GOLDEN GATE VILLAGE

REVITALIZATION FEASIBILITY ASSESSMENT
FINAL PRESENTATION

CVR

CSG | advisors

Rothschild Doyno Collaborative

January 9th, 2018

AGENDA

1. Introduction
2. Background
3. Approach
4. Findings
5. Conclusion

INTRODUCTION

CVR TEAM OVERVIEW

CVR	▪ National Firm Employing More Than 400 Team Members ▪ Serving the Affordable Housing Industry for over 22 Years ▪ 100% Minority-Owned Business Enterprise (MBE), 50% Woman-Owned
CSG | advisors	▪ Nationally-recognized leader in public, real estate, and housing finance, with over 25 years of experience ▪ #1 financial advisor for affordable housing each year since 1999 ▪ CSG has advised over 100 clients on some of the most complex development negotiations and mixed-use projects in the country
Rothschild Doyno COLLABORATIVE	▪ Rothschild Doyno Collaborative (RDCollab) is a national award-winning architectural and urban design firm established in 1988 ▪ Concentrates on conducting a collaborative design process with stakeholders that focus on leveraging their sense of place, their history, and their memories into a positive future ▪ LEED Accredited Professionals who place strong emphasis on energy efficiency, long term sustainability and environmental stewardship

HOW WE ARRIVED HERE

2009

Advisory Board creates 6 guiding principles for all future planning and evaluation efforts

2015

Community Working Group results in identification of two Options and recommends a consultant explore both for feasibility

2015-16

Taskforce is created to select consultant recommended by Community Working Group

Selection of Revitalization Feasibility Consultant

2016-17

CVR's Revitalization Feasibility Analysis and Report

Today

SCOPE OF WORK

MHA Tasked CVR with evaluating the following:

- The feasibility of the GGV revitalization Options:
    1. Historic Preservation
    2. Mixed Income
- Short- and long term scenarios and strategies, identifying the opportunities and constraints of each revitalization option
- Revitalization strategies that are both green/environmentally sustainable and financially feasible, as well as consistent with the Guiding Principles adopted by MHA's Board
- Viable options for the revitalization of the site

CONTINUED RELIANCE ON THE ORIGINAL GUIDING PRINCIPLES

MARIN HOUSING
Making Housing More Affordable

Community Working Group
Meeting Summary
January 19, 2015
Orientation and Overview
Breakout Group: Clarification of Guiding Principles

OVERVIEW

In 2009 the Community Advisory drafted a list of Guiding Principles that were to be the foundation for any revitalization efforts that were to occur at Golden Gate Village. The Guiding Principles are very broad, so the group will review the Principles in an attempt to clarify each statement. The following are the statements to guide the group's discussion:

1. Protect Existing Golden Gate Households
2. Restore Golden Gate Village Economic Sustainability
3. Assure Resident Participation Throughout the Planning and Revitalization Process
4. Preserve Historic Marinship Heritage
5. Promote High Quality Open Space
6. Collaborate with the Marin County Community to Expand Economic Development and Job Training/Education Opportunities for Golden Gate Village Residents

MARIN HOUSING
Making Housing More Affordable

Community Working Group
Meeting Summary
January 19, 2015
Orientation and Overview
Breakout Group: Clarification of Guiding Principles

OVERVIEW

In 2009 the Community Advisory drafted a list of Guiding Principles that were to be the foundation for any revitalization efforts that were to occur at Golden Gate Village. The Guiding Principles are very broad, so the group will review the Principles in an attempt to clarify each statement. The following are the statements to guide the group's discussion:

1. Protect Existing Golden Gate Households
2. Restore Golden Gate Village Economic Sustainability
3. Assure Resident Participation Throughout the Planning and Revitalization Process
4. Preserve Historic Marinship Heritage
5. Promote High Quality Open Space
6. Collaborate with the Marin County Community to Expand Economic Development and Job Training/Education Opportunities for Golden Gate Village Residents

DISCUSSION ISSUES

What were the top consensus comments	• No displacement of current residents • More GGV residents participating in the process • When discussing economic sustainability there is a government and resident need and perspective • There should be strong collaboration between county agencies to expand economic development and opportunities to Golden Gate Village residents The conversations had here tonight should not only define what Guiding Principles from 2009 mean, but also help us give them new iterations. • Guiding Principles should not be static- they should represent / reflect present day.
Summary of Input By Question	**Protect Existing Golden Gate Households** • Current residents have a future in the revitalized community • Residents are safe and protected • Preserve the historic nature of the community • Residents will always have a unit • The group's first point of order was to define the parameters of what / who qualifies as a Golden Gate household- (e.g., official or legal resident on the lease, pets, etc.). • To many in the breakout session, protecting existing Golden Gate residences was interpreted as a no tolerance policy for displacement, while others defined it as minimal displacement <u>of legal residents</u>. • The unbiased protections of family, and the multiple generations which constitute many households was deemed of utmost importance. The group's first point of

COMMUNITY ENGAGEMENT

- 3 public community meetings + meetings, phone calls, and emails with:
  - Community stakeholder groups
  - Funding group representatives
  - Subject matter experts
  - Members of the GGVRC
  - HUD

BACKGROUND

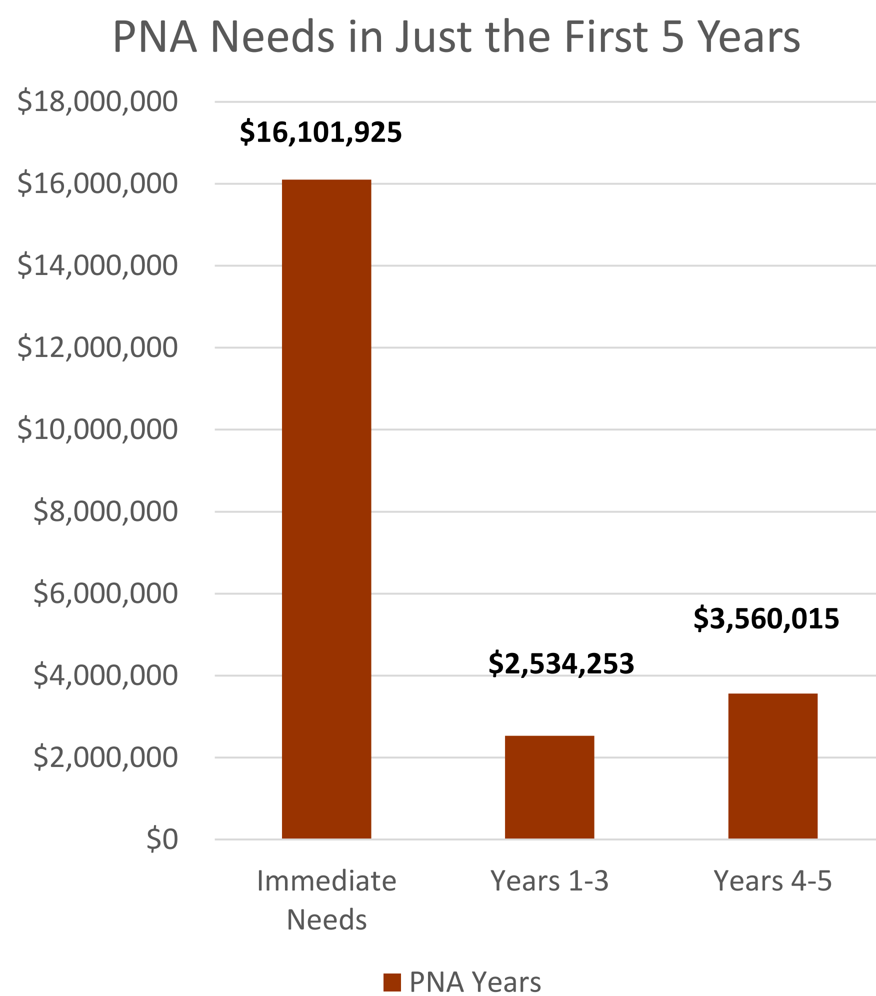
APPENDICES

To contextualize our work and make more informed, responsible, and respectful recommendations, the CVR team created the following Appendices:

- A. Background
- B. Review of Resident Provided Sources
- C. Community Land Trust
- D. Manufacturing Hub
- E. Review of Revitalization Scenarios Deemed Infeasible
- F. Physical Considerations for Scenarios A and B
- G. Physical Needs Assessment Update
- H. Glossary of Source and Use Terms
- I. Meeting Materials

ASSESSMENT OF PHYSICAL NEEDS

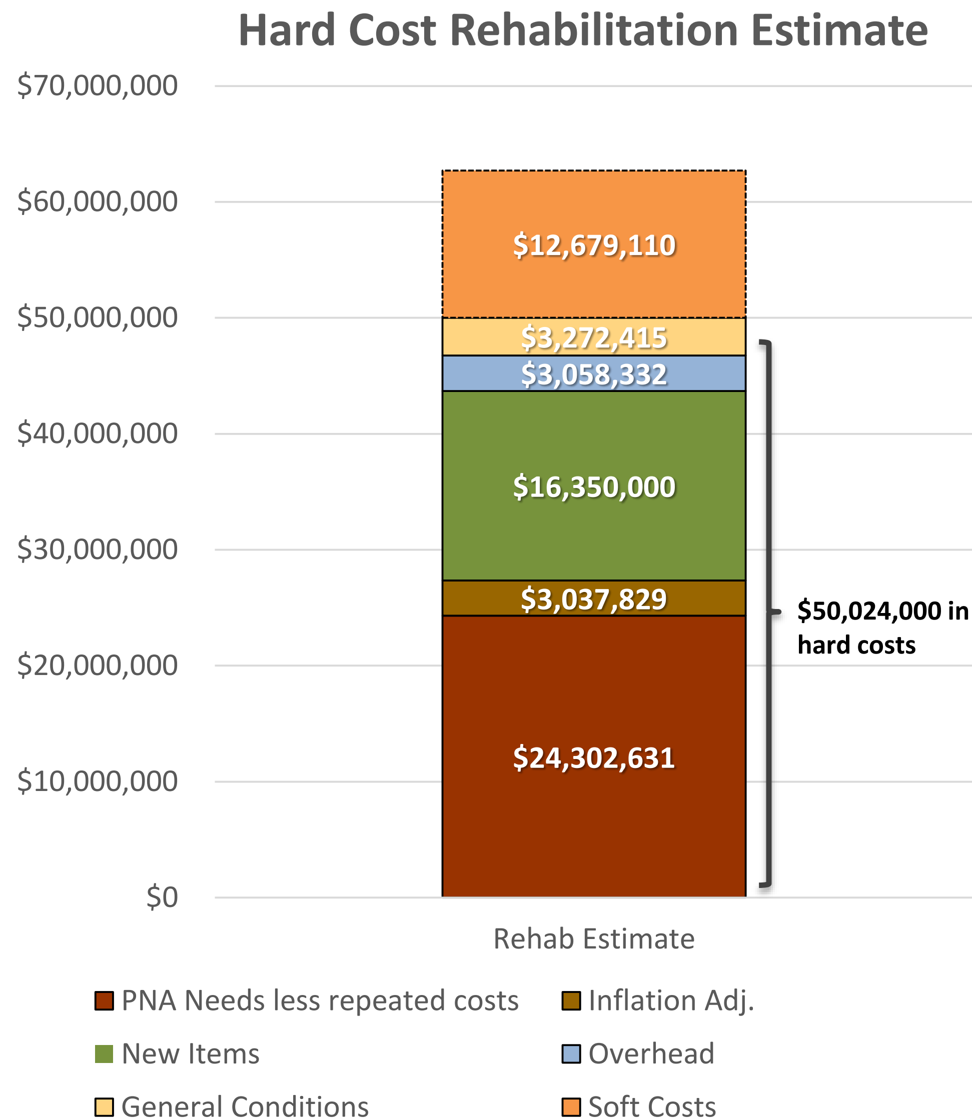
- PNAs conducted every 5 years to assess repair/replacement needs
- The latest PNA (2015) showed $16M in immediate repair needs
- PNAs are designed for capital planning and with the understanding that needs can be addressed incrementally
- The $16M is just immediate needs, not including costs for years 1-20
- The PNA also does not include costs for:
  - Green technology or other upgrades
  - Necessary soft costs
  - Critical testing for things such as erosion/site drainage
- Costs also change over time



ASSESSMENT OF PHYSICAL NEEDS

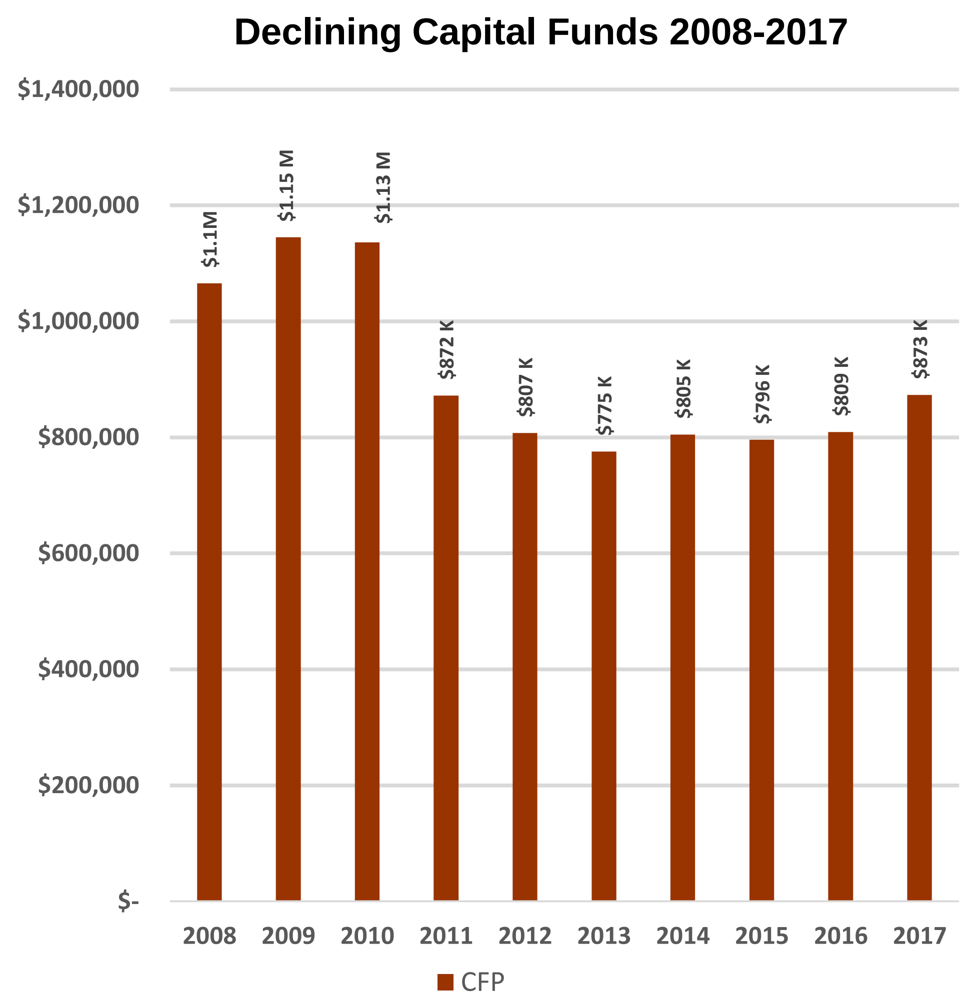
- To estimate the cost of rehabilitation, CVR escalated the PNA costs as follows:
  - Removed repeated costs over the term of the PNA
  - Adjusted for inflation (2.5% per year) ($3.1M)
  - Estimated costs of additional items like green infrastructure, historic preservation items, upgrades, site work ($16.4M)
  - Added 7% for overhead ($3.1 M)
  - Added 7% for General Conditions costs ($3.3M)

- This brings the hard cost total to roughly **$50M**
- With *soft costs* added (for third party fees and contingency) the cost would be roughly **$62.7M**



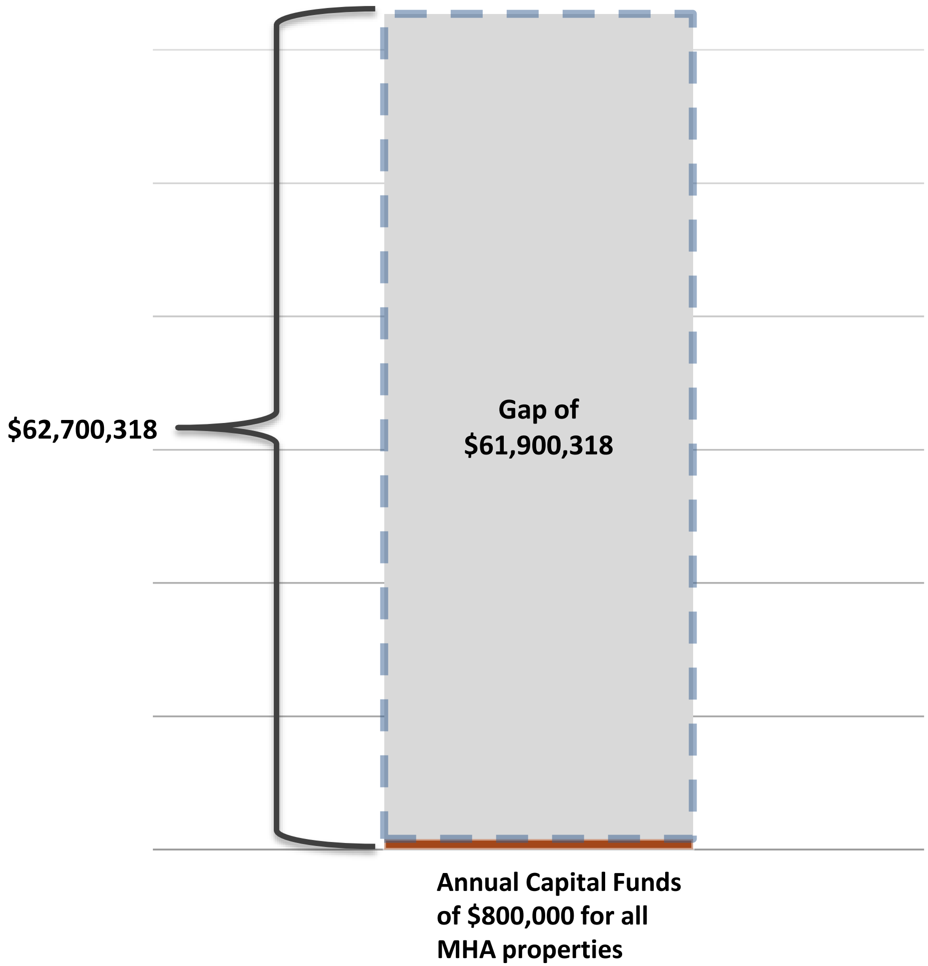
PUBLIC HOUSING ENVIRONMENT

- Declining Capital Funds nationally
- Over 10 years MHA has received $227,000 less in Capital Funds from HUD
- Congress in recent decades has favored programs that allow for private investment (mixed-finance, RAD, project-based vouchers)
- As public housing ages and funds to address needs decline, the national need continues to grow and was last estimated in 2014 at $26B. Current budget is approximately $2B



PUBLIC HOUSING ENVIRONMENT

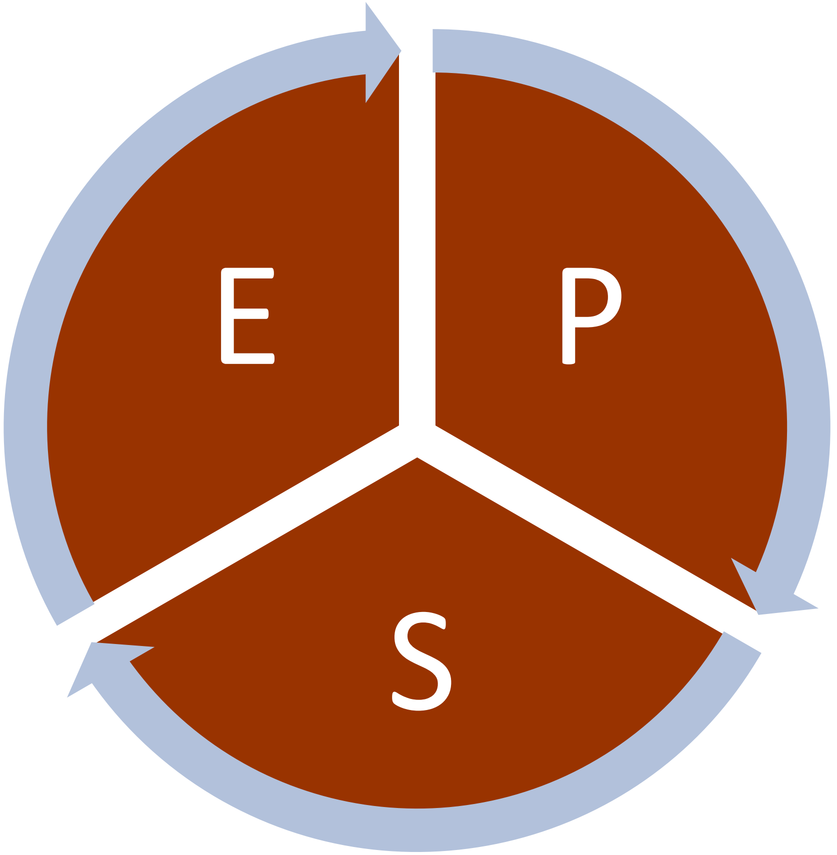
- Public Housing units are covered by a Declaration of Trust, which restricts the units from being able to leverage debt against the property
- MHA receives roughly $800,000 annually in Capital Funds for all of its public housing properties, of which only a portion is available for capital repair needs
- Even if MHA used all of its Capital Funds for GGV repairs, the gap between the rehab needs and the annual funds available would be significant without outside funding
- Additional outside funding is needed



APPROACH

ESP FRAMEWORK

The CVR Team's approach is found within its E.S.P. framework, where the team analyzes the Economic, Social, and Physical forces surrounding a particular problem to create solutions that balance interests and promote a sustainable path forward



ESP FRAMEWORK

E	• Financial Analysis • Review of Resident Provided Sources
S	• Community Engagement • Review of Social Goals from the CWG • Assessment of Impacts to Relocation and Community Programs
P	• Visual Assessment • PNA Review and Update • Consideration of Historic Designation

TERMS USED IN THIS ANALYSIS

- DOT: Declaration of Trust. Agreement signed between a housing authority and HUD granting HUD an interest in, and regulatory oversight of, a public housing site in exchange for ongoing funding
- Debt: Loans to fund portions of rehabilitation or other construction activities. Size of loan dependent on net operating income
- Equity: Investment funds contributed to rehabilitation, redevelopment, or development activities that are organized under limited partnerships and whose investors are typically large financial institutions
- Tax Credits: Most affordable housing equity is generated through the on-the-dollar sale of tax credits to investment institutions, via Low Income Housing Tax Credit (LIHTC) or Historic Tax Credits (HTC credits). Credits awarded to projects through government entities (State Finance Agency in the case of LIHTC)
    - LIHTC has two types of credits: 4% credits noncompetitive (typically fund 30% total project cost) and competitive and limited 9% credits (typically funding 70% of total project costs)

TERMS USED IN THIS ANALYSIS

- PBV: or Project-Based Vouchers are Housing Choice Vouchers (Section 8) that are tied to specific units, as opposed to a voucher holder/tenant, which create affordable housing through rental subsidy:
    - Residents continue to pay 30% of their adjusted income in rent. The difference between the tenant's portion and the total contract rent is paid by HUD as a Housing Assistance Payment Contract
    - Total contract rents are set at the lower of comparable market rents or HUD published Fair Market Rents (FMR)
    - Increased total contract rent allows the project to leverage significantly more debt
    - Residents in good standing have a right to return to the completed project
    - Vouchers are taken from a housing authority's total HCVP allocation
    - In order to place a project-based voucher on a current public housing site, physical obsolescence has to be demonstrated and HUD's Special Application Center must approve the inventory removal

TERMS USED IN THIS ANALYSIS

- RAD: Rental Assistance Demonstration program is a program that allows housing authorities to convert their existing operating and capital funds to rental subsidies and thus their public housing units to the project-based Section 8 platform
  - HUD's premier repositioning tool for public housing sites
  - Residents continue to pay 30% of their income in rent and maintain a right to return (if in good standing), right to form a resident council, and maintain other existing rights
  - Leverages less debt, however, as rents are capped at existing subsidy levels instead of FMR/comparable rent
  - Requires housing authorities to apply for participation (program currently capped at 225k units)
  - Rehab/new construction activities and removal from public housing platform do not require site to meet the obsolescence test or obtain SAC approval

FINDINGS

IDENTIFYING OPTIONS

- CVR found both Option 1 and Option 2, as they were presented by the Community Working Group, to be infeasible
  - Option 1: Primarily due to its reliance on the underfunded public housing platform
  - Option 2: Primarily due to the historical designation and cost of construction
- CVR then used its expertise to craft a series of different scenarios which carried themes and goals from both Options
- All scenarios, with the exception of one, propose that GGV leave the public housing platform
- CVR reviewed the feasibility of each of the six, which we will explore in this section

SCENARIOS REVIEWED

	Scenarios
1	Continued Operations as Public Housing with Incremental Repairs and Replacement
2	Comprehensive Mixed-Finance, Mixed-Income Redevelopment
3	Preservation of Site High-Rises, Redevelopment of Site Low Rises
4	Comprehensive Green Rehabilitation using 100% Project-Based Vouchers
5	Comprehensive Green Rehabilitation and RAD Conversion
6	Partial Redevelopment and Green Rehabilitation with RAD Conversion

ASSESSING FEASIBILITY

A scenario was deemed infeasible if, by CVR's estimation, it had one or more of the following characteristics:

- It would lack financial feasibility (Economic)
- It would present substantial relocation or displacement concerns or it did not appear to be in line with the stated goals of the Community Working Group (Social), and/or
- It would present a substantial physical challenge or impossibility (Physical)

FINANCIAL FEASIBILITY DEFINED

CVR defined financial feasibility as being:

- Funding source rules are aligned with the use of the funds for the project
- There is a likelihood of continued funding by the funding authority for projects within the timeframe identified for GGV (with special acknowledgement of the volatility of the current Federal funding environment)
- Project meets threshold for funding sources and is competitive for those resources
- Any remaining funding gaps are of reasonable size for funding sources typically available and used by local developers engaged in similar projects or overcome by phasing

DETERMINATION OF FEASIBILITY

	Scenarios	Reason for Infeasibility			Feasible?
		Economic	*Social*	*Physical*	
1	Continued Operations as Public Housing with Incremental Repairs and Replacement	X	X		No
2	Comprehensive Mixed-Finance, Mixed-Income Redevelopment			X	No
3	Preservation of Site High-Rises, Redevelopment of Site Low Rises			X	No
4	Comprehensive Green Rehabilitation using 100% Project-Based Vouchers	X			No
5	Comprehensive Green Rehabilitation and RAD Conversion (Scenario A)				Yes
6	Partial Redevelopment and Green Rehabilitation with RAD Conversion (Scenario B)				Yes

SCENARIOS DEEMED FEASIBLE

- Only two scenarios deemed feasible:

Comprehensive Green Rehabilitation and RAD Conversion (Scenario A)

Scenario A

Partial Redevelopment and Green Rehabilitation with RAD Conversion

Scenario B

- The remainder of this section will focus on these two scenarios

SCENARIO A

- All existing units converted to RAD
- RAD funding allows the property to access debt and tax credit equity
- Property is preserved and rehabbed
- Green technologies are incorporated
- All residents in good standing return to the rehabbed Golden Gate Village site and tenant rents do not change

Unit Mix

Subsidy Type	Number of Units
ACC (Public Housing)	
RAD	296
PBV	
LIHTC Only	
Market	
Total	**296**

SCENARIO A

- Work to likely be phased. CVR envisioned 5 phases in our financial analysis
- CVR anticipates the work to be funded using a combination of private debt, LIHTC, Deferred Developer Fee, and a Seller Note
- Cost of rehab estimated at $96.5M
  - Increased rehab cost due to additional fees and requirements associated with financing
- Gap estimated at roughly $25 M over multiple phases

Proposed Funding Sources

Source Type	Amount
LIHTC Equity	$35,638,544
Conventional Loan	$13,329,648
Deferred Fee	$4 ,995,094
MHA Seller Note	$17,525,423
Total	**$71,488,709**
Cost of Rehab	$96,474,078
Gap	**($24,985,369)**

SCENARIO A

Benefits	Challenges
• The site is historically preserved, while also being upgraded for modern residential use, incorporating green technologies, correcting system, component, and other site deficiencies • Site is allowed to exit the public housing platform in an effort to leverage debt and generate equity to support site needs • Site is afforded this exit without having to demonstrate physical obsolescence through Section 18, which can often be challenging • All residents in good standing are granted a right to return • The site generates limited income via administrative fees, participation in developer fee, and ground lease payments • A third party developer partner is used to support revitalization activities	• The total scope of the project is not very transformative, as existing structures are rehabilitated, no new structures are added, and no additional unit types or land-uses are added to the property • MHA would have to apply for the RAD program, which is currently capped at 225,000 units. This would mean that MHA would likely have to wait to be pulled from the waiting list to participate • Despite CVR's assessment of feasibility, there are still significant funding gaps which would have to be addressed by reducing costs, identifying and securing additional funding sources, and/or using existing resources to inflate the total contract rents of the RAD vouchers • Despite phasing, MHA would likely not be able to vacate enough units through natural attrition to facilitate rehabilitation, which would cause MHA to need to relocate many households offsite. This is no simple task given the limited options of affordable housing in Marin County

SCENARIO B

- All existing units converted to RAD
- RAD allows the property to access debt and tax credit equity
- Some existing units are rehabbed as described in Scenario A, while some new units are introduced to mix in other affordable and market unit types throughout the site
- Introduction of new units would mean a solution for relocation needs (Build First Strategy)
- All residents in good standing remain on the Golden Gate Village site and tenant rents do not change

Unit Mix

Subsidy Type	Number of Units
ACC (Public Housing)	0
RAD	296
PBV	41
LIHTC Only	41
Market	42
Total	**420***

**The above unit total of 420 was based on the allowable zoning density and was used for the financial analysis. The actual total and unit mix will be decided during the next stage of the development process. Zoning density can increase 35% based on the state zoning density bonus for affordable housing.*

SCENARIO B

- Work to likely be phased. CVR envisioned 5 phases in our financial analysis
- CVR contemplates the work to be funded using a combination of private debt, LIHTC, Deferred Developer Fee, and a Seller Note
  - CVR determined that some phases, primarily those with new construction would qualify for 9% credits
- Cost of construction estimated at $139.7M
- Gap estimated at roughly $18.9M over multiple phases
- Transformative nature of project would likely attract other soft sources

Proposed Funding Sources

Source Type	Amount
LIHTC Equity	$59,680,429
Conventional Loan	$38,256,748
Deferred Fee	$8,900,547
MHA Seller Note	$32,849,252
Total	**$139,686,978**
Cost of Rehab	$158,541,092
Gap	**($18,854,114)**

SCENARIO B

Benefits	Challenges
• The site introduces transformative new construction components, while also historically preserving and upgrading a portion of the site, presented in Scenario A • Site is allowed to exit the public housing platform in an effort to leverage debt and generate equity to support site needs • Site is afforded this exit without having to demonstrate physical obsolescence through Section 18, which can often be challenging; • All existing residents in good standing are granted a right to return • The site generates income via administrative fees, participation in developer fee, and ground lease payments • A third party developer partner is used to support revitalization activities • New construction facilitates a diversity of incomes and diversity of uses at the site, allowing for a more transformative impact, which could attract additional funding sources to the site • New construction significantly mitigates the need for offsite relocation, addressing both existing resident fears of permanent displacement and the challenges presented by limited relocation options	• MHA would have to apply for the RAD program, which is currently capped at 225,000 units. This would mean that MHA would likely have to wait to be pulled from the waiting list to participate • Despite CVR's assessment of feasibility, there are still significant funding gaps which would have to be addressed by reducing costs, identifying and securing additional funding sources, and/or using existing resources to inflate the total contract rents of the RAD vouchers • Some demolition would be necessary to facilitate new construction. While this impact would be limited and would likely be allowable within the historic designation, it will trigger additional environmental reviews

CONCLUSION

RECOMMENDATION OF SCENARIO B

CVR believes that Scenario B presents the most viable option for MHA for the following reasons:

- Relocation concerns are dealt with by incorporating additional units allowing the first phase of residents to move directly into new units (Build First Strategy) and all residents in good standing are given a right to remain on site
- It would take the site off the public housing platform, while maintaining resident rights, in an effort to access private capital
- The project would have a greater ability to raise capital from a variety of sources
- The historical and architectural significance of the site is honored and preserved, while also introducing new structures and technologies
- The addition of new unit types helps MHA address larger community housing needs

RECOMMENDED NEXT STEPS

Initiate an RFQ process to procure a Development Partner to work with the Community to establish a Development Plan

Continue Meeting with Residents as well as the Public and Stakeholder Groups

Apply for the RAD Program or begin process for applying Project-Based Vouchers to the site

Continue to Build Relationships with Nonprofits, Businesses, and Local Government

RECOMMENDED PRINCIPLES FOR FUTURE ACTIVITIES

- Honor, preserve, and celebrate the community and site's historical significance
- Guarantee zero permanent involuntary displacement
- Ensure that the final plan is financially feasible and leverages MHA's limited resources
- Incorporate green and sustainable technologies into rehabilitation and new construction
- Seek ways to incorporate innovative job training and create programs to address the underlying goals of concepts such as the manufacturing innovation hub
- Continue to engage site residents and community stakeholders in a community-driven planning process

THANK YOU

FUTURE4GGV.COM

CVR

CSG | advisors

Rothschild Doyno COLLABORATIVE