877,565	903,892	931,009	958,939
Marketing	176,225	176,225	181,512	186,957	192,566	198,343	204,293	210,422	216,735
General & Administrative	136,950	136,950	141,059	145,290	149,649	154,138	158,763	163,525	168,431
Turnover	92,500	92,500	95,275	98,133	101,077	104,110	107,233	110,450	113,763
Repairs & Maintenance	151,300	151,300	155,839	160,514	165,330	170,289	175,398	180,660	186,080
Contract Services	405,672	405,672	417,842	430,377	443,289	456,587	470,285	484,394	498,925
Utilities	679,824	679,824	700,219	721,225	742,862	765,148	788,102	811,745	836,098
Total Controllable Expens	2,422,176	2,422,176	2,494,841	2,569,687	2,646,777	2,726,180	2,807,966	2,892,205	2,978,971
Manageml.75% of EGI	230,616	226,153	226,915	224,306	228,945	233,681	238,516	243,453	248,494
Insurance	224,455	224,455	231,189	238,124	245,268	252,626	260,205	268,011	276,051
Direct Assessments	264,237	264,237	269,521	274,912	280,410	286,018	291,739	297,573	303,525
Total Fixed Expenses	719,308	714,845	727,625	737,342	754,623	772,325	790,460	809,038	828,071
Total Operating Expenses	3,141,484	3,137,021	3,222,466	3,307,029	3,401,400	3,498,506	3,598,426	3,701,243	3,807,041
	10,036,583	9,786,014	9,744,101	9,510,472	9,681,168	9,854,693	10,031,086	10,210,385	10,392,631

Source: Waterford Residential

Table 5B
Modified Residential Net Operating Income Projection for Turing Apartments, Assuming 2% Annual Rent Increases
Milpitas, CA

Assumptions										
Asset	Turing									
County	SANTA CLAR									
Total Units	371									
Total SF	349,349									
AMI	% Target									
80%	33%									
100%	33%									
120%	33%									
	100%									
Growth Rates										
Turnover	100.00%	100.00%	100.00%	100.00%	100.00%	###	100.00%	100.00%	100.00%	100.00%
Converted Unit Rent	2.00%	2.00%	2.00%	2.00%	2.00%	###	2.00%	2.00%	2.00%	2.00%
Non-Converted Unit Rent	2.00%	2.00%	2.00%	2.00%	2.00%	###	2.00%	2.00%	2.00%	2.00%
Other Income	3.00%	3.00%	3.00%	3.00%	3.00%	###	3.00%	3.00%	3.00%	3.00%
Expenses	3.00%	3.00%	3.00%	3.00%	3.00%	###	3.00%	3.00%	3.00%	3.00%
KMA: LOSS TO LEASE	1.50%	1.50%	1.50%	1.50%	1.50%	###	1.50%	1.50%	1.50%	1.50%
Utilities	3.00%	3.00%	3.00%	3.00%	3.00%	###	3.00%	3.00%	3.00%	3.00%
Taxes	2.00%	2.00%	2.00%	2.00%	2.00%	###	2.00%	2.00%	2.00%	2.00%
Vacancy	5.00%	5.00%	5.00%	5.00%	5.00%	#####	5.00%	5.00%	5.00%	5.00%
COVID 19 Concessions	0.00%	0.00%	0.00%	0.00%	0.00%	###	0.00%	0.00%	0.00%	0.00%
COVID 19 Bad Debt	0.50%	0.50%	0.50%	0.50%	0.50%	###	0.50%	0.50%	0.50%	0.50%
Year	9	10	11	12	13	14	15	16	17	18
Revenue										
% AMI Tarq 80%										
Converted Units	124	124	124	124	124	124	124	124	124	124
Non-Converted Units	0	0	0	0	0	0	0	0	0	0
Converted Unit Rent	\$3,195	\$3,259	\$3,324	\$3,390	\$3,458	\$3,527	\$3,598	\$3,670	\$3,743	\$3,818
Non-Converted Unit Rent	\$3,657	\$3,730	\$3,804	\$3,881	\$3,958	\$4,037	\$4,118	\$4,200	\$4,284	\$4,370
% AMI Tarq 100%										
Converted Units	124	124	124	124	124	124	124	124	124	124
Non-Converted Units	0	0	0	0	0	0	0	0	0	0
Converted Unit Rent	\$3,291	\$3,357	\$3,424	\$3,492	\$3,562	\$3,634	\$3,706	\$3,780	\$3,856	\$3,933
Non-Converted Unit Rent	\$3,657	\$3,730	\$3,804	\$3,881	\$3,958	\$4,037	\$4,118	\$4,200	\$4,284	\$4,370
% AMI Tarq 120%										
Converted Units	124	124	124	124	124	124	124	124	124	124
Non-Converted Units	0	0	0	0	0	0	0	0	0	0
Converted Unit Rent	\$3,364	\$3,431	\$3,500	\$3,570	\$3,641	\$3,714	\$3,789	\$3,864	\$3,942	\$4,020
Non-Converted Unit Rent	\$3,657	\$3,730	\$3,804	\$3,881	\$3,958	\$4,037	\$4,118	\$4,200	\$4,284	\$4,370
Gross Potential Rent	\$14,617,343	\$14,909,690	\$15,207,884	\$15,512,041	\$15,822,282	#####	\$16,461,502	\$16,790,733	\$17,126,547	\$17,469,078
LTL	(219,260)	(223,645)	(228,118)	(232,681)	(237,334)	###	(246,923)	(251,861)	(256,898)	(262,036)
Gross Scheduled Rent	14,398,083	14,686,045	14,979,766	15,279,361	15,584,948	###	16,214,580	16,538,872	16,869,649	17,207,042
Vacancy	(719,904)	(734,302)	(748,988)	(763,968)	(779,247)	###	(810,729)	(826,944)	(843,482)	(860,352)
COVID 19 Concessions	0	0	0	0	0	0	0	0	0	0
Bad Debt	(71,990)	(73,430)	(74,899)	(76,397)	(77,925)	###	(81,073)	(82,694)	(84,348)	(86,035)
Non-Revenue Units	(153,349)	(156,416)	(159,545)	(162,735)	(165,990)	###	(172,696)	(176,150)	(179,673)	(183,267)
Effective Rental Income	13,452,839	13,721,896	13,996,334	14,276,260	14,561,786	#####	15,150,082	15,453,083	15,762,145	16,077,388
Other Income	395,047	406,899	419,106	431,679	444,629	###	471,707	485,858	500,434	515,447
RUBS	645,886	665,262	685,220	705,777	726,950	###	771,221	794,358	818,188	842,734
Total Other Income	1,040,933	1,072,161	1,104,326	1,137,455	1,171,579	#####	1,242,928	1,280,216	1,318,623	1,358,181
Effective Gross Income	14,493,772	14,794,057	15,100,659	15,413,716	15,733,365	#####	16,393,010	16,733,300	17,080,768	17,435,569
Operating Expenses										
Payroll	987,707	1,017,338	1,047,858	1,079,294	1,111,673	###	1,179,374	1,214,755	1,251,198	1,288,734
Marketing	223,237	229,934	236,832	243,937	251,255	###	266,556	274,553	282,789	291,273
General & Administrative	173,484	178,689	184,049	189,571	195,258	###	207,149	213,364	219,765	226,357
Turnover	117,176	120,692	124,312	128,042	131,883	###	139,915	144,112	148,435	152,888
Repairs & Maintenance	191,662	197,412	203,335	209,435	215,718	###	228,855	235,720	242,792	250,076
Contract Services	513,893	529,310	545,189	561,545	578,391	###	613,615	632,024	650,984	670,514
Utilities	861,181	887,016	913,627	941,035	969,266	###	1,028,295	1,059,144	1,090,918	1,123,645
Total Controllable Expens	3,068,340	3,160,390	3,255,202	3,352,858	3,453,444	#####	3,663,759	3,773,671	3,886,881	4,003,488
Manageml.75% of EGI	253,641	258,896	264,262	269,740	275,334	###	286,878	292,833	298,913	305,122
Insurance	284,333	292,863	301,649	310,698	320,019	###	339,508	349,694	360,184	370,990
Direct Assessments	309,595	315,787	322,103	328,545	335,116	###	348,655	355,628	362,740	369,995
Total Fixed Expenses	847,569	867,546	888,013	908,983	930,469	#####	975,041	998,154	1,021,838	1,046,108
Total Operating Expenses	3,915,909	4,027,936	4,143,215	4,261,841	4,383,913	#####	4,638,799	4,771,825	4,908,720	5,049,595
	10,577,863	10,766,120	10,957,444	11,151,874	11,349,452	#####	11,754,211	11,961,474	12,172,048	12,385,974

Source: Waterford Residei

Table 5B
Modified Residential Net Operating Income Projection for Turing Apartments, Assuming 2% Annual Rent Increases
Milpitas, CA

Assumptions										
Asset	Turing									
County	SANTA CLAR									
Total Units	371									
Total SF	349,349									
AMI		% Target								
80%		33%								
100%		33%								
120%		33%								
		100%								
Growth Rates										
Turnover	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Converted Unit Rent	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Non-Converted Unit Rent	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Other Income	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Expenses	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
KMA: LOSS TO LEASE	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Utilities	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Taxes	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Vacancy	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
COVID 19 Concessions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
COVID 19 Bad Debt	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Year	19	20	21	22	23	24	25	26	27	
Revenue										
% AMI Tarq 80%										
Converted Units	124	124	124	124	124	124	124	124	124	124
Non-Converted Units	0	0	0	0	0	0	0	0	0	0
Converted Unit Rent	\$3,894	\$3,972	\$4,052	\$4,133	\$4,215	\$4,300	\$4,386	\$4,473	\$4,563	\$4,653
Non-Converted Unit Rent	\$4,457	\$4,547	\$4,638	\$4,730	\$4,825	\$4,921	\$5,020	\$5,120	\$5,223	\$5,323
% AMI Tarq 100%										
Converted Units	124	124	124	124	124	124	124	124	124	124
Non-Converted Units	0	0	0	0	0	0	0	0	0	0
Converted Unit Rent	\$4,012	\$4,092	\$4,174	\$4,257	\$4,342	\$4,429	\$4,518	\$4,608	\$4,700	\$4,793
Non-Converted Unit Rent	\$4,457	\$4,547	\$4,638	\$4,730	\$4,825	\$4,921	\$5,020	\$5,120	\$5,223	\$5,323
% AMI Tarq 120%										
Converted Units	124	124	124	124	124	124	124	124	124	124
Non-Converted Units	0	0	0	0	0	0	0	0	0	0
Converted Unit Rent	\$4,101	\$4,183	\$4,267	\$4,352	\$4,439	\$4,528	\$4,618	\$4,711	\$4,805	\$4,900
Non-Converted Unit Rent	\$4,457	\$4,547	\$4,638	\$4,730	\$4,825	\$4,921	\$5,020	\$5,120	\$5,223	\$5,323
Gross Potential Rent	\$17,818,460	\$18,174,829	\$18,538,325	\$18,909,092	\$19,287,274	\$19,673,019	\$20,066,480	\$20,467,809	\$20,877,165	\$21,293,523
LTL	(267,277)	(272,622)	(278,075)	(283,636)	(289,309)	(295,095)	(300,997)	(307,017)	(313,157)	(319,417)
Gross Scheduled Rent	17,551,183	17,902,206	18,260,251	18,625,456	18,997,965	19,377,924	19,765,482	20,160,792	20,564,008	20,974,106
Vacancy	(877,559)	(895,110)	(913,013)	(931,273)	(949,898)	(968,896)	(988,274)	(1,008,040)	(1,028,200)	(1,048,751)
COVID 19 Concessions	0	0	0	0	0	0	0	0	0	0
Bad Debt	(87,756)	(89,511)	(91,301)	(93,127)	(94,990)	(96,890)	(98,827)	(100,804)	(102,820)	(104,861)
Non-Revenue Units	(186,932)	(190,671)	(194,484)	(198,374)	(202,341)	(206,388)	(210,516)	(214,726)	(219,021)	(223,401)
Effective Rental Income	16,398,936	16,726,915	17,061,453	17,402,682	17,750,736	18,105,750	18,467,865	18,837,223	19,213,967	19,607,355
Other Income	530,911	546,838	563,243	580,140	597,545	615,471	633,935	652,953	672,542	692,701
RUBS	868,016	894,057	920,878	948,505	976,960	1,006,269	1,036,457	1,067,550	1,099,577	1,132,541
Total Other Income	1,398,927	1,440,895	1,484,121	1,528,645	1,574,504	1,621,739	1,670,392	1,720,503	1,772,118	1,825,241
Effective Gross Income	17,797,863	18,167,809	18,545,574	18,931,327	19,325,240	19,727,490	20,138,257	20,557,726	20,986,085	21,422,596
Operating Expenses										
Payroll	1,327,396	1,367,217	1,408,234	1,450,481	1,493,995	1,538,815	1,584,980	1,632,529	1,681,505	1,731,896
Marketing	300,011	309,012	318,282	327,830	337,665	347,795	358,229	368,976	380,045	391,466
General & Administrative	233,148	240,143	247,347	254,767	262,410	270,283	278,391	286,743	295,345	304,197
Turnover	157,475	162,199	167,065	172,077	177,240	182,557	188,033	193,674	199,485	205,456
Repairs & Maintenance	257,578	265,305	273,265	281,463	289,906	298,604	307,562	316,789	326,292	336,071
Contract Services	690,629	711,348	732,689	754,669	777,310	800,629	824,648	849,387	874,869	901,116
Utilities	1,157,355	1,192,075	1,227,838	1,264,673	1,302,613	1,341,691	1,381,942	1,423,400	1,466,103	1,510,051
Total Controllable Expens	4,123,593	4,247,300	4,374,719	4,505,961	4,641,140	4,780,374	4,923,785	5,071,499	5,223,644	5,380,441
Manageml.75% of EGI	311,463	317,937	324,548	331,298	338,192	345,231	352,419	359,760	367,256	374,901
Insurance	382,120	393,583	405,391	417,552	430,079	442,981	456,271	469,959	484,058	498,569
Direct Assessments	377,395	384,943	392,642	400,495	408,505	416,675	425,008	433,508	442,178	451,009
Total Fixed Expenses	1,070,977	1,096,463	1,122,580	1,149,345	1,176,775	1,204,887	1,233,698	1,263,227	1,293,493	1,324,445
Total Operating Expenses	5,194,570	5,343,763	5,497,299	5,655,306	5,817,915	5,985,261	6,157,484	6,334,726	6,517,136	6,706,046
	12,603,293	12,824,046	13,048,275	13,276,021	13,507,325	13,742,229	13,980,773	14,223,000	14,468,949	14,728,641

Source: Waterford Residei

Table 5B
Modified Residential Net Operating Income Projection for Turing Apartments, Assuming 2% Annual Rent Increases
Milpitas, CA

Assumptions									
Asset	Turing								
County	SANTA CLAR								
Total Units	371								
Total SF	349,349								
AMI	% Target								
80%	33%								
100%	33%								
120%	33%								
	100%								
Growth Rates									
Turnover	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Converted Unit Rent	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Non-Converted Unit Rent	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Other Income	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Expenses	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
KMA: LOSS TO LEASE	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Utilities	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Taxes	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Vacancy	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
COVID 19 Concessions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
COVID 19 Bad Debt	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Year	28	29	30	31	32	33	34	35	
Revenue									
% AMI Tarf 80%									
Converted Units	124	124	124	124	124	124	124	124	124
Non-Converted Units	0	0	0	0	0	0	0	0	0
Converted Unit Rent	\$4,654	\$4,747	\$4,842	\$4,939	\$5,038	\$5,139	\$5,241	\$5,346	
Non-Converted Unit Rent	\$5,327	\$5,434	\$5,542	\$5,653	\$5,766	\$5,882	\$5,999	\$6,119	
% AMI Tarf 100%									
Converted Units	124	124	124	124	124	124	124	124	
Non-Converted Units	0	0	0	0	0	0	0	0	
Converted Unit Rent	\$4,794	\$4,890	\$4,988	\$5,088	\$5,190	\$5,293	\$5,399	\$5,507	
Non-Converted Unit Rent	\$5,327	\$5,434	\$5,542	\$5,653	\$5,766	\$5,882	\$5,999	\$6,119	
% AMI Tarf 120%									
Converted Units	124	124	124	124	124	124	124	124	
Non-Converted Units	0	0	0	0	0	0	0	0	
Converted Unit Rent	\$4,901	\$4,999	\$5,099	\$5,201	\$5,305	\$5,411	\$5,519	\$5,630	
Non-Converted Unit Rent	\$5,327	\$5,434	\$5,542	\$5,653	\$5,766	\$5,882	\$5,999	\$6,119	
Gross Potential Rent	\$21,294,709	\$21,720,603	\$22,155,015	\$22,598,115	\$23,050,078	\$23,511,079	\$23,981,301	\$24,460,927	
LTL	(319,421)	(325,809)	(332,325)	(338,972)	(345,751)	(352,666)	(359,720)	(366,914)	
Gross Scheduled Rent	20,975,288	21,394,794	21,822,690	22,259,144	22,704,326	23,158,413	23,621,581	24,094,013	
Vacancy	(1,048,764)	(1,069,740)	(1,091,134)	(1,112,957)	(1,135,216)	(1,157,921)	(1,181,079)	(1,204,701)	
COVID 19 Concessions	0	0	0	0	0	0	0	0	
Bad Debt	(104,876)	(106,974)	(109,113)	(111,296)	(113,522)	(115,792)	(118,108)	(120,470)	
Non-Revenue Units	(223,401)	(227,869)	(232,426)	(237,075)	(241,816)	(246,653)	(251,586)	(256,617)	
Effective Rental Income	19,598,246	19,990,211	20,390,015	20,797,816	21,213,772	21,638,048	22,070,808	22,512,225	
Other Income	692,718	713,499	734,904	756,952	779,660	803,050	827,141	851,956	
RUBS	1,132,564	1,166,541	1,201,537	1,237,583	1,274,711	1,312,952	1,352,341	1,392,911	
Total Other Income	1,825,282	1,880,041	1,936,442	1,994,535	2,054,371	2,116,002	2,179,482	2,244,867	
Effective Gross Income	21,423,528	21,870,252	22,326,457	22,792,351	23,268,143	23,754,050	24,250,291	24,757,091	
Operating Expenses									
Payroll	1,731,950	1,783,909	1,837,426	1,892,549	1,949,325	2,007,805	2,068,039	2,130,080	
Marketing	391,447	403,190	415,286	427,744	440,577	453,794	467,408	481,430	
General & Administrative	304,206	313,332	322,732	332,414	342,386	352,658	363,237	374,134	
Turnover	205,469	211,633	217,982	224,522	231,257	238,195	245,341	252,701	
Repairs & Maintenance	336,081	346,163	356,548	367,245	378,262	389,610	401,298	413,337	
Contract Services	901,115	928,148	955,993	984,672	1,014,213	1,044,639	1,075,978	1,108,257	
Utilities	1,510,086	1,555,388	1,602,050	1,650,111	1,699,615	1,750,603	1,803,121	1,857,215	
Total Controllable Expens	5,380,353	5,541,764	5,708,016	5,879,257	6,055,635	6,237,304	6,424,423	6,617,155	
Manageml.75% of EGI	374,912	382,729	390,713	398,866	407,193	415,696	424,380	433,249	
Insurance	498,579	513,537	528,943	544,811	561,156	577,990	595,330	613,190	
Direct Assessments	451,022	460,043	469,243	478,628	488,201	497,965	507,924	518,083	
Total Fixed Expenses	1,324,513	1,356,309	1,388,899	1,422,306	1,456,549	1,491,651	1,527,634	1,564,521	
Total Operating Expenses	6,704,866	6,898,072	7,096,916	7,301,562	7,512,183	7,728,955	7,952,057	8,181,677	
	14,718,662	14,972,180	15,229,542	15,490,788	15,755,960	16,025,095	16,298,234	16,575,414	

Source: Waterford Residei

Table 6A
Waterford Projection of Net Cash Flow after Debt, Assuming 3% Annual Rent Increases
City of Milpitas, CA

Bond Dates and Pricing	
Face Coupon	3.80%
Price	\$106.87
Bond Yield	3.00%
Structure Covenants / Structure Inputs	
Investment Earnings Long Term (Senior Debt Service)	1.90%
Investment Earnings short Term	1.05%
DSCR Requirement	1.10x
Coverage Reserve Requirement	20.0%
Coverage Reserve Fund Release	1.20x
Project Administrator Fee	\$225,000
Other Admin Expenses	\$225,000
Project Administrator Fee Year Start	Year 6
Project Administrator Fee Growth Rate	3%
Other Admin Expenses Year Start	Year 6
Capital Reserves Per Unit	\$300
Capital Reserves Inflation	3.00%
Capital Reserves Fixed Amount	\$700
Capital Reserves Fixed Amount Year Start	Year 10

Sources	Total	Per Unit	%
Principal	\$249,069,856	\$671,347	100.00%
Original Issuance Premium	\$17,104,762	\$46,104	6.87%
Total	\$266,174,617	\$717,452	106.87%
Uses of Funds	Total	Per Unit	%
Project Acq. Account	\$237,350,000	\$639,757	95.29%
Capital Expense Fund	\$3,063,173	\$8,257	1.23%
Capitalized Interest Account	\$0	\$0	0.00%
Operating Reserve 25%	\$784,255	\$2,114	0.31%
Coverage Reserve	\$1,892,931	\$5,102	0.76%
Senior Debt Service Reserve	\$9,464,655	\$25,511	3.80%
Capitalized Admin Fees	\$2,250,000	\$6,065	0.90%
Extraordinary Expense	\$500,000	\$1,348	0.20%
Operating Account (under Property Mgmt)	\$448,326	\$1,208	0.18%
Initial Payment Project Admin.	\$3,000,000	\$8,086	1.20%
Costs of Issuance	\$7,421,278	\$20,003	2.98%
Total	\$266,174,617	\$717,452	106.87%

Series 2020B Bonds	
Value %	
Principal	\$5,000,000
Interest	10%
Maturity Date	11/1/2055
Year	35
Cover Redemption?	Yes

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Table 6A
Waterford Projection of Net Cash Flow after Debt, Assuming 3% Annual Rent Increases
City of Milpitas, CA

Year	1	2	3	4	5	6
TOTAL NET REVENUES	\$9,786,014	\$9,803,052	\$9,684,209	\$9,977,485	\$10,279,614	\$10,590,862
Project Administrator Fee	\$0	\$0	\$0	\$0	\$0	\$268,662
Other Admin Expenses	\$0	\$0	\$0	\$0	\$0	\$225,000
Annual Project Admin Fee	\$20,000	\$20,600	\$21,218	\$21,855	\$22,510	\$23,185
Capital Reserves/Unit	\$300	\$309	\$318	\$328	\$338	\$348
Capital Reserves	\$111,300	\$114,639	\$118,078	\$121,621	\$125,269	\$129,027
Investment Earnings	(\$311,727)	(\$307,002)	(\$302,276)	(\$297,551)	(\$292,813)	(\$288,051)
Total Bond Specific Net Expenses	(\$180,127)	(\$171,454)	(\$162,662)	(\$153,748)	(\$144,696)	\$358,172
CF Avail for Debt Service	\$9,966,141	\$9,974,506	\$9,846,871	\$10,131,233	\$10,424,310	\$10,232,691
Series 2020A Bond Interest						
2020 A Bonds Interest	\$9,464,655	\$9,464,598	\$9,464,221	\$9,464,218	\$9,457,872	\$9,440,099
Series 2020A Bond Interest Coverage						
Year Covered	1	2	3	4	5	6
Series 2020B Bonds Interest						
Series 2020B Bonds Interest Total	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Excess CF For Series 2020B Bonds	\$501,487	\$509,908	\$382,650	\$667,015	\$966,438	\$792,592
Series 2020B Bonds Interest	\$500,000	\$500,000	\$382,650	\$500,000	\$500,000	\$500,000
Net Debt Service 2020A & 2020B	\$9,652,927	\$9,657,596	\$9,544,595	\$9,666,667	\$9,665,059	\$9,652,048
Coverage Reserve Fund Requirement						
Coverage Reserve Fund Requirement	1,892,931	1,892,920	1,892,844	1,892,844	1,891,574	1,888,020
Coverage Reserve Fund Balance Beg	\$1,892,931	\$1,892,931	\$1,892,920	\$1,892,844	\$1,892,844	\$1,891,574
Contribution / (Release)	\$0	(\$11)	(\$75)	(\$1)	(\$1,269)	(\$3,555)
Coverage Reserve Fund Balance End	\$1,892,931	\$1,892,920	\$1,892,844	\$1,892,844	\$1,891,574	\$1,888,020
DSCR Calculations						
DSCR - Total Revenues (No Coverage Reserve)	1.014	1.015	1.015	1.032	1.064	1.097
Compliance DSCR - Total Revenues	1.210	1.211	1.213	1.228	1.259	1.293
DSCR - Total CFAFDS	1.229	1.229	1.230	1.244	1.274	1.256
Bonds Outstanding						
Senior Debt Service Reserve Fund Balance Beg	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655
Contribution / (Release)	\$0	\$0	\$0	\$0	\$0	\$0
Senior Debt Service Fund Balance End	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655
Total Reserve Funds (Contribution) / Release	\$0	\$11	\$75	\$1	\$1,269	\$3,555
CF available for DS after reserve fund contr/release	\$9,966,141	\$9,974,517	\$9,846,947	\$10,131,234	\$10,425,579	\$10,236,245
CF Avail for Bond Redemption	\$1,487	\$9,919	\$75	\$167,016	\$467,707	\$296,146
Capitalized Interest	\$0	\$0	\$0	\$0	\$0	\$0
Special Redemption 2020A	\$1,487	\$9,919	\$75	\$167,016	\$467,707	\$296,146
Bonds Outstanding 2020A	\$249,068,369	\$249,058,450	\$249,058,375	\$248,891,359	\$248,423,652	\$248,127,506
CF Available for Series 2020B Bonds Redemption	\$0	\$0	\$0	\$0	\$0	\$0
Accrued Interest	\$0	\$0	\$117,350	\$0	\$0	\$0
Special Redemption Series 2020B	\$0	\$0	\$0	\$0	\$0	\$0
Series 2020B Bonds Outstanding	\$5,000,000	\$5,000,000	\$5,117,350	\$5,117,350	\$5,117,350	\$5,117,350
Total Bonds Outstanding	\$254,068,369	\$254,058,450	\$254,175,724	\$254,008,709	\$253,541,002	\$253,244,855
Cash DSCR	1.000	1.000	1.000	1.000	1.000	1.000

Prepared by Waterford Residential.

Table 6A
Waterford Projection of Net Cash Flow after Debt, Assuming 3% Annual Rent Increases
 City of Milpitas, CA

Year	7	8	9	10	11	12
TOTAL NET REVENUES	\$10,911,505	\$11,241,826	\$11,582,116	\$11,932,676	\$12,293,814	\$12,665,849
Project Administrator Fee	\$276,722	\$285,023	\$293,574	\$302,381	\$311,453	\$320,796
Other Admin Expenses	\$225,000	\$225,000	\$225,000	\$225,000	\$225,000	\$225,000
Annual Project Admin Fee	\$23,881	\$24,597	\$25,335	\$26,095	\$26,878	\$27,685
Capital Reserves/Unit	\$358	\$369	\$380	\$700	\$700	\$700
Capital Reserves	\$132,898	\$136,885	\$140,992	\$259,700	\$259,700	\$259,700
Investment Earnings	(\$288,027)	(\$287,978)	(\$268,226)	(\$268,226)	(\$168,652)	(\$168,652)
Total Bond Specific Net Expenses	\$370,832	\$383,897	\$417,054	\$545,650	\$655,079	\$665,229
CF Avail for Debt Service	\$10,540,673	\$10,857,930	\$11,165,062	\$11,387,026	\$11,638,735	\$12,000,620
Series 2020A Bond Interest						
2020 A Bonds Interest	\$9,428,845	\$9,405,510	\$9,369,141	\$9,248,414	\$9,186,147	\$9,111,948
Series 2020A Bond Interest Coverage						
Year Covered	7	8	9	10	11	12
Series 2020B Bonds Interest						
Series 2020B Bonds Interest Total	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Excess CF For Series 2020B Bonds	\$1,111,828	\$1,452,419	\$1,795,921	\$2,138,611	\$2,452,588	\$2,888,672
Series 2020B Bonds Interest	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Net Debt Service 2020A & 2020B	\$9,640,818	\$9,617,532	\$9,600,914	\$9,480,188	\$9,517,495	\$9,443,297
Coverage Reserve Fund Requirement						
Coverage Reserve Fund Requirement	1,885,769	1,881,102	0	0	0	0
Coverage Reserve Fund Balance Beg	\$1,888,020	\$1,885,769	\$1,881,102	\$0	\$0	\$0
Contribution / (Release)	(\$2,251)	(\$4,667)	(\$1,881,102)	\$0	\$0	\$0
Coverage Reserve Fund Balance End	\$1,885,769	\$1,881,102	\$0	\$0	\$0	\$0
DSCR Calculations						
DSCR - Total Revenues (No Coverage Reserve)	1.132	1.169	1.206	1.259	1.292	1.341
Compliance DSCR - Total Revenues	1.327	1.364	1.206	1.259	1.292	1.341
DSCR - Total CFAFDS	1.289	1.325	1.163	1.201	1.223	1.271
Bonds Outstanding						
Senior Debt Service Reserve Fund Balance Beg	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655
Contribution / (Release)	\$0	\$0	\$0	\$0	\$0	\$0
Senior Debt Service Fund Balance End	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655
Total Reserve Funds (Contribution) / Release	\$2,251	\$4,667	\$1,881,102	\$0	\$0	\$0
CF available for DS after reserve fund contr/release	\$10,542,924	\$10,862,597	\$13,046,164	\$11,387,026	\$11,638,735	\$12,000,620
CF Avail for Bond Redemption	\$614,079	\$957,086	\$3,177,023	\$1,638,611	\$1,952,588	\$2,388,672
Capitalized Interest	\$0	\$0	\$0	\$0	\$0	\$0
Special Redemption 2020A	\$614,079	\$957,086	\$3,177,023	\$1,638,611	\$1,952,588	\$2,388,672
Bonds Outstanding 2020A	\$247,513,427	\$246,556,340	\$243,379,317	\$241,740,706	\$239,788,118	\$237,399,446
CF Available for Series 2020B Bonds Redemption	\$0	\$0	\$0	\$0	\$0	\$0
Accrued Interest	\$0	\$0	\$0	\$0	\$0	\$0
Special Redemption Series 2020B	\$0	\$0	\$0	\$0	\$0	\$0
Series 2020B Bonds Outstanding	\$5,117,350	\$5,117,350	\$5,117,350	\$5,117,350	\$5,117,350	\$5,117,350
Total Bonds Outstanding	\$252,630,776	\$251,673,690	\$248,496,667	\$246,858,056	\$244,905,468	\$242,516,796
Cash DSCR	1.000	1.000	1.000	1.000	1.000	1.000

Prepared by Waterford Residential.

Table 6A
Waterford Projection of Net Cash Flow after Debt, Assuming 3% Annual Rent Increases
 City of Milpitas, CA

Year	15	30	31	32	33	34	35
TOTAL NET REVENUES	\$13,850,671	\$21,652,843	\$22,307,121	\$22,981,121	\$23,675,437	\$24,390,679	\$25,127,479
Project Administrator Fee	\$350,543	\$546,134	\$562,518	\$579,394	\$596,775	\$614,679	\$633,119
Other Admin Expenses	\$225,000	\$225,000	\$225,000	\$225,000	\$225,000	\$225,000	\$225,000
Annual Project Admin Fee	\$30,252	\$47,131	\$48,545	\$50,002	\$51,502	\$53,047	\$54,638
Capital Reserves/Unit	\$700	\$700	\$700	\$700	\$700	\$700	\$700
Capital Reserves	\$259,700	\$259,700	\$259,700	\$259,700	\$259,700	\$259,700	\$259,700
Investment Earnings	(\$168,652)	(\$168,652)	(\$168,652)	(\$168,652)	(\$168,652)	(\$45,648)	(\$45,648)
Total Bond Specific Net Expenses	\$697,543	\$910,013	\$927,811	\$946,143	\$965,025	\$1,107,477	\$1,127,509
CF Avail for Debt Service	\$13,153,128	\$20,742,830	\$21,379,310	\$22,034,978	\$22,710,411	\$23,283,202	\$23,999,970
Series 2020A Bond Interest							
2020 A Bonds Interest	\$8,785,695	\$3,697,672	\$3,068,956	\$2,392,163	\$1,664,736	\$884,000	\$0
Series 2020A Bond Interest Coverage							
Year Covered	15	30	31	32	33	34	35
Series 2020B Bonds Interest							
Series 2020B Bonds Interest Total	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Excess CF For Series 2020B Bonds	\$4,367,433	\$17,045,158	\$18,310,354	\$19,642,815	\$21,045,676	\$22,399,202	\$23,999,970
Series 2020B Bonds Interest	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$0	\$0
Net Debt Service 2020A & 2020B	\$9,117,043	\$4,029,020	\$3,400,304	\$2,723,511	\$1,996,084	\$838,352	(\$45,648)
Coverage Reserve Fund Requirement							
Coverage Reserve Fund Requirement	0	0	0	0	0	0	0
Coverage Reserve Fund Balance Beg	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contribution / (Release)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Coverage Reserve Fund Balance End	\$0	\$0	\$0	\$0	\$0	\$0	\$0
DSCR Calculations							
DSCR - Total Revenues (No Coverage Reserve)	1.519	5.374	6.560	8.438	11.861	29.094	(550.462)
Compliance DSCR - Total Revenues	1.519	5.374	6.560	8.438	11.861	29.094	(550.462)
DSCR - Total CFAFDs	1.443	5.148	6.287	8.091	11.377	27.773	(525.762)
Bonds Outstanding							
Senior Debt Service Reserve Fund Balance Beg	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$0
Contribution / (Release)	\$0	\$0	\$0	\$0	\$0	(\$11,714,655)	\$0
Senior Debt Service Fund Balance End	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$0	\$0
Total Reserve Funds (Contribution) / Release	\$0	\$0	\$0	\$0	\$0	\$11,714,655	\$0
CF available for DS after reserve fund contr/release	\$13,153,128	\$20,742,830	\$21,379,310	\$22,034,978	\$22,710,411	\$34,997,857	\$23,999,970
CF Avail for Bond Redemption	\$3,867,433	\$16,545,158	\$17,810,354	\$19,142,815	\$20,545,676	\$34,113,857	\$23,999,970
Capitalized Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Special Redemption 2020A	\$3,867,433	\$16,545,158	\$17,810,354	\$19,142,815	\$20,545,676	\$23,263,157	\$0
Bonds Outstanding 2020A	\$227,335,075	\$80,762,001	\$62,951,648	\$43,808,833	\$23,263,157	\$0	\$0
CF Available for Series 2020B Bonds Redemption	\$0	\$0	\$0	\$0	\$0	\$10,850,700	\$23,999,970
Accrued Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Special Redemption Series 2020B	\$0	\$0	\$0	\$0	\$0	\$5,117,350	\$0
Series 2020B Bonds Outstanding	\$5,117,350	\$5,117,350	\$5,117,350	\$5,117,350	\$5,117,350	\$0	\$0
Total Bonds Outstanding	\$232,452,425	\$85,879,351	\$68,068,997	\$48,926,182	\$28,380,507	\$0	\$0
Cash DSCR	1.000	1.000	1.000	1.000	1.000	0.836	0.000

Prepared by Waterford Residential.

Table 6B
Modified Projection of Net Cash Flow after Deb, Assuming 2% Annual Rent Increases
Milpitas, CA

Bond Dates and Pricing	
Face Coupon	3.80%
Price	\$106.87
Bond Yield	3.00%

Structure Covenants / Structure Inputs	
Investment Earnings Long Term (Sr Debt Svc Rsrv Fund)	1.90%
Investment Earnings short Term	1.05%
DSCR Requirement	1.10x
Coverage Reserve Requirement	20.0%
Coverage Reserve Fund Release	1.20x
Project Administrator Fee	\$225,000
Other Admin Expenses	\$225,000
Project Administrator Fee Year Start	Year 6
Project Administrator Fee Growth Rate	3%
Other Admin Expenses Year Start	Year 6
Capital Reserves Per Unit	\$300
Capital Reserves Inflation	3.00%
Capital Reserves Fixed Amount	\$700
Capital Reserves Fixed Amount Year Start	Year 10

Sources	Total	Per Unit	%
Principal	\$249,069,856	\$671,347	100.00%
Original Issuance Premium	\$17,104,762	\$46,104	6.87%
Total	\$266,174,618	\$717,452	106.87%

Uses of Funds	Total	Per Unit	%
Project Acq. Account	\$237,350,000	\$639,757	95.29%
Capital Expense Fund	\$3,063,173	\$8,257	1.23%
Capitalized Interest Account	\$0	\$0	0.00%
Operating Reserve	\$784,255	\$2,114	0.31%
Coverage Reserve	\$1,892,931	\$5,102	0.76%
Senior Debt Service Reserve	\$9,464,655	\$25,511	3.80%
Capitalized Admin Fees	\$2,250,000	\$6,065	0.90%
Extraordinary Expense	\$500,000	\$1,348	0.20%
Operating Account (under Property Mgmt)	\$448,326	\$1,208	0.18%
Initial Payment Project Admin.	\$3,000,000	\$8,086	1.20%
Costs of Issuance	\$7,421,278	\$20,003	2.98%
Total	\$266,174,617	\$717,452	106.87%

Series 2020B Bonds	
Value %	
Principal	\$5,000,000
Interest	10%
Maturity Date	11/1/2055
Year	35
Cover Redemption?	Yes

DRAFT

Table 6B
Modified Projection of Net Cash Flow after Deb, Assuming 2% Annual Rent Increases
Milpitas, CA

Year	0	1	2	3	4	5
TOTAL NET REVENUES	\$10,036,583	\$9,786,014	\$9,744,101	\$9,510,472	\$9,681,168	\$9,854,693
Project Administrator Fee		\$0	\$0	\$0	\$0	\$0
Other Admin Expenses		\$0	\$0	\$0	\$0	\$0
Annual Project Admin Fee		\$20,000	\$20,600	\$21,218	\$21,855	\$22,510
Capital Reserves/Unit		\$300	\$309	\$318	\$328	\$338
Capital Reserves		\$111,300	\$114,639	\$118,078	\$121,621	\$125,269
Investment Earnings		(\$311,727)	(\$307,002)	(\$302,277)	(\$297,552)	(\$292,827)
Total Bond Specific Net Expenses		(\$180,127)	(\$171,454)	(\$162,663)	(\$153,749)	(\$144,710)
CF Avail for Debt Service		\$9,966,141	\$9,915,555	\$9,673,135	\$9,834,918	\$9,999,404
Series 2020A Bond Interest						
2020 A Bonds Interest		\$9,464,655	\$9,464,598	\$9,464,598	\$9,464,598	\$9,464,598
Net Debt Service 2020A		\$9,152,927	\$9,157,596	\$9,162,321	\$9,167,046	\$9,171,771
Series 2020A Bond Interest Coverage						
Year Covered		1	2	3	4	5
Series 2020B Bonds Interest						
Series 2020B Bonds Interest Total		\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Excess CF For Series 2020B Bonds		\$501,487	\$450,957	\$208,537	\$370,320	\$534,806
Series 2020B Bonds Interest	\$500,000	\$500,000	\$450,957	\$208,537	\$370,320	\$500,000
Net Debt Service 2020A & 2020B		\$9,652,927	\$9,608,553	\$9,370,858	\$9,537,366	\$9,671,771
Coverage Reserve Fund Requirement						
Coverage Reserve Fund Requirement		1,892,931	1,892,920	1,892,920	1,892,920	1,892,920
Coverage Reserve Fund Balance Beg		\$1,892,931	\$1,892,931	\$1,892,920	\$1,892,920	\$1,892,920
Contribution / (Release)		\$0	(\$11)	(\$0)	(\$0)	(\$0)
Coverage Reserve Fund Balance End		\$1,892,931	\$1,892,920	\$1,892,920	\$1,892,920	\$1,892,920
DSCR Calculations						
DSCR - Total Revenues (No Coverage Reserve)		1.014	1.014	1.015	1.015	1.019
Compliance DSCR - Total Revenues W/Coverage Reserve		1.210	1.211	1.217	1.214	1.215
DSCR - Total CFAFDS w/Coverage Reserve		1.229	1.229	1.234	1.230	1.230
Bonds Outstanding						
Senior Debt Service Reserve Fund Balance Beg		\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655
Contribution / (Release)		\$0	\$0	\$0	\$0	\$0
Senior Debt Service Fund Balance End		\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655
Total Reserve Funds (Contribution) / Release		\$0	\$11	\$0	\$0	\$0
CF available for DS after reserve fund contr/release		\$9,966,141	\$9,915,566	\$9,673,135	\$9,834,918	\$9,999,404
CF Avail for Bond Redemption		\$1,487	\$11	\$0	\$0	\$34,806
Capitalized Interest	\$0	\$0	\$0	\$0	\$0	\$0
Special Redemption 2020A		\$1,487	\$11	\$0	\$0	\$34,806
Bonds Outstanding 2020A	\$249,069,856	\$249,068,369	\$249,068,358	\$249,068,358	\$249,068,358	\$249,033,552
CF Available for Series 2020B Bonds Redemption		\$0	\$0	\$0	\$0	\$0
Accrued Interest		\$0	\$49,043	\$291,463	\$129,680	\$0
Special Redemption Series 2020B		\$0	\$0	\$0	\$0	\$0
Series 2020B Bonds Outstanding	\$5,000,000	\$5,000,000	\$5,049,043	\$5,340,506	\$5,470,186	\$5,470,186
Total Bonds Outstanding		\$254,068,369	\$254,117,401	\$254,408,864	\$254,538,544	\$254,503,738
Cash DSCR		1.000	1.000	1.000	1.000	1.000

Source: Waterford Residential

Table 6B
Modified Projection of Net Cash Flow after Deb, Assuming 2% Annual Rent Increases
Milpitas, CA

Year	6	7	8	9	10	11
TOTAL NET REVENUES	\$10,031,086	\$10,210,385	\$10,392,631	\$10,577,863	\$10,766,120	\$10,957,444
Project Administrator Fee	\$268,662	\$276,722	\$285,023	\$293,574	\$302,381	\$311,453
Other Admin Expenses	\$225,000	\$225,000	\$225,000	\$225,000	\$225,000	\$225,000
Annual Project Admin Fee	\$23,185	\$23,881	\$24,597	\$25,335	\$26,095	\$26,878
Capital Reserves/Unit	\$348	\$358	\$369	\$380	\$700	\$700
Capital Reserves	\$129,027	\$132,898	\$136,885	\$140,992	\$259,700	\$259,700
Investment Earnings	(\$288,099)	(\$288,099)	(\$288,099)	(\$288,096)	(\$288,078)	(\$188,481)
Total Bond Specific Net Expenses	\$358,123	\$370,760	\$383,775	\$397,185	\$525,799	\$635,250
CF Avail for Debt Service	\$9,672,963	\$9,839,626	\$10,008,855	\$10,180,677	\$10,240,322	\$10,322,194
Series 2020A Bond Interest						
2020 A Bonds Interest	\$9,463,275	\$9,463,265	\$9,463,265	\$9,461,532	\$9,453,192	\$9,442,217
Net Debt Service 2020A	\$9,175,176	\$9,175,166	\$9,175,166	\$9,173,437	\$9,165,114	\$9,253,737
Series 2020A Bond Interest Coverage						
Year Covered	6	7	8	9	10	11
Series 2020B Bonds Interest						
Series 2020B Bonds Interest Total	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Excess CF For Series 2020B Bonds	\$209,688	\$376,361	\$545,591	\$719,145	\$787,130	\$879,976
Series 2020B Bonds Interest	\$209,688	\$376,361	\$500,000	\$500,000	\$500,000	\$500,000
Net Debt Service 2020A & 2020B	\$9,384,864	\$9,551,526	\$9,675,166	\$9,673,437	\$9,665,114	\$9,753,737
Coverage Reserve Fund Requirement						
Coverage Reserve Fund Requirement	1,892,655	1,892,653	1,892,653	1,892,306	1,890,638	1,888,443
Coverage Reserve Fund Balance Beg	\$1,892,920	\$1,892,655	\$1,892,653	\$1,892,653	\$1,892,306	\$1,890,638
Contribution / (Release)	(\$265)	(\$2)	(\$0)	(\$346)	(\$1,668)	(\$2,195)
Coverage Reserve Fund Balance End	\$1,892,655	\$1,892,653	\$1,892,653	\$1,892,306	\$1,890,638	\$1,888,443
DSCR Calculations						
DSCR - Total Revenues (No Coverage Reserve)	1.069	1.069	1.074	1.093	1.114	1.123
Compliance DSCR - Total Revenues W/Coverage Res	1.271	1.267	1.270	1.289	1.310	1.317
DSCR - Total CFAFDS w/Coverage Reserve	1.232	1.228	1.230	1.248	1.255	1.252
Bonds Outstanding						
Senior Debt Service Reserve Fund Balance Beg	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655
Contribution / (Release)	\$0	\$0	\$0	\$0	\$0	\$0
Senior Debt Service Fund Balance End	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655
Total Reserve Funds (Contribution) / Release	\$265	\$2	\$0	\$346	\$1,668	\$2,195
CF available for DS after reserve fund contr/release	\$9,673,228	\$9,839,628	\$10,008,856	\$10,181,024	\$10,241,990	\$10,324,389
CF Avail for Bond Redemption	\$265	\$2	\$45,591	\$219,491	\$288,798	\$382,171
Capitalized Interest	\$0	\$0	\$0	\$0	\$0	\$0
Special Redemption 2020A	\$265	\$2	\$45,591	\$219,491	\$288,798	\$382,171
Bonds Outstanding 2020A	\$249,033,287	\$249,033,285	\$248,987,695	\$248,768,203	\$248,479,405	\$248,097,234
CF Available for Series 2020B Bonds Redemption	\$0	\$0	\$0	\$0	\$0	\$0
Accrued Interest	\$290,312	\$123,639	\$0	\$0	\$0	\$0
Special Redemption Series 2020B	\$0	\$0	\$0	\$0	\$0	\$0
Series 2020B Bonds Outstanding	\$5,760,498	\$5,884,137	\$5,884,137	\$5,884,137	\$5,884,137	\$5,884,137
Total Bonds Outstanding	\$254,793,785	\$254,917,423	\$254,871,832	\$254,652,340	\$254,363,542	\$253,981,371
Cash DSCR	1.000	1.000	1.000	1.000	1.000	1.000

Source: Waterford Residential

Table 6B
Modified Projection of Net Cash Flow after Deb, Assuming 2% Annual Rent Increases
Milpitas, CA

Year	12	13	14	15	16	17
TOTAL NET REVENUES	\$11,151,874	\$11,349,452	\$11,550,217	\$11,754,211	\$11,961,474	\$12,172,048
Project Administrator Fee	\$320,796	\$330,420	\$340,333	\$350,543	\$361,059	\$371,891
Other Admin Expenses	\$225,000	\$225,000	\$225,000	\$225,000	\$225,000	\$225,000
Annual Project Admin Fee	\$27,685	\$28,515	\$29,371	\$30,252	\$31,159	\$32,094
Capital Reserves/Unit	\$700	\$700	\$700	\$700	\$700	\$700
Capital Reserves	\$259,700	\$259,700	\$259,700	\$259,700	\$259,700	\$259,700
Investment Earnings	(\$188,450)	(\$188,404)	(\$188,340)	(\$168,652)	(\$168,652)	(\$168,652)
Total Bond Specific Net Expenses	\$645,431	\$655,932	\$666,763	\$697,543	\$708,966	\$720,733
CF Avail for Debt Service	\$10,506,444	\$10,693,520	\$10,883,454	\$11,056,668	\$11,252,508	\$11,451,315
Series 2020A Bond Interest						
2020 A Bonds Interest	\$9,427,695	\$9,405,592	\$9,375,483	\$9,336,951	\$9,219,348	\$9,161,088
Net Debt Service 2020A	\$9,239,245	\$9,217,188	\$9,187,142	\$9,168,299	\$9,050,696	\$8,992,436
Series 2020A Bond Interest Coverage						
Year Covered	12	13	14	15	16	17
Series 2020B Bonds Interest						
Series 2020B Bonds Interest Total	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Excess CF For Series 2020B Bonds	\$1,078,749	\$1,287,928	\$1,507,971	\$1,719,717	\$2,033,160	\$2,290,227
Series 2020B Bonds Interest	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Net Debt Service 2020A & 2020B	\$9,739,245	\$9,717,188	\$9,687,142	\$9,668,299	\$9,550,696	\$9,492,436
Coverage Reserve Fund Requirement						
Coverage Reserve Fund Requirement	1,885,539	1,881,118	1,875,097	0	0	0
Coverage Reserve Fund Balance Beg	\$1,888,443	\$1,885,539	\$1,881,118	\$1,875,097	\$0	\$0
Contribution / (Release)	(\$2,905)	(\$4,421)	(\$6,022)	(\$1,875,097)	\$0	\$0
Coverage Reserve Fund Balance End	\$1,885,539	\$1,881,118	\$1,875,097	\$0	\$0	\$0
DSCR Calculations						
DSCR - Total Revenues (No Coverage Reserve)	1.145	1.168	1.192	1.216	1.252	1.282
Compliance DSCR - Total Revenues W/Coverage Res	1.339	1.362	1.386	1.216	1.252	1.282
DSCR - Total CFAFDS w/Coverage Reserve	1.272	1.294	1.317	1.144	1.178	1.206
Bonds Outstanding						
Senior Debt Service Reserve Fund Balance Beg	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655
Contribution / (Release)	\$0	\$0	\$0	\$0	\$0	\$0
Senior Debt Service Fund Balance End	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655
Total Reserve Funds (Contribution) / Release	\$2,905	\$4,421	\$6,022	\$1,875,097	\$0	\$0
CF available for DS after reserve fund contr/release	\$10,509,348	\$10,697,941	\$10,889,476	\$12,931,765	\$11,252,508	\$11,451,315
CF Avail for Bond Redemption	\$581,653	\$792,349	\$1,013,993	\$3,094,814	\$1,533,160	\$1,790,227
Capitalized Interest	\$0	\$0	\$0	\$0	\$0	\$0
Special Redemption 2020A	\$581,653	\$792,349	\$1,013,993	\$3,094,814	\$1,533,160	\$1,790,227
Bonds Outstanding 2020A	\$247,515,581	\$246,723,232	\$245,709,239	\$242,614,425	\$241,081,266	\$239,291,039
CF Available for Series 2020B Bonds Redemption	\$0	\$0	\$0	\$0	\$0	\$0
Accrued Interest	\$0	\$0	\$0	\$0	\$0	\$0
Special Redemption Series 2020B	\$0	\$0	\$0	\$0	\$0	\$0
Series 2020B Bonds Outstanding	\$5,884,137	\$5,884,137	\$5,884,137	\$5,884,137	\$5,884,137	\$5,884,137
Total Bonds Outstanding	\$253,399,718	\$252,607,369	\$251,593,376	\$248,498,562	\$246,965,403	\$245,175,176
Cash DSCR	1.000	1.000	1.000	1.000	1.000	1.000

Source: Waterford Residential

Table 6B
Modified Projection of Net Cash Flow after Deb, Assuming 2% Annual Rent Increases
Milpitas, CA

Year	18	19	20	21	22	23
TOTAL NET REVENUES	\$12,385,974	\$12,603,293	\$12,824,046	\$13,048,275	\$13,276,021	\$13,507,325
Project Administrator Fee	\$383,047	\$394,539	\$406,375	\$418,566	\$431,123	\$444,057
Other Admin Expenses	\$225,000	\$225,000	\$225,000	\$225,000	\$225,000	\$225,000
Annual Project Admin Fee	\$33,057	\$34,049	\$35,070	\$36,122	\$37,206	\$38,322
Capital Reserves/Unit	\$700	\$700	\$700	\$700	\$700	\$700
Capital Reserves	\$259,700	\$259,700	\$259,700	\$259,700	\$259,700	\$259,700
Investment Earnings	(\$168,652)	(\$168,652)	(\$168,652)	(\$168,652)	(\$168,652)	(\$168,652)
Total Bond Specific Net Expenses	\$732,853	\$745,336	\$758,193	\$771,437	\$785,077	\$799,127
CF Avail for Debt Service	\$11,653,121	\$11,857,957	\$12,065,853	\$12,276,838	\$12,490,943	\$12,708,198
Series 2020A Bond Interest						
2020 A Bonds Interest	\$9,093,059	\$9,014,777	\$8,925,736	\$8,825,412	\$8,713,258	\$8,588,706
Net Debt Service 2020A	\$8,924,408	\$8,846,125	\$8,757,084	\$8,656,760	\$8,544,606	\$8,420,054
Series 2020A Bond Interest Coverage						
Year Covered	18	19	20	21	22	23
Series 2020B Bonds Interest						
Series 2020B Bonds Interest Total	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Excess CF For Series 2020B Bonds	\$2,560,062	\$2,843,180	\$3,140,116	\$3,451,426	\$3,777,686	\$4,119,492
Series 2020B Bonds Interest	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Net Debt Service 2020A & 2020B	\$9,424,408	\$9,346,125	\$9,257,084	\$9,156,760	\$9,044,606	\$8,920,054
Coverage Reserve Fund Requirement						
Coverage Reserve Fund Requirement	0	0	0	0	0	0
Coverage Reserve Fund Balance Beg	\$0	\$0	\$0	\$0	\$0	\$0
Contribution / (Release)	\$0	\$0	\$0	\$0	\$0	\$0
Coverage Reserve Fund Balance End	\$0	\$0	\$0	\$0	\$0	\$0
DSCR Calculations						
DSCR - Total Revenues (No Coverage Reserve)	1.314	1.349	1.385	1.425	1.468	1.514
Compliance DSCR - Total Revenues W/Coverage Res	1.314	1.349	1.385	1.425	1.468	1.514
DSCR - Total CFAFDS w/Coverage Reserve	1.236	1.269	1.303	1.341	1.381	1.425
Bonds Outstanding						
Senior Debt Service Reserve Fund Balance Beg	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655
Contribution / (Release)	\$0	\$0	\$0	\$0	\$0	\$0
Senior Debt Service Fund Balance End	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655
Total Reserve Funds (Contribution) / Release	\$0	\$0	\$0	\$0	\$0	\$0
CF available for DS after reserve fund contr/release	\$11,653,121	\$11,857,957	\$12,065,853	\$12,276,838	\$12,490,943	\$12,708,198
CF Avail for Bond Redemption	\$2,060,062	\$2,343,180	\$2,640,116	\$2,951,426	\$3,277,686	\$3,619,492
Capitalized Interest	\$0	\$0	\$0	\$0	\$0	\$0
Special Redemption 2020A	\$2,060,062	\$2,343,180	\$2,640,116	\$2,951,426	\$3,277,686	\$3,619,492
Bonds Outstanding 2020A	\$237,230,977	\$234,887,797	\$232,247,681	\$229,296,254	\$226,018,569	\$222,399,076
CF Available for Series 2020B Bonds Redemption	\$0	\$0	\$0	\$0	\$0	\$0
Accrued Interest	\$0	\$0	\$0	\$0	\$0	\$0
Special Redemption Series 2020B	\$0	\$0	\$0	\$0	\$0	\$0
Series 2020B Bonds Outstanding	\$5,884,137	\$5,884,137	\$5,884,137	\$5,884,137	\$5,884,137	\$5,884,137
Total Bonds Outstanding	\$243,115,114	\$240,771,934	\$238,131,818	\$235,180,391	\$231,902,706	\$228,283,214
Cash DSCR	1.000	1.000	1.000	1.000	1.000	1.000

Source: Waterford Residential

Table 6B
Modified Projection of Net Cash Flow after Deb, Assuming 2% Annual Rent Increases
Milpitas, CA

Year	24	25	26	27	28	29
TOTAL NET REVENUES	\$13,742,229	\$13,980,773	\$14,223,000	\$14,468,949	\$14,718,662	\$14,972,180
Project Administrator Fee	\$457,379	\$471,100	\$485,233	\$499,790	\$514,784	\$530,227
Other Admin Expenses	\$225,000	\$225,000	\$225,000	\$225,000	\$225,000	\$225,000
Annual Project Admin Fee	\$39,472	\$40,656	\$41,876	\$43,132	\$44,426	\$45,759
Capital Reserves/Unit	\$700	\$700	\$700	\$700	\$700	\$700
Capital Reserves	\$259,700	\$259,700	\$259,700	\$259,700	\$259,700	\$259,700
Investment Earnings	(\$168,652)	(\$168,652)	(\$168,652)	(\$168,652)	(\$168,652)	(\$168,652)
Total Bond Specific Net Expenses	\$813,599	\$828,504	\$843,857	\$859,670	\$875,958	\$892,734
CF Avail for Debt Service	\$12,928,630	\$13,152,269	\$13,379,143	\$13,609,279	\$13,842,705	\$14,079,446
Series 2020A Bond Interest						
2020 A Bonds Interest	\$8,451,165	\$8,300,021	\$8,134,636	\$7,954,345	\$7,758,457	\$7,546,256
Net Debt Service 2020A	\$8,282,513	\$8,131,369	\$7,965,984	\$7,785,693	\$7,589,805	\$7,377,604
Series 2020A Bond Interest Coverage						
Year Covered	24	25	26	27	28	29
Series 2020B Bonds Interest						
Series 2020B Bonds Interest Total	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Excess CF For Series 2020B Bonds	\$4,477,465	\$4,852,248	\$5,244,507	\$5,654,935	\$6,084,248	\$6,533,190
Series 2020B Bonds Interest	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Net Debt Service 2020A & 2020B	\$8,782,513	\$8,631,369	\$8,465,984	\$8,285,693	\$8,089,805	\$7,877,604
Coverage Reserve Fund Requirement						
Coverage Reserve Fund Requirement	0	0	0	0	0	0
Coverage Reserve Fund Balance Beg	\$0	\$0	\$0	\$0	\$0	\$0
Contribution / (Release)	\$0	\$0	\$0	\$0	\$0	\$0
Coverage Reserve Fund Balance End	\$0	\$0	\$0	\$0	\$0	\$0
DSCR Calculations						
DSCR - Total Revenues (No Coverage Reserve)	1.565	1.620	1.680	1.746	1.819	1.901
Compliance DSCR - Total Revenues W/Coverage Res	1.565	1.620	1.680	1.746	1.819	1.901
DSCR - Total CFAFDS w/Coverage Reserve	1.472	1.524	1.580	1.643	1.711	1.787
Bonds Outstanding						
Senior Debt Service Reserve Fund Balance Beg	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655
Contribution / (Release)	\$0	\$0	\$0	\$0	\$0	\$0
Senior Debt Service Fund Balance End	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655
Total Reserve Funds (Contribution) / Release	\$0	\$0	\$0	\$0	\$0	\$0
CF available for DS after reserve fund contr/release	\$12,928,630	\$13,152,269	\$13,379,143	\$13,609,279	\$13,842,705	\$14,079,446
CF Avail for Bond Redemption	\$3,977,465	\$4,352,248	\$4,744,507	\$5,154,935	\$5,584,248	\$6,033,190
Capitalized Interest	\$0	\$0	\$0	\$0	\$0	\$0
Special Redemption 2020A	\$3,977,465	\$4,352,248	\$4,744,507	\$5,154,935	\$5,584,248	\$6,033,190
Bonds Outstanding 2020A	\$218,421,611	\$214,069,363	\$209,324,856	\$204,169,921	\$198,585,674	\$192,552,484
CF Available for Series 2020B Bonds Redemption	\$0	\$0	\$0	\$0	\$0	\$0
Accrued Interest	\$0	\$0	\$0	\$0	\$0	\$0
Special Redemption Series 2020B	\$0	\$0	\$0	\$0	\$0	\$0
Series 2020B Bonds Outstanding	\$5,884,137	\$5,884,137	\$5,884,137	\$5,884,137	\$5,884,137	\$5,884,137
Total Bonds Outstanding	\$224,305,748	\$219,953,500	\$215,208,993	\$210,054,058	\$204,469,811	\$198,436,621
Cash DSCR	1.000	1.000	1.000	1.000	1.000	1.000

Source: Waterford Residential

Table 6B
Modified Projection of Net Cash Flow after Deb, Assuming 2% Annual Rent Increases
Milpitas, CA

Year	30	31	32	33	34	35
TOTAL NET REVENUES	\$15,229,542	\$15,490,788	\$15,755,960	\$16,025,095	\$16,298,234	\$16,575,414
Project Administrator Fee	\$546,134	\$562,518	\$579,394	\$596,775	\$614,679	\$633,119
Other Admin Expenses	\$225,000	\$225,000	\$225,000	\$225,000	\$225,000	\$225,000
Annual Project Admin Fee	\$47,131	\$48,545	\$50,002	\$51,502	\$53,047	\$54,638
Capital Reserves/Unit	\$700	\$700	\$700	\$700	\$700	\$700
Capital Reserves	\$259,700	\$259,700	\$259,700	\$259,700	\$259,700	\$259,700
Investment Earnings	(\$168,652)	(\$168,652)	(\$168,652)	(\$168,652)	(\$168,652)	(\$168,652)
Total Bond Specific Net Expenses	\$910,013	\$927,811	\$946,143	\$965,025	\$984,474	\$1,004,505
CF Avail for Debt Service	\$14,319,528	\$14,562,977	\$14,809,816	\$15,060,070	\$15,313,760	\$15,570,909
Series 2020A Bond Interest						
2020 A Bonds Interest	\$7,316,994	\$7,069,898	\$6,804,161	\$6,518,946	\$6,213,384	\$5,886,569
Net Debt Service 2020A	\$7,148,343	\$6,901,246	\$6,635,509	\$6,350,294	\$6,044,732	\$5,717,917
Series 2020A Bond Interest Coverage						
Year Covered	30	31	32	33	34	35
Series 2020B Bonds Interest						
Series 2020B Bonds Interest Total	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Excess CF For Series 2020B Bonds	\$7,002,534	\$7,493,079	\$8,005,655	\$8,541,124	\$9,100,377	\$9,684,340
Series 2020B Bonds Interest	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Net Debt Service 2020A & 2020B	\$7,648,343	\$7,401,246	\$7,135,509	\$6,850,294	\$6,544,732	\$6,217,917
Coverage Reserve Fund Requirement						
Coverage Reserve Fund Requirement	0	0	0	0	0	0
Coverage Reserve Fund Balance Beg	\$0	\$0	\$0	\$0	\$0	\$0
Contribution / (Release)	\$0	\$0	\$0	\$0	\$0	\$0
Coverage Reserve Fund Balance End	\$0	\$0	\$0	\$0	\$0	\$0
DSCR Calculations						
DSCR - Total Revenues (No Coverage Reserve)	1.991	2.093	2.208	2.339	2.490	2.666
Compliance DSCR - Total Revenues W/Coverage Res	1.991	2.093	2.208	2.339	2.490	2.666
DSCR - Total CFAFDS w/Coverage Reserve	1.872	1.968	2.076	2.198	2.340	2.504
Bonds Outstanding						
Senior Debt Service Reserve Fund Balance Beg	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655
Contribution / (Release)	\$0	\$0	\$0	\$0	\$0	\$0
Senior Debt Service Fund Balance End	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655	\$11,714,655
Total Reserve Funds (Contribution) / Release	\$0	\$0	\$0	\$0	\$0	\$0
CF available for DS after reserve fund contr/release	\$14,319,528	\$14,562,977	\$14,809,816	\$15,060,070	\$15,313,760	\$15,570,909
CF Avail for Bond Redemption	\$6,502,534	\$6,993,079	\$7,505,655	\$8,041,124	\$8,600,377	\$9,184,340
Capitalized Interest	\$0	\$0	\$0	\$0	\$0	\$0
Special Redemption 2020A	\$6,502,534	\$6,993,079	\$7,505,655	\$8,041,124	\$8,600,377	\$9,184,340
Bonds Outstanding 2020A	\$186,049,950	\$179,056,871	\$171,551,216	\$163,510,092	\$154,909,716	\$145,725,376
CF Available for Series 2020B Bonds Redemption	\$0	\$0	\$0	\$0	\$0	\$0
Accrued Interest	\$0	\$0	\$0	\$0	\$0	\$0
Special Redemption Series 2020B	\$0	\$0	\$0	\$0	\$0	\$0
Series 2020B Bonds Outstanding	\$5,884,137	\$5,884,137	\$5,884,137	\$5,884,137	\$5,884,137	\$5,884,137
Total Bonds Outstanding	\$191,934,087	\$184,941,008	\$177,435,353	\$169,394,230	\$160,793,853	\$151,609,513
Cash DSCR	1.000	1.000	1.000	1.000	1.000	1.000

Source: Waterford Residential



CSCDA

CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY



California State Association of Counties



Workforce Housing Program City of Milpitas Presentation

September 2, 2021

www.cscda.org

The California Statewide Communities Development Authority (CSCDA) was created in 1988 by the League of California Cities and California State Association of Counties, under California's Joint Exercise of Powers Act, to provide California's local governments with an effective tool for the timely financing of community-based public benefit projects.

About CSCDA:

- 533 cities, counties and special districts are members to CSCDA including the City of Fullerton which has been a member since 1992.
- CSCDA helps local governments build community infrastructure, provide affordable housing, create jobs, and make access available to quality healthcare.
- CSCDA has issued more than \$65 billion in bonds for local governments throughout California.

- CSCDA is a leader in providing affordable housing and has financed the construction or preservation of nearly 100,000 affordable units throughout California.
- Affordable housing is typically financed with a combination of private activity bonds, low-income housing tax credits, and other state or local funding, but these subsidies are generally limited to projects that restrict units for residents earning less than 60% of the area median income (AMI).

The Problem: The Missing Middle

- California has a significant shortage of available workforce housing for the “missing middle”, individuals and families that earn too much to qualify for traditional affordable housing, but not enough to afford market rate rents in the communities where they work.
- Workforce housing (also known as middle-income or moderate-income housing) is housing for individuals and families typically earning between 60% and 120% AMI, including healthcare workers, first responders, teachers and government employees.
- Unfortunately, workforce housing for the “missing middle” is not eligible for tax credits, private activity bonds or most other federal, state or local government subsidies.

- CSCDA (via its affiliate joint powers authority) acquires multifamily housing properties and records a regulatory agreement restricting rents, rent increases, and occupancy for residents earning between 60% and 120% AMI.
- All properties are 100% financed with CSCDA issued tax-exempt governmental bonds (no equity or other public subsidies are required).
- The City enters into a Public Benefit Agreement whereby the City (along with other taxing agencies) receive all surplus revenue when a property is sold or refinanced.

CSCDA Project Closings and Pipeline

- **\$2 billion in projects closed in cities throughout California.**
- **3,200 units acquired since program inception.**
 - 150 units in the **City of Carson** (\$70 million) closed in December 2020.
 - 1,017 units (3 Projects) in the **City of Anaheim** (\$493 million) closed in December and February.
 - 216 units in the **City of Long Beach** (\$135 million) closed in March.
 - 261 units in the **City of Monrovia** (\$118 million) closed in April.
 - 507 units in the **City of Glendale** (\$339 million) closed in April.
 - 357 units in the **City of Carson** (\$216 million) closed in June.
 - 513 units in the **City of Pasadena** (\$386 million) closed in June.
 - 143 units in the **City of Glendale** (\$96 million) closed in June.
 - 390 units in the **City of Dublin** (\$235 million) closing in August.
 - 325 units (2 Projects) in the **City of Orange** (\$200 million) closing in September.
 - \$1 billion in additional projects located throughout California closing this year.

- The Workforce Housing Program includes rent control on affordable units **not to exceed the lesser of 4% annually or AMI growth.**
- Current market-rate residents will **not be displaced** by the program. If existing tenants do not qualify for restricted rents, they may remain at their current market rent. Vacant units will be leased to individuals such that eventually units will be converted to income-qualified tenants.
- Residents tend to spend monthly rent savings, thus **benefiting local businesses.**
- This program does not involve a Section 8 or HUD Voucher subsidy.
- Strong rental market in Fullerton will support additional development of market rate units going forward, but without substantial subsidies and tax credits/bond allocations for affordable projects, there are no other tools to provide low and middle-income units.

Under the Public Benefit Agreement, the City, in its sole discretion, may direct CSCDA to sell the asset any time after Year 15. The City, along with other taxing agencies (including the County and School District) would receive the net sale proceeds. The City receives cash and does not need to become the owner of the asset unless it wants to.

- All properties are financed through the issuance of tax-exempt bonds and have no equity partners which means that after paying off the bond payments upon a sale, all excess sales proceeds go to the City.
- The City never has to own the property unless it wants to, and still receives all the financial benefits.
- The City incurs no fees, costs, liability, or administrative responsibilities in connection with the program or individual projects.
- All excess cash flow goes back into the property to maintain the asset in “Class A” condition over 30-years or to pay down the bond principal.

52 Lease Conversions since May, 2021

# of Residents	Occupation(s)	Employer(s)	Annual Income Per Resident	Household Income
1	Accountant	LA Homeless Services	\$63,000	\$63,000
2	Medical Supply Tech; Unemployed	Long Beach VA Hospital	\$47,148	\$94,296
2	Marketing; Camp Counselor	Self; City of Ukiah	\$36,562	\$73,123
2	Fire Fighter	LA City Fire Dept	\$38,370	\$76,740
1	Senior Union Rep	SEIU Local 99	\$72,903	\$72,903
1	Paramedic	First MED Ambulance	\$72,590	\$72,590
1	Community Manager	Holland Residential	\$72,010	\$72,010
1	Account Executive	Vector USA	\$60,000	\$60,000
2	Engineer; Unemployed	Nautilus Huxsung	\$38,390	\$76,780
2	Sales; Sales	Crunch Fitness; Bath & Body Works	\$43,940	\$87,880
2	Event Planner; Unemployed	Self	\$58,500	\$117,000
2	Police Officer	Long Beach Police Officer	\$81,342	\$81,324
1	City Employee	City of Long Beach Employee	\$84,298	\$84,298
1	Teacher	Long Beach Unified School District	\$66,121	\$66,121
1	Bank Employee	Wells Fargo	\$58,045	\$58,045
1	Sheriff	Los Angeles County Sheriff	\$76,324	\$76,324
1	Teacher	Los Angeles Unified School District	\$62,123	\$62,123
1	Community Manager	Greystar	\$75,000	\$75,000
2	Merchandise Coordinator; Intern	Lululemon; Morgan Stanley	\$37,800	\$75,600
2	City Employee; Unemployed	City of Long Beach	\$21,482	\$42,964

182 Lease Conversions since March, 2021

# of Residents	Occupation(s)	Employer(s)	Average Household Income
42	Park Employee	Disney	\$72,903
9	Employee	County of Orange	\$72,332
8	Employee	Boeing	\$89,121
8	Employee	State of California	\$72,234
8	Teacher	Anaheim Unified School District	\$66,121
6	Employee	Tenet Healthcare	\$86,032
6	Employee	St. Joseph Healthcare System	\$89,122
4	Fire Fighter	Orange County Fire Authority	\$76,740
3	Employee	Albertson	\$68,232
3	Paramedic	First MED Ambulance	\$72,590
2	Employee	UC Irvine	\$68,213
2	Medical Supply Tech; Unemployed	CHOC	\$94,296
2	Marketing; City Employee	Self; City of Orange	\$73,123
2	Engineer; Unemployed	Nautilus Huxsung	\$76,780
2	Sales; Sales	Crunch Fitness; Bath & Body Works	\$87,880
2	Event Planner; Unemployed	Self	\$117,000
2	Police Officer	Anaheim Police Officer	\$81,324
2	Merchandise Coordinator; Intern	Lululemon; Morgan Stanley	\$75,600
2	City Employee; Unemployed	City of La Habra	\$42,964
1	Employee	Chapman University	\$64,131
1	Accountant	County of Orange	\$63,000
1	Community Manager	Holland Residential	\$72,010
1	Account Executive	Vector USA	\$60,000
1	City Employee	City of Long Beach Employee	\$84,298
1	Bank Employee	Wells Fargo	\$58,045
1	Sheriff	Los Angeles County Sheriff	\$76,324
1	Teacher	Los Angeles Unified School District	\$62,123
1	Community Manager	Greystar	\$75,000

- City Council Adopts One Single Resolution:
 - City Becomes Associate Member of CSCDA Community Improvement Authority (CSCDA's Affiliate JPA).
 - City Acknowledges CSCDA's Issuance of Bonds for Eligible Projects.
 - City Agrees to Receive Surplus Revenue.
- The City incurs no fees, costs, liability or administrative responsibilities in connection with the program or individual projects.



WATERFORD
PROPERTY COMPANY

“MIDDLE INCOME” WORKFORCE HOUSING PROGRAM



CSCDA
CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY



LEAGUE
OF CALIFORNIA
CITIES

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NEWPORT BEACH, CA 92660
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WWW.WATERFORDCO.COM

WATERFORD PROPERTY COMPANY

- Waterford Property Company “Waterford” is an experienced owner and developer of institutional “Class A” multifamily rental projects throughout the State of California. Since its founding in 2013 Waterford has acquired over \$1.9 Billion in real estate assets.
- Waterford is an expert in the development of affordable housing. Sean Rawson, Co-Owner of Waterford, has developed and has been a principal and owner of over 3,000 affordable residential units during his career.
- Year to date 2021, Waterford has closed and acquired over \$1.1 billion across 6 Class-A multifamily assets (2,022 units) in California cities through the middle-income housing program

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY (CSCDA)

- The CSCDA was created in 1988 by the League of California Cities and California State Association of Counties, under California’s Joint Exercise of Powers Act, to provide California’s local governments with an effective tool for the timely financing of community based public benefits projects.
- The CSCDA has 533 member cities as well as counties and special districts throughout California. CSCDA helps local governments build community infrastructure, provide affordable housing, create jobs and provide access to quality healthcare. CSCDA has issued over \$63 billion in bonds for local governments throughout California.

GOLDMAN SACHS

- Goldman Sachs is an expert in municipal bond offerings for public infrastructure and housing projects.
- Goldman Sachs will be the lead investment banker and underwriter for the project.

THE “MISSING-MIDDLE”

- California has a significant shortage of available workforce housing for the “Missing Middle”. These are individuals and families that earn too much to qualify for traditional affordable housing, but not enough to afford the market rate rents within the communities they work and serve.
- Workforce housing (also known as moderate-income housing) is housing for individuals and families earning between 80% and 120% of the Area Median Income (AMI).
- Typically the “Missing Middle” is the most difficult segment of the population to provide housing for because the rents are not low enough to make projects eligible for government subsidies, but the rents are still too low to justify the construction costs.



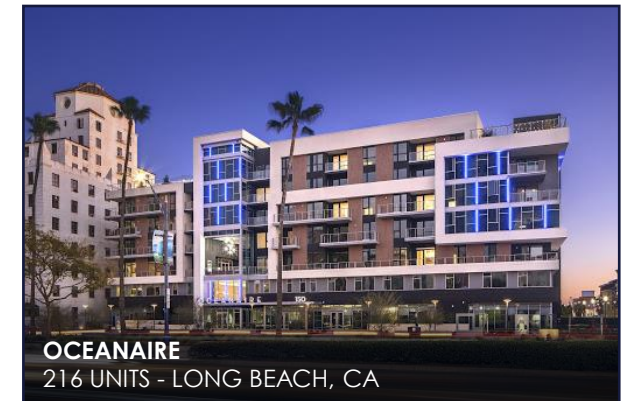
OVERVIEW OF WORKFORCE HOUSING PROGRAM

PROCESS

- CSCDA and its Projects Administrator (Waterford) acquires new or existing rental multifamily communities and records a regulatory agreement restricting rents to the property between 80% and 120% AMI
- All properties are financed through CSCDA tax exempt governmental bonds
- The City enters into a Public Benefits Agreement whereby the City (along with the County and School District) receive all surplus revenue upon the sale of the property.

PROPERTY TARGETS

- CSCDA and its Projects Administrator (Waterford) plan to acquire Class A existing multifamily properties in core supply- constrained markets targeted to the “Missing Middle” while maintaining their Class A/luxury designation
- All properties will be professionally managed and be operated as if there is no “income restriction” in place
- **Since all residual cash flow will be used to pay down the outstanding balance and because the local government is the ultimate financial beneficiary to all developed equity in the asset, Waterford and its team will have ample capital to reinvest back into the property and guarantee that all properties are operated in a Class A manner.**



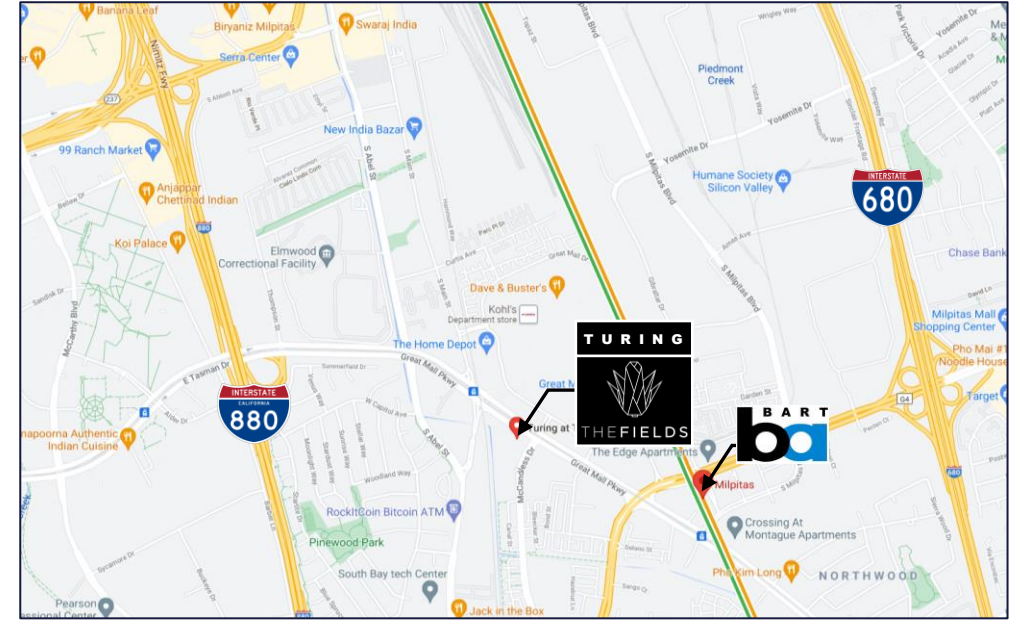
PROJECT PROPOSAL – TURING

THE PROPERTY

Located at 1355 McCandles Drive, Turing is a 371-unit luxury multifamily community in Milpitas.

Project Overview:

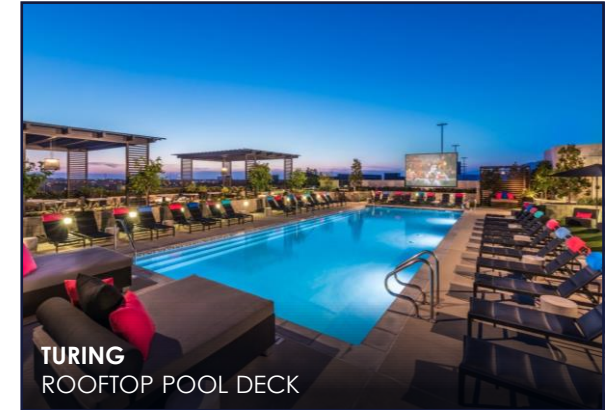
- **Completion:** 2019
- **Total Units:** 371 units
- **Property Type:** “Class A” Multifamily Community
- **Unit Mix:** Studios-19, 1B/1b-193, and 2B/2b-150 and 3B/2b-9
- **Amenities:** Luxury, “Resort-Style”
- **Location Proximity:** Located within The Fields, the luxury retail and lifestyle center in Milpitas adjacent to the Milpitas BART transit station and close proximity to the 880 and 680 freeway entrances



PROJECT PROPOSAL – TURING

FINANCING STRUCTURE

- The acquisition of Turing will be financed through the issuance of tax-exempt bonds
- Upon the acquisition of the property, CSCDA will restrict the rents to the following income categories:
 - Households earning less than 80% of the Area Median Income (AMI)
 - Households earning between 81% and 100% of the AMI
 - Households earning between 101% and 120% of the AMI
- Upon the acquisition of the property, existing tenants will not be displaced
- Maximum allowable rents for each income category will not exceed 35% of the respective income limit for Santa Clara County, adjusted for household size, as published annually by HUD and utilized by the California Tax Credit Allocation Committee
- Existing tenants who qualify will be granted income restricted rents at the time that their lease expires
- Rent increases will be subject to a 4% cap on rent increases annually



Max Allowable Rent			
	80% AMI	100% AMI	120% AMI
0B	\$ 2,581	\$ 3,226	\$ 3,871
1B	\$ 2,949	\$ 3,687	\$ 4,424
2B	\$ 3,318	\$ 4,148	\$ 4,977
3B	\$ 3,684	\$ 4,605	\$ 5,527

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

PROJECT PROPOSAL – TURING

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

RESPONSE TO KMA RECOMMENDATIONS

- Alignment of Interests between City, Project Administrator and Bond Investors
- Response to Recommendations:
 - Rent Reductions
 - Regulatory Agreement
 - Property Condition Report
 - Refinance Scenarios of the Property
 - Affordability Compliance
 - Cash flow projections and underwriting
 - Bond underwriting assumptions
 - Management Plan and Staffing Plan
 - Annual Reports
 - Reversion Value of Asset
- Taxing Agencies and Revenue Loss
 - Milpitas Unified School District is a local control formula district so it would receive state apportionment funds to backfill the loss of local property taxes

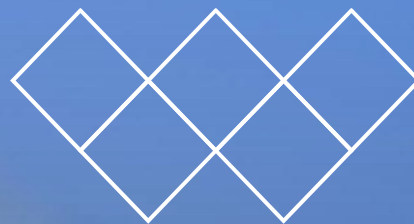
THE CITY OF MILPITAS

- Place the item on September 21, 2021 City Council Agenda
- City Council adopts one single resolution (CSCDA has Provided a Draft Resolution to City Staff in April 2021)
- City approves the Public Benefit Agreement (CSCDA has Provided a Draft Resolution 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

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

September 2, 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.



Affordable Housing and Economic
Considerations
CSCDA Proposal for Turing Apartments

DEBBIE KERN
KEYSER MARSTON ASSOCIATES, INC.

September 2, 2021

PURPOSE OF KMA REVIEW

- Affordable housing benefits
- Financial returns to the City relative to the cost of foregoing property tax revenue for 30+ year term
- The structure of the transaction and potential risks to the City
- Survey other cities that declined to participate in similar offer by CSCDA

CSCDA PROGRAM

- Recently formed joint powers authority
- Mission is production of Moderate –Income Housing
- At least 12 projects have closed financing
- Waterford has been the most active group in California in 2021 with \$1.2 billion in bond issuances.
- Waterford project locations: Pasadena, Glendale, Long Beach, and Anaheim (2 projects)

PROGRAM STRUCTURE

- The Authority will issue tax exempt bonds to acquire the Project and fund reserve accounts, capital replacement reserves, and provide up-front payments to the Administrator, and CSCDA
- Repayment of the bonds is secured solely by the revenues generated by the Project. The City bears no responsibility for the operation of the Project or the repayment of the bonds

PROGRAM STRUCTURE CONTINUED

- The bond term is 30+ years
- The City can call for a sale after year 15 if proceeds are sufficient to retire outstanding debt
- The Project would be conveyed on an “as is” basis and the City or future owner would be responsible for making repairs
- The City would receive all available net sales proceeds

CREATING AFFORDABILITY

- Once acquired by the Authority, the Project will be exempt from paying ad valorem property taxes
- The savings created by the abatement of property taxes is used to reduce the Project's rents and restrict rents to Moderate income levels throughout the bond term

TURING APARTMENTS



TURING APARTMENTS – UNIT MIX AND CURRENT RENTAL RATES

Unit Type	Units	% of Units	Avg. SF	Effective Rent	Rent per SF
Studios	19	5%	563	\$2,278	\$4.05
1 Beds	193	52%	778	\$2,923	\$3.76
2 Beds	150	40%	1,157	\$3,427	\$2.96
3 Beds	9	2%	1,667	\$5,327	\$3.20
Total	371	100%	942	\$3,155	\$3.35

AFFORDABILITY CONSIDERATIONS

CURRENT MARKET RENTS AT TURING COMPARED TO OTHER MARKET RATE UNITS IN MILPITAS

Unit Type	Current Monthly Average Rental Rate		
	<i>Turing</i>	<i>Market Rate Units in Milpitas</i>	<i>Difference</i>
Studio Units	\$2,278	\$2,155	\$123 (+6%)
One Bedroom Units	\$2,923	\$2,376	\$547 (+23%)
Two Bedroom Units	\$3,427	\$2,887	\$540 (+19%)
Three Bedroom Units	\$5,327	\$3,317	\$2,010 (+61%)
Avg, all Units	\$3,152	\$2,595	\$560 (+22%)

PROPOSED AFFORDABLE PROGRAM

Units to be affordable to tenants earning 80% to 120% AMI, per CSCDA maximum income and rent formulas

- 33% of units at 80% AMI
- 33% of units at 100% AMI
- 33% of units at 120% AMI

Administrator anticipates a 3-year transition period for all units to convert to income eligible households

PROPOSED RENTAL RATES

Existing Income-eligible tenants

- 80% AMI units: 12% reduction; or \$400 per month
- 100% AMI units: 10% reduction; or \$315 per month
- 120% AMI units: 8% reduction; or \$253 per month
- Average 10% Reduction; or \$322 per month

New income-eligible tenants

- Rent cannot exceed CSCDA limits

Maximum annual rent escalation on existing tenants: % growth in AMI or 4%, whichever is less

PROPOSED RESTRICTED RENTS FOR EXISTING INCOME-ELIGIBLE TENANTS

	Studios	One Bedrooms	Two Bedrooms	Three Bedrooms	Average
Current Turing Rents	\$2,278	\$2,923	\$3,427	\$5,327	\$3,155
Proposed Reduced Rents for Existing Income-Eligible Tenants					
80% of AMI	\$2,004	\$2,572	\$3,015	\$3,866	\$2,755
100% of AMI	\$2,050	\$2,631	\$3,084	\$4,794	\$2,839
120% of AMI	\$2,096	\$2,689	\$3,152	\$4,900	\$2,902
Average	\$2,050	\$2,631	\$3,084	\$4,520	\$2,832
Proposed Rent Reduction					
80% of AMI	(\$274)	(\$351)	(\$412)	(\$1,461)	(\$400)
100% of AMI	(\$228)	(\$292)	(\$343)	(\$533)	(\$315)
120% of AMI	(\$182)	(\$234)	(\$275)	(\$426)	(\$253)
Avg. Rent Reduction	\$228	\$292	\$343	\$807	\$322
Percent Reduction	11%	9%	10%	15%	10%

MAXIMUM RENTS ON UNITS ON VACATED UNITS

Standard CSCDA Limits: rent set at 35% of income + utilities

	Studios	One Bedroom	Two Bedroom	Three Bedroom	Avg.
80% AMI	\$2,707	\$3,094	\$3,481	\$3,866	\$3,251
100% AMI	\$3,383	\$3,868	\$4,352	\$4,833	\$4,064
120% AMI	\$4,060	\$4,641	\$5,222	\$5,800	\$4,876
Average	\$3,383	\$3,868	\$4,352	\$4,833	\$4,064

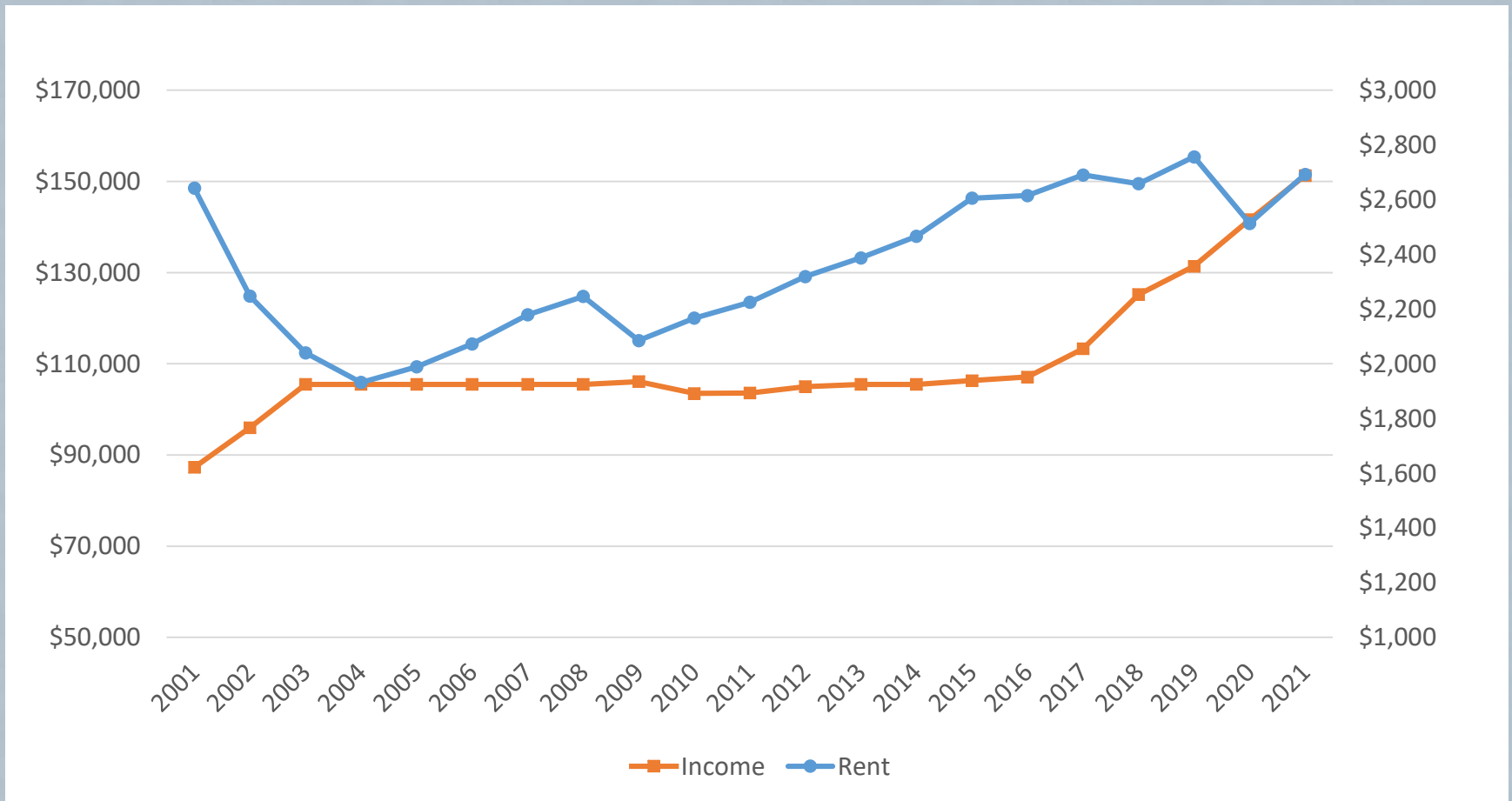
MAXIMUM RENTS UNDER CSCDA LIMITS COMPARED TO MAXIMUM RENTS UNDER HCD REGULATIONS

	Studios	One Bedrooms	Two Bedrooms	Three Bedrooms	Average
Maximum CSCDA Rents					
<i>Average</i>	\$3,383	\$3,868	\$4,352	\$4,833	\$4,064
Maximum HCD Rents					
<i>Average</i>	\$2,451	\$2,818	\$3,163	\$3,509	\$2,957
Difference					
<i>Average</i>	+\$932	+\$1,050	+\$1,188	+\$1,324	\$1,107
					37%

COMPARISON OF RENTS

	Weighted Average, weighted by Turing Unit Mix	Difference between Rent and Newer Mkt. Area Rate	Percent Difference
CSCDA Maximum for New Tenants	\$4,064	\$1,324	48%
Current Turing	\$3,155	\$415	15%
HCD Maximum	\$2,957	\$217	8%
Proposed Rents for Existing Income Eligible Tenants	\$2,830	\$90	3%
Citywide Mkt. Rate Rent, Units Built since 2014	\$2,740	\$0	0%
Citywide Mkt. Rate, all Units	\$2,595	-\$145	-5%

AREA MEDIAN INCOME AND MARKET RENTS



GROWTH IN AREA MEDIAN INCOME COMPARED TO MARKET RENTS IN MILPITAS, 2001- 2021

Year	Area Median Income		Milpitas Market Rate Apts.	
	4-person Household	% Change	Market Rate Apartment Rents	% Change
2001	\$87,300		\$2,642	
2002	\$96,000	10%	\$2,247	-15%
2003	\$105,500	10%	\$2,040	-9%
2004	\$105,500	0%	\$1,932	-5%
2005	\$105,500	0%	\$1,989	3%
2006	\$105,500	0%	\$2,073	4%
2007	\$105,500	0%	\$2,179	5%
2008	\$105,500	0%	\$2,246	3%
2009	\$106,100	1%	\$2,085	-7%
2010	\$103,500	-2%	\$2,167	4%
2011	\$103,600	0%	\$2,225	3%
2012	\$105,000	1%	\$2,319	4%
2013	\$105,500	0%	\$2,387	3%
2014	\$105,500	0%	\$2,466	3%
2015	\$106,300	1%	\$2,605	6%
2016	\$107,100	1%	\$2,615	0%
2017	\$113,300	6%	\$2,690	3%
2018	\$125,200	11%	\$2,658	-1%
2019	\$131,400	5%	\$2,756	4%
2020	\$141,600	8%	\$2,513	-9%
2021	\$151,300	7%	\$2,692	7%
Average Annual Change, 2001-2021:		2.9%		0.3%
Average Annual Change, 2009-2019:		2.2%		2.8%

AFFORDABILITY CONCLUSIONS

- The program would provide 371 deed-restricted Moderate-income units for approximately 30 years.
- Rental rates paid by existing income eligible tenants would decrease, on average, 10%, or \$323 per month to an average rate of \$2,832 per month.
- The average proposed reduced rental rate exceeds the average citywide rental rate for market rate apartments.
- Given that the rents on new leases would be governed by the CSCDA limits and those limits permit rents that exceed current market rate Turing rents and the cash flow pro forma relies on an average annual growth rate of 3%, it is likely that the rents paid by new tenants will exceed the rents paid by existing tenants and may approach market rates.
- The rent restrictions will not provide with the City with any RHNA credit.
- Given these considerations, the near-term affordability benefits are very limited.
- Future affordability benefits will hinge on market rate rents increasing at a faster rate than 3% per year.

FINANCIAL CONSIDERATIONS

CITY INVESTMENT AND RETURNS

- The City's investment would be limited to foregoing ad valorem property taxes and payments from the state in the form of property tax revenue in-lieu of motor vehicle license fees over the bond term
- If City elected to sell the property, City would receive all net sale proceeds after retiring all outstanding debt
- City could elect for the property to remain as affordable housing

ESTIMATED FOREGONE PROPERTY TAX REVENUES TO TAXING AGENCIES, FY 2021-22

Assessed Value		
Land & Improvements		\$186,491,455
Personal Property		<u>\$1,599,901</u>
Project Assessed Value		\$188,091,356
General Levy (1% of Assessed Value)		
City of Milpitas	16.24%	\$305,460
Milpitas Unified	40.08%	\$753,870
San Jose Evergreen Community College	6.50%	\$122,259
County School Service	3.16%	\$59,437
ERAF	14.78%	\$277,999
Santa Clara County	14.03%	\$263,892
Bay Area Air Quality Management District	0.18%	\$3,386
Santa Clara County Importation Water - Misc District	0.49%	\$9,216
Santa Clara County Library	2.56%	\$48,151
Santa Clara Valley Water District	0.16%	\$3,009
Santa Clara County Water District Zone 1	1.69%	\$31,787
Santa Clara County Water District Zone 4	0.13%	\$2,445
Total General Levy	100.00%	\$1,880,914

ESTIMATED FOREGONE PROPERTY TAX REVENUES TO TAXING AGENCIES, FY 2021-22, CONT'D

Assessed Value		
Land & Improvements		\$186,491,455
Personal Property		<u>\$1,599,901</u>
Project Assessed Value		\$188,091,356
Voted Indebtedness		
County Retirement Levy	0.0388%	\$72,979
County Library Retirement	0.0024%	\$4,514
Elementary or Unified School Bonds	0.0898%	\$168,906
Community College Bonds	0.0357%	\$67,149
<u>County Bond 2008 Hosp Fac</u>	<u>0.0069%</u>	<u>\$12,978</u>
Subtotal	0.1736%	\$326,527
SCVWD-State Water Project (Land & Imp Only)	0.0037%	\$6,900
Total Voted Indebtedness		\$333,427
Property Tax In-lieu of Motor Vehicle License Fees (PTILVLF)		\$75,237
Total Foregone Property Taxes to Taxing Agencies, FY2021-22		\$2,289,577

PROJECTED ABATED PROPERTY TAXES AND FOREGONE MILPITAS PTILVLF REVENUE DURING REGULATORY PERIOD

	Year 1	Year 15	Year 30
All Taxing Entities			
Annual (Increases @ 2% per yr)	\$2,289,577	\$3,021,048	\$4,065,933
Cumulative (Discounted @ 3%)		\$31,170,000	\$58,096,000
City of Milpitas			
Annual (Increases @ 2% per yr)	\$380,697	\$502,321	\$676,059
Cumulative (Discounted @ 3%)		\$5,183,000	\$9,660,000

Source: Turing FY2020-21 Secured Property Tax Bill, Santa Clara County Assessor data.

FUNDING FOR CAPITAL IMPROVEMENTS

- Bond proceeds will fund a \$3.1 million capital account
- Property Condition Report indicates that \$3.1 million will be sufficient to fund capital needs for 12 years
- Annual cash flow will provide additional funding
- Total funding of \$7.6 million in 2021 dollars is anticipated over 34 years.
- This level of funding is likely insufficient to fund needed improvements throughout the bond term
- A portion of sale proceeds would need to be used to fund improvements to ready the property for sale

PROJECTED FINANCIAL RETURNS TO CITY OF MILPITAS

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)
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)

THE FINANCING

- The Project's financing does not require any cash equity and the repayment of debt is secured by the Project's cash flow.
- The bonds are not likely that the bonds will receive an investment grade rating.
- Structure provides significant up-front compensation to the Administrator, CSCDA, and the current owner.
- In contrast, the returns to the bond holders and the city are entirely at risk and subject to the performance of the Project

PROPOSED PAYMENTS

	Funded from bond proceeds	Funded from cash flow
Seller of Turing (affiliate of Lyon Living)	\$235,250,000	None
CSCDA	\$1,250,000	Year 6+: \$250,000 annually
Administrator (Waterford)	\$4,250,000 up front; \$5,000,000 upon sale after year 15	Year 6+: \$250,000 annually, escalated at 3%
Greystone	None	1.75% of gross effective income; \$18,000 monthly minimum.
Costs of Issuance	\$7,421,000	

FINANCIAL CONCLUSIONS

1. Over a 30-year period, it is estimated that the City would forego a total of \$15.4 million (\$9.7 million in 2021 dollars) of ad valorem property tax revenue and property taxes in lieu of vehicle license fee revenue.
2. The projected performance of the Project is dependent on numerous factors. Small deviations from projected rent increases, interest income, and operating expenses could have significant impacts on the Project's ability to pay down the outstanding bond principal, viability, and yield sales revenue to reimburse the City for foregone property tax revenue.
3. The Project's funding for capital reserves appears to be inadequate to meet the Project's needs throughout the 35-year projected regulatory period.

FINANCIAL FEASIBILITY CONSIDERATIONS CONT'D

4. The sale of the Project at the end of the 30-year term could potentially yield significant proceeds to the City. As projected by Waterford, the City could receive a net return of \$95 million (2021 dollars) if the Project is sold at fair market value, no capital improvements are needed and all taxing agencies are reimbursed.
5. If the projection is modified to reflect a more conservative assumption regarding rent increases (2% per year rather than 3%) and includes a capital investment in year 30, the projected return to the City drops dramatically. Under that scenario, it is projected that net sales revenues would not be sufficient to reimburse all taxing agencies for foregone property tax revenues and fund the capital replacement investment. If the City only reimburses itself and funds the capital investment, it is anticipated that the City's net return would approximate \$24.2 million in 2021 dollars. This return is marginal given the level of risk involved with the Project.
6. The Project's financing does not require an investment of cash equity and all debt is secured solely by the revenue generated by the Project. The structure provides significant up-front compensation to the Administrator, CSCDA, and the current owner of the Project. In contrast, potential financial returns to the bond holders, the City and other taxing agencies are subject to the financial performance of the project.

PRELIMINARY RECOMMENDATIONS

RECOMMENDATIONS

If the City elects to participate in the CSCDA program, we recommend the following:

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. Rent and income restrictions contained in the Regulatory Agreement should conform to the Department of Housing and Community Development (HCD) income and rent formulas.
3. The Property Condition Report should address the Project's needs for a 34-year term and the Project's financing plan provide funding to cover the anticipated capital improvement costs over the 34-year term. Any refinancing of Project debt should be subject to the City's approval.
4. The Project should be required to submit proposed rent increases to the City's approval to ensure that the affordability restrictions are enforced.
6. The Project's cash flow projection should be based on more conservative assumptions to reduce the level of risk and provide greater assurance for long-term viability.
7. The bond underwriting assumptions should be reviewed by an underwriter retained by the City and the City's Financial Advisor to ensure that the financial structure is sound and consistent with industry standards for multifamily revenue bonds and is appropriate for the City's participation.

RECOMMENDATIONS (CONT'D)

8. The Project should be required to submit an annual report to the City demonstrating that the affordability covenants are being properly implemented and enforced.
9. The Administrator should be obligated to certify that the affordability covenants are being properly implemented and enforced.
10. Greystar should be required to submit its tenant selection plan, maintenance plan, staffing plan and marketing plan for the City's approval.
11. Greystar should be required to submit annual reports on the Project's operations, including the Project's rent roll, that clearly track the annual increase in rental rates, operating expenses, capital improvements, vacancy rates, bond interest and redemption payments, and all bond specific payments.

Next Steps

- September 2, 2021: City Council Housing Subcommittee meeting
- September 21, 2021 (tentative): 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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