



WATERFORD
PROPERTY COMPANY

“MIDDLE INCOME” WORKFORCE HOUSING PROGRAM



CSCDA
CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY



LEAGUE
OF CALIFORNIA
CITIES

130 NEWPORT CENTER DRIVE, SUITE 230
NEWPORT BEACH, CA 92660
949.529.3530
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INSURANCE QUESTIONS

➤ Property Insurance Requirements:

- CSCDA/Waterford have provided City Staff with all insurance requirements for assets financed in this program
- Insurance requirements provided are in line with all affordable housing projects in the City of Milpitas that have been financed by CSCDA and other JPA's.

➤ Bond Insurance:

- Bond underwriters have explored this concept, but it is cost prohibitive and not a requirement of other affordable housing projects nor market rate projects.

➤ Tenant Relocation Insurance:

- In the event the entire building is uninhabitable due to a natural event or an “act of god” there are no relocation benefits. We recommend that all tenants have renter's insurance which will protect their personal items but unfortunately there is no relocation benefits. This is consistent with other affordable housing projects and market rate projects in Milpitas and other cities in California.

RENTAL RATES

➤ **Proposed Affordability Levels:**

- 1/3 (124 units) of the units at 60% to 80% of the Area Median Income (AMI),
- 1/3 (124 units) of the units at 81% to 100% of the Area Median Income (AMI),
- 1/3 (124 units) of the units at 101% to 120% of the Area Median Income (AMI)

➤ **Amended Affordability Levels:**

- 40% (148 units) of the units at 60% to 80% of the Area Median Income (AMI),
- 20% (74 units) of the units at 81% to 100% of the Area Median Income (AMI),
- 40% (148 units) of the units at 101% to 120% of the Area Median Income (AMI)

Unit Type	Type	Total Units	SF	Market Rent	CSCDA Pro Forma Rent						CSCDA % Discount to Market	Resident Annual Rent Savings		
					Units	80% AMI Rents	Units	100% AMI Rents	Units	120% AMI Rents			Total Units	Wtd. Avg. Rent
0 BR	Market	19	563	\$2,278	6	\$2,004	6	\$2,050	6	\$2,096	19	\$2,050	10.0%	\$51,933
1 BR	Market	193	778	\$2,923	64	\$2,572	64	\$2,631	64	\$2,689	193	\$2,631	10.0%	\$676,967
2 BR	Market	150	1,157	\$3,427	50	\$3,015	50	\$3,084	50	\$3,152	150	\$3,084	10.0%	\$616,777
3 BR	Market	9	1,667	\$5,327	3	\$3,684	3	\$4,605	3	\$4,900	9	\$4,397	17.5%	\$100,427
Total/Wtd. Avg		371	942	\$3,152	124	\$2,749	124	\$2,832	124	\$2,900	371	\$2,827	10.3%	\$1,446,104

FUNDING FOR CAPITAL IMPROVEMENTS

WATERFORD CAPITAL IMPROVEMENTS BUDGETS (Year 1-35)

Capitalized Expense Fund (Funded by Bond Issuance)	\$5,000,000
Operating Reserve (Funded By Bond Issuance)	\$781,000
Annual Operating Reserve (Year 1)	\$300/unit
Annual Inflation	3.00%
Annual Operating Reserve (Year 10 increase)	\$1,000 /unit
Waterford Total Budgeted Capital Improvements	\$16,557,709

MARKET RATE INVESTORS CAPITAL IMPROVEMENT BUDGET (Year 1-35)

Capitalized Expense Fund (Funded by Bond Issuance)	\$0
Operating Reserve (Funded By Bond Issuance)	\$0
Annual Operating Reserve (Year 1)	\$300/unit
Annual Inflation	3.00%
Annual Operating Reserve (Year 10 increase)	0
Market Rate Investor Total Budgeted Capital Improvements	\$ 6,729,430

PROJECTED FINANCIAL PERFORMANCE

- CSCDA/Waterford has provided detailed annual financial projections proving the projects financial feasibility.
- Key Assumptions:
 - Annual Rent Growth: 3% (please see chart on next slide)
 - Financing Reserves: **(Market Rate Investors do no include the below reserves in their underwriting)**

FINANCING RESERVES

Capitalized Interest Reserve	\$	2,119,719
Debt Coverage Reserve	\$	1,615,775
Senior Debt Service Reserve	\$	8,078,874
Extraordinary Expense Reserve	\$	500,000
Operating Account Reserve	\$	447,000
TOTAL ADDITIONAL FINANCING RESERVES	\$	12,761,368

SANTA CLARA COUNTY RENTAL RATES (20 YEAR PERIOD)

Period	Rent Growth Y/Y	Asking Rent Per Unit
2025	4.609%	\$3,420
2024	5.258%	\$3,269
2023	5.893%	\$3,106
2022	5.992%	\$2,933
2021 EST	17.713%	\$2,767
2020	-7.993%	\$2,351
2019	1.902%	\$2,555
2018	3.616%	\$2,508
2017	2.732%	\$2,420
2016	0.693%	\$2,356
2015	6.142%	\$2,339
2014	5.169%	\$2,204
2013	5.694%	\$2,096
2012	4.889%	\$1,983
2011	3.893%	\$1,890
2010	4.262%	\$1,820
2009	-8.532%	\$1,745
2008	1.479%	\$1,908
2007	7.573%	\$1,880
2006	7.428%	\$1,748
ANNUAL AVERAGE	3.921%	\$ 2,365
Source: COSTAR		
Search Criteria: Santa Clara County (All Apartment Stock)		
Note: This does not include rental premiums for Class A Apartments (Typical Premium 2%-3% Rent Growth for Class A Assets)		

TURING TOTAL RENTAL SAVINGS (35 YEARS)

Unit Type	Rent Growth	Total Units	Size (Wtd. Avg.)	Market Rent	Total Monthly Rents	Annual Rents	Year 1-10	Year 11-20	Year 21-35
Market	3.5%	371	942	\$ 3,152	\$ 1,169,392	\$ 14,032,704	\$ 164,623,168	\$ 232,217,236	\$ 538,776,281
Middle Income	3%	371	942	\$ 2,827	\$ 1,048,817	\$ 12,585,804	\$ 144,282,138	\$ 193,903,129	\$ 422,778,644
Total Savings							\$ 20,341,030	\$ 38,314,108	\$ 115,997,637
Aggregate Rental Savings							\$ 174,652,774		
Total Household Rental Savings							\$ 470,762.19		

- The Total projected Aggregate Rental savings is projected to be **\$174,652,774**
- The Total tax loss for the City of Milpitas for the duration of the project is **\$11,221,000**

TURING REVERSION ANALYSIS (35 YEARS)

- In their report, KMA assumed an additional \$28,000,000 in capital needs above the capital needs shown in slide 3 prior to a sale. This is not a market conclusion nor is this a valid assumption.
- The only reason to spend additional capital prior to a sale would be to raise rents above what is currently forecasted and sell the building as a “value add” building. If this were the case the building would sell at a much higher value than shown in the reversion analysis

FINANCIAL BENEFITS TO THE CITY

- Turing is assessed at \$184,403,290 based on the most current property tax bills. Based on a 1.00% general levy rate the annual taxes generated from the property are \$1,844,033.
- Assuming a 15% share of the general levy, it is estimated that Milpitas receives approximately \$276,605 annually from Turing.
- Over a 30-year period, the City of Milpitas will forgo approximately \$11,221,331 in total tax revenue **but will make approximately \$500,003,426 in net proceeds at the end of Year 30.**
- Starting in Year 15, per the Public Benefit Agreement (PBA), Milpitas can dictate if Turing is sold, re-financed or continues to operate “as-is”.
- To the right is a financial analysis showing that assuming a 4% cap rate reversion analysis **the City of Milpitas will be due \$500,003,426 in Year 30 if the asset is sold.**
- If Milpitas chooses not to sell the asset it will be the beneficiary of all “cash flow” once the bonds are paid off.

Future Projected Revenue Analysis - City of Milpitas

	Cap Rate	4.00%
	<u>Year 30</u>	
Exit NOI		\$21,552,907
<u>Total New Adjusted Property Tax Payment</u>		<u>\$4,024,037</u>
Adjusted NOI		\$25,576,943
Projected Sale Proceeds		\$639,423,586
Senior Debt Service Reserve - Returned		\$9,195,019
Series A Bonds remaining at 30 Years		-\$62,909,870
Series B Bonds remaining at 30 Years		-\$5,000,000
Surplus Proceeds		\$580,708,734
Other Taxing Entities		\$63,587,542
City of Milpitas Property Tax		\$11,221,331
Total Voted Indebtedness		\$17,117,766
Net Sales Surplus Proceeds		\$569,487,403
City Net Surplus Proceeds		\$500,003,426
City of Milpitas Equity Multiple		45.56x

TAXING AGENCIES AND REVENUE LOSS

- Milpitas Unified School District is a local control funding formula school district; it will receive state apportionment funds to backfill all revenue loss
- Milpitas can repay the other taxing agencies on either a pro-rata basis or share the developed equity per its discretion.

THE CITY OF MILPITAS

- The project team is requesting that the item be considered at the City's September 21, 2021 Council meeting.
- City Council adopts one single resolution (CSCDA has Provided a Draft Resolution to City Staff in April 2021)
- City approves the Public Benefit Agreement "PBA" (CSCDA has Provided a Draft PBA to City Staff in April 2021), this agreement ratifies the City's ability to receive surplus revenue from the project
- The City incurs no fees, costs, liability or administrative responsibilities in connection with the program or individual programs

PARTNERS

- CSCDA/Waterford views this socially beneficial and financially beneficial structure as a true partnership with the City of Milpitas
- CSCDA/Waterford are active participants and investors in the Cities where they do business
- CSCDA/Waterford is excited about the opportunity to reinvest in this beautiful transcendent property and become long term partners with the City





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