## 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**

*Prepared By: Anne Romero and Jackie Tsou*

*Loan Committee Date:* May 4, 2018

| | |
|---|---|
| *Sponsor Name:* | The Salvation Army, a California Corporation |
| *Project Name:* | Railton Place |
| *Project Address (w. cross street):* | 242 Turk Street (between Leavenworth and Jones) |
| *Number of Units/Beds (specify):* | 110 supportive housing units with proposed 40 LOSP units plus 3 resident manager affordable units |

Up to $264,085 First Year budget

Up to $5,561,543 through 15.5 years

## 1. SUMMARY AND BACKGROUND

This request for LOSP funds is to support Railton Place, an existing 113 unit permanent and transitional supportive housing development completed in 2008 by The Salvation Army. Forty units are permanent supportive housing (PSH) for chronically homeless households that were supported by the Continuum of Care Shelter Plus Care program (17 units) through March 2017, and HSH's Housing First program (23 units). The proposed LOSP funds would offset the loss of 17 units of Continuum of Care subsidies as their contract was not renewed by HUD, as well as 23 units previously funded by HSH for a total of 40 units. The project also has 15 VASH units and 55 transitional housing units for Veterans, Adults in Recovery from Salvation Army's rehabilitation programs, and Transitional Aged Youth with their own respective program structures and rental subsidies. There are also three affordable staff units.

Railton Place was developed in 2008 by The Salvation Army as a tax exempt bond and 4% tax credit project with no City capital subsidy. Financing included tax credit investment by Enterprise Community Investment, Inc., Bank of America, Silicon Valley Bank, California Dept. of Housing and Community Development MHP (HCD - MHP), and Federal Home Loan Bank Affordable Housing Program (AHP). Operating supports include the U.S. Department of Veterans Affairs and HUD Continuum of Care (CoC).

The residential component is located at 242 Turk Street, adjacent to the Ray & Joan Kroc Corps Community Center (located at 240 Turk Street) which features a gym, basketball

court, dance studio, computer room, a senior meals and activities center, a series of meeting rooms and classrooms and a traditional worship center. This Kroc Center was the first of 27 such facilities to open across the country since 2004, when the estate of Joan Kroc, widow of McDonald's founder Ray Kroc, donated $1.5 billion to The Salvation Army for the centers. The $30 million Kroc Center and separately financed $26.7 million Railton Place is the Salvation Army's largest project in San Francisco. Hill, Devine & Gong was the financial and development consultant on the project and the John Stewart Company is the property manager. The Salvation Army is the primary service provider at the site.

Railton Place is part of an 8 story building. The residential units are located on Floors 3-8 and encompass 73,287 square feet of the 135,771 square foot building. Each studio apartment is approximately 248 square feet and offers a private bathroom and kitchen and is fully furnished. The residential amenities include property management and service office spaces, a computer lab, two group rooms, laundry facilities, and an elevated outdoor courtyard shared with the Kroc Center.

*Loss of Continuum of Care Subsidies*
In 2017, Railton Place, along with one other PSH project, did not receive a renewal of its Shelter Plus Care contract through the Continuum of Care (CoC) annual competition process. Each year HUD releases a NOFA for these funds based on annual appropriations and these grants are renewable each year based on the CoC competition. Generally there is an increase in funding every year; for example, last year San Francisco went from approximately $31 million to $41 million annual budget. The Fair Market Rent (FMR) has increased dramatically since 2015, which is an enormous financial boost for project operations, yet at the same time, it reduces the total number of units that are covered.

Citywide, San Francisco has over 60 projects with CoC subsidies which seek renewal every year, as well as new projects which seek this important subsidy. Projects are scored into different tiers and over time, some contracts are lost on the lowest scoring projects. These projects used to be transitional housing developments which did not meet HUD's current priorities for permanent supportive housing models. Now that there are no transitional housing developments remaining within the CoC portfolio, PSH sites that have been in operation for many years are starting to lose their contracts. In 2017, an additional two PSH projects lost their contracts, despite being high performing projects. The City needs to backfill these subsidies to provide project continuity and maintain these units as permanent supportive housing.

## 2. PROJECT OPERATIONS
### 2.1. Unit Mix

| Housing Program | Studios | Proposed LOSP Units |
|---|---|---|
| Former S+C - PSH | 17 | 17 |
| HSH Housing First – PSH | 23 | 23 |

| | | |
|---|---|---|
| Veterans – PSH - Project based VASH Program | 15 | 0 |
| Veterans – transitional – Veteran Grant Per-Diem | 31 | 0 |
| TAY – transitional – THP Plus | 15 | 0 |
| Salvation Army recovery units from residential chemical dependency treatment program – transitional | 9 | 0 |
| Staff units – affordable | 3 | 0 |
| **TOTAL** | **113** | **40** |

## 2.2. Target Population and Referrals

The former CoC units serve a chronically homeless population that is disabled. The existing 23 Housing First units that HSH funds serve formerly homeless adults who, without this type of housing, would be homeless, including those with disabilities. Referrals for the 40 units will be provided by HSH's Coordinated Entry System. LOSP subsidy is proposed to only cover the 40 units that were funded by CoC and HSH Housing First Program. In addition, the building serves the target populations below:

VASH: 15 units are designated for veterans who are participants in the Veteran Project Based VASH Program as permanent housing. Program staff partner with VA social workers to ensure resident needs are met.

VA-GPD Program: 31of the units are designated for veterans who are all participants in The Salvation Army's Veteran Grant Per-Diem. This program is transitional housing up to 24 months and referrals are made by the Veterans Administration.

TAY: 15 of the units are designated to aged out foster youth through the Transitional Housing Plus Program (THP Plus), which is City and State funded. This program is transitional with services and it allows each resident to stay for 24 months with the possibility of a one year education extension.

Residential Transitional Housing for people in recovery: 9 of the units have been designated for individuals who have graduated from one of the Salvation Army's residential chemical dependency treatment programs. Although this is also an 18-24 month transitional housing program, these residents are more independent and have infrequent contact with support services.

### Coordinated Entry and ONE System
While for several years CoC referrals went through Coordinated Entry, HSH is expanding Coordinated Entry to become the single access and assessment process for access to all supportive housing supported by the City. San Francisco is implementing ONE (Online Navigation and Entry), a real-time data entry system for tracking vacancies in, referrals to, placements in, and exits from permanent supportive housing. When permanent supportive housing units are available for a referral and placement, CES will be used to identify a candidate for screening through a standardized assessment in the ONE system.

## 2.3. Annual Operating Budget

Please see the attached annualized budget for the initial year including for all units which shows total operating expenses of $971,102 or $8,594 PUPA. The LOSP only funds the gap in operating cost on the 40 PSH units funded last year by HSH assuming a prorated operating cost. MOHCD staff underwrote the budget utilizing the approved HCD operating budget for 2018 with adjustments as highlighted by John Stewart Company and The Salvation Army.

### 2.3.1 Income

Tenant Rents: Tenant rents on the 40 units are assumed at $163 / month based on the HCD budget and 30% of income rent payment standard. This contrasts with assumed rent of $465 / month on the other 70 units.

Income – Local Operating Subsidy: LOSP is assumed at $264,085 in Year 1, or $6,602 / unit / year, sized to fill the gap between rental income and prorated operating expenses for the 40 units. (If approved, the actual Year 1 amount would be $132,042 to cover the July – December 2018 period.)

### 2.3.2 Operating Expenses:

Operating expense on the development are based on the operating budget submitted to HCD and approved. The budget is prorated between LOSP and non-LOSP on a pro rata basis. Compared to other supportive housing buildings of this size, the operating budget is very efficient and reflects a unique structure given the number of transitional housing programs supporting the non-LOSP units. While the LOSP units are fully funded, the remaining 73 units of perm and transitional housing have budget shortfalls, primarily related to a high vacancy rate.

It is important to note that The Salvation Army committed to its investor that it would cover operating losses up to a $425,000 cumulative amount before tapping into the operating reserve, of which $175,000 is still available. This reserve will support project operating deficits through CY 2020; thereafter, the project would need to draw on its operating reserve which is currently fully funded.

Staffing.

| Position | FTE | Notes |
|---|---|---|
| Property Manager | 2 | Property Manager and Assistant Property Manager |
| Maintenance Worker | 1 | With additional support per hour from the Kroc Community Center on an as needed basis |
| Desk Clerk and Security staffing | 4.75 | This is split with the Kroc Community Center for more efficient staffing. |
| TOTAL | 7.75 | 1:15 staff to resident ratio |

Management Fees. The management fee is budgeted at $71,190, or $52 / PUPM, which is below the HUD management fee standard.

Asset Management Fee.  Asset Management fee is not budgeted and traditionally has not been taken, while it is an allowed expense.

Salaries and Benefits.  Salaries and benefits are budgeted at $150,202, including an administrative rent free unit, and is very lean for a building of this size.

Administration.  Admin costs are budgeted at $80,434.

Utilities:  Utilities are budgeted at $220,860 and cover common area electricity and gas, as well as residential water, sewage, waste management and cable service. Residents pay their own gas and electric service.

Taxes:  Taxes are budgeted at $16,786, including payroll taxes.

Insurance:  Insurance is budgeted at $46,780.

Maintenance and Repair:  Maintenance and repair is budgeted at $353,452, and includes nearly $220,000 for Security Payroll.  Railton Place shares desk clerk and security staff with the Kroc Center which shares a common entry, which costs less than 24/7 desk clerk coverage dedicated only to the housing.

Replacement Reserve Deposits:  Replacement Reserve deposits are budgeted at $60,468 / year, or $535/unit.  This project has MHP financing which typically requires $600 / unit, yet HCD has approved this budget.

Debt Service.  Debt services is $28,619 / year, which is the MHP minimum annual debt service payment sized at .42% of principal outstanding.

Partnership Management and Investor Services Fees.  Under the terms of the HCD regulatory agreement and Partnership Agreement, the project is allowed up to $12,000 in Partnership Administration Fee and Investor Services Fee. However, no partnership management or investor services fees are budgeted, and given operating shortfalls, would not be paid if they were.
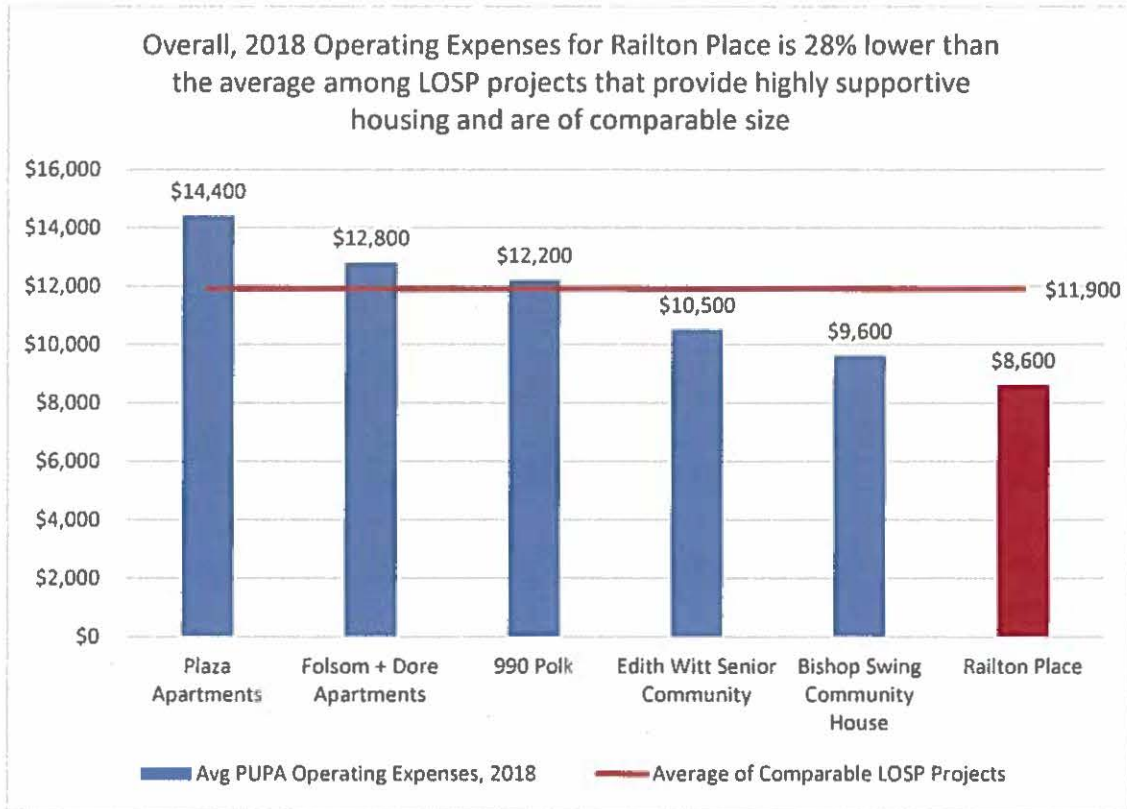

### 2.3.3.  Operating Cost Comparisons

Railton Place proposed LOSP costs compare very favorably to the wider LOSP Portfolio at $6,602 / unit / year.  This low per unit LOSP cost is due to a lean operating budget for the entire building and the lack of some typical expenses in affordable housing such as asset management fee, partnership management fee, robust staffing costs, etc.  This amount is also less than HSH funded last year to backfill the CoC, yet reflects the LOSP budgeting model using a prorated split of operating costs.
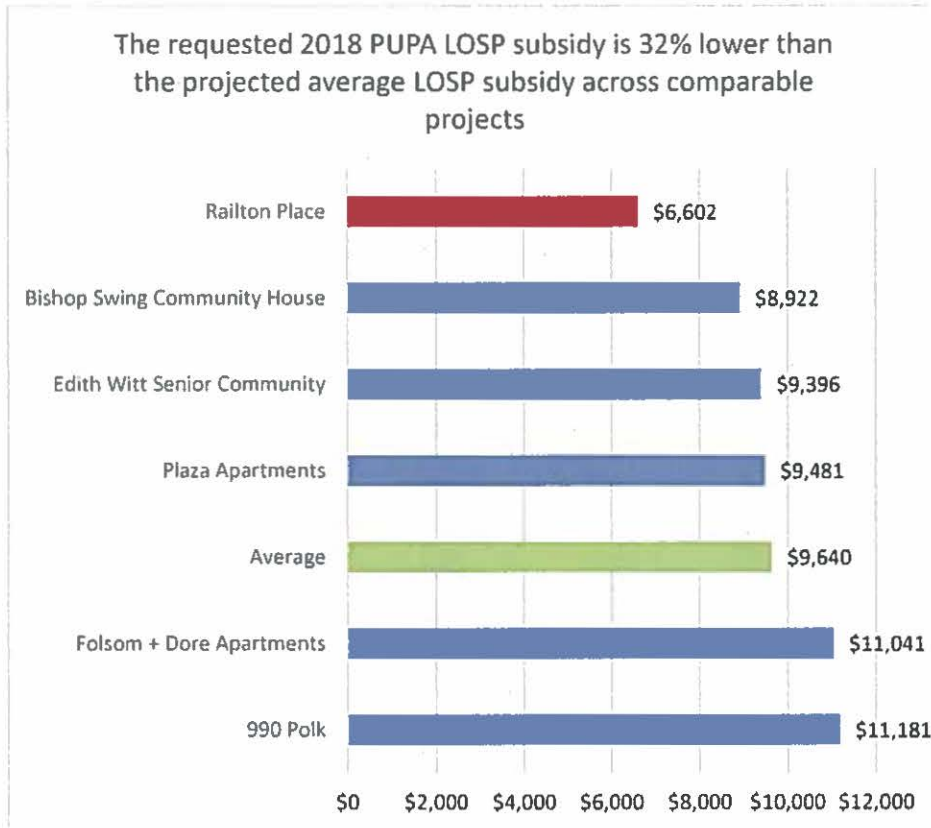
## Estimated 2018 PUPA Operating Expenses of LOSP Projects, based on 2016 Operating Expenses

| Project | Amount |
|---|---|
| Edward II | $21,400 |
| TIHDI: Island Bay Homes | $21,200 |
| Zygmunt Arendt House | $18,300 |
| 149 Mason Street Apartments | $15,600 |
| Plaza Apartments | $14,400 |
| Arnett Watson Apartments | $14,400 |
| Bayview Hill Gardens | $13,500 |
| Kelly Cullen Community | $13,300 |
| Folsom + Dore Apartments | $12,800 |
| Average | $12,700 |
| Mission Creek Senior Community | $12,600 |
| 10th & Mission Family Housing | $12,600 |
| Hotel Essex | $12,500 |
| Rene Cazenave Apts (Transbay Block 11A) | $12,400 |
| Richardson Apartments (Parcel G) | $12,300 |
| Mosaica Family Apartments | $12,300 |
| 990 Polk | $12,200 |
| 1100 Ocean | $12,100 |
| 1180 Fourth Street | $11,700 |
| Vera Haile Senior Housing | $11,700 |
| Edith Witt Senior Community | $10,500 |
| Broadway Sansome Family Housing | $10,400 |
| Casa Quezada | $10,000 |
| Arlington Hotel | $9,700 |
| Bishop Swing Community House | $9,600 |
| Armstrong Place | $9,000 |
| Railton Place | $8,600 |
| The Coronet | $8,100 |
| Mosaica Senior Apartments | $7,700 |

*Comparison to similar projects:*

Compared with other LOSP projects of comparable size, the per unit operating expenses, before reserves and debt service, and excluding support services is nearly approximately 28% lower than the average.

## Overall, 2018 Operating Expenses for Railton Place is 28% lower than the average among LOSP projects that provide highly supportive housing and are of comparable size



Bar chart showing Avg PUPA Operating Expenses, 2018 for each project with a red line indicating Average of Comparable LOSP Projects ($11,900):
- Plaza Apartments: $14,400
- Folsom + Dore Apartments: $12,800
- 990 Polk: $12,200
- Edith Witt Senior Community: $10,500
- Bishop Swing Community House: $9,600
- Railton Place: $8,600

Legend: Avg PUPA Operating Expenses, 2018 — Average of Comparable LOSP Projects

Due to the low operating costs, the per unit LOSP subsidy requested is 32% lower than comparable projects in the LOSP portfolio.

The requested 2018 PUPA LOSP subsidy is 32% lower than the projected average LOSP subsidy across comparable projects

| Project | Subsidy |
|---|---|
| Railton Place | $6,602 |
| Bishop Swing Community House | $8,922 |
| Edith Witt Senior Community | $9,396 |
| Plaza Apartments | $9,481 |
| Average | $9,640 |
| Folsom + Dore Apartments | $11,041 |
| 990 Polk | $11,181 |

**2.4. 20-Year Cash Flow.** The attached 20 Year Cash Flow Projection shows

- LOSP tenant rents assumed to inflate 1%/yr, non-LOSP tenant rents assumed to inflate 2.5%/yr.
- Non-LOSP subsidies are assumed to inflate at a modest 1%/yr.
- Vacancy assumptions are 5% on the proposed LOSP tenant rent, and 22% of the remaining 73 units' rental income. This high vacancy rate on the non-LOSP units reflects actual vacancies, held mainly in the THP Plus units (currently 30% vacant), VA-GPD (currently 29% vacant). The building cannot sustain this high vacancy rate for the long term.
- All expenses inflate 3.5% annually.
- Non-LOSP units show deficits each year which are made up by The Salvation Army subsidizing shortfalls up to $425,000 prior to utilizing the operating reserve account. This reserve will carry the building through Year 3 (2020), before it needs to draw on the operating reserve. The building is currently in its 10th year of the partnership and will be restructured in 2023 at the end of its 15 year tax credit compliance period.
- As of December 2017, the balance of the replacement reserve was $786,776.
- As of December 2017, the balance of the operating reserve was $720,853.

### 3. SUPPORT SERVICES EVALUTION

3.1. Services Narrative

The Salvation Army is the primary provider of supportive services to Railton Place tenants across all of the programs. The Salvation Army has the goal of providing a comprehensive supportive service program appropriate to each target population; engage participation, and coordinate referrals and services with other community agencies; develop, negotiate and maintain relationships with other public and private agencies and organizations for the purpose of meeting the service needs and interests of Railton Place residents; recruit, hire and train qualified personnel to staff Railton Place housing programs; utilize community volunteers and other resources to enhance program quality and promote cost-effectiveness; provide services on site at Railton Place and through linkages with other providers; comply with the requirements of funding sources; monitor and evaluate program quality and implement improvements as appropriate.

All residents have access to case management services, substance abuse and mental health counseling, education and employment readiness, and basic life skills training. The program is strengths based, with the intention of meeting participants where they are at. Through a team case management methodology, The Salvation Army Case Manager works in collaboration with on-site Life Skills Coordinator, Substance Abuse Specialist, Program Director and additional service providers, as needed. Through case management, outreach events and activities, the service program helps participants to set goals, increase their self-determination, and ultimately acquire the tools they need to meet the challenges of independent living.

Case Management: While not mandatory, each participant is assigned a Case Manager who will be their point of contact for Support Services.

Life Skills Training: The Life Skills Coordinator (LSC) in collaboration with other Railton Place staff offers classes and workshops in financial literacy (banking, paying rent and household bills), housekeeping, nutrition (meal planning and preparation) as well as other life skill areas participant may be interested in. The LSC is available to meet individually or in a group setting to help participants with job search, resume writing, computer literacy etc.

Mental Health and/or Substance Abuse Services: Weekly, individual and group counseling are provided by an in-house, full time Clinical and Chemical Dependency Specialist. The Specialist provides clinical supervision to the program, conducts assessments and referrals when more intensive and/or specialized mental health or substance abuse treatment is indicated. The Clinical and Chemical Dependency Specialist facilitates small group counseling sessions on behavioral health issues relevant to the participants population (chemical dependency, smoking, HIV/AIDS, STDs, anger management and violence, etc.) for the purposes of education, peer support and skills development. All attempts will be made to link participants with identified mental health needs to resources in the community.

Nutrition, Shopping and Cooking Classes: The Salvation Army Permanent Supportive Housing Program provides monthly group workshops and individualized curriculum that cover such household management areas as menu planning, food shopping and food storage, and preparing and cooking nutritious meals. Education about making healthy choices when dining out is incorporated. Participants have opportunities to work with Life Skills Coordinator in the planning and delivery of a monthly Railton Place Community Dinner. Participants can learn to meal plan, shop, cook and serve for this standing monthly dinner.

Other Activities: Includes recreation, wellness activities and educational services through The Salvation Army Kroc Center (described below); house meetings; community events including on and off-site social/recreational activities and cultural experiences facilitated by staff.

Access to Kroc Center: The Salvation Army Permanent Supportive Housing Program is co-located with The Salvation Army Ray and Joan Kroc Corps Community Center, a comprehensive 62,484 square-foot multi-component center to occupy the basement, first, second floors of the eight-story building, as well as portions of the third and fourth floors. As residents, participants receive membership as long as the participants are in compliance with the program. The Kroc Center provides a safe place where participants can exercise, use computers, attend dance classes, play basketball, participate in sports leagues, express their creativity through arts and crafts, organize peer groups and plan social and cultural activities that will improve health and wellness and promote socialization.

Resident Feedback: In the third quarter of each year, program staff hand out survey to all participants to obtain feedback from participants regarding the program. Results will be compiled and reported to HSA.

**3.2. Services Budget** – HSH has entered into a separate clinical services contract with The Salvation Army for $206,242 / year for service provision. This contract funds the following staff positions for the 40 units:

0.23 FTE Program Director
0.68 FTE Case Worker
0.69 FTE Case Worker
0.50 FTE Case Worker/Substance Abuse

2.1 FTE with client: staff ratio of 19:1.

## 4. CONCLUSION
The proposed operating budget and LOSP request is very reasonable to continue the permanent supportive housing model for 40 units. Per HSH, The Salvation Army's performance of support services at the Railton Place has been satisfactory. This underwriting of the total operating budget has revealed that the 73 permanent and

transitional housing units have significant operating losses due primarily to high vacancy rates.

## 5. RECOMMENDED CONDITIONS

1. The Salvation Army should reach out to the funders of the TAY THP Plus program and Veterans Grant Per Diem program to see how they can restructure these programs to ensure high occupancy and adequate subsidy payments. The Salvation Army needs to also ensure adequate referrals to the transitional housing recovery units.

2. The Salvation Army will provide Annual Monitoring Reports (AMRs) to MOHCD to report on operating costs starting in 2019, and will include an update on revenue and vacancy rates among the diverse programs.

## 6. LOAN COMMITTEE MODIFICATIONS

## LOAN COMMITTEE RECOMMENDATION

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

[✓] APPROVE.  [ ] DISAPPROVE.  [ ] TAKE NO ACTION.

Date: 5/4/18

Kate Hartley, Director
Mayor's Office of Housing and Community Development

[✓] APPROVE.  [ ] DISAPPROVE.  [ ] TAKE NO ACTION.

Date: 5-4-17

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

[✓] APPROVE.  [ ] DISAPPROVE.  [ ] TAKE NO ACTION.

Date: 5-4-18

Nadia Sesay, Director
Office of Community Investment and Infrastructure

Attachments: A. LOSP Program Description
     B. 1st Year Operating Budget
     C. 20-year Operating Pro Forma
     D. LOSP Funding Schedule A

## 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 15-year 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.

## Attachment B: 1st Year Operating Budget

| Application Date: | 4/18/2018 | | |
|---|---|---|---|
| Total Units: | 113 | | |
| First Year of Operations | | | |
| Year 1 a a full year (a 12 months of operations): | 2018 | | |

| Project Name: | Raiton Place |
|---|---|
| Project Address: | 342 Turk St. |
| Project Sponsor: | |

## INCOME

(operating budget table — figures not legibly resolvable)

## OPERATING EXPENSES

- Management
- Salaries/Benefits
- Administration
- Utilities
- Taxes and Licenses
- Insurance
- Maintenance & Repair

**TOTAL OPERATING EXPENSES**

## Reserves/Ground Lease Base Rent/Bond Fees

**TOTAL OPERATING EXPENSES (w/ Reserves/GL Base Rent Bond Fees)**

**NET OPERATING INCOME (INCOME minus OP EXPENSES)**

## DEBT SERVICE/MUST PAY PAYMENTS

**CASH FLOW (NOI minus DEBT SERVICE)**

**AVAILABLE CASH FLOW**

## USES OF CASH FLOW BELOW

## USES THAT PRECEDE MOHCD DEBT SERVICE in WATERFALL

**TOTAL PAYMENTS PRECEDING MOHCD**

**RESIDUAL RECEIPTS (CASH FLOW minus PAYMENTS PRECEDING MOHCD)**

### Residual Receipts Calculation

| Does Project have a MOHCD Residual Receipt Obligation? | 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

### MOHCD RESIDUAL RECEIPTS DEBT SERVICE

**REMAINING BALANCE AFTER MOHCD RESIDUAL RECEIPTS DEBT SERVICE**

### NON-MOHCD RESIDUAL RECEIPTS DEBT SERVICE

**Total Non-MOHCD Residual Receipts Debt Service**

**REMAINDER (Should be zero unless there are distributions below)**

**Final Balance (should be zero)**

Application Date: 6/18/2018
Total # Units: 113
First Year of Operations (provide date assuming first full year i.e 12 months of operations): 2019
Year 1 is a full year i.e 12 months of operations: 2019

**INCOME**

| | Alternative LOSP Split | LOSP | non-LOSP | Approved By bank |
|---|---|---|---|---|
| Residential - Tenant Rents | | | | |
| Residential - Tenant Assistance Payments (LOSP) | Residential - Tenant Assistance Payments (N | 0.00% | 100.00% | |
| Residential - LOSP Tenant Assistance Payments | | | | |
| Commercial Space | | | | |
| Residential Parking | | | | |
| Miscellaneous Rent Income | Alternative LOSP Split | LOSP | non-LOSP | Approved By bank |
| Supportive Services Income | Supportive Services Income | | | |
| Interest Income - Project Operations | | | | |
| Laundry and Vending | Proposed LOSP Split | LOSP | non-LOSP | (only complete if LOSP specific expenses are being tracked at entry level in the project's accounting system) |
| Tenant Charges | Tenant Charges | 35.0% | 65.0% | |
| Miscellaneous Residential Income | | | | |
| Other Commercial Income | Alternative LOSP Split | LOSP | non-LOSP | Approved By bank |
| Withdrawal from Capitalized Reserve allowed in operating budget | Withdrawal from Capitalized Reserve (report) | 0.00% | 100.00% | |

**Gross Potential Income**

| | | |
|---|---|---|
| Vacancy Loss - Residential - Tenant Rents | | |
| Vacancy Loss - Residential - Tenant Assistance Payments | | |
| Vacancy Loss - Commercial | | |

**EFFECTIVE GROSS INCOME**

**OPERATING EXPENSES**

| Management | Alternative LOSP Split | LOSP | non-LOSP | Approved By bank |
|---|---|---|---|---|
| Management Fee | Management Fee | | | |
| Asset Management Fee | Asset Management Fee | 0.00% | 100.00% | |

**Sub-total Management Expenses**

| Salaries/Benefits | Alternative LOSP Split | LOSP | non-LOSP | Approved By bank |
|---|---|---|---|---|
| Office Salaries | Office Salaries | | | |
| Manager's Salary | Manager's Salary | | | |
| Health Insurance and Other Benefits | Health Insurance and Other Benefits | | | |
| Other Salaries/Benefits | Other Salaries/Benefits | | | |
| Administrative Rent-Free Unit | Administrative Rent-Free Unit | | | |

**Sub-total Salaries/Benefits**

| Administration | | | | |
|---|---|---|---|---|
| Advertising and Marketing | | | | |
| Office Expenses | | | | |
| Office Rent | Proposed LOSP Split | LOSP | non-LOSP | (only complete if LOSP specific expenses are being tracked at entry level in the project's accounting system) |
| Legal Expense - Property | Legal Expense - Property | 35.0% | 65.0% | |
| Audit Expense | | | | |
| Bookkeeping/Accounting Services | Proposed LOSP Split | LOSP | non-LOSP | (only complete if LOSP specific expenses are being tracked at entry level in the project's accounting system) |
| Bad Debts | Bad Debts | 35.0% | 65.0% | |
| Miscellaneous | | | | |

**Sub-total Administration Expenses**

| Utilities | Proposed LOSP Split | LOSP | non-LOSP | (only complete if LOSP specific expenses are being tracked at entry level in the project's accounting system) |
|---|---|---|---|---|
| Electricity | Electricity | 35.0% | 65.0% | |
| Water | | | | |
| Gas | | | | |
| Sewer | | | | |

**Sub-total Utilities**

| Taxes and Licenses | Alternative LOSP Split | LOSP | non-LOSP | Approved By bank |
|---|---|---|---|---|
| Real Estate Taxes | Real Estate Taxes | | | |
| Payroll Taxes | Payroll Taxes | | | |
| Miscellaneous Taxes, Licenses and Permits | | | | |

**Sub-total Taxes and Licenses**

| Insurance | | | | |
|---|---|---|---|---|
| Property and Liability Insurance | | | | |
| Fidelity Bond Insurance | Alternative LOSP Split | LOSP | non-LOSP | Approved By bank |
| Worker's Compensation | Worker's Compensation | | | |
| Directors & Officers' Liability Insurance | | | | |

**Sub-total Insurance**

| Maintenance & Repair | Proposed LOSP Split | LOSP | non-LOSP | (only complete if LOSP specific expenses are being tracked at entry level in the project's accounting system) |
|---|---|---|---|---|
| Payroll | Payroll | | | |
| Supplies | Supplies | 35.0% | 65.0% | |
| Contracts | Contracts | | | |
| Garbage and Trash Removal | Alternative LOSP Split | LOSP | non-LOSP | Approved By bank |
| Security Payroll/Contract | Security Payroll/Contract | | | |
| HVAC Repairs and Maintenance | | | | |
| Vehicle and Maintenance Equipment Operation and Repairs | | | | |
| Miscellaneous Operating and Maintenance Expenses | | | | |

**Sub-total Maintenance & Repair Expenses**

| | Alternative LOSP Split | LOSP | non-LOSP | Approved By bank |
|---|---|---|---|---|
| Supportive Services | Supportive Services | | | |
| Commercial Expenses | | | | |

**TOTAL OPERATING EXPENSES**

**Reserves/Ground Lease Base Rent/Bond Fees**

| Ground Lease Base Rent | | | | |
|---|---|---|---|---|
| Bond Monitoring Fee | Alternative LOSP Split | LOSP | non-LOSP | Approved By bank |
| Replacement Reserve Deposit | Replacement Reserve Deposit | | | |
| Operating Reserve Deposit | Operating Reserve Deposit | | | |
| Year Supporting Reserve 1 Deposit | Other Reserve Deposit 1 Deposit | | | |
| Year Supporting Reserve 2 Deposit | | | | |
| Required Reserve Deposits -Commercial | | | | |

**Sub-total Reserves/Ground Lease Base Rent/Bond Fees**

**TOTAL OPERATING EXPENSES (w/ Reserves/GL Base Rent/Bond Fees)**

**NET OPERATING INCOME (INCOME minus OF EXPENSES)**

| DEBT SERVICE/MUST PAY PAYMENTS (Hard debt/amortized loans) | Alternative LOSP Split | LOSP | non-LOSP | Approved By bank |
|---|---|---|---|---|
| Hard Debt - First Lender | Hard Debt - First Lender | 0.00% | 100.00% | |
| Hard Debt - Second Lender | | | | |
| Hard Debt - Third Lender | | | | |
| Hard Debt - Fourth Lender | Hard Debt - Fourth Lender | | | |
| Commercial Hard Debt Service | | | | |

**TOTAL HARD DEBT SERVICE**

**CASH FLOW (NOI minus DEBT SERVICE)**

Commercial Only Cash Flow

| Allocation of Commercial Surplus to LOSP/Non-LOSP (annual amount) | Allocation of Commercial Surplus to LOSP/Non-LOSP (annual amount) | | | |
|---|---|---|---|---|

**AVAILABLE CASH FLOW**

**USES OF CASH FLOW BELOW (The row also shows DBCR.)**

**USES THAT PRECEDE MOHCD DEBT SERVICE IN WATERFALL**

| Partnership and Asset Mgt fee (uncommon in tax credit projects) | | | | |
|---|---|---|---|---|
| Partnership Management Fee (see policy for limits) | | | | |
| Incentive Service Fee (aka LP Asset Mgt Fee) (see policy for limits) | Other Payments | | | |
| Other Payments | | | | |
| Non-commercial Hard Debt - Lender 1 support lender in community loan | Non-commercial Hard Debt - Lender 1 support lender in community loan | | | |
| Non-commercial Hard Debt - Lender 2 support lender in community loan | | | | |
| Deferred Developer Fee (from amt >= Max Fee from cell L150) | Deferred Developer Fee (total amt >= Max F | 0.00% | 100.00% | |

**TOTAL PAYMENTS PRECEDING MOHCD**

**RESIDUAL RECEIPTS (CASH FLOW minus PAYMENTS PRECEDING MOHCD)**

**Residual Receipts Calculation**

Does Project have a MOHCD Residual Receipt Obligation?
Will Project Defer Developer Fee?
Was Deferred Developer Fee/Borrowed % of Residual Receipts in Yr 1 (sum of DDF from LOSP and non-LOSP)
% of Residual Receipts available for distribution to soft debt lenders in Rate of Sum at DDF and calculated 50%   #VALUE!   0

**Soft Debt Lenders with Residual Receipts Obligations**

| MOHCD/OCII - Soft Debt Loans |
|---|
| MOHCD/OCII - Ground Lease Value |
| HCD hard debt loan - Lender 1 |
| Other Soft Debt Lender - Lender 2 |
| Other Soft Debt Lender - Lender 3 |

**MOHCD RESIDUAL RECEIPTS DEBT SERVICE**

| MOHCD Residual Receipts Amount Due |
|---|
| Proposed MOHCD Residual Receipts Amount to Loan Repayment |
| Proposed MOHCD Residual Receipts Amount to Residual Ground Lease |

**REMAINING BALANCE AFTER MOHCD RESIDUAL RECEIPTS DEBT SERVICE**

**NON-MOHCD RESIDUAL RECEIPTS DEBT SERVICE**

| HCD Residual Receipts Amount Due |
|---|
| Lender 2 Residual Receipts Due |
| Lender 3 Residual Receipts Due |
| Total Non-MOHCD Residual Receipts Debt Service |

**REMAINDER (Should be zero unless there are distributions below)**

| General Partner/Developer Management Fee |
|---|
| Other Distributions/Fees |
| Final Balance (should be zero) |

## Attachment C: 20-year Operating Proforma

Railton Place

| | | LOSP Units | Non-LOSP Units | | Year 1 2018 | | | Year 2 2019 | | | Year 3 2020 | | | Year 4 2021 | | | Year 5 2022 | | | Year 6 2023 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total # of Units: | 113 | 40 | 73 | | | | | | | | | | | | | | | | | | | |
| | | 35.00% | 65.00% | | | | | | | | | | | | | | | | | | | |
| | | % annual inc LOSP | % annual increase | | 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
Residential - Tenant Rents
Residential - Tenant Assistance Payments (Non-LOSP)
Residential - LOSP Tenant Assistance Payments
Commercial Space
Other Income

Gross Potential Income

Vacancy Loss - Residential - Tenant Rents
Vacancy Loss - Residential - Tenant Assistance Payments
Vacancy Loss - Commercial

EFFECTIVE GROSS INCOME

OPERATING EXPENSES
Management
Salaries/Benefits
Administration
Utilities
Taxes and Licenses
Required Reserve 1 Deposit
Required Reserve 2 Deposit
Required Reserve 3 Deposit
Required Reserve - Residential
Maintenance & Repair
Supportive Services
Commercial Expenses

TOTAL OPERATING EXPENSES      PUPA (w/o Reserves/GL Base Rent/Bond Fees)

Reserves/Ground Lease Base Rent/Bond Fees
Ground Lease Base Rent
Bond Monitoring Fee                PUPA (w/ Reserves/GL Base Rent/Bond Fees)

TOTAL OPERATING EXPENSES (w/ Reserves/GL Base Rent/Bond Fees)
                                    PUPA (w/ Reserves/GL Base Rent/Bond Fees)
NET OPERATING INCOME (INCOME minus OP EXPENSES)

DEBT SERVICE/MUST PAY PAYMENTS (hard debt*/amortized loans)
Hard Debt - First Lender
Hard Debt - Second Lender (MOHCD Program 0.42% pmnt, or other 2nd Lender)
Hard Debt - Third Lender (Other HCD Program, or other 3rd Lender)
Hard Debt - Fourth Lender
Commercial Hard Debt Service

TOTAL HARD DEBT SERVICE

CASH FLOW (NOI minus DEBT SERVICE)

USES OF CASH FLOW BELOW (This row also shows DSCR.)

RESIDUAL RECEIPTS (CASH FLOW minus PAYMENTS PRECEDING MOHCD)

TOTAL PAYMENTS PRECEDING MOHCD

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

*Railton Place*

Total # Units: 113
LOSP Units: 40 (35.00%)
Non-LOSP Units: 73 (65.00%)

| | Year 12 2029 | | | Year 13 2030 | | | Year 14 2031 | | | Year 15 2032 | | | Year 16 2033 | | | Year 17 2034 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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**
- Residential - Tenant Rents
- Residential - Tenant Assistance Payments (Non-LOSP)
- Residential - LOSP Tenant Assistance Payments
- Commercial Space
- Other Income
- Gross Potential Income
- Vacancy Loss - Residential - Tenant Rents
- Vacancy Loss - Residential - Tenant Assistance Payments
- Vacancy Loss - Commercial
- EFFECTIVE GROSS INCOME

**OPERATING EXPENSES**
- Management
- Salaries/Benefits
- Administration
- Utilities
- Taxes and Licenses
- Insurance
- Maintenance & Repair
- Supportive Services
- Ground Lease Expenses
- TOTAL OPERATING EXPENSES

PUPA (w/o Reserves/GL Base Rent/Bond Fees)
Reserves/Ground Lease Base Rent/Bond Fees
Ground Lease Base Rent
Bond Monitoring Fee
Replacement Reserve Deposit
Operating Reserve Deposit
Other Required Reserve 1 Deposit
Other Required Reserve 2 Deposit
Sub-total Reserves/Ground Lease Base Rent/Bond Fees

TOTAL OPERATING EXPENSES (w/ Reserves/GL Base Rent/ Bond Fees)
PUPA (w/ Reserves/GL Base Rent/Bond Fees)
NET OPERATING INCOME (INCOME minus OP EXPENSES)

**DEBT SERVICE/HARD PAY PAYMENTS** (Hard debt/amortized loans)
- Hard Debt - First Lender
- Hard Debt - Second Lender (HCD Program 0.42% pymt, or other 2nd Lender)
- Hard Debt - Third Lender (Other HCD Program, or other 3rd Lender)
- Hard Debt - Fourth Lender
- Commercial Hard Debt Service
- TOTAL HARD DEBT SERVICE

CASH FLOW (NOI minus DEBT SERVICE)

DSCR:

**USES OF CASH FLOW BELOW (This row also shows DSCR.)**
- Deferred Developer Fee (ONLY if applicable, see policy)
- Partnership Management Fee (see policy for limits)
- Investor Services Fee (aka "LP Asset Mgt Fee") (see policy for limits)
- Other Payments
- Non-amortizing Loan Pmt - Lender 1
- Non-amortizing Loan Pmt - Lender 2
- TOTAL PAYMENTS PRECEDING MOHCD

RESIDUAL RECEIPTS (CASH FLOW minus PAYMENTS PRECEDING MOHCD)

Does Project have a MOHCD Residual Receipt Obligation?
Will Project Defer Developer Fee?
Residual Receipts Split for all years - Lender/Owner

**MOHCD RESIDUAL RECEIPTS DEBT SERVICE**
- Projected MOHCD Residual Receipts Amount to Resolved Ground Lease
- Projected MOHCD Residual Receipts Amount to Replacement Reserve
- REMAINING BALANCE AFTER MOHCD RESIDUAL RECEIPTS DEBT SERVICE

**Will MOHCD Residual Receipts Amount Due**
- Lender 1 Residual Receipts Due
- Lender 3 Residual Receipts Due
- Total Non-MOHCD Residual Receipts Debt Service

REMAINDER (Should be zero unless there are distributions below)
- Owner Distributions/Other
- Other Distribution/Use
- Final Balance (should be zero)

RR Running Balance
OR Running Balance
Other Required Reserve 1 Running Balance
Other Required Reserve 2 Running Balance

*Railton Place*

## Attachment D: LOSP Funding Schedule A

| LOSP FUNDING SCHEDULE | |
|---|---|
| Project Address: | Railton Place |
| Project Start Date: | 7/1/2018 |

**Exhibit A**

| Calendar Year | | Full Year Funding Amount | # Months to Fund | Total Disbursement for Calendar Year | Estimated Disbursement Date | FY Budgeted (for Disbursement) |
|---|---|---|---|---|---|---|
| CY-1 | 2018 | $264,085 | 6 | $132,042 | 6/1/2018 | FY2018/19 |
| CY-2 | 2019 | $274,311 | 12 | $274,311 | 1/1/2019 | FY2018/19 |
| CY-3 | 2020 | $284,920 | 12 | $284,920 | 1/1/2020 | FY2019/20 |
| CY-4 | 2021 | $295,924 | 12 | $295,924 | 1/1/2021 | FY2020/21 |
| CY-5 | 2022 | $307,337 | 12 | $307,337 | 1/1/2022 | FY2021/22 |
| CY-6 | 2023 | $319,176 | 12 | $319,176 | 1/1/2023 | FY2022/23 |
| CY-7 | 2024 | $331,454 | 12 | $331,454 | 1/1/2024 | FY2023/24 |
| CY-8 | 2025 | $344,187 | 12 | $344,187 | 1/1/2025 | FY2024/25 |
| CY-9 | 2026 | $357,392 | 12 | $357,392 | 1/1/2026 | FY2025/26 |
| CY-10 | 2027 | $371,086 | 12 | $371,086 | 1/1/2027 | FY2026/27 |
| CY-11 | 2028 | $385,285 | 12 | $385,285 | 1/1/2028 | FY2027/28 |
| CY-12 | 2029 | $400,009 | 12 | $400,009 | 1/1/2029 | FY2028/29 |
| CY-13 | 2030 | $415,275 | 12 | $415,275 | 1/1/2030 | FY2029/30 |
| CY-14 | 2031 | $431,104 | 12 | $431,104 | 1/1/2031 | FY2030/31 |
| CY-15 | 2032 | $447,514 | 12 | $447,514 | 1/1/2032 | FY2031/32 |
| CY-16 | 2033 | $464,528 | 12 | $464,528 | 1/1/2033 | FY2032/33 |
| Total Contract Amount: | | | | $5,561,543 | | |