SPECIAL MEETING OF THE MILPITAS CITY COUNCIL

SPECIAL MEETING AGENDA

MONDAY, NOVEMBER 1, 2021
CITY COUNCIL CHAMBERS, 2nd Floor,
455 E. CALAVERAS BLVD., MILPITAS, CA
6:00 PM (PUBLIC BUSINESS)

For assistance in the following languages, you may call:
Đối với Việt Nam, gọi 408-586-3122
Para sa Tagalog, tumawag sa 408-586-3051
Para español, llame 408-586-3232

CITY OF MILPITAS - NOTICE OF SPECIAL MEETING

NOTICE IS HEREBY GIVEN that a Special Meeting of the Milpitas City Council will be held at 6:00 p.m. on November 1, 2021 in the City Council Chamber at City Hall, 455 E. Calaveras Blvd., Milpitas and via teleconference/Zoom webinar.

You may watch the Council meeting without providing public comment by accessing it via links here.

Meeting shall be livestreamed - Go to:
Facebook: https://www.facebook.com/CityofMilpitas/
YouTube: https://www.ci.milpitas.ca.gov/youtube
Web Streaming: https://www.ci.milpitas.ca.gov/webstreaming

PUBLIC COMMENT INSTRUCTIONS

Oral public comments may be provided live during the City Council meeting in person or by registering for the zoom meeting in advance. To register you will need to provide an email address (not disclosed) and a name. To minimize technical difficulties, please make sure that you have the latest version of the Zoom Application. Below is the link to register for this meeting only:

https://ci-milpitas-ca-gov.zoom.us/webinar/register/WN_oohhVN-jSXKJlfuStjAA1Q

After you register a link will be sent to you to join the City Council meeting in order to give your comments. All registered meeting attendees who wish to speak must click on the "raise hand" icon when the Mayor calls for public comments. If participating by calling in on your phone, dial *9 to use the "raise hand" feature, and when you are called upon, hit *6 to unmute your phone. Your phone number will be displayed in the live meeting. The Mayor will call the speakers to begin.

MILPITAS CITY COUNCIL CODE OF CONDUCT

- Be respectful and courteous (words, tone, and body language).
- Model civility.
- Avoid surprises.
- Praise publicly and criticize privately.
- Focus on the issue, not the person.
- Refrain from using electronic devices while on the Council dais.
- Disclose conflicts of interest and affiliations related to agenda items.
- Separate governing from campaigning.
- The Council speaks with one voice after making policy on issues.
- Respect the line between policy and administration.
- Council will hold one another accountable to comply with this Code of Conduct.

CALL MEETING TO ORDER by Mayor and ROLL CALL by City Clerk

PLEDGE OF ALLEGIANCE

APPROVAL OF AGENDA

PUBLIC FORUM

Those in the audience and via Zoom are invited to address City Council on any subject not on tonight's agenda. In-person speakers wishing to address the Council are requested, but not required to complete a Speaker Card and submit it to the Mayor. In-person speakers will then be asked to come up to the podium and state their name for the record. Those interested in speaking via Zoom may do so by following the instructions on page one (1) of the agenda. Comments may be limited to three (3) minutes or less at the Mayor's discretion. As an item not listed on the agenda, no response is required from City staff or the Council and no action can be taken. The City Council may instruct the City Manager to place the item on a future meeting agenda.

NOTE: If a member of the public wishes to share any presentation materials for Council consideration, they must be submitted to the Clerk's Office by email to CityClerk@ci.milpitas.ca.gov by 12:00 p.m. on the day of the meeting. No presentations will be accepted in person in the Council Chambers.

ANNOUNCEMENTS

ANNOUNCEMENT OF CONFLICT OF INTEREST AND CAMPAIGN CONTRIBUTIONS

READING OF THE CITY COUNCIL CODE OF CONDUCT

APPROVAL OF AGENDA

AGENDA ITEMS

1. Receive a Report on the Proposed Project Proposal for Low and Moderate Income Housing at Turing Apartments Through a California Statewide Communities Development Authority Program and Provide Direction to Staff on Next Steps, If Any (Staff Contacts: Ashwini Kantak, Assistant City Manager, 408-586-3053; and Sharon Goei, Building Safety and Housing Director, 408-586-3260)

Recommendations: (1) Receive follow-up information on the proposed project proposal for low and moderate income housing at Turing Apartments through a California Statewide Communities Development Authority program; (2) If Council wishes to pursue the proposed project, staff recommends Council (a) require project team to provide needed funding for additional staff, City Attorney, and consultant resources; (b) direct staff to bring back a framework and goals for this type of a moderate income housing program for Council consideration based on staff recommendations and Council input; and (c) direct staff to work with the project team on an agreement that is consistent with the approved framework and goals for a moderate income housing program.

ADJOURNMENT

KNOW YOUR RIGHTS UNDER THE OPEN GOVERNMENT ORDINANCE

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions and other City agencies exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and City operations are open to the people's review. For more information on your rights under the Open Government Ordinance or to report a violation, contact the City Attorney's office at ~~Milpitas City Hall, 455 E. Calaveras Blvd., Milpitas, CA 95035~~
e-mail:cdiaz@ci.milpitas.ca.gov / Phone: 408-586-3040

The Open Government Ordinance is codified in the Milpitas Municipal Code as Title I Chapter 310 and is available online at the City's website www.ci.milpitas.ca.gov by selecting the Milpitas Municipal Code link.

Materials related to an item on this agenda submitted to the City Council after initial distribution of the agenda packet are available for public inspection ~~at the City Clerk's office at Milpitas City Hall, 3rd floor 455 E. Calaveras Blvd., Milpitas and~~ on City website. City Council agendas and related materials can be viewed online: www.ci.milpitas.ca.gov/government/council/agenda_minutes.asp (select meeting date)

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If you need assistance, per the Americans with Disabilities Act, for any City of Milpitas public meeting, please call the City Clerk at 408-586-3001 or send an e-mail to CityClerk@ci.milpitas.ca.gov prior to the meeting. You may request a larger font agenda.

CITY OF MILPITAS
AGENDA REPORT
(AR)

Item Title:	Receive a report on the proposed project proposal for low and moderate income housing at Turing Apartments through a California Statewide Communities Development Authority program and provide direction to staff on next steps, if any.
Category:	Community Development
Meeting Date:	11/1/2021
Staff Contact:	**Ashwini Kantak, Assistant City Manager, 408-586-3053** **Sharon Goei, Building Safety and Housing Director, 408-586-3260**
Recommendations:	1. Receive follow-up information on the proposed project proposal for low and moderate income housing at Turing Apartments through a California Statewide Communities Development Authority program. 2. If Council wishes to pursue the proposed project, staff recommends Council (a) require project team to provide needed funding for additional staff, City Attorney, and consultant resources; (b) direct staff to bring back a framework and goals for this type of a moderate income housing program for Council consideration based on staff recommendations and Council input; and (c) direct staff to work with the project team on an agreement that is consistent with the approved framework and goals for a moderate income housing program.

Background:

In May 2021, Council directed staff to analyze a proposal to join the Community Improvement Authority (Authority), an affiliate of the California Statewide Communities Development Authority (CSCDA), and to support the purchase of the Turing Apartments for the purpose of converting the 371-unit market rate project to moderate income housing. In response to the many questions that have been asked about this project, staff has prepared a Frequently Asked Questions (FAQ) document (Attachment 1).

On September 21, the City Council received a presentation, including findings and preliminary recommendations, on the project proposal. Here is the link to the September 21 Staff Report and it is also included as Attachment 2.

Council directed the CSCDA team to return to the City Council in October with a revised proposal that would address staff recommendations including deepening affordability levels, increasing capital investment and improving numbers across the board. Some Councilmembers also noted their desire for community outreach. The project proposal was on the agenda for the October 19 City Council meeting. The City Council postponed the item to a future date.

Analysis:

The CSCDA team submitted a preliminary revised proposal on October 8, however some additional clarification was requested by staff, which was provided on October 13 (See Attachment 3). The project team also submitted a revised proposal on October 15 (See Attachment 5). Staff has not completed its in-depth analysis of these revised proposals; however, the consultant did provide a brief analysis of the October 13 proposal (See Attachment 4).

If Council directs staff to continue work on this proposal, additional funding for consultant and City Attorney services will be required from the project team.

Additionally, staff continues to spend a significant amount of time on this proposed project and if additional staff work is required, the work will not be able to continue on an accelerated timeline since there are many other Council priority projects, including those with federal and state mandated deadlines, that need to be completed.

Key Areas that were recommended by staff and deemed important by Council are:

1. **Affordability**
    a. Rents higher than market rate apartments in Milpitas
    b. Different income eligibility for California Department of Housing and Community Development (HCD) and CSCDA
    c. Units do not count towards City's Regional Housing Needs Allocation (RHNA) numbers, no new housing stock added

2. **Financial Assumptions**
    a. Assumptions are too optimistic; more conservative assumptions could result in significantly decreased Return on Investment (ROI). A 3% rent increase assumption is not realistic, based on historical data in Milpitas and rent increase restrictions related to the Area Median Income. This is important since City will be foregoing property taxes and may not reap the benefits as projected.

3. **Level of Capital Investment**
    a. Capital investment was initially based on a 12-year condition report, not on life of project/bond term; this has since been updated.

4. **Transparency and Oversight**
    a. City does not control rental rates, implementation of affordability covenants, timing of re-financing, if any, and appropriate maintenance of asset.

A few additional items of note are as follows:

1. The current agreements do not include any performance metrics or enforcement mechanisms in favor of the City.

2. Cash flow projections and proforma are based on assumptions regarding tenant turnover, however, since existing tenants are not asked to leave and the rents are higher than market-rate, the likelihood of a turnover to low and moderate income households within a three year timeframe appears highly unlikely. In fact, once rents are reduced one would expect less tenant turnover as with other rent controlled projects.

3. Also, the process of tenant selection when a unit becomes vacant is not clearly defined. It could take several years for the project to serve the tenant population that is at the 60-80% AMI and the 80-100% AMI.

4. There are no enforceable metrics associated with the level of affordability. Thus, it is important for the City to negotiate terms that will provide true affordability in exchange for foregoing property taxes and vehicle license fees so as to ensure that the project does not inadvertently just provide rent control for luxury apartments at the expense of City property tax revenues.

Information about how the revised proposal as received on October 13 and 15 addresses the preliminary recommendations discussed by Council on September 21 is noted below. An updated brief analysis by the consultant is included as Attachment 4.

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 meaningfully enhance the affordability of apartments in Milpitas.
   The revised proposal does not address this recommendation.

2. Rent and income restrictions contained in the Regulatory Agreement should conform to the California Department of Housing and Community Development (HCD) income limits. 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.
   The revised proposal does not address this recommendation. The revised proposal does reduce the allowable maximum rents based on 30% of income versus 35% of income but it still does not align with HCD 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. The draft property condition report only addresses 12 years of needs. The proposed annual contributions for capital improvements appears to be inadequate.
   The revised proposal includes an updated Property Condition Report based on the 35 year term and the capital investment has been increased from $7.6 million to $11.8 million in 2021 dollars. However, this increase is made possible by making cash flow projections more favorable in two primary ways – increased current rent assumptions and decreased vacancy rate projections in the first three years of the project. Staff has already noted concerns about previously proposed cash flow projections including its underlying assumptions and these changes appear to further exacerbate these concerns.

4. Any refinancing of Project debt should be subject to the City's approval.
   The project team is amenable to this recommendation in concept; however, this will require staff and City Attorney coordination with CSCDA. Staff is recommending that performance metrics, remedies and consequences of not meeting those metrics be included in the agreement.

5. The Project should be required to submit proposed rent increases to the City's approval to ensure that the affordability restrictions are enforced.
   The revised proposal does not address this recommendation. The project team has noted concerns with this recommendation.

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 and meeting the identified affordability goals.
   The project team is amenable to this recommendation in concept; however, this will require staff and City Attorney coordination with CSCDA. Staff is recommending that performance metrics, remedies and consequences of not meeting those metrics be included in the agreement.

7. The Administrator should be obligated to certify that the affordability covenants are being properly implemented and enforced to meet the agreed upon affordability goals.

The project team is amenable to this recommendation in concept; however, this will require staff and City Attorney coordination with CSCDA. Staff is recommending that performance metrics, remedies and consequences of not meeting those metrics be included in the agreement.

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.
   The revised proposal does not address this recommendation rather, the assumptions are increasing risk as noted in Item #3.

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, as well as review the City purchase option price and evaluate if the project can recoup the substantial lost property tax revenue.
   The project team has advised that the City should rely on the underwriter retained by them; this does not address the recommendation of review by an underwriter hired by the City.

10. Greystar (Manager) should be required to submit its tenant selection plan, maintenance plan, staffing plan and marketing plan for the City's review and approval.
    The project team is amenable to this recommendation in concept; however, this will require staff and City Attorney coordination with CSCDA on specific agreement terms. Staff is recommending that in order to ensure the project meets the City's affordability goals, performance metrics, remedies and consequences of not meeting those metrics be included in the agreement.

11. Greystar (Manager) 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.
    The project team is amenable to this recommendation in concept; however, this will require staff and City Attorney coordination with CSCDA. Staff is recommending that performance metrics, remedies and consequences of not meeting those metrics be included in the agreement.

12. In addition to the preliminary recommendations developed by the consultant, the City should consider entering into an agreement with the project team so as to clearly capture the roles of the project team and the City through the term of the bond and describe process for enforcement.
    The project team has indicated that the Public Benefit Agreement could be amended to address this recommendation; however, this will require staff and City Attorney coordination with CSCDA. Staff is recommending that performance metrics, remedies and consequences of not meeting those metrics be included in the agreement.

In addition to the responses noted above, the project team has proposed local preference guidelines so as to enable a preference to households which include one or more persons who are employed by a public school district or public higher education institution within the City of Milpitas. **This will require further analysis by the City Attorney to evaluate risk of implementation and compliance with State and federal fair housing laws.**

The revised proposal submitted on October 15 includes additional items that will need further financial and legal review as noted below:

- Term of Regulatory Agreement - potentially change to a 55-year term; will require legal and financial review.
- Affordable Housing Monitoring Fee - $37,100; since agreement terms have not been negotiated and actual costs of monitoring are yet to be determined.
- Mandated Rental Savings in Regulatory Agreement – designated 8 units to be market rate, with minimum discounts for different income groups; any changes to proforma have not been submitted to and evaluated by the City.
- Partial Property Tax Backfill - $100,000 per year for five years; will require legal review.

The project team conducted community outreach at the Milpitas Chamber of Commerce and at Turing Apartments. Information about the community input received will be presented by the project team at the Council meeting.

If Council wishes to pursue this proposed project, there are several actions that will need to undertaken prior to approval of the project. Also, some of these actions will be applicable for any similar types of projects that may be brought to the Council for consideration.

1. **Authorization of funding for additional staff, Attorney, and consultant resources**
   As noted in the September 21 staff report, staff resources are already fully committed to delivering existing services and programs as well as several new programs and initiatives added because of increased federal funding and other Council funded priorities. If Council provides direction for staff to continue to work on this project as well as other similar projects, staff will need to bring back a discussion to Council on the need for additional resources and prioritization of other workplan items. It is important to note that staff may not be able to pause work on many of the work plan items since there are state and federal requirements and deadlines associated with those work plan items.

   Additionally, based on the recommendations, the services of the City Attorney and a third-party financial advisor will also be needed. To date the project team has paid for consultant services provided by KMA but has not paid for staff or City Attorney time. If Council provides direction to move forward with additional work on the proposed project, additional funding will have to be provided by the project team.

2. **Develop City goals and framework for this type of program and bring back for Council consideration**
   Since the proposed project will be providing a substantial City subsidy with the foregoing of approximately $15.4 million in property tax and property tax in-lieu of vehicle license fee revenues over 30 years, staff recommends developing specific goals and a framework for decision making for this type of project. A framework with goals could include the following:
   a. Percentage of low and moderate income units for each project with a timeline for meeting that percentage
   b. Alignment with City's Housing goals, including RHNA numbers
   c. Condition of asset and proposed improvements
   d. Number of years that bonds need to be paid off by
   e. Amount of lost City revenue and total public subsidy
   f. Types of performance metrics and consequences of not meeting those metrics
   g. Level of oversight and enforcement and remedies
   h. Establishment of associated fees to be paid for by the project to provide oversight and enforcement

3. **Work with the project team to develop an agreement that meets the Council approved goals**
   The proposed Public Benefit Agreement submitted by the project team only addresses the purchase of the asset by the City. Staff and the City Attorney will need to work with the project team on agreement terms that align with approved City goals and framework for this type of program.

Policy Alternative:
Not Applicable

Fiscal Impact:
Although the consultant costs to date have been paid for by the Owner, staff has spent a substantial amount of time working with the consultant and project team. Any additional work on this project will require additional funding for staff and City Attorney time as well as for a financial consultant.

If the City moves forward with this proposed project, over a 30-year period, it is estimated that the City would forego a total of $15.4 million (or approximately $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.

Property tax is the City's General Fund top revenue source, representing 37% of total revenues. Property taxes are therefore used to provide vital City services. Any agreement to reduce City property tax revenue for 30+ years will have City service level ramifications.

At the end of the bond term, the project team has suggested that the City may be able to recoup this lost revenue. However, project performance assumptions appear optimistic, which causes the risk of overstating the net return to the City. This proposed agreement does not guarantee the City would recover the $15.4 million of property tax foregone.

California Environmental Quality Act:
This item is not a Project under CEQA in accordance with CEQA Guidelines Section 15061(b)(3) (Common Sense Exemption) as it can be seen with certainty that a general discussion of funding priorities by the City Council will not have a significant effect on the environment. Further, the item is also not a Project pursuant to CEQA Guidelines Section 15378(b)(4) as it is a government fiscal activity that does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

Recommendations
1. Receive follow-up information on the proposed project proposal for low and moderate income housing at Turing Apartments through a California Statewide Communities Development Authority program.
2. If Council wishes to pursue the proposed project, staff recommends Council (a) require project team to provide needed funding for additional staff, City Attorney, and consultant resources, (b) direct staff to bring back a framework and goals for this type of a moderate income housing program for Council consideration based on staff recommendations and Council input, and (c) direct staff to work with the project team on an agreement that is consistent with the approved framework and goals for a moderate income housing program.

Attachments:
Attachment 1 – FAQs
Attachment 2 – September 21 Agenda Report
Attachment 3 – Response letter from CSCDA and Waterford
Attachment 4 – Consultant (KMA) analysis of revised project proposal
Attachment 5 – Revised proposal from CSCDA and Waterford (dated October 15)

Low and Moderate Income Housing at *Turing Apartments* Fact Sheet

The Milpitas City Council is considering a proposed project for low and moderate income housing at the Turing Apartments, located at 1365 McCandless Drive. The project team includes Lyon Living, Waterford Property Company and the California Statewide Communities Development Authority (CSCDA).

Key Project Facts

- Conversion of up to 371 market rate units to low and moderate income units over a number of years.
- Property would be exempt from property taxes, which allows for some rent reduction.
- Income eligible tenants could qualify for reduced rents; existing tenants will not be displaced.
- Annual rent increases over the 34-year bond term would be limited to the annual increase in the Area Media Income (AMI) or 4%, whichever is less.
- City will lose approximately $15.4 million in property taxes over 30 years ($380K/year); property tax revenues foregone by all taxing entities, including the County, City and School District, is approximately $93 million over 30-years ($3.1 million/year), the project team has stated that the State will subsidize the School District with other tax revenue.
- Proposal provides an option for the City to purchase Turing Apartments after 34 years, subject to the financial ability to pay off the remaining debt of interest and balloon payment in year 34.
- Project would be conveyed in an as-is condition and City would be responsible for asset management and any capital improvements needed.
- The proposal does not include any oversight or enforcement role for the City.

FREQUENTLY ASKED QUESTIONS

Q1. Will current tenants at Turing qualify for a rent reduction?

Only income eligible tenants will qualify for lower rents under the CSCDA program. To qualify, tenants must apply and verify their income eligibility based on the Area Median Income (AMI) income limits. The project team proposes to use income limits as utilized by the California Tax Credit Allocation Committee as shown. For example, a household of 2 persons would qualify if their total annual household income is between approximately $79,560 and $159,120.

2021 TCAC Income Limits*

Person in Household	1	2	3	4	5	6	7	8
60%	$ 69,600	$ 79,560	$ 89,520	$ 99,420	$ 107,400	$ 115,380	$ 123,300	$131,280
80%	$ 92,800	$ 106,080	$119,360	$132,560	$ 143,200	$ 153,840	$ 164,400	$175,040
Median 100%	$ 116,000	$ 132,600	$149,200	$165,700	$ 179,000	$ 192,300	$ 205,500	$218,800
120%	$ 139,200	$ 159,120	$179,040	$198,840	$ 214,800	$ 230,760	$ 246,600	$262,560

**Based on 2021 California Tax Credit Allocation Committee*

Most affordable housing programs in the state are aligned with the income limits permitted by the California Department of Housing and Community Development (HCD) as shown in the table below. For example, a household of 2 persons would qualify if their total annual household income is between approximately $79,600 and $145,250.

2021 HCD Income Limits*

Person in Household	1	2	3	4	5	6	7	8
60%	$ 69,600	$ 79,600	$ 89,500	$ 99,400	$ 107,400	$ 115,400	$ 123,300	$ 131,300
80%	$ 82,450	$ 92,400	$ 106,000	$ 117,750	$ 127,200	$ 136,600	$ 146,050	$ 155,450
Median 100%	$105,900	$121,050	$ 136,150	$ 151,300	$ 163,400	$ 175,500	$ 187,600	$ 199,700
120%	$127,100	$145,250	$ 163,400	$ 181,550	$ 196,050	$ 210,600	$ 225,100	$ 239,650

**Based on State of California Housing and Community Development Department Income Limits*

Rents are calculated based on income limits. Since the CSCDA program uses higher income limits, it can charge higher rents compared to a program using HCD income limits. This means the CSCDA program is not as affordable as a program where income conforms to the HCD limits.

Q2. Will current tenants at Turing that do not qualify for a rent reduction be asked to leave?

No, tenants who make more than the qualifying household income limits and have lived in the property before the acquisition will not be displaced. Once they do leave, those units will become income-restricted.

Q3. How will the project help towards providing workforce housing?

According to the May 2020 Bureau of Labor Statistics data, average salaries of "workforce" occupations in the region are as follows: $125,680 for firefighters, $92,500 for teachers, $70,420 for construction occupations, $47,590 for production occupations (food processing, assembly workers), and $43,460 for maintenance workers. Eligibility for this project will depend on the size of household and total household income. For example, a teacher with a household size of one may qualify in the 80-100% AMI category; however, if a teacher has more than one earner in the household, the total household income will be used to determine eligibility,

Q4. Will the project guarantee housing for employees of public schools and colleges in Milpitas?

The most recent proposal includes a local preference concept for employees of public schools and higher learning institutions in Milpitas. However, program specifics, implementation, and enforcement mechanics have not been defined. There is a risk of future legal challenge due to disparate impact and thus, this needs further City legal review, to ensure compliance with federal and state fair housing laws.

Q5. How long will it take for all of the Turing apartments to become income-restricted?

The project anticipates a period of 3 years to achieve an affordable mix as shown:

- 40% of units to be available for 60-80% AMI residents;
- 20% of units to be available for 81-100% AMI residents; and
- 40% of units to be available for 101-120% AMI residents.

However, this affordability mix is contingent upon tenant turnover and there are no specific requirements to reach the proposed level of affordability. Thus, it is highly unlikely that the project will be 100% income restricted in 3 years and will probably take much longer to achieve 100% income-restricted units.

Q6. Will Low to Moderate Income Tenants at the Turing benefit from the same lower rents?

No. The proposed reduced rents apply only to existing Turing residents that meet the income requirements. Future income-eligible tenants may be charged higher rents based on the maximum allowable rents.

CONTACT US

455 E Calaveras Blvd.,
Milpitas, CA 95035

www.ci.milpitas.ca.gov
CityManagerOffice@ci.milpitas.ca.gov
Phone: 408-586-3051

Q7. Does the project meet the City's affordability goals?
Although the program may provide reduced rents to qualified current and future tenants, such proposed rents are higher than the state's Housing and Community Development (HCD) Department rent standards. The project allows much higher maximum rents compared to those allowed by HCD, ranging from $480 higher for a studio per month to $678 higher for a 3-bedroom unit per month. HCD's maximum allowable rent for a studio is $3,000 and for a 3-bedroom unit is $4,293.

Apartments	Studios	1 Bedroom Units	2 Bedroom Units	3 Bedroom Units
Maximum 120% AMI CSCDA Rent (Oct 8 proposal)	$3,480	$3,978	$4,476	$4,971
Maximum 120% AMI HCD Rent	$3,000	$3,445	$3,869	$4,293
Difference in maximum 120% AMI rent used by CSCDA and allowed by HCD	**$480**	**$533**	**$607**	**$678**

The proposed project does not add new housing, nor does it count towards City's required affordable housing goals, known as Regional Housing Needs Allocation (RHNA), as required by the State.

Q8. With the passage of AB 787, will the project units count towards the City's RHNA requirements?
Although AB 787 (2021) may make RHNA credit available, currently, this program does not contribute toward RHNA. For the project to count towards RHNA numbers, several issues need to be reviewed including but not limited to a 55-year covenant, effective date of legislation in 2022, existing rental rates, and unit mix, etc. Furthermore, for units that meet all AB 787 requirements, AB 787 limits the number of units that may be counted toward RHNA. This is limited to a maximum of 25% of the RHNA number in the moderate-income category. It is uncertain how many units at Turing would meet AB 787 and count toward RHNA.

Q9. How do the proposed rents compare to rents in Milpitas?
Although the program will allow a reduction of existing rents at Turing, proposed Turing rents will be higher than similar market rate apartments in Milpitas.

Apartments	Studios	1 Bedroom Units	2 Bedroom Units	3 Bedroom Units
Average Market Rents in Milpitas for Apartments built since 2014	$2,155	$2,510	$3,097	No other projects
Sept '21 Market Rents in Turing Apartments	$2,278	$2,293	$3,427	$5,327
Proposed Disocunted Turing Rents-revised proposal (Oct 8)	$2,246	$2,649	$3,284	$4,143
Difference in Rents between proposed rents at Turing and average market rate	**$91**	**$139**	**$187**	**NA**

Q10. Does the proposed project require a financial contribution from the City?
Yes, the proposed project requires a financial contribution from the City in the form of property tax revenue which is foregone when the Turing Apartments becomes tax exempt. The City will give up approximately $15.4 million in property taxes over a 30-year period or approximately $380,000 per year. Property tax represents the #1 revenue source or 37% of total General Fund revenues and is used to provide vital City services such as police, fire, parks, and streets.

Q11. Will the financing impact the City's credit rating and ability to borrow in the future?
No, the City is not a participant in the project financing and its credit rating is not connected to the project financing.

Q12. The project has proposed a financial contribution of $100,000 a year over a five year term. Won't this help offset the loss of property tax revenue to the City?
The City will forgo approximately $380,000 a year in property taxes for a total of $15.4 million thus $500,000 will not provide a substantive offset. Furthermore, 2015 legislation outlawed PILOT'S (Payment In Lien Of property Tax) for some properties. Thus, this proposal would require further City legal review and if allowable, the terms would need to be included in the Public Benefit Agreement with the City.

Q13. Is the City guaranteed to recover its financial contribution to the Project?
There is no guarantee that the City will recover its investment of property tax revenue. The return of the City's investment will only occur if there is sufficient value to fully repay the property's outstanding debt once the bonds are paid off.

Q14. Does the proposed project require a financial contribution from other public agencies, such as the County and schools?
Yes, the proposed project requires a financial contribution from other taxing entities such as Santa Clara County (library, social services, etc.), Valley Water (flood control and water supply), Valley Transportation Authority, Bay Area Air Quality Management District, schools and community colleges. Taxing entities will give up approximately $78 million in property taxes over a 30-year period or approximately $2.3 million per year. The project team has indicated that the State will subsidize the Milpitas Unified School District with other tax revenue.

Q15. How much financial contribution or subsidy will the project receive from public agencies?
The proposed Turing Apartments project will receive approximately $93 million of public financial subsidy over a 30-year period, since bond term is estimated at 34 years, the total amount will be slightly higher. Public Agency contributions will continue, and be higher, if the project continues beyond the 30-year period.

Q16. Will Turing Apartments be transferred to the City at the end of the bond term?
Proposal assumes the City may purchase Turing Apartments after 34 years, subject to the financial ability to pay off the remaining debt of interest and balloon payment in year 34. Turing Apartments will be transferred in an as-is condition, so it is critical to have adequate funding for all necessary capital repairs through the end of the bonds.

Q17. How will the City ensure that there is transparency and oversight regarding affordability, financial management and property maintenance?
The project as proposed does not include an oversight role for the City and there is no City remedy for failure to meet standards. The City will not control rental rates, implementation of affordability covenants, timing of re-financing, if any, nor appropriate maintenance of asset and has no enforcement mechanism to ensure affordability.

Q18. What will happen if the Turing Apartments cash flow is lower than projected?
If the Turing Apartments cash flow is lower than projected, the project may need to be re-financed or in the worst case scenario, it may result in a foreclosure. The City may not be able to purchase the Turing Apartments since the purchase option is subordinated and/or may not recover the $15.4 million of property tax revenue foregone. Once the property is foreclosed, any affordability requirements may also be null and void.

CITY OF MILPITAS
AGENDA REPORT
(AR)

Item Title:	Receive a report on the proposed project proposal for moderate income housing at Turing Apartments through a California Statewide Communities Development Authority program and provide direction to staff on next steps, if any.
Category:	Leadership and Support Services
Meeting Date:	9/21/2021
Staff Contact:	**Ashwini Kantak, Assistant City Manager, 408-586-3053** **Sharon Goei, Building Safety and Housing Director, 408-586-3260**
Recommendations:	1. Receive a report on the proposed project proposal for moderate income housing at Turing Apartments through a California Statewide Communities Development Authority program. 2. If Council wishes to pursue the proposed project, (a) provide input to staff on the preliminary recommendations; (b) direct staff to bring back a framework and goals for this type of a moderate income housing program for Council consideration based on staff recommendations and Council input, and (c) direct staff to bring back for Council consideration along with a revised project proposal consistent with the framework and goals for a moderate income housing program.

Executive Summary

In June 2021, Council directed staff to analyze a proposal to join the Community Improvement Authority (Authority), an affiliate of the California Statewide Communities Development Authority (CSCDA), and to support the purchase of the Turing Apartments for the purpose of converting the 371-unit market rate project to moderate income housing.

This program is premised on providing potential benefits that include: creating moderate income housing; providing management and oversight of the project without City resources; and providing a valuable asset to the City at the end of the bond term. However, it is important for the Council to look at the assumptions of the project as well as consider implications of no City oversight, control, or assurance of affordability, for a project that will be indirectly associated with the City and could be a City asset in the future.

The consultant and staff note four key areas for Council consideration and discussion:

1. Level of affordability;
2. Financial projections and assumptions;
3. Level of capital investment; and
4. Transparency and oversight.

As an example with Level of Affordability, the proposed discounts to current rents at the Turing Apartments would still place the rents higher than the market rents. Furthermore, if the rate of rent increases is adjusted to be in line with past historical trends, the value of the asset at the end of the bond term becomes significantly lower than projected by the project team. Also, since the City will be receiving the asset in “as-is” condition after the bonds are paid off, it is important to ensure that the asset will be maintained in good condition; the

planned dollars for capital investment are not based on a project condition report for the term of the bond. Lastly, since the City does not have a role in oversight and management of the project, it will be important to require adequate transparency, reporting, and oversight on how the affordability covenants are implemented and enforced and how the property is managed.

Another area of consideration for Council is the impact to the General Fund. 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 million of property tax in-lieu of vehicle license fee revenues from the state that are linked to taxable assessed property values. Other taxing entities would forgo a total of approximately $77.5 million in property tax revenue. Thus, including all taxing agencies, foregone tax revenues would approximate $92.9 million over a 30-year period. The City would not be responsible for repaying the revenues forgone by the other taxing entities. Staff also notes that the analysis of the proposed project required a significant amount of staff resources. If Council directs additional work on this project or other similar moderate income housing programs, staff will need to bring back information on costs for additional resources and impacts on other workplan items for Council direction.

If Council wishes to pursue this specific project, staff recommends follow up on the preliminary recommendations as a next step. Additionally, staff recommends developing a framework and goals for a moderate income program, based on staff recommendations and Council input, and bringing back a revised proposal for Council consideration, consistent with the framework and goals for a moderate income housing program.

Background:

The greater Bay Area is experiencing a housing crisis of unaffordability. As home prices and rents continue to increase, the result has disproportionately affected long term, lower income residents in Milpitas who do not have the financial resources to remain in the area. The City Council has taken measures to minimize the impact of the overall housing crisis by providing direct aid to Milpitas residents and families and adopting policies to increase affordable housing.

For example, in late 2019, the Milpitas Rent Relief Program began as a pilot program to aid renters experiencing emergency housing assistance needs. Its prescient formation was instrumental in delivering immediate aid to those most affected by COVID-19, as other jurisdictions were in the process of creating similar programs. To date, the program has provided assistance to over 100 families with over 300 Milpitas residents.

Other similar programs adopted by the Council are intended to ensure that Milpitas residents avoid displacement and are protected from the rising cost of housing. Some examples include the Rent Review and Just Cause Eviction Protection Urgency Ordinances, housing services funded by Community Development Block Grants, and a new Mortgage Relief Program and expanded Rent Relief Program eligibility to be created with the American Rescue Plan Act funding.

For affordable housing production, the City Council adopted an inclusionary ordinance in 2018 to increase the supply of affordable units in the community. Currently, the City has approximately 50 moderate-income units that are projected to be built in the next few years. While this helps, it is not sufficient to meet the Regional Housing Needs Allocation goal of 565 units in the moderate-income category. State financing tools for moderate-income rental housing are also limited. For the next Regional Housing Needs Allocation cycle, through the upcoming Housing Element and Assessment of Fair Housing, the City will plan for new housing growth in a way that responds to the City's unique context and to promote fair housing opportunities throughout the community.

On May 11, 2021, at the request of Councilmember Phan, the City Council directed staff to retain a consultant to analyze a proposal by Lyon Living (Owner) to convert the apartments at Turing to moderate income housing via a California Statewide Communities Development Authority (CSCDA) program. The project team is comprised of the Owner, CSCDA, and Waterford Residential (Administrator). Since this direction was received, staff have been approached by several other entities to request consideration of similar programs.

In order for this proposal to move forward the City would need to join the Community Improvement Authority (Authority), which is an affiliate of CSCDA, and support the conversion through the adoption of a resolution and approval of a public benefit agreement. Council directed that all consultant costs were to be paid for by the project Owner.

In consultation with the project team, City staff retained the services of Keyser Marston Associates, Inc. (Consultant). At the time of preparation of the consultant professional services agreement in June, the consultant services were estimated to cost $38,000. Due to additional meetings and analytical work starting in late August, including meetings with the project team and Housing Subcommittee, and further anticipated work, the Consultant updated the estimated service costs to $63,000. The project Owner agreed to fund this amount for consultant services.

Staff asked the Consultant to review the proposal from the project team and to assess the following:

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

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

1. 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.
2. A Draft Public Benefit Agreement for execution by the CSCDA Community Improvement Authority (Owner) and the City of Milpitas (Host).
3. A Draft Project Administration Agreement for execution by the CSCDA Community Improvement Authority (Owner) and Waterford Property Company, LLC (Administrator).
4. Draft Purchase and Sale Agreement for execution between Milpitas -District 1 Owner, LLC (Owner) and Waterford Residential 8, LLC (Buyer).
5. Draft Property Management Agreement between CSCDA Improvement Authority (Owner) and Greystar California, Inc. (Manager).
6. 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.
7. Santa Clara County Controller data on ad valorem property taxes and property tax assessments that apply to the Project.
8. A sample trust indenture, which Waterford proposes would be similar to the indenture for the Turing transaction.

Time was of the essence for the project team and the Consultant and City staff did their best to complete and review the analysis respectively.

Analysis:

The Consultant prepared a draft report which was shared with the project team and discussed with them on August 27. The proposed program would convert 371 market rate units at the Turing Apartments in Milpitas into moderate income housing. This would be made possible by the sale of the property to the California Statewide Communities Development Authority (CSCDA), which is a Joint Powers Authority. 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%, 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 debt 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 time 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).

Key Considerations

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, rental rates charged to existing tenants would be decreased by a percentage ranging from 8% to 12%, with an average monthly saving of $323 per unit. Keyser Marston Associates, Inc. Page 2 \\SF-FS2\wp\16\16005\015\001-004.docx
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

Financial Feasibility Considerations

1. 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) ($4.25 million), CSCDA ($1.25 million), and the current owner of the Project ($235.25 million). 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.
2. The cash flow is based on an assumption that rents will increase by 3% every year. This is not supported by historical data.
3. The money set aside for capital investment is based upon a project condition report for the first 12 years of the project and does not envision major infrastructure projects that may be required over the 34 year term of the bond. For example, the condition report currently does not anticipate investment in infrastructure elements that will need replacement between 12 and 34 years such as, the roof, windows, doors, or landscaping.

Preliminary Recommendations

Based on the consideration noted above and if Council chooses to participate in the proposed CSCDA program at Turing, the Consultant has developed several preliminary recommendations, which staff concurs with.

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 property 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 (Manager) should be required to submit its tenant selection plan, maintenance plan, staffing plan and marketing plan for the City's approval.
11. Greystar (Manager) 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.
12. In addition to the preliminary recommendations developed by the consultant, the City should consider entering into an agreement with the project team so as to clearly capture the roles of the project team and the City through the term of the bond and to describe the process for enforcement.

City Council Housing Subcommittee

This topic was agendized for discussion at the City Council Housing Subcommittee on September 2 and 9, 2021.

On September 2, 2021, the City Council Housing Subcommittee convened to hear a presentation from the Waterford Property Company and CSCDA on the proposed acquisition of the Turing Apartments and its conversion to a workforce housing community. Their presentation provided an overview of the moderate income housing program, the specifics of the Turing Apartments proposal, and an overview of the benefits to the City.

A representative of the Consultant was also present to discuss the findings from the draft report. The Consultant summarized the report findings relating to affordability considerations, financial feasibility considerations, the economics of the transaction structure and potential risks to the City, and a list of recommendations should the City decide to move forward with this proposal.

Councilmember Chua requested a second meeting to further discuss the financial analysis, with specific requests to discuss the repayment of the bond term, bond insurance, property insurance, replacement coverage, and housing availability for tenants during replacement.

Councilmember Phan was interested in an option discussed by Waterford to deepen affordability and agreed that another meeting and more time was needed to discuss the exit value of the property and how the project would be maintained over time.

On September 9, 2021, the City Council Housing Subcommittee held another meeting to further discuss the proposed project and asked follow-up questions.

Councilmember Chua expressed concern over the structure of the project including the fact that Waterford and CSCDA would receive their payment upfront and that payment is not based on performance metrics. The Councilmember also expressed concern that the City was not an oversight partner with the project administrator. The City Attorney representative noted that under this arrangement, the City has no local control or oversight of the project.

Councilmember Phan expressed optimism that the benefits of the project outweigh the potential concerns. The Councilmember noted that Milpitas is in search of housing options for Milpitas residents now, and that this project could serve as a model for other developments regionwide. The Councilmember also expressed a desire to participate in additional similar projects in the future.

Benchmarking

According to a September 13, 2021 Orange County Resister article about middle income housing programs, there are 28 middle income housing programs in California, with 21 of them established in 2021, across 16 cities. Of the 28 programs, more than half are located in Southern California, with the rest located in the larger San Francisco Bay Area. There are no programs currently established in Santa Clara County. The closest cities to Milpitas that have one or more of these programs are Dublin and Hayward. The three largest cities in the Bay Area, San Jose, San Francisco, and Oakland did evaluate participation in these programs but decided not to participate.

The San Jose City Council voted not to move forward under this program structure for a variety of reasons. The program gave the City no way to enforce the affordability restrictions. Staff had concerns about the amount of debt the project would carry and whether the bond would actually be repaid in 30 years. The 100% and 120% AMI affordable rent levels were close to market rates rents. Thus, the City did not see a significant affordability benefit to its residents.

The City of Santa Clara also evaluated participation in the program but did not move forward with the proposed workforce housing project. Their reasons echoed those expressed by the City of San Jose, and the units not being able to count toward the Reginal Housing Needs Allocation was also a concern.

Staffing Resources

Over the past year, while staff resources were already fully committed to delivering existing services and programs, several new programs and initiatives have been added because of increased federal funding and other Council funded priorities. These include managing the $1.28 million CDBG and Coronavirus funding compliance process and conducting monitoring and reporting with 23 contract service providers; implementing homeless outreach, assessment, street-based case management services and analyzing monthly data; implementing mobile shower and laundry services for unhoused residents; and working with the Homelessness Task Force and Santa Clara County on homeless resources. Staff has also been working on other major policy initiatives including monitoring the Regional Housing Needs Allocation process; preparing for the Housing Element update and Assessment of Fair Housing; updating the Affordable Housing Ordinance; tracking housing legislation; exploring strategies for the development and disposition of City-owned properties on South Main Street; and developing a new Consolidated Plan for CDBG.

Earlier in 2021, staff was approached with several inquiries regarding other potential moderate-income housing programs and project. If Council provides direction for staff to continue to work on this project as well as other similar projects, staff will need to bring back a discussion to Council on the need for additional resources and prioritization of other workplan items. It is important to note that staff may not be able to pause work on many of the workplan items since there are state and federal requirements associated with those items.

Policy Alternative:
Not Applicable

Fiscal Impact:
Although the consultant costs will be paid for by the Owner, staff has spent a substantial amount of time working with the consultant and project team. If the City moves forward with this proposed project, over a 30-year period, it is estimated that the City would forego a total of $15.4 million or approximately ($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. At the end of the bond term, the City may be able to recoup this lost revenue. However the amount will depend on the project performance over the term of the bond and the current project performance assumptions may be optimistic, which causes the risk of overstating the net return to the City.

California Environmental Quality Act:
This item is not a Project under CEQA in accordance with CEQA Guidelines Section 15061(b)(3) (Common Sense Exemption) as it can be seen with certainty that a general discussion of funding priorities by the City Council will not have a significant effect on the environment. Further, the item is also not a Project pursuant to CEQA Guidelines Section 15378(b)(4) as it is a government fiscal activity that does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

Recommendation

1. Receive a report on the proposed project proposal for moderate income housing at Turing Apartments through a California Statewide Communities Development Authority program.
2. If Council wishes to pursue the proposed project, (a) provide input to staff on the preliminary recommendations; (b) direct staff to bring back a framework and goals for this type of a moderate income housing program for Council consideration based on staff recommendations and Council input, and (c) direct staff to bring back for Council consideration along with a revised project proposal consistent with the framework and goals for a moderate income housing program.

Attachments:
1. Keyser Marston Associates report dated 9/16/2021

KEYSER MARSTON ASSOCIATES

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

Prepared for:
City of Milpitas

Prepared by:
Keyser Marston Associates, Inc.

September 15, 2021

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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 debt s 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, rental rates paid by existing tenants would be decreased by 8% to 12%, with an average monthly saving of $323 per unit.

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 more conservative 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 return[2]. 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 and cash flow should provide funding to cover the anticipated capital improvement costs over the 34-year term. The draft property

[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.

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 property 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.

E. Modifications Proposed by Authority to Housing Subcommittee on September 9, 2021

In its presentation to the City's Housing Subcommittee on September 9, 2021, the Authority indicated that it is amending its proposal to the City as follows:

1. ***Changing the mix of affordability levels as follows:***

Existing Proposal	Amended Proposal
33% (124) of the project's units to be restricted at 60% to 80% of AMI	40% (148) of the project's units to be restricted at 60% to 80% of the AMI
33% (124) of the project's units to be restricted at 81% to 100% of AMI	20% (74) of the project's units to be restricted at 81% to 100% of the AMI

33% (124) of the project's units to be restricted at 101% to 120% of AMI	40% (148) of the project's units to be restricted at 101% to 120% of the AMI
$2,827 average unit monthly rental rate	$2,827 average unit monthly rental rate

While the proposal would change the mix of affordability, the average level of affordability and proposed rent is not changed. Therefore, the proposal does not reflect an overall deepening of affordability. KMA continues to recommend that the proposal be revised to deepen the level of affordability.

2. ***Increasing funding for capital improvements as follows:***

Existing Proposal	Amended Proposal
$3.06 million from bond issuance	$5 million from bond issuance
$700 per unit per year, starting in year 10	$1,000 per unit per year, starting in year 10

These changes will provide approximately $4.28 million of additional funding ($3.2 million in 2021 dollars) for capital improvements over a 30-year term. This change is not responsive to KMA's recommendation that the property report, which evaluated the property's needs over the first twelve (12) years be revised to estimate the property's needs over the bond term and for the proposal to provide the level of funding recommended by the revised property report through a combination of bond proceeds and annual cash flow contributions.

Neither of the two proposed modifications change KMA's recommendations.

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 to120% 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 debt s 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 term[5] 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 space[6], 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 many 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 facilities 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.

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 AMI[7], 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		
	Turing	*Market Rate Units in Milpitas*	*Difference*
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
Proposed Rent Reduction					
80% of AMI	($274)	($351)	($412)	($1,461l)	($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 requirements[9]. 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 th3 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
Maximum CSCDA Rents					
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
Maximum HCD Rents					
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
Difference					
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.

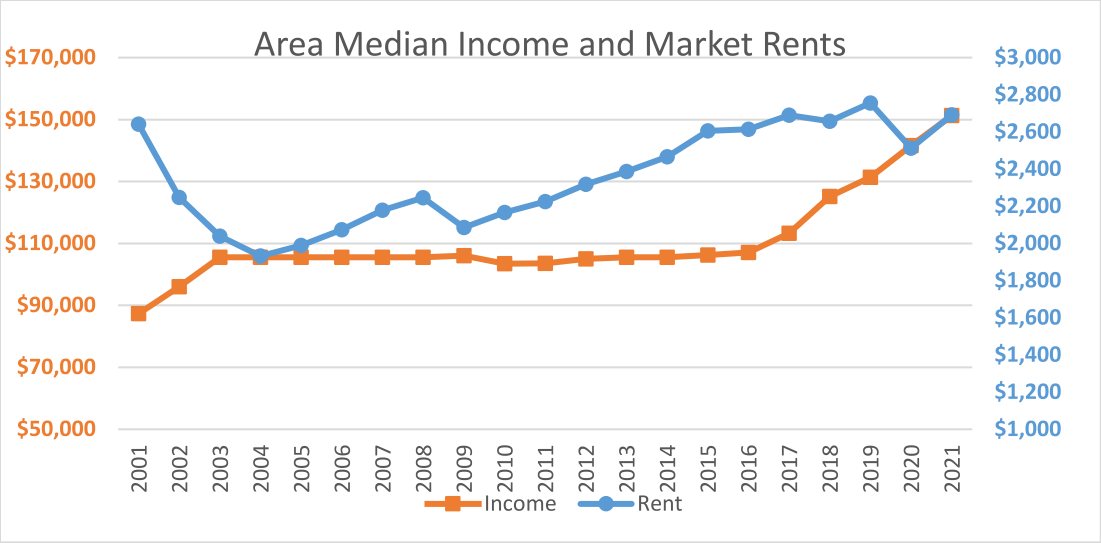

Exhibit 8. Growth in Area Median Income Compared to Market Rents in Milpitas, 2001- 2021

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 property implemented. The Administrator should also certify that the covenants are being implemented per the requirements of the Regulatory Agreement.

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 City[11]. 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 Authority[12]. 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 Milpitas[13]. 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 ERFA 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		$1,599,901
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
County Bond 2008 Hosp Fac	0.0069%	$12,978
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
Additional Property Tax Payment[2]	-$3,022,000	-$4,722,000
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)
Series B Bonds remaining at End of Term	($5,117,350)	($5,117,350)
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
Additional Property Tax Payment[2]	-$2,575,000	-$3,350,000
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)
Series B Bonds remaining at End of Term	($5,884,137)	($5,884,137)
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 conservation 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				
Rental Income, Assuming 100% market rate project	*Rental Income with CSCDA Restrictions*	*Rent Savings Due to CSCDA Program*	*Foregone Property Tax Payments*	*Amount by Which Foregone PPTX exceeds Rent Savings*
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 property 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.

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

			Studio				One Bedrooms				Two Bedrooms				Three Bedrooms			
Building Name	Year Built	Total Units	**# 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 Rents[1]	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		$2,096	$3.72	64.3		$2,689	$3.46	50		$3,152	$2.72	3		$4,901	$2.94
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%					$182				$234				$275				$426	
Average					$228				$292				$343				$807	
Market Rate Units in Milpitas[2]																		
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 Rent[1]	$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

					HCD Requirements	
Unit Type	Current Lease Rent	Annual Lease Rent	Annual Utility Allowance	Total Housing Expenses	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%	HCD Requirements: 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%	HCD Requirements: 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%	HCD Requirements: 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%	HCD Requirements: 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%	HCD Requirements: 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%	HCD Requirements: 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%	HCD Requirements: 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%

					Max Allowable Rent			Pro Forma Rent							
Unit Type	Type	Total Units	SF	Market Rent	80% AMI	100% AMI	120% AMI	Units	80% AMI	Units	100% AMI	Units	120% AMI	Units	Authority Rent	% Discount to In Place
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%**

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

Growth Rates							
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								
Turnover	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%
Non-Converted Unit Rent	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%
Expenses	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%
Taxes	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%
COVID 19 Concessions	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%
Year	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**
Revenue								
% AMI Target Rents 80%								
Converted Units	124	124	124	124	124	124	124	124
Non-Converted Units	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
Non-Converted Unit Rent	$3,709	$3,820	$3,935	$4,053	$4,174	$4,299	$4,428	$4,561
% AMI Target Rents 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	$3,338	$3,438	$3,541	$3,647	$3,757	$3,869	$3,986	$4,105
Non-Converted Unit Rent	$3,709	$3,820	$3,935	$4,053	$4,174	$4,299	$4,428	$4,561
% AMI Target Rents 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	$3,412	$3,514	$3,620	$3,728	$3,840	$3,955	$4,074	$4,196
Non-Converted Unit Rent	$3,709	$3,820	$3,935	$4,053	$4,174	$4,299	$4,428	$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

					Max Allowable Rent			Pro Forma Rent							
Unit Type	Type	Total Units	SF	Market Rent	80% AMI	100% AMI	120% AMI	Units	80% AMI	Units	100% AMI	Units	120% AMI	Units	Average Rent	% Discount to In Place
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%

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 Targ 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 Targ 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 Targ 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**
Managem 1.75% 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 Tarç 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 Tarç 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 Tarç 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**
Managem 1.75% 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 Reside

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	**19**	**20**	**21**	**22**	**23**	**24**	**25**	**26**	**27**
Revenue									
% AMI Tarç 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	$3,894	$3,972	$4,052	$4,133	$4,215	$4,300	$4,386	$4,473	$4,563
Non-Converted Unit Rent	$4,457	$4,547	$4,638	$4,730	$4,825	$4,921	$5,020	$5,120	$5,223
% AMI Tarç 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	$4,012	$4,092	$4,174	$4,257	$4,342	$4,429	$4,518	$4,608	$4,700
Non-Converted Unit Rent	$4,457	$4,547	$4,638	$4,730	$4,825	$4,921	$5,020	$5,120	$5,223
% AMI Tarç 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	$4,101	$4,183	$4,267	$4,352	$4,439	$4,528	$4,618	$4,711	$4,805
Non-Converted Unit Rent	$4,457	$4,547	$4,638	$4,730	$4,825	$4,921	$5,020	$5,120	$5,223
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**
LTL	(267,277)	(272,622)	(278,075)	(283,636)	(289,309)	(295,095)	(300,997)	(307,017)	(313,157)
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
Vacancy	(877,559)	(895,110)	(913,013)	(931,273)	(949,898)	(968,896)	(988,274)	(1,008,040)	(1,028,200)
COVID 19 Concessions	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)
Non-Revenue Units	(186,932)	(190,671)	(194,484)	(198,374)	(202,341)	(206,388)	(210,516)	(214,726)	(219,021)
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**
Other Income	530,911	546,838	563,243	580,140	597,545	615,471	633,935	652,953	672,542
RUBS	868,016	894,057	920,878	948,505	976,960	1,006,269	1,036,457	1,067,550	1,099,577
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**
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**
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
Marketing	300,011	309,012	318,282	327,830	337,665	347,795	358,229	368,976	380,045
General & Administrative	233,148	240,143	247,347	254,767	262,410	270,283	278,391	286,743	295,345
Turnover	157,475	162,199	167,065	172,077	177,240	182,557	188,033	193,674	199,485
Repairs & Maintenance	257,578	265,305	273,265	281,463	289,906	298,604	307,562	316,789	326,292
Contract Services	690,629	711,348	732,689	754,669	777,310	800,629	824,648	849,387	874,869
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
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**
Managem 1.75% of EGI	311,463	317,937	324,548	331,298	338,192	345,231	352,419	359,760	367,256
Insurance	382,120	393,583	405,391	417,552	430,079	442,981	456,271	469,959	484,058
Direct Assessments	377,395	384,943	392,642	400,495	408,505	416,675	425,008	433,508	442,178
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**
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**
	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**

Source: Waterford Reside

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%
Converted Unit Rent	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%
Other Income	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%
KMA: LOSS TO LEASE	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%
Taxes	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%**
COVID 19 Concessions	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%
Year	**28**	**29**	**30**	**31**	**32**	**33**	**34**	**35**
Revenue								
% AMI Tarç 80%								
Converted Units	124	124	124	124	124	124	124	124
Non-Converted Units	0	0	0	0	0	0	0	0
Converted Unit Rent	$4,654	$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 Tarç 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 Tarç 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**
Managem 1.75% 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 Reside

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**

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	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

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

WATERFORD
PROPERTY COMPANY

130 Newport Center Drive, Suite 230,
Newport Beach, CA

October 8, 2021

Ashwini Kantak
Assistant City Manager
City of Milpitas
455 Calaveras Boulevard
Milpitas, CA 95035

RE: "MIDDLE-INCOME" WORK FORCE HOUSING PROPOSAL, TURING

Dear Ashwini:

On behalf of Waterford Property Company ("Waterford") and the California Statewide Communities Development Authority ("CSCDA") we want to express our appreciation for the City of Milpitas's ("City") consideration of the CSCDA "Middle-Income" housing program. In response to the City Council hearing on September 21, 2021, please see a summary of my comments from the hearing in response to the City Staff Report as well as our revised proposal to coincide with my comments.

Response to September 21, 2021, Milpitas City Staff Report

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.
    - Response: HCD rents are not applicable to the middle-income program and its disingenuous to suggest using HCD rents should be mandatory for this program when they are not a requirement for traditional affordable housing projects.

2. Under the proposal, rental rates charged to existing tenants would be decreased by a percentage ranging from 8% to 12%, with an average monthly rental savings of $323 per unit.
    - Response: The rental savings for the project is projected to be a weighted to discount to market rents of 10.3% and is approximately $403 per unit of rental savings.

3. Turing commands premium rents relative to other market rate projects in Milpitas. As a result, even with an average of 10% reduction in rental rates, the proposed reduced rental rates would exceed average market rental rates in Milpitas.
    - Response: This is factually incorrect. To accurately compare projects in the market it is necessary to use true market comparables. Below is a list of all the multifamily projects built in Milpitas since 2015 showing per square foot rents which is the most

accurate gauge of market rents because unit sizes tend to differ which effects nominal monthly rents. As the chart shows below Turing has some of the largest units in the market which makes it a perfect candidate for middle-income housing because it has a higher propensity to have families move in.

Project Name	Year Built	Total Units	Average Square Feet/Unit	Per Square Feet Rents
The Julian	2021	381	707	$ 4.00
Eleanor Apartments	2021	333	965	$ 3.96
Anton Aspire	2020	317	851	$ 3.90
Anton Ascend	2021	266	761	$ 3.83
Capital 650	2018	351	861	$ 3.75
The Edge Apartments	2018	381	805	$ 3.54
Turing	2018	371	942	$ 3.54
Amalfi Apartments	2015	378	779	$ 3.51

Source: COSTAR

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 charged by Turing.
    - Response: This is incorrect. It is impossible to charge higher than market rents. In addition, the bonds are financed as "Social Impact" bonds which requires the project to be affordable.

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.
    - Response: This is incorrect. As previously stated, the bonds have a "Social Impact" designation which requires intense credit scrutiny from the investors. In addition, to truly reflect the market, it is necessary to compare Turing against its peer properties as shown in the chart above. The rents at Turing are in line with the Milpitas submarket for properties built since 2015.

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.
    - Response: This is correct that the project will not provide the City with RHNA credit, but it will help the city meet the goals of its Housing Element. In addition, the affordability benefits to the city over the duration of the project will be extremely beneficial to the city and the community. To state that the project does not help the city reach its affordable housing goals because it does not provide RHNA credit is flawed.

Financial Feasibility Considerations

1. 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 project provides significant up-front compensation to the Administrator, CSCDA and the current owner of the project.
    - Response: Middle-income transactions are tax-exempt which precludes outside investment besides the bond investors. The fees stated in the Staff Report to

Waterford and CSCDA are factually incorrect. Waterford is paid an acquisition fee commensurate with other affordable housing developers in tax credit projects. To say that the fees in this transaction are out of alignment with other affordable housing developments is completely inaccurate. As evidence, please find a California Tax Credit Allocation Staff report from July 2018 for an affordable housing project in San Jose that the developer received a $60,789,036 developer fee. This is a project that the City of San Jose approved the bond issuance.

2. The cash flow assumes that rents will increase by 3% every year. This is not supported by historical data.
    - Response: This is incorrect. Apartment rents for "Class A" buildings in Santa Clara County for the last ten years have averaged 4.5% according to COSTAR.

3. The money set aside for capital investment is based upon a project condition report for the first twelve years of the project and does not envision major infrastructure projects that may be required over the term of the bond.
    - Response: The project was underwritten according to Freddie Mac and Fannie Mae underwriting guidelines for work-force housing projects. Nevertheless, Waterford has revised its underwriting to include the capital needs shown in the attached revised property condition assessment (PCA) which includes a 34-year forecast for all capital needs at the property. This has been included in the revised project underwriting.

Response to City Staff Recommendations

1. The rent reduction should be set at levels that are below market rate levels in Milpitas so that the Project truly delivers enhanced affordability. The proposed rents exceed average market rate rental rates, which largely nullifies the argument that the project will enhance the affordability of apartments in Milpitas.
    - Response: This is incorrect. As shown in the chart above when compared against true market comparables in Milpitas, Turing will provide a 10.3% discount to market rents which will grow significantly over time because of the rental deed restrictions which cap rent growth at the property to the lesser of "AMI growth or 4%".

2. Rent and income restrictions contained in the Regulatory Agreement should conform to the Department of Housing and Community Development income and rent formulas.
    - Response: As previously stated this does not conform to the middle-income program nor is it a requirement of affordable housing tax credit projects.

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 period term.
    - Response: Agreed. This has been addressed in the revised PCA. The revised underwriting reflects this.

4. Any refinancing of the project debt should be subject to the City's approval.
    - Response: Agreed. The city is the recipient of all equity distributions in the event of a refinance.

5. The project should be required to submit proposed rent increases to the City's approval to ensure that the affordability restrictions are enforced.
    - Response: This will put the City in the chain of liability because it will be in the regulatory agreement. The whole purpose of this structure is to keep the City out of the chain of liability. Moreover, the regulatory agreement for the middle-income is consistent with other affordable housing projects meaning the City does not have approval rights for rents on other affordable housing projects in Milpitas.

6. The Project should be required to submit an annual report to the city demonstrating that the affordability covenants are being implemented and enforced.
    - Response: Agreed. This is consistent with other projects in the middle-income program that Waterford is a Project Administrator.

7. The Administrator should be required to certify that the affordability covenants are being property implemented and enforced.
    - Response: Agreed.

8. The project's cash flow projections should be based on more conservative assumption to reduce the level of risk and provide greater assurance of long-term viability.
    - Response: This a very broad statement with no quantitative merit. The investors that buy the bonds in these projects are the most sophisticated municipal bond investors in the world. Each project undergoes extensive underwriting and credit analysis before investors will buy the bonds. To date the partnership of Waterford and CSCDA have sold over $1.6 billion in bonds in this program and the underwriting criteria used for Turing is in line with all the other projects.

9. The bond underwriting 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.
    - Response: The bond underwriter that Waterford works with on all of its middle-income transactions is Goldman Sachs. Goldman Sachs is the most active underwriter in this space and is by far the most experienced. We are happy to set up a call or meeting with Goldman Sachs and the City.

10. Greystar should be required to submit its tenant selection plan, maintenance plans, staffing plan and marketing plan for City's approval.
    - Response: Agreed

11. Greystar should be required to submit annual reports on the Project's operations, including the Project's rent roll, that clearly tracks the annual increases in rental rates, operating expenses, capital improvements, vacancy rates, bond interest and redemption payments, and all bond specific payments.
    - Response: Agreed. This is consistent with all other projects in the middle-income program.

12. In addition to the preliminary recommendations developed by the Consultant, the City should consider entering into an agreement with the project team to clearly capture the roles of the project team and the City through the term of the bonds and describe the project the process for enforcement.
    - Response: This is what the Public Benefit Agreement and the Regulatory Agreement do.

Summary of Waterford Amended Proposal

Attached to this letter Waterford has provided amended underwriting that includes the following:

1) **Affordability Mix:** Waterford has amended the affordability mix for its proposal to be 40% of the units at 60% to 80% AMI rents, 20% of the units at 81% to 100% AMI rents and 40% of the units at 101% to 120% AMI rents.
2) **Maximum Allowable Rent Calculation:** Waterford has revised the maximum allowable rents from 35% of maximum monthly household income to 30% of maximum monthly household income.
3) **Capital Needs:** Waterford has adjusted the underwriting to account for 35 years of capital needs at the property. The revised underwriting is consistent with the updated PCA.
4) **Local Preference Guidelines in Regulatory Agreement:** Waterford proposes to include language in the Regulatory Agreement that incorporates local preference guidelines for employees of all Milpitas schools. Our proposed language is the following, "In reviewing and considering applications from prospective tenants, the Owner shall provide a preference to households which include one or more persons who are employed by a public school district or public higher education institution within the City of Milpitas".
5) **Local Control Funding Formula for Milpitas Unified School District:** Milpitas Unified School District is a local control funding formula district so it will receive state apportionment funds which will backfill the loss of local property taxes.

We look forward to working with you on our revised proposal in preparation for the October 19, 2021, City Council meeting.

Sincerely,

Sean Rawson
Co-Founder
Waterford Property Company

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 18, 2018

El Rancho Verde Apartments, located at 300 and 303 Checkers Drive in San Jose, requested and is being recommended for a reservation of $16,529,220 in annual federal tax credits to finance the acquisition and rehabilitation of 696 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Community Preservation Partners, LLC and is located in Senate District 15 and Assembly District 25.

El Rancho Verde Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, El Rancho Verde Apartments (CA-2001-872). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number	CA-18-771
Project Name	El Rancho Verde Apartments
Site Address:	300 and 303 Checkers Drive
	San Jose, CA 95133 County: Santa Clara
Census Tract:	5037.09

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$16,529,220	$0
Recommended:	$16,529,220	$0

Applicant Information

Applicant:	ERV Community Partners, LP
Contact:	Anand Kannan
Address:	17782 Sky Park Circle
	Irvine, CA 92614
Phone:	949.236.8278
Email:	akannan@cpp-housing.com

General Partner(s) or Principal Owner(s):	ERV Partners, LLC
	FFAH V El Rancho Verde, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	WNC Development Partners, LLC
	Foundation For Affordable Housing
Developer:	Community Preservation Partners, LLC
Investor/Consultant:	WNC & Associates, Inc.
Management Agent:	FPI Management Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	49
Total # of Units:	700
No. / % of Low Income Units:	696 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / Section 8 Project-based contract (557 units - 80%)

Bond Information

Issuer:	CalHFA
Expected Date of Issuance:	September 3, 2018

Information

Housing Type:	Non-Targeted
Geographic Area:	South and West Bay
TCAC Project Analyst:	Marlene McDonouigh

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 50% AMI:	557	80%
At or Below 60% AMI:	139	20%

Unit Mix

556	2-Bedroom Units
144	3-Bedroom Units
700	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
174	2 Bedrooms	50%	50%	$1,496
243	2 Bedrooms	50%	50%	$1,496
25	2 Bedrooms	50%	50%	$1,496
65	3 Bedrooms	50%	50%	$1,729
50	3 Bedrooms	50%	50%	$1,729
62	2 Bedrooms	60%	60%	$1,795
43	2 Bedrooms	60%	60%	$1,795
7	2 Bedrooms	60%	60%	$1,795
12	3 Bedrooms	60%	60%	$2,075
15	3 Bedrooms	60%	60%	$2,075
2	2 Bedrooms	Manager's Unit	Manager's Unit	$0
2	3 Bedrooms	Manager's Unit	Manager's Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $517,594,440

Project Cost Summary at Application	
Land and Acquisition	$374,500,000
Construction Costs	$0
Rehabilitation Costs	$46,487,782
Construction Contingency	$4,695,206
Relocation	$700,000
Architectural/Engineering	$607,900
Const. Interest, Perm. Financing	$18,936,221
Legal Fees, Appraisals	$359,500
Reserves	$4,788,000
Other Costs	$1,408,199
Developer Fee	$60,789,036
Commercial Costs	$0
Total	**$513,271,844**

Residential	
Construction Cost Per Square Foot:	$69
Per Unit Cost:	$733,245
True Cash Per Unit Cost*:	$652,852

Construction Financing

Source	Amount
Citibank, N.A.	$318,000,000
Citibank, N.A. - Taxable Bonds	$32,000,000
Net Operating Income	$19,515,911
Seller Credit	$4,500,000
Deferred Developer Fee	$41,902,933
Tax Credit Equity	$97,353,000

Permanent Financing

Source	Amount
Citibank, N.A. - Tax Exempt Bonds	$272,647,000
Net Operating Income	$19,515,911
Seller Credit	$4,500,000
Deferred Developer Fee	$56,275,499
Tax Credit Equity	$160,333,434
TOTAL	**$513,271,844**

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$82,715,945
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$397,950,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$107,530,729
Qualified Basis (Acquisition):	$397,950,000
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$3,516,255
Maximum Annual Federal Credit, Acquisition:	$13,012,965
Approved Developer Fee (in Project Cost & Eligible Basis):	$60,789,036
Investor/Consultant:	WNC & Associates, Inc.
Federal Tax Credit Factor:	$0.97000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$480,665,945
Actual Eligible Basis:	$480,665,945
Unadjusted Threshold Basis Limit:	$284,282,880
Total Adjusted Threshold Basis Limit:	$511,709,184

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 80%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses are below the minimum operating expenses established in the Regulations (See **"Significant Information / Additional Conditions"** Section below), and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.27% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Significant Information / Additional Conditions

The applicant's estimate for annual operating expenses per unit is below the $5,700 published per unit operating expense minimum required for this type of project. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves the annual per unit operating expense total of $4,847 in agreement with the permanent lender and equity investor.

The estimated cost of the project is $733,245 per unit. The high valuation of the project equated to a significant acquisition cost of more than $500,000 per unit. Additionally, to finance such a high acquisition cost, financing fees particularly the interest expense on this size of transaction is significant. Furthermore, due to the unit size and the large nature of the project, reserves and deferred developer fee were also quite high.

Resyndication and Resyndication Transfer Event
Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2001-872). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-2001-872) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $4,650,250. The purchase price of $374,500,000 is less than the appraised value of $379,250,000. The $4,750,000 difference between the purchase price and the appraisal value is deemed a seller credit. Since the seller credit is greater than the short term work amount, the project is allowed to receive eligible basis for the entire Short Term Work amount of $4,650,250.

Local Reviewing Agency
The Local Reviewing Agency, City of San Jose, has completed a site review of this project and supports this project.

Standard Conditions
If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

CDLAC Additional Conditions: None.

ATTACHMENT 4

KEYSER MARSTON ASSOCIATES

Analysis of the Revised Project Proposal

Debbie Kern

Table 1
Capital Reserve Account Funding

Property Condition Report has been revised to reflect the Project's needs over 35-years. Project is projected to provide funding in excess of the Project's needs.

	Revised Proposal	Original Proposal
Property Condition Report		
Term Examined	35 years	12 years
Estimated replacement costs over term	$11,009,200	$3,100,000
Funding Provided		
From bond proceeds	$5,800,000	$3,063,173
From cash flow, current dollars	$6,055,637	$4,536,827
Total	$11,855,637	$7,600,000
Contingency Funds		
Bond reserve for Extraordinary Expense	$500,000	$500,000
Bond Operating Reserve	$788,544	$784,255
	$1,288,544	$1,284,255

Table 2

Maximum Permitted Rents have decreased due to rent cap at 30% of income limits versus prior limit of 35%. Maximums still exceed HCD limits but are closer than under original proposal. Will provide

Maximum Rents			
	80% AMI	**100% AMI**	**120% AMi**
Revised Proposal			
0 beds	$2,320	$2,900	$3,480
1 beds	$2,652	$3,315	$3,978
2 beds	$2,984	$3,730	$4,476
3 beds	$3,314	$4,143	$4,971
Original Proposal			
0 beds	$2,707	$3,383	$4,060
1 beds	$3,094	$3,868	$4,641
2 beds	$3,481	$4,352	$5,222
3 beds	$3,866	$4,833	$5,800
Reduction in Maximum Permitted Rents			
0 beds	($387)	($483)	($580)
1 beds	($442)	($553)	($663)
2 beds	($497)	($622)	($746)
3 beds	($552)	($690)	($829)

Table 3			
Anticipated Year 1 Rents			
Revised Proposal	**80% AMI**	**100% AMI**	**120% AMI**
Converted Rent	$2,747	$2,982	$3,066
Non Converted Rent	$3,335	$3,335	$3,335
Original Proposal			
Converted Rent	$2,754	$2,837	$2,900
Non Converted Rent	$3,152	$3,152	$3,152
Increase			
Converted Rent	**-$7**	**$145**	**$166**
Non Converted Rent	**$183**	**$183**	**$183**
Projected Rental Rates have increased significantly since the original proposal			

Table 4

Revenues have increased due to increases in assumed starting rents and reduction in vacancy rate - years 1 through 3

	Gross Potential Rent (millions)			Net CF Available for Debt Service		
	Revised Projection	Original Projection	Difference	Revised Projection	Original Projection	Difference
1	$14.5	$13.7	$0.8	$10.9	9.8	$1.1
2	$14.1	$13.5	$0.6	$10.6	9.8	$0.8
3	$13.6	$13.2	$0.4	$10.1	9.7	$0.4
4	$14.0	$13.6	$0.4	$10.4	10	$0.4
5	$14.4	$14.0	$0.4	$10.7	10.3	$0.4
6	$14.9	$14.4	$0.5	$11.0	10.6	$0.4
7	$15.3	$14.8	$0.5	$11.4	10.9	$0.5
8	$15.8	$15.3	$0.5	$11.7	11.2	$0.5
9	$16.2	$15.7	$0.5	$12.0	11.6	$0.4
10	$16.7	$16.2	$0.5	$12.4	11.9	$0.5
				Reduced Vacancy assumption from 8% to 5% in early years		

Table 5
Anticipated Bond Proceeds

Bond proceeds have increased due to enhanced revenue projection

Revised Projection					**Original Projection**	**% Change**
Sources		**Total**	**Per Unit**	**%**	**Total**	
Principal		**$251,495,765**	$677,886	100.00%	$249,069,856	1%
Original Issuance Premium		$18,215,860	$49,099	7.24%	$17,104,762	6%
Total		**$269,711,626**	**$726,986**	**107.24%**	$266,174,618	1%
Uses of Funds		**Total**	**Per Unit**	**%**		
Project Acq. Account		**$237,350,000**	$639,757	94.38%	$237,350,000	0%
Capital Expense Fund		**$5,800,000**	$15,633	2.31%	$3,063,173	89%
Capitalized Interest Account		$0	$0	0.00%	$0	
Operating Reserve	25%	**$788,544**	$2,125	0.31%	$784,255	1%
Coverage Reserve		$2,011,966	$5,423	0.80%	$1,892,931	6%
Senior Debt Service Reserve		$10,059,831	$27,115	4.00%	$9,464,655	6%
Capitalized Admin Fees		**$2,250,000**	$6,065	0.89%	$2,250,000	0%
Extraordinary Expense		**$500,000**	$1,348	0.20%	$500,000	0%
Operating Account (under Property M		$452,692	$1,220	**0.18%**	$448,326	1%
Initial Payment Project Admin.		**$3,000,000**	$8,086	1.19%	$3,000,000	0%
Costs of Issuance	**$7,498,592**	$20,212	2.98%	$7,421,278	1%	
Total		**$269,711,626**	**$726,986**	**107.24%**	$266,174,618	1%

WATERFORD
PROPERTY COMPANY

130 Newport Center Drive, Suite 230,
Newport Beach, CA

CSCDA
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY

CSAC LEAGUE OF CALIFORNIA CITIES

October 15, 2021

Ashwini Kantak
Assistant City Manager
City of Milpitas
455 Calaveras Boulevard
Milpitas, CA 95035

RE: "MIDDLE-INCOME" WORK FORCE HOUSING PROPOSAL, TURING

Dear Ashwini:

On behalf of Waterford Property Company ("Waterford") and the California Statewide Communities Development Authority ("CSCDA") I would like to thank you for your time working on our "Essential" housing proposal for Turing. Over the last two weeks there has been tremendous work on the City's side as well as the applicant's side to address comments from the September 21, 2021, City Council meeting. In addition to spending time with community members as the City Council directed us to do, we believe we have now been able to address all salient deal points from the September 21, 2021, City Staff Report.

As a follow up to my attached letter on October 8, 2021, where I outlined the Waterford/CSCDA revised proposal which I have also shown below, we would like to offer some additional items to our proposal:

Summary of Additional Items to Waterford Proposal (October 15, 2021)

1) **Term of Regulatory Agreement**: Waterford proposes using a 55-year regulatory agreement which may allow the City to receive RHNA credit per AB 787. Waterford's initial proposal had the term of the regulatory agreement as co-terminus with the term of the bonds, but Waterford agrees to use a longer-term agreement, but it must be subordinate to the bonds.
2) **Affordable Housing Monitoring Fee**: Waterford agrees to the City of Milpitas charging an affordable housing monitoring fee in the amount $100 per unit annually which totals $37,100.
3) **Mandated Rental Savings in the Regulatory Agreement:** Waterford has worked closely with its bond investors to address the City's concerns that affordable rents may be closer to market rents upon releasing the units. Waterford proposes to add the following language to the Regulatory Agreement:
    - 40% of the units will be made affordable to households that make between 60% and 80% of the Area Median Income,

- 20% of the units will be made affordable to households that make between 81% and 100% of the Area Median Income,
- 40% of the units will be made affordable to households that make between 101% and 120% of the Area Median Income,
- Eight (1 studio, 3 1B, 3 2B and 1 3B) unit of the units will be designated as non-affordable (market rate units); These units will function as an index to peg market rents for affordability discounts at the property,
- In order to ensure affordability savings at the property the 80% AMI units must at a minimum always have a 12% discount to the average market rents per unit type, 100% AMI units must at a minimum have a 10% discount to the average market per unit type and 120% AMI rents must have a 8% discount to the average market rents per unit type.

4) **Partial Property Tax Backfill:** Waterford proposes to backfill a portion of the property tax loss to the City of Milpitas. Waterford proposes to pay a "City Host" donation of $100,000 annually over a term of five years to the City, which will be paid out of operating expenses of the property.

Summary of Waterford Amended Proposal (From October 8, 2021, Letter)

1) **Affordability Mix:** Waterford has amended the affordability mix for its proposal to be 40% of the units at 60% to 80% AMI rents, 20% of the units at 81% to 100% AMI rents and 40% of the units at 101% to 120% AMI rents.
2) **Maximum Allowable Rent Calculation:** Waterford has revised the maximum allowable rents from 35% of maximum monthly household income to 30% of maximum monthly household income.
3) **Capital Needs:** Waterford has adjusted the underwriting to account for 35 years of capital needs at the property. The revised underwriting exceeds the updated Property Condition Assessment (PC)A which totals $17,738,244. In its revised underwriting Waterford is accounting for $17,865,253 in capital investment back into the property.
4) **Local Preference Guidelines in Regulatory Agreement:** Waterford proposes to include language in the Regulatory Agreement that incorporates local preference guidelines for employees of all Milpitas schools. Our proposed language is the following, "In reviewing and considering applications from prospective tenants, the Owner shall provide a preference to households which include one or more persons who are employed by a public school district or public higher education institution within the City of Milpitas". Bond Counsel has confirmed that the above language abides with all Fair Housing regulations.
5) **Local Control Funding Formula for Milpitas Unified School District:** Milpitas Unified School District is a local control funding formula district so it will receive state apportionment funds which will backfill the loss of local property taxes.

Next Steps

Waterford asks that at the October 19, 2021, City Council meeting, the Milpitas City Council adopt a motion to direct City Staff to return at the November 2, 2021, with a document set for the final approval of the Waterford/CSCDA "Essential" housing proposal for Turing. The document set shall include a single resolution to join the California Statewide Community Improvement Authority ("JPA') and a Public Benefit Agreement ("PBA") incorporating the above deal points.

If you need any additional information, please do not hesitate to contract me.

Sincerely,

Sean Rawson
Co-Founder
Waterford Property Company