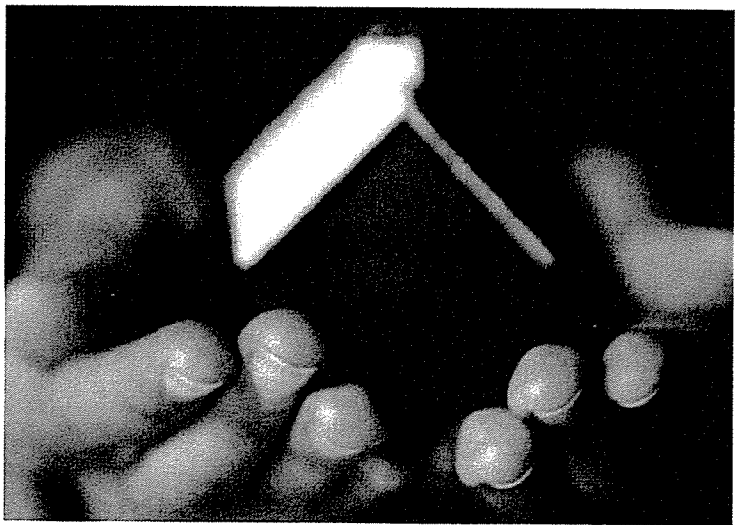


**Redevelopment Analysis for
Kottinger Place & Pleasanton Gardens**

**Task Force Presentation 2
March 12, 2007**

Prepared by Christian Church Homes

Executive Summary



City of Pleasanton Housing Task Force Presentation 2

Analysis of Kottinger Park and Pleasanton Gardens Redevelopment Options

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Executive Summary

history

The City of Pleasanton hired Christian Church Homes to assist the City and the Housing Task Force to evaluate the options for redevelopment and consolidation of Kottinger Place and Pleasanton Gardens. City staff and CCH crafted a work plan with milestones to provide a road map for the analysis.

The first milestone outlined in the work plan was to assemble information and analyze the existing conditions of the two facilities. CCH completed this task and presented the information to the Task Force on November 17, 2006.

milestone

The current milestone is to evaluate consolidation options for Pleasanton Gardens and Kottinger Place. This evaluation was conducted through creation and analysis of multiple redevelopment scenarios. Each scenario essentially presents a different nexus of (1) land use, (2) unit density, (3) ownership structure, and (4) phasing of tenant relocation, demolition and new construction.

We have presented an analysis of each option in light of the 15 goals adopted by the Task Force. Many of the Task Force Goals are achievable through all or most redevelopment options. The redevelopment option exercise sheds light on the Task Force goals that can only be achieved through a particular redevelopment option, identifies possibly conflicting Task Force goals that may require that Task Force to recognize trade-offs and prioritize one goal over another, and highlights critical constraints for further investigation.

The goals of this milestone include:

- (1) Estimating the capacity of various site configurations to create enough units to accommodate residents of both facilities, i.e. at least 90 units;

milestone cont.

- (2) Estimating the capacity of various site configurations to create enough new units to meet the Task Force's goal of creating an expanded, 150-unit senior apartment community;
- (3) Determining the major constraints to consolidating the ownership and operations of the two facilities; and
- (4) Analyzing the impact of various redevelopment scenarios that achieve Task Force goals for replacement units, density increase, and consolidation on other Task Force goals, such as minimizing impact of redevelopment on current residents.

assumptions

In order to limit the number of potential redevelopment scenarios, CCH made a number of assumptions and held several development constraints constant. The global assumptions – i.e., assumptions applicable to each redevelopment scenario in order to enable 'apple-to-apple' comparison – are as follows:

- (1) Site density analyses assume 2-story garden-style walkup clusters with private unit entrances and elevators, in keeping with the Task Force goals of increased density and preserved 'garden feel';
- (2) Site density analyses each assume a parking ratio of .5 spaces for every apartment unit in keeping with typical senior housing needs;
- (3) Each redevelopment scenario assumes approval of a Planned Unit Development rather than piecemeal zoning approvals;
- (4) Each redevelopment scenario assumes use of the Women's Club, and further assumes its relocation to another site or use by arrangement of standard community space at one of the new affordable senior complexes;

assumptions cont.

- (5) Redevelopment scenarios triggering relocation assume availability of additional project-based Section 8 from the Alameda County Housing Authority to offset relocation costs, as well as issuance of Section 8 vouchers to Kottinger Place residents;
- (6) Scenarios otherwise triggering relocation also assume a strategy of unit attrition (unfilled vacancies) and 'internal relocation' between the two existing facilities. Further refinement of development costs may need to include a line item for vacancy loss and resident internal relocation incentives, and identify a source for these costs;
- (7) Financing for each redevelopment scenario assumes syndication (tax credits).
- (8) Each redevelopment scenario assumes that the City retains ownership of Kottinger Place land, while divesting itself of ownership and daily operational responsibility for any of the redeveloped housing;
- (9) Each redevelopment scenario assumes nominal land cost (lease or sale for \$1.00) or sale for an amount necessary to retire the existing debt.
- (10) By "consolidation," we assume an organizational structure in which Pleasanton Gardens, Inc. and/or other community stakeholders partner with an experienced nonprofit affordable housing developer to form and control the Managing General Partner in one or more new Limited Partnerships.

Additional assumptions specific to a particular redevelopment scenario can be found in the overview narrative devoted to that scenario.

purpose cont.

Lastly, this presentation concludes that a form of consolidated ownership is feasible and can most likely be designed to address the concerns of the City and Pleasanton Gardens regarding control and respective contribution to the new development. It is hoped that this information will help the parties decide whether or not to move forward with a cooperative redevelopment of Kottinger Place and Pleasanton Gardens.

limitations

Members of the Task Force and City staff should bear in mind the limitations at this stage of the predevelopment feasibility study. The redevelopment scenario analysis is not intended to address all of the development constraints related to the financing, relocation and phasing, legal, and site limitations for each development option. Limitations include the following:

- (1) Architectural – The site density analyses are intended to provide accurate estimates of the unit counts achievable, assuming a two-story walkup building type consistent across several use scenarios. They are not intended as specific recommended designs, and have not been reviewed for consistency with the senior housing design guidelines adopted by Pleasanton in 2006. Moreover, the site density analyses are not Site Plans with precise setback, sloping, heritage tree preservation, and utility locations factored in. The density projections do, however, reflect conservative estimates to allow for the potential impact of these site conditions. Once the City and Task Force have narrowed the options and we have obtained additional site data such as a tree survey, boundary & topographic survey, CCH will then prepare formal site plans.
- (2) Financial – The Development Sources by Uses, detailed Development Budget, tax credit estimates, and Cash Flows are concept budgets intended to provide threshold feasibility analysis for various redevelopment scenarios, determine eligibility for funding sources, and enable “order-of-magnitude” comparison of scenarios for such benchmarks as level of City gap financing, total development cost, per unit cost, relocation and/or vacancy loss, and the impact of the presence or absence of subsidies such

limitations cont.

as transferred Section 8 and new project-based Section 8 vouchers. Further refinement awaits determination of such cost factors as building type, contractor's cost estimation, relocation cost, redevelopment-related vacancy loss, and the availability of various forms of subsidy.

- (3) Ownership – The Limited Partnership structure presented assumes the need for tax credits in all redevelopment scenarios. While the exact nature of the Limited Partnership or Partnerships to be formed depends on the funding sources and the needs and wishes of the various stakeholders (Pleasanton Gardens, City, Task Force), we believe the typical structure presented presents a reliable picture of the eventual ownership structure(s).
- (4) Phasing & Relocation – Per the milestones in CCH's contract with the City of Pleasanton and subsequent direction from City staff, this presentation of redevelopment scenarios was driven by two determinants: site configuration and ownership structures. Such spatial and organization analysis, however, highlights the critical role of phasing in determining the feasibility of various redevelopment scenarios and, perhaps most crucially, in estimating the likely impact of each scenario on the existing resident population of "aging in place" elderly households. We therefore discuss development phasing and relocation issues in each scenario and recommend that the Task Force authorize CCH to investigate possible phasing strategies in further detail.
- (5) Constraints – At this stage of feasibility analysis, we continue to identify major unknowns and constraints; we have not initiated contact with various stakeholders and third parties, such as HUD or the parks department, whose conditional approvals would be necessary to resolve these unknowns and remove constraints to various redevelopment scenarios.

Scenario One:
Rehabilitation Without
Consolidation

Scenario One - Overview

Scenario 1

Independent Rehabilitation of Kottinger Place & Pleasanton Gardens

Project Description	No. of Units	Consolidation	Financing
Kottinger Place – Gut Rehab	50 Units	Consolidated Management with Pleasanton Gardens; experienced nonprofit ownership in collaboration with City	4% Tax Credits with Tax Exempt Bonds
Pleasanton Gardens – Gut Rehab	40 Units	Consolidated Management with Kottinger Place; Pleasanton Gardens, Inc. remains partial owner.	4% Tax Credits with Tax Exempt Bonds

overview

If Pleasanton Gardens and the City were unable to come to terms for jointly redeveloping their facilities and consolidating ownership and operations, each owner could pursue independent redevelopment. Accordingly, *Scenario 1 evaluates* the least complicated redevelopment strategy and reflects rehabilitation only. As we will explain later in the analysis, all options essentially require creating new ownership entities and partnering with an established non-profit in order to access sources of affordable housing financing.

In light of prior Task Force discussions of facility condition, this scenario assumes gut rehabilitation: complete upgrade of all of the major building systems and unit finishes, as well as retrofitting the buildings to meet current handicap accessibility requirements. Given this level of recapitalization, we assumed the necessity for syndicating ownership to generate tax credit equity. A less comprehensive renovation scope of work might work with other refinancing loan products.

In this scenario, consolidation of ownership is not assumed, though consolidated property management via two separate contracts with a single management agent would still be pursued. Some form of consolidated ownership remains

overview cont.

theoretically possible in the independent rehabilitation scenario should the City choose to invite or appoint Pleasanton Gardens members to participate in a new ownership entity created in connection with the disposition and refinancing of Kottinger Place.

site density

Scenario 1 assumes rehabilitation without the creation of additional units at either Pleasanton Gardens or Kottinger Place. Existing densities remain 20 and 14 units per acre, respectively.

Should the City and/or Task Force wish to explore refinancing and rehabilitation options in greater detail, consideration could be given to the feasibility of adding additional, second-story units as part of a gut rehabilitation of one or both facilities.

financing

To generate enough resources for extensive rehabilitation of the two facilities, this scenario assumes syndication using 4% low-income tax credits. In addition to tax credits, additional funding sources are required to make this scenario feasible. CCH has assumed also securing funds from the City of Pleasanton and the Federal Home Loan Bank's Affordable Housing Program. The latter source contribution is often capped at around \$5,000 per unit due to competitive application scoring.

In a rehabilitation scenario using low-income tax credits, in order to qualify for acquisition credits and generate additional equity, each facility must be sold to another party, even if a related party. For this reason, both Kottinger Place and Pleasanton Gardens would have to sell their facilities to a newly formed non-profit at fair market value. One way to structure this transaction so that it does not increase the financing gap is to have the selling party, e.g. Pleasanton Gardens, take back a note for a portion of the selling price. A portion of the acquisition costs is usually allowed to flow through to the development budget to cover any existing debt obligations. Assuming IRS regulations are met, we have assumed the City and Pleasanton Gardens take back seller financing notes.

financing cont.

The financial highlights of Scenario 1 are as follows:

Kottinger Place

- Total development cost is estimated at \$8,388,649 or \$167,000 per unit
- Requires an estimated City of \$3.2 million, or \$64,000 per unit, 38% of total development costs
- Assumes ACC payments continue at \$93,000/year
- Rents are set at 35%-40% of Area Median Income
- No permanent long-term private debt is used to financing the development

Pleasanton Gardens

- Total development costs are estimated at \$6,972,777, or \$174,000 per unit
- Requires an estimated City contribution of approximately \$1.32 million, or \$33,000 per unit, representing 19% of total development costs
- Assumes Mark-Up-to-Market Rents approved along with Section 8 extension/transfer per Section 318 regulations
- Leverages long-term private debt to cover development costs
- Assumes 9 unassisted units continue without Section 8 assistance

Given the condition of Kottinger Place & Pleasanton Gardens we have estimated rehabilitation costs at approximately \$53,000 per unit, including site costs. The scope of rehabilitation would include all new interior finishes (cabinets, countertops, carpet, paint, and appliances). The rehabilitation would also include upgrading of major systems such as plumbing, electrical, heating & ventilation, exterior painting, improvement of the ADA compliance issues (including demolition of interior walls as necessary), new windows, upgrading the community room, and improving the grounds with new landscaping and paving.

The **attached budgets** and **financial graphs** provide details on Scenario 1. We have included the detailed concept budgets, as well as conveniently abbreviated budgets collapsed into five major categories. These are provided to simplify review of the analysis. The graphs help to illustrate the most significant costs and the relative amount of the various funding sources.

ownership

In order to qualify for tax credits and the other potential sources of affordable housing financing, both the City of Pleasanton and Pleasanton Gardens would need to form new ownership entities and partner with an experienced nonprofit agency. A typical syndication ownership structure is illustrated in the attached ownership structure diagram. In the case of Kottinger Place, the City would own and lease the land to a newly formed partnership, but would not be a part of the ownership structure. The City would enforce its use restrictions and voting provisions through the land lease and the regulatory agreement.

In the case of Pleasanton Gardens, the land and the building would be sold to a new nonprofit or to the limited partnership. With the development of a new entity, the managing general partner would then be comprised of members appointed by the experienced nonprofit as well as members appointed by Pleasanton Gardens.

Property management could be consolidated if the controlling parties in both new ownership structures contracted with the same third-party property management agent. As noted above, some form of consolidated ownership or control remains possible even in this independent re-financing and rehabilitation scenario. The controlling parties could appoint the same members to the nonprofit general partner in each Limited Partnership, creating functionally if not legally consolidated ownership.

phasing & relocation

In-place rehabilitation involving elderly households and frail elderly, is a challenging, potentially costly and risky endeavor. It has been acknowledged throughout this exploratory process that relocation and phasing are major considerations for any redevelopment scenario. One of the key challenges is vacating enough units to allow rehabilitation of units in contiguous clusters. To maximize construction and development efficiency, this grouping typically ranges from 7 to 15 units. This allows some economies of scale, creates a block of units to begin internally rotating residents, and allows for easier maintenance of a buffer zone between construction and residential areas.

Units are typically made available for gut rehabilitation by holding units vacant as they become available. In the best case, successful in-place rehabilitation would require careful planning and coordination among all of the parties involved, and would require approval by government agencies and buy-in, if not official approval, by the resident population. In the worst case, the scope of renovations may warrant temporary relocation, dramatically increasing project costs and potential impact on elderly residents.

advantages

Advantages to Scenario 1 include:

- (1) Limited land use approvals and potential for neighborhood opposition. Although design review may be triggered by extensive exterior modifications, rehabilitation will not require discretionary approvals by the local commission;
- (2) Less expensive development costs;
- (3) Smaller City contribution (except for Scenario 2) – though potentially greater on a per-unit basis than in other scenarios leveraging multiple sources;
- (4) Minimal or no relocation outside the facility, reducing development costs and potential risk to residents;
- (5) Rehabilitation reduces the development timeframe since the 4% tax credits are non-competitive – in contrast to HUD 202 fund and 9% tax credits;
- (6) Fewer HUD approvals required;
- (7) More environmentally friendly than new construction;
- (8) Does not require use of park land;
- (9) Allows for consolidation of management and, potentially, of ownership, though this benefit is not exclusive to this option.

disadvantages

Disadvantages to Scenario 1 include:

- (1) Does not meet City and Task Force increased density goals. Rehabilitation does not provide the best opportunity to increase the density at the facilities. Given previously documented Task Force priorities, CCH has not fully evaluated the feasibility of developing additional units in connection with gut rehabilitation;
- (2) Reduces the opportunity for improved land use – e.g., a more practical configuration of senior housing and park land;
- (3) In the case of Kottinger Place, securing on-going operating subsidies (ACC, other) may be difficult;
- (4) Achieves less than optimal building functionality (accessibility, energy efficiency);
- (5) Unable to improve unit mix without potentially losing units;
- (6) Gut rehabilitation with residents in place, potentially requiring multiple internal moves, may not appreciably minimize negative impact on existing elderly in comparison with phased new construction scenarios.

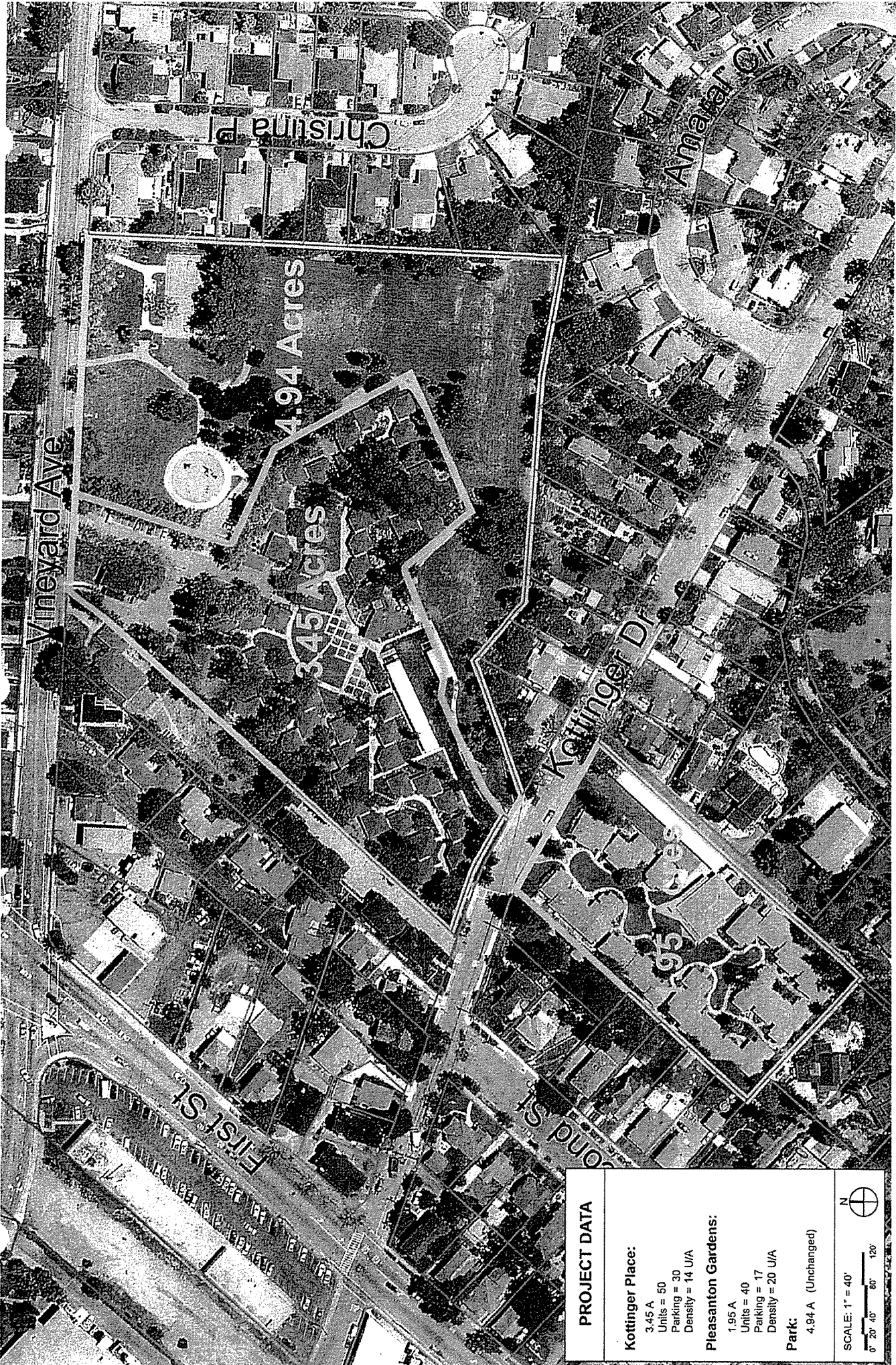
conclusions


While rehabilitation offers several advantages, it is not the optimal development scenario and does not meet many of the goals of the City and Task Force. However, it does still allow for consolidation of operations and potentially, on some level, of ownership.

The major constraints to this scenario are:

- 1) Vacating units through attrition and/or relocating tenants within the facility during in-place rehabilitation;
- 2) The ability to obtain operating subsidy for Kottinger Place, the current ACC level does not provide adequate operating subsidies to cover operating expenses.

Scenario One - Density Plan



PROJECT DATA	
Kottinger Place:	
3.45 A	
Units = 50	
Parking = 30	
Density = 14 U/A	
Pleasanton Gardens:	
1.95 A	
Units = 40	
Parking = 17	
Density = 20 U/A	
Park:	
4.94 A (Unchanged)	
SCALE: 1" = 40'	
0' 20' 40' 80' 120'	
	



February 20, 2007
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KOTTINGER PLACE - PLEASANTON GARDENS SENIOR HOUSING
(Scenario 1)
(REHABILITATION OF EXISTING CONDITIONS)

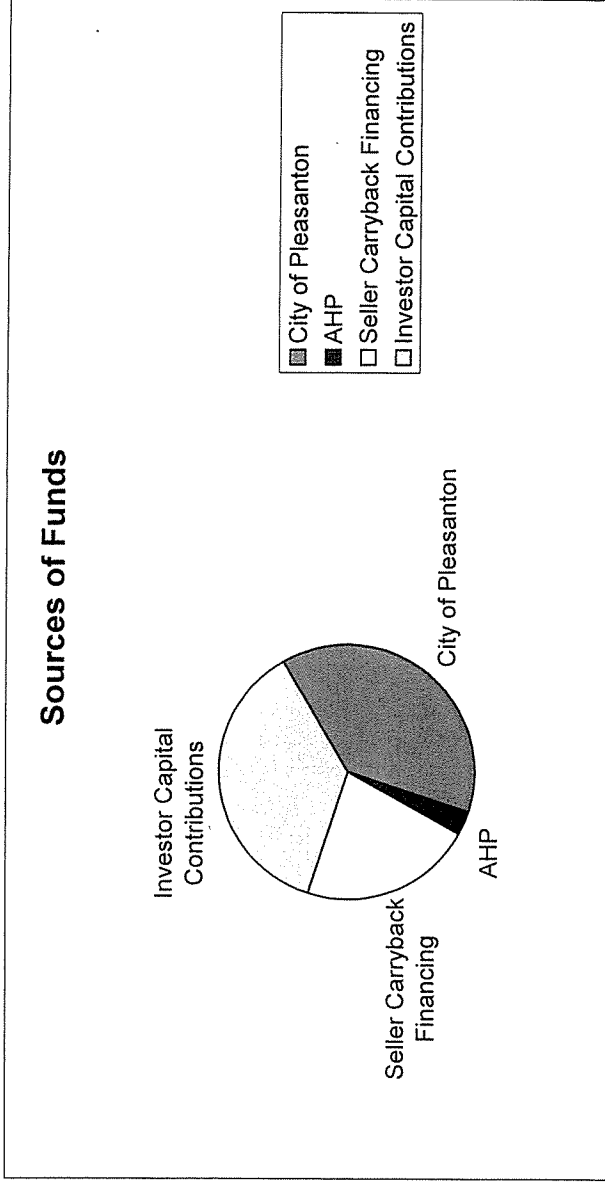


Scenario One - Funding

Project A

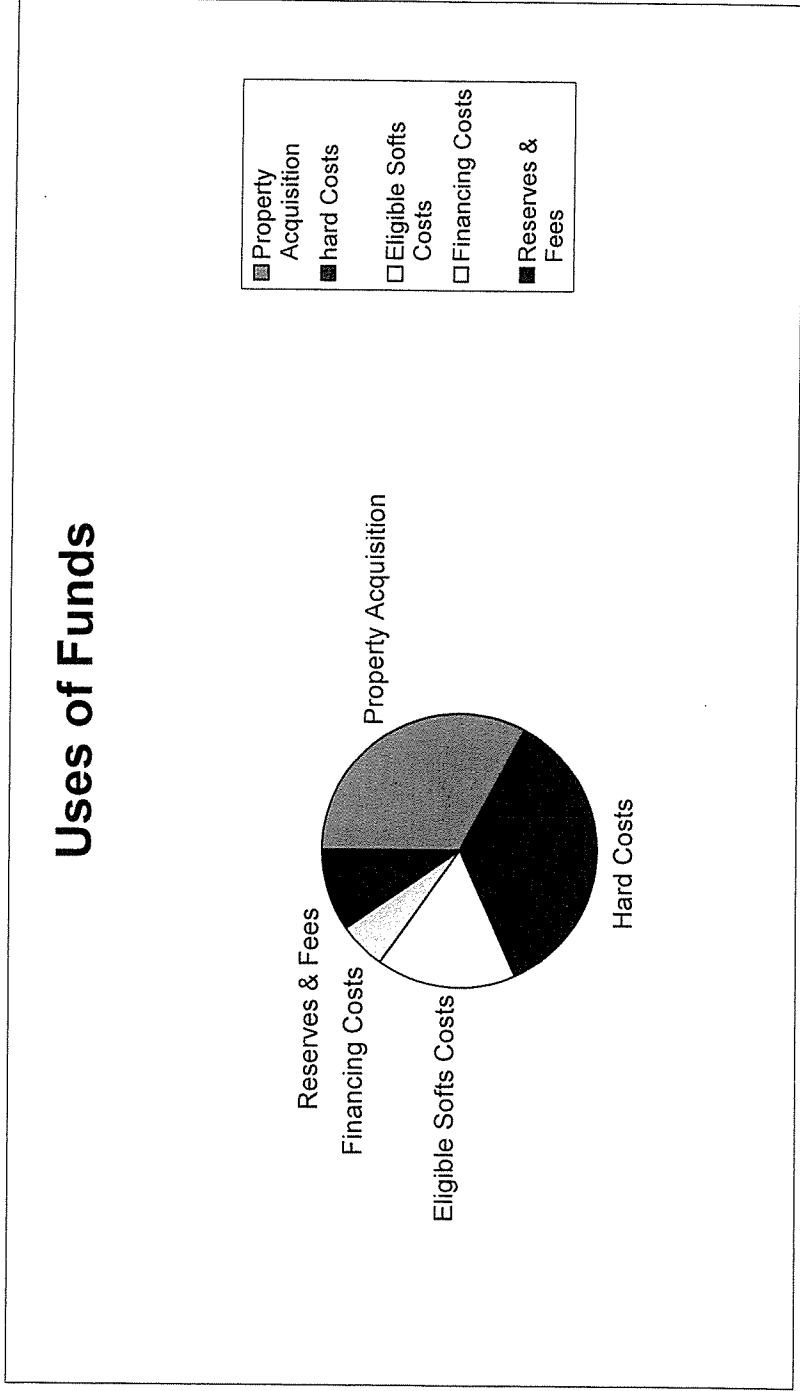
Scenario 1-Project 1: Rehabilitation of Kottinger Place
 50 Units
 4% Tax Credits

SOURCES OF FUNDS		
City of Pleasanton	3,224,369	38%
AHP	250,000	3%
Seller Carryback Financing	1,837,000	22%
Investor Capital Contributions	3,077,280	37%
<i>Total Sources</i>	8,388,649	100%



Scenario 1-Project 1: Rehabilitation of Kottinger Place
 50 Units
 4% Tax Credits

USES OF FUNDS		
Property Acquisition	2,743,000	33%
hard Costs	3,000,000	36%
Eligible Softs Costs	1,372,639	16%
Financing Costs	464,377	6%
Reserves & Fees	808,633	10%
<i>Total Uses</i>	8,388,649	100%



Scenario 1: Kottinger Place Rehabilitation
50 Units
4% Tax Credits

	A	B	C	D	E
		Permanent	Construction	Rate	Per Unit
1					
2					
3	Local Public Agency Funds	3,224,369	3,200,000	3.00%	64,487
4	AHP (\$5k/unit)	250,000	250,000	0.00%	5,000
5	Seller Takeback Financing	1,837,000	1,837,000	5.00%	36,740
6	Investor Capital Contributions	3,077,280	50,000		61,546
7	Deferred Developer Fee	0			Per Unit
8	TOTAL SOURCES	8,388,649			
9					
10	Total Required During Constr.	7,765,017			
11	Construction loan	2,428,017			
12	Construction period	12			
13	Conversion period	3			
14	Average % Outstanding	55%			
15	Rate	6.75%			
16					
17	CALCULATION OF CREDIT AMOUNT				
18	Rehab Basis	5,097,433			
19	Eligible Basis	5,097,433			
20	High cost factor (QCT)	6,626,662	130.00% DDA		
21	Acquisition Basis	2,345,000			
22	Total Basis	8,971,662			
23	Applicable fraction	8,971,662	100.00%		
24	Federal Credit Amount	314,008	3.50%		
25	State Credit Amount	0			
26					
27	Equity from Federal Credit	3,077,280	98.00%		
28	Equity from State Credit	0			
29	Total Equity	3,077,280			
30	Syndication Costs	95,000			
31	Net Equity	2,982,280			

	A	B	C	D	E	F	G	H
	SOURCES AND USES OF FUNDS	TOTAL COST	Residential	Commercial	Construction Period	BASIS FOR 4% REHAB CREDIT	BASIS FOR ACQUISITION CREDIT	
1								
2	SOURCES AND USES OF FUNDS							
3								
4	LAND COST/ACQUISITION							
5	Prepaid Land Rent	438,000	438,000	0	438,000			
6	Carrying Costs	20,000	20,000	0	20,000			
7	Legal & Closing Costs	10,000	10,000	0	10,000			
8	Total Land Cost or Value	468,000	468,000	0				
9	Improvements Value	2,275,000	2,275,000	0	2,275,000		2,275,000	
10	Off-Site Improvements	0			0			
11	Total Acquisition Cost	2,743,000	2,743,000	0	2,743,000			
12	REHABILITATION							
13	Site Work	200,000	200,000		200,000	200,000		
14	Structures	2,456,140	2,456,140		2,456,140	2,456,140		
15	General Requirements	171,930	171,930		171,930	171,930		
16	Contractor Overhead	85,965	85,965		85,965	85,965		
17	Contractor Profit	85,965	85,965		85,965	85,965		
18	Total Rehabilitation Cost	3,000,000	3,000,000	0	3,000,000			
19	NEW CONSTRUCTION							
20	Site Work and Utilities	0			0	0		
21	Structures-Housing	0	0		0	0		
22	Structures - Commercial	0			0	0		
23	Direct Contracts and Other NIC	0	0	0	0	0		
24	General Requirements	0	0	0	0	0		
25	Contractor Insurance & Bond	0	0	0	0	0		
26	Contractor Overhead & Profit	0	0	0	0	0		
27	Contractor Fee	0	0	0	0	0		
28	Total New Construction Costs	0	0	0	0			
29	ARCHITECTURAL FEES							
30	Design	157,500	157,500	0	157,500	116,527		
31	Supervision	52,500	52,500	0	52,500	52,500		
32	Total Architectural Costs	210,000	210,000	0	210,000			
33	Survey and Engineering	30,000	30,000	0	30,000	30,000		
34	CONSTR. INTEREST & FEES							
35	Const. Loan Interest	131,113	131,113	0	131,113	131,113		
36	Const. Loan Interest (Soft Loans)	0	0	0	0	0		
37	Issuance Costs (see detail below)	173,264	173,264	0	173,264			
38	Origination Fee	0	0	0	0	0		
39	Construction Lender Fees & Expenses	0	0	0	0	0		
40	Line of Credit Interest	0	0	0	0	0		
41	Taxes	10,000	10,000	0	10,000	10,000		
42	Insurance	125,000	125,000	0	125,000	125,000		
43	Title and Recording	25,000	25,000	0	25,000	25,000		
44	Total Construction Interest and Fees	464,377	464,377	0	464,377			
45	PERMANENT FINANCING							
46	Loan Fees (2%)	0	0	0	0	0		
47	Credit Enhancement & Application Fee	0	0	0	0	0		
48	Title and Recording	0	0	0	0	0		
49	Other	0	0	0	0	0		
50	Total Permanent Financing Costs	0	0	0	0			
51	LEGAL FEES							
52	Lender Legal Costs Paid by Applicant	0	0	0	0	0		
53	Other - Owner Legal	50,000	50,000	0	50,000	30,000	20,000	
54	Total Attorney Costs	50,000	50,000	0	50,000			
55	RESERVES							
56	Capitalized Operating Reserve	93,750	93,750					
57	Other Reserve	0	0					
58	Total Reserve Costs	93,750	93,750	0	0			
59	Total Appraisal Costs	10,000	10,000	0	10,000	10,000		
60	Total Construction Contingency Costs	450,000	450,000	0	450,000	450,000		
61	OTHER							
62	Tax Credit App./Alloc./Monitoring fees	25,230	25,230		25,230			
63	Environmental Audit	12,500	12,500		12,500	12,500		
64	Local Development Impact Fees	80,705	80,705	0	80,705	80,705		
65	Permit Processing Fees	80,705	80,705	0	80,705	80,705		
66	Market Study	8,500	8,500	0	8,500	8,500		
67	Marketing	50,000	50,000	0	50,000			
68	Construction manager	25,000	25,000	0	25,000	25,000		
69	Furnishings	10,000	10,000	0	10,000	10,000		
70	Relocation	135,000	135,000	0	135,000	135,000		
71	Soft Cost Contingency	100,000	100,000	0	100,000	100,000		
72	Total Other Costs	527,640	527,640	0	527,640			
73	Total Project Cost	7,578,767	10,578,767	0	7,485,017	4,432,550	2,295,000	
74	DEVELOPER COSTS							
75	Developer Overhead/Profit	714,883	714,883	0	200,000	664,883	50,000	
76	Consultant/Processing Agent	0						
77	Project Administration							
78	Broker Fees paid by owner							
79	Construction Management Oversight							

	A	B	C	D	E	F	G	H
80	Other							
81	Total Developer Costs	714,883	714,883	0	200,000	664,883	50,000	
82								
83	TOTAL PROJECT COST	8,293,649	11,293,649	0	7,685,017	5,097,433	2,345,000	
84	Syndication Costs							
85	Legal - Syndication	35,000	35,000	0	35,000			
86	Audit	15,000	15,000	0				
87	Consultant - Syndication	45,000	45,000	0	45,000			
88	Bridge Loan Interest	0			0			
89	Total Syndication Costs	95,000	95,000	0	80,000			
90	TOTAL PROJECT COSTS INCL. SYNDICATION	8,388,649	11,388,649	0	7,765,017	5,097,433	2,345,000	

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1														
2	CASH FLOW ANALYSIS													
3														
4	INCOME	Unit Size	# of Units	TCAC AMI	Monthly Rent Charged Tenant	Total Monthly Rent All Units								
5			32		500	16,000								
6	0 BR		16		600	9,600								
7	1 BR													
8														
9	Manager's Unit (2 BR)		2		0	0								
10	Total Units		50			25,600								
11														
12	Total Annual Income					307,200								
13	Laundry Income					2,000								
14	Gross Residential Income					309,200								
15	Vacancy Reserve		5.00%			-15,460								
16	ACC					93,000								
17	EGI					386,740								
18														
19	OPERATING EXPENSES		7,000		pupa	350,000								
20														
21	Services Income					0								
22	Services Expenses					0								
23														
24	NET OPERATING INCOME					36,740								
25	Less 30 year debt service paid currently					0								
26	Less Land Rent					-1								
27	Trustee and Issuer Fees					0								
28	Reserves		500			25,000								
29														
30	Excess Cash					11,741								
31														
32														
33														
34														
35														

THRESHOLD BASIS

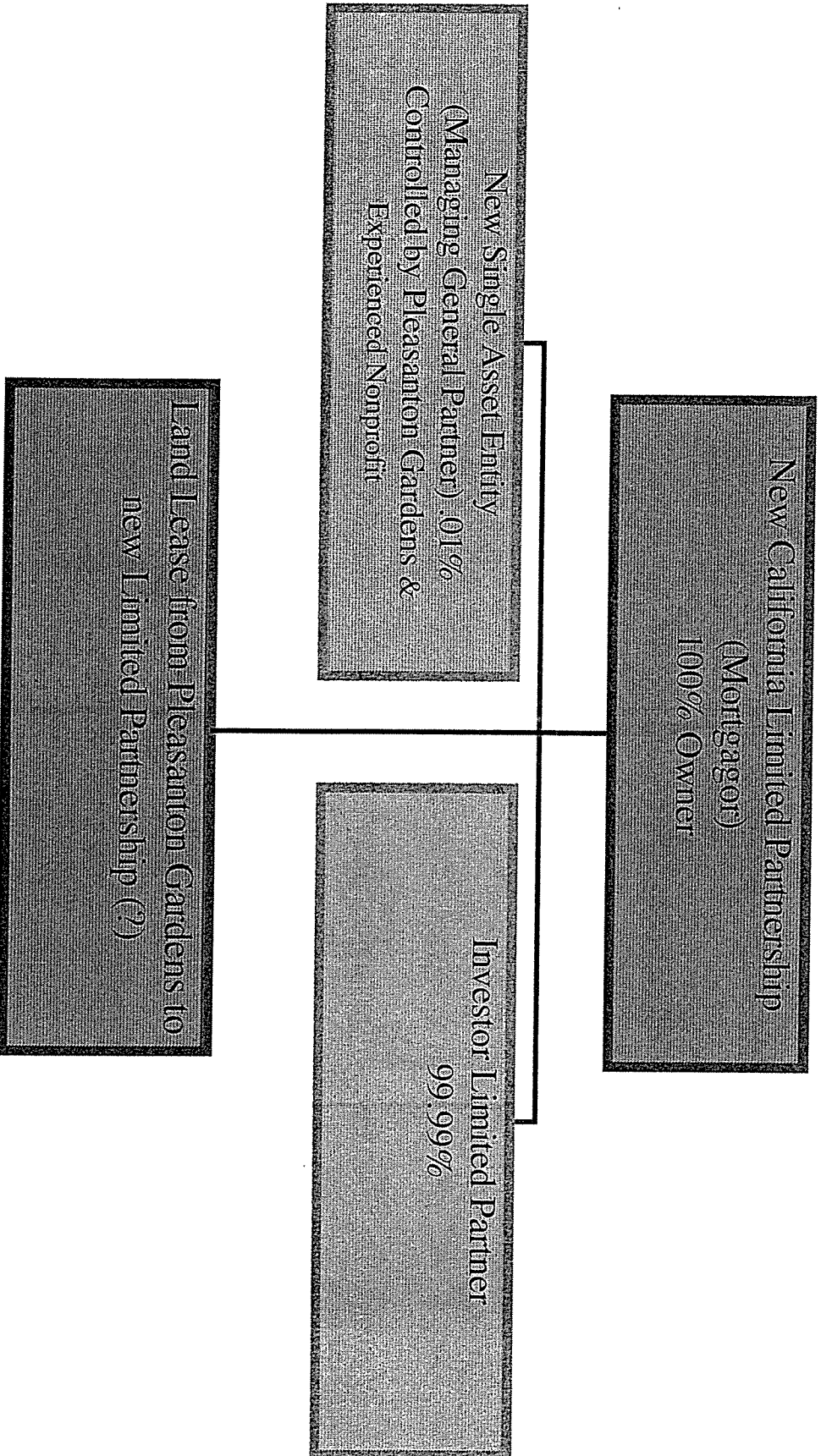
County Alameda

Unit Size	Basis Limits	Number Units	Project Basis
0 BR	105,576	32	3,378,432
1 BR	121,730	16	1,947,680
2 BR	146,807	2	293,614
Total		50	5,619,726
Prevailing Wage		20%	1,123,945
Plus Impact Fees			80,705
Plus Structural		15%	0
Plus Special N.		2%	0
Plus Bonds		100%	5,619,726
Total Maximum Basis			12,444,102
Actual Basis per Costs Elevator			5,097,433

Scenario 1 Ownership Structure **PLEASANTON GARDENS**

Rehabilitation

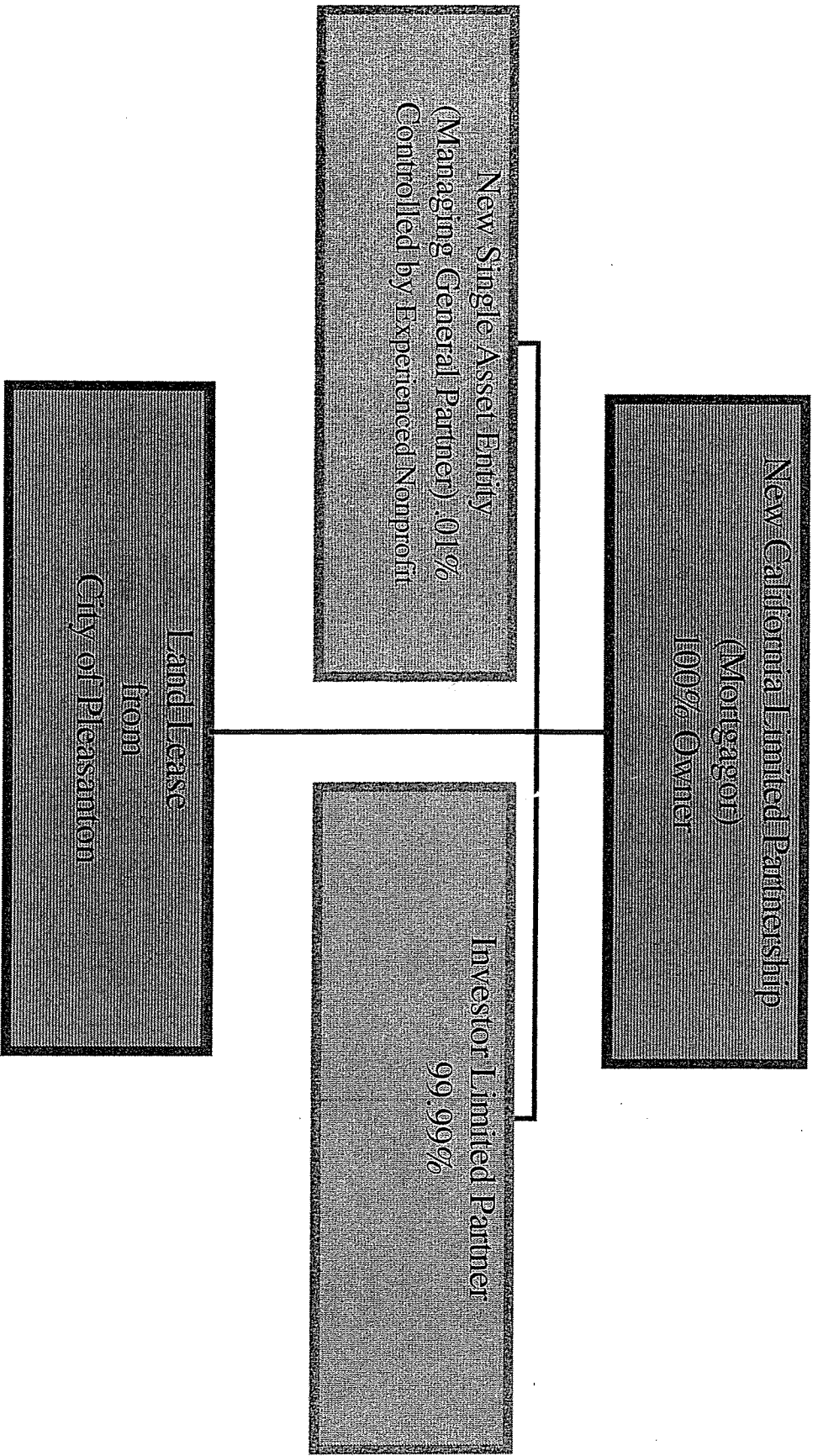
Independent Development Entity



Scenario 1 Ownership Structure

KOTTINGER PLACE Rehabilitation

Independent Development Entity

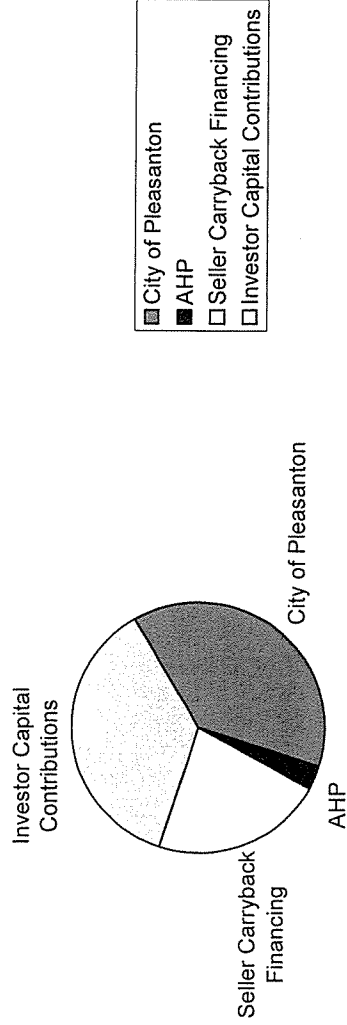


Project B

Scenario 1-Project 2: Pleasanton Gardens Rehabilitation
 40 Units
 4% Tax Credits

SOURCES OF FUNDS		
Permanent Debt	1,138,800	16%
City of Pleasanton	1,320,720	19%
AHP	200,000	3%
Seller Carryback	1,670,000	24%
Investor Capital Contributions	2,643,256	38%
<i>Total Sources</i>	6,972,776	100%

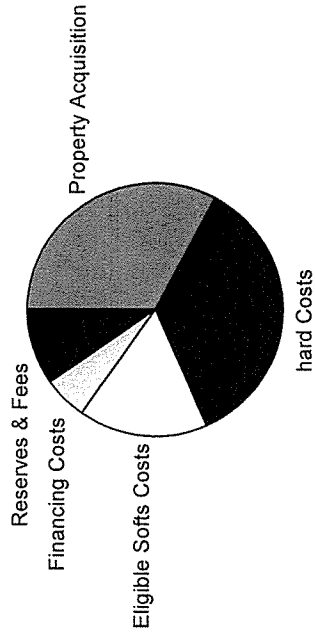
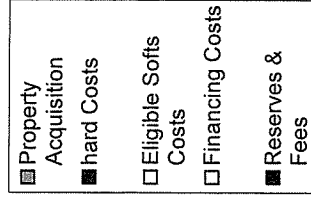
Sources of Funds



Scenario 1-Project 2: Rehabilitation of Pleasanton Gardens
4% Tax Credits

USES OF FUNDS		
Property Acquisition	2,000,000	29%
hard Costs	2,585,000	37%
Eligible Softs Costs	1,171,797	17%
Financing Costs	417,406	6%
Reserves & Fees	798,574	11%
<i>Total Uses</i>	<i>6,972,777</i>	<i>100%</i>

Uses of Funds



Scenario 1: Pleasanton Gardens Rehabilitation

40 Units

4% Tax Credit

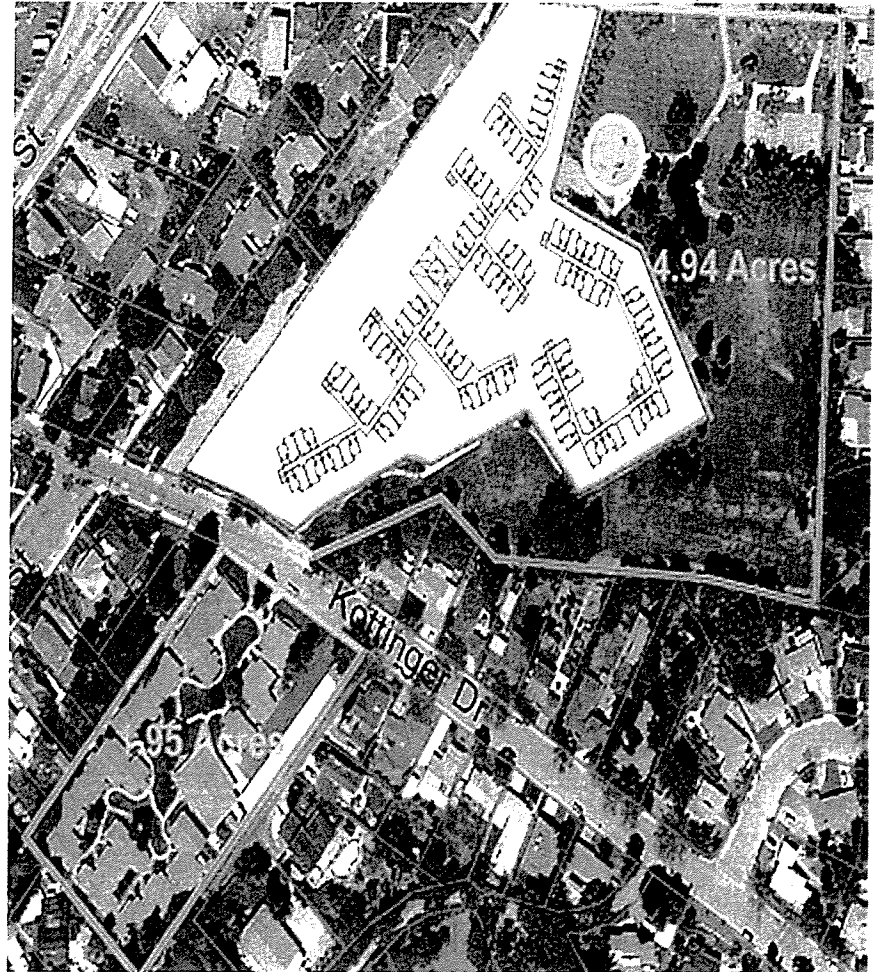
	A	B	C	D	E
		Permanent	Construction	Rate	Per Unit
1					
2					
3	Permanent Debt	1,138,800		8.50%	28,470
4	Local Public Agency Funds	1,320,720	2,800,000	3.00%	33,018
5	AHP (\$5k/unit)	200,000	200,000	0.00%	5,000
6	Seller Takeback Financing	1,670,000	1,670,000	5.00%	41,750
7	Investor Capital Contributions	2,643,256	50,000		66,081
8	Deferred Developer Fee	0			
9	TOTAL SOURCES	6,972,777			
10					
11	Total Required During Constr.	6,454,203			
12	Construction loan	1,734,203			
13	Construction period	12			
14	Conversion period	3			
15	Average % Outstanding	55%			
16	Rate	6.75%			
17					
18	CALCULATION OF CREDIT AMOUNT				
19	Rehab Basis	4,474,066			
20	Eligible Basis	4,474,066			
21	High cost factor (QCT)	5,816,286	130.00% DDA		
22	Acquisition Basis	1,890,000			
23	Total Basis	7,706,286			
24	Applicable fraction	7,706,286	100.00%		
25	Federal Credit Amount	269,720	3.50%		
26	State Credit Amount	0			
27					
28	Equity from Federal Credit	2,643,256	98.00%		
29	Equity from State Credit	0			
30	Total Equity	2,643,256			
31	Syndication Costs	95,000			
32	Net Equity	2,548,256			

	A	B	C	D	E	F	G	H
1.					Construction	BASIS FOR	BASIS FOR	
2	SOURCES AND USES OF FUNDS	TOTAL COST	Residential	Commercial	Period	4% REHAB CREDIT	& ACQUISITION CREDIT	
3								
4	LAND COST/ACQUISITION							
5	Prepaid Land Lease	150,000	150,000	0	150,000			
6	Carrying Costs	20,000	20,000	0	20,000			
7	Legal & Closing Costs	10,000	10,000	0	10,000			
8	Total Land Cost or Value	180,000	180,000	0				
9	Improvements Value	1,820,000	1,820,000	0	1,820,000		1,820,000	
10	Off-Site Improvements	0			0			
11	Total Acquisition Cost	2,000,000	2,000,000	0	2,000,000			
12	REHABILITATION							
13	Site Work	35,000	35,000		35,000	35,000		
14	Structures	2,236,842	2,236,842		2,236,842	2,236,842		
15	General Requirements	156,579	156,579		156,579	156,579		
16	Contractor Overhead	78,289	78,289		78,289	78,289		
17	Contractor Profit	78,289	78,289		78,289	78,289		
18	Total Rehabilitation Cost	2,585,000	2,585,000	0	2,585,000			
19	NEW CONSTRUCTION							
20	Site Work and Utilities	0			0	0		
21	Structures-Housing	0	0		0	0		
22	Structures - Commercial	0		0	0	0		
23	Direct Contracts and Other NIC	0	0	0	0	0		
24	General Requirements	0	0	0	0	0		
25	Contractor Insurance & Bond	0	0	0	0	0		
26	Contractor Overhead & Profit	0	0	0	0	0		
27	Contractor Fee	0	0	0	0	0		
28	Total New Construction Costs	0	0	0	0			
29	ARCHITECTURAL FEES							
30	Design	135,713	135,713	0	135,713	135,713		
31	Supervision	45,238	45,238	0	45,238	45,238		
32	Total Architectural Costs	180,950	180,950	0	180,950			
33	Survey and Engineering	30,000	30,000	0	30,000	30,000		
34	CONSTR. INTEREST & FEES							
35	Const. Loan Interest	93,647	93,647	0	93,647	64,382		
36	Const. Loan Interest (Soft Loans)	0	0	0	0	0		
37	Issuance Costs (see detail below)	163,759	163,759	0	163,759			
38	Origination Fee	0	0	0	0	0		
39	Construction Lender Fees & Expenses	0	0	0	0	0		
40	Line of Credit Interest	0	0	0	0	0		
41	Taxes	10,000	10,000	0	10,000	10,000		
42	Insurance	125,000	125,000	0	125,000	125,000		
43	Title and Recording	25,000	25,000	0	25,000	25,000		
44	Total Construction Interest and Fees	417,406	417,406	0	417,406			
45	PERMANENT FINANCING							
46	Loan Fees (2%)	0	0	0	0			
47	Credit Enhancement & Application Fee	0	0	0	0			
48	Title and Recording	0	0	0	0			
49	Other	0			0			
50	Total Permanent Financing Costs	0	0	0	0			
51	LEGAL FEES							
52	Lender Legal Costs Paid by Applicant	0	0	0	0	0		
53	Other - Owner Legal	50,000	50,000	0	50,000	30,000	20,000	
54	Total Attorney Costs	50,000	50,000	0	50,000			
55	RESERVES							
56	Capitalized Operating Reserve	70,000	70,000					
57	Other Reserve	0	0					
58	Total Reserve Costs	70,000	70,000	0	0			
59	Total Appraisal Costs	10,000	10,000	0	10,000	10,000		
60	Total Construction Contingency Costs	387,750	387,750	0	387,750	387,750		
61	OTHER							
62	Tax Credit App/Alloc./Monitoring fees	20,687	20,687		20,687			
63	Environmental Audit	12,500	12,500		12,500	12,500		
64	Local Development Impact Fees	68,205	68,205	0	68,205	68,205		
65	Permit Processing Fees	68,205	68,205	0	68,205	68,205		
66	Market Study	8,500	8,500	0	8,500	8,500		
67	Marketing	50,000	50,000	0	50,000			
68	Construction manager	25,000	25,000	0	25,000	25,000		
69	Furnishings	10,000	10,000	0	10,000	10,000		
70	Relocation	150,000	150,000	0	150,000	150,000		
71	Soft Cost Contingency	100,000	100,000	0	100,000	100,000		
72	Total Other Costs	513,097	513,097	0	513,097			
73	Total Project Cost	6,244,203	8,829,203	0	6,174,203	3,890,492	1,840,000	
74	DEVELOPER COSTS							
75	Developer Overhead/Profit	633,574	633,574	0	200,000	583,574	50,000	
76	Consultant/Processing Agent	0						
77	Project Administration							
78	Broker Fees paid by owner							
79	Construction Management Oversight							
80	Other							
81	Total Developer Costs	633,574	633,574	0	200,000	583,574	50,000	
82								
83	TOTAL PROJECT COST	6,877,777	9,462,777	0	6,374,203	4,474,066	1,890,000	
84	Syndication Costs							
85	Legal - Syndication	35,000	35,000	0	35,000			
86	Audit	15,000	15,000	0				

	A	B	C	D	E	F	G	H	I
1	CASH FLOW ANALYSIS								
2			Monthly Rent Charged Tenant	Total Monthly Rent All Units		County	Alameda		
3						THRESHOLD BASIS			
4	INCOME	# of Units			Unit Size	Unit Size	Basis Limits	Number Units	Project Basis
5		15	874	13,110	0 BR (Section 8 - MUT)	0 BR (Section 8 - MUT)	105,576	15	1,583,640
6	0 BR (Section 8 - MUTM)	4	414	1,656	0 BR	0 BR	105,576	4	422,304
7	0 BR	16	1,065	17,040	1 BR (Section 8 - MUT)	1 BR (Section 8 - MUT)	121,730	16	1,947,680
8	1 BR (Section 8 - MUTM)	4	507	2,028	1 BR	1 BR	121,730	4	486,920
9	1 BR				Manager's Unit (2 BR)	Manager's Unit (2 BR)	146,807	1	146,807
10	Manager's Unit (2 BR)	1	700	700					
11	Total Units	40		34,534	Total			40	4,587,351
12					Prevaling Waç			20%	917,470
13					Plus Impact Fees				68,205
14	Total Annual Income			414,408	Plus Structural			15%	0
15	Laundry Income			2,000	Plus Special N			2%	0
16	Gross Residential Income			416,408	Plus Bonds			100%	4,587,351
17	Vacancy Reserve	5.00%		-20,820	Total Maximum Basis				10,160,377
18	EGI			395,588	Actual Basis per Costs				4,474,066
19					Elevator				No
20	OPERATING EXPENSES	6,500 pupa		260,000					
21									
22	Services Income			0					
23	Services Expenses			0					
24									
25	NET OPERATING INCOME			135,588					
26	Less 30 year debt service paid currently			105,077					
27	Less Prepaid Land Rent			-1					
28	Trustee and Issuer Fees			0					
29	Reserves	500		20,000					
30									
31	Excess Cash			10,512					

Scenario One - Consolidation

Scenario Two:
Separate Redevelopment of
Kottinger Place and
Rehabilitation of Pleasanton
Gardens



Separate Redevelopment of
Kottinger Place and Rehabilitaiton
of Pleasanton Gardens

Scenario Two - Overview

Scenario 2 Independent Redevelopment of Kottinger Place without Pleasanton Gardens

Project Description	No. of Units	Consolidation	Financing
Kottinger Place: New Construction	128 Units	Consolidated Management with Pleasanton Gardens, New Limited Partnership with Experienced Nonprofit Managing General Partner	HUD 202 With 4% Tax Credits
Pleasanton Gardens: TBD	40 Units	Consolidated Management with Kottinger Place; Pleasanton Gardens, Inc.	4% Tax Credits with Tax Exempt Bonds

overview

Scenario 1 examined the possible independent rehabilitation of Kottinger Place and Pleasanton Gardens. Scenario 2 also assumes that the City and Pleasanton Gardens choose not to pursue joint redevelopment. In contrast to Scenario 1, however, *Scenario 2 evaluates* the viability of demolition and new construction on the Kottinger Place site for the benefit of existing Kottinger Place residents. The proposed project would not provide housing for Pleasanton Gardens' residents. The project would be developed in one phase on the existing, un-subdivided Kottinger Place site. Ownership would not be consolidated. Scenario 2 does not provide analysis of independent demolition and new construction options for Pleasanton Gardens.

Consolidation of the property management would still be pursued.

site density

Based on a 2-story walk-up garden style design, this analysis shows that the City could achieve approximately 128-units of housing at a density of 32 dwellings units per acre. The site area is approximately 3.97 acres, which includes the site area previously occupied by the Women's Club. This density is nearly double the density of the existing facility. See attached **Site Density Plan**.

financing

For this scenario, CCH has proposed a financing structure of HUD 202 with 4% Tax Credits. Of the 128 units, 104 would be HUD 202 units with PRAC subsidy. The remaining 24 units would be governed under the tax credit program. There are several reasons for proposing this structure.

Firstly, the financing program that best serves the income levels of the existing resident population is the HUD Section 202 Capital Advance for the Elderly program. In addition to a significant capital contribution to cover construction and development costs, the HUD 202 program provides long-term Project Rental Assistance Contract (PRAC), making each unit affordable to very low-income and extremely low-income elderly households. Tenant-paid rent is capped at 30% of the resident's actual adjusted gross monthly income. The PRAC income stream subsidizes the difference between tenant-paid rents and operating expenses. HUD 202 projects operate on a 'zero balance' basis, in theory breaking even each year. HUD operating budgets permit inclusion of the cost of an on-site Social Service Coordinator.

Secondly, funded HUD 202 projects have historically averaged 40 to 80 units. Given the absence of Section 202 housing in Pleasanton, we have assumed a higher HUD 202 unit count would be competitive. In addition, HUD strives to distribute scarce 202 funds in a geographically equitable way. As a result, a single HUD 202 application for a 128-unit facility, of necessity serving only one locality, would likely be less competitive than a smaller proposed facility.

Due to the IRS regulations regarding the use of federal funds, mixed-finance projects utilizing HUD funds are typically combined with 4% tax credits. Four-percent tax credits are granted upon approval of an application for a private activity bonds from the state debt limit allocation committee.

The **attached summary budget and financial graphs** provide the details to this scenario. The graphs highlight the most significant costs and the relative amount of the various funding sources. These are provided to simplify review of the analysis.

financing cont.

The highlights of this scenario are as follows:

- Total development cost is per unit is approximately \$26 million, or \$203,000 per unit;
- City of Pleasanton contribution is just under \$2.4 million, or 9% of overall costs;
- City funds are leveraged 10:1
- 104 out of the 128 units are HUD Section 202 units subsidized by Project Rental Assistance.
- For the remaining 24 units, we have assumed the developer could obtain project-based vouchers to create deeper affordability, and have not factored in possible continuation of the ACC income stream;
- Assumptions regarding the relative proportion of HUD Section 202, Project-based voucher, and unsubsidized units are provisional and subject to change.

ownership

The ownership structure under this scenario would be very similar to the structure outlined in Scenario 1. The HUD Section 202 program would require the creation of a new single-asset ownership entity. The tax credit program would require the formation of a Limited Partnership. The single-asset ownership entity would most likely function as the Managing General Partner in the Limited Partnership, with the tax credit investor serving as the Limited Partner. The Managing General Partner would have one or more nonprofit members. In order to qualify for various funding sources, the Managing General Partner would most likely include as members both a local nonprofit such as Pleasanton Gardens, and an experienced nonprofit housing developer. The local nonprofit and experienced housing nonprofit would jointly control the Managing General Partner/single-asset ownership entity.

A new limited partnership would be created and would be comprised of a new single-asset entity with an experienced nonprofit managing general partner and an investor limited partner. A Disposition Agreement would be executed with HUD for the facility, but the City would retain ownership of the land and grant the new limited partnership and 99 year land lease.

The new single-asset entity could also be created to with members from the experienced non-profit and other community appointed members.

**phasing
& relocation**

Relocation is the most important factor affecting this option. Without a phased development or use of the park land, residents would have to be relocated. If tenants are displaced for more than 12 months, permanent relocation benefits are triggered. With an estimated construction period of approximately 18 months, we have assumed permanent benefits would be required. We estimate approximately 15-20 could be made available through not renting units as they become available over the course of approximately 1.5 – 2 years. This stage of our analysis includes only order of magnitude estimating, so we have estimated relocation costs based on approximately \$3,000 per household for temporary relocation and \$49,000 for residents for permanent relocation. Based on these numbers we have estimated relocation cost at approximately \$1.5 million. The estimate for permanent relocation could be significantly higher based on tenants with zero income and if tenants were not able to obtain Section 8 vouchers.

advantages

Advantages to Scenario 2 include the following:

- (1) Project scale allows for greater efficiency in construction costs;
- (2) Project scale enhances the ability to obtain competitive pricing and financing;
- (3) Single-phase construction simplifies development;
- (4) Single-phase project reduces risk of financing regulations and available funding changing between development phases;
- (5) Significantly increases the project density and provides 78 additional affordable senior units;
- (6) Regulatory compliance and conditional HUD approvals less complicated than joint development scenarios;
- (7) Does not require use of park land.

disadvantages

Disadvantages to Scenario 2 include the following:

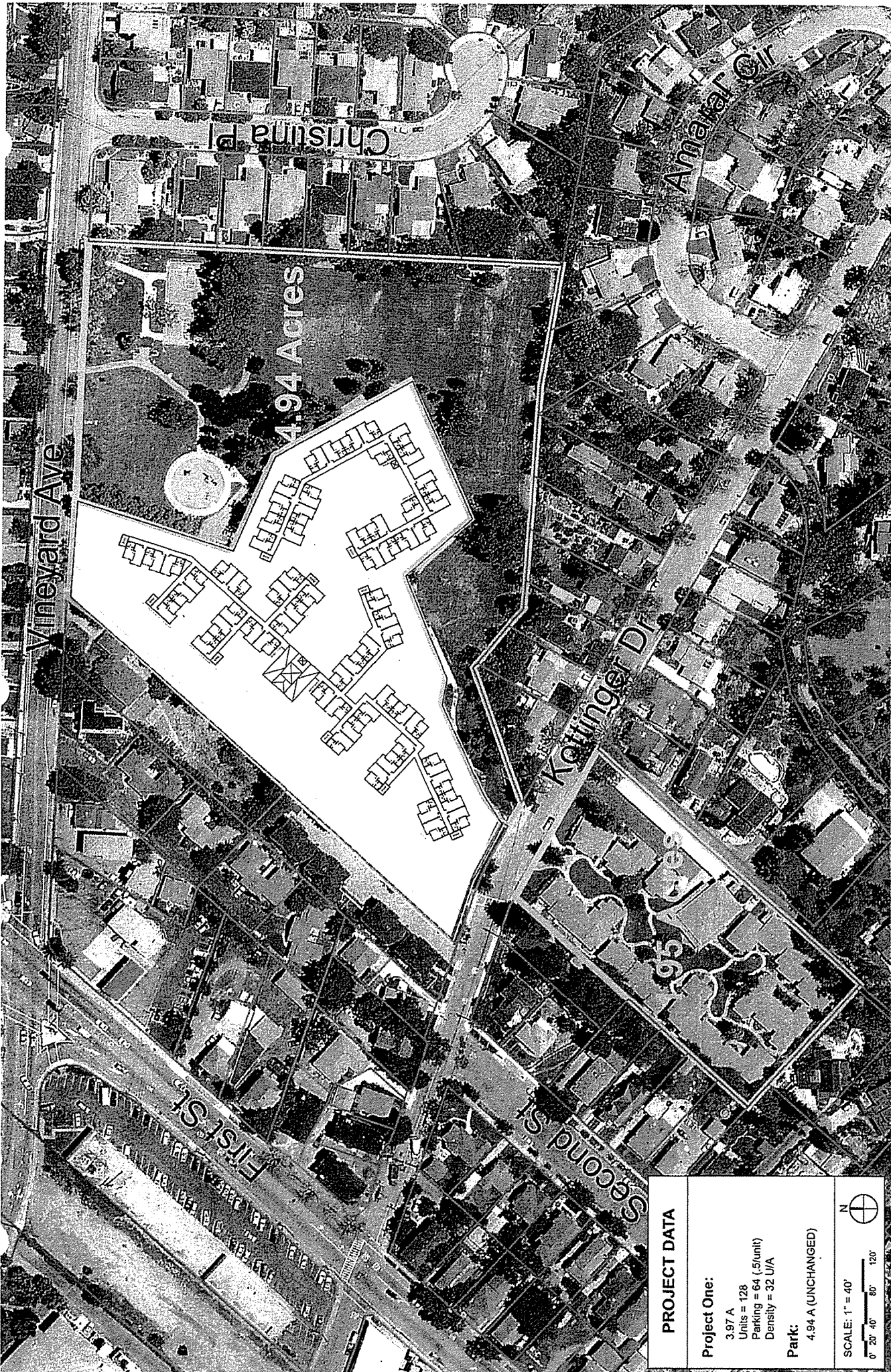
- (1) Does not allow for the phasing of demolition and construction, likely requiring off-site relocation of residents;
- (2) Relocation costs are estimated at nearly \$1.5 million;
- (3) Obtaining a new project-based section 8 voucher contract is uncertain;
- (4) A single HUD application requesting capital advance and PRAC for 104 units may be non-competitive or require multiple annual applications;
- (5) Assumes a non-consolidated development.

conclusions & constraints

Developing 128 units in one project does have several advantages, but it does not offer the most practical and feasible solution to meeting the City and Tasks Force goals. The major constraints to this scenario are:

- (1) Vacating units and relocating tenants to allow demolition and clearing of the entire site;
- (2) Potential for major relocation costs;
- (3) The ability to obtain additional Section 8 allocations, as the current ACC level does not provide adequate operating subsidies to cover operating expenses.

Scenario Two - Density Plan



4.94 Acres

Vineyard Ave

First St

Second St

Kottinger Dr

Amara Pl

Christina Pl

95 Ave

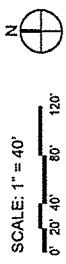
PROJECT DATA

Project One:

3.97 A
 Units = 128
 Parking = 64 (1.5/unit)
 Density = 32 U/A

Park:

4.94 A (UNCHANGED)



KOTTINGER PLACE - PLEASANTON GARDENS SENIOR HOUSING

(Scenario 2)

KOTTINGER PLACE - (ONE SITE, ONE OWNER)

February 20, 2007

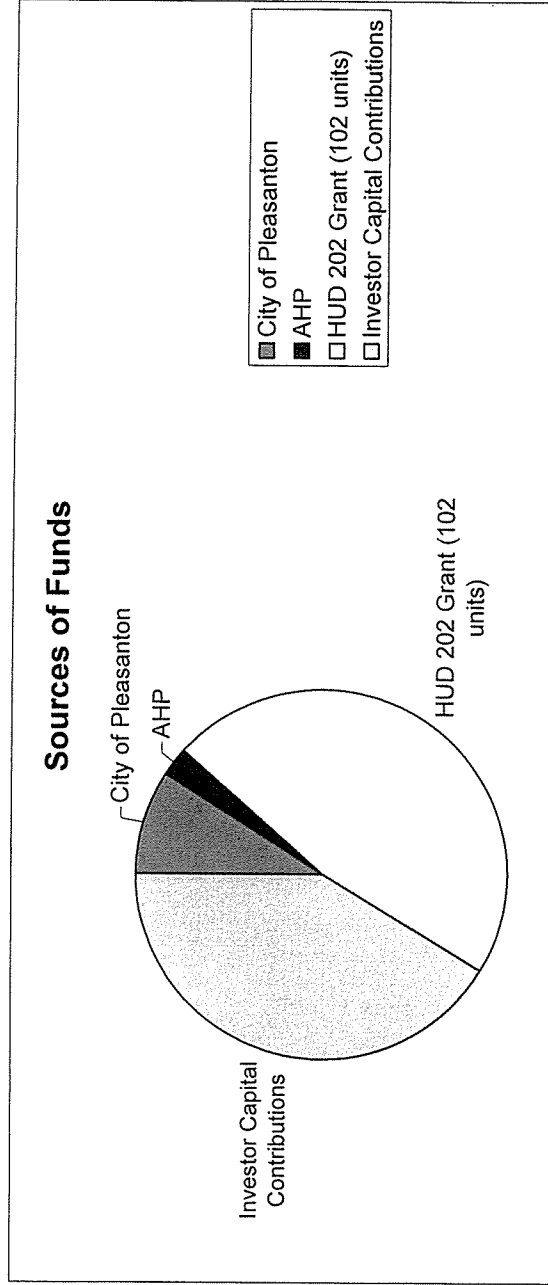
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Scenario Two - Funding

Scenario 2: Kottinger Place Redevelopment
 128 Units
 HUD 202 & 4% Tax Credits

SOURCES			
City of Pleasanton	2,379,364		9%
AHP	640,000		2%
HUD 202 Grant (102 units)	12,269,400		47%
Investor Capital Contributions	10,773,265		41%
Total Sources	26,062,029		100%



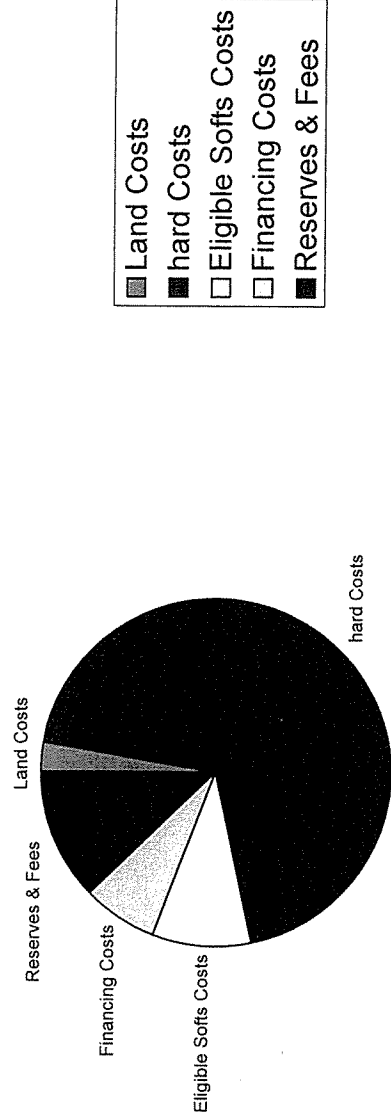
Scenario 2: Kottinger Place Redevelopment

128 Units

HUD 202 & 4% Tax Credits

USES		
Land Costs	718,000	3%
hard Costs	17,934,277	69%
Eligible Softs Costs	2,401,263	9%
Financing Costs	1,844,489	7%
Reserves & Fees	3,164,000	12%
Total Uses	26,062,029	100%

Uses of Funds



Scenario 2: Redevelopment of Kottinger Place Only
 128 Units
 HUD 202/4% Tax Credit

	A	B	C	D	E
1		Permanent	Construction	Rate	Per Unit
2					
3	HUD 202 (102 units)	12,269,400	0	0.00%	95,855
4	Local Public Agency Funds	2,379,364	3,200,000	3.00%	18,589
5	AHP (\$5k/unit)	640,000	640,000	0.00%	5,000
6	Grants	0	0		0
7	Investor Capital Contributions	10,773,265	50,000		84,166
8	Deferred Developer Fee	0			0
9	TOTAL SOURCES	26,062,029			203,610
10					
11	Total Required During Constr.	23,178,029			
12	Construction loan	19,288,029			
13	Construction period	16			
14	Conversion period	3			
15	Average % Outstanding	55%			
16	Rate	6.75%			
17					
18	CALCULATION OF CREDIT AMOUNT				
19	Rehab Basis	24,160,720			
20	Eligible Basis	24,160,720			
21	High cost factor (QCT)	31,408,936	130.00% DDA		
22	Acquisition Basis	0			
23	Total Basis	31,408,936			
24	Applicable fraction	31,408,936	100.00%		
25	Federal Credit Amount	1,099,313	3.50%		
26	State Credit Amount	0			
27					
28	Equity from Federal Credit	10,773,265	98.00%		
29	Equity from State Credit	0			
30	Total Equity	10,773,265			
31	Syndication Costs	95,000			
32	Net Equity	10,678,265			

	A	B	C	D	E	F
1					Construction	BASIS FOR
2	SOURCES AND USES OF FUNDS	TOTAL COST	Residential	Commercial	Period	4% NC CREDIT
3						
4	LAND COST/ACQUISITION					
5	Prepaid Land Rent	438,000	438,000	0	438,000	
6	Carrying Costs	20,000	20,000	0	20,000	
7	Legal & Closing Costs	10,000	10,000	0	10,000	
8	Demolition	250,000	250,000		250,000	
9	Total Land Cost or Value	718,000	718,000	0		
10	Improvements Value	0	0	0	0	
11	Off-Site Improvements	0			0	
12	Total Acquisition Cost	718,000	718,000	0	718,000	
13	REHABILITATION					
14	Site Work	0	0		0	0
15	Structures	0	0		0	0
16	General Requirements	0	0		0	0
17	Contractor Overhead	0	0		0	0
18	Contractor Profit	0	0		0	0
19	Total Rehabilitation Cost	0	0	0	0	
20	NEW CONSTRUCTION					
21	Site Work and Utilities	1,111,077	1,111,077		1,111,077	1,111,077
22	Structures-Housing	14,757,193	14,757,193		14,757,193	14,757,193
23	Structures - Commercial	0		0	0	0
24	Direct Contracts and Other NIC	0	0	0	0	0
25	General Requirements	1,033,004	1,033,004	0	1,033,004	1,033,004
26	Contractor Insurance & Bond	516,502	516,502	0	516,502	516,502
27	Contractor Overhead & Profit	516,502	516,502	0	516,502	516,502
28	Contractor Fee	0	0	0	0	0
29	Total New Construction Costs	17,934,277	17,934,277	0	17,934,277	
30	ARCHITECTURAL FEES					
31	Design	0	0	0	0	0
32	Supervision	0	0	0	0	0
33	Total Architectural Costs	0	0	0	0	
34	Survey and Engineering	30,000	30,000	0	30,000	30,000
35	CONSTR. INTEREST & FEES					
36	Const. Loan Interest	1,280,243	1,280,243	0	1,280,243	1,280,243
37	Const. Loan Interest (Soft Loans)	0	0	0	0	0
38	Issuance Costs (see detail below)	404,246	404,246	0	404,246	
39	Origination Fee	0	0	0	0	0
40	Construction Lender Fees & Expenses	0	0	0	0	0
41	Line of Credit Interest	0	0	0	0	0
42	Taxes	10,000	10,000	0	10,000	10,000
43	Insurance	125,000	125,000	0	125,000	125,000
44	Title and Recording	25,000	25,000	0	25,000	25,000
45	Total Construction Interest and Fees	1,844,489	1,844,489	0	1,844,489	
46	PERMANENT FINANCING					
47	Loan Fees (2%)	0	0	0	0	
48	Credit Enhancement & Application Fee	0	0	0	0	
49	Title and Recording	0	0	0		
50	Other	0			0	
51	Total Permanent Financing Costs	0	0	0	0	
52	LEGAL FEES					
53	Lender Legal Costs Paid by Applicant	0	0	0	0	0
54	Other - Owner Legal	50,000	50,000	0	50,000	50,000
55	Total Attorney Costs	50,000	50,000	0	50,000	
56	RESERVES					
57	Capitalized Operating Reserve	224,000	224,000			
58	Partnership Management/Asset Management Fee Re:	345,000	345,000			
59	Total Reserve Costs	569,000	569,000	0	0	
60	Total Appraisal Costs	10,000	10,000	0	10,000	10,000
61	Total Construction Contingency Costs	0	0	0	0	0
62	OTHER					
63	Tax Credit App./Alloc./Monitoring fees	65,063	65,063		65,063	
64	Environmental Audit	12,500	12,500		12,500	12,500
65	Local Development Impact Fees	270,100	270,100	0	270,100	270,100
66	Permit Processing Fees	270,100	270,100	0	270,100	270,100
67	Market Study	8,500	8,500	0	8,500	8,500

	A	B	C	D	E	F
68	Marketing	50,000	50,000	0	50,000	
69	Construction manager	25,000	25,000	0	25,000	25,000
70	Furnishings	10,000	10,000	0	10,000	10,000
71	Relocation	1,500,000	1,500,000	0	1,500,000	1,500,000
72	Soft Cost Contingency	100,000	100,000	0	100,000	100,000
73	Total Other Costs	2,311,263	2,311,263	0	2,311,263	
74	Total Project Cost	23,467,029	23,467,029	0	22,898,029	21,660,720
75	DEVELOPER COSTS					
76	Developer Overhead/Profit	2,500,000	2,500,000	0	200,000	2,500,000
77	Consultant/Processing Agent	0				
78	Project Administration					
79	Broker Fees paid by owner					
80	Construction Management Oversight					
81	Other					
82	Total Developer Costs	2,500,000	2,500,000	0	200,000	2,500,000
83						
84	TOTAL PROJECT COST	25,967,029	25,967,029	0	23,098,029	24,160,720
85	Syndication Costs					
86	Legal - Syndication	35,000	35,000	0	35,000	
87	Audit	15,000	15,000	0		
88	Consultant - Syndication	45,000	45,000	0	45,000	
89	Bridge Loan Interest	0			0	
90	Total Syndication Costs	95,000	95,000	0	80,000	
91	TOTAL PROJECT COSTS INCL. SYNDICATION	26,062,029	26,062,029	0	23,178,029	24,160,720

A	B	C	D	E	F	G	H	I	J	K	
1	CASH FLOW ANALYSIS										
2	Monthly Rent Charged	Monthly Tenant	Monthly Rent All Units	Total Monthly Rent	THRESHOLD BASIS						
3					County						
4	INCOME	# of Units			Alameda						
5		Unit Size			Unit Size	Basis Limits	Number Units	Project Basis			
6	0 BR (202/PRAC)	0	275	0	0 BR (202/PRAC)	111,104	0	0			
7	0 BR (Sec. 8)	0	874	0	0 BR (Sec. 8)	111,104	0	0			
8	1 BR (202/PRAC)	102	275	28,050	1 BR (202/PRAC)	127,360	102	12,990,720			
9	1 BR (Sec. 8)	24	650	15,600	1 BR (Sec. 8)	127,360	24	3,056,640			
10	2 BR (Sec. 8)	1	700	700	2 BR (Sec. 8)	154,872	1	154,872			
11	Managers Unit (2 BR)	1	0.00	0	Managers Unit (2 BR)	154,872	1	154,872			
12	Total Units	128		44,350	Total		128	16,202,232			
13					Prevailing Wage		20%	3,240,446			
14	Total Annual Income			532,200	Plus Impact Fees		15%	270,100			
15	Laundry Income			2,000	Plus Structural Work		2%	0			
16	Gross Residential Income			534,200	Plus Special Needs		120%	0			
17	Vacancy Reserve	5.00%		-26,710	Plus Bonds			19,442,678			
18	PRAC			402,868	Total Maximum Basis			39,155,457			
19	EGI			910,358	Actual Basis per Costs			24,160,720			
20					Elevator			Yes			
21	OPERATING EXPENSES			832,000							
22											
23	Services Income			0							
24	Services Expenses			0							
25											
26	NET OPERATING INCOME			78,358							
27	Less 30 year debt service paid currently			0							
28	Less Land Rent			-1							
29	Trustee and Issuer Fees			0							
30	Reserves	500		64,000							
31											
32	Excess Cash			14,359							

Scenario Two - Consolidation

Scenario 2 Ownership Structure **PLEASANTON GARDENS**

Rehabilitation

Independent Development Entity

New California Limited Partnership
(Mortgagor)
100% Owner

New Single Asset Entity
(Managing General Partner) .01%
Controlled by Pleasanton Gardens &
Experienced Nonprofit

Investor Limited Partner
99.99%

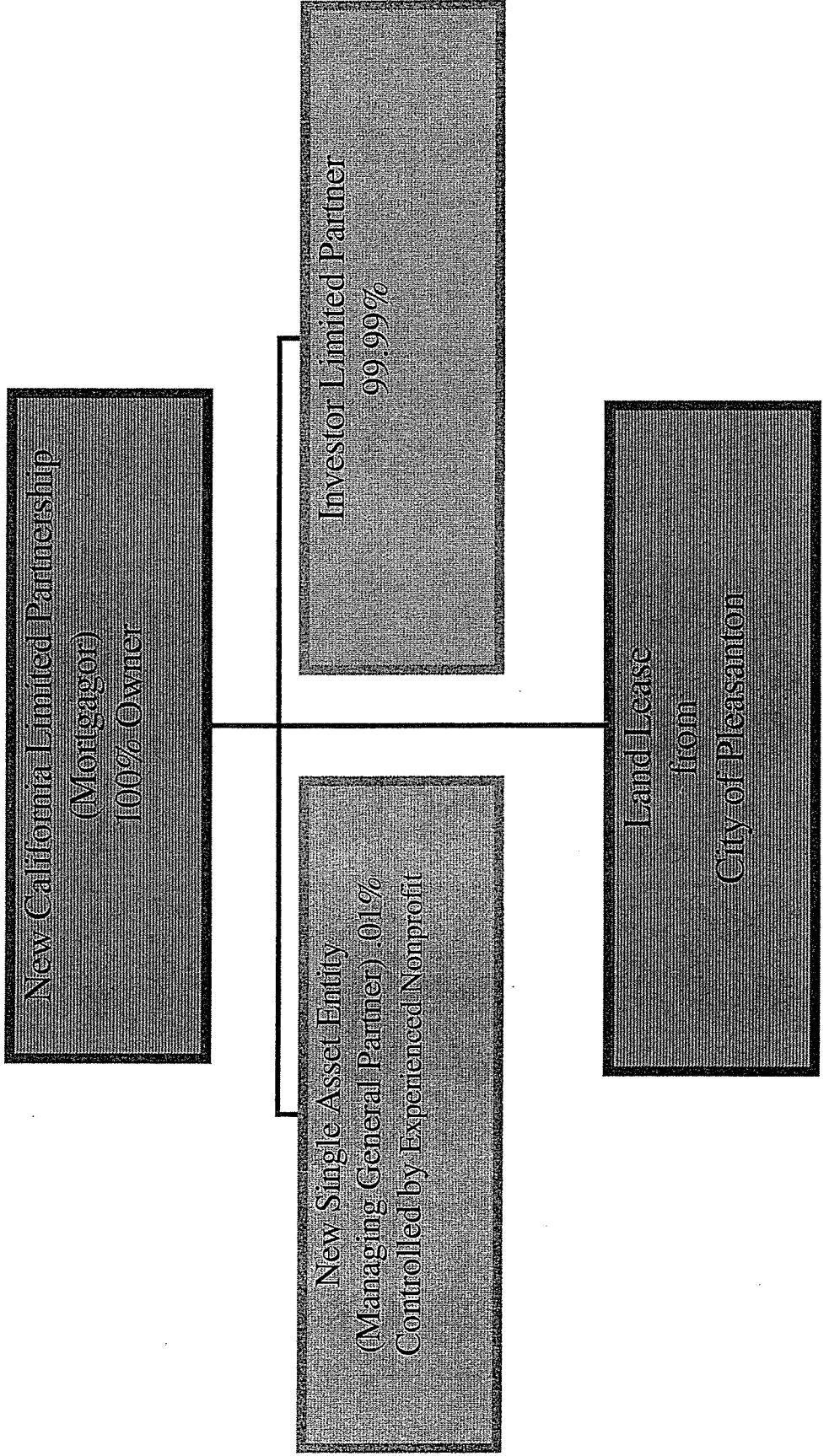
Land Lease from Pleasanton Gardens to
new Limited Partnership (?)

Scenario 2 Ownership Structure

KOTTINGER PLACE

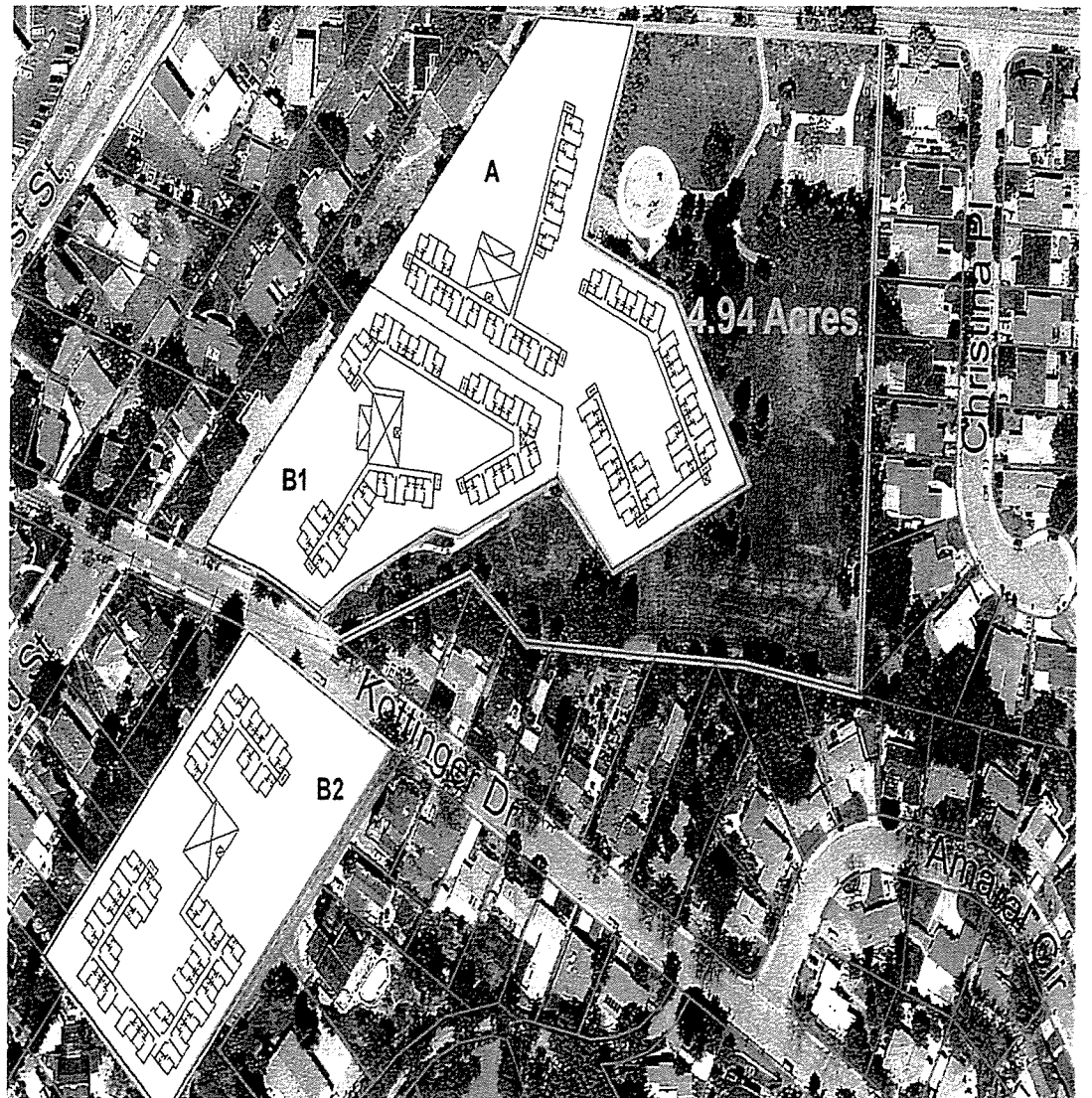
128-Unit HUD 202 / 4% Tax Credit Development

Independent Development Entity



Scenario Three:
**Joint Development on Kottinger
Place and Pleasanton Gardens
Sites**

Joint Development on Kottinger Place and Pleasanton Gardens Sites



Scenario Three - Overview

Scenario 3

Joint Redevelopment of Kottinger Place & Pleasanton Gardens on Two Sites

Project Description	No. of Units	Consolidation	Financing
Project A: New Construction	66 Units	Consolidated Management; New Limited Partnership, Local & Experienced Nonprofits form General Partner	9% tax credits & Section 8
Project B: New Construction	108 Units	Consolidated Management; New Limited Partnership, Local & Experienced Nonprofits form General Partner	HUD 202/PRAC + 4% tax credits

overview

In contrast to Scenarios 1 and 2, Scenario 3 assumes that Pleasanton Gardens and the City of Pleasanton will decide to cooperatively redevelop Pleasanton Gardens and Kottinger Place, jointly providing replacement housing for their existing residents, and consolidating ownership and management of the redeveloped senior communities.

Although Scenario 3 is a cooperative redevelopment effort, it assumes two separate developments, jointly pursued for the benefit of the existing residents. Accordingly, *Scenario 3 evaluates* (1) density achieved using all of the existing Kottinger Place and Pleasanton Gardens land for redeveloped senior housing, and (2) the potential phased demolition and construction as a tool for minimizing impact on residents.

Scenario 3, Project A would be a 66-unit affordable senior complex developed on a new parcel formed by splitting the northern/eastern portion of the Kottinger Place site and merging it with the Women's Center. **Scenario 3, Project B** would be a 108-unit affordable senior complex developed on two parcels: the remaining, southern half of the former Kottinger Place site, and all of the Pleasanton Gardens site.

The new facilities would be owned by legally distinct partnerships, with day to day operations consolidated via the functional identity of the Managing General Partner and use of a single Property Management agent to manage both new facilities.

site density

Based on a two-story walk-up garden style design, this analysis shows that the City could create at least 174 units of housing using the old Kottinger Place and Pleasanton Garden sites, as well as the Women's Center site, without using park land. The two new affordable housing sites thus created on 5.92 acres would achieve a density of 29 dwellings units per acre. The 66-unit Project A facility, located on the 2.37-acre site comprised of the northeastern portion of Kottinger Place and the parcel previously occupied by the Women's Club, would have a density of 28 units per acre. The 108-unit Project B facility, located on a 3.55-acre site comprised of the southwestern remainder of the Kottinger Place site and the former Pleasanton Gardens site, would have a density of 30 acres per unit. *These density figures are all nearly double that of the existing facilities and can be achieved (a) without utilizing park land, and (b) without sacrificing the garden feel and private apartment entrances valued at the current facilities. See attachment.*

financing

Scenario 3 envisions two separately funded facilities. **Scenario 3 Project A** envisions a 66-unit affordable senior complex developed using 9-percent tax credits. **Scenario 3 Project B** envisions a 108-unit mixed-finance development using HUD Section 202 Capital Advance and 4% tax credit financing.

There are at least two reasons we have assumed this financing structure and phasing. Firstly, we assume that the City, Pleasanton Gardens, and other members of the Task Force share the goal of providing the deepest levels of affordability for as many seniors as possible. The best method for achieving this goal is to develop new HUD Section 202 units, which come with a Project Rental Assistance Contract (PRAC), while also seeking to preserve, transfer, and extend Pleasanton Gardens' 31-unit Housing Assistance Payments Contract (HAP). Because it is not possible to overlay these two forms of HUD rental assistance, we assume that at least one of the two new facilities should not involve HUD Section 202 financing with PRAC.

A second reason to assume the 9% tax-credit financing is that it generates significantly more private equity, reducing the need for private debt. Nine percent tax credits cannot in any case be combined with the Section 202 program due to federal subsidy layering rules. Notwithstanding these considerations, it may be feasible to reverse this proposed phasing of the 9% tax credit and HUD 202/4% tax-credit financed developments.

financing cont.

Scenario 3 Project A, as a 66-unit 9% tax credit facility, would be built with the intention of transferring the 31-unit HAP contract from Pleasanton Gardens, relocating residents living in HAP units at the time the new 9% tax credit facility opened. This would enable each of these 31 households to continue paying no more than 30% of their adjusted gross monthly income for rent and utilities combined. We furthermore assume that the project could secure up to 20 units of Project-Based Section 8 Vouchers from the Alameda County Housing Authority. These vouchers would subsidize residents from Kottinger Place or the 9 unsubsidized Pleasanton Gardens units.

Tax credits do not come with any operating or rental subsidy and cannot be combined with the HUD 202/PRAC program. Transferring the existing Pleasanton Gardens HAP Contract and securing new Project-based vouchers deepens affordability, leverages more financing, and guarantees long-term affordability for 51 very low-income and extremely low-income elderly households.

The highlights of **Scenario 3 Project A** (66-unit 9% tax credit facility) are as follows:

- Total development cost is \$15,559,227, \$236,000/unit
- City contribution is \$3,578,667 or \$54,222 per unit, 23% of total development costs
- City funds are leveraged almost 5:1
- To maintain affordability for residents moving from Kottinger Place or Pleasanton Gardens and to maximize affordability in general, 51 tax credit units have some form of rental assistance (HAP, Project-Based Section 8 Vouchers)
- The remaining units are unsubsidized with rents set at tax credit levels for 35-45% Area Median Income
- This scenario does not assume proceeds from land leases or sale of property
- Funding of vacancy loss at Kottinger Place and Pleasanton Gardens, and/or any relocation costs, remain financial constraints requiring further analysis

Scenario 3 Project B is a 108-unit mixed-finance HUD Section 202 Capital Advance for the Elderly project with 4% tax credits. Of the 108 units, 76 would be funded, governed and subsidized by the HUD 202/PRAC program, while the remaining units would be financed and governed by the tax credit program and subsidized by project-based Section 8 vouchers from the Alameda County Housing Authority. There are several reasons for proposing this structure.

financing cont.

First, the HUD 202/PRAC program provides the deepest levels of affordability and is therefore the best financing program to meet the needs of current residents of Kottinger Place as well as the 9 unsubsidized households at Pleasanton Gardens. Tenants in the 66 Section 202/PRAC units will pay no more than 30% of their adjusted gross monthly income for rent and utilities combined. In addition to deepening affordability, the Section 202/PRAC rental subsidy provides a greater operating cushion in contrast to the existing Kottinger Place public housing. Finally, the HUD 202 Program provides a significant capital contribution to development in the form of a "Capital Advance," in essence, a grant that does not have to be repaid.

Secondly, we have proposed a mixed-finance HUD 202 with 4% tax credits in order to minimize the gap financing needed from the City of Pleasanton and other sources. In addition, because HUD Section 202 funding is extremely competitive, applications for 50 to 80 units are more likely to receive an award than a 108-unit proposal. Again, we have assumed mixed financing using HUD Section 202 and 4% tax credits due to IRS regulations regarding excess federal subsidy layering. The 4% tax credits and an allocation of tax-exempt private activity bonds come as a piece, the latter supporting a construction loan. The HUD 202 program prohibits conventional debt.

The highlights of **Scenario 3 Project B** (108-unit mixed-finance HUD 202/PRAC with 4% Tax Credits) are as follows:

- Total development cost per unit is approximately \$22,516,000 or \$208,000 per unit.
- City contribution is \$3,567,883 million or \$33,000 per unit, 16% of overall costs
- City funds are leveraged nearly 6:1
- Out of 108 units, 76 are subsidized by 202/PRAC, another 31 by Project-Based Section 8 Vouchers
- Funding of vacancy loss at Kottinger Place and Pleasanton Gardens, and/or any relocation costs, remain financial constraints requiring further analysis
- This scenario does not assume proceeds from land lease or sale of property.

The **attached budgets and financial graphs** provide the details on Scenario 3. We have included the full detailed concept budgets, as well as conveniently abbreviated budgets collapsed into five major categories. These are provided to simplify review of the analysis. The graphs help to illustrate the most significant costs and the relative amount of the various funding sources.

ownership

Scenario 3 fulfills the intent of all Task Force goals, stated and implied, related to the ownership and management of the new affordable housing: (1) consolidated property management; (2) consolidated ownership, with qualifications outlined below; (3) retained City ownership of Kottinger Place land; (4) City removal from direct ownership of and operational responsibility for the senior housing; and (5) nonprofit ownership with local involvement/control. While meeting all of these goals, funding and regulatory requirements will dictate the exact nature of the ownership as outlined below.

In contrast to Scenarios 1 and 2, Scenario 3 assumes a cooperative effort to redevelop Pleasanton Gardens and Kottinger Place. Notwithstanding this cooperative effort, however, funding requirements necessitate development in two phases. Each project would have its own unique funding mix and would require the formation of a legally distinct ownership structure. In order to qualify for tax credits, HUD Section 202 funds, and other affordable housing financing sources, both the City of Pleasanton and Pleasanton Gardens would need to form new ownership entities and partner with an experienced nonprofit affordable housing developer. As in Scenarios 1 and 2, Scenario 3 thus entails the formation of two new Limited Partnerships, each consisting of a Limited Partner (investor) and a Managing General Partner.

Each Managing General Partner would in turn be formed and controlled by a local nonprofit and an experienced nonprofit affordable housing developer. The local nonprofit board could consist of representatives from the Pleasanton Gardens board, from the Task Force, or other community stakeholders.

In the case of **Scenario 3, Project A** (a 66-unit 9% tax credit facility on the Kottinger Place site), a HUD Disposition Agreement would enable the City to transfer ownership of Kottinger Place to a new ownership entity. The City could retain ownership of the land, leasing the (subdivided) northeastern portion to the new Limited Partnership. The City would not be part of this ownership structure, but could enforce use restrictions and voting provisions through the regulatory agreement and land lease. *Please see attached ownership structure diagram.*

In the case of **Scenario 3, Project B** (a 108-unit Section 202/4% tax credit facility on the Kottinger Place and Pleasanton Gardens sites), we assume both the land and the building would be sold to a new nonprofit or new Limited Partnership. As noted above, the new entity formed to serve as the Managing General Partner could be comprised of members appointed by Pleasanton Gardens and/or other members of the Task Force and by an experienced nonprofit housing developer. *Please see attached ownership structure diagram.*

phasing & relocation

The current presentation focuses on tasks outlined in the CCH scope of work related to site configurations, density analysis, and possible ownership and management consolidation. In our estimation, however, the impact of each redevelopment scenario on the residents in the form of temporary relocation or other forms of displacement may be the single most critical factor in assessing the proposed scenario's feasibility and desirability. The phasing and relocation discussion for Scenario 3 provides an opportunity for an opportunity to foreground the impact of phased funding, demolition, and construction on the residents.

In addition to analyzing the site configuration shown in the attached Site Density Plan for Scenario 3, this section will also discuss in greater detail a strategy for minimizing or eliminating relocation using a combination of attrition (intentionally unfilled vacancies), internal resident relocation within and between existing facilities, site configuration, and phased funding and construction targeted to provide replacement housing for distinct segments of the current resident populations.

The purpose of this discussion is to explore the feasibility of redeveloping Kottinger Place and Pleasanton Gardens *without temporary or permanent relocation*, yet without using park land or sacrificing other Task Force priorities such as preserving the garden feel or increasing density. We hope this preliminary discussion will enable the Task Force to revisit the relative importance of avoiding relocation among its various goals, potentially directing CCH to explore in greater detail redevelopment strategies that could potentially minimize or eliminate relocation.

Scenario 3 entails a two-phase development which could minimize or even eliminate temporary or permanent offsite relocation of Kottinger Place and Pleasanton Gardens residents through the following strategy:

- (1) Use of Women's Center site
- (2) Configuration of Project A site to require demolition of the minimum number of Kottinger Place units while still creating a feasible tax credit project capable of housing targeted sectors of the existing tenant populations
- (3) Intentional vacancy attrition at Kottinger Place;
- (4) Intentional vacancy attrition at Pleasanton Gardens;
- (5) Internal relocation of Kottinger Place residents from the northeastern to southwestern units;

**phasing
& relocation cont.**

- (6) Relocation of Kottinger Place residents as necessary to any vacant Section 8 units at Pleasanton Gardens;
- (7) Possible use of portable vouchers for Kottinger Place residents;
- (8) Selection of funding sources and determination of unit configurations targeted to fit distinct sectors of current resident population;

Scenario 3 proposes the following phasing:

- (1) Vacate between 10 and 25 units during pre-development over 1 to 2 years on the northeastern portion of Kottinger Place using some combination of (a) intentionally unfilled vacancies; (b) incentivized resident relocation from northeastern to southwestern Kottinger Place units; (c) incentivized relocation of residents from northeastern units at Kottinger place to any vacant Section 8 units at Pleasanton Gardens; and/or (d) portable vouchers for Kottinger Place residents, provided in connection with the HUD Disposition;
- (2) Vacate units at Pleasanton Gardens during pre-development, leaving vacancies unfilled in order (a) to accommodate Kottinger Place residents potentially relocated for construction of Project A, and (b) to minimize number of Pleasanton Gardens residents to be housed in Projects A and B;
- (3) Keep all 31 Section 8 units at Pleasanton Gardens occupied either by current residents, relocated Kottinger Place residents, or other new occupants in order to take advantage of HUD Section 318 transfer of Section 8 to a new project;
- (4) Secure agreement to use Women's Center site for new construction, subdivide Kottinger Place parcel and merge northwestern portion with Women's Center site;
- (5) Secure 9% tax credit and local agency financing to construct a 66-unit senior facility on new KP/Women's Center site;
- (6) Secure TCAC, HUD and other approvals to relocate remainder of Kottinger Place residents and 31 Pleasanton Gardens Section 8 occupants to new 66-unit 9% facility;

**phasing
& relocation cont.**

- (7) Secure HUD Section 202, 4% tax credit, and local agency financing to construct a 108-unit senior facility on the southwester portion of the Kottinger Place site and the Pleasanton Gardens site;
- (8) Demolish the remaining, southwestern portion of Kottinger Place and construct roughly half of the 108-unit Project B HUD Section 202/4% tax credit project on the southwestern portion of Kottinger Place;
- (9) Demolish Pleasanton Gardens and build the remaining half of the 108-unit Project B HUD Section 202/4% tax credit project on the Pleasanton Gardens site.

Many variations of this phasing scenario are plausible:

- (1) The Project A or first phase, located on the northeastern Kottinger Place and Women's Center sites, could consist of as few as 40 units, potentially reducing the necessary demolition of units at Kottinger Place to as few as 10;
- (2) HUD Section 202 funds rather than 9% tax credits could finance the first phase or Project A facility. If a HUD Section 202 was built first, residents from unsubsidized units at Kottinger Place and Pleasanton Gardens would move into the new Section 202 facility's subsidized units.
- (3) The Project B or second phase could be limited to the southwestern portion of the Kottinger Place site. Scenario 4 discusses this scenario and possible disposition of Pleasanton Gardens land.

advantages

Advantages to Scenario 3 include:

- (1) Provides replacement housing for all Kottinger Place and Pleasanton Gardens residents and meets or exceeds Task Force density target *without use of park land*;
- (2) Project A development alone may provide replacement units for all Kottinger Place and Pleasanton Gardens residents through vacancy attrition strategy at both facilities;

advantages cont.

- (3) Meets or exceeds Task Force affordability targets with HUD Section 202/PRAC and Project-based Section 8 Vouchers providing deeper, subsidized affordability for Kottinger Place and nine (9) unsubsidized Pleasanton Gardens households;
- (4) Two-phase development enables more competitive funding applications in comparison to larger single developments;
- (5) Meets Task Force goal of consolidated ownership and property management;
- (6) Meets Task Force goal of preserving "garden feel" while also increasing density and avoiding use of park land;
- (7) Does not require use of park land;
- (8) May enable phasing, vacancy, and internal resident relocation strategies that could, in combination and subject to various approvals, meet or exceed Task Force goal of avoiding relocation and minimizing impact on residents;
- (9) Variant may provide opportunity to meet replacement housing and density increase goals without using Pleasanton Gardens site, which could be sold/redeveloped to generate income for developments (see Scenario 4).

disadvantages

Disadvantages to Scenario 3:

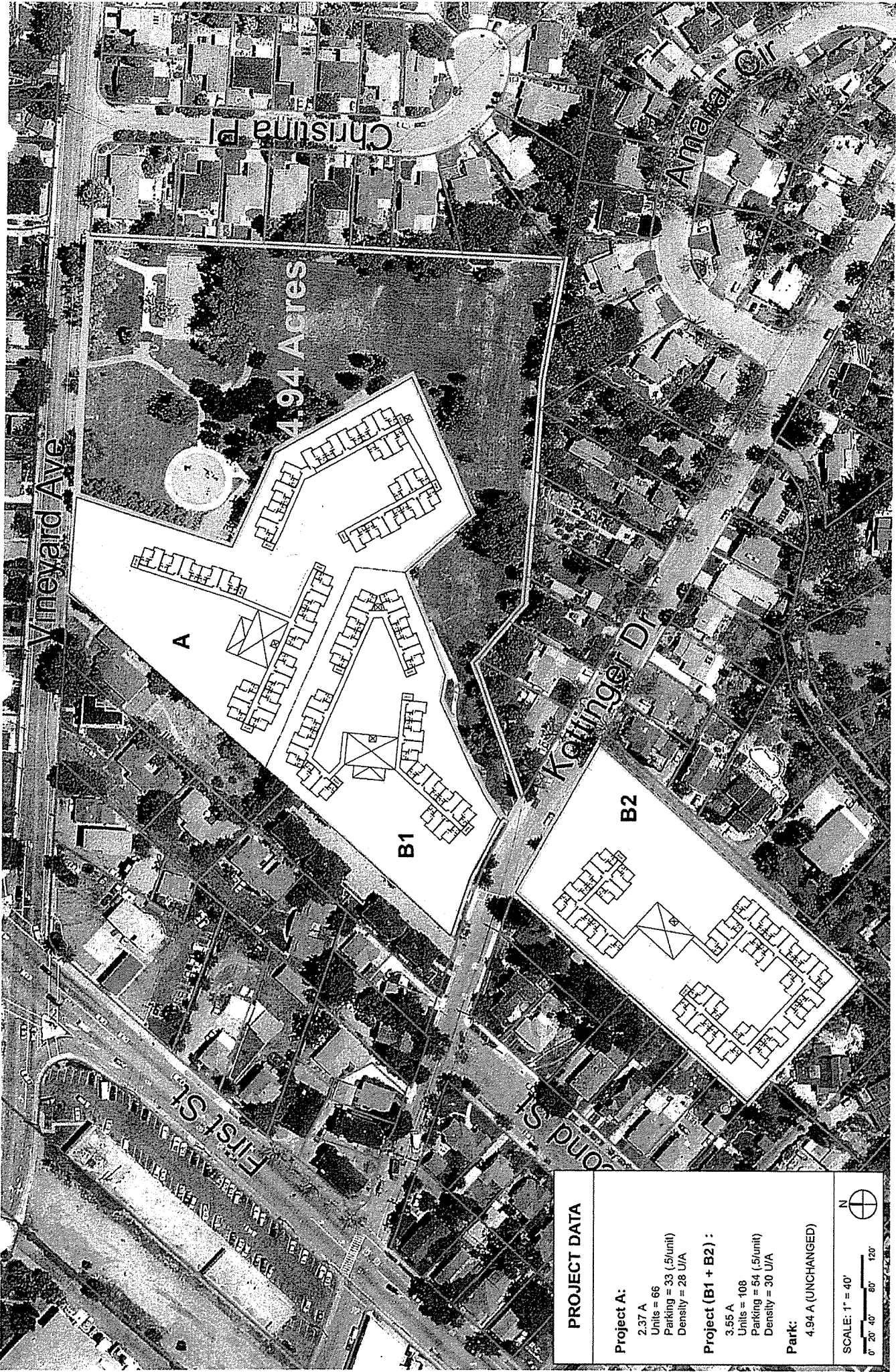
- (1) Phasing strategy involves multiple HUD and other third-party conditional approvals for Section 318 transfer of Section 8, reservation of units at new facilities for displaced current residents, and allocation of Project-Based Section 8 from the Alameda County Housing Authority;
- (2) Phasing strategy to avoid relocation constrains configuration of new facilities

conclusions & constraints

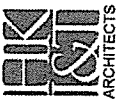
The major constraints to this scenario are:

- 1) Vacating units through attrition and relocating tenants within the Kottinger Place facility and/or to vacant Section 8 units at Pleasanton Gardens. While legally avoiding even temporary relocation, this strategy will require third-party approvals. Multiple moves, while not triggering relocation benefits, will themselves take a toll on residents and impose costs on the development. Vacancy loss would have to be approved by the City, Pleasanton Gardens, and HUD. Operating shortfalls at the existing facilities would likely need to be funded from development sources.
- 2) HUD approval of Section 8 transfer from Pleasanton Gardens to a new tax-credit facility under the Section 318 guidelines. This approval is conditional, would require that Section 8 units remain occupied, and would require replacement unit mix to match the existing mix.
- 3) The ability to obtain additional Section 8 allocations. Both the 66-unit Project A 9% tax credit facility and the 108-unit Project B HUD 202/4% tax credit facility need an allocation of a minimum number of Project-Based Section 8 vouchers from the Housing Authority of Alameda County in order to provide deep affordability and leverage financing.
- 4) HUD and other approvals to relax or waive occupancy restrictions and reserve new Section 202 and tax credit units for residents displaced from Kottinger Place and Pleasanton Gardens.
- 5) The ability to demolish the Women's Center and use the site for new housing. This is key to meeting Task Force goals without utilizing park land.
- 6) Substantial City funding to support new construction.

Scenario Three - Density Plan



PROJECT DATA	
Project A:	
2.37 A	
Units = 66	
Parking = 33 (5/unit)	
Density = 28 U/A	
Project (B1 + B2) :	
3.55 A	
Units = 108	
Parking = 54 (5/unit)	
Density = 30 U/A	
Park:	
4.94 A (UNCHANGED)	
SCALE: 1" = 40' 0' 20' 40' 80' 120' N	



February 20, 2007

60080

KOTTINGER PLACE - PLEASANTON GARDENS SENIOR HOUSING

(Scenario 3)

KOTTINGER PLACE - (TWO SITES, TWO OWNERS)



Scenario Three - Funding

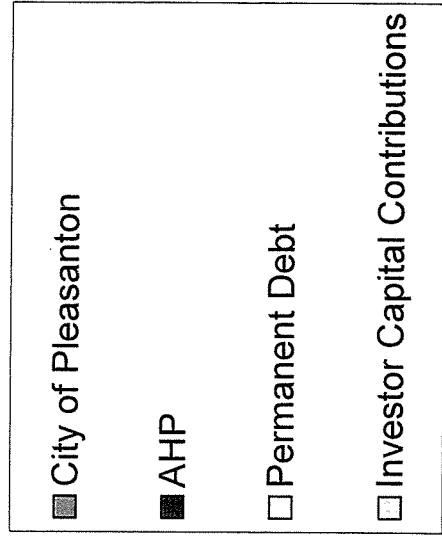
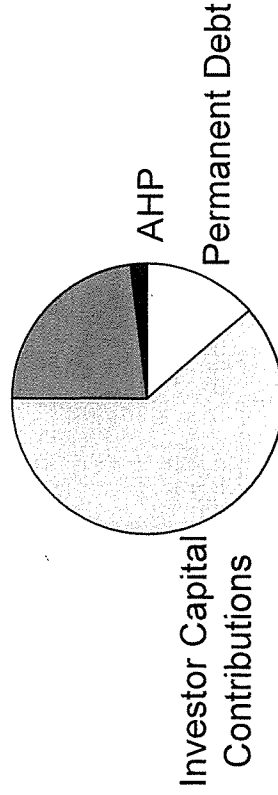
Project A

Scenario 3: Project A
 66 Units
 9% Tax Credits

SOURCES		
City of Pleasanton	3,578,667	23%
AHP	330,000	2%
Permanent Debt	2,093,600	13%
Investor Capital Contributic	9,556,960	61%
<i>Total Sources</i>	15,559,227	100%

Sources of Funds

City of Pleasanton



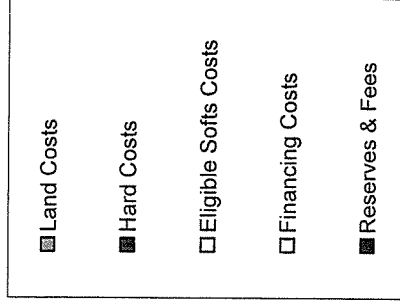
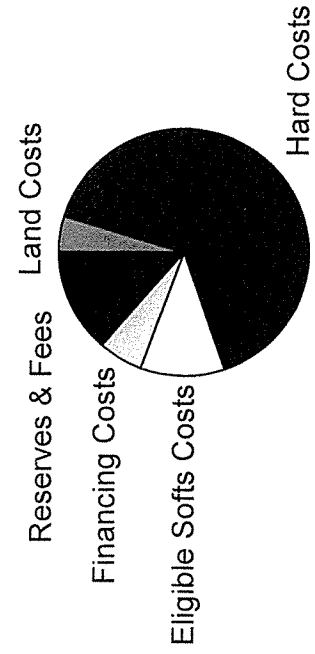
Scenario 3: Project A

66 Units

9% Tax Credits

USES		
Land Costs	718,000	5%
Hard Costs	10,131,264	65%
Eligible Softs Costs	1,687,590	11%
Financing Costs	915,048	6%
Reserves & Fees	2,107,325	14%
Total Uses	15,559,227	100%

Uses of Funds



Scenario Three Project A: Joint Development

66 Units

9% Tax Credits with Section 8

	A	B	C	D	E
1		Permanent	During Const.	Rate	Per Unit
2					
3	Permanent Debt	2,093,600	0	8.50%	31,721
4	Local Public Agency Funds	3,578,667	3,200,000	3.00%	54,222
5	AHP (\$5k/unit)	330,000	330,000	0.00%	5,000
6	Grants	0	0		0
7	Investor Capital Contributions	9,556,960	50,000		144,802
8	Deferred Developer Fee	0			0
9	TOTAL SOURCES	15,559,227			235,746
10					
11	Total Required During Constr.	13,731,902			
12	Construction loan	10,151,902			
13	Construction period	14			
14	Conversion period	3			
15	Average % Outstanding	55%			
16	Rate	7.50%			
17					
18	CALCULATION OF CREDIT AMOUNT				
19	Rehab Basis	9,261,158			
20	Eligible Basis	9,261,158			
21	High cost factor (QCT)	12,039,506	130.00% DDA		
22	Acquisition Basis	0			
23	Total Basis	12,039,506			
24	Applicable fraction	12,039,506	100.00%		
25	Federal Credit Amount	975,200	8.10%		
26	State Credit Amount	0			
27					
28	Equity from Federal Credit	9,556,960	98.00%		
29	Equity from State Credit	0			
30	Total Equity	9,556,960			
31	Syndication Costs	95,000			
32	Net Equity	9,461,960			

	A	B	C	D	E	F
1					Construction	BASIS FOR
2	SOURCES AND USES OF FUNDS	TOTAL COST	Residential	Commercial	Period	4% NC CREDIT
3						
4	<i>LAND COST/ACQUISITION</i>					
5	Prepaid Land Rent	438,000	438,000	0	438,000	
6	Carrying Costs	20,000	20,000	0	20,000	
7	Legal & Closing Costs	10,000	10,000	0	10,000	
8	Demolition	250,000	250,000		250,000	
9	Total Land Cost or Value	718,000	718,000	0		
10	Improvements Value	0	0	0	0	
11	Off-Site Improvements	0			0	
12	Total Acquisition Cost	718,000	718,000	0	718,000	
13	<i>REHABILITATION</i>					
14	Site Work	0	0		0	0
15	Structures	0	0		0	0
16	General Requirements	0	0		0	0
17	Contractor Overhead	0	0		0	0
18	Contractor Profit	0	0		0	0
19	Total Rehabilitation Cost	0	0	0	0	0
20	<i>NEW CONSTRUCTION</i>					
21	Site Work and Utilities	678,924	678,924		678,924	678,924
22	Structures-Housing	8,291,526	8,291,526		8,291,526	8,291,526
23	Structures - Commercial	0		0	0	0
24	Direct Contracts and Other NIC	0	0	0	0	0
25	General Requirements	580,407	580,407	0	580,407	580,407
26	Contractor Insurance & Bond	290,203	290,203	0	290,203	290,203
27	Contractor Overhead & Profit	290,203	290,203	0	290,203	290,203
28	Contractor Fee	0	0	0	0	0
29	Total New Construction Costs	10,131,264	10,131,264	0	10,131,264	
30	<i>ARCHITECTURAL FEES</i>					
31	Design	531,891	531,891	0	531,891	531,891
32	Supervision	177,297	177,297	0	177,297	177,297
33	Total Architectural Costs	709,188	709,188	0	709,188	709,188
34	Survey and Engineering	30,000	30,000	0	30,000	30,000
35	<i>CONSTR. INTEREST & FEES</i>					
36	Const. Loan Interest	678,908	678,908	0	678,908	678,908
37	Const. Loan Interest (Soft Loans)	0	0	0	0	0
38	Issuance Costs (see detail below)	0	0	0	0	0
39	Origination Fee	76,139	76,139	0	76,139	76,139
40	Construction Lender Fees & Expenses	0	0	0	0	0
41	Line of Credit Interest	0	0	0	0	0
42	Taxes	10,000	10,000	0	10,000	10,000
43	Insurance	125,000	125,000	0	125,000	125,000
44	Title and Recording	25,000	25,000	0	25,000	25,000
45	Total Construction Interest and Fees	915,048	915,048	0	915,048	
46	<i>PERMANENT FINANCING</i>					
47	Loan Fees (2%)	0	0	0	0	0
48	Credit Enhancement & Application Fee	0	0	0	0	0
49	Title and Recording	0	0	0	0	0
50	Other	0	0	0	0	0
51	Total Permanent Financing Costs	0	0	0	0	0
52	<i>LEGAL FEES</i>					
53	Lender Legal Costs Paid by Applicant	50,000	50,000	0	50,000	50,000
54	Other - Owner Legal	50,000	50,000	0	50,000	50,000
55	Total Attorney Costs	100,000	100,000	0	100,000	
56	<i>RESERVES</i>					
57	Capitalized Operating Reserve	115,500	115,500			
58	Other Reserve	0	0			
59	Total Reserve Costs	115,500	115,500	0	0	
60	Total Appraisal Costs	10,000	10,000	0	10,000	10,000
61	Total Construction Contingency Costs	0	0	0	0	0
62	<i>OTHER</i>					
63	Tax Credit App./Alloc./Monitoring fees	38,402	38,402		38,402	
64	Environmental Audit	12,500	12,500		12,500	12,500
65	Local Development Impact Fees	198,000	198,000	0	198,000	198,000
66	Permit Processing Fees	198,000	198,000	0	198,000	198,000
67	Market Study	8,500	8,500	0	8,500	8,500
68	Marketing	50,000	50,000	0	50,000	
69	Construction manager	25,000	25,000	0	25,000	25,000

	A	B	C	D	E	F
70	Furnishings	10,000	10,000	0	10,000	10,000
71	Relocation	198,000	198,000	0	198,000	198,000
72	Soft Cost Contingency	100,000	100,000	0	100,000	100,000
73	Total Other Costs	838,402	838,402	0	838,402	838,402
74	Total Project Cost	13,567,402	13,567,402	0	13,451,902	12,645,500
75	DEVELOPER COSTS					
76	Developer Overhead/Profit	1,896,825	1,896,825	0	200,000	1,896,825
77	Consultant/Processing Agent	0				
78	Project Administration					
79	Broker Fees paid by owner					
80	Construction Management Oversight					
81	Other					
82	Total Developer Costs	1,896,825	1,896,825	0	200,000	1,896,825
83						
84	TOTAL PROJECT COST	15,464,227	15,464,227	0	13,651,902	14,542,325
85	Syndication Costs					
86	Legal - Syndication	35,000	35,000	0	35,000	
87	Audit	15,000	15,000	0		
88	Consultant - Syndication	45,000	45,000	0	45,000	
89	Bridge Loan Interest	0			0	
90	Total Syndication Costs	95,000	95,000	0	80,000	
91	TOTAL PROJECT COSTS INCL. SYNDICATION	15,559,227	15,559,227	0	13,731,902	14,542,325

	A	B	C	D	E	F	G	H	I	J	K	
1	CASH FLOW ANALYSIS											
2	INCOME	# of Units	TCAC AMI	Monthly Rent Charged Tenant	Monthly Rent All Units	100% TCAC Rent		County	San Francisco	Basis Limits	Number Units	Project Basis
3	0 BR	5		600	3,000	1,466	0 BR	Unit Size		111,103	5	555,515
4	0 BR (Sec. 8)	15		874	13,110	1,466	0 BR (Sec. 8)			111,104	15	1,666,560
5	1 BR	9		700	6,300	1,570	1 BR			127,360	9	1,146,240
6	1 BR (Sec. 8)	36		1,065	38,340	1,570	1 BR			127,360	36	4,584,960
7	2 BR	0		1,250	0	1,884	2 BR			154,872	1	154,872
8	Manager's Unit (2 BR)	1		1,250	1,250							
9	Total Units	66			59,000					Total	61	7,552,632
10	Total Annual Income				708,000					Prevailing:	20%	1,510,526
11	Laundry Income				2,000					Plus Impact Fees		198,000
12	Gross Residential Income				710,000					Plus Stru	15%	0
13	Vacancy Reserve	5.00%			-35,500					Plus Spe	2%	0
14	Other Income				674,500					Plus Bon	100%	0
15	EGI				429,000					Total Maximum Ba		9,261,158
16	OPERATING EXPENSES	6,500		pupa						Actual Basis per C		14,542,325
17	Services Income				0					Elevator		Yes
18	Services Expenses				0							
19	NET OPERATING INCOME				245,500							
20	Less 30 year debt service paid currently				193,176							
21	Less Land Rent				-1							
22	Trustee and Issuer Fees				0							
23	Reserves	500			33,000							
24	Excess Cash				19,325							

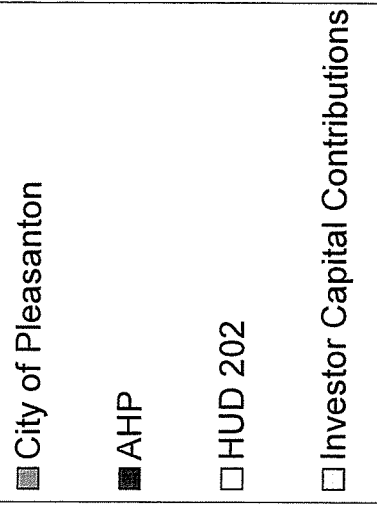
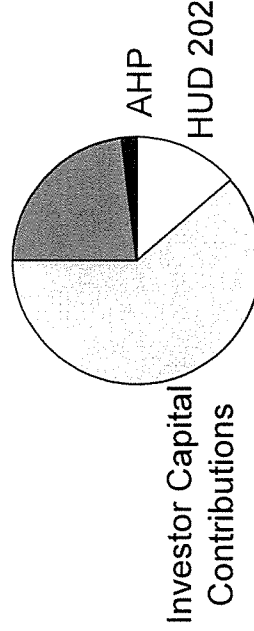
Project B

Scenario 3: Project B
 108 Units
 HUD 202/4% Tax Credits

SOURCES		
City of Pleasanton	3,567,883	16%
AHP	540,000	2%
HUD 202	9,141,900	41%
Investor Capital Contributic	9,266,399	41%
<i>Total Sources</i>	22,516,182	100%

Sources of Funds

City of Pleasanton

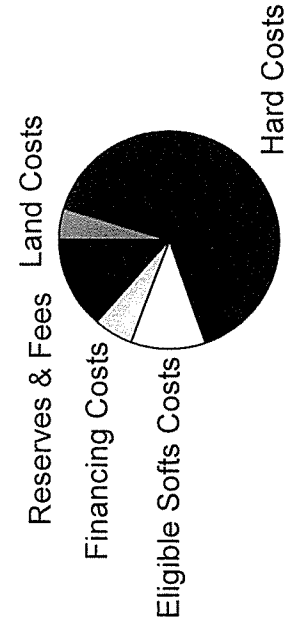


Scenario 3: Project B
108 Units

HUD 202/4% Tax Credits

USES		
Land Costs	643,000	3%
Hard Costs	15,849,491	70%
Eligible Softs Costs	1,323,326	6%
Financing Costs	1,571,365	7%
Reserves & Fees	3,129,000	14%
<i>Total Uses</i>	<i>22,516,182</i>	<i>100%</i>

Uses of Funds



- Land Costs
- Hard Costs
- Eligible Softs Costs
- Financing Costs
- Reserves & Fees

Scenario Three Project B: Joint Development

108 Units

HUD 202/4% Tax Credits

	A	B	C	D	E
1		Permanent	Construction	Rate	Per Unit
2					
3	HUD 202 (76 units)	9,141,900	0	8.50%	84,647
4	Local Public Agency Funds	3,567,883	3,200,000	3.00%	33,036
5	AHP (\$5k/unit)	540,000	540,000	0.00%	5,000
6	Grants	0	0		0
7	Investor Capital Contributions	9,266,399	50,000		85,800
8	Deferred Developer Fee	0			0
9	TOTAL SOURCES	22,516,182			208,483
10					
11	Total Required During Constr.	19,667,182			
12	Construction loan	15,877,182			
13	Construction period	16			
14	Conversion period	3			
15	Average % Outstanding	55%			
16	Rate	6.75%			
17					
18	CALCULATION OF CREDIT AMOUNT				
19	Rehab Basis	20,781,339			
20	Eligible Basis	20,781,339			
21	High cost factor (QCT)	27,015,741	130.00% DDA		
22	Acquisition Basis	0			
23	Total Basis	27,015,741			
24	Applicable fraction	27,015,741	100.00%		
25	Federal Credit Amount	945,551	3.50%		
26	State Credit Amount	0			
27					
28	Equity from Federal Credit	9,266,399	98.00%		
29	Equity from State Credit	0			
30	Total Equity	9,266,399			
31	Syndication Costs	95,000			
32	Net Equity	9,171,399			

	A	B	C	D	E	F
1					Construction	BASIS FOR
2	SOURCES AND USES OF FUNDS	TOTAL COST	Residential	Commercial	Period	4% NC CREDIT
3						
4	<i>LAND COST/ACQUISITION</i>					
5	Prepaid Land Rent	438,000	438,000	0	438,000	
6	Carrying Costs	20,000	20,000	0	20,000	
7	Legal & Closing Costs	10,000	10,000	0	10,000	
8	Demolition	175,000	175,000		175,000	
9	Total Land Cost or Value	643,000	643,000	0		
10	Improvements Value	0	0	0	0	
11	Off-Site Improvements	0			0	
12	Total Acquisition Cost	643,000	643,000	0	643,000	
13	<i>REHABILITATION</i>					
14	Site Work	0	0		0	0
15	Structures	0	0		0	0
16	General Requirements	0	0		0	0
17	Contractor Overhead	0	0		0	0
18	Contractor Profit	0	0		0	0
19	Total Rehabilitation Cost	0	0	0	0	
20	<i>NEW CONSTRUCTION</i>					
21	Site Work and Utilities	998,631	998,631		998,631	998,631
22	Structures-Housing	13,027,070	13,027,070		13,027,070	13,027,070
23	Structures - Commercial	0		0	0	0
24	Direct Contracts and Other NIC	0	0	0	0	0
25	General Requirements	911,895	911,895	0	911,895	911,895
26	Contractor Insurance & Bond	455,947	455,947	0	455,947	455,947
27	Contractor Overhead & Profit	455,947	455,947	0	455,947	455,947
28	Contractor Fee	0	0	0	0	0
29	Total New Construction Costs	15,849,491	15,849,491	0	15,849,491	
30	<i>ARCHITECTURAL FEES</i>					
31	Design	0	0	0	0	0
32	Supervision	0	0	0	0	0
33	Total Architectural Costs	0	0	0	0	
34	Survey and Engineering	30,000	30,000	0	30,000	30,000
35	<i>CONSTR. INTEREST & FEES</i>					
36	Const. Loan Interest	1,053,848	1,053,848	0	1,053,848	1,053,848
37	Const. Loan Interest (Soft Loans)	0	0	0	0	0
38	Issuance Costs (see detail below)	357,517	357,517	0	357,517	
39	Origination Fee	0	0	0	0	0
40	Construction Lender Fees & Expenses	0	0	0	0	0
41	Line of Credit Interest	0	0	0	0	0
42	Taxes	10,000	10,000	0	10,000	10,000
43	Insurance	125,000	125,000	0	125,000	125,000
44	Title and Recording	25,000	25,000	0	25,000	25,000
45	Total Construction Interest and Fees	1,571,365	1,571,365	0	1,571,365	
46	<i>PERMANENT FINANCING</i>					
47	Loan Fees (2%)	0	0	0	0	
48	Credit Enhancement & Application Fee	0	0	0	0	
49	Title and Recording	0	0	0		
50	Other	0			0	
51	Total Permanent Financing Costs	0	0	0	0	
52	<i>LEGAL FEES</i>					
53	Lender Legal Costs Paid by Applicant	0	0	0	0	0
54	Other - Owner Legal	50,000	50,000	0	50,000	50,000
55	Total Attorney Costs	50,000	50,000	0	50,000	
56	<i>RESERVES</i>					
57	Capitalized Operating Reserve	189,000	189,000			
58	Partnership Management/Asset Management Fee Res	345,000	345,000			
59	Total Reserve Costs	534,000	534,000	0	0	
60	Total Appraisal Costs	10,000	10,000	0	10,000	10,000
61	Total Construction Contingency Costs	0	0	0	0	0
62	<i>OTHER</i>					
63	Tax Credit App./Alloc./Monitoring fees	55,326	55,326		55,326	
64	Environmental Audit	12,500	12,500		12,500	12,500
65	Local Development Impact Fees	324,000	324,000	0	324,000	324,000
66	Permit Processing Fees	324,000	324,000	0	324,000	324,000
67	Market Study	8,500	8,500	0	8,500	8,500

	A	B	C	D	E	F
68	Marketing	50,000	50,000	0	50,000	
69	Construction manager	25,000	25,000	0	25,000	25,000
70	Furnishings	10,000	10,000	0	10,000	10,000
71	Relocation	324,000	324,000	0	324,000	324,000
72	Soft Cost Contingency	100,000	100,000	0	100,000	100,000
73	Total Other Costs	1,233,326	1,233,326	0	1,233,326	
74	Total Project Cost	19,921,182	19,921,182	0	19,387,182	18,281,339
75	DEVELOPER COSTS					
76	Developer Overhead/Profit	2,500,000	2,500,000	0	200,000	2,500,000
77	Consultant/Processing Agent	0				
78	Project Administration					
79	Broker Fees paid by owner					
80	Construction Management Oversight					
81	Other					
82	Total Developer Costs	2,500,000	2,500,000	0	200,000	2,500,000
83						
84	TOTAL PROJECT COST	22,421,182	22,421,182	0	19,587,182	20,781,339
85	Syndication Costs					
86	Legal - Syndication	35,000	35,000	0	35,000	
87	Audit	15,000	15,000	0		
88	Consultant - Syndication	45,000	45,000	0	45,000	
89	Bridge Loan Interest	0			0	
90	Total Syndication Costs	95,000	95,000	0	80,000	
91	TOTAL PROJECT COSTS INCL. SYNDICATION	22,516,182	22,516,182	0	19,667,182	20,781,339

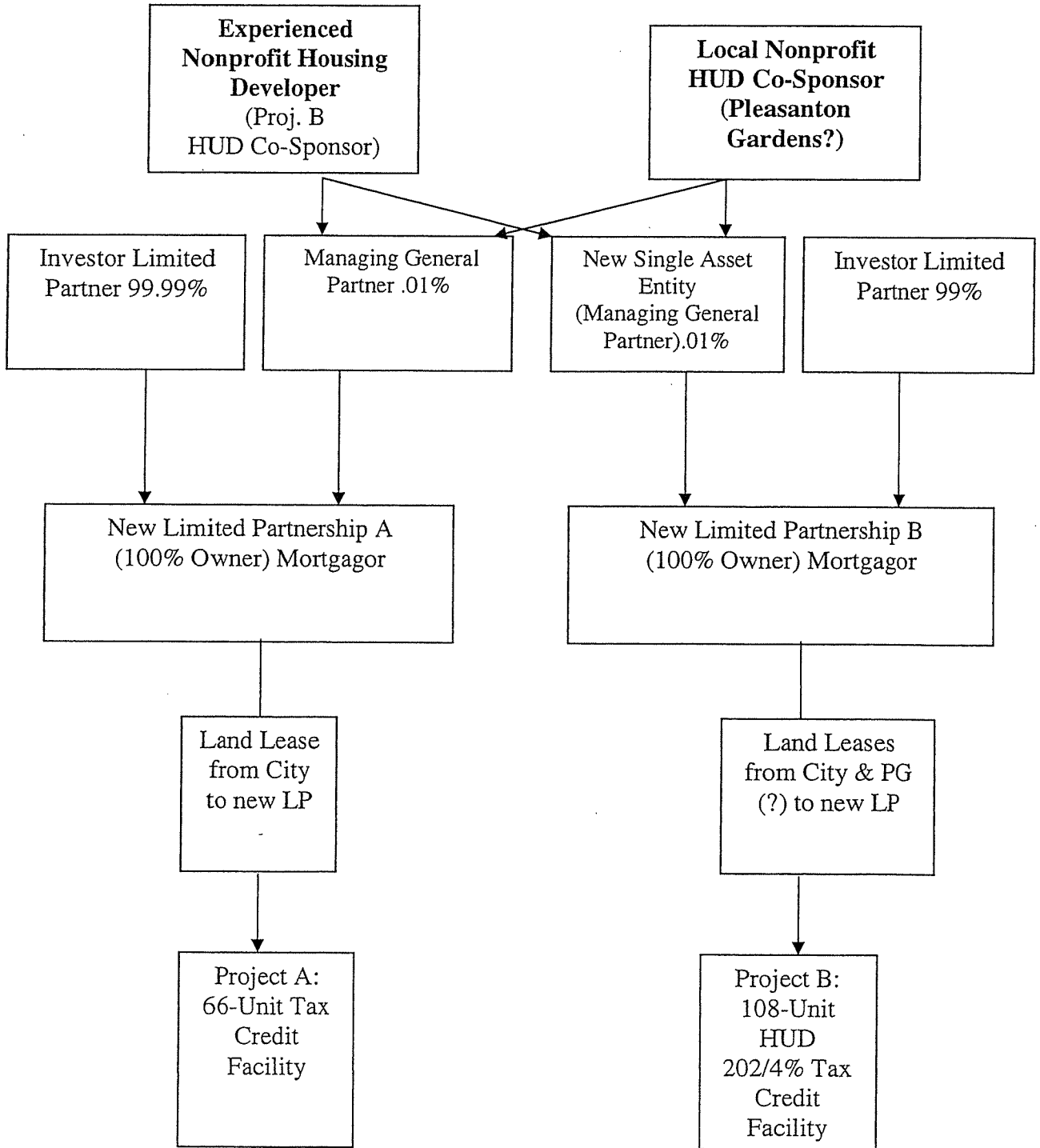
A	B	C	D	E	F	G	H	I
1					THRESHOLD BASIS			
2	CASH FLOW ANALYSIS				County	Alameda		
3					Unit Size	Basis Limits	Number Units	Project Basis
4	INCOME	Monthly Rent Charged Tenant	Monthly Rent All Units		0 BR (202/PRAC)	111,104	0	0
5	Unit Size	# of Units			0 BR (Sec. 8)	111,104	0	0
6	0 BR (202/PRAC)	0	275		1 BR (202/PRAC)	127,360	76	9,679,360
7	0 BR (Sec. 8)	0	587		1 BR (Sec. 8)	127,360	30	3,820,800
8	1 BR (202/PRAC)	76	275	20,900	2 BR (Sec. 8)	154,872	1	154,872
9	1 BR (Sec. 8)	30	628	18,840	Manager's Unit (2 BR)	154,872	1	13,655,032
10	2 BR (Sec. 8)	1	754	754	Total		108	2,731,008
11	Manager's Unit (2 BR)	1	0	0	Prevalving Wage		20%	324,000
12	Total Units	108		40,494	Plus Impact Fees		15%	0
13					Plus Structural Work		2%	0
14	Total Annual Income			485,928	Plus Bonds		120%	16,386,038
15	Laundry Income			2,000	Total Maximum Basis			33,096,077
16	Gross Residential Income	5.00%		487,928	Actual Basis per Costs			20,781,339
17	Vacancy Reserve			-24,396	Elevator			Yes
18	PRAC			302,080				
19	EGI			765,611				
20								
21	OPERATING EXPENSES	6,500 pupa		702,000				
22								
23	Services Income			0				
24	Services Expenses			0				
25								
26	NET OPERATING INCOME			63,611				
27	Less 30 year debt service paid currently			0				
28	Less Less Land Rent			-1				
29	Trustee and Issuer Fees			0				
30	Reserves	500		54,000				
31								
32	Excess Cash			9,612				

Scenario Three - Consolidation

Scenario 3 Ownership Structure

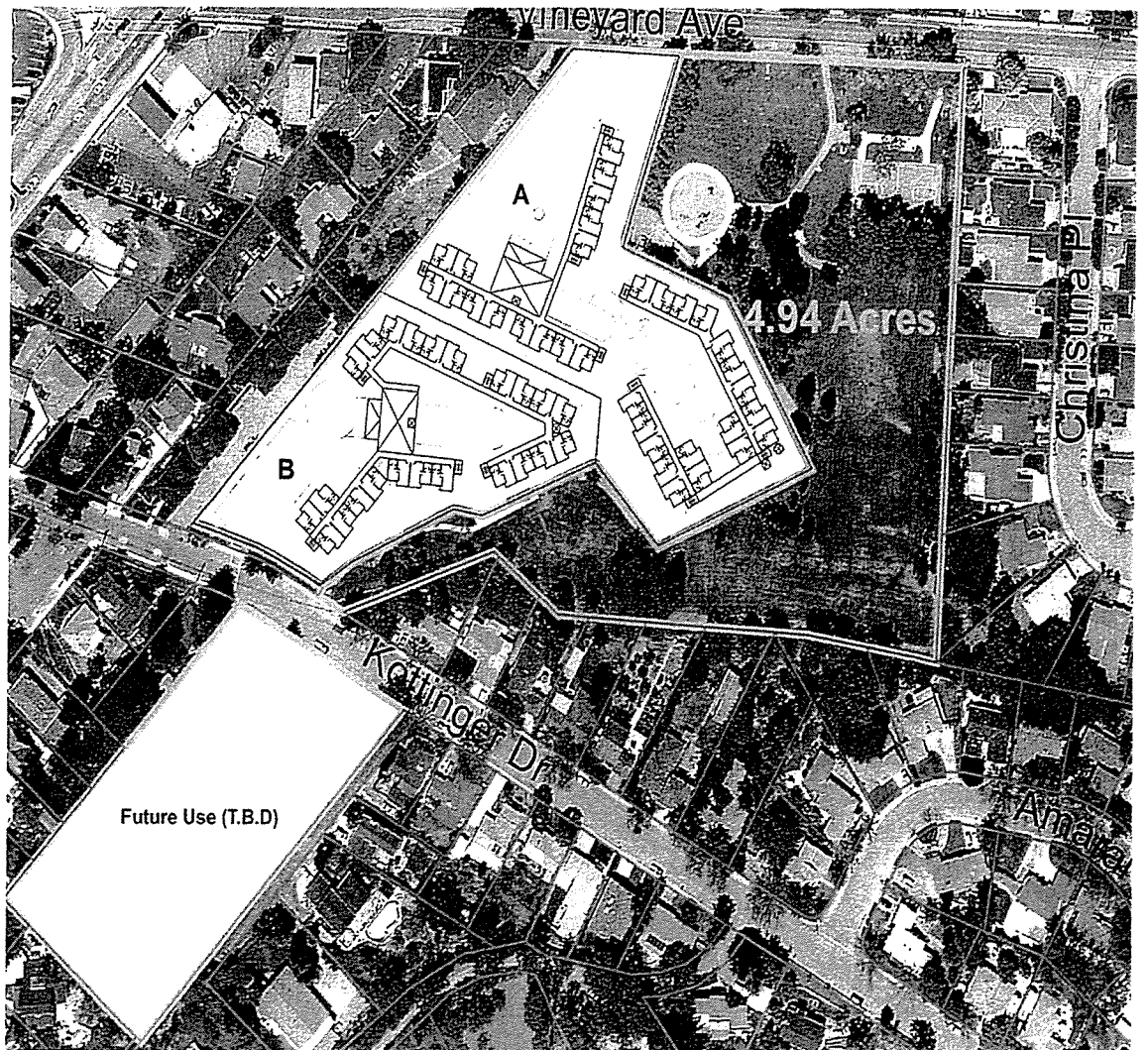
**Project A: 66-unit
9% tax credit facility**

**Project B: 108-unit HUD 202
/ 4% tax credit facility**



Scenario Four:
Joint Development on
Subdivided Kottinger Place Site

Joint Development on Subdivided Kottinger Place Site



Scenario Four - Overview

Scenario 4 Joint Redevelopment of Kottinger Place & Pleasanton Gardens on KP Site

Project Description	No. of Units	Consolidation	Financing
Joint Project A: New Construction	66 Units	Consolidated Management; New Limited Partnership, Local & Experienced Nonprofits form General Partner	9% Tax Credits & Section 8
Joint Project B: New Construction	46 Units	Consolidated Management; New Limited Partnership, Local & Experienced Nonprofits form General Partner	HUD 202, 4% Tax Credits
Pleasanton Gardens Site	Future Use TBD	N/A	To Be Determined; Land Use Control Instrument In Favor of City

overview

Scenario 4 is similar to Scenario 3. Both scenarios assume the City of Pleasanton and Pleasanton Gardens work together to jointly redevelop new replacement housing. In addition, Scenarios 3 and 4 both propose subdividing Kottinger Place land to jointly develop two new projects – in the case of Scenario 4, a 66-unit Project A, and a 46-unit Project B developed as a second phase. The key distinction is that Scenario 4 leaves the use of the Pleasanton Gardens site undetermined.

This scenario therefore evaluates the potential for a joint development on Kottinger Place land alone, leaving the future use of Pleasanton Gardens to be determined. Options range from land banking for future affordable housing development, to lease or sale for other uses. This latter option would likely entail that proceeds from any sale, lease, or redevelopment of Pleasanton Gardens for uses other than affordable housing be contributed to the new affordable housing development on Kottinger Place. This requirement could be effectuated via a land use control agreement in favor of the City.

site density

Based on a 2-story walk-up garden-style design with elevator service, this analysis shows that the City and Pleasanton Gardens could develop 112 units of new affordable senior housing on a site comprised of Kottinger Place and Women's Club land. The first phase, Project A, would develop 66 units on 2.37 acres, a density of 27 dwellings units per acre. A second phase Project B of 46 units could be developed on the remaining 1.60 acres at a density of 28 units per acre. *These density figures nearly double those of the existing facilities and can be achieved (a) without utilizing park land, and (b) without sacrificing the garden feel and private apartment entrances valued at the current facilities.* This 112-unit scenario partially achieves the Task Force goal of creating additional affordable units. Eventual development of additional affordable housing on the Pleasanton Gardens site would easily meet or exceed maximal Task Force unit count goals. *See attachment.*

financing

Scenario 4 envisions two separately funded projects. **Scenario 4 Project A** envisions a 66-unit affordable senior complex developed using 9% tax credits. As part of this structure, CCH has assumed 31 units of project-based Section 8 subsidy is transferred from Pleasanton Gardens per HUD Section 318 rules. We further assume that the developer is able to secure 20 additional project-based vouchers (PBV) from Alameda County Housing Authority. Transferring the existing Pleasanton Gardens HAP Contract and securing new project-based vouchers deepens affordability, leverages more financing, and guarantees long-term affordability for 51 very low-income and extremely low-income elderly households.

Scenario 4 Project B envisions a 46-unit mixed-finance development using HUD Section 202 Capital Advance and 4% tax credit financing. We assume that all 46 units are HUD 202/PRAC units. Tenant-paid rents would be capped at 30% of the elderly household's adjusted gross monthly income.

There are at least two reasons we have assumed this financing structure and phasing. Firstly, we assume that the City, Pleasant Gardens, and other members of the Task Force share the goal of providing the deepest levels of affordability for as many seniors as possible. The best

financing cont.

method for achieving this goal is to develop new HUD Section 202 units, which come with a Project Rental Assistance Contract (PRAC), while also seeking to preserve, transfer, and extend Pleasanton Gardens' 31-unit Housing Assistance Payments Contract (HAP). Because it is not possible to overlay these two forms of HUD rental assistance, we assume that at least one of the two new facilities should be financed *without* HUD Section 202 funds and PRAC subsidy.

A second reason to assume the 9% tax-credit financing is that it generates significantly more private equity, reducing the need for private debt. Nine percent tax credits cannot in any case be combined with the Section 202 program due to federal subsidy layering rules. Notwithstanding these considerations, it may be feasible to reverse this proposed phasing of the 9% tax credit and HUD 202/4% tax-credit financed developments.

The **attached budgets and financial graphs** provide the details on Scenario 3. We have included the full detailed concept budgets, as well as conveniently abbreviated budgets collapsed into five major categories. These are provided to simplify review of the analysis. The graphs help to illustrate the most significant costs and the relative amount of the various funding sources.

The highlights of **Scenario 4, Project A** are as follows:

- Total development cost is \$15,559,227
- Development cost is \$236,000/unit
- City of Pleasanton contribution is \$3,578,667 or \$54,222 per unit, 23% of total development costs
- Investor Capital Contributions cover nearly 61% of development costs
- City funds are leveraged nearly 4.5:1
- To maintain affordability for residents moving from Kottinger Place or Pleasanton Gardens and to maximize affordability in general, 51 tax credit units have some form of rental assistance (HAP, Project-Based Section 8 Vouchers)
- 15 out of the 66 units do not have any form of HUD subsidy. Tax credit rents are set at 35%-40% median income

financing cont.

- This scenario does not assume proceeds from land leases or sale of property
- Funding of vacancy loss at Kottinger Place and Pleasanton Gardens, and/or any relocation costs, remain financial constraints requiring further analysis

The highlights of **Scenario 4, Project B** are as follows:

- Total development cost is just under \$12 million, roughly \$261,000 per unit
- City of Pleasanton contribution is \$1.7 million, roughly \$37,000 per unit or 14% of overall costs
- City funds are leveraged 6:1
- All 46 units are HUD Section 202, PRAC-subsidized tax credit units.

ownership

Scenario 4 assumes a cooperative effort to redevelop the Kottinger Place site and provide new housing for residents of both Kottinger Place and Pleasanton Gardens. In contrast to Scenario 3, however, this scenario leaves the future of the Pleasanton Gardens site undetermined. For the purposes of ownership, we have assumed that the Pleasanton Gardens would be involved in the new ownership structure.

While redevelopment is limited to the Kottinger Place site, funding requirements again necessitate development in two phases. Each project would thus have its own unique funding mix and require the formation of a legally distinct ownership structure. As in Scenarios 1 through 3, Scenario 4 thus entails the formation of two new limited partnerships, each consisting of a limited partner (investor) and a managing general partner.

In order to qualify for tax credits, HUD Section 202 funds, and other affordable housing financing sources, both the City of Pleasanton and Pleasanton Gardens would need to partner with an experienced nonprofit affordable housing developer in forming the new ownership structure. Within each of the two limited partnerships, the managing general partner thus provides a vehicle for achieving functionally consolidated ownership. Each managing general partner could be formed and controlled by the same local nonprofit and experienced nonprofit affordable housing developer.

ownership cont.

The local nonprofit board could consist of representatives from the Pleasanton Gardens board, from the Task Force, or other community stakeholders. While funding requirements might require formation of distinct managing general partners for each project, the local nonprofit and experienced housing nonprofit could control both entities, appointing the same individuals to each.

In the case of **Scenario 4, Project A**, the 66-unit 9% tax credit facility would require the formation of a new limited partnership, comprised of a managing general partner and an investor limited partner. The managing general partner could be formed and controlled by an experienced nonprofit housing developer in cooperation with a local nonprofit such as Pleasanton Gardens.

In the case of **Scenario 4, Project B**, the 46-unit HUD Section 202/4% tax credit facility would require the formation of a second new limited partnership, comprised of a managing general partner and an investor limited partner. The HUD 202 program would require the creation of a single-asset ownership entity. This entity would serve as or control the managing general partner. The single-asset ownership entity and/or managing general partner would be formed and controlled by an experienced nonprofit housing developer in cooperation with a local nonprofit such as Pleasanton Gardens.

In the case of Scenario 4, for both Projects A & B, a HUD Disposition Agreement would enable the City to transfer ownership of Kottinger Place to a new ownership entity. The City could retain ownership of the land, leasing it to the new Limited Partnership. The City would not be part of this ownership structure, but could enforce use restrictions and voting provisions through the regulatory agreement and land lease.

Scenario 4 leaves the future of the Pleasanton Gardens site undetermined. The site could be land banked for future development, sold to help generate proceeds for Project A or B, or incorporated into one of the projects. This is a decision that the board of Pleasanton Gardens will have to make. It is our opinion that with the high cost of land and the shortage of affordable housing, the site should be held for a future affordable housing development.

ownership cont.

Scenario 4 fulfills the intent of all Task Force goals, stated and implied, related to the ownership and management of the new affordable housing: (1) consolidated property management; (2) consolidated ownership, with qualifications outlined below; (3) retained City ownership of Kottinger Place land; (4) City removal from direct ownership of and operational responsibility for the senior housing; and (5) nonprofit ownership with local involvement/control. While meeting all of these goals, funding and regulatory requirements will dictate the exact nature of the ownership as outlined below. *Please see attached ownership structure diagram.*

phasing & relocation

The approach to phasing and relocation for Scenario 4 would be very similar to the approach described for Scenario 3. In our estimation, however, the impact of each redevelopment scenario on the residents in the form of temporary relocation or other forms of displacement may be the single most critical factor in assessing the proposed scenario's feasibility and desirability. As noted above, the phasing and relocation quandary for Scenario 4 provides an opportunity to discuss the financial and human impact.

We hope this preliminary discussion will enable the Task Force to revisit the relative importance of avoiding relocation among its various goals, potentially directing CCH to explore in greater detail redevelopment strategies that could potentially minimize or eliminate relocation.

For details on how a phasing strategy might be executed, please refer to Scenario 3.

advantages

Advantages to Scenario 4 include:

- (1) Achieves consolidated management, functionally consolidated ownership, and contiguous project sites on one side of Kottinger Drive;
- (2) Project scale is less than optimal but does allow for operating efficiencies and financing competitiveness;
- (3) Subdividing Kottinger Place land and developing in two phases provides opportunities to minimize relocation;

advantages cont.

- (4) Project phasing and size reduces projected City contribution to manageable levels;
- (5) Provides 90 replacement units and increases density without using park land or sacrificing garden feel;
- (6) Potentially preserves the Pleasanton Gardens site for future development of affordable senior housing.
- (7) Creates potential for generating proceeds for development through sale/lease of Pleasanton Gardens.

disadvantages

Disadvantages to Scenario 4 include:

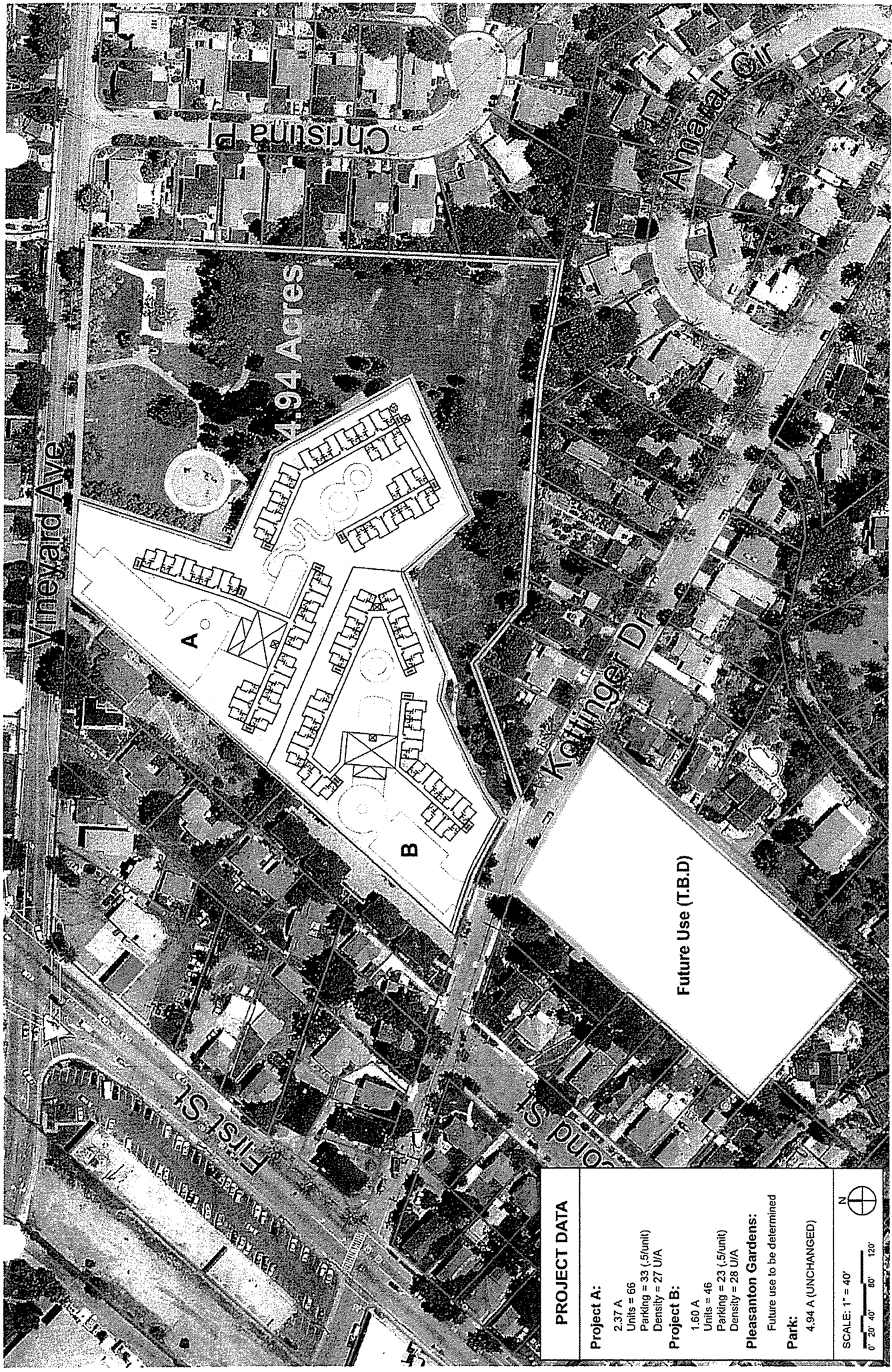
- (1) Subdividing Kottinger Place site constrains density since each project will have to meet site amenity and access requirements independently;
- (2) There is uncertainty that a new section 8 contract could be secured;
- (3) Achieves minimal density increase;
- (4) Assumes future use of Pleasanton Gardens to be determined.

conclusions & constraints

Developing a in two phases, with a 66-unit Project A and a 46-unit Project B, provides solutions to relocation and allows financing in manageable increments. Development without use of the park reduces the project constraints and development timing. The major constraints to this scenario are:

- (1) Vacating units and relocating tenants to allow demolition and clearing of the entire site.
- (2) Securing additional Section 8 allocations to keep new units affordable to existing residents.
- (3) The current ACC level does not provides adequate operating subsidies to cover operating expenses.

Scenario Four - Density Plan



4.94 Acres

Vineyard Ave

Christina Pl


Amaral Cir

Kottinger Dr

First St

Second St

Future Use (T.B.D)

PROJECT DATA	
Project A:	
2.37 A	
Units = 66	
Parking = 33 (.5/unit)	
Density = 27 U/A	
Project B:	
1.60 A	
Units = 46	
Parking = 23 (.5/unit)	
Density = 28 U/A	
Pleasanton Gardens:	
Future use to be determined	
Park:	
4.94 A (UNCHANGED)	
SCALE: 1" = 40'	
0' 20' 40' 80' 120'	
	



February 20, 2007

60080

KOTTINGER PLACE - PLEASANTON GARDENS SENIOR HOUSING

(Scenario 4)

KOTTINGER PLACE - (TWO SITES, TWO OWNERS) PLEASANTON GARDENS - (T.B.D)



Scenario Four - Funding

Project A

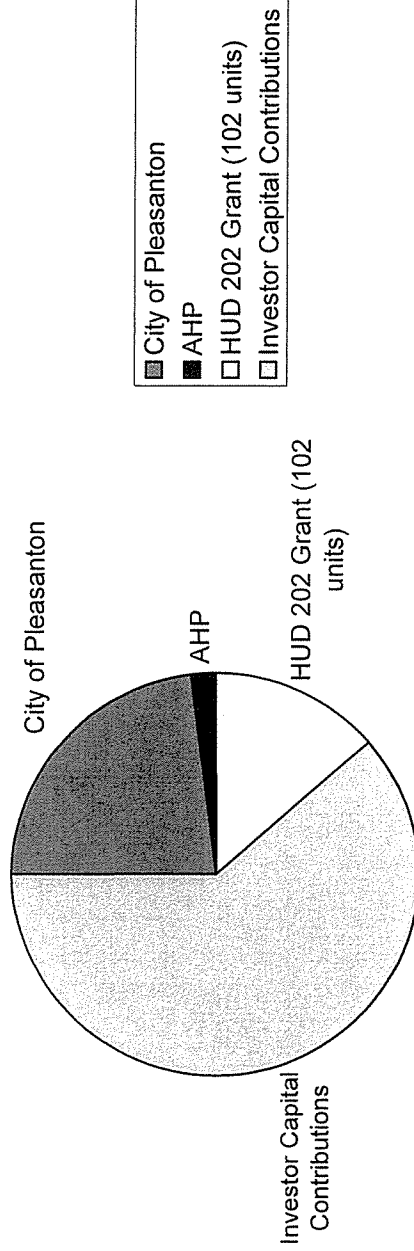
Scenario 4: Project A

66 Units

9% Tax Credits

SOURCES		
City of Pleasanton	3,578,667	23%
AHP	330,000	2%
HUD 202 Grant (60 units)	2,093,600	13%
Investor Capital Contributions	9,556,960	61%
<i>Total Sources</i>	<i>15,559,227</i>	<i>100%</i>

Sources of Funds



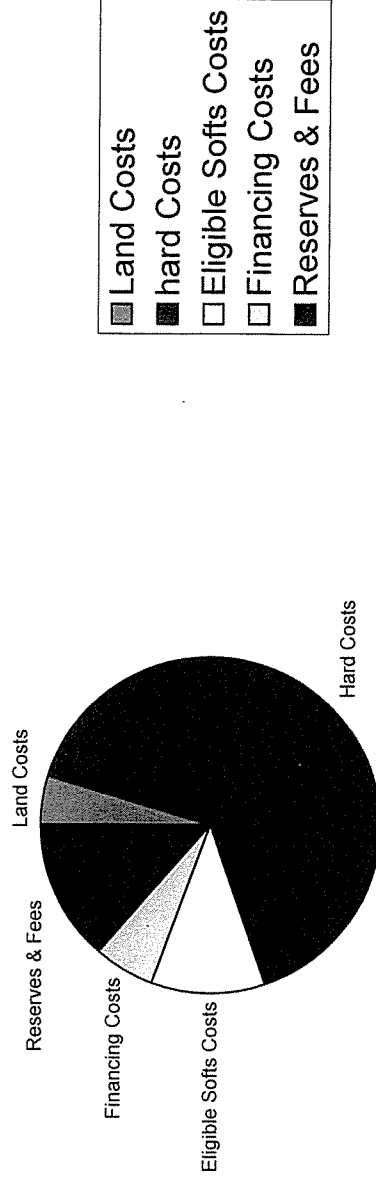
Scenario 4: Project A

66 Units

9% Tax Credits

USES		
Land Costs	718,000	5%
hard Costs	10,131,264	65%
Eligible Softs Costs	1,687,590	11%
Financing Costs	915,048	6%
Reserves & Fees	2,107,325	14%
<i>Total Uses</i>	<i>15,559,227</i>	<i>100%</i>

Uses of Funds



Scenario 4 Project A: Joint Development

66 Units

9% Tax Credits with Section 8

	A	B	C	D	E
		Permanent	During Const.	Rate	Per Unit
1					
2					
3	Permanent Debt	2,093,600	0	8.50%	31,721
4	Local Public Agency Funds	3,578,667	3,200,000	3.00%	54,222
5	AHP (\$5k/unit)	330,000	330,000	0.00%	5,000
6	Grants	0	0		0
7	Investor Capital Contributions	9,556,960	50,000		144,802
8	Deferred Developer Fee	0			0
9	TOTAL SOURCES	15,559,227			235,746
10					
11	Total Required During Constr.	13,731,902			
12	Construction loan	10,151,902			
13	Construction period	14			
14	Conversion period	3			
15	Average % Outstanding	55%			
16	Rate	7.50%			
17					
18	CALCULATION OF CREDIT AMOUNT				
19	Rehab Basis	9,261,158			
20	Eligible Basis	9,261,158			
21	High cost factor (QCT)	12,039,506	130.00% DDA		
22	Acquisition Basis	0			
23	Total Basis	12,039,506			
24	Applicable fraction	12,039,506	100.00%		
25	Federal Credit Amount	975,200	8.10%		
26	State Credit Amount	0			
27					
28	Equity from Federal Credit	9,556,960	98.00%		
29	Equity from State Credit	0			
30	Total Equity	9,556,960			
31	Syndication Costs	95,000			
32	Net Equity	9,461,960			

	A	B	C	D	E	F
		TOTAL COST	Residential	Commercial	Construction Period	BASIS FOR 4% NC CREDIT
1						
2	SOURCES AND USES OF FUNDS					
3						
4	LAND COST/ACQUISITION					
5	Prepaid Land Rent	438,000	438,000	0	438,000	
6	Carrying Costs	20,000	20,000	0	20,000	
7	Legal & Closing Costs	10,000	10,000	0	10,000	
8	Demolition	250,000	250,000		250,000	
9	Total Land Cost or Value	718,000	718,000	0		
10	Improvements Value	0	0	0	0	
11	Off-Site Improvements	0			0	
12	Total Acquisition Cost	718,000	718,000	0	718,000	
13	REHABILITATION					
14	Site Work	0	0		0	0
15	Structures	0	0		0	0
16	General Requirements	0	0		0	0
17	Contractor Overhead	0	0		0	0
18	Contractor Profit	0	0		0	0
19	Total Rehabilitation Cost	0	0	0	0	
20	NEW CONSTRUCTION					
21	Site Work and Utilities	678,924	678,924		678,924	678,924
22	Structures-Housing	8,291,526	8,291,526		8,291,526	8,291,526
23	Structures - Commercial	0		0	0	0
24	Direct Contracts and Other NIC	0	0	0	0	0
25	General Requirements	580,407	580,407	0	580,407	580,407
26	Contractor Insurance & Bond	290,203	290,203	0	290,203	290,203
27	Contractor Overhead & Profit	290,203	290,203	0	290,203	290,203
28	Contractor Fee	0	0	0	0	0
29	Total New Construction Costs	10,131,264	10,131,264	0	10,131,264	
30	ARCHITECTURAL FEES					
31	Design	531,891	531,891	0	531,891	531,891
32	Supervision	177,297	177,297	0	177,297	177,297
33	Total Architectural Costs	709,188	709,188	0	709,188	
34	Survey and Engineering	30,000	30,000	0	30,000	30,000
35	CONSTR. INTEREST & FEES					
36	Const. Loan Interest	678,908	678,908	0	678,908	678,908
37	Const. Loan Interest (Soft Loans)	0	0	0	0	0
38	Issuance Costs (see detail below)	0	0	0	0	0
39	Origination Fee	76,139	76,139	0	76,139	76,139
40	Construction Lender Fees & Expenses	0	0	0	0	0
41	Line of Credit Interest	0	0	0	0	0
42	Taxes	10,000	10,000	0	10,000	10,000
43	Insurance	125,000	125,000	0	125,000	125,000
44	Title and Recording	25,000	25,000	0	25,000	25,000
45	Total Construction Interest and Fees	915,048	915,048	0	915,048	
46	PERMANENT FINANCING					
47	Loan Fees (2%)	0	0	0	0	0
48	Credit Enhancement & Application Fee	0	0	0	0	0
49	Title and Recording	0	0	0	0	0
50	Other	0			0	
51	Total Permanent Financing Costs	0	0	0	0	
52	LEGAL FEES					
53	Lender Legal Costs Paid by Applicant	50,000	50,000	0	50,000	50,000
54	Other - Owner Legal	50,000	50,000	0	50,000	50,000
55	Total Attorney Costs	100,000	100,000	0	100,000	
56	RESERVES					
57	Capitalized Operating Reserve	115,500	115,500			
58	Other Reserve	0	0			
59	Total Reserve Costs	115,500	115,500	0	0	
60	Total Appraisal Costs	10,000	10,000	0	10,000	10,000
61	Total Construction Contingency Costs	0	0	0	0	0
62	OTHER					
63	Tax Credit App./Alloc./Monitoring fees	38,402	38,402		38,402	
64	Environmental Audit	12,500	12,500		12,500	12,500
65	Local Development Impact Fees	198,000	198,000	0	198,000	198,000
66	Permit Processing Fees	198,000	198,000	0	198,000	198,000
67	Market Study	8,500	8,500	0	8,500	8,500
68	Marketing	50,000	50,000	0	50,000	
69	Construction manager	25,000	25,000	0	25,000	25,000

	A	B	C	D	E	F
70	Furnishings	10,000	10,000	0	10,000	10,000
71	Relocation	198,000	198,000	0	198,000	198,000
72	Soft Cost Contingency	100,000	100,000	0	100,000	100,000
73	Total Other Costs	838,402	838,402	0	838,402	
74	Total Project Cost	13,567,402	13,567,402	0	13,451,902	12,645,500
75	<i>DEVELOPER COSTS</i>					
76	Developer Overhead/Profit	1,896,825	1,896,825	0	200,000	1,896,825
77	Consultant/Processing Agent	0				
78	Project Administration					
79	Broker Fees paid by owner					
80	Construction Management Oversight					
81	Other					
82	Total Developer Costs	1,896,825	1,896,825	0	200,000	1,896,825
83						
84	TOTAL PROJECT COST	15,464,227	15,464,227	0	13,651,902	14,542,325
85	<i>Syndication Costs</i>					
86	Legal - Syndication	35,000	35,000	0	35,000	
87	Audit	15,000	15,000	0		
88	Consultant - Syndication	45,000	45,000	0	45,000	
89	Bridge Loan Interest	0			0	
90	Total Syndication Costs	95,000	95,000	0	80,000	
91	TOTAL PROJECT COSTS INCL. SYNDICATION	15,559,227	15,559,227	0	13,731,902	14,542,325

	A	B	C	D	E	F	G	H	I	J	K	
1	CASH FLOW ANALYSIS											
2	INCOME	# of Units	TCAC AMI	Monthly Rent Charged Tenant	Monthly Rent All Units	100% TCAC Rent		County	San Francisco		Project Basis	
3	0 BR	5		600	3,000	1,466	0 BR	Unit Size	Basis Limits	Number Units		
4	0 BR (Sec. 8)	15		874	13,110	1,466	0 BR (Sec. 8)		111,103	5	555,515	
5	1 BR	9		700	6,300	1,570	1 BR		111,104	15	1,666,560	
6	1 BR (Sec. 8)	36		1,065	38,340	1,570	1 BR		127,360	9	1,146,240	
7	2 BR	0		1,250	0	1,884	2 BR		127,360	36	4,584,960	
8	Manager's Unit (2 BR)	1		1,250	1,250				154,872	1	154,872	
9	Total Units	66		1,250	59,000				Total	61	7,552,632	
10	Total Annual Income				708,000				Prevalin:	20%	1,510,526	
11	Laundry Income				2,000				Plus Impact Fees		198,000	
12	Gross Residential Income				710,000				Plus Stru	15%	0	
13	Vacancy Reserve	5.00%			-35,500				Plus Spe	2%	0	
14	Other Income				0				Plus Bon	100%	0	
15	EGI				674,500				Total Maximum Ba		9,261,158	
16	OPERATING EXPENSES	6,500		pupa	429,000				Actual Basis per C		14,542,325	
17	Services Income				0				Elevator		Yes	
18	Services Expenses				0							
19	NET OPERATING INCOME				245,500							
20	Less 30 year debt service paid currently				193,176							
21	Less Land Rent				-1							
22	Trustee and Issuer Fees				0							
23	Reserves	500			33,000							
24	Excess Cash				19,325							

Project B

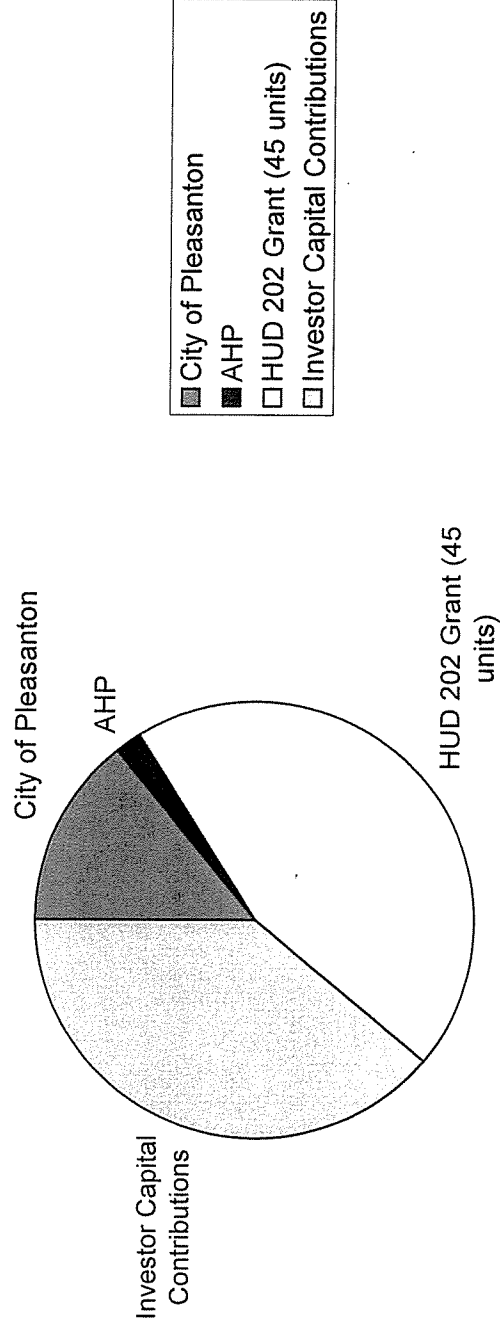
Scenario 4: Project B

46 Units

HUD 202/4% Tax Credits

SOURCES		
City of Pleasanton	1,693,168	14%
AHP	230,000	2%
HUD 202 Grant (45 units)	5,413,000	45%
Investor Capital Contributions	4,662,122	39%
Total Sources	11,998,290	100%

Sources of Funds



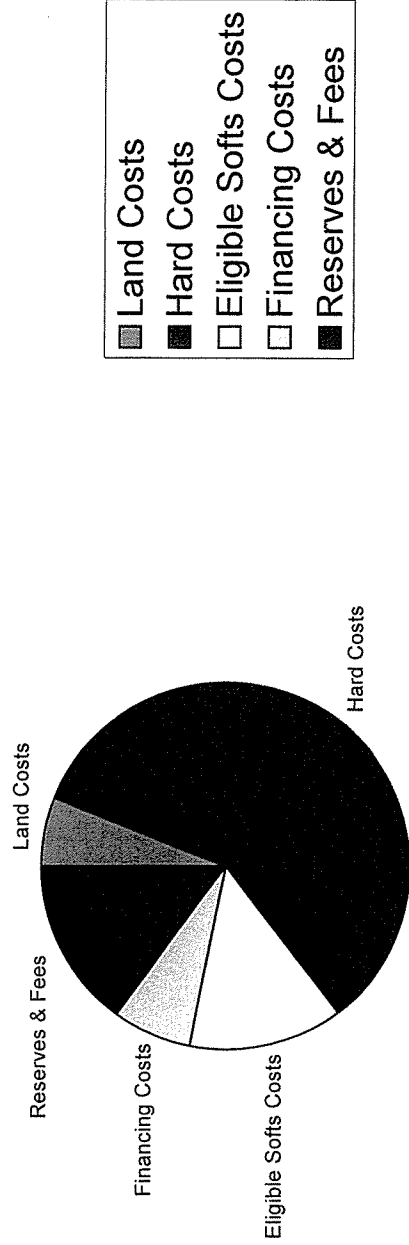
Scenario 4: Project B

46 Units

HUD 202/4% Tax Credits

USES		
Land Costs	718,000	6%
Hard Costs	7,061,184	59%
Eligible Softs Costs	1,581,490	13%
Financing Costs	854,101	7%
Reserves & Fees	1,783,515	15%
<i>Total Uses</i>	<i>11,998,290</i>	<i>100%</i>

Uses of Funds



Scenario 4: Project B
46 Units
HUD 202/4% Tax Credits

	A	B	C	D	E
1		Permanent	Construction	Rate	Per Unit
2					
3	HUD 202 (45 units)	5,413,000		0	117,674
4	Local Public Agency Funds	1,693,168		3,200,000	36,808
5	AHP (\$5k/unit)	230,000		230,000	5,000
6	Grants	0		0	0
7	Investor Capital Contributions	4,662,122		50,000	101,350
8	Deferred Developer Fee	0			0
9	TOTAL SOURCES	11,998,290			260,832
10					
11	Total Required During Constr.	10,399,775			
12	Construction loan	6,919,775			
13	Construction period	16			
14	Conversion period	3			
15	Average % Outstanding	55%			
16	Rate	6.75%			
17					
18	CALCULATION OF CREDIT AMOUNT				
19	Rehab Basis	10,455,532			
20	Eligible Basis	10,455,532			
21	High cost factor (QCT)	13,592,192		130.00% DDA	
22	Acquisition Basis	0			
23	Total Basis	13,592,192			
24	Applicable fraction	13,592,192		100.00%	
25	Federal Credit Amount	475,727		3.50%	
26	State Credit Amount	0			
27					
28	Equity from Federal Credit	4,662,122		98.00%	
29	Equity from State Credit	0			
30	Total Equity	4,662,122			
31	Syndication Costs	95,000			
32	Net Equity	4,567,122			

	A	B	C	D	E	F
1					Construction	BASIS FOR
2	SOURCES AND USES OF FUNDS	TOTAL COST	Residential	Commercial	Period	4% NC CREDIT
3						
4	<i>LAND COST/ACQUISITION</i>					
5	Prepaid Land Rent	438,000	438,000	0	438,000	
6	Carrying Costs	20,000	20,000	0	20,000	
7	Legal & Closing Costs	10,000	10,000	0	10,000	
8	Demolition	250,000	250,000		250,000	
9	Total Land Cost or Value	718,000	718,000	0		
10	Improvements Value	0	0	0	0	
11	Off-Site Improvements	0			0	
12	Total Acquisition Cost	718,000	718,000	0	718,000	
13	<i>REHABILITATION</i>					
14	Site Work	0	0		0	0
15	Structures	0	0		0	0
16	General Requirements	0	0		0	0
17	Contractor Overhead	0	0		0	0
18	Contractor Profit	0	0		0	0
19	Total Rehabilitation Cost	0	0	0	0	
20	<i>NEW CONSTRUCTION</i>					
21	Site Work and Utilities	473,189	473,189		473,189	473,189
22	Structures-Housing	5,778,943	5,778,943		5,778,943	5,778,943
23	Structures - Commercial	0		0	0	0
24	Direct Contracts and Other NIC	0	0	0	0	0
25	General Requirements	404,526	404,526	0	404,526	404,526
26	Contractor Insurance & Bond	202,263	202,263	0	202,263	202,263
27	Contractor Overhead & Profit	202,263	202,263	0	202,263	202,263
28	Contractor Fee	0	0	0	0	0
29	Total New Construction Costs	7,061,184	7,061,184	0	7,061,184	
30	<i>ARCHITECTURAL FEES</i>					
31	Design	370,712	370,712	0	370,712	370,712
32	Supervision	123,571	123,571	0	123,571	123,571
33	Total Architectural Costs	494,283	494,283	0	494,283	
34	Survey and Engineering	30,000	30,000	0	30,000	30,000
35	<i>CONSTR. INTEREST & FEES</i>					
36	Const. Loan Interest	459,300	459,300	0	459,300	459,300
37	Const. Loan Interest (Soft Loans)	0	0	0	0	0
38	Issuance Costs (see detail below)	234,801	234,801	0	234,801	
39	Origination Fee	0	0	0	0	0
40	Construction Lender Fees & Expenses	0	0	0	0	0
41	Line of Credit Interest	0	0	0	0	0
42	Taxes	10,000	10,000	0	10,000	10,000
43	Insurance	125,000	125,000	0	125,000	125,000
44	Title and Recording	25,000	25,000	0	25,000	25,000
45	Total Construction Interest and Fees	854,101	854,101	0	854,101	
46	<i>PERMANENT FINANCING</i>					
47	Loan Fees (2%)	0	0	0	0	
48	Credit Enhancement & Application Fee	0	0	0	0	
49	Title and Recording	0	0	0		
50	Other	0			0	
51	Total Permanent Financing Costs	0	0	0	0	
52	<i>LEGAL FEES</i>					
53	Lender Legal Costs Paid by Applicant	0	0	0	0	0
54	Other - Owner Legal	50,000	50,000	0	50,000	50,000
55	Total Attorney Costs	50,000	50,000	0	50,000	
56	<i>RESERVES</i>					
57	Capitalized Operating Reserve	74,750	74,750			
58	Partnership Management/Asset Management Fee F	345,000	345,000			
59	Total Reserve Costs	419,750	419,750	0	0	
60	Total Appraisal Costs	10,000	10,000	0	10,000	10,000
61	Total Construction Contingency Costs	0	0	0	0	0
62	<i>OTHER</i>					
63	Tax Credit App./Alloc./Monitoring fees	25,207	25,207		25,207	
64	Environmental Audit	12,500	12,500		12,500	12,500
65	Local Development Impact Fees	138,000	138,000	0	138,000	138,000
66	Permit Processing Fees	138,000	138,000	0	138,000	138,000
67	Market Study	8,500	8,500	0	8,500	8,500

	A	B	C	D	E	F
68	Marketing	50,000	50,000	0	50,000	
69	Construction manager	25,000	25,000	0	25,000	25,000
70	Furnishings	10,000	10,000	0	10,000	10,000
71	Relocation	395,000	395,000	0	395,000	395,000
72	Soft Cost Contingency	100,000	100,000	0	100,000	100,000
73	Total Other Costs	902,207	902,207	0	902,207	
74	Total Project Cost	10,539,525	10,539,525	0	10,119,775	9,091,767
75	DEVELOPER COSTS					
76	Developer Overhead/Profit	1,363,765	1,363,765	0	200,000	1,363,765
77	Consultant/Processing Agent	0				
78	Project Administration					
79	Broker Fees paid by owner					
80	Construction Management Oversight					
81	Other					
82	Total Developer Costs	1,363,765	1,363,765	0	200,000	1,363,765
83						
84	TOTAL PROJECT COST	11,903,290	11,903,290	0	10,319,775	10,455,532
85	Syndication Costs					
86	Legal - Syndication	35,000	35,000	0	35,000	
87	Audit	15,000	15,000	0		
88	Consultant - Syndication	45,000	45,000	0	45,000	
89	Bridge Loan Interest	0			0	
90	Total Syndication Costs	95,000	95,000	0	80,000	
91	TOTAL PROJECT COSTS INCL. SYNDICATION	11,998,290	11,998,290	0	10,399,775	10,455,532

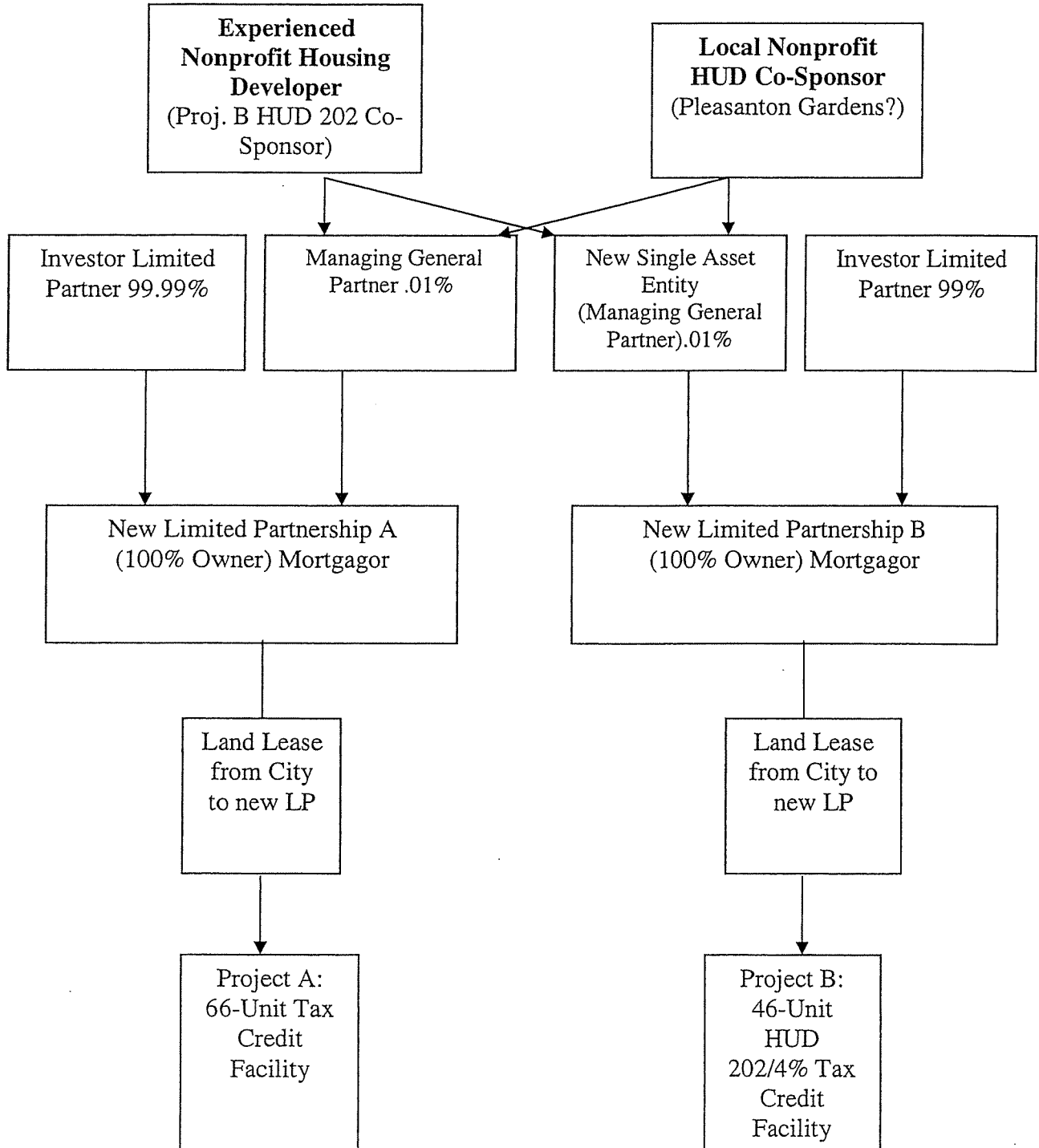
	A	B	C	D	E	F	G	H	I
1						THRESHOLD BASIS			
2	CASH FLOW ANALYSIS					County	Alameda		
3						Unit Size	Basis Limits	Number Units	Project Basis
4	INCOME	# of Units	Monthly Rent Charged Tenant	Total Monthly Monthly Rent All Units					
5									
6	0 BR (202/PRAC)	0	275	0	0	0 BR (202/PRAC)	111,104	0	0
7	0 BR (Sec. 8)	0	874	0	0	0 BR (Sec. 8)	111,104	0	0
8	1 BR (202/PRAC)	45	275	12,375	12,375	1 BR (202/PRAC)	127,360	45	5,731,200
9	1 BR (Sec. 8)	0	1,065	0	0	1 BR (Sec. 8)	127,360	0	0
10	2 BR (Sec. 8)	0	1,250	0	0	2 BR (Sec. 8)	154,872	0	0
11	Manager's Unit (2 BR)	1	0.00	0	0	Manager's Unit (2 BR)	154,872	1	154,872
12	Total Units	46		12,375		Total		46	5,731,200
13						Prevailing Wage		20%	1,146,240
14	Total Annual Income			148,500		Plus Impact Fees			138,000
15	Laundry Income			2,000		Plus Structural Work		15%	0
16	Gross Residential Income			150,500		Plus Special Needs		2%	0
17	Vacancy Reserve	5.00%		-7,525		Plus Bonds		120%	6,877,440
18	PRAC			156,024		Total Maximum Basis			13,892,880
19	EGI			298,999		Actual Basis per Costs			10,455,532
20						Elevator			Yes
21	OPERATING EXPENSES	6,000 pupa		276,000					
22									
23	Services Income			0					
24	Services Expenses			0					
25									
26	NET OPERATING INCOME			22,999					
27	Less 30 year debt service paid currently			0					
28	Less Less Land Rent			-1					
29	Trustee and Issuer Fees			0					
30	Reserves	500		23,000					
31									
32	Excess Cash			0					

Scenario Four - Consolidation

Scenario 4 Ownership Structure

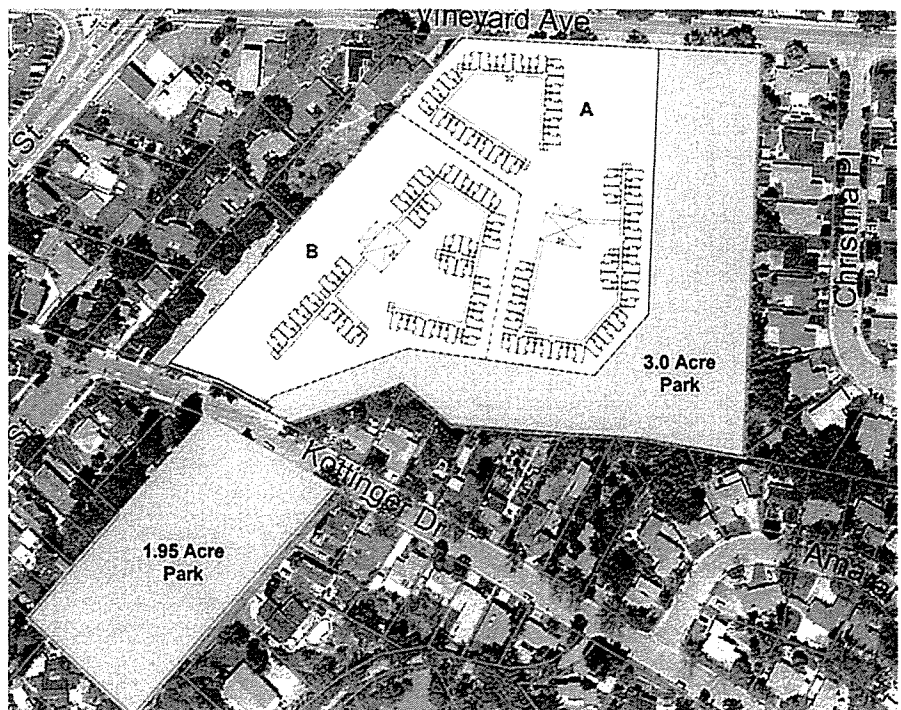
Project A: 66-unit 9% tax credit facility

Project B: 46-unit HUD 202/4% tax credit facility



Scenario Five:
Joint Development on
Subdivided Kottinger Place Site
with Park Land

Joint Development on Subdivided Kottinger Place Site with Park Land



Scenario Five - Overview

Scenario 5 Joint Redevelopment of Kottinger Place & Pleasanton Gardens with Park Land

Project Description	No. of Units	Consolidation	Financing
Joint Project A: New Construction	86 Units	Consolidated Management; New Limited Partnership, Local & Experienced Nonprofits form General Partner	9% Tax Credits, Section 8 Transfer From Pleasanton Gardens
Joint Project B: New Construction	64 Units	Consolidated Management; New Limited Partnership, Local & Experienced Nonprofits form General Partner	HUD 202 with 4% Tax Credits
Pleasanton Gardens Site: New Park	0		Land Use Control Instrument In Favor City

overview

This scenario assumes the City of Pleasanton and Pleasanton Gardens work together to jointly develop 150 units of new affordable housing in two phases. Project A, the first phase, would be an 86-unit 9% tax-credit facility. Project B, the second phase, would be a 64-unit HUD Section 202/4% tax credit facility. The key distinction between Scenario 5 and prior scenarios is the use of park land and the use of the Pleasanton Gardens site as part of a reconfigured park. *Scenario 5 evaluates the opportunities for greater density (150 units) and logical site configuration made possible by use of park land.*

site density

Based on a 2-story walk-up garden-style design with elevators, this analysis shows that the City and Pleasanton Gardens could develop 150 units of new affordable senior housing on a site comprised of the Kottinger Place land, the Women's Club site, and a roughly 2-acre portion of the park. Project A, the first phase, would develop 86 units on 2.24 acres for a density of 38 dwellings units per acre. This scenario is the densest of the five options. Phase 2 could be developed with 64 units of senior housing developed at density of 29 units per acre, on approximately 2.15 acres.

financing

The available sources of financing for affordable senior housing are fairly limited. The primary sources are HUD 202 Capital Advance Grants, low-income housing tax credits, redevelopment agency funds, and local municipality subsidies such as HOME and CDBG funds. Accordingly, CCH has proposed a two-phase redevelopment with financing structures similar to the previous scenarios.

For **Project A** we have proposed an 86-unit senior facility developed with 9% tax credit, a conventional loan, and a residual receipts loan from the City. We have also leveraged financing and proposed deep affordability by assuming 51 subsidized units. Subsidy comes from assumed HUD approval to transfer the 31-unit HAP contract from Pleasanton Gardens and assumed developer ability to obtain a new allocation of Project-based Section 8 Vouchers (PBV) from the Alameda County Housing Authority. The 35 unsubsidized units would have tax credit rents set at the 40 to 45% Area Median Income level.

Preserving Pleasanton Gardens' 31-unit HAP is one of the strategic reasons why we have proposed (9%) tax credits for this scenario. The HUD 202 program provides its own Project-Based Rental Assistance Contract (PRAC) and so could not be combined with the existing HAP contract due to subsidy layering restrictions.

For **Project B** we have estimated sources and uses utilizing the HUD 202 Program combined with 4% tax credits. The reasons for proposing this structure are noted above. We assume that all 64 units are subsidized by the HUD 202 program's Project-Based Rental Assistance Contract, with tax credits used to generate additional equity but not to fund construction of non-PRAC units. Another important reason for combining the tax credits with the HUD program is that it generates additional equity dollars that offset the amount of the City contribution.

The **attached budgets and financial graphs** provide the details on Scenario 5. We have included the full detailed concept budgets, as well as conveniently abbreviated budgets collapsed into five major categories. These are provided to simplify review of the analysis. The graphs help to illustrate the most significant costs and the relative amount of the various funding sources.

financing cont.

The highlights of this **Project A** are as follows:

- Total development cost is \$18,519,266 or \$215,000 per unit
- City of Pleasanton contribution is \$3,029,421 or \$35,000 per unit, 16% of total development costs
- Investor Capital Contributions cover nearly 69% of development costs
- City funds are leveraged nearly 5:1
- To maintain affordability for residents moving from Kottinger Place or Pleasanton Gardens and to maximize affordability in general, 51 tax credit units have some form of rental assistance (HAP, Project-Based Section 8 Vouchers)
- 34 of the 86 units are unsubsidized (no HAP, no S8 vouchers) with tax credit rents set at 40-45% of area median income
- This scenario does not assume proceeds from land leases or sale of property
- Funding of vacancy loss at Kottinger Place and Pleasanton Gardens, and/or any relocation costs, remain financial constraints requiring further analysis

The highlights of **Project B** are as follows:

- Total development cost is \$16,348,179 or \$255,440 per unit
- City of Pleasanton contribution is \$2.4 million or \$37,500 per unit, 15% of overall costs
- City funds are leveraged 5:1
- All 64 units are HUD-subsidized tax credit units.

ownership

The ownership structure under this scenario would be very similar to the structure outlined in the previous scenarios. Two new limited partnerships would be formed, each comprised of a managing general partner and an investor limited partner. A Disposition Agreement would be executed with HUD for the facility, but the City would retain ownership of the land and grant the new limited partnership and 99 year land lease. The managing general partners would be formed by a local nonprofit (Pleasanton Gardens) in partnership with an experienced nonprofit housing developer. *Please see the ownership narrative in prior scenarios and the attached organization chart for more detail.*

phasing & relocation

The approach to phasing and relocation for Scenario 5 would be very similar to the approach described for Scenarios 3 and 4. In our estimation, however, the impact of each redevelopment scenario on the residents in the form of temporary relocation or other forms of displacement may be the single most critical factor in assessing the proposed scenario's feasibility and desirability. As noted above, the phasing and relocation quandary for Scenario 4 provides an opportunity to discuss the financial and human impact.

We hope this preliminary discussion will enable the Task Force to revisit the relative importance of avoiding relocation among its various goals, potentially directing CCH to explore in greater detail redevelopment strategies that could potentially minimize or eliminate relocation.

For details on how a phasing strategy might be executed, please refer to Scenario 3.

advantages

Advantages to Scenario 5 include the following:

- (1) Assumes a consolidated development;
- (2) Use of the park allows for a more rectilinear site configuration;
- (3) Potentially creates a linear, greenbelt park conforming to the creek as a featured natural amenity;
- (4) Enhances the ability to create a coordinated design without loss of units;
- (5) Subdividing site and phasing projects provides more options for avoiding offsite relocation;
- (6) Use and reconfiguration of park land may create eligibility for new state-level funds for affordable housing and parks;
- (7) A variant involving more aggressive and perhaps politically infeasible use of park land could enable construction of all replacement units prior to demolition, with no offsite or onsite relocation of existing residents.

disadvantages

Disadvantages to Scenario 5 include:

- (1) Use, reconfiguration, and relocation of park land will require an elaborate public process and approvals, potentially which can delay the redevelopment process;
- (2) The park (rather than the senior communities) is split by Kottinger Drive, with the primary park amenities potentially relocated to the former Pleasanton Gardens site and thus serving a different immediate neighborhood;
- (3) Requires significant City contribution.

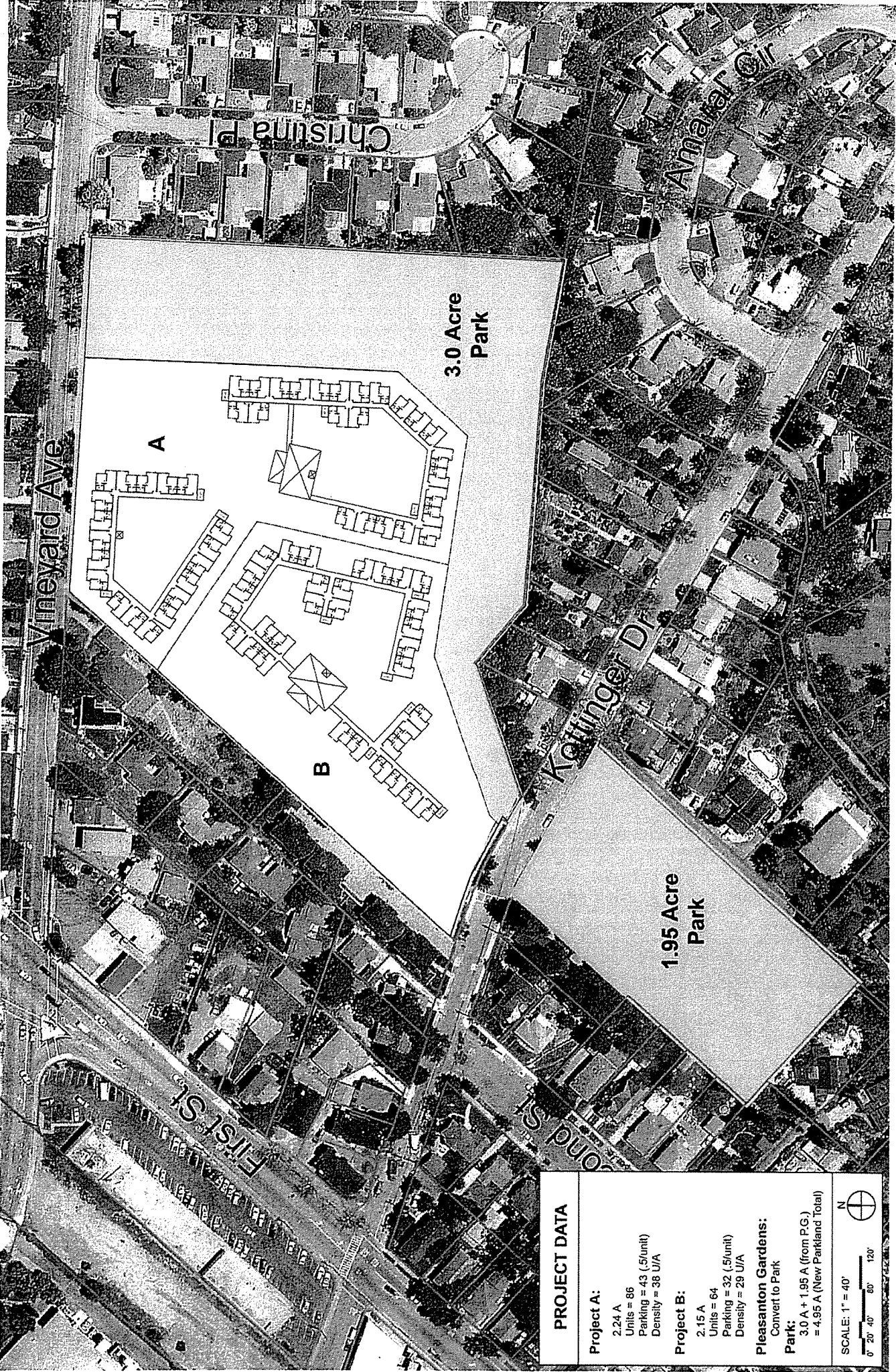
conclusions & constraints

As noted above, there are many advantages to using the park. The use of park land provides much more flexibility in the site configuration and building design and allows for a higher density development. Use of park land also greatly increases the potential complications any proposed development would encounter, including neighborhood opposition of an intensity senior housing alone typically does not trigger.

The major constraints to this scenario are:

- (1) Securing enough political support for use of the park;
- (2) The timing to gain the necessary support and approval for use of the park;
- (3) Available City funding.

Scenario Five - Density Plan



PROJECT DATA	
Project A:	
2.24 A	
Units = 86	
Parking = 43 (.5/unit)	
Density = 38 U/A	
Project B:	
2.15 A	
Units = 64	
Parking = 32 (.5/unit)	
Density = 29 U/A	
Pleasanton Gardens:	
Convert to Park	
Park:	
3.0 A + 1.95 A (from P.G.)	
= 4.95 A (New Parkland Total)	
SCALE: 1" = 40'	
0' 20' 40' 80' 120'	



February 20, 2007
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KOTTINGER PLACE - PLEASANTON GARDENS SENIOR HOUSING
(Scenario 5)
KOTTINGER PLACE - (TWO SITES, TWO OWNERS)

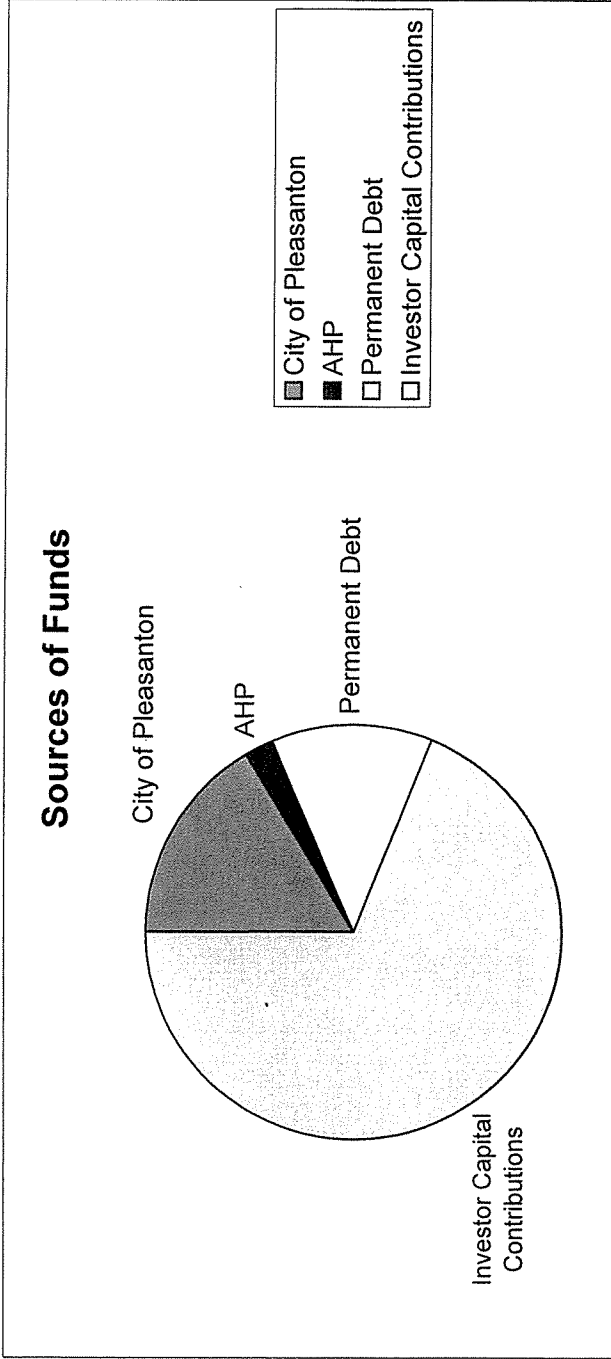


Scenario Five - Funding

Project A

Scenario 5: Project A
 86 Units
 9% Tax Credits w/Section 8

SOURCES		
City of Pleasanton	3,029,421	16%
AHP	430,000	2%
Permanent Debt	2,286,700	12%
Investor Capital Contributions	12,773,145	69%
Total Sources	18,519,266	100%

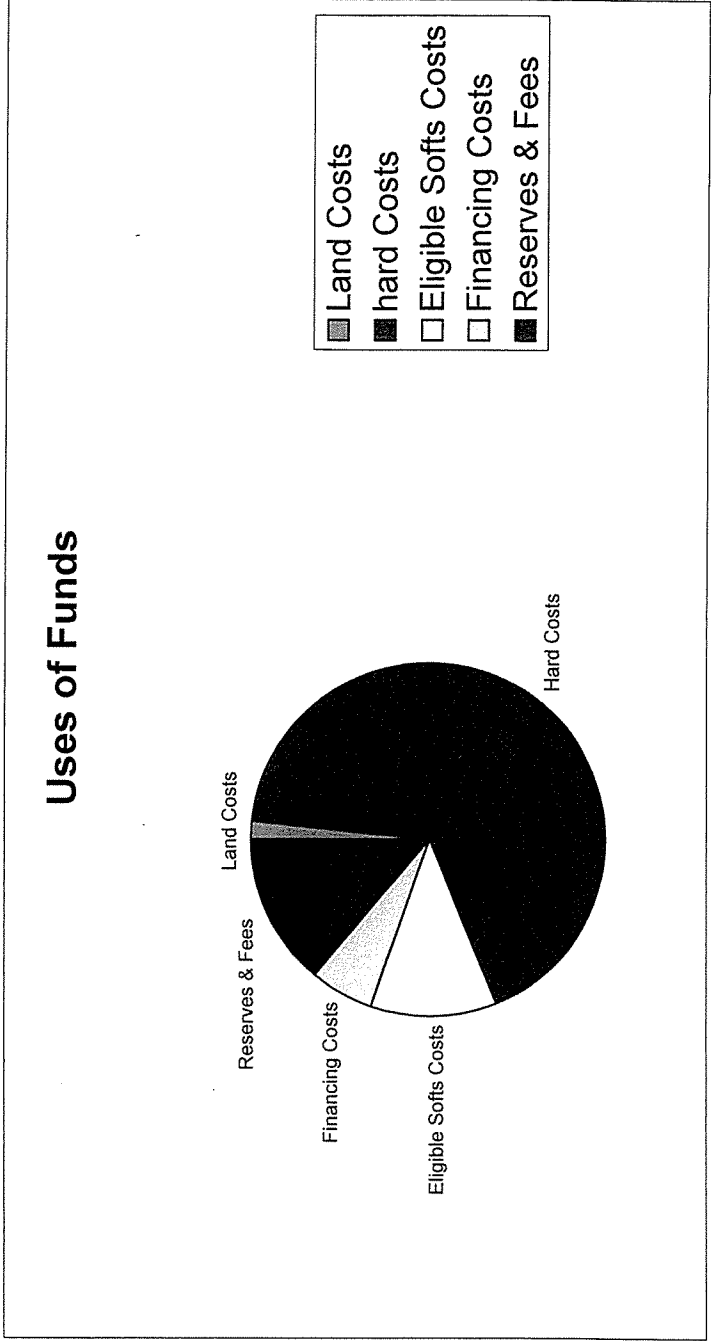


Scenario 5: Project A

86 Units

9% Tax Credits w/Section 8

USES		
Land Costs	305,000	2%
Hard Costs	12,461,000	67%
Eligible Softs Costs	2,084,653	11%
Financing Costs	1,092,889	6%
Reserves & Fees	2,575,724	14%
Total Uses	18,519,266	100%



Scenario 5 Project A:
86 Units
9% Tax Credits w/ Section 8

	A	B	C	D	E
1		Permanent	During Const.	Rate	Per Unit
2					
3	Permanent Debt	2,286,700	0	8.50%	26,590
4	Local Public Agency Funds	3,029,421	3,200,000	3.00%	35,226
5	AHP (\$5k/unit)	430,000	430,000	0.00%	5,000
6	Grants	0	0		0
7	Investor Capital Contributions	12,773,145	50,000		148,525
8	Deferred Developer Fee	0			0
9	TOTAL SOURCES.	18,519,266			215,340
10					
11	Total Required During Constr.	16,223,043			
12	Construction loan	12,543,043			
13	Construction period	14			
14	Conversion period	3			
15	Average % Outstanding	55%			
16	Rate	7.50%			
17					
18	CALCULATION OF CREDIT AMOUNT				
19	Rehab Basis	12,377,798			
20	Eligible Basis	12,377,798			
21	High cost factor (QCT)	16,091,138	130.00% DDA		
22	Acquisition Basis	0			
23	Total Basis	16,091,138			
24	Applicable fraction	16,091,138	100.00%		
25	Federal Credit Amount	1,303,382	8.10%		
26	State Credit Amount	0			
27					
28	Equity from Federal Credit	12,773,145	98.00%		
29	Equity from State Credit	0			
30	Total Equity	12,773,145			
31	Syndication Costs	95,000			
32	Net Equity	12,678,145			

	A	B	C	D	E	F
	SOURCES AND USES OF FUNDS	TOTAL COST	Residential	Commercial	Construction Period	BASIS FOR 4% NC CREDIT
1						
2	SOURCES AND USES OF FUNDS	TOTAL COST	Residential	Commercial	Construction Period	BASIS FOR 4% NC CREDIT
3						
4	LAND COST/ACQUISITION					
5	Prepaid Land Rent	150,000	150,000	0	150,000	
6	Carrying Costs	20,000	20,000	0	20,000	
7	Legal & Closing Costs	10,000	10,000	0	10,000	
8	Demolition	125,000	125,000	0	125,000	
9	Total Land Cost or Value	305,000	305,000	0		
10	Improvements Value	0	0	0	0	
11	Off-Site Improvements	0	0	0	0	
12	Total Acquisition Cost	305,000	305,000	0	305,000	
13	REHABILITATION					
14	Site Work	0	0	0	0	0
15	Structures	0	0	0	0	0
16	General Requirements	0	0	0	0	0
17	Contractor Overhead	0	0	0	0	0
18	Contractor Profit	0	0	0	0	0
19	Total Rehabilitation Cost	0	0	0	0	
20	NEW CONSTRUCTION					
21	Site Work and Utilities	765,000	765,000	0	765,000	765,000
22	Structures-Housing	10,259,649	10,259,649	0	10,259,649	10,259,649
23	Structures - Commercial	0	0	0	0	0
24	Direct Contracts and Other NIC	0	0	0	0	0
25	General Requirements	718,175	718,175	0	718,175	718,175
26	Contractor Insurance & Bond	359,088	359,088	0	359,088	359,088
27	Contractor Overhead & Profit	359,088	359,088	0	359,088	359,088
28	Contractor Fee	0	0	0	0	0
29	Total New Construction Costs	12,461,000	12,461,000	0	12,461,000	
30	ARCHITECTURAL FEES					
31	Design	654,203	654,203	0	654,203	654,203
32	Supervision	218,068	218,068	0	218,068	218,068
33	Total Architectural Costs	872,270	872,270	0	872,270	
34	Survey and Engineering	30,000	30,000	0	30,000	30,000
35	CONSTR. INTEREST & FEES					
36	Const. Loan Interest	838,816	838,816	0	838,816	838,816
37	Const. Loan Interest (Soft Loans)	0	0	0	0	0
38	Issuance Costs (see detail below)	0	0	0	0	0
39	Origination Fee	94,073	94,073	0	94,073	94,073
40	Construction Lender Fees & Expenses	0	0	0	0	0
41	Line of Credit Interest	0	0	0	0	0
42	Taxes	10,000	10,000	0	10,000	10,000
43	Insurance	125,000	125,000	0	125,000	125,000
44	Title and Recording	25,000	25,000	0	25,000	25,000
45	Total Construction Interest and Fees	1,092,889	1,092,889	0	1,092,889	
46	PERMANENT FINANCING					
47	Loan Fees (2%)	0	0	0	0	0
48	Credit Enhancement & Application Fee	0	0	0	0	0
49	Title and Recording	0	0	0	0	0
50	Other	0	0	0	0	0
51	Total Permanent Financing Costs	0	0	0	0	
52	LEGAL FEES					
53	Lender Legal Costs Paid by Applicant	50,000	50,000	0	50,000	50,000
54	Other - Owner Legal	50,000	50,000	0	50,000	50,000
55	Total Attorney Costs	100,000	100,000	0	100,000	
56	RESERVES					
57	Capitalized Operating Reserve	150,500	150,500	0	0	0
58	Other Reserve	0	0	0	0	0
59	Total Reserve Costs	150,500	150,500	0	0	
60	Total Appraisal Costs	10,000	10,000	0	10,000	10,000
61	Total Construction Contingency Costs	0	0	0	0	0
62	OTHER					
63	Tax Credit App./Alloc./Monitoring fees	49,884	49,884	0	49,884	
64	Environmental Audit	12,500	12,500	0	12,500	12,500
65	Local Development Impact Fees	258,000	258,000	0	258,000	258,000
66	Permit Processing Fees	258,000	258,000	0	258,000	258,000
67	Market Study	8,500	8,500	0	8,500	8,500
68	Marketing	50,000	50,000	0	50,000	
69	Construction manager	25,000	25,000	0	25,000	25,000
70	Furnishings	10,000	10,000	0	10,000	10,000

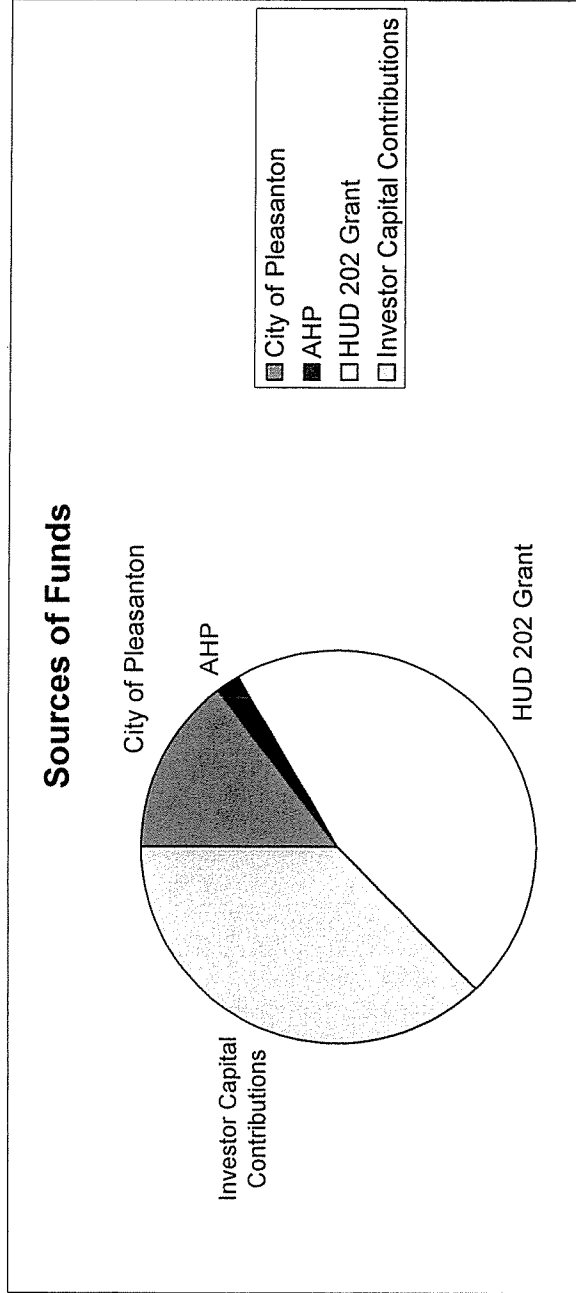
	A	B	C	D	E	F
71	Relocation	300,000	300,000	0	300,000	300,000
72	Soft Cost Contingency	100,000	100,000	0	100,000	100,000
73	Total Other Costs	1,071,884	1,071,884	0	1,071,884	
74	Total Project Cost	16,093,543	16,093,543	0	15,943,043	15,538,159
75	DEVELOPER COSTS					
76	Developer Overhead/Profit	2,330,724	2,330,724	0	200,000	2,330,724
77	Consultant/Processing Agent	0				
78	Project Administration					
79	Broker Fees paid by owner					
80	Construction Management Oversight					
81	Other					
82	Total Developer Costs	2,330,724	2,330,724	0	200,000	2,330,724
83						
84	TOTAL PROJECT COST	18,424,266	18,424,266	0	16,143,043	17,868,883
85	Syndication Costs					
86	Legal - Syndication	35,000	35,000	0	35,000	
87	Audit	15,000	15,000	0		
88	Consultant - Syndication	45,000	45,000	0	45,000	
89	Bridge Loan Interest	0			0	
90	Total Syndication Costs	95,000	95,000	0	80,000	
91	TOTAL PROJECT COSTS INCL. SYNDICATION	18,519,266	18,519,266	0	16,223,043	17,868,883

	A	B	C	D	E	F	G	H	I	J	K
	Unit Size	# of Units	TCAC AMI	Monthly Rent Charged Tenant	Monthly Rent All Units	Monthly Rent TCAC Rent 100%	Unit Size	Basis Limits	Number Units	Project Basis	
1	INCOME										
2	0 BR (Sec. 8)	5		600	3,000	1,466	0 BR	111,103	5	555,516	
3	1 BR (Sec. 8)	15		874	13,110	1,466	0 BR (Sec. 8)	111,104	15	1,666,560	
4	2 BR (Sec. 8)	29		700	20,300	1,570	1 BR	127,360	29	3,693,440	
5	3 BR (Sec. 8)	36		1,065	38,340	1,570	1 BR	127,360	36	4,584,960	
6	4 BR (Sec. 8)	0		1,250	0	1,884	2 BR	154,872	1	154,872	
7	Manager's Unit (2 BR)	1		1,250	1,250		Total		81	10,099,832	
8	Total Units	86		73,000	73,000		Prevailing Wage		20%	2,019,966	
9	Total Annual Income			876,000	876,000		Plus Impact Fees			258,000	
10	Laundry Income			2,000	2,000		Plus Structural Work		15%	0	
11	Gross Residential Income			878,000	878,000		Plus Special Needs		2%	0	
12	Vacancy Reserve	5.00%		-43,900	-43,900		Plus Bonds		100%	0	
13	Other Income			0	0		Total Maximum Basis			12,377,798	
14	EGI			834,100	834,100		Actual Basis per Costs			17,868,853	
15	OPERATING EXPENSES			pupa	559,000		Elevator			Yes	
16	Services Income				0						
17	Services Expenses				0						
18	NET OPERATING INCOME				275,100						
19	Less 30 year debt service paid currently				210,993						
20	Less Land Rent				-1						
21	Trustee and Issuer Fees				0						
22	Reserves	500			43,000						
23	Excess Cash				21,108						

Project B

Scenario 5: Project B
 64 Units
 HUD 202/4% Tax Credits

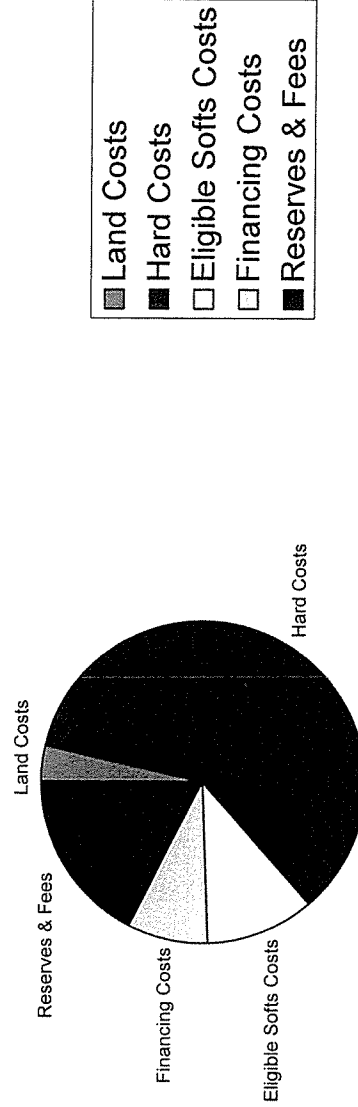
SOURCES		
City of Pleasanton	2,400,000	15%
AHP	320,000	2%
HUD 202 Grant	7,531,136	46%
Investor Capital Contributions	6,097,043	37%
<i>Total Sources</i>	<i>16,348,179</i>	<i>100%</i>



Scenario 5: Project B:
 64Units
 HUD 202/4% Tax Credits

USES		
Land Costs	593,000	4%
Hard Costs	9,789,884	60%
Eligible Softs Costs	1,776,956	11%
Financing Costs	1,319,460	8%
Reserves & Fees	2,868,879	18%
<i>Total Uses</i>	<i>16,348,179</i>	<i>100%</i>

Uses of Funds



Scenario 5: Project B
64 Units
HUD 202/4% Tax Credits

	A	B	C	D	E
1		Permanent	Construction	Rate	Per Unit
2					
3	HUD 202 (53 units)	7,531,136	0	0.00%	117,674
4	Local Public Agency Funds	2,400,000	3,200,000	3.00%	37,500
5	AHP (\$5k/unit)	320,000	320,000	0.00%	5,000
6	Grants	0	0		0
7	Investor Capital Contributions	6,097,043	50,000		95,266
8	Deferred Developer Fee	0			0
9	TOTAL SOURCES	16,348,179			255,440
10					
11	Total Required During Constr.	17,367,460			
12	Construction loan	13,797,460			
13	Construction period	14			
14	Conversion period	3			
15	Average % Outstanding	55%			
16	Rate	6.75%			
17					
18	CALCULATION OF CREDIT AMOUNT				
19	Rehab Basis	18,491,070			
20	Eligible Basis	18,491,070			
21	High cost factor (QCT)	24,038,392	130.00% DDA		
22	Acquisition Basis	0			
23	Total Basis	24,038,392			
24	Applicable fraction	24,038,392	100.00%		
25	Federal Credit Amount	841,344	3.50%		
26	State Credit Amount	0			
27					
28	Equity from Federal Credit	8,245,168	98.00%		
29	Equity from State Credit	0			
30	Total Equity	8,245,168			
31	Syndication Costs	95,000			
32	Net Equity	8,150,168			

	A	B	C	D	E	F	G
	SOURCES AND USES OF FUNDS		TOTAL COST	Residential	Commercial	Construction Period	BASIS FOR 4% NC CREDIT
1							
2	SOURCES AND USES OF FUNDS		TOTAL COST	Residential	Commercial	Construction Period	BASIS FOR 4% NC CREDIT
3							
4	LAND COST/ACQUISITION						
5	Prepaid Land Rent		438,000	438,000	0	438,000	
6	Carrying Costs		20,000	20,000	0	20,000	
7	Legal & Closing Costs		10,000	10,000	0	10,000	
8	Demolition		125,000	125,000	0	125,000	
9	Total Land Cost or Value		593,000	593,000	0		
10	Improvements Value		0	0	0	0	
11	Off-Site Improvements		0			0	
12	Total Acquisition Cost		593,000	593,000	0	593,000	
13	REHABILITATION						
14	Site Work		0	0	0	0	0
15	Structures		0	0	0	0	0
16	General Requirements		0	0	0	0	0
17	Contractor Overhead		0	0	0	0	0
18	Contractor Profit		0	0	0	0	0
19	Total Rehabilitation Cost		0	0	0	0	
20	NEW CONSTRUCTION						
21	Site Work and Utilities		628,924	628,924	0	628,924	628,924
22	Structures-Housing		7,786,817	11,249,228	0	11,249,228	11,249,228
23	Structures - Commercial		0		0	0	0
24	Direct Contracts and Other NIC		0	0	0	0	0
25	General Requirements	7%	641,267	641,267	0	641,267	787,446
26	Contractor Insurance & Bond	5%	366,438	366,438	0	366,438	393,723
27	Contractor Overhead & Profit	5%	366,438	366,438	0	366,438	393,723
28	Contractor Fee		0	0	0	0	0
29	Total New Construction Costs		9,789,884	9,789,884	0	9,789,884	
30	ARCHITECTURAL FEES						
31	Design		706,285	706,285	0	706,285	706,285
32	Supervision		235,428	235,428	0	235,428	235,428
33	Total Architectural Costs		941,713	941,713	0	941,713	
34	Survey and Engineering		30,000	30,000	0	30,000	30,000
35	CONSTR. INTEREST & FEES						
36	Const. Loan Interest		830,435	830,435	0	830,435	830,435
37	Const. Loan Interest (Soft Loans)		0	0	0	0	0
38	Issuance Costs (see detail below)		329,025	329,025	0	329,025	
39	Origination Fee		0	0	0	0	0
40	Construction Lender Fees & Expenses		0	0	0	0	0
41	Line of Credit Interest		0	0	0	0	0
42	Taxes		10,000	10,000	0	10,000	10,000
43	Insurance		125,000	125,000	0	125,000	125,000
44	Title and Recording		25,000	25,000	0	25,000	25,000
45	Total Construction Interest and Fees		1,319,460	1,319,460	0	1,319,460	
46	PERMANENT FINANCING						
47	Loan Fees (2%)		0	0	0	0	
48	Credit Enhancement & Application Fee		0	0	0	0	
49	Title and Recording		0	0	0	0	
50	Other		0			0	
51	Total Permanent Financing Costs		0	0	0	0	
52	LEGAL FEES						
53	Lender Legal Costs Paid by Applicant		0	0	0	0	0
54	Other - Owner Legal		50,000	50,000	0	50,000	50,000
55	Total Attorney Costs		50,000	50,000	0	50,000	
56	RESERVES						
57	Capitalized Operating Reserve		112,000	112,000	0		
58	Partnership Management/Asset Management Fee Reserves		345,000	345,000	0		
59	Total Reserve Costs		457,000	457,000	0	0	
60	Total Appraisal Costs		10,000	10,000	0	10,000	10,000
61	Total Construction Contingency Costs		0	0	0	0	0
62	OTHER						
63	Tax Credit App./Alloc./Monitoring fees		36,243	36,243	0	36,243	
64	Environmental Audit		12,500	12,500	0	12,500	12,500
65	Local Development Impact Fees		189,000	189,000	0	189,000	189,000
66	Permit Processing Fees		189,000	189,000	0	189,000	189,000
67	Market Study		8,500	8,500	0	8,500	8,500
68	Marketing		50,000	50,000	0	50,000	
69	Construction manager		25,000	25,000	0	25,000	25,000

	A	B	C	D	E	F	G
70	Furnishings		10,000	10,000	0	10,000	10,000
71	Relocation		70,000	70,000	0	70,000	70,000
72	Soft Cost Contingency		100,000	100,000	0	100,000	100,000
73	Total Other Costs		690,243	690,243	0	690,243	
74		Total Project Cost	13,841,300	13,841,300	0	13,384,300	16,079,192
75	DEVELOPER COSTS						
76	Developer Overhead/Profit		2,411,879	2,411,879	0	200,000	2,411,879
77	Consultant/Processing Agent		0				
78	Project Administration						
79	Broker Fees paid by owner						
80	Construction Management Oversight						
81	Other						
82	Total Developer Costs		2,411,879	2,411,879	0	200,000	2,411,879
83							
84	TOTAL PROJECT COST		16,253,179	16,253,179	0	13,584,300	18,491,070
85	Syndication Costs						
86	Legal - Syndication		35,000	35,000	0	35,000	
87	Audit		15,000	15,000	0		
88	Consultant - Syndication		45,000	45,000	0	45,000	
89	Bridge Loan Interest		0			0	
90	Total Syndication Costs		95,000	95,000	0	80,000	
91	TOTAL PROJECT COSTS INCL. SYNDICATION		16,348,179	16,348,179	0	13,664,300	18,491,070

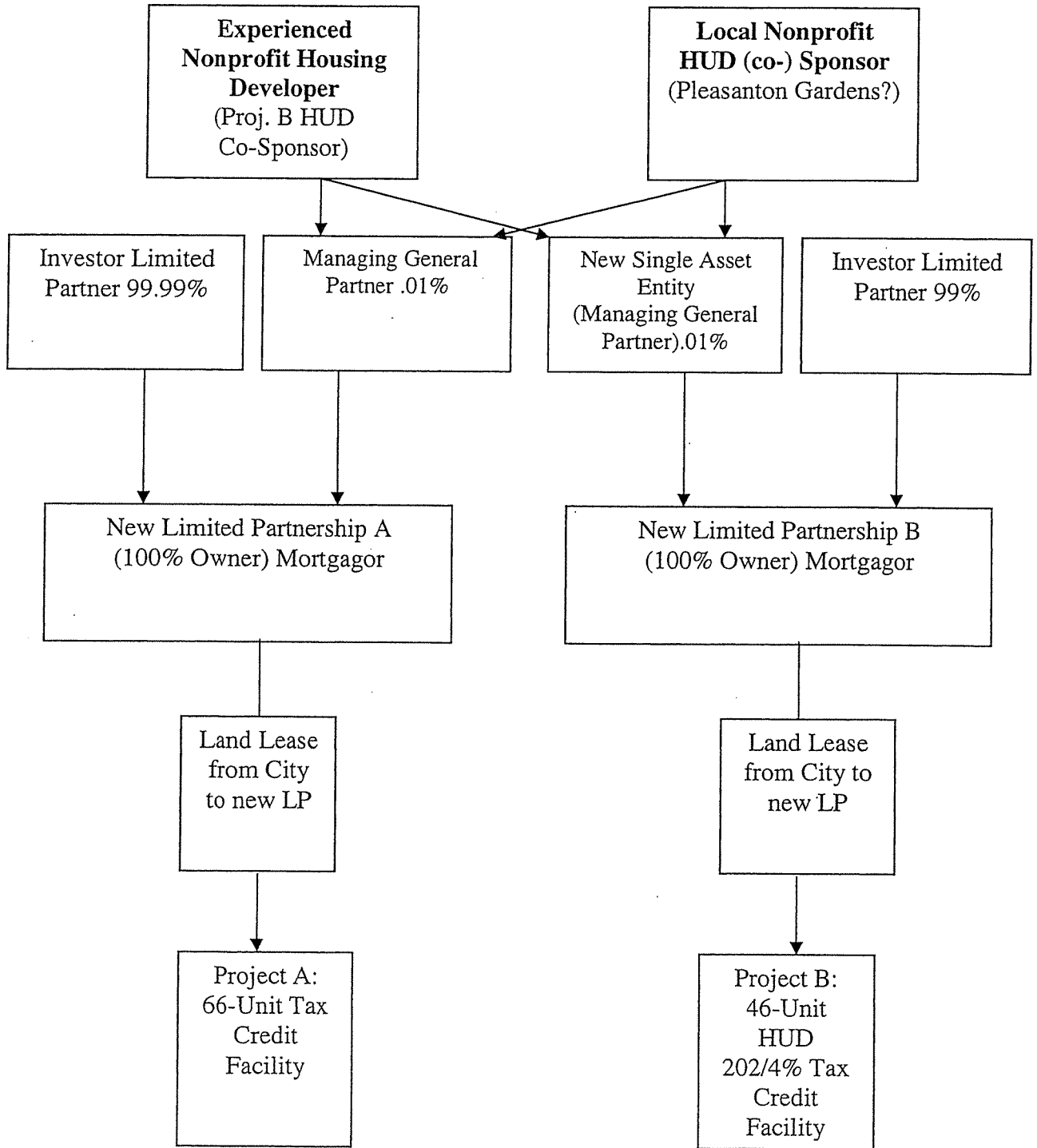
A	B	C	D	E	F	G	H	I
1					THRESHOLD BASIS			
2	CASH FLOW ANALYSIS				County	Alameda		
3					Unit Size	Basis Limits	Number Units	Project Basis
4	INCOME	# of Units	Monthly Rent Charged Tenant	Monthly Rent All Units				
5					0 BR (202/PRAC)	111,104	0	0
6			275	0	0 BR (Sec. 8)	111,104	0	0
7			874	0	1 BR (202/PRAC)	127,360	53	6,750,080
8		53	275	14,575	1 BR (Sec. 8)	127,360	10	1,273,600
9		10	1,065	10,650	2 BR (Sec. 8)	154,872	0	0
10		0	1,250	0	Manager's Unit (2 BR)	154,872	1	154,872
11		1	0.00	0	Total		64	8,023,680
12		64		25,225	Prevailing Wage		20%	1,604,736
13					Plus Impact Fees			189,000
14	Total Annual Income			302,700	Plus Structural Work		15%	0
15	Laundry Income			2,000	Plus Special Needs		2%	0
16	Gross Residential Income			304,700	Plus Bonds		120%	9,628,416
17	Vacancy Reserve	5.00%		-15,235	Total Maximum Basis			19,445,832
18	PRAC			213,123	Actual Basis per Costs			18,491,070
19	EGI			502,588	Elevator			Yes
20								
21	OPERATING EXPENSES	6,500 pupa		416,000				
22								
23	Services Income			0				
24	Services Expenses			0				
25								
26	NET OPERATING INCOME			86,588				
27	Less 30 year debt service paid currently			0				
28	Less Land Rent			-1				
29	Trustee and Issuer Fees			0				
30	Reserves	500		32,000				
31								
32	Excess Cash			54,589				

Scenario Five - Consolidation

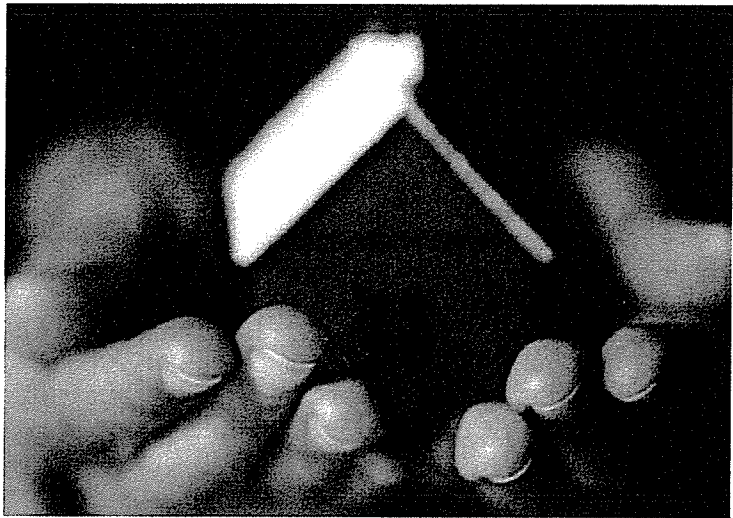
Scenario 5 Ownership Structure

Project A: 86-unit 9% tax credit facility

Project B: 64-unit HUD 202/4% tax credit facility



Conclusions



Redevelopment of Kottinger Place & Pleasanton Gardens Task Force Presentation 2 Conclusions

overview

There are several potentially feasible strategies for redeveloping Kottinger Place and Pleasanton. Even within the limits of the Task Force goals, variables such as site configuration, building type, total unit count, affordability levels, cooperative versus independent redevelopment, use of Women's Club land, use of park land, and so on can be combined in innumerable ways.

For this presentation, CCH restricted analysis to five scenarios, with occasional comment on possible variants for potential further exploration. Three of the five scenarios assume the development of two projects, for a total of eight distinct project variations. The number of project variations could easily have been increased, but the result would have been unwieldy, blurring distinctions and diminishing the value of an analysis intended to help the Task Force focus on a limited number of critical decisions and constraints.

achievable goals

The multiple redevelopment scenario exercise clarifies that the majority of Task Force and City goals are achievable in more than one scenario:

- 1) Most City's and Task Force goals are achievable in one or even multiple redevelopment scenarios.
- 2) Joint development and consolidation are achievable in most if not all redevelopment scenarios in terms of consolidated property management and at least some form of consolidated ownership.
- 3) City divestment of ownership and operational responsibility for Kottinger Place and any subsequently developed affordable housing is feasible and indeed mandated by funding programs in all redevelopment scenarios. City regulatory control would be exercised through a ground lease and loan documents.

achievable goals cont.

- 4) City retention of land ownership is feasible in all redevelopment scenarios. While not analyzed in detail, Pleasanton Gardens may also be able to retain ownership of its land in certain redevelopment scenarios.
- 5) Nonprofit ownership and operations are achievable and indeed often mandated by funding programs in all redevelopment scenarios.
- 6) Pleasanton Gardens or a related entity could provide local representation and partial control in the ownership structure for all redevelopment scenarios, though partnership with an experienced nonprofit housing developer would be required by funding programs.
- 7) Consolidation in the sense of a single large project with one operating budget may be inadvisable or difficult due to funding restrictions and other factors.
- 8) Maintenance of the garden feel, including apartments with private entrances, is possible even in redevelopment scenarios that meet maximum Task Force density increase goals.
- 9) With only a two-story building type, the Task Force can achieve its goal of building up to 150 new units of senior housing without use of park land.
- 10) Increased housing density at lower construction cost, conceivably on smaller parcels, would be possible through consideration of three-story and/or double-loaded corridor design that could still maintain the garden feel, though without private unit entrances.
- 11) Affordability in perpetuity is assumed, though precise affordability levels and periods are determined by funding programs. Replacement of 90 units at existing or deeper affordability levels is achievable in multiple scenarios, subject to conditional approvals, such as HUD Section 318 approval to transfer Pleasanton Gardens' existing

achievable goals cont.

HAP contract, and new allocations of project-based section 8 vouchers from Alameda County Housing Authority.

- 12) All redevelopment scenarios assume project feasibility without need for ongoing City capital infusions (capital grants, CDBG) or operating subsidies after the initial development funding. Some scenarios assume preservation or transfer of the Kottinger Place ACC income stream, but loss of this subsidy would not render the proposed development scenario infeasible.

problematic goals

The multiple redevelopment scenario exercise clarifies that the following Task Force goals are challenging or may impose trade-offs with other goals:

- (1) Minimizing negative impact on residents may be the single most challenging goal. Any option other than building approximately 90 replacement units *on park and Women's Club land* will require relocation and/or other negative impacts on residents.
- (2) Without use of park land, subdividing Kottinger Place land, using Women's Club land, and phasing project demolition and construction provides the best method of minimizing offsite resident relocation. While avoiding offsite relocation in a legal sense, this process would not eliminate the negative impact on residents of on-site relocations and residency during construction.
- (3) We have not assumed a unit mix of one and two-bedroom apartments. Typical affordable senior apartments designed for independent living elderly households 'aging-in-place' consist of one-bedroom and studio apartments. Moreover, transfer of the existing HAP subsidy will require replacement units mirror the existing unit mix of one-bedrooms and studios. Finally, HUD Section 202 funds do not pay for two-bedroom units.

other scenarios

The options presented cover a spectrum from independent rehabilitation with no increase in density, to joint redevelopment with increased unit density and use of Women's Club and park land. One potentially useful redevelopment scenario, discussed in CCH's original proposal but excluded from Task Force Presentation 2, envisions construction of a new 90-unit senior facility wholly on park land.

This option has the advantage over Scenarios 1 to 5 of offering the cleanest, most viable method of avoiding relocation, in effect eliminating the negative impact of redevelopment on existing residents. Unless instructed otherwise by the City and Task Force, CCH has assumed this option to be infeasible, however desirable from a resident impact perspective, due to the extensive use of park land entailed.

Establishing even potential feasibility of this 'no relocation' option would require coordination with various agencies and stakeholders. If the City and task force desire for CCH to evaluate this as a workable alternative, we will incorporate it into the next phase.

decisions

A primary purpose of the redevelopment scenario analysis is to enable the Task Force collectively, and the City and Pleasanton Gardens independently, to move toward the following key decisions:

- (1) Whether or not to pursue joint redevelopment of Kottinger Place and Pleasanton Gardens rather than separate renovation, refinancing, and/or redevelopment of the two facilities. Cooperative redevelopment and consolidation would be subject to the following considerations for Pleasanton Gardens & City:
 - a. City determination of manageable funding contribution
 - b. City recognition of present value of transferred Pleasanton Gardens Section 8 as significant financial contribution to the redevelopment effort;
 - c. Acceptance by Pleasanton Gardens of a legal instrument effectuating City use restrictions on Pleasanton Gardens land in

decisions cont.

any scenario that does not initially develop new affordable housing on the Pleasanton Gardens site;

- (2) Identification of one or two preferred redevelopment scenarios for further detailed analysis and recommended adjustments to the scenarios.
- (3) Whether or not to explore further the possible use of park land – potentially including a scenario in which all replacement units are constructed on park land (and Women’s Club land) to avoid relocation and other negative impacts on residents.
- (4) Decision regarding whether to explore site use scenarios involving three-story and/or double-loaded corridor design viz a viz the Task Force goal of preserving the garden feel of the existing facilities.

third parties

A number of conditional approvals necessary to redevelopment scenario feasibility have been assumed throughout. While redevelopment scenarios can be examined in greater detail, their ultimate feasibility hinges upon a securing these third-party approvals. The City and Task Force can instruct CCH to engage third parties as part of its scope of work, or can defer such contact until a later phase of the proposed redevelopment, instructing CCH to complete more detailed redevelopment scenarios before engaging other parties. The third-party conditional approvals include the following:

- (1) HUD approval to transfer the existing 31-unit HAP contract from Pleasanton Gardens to a new facility.
- (2) Housing Authority of Alameda County willingness to allocate a number of project-based Section 8 vouchers to new projects in various redevelopment scenarios.
- (3) HUD willingness to enter into a Disposition Agreement for Kottinger Place (this is assumed to be uncontroversial).
- (4) HUD, City, and other third-party consent to allow for vacancy loss in any redevelopment scenario assuming vacancy attrition as a means to minimize offsite relocation.

third parties cont.

- (5) City and community willingness to demolish the Women's Club for development of affordable senior housing.
- (6) Decision regarding whether to explore site use scenarios involving three-story and/or double-loaded corridor design viz a viz the Task Force goal of preserving the garden feel of the existing facilities.

next steps

Once the City and the Task Force make decisions on how the parties will work together, select preferred redevelopment scenarios, and identify critical priorities and key unknowns or constraints for further investigation, CCH we will commission with further studies and conduct more detailed analyses.