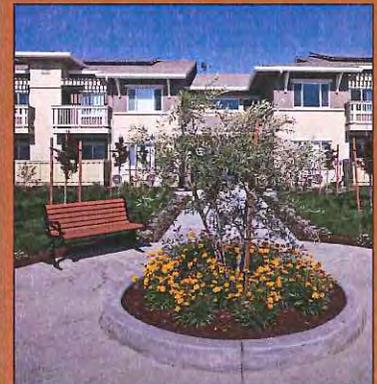
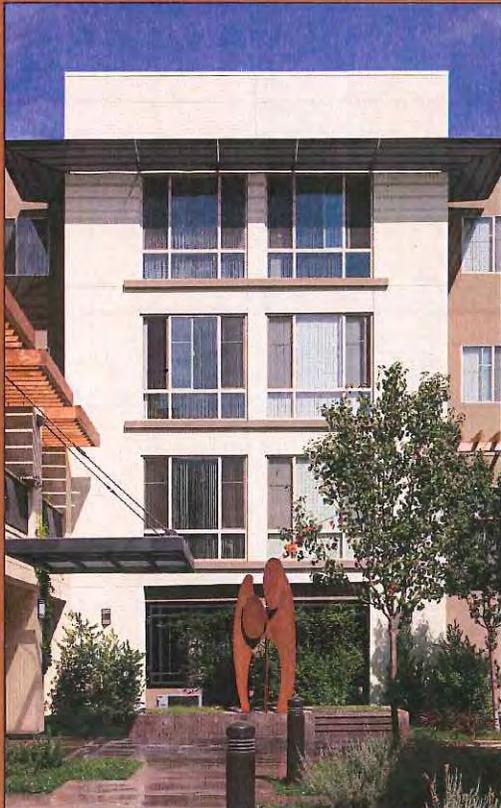


Kottinger Place and Pleasanton Gardens Predevelopment Analysis Report

Predevelopment Report prepared for the Kottinger Place Redevelopment Task Force

Submitted by: MidPen Housing Corporation
Date: September 21, 2012



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INTRODUCTION

In November 2003, responding to expressed interest from Pleasanton residents, the City Council authorized City Staff to study the potential for the renovation, replacement, and/or expansion of Kottinger Place, 50 publicly-owned affordable senior homes located on Kottinger Drive. To assist with this project, the Kottinger Place Redevelopment Task Force (Task Force) was formed by the City's Housing Commission and City Council in early 2004.

Built in 1972, Kottinger Place presented the City with several long-term challenges, including increasing maintenance requirements and the lack of accessibility and energy-efficient features in the homes. The site also lacks the space and ability to provide on-site resident services to help residents live independently and age-in-place. With the growing demand for affordable senior housing, the City recognized the unique benefit Kottinger Place provides for seniors in Pleasanton, and sought to determine the best way to meet the needs of its current and future residents.

Since this time, the Task Force has carefully identified and reviewed several options for redevelopment that would address these challenges while determining the best way to provide more homes on the Kottinger Place site. This included the option to partner with Pleasanton Gardens, 40 units of affordable senior housing located across the street, built in 1970, and owned by a private non-profit.

In December 2009, the Task Force presented the City Council with a predevelopment report, which included recommendations for a new development on the Kottinger Place site. As an outcome of the City Council's review, it approved the Principles of Agreement setting forth guidelines for continued review of the project and authorized staff to secure the services of a development firm to assist with the review process. In February 2012, following a competitive selection process, the City Council approved an Exclusive Negotiating Rights Agreement (ENRA) with MidPen Housing Corporation (MidPen) to conduct the review process.

As part of the ENRA, the City contracted with MidPen to explore three development approaches developed by the Task Force as follows:

1. Rehabilitation of the existing units and increased density on the Kottinger Place Site Only
2. New Construction on the Kottinger Place and Pleasanton Gardens Sites
3. New Construction on the Kottinger Place Site Only

As MidPen began working with the Task Force last March, and building on the Task Force's previous work, some overarching principles by which to evaluate any future development became clear. These served as touch-stones for the Task Force as they considered the alternative development approaches:

1. Increase the supply of affordable senior housing in Pleasanton
2. Retain the site's existing character, which has been integral to the historical success of the property, through the inclusion of cottages and open space.
3. Achieve financial efficiency and sustainability both in terms of the amount of public subsidy dollars required and in terms of the long term management and service delivery at the property.

4. Respect the existing site context and be a good neighbor to the residents of Kottinger Drive and Vineyard Avenue.

These objectives serve as an assessment tool for the development approaches outlined in this report and help form the basis for the recommended development plan. This report details the results of the Task Force's process and includes a recommendation for proceeding with the project.

ACKNOWLEDGEMENT

MidPen would like to thank and acknowledge the members of the Kottinger Place Redevelopment Task Force and City Staff. Their commitment to the redevelopment planning process has resulted in a thoughtful development approach that achieves the ultimate goal to provide affordable homes for seniors in the City of Pleasanton:

Cindy McGovern, City Council Member
John Casey, Housing Commissioner
Justin Probert, Housing Commissioner
Kurt Kummer, Parks & Recreation Commissioner
David Stark, Pleasanton Gardens Board Member
Becky Dennis, Chair, Member At-Large
Dolores Bengston, Pleasanton Gardens Board Member
Howard Neely, Member At-Large
Christine Steiner, Member At-Large
Craig Ristow, Kottinger Drive Resident
Wayne Couto, Kottinger Drive Resident
Bill Simpson, Kottinger Place Resident

Nelson Fialho, City Manager
Steven Bocian, Assistant City Manager
Scott Erickson, Housing Specialist

A BRIEF NOTE ABOUT MIDPEN

Achieving the Task Force's vision requires a developer with a unique depth of resources and experience, as well as a commitment to the community and public process. MidPen welcomes the opportunity to work closely with the Task Force, residents, and neighbors throughout this process. MidPen's previous experience working with residents in similar senior communities facing the prospect of redevelopment means that MidPen understands the importance of listening to residents, maintaining clear and open communication throughout the planning process and engaging residents in crafting a shared vision for their community.

As the developer, owner, and manager of over 90 properties, 25% of which are senior communities, MidPen consistently demonstrates its ability to respond to community stakeholders and work closely with City staff to see projects to fruition. This is strengthened by MidPen's extensive development experience and strong financial position. With nearly 40% of its portfolio financed through the HUD Section 8 and 202/811 programs and MidPen's unmatched track record in winning the highly competitive 9% low-income housing tax credit competition, MidPen has the technical expertise to leverage State and Federal resources for affordable housing in order to minimize the City's financial contribution. For more information about MidPen, refer to [Appendix A](#).

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

OPPORTUNITIES FOR THOUGHTFUL DEVELOPMENT

For over forty years, Kottinger Place and Pleasanton Gardens have served important roles in the Pleasanton community, providing affordable homes to senior residents and serving as a source of community pride. Both properties are ideally located near the City's downtown, adjacent to Kottinger Park, and near public transportation. Many of the current residents take advantage of



Pleasanton's favorable climate, spending time outside of their homes gardening, taking walks in the park, and visiting with friends and neighbors on their patios.

The Task Force is committed to retaining the character of the sites while increasing the number of affordable homes. This was facilitated by the City's purchase of the ½ acre site adjacent to Kottinger Place on Vineyard Avenue in February 2011. After many years studying various redevelopment options, this acquisition signified the City's commitment to redevelopment by creating a unique and unprecedented opportunity to address previous concerns regarding the redevelopment of the site. By evaluating the development approach that best meets their objectives, the Task Force and City have taken advantage of this opportunity which, if supported by City Council, would result in a substantial increase in the supply of affordable homes for seniors in Pleasanton as well as the preservation of one of the City's most important affordable housing resources.

Immediately after being selected by the Task Force, MidPen implemented its stakeholder outreach plan with the ultimate goal of crafting a common vision for the redevelopment of the property that would take into consideration the needs of residents, community leaders, and residents alike. This outreach process included Kottinger Place and Pleasanton Gardens resident meetings, individual interviews with residents to discuss their needs, likes, and dislikes about their current homes, and five meetings with the Task Force and neighbors to review specific elements of each approach and discuss their advantages and disadvantages. MidPen is deeply committed to the public process at Kottinger Place and to helping the City take advantage of this opportunity to provide additional senior homes.

The report that follows is the result of this key stakeholder input and incorporates feedback and direction from the Task Force, Kottinger Place Residents, the Board of Pleasanton Gardens, Pleasanton Gardens Residents, and the neighbors of Kottinger Place and Pleasanton Gardens. All of the stakeholders were incredibly generous with their time, helping MidPen understand their perspective. Their invaluable input helped form development plans that respect the site's character, are thoughtful about building height and location in relationship to the neighborhood, and provide accessible units in a variety of building types.

DEVELOPMENT SCOPE OF WORK

This report is divided into the three development options outlined in the Kottinger Place Development Scope of Work's Task 1 dated October 26, 2011 (**Appendix B**). This includes the following development options:

1. Rehabilitation of Existing Homes and Increased Density on Kottinger Place Site Only
2. All New Construction on Kottinger Place and Pleasanton Gardens Sites
3. All New Construction on Kottinger Place Site Only

The Fundamental Development Characteristics in Section 3 precede the sections devoted to each Development Approach, and present universal assumptions and the basic development program that applies to each approach:

Site Design

This section describes the thoughtfully laid out site plan that maximizes opportunities, retains the site's character, and ensures any new development continues to be an integral part of the neighborhood.

Ownership

The proposed ownership structure and HUD Public Housing Disposition options and how they might affect any future development are explained in this section.

Financing

All of the development options are structured to maximize the use of available funding sources and minimize the City's financial contribution, resulting in the creation of a high-quality development that can be successfully financed and efficiently operated for long-term success. This section describes the common financing assumptions that apply to each development approach.

Specific financing assumptions unique to each individual development approach as well as the overall conclusion about financing efficiency are specifically highlighted in the particular section for each Development Approach.

Relocation

Sensitivity to residents' needs before and during the relocation process is MidPen's focus. This section describes MidPen's approach to relocation as well as how it will work and communicate with residents.

Resident Services

The Task Force's goal is to ensure that the Owner/Manager would be positioned to provide on-site resident services at no cost to residents. Services provided on-site will be comprehensive and appropriate for seniors.

OVERVIEW & FINDINGS

A high-level analysis of each development approach is outlined below. Paired with the Task Force's objectives, these conclusions help form the basis of the Task Force's recommendation to Pleasanton's Housing Commission and City Council. For charts comparing each Approach, refer to **Appendix C**.

Development Approach: Option 1 - Rehabilitation of Existing Homes and Increased Density on Kottinger Place Site Only

Total Homes: 97-107

Total Development Cost: \$36.9-38.8M

Total Development Cost Per Home: \$363K-\$380K

City Subsidy Required: \$4.1-4.8M

City Subsidy Required Per Home: \$41-43K

The current residents have expressed a desire to live in fully- accessible homes to allow them to age-in-place and continue to live independently. Many residents also expressed an interest in having larger homes. Thirty-two (32) of the existing Kottinger Place units are studios. This desire was especially strong among couples. In order to rehabilitate the existing Kottinger Place homes to make them accessible, they would need to be substantially reconfigured.

When compared to the other development approaches, the Total Development Cost is more expensive per home. This is because there are certain fixed costs associated with any development, such as architectural services and legal fees, which are spread out over fewer homes. In addition, the cost to make the homes accessible, bring them up to current code, enhance energy efficiency and ensure the properties will be physically sustainable for another 50 years is only \$10,000 cheaper per home than constructing a brand new and larger one-bedroom home, not dramatically lowering the Total Development Cost per home. Rehabilitating the existing homes results in fewer homes overall and thus is much less financially efficient. An investment of an additional \$10,000 per home to create a brand new and larger home and a more financially efficient project was determined by the Task Force to offer a superior solution.

In addition, rehabilitation of the existing homes would not allow the conversion of studios to one bedrooms, and would result in fewer single-story homes than currently exist or could be achieved in either of the new construction options. **Given these conclusions, the Task Force directed MidPen to only consider Development Approach 2 and 3, which focus on replacing the existing homes with newly constructed buildings.**

Development Approach: Option 2 - New Construction on Kottinger Place and Pleasanton Gardens Sites

Total Homes: 172-189

Total Development Cost: \$58.7-61.8M

Total Development Cost Per Home: \$327K-\$341K

City Subsidy Required: \$7.1-8.1M

City Subsidy Required Per Home: \$41-43K

Partnering with the Pleasanton Gardens Board to jointly redevelop Kottinger Place and Pleasanton Gardens offers several advantages and very few disadvantages.

There is no question that the need for affordable senior homes in Pleasanton exceeds the supply, and that partnering with Pleasanton Gardens presents an opportunity to create even more affordable homes than Development Approach 1 or 3. In addition, the Pleasanton Gardens units are of a similar age to those at Kottinger Place and have similar deficiencies – the units are not fully-accessible, nor of a size that matches the needs of the current residents.

From a financial perspective, combining the two properties into one project makes the most sense. The joint project can leverage the Pleasanton Gardens Federal rental subsidy contract to support additional debt. This additional debt, when combined with other development efficiencies associated with an increased number of units, most efficiently uses the amount of City subsidy required per home when compared to the other development approaches.

There are two potential draw backs associated with redeveloping the two sites, both of which have been addressed. First, there are additional costs associated with staffing the two locations both from a property management and resident services perspective. However, the Task Force concluded that the increase in units offsets some of these costs and creates greater operating efficiencies for both Pleasanton Gardens and Kottinger Place than exist at either property now. Second, connecting the residents physically and socially could potentially prove challenging. This has been addressed through both the site planning and through coordinated and expanded on-site resident service delivery, which will strive to build one cohesive community.

Development Approach: Option 3 - New Construction on Kottinger Place Site Only

Total Homes: 120-130

Total Development Cost: \$41.3-43.3M

Total Development Cost Per Home: \$333K-\$344

City Subsidy Required: \$5.7-6.6M

City Subsidy Required Per Home: \$47-51K

During the Task Force deliberations over the past several months, it became clear that the primary reason Development Approach 1 (rehabilitation and increased density on the Kottinger Place site only) was included in the Scope of Work was because any redevelopment plan would be judged based on whether or not it retained the site's existing character. As work proceeded on a variety of site plan options, the Task Force quickly understood that the site's character could be retained by *replacing* the existing homes rather

than *rehabilitating* them. This also created new opportunities to adjust the location of the single story homes, expand their size, and more readily incorporate new green building technologies in a more comprehensive and cost-effective manner.

In addition, constructing new homes on the site actually yields more single-story homes than currently exist, all of which would be handicap accessible, at a cost comparable to rehabilitating the existing homes.

The preferred site plan for all of the Development Approaches incorporates a variety of building types and generous open space. When compared to Development Approach 1, Development Approach 3 provides a substantial increase in the number of affordable units. This increase in density at Kottinger Place creates greater operating efficiencies than currently exist. However, as described in Approach 2, the City's resources would be most efficiently used if the City partnered with the Pleasanton Gardens Board.

**FUNDAMENTAL DEVELOPMENT
CHARACTERISTICS**

FUNDAMENTAL DEVELOPMENT CHARACTERISTICS

As MidPen and the Task Force studied the options for the redevelopment of Kottinger Place, it became clear that there were some fundamental characteristics that the Task Force agreed should be incorporated into any development approach. These characteristics were identified during a series of meetings with the Kottinger Place Task Force, which were open to members of the public.

The meeting topics were:

- **Key Site Features:** features influencing site design, such as access, security, use of open space, and building locations and types.
- **Building Massing and Density:** studies showing a variety of building layouts on the site for each of the Development Approaches.
- **Financial Analysis:** comparisons of the total development cost, City subsidy required, annual operating budgets, and annual resident services budgets for the preferred site design concepts.
- **Refined Analysis:** refining the most financially efficient and feasible development options to better understand how the buildings and open space would fit in with the neighborhood and determine a unit range that best meets the Task Force's Objectives.

Each meeting topic was informed by the previous meeting's discussion and represented thoughtful analytical work on the part of the Task Force. At the conclusion of each meeting, Task Force members were asked to give their opinion on the particular topic being discussed. This approach provided real time feedback, allowing MidPen to continue to refine the planning and analysis of the various approaches.

This section outlines these fundamental characteristics, which form the foundation of the recommended development approach.

Site Design

SITE DESIGN

Each Development Approach assumes the same, preferred site layout. This preferred plan takes into account the following site attributes:

- Shape
- Slope
- Direction of prevailing winds
- Sun at different times of the day
- Neighboring uses and roads

This analysis ensures that the buildings, their patios and balconies, the courtyards, access to the site, and parking are thoughtfully laid out and planned in order to maximize opportunities to increase the number of homes on site, retain the site's character, and ensure any new development continues to be an integral part of the neighborhood. Refer to [Appendix D](#) to review this analysis in a diagrammatic form.

Stakeholder Feedback Informed the Site Planning

MidPen engaged the Task Force, Kottinger Place and Pleasanton Gardens Residents and neighbors to help create a plan that would best serve the residents and the community. The chart below summarizes the feedback received during the stakeholder outreach:

FEEDBACK	CATEGORY	STAKEHOLDER
No through access for cars	Access & Security	Task Force
Current parking ratio at .8:1 is sufficient	Access & Security	Task Force, residents
No fence required between Kottinger Place and Kottinger Park	Access & Security	Task Force, residents, neighbors
Incorporate space for community gardens	Common Amenities & Open Space	Task Force, residents
Open space should encourage interaction balanced with privacy	Common Amenities & Open Space	Task Force, residents, neighbors
Common amenities should include larger community room, a game room, and a fitness room	Common Amenities & Open Space	residents
Give senior residents choice about building type	Building Type & Location	Task Force, residents
2- or 3-story buildings should be appropriately located to fit in with the neighborhood	Building Type & Location	Task Force, residents, neighbors
Homes should be energy efficient and handicap accessible	Building Type & Location	Task Force, residents

Site Layout

After considering a variety of building massing studies and unit configurations, the Task Force ultimately selected a preferred site plan for both Kottinger Place and Pleasanton Gardens that responded best to this feedback and met the Task Force's objectives to increase the supply of affordable homes while retaining

the site's character and ensuring neighborhood compatibility. The existing Kottinger Place and Pleasanton Gardens site plans and the preferred site plan are included in this section following the description below.

In this plan, a new multi-story building on Kottinger Place is located toward the site's northern edge, away from the single-family residences on Kottinger Drive, and tucked into the center of the site. The building's height steps down to 1- and 2-stories at key locations on Vineyard Avenue and at key edge locations near the park and some of the single-story homes on the site. This reduces its impact on the neighbors living on and near Vineyard Avenue. Centering the 3-story portions in this way is the best way to minimize the impact on neighbors and frees up more space on the site for common outdoor amenities, such as community gardens. The single-story homes are located on the site's southern and eastern edges in their existing location.

Similarly, in the site plan for Development Approach 2, which incorporates the Pleasanton Gardens site, the multi-story building is located on the site's edge at Kottinger Drive away from the area of the site that slopes upward. Like the Kottinger Place site, a new multi-story building on Pleasanton Gardens also steps down from 2- to 1-story at key locations to fit in with the neighborhood. In response to Task Force and resident feedback, all homes will be fully accessible.

The primary entrance to the Kottinger Place site will be from Vineyard Avenue and the secondary entrance will be from Kottinger Drive, in contrast to the current site plan which has no well-defined entry. Entering from Vineyard Avenue provides the best opportunity to create a welcoming entrance to the property which orients visitors and guests. At this entrance, clear signage delineating the new development from Kottinger Park will be incorporated. Given the feedback and MidPen's experience managing senior communities, the parking ratio for residents at Kottinger Place will be .8 cars to every home, which is the same as it is currently. In addition, the site plan includes the same number of parking stalls dedicated to Kottinger Park in roughly the same location as they are currently. The vehicular entrance to Pleasanton Gardens remains in its current location off of Kottinger Drive. The preferred plan for Development Approach 2 also creates a separate pedestrian entrance to Pleasanton Gardens from Kottinger Drive to avoid pedestrian access through the parking lot and better connect the two sites.

Surface parking will be located at the northern and southern edges of the Kottinger Place site. Locating the parking in these two areas serves two purposes from a site planning perspective. First, for the neighbors, it provides a setback and buffer from the multi-story building and single-story units. Second, for the Kottinger residents, it puts the parking close enough to their homes for easy access while ensuring the parking does not detract from the site's open space. The location of the parking on the Pleasanton Gardens site is designed to serve the same purposes.

New community rooms will be located on the first floor of the multi-story buildings, conveniently located at the center of each site. This provides for easy access to the planned outdoor community commons. In response to resident feedback, the community rooms will be designed to accommodate large groups of residents and offer more variety for programming, such as game nights, dance classes, and adult education classes.

EXISTING SITE PLAN



PREFERRED DEVELOPMENT SITE PLAN



LEGEND

-  single-story homes
-  multi-story building
-  community amenities

Landscaping & Open Space

One of the Task Force's main objectives in considering the redevelopment of the Kottinger Place and Pleasanton Garden sites is to retain the character of the communities. During the course of Task Force discussions, members recognized that the openness of the sites, the common outdoor spaces and how they were used, the front porches that provide covered outdoor space for residents to sit and enjoy the company of their neighbors, the mature trees, and the shared neighbor courtyards defined the character of the site.



As various site plan options were considered, the character and use of the existing open space on both sites was taken into account to ensure that the preferred site plan incorporated these same elements. As a result, the preferred site plan aims to emulate the current open space uses on the site through the creation of shared neighbor courtyards, a large community commons, as well as to enhance the entrance and pedestrian circulation.

The specific open space elements will be more fully refined with resident and Task Force input as the design is further developed once a preferred redevelopment approach is selected. Refer to [**Appendix E**](#) for examples of landscaping and open space opportunities at the new development.

Kottinger Place's Water Main

At present, a 16 inch water main runs from Kottinger Drive down the center of the site to Vineyard Avenue. In consultation with the City of Pleasanton's Operations Services Department, it has been determined that this water main will be abandoned during redevelopment in order to remain consistent with current water main standards. As a result, the project would be required to upgrade the existing water main running under First Street and make the connection to Vineyard Avenue at the same time. MidPen has received two preliminary estimates for this work, and has conservatively budgeted \$275,000 to complete it.

Regalia Room

The Regalia Room located on Vineyard Avenue adjacent to the existing Kottinger Place site has served as a community building and meeting place. Currently, the Regalia House is used once per month for approximately 2 hours. City staff does not anticipate any change to this schedule. As a result, the preferred site plan does not include accommodation of a replacement of this space since the single use can be accommodated at another facility within the City. This allows the entire former Regalia House site to be incorporated into the new plan for Kottinger Place.

Green Building



MidPen is committed to green, sustainable development that incorporates a rigorous construction waste recycling program, cutting-edge green building methods, recycled content materials, and drought-tolerant landscaping. For MidPen, the commitment to sustainability also means reduced operating costs by incorporating solar photovoltaic panels to generate electricity, solar thermal systems to provide hot water on site, Energy Star rated appliances and fixtures, energy-efficient plumbing fixtures, and durable materials. Livability for residents will be enhanced by incorporating a variety

of methods and materials to improve indoor air quality, such as the use of low-VOC paints and adhesives, formaldehyde-free building insulations, and incorporation of fresh air vents in every apartment.

Ownership

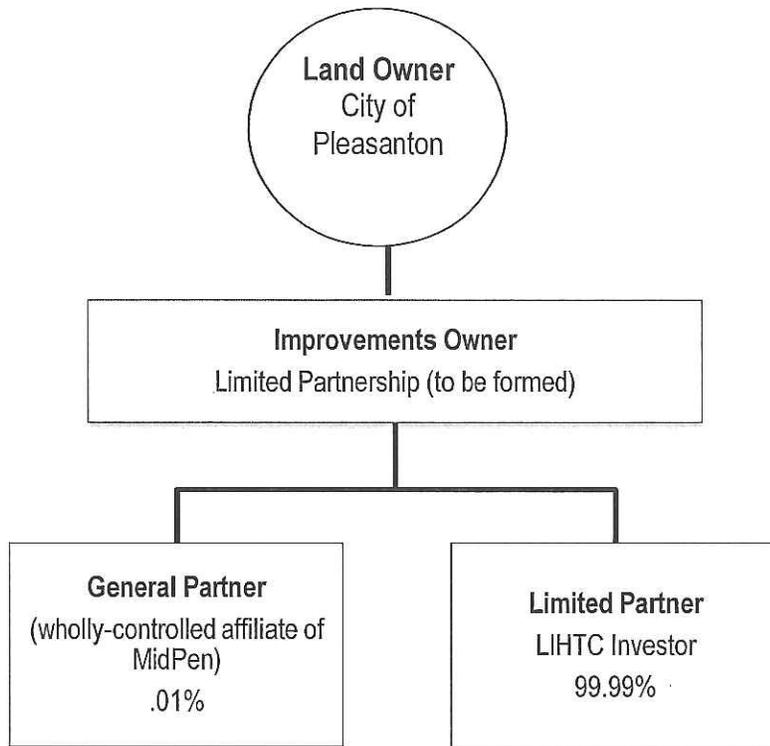
OWNERSHIP

Structure

The proposed ownership outlined below has been structured to optimize competitiveness for available financing including Federal and State low-income housing tax credits and HUD financing.

MidPen proposes the City of Pleasanton retain fee interest in the 3.8 acre Kottinger Place site. The City will enter into a long-term ground lease with a limited partnership, described below, to develop and operate the building improvements. The term of the ground lease would be at least 55 years to coincide with the tax credit affordability period. If Development Approach 2 is implemented, the Board of Pleasanton Gardens has communicated their desire to convey their site to the City, at which point the same ownership structure would be put in place.

In order to sell the low-income housing tax credits (LIHTC) to an investor, MidPen will form a limited partnership. The partnership will consist of a non-profit corporation, wholly-controlled by MidPen Housing, which serves as the managing general partner of the partnership with a .01% ownership interest. The LIHTC investor serves as the limited partner with a 99.9% ownership interest.



Department of Housing and Urban Development Public Housing Disposition

Kottinger Place is owned by the Housing Authority of the City of Pleasanton, and is therefore designated as Public Housing by the United States Department of Housing and Urban Development (HUD). In order to

leverage low income housing tax credits, which provide an essential source of financing necessary to facilitate the redevelopment of the property, Kottinger Place will need to be released from the public housing inventory by HUD. MidPen has contracted with the California Housing Partnership Corporation (CHPC), a nationally-recognized affordable housing consultant providing technical assistance to Housing Authorities and non-profit developers on matters related to HUD, to analyze the strategies for this disposition. In all cases, rights of the existing residents would be protected via the process, and all residents would be provided with a replacement home on-site.

There are four different strategies to effect the transition of Kottinger Place from public housing to a tax credit limited partnership structure. Only the first two strategies allow the project to convert the existing HUD subsidy to project-based vouchers, which would allow the project to retain its level of affordability and continue to serve the current residents and seniors living on fixed-incomes. In addition, the financing plan assumes the ability to leverage debt from the project-based voucher rental subsidy. Although, Strategies 3 and 4 are also viable ways to complete the disposition, they do not provide the rental subsidy needed for the most financially efficient and feasible new development. MidPen is confident Kottinger Place will be successful in pursuing either Strategy 1 or 2, and will continue to refine the selected development approach to best position the project and utilize CHPC's depth of experience working with HUD.

- 1) "Section 18 Demolition/Disposition" (24 CFR 970): This route would eliminate the Housing Authority of the City of Pleasanton's (HACP) responsibilities for the ongoing management of Kottinger Place. In order to qualify for this program, the Kottinger units must be designated as "obsolete", as defined by HUD. Once HACP completes the disposition, the new owner could compete for project-based vouchers through the Housing Authority of Alameda County (HACA). In preliminary conversations about redevelopment at Kottinger Place, HACA indicated their willingness to work with MidPen and HACP during the disposition process.

Prior to submitting a Section 18 Demolition/Disposition (24CFR 970)Application, HACP would need to justify its request based upon a set of criteria specifically identified by HUD. These criterions include:

1. Disposition is in the best interests of the residents and the housing authority, meets the goals of the housing authority plan, and is consistent with the 24 CFR 970.
2. Adverse neighborhood changes make the site unsuitable for residential use.
3. The public housing land value enables the housing authority to replace the housing with an improved development at no cost to HUD.
4. Land or non-dwelling property at the site is surplus and not needed for the residential development.
5. Disposition provides cost-effective development of low-income housing.
6. Physical, locational, or other obsolescence.

Recent HUD guidance clarified implementation of disposition actions under 24 CFR 970 in HUD's issued Notice 2012-7, which states that disposition of public housing due to insufficient operating or capital funding is inconsistent with the Act and any application claiming this reason for disposition will be denied. Prior to this notice, this was likely the best criteria on which to base a request for public housing disposition at Kottinger Place.

The Notice also establishes cost criteria for an obsolescence justification. Given Kottinger Place's location, the high costs associated with Bay Area land and construction, and the desire for continued

enjoyment of the site by current residents (as described in the HACP 5-Year and Annual Plan), the most likely justification for a 24 CFR 970 disposition is obsolescence. This route requires a quantitative demonstration that no reasonable program of modifications can cost-effectively return the project to its useful life and, more specifically, that rehabilitation costs are at least 57.14% of Total Development Costs for replacement units. Rehabilitation costs can only include:

1. Work necessary to address the project's immediate needs (up to three years).
2. Work necessary to return the project to average quality.
3. Repair costs (i.e., rather than upgrades or "enhancement features", except for air conditioners, washer-dryer hook-ups, garbage disposals, and porches).
4. Hard construction costs defined by HUD (i.e., no site improvements, parking lots, playgrounds, or community facilities).
5. Some soft costs defined by HUD, e.g., architect fees between 4% and 7% of hard costs.

The definition of "enhancement features" in the cost calculation is an important one for Kottinger Place, given that upgrading the units for disabled access is a critical part of the proposed rehabilitation/construction program. **MidPen would work with HUD to ensure that the accessibility-related work was categorized as an immediate need, and is confident that Kottinger would meet the 57% cost threshold for a 24 CFR 970 disposition.**

- 2) **"Voluntary Conversion" (24 CFR 972):** This route also removes units from the public housing inventory and eliminates HACP's responsibilities for ongoing management. HACP would need to show that the cost of continued public housing operations exceeds the cost of providing relocation benefits and tenant-based vouchers in the event of disposition. Once HACP completed the disposition, the new owner would receive tenant-based voucher which HACA can convert to project-based vouchers through a competitive process. Converting to project-based vouchers provides a more sufficient rental subsidy for the project and allows the project to leverage permanent debt.

Prior to making a "Voluntary Conversion" application, the following assessment would need to take place:

1. The cost of continued operations and maintenance of the development is greater than the cost of providing tenant-based assistance to the residents of the development.
2. Conversion will principally benefit the residents of the development, the Housing Authority, and the community; and
3. Conversion will not adversely affect the availability of affordable housing in the community.

This is a preferred strategy because it would allow for the conversion the existing rental subsidy to project-based vouchers, making the project financially feasible and efficient. Any development on Kottinger Place would easily meet the second and third requirements. **Further analysis is required to determine how Kottinger Place fits with the first criteria.**

- 3) **"Mixed-Finance Development" (24 CFR 941 Subpart F):** In Mixed-Finance development, public housing agencies (PHAs) can transfer sites to new owner/developers in order to revitalize them, but public housing units remain public housing under the existing operating subsidy or "ACC" contracts. Project-based vouchers wouldn't be available for the Kottinger Place units, although the new owner could compete for new vouchers for the non-public housing units in the development.

Prior to submitting a Mixed-Finance development application to HUD, the proposed development would need to meet the following threshold requirements:

1. HACP would need to demonstrate that it has the legal authority to develop, own, and operate public housing.
2. HACP and the City of Pleasanton would need to execute a cooperation agreement that indicates Pleasanton's willingness to adhere to HUD's requirements. For example, Kottinger Place would be exempt from local property taxes, accept public housing payments in lieu of taxes, and provide services to Kottinger in the same way it does to the rest of the Pleasanton community.
3. For demolition and new construction, the Kottinger team would need to demonstrate certain occupancy standards, which for Kottinger would be that the number of public housing units being constructed is the minimum number needed to house current residents who want to remain at the site.
4. The Developer would need to secure HUD's approval of its relocation plan and provide assistance to any displaced person according to Uniform Relocation Act requirements.
5. The Developer would need to establish that the proposed development is the best and most cost-effective revitalization plan for the public housing, that the development is financially feasible, and that it will maintain long-term operational solvency.

While Kottinger Place and HACP would not have any problem meeting these requirements, this strategy would not allow the project to convert the existing rental subsidy to project-based vouchers. **This would result in the property's inability to retain Kottinger Place's extremely affordable rents and its inability to support permanent debt, and is therefore, not the preferred strategy.**

- 4) "Rental Assistance Demonstration Program" (PIH Notice 2012-32; (RAD): RAD allows Public Housing Authorities to convert their ACC contracts to either project-based vouchers or project-based rental assistance contracts in order to leverage debt and equity for revitalization. This being said, RAD currently does not provide more subsidy than already provided. The first application round for the program has an October 24, 2012 submission deadline. Approved projects must close construction loans within one year. While redevelopment of Kottinger Place could not meet the schedule required in HUD's initial application period, RAD could be an option for disposition if HUD extends the program and other disposition paths are nonviable.

Even if the RAD Program is extended, limiting the project-based rental subsidy available to the size of the existing operating subsidy will likely not provide enough funds for the project. **Similar to Strategy 3, this would result in the property's inability to retain Kottinger Place's extremely affordable rents and its inability to support permanent debt, and is therefore, not the preferred strategy.**

Financing

FINANCING

For all development approaches, MidPen has structured a financially sustainable development that maximizes leverage of all available financing sources in order to minimize the City's financial contribution. The financing plans for each approach share certain assumptions with the goal being to present consistent information and provide "an apples to apples" comparison. A glossary explaining the financing sources assumed in the development options and sources potentially available is included as **Appendix F**.

Department of Housing & Urban Development (HUD) Assistance

All the scenarios analyzed assume the existing public housing subsidy at Kottinger Place can be transferred to project-based rental assistance through the HUD disposition process. In Development Approach 2, which assumes Pleasanton Gardens' participation, it also assumes the existing project-based rental assistance contract, which expires in 2014, is extended for the benefit of the new project.

Debt Financing Terms & Rates

Based on the best understanding of where conventional construction and permanent loan interest rates will be at the time construction begins, the financing plan assumes a 6.5% interest rate. This is a conservative assumption given that MidPen's most recent project received permanent financing at a 5.3% interest rate this month (September 2012). All conventional mortgages carry a 1.15:1 debt service coverage ratio and a 15-year term to coincide with the term of an assumed HUD rental subsidy contract, and to comply with state requirements related to the Low-Income Housing Tax Credits (LIHTC).

Low-Income Housing Tax Credits (LIHTC)

To finance the construction of housing using these credits, affordable developers sell the credits to an investor who joins the project ownership as a limited partner and makes a large, upfront capital contribution as equity to the project. In exchange for this, the investor (usually a bank or other large corporation) uses the tax credits earned over the next fifteen years as a dollar-for-dollar reduction of its tax liability. The financing plans included here assume the tax credit investor will pay \$1.05 in equity for each tax credit, which is the maximum equity pricing assumption allowed in the LIHTC competition. This is a conservative assumption given that MidPen's most recent deals have received \$1.14 and \$1.11 in August 2012 from LIHTC investors.

In California, LIHTC are allocated through a highly competitive process. Kottinger Place and Pleasanton Gardens will receive a perfect score per the 9% LIHTC scoring rubric, as will many other qualified projects in the North and East Bay LIHTC Region. As a result, the tiebreaker score, which balances cost-efficiency and leveraging of public financing, will be the deciding factor in determining which projects receive a tax credit allocation. Based on the most recent competition, the financing plans assume a 53% tie breaker score. MidPen will continue to closely monitor the competition between now and when the project is ready to apply in order to determine if a lower tie breaker would result in a successful application.

Land

It is assumed that the *value* of the land will be donated to the project. For purposes of the competitive low-income housing tax credit competition, a ground lease for a nominal rate qualifies as a land donation, and

will count as a public subsidy toward the project's tie breaker, which is crucial to successfully competing for LIHTC. A \$40 per square foot land value is assumed based on similar projects. The land value will ultimately be determined by an appraisal.

Building & Parking Square Footages

In the financing plans and development budget, new one-bedroom units measure 630 square feet and two-bedroom units measure 880 square feet. These units are larger than the existing studio, one and two-bedroom units at both properties which range in size from 480 to 762 square feet in order to accommodate accessibility requirements. Each site plan also assumes 3,000 square feet of community amenities, two elevators in the multi-story building, and an .8:1 parking ratio, consistent with the site's current parking ratio.

Affordability and Income Ranges

The homes will be restricted to seniors earning between 30% and 50% of the Area Median Income in Alameda County. This means the homes would be available to households earning no more than \$32,750 per year for a one-person household and \$37,400 for a two-person household. Rents for these homes would range from \$500-852 per month for a one-bedroom and \$598-1,019 for a two-bedroom. For the existing residents who will receive rental assistance through the project-based vouchers, rents will continue to be 30% of their household income.

Relocation

RELOCATION

In order to redevelop the sites, current residents will need to move temporarily during the reconstruction. MidPen is well versed in State and Federal Relocation laws and has completed numerous projects involving temporary relocation of low-income residents, including seniors. MidPen understands that the prospect of moving, even temporarily, can be daunting for seniors, particularly when the home they will return to will be different than the one they have known.

As a result, MidPen has gone to great lengths to both inform and educate residents about the moving process and has hired a professional relocation consultant to assist residents before and during the move.

Construction Phasing

In order to reduce the number of households who will need to move off-site during the redevelopment, MidPen studied various scenarios to phase the work and mitigate both the cost and disruption to residents. The costs associated with a longer construction schedule are offset by reduced relocation costs associated with being able to house some residents on site during construction of the new homes. Phasing plans are detailed separately for each of the development approaches in Sections 4-6 as they vary depending on the number of new units added and whether or not Pleasanton Gardens is redeveloped simultaneously with Kottinger Place.

Sensitivity to Residents' Needs

MidPen is focused on being sensitive to residents' needs during the relocation process. To this point, MidPen has already met individually with each household to discuss the proposed redevelopment of Kottinger Place, listen to their feedback, and begin to understand their relocation needs. MidPen and its Relocation Consultant, Autotemp, will continue to meet with residents to answer questions and provide updated information regarding the schedule and timeline for moving. Keeping residents informed is critical to relocation success for the residents and their families.

Guiding Residents through the Relocation Process

Each resident will receive two informational notices at least 180 and 90 days prior to their move, as well as the legally required notices closer to their move. These notices will not be a surprise to residents because MidPen will be holding ongoing meetings with the residents. MidPen's project manager and relocation consultant will proactively assist residents to make sure each resident received the notice and understands what it means. At the same time, residents will also receive specific instructions outlining what to expect before, during, and after the move, and what assistance they can expect.



MidPen Property Management and the development project manager will hold monthly informational meetings for residents who are temporarily relocated and for residents still living on the site as a way to provide construction schedule updates and help residents prepare for the move back to their renovated or new unit. MidPen will contract with translation services for all spoken and written communication, as necessary.

Resident Services

RESIDENT SERVICES

The Task Force clearly stated that any redevelopment on Kottfinger Place and Pleasanton Gardens should include enhanced delivery of on-site services appropriate to seniors.

As a result, each development approach assumes a comprehensive level of resident service delivery provided by MidPen Resident Services Corporation. The operating structure for service delivery and components of this service program are detailed below. The cost for this program is incorporated into the financial analysis for each development approach.

With an annual investment of \$4.5 million, an in-house staff of 65, and 300 service provider partners, MidPen Resident Services Corporation leads the affordable housing industry in delivering onsite programs, education, and services to MidPen's residents. MidPen Resident Services operates as a separate 501c3 organization and helps over 7,000 MidPen residents each year. Its main goal is to deliver services that help people measurably advance in all areas of their lives.

Comprehensive Service Provision

The Senior Services Manager, supervised by MidPen's Senior Services Program Director, will conduct mobility and mental health assessments to determine independent living ability. These assessments will inform the type and frequency of programming offered.

The Senior Services Manager will also be responsible for planning social events and quality of life programming to promote community interaction and prevent social isolation. This includes, but is not limited to the following:

- Holiday celebrations
- Game nights
- Computer education
- Fieldtrips to points of interest
- Support for gardening programs
- Nutrition groups
- On-site health screens through a vendor or in partnership with a nursing school
- One-on-one entitlement assistance
- Exercise and dance classes
- Connection to existing services in the community



Identifying Service Delivery Gaps in Pleasanton

In addition to providing direct services on site, MidPen Services Corporation also builds strong partnerships with community agencies to ensure that MidPen's programs are supplementing existing programs, rather than duplicating them. MidPen Services staff studied the report recently published by Resource Development Associates. This report, called the Eastern Alameda County Human Services Needs

Assessment,¹ was adopted by the City Council in June 2012. The study identified six key findings related to senior service delivery. After surveying 74 individuals representing 38 Eastern Alameda County organizations, the study concluded the following findings:

- Outreach is needed to help identify homebound seniors
- Social isolation exacerbates mental and physical health issues and prevents access to services
- Many lower-income seniors do not meet income thresholds which would qualify them for critical services such as supportive housing
- The cost and complexity of using public transportation prohibits many older adults from accessing critical services
- There are no licensed Adult Day Health Care programs in the Tri-Valley to serve low-income seniors with health-related issues, and State budget cuts are eliminating such programs in neighboring communities
- Currently, the Tri-Valley YMCA is in the process of renovating its facility to be used for implementing an adult day care social program; the date for the opening of the facility is yet to be determined

These key findings underscore the need for on-site service delivery proposed by MidPen Resident Services. In addition to providing programs on-site that bring services directly to residents, the Senior Services Manager will be responsible for outreach and helping residents navigate available resources, such as those offered through the City of Pleasanton's Senior Center. As the redevelopment is closer to completion, MidPen Resident Services will conduct a thorough community assessment to ensure the services provided on-site are complimentary to those already offered in the City.

¹ Resource Development Associates, "Eastern Alameda County Human Services Needs Assessment", 2012, 62

DEVELOPMENT APPROACH ONE

DEVELOPMENT APPROACH: OPTION ONE

Development Approach One looks at the possibility of rehabilitating some of the existing single story units and adding a newly constructed multi-story building on the Kottinger Place site only. While retaining the existing configuration of single-story units naturally retains some of the site character, it limits the ability to provide additional affordable homes. After evaluating the cost of rehabilitating single-story units in comparison to building new single story units, and analyzing the features critical to retaining the character of the site, the Task Force focused on Approach 2 and 3. The description and analysis below are a summary of that work and decision.

EXISTING SITE PLAN



Kottinger Place's 50 existing single-story units are distributed throughout the 3.3 acre site in clusters. Their covered patios face out to shared, landscaped courtyards. A series of winding pathways connect the units, central lawn, entrance, and community building that contains a community room, common laundry room, and property management office. The relationship between the covered patios, courtyards, and pathways contributes greatly to the character of Kottinger Place. The analysis of this relationship, and guidance provided by the Task Force as a result of it, is provided in the Landscaping and Open Space discussion in the *Fundamental Development Characteristics* section.

The Task Force has recognized, and honored, the success of Kottinger's site plan in its second objective – to retain the existing character of the site through the inclusion of cottages and open space. However, keeping the cottage units as they are now restricts the Task Force's ability to achieve their first and third objectives - to increase the amount of affordable senior housing in Pleasanton, and to achieve financial efficiency and sustainability.

PROVIDING MORE AFFORDABLE LIVING OPPORTUNITIES FOR SENIORS



Development Approach 1 retains and rehabilitates 39 existing units while adding 61-71 new units in a multi-story building.

The rehabilitated single-story units would remain in their current location and size, in the southern and western portions of the site. Development Approach 1 is the only approach that includes studio units, at approximately 500 sf. In Approach 2 and 3 the studios are replaced by new 1BR units in response to feedback from residents that studio units do not meet their needs. The condition of the existing units and the cost to rehabilitate them to meet residents' accessibility needs are addressed in Evaluation of Existing Kottinger Place Units below. The new, multi-story building would be located on the site's northern portion, away from the single-family residences on Kottinger Drive. This building would contain 61-71 new construction units that would be fully accessible 1 and 2 bedrooms

units. The common courtyards between the single-story units and much of the pathways would remain as they are now.

PROPOSED UNIT MIX

97-107 Affordable Senior Homes

Quantity	Unit Type	Size	Building Type
23	Studio	500 sf	Single-story
13	One-Bedroom	600 sf	Single-story
51-61	One-Bedroom	630 sf	Multi-story
10	Two-Bedroom	880 sf	Multi-story

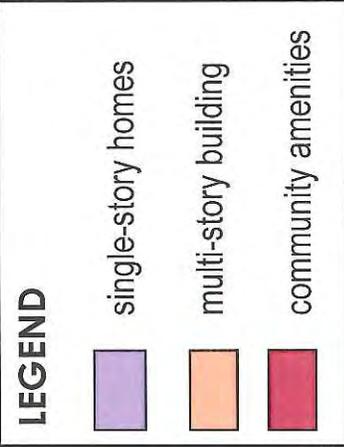
PROPOSED SITE PLAN

The proposed site plan, as described in the Fundamental Development Characteristics, follows this page.

DEVELOPMENT APPROACH ONE

97-107 Homes

- 36 single-story, rehabilitation of existing homes
- 61-71 multi-story new construction



EVALUATION OF EXISTING KOTTINGER PLACE UNITS

The Kottinger Place units were built in 1972. In order to evaluate their current condition and the work to bring them up to current standards, MidPen commissioned a third party Physical Needs Assessment (PNA), and engaged a regional general contractor to provide a cost estimate based on the PNA and site visits. While the units could be rehabilitated, they are functionally obsolete as senior housing, primarily due to their layout and outdated major systems. As a result, the required rehabilitation would be extensive, essentially equivalent to the cost to build new, fully accessible, one-bedroom, single-story units.

In February 2012, Integrated Property Analysis, Inc. conducted a Lead-Based Paint Assessment, Asbestos Testing, and a Physical Needs Assessment (PNA) on the existing Kottinger Place structures. The Lead-Based Paint Assessment concluded that lead was not present in painted surfaces, but may be present in some of the tile or tile glazing in the bathrooms. As long as the tile stays intact, this should not pose a problem for residents. As is expected in a property of this age, asbestos containing materials were found in interior and exterior walls throughout the property. According to the report, the insulation in the community building is damaged and poses the greatest risk for asbestos exposure. The PNA evaluated the physical structure, building architecture, mechanical and electrical systems, dwelling units, and existing accessibility improvements. The PNA concluded that the exterior and interior of the property appear to be in average condition.

The PNA, however, did not take the accessibility requirements under the Americans with Disabilities Act (ADA) into account. Over time, and on an as needed basis, many of the units have been retrofitted with wheelchair ramps at the thresholds. The slope of these ramps, however, exceeds the 8.33% maximum allowed by ADA guidelines. The same is true for certain accommodations made in the three designated accessible units (units 15, 19, 31), which were primarily adapted to provide wheelchair clearance in the kitchens and bathrooms. For example, the door clearances in unit 31 do not comply with ADA guidelines.

Given resident feedback during the resident interviews, and the Task Force's goal to provide accessible units, the rehabilitation scope of the units must include adapting every unit to be fully-accessible and ADA-compliant. Each unit would need to be reconfigured and rebuilt from the studs. It would not address the frequently heard resident desire for fewer studio units (there are currently 32) and more one-bedroom units.

REGARDING PLEASANTON GARDENS

During the last several months, MidPen has met with the Pleasanton Gardens Executive Committee and Board of Directors to discuss their potential participation in the redevelopment. In its letter dated July 31, 2012 ([Appendix G](#)), Pleasanton Gardens indicated its desire to redevelop its site at the same time as Kottinger Place in order to provide quality homes and services to low-income seniors for another 40+ years.

Given the Pleasanton Gardens Board's desire to redevelop their own site, it is assumed that the Pleasanton Gardens land and financial resources would be used in conjunction with a plan that includes the redevelopment of Pleasanton Gardens. Since Development Approach 1 does not include the redevelopment of Pleasanton Gardens, it is assumed that Pleasanton Gardens would not have a role in Development Approach 1.

LONG-TERM FINANCIAL SUSTAINABILITY

In July 2012, the Task Force reviewed the financial efficiency of rehabilitation versus new construction of the single-story component, and concluded that rehabilitation did not meet the objective of financial efficiency and sustainability, and limited the ability to achieve the objective of increasing the affordable senior housing in Pleasanton.

The proposed financing reviewed by the Task Force is included below. As with the other development approach financing structures, Development Approach 1 was structured to maximize the use of available funding sources and minimize the City's financial contribution. This structure would create a high-quality development that could be successfully financed and operated for long-term success.

The proposed Development Budget and Operating Budget for Development Approach 1 are detailed on the following pages. Each Budget is provided for the lower and upper end of the range of 97-107 homes on Kottinger Place:

DEVELOPMENT BUDGET: SOURCES & USES

Development Approach: Option 1 – lower end of range

97 affordable senior homes through the new construction of 61 homes and rehabilitation of 36 existing homes

<u>Sources</u>	<u>Total</u>	<u>Per Unit</u>
Donated Land Value	\$6,621,120	\$68,258
Conventional Bank Permanent Loan	\$2,150,187	\$22,166
County of Alameda HOME	\$400,000	\$4,123
Federal Home Loan Bank Affordable Housing Program	\$1,000,000	\$10,309
9% Tax Credit Equity	\$22,656,605	\$233,573
City of Pleasanton	\$4,111,550	\$42,387
TOTAL	\$36,939,461	\$380,819

<u>Uses</u>	<u>Total</u>	<u>Per Unit</u>
Acquisition	\$6,621,120	\$68,258
Hard Costs	\$16,792,201	\$173,115
Architectural & Engineering	\$2,607,000	\$26,876
Local Permits & Fees	\$2,054,012	\$21,175
Construction Loan Interest & Fees	\$1,828,014	\$18,845
Relocation	\$383,000	\$3,948
Other Soft Costs (Reserves, Legal, Developer Fee, Marketing, Perm. Financing)	\$6,654,114	\$68,599
TOTAL	\$36,939,461	\$380,819

Development Approach: Option 1 – upper end of range

107 affordable senior homes through the new construction of 61 homes and rehabilitation of 36 existing homes

<u>Sources</u>	<u>Total</u>	<u>Per Unit</u>
Donated Land Value	\$6,621,120	\$61,879
Conventional Bank Permanent Loan	\$2,319,919	\$21,681
County of Alameda HOME	\$400,000	\$3,738
Federal Home Loan Bank Affordable Housing Program	\$1,000,000	\$9,345
9% Tax Credit Equity	\$23,641,485	\$220,948
City of Pleasanton	\$4,815,478	\$45,004
TOTAL	\$38,898,002	\$363,532

<u>Uses</u>	<u>Total</u>	<u>Per Unit</u>
Acquisition	\$6,621,120	\$61,879
Hard Costs	\$19,521,046	\$182,439
Architectural & Engineering	\$2,607,000	\$24,364
Local Permits & Fees	\$2,358,502	\$22,042
Construction Loan Interest & Fees	\$1,950,209	\$18,226
Relocation	\$383,000	\$3,579
Other Soft Costs (Reserves, Legal, Developer Fee, Marketing, Perm. Financing)	\$5,457,125	\$51,001
TOTAL	\$38,898,002	\$363,532

OPERATING BUDGET: ANNUAL INCOME & EXPENSES

Development Approach: Option 1 – lower end of range

97 affordable senior homes through the new construction of 61 homes and rehabilitation of 36 existing homes

<u>Income</u>	<u>Total</u>	<u>Per Unit</u>
Annual Tenant Rents	\$806,448	\$8,313
Annual HUD Rental Subsidy Assistance	\$243,168	\$2,506
TOTAL	\$1,049,616	\$10,820
<u>Expenses</u>	<u>Total</u>	<u>Per Unit</u>
On-Site Management Payroll	\$127,185	\$1,311
Administrative	\$132,781	\$1,368
On-Site Resident Services Payroll & Programming	\$100,000	\$1,030
Utilities	\$86,004	\$886
Supplies	\$29,065	\$299
Maintenance Contracts	\$80,140	\$826
SUB-TOTAL	\$554,937	\$5,721
Debt Service	\$242,508	\$2,500
CASH FLOW AVAILABLE FOR DISTRIBUTION*	\$252,171	\$2,599

Development Approach: Option 1 – upper end of range

107 affordable senior homes through the new construction of 61 homes and rehabilitation of 36 existing homes

<u>Income</u>	<u>Total</u>	<u>Per Unit</u>
Annual Tenant Rents	\$887,568	\$8,295
Annual HUD Rental Subsidy Assistance	\$243,168	\$2,272
TOTAL	\$1,130,736	\$10,567
<u>Expenses</u>	<u>Total</u>	<u>Per Unit</u>
On-Site Management/Payroll	\$127,185	\$1,188
Administrative	\$143,511	\$1,341
On-Site Resident Services Payroll & Programming	\$109,000	\$1,018
Utilities	\$89,033	\$832
Supplies	\$35,065	\$327
Maintenance Contracts	\$93,140	\$870
SUB-TOTAL	\$596,714	\$5,576
Debt Service	\$242,508	\$2,266
CASH FLOW AVAILABLE FOR DISTRIBUTION*	\$291,514	\$2,724

*Available cash flow distributions include a fee to the limited partner and general partner for asset management responsibilities and repayment of the City and County loans.

PROPOSED PHASING PLAN & RELOCATION

If Development Approach 1 is pursued, the first phase of construction would be the new construction of a 61-71-unit multi-story building on the northern portion of the site. The second phase would be the rehabilitation of the remaining 39 single-story units.

For the first phase, half of the land needed to construct the multi-story building and its parking is either currently vacant (Vineyard Avenue parcel) or part of the Regalia House site. Constructing this building first minimizes the number of households that would need to be relocated during construction. The other half of the land would require the vacation of 14 units.

Typically, MidPen works with a property's management company to hold units vacant as residents move out, with the goal of creating the necessary number of vacancies, and eliminating the need for relocation during construction. If necessary, up to 14 existing households will be relocated off-site during the construction period. Given the off-site relocation, these households will receive assistance finding a replacement home and relocation benefits. Each household would receive a tenant protection voucher from HUD toward their rent payment. The monetary assistance from the project would be the gap payment, which is essentially the difference between the subsidy from HUD and the rent at their new apartment. According to relocation law, the tenants must be relocated to a comparable unit, which in this case will likely be a one-bedroom apartment in the City of Pleasanton. MidPen's relocation consultant would help each household find a new apartment, and make sure it meets with the resident's approval. Upon completion of phase one, the relocated households will receive first priority to move back to Kottinger Place.

The multi-story building will provide all of the replacement housing units for the current households (up to 14 households relocated for the first phase and 36 households which will move from the single-story units). Upon completion, all residents would move into the multi-story building, emptying the single-story units and readying them for rehabilitation. All residents will receive moving assistance. The project will pay for all moving costs, and residents will receive help with setting up their utilities once the move occurs. Resources available to residents during the relocation process are described in Fundamental Development Characteristics.

Constant communication with each resident will guarantee that relocation is handled thoughtfully. The successful protocol MidPen has created and its experience with the relocation of senior households demonstrates a commitment to ensuring the relocation process will cause the least amount of disruption in the lives of the senior residents as possible.

ON-SITE STAFFING

In order to provide comprehensive on-site resident services, MidPen Resident Services proposes to staff the project with one full-time Senior Services Manager who will be responsible for coordinating on-site service delivery and provide much of the direct programming. The Senior Services Manager, supervised by MidPen's Senior Services Program Director, will



conduct initial resident outreach to determine the specific programming needs.

MidPen Property Management would staff the property with 1 full-time manager, 1 full-time assistant manager, 1 full-time maintenance technician, and 1 on-site resident manager available during evenings and weekends. This staffing level will ensure the property remains in exceptional condition, residents' needs are met, and the property continues to be a good neighbor and important part of the Pleasanton community.

Services and Property Management are further described in Fundamental Development Characteristics.

DEVELOPMENT APPROACH TWO

DEVELOPMENT APPROACH: OPTION TWO

Development Approach Two proposes all new construction of single-story and multistory buildings at Kottinger Place and Pleasanton Gardens to provide a total of 172-189 homes. This development approach achieves the greatest financial efficiency and creates the most homes. As detailed in the Fundamental Development Characteristics, the site plan retains the character of the site through the inclusion of cottages and the treatment of open space.

PROVIDING MORE AFFORDABLE LIVING OPPORTUNITIES FOR SENIORS

In Development Approach Two, the Kottinger Place site provides 120-130 new construction units in single and multi-story buildings, and the Pleasanton Gardens site provides 52-59 new construction units in single and multi-story buildings for a total of 172-189 units. Development Approach Two best meets the Task Force objective of increasing the amount of affordable senior housing in Pleasanton. This Approach responds to the overwhelming need for affordable senior housing in Pleasanton. At present, the Kottinger Place waiting list has over 85 applicants, and the Property Administrator receives about 20 calls daily from households looking for housing. The Pleasanton Gardens waiting list reopened in October 2011, and during a one-month period, the property received over 60 interested applicants. Both waitlists are currently closed.

PHYSICALLY CONNECTING THE TWO SITES

In response to Task Force guidance, and strong desire for a cohesive community across the two sites, the site plan connects the sites by linking their pedestrian circulation and creating a common visual language. The Task Force is particularly interested in traffic calming measures that would allow residents to cross Kottinger Drive safely and confidently. While the final features and design need to be developed in collaboration with the Department of Public Works, traffic calming measures might include constructing one bulb out in the sidewalk on the Kottinger Place side of Kottinger Drive and another directly across from it on the Pleasanton Gardens side. These would provide a way to draw attention to the crosswalk between the two sites. The crosswalk will align with a landscaped path to Kottinger Park, allowing the crosswalk and path to become shared circulation for both sites. With pedestrian entries to both sites, it will be safer and more pleasant for residents to go between sites visiting with neighbors and enjoying shared indoor and outdoor amenities.

The two sites will also share architectural features and common landscaping particularly along the perimeters, within the gardens, and other outdoor common areas. The Task Force's vision for Development Approach Two includes a new, shared name for the combined development to further unify residents.

PROPOSED UNIT MIX

172-189 Affordable Senior Homes

Quantity	Unit Type	Approx. Size	Building Type
77	One-Bedroom	630 sf	Single-story
6	Two-Bedroom	880 sf	Single-story
80-93	One-Bedroom	630 sf	Multi-story
9-13	Two-Bedroom	880 sf	Multi-story

PROPOSED SITE PLAN

The proposed site plan, as described in the Fundamental Development Characteristics, follows this page.

DEVELOPMENT APPROACH TWO
172-189 Homes

- 83 single-story, new construction (59 on Kottinger Place and 24 on Pleasanton Gardens)
- 89-106 multi-story, new construction (61-71 on Kottinger Place and 28-35 on Pleasanton Gardens)



LEGEND	
	single-story homes
	multi-story building
	community amenities

REGARDING PLEASANTON GARDENS

During the last several months, MidPen has met with the Pleasanton Gardens Executive Committee and Board of Directors to discuss their potential participation in the redevelopment. In its letter dated July 31, 2012 (**Appendix G**), Pleasanton Gardens indicated its desire to redevelop its site at the same time as Kottinger Place in order to provide quality homes and services to low-income seniors for another 40+ years.

Given this decision, Development Approach Two fully incorporates Pleasanton Gardens, leveraging both their site and financial resources into the new development. This directly contributes to meeting the Task Forces' objectives by increasing the number of new affordable senior home, and achieving greater financial efficiency as detailed below.

EXISTING PLEASANTON GARDENS HUD RENTAL SUBSIDY

One of the major contributions Pleasanton Gardens makes to the new community is transfer of their existing Project-Based Section 8 Housing Assistance Payment (HAP) Contract. This contract, which is set to expire in 2014, currently covers 32 of the 40 units. To take advantage of this rental subsidy and leverage conventional debt, Pleasanton Gardens would need to renew the HAP Contract for a new 20-year term in 2014. The Pleasanton Gardens Board is aware and intends to do this, and MidPen has offered to assist them in whatever way necessary. The Project-based Section 8 Contract would then be transferred to the first phase, which will occur on the Kottinger Place site. Congress recently gave HUD authorization to approve transfers of project-based rental assistance from one multi-family development to another under the following conditions:

1. Transferring projects must be demonstrably obsolete or economically non-viable.
2. Receiving projects must meet or exceed HUD's physical standards.
3. Tenants living in the transferring project who are eligible to continue their assistance in the receiving project are entitle to remain in their homes until their homes in the receiving project are ready.

Development Approach Two will easily meet these conditions, allowing the new development to take advantage of the rental subsidy once it is renewed.

LONG-TERM FINANCIAL SUSTAINABILITY

The proposed financing for Development Option Two was structured to maximize the use of available funding sources and minimize the City's financial contribution. MidPen is confident this will result in the creation of a high-quality development that can be successfully financed and efficiently operated for long-term success.

The proposed financing structure is detailed below and provides a range of 172-189 homes on Kottinger Place and Pleasanton Gardens:

DEVELOPMENT BUDGET: SOURCES & USES

Development Approach: Option 2 – lower end of range

172 affordable senior homes spread out between Kottinger Place and Pleasanton Gardens

<u>Sources</u>	<u>Total</u>	<u>Per Unit</u>
Donated Land Value	\$10,088,496	\$58,654
Conventional Bank Permanent Loan	\$3,606,720	\$20,969
County of Alameda HOME	\$400,000	\$2,325
Federal Home Loan Bank Affordable Housing Program	\$1,000,000	\$5,813
9% Tax Credit Equity	\$35,537,706	\$206,614
City of Pleasanton	\$7,196,258	\$41,838
TOTAL	\$58,739,280	\$341,507

<u>Uses</u>	<u>Total</u>	<u>Per Unit</u>
Acquisition	\$10,088,496	\$58,654
Hard Costs	\$31,311,867	\$182,045
Architectural & Engineering	\$2,843,730	\$16,533
Local Permits & Fees	\$3,272,638	\$19,026
Construction Loan Interest & Fees	\$3,667,421	\$21,322
Relocation	\$1,062,250	\$6,175
Other Soft Costs (Reserves, Legal, Developer Fee, Marketing, Perm. Financing)	\$6,492,878	\$37,749
TOTAL	\$58,739,280	\$341,507

Development Approach: Option 2 – upper end of range

189 affordable senior homes spread out between Kottinger Place and Pleasanton Gardens

<u>Sources</u>	<u>Total</u>	<u>Per Unit</u>
Donated Land Value	\$10,088,496	\$53,378
Conventional Bank Permanent Loan	\$3,800,809	\$20,110
County of Alameda HOME	\$400,000	\$2,116
Federal Home Loan Bank Affordable Housing Program	\$1,000,000	\$5,291
9% Tax Credit Equity	\$37,382,548	\$197,791
City of Pleasanton	\$8,176,963	\$43,280
TOTAL	\$61,858,516	\$327,293

<u>Uses</u>	<u>Total</u>	<u>Per Unit</u>
Acquisition	\$10,088,496	\$53,378
Hard Costs	\$33,589,264	\$177,720
Architectural & Engineering	\$2,871,660	\$15,193
Local Permits & Fees	\$3,782,111	\$20,011
Construction Loan Interest & Fees	\$3,885,773	\$20,559
Relocation	\$1,062,250	\$5,620
Other Soft Costs (Reserves, Legal, Developer Fee, Marketing, Perm. Financing)	\$6,578,962	\$51,001
TOTAL	\$61,858,516	\$327,293

OPERATING BUDGET: ANNUAL INCOME & EXPENSES

Development Approach: Option 2 – lower end of range

172 affordable senior homes spread out between Kottinger Place and Pleasanton Gardens

<u>Income</u>	<u>Total</u>	<u>Per Unit</u>
Annual Tenant Rents	\$1,318,176	\$7,663
Annual HUD Rental Subsidy Assistance	\$405,600	\$2,358
TOTAL	\$1,723,776	\$10,021
<u>Expenses</u>	<u>Total</u>	<u>Per Unit</u>
On-Site Management Payroll	\$333,508	\$1,939
Administrative	\$199,176	\$1,158
On-Site Resident Services Payroll & Programming	\$159,000	\$924
Utilities	\$120,000	\$697
Supplies	\$48,768	\$283
Maintenance Contracts	\$114,712	\$666
SUB-TOTAL	\$975,164	\$5,669
Debt Service	\$377,021	\$2,500
CASH FLOW AVAILABLE FOR DISTRIBUTION*	\$371,591	\$2,160

Development Approach: Option 2 – upper end of range

189 affordable senior homes spread out between Kottinger Place and Pleasanton Gardens

<u>Income</u>	<u>Total</u>	<u>Per Unit</u>
Annual Tenant Rents	\$1,469,400	\$7,774
Annual HUD Rental Subsidy Assistance	\$405,600	\$2,146
TOTAL	\$1,875,000	\$9,920
<u>Expenses</u>	<u>Total</u>	<u>Per Unit</u>
On-Site Management Payroll	\$333,508	\$1,764
Administrative	\$216,176	\$1,143
On-Site Resident Services Payroll & Programming	\$159,000	\$841
Utilities	\$125,000	\$661
Supplies	\$53,768	\$284
Maintenance Contracts	\$114,712	\$606
SUB-TOTAL	\$1,001,511	\$5,299
Debt Service	\$377,021	\$1,994
CASH FLOW AVAILABLE FOR DISTRIBUTION*	\$501,898	\$2,655

*Available cash flow distributions include a fee to the limited partner and general partner for asset management responsibilities and repayment of the City and County loans.

PROPOSED PHASING PLAN & RELOCATION

In Development Approach Two, the first phase will be the new construction of a 61-71-unit multi-story building on the northern portion of the Kottinger Place site and, subsequently, the new construction of 30 single-story homes on the site's eastern side. The second phase will be the new construction of 28 single-story homes on Kottinger Place, 24 single-story homes on Pleasanton Gardens, and 28 homes in a multi-story building on Pleasanton Gardens. The proposed 26-month construction schedule for Phase I allows for construction of the multi-story building during the first 14 months followed by the single-story homes during the second year. The following page includes a graphic depiction of the phasing plan.

Phase 1 has two components, or sub-phases: first the multi-story building will be constructed, second the new single-story units will be constructed. The vacant Vineyard Avenue parcel and Regalia House site provide half of the land necessary for the multi-story building and associated parking. To create the remaining required land, 14 units need to be vacated. Constructing this building first minimizes the number of households that would need to be relocated during construction. When the multi-story building is complete, it will provide enough units (90+) for all of the Kottinger and Pleasanton Gardens residents to move into its new units. The second sub-phase of Phase 1 (30 single-story units) can then begin construction. Phase 2, on the remainder of Kottinger Place and all of Pleasanton Gardens will also be able to begin construction at this point.

When a relatively small number of units need to be vacated, as in the case of Phase 1, MidPen typically works with a property's management company to hold units vacant as residents move out, with the goal of creating the necessary number of vacancies, and eliminating the need for relocation during construction. If necessary, up to 14 existing households will be relocated off-site during the construction period. Given the off-site relocation, these households will receive assistance finding a replacement home and relocation benefits. Each household would receive a tenant protection voucher from HUD toward their rent payment. The monetary assistance from the project would be the gap payment, which is essentially the difference between the subsidy from HUD and the rent at their new apartment. According to relocation law, the tenants must be relocated to a comparable unit, which in this case will likely be a one-bedroom apartment in the City of Pleasanton. MidPen's relocation consultant would help each household find a new apartment, and make sure it meets with the resident's approval. Upon completion of phase one, the relocated households will receive first priority to move back to Kottinger Place.

Throughout the construction process, including on-site moves to facilitate phasing, all residents will receive moving assistance. The project will pay for all moving costs, and residents will receive help with setting up their utilities once the move occurs.

Constant communication with each resident ensures that relocation is handled thoughtfully. MidPen is committed to creating a relocation process will cause the least amount of disruption in the lives of the senior residents as possible. MidPen's successful experience with relocating senior households is built on, and the basis for, the protocols, individualized attention, in-house and third party expertise that it brings to each relocation process.

DEVELOPMENT APPROACH: OPTION 2 – CONSTRUCTION PHASING PLAN



LEGEND	
	single-story homes
	multi-story building
	community amenities
	Phase 1 – part a
	Phase 1 – part b
	Phase 2

ON-SITE STAFFING

In order to provide comprehensive on-site resident services at both sites, MidPen Resident Services proposes to staff the project with one full-time Senior Services Manager at the Kottinger Place site and one full-time Senior Services Manager at the Pleasanton Gardens site. Under the supervision of MidPen's Senior Services Program Director, the Services Managers will work together to coordinate on-site service delivery and provide much of the direct programming. Programming will encourage residents living on each site to take advantage of opportunities at both locations. The initial resident outreach and community-building activities will help assess the best ways to connect residents and address specific individual needs.



MidPen Property Management will have a staff presence on both sites. There will be one full-time manager, two full-time assistant managers, one full-time maintenance technician, and two on-site resident managers (one for each site) available during evenings and weekends. This staffing level will ensure both sites remains in exceptional condition, residents' needs are met, and the development continues to be a good neighbor and important part of the Pleasanton community.

DEVELOPMENT APPROACH THREE

DEVELOPMENT APPROACH: OPTION THREE

Development Approach Three proposes all new construction on the Kottinger Place site only. The site plan and phasing consist of the Kottinger Place portions of Development Approach Two. The exclusion of Pleasanton Gardens' site and financial resources, diminishes the financial efficiency and overall increase in affordable senior housing.

PROVIDING MORE AFFORDABLE LIVING OPPORTUNITIES FOR SENIORS

Development Approach Three provides 120-130 new units on the Kottinger Place site in single-story homes and a multi-story building. Development Approach Three provides more single-story homes than Development Approach One, due to a more efficient unit layout and unit placement on the site.



PROPOSED UNIT MIX

120-130 Affordable Senior Homes

Quantity	Unit Type	Approx. Size	Building Type
56	One-Bedroom	630 sf	Single-story
3	Two-Bedroom	880 sf	Single-story
54-61	One-Bedroom	630 sf	Multi-story
7-10	Two-Bedroom	880 sf	Multi-story

PROPOSED SITE PLAN

The proposed site plan, as described in the Fundamental Development Characteristics, follows this page.

DEVELOPMENT APPROACH THREE
120-130 Homes

- 59 single-story new construction
- 61-71 multi-story new construction



LEGEND

	single-story homes
	multi-story building
	community amenities

REGARDING PLEASANTON GARDENS

During the last several months, MidPen has met with the Pleasanton Gardens Executive Committee and Board of Directors to discuss their potential participation in the redevelopment. In its letter dated July 31, 2012 (**Appendix G**), Pleasanton Gardens indicated its desire to redevelop its site at the same time as Kottinger Place in order to provide quality homes and services to low-income seniors for another 40+ years.

Given the Pleasanton Gardens Board's desire to redevelop their own site, it is assumed that the Pleasanton Gardens land and financial resources would only be used in conjunction with a plan that includes the redevelopment of Pleasanton Gardens. Since it does not include the redevelopment of Pleasanton Gardens, it is assumed that Pleasanton Gardens would not have a role in Development Approach Three.

LONG-TERM FINANCIAL SUSTAINABILITY

The proposed financing for Development Option Three was structured to maximize the use of available funding sources and minimize the City's financial contribution. MidPen is confident this will result in the creation of a high-quality development that can be successfully financed and efficiently operated for long-term success.

The proposed financing structure is detailed on the following pages and provides a range of 120-130 homes on Kottinger Place:

DEVELOPMENT BUDGET: SOURCES & USES

Development Approach: Option 3 – lower end of range

120 affordable senior homes through the new construction of a multi-story building and single-story buildings

<u>Sources</u>	<u>Total</u>	<u>Per Unit</u>
Donated Land Value	\$6,621,120	\$55,176
Conventional Bank Permanent Loan	\$2,050,139	\$17,084
County of Alameda HOME	\$400,000	\$3,333
Federal Home Loan Bank Affordable Housing Program	\$1,000,000	\$8,333
9% Tax Credit Equity	\$25,370,833	\$211,423
City of Pleasanton	\$5,743,796	\$47,864
TOTAL	\$41,385,887	\$344,882

<u>Uses</u>	<u>Total</u>	<u>Per Unit</u>
Acquisition	\$6,621,120	\$55,176
Hard Costs	\$21,455,677	\$178,797
Architectural & Engineering	\$2,607,000	\$21,725
Local Permits & Fees	\$2,192,182	\$18,268
Construction Loan Interest & Fees	\$1,898,791	\$15,823
Relocation	\$680,000	\$5,666
Other Soft Costs (Reserves, Legal, Developer Fee, Marketing, Perm. Financing)	\$5,931,117	\$49,425
TOTAL	\$41,385,887	\$344,882

Development Approach: Option 3 – upper end of range

130 affordable senior homes through the new construction of a multi-story building and single-story buildings

<u>Sources</u>	<u>Total</u>	<u>Per Unit</u>
Donated Land Value	\$6,621,120	\$50,931
Conventional Bank Permanent Loan	\$2,129,644	\$16,381
County of Alameda HOME	\$400,000	\$3,076
Federal Home Loan Bank Affordable Housing Program	\$1,000,000	\$7,692
9% Tax Credit Equity	\$26,275,536	\$202,119
City of Pleasanton	\$6,671,748	\$51,321
TOTAL	\$43,398,048	\$333,831

<u>Uses</u>	<u>Total</u>	<u>Per Unit</u>
Acquisition	\$6,621,120	\$50,931
Hard Costs	\$23,084,129	\$177,570
Architectural & Engineering	\$2,607,000	\$20,053
Local Permits & Fees	\$2,502,042	\$19,246
Construction Loan Interest & Fees	\$2,004,794	\$15,421
Relocation	\$1,062,250	\$8,171
Other Soft Costs (Reserves, Legal, Developer Fee, Marketing, Perm. Financing)	\$5,516,713	\$42,436
TOTAL	\$43,398,048	\$333,831

OPERATING BUDGET: ANNUAL INCOME & EXPENSES

Development Approach: Option 3 – lower end of range

120 affordable senior homes through the new construction of a multi-story building and single-story buildings

<u>Income</u>	<u>Total</u>	<u>Per Unit</u>
Annual Tenant Rents	\$939,228	\$7,826
Annual HUD Rental Subsidy Assistance	\$243,168	\$3,463
TOTAL	\$1,182,396	\$11,290
<u>Expenses</u>	<u>Total</u>	<u>Per Unit</u>
On-Site Management Payroll	\$175,305	\$1,460
Administrative	\$132,000	\$1,100
On-Site Resident Services Payroll & Programming	\$115,000	\$958
Utilities	\$89,654	\$747
Supplies	\$30,074	\$250
Maintenance Contracts	\$88,268	\$735
SUB-TOTAL	\$630,105	\$5,250
Debt Service	\$214,307	\$1,785
CASH FLOW AVAILABLE FOR DISTRIBUTION*	\$337,984	\$4,254

Development Approach: Option 3 – upper end of range

130 affordable senior homes through the new construction of a multi-story building and single-story buildings

<u>Income</u>	<u>Total</u>	<u>Per Unit</u>
Annual Tenant Rents	\$1,030,908	\$7,930
Annual HUD Rental Subsidy Assistance	\$243,168	\$2,146
TOTAL	\$1,274,076	\$9,800
<u>Expenses</u>	<u>Total</u>	<u>Per Unit</u>
On-Site Management Payroll	\$175,305	\$1,348
Administrative	\$152,000	\$1,169
On-Site Resident Services Payroll & Programming	\$119,000	\$915
Utilities	\$97,654	\$751
Supplies	\$30,074	\$231
Maintenance Contracts	\$93,268	\$717
SUB-TOTAL	\$667,088	\$5,131
Debt Service	\$214,307	\$1,648
CASH FLOW AVAILABLE FOR DISTRIBUTION*	\$392,681	\$3,020

*Available cash flow distributions include a fee to the limited partner and general partner for asset management responsibilities and repayment of the City and County loans.

PROPOSED PHASING PLAN & RELOCATION

In Development Approach Three, the first phase would be the new construction of a 61-71-unit multi-story building on the northern edge of the site. The second phase will be the new construction of 59 single-story homes on the remainder of the site.

For the first phase, half of the necessary land for the multi-story building and its parking is either currently vacant (Vineyard Avenue parcel) or part of the Regalia House site. Constructing this building first minimizes the number of households that would need to be relocated during construction. The other half of the land would require the vacation of 14 units.

When a relatively small number of units need to be vacated, as in the case of Phase 1, MidPen typically works with a property's management company to hold units vacant as residents move out, with the goal of creating the necessary number of vacancies, and eliminating the need for relocation during construction. If necessary, up to 14 existing households will be relocated off-site during the construction period. Given the off-site relocation, these households will receive assistance finding a replacement home and relocation benefits. Each household would receive a tenant protection voucher from HUD toward their rent payment. The monetary assistance from the project would be the gap payment, which is essentially the difference between the subsidy from HUD and the rent at their new apartment. According to relocation law, the tenants must be relocated to a comparable unit, which in this case will likely be a one-bedroom apartment in the City of Pleasanton. MidPen's relocation consultant would help each household find a new apartment, and make sure it meets with the resident's approval. Upon completion of phase one, the relocated households will receive first priority to move back to Kottinger Place.

Throughout the construction process, including on-site moves to facilitate phasing, all residents will receive moving assistance. The project will pay for all moving costs, and residents will receive help with setting up their utilities once the move occurs.

Constant communication with each resident ensures that relocation is handled thoughtfully. MidPen is committed to creating a relocation process will cause the least amount of disruption in the lives of the senior residents as possible. MidPen's successful experience with relocating senior households is built on, and the basis for, the protocols, individualized attention, in-house and third party expertise that it brings to each relocation process.

ON-SITE STAFFING

In order to provide comprehensive on-site resident services, MidPen Resident Services proposes to staff the project with one full-time Senior Services Manager who will be responsible for coordinating on-site service delivery and provide much of the direct programming. The Senior Services Manager, supervised by MidPen's Senior Services Program Director, will conduct initial resident outreach to determine the specific programming needs.



MidPen Property Management will staff the property with 1 full-time manager, 1 full-time assistant manager, 1 full-time maintenance technician, and 1 on-site resident manager available during evenings and weekends. This staffing level will ensure the property remains in exceptional condition, residents' needs are met, and the property continues to be a good neighbor and important part of the Pleasanton community.

RECOMMENDATION

RECOMMENDATION

The Kottinger Place Task Force clearly understood that developing a final recommendation for the redevelopment of Kottinger Place was going to require careful discussion, consideration, and planning to ensure that the interests of residents, neighbors and the City were taken into account. As a result, the Task Force and MidPen looked in detail at three different development approaches. MidPen and the Task Force met five times over the past 6 months to review the pros and cons of these approaches. During this time, the same core objectives continued to rise to the forefront of discussions. MidPen clarified and verified these objectives with the Task Force, then used these as a lens through which each development approach was evaluated.

These objectives state that any redevelopment of Kottinger Place and Pleasanton Gardens must:

1. Increase the supply of affordable senior housing in Pleasanton
2. Retain the site's existing character, which has been integral to the historical success of the property, through the inclusion of cottages and open space.
3. Achieve financial efficiency and sustainability both in terms of the amount of public subsidy dollars required and in terms of the long term management and service delivery at the property.
4. Respect the existing site context and be a good neighbor to the residents of Kottinger Drive and Vineyard Avenue.

As the planning process unfolded with the Task Force, it became clear that jointly redeveloping Kottinger Place and Pleasanton Gardens, as outlined in Development Approach Two, would best meet these objectives. When the Pleasanton Gardens Board indicated their interest in participating, this confirmed that Development Approach 2 was the best option. At its meeting on September 19, 2012, the Task Force formally recommended pursuing Development Approach 2, with the ability to preserve some flexibility as the planning process continues. Using the Task Force's Objectives as a lens for evaluation highlights the benefits of this Development Approach and provides the background for this recommendation.

1. Increasing the Supply of Affordable Senior Housing In Pleasanton

Currently there are 50 homes at Kottinger Place and 40 homes at Pleasanton Gardens. From a very basic perspective, all of the development approaches essentially achieve this objective by creating some additional, new homes. As highlighted in the chart on the following page, however, Development Approach 2 will create the most new affordable senior homes, best addressing the existing and growing need for senior housing in Pleasanton.

	DEVELOPMENT APPROACH		
	ONE	TWO	THREE
# of rehabbed homes	36	0	0
# of new construction homes	61-71	172-189	120-130
# of single-story homes	36	83	59
# of multi-story building homes	61-71	89-106	61-71
# of homes gained	47-57	82-99	70-80
Total affordable senior homes	97-107	172-189	120-130

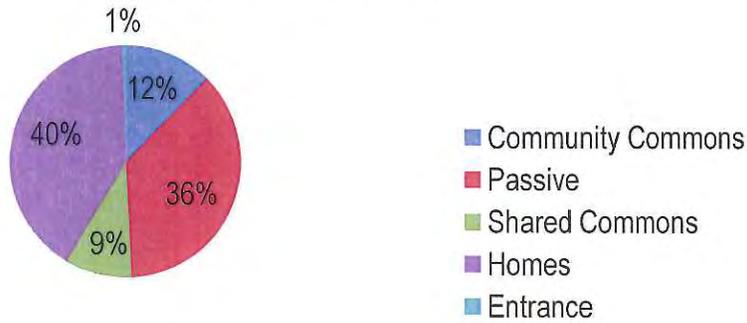
2. Preserve and Retain the Existing Site Character

Through extensive massing studies and in-depth discussion at the Task Force meetings, it became clear that a development approach would only retain the site's character if it incorporated single story cottage homes and created useable open space similar to what exists on site today. As a result, the preferred site plan, included in the Fundamental Development Characteristics section, was developed to include both of these elements. Although the overall amount of open space will decrease, the Task Force took great care to make sure that any proposed development would have a similar feel -- for residents and the community - as the current sites do today.

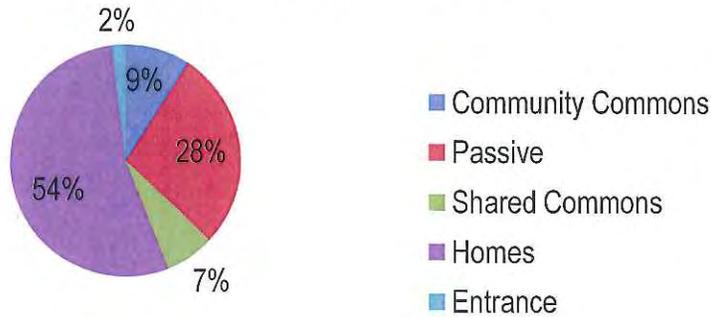
The most essential element to retaining the site's character is the location and treatment of the open space. The existing open space is currently used for community gatherings and gardening, visiting with neighbors in the shared common areas between the homes, and as passive space separating the homes along the perimeter of the sites. The shared common areas and gathering spaces are well used assets that should be emulated. At the same time, there are opportunities to enhance the open space on both sites, especially at the entrances, and to better utilize passive space. As the preferred site plan took shape, MidPen worked to ensure that *each* Development Approach incorporated a similar distribution of open space as is found on the sites today.

The charts on the following page graphically show that the three development approaches have a relatively similar distribution of site area, and compares this distribution to the existing site use. The proposed site plan maintains the community and shared commons, and converts passive, under-utilized space into new homes.

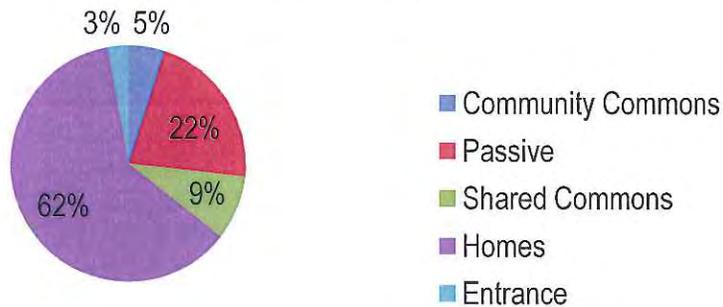
Existing Site Area Distribution



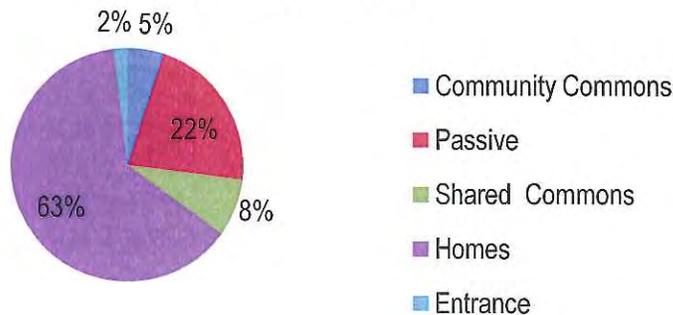
Development Approach 1: Rehabilitation on existing homes and increased density on Kottinger Place site only



Development Approach 2: New construction on Kottinger Place and Pleasanton Gardens



Development Approach 3: New construction on the Kottinger Place site only



3. Achieve Financial Efficiency and Sustainability

Evaluating the total development cost, the amount of City financing required as a one-time loan, and the long-term operating costs are the best ways to determine the most financially efficient and sustainable Development Approach.

There are three key conclusions related to financial efficiency:

1. As the number of homes increase, the *total* development cost *per home* decreases.
2. As the number of homes increase, the *total* City subsidy increases. This is because only the existing homes will receive rental assistance, which is assumed to be transferred to the new project. The net new units, however, are not anticipated to receive the same rental assistance and will be rented at affordable rents without additional assistance. These new units, therefore, do not provide sufficient rental income to support additional permanent debt, thus creating need for additional City subsidy.
3. Incorporating Pleasanton Gardens is a more efficient use of the City subsidy. This is because the City subsidy per home in Development Approach 2 is roughly equivalent, or in the case of Development Approach 3 lower, while providing the most homes. This is because the project is able to leverage the existing rental assistance at Pleasanton Gardens to support additional permanent debt. The City subsidy required per home for Development Approach 2 is \$6,000-8,000 less than Development Approach 3.

For these reasons, Development Approach 2 is the most financially efficient option, particularly from the perspective of maximizing leverage of the City's investment.

	DEVELOPMENT APPROACH		
	ONE	TWO	THREE
Total Development Cost	\$36-38M	\$58-61M	\$41-43M
Total Development Cost Per Home	\$363K-380K	\$327-341K	\$333-344K
City Financing Required	\$4-5M	\$7-8M	\$5-6M
City Financing Per Home	\$42-45K	\$41-43K	\$47-51K

Similarly, there are four key conclusions related to long-term operational sustainability:

1. As the number of homes increase, the Property Management Operating Budget *per home* decreases.
2. As the number of homes increase, the Resident Services Operating Budgets *per home* increase slightly.
3. The project size most efficient from an operating and service provision perspective is at least 145 units. This conclusion is the result of extensive comparison of a number of development programs during the July, 2012 Task Force Meeting, which focused on financing.

4. It is less efficient to operate and maintain two sites as is required in Development Approach 2, assuming that each site has a property management and services presence.

For these reasons, Development Approach 3 is the most efficient strictly from the perspective of long term operating costs. For all three Development Approaches, however, the operating budgets do not greatly impact the overall project financing or City financing needed because the tenant rents are not supporting additional permanent debt, which would reduce the reliance on City financing, and, instead, are only being used to support the operating budget.

	DEVELOPMENT OPTION		
	ONE	TWO	THREE
Annual Property Management Operating Budget	\$554-596K	\$975K-1.01M	\$630-667K
Annual Property Management Operating Budget Per Home	\$5,576-5,721	\$5,299-5,669	\$5,131-5,250
Annual Resident Services Operating Budget	\$100-109K	\$159-181K	\$115-119K
Annual Resident Services Operating Budget Per Home	\$1,018-1,030	\$924-957	\$915-958
City Financing Required	\$4-5M	\$7-8M	\$5-6M
City Financing Per Home	\$42-45	\$41-43K	\$47-51K

4. Respect the Neighborhood Context

Kottinger Place and Pleasanton Gardens are important to the surrounding neighborhood, as demonstrated by neighbor participation on the Task Force as well as their attendance at several of the Task Force meetings. During the past several months, the constructive feedback from neighbors and the Task Force significantly informed the site planning. The Development Approaches share the same preferred site plan with the following neighborhood-informed features:

- The multi-story building steps down at certain locations to better fit in with the adjacent single family homes on Kottinger Drive, Vineyard Avenue, Second Street, and to the south of Pleasanton Gardens.
- The existing pedestrian access to Kottinger Park from Kottinger Drive is retained and enhanced with landscaping.
- No fence or gate was added between the Kottinger Place site and Kottinger Park

To better illustrate the extent to which the preferred site plan meets this objective, visual simulations from the different neighborhood views are included here. Much like the discussion about open space availability, each development approach fits in with the existing neighborhood and meets this important Task Force Objective.

Views of Entrance from Vineyard Avenue



Existing



Proposed



Existing



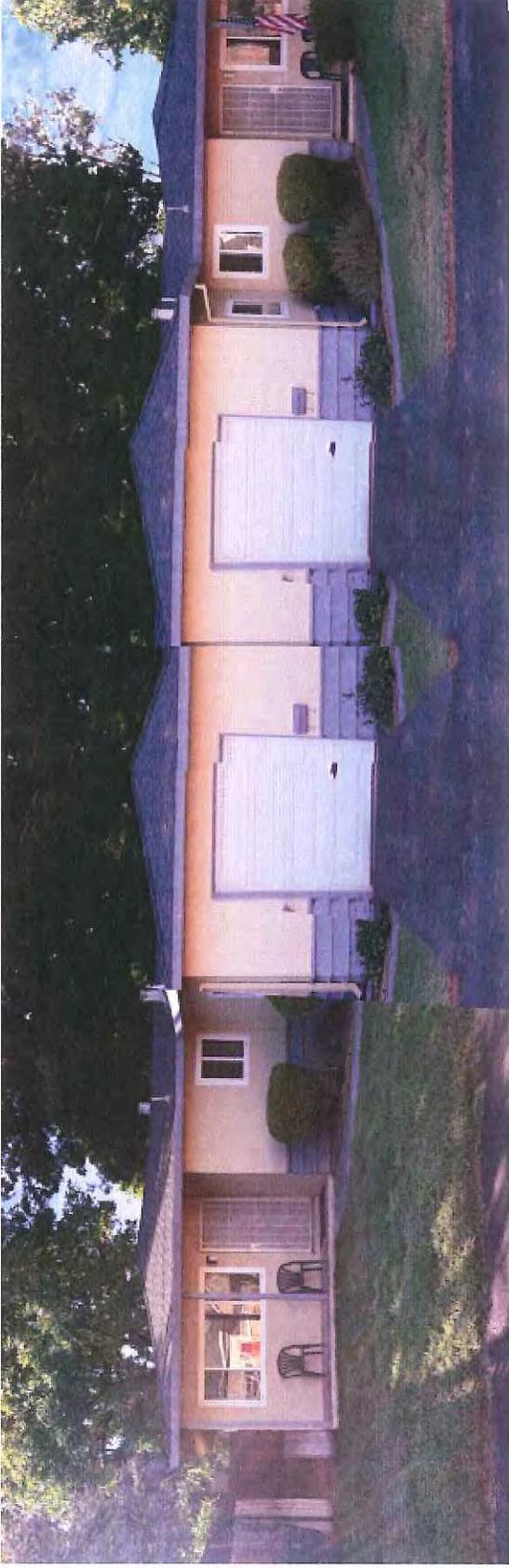
Proposed



View from Vineyard Avenue Neighbors

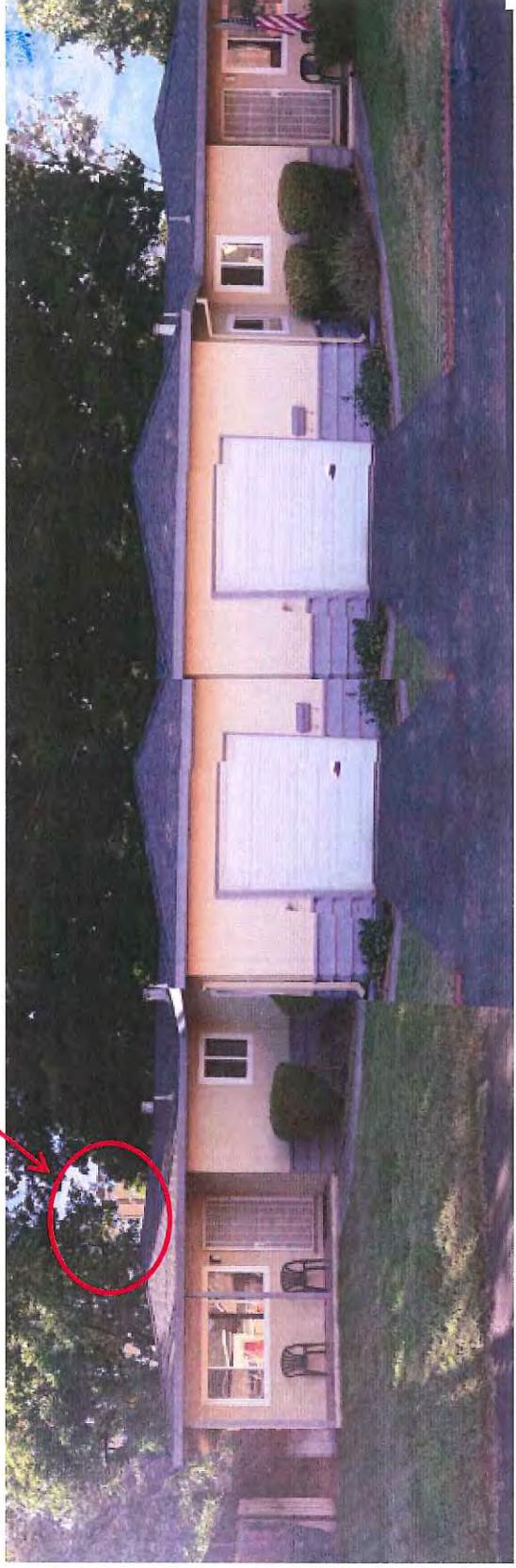


Existing



Proposed

Proposed new multi-story homes



View from Kottinger Park



Existing



Proposed



View from Kottinger Drive Neighbors



Existing



Proposed



View from Kottinger Drive



Existing



Proposed



View of Entrance to Pleasanton Gardens



Existing



Proposed



View from Adjacent Neighbors



Existing



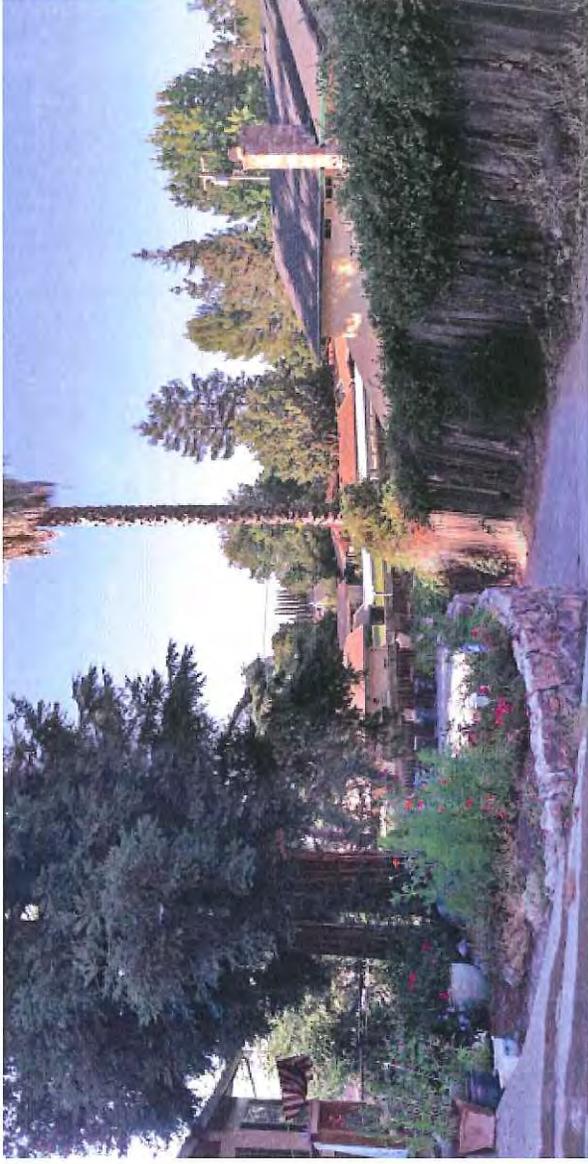
Proposed



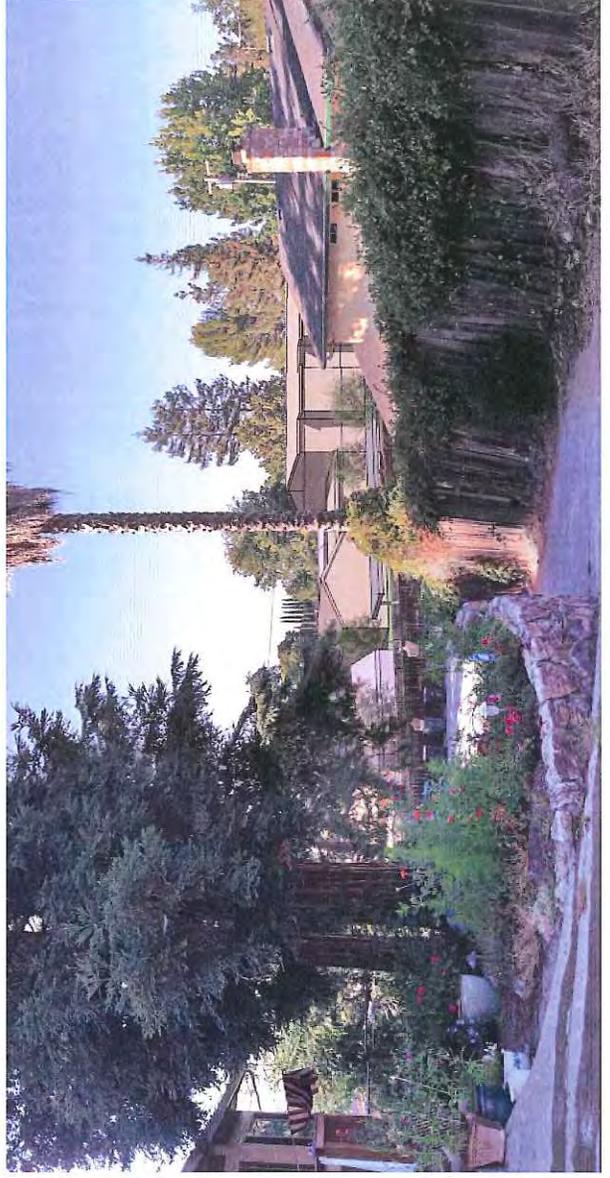
View from Adjacent Neighbors



Existing



Proposed



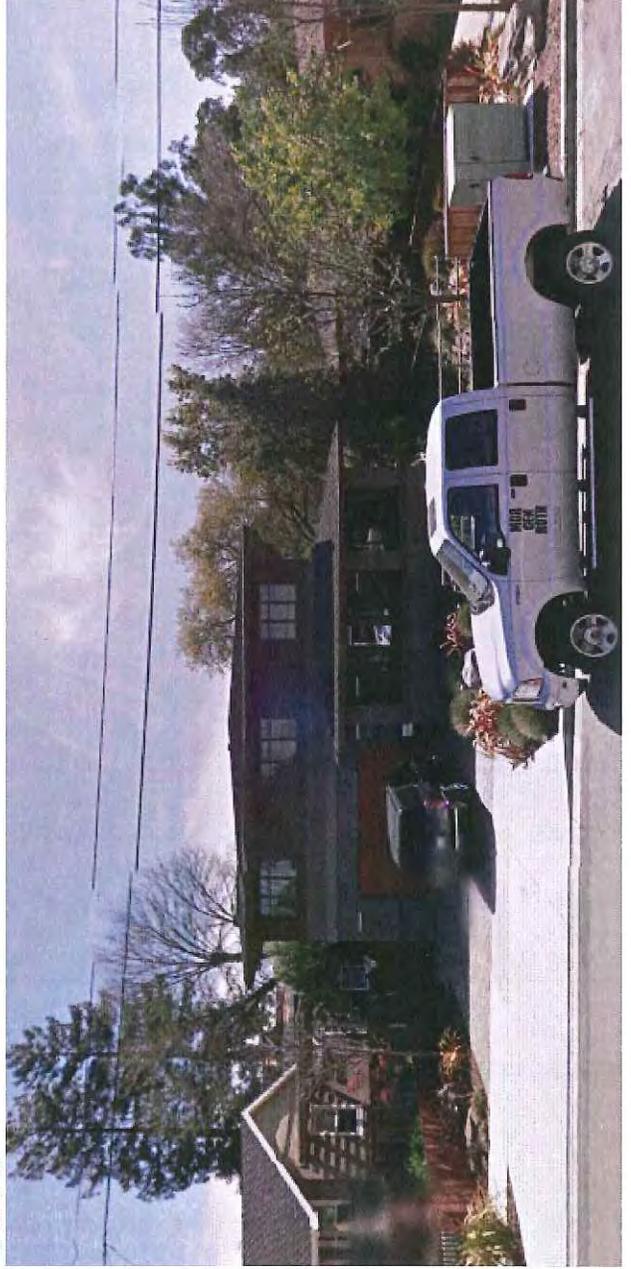
View from Second Street Neighbors



Existing



Proposed



REALIZING A VISION

When the three development approaches are viewed through the lens of the Task Force's Objectives, Development Approach 2 is the preferred approach as it meets every objective in a manner that other approaches do not.

Recommending Development Approach 2 is the result of thoughtful planning on the part of the Task Force, residents, neighbors, Board of Pleasanton Gardens, and City Staff. This planning has created a foundation for moving forward, and the momentum to realize the Task Force's vision to provide additional affordable senior housing opportunities through a carefully conceived site plan and sound financing plan. If this recommendation is supported by the Housing Commission and City Council, MidPen is excited about the opportunity to continue working with these stakeholders as the design is further developed and the financing plans are implemented.

The immediate next steps are outlined below:

1. Hold a joint Kottinger Place and Pleasanton Gardens Resident Meeting to present project concept, give a schedule update, and begin the process of building community between the two properties.
2. Select design teams to carry out the Task Force's Objectives and further develop architectural and landscape design, guided by the Task Force and stakeholder input to date.
3. Schedule design meetings with City Planning, Building, and Fire, and Police Departments to review site planning program and develop a schedule for the entitlement process.
4. Meet with the San Francisco HUD Office and Housing Authority of Alameda County regarding HUD Public Housing Disposition planning.

At this time, if all goes according to plan, MidPen expects the first phase of construction could begin as early as March of 2015. Between now and then, the development plan will be advanced with stakeholder input to guarantee the best outcome for all and, most importantly, for the seniors who live at Kottinger Place and Pleasanton Gardens.

APPENDICES A

Backgrounder/Fact Sheet

April 2012

MidPen Housing was founded in 1970 by a small but influential coalition of Silicon Valley entrepreneurs, Stanford University faculty and other community leaders who were concerned over the lack of affordable housing on the San Francisco Bay Area peninsula. Since then, MidPen has greatly expanded its reach and is one of Northern California's leading non-profit developers and managers of affordable rental housing with a robust and diverse portfolio.

Mission

To provide safe, affordable housing of high quality to those in need; to establish stability and opportunity in the lives of residents; and to foster diverse communities that allow people from all ethnic, social and economic backgrounds to live in dignity, harmony and mutual respect.

Organization

MidPen operates through three distinct companies that work closely together, to manage corporate activities and partnerships:

MidPen Housing Corporation drives all of the development efforts including property acquisition, planning, design, construction, historic renovation and existing property rehabilitation. It also serves as the corporate umbrella and houses all administrative functions: Finance, HR and IT.

MidPen Property Management Corporation provides professional property management for all of our own developments as well as fee-based management for other non-profit affordable housing communities.

MidPen Resident Services Corporation provides and coordinates onsite support programs to help our residents advance which include: computer and vocational training, tutoring and other afterschool programs, financial literacy classes, health and wellness programs and community referrals.

Key Facts

- > Developed or rehabbed over 7,300 affordable homes
- > An additional 1,682 affordable homes are in construction, entitlement or predevelopment
- > Manage 86 properties with a total of nearly 6,300 units providing homes for more than 14,250 Northern California residents
- > Manage affordable real estate assets with a market value worth over \$1 billion
- > Invest \$4 million annually in resident services and partner with 300 service providers
- > 66% of our units house families; 25% house seniors; 6% house single adults (in SRO housing) and 3% serve people with special needs
- > Work in 10 counties: Alameda, Contra Costa, Monterey, Napa, San Mateo, Santa Clara, Santa Cruz, Solano, Yuba and San Benito
- > Have received nearly 100 industry awards and honors for our work
- > Employ over 300 people



Building quality, affordable housing and revitalizing communities for over 40 years.

Leadership Team

Senior Executives

2012 Board of Directors

Mark Battey | *Chairperson*
Managing Director
Miramar Capital

Beth Bartlett | *Vice Chairperson*
Partner
Bartlett Ventures

Paul Staley | *Vice Chairperson*
Independent Real Estate
Consultant and Developer

Therese Freeman | *Treasurer*
Terry Freeman & Associates, LLC
President

Daniel Seubert | *Secretary*
Attorney
Heffeman Seubert & French LLP

Erik Doyle | *Director*
Executive Managing Director
Comish & Carey Commercial
Newmark Knight Frank

Caryn Kali | *Director*
Chief Financial Officer
O'Brien Homes

Darius Kayhan | *Director*
Superintendent
Street Environmental Services
and Urban Forestry
San Francisco Department of
Public Works

Monique Moyer | *Director*
Executive Director
Port of San Francisco - Pier 1

Charles Sandel | *Director*
Global Commercial Council &
Regional General Counsel,
the Americas
Levi Strauss & Co.

Richard Slaton | *Director*
Senior Project Manager
Zcon Builders

Mari Tustin | *Director*
Senior Vice President
The John Stewart Company



Matthew O. Franklin | *President*

Matt joined MidPen as President in 2008. A well-known industry leader, Matt was previously appointed Executive Director of the San Francisco Mayor's Office of Housing where he organized all city housing policy and oversaw the financing for 3,500 new affordable rental units and the compliance monitoring for 24,000 existing affordable units. Matt's previous roles include Director of California's Department of Housing and Community Development where he was the Governor's lead housing policy advisor; Vice President of Emerging Markets for Wells Fargo Home Mortgage; and senior positions at the US Department of Housing and Urban Development (HUD) under President Clinton. In addition to attending the London School of Economics, Matt has a master's of public policy from Harvard University, John F. Kennedy School of Government and a bachelor's in political science from Colgate University.



Deena Soulon | *Vice President and Chief Financial Officer*

Deena has over 20 years of experience in directing corporate financial operations for both high growth non-profit and for-profit organizations. Before joining MidPen in October 2010, Deena was the CFO for the Jewish Community Federation, the nation's largest Jewish philanthropic foundation. She also served in leadership positions with the San Francisco Symphony and with Trammel Crow, a national real estate developer. Deena received executive education from the Stanford Graduate School of Business and holds a bachelor's of accountancy from New Mexico State University.



Richard S. Chapura | *Vice President, Human Resources*

Rick joined MidPen in February 2010. Prior to MidPen, Rick founded and ran Arch Industries, an HR consulting business that provided organizational development consulting and executive coaching for non-profit and for-profit clients. Rick spent sixteen years in HR at Sun Microsystems where his last position was Vice President of Human Resources for the Global Sales Organization. Rick received his bachelor's in business administration with a focus on human resources management from San Jose State University.



Jan M. Lindenthal | *Vice President, Real Estate Development*

Jan has 20 years of experience in community development and affordable housing. Prior to MidPen, Jan was Vice President of Development and Construction at South County Housing where she oversaw production of more than 1,600 affordable housing units at nearly 30 properties, several of which won national awards of excellence. She previously held key roles at the Santa Clara County Housing Authority and the Central New York Planning and Development Board. Jan has a master's from Tufts University Center for Public Service and a bachelor's from Hamilton College.



Kevin Sharps | *Vice President, Resident Services*

Kevin joined MidPen in October 2010 with a nearly 20 year track record of working with special needs populations including those challenged by substance use, mental illness, and homelessness. Prior to MidPen, Kevin was the Director of Housing for Episcopal Community Services of San Francisco. In 2009, he was appointed by San Francisco Mayor Gavin Newsom to serve on the City's Local Homeless Coordinating Board. Kevin received his bachelor's in journalism from the University of Georgia and has a master's of public administration from the University of San Francisco.



Debra Weber Sobek | *Vice President, Property Management*

Deb has extensive experience in property and asset management for both affordable housing and market-rate communities. Prior to joining MidPen, Deb was the top executive for Oakland-based Evans Property Management where she received accolades for stabilizing company operations and increasing operating performance for a portfolio of nearly 8,000 units in five states. She also held senior management titles at other leading property management firms across the nation, and served in the U.S. Military for three years. Deb is a CPM candidate, has a National Affordable Housing Professional designation from NAHMA and sits on the Marin County Housing Board.

MidPen Property Management Corporation

Providing professional property management since 1981

To maintain the award-winning quality of our developments, MidPen Housing established an affiliated management company in 1981. Today, MidPen Property Management Corporation manages nearly 5,700 units at 86 properties from Fairfield to Monterey. We both manage our own properties and offer fee-based management for other owners. Our seasoned leadership team provides extensive experience in all aspects critical to exceptional property management including compliance, operations, training, facility maintenance and community relations.

Being Good Neighbors

MidPen Management strives to ensure that every community we manage benefits both our residents as well as the surrounding neighborhood. With a commitment to hire and train the best, our staff of nearly 200 takes pride in keeping our communities safe, beautiful, and well maintained.

Enhancing Residents' Lives

The property management staff at each of our communities knows and cares about the residents they serve, responding to individual and community needs with a commitment to customer service. We maintain high standards of excellence in serving our over 14,250 residents while fostering a safe, supportive environment.

Committed to Sustainability

MidPen Management is committed to sustainable operations and maintenance practices. This includes retrofitting buildings to improve performance, energy efficiencies, water conservation and indoor air quality; using drought-resistant landscaping and green cleaning products; and training residents on environmentally-friendly practices.

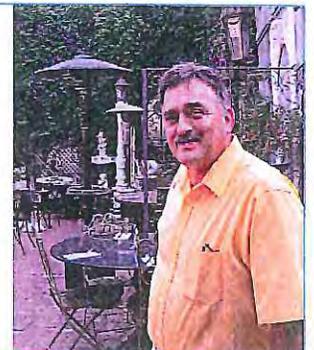
Managing a Diverse Portfolio

We have expertise in managing a wide variety of property types – from large, multi-family properties to downtown, mixed-use developments to rural housing for farm workers to supportive housing for special needs populations.

Population	% of Units
Families	66%
Seniors	25%
SRO	6%
Special Needs	3%



"They are good neighbors. They keep the building up beautifully. I walked through there every day because my daughter attended the onsite day care center. Some of my customers live there. Businesses benefit because the families spend money downtown. Every city should have development like this." – Peter Cuschieri, owner of Angelica's Bistro, across the street from City Center Plaza, a community owned and managed by MidPen.



MidPen Resident Services Corporation

Helping our residents succeed

With an annual investment of \$4 million, an in-house staff of 65 and 300 service provider partners, MidPen Resident Services Corporation leads the affordable housing industry in delivering onsite programs, education and services. MidPen Resident Services operates as a separate 501c3 organization to help over 7,000 MidPen residents each year.

Programs that Work

We measure every program by its impact. Our goal is to deliver services that help people measurably advance in all areas of their lives. Through MidPen Resident Services, thousands of residents obtain better jobs, pursue higher education, successfully age in place, become more active, achieve freedom from debt, learn how to use computers, speak English and open checking accounts. They also give back to their communities. Core programs include:

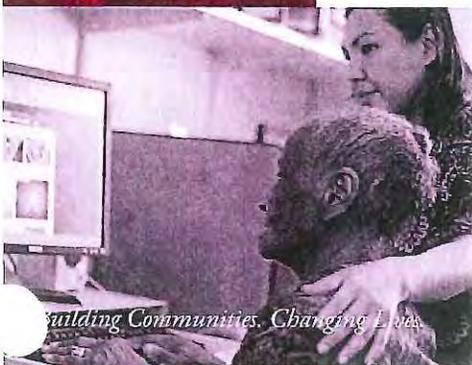
- > Afterschool tutoring and mentoring
- > Computer training
- > Vocational and career development
- > Fitness and health education programs
- > Financial literacy classes
- > Referrals to social services, benefits and resources
- > Volunteer opportunities and training

Powerful Partnerships and Volunteers

We deliver these programs and services through an extensive network of award-winning organizations like Second Harvest Food Bank, YMCA, Goodwill Industries, The Health Trust, Boys and Girls Club, Catholic Charities, Barrios Unidos and hundreds of others. And we leverage close to 6,000 volunteer hours annually, provided by both our residents and external community members.

"The MidPen Resident Services afterschool programs have helped me so much. Several times a week I use the computer lab and the program coordinator often helps me with my homework. I got straight A's in 6th and 7th grade and was accepted into the University Preparatory Academy. My dream is to go to Stanford and be an architect someday!"

– Derek, age 13



APPENDICES B



**Kottinger Place Development
Scope of Work
October 26, 2011**

I. DEVELOPER'S SCOPE OF WORK

The City expects to secure the services of a development team that will work with the City, community, and the Kottinger Place Task force toward providing and/or coordinating all aspects of a predevelopment and development process. It is anticipated that work will be separated into two tasks. Task 1 includes preparation of a predevelopment analysis report including the three development options listed below and presentation of this information to the City for final decision regarding the preferred development option. Task 2 involves processing the entitlement process and project construction and management. Expected services include:

TASK 1: Preparation of a Predevelopment Report Detailing Project Development Options

Development Option 1: Increased Density on the Kottinger Place Sites Only

- Prepare a site plan that includes construction of a new two story community building (in the general vicinity of the existing building) with residential units on the second floor and a new two or three story structure at 4133 Regalia Avenue (the existing Regalia House) and 4138 Vineyard Avenue. The site plan would identify the removal of any existing cottage units, if any, recommended to facilitate the overall development.
- Conduct an evaluation of the existing physical infrastructure (including water, sewer, and electricity) and the existing cottage units to determine feasibility for retention of some or all as part of new development. Review of the existing cottage units will address such matters as ADA compliance, consistency with building code, anticipated useful life and consistency with senior design and service standards.
- A potential unit mix
- Identify any potential need for tenant relocation and if necessary, an approach to its completion.
- Explore the potential for adding new cottage units in available open spaces within the existing Kottinger Place project. If feasible, the site plan will include the new units.
- Visual simulations of the site plan with views from the surrounding neighborhood.
- A preliminary financial pro forma, including potential revenue sources, uses, financing assumptions, project income, including proposed rent formulas, and expenses.
- Review applicable HUD requirements including any process required to complete this development, including options for retaining or eliminating the current HUD public housing status.
- Provide information regarding ownership options.
- Provide information identifying the anticipated role, if any, for the Pleasanton Gardens development
- Provide a description of anticipated resident services that could be available with this option

Development Option 2: Development on Kottinger Place and Pleasanton Gardens Sites

- Prepare a site plan detailing 128 to 150 units spread out over Kottinger Place, Pleasanton Gardens, 4138 Vineyard Avenue and 4133 Regalia Avenue. The site plan could assume all new units or new units plus the retention of some of the existing units on the Kottinger Place site.
- A potential unit mix
- Identify an approach for tenant relocation
- Visual simulations of the site plan with views from the surrounding neighborhood
- A preliminary financial pro forma, including revenue sources, uses, financing assumptions, project income, including proposed rent formulas, and expenses assuming available financial resources from both Kottinger Place and Pleasanton Gardens.
- If Kottinger Place units are demolished, provide a financial analysis detailing the loss of the existing Kottinger Place asset
- Review applicable HUD requirements including any processes required to complete this development option.
- Provide information regarding ownership options assuming the development would have single ownership and management
- Provide information identifying the anticipated role, if any, for the Pleasanton Gardens development
- Provide a description of anticipated resident services that could be available with this option

Development Option 3: New Development on Kottinger Place Sites Only

- Prepare a site plan for a new development on the Kottinger Place sites including Kottinger Place, 4138 Vineyard Avenue and 4133 Regalia Avenue. The site plan would assume all new units and may be modeled on the site plan alternatives included in the December 1, 2009 Kottinger Place Redevelopment Report
- A potential unit mix
- Identify an approach for tenant relocation
- Visual simulations of the site plan with views from the surrounding neighborhood
- A preliminary financial pro forma, including revenue sources, uses, financing assumptions, project income, including proposed rent formulas, and expenses assuming available financial resources from both Kottinger Place and Pleasanton Gardens.
- Provide a financial analysis detailing the loss of the existing Kottinger Place asset
- Review applicable HUD requirements including any processes required to complete this development option.
- Provide information regarding ownership options assuming the development would have single ownership and management
- Provide information identifying the anticipated role, if any, for the Pleasanton Gardens development (This option assumes that Pleasanton Garden's tenants would be relocated to the new development.)
- Provide a description of anticipated resident services that could be available with this option

As part of the analysis for all three options, provide a matrix detailing significant project descriptors including number of units, unit mix, development cost, uses and sources of revenue, etc.

After exploring the above development options, a recommendation will be presented to the City for a decision regarding selection of a development option, if any, and authorization to proceed with the work as outlined in Task 2.

TASK 2: Processing a Development Application, Construction and Property Management

Subtask 2.1 – Development Entitlement Process

- Upon selection by the City Council of a development option, process a Planned Unit Development (PUD) application through the City's standard development review process. The City and the developer shall coordinate the development application which at a minimum shall address the following:
 - Accurate visual simulation of project views from the surrounding neighborhood
 - Development of a financial plan and securing and coordinating project financing
 - Close coordination with residents and the neighborhood will be required

Subtask 2.2 Development Construction Process

Provide a construction/operational/transition plan that addresses the following:

- Identification of the anticipated building general contractor
- Preparation of a relocation plan, including anticipated expenses
- A complete funding plan, including a project budget, including rent structures
- Presentation of any construction phasing
- Process all funding documentation

Subtask 2.3 Development Management

- Provide documents related to property ownership, land lease, regulatory agreements, financing, etc.
- Provide documents related to property management
- Process documentation required by HUD to complete the selected development option

APPENDICES C

COMPARISON MATRICES

DESIGN

	DEVELOPMENT OPTION		
	ONE	TWO	THREE
# of rehabbed homes	36	0	0
# of new construction homes	61-71	172-189	120-130
# of single-story homes	36	83	59
# of multi-story building homes	61-71	89-106	61-71
Total affordable senior homes	97-107	172-189	120-130
Parking ratio	.8:1	.8:1	.8:1
Common indoor square footage	19,000	33,000	19,000
Common indoor amenities	Community room, fitness room, game room	2 Community rooms, fitness room, game room	Community room, fitness room, game room
Common outdoor amenities	Landscaped courtyards, community gardens, outdoor seating	Landscaped courtyards, community gardens, outdoor seating	Landscaped courtyards, community gardens, outdoor seating

OWNERSHIP

	DEVELOPMENT OPTION		
	ONE	TWO	THREE
Land Owner	City of Pleasanton	City of Pleasanton	City of Pleasanton
Building/Improvements Owner	Limited Partnership	Limited Partnership	Limited Partnership
Role for Pleasanton Gardens	No participation	Participation	No participation

FINANCING

	DEVELOPMENT OPTION		
	ONE	TWO	THREE
Total Development Cost	\$36-38M	\$58-61M	\$41-43M
Total Development Cost Per Home	\$363-380K	\$327-341K	\$333-344K
City Subsidy Required	\$4-5M	\$7-8M	\$5-6M
City Subsidy Per Unit	\$42-45K	\$41-43K	\$47-51K

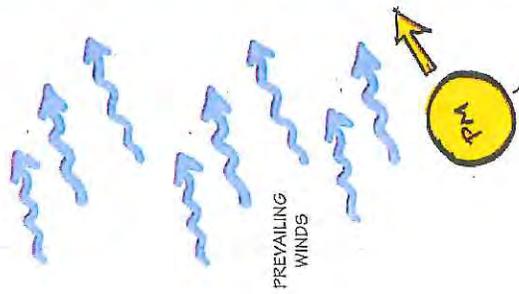
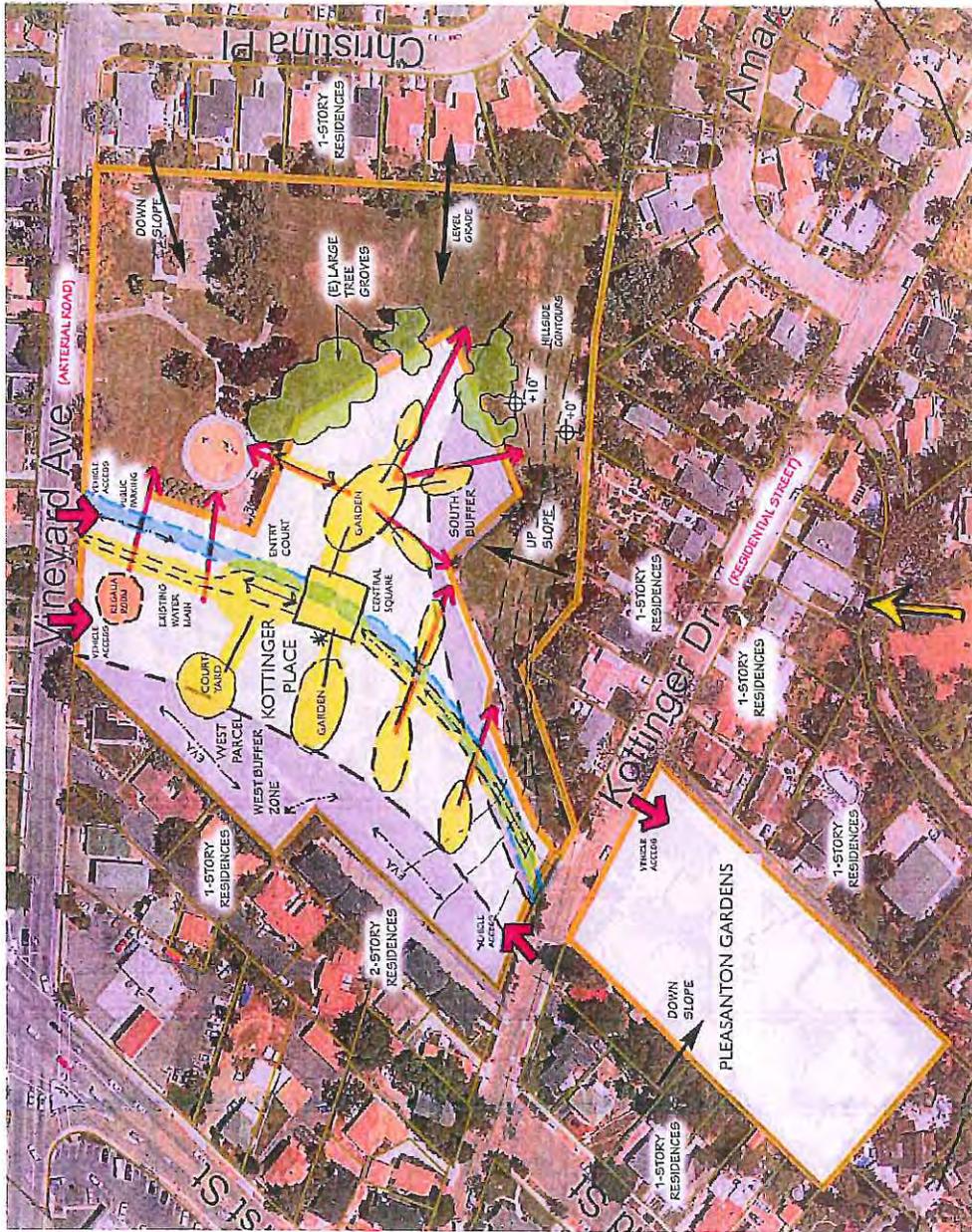
RELOCATION

	DEVELOPMENT OPTION		
	ONE	TWO	THREE
# of units constructed in Phase I	61-71	91-101	61-71
# of units relocated off-site to construct Phase I	14	14	14
# of units relocated on-site to construct Phase I	0	17	0
# of units relocated to Phase I to construct Phase II	50	59	50
# of units relocated off-site to construct Phase II	0	0	0

RESIDENT SERVICES & PROPERTY MANAGEMENT

	DEVELOPMENT OPTION		
	ONE	TWO	THREE
Annual Property Management Operating Budget	\$554-596K	\$975K-1.01M	\$630-667K
Annual Property Management Operating Budget Per Home	\$5,576-5,721	\$5,299-5,669	\$5,131-5,250
Annual Resident Services Operating Budget	\$100-109K	\$159-181K	\$115-119K
Annual Resident Services Operating Budget Per Home	\$1,018-1,030	\$924-957	\$915-958
City Financing Required	\$4-5M	\$7-8M	\$5-6M
City Financing Per Home	\$42-45K	\$41-43K	\$47-51K

APPENDICES D

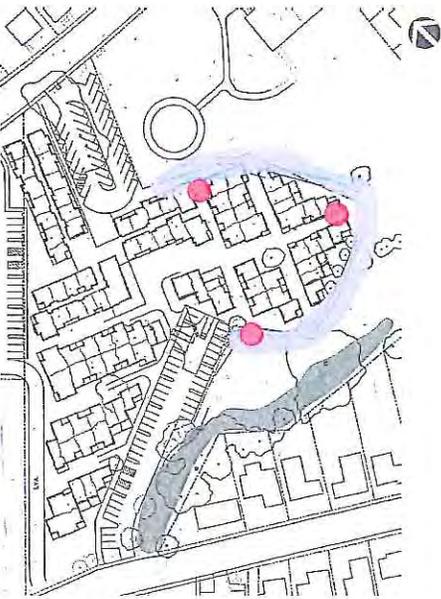


APPENDICES E

ENTRY ●

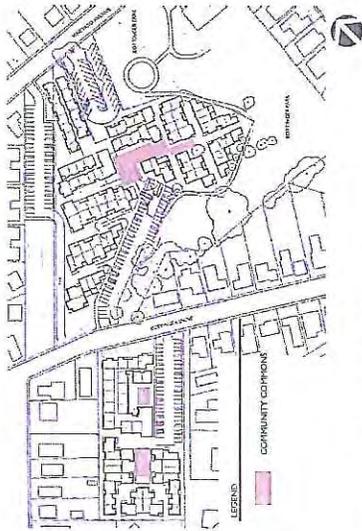
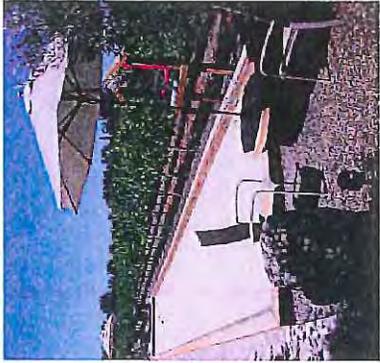


INTEGRATE ■



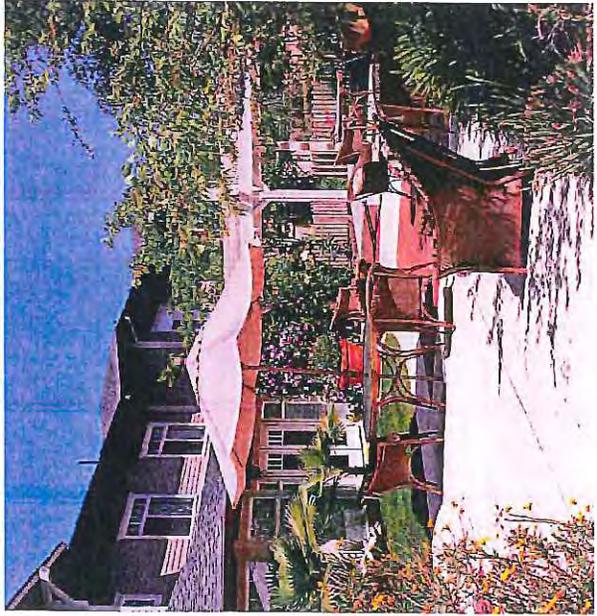
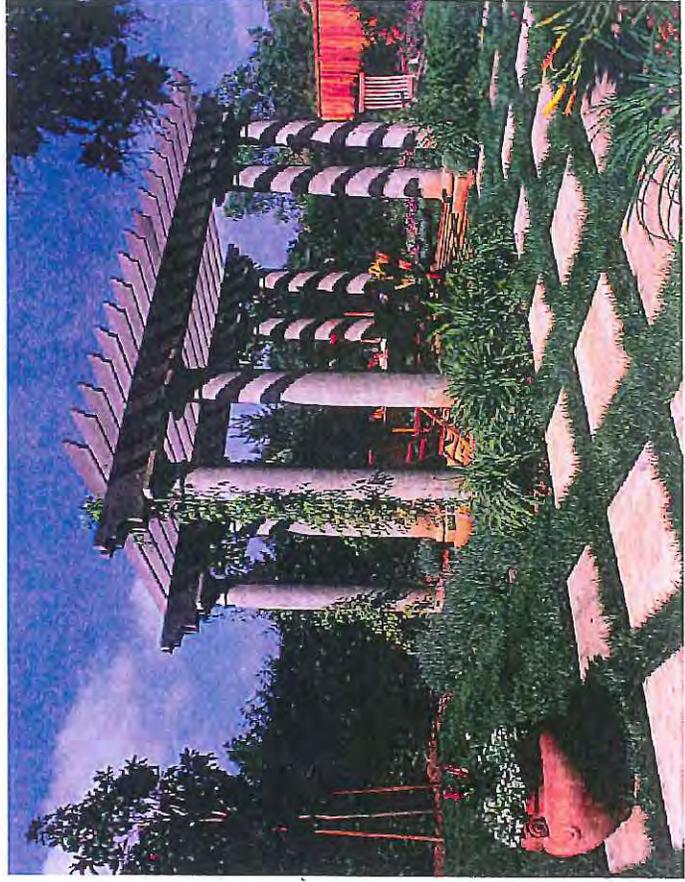
BUFFER ■





CHARACTER / PROGRAM ELEMENTS

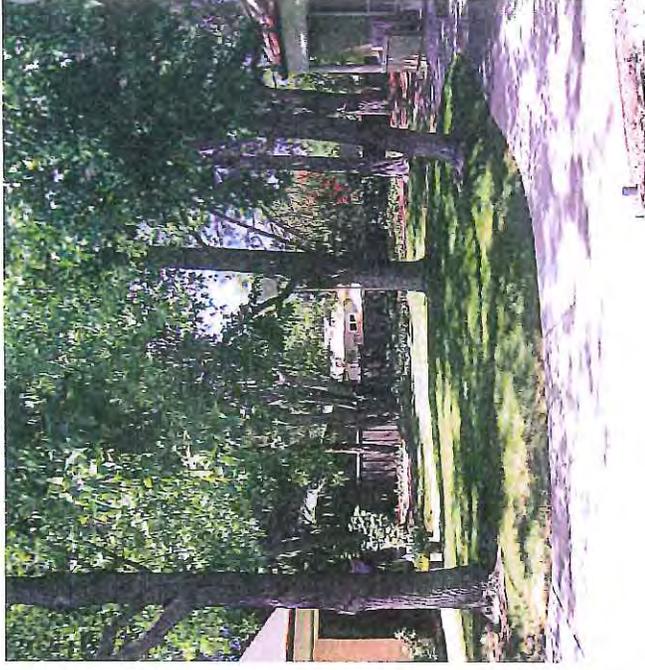
- COMMUNITY EATING SPACES
- RESERVABLE EATING SPACES
- PLANTING CHARACTER
- USE PROGRAMS





CHARACTER / PROGRAM ELEMENTS

- INDIVIDUAL PERSONAL GARDEN
- SINGLE VEGETABLE GARDENS
- CLUSTER VEGETABLE GARDENS
- SHARED COMMON AREA
- TURF VERSES PLANTED AREA
- OTHER



APPENDICES F

FINANCING RESOURCES GLOSSARY

All development options assume certain financial resources available to finance affordable housing developments. When we discuss the financing required from the City of Pleasanton it is net of these sources.

Below is a summary of the available sources divided into two sections:

1. Resources assumed to finance the Kottinger Place redevelopment;
2. Resources potentially available, but not assumed to finance the redevelopment.

Resources Assumed to Finance the Kottinger Place Redevelopment

9% Low-Income Housing Tax Credit Investment

All scenarios and phases assume 9% low-income housing tax credits. These credits are allocated through a competitive application process directly to the owners of qualified affordable housing properties. The California Tax Credit Allocation Committee then places a regulatory agreement on the project, which income restricts the units for a 55-year period. In order to finance the construction of housing using these credits, affordable developers sell the credits to an investor who joins the project ownership as a limited partner and makes a large, upfront capital contribution as equity to the project. In exchange for this, the investor (usually a bank or other large company) uses the tax credit earned over the next fifteen years as a dollar-for-dollar reduction of its tax liability.

MidPen's strong balance sheet and track-record has made it a leader in regularly commanding top of the market tax credit pricing and favorable terms. In fact, in the second round of 2011, the bids MidPen received for projects were some of the highest in the State and 13% above the average pricing received for all projects. MidPen partners with some of the most respected, long-standing tax credit investors in the industry. The trusted relationships we have built with these investors ensure that MidPen's projects close financing and start construction on schedule.

Kottinger Place will receive a perfect score per the Tax Credit scoring rubric, as will many other qualified projects in the North and East Bay Region. As a result, the tiebreaker score, which balances cost-efficiency and public financial leveraging, will be the deciding factor in determining which projects receive a tax credit allocation.

All scenarios are assuming a 53% tie-breaker. In round one of the 2012 tax credit competition, projects with tiebreakers between 45% and 67% received an award. MidPen will continue to closely monitor the tax credit competition between now and when the project is ready to apply, and if the project will be successful with a lower tiebreaker, then MidPen will be able to reduce the amount of credits it is returning, thus lowering the City loan.

Alameda County HOME

HOME funds are appropriated by the Department of Housing and Urban Development (HUD) to local jurisdictions annually. The Alameda County Department of Housing and Community Development holds an annual competition to allocate the funding to affordable projects in exchange for income restricting a portion of the units. These funds are loaned to the project for a 55-year term at a 3% interest rate with repayment from available residual project cash flow.

Federal Home Loan Bank's Affordable Housing Program (AHP)

The Federal Home Loan Bank holds semi-annual competitions for its Affordable Housing Program fund. Affordable housing developers can apply for up to \$1 million dollars in capital subsidy from this program. This financing program is extremely competitive, and funds are allocated based on a complex scoring formula which allocates additional points to senior housing, making this project more competitive once it receives entitlement approvals. These funds are loaned to the project for a 55-year term at 0% interest.

Section 8 Project-Based Vouchers

All financing scenarios assume the existing rental assistance is transferred to a project-based voucher, which allows the project to leverage conventional debt for the same length as the term of the project-based voucher contract, and ensures these tenants continues to pay no more than 30% of his/her income to rent.

City of Pleasanton

Once all other potential funding sources have been evaluated and applied for, MidPen would work closely with the City of Pleasanton to identify the most cost effective way for it to contribute to the financial feasibility of the project, while minimizing the City's long term investment. City funds would be drawn for predevelopment and construction expenses and loaned to the project for 55 years at 3% simple interest with repayment available from residual project cash flow.

Resources Potentially Available, But Not Assumed

4% Low-Income Housing Tax Credit Investment & Tax-Exempt Bonds

Similar to the 9% low-income housing tax credits, the 4% credits are allocated to owners of qualified affordable housing properties. For projects not located in a federally-designated Difficult to Develop Area or Qualified Census Tract, these credits are also allocated through a competitive application process. In recent years, all qualified projects applying for 4% credits were successful, which means the tiebreaker does not need to be taken into account. The upfront, capital contribution is smaller than the contribution under the 9% credit scenarios, thus creating a larger public financing gap. In order to finance the construction of housing using these credits, affordable developers must also compete for an allocation of tax-exempt bonds from the California Debt Limit Allocation Committee simultaneously.

HUD Section 202

HUD Section 202 historically allocated capital funds and operating subsidies for senior housing developments. In its most recent round, the Section 202 program had approximately \$27 million available for the entire San Francisco Region, which includes Phoenix, Tucson, San Francisco Bay Area, Fresno, San Diego, Sacramento, Santa Ana, Honolulu, Las Vegas, and Reno. This was enough to fund approximately 185 units.

This program was not included in HUD's most recent budget, and even if it was, it would be subject to appropriations and approval from Congress. MidPen will continue to monitor the Section 202 Program, but it looks unlikely it will be revived to its previous form.

California Department of Housing & Community Development's Infill Infrastructure Grant Program

This program was originally authorized under Proposition 1C and, to date, HCD has allocated all of the funds. However, there are many projects with old Infill Infrastructure Grant awards that have been unable to move forward and we believe it is likely that these awards will be recaptured in future years providing an important contingency financing plan that should be closely monitored. Based on MidPen's successful experience with this program at two other infill sites, the Kottinger Place and Pleasanton Gardens sites are good candidates to compete successfully for these funds, should they become available.

APPENDICES G

July 31, 2012.

To: Kottinger Place Task Force Members

CC: City Council members, MidPen

From: Tim Hunt, board president on behalf of Pleasanton Gardens Board of Directors

We are responding to the questions raised at your July 18 meeting. MidPen representatives also asked about how our board wanted to move forward during its presentation July 17. We are pleased to finally see this decade-long process moving and wanted to respond very quickly to keep the timeline intact for a decision this fall. Our board decided unanimously that we welcome the partnership with the city to redevelop both sites and to ensure another 40 years or more of providing quality housing and services to low-income senior citizens. This aligns with the mission that Pleasanton Gardens has pursued since its founding in 1967. The resolution we passed included:

- Both sites should be processed as a single project (PUD), recognizing that construction likely will take place in phases.
- The total units for both sites should significantly exceed the existing 90 units. The final unit count will be developed in the current public process involving MidPen, the Kottinger Task Force and the Pleasanton City Council. This will mean a significant increase of accessible, energy efficient new units for the growing population of seniors (we have 75 people on our waiting list). With an increased unit count, a higher level of services will be available to residents. With the recommendation for all one-bedroom (no studios), seniors will have more livable, flexible units.
- We will transfer our Section 8 subsidies to the new project and contribute any cash we have on hand to the project once construction is under way on the Pleasanton Gardens site. We currently have \$300,000 in reserves and these will grow because the mortgage has been paid off. Because there is no mortgage on the property, it is considered "at-risk" by HUD.

We are ready to move ahead and encourage the city to take advantage of this opportunity to expand the number of units available to low-income seniors and do so in perpetuity by owning the project. Our representatives are happy to meet with your team to continue to move the process forward.