

Citywide Affordable Housing Loan Committee

San Francisco Mayor's Office of Housing and Community Development
Department of Homelessness and Supportive Housing
Office of Community Investment and Infrastructure

Evaluation of Request for Funding: Local Operating Subsidy Program (LOSP) Contract
Renewal

Prepared By: Scott Madden

Loan Committee Date: April 7, 2017

Sponsor Name: Community Housing Partnership
Project Name: Arnett Watson Apartments
Project Address: 650 Eddy Street (Polk & Larkin)
Number of Units/Beds : 83 units
Amount of Funds Requested: Up to \$946,930 Year One budget
Up to \$19,018,559 for 15½ years

Amount of Funds Recommended: \$19,018,559

1. SUMMARY AND BACKGROUND

650 Eddy, L.P., a California limited partnership, an affiliate of Community Housing Partnership ("CHP"), is requesting \$19,018,559 in General Funds from the Local Operating Subsidy Program ("LOSP") to subsidize the continuing operations of 79 out of a total of 83 units of permanent supportive housing for formerly homeless individuals and families at Arnett Watson Apartments ("AWA") for a period of 15 years, six months.

CHP, along with Tenderloin Neighborhood Development Corporation as development partner, developed AWA beginning in 2004. The project was a newly constructed, 9-story building and consists of a mixture of studios, 1BRs and 2BRs (see below for unit mix). It also includes front desk, manager's office, a community room (with kitchen), garden courtyard, tenant services offices, tenant lounge, children's activity room and outdoor play area and a roof-deck garden. The project began operations in February 2009, and TNDC exited the partnership in 2010 per the development plan. It was the first project that serves formerly homeless families to be funded under LOSP. CHP provides both property management and supportive services to the project.

Unit Type	# of Units	% of Total Units
Studio	36	43%
1BR	33	40%
2BR	14	17%

The project serves extremely low-income, formerly homeless households—36 individuals and 47 families—with high social, behavioral health or physical needs. Through HCD’s MHP Supportive program, all households must have at least one adult who is physically, mentally or developmentally disabled, or who is elderly or in recovery from physical abuse or substance abuse. HSA funds supportive services under Tier V (the highest HSA services funding tier) as a LOSP Project. In 2015, the average household income was \$11,000, or 13% AMI. The property housed around 140 people, including over 50 children under 18 years of age.

The requested funds would renew an existing, 9-year contract for \$9,979,865, which started in January 2009 and will expire at the end of this year. Funds under the existing contract are expected to be fully expended by October 2017. If the requested funds are approved, a new contract for a period of 15 years and 6 months will start on 7/1/17 in order to overlap with the current contract and avoid any disruptions in operations at the project. This new term will cover the remaining 7 years of the 15-year tax credit compliance period and continue for another 8 years through calendar year 2032.

The amount of funds requested was determined by using the current calendar year’s operating budget and then applying MOHCD’s standard underwriting assumptions over a 15½-year projection period. If approved, funds would be disbursed under the contract on a fiscal-year basis in accordance with the attached schedule (see Exhibit A-1), while also taking into account any surplus reported from the previous years. A total of \$973,477 in assistance is budgeted for the first fiscal year (FY17/18). This equates to a monthly per unit subsidy of \$969 for studios, \$983 for 1BRs and \$985 for 2BRs. This amount will increase from 3.1%-4.2% each year during the contract. Though all requested funds would be provided under a single, long-term contract, disbursements thereunder would be subject to annual appropriations by the Board of Supervisors, as is standard for LOSP contracts.

2. PROJECT PERFORMANCE COMPARED WITH MOHCD SUPPORTIVE HOUSING PORTFOLIO AND LOSP PROJECTS

2.1. 2015 Operating Expenses

To evaluate AWA’s financial performance, operating expenses from 2015, the most recent year for which actual operating expenses have been reported, were compared with the operating expenses of projects in MOHCD’s supportive housing portfolio and of LOSP projects as a subset of supportive housing.

Compared to All Supportive Housing

During 2015, MOHCD's portfolio had 91 supportive housing projects in operations. Average total operating expenses (before replacement reserve deposits and hard debt service), averaged about \$9,700 per unit per year. PUPY operating expenses varied by project size, with PUPY operating expenses higher for smaller buildings and lower for larger buildings. With 83 units, PUPY operating expenses for AWA were \$12,567, which was 22% above the average for supportive housing projects with 50-99 units.

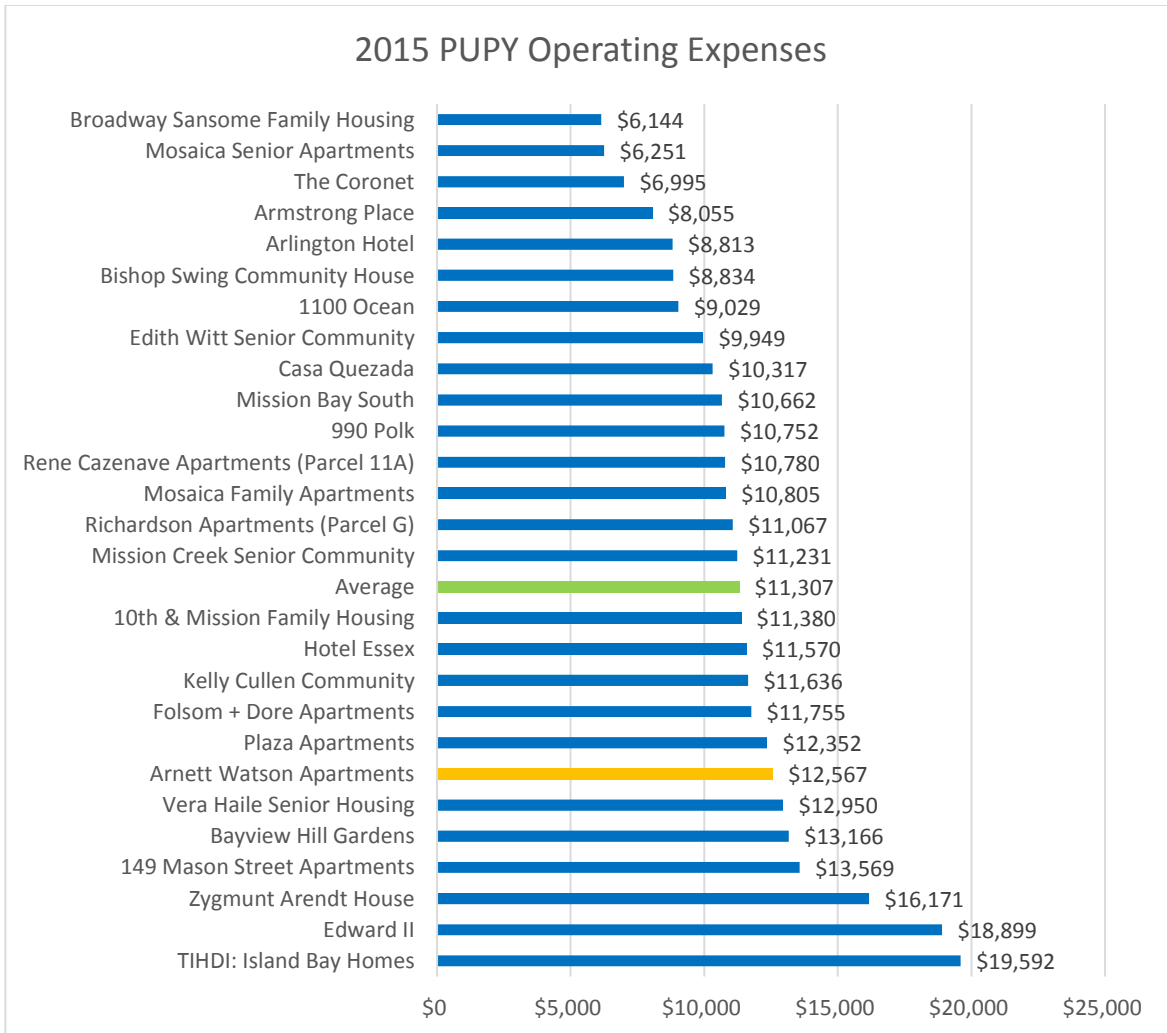
**Average Operating Expenses Per Unit Per Annum,
Supportive Housing Projects, 2015**

# Units	# Projects	Average PUPY Operating Expenses
100+	33	\$9,212
50-99	41	\$10,285
1-49	17	\$11,672
All	91	\$9,741
83	AWA	\$12,567

Compared to LOSP Projects Only

Within MOHCD's LOSP portfolio of 27 projects, operating expenses PUPY ranged from a low of \$6,100 to a high of \$19,600 and an average of \$11,300. AWA's 2015 operating expenses of \$12,567 were 11% above the average.

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Compared to Projects with Similar Percentages of LOSP Units

Within the LOSP portfolio, some projects have just 20% LOSP units, while others are 100% LOSP. Average PUPY operating expenses vary by the percentage of LOSP units within the building. Buildings with a higher percentage of LOSP units were found to cost more to operate.

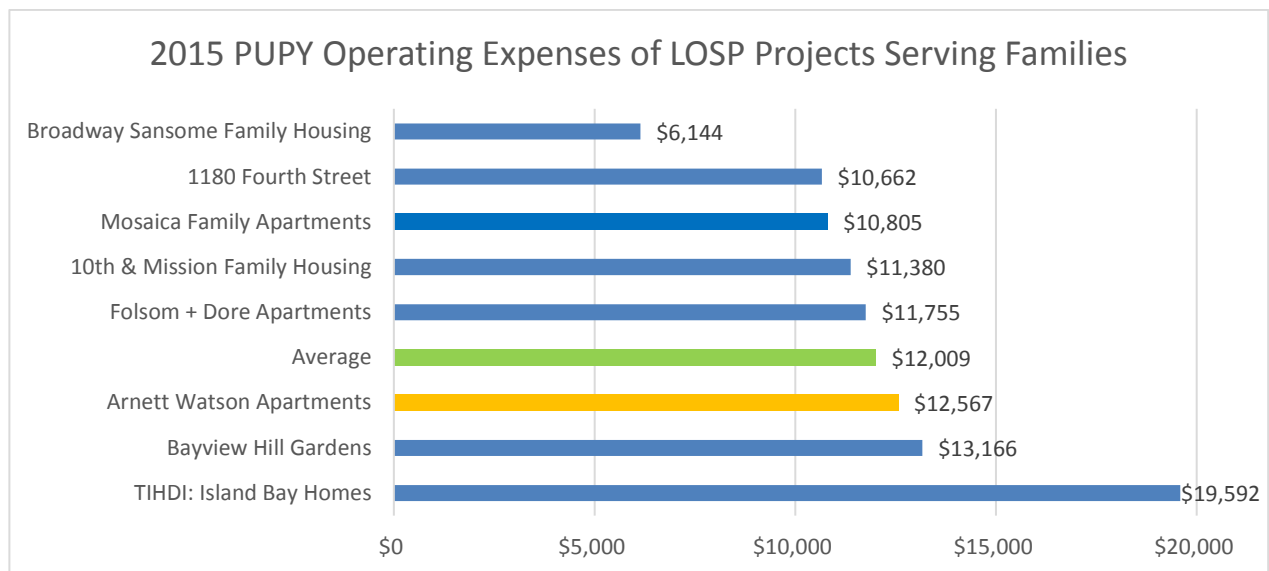
Ninety-five percent (95%) of the units at AWA are LOSP units. (The remaining 5% are supported by Shelter Plus Care rental subsidies and serve the same target population, making AWA a 100% formerly homeless project.) The per unit per year operating cost of \$12,567 at this project is 2.6% above the average for projects with 66% or more LOSP units.

**Average Operating Expenses Per Unit Per Annum
 by % of LOSP Units, 2015**

% of LOSP Units	# Projects	Average PUPY Operating Expenses
66% or more LOSP Units	11	\$12,251
20% - 66% LOSP Units	12	\$11,049
20% or less LOSP Units	4	\$9,487
All	27	\$11,307
83	AWA	\$12,567

Compared to LOSP Projects that Serve Families

When its per unit per year operating costs are compared only with projects that serve families, AWA ranks 6th out of 8 projects and 4.6% above the average of these projects.



Overall, AWA’s per unit per year operating costs in 2015 compare favorably to

- projects with a similar percentage of LOSP units and
- LOSP projects that serve families.

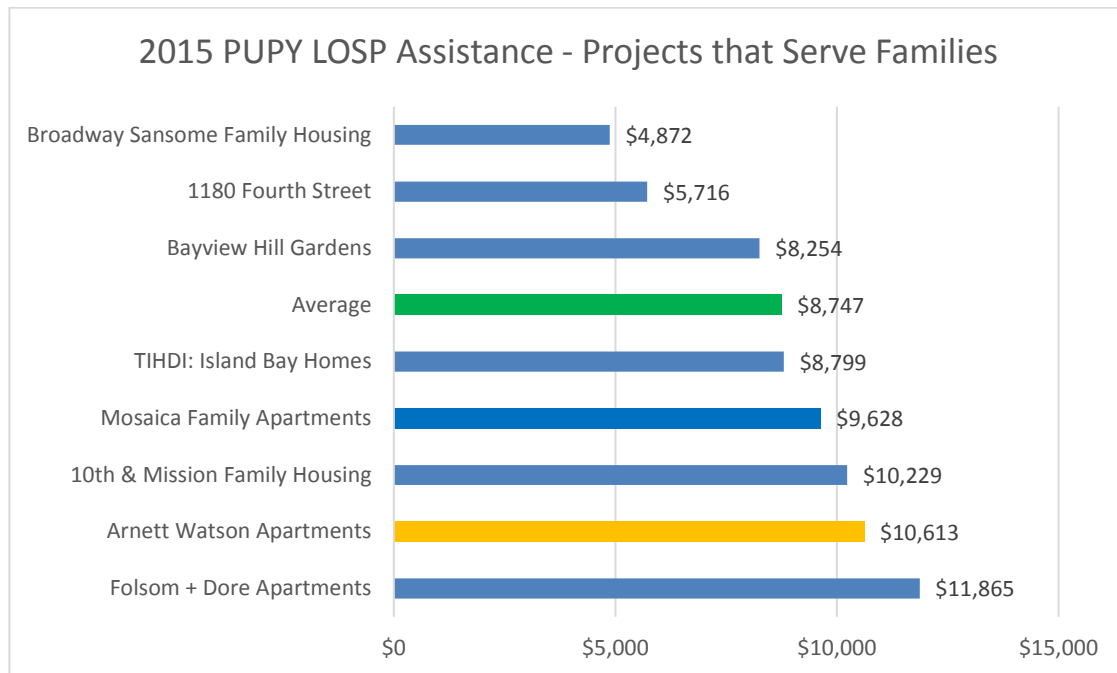
2.2. 2015 LOSP Subsidy

In 2015, the LOSP assistance for AWA on a per unit basis was \$10,613, which was 20% above the average per unit amount of assistance (\$8,858) across all 27 LOSP projects.

	2015 PUPY LOSP Assistance
AWA	\$10,613
<i>Average – All LOSP Projects</i>	\$8,858

When compared just to other LOSP projects that serve families, the per unit LOSP subsidy at AWA was second highest among 8 projects and was 21% above the average. The incongruity between this high PUPY LOSP subsidy and the close-to-average PUPY operating costs of AWA relative to the other projects that serve families and projects with similar percentages of LOSP units can be attributed to the following:

- LOSP household incomes in some of the comparison projects were higher than AWA, thus revenue from tenant rents was higher,
- several of the comparison projects have higher numbers of Shelter Plus Care units relative to the number of LOSP units and thus a higher offset of the LOSP deficit,
- greater economy of scale in some of the comparison projects, which have 65%-80% more units than AWA.



3. PROJECT OPERATIONS

The following is an evaluation of the 1st Year Operating Budget (Attachment B) and 20-Year Operating Pro Forma (Attachment C) that are the basis for the overall request for LOSP funds.

3.1. Annual Operating Income Evaluation

Tenant Rent: Under the current LOSP contract, all 83 units are restricted at 50% AMI. Tenants that are qualified under these restrictions pay the lesser of 30% of household income or 30% of 50% AMI as rent. As of 12/31/15, the most recent year for which MOHCD has data, the average income of the tenants was 13% AMI, significantly below the 50% AMI income restriction.

The Year 1 (2017) operating budget shows tenant rental income of \$237,084, which is an average of \$236-\$240 per unit per month, depending on unit size, and reflects an average

rent of 15% AMI. This number reflects the rent roll of the tenants currently in place at the project and is consistent with the target population of extremely low-income people on fixed incomes such as TANF, Social Security, SSI or General Assistance. The proforma assumes that tenant rent payments will escalate by 1.4%, which is equal to the historic average increase from 2010-2015. The projected vacancy rate is 5% and more conservative than the historic average of 1.9%, but it conforms with MOHCD's underwriting guidelines and will provide the project with a modest cushion in the event that actual vacancy is higher.

LOSP Subsidy: The LOSP subsidy in the Year 1 Operating Budget is \$946,930 (\$11,409/PUPY and \$951/PUPM). This is a 13% increase above the LOSP subsidy from 2015 and is sized to fund a break-even budget, including operating expenses, debt service, replacement and operating reserve deposits and a partnership management fee. (See Section 3.2 below for analysis.)

Shelter Plus Care Rental Assistance: 4 SPC subsidies, 2 1BRs and 2 2BRs. The proforma shows contract rents that are equal to 2017 FMRs, though current contract rents are significantly below these levels. On the lease anniversaries of the current tenants, CHP must request increases in the contract rents to at least the current FMRs or up to the SFHA payment standard if market rents in the vicinity of AWA support this.

Total Residential Revenue Stream: Between tenant rents, the LOSP subsidy and Shelter Plus Care rental assistance, total residential rental revenue for Year 1 is \$1.3 million. This represents monthly revenue per unit as follows:

Unit Type	Per Unit Monthly Revenue	AMI % Equivalent
Studio	\$1,290	68%
1BR	\$1,309	61%
2BR	\$1,312	54%
	Weighted Average	63%

It should be noted that MOHCD's underlying capital financing agreements restrict all units in the project at 50% AMI, which means that if the LOSP contract were terminated, CHP would be able to serve none-homeless, higher income people and charge rents only up to 50% AMI. However, for the project to be feasible in that event, CHP would have to lower operating expenses to within a 50% AMI revenue stream and/or seek project-based based Section 8 subsidies or applicants with Section 8 vouchers.

Commercial Income: \$18,000 is budgeted in Year 1 for one small, ground-floor commercial space, which the Partnership rents to CHP for use as office space. This amount is the same as was charged in 2015. It represents a monthly rent of \$1.91 for 785 square feet. By comparison, CHP is charging an average of \$2.23 per square foot for the 4 commercial spaces at the Hotel Essex, which have an average size of 575 square feet. The

20-year proforma assumes annual escalation of 2.5%. It also assumes a vacancy rate of 0% in light of the fact that CHP is the tenant and has made a long-term commitment to the space.

3.2. Annual Operating Expenses Evaluation

The annual operating expenses in Year One, before debt service and reserves, are projected at \$1,198,218 or \$14,436 PUPY. This is a 14.9% increase above 2015 operating expenses. MOHCD would not expect to see these costs budgeted much more than 7% above 2015 actuals (3.5% escalation over 2 years). CHP attributes this budget increase to increased minimum wage requirements that will take effect on 7/1/17 and 7/1/18. These will benefit the front desk and janitorial staff at the project, a total of 6.4 FTE, who will see a 15.3% increase in their wages this year and another 8.4% increase next year. CHP also attributes the increase to employee benefits that are now available to part-time janitors, which they hope will reduce turnover in these positions and ultimately reduce costs.

Staffing: Staffing is anticipated to remain the same as current staffing levels. The staffing plan covers 10 FTE, including a full range of property management services from custodial, maintenance, reception, on-site management, compliance and various levels of supervision. This represents a staff to unit/household ratio of 1 to 8.3.

Title	FTE	Salary	Total
Property Manager Salaries			
Property Manager	1	\$52,522	\$52,522
Assistant Property Manager	1	\$44,193	\$44,193
	2		\$96,715
Payroll Janitorial			
Janitor PT	0.8	\$29,120	\$23,296
Janitor FT	1	\$29,120	\$29,120
	1.8		\$48,672
Payroll Maintenance			
Operations Manager	0.1	\$58,292	\$11,658
Maintenance Supervisor	0.5	\$53,310	\$26,655
Maintenance Technician	1	\$31,775	\$31,775
	1.6		\$74,073
Security salaries			
Desk Clerk-LPT	0.2	\$30,420	\$6,084
Desk Clerk-FT	0.4	\$30,420	\$12,168
Desk Clerk-FT	1	\$30,420	\$30,420
Desk Clerk-FT	1	\$30,876	\$30,876
Desk Clerk-FT	1	\$30,876	\$30,876
Lead Desk Clerk	1	\$31,310	\$31,310
	4.6		\$141,735
Total Expense and FTE's	10		\$361,195

Management Fees: Management fee is budgeted in Year 1 at \$78 per unit per month, which is the current maximum allowed by HUD for Northern California for multifamily rental properties. In accordance with MOHCD's underwriting guidelines the fee is escalated at 3.5% annually.

Asset Management Fee: \$15,000 is budgeted in Year 1, which is within MOHCD's maximum fee of \$19,750. A 3.5% annual escalation is budgeted.

Salaries and Benefits: Salaries and benefits are budgeted at \$178,445 or \$2,150 per unit per year, and covers the salaries and benefits of the Property Manager and Assistant Manager.

Administration: Administration line items are budgeted at \$152,324, or \$1,835 per unit per year, and cover typical functions such as legal, office supplies and equipment, bookkeeping and accounting, audit, computers and telephones. There is no resident manager or administrative rent-free unit because the front desk is staffed 24/7.

Utilities: Utilities (gas, water/sewer, common electric) in Year 1 are budgeted at \$172,160, or \$2,074 per unit per year and are based on 2015 actuals with increases based on recent trending, including electricity, which has seen higher than expected increases. These numbers include all utility expenses in the residential units, as all utilities are included in the rent, as well as common areas. CHP reports they will be performing energy/gas/water audits of this property to seek to identify savings.

Taxes: Taxes are budgeted at \$38,424, or \$463 per unit per year. Costs assume 100% of units receive welfare tax exemption. Payroll taxes are 8% of salaries, and various miscellaneous fees.

Insurance: Insurance is budgeted at \$95,560, or \$1,151 per unit per year, for property and liability and worker's compensation insurance. CHP has been able to reduce their property insurance cost by singling out AWA from its overall portfolio. Although worker's compensation insurance was higher in 2015, they expect to see savings going forward due to 3 successive years of lower claims.

Maintenance and Repair: Maintenance and repair costs in Year One are budgeted at \$468,617, or \$5,646 per unit per year. This line item includes payroll for 1.80 FTE janitor, a full-time maintenance technician, 0.50 FTE maintenance supervisor and a small portion of the operations manager's salary; contracts for some maintenance, supplies, exterminating, grounds, flooring and elevator; garbage and trash removal. This also includes 24/7 front desk staff under the Security Payroll/Contract line item. Overall, projected expenses in this category are reasonable.

Replacement Reserve Deposits: \$49,800 (\$600/unit) for Year 1, in accordance with HCD's requirement. This complies with the City's requirement of \$32,004 per year. The 20-year proforma shows withdrawals that are consistent with a recently completed CNA, approved by MOHCD. With 0% escalation on annual deposits, ending balances each year are projected to range from \$2,800 to \$5,400 per unit during the term of the LOSP agreement. Current industry standard is to maintain a minimum balance equal to \$1,000 per unit.

Operating Reserve Deposits: Annual deposits are sized to maintain MOHCD's required balance of 25% of the prior year's operating expenses.

Debt Service: Mandatory debt service to HCD in the amount of \$25,585 for the MHP loan, which is \$308 PUPY

Partnership Management: The project pays \$15,000 for an annual partnership management. This is within the current maximum fee of \$19,750 allowed by MOHCD policy. This fee will terminate in Year 8, when the 15-year tax credit compliance period will end. MOHCD policy does not allow it to be paid beyond this point.

3.3. 20-Year Cash Flow

- The LOSP subsidy funds a break-even budget, thus no cash flow would be generated and available for soft loan repayments or distributions.
- Tenant rental income is escalated at 1.4%.
- Commercial income is trended at 2.5%.
- Resident vacancy rate is 5%. Commercial vacancy rate is assumed at 0%.
- All operating expenses are escalated at 3.5%.
- Partnership management fee is escalated 3.5% and will end in Year 8 when tax credit compliance period ends.

4. SUPPORT SERVICES EVALUATION

Through a direct contract with HSH, CHP Arnett Watson Apartments provides supportive services to 83 formerly homeless adults (36 units) and families (47 units). The current contract term is 7/1/14-6/30/18 in the amount of \$414,730. The goals of services is to empower tenants to become more self-sufficient, retain their housing or move to other appropriate housing, promote community building and tenant participation, and maintain a safe, supportive and stable environment that fosters independence. Support services include but are not limited to tenant outreach, intake and assessment, case management, benefits advocacy and assistance, offsite service referrals, mediation with property management, conflict resolution, support groups, social events and organized tenant activities, monthly community meetings, and clinical consultation.

HSH is pleased with the quality of services provided at AWA as well as coordination between services and property management and the quality of services, which has improved significantly with the addition of a new onsite Support Services manager last year. The program is meeting service and outcome objectives.

5. CONCLUSION

I recommend approval of the request in full. Arnett Watson Apartments is a well-staffed, well-run, highly supportive, permanent housing project for 83 disable, extremely low-income, formerly homeless individuals and families. It is an important resource in the City's array of homeless services and programs, and under CHP's ownership and management, it merits renewed LOSP funding so that it may continue to serve homeless people well into the future.

6. RECOMMENDED CONDITIONS

none

7. LOAN COMMITTEE MODIFICATIONS

LOAN COMMITTEE RECOMMENDATION

Approval indicates approval with modifications, when so determined by the Committee.

APPROVE. DISAPPROVE. TAKE NO ACTION.



Olson Lee, Director
Mayor's Office of Housing

Date: 4/7/17


APPROVE. DISAPPROVE. TAKE NO ACTION.



Kerry Abbott, Deputy Director for Programs
Department of Homelessness and Supportive Housing

Date: 4-7-17

APPROVE. DISAPPROVE. TAKE NO ACTION.



for Nadia Sesay, Interim Director
Office of Community Investment and Infrastructure

Date: 4-7-17

- Attachments:
- A. LOSP Program Description
 - B. 1st Year Operating Budget
 - C. 20-Year Operating Pro Forma
 - D. LOSP Funding and Disbursement Schedules A-1 and A-2

Attachment A: LOSP Program Description

As part of the City and County of San Francisco's effort to address the needs of the growing homeless population, the City has prioritized the development of non-profit owned and operated permanent supportive housing for formerly homeless individuals and families. While capital financing can be leveraged for this population, stakeholders realized these units cannot be feasibly operated at the scale needed if they rely solely on scarce federal or state operating subsidies.

In June 2004, the City launched its *Ten Year Plan to Abolish Chronic Homelessness* (the 2004 10-Year Plan), a multifaceted approach that included a locally funded operating subsidy as a key element and established the Local Operating Subsidy Program (LOSP) in 2006 to support the creation of permanent supportive housing at a large scale. The operating subsidy leverages capital financing by integrating homeless units into Low Income Housing Tax Credit projects without burdening them with operating deficits. LOSP was created by the Mayor's Office of Housing and Community Development (MOHCD) in partnership with the Department of Public Health (DPH) and the Human Services Agency (HSA).

On July 1, 2016, the City's diverse programs addressing homelessness were brought under the new Department of Homelessness and Supportive Housing (HSH), which combines key homeless-serving programs and contracts previously located across several City departments. The new department consolidates the functions of DPH Direct Access to Housing (DAH) and HSA Housing & Homeless programs. San Francisco is developing a Coordinated Entry System (CES) for all homeless populations to best match households to the appropriate intervention and ensure those with the highest needs are prioritized.

Through grant agreements with MOHCD, which are subject to annual appropriations by the Board of Supervisors, LOSP pays the difference between the cost of operating housing for homeless persons and all other sources of operating revenue for a given project, such as tenant rental payments, commercial space lease payments, or other operating subsidies. HSH refers homeless applicants to the housing units as well as provides services funding to the projects under a separate contract.

This request is a contract renewal of the initial 9-year LOSP grant agreement for Arnett Watson Apartments. As discussed in the Loan Evaluation, MOHCD and HSH have evaluated the Project's performance during the initial contract period and have determined that the property has been well run, and that services provided address the needs of the tenants. Accordingly, MOHCD staff is recommending a renewal of the LOSP grant agreement for a 15-year, six-month period, beginning in July 2017, through the end of 2032.

Attachment B: 1st Year Operating Budget

Application Date: 12/12/2016
 Total # Units: 83
 First Year of Operations (provide data assuming that Year 1 is a full year, i.e. 12 months of operations): 2017

LOSP and S+C Units: 83
 Non-LOSP Units: 0

LOSP/non-LOSP Allocation: 100% / 0%

Project Name: Arnett Watson Apartments
 Project Address: 650 Eddy Street
 Project Sponsor: Community Housing Partnership

INCOME	LOSP	non-LOSP	Total	Comments
Residential - Tenant Rents	237,084	0	237,084	Links from 'Existing Proj - Rent Info' Worksheet
Residential - Tenant Assistance Payments (Non-LOSP)	112,236	0	112,236	For 4 Shelter Plus Care subsidies from Dept. of HSH; two 1BRs and two 2BRs
Residential - LOSP Tenant Assistance Payments	946,930		946,930	
Commercial Space			18,000	785 s.f. ground-floor retail space; leased to CHP as office space; \$1.91/s.f.
Residential Parking	0	0	0	
Miscellaneous Rent Income	0	0	0	
Supportive Services Income	0	0	0	
Interest Income - Project Operations	0	0	0	
Laundry and Vending	0	0	0	
Tenant Charges	0	0	0	
Miscellaneous Residential Income	0	0	0	
Other Commercial Income	0	0	0	
Withdrawal from Capitalized Reserve (deposit to operating account)	0	0	0	
Gross Potential Income	1,296,250	0	1,314,250	
Vacancy Loss - Residential - Tenant Rents	(9,096)		(9,096)	Vacancy loss is 3.8% of Tenant Rents.
Vacancy Loss - Residential - Tenant Assistance Payments	(3,000)		(3,000)	Vacancy loss is 2.7% of Tenant Assistance Payments.
Vacancy Loss - Commercial			0	Links from 'Commercial Op. Budget' Worksheet
EFFECTIVE GROSS INCOME	1,284,154	0	1,302,154	PUPA: 15,689

OPERATING EXPENSES	LOSP	non-LOSP	Total	Comments
Management				
Management Fee	77,688	0	77,688	1st Year to be set according to HUD schedule. We are at 78.00 per unit maximum due to
Asset Management Fee	15,000	0	15,000	
Sub-total Management Expenses	92,688	0	92,688	PUPA: 1,117

Salaries/Benefits	LOSP	non-LOSP	Total	Comments
Office Salaries	0	0	0	
Manager's Salary	96,715	0	96,715	One Full Time Manager and One Full Time Assistant manager
Health Insurance and Other Benefits	81,730	0	81,730	Based off Current Healthcare costs per FTE
Other Salaries/Benefits	0	0	0	
Administrative Rent-Free Unit	0	0	0	
Sub-total Salaries/Benefits	178,445	0	178,445	PUPA: 2,150

Administration	LOSP	non-LOSP	Total	Comments
Advertising and Marketing	841	0	841	Overall our Administrative Expenses has decreased from 2015 from \$174,525 to \$170,700.
Office Expenses	55,584	0	55,584	Office Expenses are higher as we moved them out of miscellaneous, this includes the
Office Rent	0	0	0	
Legal Expense - Property	12,106	0	12,106	We have reduced this expense from 2015's AMR which was \$33,747 in 2015. This is due
Audit Expense	12,790	0	12,790	Slightly reduce audit expenses from 2015.
Bookkeeping/Accounting Services	9,462	0	9,462	HUD Standard of \$9.50 per unit PUPM
Bad Debts	16,343	0	16,343	This is consistent with our trending from 2015.
Miscellaneous	45,198	0	45,198	This includes Professional Services-\$4,472, Other Contracted Services -\$1,298, Bank
Sub-total Administration Expenses	152,324	0	152,324	PUPA: 1,835

Utilities	LOSP	non-LOSP	Total	Comments
Electricity	64,401	0	64,401	Electricity Expenses have trended higher in 2015 this expense was \$53,881. CHP has
Water	34,679	0	34,679	Water bill based off current trending. We are also getting an audit on further water
Gas	22,631	0	22,631	
Sewer	50,449	0	50,449	Sewer is aligned with current expenses escalated.
Sub-total Utilities	172,160	0	172,160	PUPA: 2,074

Taxes and Licenses	LOSP	non-LOSP	Total	Comments
Real Estate Taxes	4,165	0	4,165	This tax covers fees and personal property. We have rented the commercial space to add
Payroll Taxes	30,494	0	30,494	office space for CHP and now get a welfare exemption for the entire building's secured
Miscellaneous Taxes, Licenses and Permits	3,765	0	3,765	These are generally SF city and county fees such as the Health Hotel Vector Fees and
Sub-total Taxes and Licenses	38,424	0	38,424	PUPA: 463

Insurance	LOSP	non-LOSP	Total	Comments
Property and Liability Insurance	72,038	0	72,038	We have greatly reduced our Property Insurance by singling this out from our portfolio as
Fidelity Bond Insurance	0	0	0	
Worker's Compensation	23,522	0	23,522	Workers Compensation was higher in 2015 but we expect to see cost savings due to 3
Director's & Officers' Liability Insurance	0	0	0	
Sub-total Insurance	95,560	0	95,560	PUPA: 1,151

Maintenance & Repair	LOSP	non-LOSP	Total	Comments
Payroll	122,745	0	122,745	This is 1.80 Janitorial to cover 7 days a week and 1.60 Maintenance Employees
Supplies	51,308	0	51,308	This is Repair Materials-\$26,162, Furnishings and Appliances -\$13,673, Repair Equipment
Contracts	117,950	0	117,950	Janitorial Supplies-\$31,633, Exterminating Contract-\$11,169, Grounds Contract-\$7,050,
Garbage and Trash Removal	33,953	0	33,953	Based off current Garbage and Debris Box expenses
Security Payroll/Contract	141,735	0	141,735	This current desk clerk salaries including the raise in the minimum wage. CHP provides
HVAC Repairs and Maintenance	0	0	0	
Vehicle and Maintenance Equipment Operation and Repairs	926	0	926	AWA's share of the leased maintenance truck.
Miscellaneous Operating and Maintenance Expenses	0	0	0	
Sub-total Maintenance & Repair Expenses	468,617	0	468,617	PUPA: 5,646

Supportive Services	0	0	0	
Commercial Expenses	0	0	0	
TOTAL OPERATING EXPENSES w/o RESERVES/GL BASE	1,198,218	0	1,198,218	PUPA: 14,436

Reserves/Ground Lease Base Rent/Bond Fees	LOSP	non-LOSP	Total	Comments
Ground Lease Base Rent	1	0	1	Ground lease with MOHCD
Bond Monitoring Fee	2,500	0	2,500	CDLAC
Replacement Reserve Deposit	49,800	0	49,800	Required Replacement Reserve Deposit
Operating Reserve Deposit	11,050	0	11,050	To increase to 25% of expenses at 3% of previous year's project expense.
Other Required Reserve 1 Deposit	0	0	0	
Other Required Reserve 2 Deposit	0	0	0	
Required Reserve Deposit/s, Commercial	0	0	0	
Sub-total Reserves/Ground Lease Base Rent/Bond Fees	63,351	0	63,351	PUPA: 763

TOTAL OPERATING EXPENSES w/ RESERVES/GL BASE	1,261,569	0	1,261,569	PUPA: 15,200
NET OPERATING INCOME (INCOME minus OP EXPENSES)	22,585	0	40,585	PUPA: 489

Min DSCR:	1.1
Available for DS in Yr 1:	36,895
Mortgage Rate:	5.00%
Term (Years):	30
Supportable 1st Mortgage Pmt:	\$37,258
Supportable 1st Mortgage Amt:	\$572,745
Proposed 1st Mortgage Amt:	\$6,091,709

DEBT SERVICE ("hard debt"/amortized loans)	LOSP	non-LOSP	Total	Comments
Hard Debt - First Lender	25,585	0	25,585	HCD MHP
Hard Debt - Second Lender (HCD Program 0.42% pymt, or other 2nd Le	0	0	0	
Hard Debt - Third Lender (Other HCD Program, or other 3rd Lender)	0	0	0	
Hard Debt - Fourth Lender	0	0	0	
Commercial Hard Debt Service	0	0	0	
TOTAL HARD DEBT SERVICE	25,585	0	25,585	PUPA: 308

CASH FLOW (NOI minus DEBT SERVICE)	LOSP	non-LOSP	Total
CASH FLOW (NOI minus DEBT SERVICE)	(3,000)	0	15,000
Commercial Only Cash Flow			18,000
Allocation of Commercial Surplus to LOSP/non-LOSP (residual income)	18,000	0	
AVAILABLE CASH FLOW	15,000	0	15,000

USES OF CASH FLOW BELOW (This row also shows DSCR.)	LOSP	non-LOSP	Total
USES THAT PRECEDE MOHCD DEBT SERVICE IN WATERFALL			1.59
"Below-the-line" Asset Mgt fee (uncommon in new projects, see policy)	0	0	0
Partnership Management Fee (see policy for limits)	15,000	0	15,000
Investor Service Fee (aka "LP Asset Mgt Fee") (see policy for limits)	0	0	0
Other Payments	0	0	0
Non-amortizing Loan Pmnt - Lender 1 (select lender in comments field)	0	0	0
Non-amortizing Loan Pmnt - Lender 2 (select lender in comments field)	0	0	0
Deferred Developer Fee (Enter amt <= Max Fee from cell I130)	0	0	0

TOTAL PAYMENTS PRECEDING MOHCD	15,000	0	15,000	PUPA: 181
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RESIDUAL RECEIPTS (CASH FLOW minus PAYMENTS PRECEDING MOHCD)	LOSP	non-LOSP	Total
RESIDUAL RECEIPTS (CASH FLOW minus PAYMENTS PRECEDING MOHCD)	0	0	0

Residual Receipts Calculation

Does Project have a MOHCD Residual Receipt Obligation? **Yes** Project has MOHCD ground lease? **Yes**

Will Project Defer Developer Fee? **No**

Max Deferred Developer Fee/Borrower % of Residual Receipts in Yr 1: **33%**

% of Residual Receipts available for distribution to soft debt lenders in **67%**

Soft Debt Lenders with Residual Receipts Obligations	(Select lender name/program from drop down)	Total Principal Amt	Distrib. of Soft Debt Loans
MOHCD/OCII - Soft Debt Loans	All MOHCD/OCII Loans payable from res. rects	\$14,458,418	41.30%
MOHCD/OCII - Ground Lease Value		\$10	0.00%
HCD (soft debt loan) - Lender 3	HCD MHP	\$6,091,709	17.40%
Other Soft Debt Lender - Lender 4	CCSF AHF	\$7,177,673	20.50%
Other Soft Debt Lender - Lender 5	CCSF MOH HOME	\$7,280,745	20.80%

MOHCD RESIDUAL RECEIPTS DEBT SERVICE	LOSP	non-LOSP	Total	Comments
MOHCD Residual Receipts Amount Due	0	0	0	67% of residual receipts, multiplied by 41.3% -- MOHCD's pro rata share of all soft debt
Proposed MOHCD Residual Receipts Amount to Loan Repayment	0	0	0	Enter/override amount of residual receipts proposed for loan repayment.
Proposed MOHCD Residual Receipts Amount to Residual Ground Lease	0	0	0	If applicable, MOHCD residual receipts amt due LESS amt proposed for loan repymt.

REMAINING BALANCE AFTER MOHCD RESIDUAL RECEIPTS DEBT SERVICE

0

NON-MOHCD RESIDUAL RECEIPTS DEBT SERVICE	LOSP	non-LOSP	Total	Comments
HCD Residual Receipts Amount Due	0	0	0	67% of residual receipts, multiplied by 17.4% -- HCD MHP's pro rata share of all soft debt
Lender 4 Residual Receipts Due	0	0	0	67% of residual receipts, multiplied by 20.5%. CCSF AHF's pro rata share of all soft debt
Lender 5 Residual Receipts Due	0	0	0	67% of residual receipts, multiplied by 20.8%. CCSF MOH HOME's pro rata share of all soft
Total Non-MOHCD Residual Receipts Debt Service	0	0	0	

REMAINDER (Should be zero unless there are distributions below)	LOSP	non-LOSP	Total
REMAINDER (Should be zero unless there are distributions below)	0	0	0
Owner Distributions/Incentive Management Fee	0	0	0
Other Distributions/Uses	0	0	0
Final Balance (should be zero)	0	0	0

Attachment C: 20-year Operating Proforma

Arnett Watson Apartments

INCOME	Total # Units	LOSP and S+C Units	Non-LOSP Units	100.00%	0.00%	Comments (related to annual inc assumptions)	Year 1 2017		Year 2 2018		Year 3 2019		Year 4 2020		Year 5 2021		Year 6 2022		Year 7 2023		Year 8 2024		Year 9 2025		Year 10 2026		Year 11 2027		Year 12 2028					
							% annual inc	% annual increase	LOSP	non-LOSP	LOSP	non-LOSP	LOSP	non-LOSP	LOSP	non-LOSP	LOSP	non-LOSP	LOSP	non-LOSP	LOSP	non-LOSP	LOSP	non-LOSP	LOSP	non-LOSP	LOSP	non-LOSP	LOSP	non-LOSP	LOSP	non-LOSP	LOSP	non-LOSP
							237,084	237,084	240,403	240,403	243,769	243,769	247,182	247,182	250,642	250,642	254,151	254,151	257,709	257,709	261,317	261,317	264,976	264,976	268,685	268,685	272,447	272,447	276,261	276,261	280,122	280,122	284,031	284,031
Residential - Tenant Rents	83	79	4	100.00%	0.00%		237,084	237,084	240,403	240,403	243,769	243,769	247,182	247,182	250,642	250,642	254,151	254,151	257,709	257,709	261,317	261,317	264,976	264,976	268,685	268,685	272,447	272,447	276,261	276,261				
Residential - Tenant Assistance Payments (Non-LOSP)						Shelter Plus Care	112,236	112,236	115,042	115,042	117,918	117,918	120,866	120,866	123,888	123,888	126,985	126,985	130,159	130,159	133,413	133,413	136,749	136,749	140,167	140,167	143,672	143,672	147,263	147,263				
Residential - LOSP Tenant Assistance Payments							946,930	946,930	1,000,025	1,000,025	1,026,309	1,026,309	1,052,674	1,052,674	1,079,138	1,079,138	1,105,692	1,105,692	1,132,335	1,132,335	1,159,067	1,159,067	1,185,884	1,185,884	1,212,783	1,212,783	1,239,764	1,239,764	1,266,827	1,266,827				
Commercial Space								18,000	18,000	18,450	18,450	18,911	18,911	19,384	19,384	19,869	19,869	20,365	20,365	20,874	20,874	21,396	21,396	21,931	21,931	22,480	22,480	23,042	23,042					
Residential Parking																																		
Miscellaneous Rent Income																																		
Supportive Services Income																																		
Interest Income - Project Operations																																		
Laundry and Vending																																		
Tenant Charges																																		
Miscellaneous Residential Income																																		
Other Commercial Income																																		
Withdrawal from Capitalized Reserve (deposit to operating account)																																		
Gross Potential Income							1,296,250	1,314,250	1,332,470	1,350,920	1,369,596	1,388,500	1,407,642	1,426,922	1,446,350	1,465,928	1,485,656	1,505,534	1,525,562	1,545,740	1,566,068	1,586,546	1,607,174	1,627,952	1,648,880	1,669,958	1,691,186	1,712,564	1,734,092	1,755,770				
Vacancy Loss - Residential - Tenant Rents							(8,096)	(8,096)	(12,470)	(12,470)	(12,920)	(12,880)	(13,330)	(13,290)	(13,740)	(13,690)	(14,140)	(14,090)	(14,540)	(14,490)	(14,940)	(14,890)	(15,340)	(15,290)	(15,740)	(15,690)	(16,140)	(16,090)	(16,540)					
Vacancy Loss - Residential - Tenant Assistance Payments							(3,000)	(3,000)	(5,732)	(5,732)	(5,896)	(5,980)	(6,144)	(6,228)	(6,392)	(6,556)	(6,720)	(6,884)	(7,048)	(7,212)	(7,376)	(7,540)	(7,704)	(7,868)	(8,032)	(8,196)	(8,360)	(8,524)	(8,688)					
Vacancy Loss - Commercial																																		
EFFECTIVE GROSS INCOME							1,284,154	1,302,154	1,320,000	1,337,896	1,355,676	1,373,420	1,391,112	1,408,752	1,426,360	1,443,928	1,461,456	1,478,944	1,496,394	1,513,804	1,531,174	1,548,504	1,565,794	1,583,044	1,600,254	1,617,424	1,634,554	1,651,644	1,668,694	1,685,704				

OPERATING EXPENSES Management

Management	% annual inc	% annual increase	1st Year to be set according to HUD schedule	Year 1 2017	Year 2 2018	Year 3 2019	Year 4 2020	Year 5 2021	Year 6 2022	Year 7 2023	Year 8 2024	Year 9 2025	Year 10 2026	Year 11 2027	Year 12 2028
Management Fee	3.5%	3.5%		77,688	80,407	83,227	86,134	89,149	92,269	95,498	98,841	102,300	105,891	109,597	113,422
Asset Management Fee	3.5%	3.5%	per MOHCD policy	92,688	95,932	99,290	102,765	106,362	110,084	113,937	117,925	122,052	126,324	130,746	135,322
Sub-total Management Expenses				170,376	176,339	182,517	188,900	195,519	202,353	209,435	216,766	224,352	232,215	240,343	248,644

Salaries/Benefits

Salaries/Benefits	% annual inc	% annual increase	Year 1 2017	Year 2 2018	Year 3 2019	Year 4 2020	Year 5 2021	Year 6 2022	Year 7 2023	Year 8 2024	Year 9 2025	Year 10 2026	Year 11 2027	Year 12 2028
Office Salaries	3.5%	3.5%												
Manager's Salary	3.5%	3.5%	96,715	100,100	103,604	107,230	110,983	114,867	118,887	123,048	127,355	131,813	136,426	141,201
Health Insurance and Other Benefits	3.5%	3.5%	81,730	84,591	87,551	90,616	93,787	97,070	100,467	103,983	107,623	111,390	115,288	119,323
Other Salaries/Benefits	3.5%	3.5%												
Administrative Rent-Free Unit	3.5%	3.5%												
Sub-total Salaries/Benefits			178,445	184,691	191,155	197,845	204,770	211,937	219,354	227,032	234,978	243,202	251,714	260,524

Administration

Administration	% annual inc	% annual increase	Year 1 2017	Year 2 2018	Year 3 2019	Year 4 2020	Year 5 2021	Year 6 2022	Year 7 2023	Year 8 2024	Year 9 2025	Year 10 2026	Year 11 2027	Year 12 2028
Advertising and Marketing	3.5%	3.5%	841	870	901	932	965	999	1,034	1,070	1,107	1,146	1,186	1,228
Office Expenses	3.5%	3.5%	55,584	57,829	59,543	61,627	63,784	66,016	68,324	70,718	73,199	75,755	78,407	81,151
Office Rent	3.5%	3.5%												
Legal Expense - Property	3.5%	3.5%	12,106	12,630	12,968	13,422	13,892	14,378	14,881	15,402	15,941	16,499	17,077	17,674
Audit Expense	3.5%	3.5%	12,790	13,238	13,701	14,181	14,677	15,191	15,722	16,272	16,842	17,431	18,040	18,670
Bookkeeping/Accounting Services	3.5%	3.5%	9,462	9,793	10,136	10,491	10,858	11,238	11,631	12,040	12,466	12,910	13,373	13,854
Bad Debts	3.5%	3.5%	16,343	16,915	17,507	18,120	18,754	19,410	20,090	20,793	21,521	22,274	23,053	23,860
Miscellaneous	3.5%	3.5%	45,198	46,780	48,417	49,112	50,112	51,666	53,384	55,266	57,314	59,537	61,946	64,542
Sub-total Administration Expenses			152,324	157,655	163,173	168,884	174,795	180,913	187,245	193,799	200,582	207,602	214,868	222,388

Utilities

Utilities	% annual inc	% annual increase	Year 1 2017	Year 2 2018	Year 3 2019	Year 4 2020	Year 5 2021	Year 6 2022	Year 7 2023	Year 8 2024	Year 9 2025	Year 10 2026	Year 11 2027	Year 12 2028
Electricity	3.5%	3.5%	64,401	66,655	68,988	71,403	73,902	76,488	79,156	81,906	84,740	87,659	90,664	93,757
Water	3.5%	3.5%	34,679	35,893	37,149	38,449	39,795	41,188	42,629	44,121	45,666	47,209	48,850	50,489
Gas	3.5%	3.5%	22,631	23,423	24,243	25,091	25,970	26,879	27,819	28,793	29,801	30,844	31,923	33,034
Sewer	3.5%	3.5%	50,449	52,125	53,841	55,598	57,396	59,236	61,118	63,043	65,012	67,026	69,086	71,193
Sub-total Utilities			172,160	178,186	184,222	190,277	196,352	202,446	208,569	214,722	220,905	227,118	233,361	239,634

Taxes and Licenses

Taxes and Licenses	% annual inc	% annual increase	Year 1 2017	Year 2 2018	Year 3 2019	Year 4 2020	Year 5 2021	Year 6 2022	Year 7 2023	Year 8 2024	Year 9 2025	Year 10 2026	Year 11 2027	Year 12 2028
Real Estate Taxes	3.5%	3.5%	4,165	4,311	4,462	4,618	4,779	4,947	5,120	5,299	5,485	5,676	5,872	6,074
Payroll Taxes	3.5%	3.5%	30,494	31,561	32,666	33,809	34,993	36,217	37,481	38,785	40,130	41,516	42,944	44,415
Miscellaneous Taxes, Licenses and Permits	3.5%	3.5%	3,765	3,897	4,033	4,174	4,320	4,472	4,628	4,790	4,958	5,131	5,311	5,497
Sub-total Taxes and Licenses			38,424	39,769	41,161	42,601	44,092	45,636	47,233	48,884	50,592	52,358	54,183	56,067

Insurance

Insurance	% annual inc	% annual increase	Year 1 2017	Year 2 2018	Year 3 2019	Year 4 2020	Year 5 2021	Year 6 2022	Year 7 2023	Year 8 2024	Year 9 2025	Year 10 2026	Year 11 2027	Year 12 2028
Property and Liability Insurance	3.5%	3.5%	72,038	74,559	77,169	79,870	82,665	85,559	88,556	91,652	94,850	98,150	101,553	105,061
Fidelity Bond Insurance	3.5%	3.5%												
Worker's Compensation	3.5%	3.5%	23,522	24,345	25,197	26,079	26,992	27,937	28,915	29,927	30,974	32,058		

INCOME	Total # Units:		Comments (related to annual inc assumptions)	Year 1 2017			Year 2 2018			Year 3 2019			Year 4 2020			Year 5 2021			Year 6 2022			Year 7 2023			Year 8 2024			Year 9 2025			Year 10 2026			Year 11 2027			Year 12 2028	
	LOSP and S+C Units			Non-LOSP Units		LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP				
	% annual inc	% annual increase		100.00%	0.00%																																	
REMAINDER (Should be zero unless there are distributions below)																																						
Owner Distributions/Incentive Management Fee																																						
Other Distributions/Uses																																						
Final Balance (should be zero)																																						
REPLACEMENT RESERVE - RUNNING BALANCE																																						
Replacement Reserve Starting Balance																																						
Replacement Reserve Deposits			Based off Current 2016 CNA																																			
Replacement Reserve Withdrawals (ideally tied to CNA)																																						
Replacement Reserve Interest																																						
RR Running Balance																																						
RR end bal/unit																																						
OPERATING RESERVE - RUNNING BALANCE																																						
Operating Reserve Starting Balance																																						
Operating Reserve Deposits																																						
Operating Reserve Withdrawals																																						
Operating Reserve Interest																																						
OR Running Balance																																						
OR end bal. % Op.Exps+Debt																																						
OTHER REQUIRED RESERVE 1 - RUNNING BALANCE																																						
Other Reserve 1 Starting Balance																																						
Other Reserve 1 Deposits																																						
Other Reserve 1 Withdrawals																																						
Other Reserve 1 Interest																																						
Other Required Reserve 1 Running Balance																																						
OTHER RESERVE 2 - RUNNING BALANCE																																						
Other Reserve 2 Starting Balance																																						
Other Reserve 2 Deposits																																						
Other Reserve 2 Withdrawals																																						
Other Reserve 2 Interest																																						
Other Required Reserve 2 Running Balance																																						

Arnett Watson Apartments

INCOME	Total # Units	LOSP and S+C Units	Non-LOSP Units	% annual inc	Comments (related to annual inc assumptions)	Year 13 2029		Year 14 2030		Year 15 2031		Year 16 2032		Year 17 2033		Year 18 2034		Year 19 2035		Year 20 2036										
						Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total						
						100.00%	79	4	100.00%	79	4	100.00%	79	4	100.00%	79	4	100.00%	79	4	100.00%	79	4	100.00%	79	4				
Residential - Tenant Rents	1.4%	2.5%			Shelter Plus Care	276,261	280,129	-	280,129	284,051	-	284,051	288,027	-	288,027	292,060	296,148	-	296,148	300,295	304,499	-	304,499	308,762	-	308,762				
Residential - Tenant Assistance Payments (Non-LOSP)	n/a	2.5%				147,263	150,945	-	150,945	154,719	-	154,719	158,587	-	158,587	162,551	166,615	-	166,615	170,780	175,050	-	175,050	179,426	-	179,426				
Residential - LOSP Tenant Assistance Payments	n/a	n/a				1,416,670	1,470,672	-	1,470,672	1,526,681	-	1,526,681	1,584,771	-	1,584,771	1,645,016	1,707,495	-	1,707,495	1,772,286	1,839,475	-	1,839,475	1,909,146	-	1,909,146				
Commercial Space	n/a	2.5%				23,618	-	-	24,208	-	-	24,813	-	-	25,434	-	-	-	26,069	-	-	-	26,721	-	-	27,389				
Residential Parking	2.5%	2.5%				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Miscellaneous Rent Income	2.5%	2.5%				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Supportive Services Income	2.5%	2.5%				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Interest Income - Project Operations	2.5%	2.5%				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Laundry and Vending	2.5%	2.5%				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Tenant Charges	2.5%	2.5%				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Miscellaneous Residential Income	2.5%	2.5%				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Other Commercial Income	n/a	2.5%				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Withdrawal from Capitalized Reserve (deposit to operating account)	n/a	n/a				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Gross Potential Income						1,863,812	1,901,745	-	1,925,953	1,965,451	-	1,990,264	2,031,385	-	2,056,819	2,099,627	-	2,125,697	2,170,258	-	2,196,979	2,243,361	-	2,270,750	2,319,024	-	2,347,097	2,397,333	-	2,426,109
Vacancy Loss - Residential - Tenant Rents	n/a	n/a				(13,813)	(14,006)	-	(14,006)	(14,203)	-	(14,203)	(14,401)	-	(14,603)	(14,803)	-	(14,803)	(15,015)	-	(15,015)	(15,225)	-	(15,225)	(15,439)	-	(15,438)			
Vacancy Loss - Residential - Tenant Assistance Payments	n/a	n/a				(7,363)	(7,547)	-	(7,547)	(7,736)	-	(7,736)	(7,929)	-	(8,128)	(8,331)	-	(8,331)	(8,539)	-	(8,539)	(8,752)	-	(8,752)	(8,971)	-	(8,971)			
Vacancy Loss - Commercial	n/a	n/a				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
EFFECTIVE GROSS INCOME						1,842,636	1,880,192	-	1,904,400	1,943,512	-	1,968,325	2,009,054	-	2,034,488	2,076,897	-	2,102,966	2,147,120	-	2,173,841	2,219,807	-	2,247,197	2,295,046	-	2,323,120	2,372,924	-	2,401,700
OPERATING EXPENSES																														
Management																														
Management Fee	3.5%	3.5%				113,422	117,392	-	117,392	121,501	-	121,501	125,753	-	125,753	130,154	-	130,154	134,710	-	134,710	139,425	-	139,425	144,305	-	144,305	149,355	-	149,355
Asset Management Fee	3.5%	3.5%				21,900	22,666	-	22,666	23,459	-	23,459	24,280	-	24,280	25,130	-	25,130	26,010	-	26,010	26,920	-	26,920	27,862	-	27,862	28,838	-	28,838
Sub-total Management Expenses						135,322	140,058	-	140,058	144,960	-	144,960	150,034	-	150,034	155,285	-	155,285	160,720	-	160,720	166,345	-	166,345	172,167	-	172,167	178,193	-	178,193
Salaries/Benefits																														
Office Salaries	3.5%	3.5%				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Manager's Salary	3.5%	3.5%				141,201	146,143	-	146,143	151,258	-	151,258	156,552	-	156,552	162,031	-	162,031	167,702	-	167,702	173,572	-	173,572	179,647	-	179,647	185,935	-	185,935
Health Insurance and Other Benefits	3.5%	3.5%				119,323	123,500	-	123,500	127,822	-	127,822	132,296	-	132,296	136,926	-	136,926	141,719	-	141,719	146,679	-	146,679	151,813	-	151,813	157,126	-	157,126
Other Salaries/Benefits	3.5%	3.5%				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Administrative Rent-Free Unit	3.5%	3.5%				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Sub-total Salaries/Benefits						260,524	269,643	-	269,643	279,080	-	279,080	288,848	-	288,848	298,958	-	298,958	309,421	-	309,421	320,251	-	320,251	331,460	-	331,460	343,061	-	343,061
Administration																														
Advertising and Marketing	3.5%	3.5%				1,228	1,271	-	1,271	1,315	-	1,315	1,361	-	1,361	1,409	-	1,409	1,458	-	1,458	1,509	-	1,509	1,562	-	1,562	1,617	-	1,617
Office Expenses	3.5%	3.5%				81,151	83,991	-	83,991	86,931	-	86,931	89,974	-	89,974	93,123	-	93,123	96,382	-	96,382	99,755	-	99,755	103,247	-	103,247	106,860	-	106,860
Office Rent	3.5%	3.5%				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Legal Expense - Property	3.5%	3.5%				17,674	18,293	-	18,293	18,933	-	18,933	19,596	-	19,596	20,282	-	20,282	20,992	-	20,992	21,726	-	21,726	22,487	-	22,487	23,274	-	23,274
Audit Expense	3.5%	3.5%				18,673	19,327	-	19,327	20,003	-	20,003	20,703	-	20,703	21,428	-	21,428	22,178	-	22,178	22,954	-	22,954	23,757	-	23,757	24,589	-	24,589
Bookkeeping/Accounting Services	3.5%	3.5%				13,814	14,296	-	14,296	14,798	-	14,798	15,316	-	15,316	15,852	-	15,852	16,407	-	16,407	16,981	-	16,981	17,576	-	17,576	18,191	-	18,191
Bad Debts	3.5%	3.5%				23,860	24,695	-	24,695	25,560	-	25,560	26,454	-	26,454	27,380	-	27,380	28,339	-	28,339	29,330	-	29,330	30,357	-	30,357	31,419	-	31,419
Miscellaneous	3.5%	3.5%				65,989	68,297	-	68,297	70,698	-	70,698	73,162	-	73,162	75,722	-	75,722	78,373	-	78,373	81,116	-	81,116	83,955	-	83,955	86,893	-	86,893
Sub-total Administration Expenses						222,388	230,172	-	230,172	238,228	-	238,228	246,566	-	246,566	255,196	-	255,196	264,128	-	264,128	273,372	-	273,372	282,940	-	282,940	292,843	-	292,843
Utilities																														
Electricity	3.5%	3.5%				94,024	97,314	-	97,314	100,720	-	100,720	104,246	-	104,246	107,894	-	107,894	111,670	-	111,670	115,579	-	115,579	119,624	-	119,624	123,811	-	123,811
Water	3.5%	3.5%				50,630	52,402	-	52,402	54,236	-	54,236	56,135	-	56,135	58,099	-	58,099	60,133	-	60,133	62,238	-	62,238	64,416	-	64,416	66,670	-	66,670
Gas	3.5%	3.5%				33,041	34,197	-	34,197	35,394	-	35,394	36,633	-	36,633	37,915	-	37,915	39,242	-	39,242	40,615	-	40,615	42,037	-	42,037	43,508	-	43,508
Sewer	3.5%	3.5%				73,654	76,297	-	76,297	79,082	-	79,082	81,962	-	81,962	84,920	-	84,920	87,978	-	87,978	91,116	-	91,116	94,355	-	94,355	97,683	-	97,683
Sub-total Utilities						251,348	260,146	-	260,146	269,251	-	269,251	278,674	-	278,674	288,428	-	288,428	298,523	-	298,523	308,971	-	308,971	319,785	-	319,785	330,978	-	330,978
Taxes and Licenses																														
Real Estate Taxes	3.5%	3.5%				6,081	6,294	-	6,294	6,514	-	6,514	6,742	-	6,742	6,978	-	6,978	7,222	-	7,222	7,475	-	7,475	7,736	-	7,736	8,007	-	8,007
Payroll Taxes	3.5%	3.5%				44,520	46,079	-	46,079	47,691	-	47,691	49,360	-	49,3															

		LOSP and Non-LOSP																									
Total # Units:		S+C Units	Units																								
		83	4																								
		100.00%	0.00%																								
		% annual inc	% annual increase																								
		(related to annual inc assumptions)																									
		Total		Year 13 2029			Year 14 2030			Year 15 2031			Year 16 2032			Year 17 2033			Year 18 2034			Year 19 2035			Year 20 2036		
		LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total	LOSP	non-LOSP	Total		
INCOME																											
REMAINDER (Should be zero unless there are distributions below)																											
Owner Distributions/Incentive Management Fee		-	-	-	-	-	-	0	-	-	0	-	-	-	-	-	0	-	-	0	-	-	-	-	-		
Other Distributions/Uses		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Final Balance (should be zero)																											
REPLACEMENT RESERVE - RUNNING BALANCE																											
Replacement Reserve Starting Balance		342,469		324,799	315,481	304,981	228,337	214,843	80,324	104,940	83,206																
Replacement Reserve Deposits		49,800	Based off Current 2016 CNA	49,800	49,800	49,800	49,800	49,800	49,800	49,800	49,800																
Replacement Reserve Withdrawals (ideally tied to CNA)		67,470		59,116	60,300	126,444	63,294	184,319	25,184	71,534	66,354																
Replacement Reserve Interest																											
RR Running Balance		324,799		315,481	304,981	228,337	214,843	80,324	104,940	83,206	66,622																
		3,913		3,801	3,674	2,751	2,588	968	1,264	1,002	803																
OPERATING RESERVE - RUNNING BALANCE																											
Operating Reserve Starting Balance		427,320		442,708	458,632	475,111	492,164	509,811	528,073	546,971	566,528																
Operating Reserve Deposits		15,388		15,924	16,479	17,053	17,647	18,262	18,898	19,557	20,238																
Operating Reserve Withdrawals																											
Operating Reserve Interest																											
OR Running Balance		442,708		458,632	475,111	492,164	509,811	528,073	546,971	566,528	586,766																
		24%		24%	24%	24%	24%	24%	24%	24%	24%																
OTHER REQUIRED RESERVE 1 - RUNNING BALANCE																											
Other Reserve 1 Starting Balance		-		-	-	-	-	-	-	-	-																
Other Reserve 1 Deposits		-		-	-	-	-	-	-	-	-																
Other Reserve 1 Withdrawals		-		-	-	-	-	-	-	-	-																
Other Reserve 1 Interest		-		-	-	-	-	-	-	-	-																
Other Required Reserve 1 Running Balance		-		-	-	-	-	-	-	-	-																
OTHER RESERVE 2 - RUNNING BALANCE																											
Other Reserve 2 Starting Balance		-		-	-	-	-	-	-	-	-																
Other Reserve 2 Deposits		-		-	-	-	-	-	-	-	-																
Other Reserve 2 Withdrawals		-		-	-	-	-	-	-	-	-																
Other Reserve 2 Interest		-		-	-	-	-	-	-	-	-																
Other Required Reserve 2 Running Balance		-		-	-	-	-	-	-	-	-																

Attachment D: LOSP Funding Schedule A

Arnett Watson Apartments	
7/1/2017	

Exhibit A-2: LOSP Funding By Calendar Year

	n/a	7/1-12/31	TOT	Total Months
2017	\$0.00	\$473,465.00	\$473,465.00	6
	1/1-6/30	7/1-12/31	TOT	Total Months
2018	\$500,012.40	\$500,012.40	\$1,000,024.81	12
2019	\$513,154.39	\$513,154.39	\$1,026,308.77	12
2020	\$532,837.17	\$532,837.17	\$1,065,674.35	12
2021	\$553,258.87	\$553,258.87	\$1,106,517.74	12
2022	\$574,447.00	\$574,447.00	\$1,148,894.00	12
2023	\$596,429.03	\$596,429.03	\$1,192,858.05	12
2024	\$619,232.89	\$619,232.89	\$1,238,465.79	12
2025	\$633,013.49	\$633,013.49	\$1,266,026.98	12
2026	\$657,206.80	\$657,206.80	\$1,314,413.60	12
2027	\$682,303.40	\$682,303.40	\$1,364,606.80	12
2028	\$708,335.10	\$708,335.10	\$1,416,670.19	12
2029	\$735,335.82	\$735,335.82	\$1,470,671.64	12
2030	\$763,340.71	\$763,340.71	\$1,526,681.43	12
2031	\$792,385.63	\$792,385.63	\$1,584,771.27	12
	1/1-6/30	n/a		
2031	\$822,508.23	n/a	\$822,508.23	6
			\$19,018,558.65	180

Exhibit A-1: LOSP Disbursement Schedule By Fiscal Year

		n/a	TOT	Total Months
n/a		\$0.00	\$0.00	0
	7/1-12/31	1/1-6/30	TOT	Total Months
2017-18	\$473,465.00	\$500,012.40	\$973,477.40	12
	7/1-12/31	1/1-6/30		
2018-19	\$500,012.40	\$513,154.39	\$1,013,166.79	12
2019-20	\$513,154.39	\$532,837.17	\$1,045,991.56	12
2020-21	\$532,837.17	\$553,258.87	\$1,086,096.04	12
2021-22	\$553,258.87	\$574,447.00	\$1,127,705.87	12
2022-23	\$574,447.00	\$596,429.03	\$1,170,876.03	12
2023-24	\$596,429.03	\$619,232.89	\$1,215,661.92	12
2024-25	\$619,232.89	\$633,013.49	\$1,252,246.39	12
2025-26	\$633,013.49	\$657,206.80	\$1,290,220.29	12
2026-27	\$657,206.80	\$682,303.40	\$1,339,510.20	12
2027-28	\$682,303.40	\$708,335.10	\$1,390,638.50	12
2028-29	\$708,335.10	\$735,335.82	\$1,443,670.92	12
2029-30	\$735,335.82	\$763,340.71	\$1,498,676.54	12
2030-31	\$763,340.71	\$792,385.63	\$1,555,726.35	12
	7/1-12/31	1/1-6/30		
2031-32	\$792,385.63	\$822,508.23	\$1,614,893.86	12
	n/a			
n/a	n/a		n/a	0
			\$19,018,558.65	180