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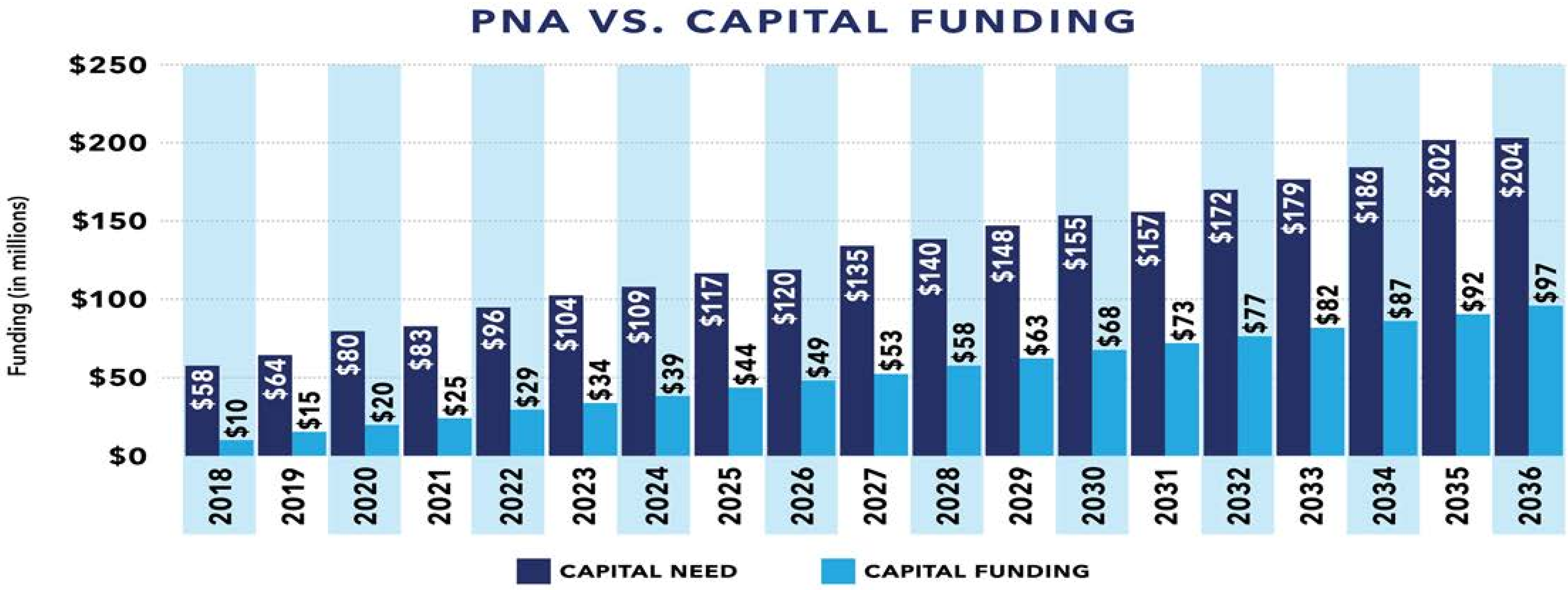
Asset Repositioning Update II

Public Housing Program

ISSUES FACING PUBLIC HOUSING

- Housing Stock is aging
- Federal funding is less than deferred maintenance backlog
- Need for strategies to position properties for longterm sustainability



- Total 20-Year Capital Need is $204 million. Average per year need is $10.2 million.
- Average Annual Capital Funding between 2016-2018 is $4.8 million.

*Please note: Chart does not take inflation into account

data provided by CSG | advisors

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Assumption and Strategies

Assumptions:

- Current physical condition of entire SHRA Portfolio
- Suitability of projects for 4% or 9% tax credit financing
- 3 years of operating budget

Strategies:

- Use RAD Program to stabilize portfolio of 5+ units over 12 year period
- Use Section 18 Program to convert Scattered Sites (4 or less units) to Project Based Section 8 Properties
- Target 4% credits for all projects & 9% for added benefit
- Use PHA Capital Funds to address funding gaps
- Use revenue from projects with no gap financing to help finance others

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Goals of the Plan

- Deliver high quality units to the residents by converting units off of the public housing platform
- Transform current operations to create greater efficiencies
- Change the current public housing business model to a more sustainable development, construction and property management model.
- Maximize project revenue to reduce SHRA funding needs and to use to reinvest into SHRA properties

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Financial Feasibility Study Results

- **Conversions are feasible using 4% tax credits , capital funds, supportable mortgages, & surplus cash from conversions**
- **9% transaction on 1 or more properties can boost timeline of completion from 12 to possibly 7 years**
- Funding Gap of $24 million to convert over 2,230 units of City and County housing units
- Funding gap filled with Capital Funds and Positive revenue from projects
- Efficiencies in operation of 15% allows PHA to obtain First Mortgage loans
- Authority could leverage over $149,000,000 ($129 million City/$20 million County) to complete deferred maintenance

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Marina Vista
Uniform style
All items (11)

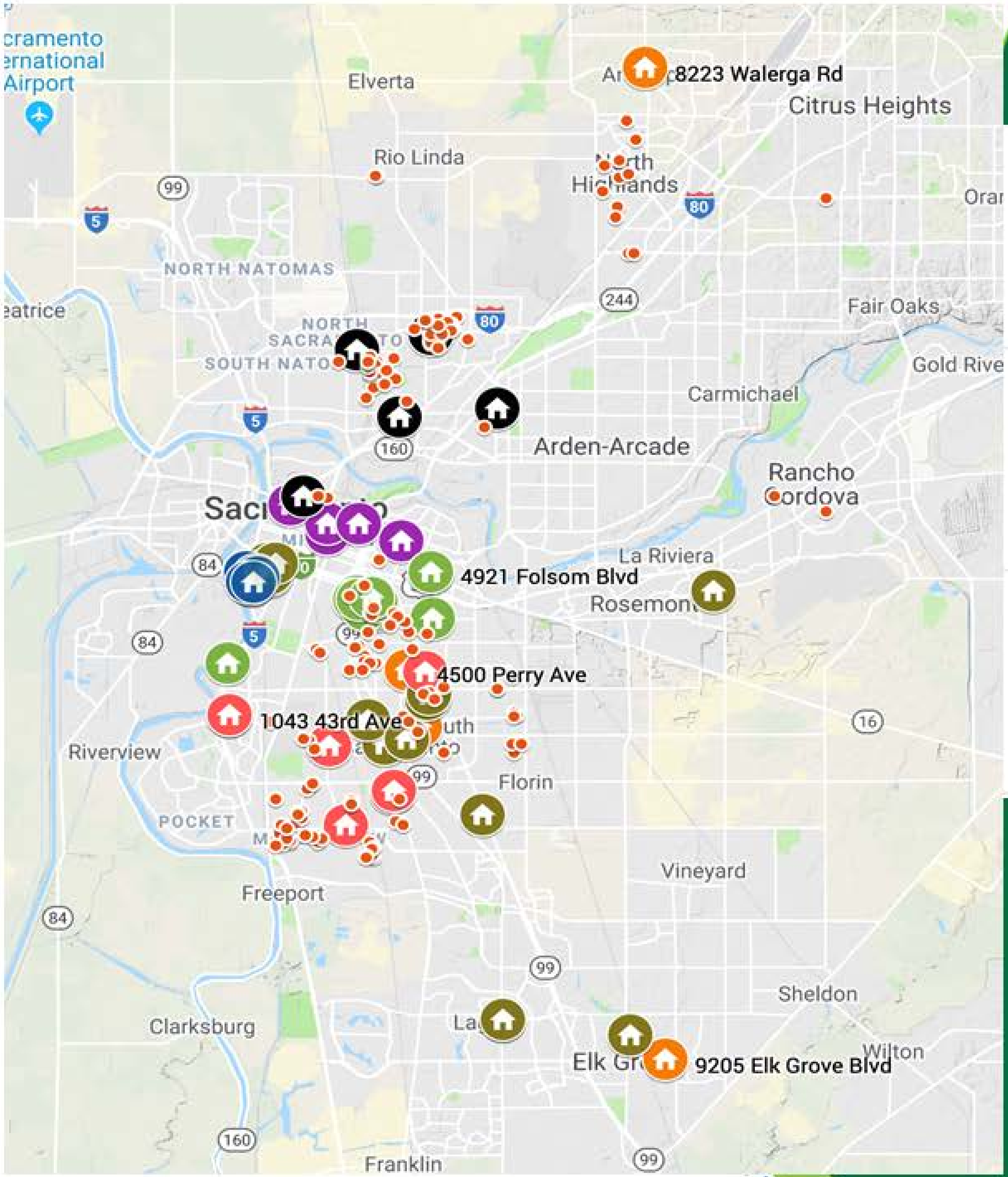
Central City
Uniform style
All items (5)

Meadow Commons
Uniform style
All items (6)

The Mill.xlsx
Uniform style
All items (5)

Oak Park.xlsx
Uniform style
All items (11)

SHRA Scattered Sites.xlsx
Uniform style
All items (160)



RAD 1
Uniform style
All items (6)

Pointe Lagoon.xlsx
Uniform style
All items (12)

Alder Grove
Uniform style
All items (17)

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Considerations for Phasing

- Capacity
  - Estimating 2 projects per year

- Timing for the LIHTC
  - Only 1 9% allowable per year

- Use of Capital Dollars & Other Financial Resources
  - Prioritizing Properties that provide the best financial return to SHRA allows SHRA to fund further RAD transactions

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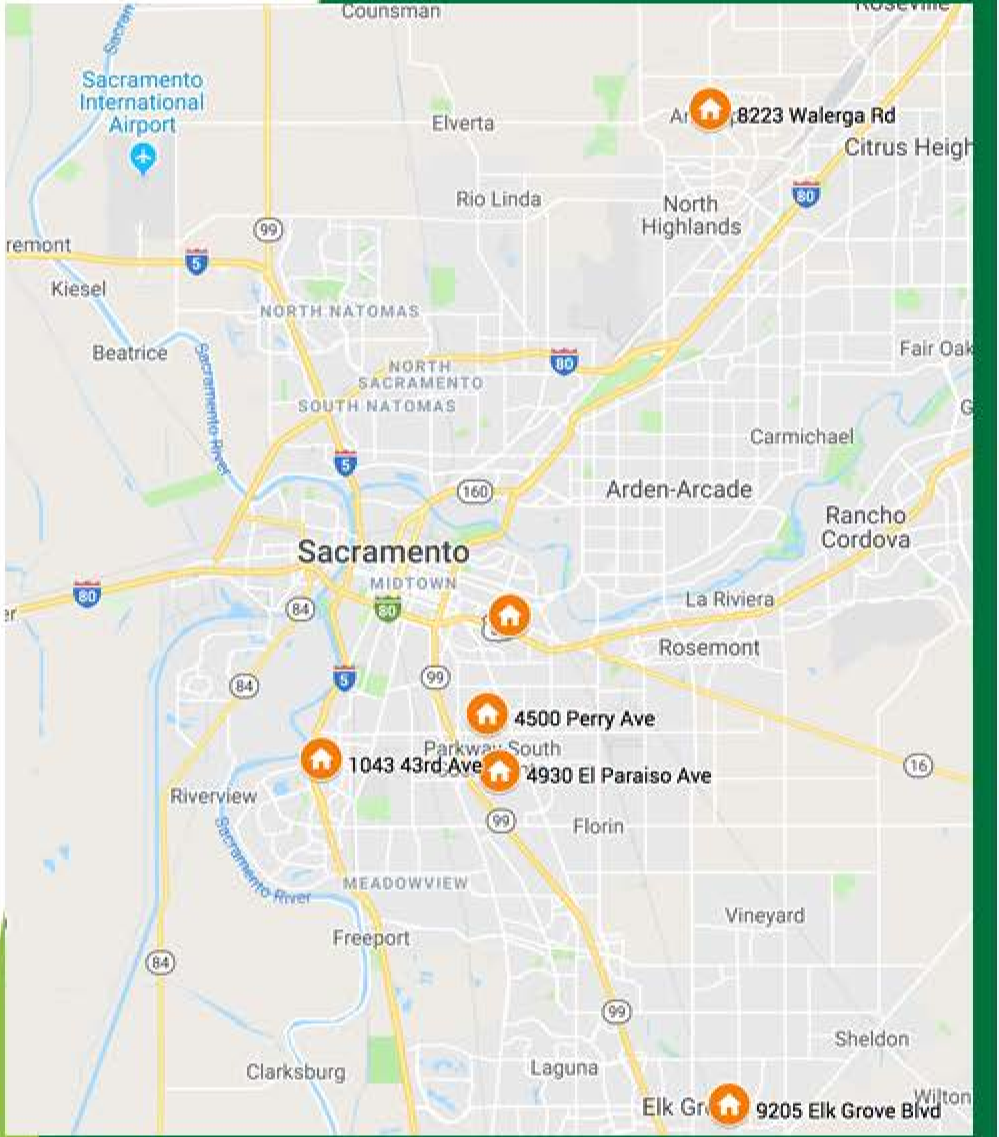
RAD 1

- Lowest PNA Need
- 4% LIHTC, Debt
  - Plain Vanilla Acquisition Rehab
- Cross Section of Sites, text out management practices

Total Units: 124

- Pointe Lagoon (62 units)
- 4500 Perry Ave
- El Paraiso
- Elk Grove/Florin
- Rio Garden (24 units)
- 8223 Walerga Rd
- Oak Park (10 units)
- 4921 Folsom Blvd
- Meadow Commons (28 units)



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Priority Phasing

SITE	Priority	UNITS
RAD Pilot Properties	1	124
Section 18 Properties	2	215
Edge Water	3	108
Marina Vista	4	383
Sun River	5	281
Central City (K Street, Capitol Terrace, Pine Knoll)	6	223
Oak Park—Phase 1	7	33
Oak Park—Phase 2	8	90
Meadow Commons	9	126
Pointe Lagoon	10	153
Rio Garden	11	196
The Mill	12	153
Alder Grove	13	360

- 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.

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Scattered Site Portfolio

AMP	Properties	Total Scattered Sites	Total Scattered Site Units
City Amp 4	Meadow Commons	47	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	6	14
County-AMP 5	Pointe Lagoon	6	7
	TOTAL	157	215

- 73% (115) OF SCATTERED SITES ARE LOCATED WITHIN THE CITY
- 27% (42) OF SCATTERED SITES ARE IN THE COUNTY
- 153 UNITS IN THE CITY
- 62 UNITS IN THE COUNTY

- GOAL OF AGENCY WILL BE TO TRANSITION SCATTERED SITES PROPERTIES TO PROJECT BASED SECTION 8 UNITS UTILIZING TPV'S

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Appendix

Guiding Principles

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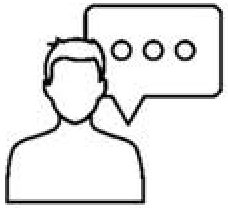
2007 Guiding Principles	2018 changes to Guiding Principles
1. Sustain our commitment to house extremely low income households by adopting a "no net loss policy", requiring the development of at least an equivalent number of replacement units when units are removed from our baseline inventory.	
2. Decrease 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)	2. 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**
3. Preserve and enhance existing physical housing stock; upgrading stock whenever possible to a 30 year useful life.	3. Preserve and enhance existing physical housing stock; upgrading stock whenever possible to a **20 year useful life**.
4. Locate new units into sustainable and livable communities that meet the specific needs of residents.	
5. Incorporate smart growth principles (i.e. energy efficiency, safety/security, quality of life) into project design to the maximum extent possible.	5. 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**
6. Diversify real estate portfolio in creative ways to support extremely low income units.	
7. Maximize utilization of existing resources (i.e. vouchers, local funds, the value of HA real estate assets, etc.) to implement development strategies.	
8. Reinvest proceeds from the sale of Housing Authority properties in the replacement of units.	
9. Promote and support resident self- sufficiency.	
10. Seek creative partnership with other agencies, non-profits, community groups, resident advisory boards, and private sector sponsors.	
11. Generate developer fees, sales proceeds, or other revenues to SHRA that at least covers associated costs.	

Residents Rights



- Residents have a right to return to the completed project
- PHAs cannot rescreen existing residents
- Project owners are required to renew all leases upon expiration
- Residents are allowed to organize and elect a council
- PHAs must consult with affected residents and respond to questions prior to submitting a RAD application
- Implementation of a RAD conversion constitutes a significant amendment to the PHA Plan, requiring public hearings and comment obligations
- PHAs must honor any existing waiting lists at the time of conversion
- Residents have a right to either remain in their converted units or move after one year with a regular Housing Choice Voucher (24 months with PBRA)

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Resident Consultation

- Resident Advisory Board
- General Notice of Intent
- Notice of RAD and/or Section 18 Program parameters for site
- At least two meetings with residents at each site before applications are submitted
- RAD Consortium (Stakeholders, RAB, Resident Council)
  - Accountability, information resource, advocacy
- Follow up meetings & consultation with residents post application approval

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