Sacramento
Housing and Redevelopment Agency

CSG | advisors

October 12, 2018

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Executive Summary

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What We Had

- Based on inadequate funding from HUD to address SHRA capital needs, CSG looked at the strategy and feasibility of leveraging public-private partnerships through HUD's RAD and Section 18 Program.
- Starting with the 2008 Guiding Principles, CSG looked to evaluate the current physical condition of the entire SHRA portfolio, to assess the conditions of the buildings, and the scope of repairs required to improve them.

What We Did

- CSG evaluated SHRA's portfolio to assess the cost and feasibility for a transition to RAD and Section 18, looking to maximize the financial benefit to SHRA and minimize the amount of PHA funding required.
- Look at suitability for 4% or 9% transaction for each of SHRA's AMPs, while identifying properties that would qualify for Section 18 and allow increased annual revenue in the form of Tenant Protection Vouchers.
- Evaluate Scattered Sites based on SHRA strategy and financial feasibility.

What We Propose

- Phasing the conversion of SHRA portfolio over a 12 year period, at a cost to SHRA of $75M, by prioritizing conversions with the most financially advantageous terms to SHRA in order to fund future development.
- While most transactions can expect to be funded by the 4% LIHTC program, 9% can be applied where they are most competitive to receive tax credits, further reducing the amount of SHRA funding needed to convert to RAD.
- Utilize Section 18 on Scattered Sites to allow increased revenue to support rehab.

Asset Repositioning Study Background

Asset Repositioning Study - 2008

CSG Advisors worked with SHRA to complete a comprehensive analysis of its properties and assess the financial feasibility and strategy to address needed rehab and/or redevelopment.

As part of this Asset Repositioning Study, CSG assessed each SHRA AMP to analyze the following:

- Provide feasible development program
- Determine optimal groupings and pairing to lower SHRA contribution of funds.
- Examine changing financial assumptions to provide optimal Redevelopment strategy

As a part of this study, SHRA adopted guiding principles to guide decision making about it's portfolio.

The CSG study identified several recommendations for the SHRA portfolio.

Guiding Principles - 2008

SHRA adopted the following guiding principles in 2008:

- Sustain our commitment to house extremely low income households by adopting a “no net loss policy”, requiring the development of at least an equivalent number of replacement units when units are removed from our baseline inventory.
- Decrease reliance on federal funding sources by leveraging the use of existing sources with private funding (debt and equity) and other sources (grants and local subsidies).
- Preserve and enhance existing physical housing stock; upgrading stock whenever possible to a 30-year useful life.
- Locate new units into sustainable and livable communities that meet the specific needs of residents.
- Incorporate smart growth principles (i.e. energy efficiency, safety/security, quality of life) into project design to the maximum extent possible.
- Diversify real estate portfolio in creative ways to support extremely low income units.
- Maximize utilization of existing resources (i.e. vouchers, local funds, the value of HA real estate assets, etc.) to implement development strategies.
- Reinvest proceeds from the sale of Housing Authority Properties in the replacement of units.
- Promote and support resident self-sufficiency.
- Seek creative partnership with other agencies, non-profits, community groups, resident advisory boards, and private sector sponsors.
- Generate developer fees, sales proceeds, or other revenues to SHRA that at least covers associated costs.

Guiding Principles - 2018

Most of the guiding principles from 2008 will hold for the 2018 Asset Repositioning Study. Recommended changes are noted below:

- Decrease reliance on federal funding sources by leveraging the use of existing sources with private funding (debt and equity) and other sources (grants and local subsidies). **In support of this effort, convert portfolio to the Section 8 platform.**
- Preserve and enhance existing physical housing stock; upgrading stock whenever possible to ~~a 30-year useful life.~~ **20-year useful life.**
- Incorporate smart growth principles (i.e. energy efficiency, safety/security, quality of life) into project design to the maximum extent possible**, recognizing that much of the portfolio will be addressed through rehabilitation rather than new construction.**

2008 Study – Recommendations and Accomplishments

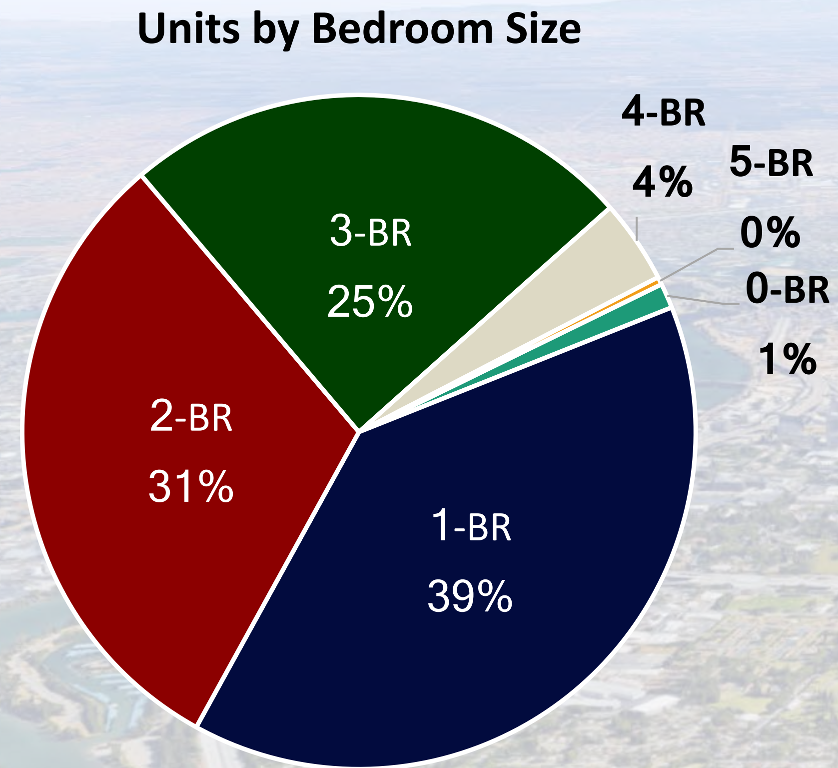
Key Recommendations from 2008 Study	SHRA Accomplishments Since 2008
1 Target Central City downtown elderly/disabled high rise buildings	✓ Substantial Rehabilitation of five downtown structures (Washington Plaza, Sierra Vista, Sutterview, EdgeWater and Riverview).
2 Large family developments such as Twin Rivers, Marina Vista, Alder Grove	✓ Award of Choice Neighborhood Planning Grant for Marina Vista and Alder Grove. ✓ Award of Choice Neighborhood Planning Grant for Twin Rivers. ✓ Choice Neighborhood Implementation Grant Choice Neighborhood Implementation Grant for the Twin Rivers site. Relocation and demolition of the first phase of the project have been initiated for the Twin Rivers site.
3 Small scattered sites throughout the City and County of Sacramento	✓ ✓ Transferred 33 City and 13 County Scattered Site units to the Neighborhood Stabilization Program (NSP). ✓ Transferred 52 City and 23 County Scattered Site units to the Purchase and Resale Entity (PRE).

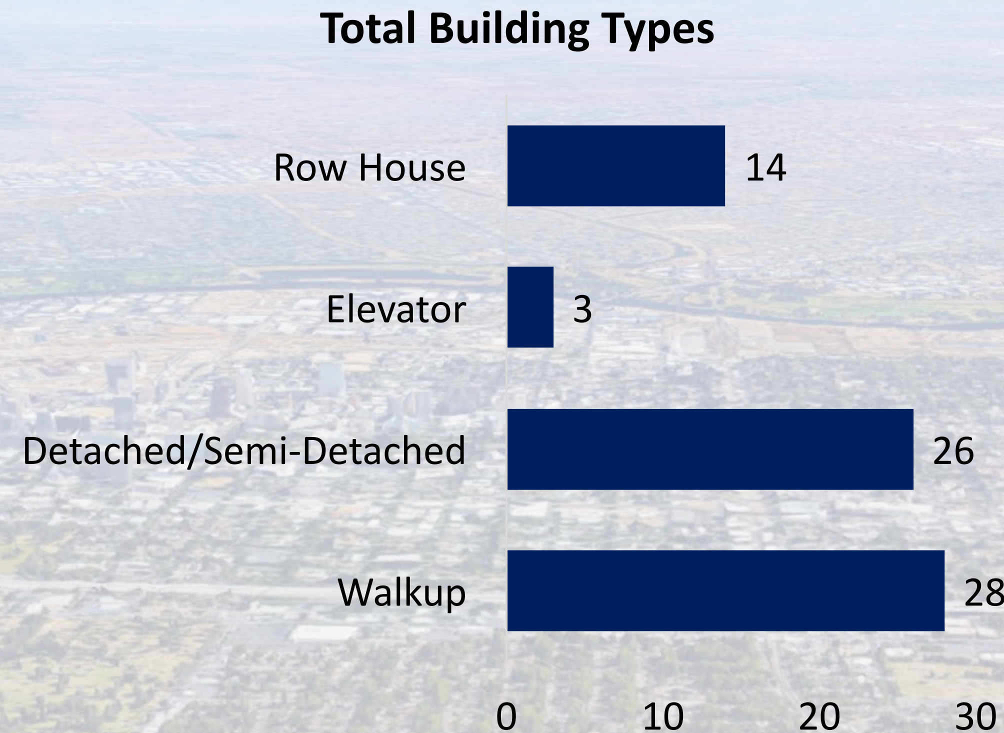
Approach to Asset Repositioning Plan Update

1. Review capital needs/ property characteristics to determine optimal groupings and pairing
2. Identify properties that qualify for Section 18 – Demolition/Disposition
3. Prepare financial rent schedules using RAD, RAD Blend, Tenant Protection Vouchers
4. Prepare financial models using 4% tax credits, 9% tax credits, debt & 4%/9% hybrids
5. Identify optimal pairings based on development characteristics
6. Identify Funding Gap Solutions

Summary of Non-Scattered Sites

Summary Statistics





- Includes non-scattered site properties (5 units or more).
- 39% (849) of the units included in this analysis are 1 BR units, compared to 35% of entire SHRA portfolio (10 AMPs).
- The majority of the SHRA building type in this analysis is made up of Detached/Semi-Detached and Walkup Buildings.

Physical Needs Assessment

Assumptions:

- Replacement of everything as is, no green improvements
- Includes inflation due to state specific costs.
- 3% inflation, compounded annually
- Items repeat based on useful life

Items included in PNA:

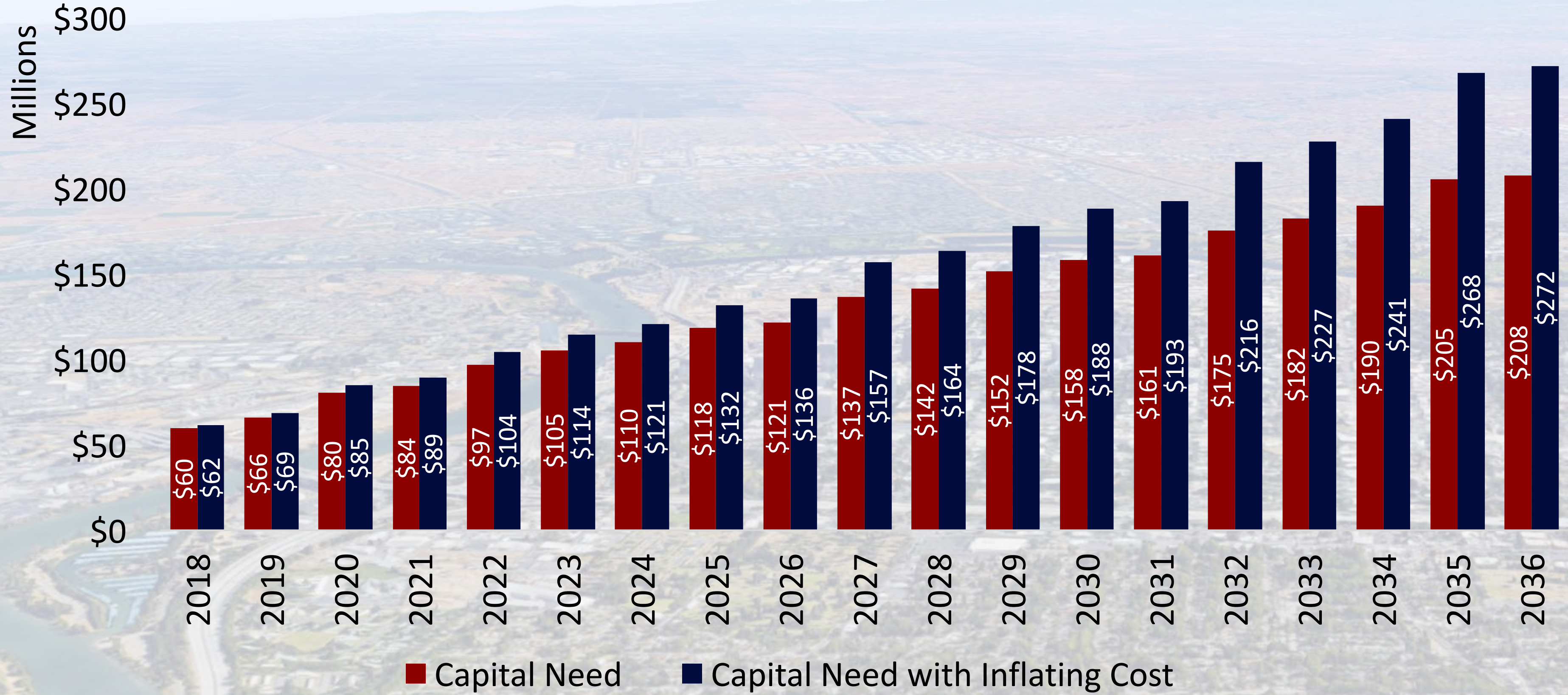
- Parking lots
- Fluorescent Lighting Fixtures
- Fences & Gates
- Roof
- Asphalt
- Exterior Wall
- Windows
- Exterior Doors
- Interior Doors
- Interior Wall Finish
- Interior Floor Finish
- Residential Ranges
- Gas Residential Range Hood
- Residential Refrigerator
- Kitchen Cabinet, Base and Wall Section
- Kitchen Counter, Plastic Laminate
- Condensing Unit/Heat Pump
- Furnace, Gas
- Toilet, Flush Tank
- Sink, Stainless Steel
- Sink, Vitreous China
- Bathtub & Shower Enclosure
- Water Heater, Gas
- Bathroom Vanity Cabinet, Wood
- Circuit Breaker

Properties Not Included (5 units or more)*

- City AMP 5 – Oak Park – Fairgrounds
- County AMP 5 – Pointe Lagoon – Young St.

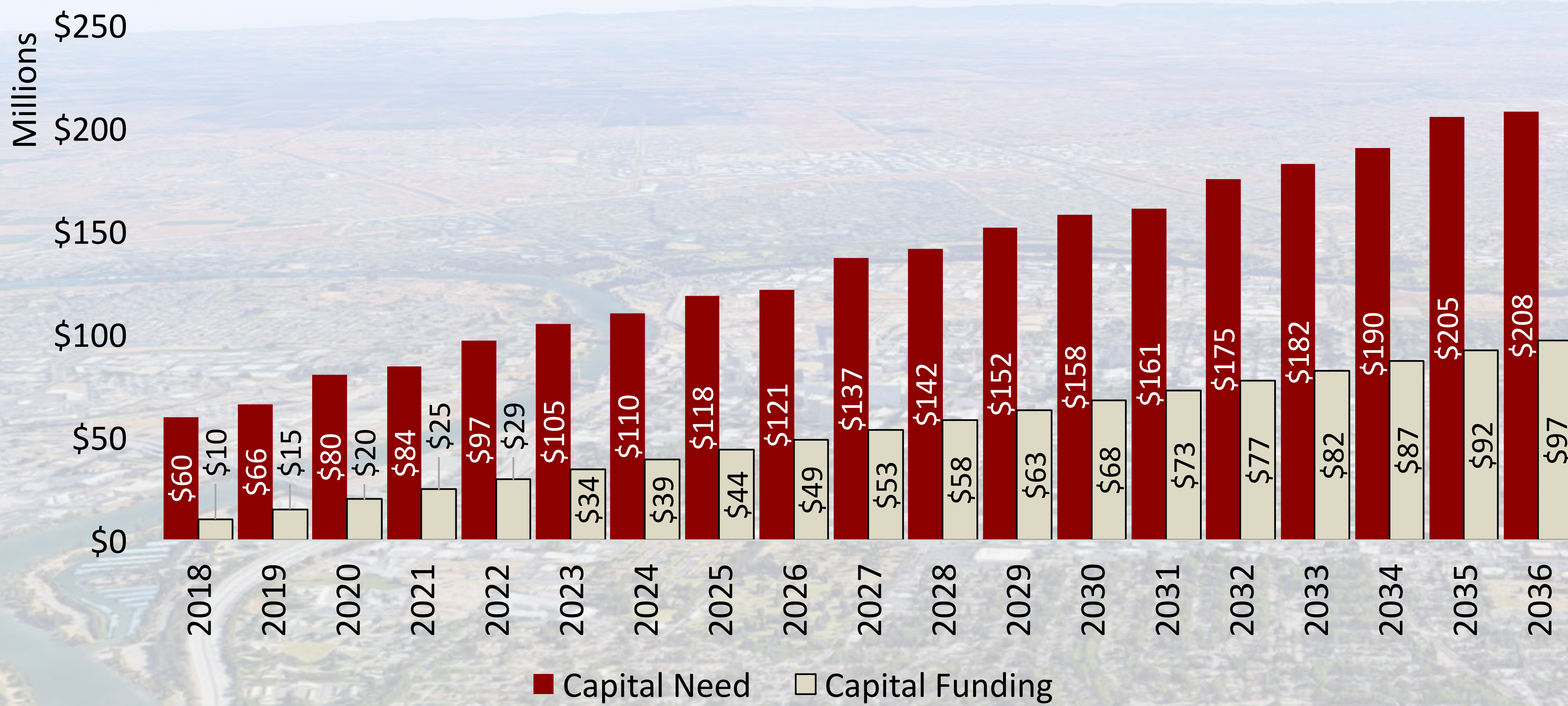
**PNAs were not complete for these sites and were excluded from the analysis.*

Inflating Capital Costs



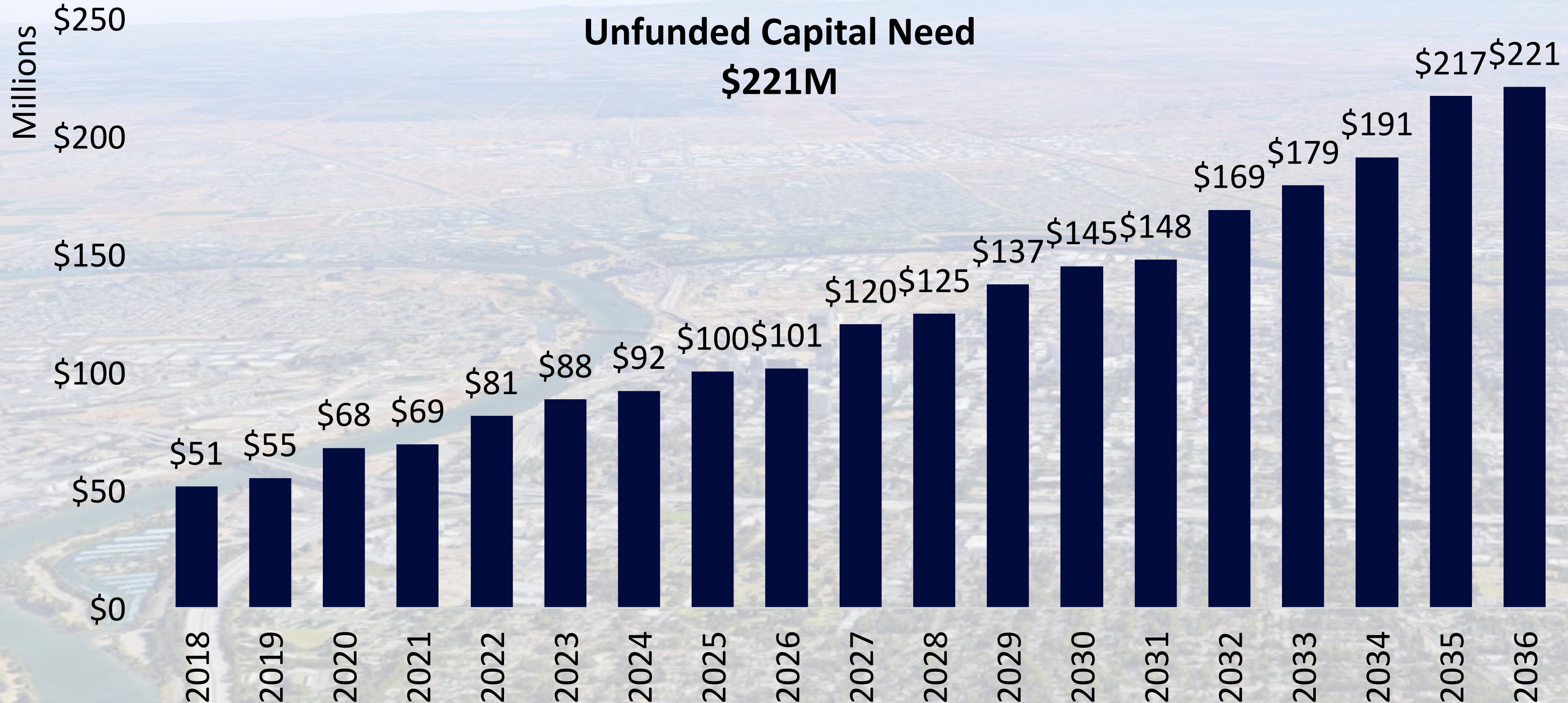
- With expected 3% inflation in construction and replacement costs and 2% annual increase in capital funding, 20-year capital need increases from $208M to $272M.

PNA v. Capital Funding



- Total 20-Year Capital Need is $208M. Average per year need is $10.4M.
- Average Annual Capital Funding between 2016-2018 is $4.8M.

20-Year Unfunded Capital



- Based on inflated capital need and capital funding, the 20-year unfunded capital need is $221M.

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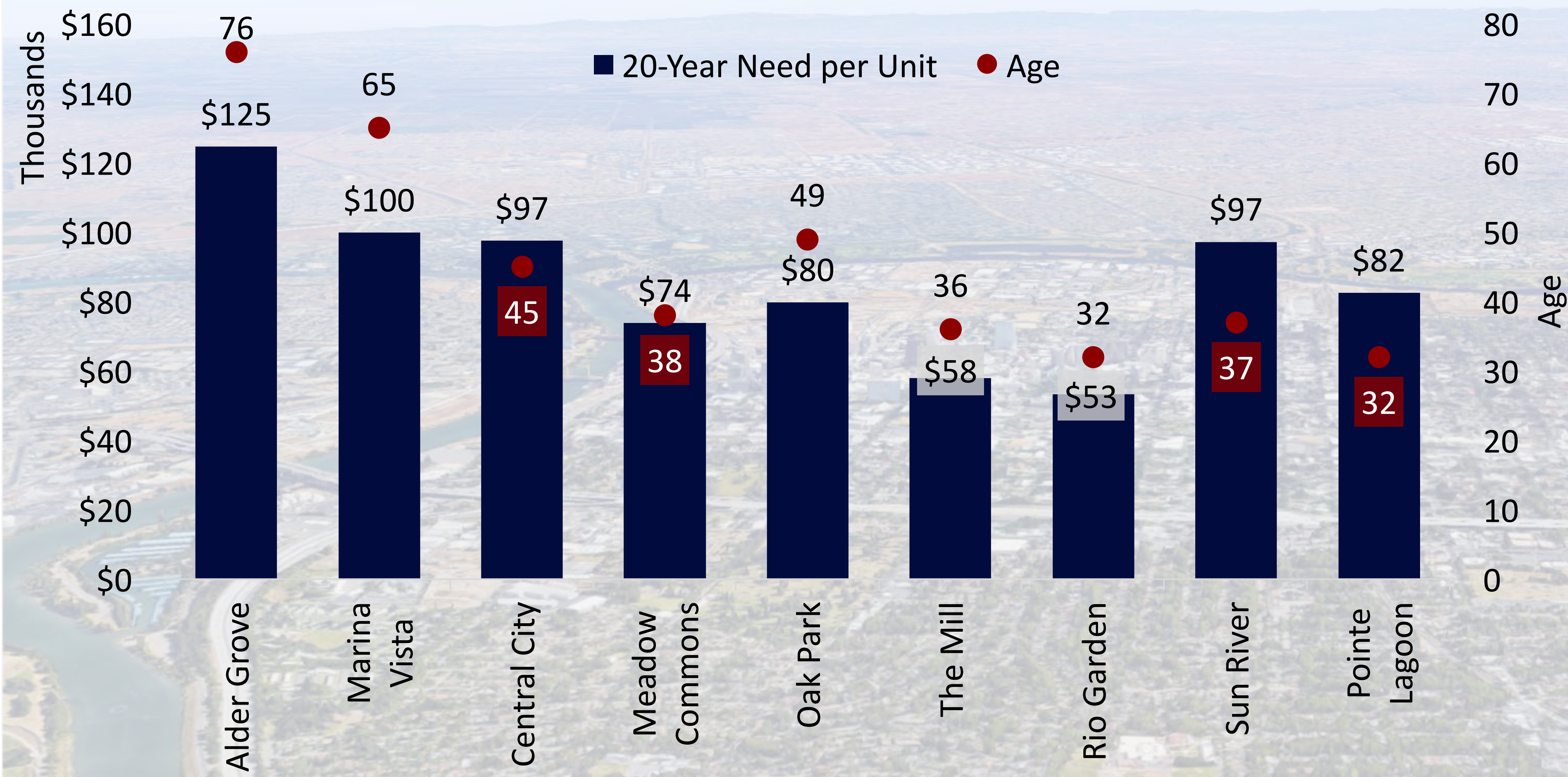
20 Year Need per Unit – By AMP



- The two oldest properties in SHRA's portfolio have the highest per unit capital need.
- Central City capital needs were driven by high rise buildings with elevators.

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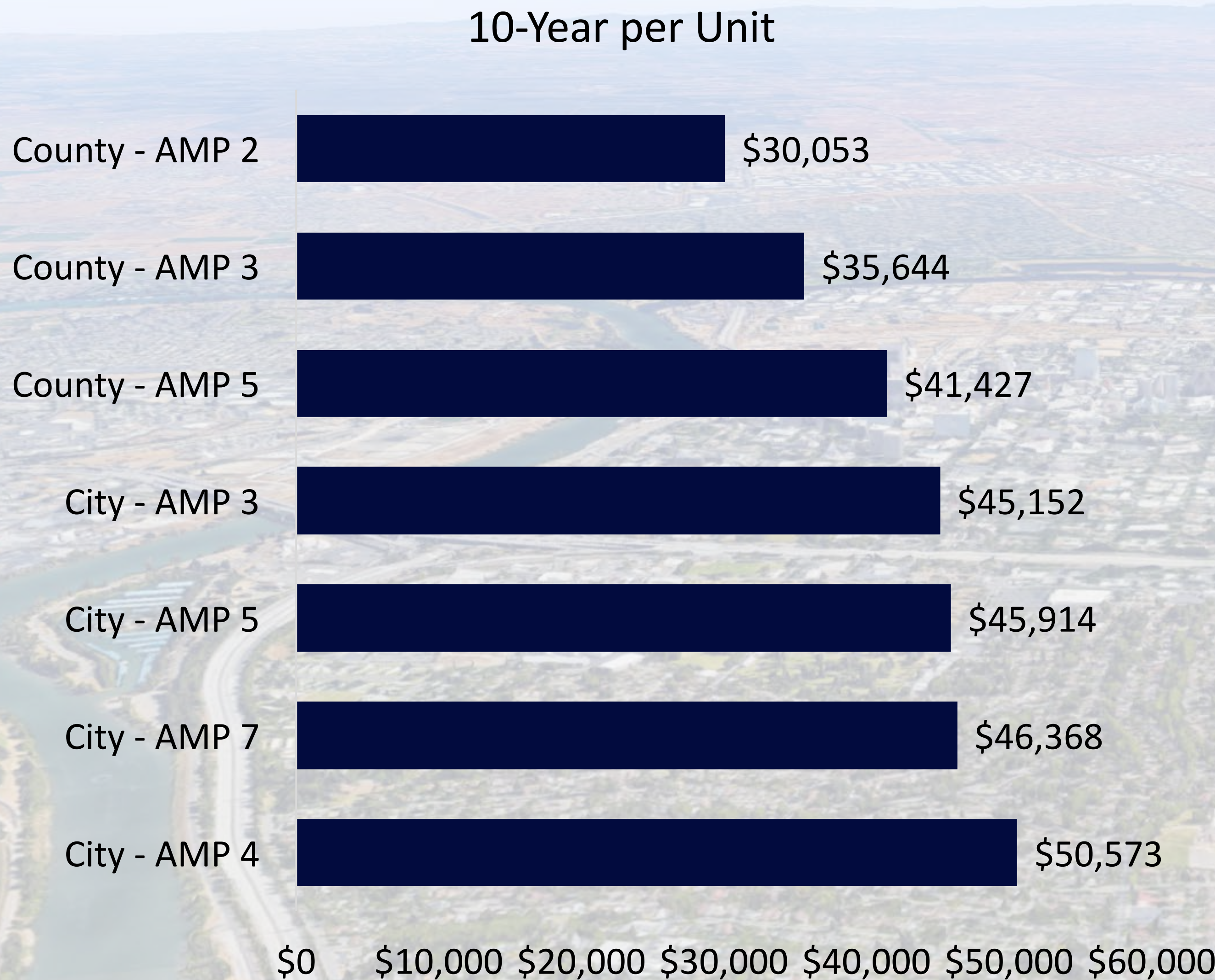
Summary of the PNA – Large Properties

- Includes all SHRA properties with 50 units or more.
- Average 10-Year need is $64K per unit.

Summary of the PNA – Small Properties



- Includes all SHRA Properties with 50 or fewer units.
- Average per unit 10-year need is $39K per unit.

10-year PNA Need

- Row Houses required the most capital improvements at small properties.
- Small properties average need is $38K per unit.

- Row Houses required the most capital improvements at large properties as well.
- Large properties average need is $65K per unit.

Projected Hard Costs

Included in Hard Costs

1. Construction costs, as detailed in Physical Needs Assessment
   a) CSG expects 75% of the ten-year need in the PNA to be addressed during construction. This 25% discount is due to capital improvements that occur more frequently than once every ten years. (eg. painting of parking lost spaces is included in PNA every 5 years)
2. Contractor Profit and Overhead
   a) Approximately 10% of Construction Costs
3. General Conditions
   a) Approximately 5% of Construction Costs

- As an example, Alder Grove 10-year need according to the PNA is **$94,921** per unit.
  - 75% discount: **$71,191** per unit
  - +15% for Profit, Overhead and General Conditions: **$81,870** per unit

- Section 18 evaluation includes Contractor Profit, Overhead, and General Conditions.

What is the RAD Program?

- The Rental Assistance Demonstration (RAD) is designed to allow PHAs to access stable funding by transitioning units and funding from the Public Housing program to the Section 8 Voucher program.
    - Section 8 Project Based Voucher
    - Section 8 Project Based Rental Assistance

- RAD program allows PHAs to access financing to address capital projects that will ultimately improve the quality of life for their residents.

- There is growing interest in RAD program conversions:

2012: 60,000 units

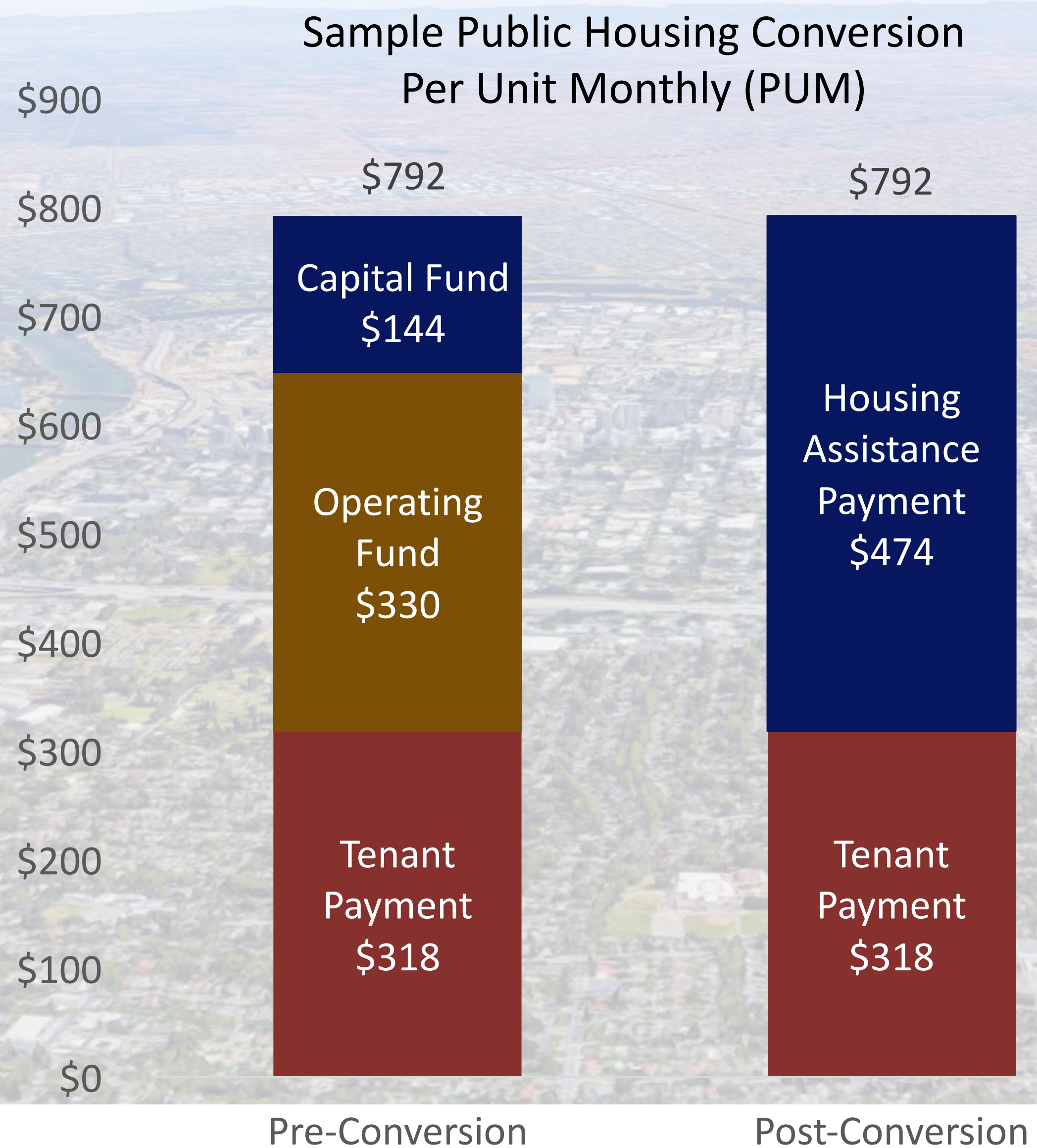
2014: 185,000 units

2017: 225,000 units

2018: 455,000 units

RAD Rents

- Residents continue to pay 30% of their income towards rent.
- Tenants also retain the same resident rights they possess under the public housing program.
- After conversion, PHA receives Section 8 HAP subsidy in the amount that is equivalent to the Operating and Capital Fund amounts that would be received Pre-Conversion.
- RAD rents are not as high as PBV, but are higher than ACC.



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How to Access Tenant Protection Vouchers

- Tenant Protection Vouchers (TPVs) can be accessed using Section 18 Demolition/Disposition guidelines from HUD.
- If HUD allows Section 18 demolition or disposition, TPVs may become available to preserve the existing subsidy if the PHA can show necessary rehabilitation to a project is not cost-effective or obsolete.

Benefit to SHRA

- Tenant Protection Vouchers provide revenue to SHRA at the Payment Standard, increasing the revenue compared to ACC or RAD.

Demolition

- HUD allows for public housing to be demolished or sold (disposition) and possibly rebuilt if PHA can show necessary rehabilitation to a project is not cost-effective.
- If HUD allows Section 18 demolition or disposition, Tenant Protection Vouchers may become available to preserve the existing subsidy available to residents
- No SHRA AMPs qualify under this category

Disposition

25% of units are eligible for TPV's, based on the following criteria:

- Comprehensive Rehab - Hard costs are in excess of 60% of housing construction costs as published by HUD.
- Scattered Sites

487 SHRA units qualify for disposition under the comprehensive rehab criteria.

Rent Schedule

100% Conversion to RAD (excludes Riverview)

3-Year Historical SHRA Revenue	Annual Revenue	Per Unit
Operating Subsidy	$10,770,000	$4,318
Rent Revenue	$7,686,667	$3,082
Capital Grants	$4,083,333	$1,637
Total	**$22,540,000**	**$9,038**

Combination of RAD and TPV (excludes Riverview)

Expected Change in Revenue with TPV & RAD		
RAD	2,158	
TPV	118	
Scattered Sites	218	
	Annual Revenue	Per Unit
Revenue from Non-Scattered Sites	$19,229,293	$7,710
Revenue from Scattered Sites	$4,327,932	$1,735
Total Revenue	**$23,557,225**	**$9,446**
Difference from 2017 Revenue	**$1,017,225**	**$408**

Scenarios

Financial Assumptions

Financial Assumptions for all Non-scattered and Scattered Units in SHRA Portfolio

- Rehabilitation Addresses 10-Year Need from PNA
- $0.95 Tax Credit Price
- 85% of 3-Year Historical Operating Expenses, which is the maximum reduction that HUD allows.
- RAD Rents are 2016 modified RAD Rents, which includes a 42% increase in appropriations in capital funds in 2018.
- Access TPVs where eligible
- Debt Terms
  - 5.75% Interest Rate
  - 30 Years

Qualified for 25% TPV / 75% RAD

AMP	Name	Total Units	10-Year Total	20-Year Total	25/75 threshhold
Alder Grove	Alder Grove (New Helvetia)	360	$34,171,652	$44,827,332	Yes
Central City	Comstock	80	$7,769,265	$11,630,833	Yes
Meadow Commons	Duplex 9	2	$164,757	$236,652	Yes
Oak Park	3245 3rd Ave	5	$485,308	$586,181	Yes
Oak Park	3922 39th	1	$79,943	$114,617	Yes
Oak Park	4th Ave	10	$884,746	$1,101,803	Yes
Oak Park	5409 56th	1	$39,314	$84,872	Yes
Oak Park	Lincoln Manor	18	$1,221,216	$1,621,764	Yes
Rio Garden	Whitney	10	$1,576,043	$2,791,154	Yes
Total		487	$101,255,649	$159,918,719	

- 0 units qualify for demolition based on the obsolescence threshold
- 487 units at nine developments would qualify for 25% TPV units as part of a RAD conversion, which addresses $159M (78%) of 20-Year capital need.

25% TPV / 75% RAD

25% / 75% RAD – Non Scattered Sites

To qualify, the project-based Section 8 units (RAD and PBV) must be newly constructed or substantially rehabilitated.

- Defined as hard construction costs (HCC), including general requirements, overhead and profit, and payment and performance bonds, in excess of 60% of the Housing Construction Costs as published by HUD for a given market area. Properties whose cost surpass 60% of HCC entitles the PHA to convert 25% of units to TPV and the remaining 75%, to RAD. HCC threshold is not combined with disposition of property.
- Cannot be combined with 9% Low Income Housing Tax Credits.

25% TPV / 75% RAD

City of Sacramento	Alder Grove	Marina Vista	Central City	Meadow Commons	Oak Park	The Mill	Total
Units That Qualify	360	0	80	0	33	0	**473**

Surrounding County	Rio Garden	Sun River	Pointe Lagoon	Total
Units That Qualify	0	0	0	**0**

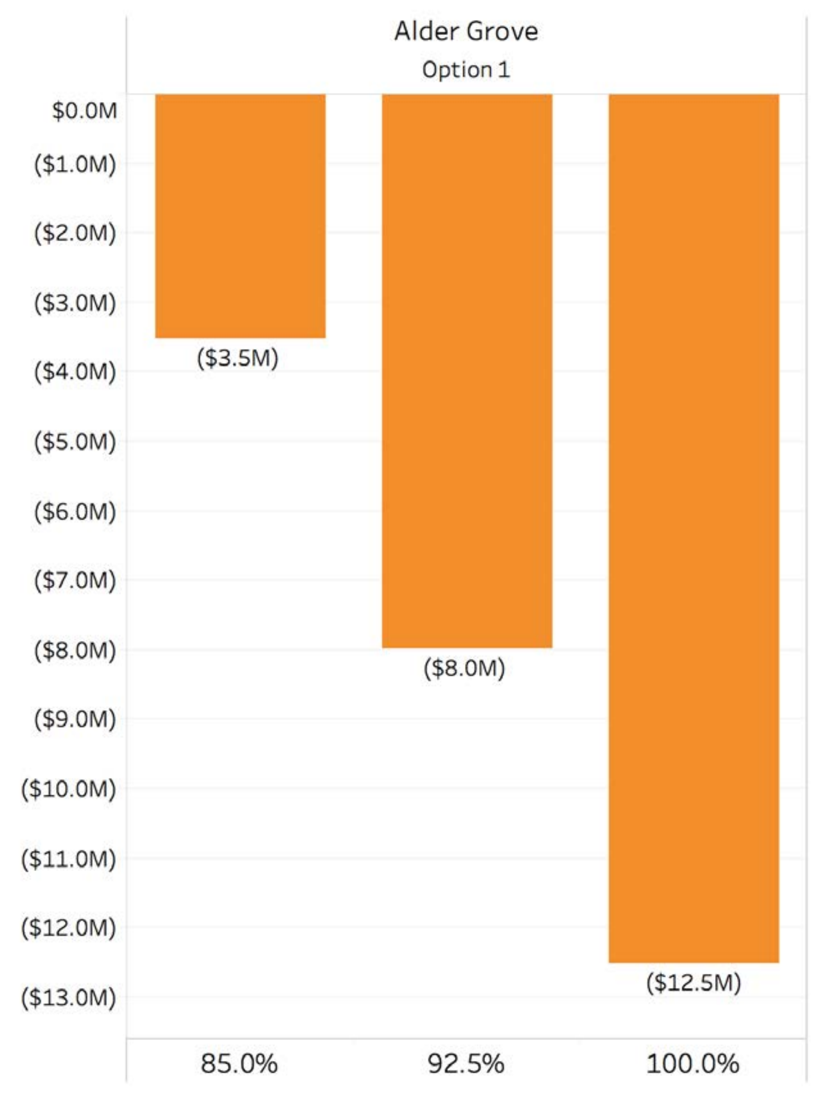
Alder Grove

	Option 1	
	4% Tax Credit	
	Section 18 Disposition	
	90 TPV / 270 RAD	
Uses of Funds	Total	Per Unit
Land and Building Acquisition	21,116,397	*58,657*
Hard Costs	**29,473,050**	*81,870*
Contingency	4,420,957	*12,280*
Architecture, Engineering, Etc.	2,033,640	*5,649*
Legal	100,000	*278*
Construction Financing	2,930,000	*8,139*
Permanent Financing	176,000	*489*
Relocation	540,000	*1,500*
Other Soft Costs	577,964	*1,605*
Developer Fee	2,000,000	*5,556*
Reserves	862,555	*2,396*
Additional 4% Costs	0	-
Total Uses	**64,230,563**	**178,418**
Funding Sources	Total	Per Unit
LIHTC Equity	**23,017,000**	***63,936***
Supportable Debt	**15,580,000**	***43,278***
Deferred Fee	**1,000,000**	***2,778***
Seller Note	**21,116,397**	***58,657***
Total Sources	**60,713,397**	**168,648**

Sources-Uses:
-$3,517,167

- Alder Grove qualifies for 25% Tenant Protection Vouchers (90 TPVs), increasing supportable debt and lowering funding gap.

Expense Sensitivity



- CSG assumes rehabilitation will decrease the SHRA operating expenses by as much as 15%.
- Increases in the operating expense level will decrease the amount of supportable debt and increase any funding gap.
- Each incremental increase of 7.5% of operating expenses from 85% can decrease the benefit to SHRA by around $4.5M ($12K per unit).

Marina Vista

	Option 1		Option 2A		Option 2B	
	4% / 9% Tax Credit Hybrid		4% Tax Credit		4% Tax Credit	
					Section 18 Disposition	
	383 RAD		383 RAD		96 TPV / 287 RAD	
Uses of Funds	Total	Per Unit	Total	Per Unit	Total	Per Unit
Land and Building Acquisition	20,098,150	*52,476*	20,098,150	*52,476*	32,931,039	*85,982*
Hard Costs	**22,727,257**	*59,340*	**22,727,257**	*59,340*	**41,598,690**	*108,613*
Contingency	3,409,089	*8,901*	3,409,089	*8,901*	6,239,804	*16,292*
Architecture, Engineering, Etc.	1,568,181	*4,094*	1,568,181	*4,094*	2,870,310	*7,494*
Legal	100,000	*261*	100,000	*261*	100,000	*261*
Construction Financing	2,476,000	*6,465*	2,476,000	*6,465*	4,238,000	*11,065*
Permanent Financing	168,000	*439*	168,000	*439*	263,000	*687*
Relocation	574,500	*1,500*	574,500	*1,500*	574,500	*1,500*
Other Soft Costs	488,668	*1,276*	488,668	*1,276*	804,581	*2,101*
Developer Fee	2,000,000	*5,222*	2,000,000	*5,222*	2,000,000	*5,222*
Reserves	810,747	*2,117*	810,747	*2,117*	978,133	*2,554*
Additional 4% Costs	250,000	*653*	0	-	0	-
Total Uses	**54,670,591**	**142,743**	**54,420,591**	**142,090**	**92,598,056**	**241,770**
Funding Sources	Total	Per Unit	Total	Per Unit	Total	Per Unit
LIHTC Equity	**35,533,000**	***92,775***	**19,215,000**	***50,170***	**33,174,000**	***86,616***
Supportable Debt	**14,830,000**	***38,721***	**14,830,000**	***38,721***	**24,300,000**	***63,446***
Deferred Fee	**1,000,000**	***2,611***	**1,000,000**	***2,611***	**1,000,000**	***2,611***
Seller Note	**20,098,150**	***52,476***	**20,098,150**	***52,476***	**32,931,039**	***85,982***
Total Sources	**71,461,150**	**186,583**	**55,143,150**	**143,977**	**91,405,039**	**238,655**

Sources-Uses: +$16,790,558

Sources-Uses: +$722,558

Sources-Uses: -$1,193,017

Marina Vista

Option 1

- Uses 9% and 4% Tax Credits. 9% Competitive Tax Credits create a financially feasible project that provides $16M to SHRA, however, 9% tax credits are extremely competitive and likelihood of receiving 9% is low.
- $16M surplus funding is distributed to SHRA as cash acquisition payment.
- Marina Vista has an similar capital need to Alder Grove, but does not qualify for Tenant Protection Vouchers based on the 10-Year PNA need.

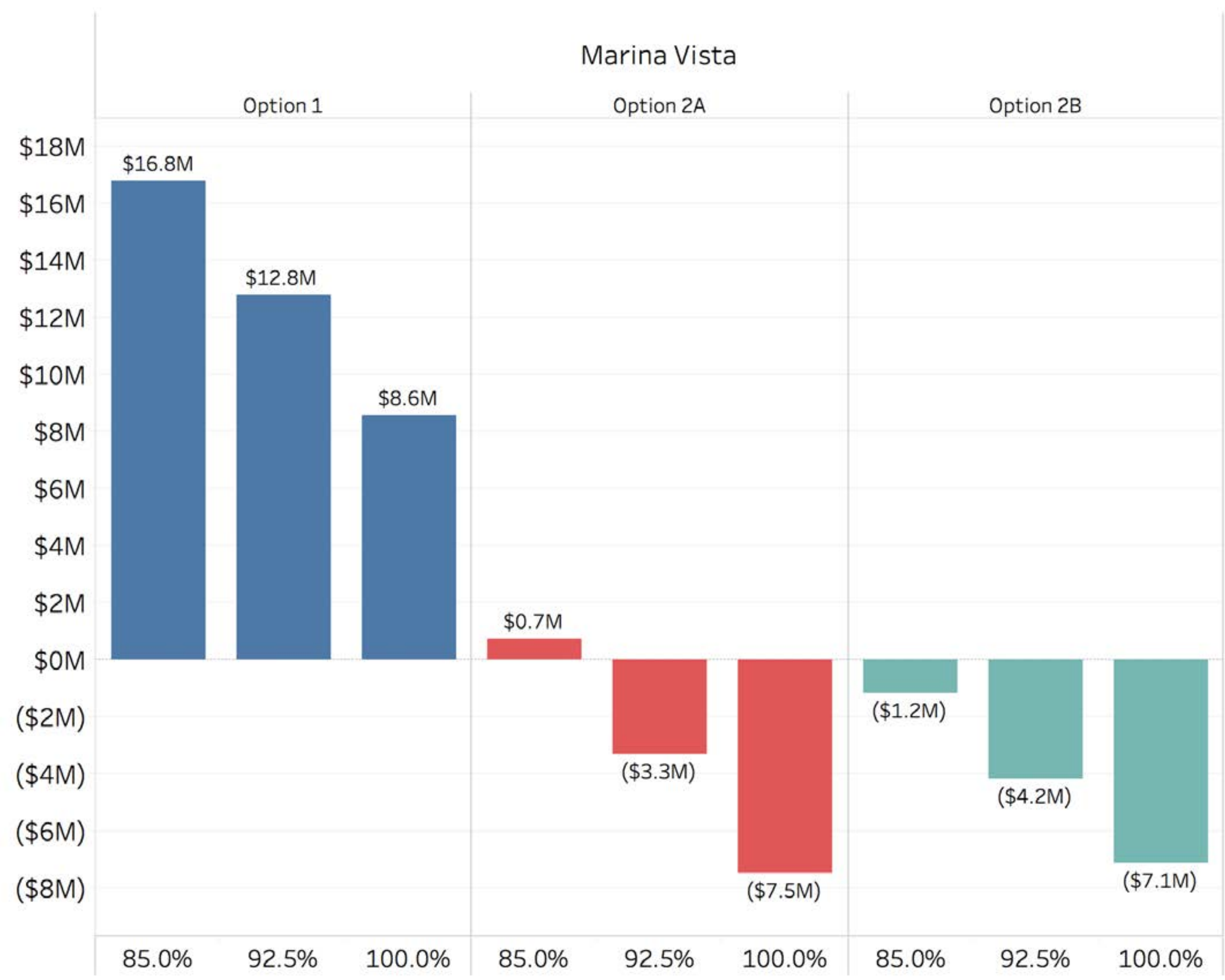
Option 2A

- Uses 4% Tax Credits
- Amount of capital work required on PNA does not qualify for Tenant Protection Vouchers as defined by HUD. Rents for Marina Vista in this scenario are 100% RAD.

Option 2B

- Uses 4% Tax Credits
- By increasing the scope of work beyond what is required in the PNA, Marina Vista can qualify for Tenant Protection Vouchers, which will increase the rent and increase supportable debt.
- While this option would create a funding gap of $1.2M, it would allow ~$40M of improvements to be made to the property, where the per unit funding gap is less than 1% of the total hard costs per unit.

Expense Sensitivity



- CSG assumes rehabilitation will decrease the SHRA operating expenses by as much as 15%.
- Each incremental increase of 7.5% of operating expenses from 85% can decrease the benefit to SHRA by around $4M ($10.5K per unit).
- An increased scope of work and thorough rehab increases the likelihood that SHRA will be able to decrease operating expenses 15%.

Central City

	Capital Terrace		EdgeWater Apts		Comstock / Big Trees / Pine Knoll	
	4% Tax Credit		4% Tax Credit		4% Tax Credit	
	84 RAD		108 RAD		Section 18 Disposition	
					35 TPV / 104 RAD	
Uses of Funds	Total	Per Unit	Total	Per Unit	Total	Per Unit
Land and Building Acquisition	2,617,955	*31,166*	3,365,942	*31,166*	6,413,543	*46,141*
Hard Costs	**2,177,466**	*25,922*	**1,487,098**	*13,769*	**8,998,640**	*64,738*
Contingency	326,620	*3,888*	223,065	*2,065*	1,349,796	*9,711*
Architecture, Engineering, Etc.	375,613	*4,472*	256,524	*2,375*	1,552,265	*11,167*
Legal	100,000	*1,190*	100,000	*926*	100,000	*719*
Construction Financing	310,000	*3,690*	298,000	*2,759*	1,012,000	*7,281*
Permanent Financing	68,000	*810*	87,000	*806*	207,000	*1,489*
Relocation	126,000	*1,500*	162,000	*1,500*	208,500	*1,500*
Other Soft Costs	97,961	*1,166*	90,352	*837*	307,977	*2,216*
Developer Fee	527,049	*6,274*	392,556	*3,635*	2,000,000	*14,388*
Reserves	144,002	*1,714*	185,145	*1,714*	275,740	*1,984*
Additional 4% Costs	0	-	0	-	0	-
Total Uses	**6,870,666**	**81,794**	**6,647,683**	**61,553**	**22,425,460**	**161,334**
Funding Sources	Total	Per Unit	Total	Per Unit	Total	Per Unit
LIHTC Equity	**2,026,000**	***24,119***	**2,206,000**	***20,426***	**7,309,000**	***52,583***
Supportable Debt	**1,500,000**	***17,857***	**1,930,000**	***17,870***	**4,600,000**	***33,094***
Deferred Fee	**263,524**	***3,137***	**196,278**	***1,817***	**1,000,000**	***7,194***
Seller Note	**2,617,955**	***31,166***	**3,365,942**	***31,166***	**6,413,543**	***46,141***
Total Sources	**6,407,480**	**76,280**	**7,698,220**	**71,280**	**19,322,543**	**139,011**
	Sources-Uses: -$463,186		**Sources-Uses: +$1,050,537**		**Sources-Uses: -$3,102,918**	

Central City (331 units)

Properties Included

84 Units

- Capitol Terrace

139 Units

- Comstock
- Big Trees Apts
- Pine Knoll

108 Units

- EdgeWater Apts

EdgeWater Apts

Pine Knoll

Comstock

Central City

Capital Terrace

- 4% Tax Credit
- Hard Costs for Capital Terrace are relatively low at $25K per unit, when addressing 10-year PNA. The relatively low rehab requirement results in a relatively small funding gap of $463K.

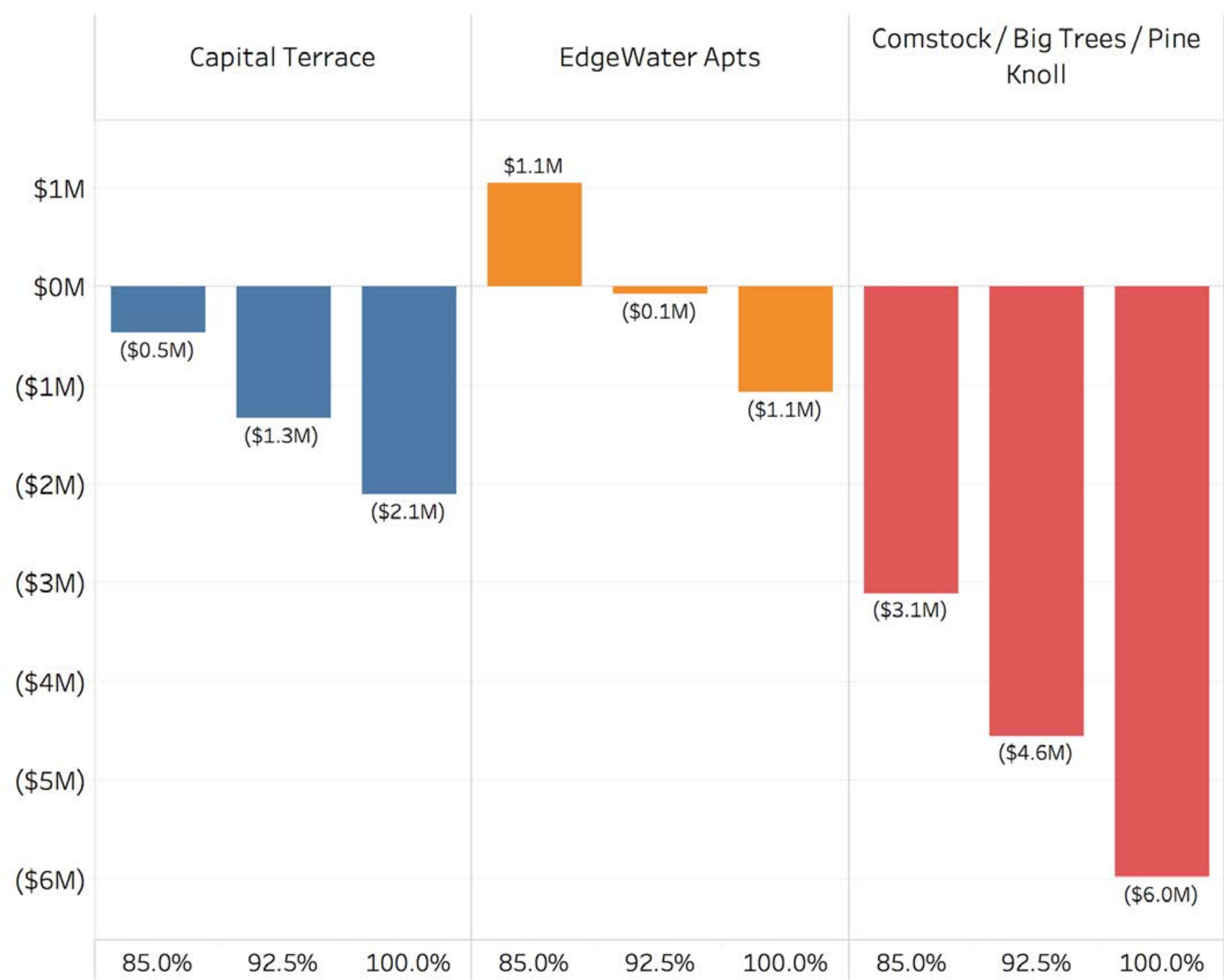
EdgeWater Apts

- 4% Tax Credit
- Capital Needs for EdgeWater Apts, at $61K per unit, are less than Capital Terrace. EdgeWater Apts is the largest property within Central City, which allows 25% of sources to come from supportable debt. Combined with the smaller scope of work, this provides a $1M payment to SHRA.

Comstock / Big Trees / Pine Knoll

- 4% Tax Credit
- Comstock qualifies for 25% of units as Tenant Protection Vouchers, based on the amount of capital improvements needed at the property. Adding Big Trees and Pine Knoll to create a “Comstock grouping”, allows all three properties to qualify for Tenant Protection Vouchers and increase annual revenue through increased rents. The increase in TPVs allows increased supportable debt and lowers the funding gap to $3.1M.

Expense Sensitivity



- CSG assumes rehabilitation will decrease the SHRA operating expenses by as much as 15%.
- An increase of 7.5% of operating expenses from 85% can decrease the benefit to SHRA by around $1M for Capital Terrace and EdgeWater Apts, whereas a 7.5% increase in the Comstock Grouping would increase the funding gap by around $1.5M.

Meadow Commons

	Option 1		Option 2	
	4% Tax Credit		9% Tax Credit	
	126 RAD		126 RAD	
Uses of Funds	Total	Per Unit	Total	Per Unit
Land and Building Acquisition	3,410,107	*27,064*	3,410,107	*27,064*
Hard Costs	**5,027,265**	*39,899*	**5,027,265**	*39,899*
Contingency	754,090	*5,985*	754,090	*5,985*
Architecture, Engineering, Etc.	346,881	*2,753*	346,881	*2,753*
Legal	100,000	*794*	100,000	*794*
Construction Financing	532,000	*4,222*	532,000	*4,222*
Permanent Financing	34,000	*270*	34,000	*270*
Relocation	189,000	*1,500*	189,000	*1,500*
Other Soft Costs	120,188	*954*	120,188	*954*
Developer Fee	1,060,414	*8,416*	1,060,414	*8,416*
Reserves	234,215	*1,859*	234,215	*1,859*
Additional 4% Costs	0	-	250,000	*1,984*
Total Uses	**11,808,159**	**93,716**	**12,058,159**	**95,700**
Funding Sources	Total	Per Unit	Total	Per Unit
LIHTC Equity	**4,270,000**	***33,889***	**9,832,000**	***78,032***
Supportable Debt	**1,390,000**	***11,032***	**1,390,000**	***11,032***
Deferred Fee	**530,207**	***4,208***	**530,207**	***4,208***
Seller Note	**3,410,107**	***27,064***	**3,410,107**	***27,064***
Total Sources	**9,600,314**	**76,193**	**15,162,314**	**120,336**

Sources-Uses: -$2,207,846

Sources-Uses: +$3,104,154

- Meadow Commons includes ten developments grouped together, including 80-unit Colonial Heights.
- None of the developments included qualify for Tenant Protection Vouchers.
- 9% Competitive Tax Credits create a financially feasible project, however, 9% tax credits are extremely competitive and likelihood of receiving 9% is low.

Meadow Commons (213 units)

Properties Included (126 units)

- Colonial Heights
- Coral Gables
- Mandy
- Meadowgate
- 1781-1785 71st Ave
- 1500-1522 Armington Ave
- 7857 Detroit Blvd
- 1713 Neihart Ave
- 2854-2864 Provo Way
- 2850-2860 Utah Ave

Mandy

Meadowgate

Not Included (87 Units)

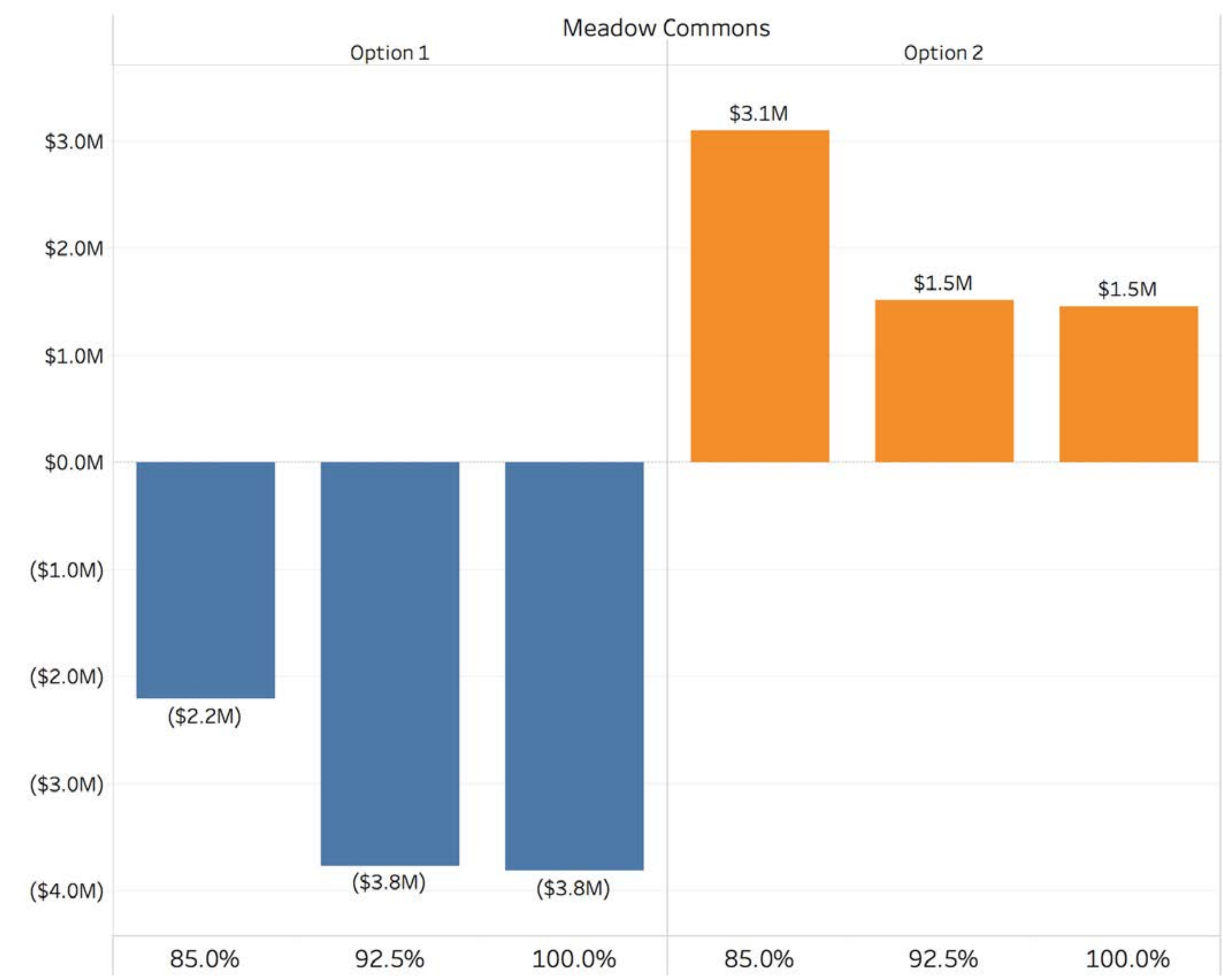
RAD Pilot (28 Units)

- 1043 43rd

Scattered Sites (59 Units)

- 48 Sites

Expense Sensitivity



- CSG assumes rehabilitation will decrease the SHRA operating expenses by as much as 15%.
- An increase in expenses, will decrease the favorability of any transaction to SHRA.
- After expenses reach 92.5%, Meadow Commons will not be able to support debt, which diminishes the impact of further increases in expense level, but would likely result in higher capitalized operating reserves.

Oak Park

	Option 1		Option 2		Section 18 Grouping*	
	4% Tax Credit		9% Tax Credit		4% Tax Credit	
	90 RAD		90 RAD		Section 18 Disposition	
					8 TPV / 25 RAD	
Uses of Funds	Total	Per Unit	Total	Per Unit	Total	Per Unit
Land and Building Acquisition	5,301,253	*58,903*	5,301,253	*58,903*	2,237,776	*67,811*
Hard Costs	**2,819,877**	*31,332*	**2,819,877**	*31,332*	**2,234,970**	*67,726*
Contingency	422,982	*4,700*	422,982	*4,700*	335,246	*10,159*
Architecture, Engineering, Etc.	194,572	*2,162*	194,572	*2,162*	154,213	*4,673*
Legal	100,000	*1,111*	100,000	*1,111*	100,000	*3,030*
Construction Financing	468,000	*5,200*	468,000	*5,200*	272,000	*8,242*
Permanent Financing	59,000	*656*	59,000	*656*	37,000	*1,121*
Relocation	135,000	*1,500*	135,000	*1,500*	49,500	*1,500*
Other Soft Costs	95,657	*1,063*	95,657	*1,063*	61,271	*1,857*
Developer Fee	635,413	*7,060*	635,413	*7,060*	481,080	*14,578*
Reserves	175,881	*1,954*	175,881	*1,954*	68,324	*2,070*
Additional 4% Costs	0	-	250,000	*2,778*	0	-
Total Uses	**10,407,634**	**115,640**	**10,657,634**	**118,418**	**6,031,380**	**182,769**
Funding Sources	Total	Per Unit	Total	Per Unit	Total	Per Unit
LIHTC Equity	**3,452,000**	***38,356***	**6,567,000**	***72,967***	**2,138,000**	***64,788***
Supportable Debt	**3,910,000**	***43,444***	**3,910,000**	***43,444***	**1,650,000**	***50,000***
Deferred Fee	**317,707**	***3,530***	**317,707**	***3,530***	**240,540**	***7,289***
Seller Note	**5,301,253**	***58,903***	**5,301,253**	***58,903***	**2,237,776**	***67,811***
Total Sources	**12,980,959**	**144,233**	**16,095,959**	**178,844**	**6,266,316**	**189,888**

Option 1	Option 2	Section 18 Grouping*
Sources-Uses: +$2,573,325	**Sources-Uses: +$5,438,325**	**Sources-Uses: +$234,936**

Oak Park (209 units)

Properties Included (90 Units)
- Oak Park
- Vista Arms
- Fairgrounds
- Glen Haven
- Vista Arms
- Sherman Oaks
- Rio Lane
- 2845 37th St.
- 4001 32nd St.
- 3922 39th St.
- 5409 56th St.

TPV Grouping (33 units)
- Lincoln Manor
- 3819 4th Ave
- 3245 3rd Ave

Rio Lane


Folsom Blvd

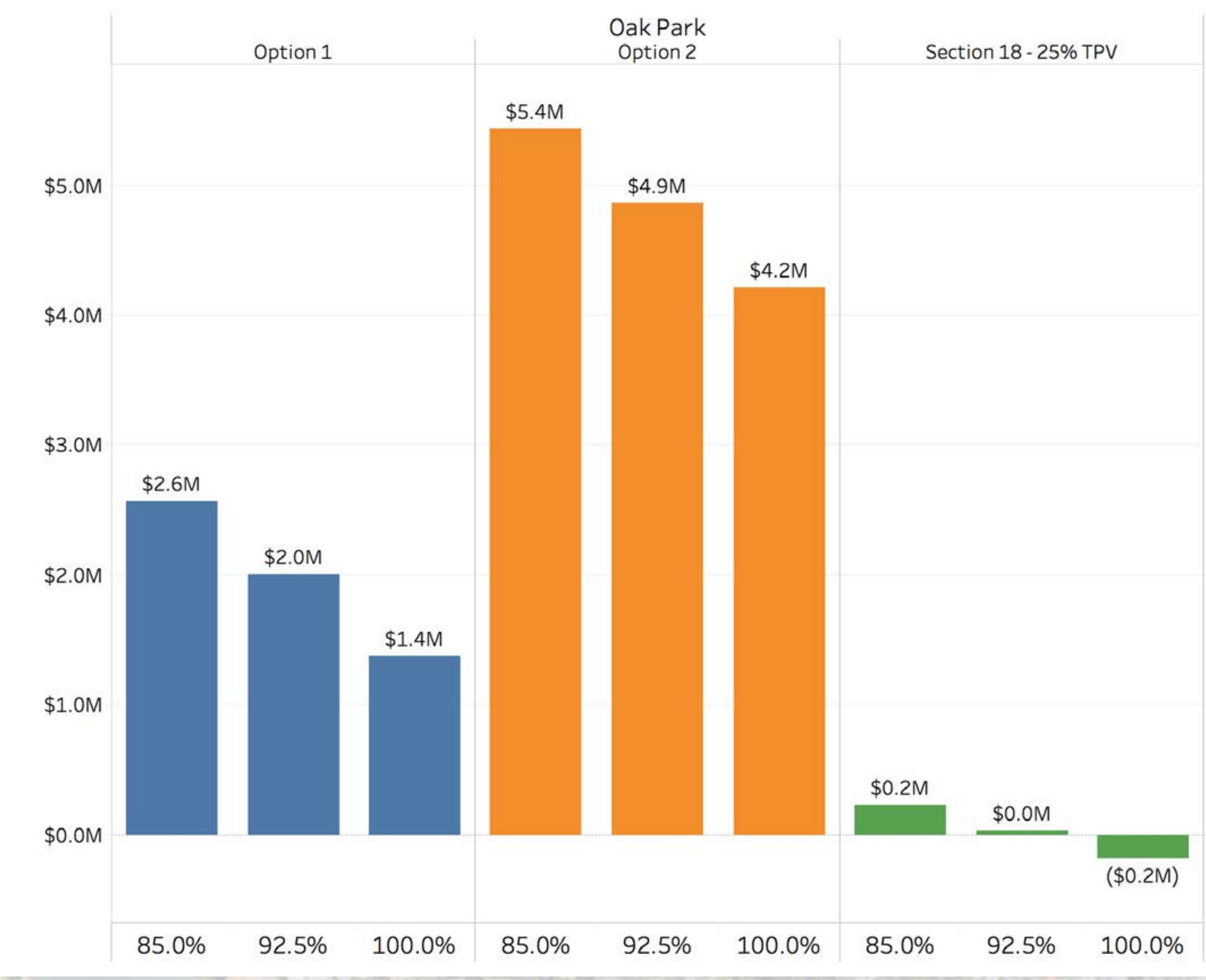
Not Included (86 Units)

RAD Pilot (10 Units)
- 4921 Folsom Blvd

Scattered Sites (52 Units)
- 33 Sites

No PNA (24 Units)
- 100 Fairgrounds

Expense Sensitivity



- CSG assumes rehabilitation will decrease the SHRA operating expenses by as much as 15%.
- Increases in the operating expense level will decrease the amount of supportable debt and increase any funding or decrease any payment to SHRA.

The Mill

	Option 1		Option 2	
	4% Tax Credit		4% / 9% Tax Credit Hybrid	
	153 RAD		153 RAD	
Uses of Funds	Total	Per Unit	Total	Per Unit
Land and Building Acquisition	3,060,000	*20,000*	3,060,000	*20,000*
Hard Costs	**4,433,301**	*28,976*	**4,433,301**	*28,976*
Contingency	664,995	*4,346*	664,995	*4,346*
Architecture, Engineering, Etc.	764,744	*4,998*	764,744	*4,998*
Legal	100,000	*654*	100,000	*654*
Construction Financing	506,000	*3,307*	506,000	*3,307*
Permanent Financing	0	-	0	-
Relocation	229,500	*1,500*	229,500	*1,500*
Other Soft Costs	160,024	*1,046*	160,024	*1,046*
Developer Fee	1,028,785	*6,724*	1,028,785	*6,724*
Reserves	271,292	*1,773*	271,292	*1,773*
Additional 4% Costs	0	-	250,000	*1,634*
Total Uses	**11,218,642**	**73,324**	**11,468,642**	**74,958**
Funding Sources	Total	Per Unit	Total	Per Unit
LIHTC Equity	**4,057,000**	***26,516***	**9,438,000**	***61,686***
Supportable Debt	**0**	**-**	**0**	**-**
Deferred Fee	**514,392**	***3,362***	**514,392**	***3,362***
Seller Note	**3,060,000**	***20,000***	**3,060,000**	***20,000***
Total Sources	**7,631,392**	**49,878**	**13,012,392**	**85,048**

Sources-Uses: -$3,587,250

Sources-Uses: +$1,543,750

- The Mill includes five developments grouped together, including 80-unit Gibson Oaks.
- None of the developments included qualify for Tenant Protection Vouchers.
- 9% Competitive Tax Credits create a financially feasible project, however, 9% tax credits are extremely competitive and likelihood of receiving 9% is low.

The Mill (195 units)

Properties Included (153 units)
- Alkali Flat Family
- Connie Drive
- Gibson Oaks
- Gran Casa Linda
- West Silvereagle

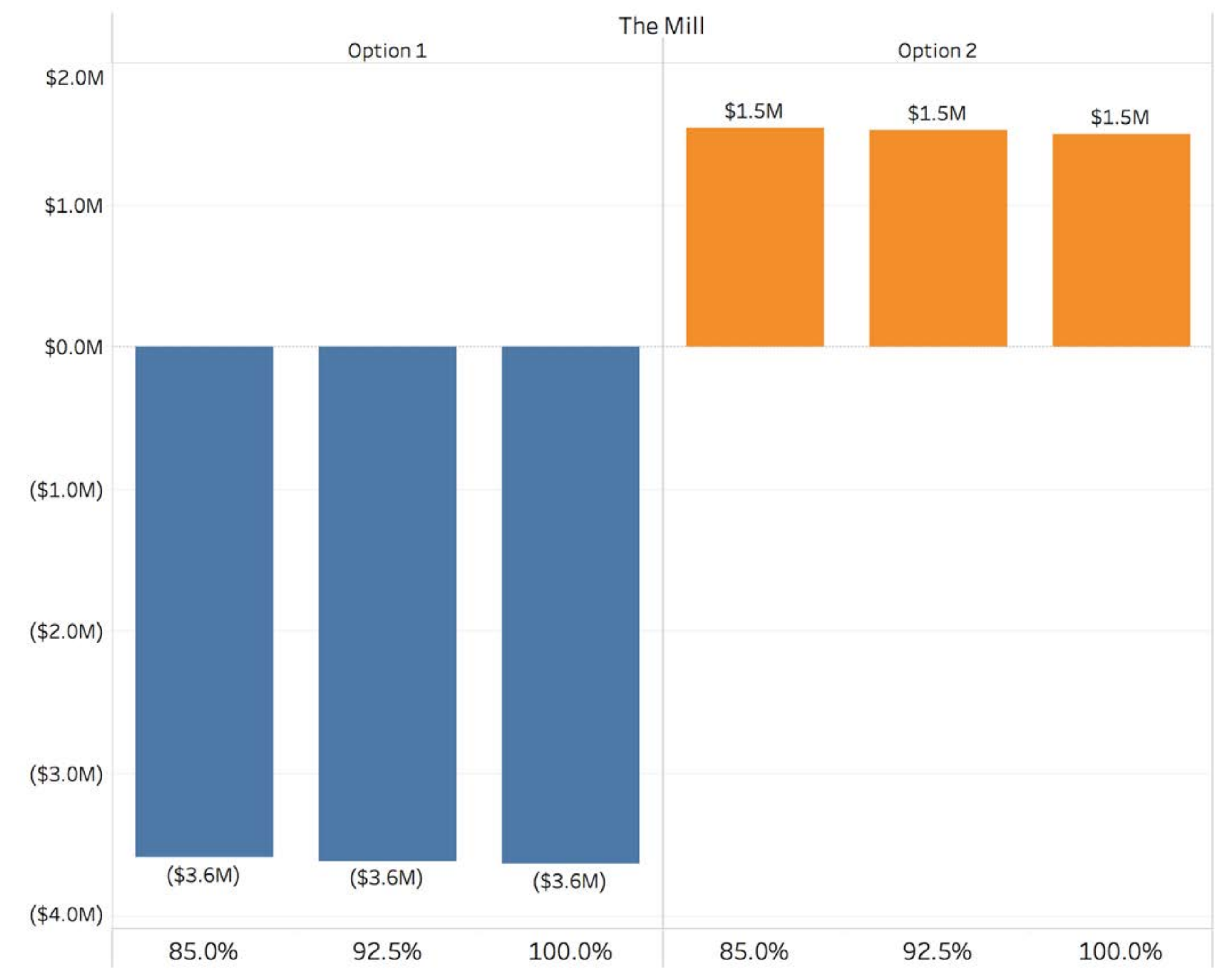
Alkali Flat Family

Connie Drive

Not Included (42 Units)

Scattered Sites (42 Units)
- 35 Sites

Expense Sensitivity



- Because The Mill does not currently support any debt, any increase in operating expenses will not affect any funding gap.

Rio Garden

	Option 1		Option 2	
	4% Tax Credit		9% Tax Credit	
	196 RAD		196 RAD	
Uses of Funds	Total	Per Unit	Total	Per Unit
Land and Building Acquisition	3,920,000	*20,000*	3,920,000	*20,000*
Hard Costs	**4,896,961**	*24,984*	**4,896,961**	*24,984*
Contingency	734,544	*3,748*	734,544	*3,748*
Architecture, Engineering, Etc.	337,890	*1,724*	337,890	*1,724*
Legal	100,000	*510*	100,000	*510*
Construction Financing	558,000	*2,847*	558,000	*2,847*
Permanent Financing	0	-	0	-
Relocation	294,000	*1,500*	294,000	*1,500*
Other Soft Costs	128,989	*658*	128,989	*658*
Developer Fee	1,057,558	*5,396*	1,057,558	*5,396*
Reserves	329,856	*1,683*	329,856	*1,683*
Additional 4% Costs	0	-	0	-
Total Uses	**12,357,798**	**63,050**	**12,357,798**	**63,050**
Funding Sources	Total	Per Unit	Total	Per Unit
LIHTC Equity	**3,894,000**	***19,867***	**8,526,000**	***43,500***
Supportable Debt	**0**	**-**	**0**	**-**
Deferred Fee	**528,779**	***2,698***	**528,779**	***2,698***
Seller Note	**3,920,000**	***20,000***	**3,920,000**	***20,000***
Total Sources	**8,342,779**	**42,565**	**12,974,779**	**66,198**

Sources-Uses: -$4,015,019

Sources-Uses: +$616,981

- Rio Garden includes 14 developments grouped together, including 52-unit Alta Arden Villa.
- None of the developments included qualify for Tenant Protection Vouchers.
- 9% Competitive Tax Credits create a financially feasible project, however, 9% tax credits are extremely competitive and likelihood of receiving 9% is low.

Rio Garden (261 units)

Properties Included (196 units)

- Alta Arden Villa
- Little Bell
- Bell Street Commons
- Date Avenue Apts
- Creekside
- Crystal Garden
- Elkhorn
- Evelyn Pines
- Gunn Rd
- Roseville
- Whitney
- Del Paso Heights
- Haywood
- N. Highlands

Creekside

Elkhorn

Not Included (65 Units)

RAD Pilot (24 Units)

- 8223 Walerga

Scattered Sites (41 Units)

- 30 Sites

Expense Sensitivity

- Rio Garden will not be able to support debt, which diminishes the impact of further increases in expense level, but would likely result in higher capitalized operating reserves.

Sun River

	Option 1 4% Tax Credit 281 RAD		Option 2 9% Tax Credit 281 RAD	
Uses of Funds	Total	Per Unit	Total	Per Unit
Land and Building Acquisition	5,620,000	*20,000*	5,620,000	*20,000*
Hard Costs	**8,516,824**	*30,309*	**8,516,824**	*30,309*
Contingency	1,277,524	*4,546*	1,277,524	*4,546*
Architecture, Engineering, Etc.	587,661	*2,091*	587,661	*2,091*
Legal	100,000	*356*	100,000	*356*
Construction Financing	906,000	*3,224*	906,000	*3,224*
Permanent Financing	0	-	0	-
Relocation	421,500	*1,500*	421,500	*1,500*
Other Soft Costs	201,516	*717*	201,516	*717*
Developer Fee	1,801,654	*6,412*	1,801,654	*6,412*
Reserves	527,550	*1,877*	527,550	*1,877*
Additional 4% Costs	0	-	0	-
Total Uses	**19,960,228**	**71,033**	**19,960,228**	**71,033**
Funding Sources	Total	Per Unit	Total	Per Unit
LIHTC Equity	**6,265,000**	***22,295***	**14,090,000**	***50,142***
Supportable Debt	**0**	**-**	**0**	**-**
Deferred Fee	**900,827**	***3,206***	**900,827**	***3,206***
Seller Note	**5,620,000**	***20,000***	**5,620,000**	***20,000***
Total Sources	**12,785,827**	**45,501**	**20,610,827**	**73,348**

Sources-Uses: -$7,174,401

Sources-Uses: +$650,599

- Sun River includes fourteen developments grouped together, mostly smaller properties ranging between 9 and 36 units.
- None of the developments included qualify for Tenant Protection Vouchers.
- 9% Competitive Tax Credits create a financially feasible project, however, 9% tax credits are extremely competitive and likelihood of receiving 9% is low.

Sun River (293 Units)

Properties Included (281 Units)

- Coloma
- El Parque / Bravado
- Cook Ave.
- Englebrook
- Louis F. Glud Commons
- Manzanita Terrace
- Mariposa Manor
- Northcrest
- Portsmouth
- Sierra Hills
- Sunset Ridge
- S Whiterock
- Tiara Terrace
- Terrell

Sunset Ridge

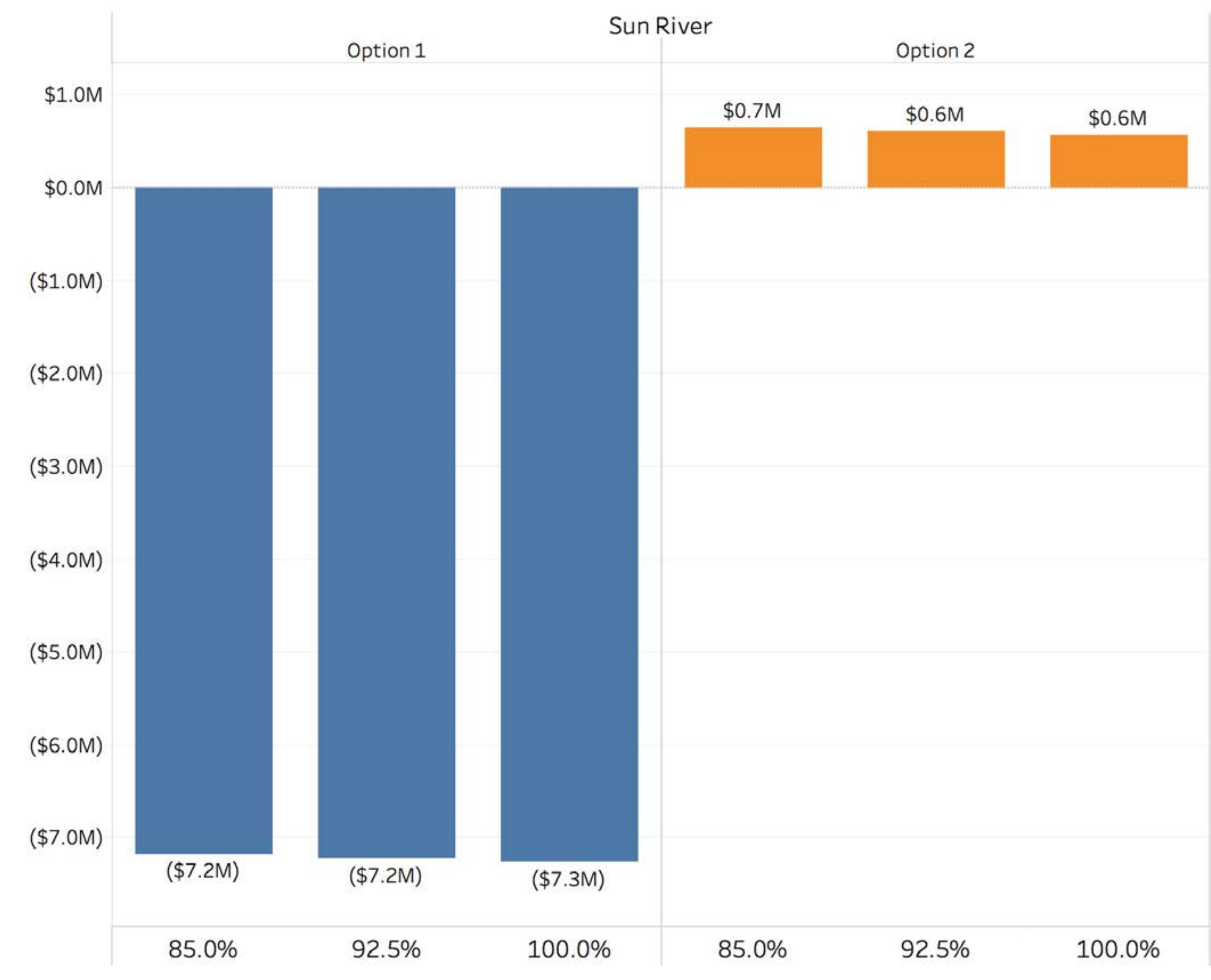
Sierra Hills

Not Included (12 Units)

Scattered Sites (12 Units)

- 6 Sites

Expense Sensitivity



- Sun River will not be able to support debt, which diminishes the impact of further increases in expense level, but would likely result in higher capitalized operating reserves.

Pointe Lagoon

	Option 1		Option 2	
	4% Tax Credit		9% Tax Credit	
	153 RAD		153 RAD	
Uses of Funds	Total	Per Unit	Total	Per Unit
Land and Building Acquisition	4,645,296	*30,361*	4,645,296	*30,361*
Hard Costs	**5,466,856**	*35,731*	**5,466,856**	*35,731*
Contingency	820,028	*5,360*	820,028	*5,360*
Architecture, Engineering, Etc.	377,213	*2,465*	377,213	*2,465*
Legal	100,000	*654*	100,000	*654*
Construction Financing	634,000	*4,144*	634,000	*4,144*
Permanent Financing	44,000	*288*	44,000	*288*
Relocation	229,500	*1,500*	229,500	*1,500*
Other Soft Costs	138,471	*905*	138,471	*905*
Developer Fee	1,164,910	*7,614*	1,164,910	*7,614*
Reserves	281,336	*1,839*	281,336	*1,839*
Additional 4% Costs	0	-	0	-
Total Uses	**13,901,611**	**90,860**	**13,901,611**	**90,860**
Funding Sources	Total	Per Unit	Total	Per Unit
LIHTC Equity	**4,819,000**	***31,497***	**10,664,000**	***69,699***
Supportable Debt	**2,350,000**	***15,359***	**2,350,000**	***15,359***
Deferred Fee	**582,455**	***3,807***	**582,455**	***3,807***
Seller Note	**4,645,296**	***30,361***	**4,645,296**	***30,361***
Total Sources	**12,396,751**	**81,025**	**18,241,751**	**119,227**

Sources-Uses: -$1,504,860

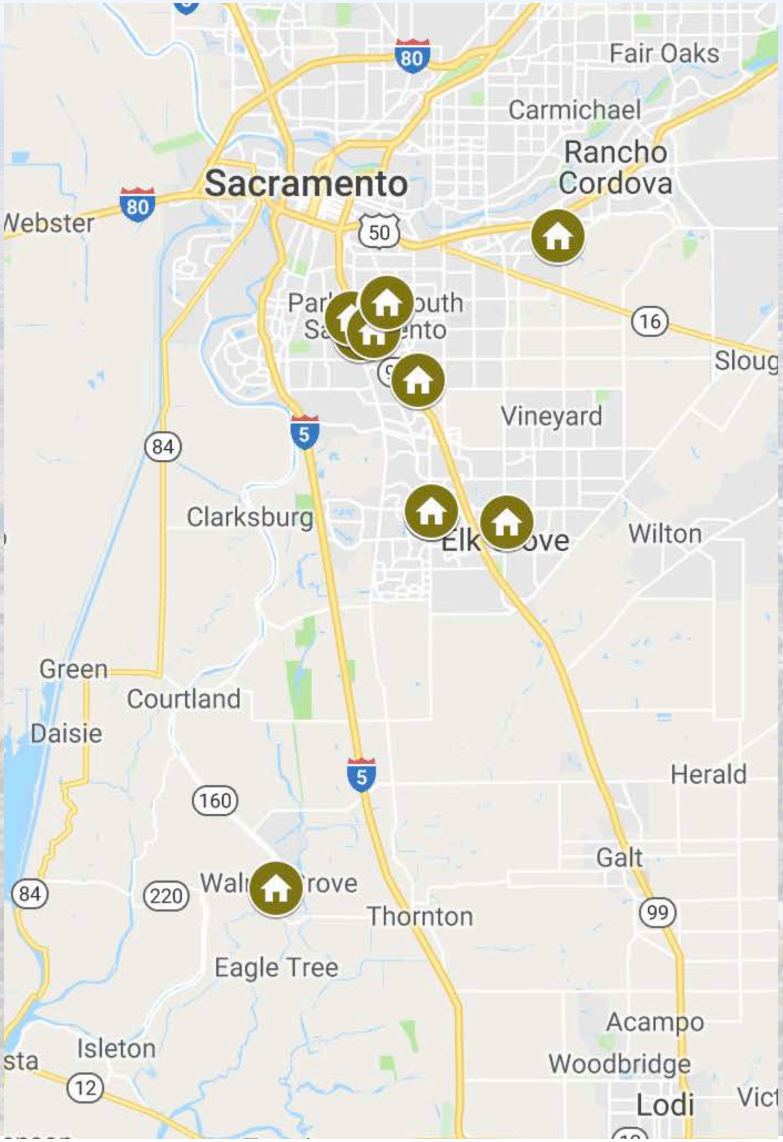
Sources-Uses: +$4,340,140

- Pointe Lagoon includes eight developments grouped together, mostly smaller properties ranging between 7 and 36 units.
- None of the developments included qualify for Tenant Protection Vouchers.
- 9% Competitive Tax Credits create a financially feasible project, however, 9% tax credits are extremely competitive and likelihood of receiving 9% is low.

Pointe Lagoon (241 units)

Properties Included (153 Units)

- 3929 48th Ave
- Mulberry Commons
- Dewey/Southwest
- Laguna Creek
- Cassandra Way
- Christa Manor
- 6433 Lang Ave
- 5730 Nina Way



Not Included (88 Units)

RAD Pilot (62 Units)

- 9205 Elk Grove Blvd
- El Pariso Ave
- 4500 Perry Ave

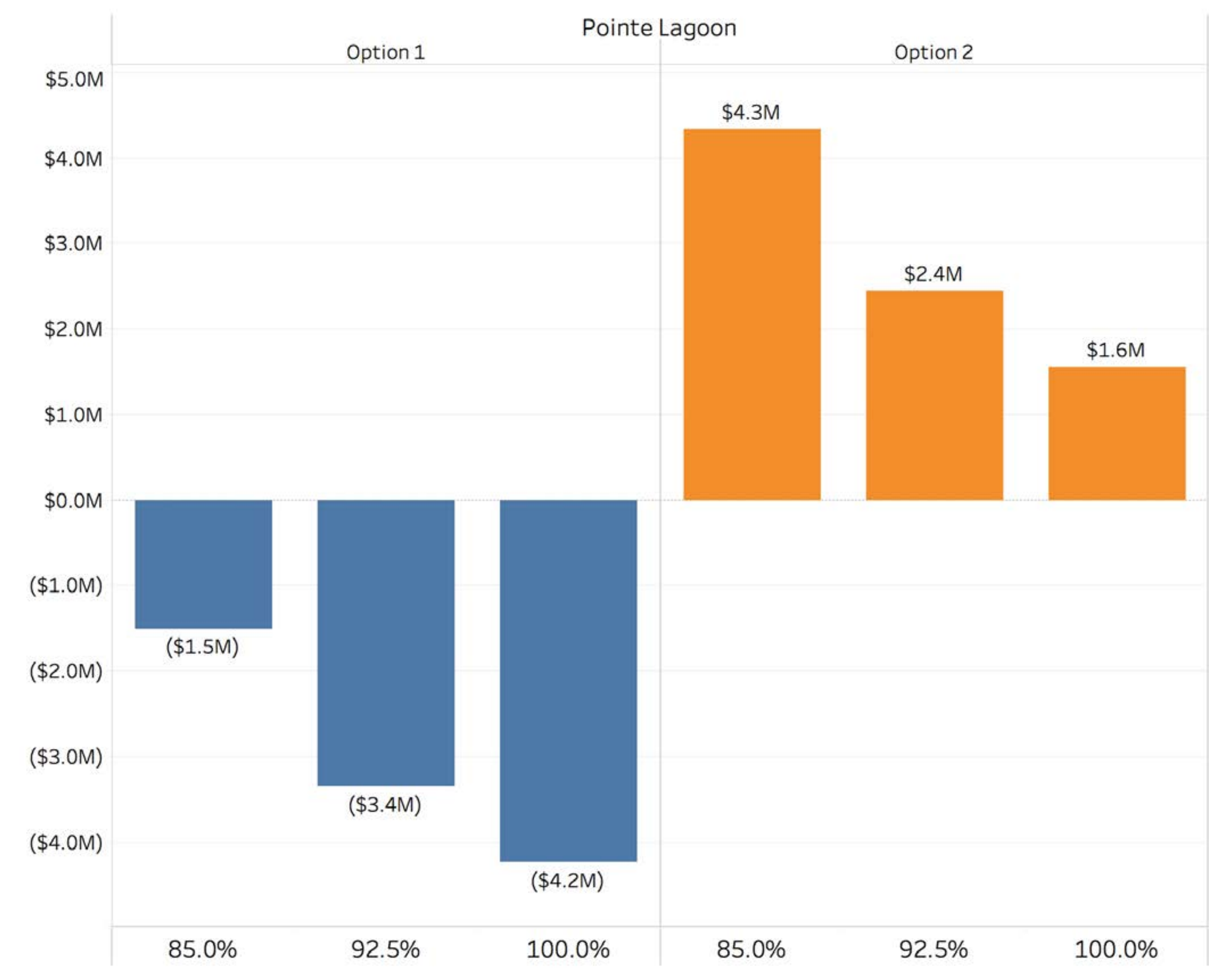
Scattered Sites (9 Units)

- 7 Sites

No PNA (17 Units)

- Mulberry Commons
- 5259, 5251 Young St.

Expense Sensitivity



- CSG assumes rehabilitation will decrease the SHRA operating expenses by as much as 15%.
- The increase in operating expenses from 85% to 92.5% will have the biggest impact, increasing the funding gap by $3M. In between 92.5% and 100%, Pointe Lagoon will no longer be able to support debt and will minimize impact of increasing expenses.

RAD Pilot

	Mixed Properties	
	4% Tax Credit	
	124 RAD	
Uses of Funds	Total	Per Unit
Land and Building Acquisition	2,480,000	*20,000*
Hard Costs	**3,629,384**	*29,269*
Contingency	544,408	*4,390*
Architecture, Engineering, Etc.	250,427	*2,020*
Legal	100,000	*806*
Construction Financing	390,000	*3,145*
Permanent Financing	0	-
Relocation	186,000	*1,500*
Other Soft Costs	92,643	*747*
Developer Fee	778,929	*6,282*
Reserves	192,945	*1,556*
Additional 4% Costs	0	-
Total Uses	**8,644,735**	**69,716**
Funding Sources	Total	Per Unit
LIHTC Equity	**2,581,000**	***20,815***
Supportable Debt	**0**	**-**
Deferred Fee	**389,465**	***3,141***
Seller Note	**2,480,000**	***20,000***
Total Sources	**5,450,465**	**43,955**

Sources-Uses:
-$3,194,271

- This grouping includes six developments, ranging between 10 and 36 units spread throughout Sacramento.
- None of the developments included qualify for Tenant Protection Vouchers.

RAD Pilot

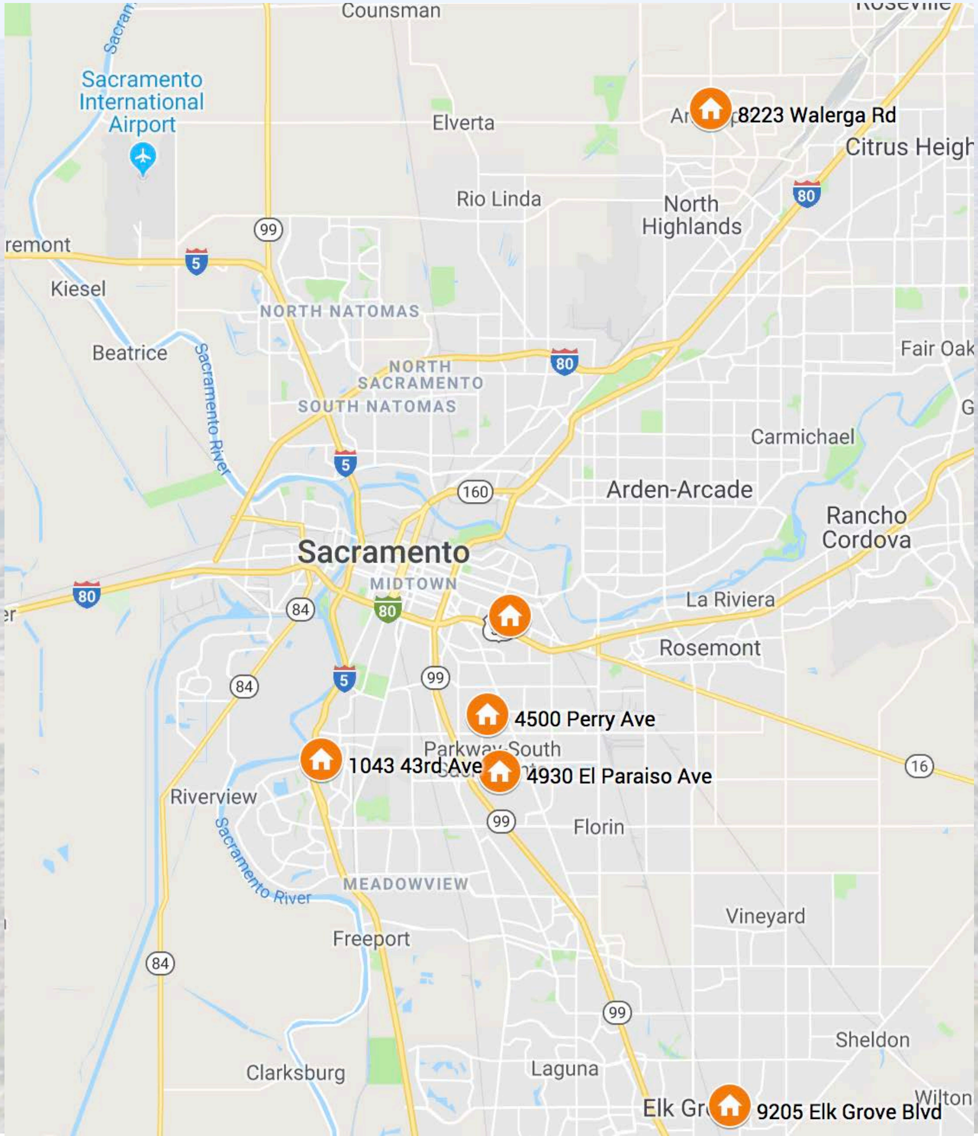
Properties Included

Pointe Lagoon
- 4500 Perry Ave
- El Paraiso
- Elk Grove/Florin

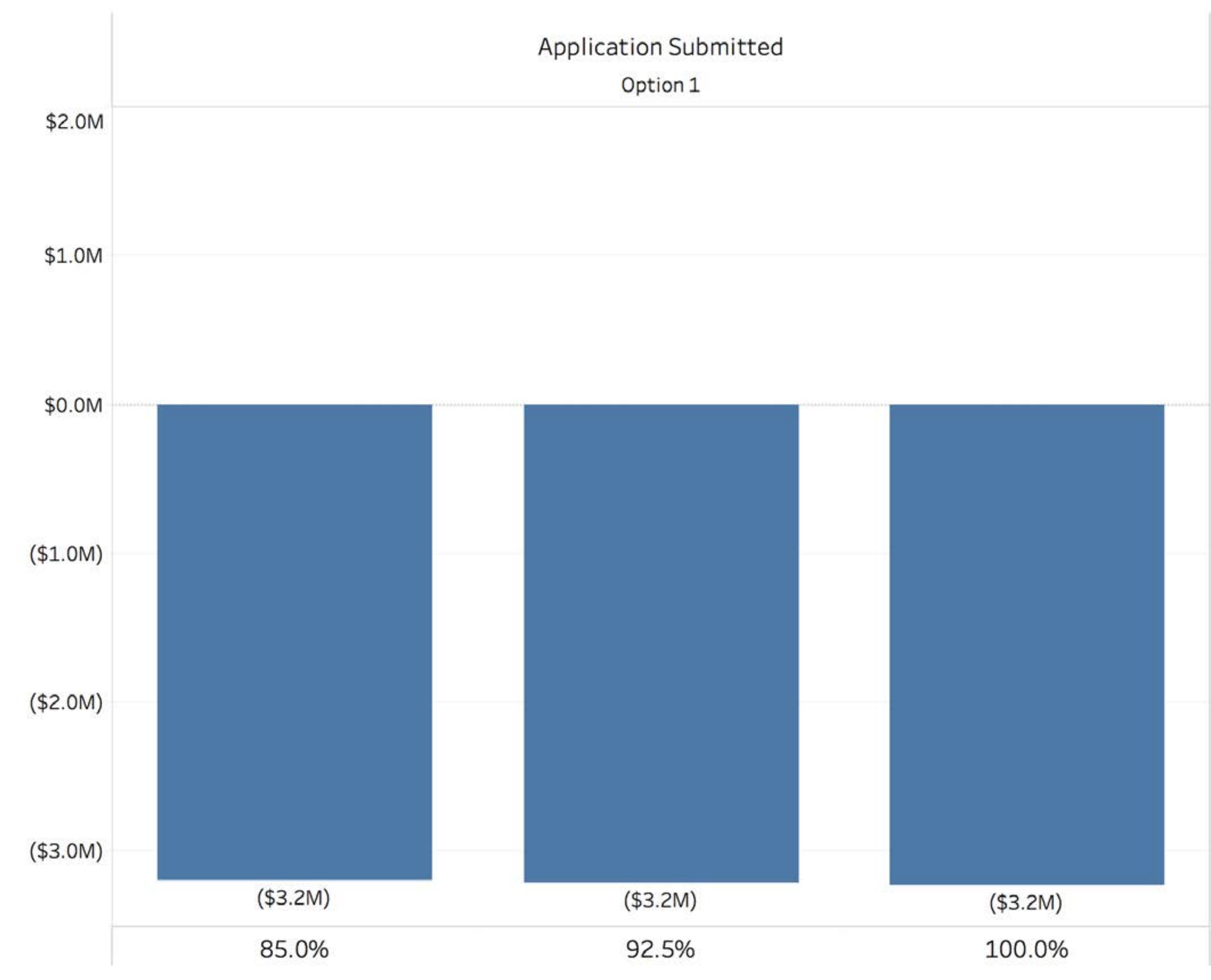
Rio Garden
- 8223 Walerga Rd

Oak Park
- 4921 Folsom Blvd

Meadow Commons
- 1043 43rd Ave



Expense Sensitivity



- CSG assumes rehabilitation will decrease the SHRA operating expenses by as much as 15%.

- The increase in operating expenses from 85% to 92.5% will have the biggest impact, increasing the funding gap by $3M. In between 92.5% and 100%, Pointe Lagoon will no longer be able to support debt and will minimize impact of increasing expenses.

Summary of Results

Summary of All AMPs

AMP	Property Name	Units	4% Sources - Uses	Alternate 4% Sources - Uses	9% Sources - Uses
Various	RAD Pilot	124	-$3,194,271		
City - AMP 1	Alder Grove	360	-$3,517,167		$12,550,833
City - AMP 2	Marina Vista	383	$722,558	-$1,193,017	$16,790,558
City - AMP 3	Capital Terrace	84	-$463,186		
City - AMP 3	EdgeWater Apts	108	$1,050,537		
City - AMP 3	Comstock / Big Trees / Pine Knoll	139	-$3,102,918		
City - AMP 4	Meadow Commons	126	-$2,207,846		$3,104,154
City - AMP 5	Oak Park	90	$2,573,325		$5,438,325
City - AMP 5	Oak Park - Section 18	33	$234,936		
City - AMP 7	The Mill	153	-$3,587,250		$1,543,750
County - AMP 2	Rio Garden	196	-$4,015,019		$616,981
County - AMP 3	Sun River	281	-$7,174,401		$650,599
County - AMP 5	Pointe Lagoon	153	-$1,504,860		$4,340,140

- Excludes Scattered Sites.
- RAD transactions will allow SHRA to rehabilitate 2,230 units and address $89M in hard costs. Prioritizing AMPs that offer the most advantageous terms to SHRA can provide additional funding for AMPs with a funding gap, as detailed in planned phasing on slide 98.
- 9% transactions will provide more advantageous terms to SHRA, but will be more difficult to reserve.

Summary of Scenarios

4%/9% Hybrid Tax Credit Allocation

- 4%/9% Hybrids provided the best terms to SHRA for any transactions they are included.
- 9% Tax Credits provide the maximum amount of LIHTC Equity to any transaction, but are the most competitive to receive.
- California restricts 9% tax credits to $2.5M per year. Any remaining eligible basis can be used for 4% tax credits.

4% Tax Credit Allocation

- 4% Non-Competitive Tax Credit are looked at for all scenarios and are more likely to be used in any transaction.
- 5 of 12 4% transactions had higher sources than uses, where SHRA would receive funds at closing.

Tenant Protection Vouchers

- Properties that qualify for Section 18 conversion allows 25% of rents to qualify for Tenant Protection Vouchers (TPV). TPVs provide a higher annual revenue, which allow the property to support more debt and use less SHRA funding.
- Properties that qualify must meet the HUD threshold for Hard Construction Costs, for the purposes of this exercise, 10-Year Capital Need was used.
- **Properties that qualify include:** Alder Grove, AMP 3 (Comstock, Big Trees, Pine Knoll), AMP 5 (Lincoln Manor, 3819 4th Ave, 3245 3rd Ave)

Summary of Scattered Sites

Scattered Site Approach

- Utilize Section 18 to transition Scattered Sites units.
- Increase annual revenue by transitioning to to Project Based Vouchers.
- Keep Scattered Sites within SHRA portfolio.

Scattered Site Portfolio

AMP		Total Scattered Sites	Total Scattered Sites Units
City - AMP 4	Meadow Commons	48	59
City - AMP 5	Oak Park	33	52
City - AMP 7	The Mill	35	42
County - AMP 2	Rio Garden	30	41
County - AMP 3	Sun River	7	15
County - AMP 5	Pointe Lagoon	7	9
Total		**160**	**218**

- Of the 213 Scattered Site units, 68 (44%) are included in this analysis, based on the number of PNAs received by CSG.
- Increased number of scattered sites in an analysis would allow different groups of scattered sites and an increase in revenue from potential sales.
- 71% of scattered sites are located within the city of Sacramento, with the remaining scattered sites in Sacramento County.

Scenarios

Scattered Sites - Rehab

Uses of Funds	Scattered Sites - City 4% Tax Credit Section 18 Disposition 56 TPV Total	Per Unit	Scattered Sites - County 4% Tax Credit Section 18 Disposition 12 TPV Total	Per Unit
Land and Building Acquisition	7,216,102	*128,859*	0	-
Hard Costs	**2,250,357**	*40,185*	**545,963**	*45,497*
Contingency	1,687,767	*30,139*	81,894	*6,825*
Architecture, Engineering, Etc.	590,719	*10,549*	94,179	*7,848*
Legal	100,000	*1,786*	100,000	*8,333*
Construction Financing	634,000	*11,321*	52,000	*4,333*
Permanent Financing	73,000	*1,304*	38,000	*3,167*
Relocation	84,000	*1,500*	18,000	*1,500*
Other Soft Costs	148,172	*2,646*	30,218	*2,518*
Developer Fee	824,252	*14,719*	138,338	*11,528*
Reserves	172,950	*3,088*	53,193	*4,433*
Additional 4% Costs	0	-	0	-
Total Uses	**13,781,319**	**246,095**	**1,151,784**	**95,982**
Funding Sources	Total	Per Unit	Total	Per Unit
LIHTC Equity	**4,252,000**	***75,929***	**0**	**-**
Supportable Debt	**5,320,000**	***95,000***	**1,780,000**	***148,333***
Deferred Fee	**412,126**	***7,359***	**69,169**	***5,764***
Seller Note	**7,216,102**	***128,859***	**0**	**-**
Total Sources	**17,200,229**	**307,147**	**1,849,169**	**154,097**

Sources - Uses: +$3,418,910

Sources-Uses: +$697,385

- Scattered Sites in the City of Sacramento are more advantageous due to lower rehab costs ($30K per unit).
- County Properties do not include LIHTC Equity, as the amount of equity provided by 12 units would not be appealing to investors.
- Tax credits are not required but will provide some financial benefit to SHRA.

Scattered Sites - Rebuild

	Scattered Sites - City		Scattered Sites - County	
	4% Tax Credit		4% Tax Credit	
	Section 18 Disposition		Section 18 Disposition	
	56 TPV		12 TPV	
Uses of Funds	Total	Per Unit	Total	Per Unit
Land and Building Acquisition	7,216,102	*128,859*	0	-
Hard Costs	**5,720,000**	*102,143*	**2,780,000**	*231,667*
Contingency	4,290,000	*76,607*	417,000	*34,750*
Architecture, Engineering, Etc.	1,501,500	*26,813*	479,550	*39,963*
Legal	100,000	*1,786*	100,000	*8,333*
Construction Financing	1,024,000	*18,286*	220,000	*18,333*
Permanent Financing	73,000	*1,304*	38,000	*3,167*
Relocation	84,000	*1,500*	18,000	*1,500*
Other Soft Costs	278,250	*4,969*	85,555	*7,130*
Developer Fee	1,949,663	*34,815*	615,016	*51,251*
Reserves	172,950	*3,088*	53,193	*4,433*
Additional 4% Costs	0	-	0	-
Total Uses	**22,409,465**	**400,169**	**4,806,314**	**400,526**
Funding Sources	Total	Per Unit	Total	Per Unit
LIHTC Equity	**6,962,000**	***124,321***	**0**	**-**
Supportable Debt	**5,320,000**	***95,000***	**1,780,000**	***148,333***
Deferred Fee	**974,831**	***17,408***	**307,508**	***25,626***
Seller Note	**7,216,102**	***128,859***	**0**	**-**
Total Sources	**20,472,934**	**365,588**	**2,087,508**	**173,959**

Sources-Uses: -$1,936,531

Sources-Uses: -2,718,806

- Assumes rebuilding scattered sites will cost $400k per Unit.
- Rebuilding scattered sites will provide significant capital contributions to close funding gap.

Summary of Results

Scattered Sites Summary

Section 18 Conversion

- <u>**Rehab of Scattered Sites**</u> would require $0 funding from SHRA, based on the relatively low amount of capital needs at the properties.
- <u>**Rebuild of Scattered Sites**</u> would require $4.7M to rebuild all scattered sites, assuming a $400K per unit TDC cost.
- Scattered Sites (defined by HUD as properties with 4 units or less) allow 100% TPVs. The increase of rents allows supportable debt for properties within the city, although county properties do not support any debt.
- An increase in the number of Scattered Sites, based on additional PNAs, would impact the terms of the transaction included in Section 18 Conversion grouping.

Sale of Scattered Sites

- Another option, other than rehab or rebuild, is the sale of the Scattered Sites Properties. Funds from this sale can be used to address a funding gap for any other transactions. Tenants can be moved from current Scattered Site to another property.
- Estimated sale of 52 Scattered Sites included in this analysis can raise $14M for when sold at market rate prices or 80% of AMI.

Summary of Scattered Sites with PNAs

Property Name	AMP	Units	Rehab	New Construction
City Scattered Sites	AMPs 4-7	56	$3,418,910	-$1,936,531
County Scattered Sites	AMPs 2-3	12	$697,385	-$2,718,806

- Includes only 68 Scattered Sites for which a PNA has been completed.
- Section 18 will allow SHRA to use TPVs on 218 scattered site units.
- Rehab provides more cost effective approach than new construction.

Scattered Sites

Scattered Sites

HUD provides PHAs the ability to dispose of scattered site units because the PHA demonstrates an unsustainability to operate and/or maintain due to distance between units and lack of uniformity of systems. Scattered site units generally mean units in non-contiguous buildings with four or fewer total units.

Total Units in SHRA Portfolio that Qualify as Scattered Sites

City of Sacramento	Alder Grove	Marina Vista	Central City	Meadow Commons	Oak Park	The Mill	Total
Scattered Sites	0	0	0	59	52	42	**153**

Surrounding County	Twin Rivers	Rio Garden	Sun River	Pointe Lagoon	Total
Scattered Sites	0	41	15	9	**65**

Riverview

Riverview Summary

Riverview Refinance Only

- 124 units convert to TPV
- Financing through Supportable Debt
- Without Tax Credits
- Rehab between $50-$100K per unit

Riverview Acq/Rehab

- 124 units convert to TPV
- LIHTC Equity Raised through 4% Tax Credits
- Rehab between $50-$100K per unit
- Includes Acquisition Cost and Seller Note
- Current Loan paid through Cash Flow

Riverview Acq/Rehab Combined with EdgeWater

- Combines Riverview (124 TPV) and EdgeWater (108 RAD)
- LIHTC Equity Raised through 4% Tax Credits
- Rehab between $50-$100K per unit
- Includes Acquisition Cost and Seller Note
- Current Loan paid through Cash Flow

Riverview Refinance Only

	124 TPV $50K per Unit		124 TPV $100K per Unit	
Use of Funds	**Total**	**Per Unit**	**Total**	**Per Unit**
Land and Building Acquisition	-	-	-	-
Construction	7,068,000	57,000	14,136,000	114,000
Contingency	706,800	5,700	1,413,600	11,400
Fees	388,740	3,135	777,480	6,270
Legal	95,000	766	95,000	766
Construction Financing	639,006	5,153	1,212,137	9,775
Permanent Financing	50,468	407	50,468	407
Relocation	248,000	2,000	248,000	2,000
Other Soft Costs	427,659	3,449	540,504	4,359
Developer Fee	1,539,788	12,418	2,924,732	23,587
Reserves	798,624	6,441	798,624	6,441
Total Uses	**11,962,085**	**96,468**	**22,196,545**	**179,004**
Funding Sources	**Total**	**Per Unit**	**Total**	**Per Unit**
LIHTC Equity (4%)	-	-	-	-
Perm. Debt	5,046,823	40,700	5,046,823	40,700
SHRA Seller Note	-	-	-	-
Deferred Developer Fee	721,775	5,821	1,370,000	11,048
Total Sources	**5,768,599**	**46,521**	**6,416,823**	**51,749**

Sources-Uses: -$6,193,487

Sources-Uses: -$15,779,722

- Both Scenarios require SHRA funds to complete transaction.
- Refinancing option does not include LIHTC Equity.
- Funding for hard costs is covered by permanent debt.
- $50K/$100K per unit hard costs does not include developer profit, overhead, and general conditions.
- $50k/$100K per unit hard costs are estimated Hard Cost numbers. CSG did not receive PNAs for Riverview.

Riverview Acq/Rehab Scenario

Use of Funds	4% Acq Rehab 124 TPV $50K per Unit — Total	Per Unit	4% Acq Rehab 124 TPV $100K per Unit — Total	Per Unit
Land and Building Acquisition	6,190,107	49,920	6,190,107	49,920
Construction	7,068,000	57,000	14,136,000	114,000
Contingency	706,800	5,700	1,413,600	11,400
Fees	388,740	3,135	777,480	6,270
Legal	95,000	766	95,000	766
Construction Financing	514,968	4,153	962,713	7,764
Permanent Financing	50,468	407	50,468	407
Relocation	248,000	2,000	248,000	2,000
Other Soft Costs	450,903	3,636	559,709	4,514
Developer Fee	1,523,661	12,288	2,918,875	23,539
Reserves	798,624	6,441	798,624	6,441
Total Uses	**18,035,271**	**145,446**	**28,150,576**	**227,021**
Funding Sources	**Total Cost**	**Per Unit**	**Total Cost**	**Per Unit**
LIHTC Equity (4%)	6,561,746	52,917	10,419,655	84,029
Perm. Debt	5,046,823	40,700	5,046,823	40,700
SHRA Seller Note	5,257,363	42,398	5,257,363	42,398
Deferred Developer Fee	714,216	5,760	1,368,223	11,034
Total Sources	**17,580,148**	**141,775**	**22,092,064**	**178,162**

Sources-Uses: -$455,123 (4% Acq Rehab, 124 TPV, $50K per Unit)

Sources-Uses: -$6,058,513 (4% Acq Rehab, 124 TPV, $100K per Unit)

- While LIHTC Equity helps close Funding Gap, both Scenarios still require SHRA funds to complete transaction.
- $50K/$100K per unit hard costs does not include developer profit, overhead, and general conditions.

Riverview and Edgewater Acq/Rehab Scenario

Use of Funds	4% Acq Rehab 53% TPV, 47% RAD $50K per Unit (Riverview) Total	Per Unit	4% Acq Rehab 53% TPV, 47% RAD $100K per Unit (Riverview) Total	Per Unit
Land and Building Acquisition	9,618,259	41,458	9,618,259	41,458
Construction	8,763,292	37,773	15,831,292	68,238
Contingency	876,329	3,777	1,583,129	6,824
Fees	481,981	2,078	870,721	3,753
Legal	95,000	409	95,000	409
Construction Financing	698,909	3,013	1,052,267	4,536
Permanent Financing	77,070	332	77,070	332
Relocation	464,000	2,000	464,000	2,000
Other Soft Costs	531,202	2,290	636,728	2,745
Developer Fee	1,918,045	8,267	3,297,633	14,214
Reserves	1,345,735	5,801	1,345,735	5,801
Total Uses	**24,869,822**	**107,198**	**34,871,833**	**150,310**
Funding Sources	**Total Cost**	**Per Unit**	**Total Cost**	**Per Unit**
LIHTC Equity (4%)	8,972,712	38,675	11,490,112	49,526
Perm. Debt	7,706,952	33,220	7,706,952	33,220
SHRA Seller Note	7,291,074	31,427	8,685,515	37,438
Deferred Developer Fee	899,084	3,875	1,545,765	6,663
Total Sources	**24,869,822**	**107,198**	**29,428,346**	**126,846**

Sources-Uses: $0

Sources-Uses: -$5,443,488

- Combining Riverview with EdgeWater reduces funding gap by increasing supportable debt and decreasing per unit hard costs.
- Improved NOI helps increase supportable debt and low capital need in EdgeWater improves terms of transaction.
- $50K/$100K per unit hard costs does not include developer profit, overhead, and general conditions.

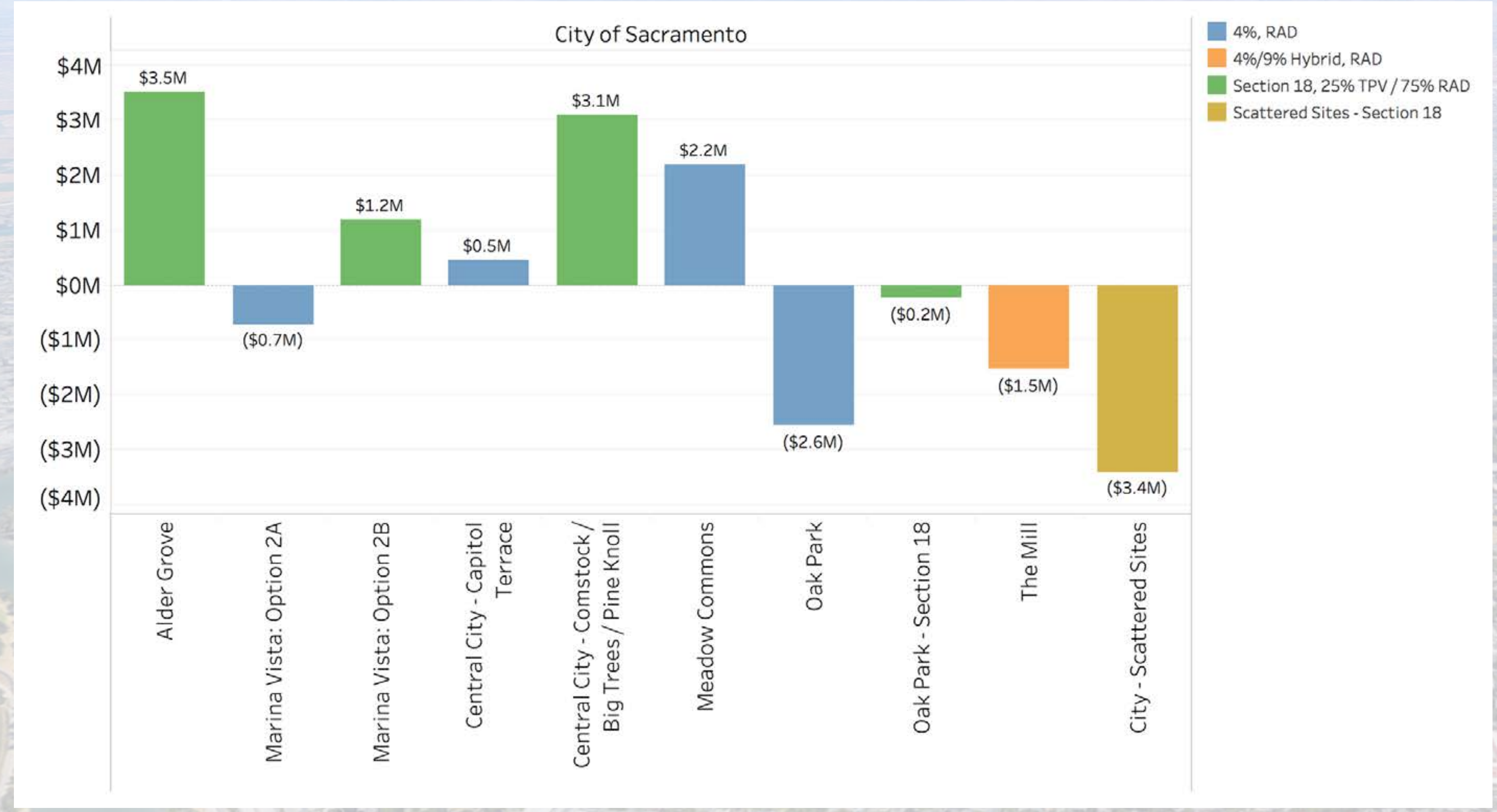
Recommended Approach

Scenario	Scenario 1		Scenario 2		Scenario 3		Scenario 4		Scenario 5		Scenario 6	
Properties	Riverview Only		Riverview Only		Riverview Only		Riverview Only		Riverview & EdgeWater		Riverview & EdgeWater	
Financing Type	Debt Only		Debt Only		4% Acq Rehab		4% Acq Rehab		4% Acq Rehab		4% Acq Rehab	
Unit Type	124 TPV		124 TPV		124 TPV		124 TPV		53% TPV, 47% RAD		53% TPV, 47% RAD	
River Hard Costs	$50K per Unit		$100K per Unit		$50K per Unit		$100K per Unit		$50K per Unit		$100K per Unit	
	Total	**Per Unit**	**Total**	**Per Unit**	**Total**	**Per Unit**	**Total**	**Per Unit**	**Total**	**Per Unit**	**Total**	**Per Unit**
TPV Units	124		124		124		124		124		124	
RAD Units	0		0		0		0		108		108	
Total Unit Count	**124**		**124**		**124**		**124**		**232**		**232**	
Use of Funds	**Total**	**Per Unit**	**Total**	**Per Unit**	**Total**	**Per Unit**	**Total**	**Per Unit**	**Total**	**Per Unit**	**Total**	**Per Unit**
Total Uses	11,962,085	96,468	22,196,545	179,004	18,035,271	145,446	28,150,576	227,021	24,869,822	107,198	34,871,833	150,310
Total Sources	5,768,599	46,521	6,416,823	51,749	17,580,148	141,775	22,092,064	178,162	24,869,822	107,198	29,428,346	126,846
Funding Gap	**(6,193,487)**	**(49,947)**	**(15,779,722)**	**(127,256)**	**(455,123)**	**(3,670)**	**(6,058,513)**	**(48,859)**	**-**	**-**	**(5,443,488)**	**(23,463)**
Funding Rank	**5**		**6**		**2**		**4**		**1**		**3**	

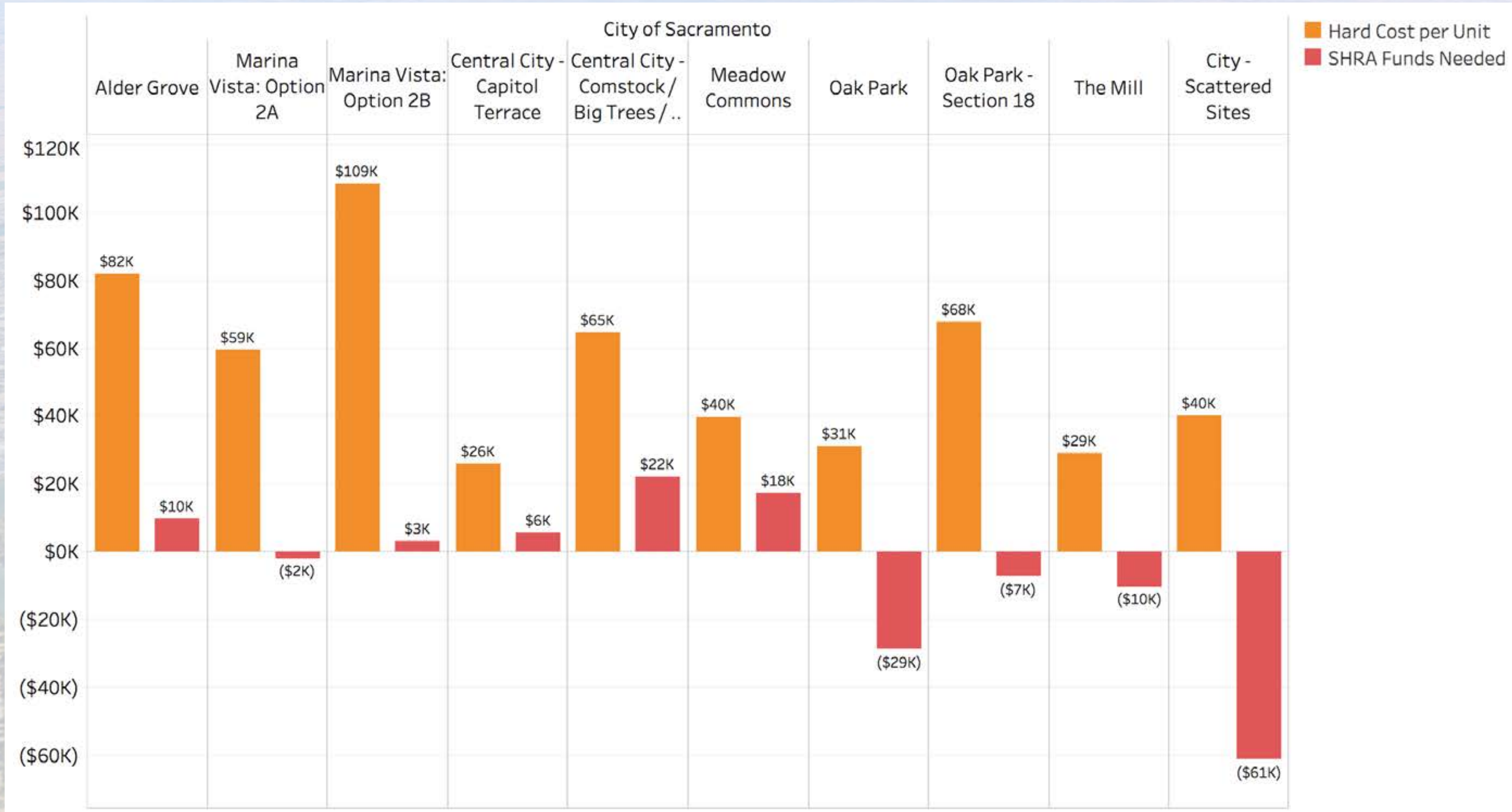
- Scenario 5 (Riverview + EdgeWater, Acq/Rehab) provides the best financial scenario for SHRA. This requires is the only scenario for Riverview that requires $0 additional funding from SHRA (assuming hard costs are limited in Riverview to $50k per Unit).
- Geographically, the buildings are adjacent to each other and, if paired, would be easier to manage by onsite staff and segregate costs when when reporting financing.

Recommendations
Non-Scattered and Scattered Sites

Capital Need per Unit Comparison



Capital Need per Unit Comparison



Recommendation for Alder Grove

City of Sacramento
Alder Grove

360 Units
Hard Costs: $29.47M ($82K per Unit)

CSG Recommends: 4% Sources – Uses: -$3.5M

Outlook

- 4% RAD transaction provides beneficial terms to SHRA, allowing agency to address $29M in capital needs for 360 units with $3.5M of it's own capital funds or $10K per unit.
- Alder Grove qualifies for 25% Tenant Protection Vouchers, providing an increase in supportable debt.

Additional Policy Considerations

- Displacement of 360 households during construction will have large affect on households that will be relocated, including majority of 4 and 5 bedroom properties within SHRA.
- 25% of units will receive Tenant Protection Vouchers, increasing number of voucher for SHRA to administer.

Recommendation for Marina Vista

City of Sacramento
Marina Vista

383 Units
Hard Costs: $22.7M ($59K per Unit)

4% Sources – Uses: +$722K
CSG Recommends: 4% Sources – Uses (Increased Scope):-$1.2M
4%/9% Hybrid Sources – Uses: +$16.8M

Outlook

- 4% RAD transaction provides beneficial terms to SHRA, allowing agency to address $22.7M in ten years of capital needs for 383 units with $722K *going to* SHRA at closing.
- *Option 2B:* If the scope of work for Marina Vista is increased, the property will qualify for 25% Tenant Protection Vouchers, providing an increase in supportable debt. The increase in scope would increase by $19M and provide the property with a gut rehabilitation.

Additional Policy Considerations

- Increase in scope to $108K per unit would provide greater flexibility on what improvements can be made to the property. That may improve utility performance (solar), building infrastructure (plumbing), that require SHRA decision.

Recommendation for Capitol Terrace

City of Sacramento
Central City – Capitol Terrace

84 Units
Hard Costs: $2.2M ($26K)

CSG Recommends: 4% Sources – Uses: -$463K

Outlook

- 4% RAD transaction provides beneficial terms to SHRA, allowing agency to address $2.2M in ten years of capital needs for 84 units with $463K of it's own capital funds or $6K per unit.

Additional Policy Considerations

- Prioritizing buildings with elevators will allow SHRA to leverage additional funding to address high costs maintenance needs.
- Considerations on the effect of relocation for elderly community.

Recommendation for Central City – 25% TPV

City of Sacramento
Central City – Comstock / Big Trees / Pine Knoll

139 Units
Hard Costs: $9M (65K per Unit)

CSG Recommends: 4% Sources – Uses: -$3.1M

Outlook

- Comstock qualifies for 25% Tenant Protection Vouchers. Grouping Big Trees and Pine Knoll with Comstock allows these three properties to qualify for Tenant Protection Vouchers, increasing the amount of TPV units and revenue.

- 4% RAD transaction provides beneficial terms to SHRA, allowing agency to address $9M in ten years of capital needs for 139 units with $3.1M of it's own capital funds or $22K per unit.

Additional Policy Considerations

- Each property is approximately 1 mile from the other two, adding an additional level of administrative complexity to property management.
- Benefits of addressing capital needs at Comstock, which includes Elevator maintenance.

Recommendation for Meadow Commons

City of Sacramento
Meadow Commons

126 Units
Hard Costs: $5M ($40K per Unit)

CSG Recommends: 4% Sources – Uses: -$2.2M
9% Sources – Uses: +$3.1M

Outlook

- 4% RAD transaction provides beneficial terms to SHRA, allowing agency to address $5M in ten years of capital needs for 126 units with $2.2M of it's own capital funds or $18K per unit.

Additional Policy Considerations

- Possible to separate the AMP into large properties (Colonial Heights) with relatively low needs ($15k per unit) and smaller 14-28 unit sites.
- Approach to Scattered Sites.

Recommendation for Oak Park

City of Sacramento
Oak Park

90 Units
Hard Costs: $2.8M ($31K per Unit)

***CSG Recommends: 4% Sources – Uses:* +$2.6M**
4%/9% Hybrid Sources – Uses: +$5.4M

Outlook

- 4% RAD transaction provides beneficial terms to SHRA, allowing agency to address $3.7M in ten years of capital needs for 100 units with $2.6M *going to* SHRA at closing.
- Oak Park has low operating expenses, allowing for higher supportable debt.

Additional Policy Considerations

- Oak Park has a 52 Scattered Sites at 33 sites spread throughout Sacramento.

Recommendation for Oak Park – 25% TPV

City of Sacramento
Oak Park – TPV

33 Units
Hard Costs: $2.2M ($68K per Unit)

CSG Recommends: 4% Sources – Uses: +$235K

Outlook

- 4% RAD transaction provides beneficial terms to SHRA, allowing agency to address $2.3M in ten years of capital needs for 33 units with $235K going to SHRA at closing.
- These 3 properties qualify for 25% Tenant Protection Vouchers Disposition, providing an increase in supportable debt.

Additional Policy Considerations

- These three properties individually qualify for 25% Tenant Protection Vouchers and do not need to be grouped to qualify for TPVs. However, grouping properties help financial terms of RAD Redevelopment and reduce soft costs such as legal and accounting.

Recommendation for The Mill

City of Sacramento

The Mill

153 Units
Hard Costs: $4.4M ($29K per Unit)

4% Sources – Uses: *-$3.5M*
***CSG Recommends: 4%/9% Hybrid Sources – Uses:* +$1.5M**

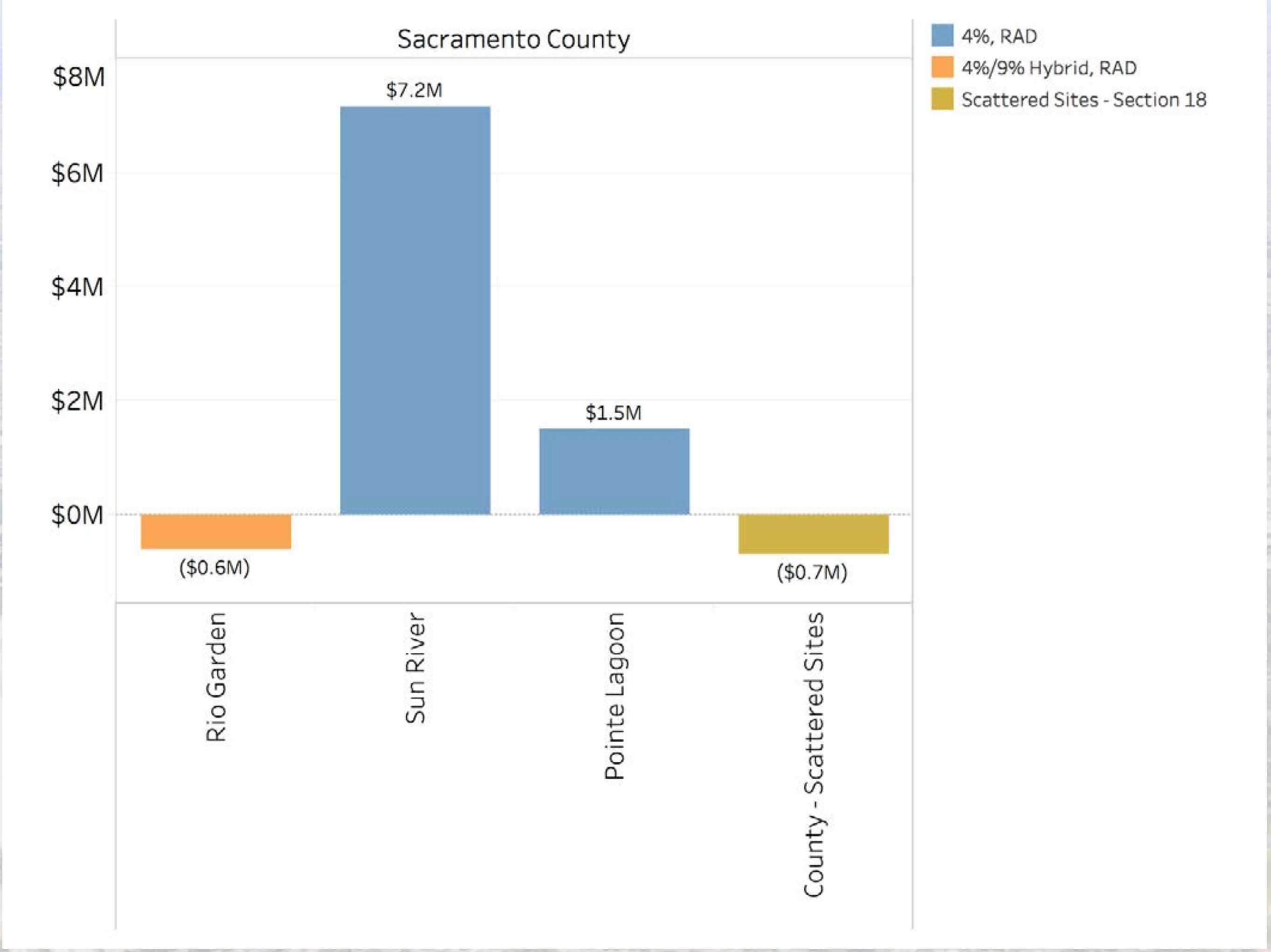
Outlook

- 4% RAD transaction provides beneficial terms to SHRA, allowing agency to address $4.4M in ten years of capital needs for 153 units with $1.5M going towards SHRA at closing.

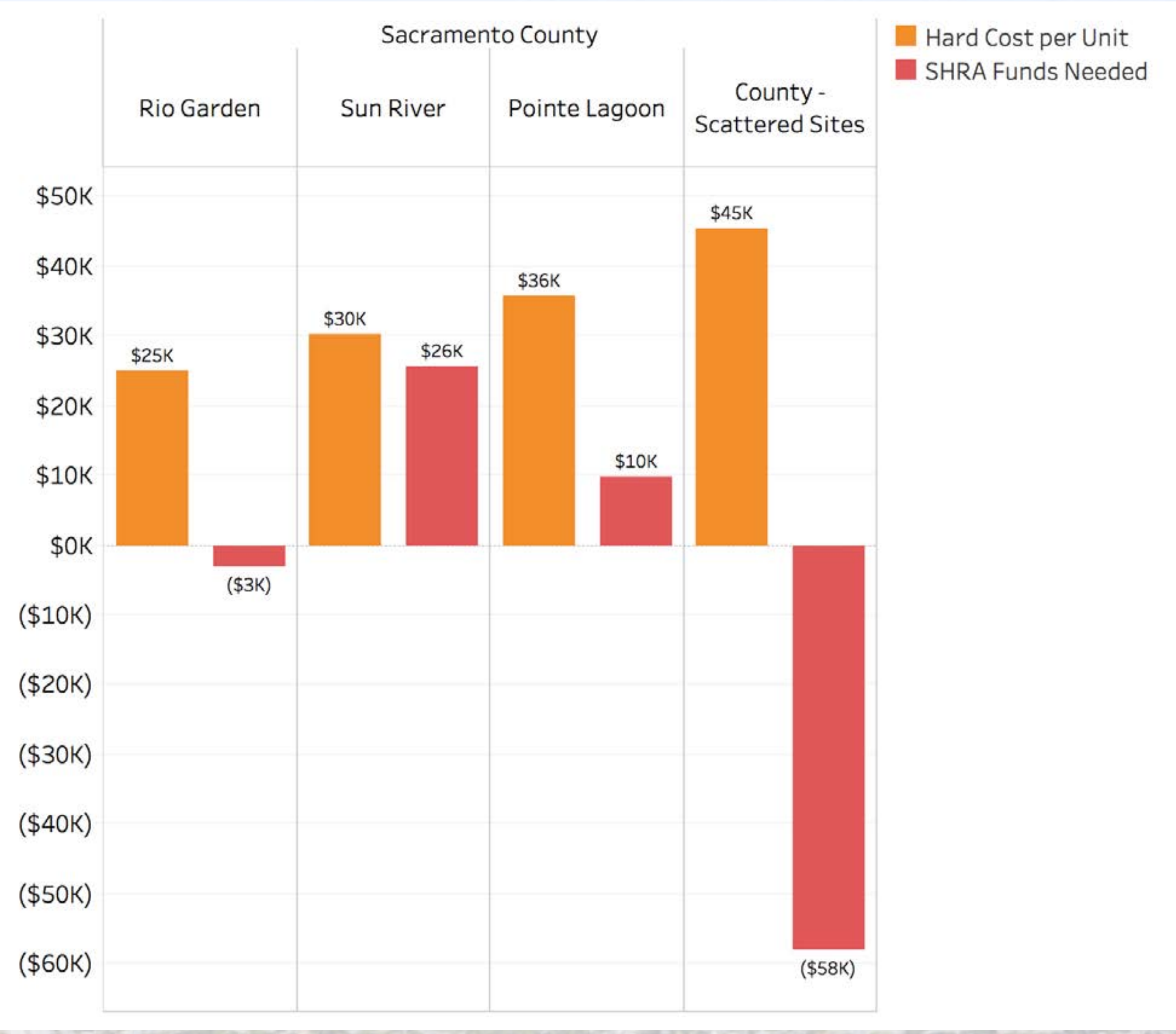
Additional Policy Considerations

- The Mill is made up of larger properties (Gibson Oak, Gran Casa Linda). AMP can be broken up to leverage funds towards large properties that affect the most residents and require a smaller injection of funds from SHRA.

Capital Need per Unit Comparison



Capital Need per Unit Comparison



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Recommendation for Rio Garden

Sacramento County
Rio Garden

196 Units
Hard Costs: $4.9M ($25K per Unit)

4% Sources – Uses: -$4M
CSG Recommends: 4%/9% Hybrid Sources – Uses: +$616K

Outlook

- A 4% RAD transaction would cost $25K per unit. The only scenario that would be financially feasible for SHRA, is to utilize 9% LIHTC. A 4%/9% hybrid transaction would provide $616K to SHRA.

Additional Policy Considerations

- SHRA Properties outside the city of Sacramento are more spread out, and more difficult to maintain. SHRA policy will dictate whether consolidation or presence throughout county conforms to SHRA strategy.
- Scattered Sites approach.

Recommendation for Sun River

Sacramento County
Sun River

281 Units
Hard Costs: $8.5M ($30K per Unit)

CSG Recommends: 4% Sources – Uses: -$7M
4%/9% Hybrid Sources – Uses: -$651K

Outlook

- 4% RAD transaction provides beneficial terms to SHRA, allowing the agency to address $8.5M in ten years of capital needs for 281 units with $7M of it's own capital funds or $26K per unit.

Additional Policy Considerations

- SHRA Properties outside the city of Sacramento are more spread out, and more difficult to maintain. SHRA policy will dictate whether consolidation or presence throughout county conforms to SHRA strategy.
- Scattered Sites approach.

Recommendation for Pointe Lagoon

Sacramento County
Pointe Lagoon

153 Units
Hard Costs: $5.4M ($36K per Unit)

CSG Recommends: 4% Sources – Uses: -$1.5M
4%/9% Hybrid Sources – Uses: +$4.3M

Outlook

- 4% RAD transaction provides beneficial terms to SHRA, allowing agency to address $5.4M in ten years of capital needs for 153 units with $1.5M of it's own capital funds or $10K per unit.

Additional Policy Considerations

- SHRA Properties outside the city of Sacramento are more spread out, and more difficult to maintain.

Feasibility & Phasing

Feasibility

Expected Timeline

Total gap of $24M million to convert 2,230 units in SHRA portfolio

- Can be accomplished over 12 year timeframe
- Finances over $89M million in hard costs
- Financing assumes non-competitive 4% LIHTC

Inclusion of 9% Tax Credit

Conversion timeframe could be shortened to 5 years with one 9% LIHTC application at either one or more SHRA properties.

- Payment to SHRA from 9% transaction at one or more properties would shorten the time frame from 12 years to as much as 5 years, where the last conversion would take place in 2023.

Priority Projects

	Project	*Funding Gap
Priority 1	RAD Pilot	-$3.2M
Priority 2	Oak Park	+$2.6M
Priority 3	Edge Water Apts	+$1.0M
Priority 4	Marina Vista	+$0.7M
Priority 5	Oak Park – Section 18	+$0.2M
Priority 6	Capital Terrace	-$0.5M
Priority 7	Pointe Lagoon	-$1.5M
Priority 8	Meadow Commons	-$2.2M
Priority 9	Comstock/BT/PK	-$3.1M
Priority 10	Alder Grove	-$3.5M
Priority 11	The Mill	-$3.6M

*Reflects 4% Tax Credit

Prioritizing by Affordability

	Year 0	Year +1			Year +2		
Property	**RAD Pilot**	**Oak Park**	**EdgeWater Apts**	**Marina Vista**	**Oak Park - Section 18**	**Capital Terrace**	**Pointe Lagoon**
Units	124	90	108	383	33	84	153
Funding Gap	-$3,194,271	$2,573,325	$1,050,537	$722,558	$234,936	-$463,186	-$1,504,860
Expected Capital Received	$4,807,678		$4,587,858			$3,557,895	
Capital Contribution	$3,846,143		$3,670,287			$2,846,316	
Net to SHRA	**$651,872**		**$8,016,707**			**$1,113,206**	
Cumulative Net to SHRA	***$651,872***		***$8,668,579***			***$9,781,786***	

- Prioritizing Properties that have the smallest funding gap can expedite SHRA RAD transactions for the first four years.
- Funds that go to SHRA can provide additional funds that will close funding gaps at other properties.

Prioritizing by Affordability

	Year +3			Year +4	Year +6	Year +12
Property	**Meadow Commons**	**Comstock / Big Trees / Pine Knoll**	**Alder Grove**	**The Mill**	**Rio Garden**	**Sun River**
Units	126	139	360	153	196	281
Funding Gap	-$2,207,846	-$3,102,918	-$3,517,167	-$3,587,250	-$4,015,019	-$7,174,401
Expected Capital Received	$3,079,254			$1,971,290	$3,400,121	$8,115,616
Capital Contribution	$2,463,403			$1,577,032	$2,720,096	$7,174,401
Net to SHRA	**-$6,364,527**			**-$2,010,218**	**-$1,294,923**	**$0**
Cumulative Net to SHRA	***$3,417,259***			***$1,407,041***	***$112,118***	***$112,118***

- As properties are moved from Section 9 to RAD, the capital fund will decrease, making it more difficult to fund RAD transactions.
- For Rio Garden and Sun River, it will take multiple years of capital funds to close funding gaps. However, in this scenario, Rio Garden is projected to be closed in 2026, where building condition and financial feasibility will have changed.

Post-Conversion Organizational Structure

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RAD Before and After

	BEFORE RAD	AFTER RAD
Funding	Properties are typically not funded at 100%	Properties are placed on a more stable Section 8 platform
Borrowing	PHAs cannot borrow money to perform necessary repairs	PHAs and owners are permitted to borrow (leveraging the property) to perform necessary repairs
Living Conditions	Funding fails to keep up with deterioration and physical needs	Living conditions are improved by rehabilitation or new construction
Mobility	Residents cannot choose to move without losing housing assistance	Residents may receive a tenant-based voucher, or similar assistance, and move after 1 year in PBV or 2 years in PBRA

RAD Before and After

	BEFORE RAD	AFTER RAD
Structure	PHA is Owner and Manager	Partnership, as LLP or LLC, is owner
Operations	PHA is generally the Property Manager	PHA or 3rd Party Management, as necessary
Procurement	Follows Rules of Part 85	Does not need to follow Part 85 rules
Residents	Under Public Housing	Under Section 8

Procurement

- 24 CFR 85 requires PHAs that receive Federal Grant Funding to follow procurement standards.
- As RAD owner, there are fewer procurement regulations
  - If the PHA does not supplement the transaction with PH funds, no procurement will apply post conversion
    - Example: Transfer of Assistance
- Key Considerations:
  - Staffing Levels

Next Steps

- **Finalize Policy to Guide Scattered Site Strategy**
- **Finalize Policy to Guide Phasing of Other Sites**
  Policy examples include:
  - Address Greatest Needs Sites first; or
  - Impact Largest Number of Units first; or
  - Look for Return Opportunities first.
- **Finalize Preferred Phasing Plan**
- **Identify Other Funding Sources to Minimize Gap**
  - Prepare Scoring Estimates for 9% LIHTC, AHSC, NHTF, AHP, etc.

Next Steps

- **Begin Predevelopment for Phase 1**
  - Develop Rehab Scope of Work
  - Procure Third Party Developers (if needed)
  - Submit RAD and Section 18 Applications
  - Work toward Initial Closings

Appendix

HUD Policy

New Demo/Dispo Rule

- Scattered Sites of 4 or fewer units will be approved for disposition.
- Tenant Protection Vouchers are first come, first serve.
- Many housing authorities expected to take advantage of the new policy.

Demolition & Disposition

Demo/Dispo

- HUD allows for public housing to be demolished or sold (disposition) and possibly rebuilt under certain circumstances.
- If HUD allows Section 18 demolition or disposition, Tenant Protection Vouchers may become available to preserve the existing subsidy available to residents if PHA can show necessary rehabilitation to a project is not cost-effective or obsolete.
- HUD generally considers modifications not to be obsolete if costs exceed 62.5% of Total Development Cost (TDC) for elevator structures and 57.14% for other types of structures.

Key Features of the PIH 2018-04 Notice

New Disposition/Demolition Justification Criteria

- Surrounding area
- Improved Efficiency
- Best Interests and Consistency
  - Obsolescence – 60% of the Hard Costs
  - Very Small PHAs- less than 50 units
  - Comprehensive Rehab - Hard costs are in excess of 60% of 5-year capital needs ($495K)
  - Scattered Sites

Other Key Features:
No escalation included in the Physical Needs Assessment (PNA), fees capped.

TPV's limited to 25% and based on availability. Even if vouchers not given, PHA must still comply.

Section 18 – Demolition/Disposition

<u>Overview</u>

HUD allows for public housing to be demolished or sold (disposition) and possibly rebuilt under certain circumstances.

If HUD allows Section 18 demolition or disposition, Tenant Protection Vouchers may become available to preserve the existing subsidy available to residents if PHA can show necessary rehabilitation to a project is not cost-effective or obsolete.

HUD generally considers modifications not to be obsolete if costs exceed 57.14% of Total Development Cost (TDC) for each area.

Tenant Protection Vouchers

Benefits of Tenant Protection Vouchers

Tenant Protection Voucher – PHA receives rent equal to the Payment Standard

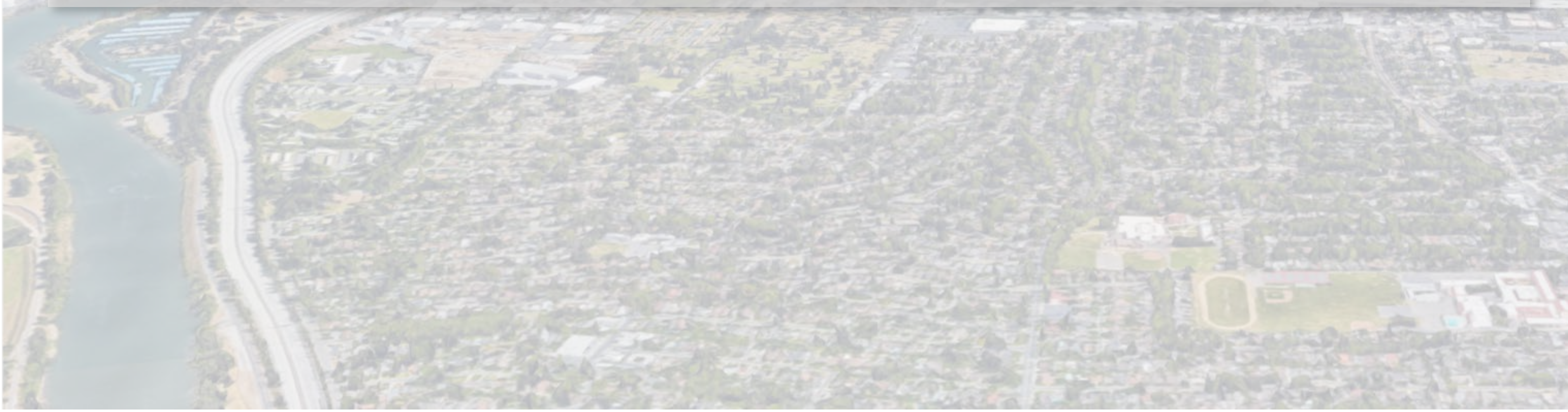
(ex: Alder Grove)

2018 RAD Rent – 2-BR Rent: $676

100% RAD Total Annual Revenue: $3,064,083

Tenant Protection Voucher (TPV) 2-BR: $1,194

25% TPV / 75% RAD Annual Revenue: $3,650,106



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Section 18 – Demolition

Demolition

For the demolition of an entire development, the development is obsolete as to physical condition, location, or other factors, making it unsuitable for housing purposes, and no reasonable program of modifications is cost-effective to return the public housing project or portion of the project to its useful life.

To evidence obsolescence for demolition of a project, PHAs must show that the necessary modification and/or rehabilitation to a project is not cost-effective. HUD generally considers modifications not to be cost-effective if costs exceed 62.5% of Total Development Cost for elevator structures and 57.14% for other types of structures.

Units That Qualify for Demolition

City of Sacramento	Alder Grove	Marina Vista	Central City	Meadow Commons	Oak Park	The Mill	Total
Units That Qualify	0	0	0	0	0	0	**0**

Calculating Obsolescence

__Calculating HUD Definition of Obsolescence__

1: Determine HUD Total Development Cost (TDC)

- HUD TDC Table determines the *expected* TDC, based on the building type, bedrooms, and market.
- To evidence obsolescence for demolition of a project, PHA must show the cost of rehab is past the HUD threshold of 62.5% of TDC for elevator structures and 57.14% of TDC for other types of structures.

2: What Qualifies as the Existing Cost to Rehabilitate Property?

- PHAs must demonstrate substantial physical issues of the buildings/units that cannot be corrected in a cost-effective manner. PHAs may submit Physical Needs Assessments (PNAs) that shows required work:
- Building systems, external amenities, and internal amenities, underground utilities, structural defects , imminent health and/or safety issues.
- Mitigation costs of asbestos, lead-based paint, or other environmental issues
- Accessibility improvements for persons with mobility, vision, hearing or other impairments, provided improvements are consistent with standards, regulations,

3: If Property Qualifies for Obsolescence

- PHA will receive 100% Tenant Protection Vouchers for tenants.

Calculating Obsolescence

<u>**Example: Rio Garden; 1041 Carmelita Ave. (1 unit)**</u>
Part A: Determine HUD Expected TDC
Building Type: “Detached/Semi-Detached”
Market: Sacramento
Bedrooms: 1 - 3BR
Expected TDC from HUD Worksheet: $348,533
TDC Threshold (Non-Elevator Building): 57.14% * $348,533=*$199,152*

Part B: Determine Scope of Work
10-Year PNA Need: $2,923,039

Part C: Does it Qualify for Obsolescence?
Yes…$2.9M>$199K

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Section 18 – Disposition

<u>**PIH 2018-04**</u>

New Disposition/Demolition Justification Criteria

- Surrounding area adversely affects the health or safety of residents or lack of demand for units.
- Improved Efficiency
- Best Interests and Consistency
    - **Scattered Sites**
    - **Obsolescence**
    - **Comprehensive Rehab**
    - Very Small PHAs – less than 50 units

Other Key Features:

No escalation included in the Physical Needs Assessment (PNA), fees capped

TPV's limited to 25% and based on availability. Even if vouchers not given, PHA must still comply.

Comprehensive Rehab

1: Determine Hard Construction Cost (HCC)

- HUD HCC Table determines the *expected* HCC, based on the building type, bedrooms, and market.
- To qualify for comprehensive rehab, PHA must show the cost of rehab is past the HUD threshold of 60% for HCC.

2: Does required work at property pass HCC threshold?

- To qualify, the project-based Section 8 units (RAD and PBV) must be newly constructed or substantially rehabilitated.
- Substantial Rehabilitation defined for purposes of this clause as hard construction costs, including general requirements, overhead and profit, and payment and performance bonds, in excess of 60% of the Housing Construction Costs.

3: If Property Qualifies for Disposition:

- 25% of units qualify for Tenant Protection Vouchers / 75% of units transition to RAD.

Comprehensive Rehab

<u>Example: Alder Grove (360 Units)</u>
Part A: Determine HUD Expected HCC
Building Type: "Row House"
Market: Sacramento
Bedrooms: 86 - 1BR
175 – 2BR
80 – 3BR
14 – 4BR
4 – 5BR

Expected HCC from HUD Worksheet: $56M
HCC Threshold: 60% * $56M=*$33.6M*

Part B: Estimate of Scope of Work (10-Year PNA Need): $34.2M
Estimate of general requirements, overhead and profit: $5.1M
Estimated Total Hard Construction Costs: $39.3M

Part C: Does it Qualify for Obsolescence?
Yes…$39.3M>$33.6M

Sources

PIH 2018-04 (HA):
Demolition and/or disposition of public housing property, eligibility for tenant protection vouchers and associated requirements.

2017 Unit Total Development Cost (TDC) Limits:
https://www.hud.gov/sites/documents/TDCS_2017.PDF

PNAs:
"Alder Grove"
"1041 Carmelita Ave SFH - Rio Garden"