BANYARD MANAGEMENT
Board of Directors Meeting
2039 Forest Avenue
Chico, CA 95928

MEETING AGENDA

August 15, 2019
2:00 p.m.

The Board of Directors welcomes and encourages public participation in the Board meetings. Members of the public may be heard on any items on the Directors' agenda. A person addressing the Directors will be limited to 5 minutes unless the Chairperson grants a longer period of time. Comments by members of the public on any item on the agenda will only be allowed during consideration of the item by the Directors. Members of the public desiring to be heard on matters under jurisdiction of the Directors, but not on the agenda, may address the Directors during agenda item 6.

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If you are disabled and need special assistance to participate in this meeting, please contact the Housing Authority office at 895-4474. Notification at least 48 hours prior to the meeting will enable Banyard Management to make reasonable arrangements.

NEXT RESOLUTION NO. 19-2B

ITEMS OF BUSINESS

1. ROLL CALL

2. AGENDA AMENDMENTS

3. CONSENT CALENDAR

   3.1 Minutes for the meeting of May 16, 2019

   3.2 Banyard Management – Financial Report

   3.3 Chico Commons – HACB report

4. CORRESPONDENCE

5. REPORTS FROM PRESIDENT

   5.1 Banyard Management Budget – Adopt FY2020 Banyard Budget.

   Recommendation: Resolution No. 19-2B

   5.2 Chico Commons , L.P – Designation of Tax Matters Partnership Representative.

   Recommendation: Resolution No. 19-3B

   5.3 Property Insurance – Recommended Insurance Valuations.

   Recommendation: Discussion/Motion

5.4 <u>Strategic Asset Plan</u> – Asset Repositioning Study.

Recommendation: Information/Discussion

6. MEETING OPEN FOR PUBLIC DISCUSSION

7. MATTERS CONTINUED FOR DISCUSSION

8. SPECIAL REPORTS

9. REPORTS FROM DIRECTORS

10. MATTERS INITIATED BY DIRECTORS

11. EXECUTIVE SESSION

12. DIRECTORS' CALENDAR

Next meeting – November 21, 2019

13. ADJOURNMENT

BANYARD MANAGEMENT
Board of Directors Meeting
2039 Forest Avenue
Chico, CA 95928

MEETING MINUTES

May 16, 2019

Director Anderson called the meeting of Banyard Management to order at 4:20 p.m.

1. ROLL CALL

Present for the Directors: Kate Anderson, Patricia Besser, Larry Hamman, Anne Jones, Laura Moravec, David Pittman, and Heather Schlaff.

Others Present: President Edward Mayer, Chief Financial Officer Sue Kemp, Secretary Marysol Perez, Larry Guanzon, and Tamra Young.

Public Present: Loren Freeman, HACB Public Housing Resident.

2. AGENDA AMENDMENTS

None.

3. CONSENT CALENDAR

Director Moravec moved to accept the Consent Calendar as presented. Director Jones seconded the motion. The vote in favor was unanimous.

4. CORRESPONDENCE

None.

5. REPORTS FROM PRESIDENT

5.1 Chico Commons Audit Report - The Chico Commons audited financial statements for year ended December 31, 2018 were presented. There were no findings or concerns by the auditors.

MOTION
Director Moravec moved motion to accept Chico Commons FY2018 Audit Report as presented. Director Schlaff seconded. The vote in favor was unanimous.

5.2 Property Insurance Coverage Levels – Current labor markets are very challenged. Construction costs have appreciated significantly; some estimates see increases at 40%

post-Disaster. There is an associated and corresponding increase in insurable values relating to property replacement costs. The Memo provided in the Board packet analyses cost ranges for different property types, evidencing research completed to date on the subject. Recommendations will be brought forward for Board consideration this year, part of upcoming budget development and insurance renewal considerations. The insurance policies for the properties renew October 1st.

6. MEETING OPEN FOR PUBLIC DISCUSSION

None.

7. MATTERS CONTINUED FOR DISCUSSION

None.

8. SPECIAL REPORTS

None.

9. REPORTS FROM DIRECTORS

None.

10. MATTERS INITIATED BY DIRECTORS

None.

11. EXECUTIVE SESSION

None.

12. DIRECTOR'S CALENDAR

Next Meeting – August 15, 2019.

13. ADJOURNMENT

Director Jones moved that the meeting be adjourned. Director Pittman seconded. The meeting was adjourned at 4:37 p.m.

Dated: May 16, 2019.

Edward S. Mayer, President

ATTEST:

Marysol Perez, Secretary

Housing Authority of the County of Butte
BANYARD BALANCE SHEET
June, 2019

	Cumulative
ASSETS	
Current Assets	
Cash - Unrestricted	239,544.48
Cash - Other Restricted	0.00
Cash - Tenant Security Deposits	0.00
Accounts Receivable	0.00
Accrued Interest Receivable	0.00
Investments - Unrestricted	0.00
Investments - Restricted	0.00
Inventories	0.00
Total Current Assets	**239,544.48**
Fixed Assets	
Fixed Assets & Accumulated Depreciation	0.00
Total Fixed Assets	**0.00**
Other Assets	
Prepaid Expenses and Other Assets	0.00
Investment in Chico Commons, L.P.	299,561.93
Total Other Assets	**299,561.93**
TOTAL ASSETS	**539,106.41**
LIABILITIES	
Current Liabilities	
Accounts Payable	554.00
Accrued Liabilities - Other	0.00
Total Current Liabilities	**554.00**
Long-Term Liabilities	
Long-Term Debt Net of Current	0.00
Total Long-Term Liabilities	**0.00**
TOTAL LIABILITIES	**554.00**
NET POSITION	
Beginning Net Position	545,043.61
Retained Earnings	-6,491.20
TOTAL NET POSITION	**538,552.41**
TOTAL LIABILITIES AND NET POSITION	**539,106.41**

BANYARD-GEN. FUND INCOME STATEMENT
June 30, 2019

YTD %
75.00

	Month to Date			Year to Date			
	Actual	**Budget**	**Remaining**	**Actual**	**Budget**	**Remaining**	**% used**
REVENUES							
Partnership Income	1,080	1,080	0	10,104	12,960	-2,856	77.96
Investment Income	13	50	-37	114	600	-486	19.07
TOTAL REVENUES	**1,093**	**1,130**	**-37**	**10,219**	**13,560**	**-3,341**	**75.36**
Audit Fee	0	53	-53	924	630	294	146.67
Corporate Services	554	1,250	-696	6,046	15,000	-8,954	40.31
Consulting Fees	0	0	0	0	0	0	0.00
Legal Expenses	0	125	-125	0	1,500	-1,500	0.00
Misc. Administrative Costs	0	0	0	0	0	0	0.00
Outside Management Fees	1,080	1,080	0	9,720	12,960	-3,240	75.00
Partnership Losses	0	42	-42	0	500	-500	0.00
Taxes and Fees	0	43	-43	20	520	-500	3.85
TOTAL EXPENSES	**1,634**	**2,593**	**-959**	**16,710**	**31,110**	**-14,400**	**53.71**
RETAINED EARNINGS	**-541**	**-1,463**	**922**	**-6,491**	**-17,550**	**11,059**	**36.99**

MEMO

Date: August 9, 2019

To: Board of Directors, Banyard Management

From: Larry Guanzon, HACB Deputy Executive Director

Subject: Status Report – Chico Commons Apartments, Chico

Chico Commons Apartments, Chico (72 units, LIHTC, Family, MGP, Banyard Management, PM: AWI) – We currently have two (2) vacancies as of August 1, 2019. The final phase of exterior siding replacements continues; the work is being completed by local contractor Experts in Your Home. Water-conserving landscape upgrades, and ADA-related site improvements are being planned, as well as parking lot repair, seal, and re-striping. Please find AWI's narrative property report and financials, following.

AWI
Management Corporation
Always With Integrity

Chico Commons
July 2019

Variance report sent explaining budget differences and expenses.

Gearing up for 2020 budget drafts!

Updates:

Chico Commons has two vacancies with applications in process for approval.

~ One move in during the month of July.
~ No notices to vacate or evictions in process.
~The residents of apt #23 are pending possible legal action for nuisance issues. Final Notices of Lease Violation were issued on 8/5.

The siding work is in process.

One seal / stripe bid is on hand, seeking a comparable. Three vendors scheduled to bid tree trimming.

Representatives of the PG&E ESA program that provides upgrades to common area facilities visited all three communities on July 30th and 31st. The biggest opportunity for improvement is at Chico Commons with replacement of the large shared water heaters, aging laundry equipment and exterior lighting. All paperwork has been submitted and the energy audits are complete. We are waiting for information on the next step in this process. If all goes as planned this will be a huge financial benefit at Chico Commons.

Chico Commons is raffling off two back packs stuffed with back to school goodies! The drawing will take place on August 14th.

(530) 745-6170 tel
(530) 745-6173 fax
www.awimc.com

AWI Management Corporation
PO Box 550
Auburn CA 95604

AWI Management Corporation is an Equal Opportunity provider and employer.

Chico Commons 549
For the Month Ended July 31, 2019
Statement of Income & Cash Flow

	Current Activity	Current Budget	Current Variance	YTD Activity	YTD Budget	YTD Variance
Rental Income						
Gross Rents	$ 58,141.00	$ 55,451.25	$ 2,689.75	$ 404,431.00	$ 388,158.75	$ 16,272.25
Vacancies	(1,971.00)	(2,772.58)	801.58	(11,909.75)	(19,408.08)	7,498.33
Rent Adjustments	0.00	(519.75)	519.75	(1,820.39)	(3,638.25)	1,817.86
Manager's Unit	(771.00)	(771.00)	0.00	(5,397.00)	(5,397.00)	0.00
Total Tenant Rent	$ 55,399.00	$ 51,387.92	$ 4,011.08	$ 385,303.86	$ 359,715.42	$ 25,588.44
Other Project Income:						
Laundry Income	$ 805.27	$ 677.83	$ 127.44	$ 9,374.31	$ 4,744.83	$ 4,629.48
Interest Income	9.06	0.00	9.06	21.28	0.00	21.28
Restricted Reserve Interest Incom	14.81	0.00	14.81	100.75	0.00	100.75
Late Charges	72.00	216.67	(144.67)	1,560.00	1,516.67	43.33
Other Tenant Income	$ 113.99	$ 532.50	$ (418.51)	$ 2,203.55	$ 3,727.50	$ (1,523.95)
Miscellaneous Income	$ 0.00	$ 0.00	$ 0.00	$ 37.50	$ 0.00	$ 37.50
Other Project Income	$ 1,015.13	$ 1,427.00	$ (411.87)	$ 13,297.39	$ 9,989.00	$ 3,308.39
Total Project Income	$ 56,414.13	$ 52,814.92	$ 3,599.21	$ 398,601.25	$ 369,704.42	$ 28,896.83
Project Expenses:						
Maint. & Oper. Exp. (Fr Page 2)	$ 14,374.81	$ 24,350.24	$ (9,975.43)	$ 72,296.58	$ 170,451.74	$ (98,155.16)
Utilities (From Pg 2)	7,507.95	6,685.66	822.29	44,318.74	46,799.66	(2,480.92)
Administrative (From Pg 2)	6,994.61	7,588.25	(593.64)	58,284.24	53,117.75	5,166.49
Taxes & Insurance (From Pg 2)	999.83	1,209.67	(209.84)	7,208.65	8,467.67	(1,259.02)
Other Taxes & Insurance (Fr Page	1,555.75	3,158.25	(1,602.50)	9,809.85	22,107.75	(12,297.90)
Other Project Expenses	602.96	870.08	(267.12)	6,050.09	6,090.58	(40.49)
Total O&M Expenses	$ 32,035.91	$ 43,862.15	$ (11,826.24)	$ 197,968.15	$ 307,035.15	$ (109,067.00)
Mortgage & Owner's Expense						
Mortgage Payment	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Interest Expense - City of Chico	$ 2,604.17	$ 2,604.17	$ 0.00	$ 18,229.19	$ 18,229.17	$ .02
Reporting / Partner Management F	1,080.00	1,080.00	0.00	7,560.00	7,560.00	0.00
Transfer - Reserves	2,500.00	2,500.00	0.00	17,500.00	17,500.00	0.00
Total Mortgage & Owner's Exp.	$ 6,184.17	$ 6,184.17	$ 0.00	$ 43,289.19	$ 43,289.17	$ .02
Total Project Expenses	$ 38,220.08	$ 50,046.32	$ (11,826.24)	$ 241,257.34	$ 350,324.32	$ (109,066.98)
Net Profit (Loss)	$ 18,194.05	$ 2,768.60	$ 15,425.45	$ 157,343.91	$ 19,380.10	$ 137,963.81

Other Cash Flow Items:

August 9, 2019

MEMO

To: Banyard Management Board of Directors

From: Sue Kemp, CFO

Subject: FY 2020 Banyard Management Operating Budget

The FY 2020 Banyard Management General Fund Operating Budget is attached for your review and approval.

Banyard contracts with the Housing Authority for the performance of its Managing General Partner (MGP) duties, as well as for Corporate Services related to the essential functions of the organization. The Outside Management Fees expense is a “pass-through” of MGP fees received from Chico Commons LP.

No Consulting Fees are projected for this coming year.

Please note that the budget shows a negative cash flow, however, Banyard receives cash distributions from Chico Commons, LP. This is an Equity distribution and is not recognized as Revenue on the Income Statement. Last year’s cash distribution was $27,394.

The excess cash balance at the beginning of FY 2020 is estimated to be $235,000.

If you have any questions, I will gladly answer them at the Board Meeting.

Recommend adoption of Resolution 19-2B

BANYARD MANAGEMENT

RESOLUTION NO. 19-2B

APPROVAL OF BANYARD MANAGEMENT OPERATING BUDGET FOR F/Y 2020

WHEREAS, Banyard Management approves its Operating Budget on an annual basis; and

WHEREAS, Banyard Management is Managing General Partner of Chico Commons LP, itself owner of the Chico Commons Apartments multi-family affordable housing property, Chico, California; and

WHERAS, the Board of Directors of BCAHDC has reviewed the Operating Budget as proposed and determined the budget to be in the best interest of Banyard Management;

THEREFORE, BE IT RESOLVED by the Board of Directors of Banyard Management, Managing General Partner of Chico Commons LP, owner of the Chico Commons Apartments, Chico, California, to hereby approve and adopt the Banyard Management Operating Budget for fiscal year 2020, extending from October 1, 2019 through September 30, 2020, such Operating Budget attached to and made a part of this Resolution No. 19-2B.

Dated: August 15, 2019.

Edward S. Mayer, President

ATTEST:

Marysol Perez, Secretary

BANYARD MANAGEMENT
PROPOSED OPERATING BUDGET
October 1, 2019 to September 30, 2020

REVENUE	2020 Proposed Budget	2019 Approved Budget	2019 Estimated to FYE	2018 Audited Actuals	Variance 2019 Est. vs. 2020 Budget	*Notes*
Investment income	200	600	153	136	30.7%	*bank acct interest*
Partnership Income	13,460	12,960	13,334	13,822	0.9%	*Chico Commons MGP Fee/LP gains*
TOTAL REVENUE	**13,660**	**13,560**	**13,487**	**13,958**	**1.3%**	
EXPENSES						
Audit Fee	600	630	924	149	-35.1%	*2019 includes 2018 exp.*
Corporate Services	15,000	15,000	11,000	9,952	36.4%	*budgeted up to contract max*
Consulting Fees	3,000	0	0	0	0.0%	*placeholder*
Legal Expenses	1,500	1,500	0	0	0.0%	*placeholder*
Misc. Admin. Expenses	500	500	0	0	0.0%	*Misc.*
Outside Management Fees	12,960	12,960	12,960	12,960	0.0%	*HACB - MGP Services*
Partnership Losses	0	500	0	0	0.0%	*Chico Commons*
Taxes and Fees	20	20	20	0	0.0%	*CA filing fees (odd years)*
TOTAL EXPENSES	**33,580**	**31,110**	**24,904**	**23,061**	**34.8%**	
NET INCOME	**-19,920**	**-17,550**	**-11,417**	**-9,103**	**74.5%**	
LP Distributions	20,000	10,000	27,394	29,745		*Chico Commons excess cash*
Net Cash Flow	80	-7,550	15,977	20,642		

BUTTE COUNTY AFFORDABLE HOUSING DEVELOPMENT CORPORATION

RESOLUTION NO. 19-3B

CHICO COMMONS, L.P.
DESIGNATION OF TAX MATTERS PARTNERSHIP REPRESENTATIVE

WHEREAS, Banyard Management (Banyard) is Managing General Partner (MGP) of Chico Commons, L.P. (Partnership), owner of the 72-unit multi-family apartment property known as Chico Commons Apartments, 2071 Amanda Way, Chico (Property); and

WHEREAS, new rules found in Internal Revenue Code sections 6221 through 6241, as amended by the Bipartisan Budget Act of 2015, governing IRS tax audits of partnerships, requires designation of a Partnership Representative for tax years starting January 1, 2018; and

WHEREAS, the Partnership's Limited Partner (LP), Housing Authority of the County of Butte (HACB) has recommended that designation of such Partnership Representative is best made by means of corporate resolution by the MGP; and

WHEREAS, because of its administrative capacity, and consistent with its services agreement with Banyard and standing as LP, HACB, recommends its Executive Director be designated Partnership Representative for Tax Matters; and

WHEREAS, as MGP, Banyard has considered HACB's recommendation and found it to be in the best interest of Banyard, the Partnership, the Property, and the residents served;

THEREFORE BE IT RESOLVED by the Board of Directors of Banyard Management, acting as Managing General Partner of Chico Commons, L.P., owner of the Chico Commons Apartments, 2017 Buttonwillow Lane, Chico, to designate by means of this Resolution No. 19-3B, Edward Mayer, Executive Director, Housing Authority of the County of Butte, Limited Partner of Chico Commons L.P., as designated Partnership Representative for Tax Matters, in accordance with Internal Revenue Service requirements governing tax audits for partnerships.

Dated: August15, 2019.

____
Edward S. Mayer President

ATTEST:

____
Marysol Perez, Secretary

MEMO

Date: August 9, 2019

To: HACB Board of Commissioners
Butte County Affordable Housing Development Board of Directors
Banyard Management Board of Directors

From: Larry Guanzon, Deputy Executive Director
Ed Mayer, Executive Director

Subject: Property Insurance – Recommended Insurance Valuations

In the wake of the Camp Fire Disaster, and the current construction cost environment we have seen costs to rebuild increase substantially. We have surveyed local insurance brokers and communicated with our insured HARRP. The insured values must be adjusted to keep up with increased replacement costs. Properties are currently insured at an average valuation from $120 - $135/sq. ft.

The recommendation is to insure our cinderblock units in Public Housing and Farm Labor Housing at **$150/Sq. Ft.** Our Public Housing units that are "stick" townhouse configuration, senior multi-family single level, Multi-Family Bond properties, as well as our Tax Credit properties we recommend we insure at **$175/Sq. Ft.**

As an example, a Public Housing cinderblock duplex unit is approximately 1500 - 1900 sq. ft. The replacement cost derived would be 1500 x $150 = $225,000 and as high as 1900 x 150 = $285,000. A Chico Public Housing townhouse unit is approximately 2238 sq. ft. @ $175 = $391,650.00 in insured replacement cost should this townhouse need to be replaced due to a total loss from a fire. At our current $120 a sq. ft. this same unit would only be insured in replacement cost at $268,560.00 or a difference of $123,090.00.

Recommendations:

HACB *- HUD Public Housing and USDA Concrete Block and other Units - $150/sq.ft.*
- HUD Public Housing, Bond and Other Stick Frame Units - $175/sq.ft.

BCAHDC *– LIHTC and Other properties - $175/square foot*

Banyard *– Chico Commons Apartments - $175/square foot*

August 9, 2019

MEMO

To: HACB Board of Commissioners
BCAHDC Board of Directors
Banyard Management Board of Directors

Subject: Strategic Asset Plan Presentation

Please know that our Strategic Asset Plan consultants, Brawner & Company, will be in attendance at this month's meeting of the Board. Jim Brawner, Principal, and Zak de Gorgue, Development Manager, will present their work, findings, and recommendations.

The "Asset Repositioning Study", dated July 2019 (Study), has seen some additions since the draft was presented at last month's meeting of the HACB Board. A new copy of the Study will be provided to you at the meeting for your convenience. The new (added) sections of the Study are included here, following, in your Board Packet. They include a section on Recommendations, and a suggested Project Management Plan.

The objectives of this month's meeting are for Brawner to present their work and conclusions, answer questions, discuss approaches and options, and discuss next steps.

IDENTIFY COLLABORATE EXECUTE

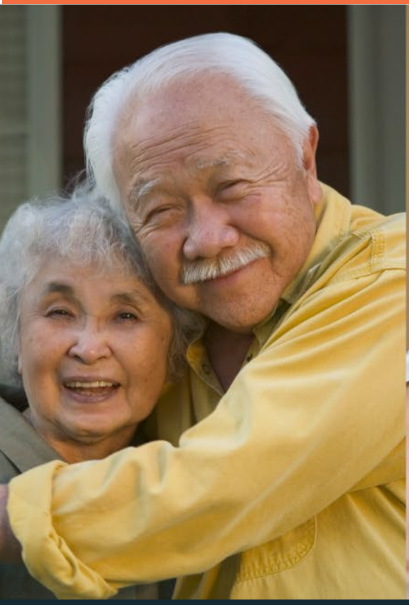
HOUSING AUTHORITY
of the County of Butte

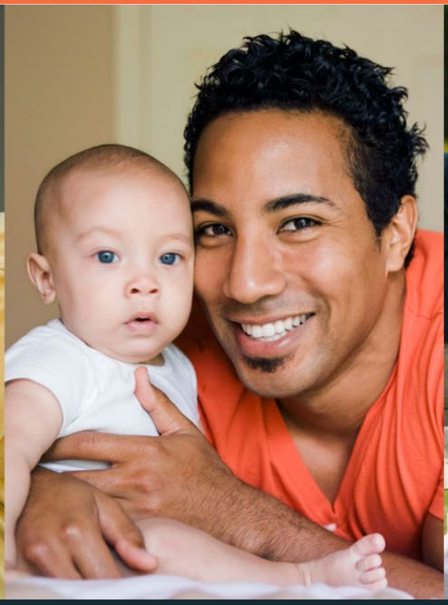
ASSET REPOSITIONING STUDY

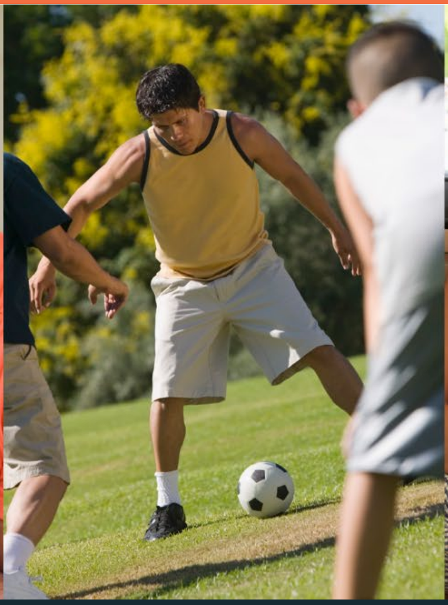
July, 2019

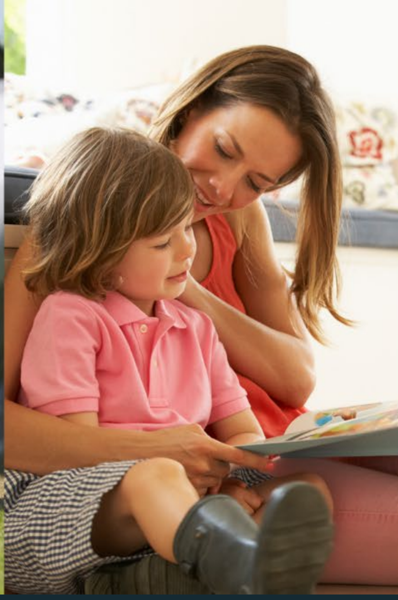
rev. 08-09-2019

STRATEGIC PORTFOLIO REVIEW









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SUMMARY FINDINGS

VIII. Summary Findings

The below chart represents summary strategy options found within this report. While there are certainly numerous options for each property, the indicators represent recommended scenarios based on the information reviewed within this report. A “green” indicator represents a viable option with limited constraints. “Yellow” indicators represent a viable option, but with certain limitations, or recommended under certain scenarios. Note that certain “green” indicators represent a recommendation only based on a pooled scattered site syndication, i.e. combining 1200 Park with Chico Commons.

Project	Status Quo	Dispose	Refinance	Tax Credit
Alamont	🟡		🟢	🟢
Lincoln Apartments			🟡	🟢
Evanswood Apartments		🟢	🟡	🟢
Park Place Apartments			🟢	🟡
Cordillera Apartments			🟢	🟡
Locust Street Apartments	🟡		🟢	🟡
Chico Commons Apartments			🟡	🟢
Walker Commons Apartments	🟢		🟢	🟢
1200 Park Apartments			🟢	🟢
1744 Laurel Street	🟡	🟢		
2131 Fogg Avenue	🟢	🟡		

The following chart represents the summary of key financial data for each project assuming different repositioning strategies. The subsequent pages summarize the columns and property summaries:

SUMMARY OPERATING / REPOSITIONING STRATEGY BY PROJECT

	Estimated Capital Needs, Years 7 through 10	Status Quo Operations / Cash flow [1/]	Property Disposition Proceeds	Property Refinancing, Renovation Benefit	Property Refinancing, Projected Annual Cash Flow	Tax Credit Syndication, Sponsor Cash Benefit	Tax Credit Syndication, Renovation Benefit	Tax Credit Syndication, Projected Annual Cash Flow
Alamont Apartments	$1,070,000	$70,000	$1.8 to $2.4 million	$1,175,000	$50,000 + additional +/- $30,000	$0 to $325,000	$1,940,000	$35,000 with no ability to increase
Lincoln Apartments	$680,000	$45,000	$775K to $1 million	$500,000	$15,000	-$410,000 to -$200,000	$1,120,000	$18,000
Evanswood Apartments	$1,260,000	$15,000	$3.3 to $3.9 million	$850,000	$30,000 + additional +/- $50,000	$450,000 to $800,000	$1,850,000	$30,000 with no ability to increase
Park Place Apartments	$1,140,000	$45,000	$1.6 to $2.1 million	$1,025,000	$45,000 + additional +/- $30,000	-$250K to $150K	$1,990,000	$30,000 + additional +/- $30,000
Cordillera Apartments	$930,000	$45,000	$1.6 to $1.9 million	$900,000	$15,000 + additional +/- $20,000	$100,000 to $250,000	$1,990,000	$25,000 + additional +/- $15,000
Locust Street Apartments	$420,000	$40,000	$830,000 to $1.1 million	$650,000	$40,000 + additional +/- $15,000	$0 to $125,000	$625,000	$10,000 + additional +/- $5,000
Chico Commons Apartments	$3,490,000	$260,000	$4 to $5 million	$4 to $5 million	$100,000 to $175,000	$1.4 to $1.7 million	$5,300,000	$135,000
Walker Common Apartments	$1,500,000	$165,000	$2.4 to $2.9 million	$1.7 to $2.3 million	$40,000	$550,000 to $850,000	$2,825,000	$50,000
1200 Park Place Apartments	$3,800,000	$180,000	$5.5 to $6.5 million	$450,000 to $5.5 million	$60,000 to $360,000	$7 million	$5.9 million	$270,000

[1/] Cash flow indicated represents current projected annual cash flow, excluding capital expenditures. It's unclear from data available the extent of capital improvements that were made from available cash flow

The "Estimated Capital Needs, Years 7 through 10" represents a very rough estimate of those cost which will most likely need to be expended to either modernize the building or replace components nearing the end of their useful life. As with most projects, sponsors are able to delay replacements beyond their useful life to sustain existing cash flow or to keep from having to make capital contributions into the project. The estimated capital funds indicated in this schedule assume that most all components are replaced at or before the end of their useful life and in addition, some non-critical replacements or upgrades are also made to the project. The dollars indicated do not include typical general contractor related expenditures and instead assume that the Authority/management company are replacing items over time.

The "Status Quo Operations / Cash Flow" represents what appears to be the project's actual annual cash flow, excluding potential capital expenditures made by the Authority. It was difficult to ascertain from various financial statements what, if any, capital expenditures were made from available cash flow. The cash flow shown was calculated using the audited and unaudited financials from 2017 and 2018 and the corresponding rental revenues generated from that year, less the indicated recurring and non-recurring operating cost from that same year. It appeared likely that some of the indicated annual maintenance cost might have included non-recurring capital replacements, which if taken out, would increase those annual cash flow projections.

The "Property Disposition Proceeds" represents the range of the Authority's net cash proceeds from a market sale of the project. The range basically includes a variation in assumed capitalization rates used. The net operating income utilized to determine value included current restrictions, unless those income restrictions went away with the prepayment of those funds dictating the restrictions. Property dispositions are relatively rare for housing authorities unless the operations of those units are such that the authority is continually losing money and even in this circumstance, the housing authority may elect to continue to operate the project from a mission standpoint. The other key factor for a disposition would typically include if there are sufficient net proceeds such that the Authority can reproduce most, if not all of those lost units, in either a new affordable development or an acquisition of another project.

The "Property Refinancing, Renovation Proceeds" represents the range of potential renovation work that could be completed if the project were refinanced. In many cases, the project can be refinanced and the NOI leveraged with new debt, such that all or a portion of the capital needs liability can be reduced or eliminated. Each project obviously has different operating assumptions and as such, benefit differently from a refinance. There are instances in which the refinancing of the project actually provides excess funds in addition to the capital need requirements. In these cases, the Authority can either elect to do more renovation work, reduce the amount of debt and correspondingly increase projected cash flow or, utilize the excess loan proceeds to fund other project or agency needs.

The "Property Refinancing, Projected Annual Cash Flow" represents the range of projected cash flow available after a refinance, which will typically be less than the cash flow available under the status quo operational scenario. Variances to this would include the ability to increase rents or when rental subsidies could be utilized at the project. The significant differences in cash flow margins for both 1200 Park Place and Chico Commons are due to the assumption that subsidies would be placed on the project as part of the repositioning.

The "Tax Credit Syndication, Sponsor Cash Benefits" represents the range in surplus cash available to the Authority under a tax credit syndication. The benefit ranges are based on combining multiple projects into a single tax credit syndication – the more projects included, the higher the overall benefit to the Authority would be. Cash benefits include current cash and reserves allocated to the project being returned to the Authority at transaction close. Other factors affecting the overall benefit include cash developer fees and required sponsor financing. It should be noted that the cash benefit indicated for 1200 Park Place assumes that the Authority has project based 100% of the units with section 8 vouchers.

The **"Tax Credit Syndication, Renovation Benefit"** represents the total renovation budget in the tax credit syndication assumption. These costs include not only the base construction cost, but all of the cost related to a general contractor driven project, as well as the investor and lender driven owner contingency allowances. In many cases the tax credit construction budget is significantly higher than the indicated 7 – 10 year capital need budget. The primary reason for this, in addition to the contractor cost and contingencies listed above, is the requirement to ensure that most of the project's components will have a useful life of at least 15-years.

The **"Tax Credit Syndication, Projected Annual Cash Flow"** represents the estimated cash flow from a tax credit repositioning strategy, which assumes debt leveraging and typically higher operating cost. For the most part, cash flow using this repositioning strategy would be less than the cash flow currently being realized, unless there are subsidies introduced into the operations of the project. The ranges are based on the ability to increase rents after the renovation, but in some cases that is not possible as the current rents are at or near the maximum rents allowed.

Alamont Apartments – If the current estimated annual cash flow is accurate, then these amounts together with reserves on-hand would most likely allow the Authority to "limp" along and make mandatory repairs and upgrades each year but with the possibility of having to infuse cash into the project from time-to-time. Disposition of the project, considering the limited per unit net proceeds would not be feasible for the Authority on several fronts. A refinance of the project would appear to be able to provide the necessary funds to make the necessary capital improvements all at one time. The corresponding cash flow projections would be anticipated to be less than are currently being realized but could be increased through a modest increase in rents, which should be achievable after the renovation. A tax credit syndication would allow for a significant increase in the renovation scope but any net proceeds to the Authority would be immaterial for the work involved. Cash flow would be roughly half in a tax credit syndication of what it currently is, without the ability to increase rents materially.

Lincoln Apartments – Again, if the current estimated annual cash flow is accurate, then these amounts together with reserves on-hand would most likely be inadequate to make the mandatory repairs and upgrades needed. Disposition of the project, considering the limited per unit net proceeds, as well as the location and low rent structure, would not be feasible for the Authority to consider. A refinance of the project would appear to be able to provide a significant amount of the funds necessary for the basic capital improvements, all at one time. The corresponding cash flow projections in a refinance scenario would be substantially less than is currently being realized but from a nominal standpoint not material. A tax credit syndication would allow for a significant increase in the renovation scope and would cover all needed improvements and upgrades but would likely provide a zero benefit to the Authority from a cash standpoint. Cash flow would again be less than is currently being realized but not from a nominal standpoint. Considering that the cash flow is similar in both a refinance and tax credit syndication repositioning strategy, the tax credit route would provide the necessary funding for all required capital improvements. As such, combining this project with any of the other tax credit repositioned projects would be a feasible direction for the Authority to consider.

Evanswood Apartments – If the current estimated annual cash flow of $15,000 per year is accurate and the amount of capital needs reliable, there is no long-term advantage to holding the property status quo. Disposition of the project, unlike other Authority owned projects, could provide the necessary net proceeds to replace these units in another new development. A refinance of the project would appear to be able to provide a moderate amount of the funds necessary for basic capital improvements, all at one time. The corresponding cash flow projections in a refinance scenario could be moderately higher if the current cash flow limitations are being caused by high maintenance cost which would be lessened as part of a capital improvement project. A tax credit syndication would allow for a significant increase in the renovation scope and would cover all needed improvements and upgrades and at the same time provide the Authority with some moderate cash benefit. Cash flow would likely be higher than is currently being realized but not from a nominal standpoint. A disposition of the project should certainly be considered from a financial standpoint but politically the Authority would need to consider what happens to the existing residents, together with the loss of affordable units in the Oroville community. The tax credit route would provide the necessary funding for all required capital improvements and some cash to the Authority. The intangible consideration for which repositioning strategy is the best for this project could come down to, is the project efficient from a management and location standpoint to continue to own.

Park Place Apartments – If the current estimated annual cash flow of $45,000 is accurate, then these amounts together with reserves on-hand would not be adequate to make the mandatory repairs and upgrades needed. Disposition of the project, considering the limited per unit net proceeds, as well as the location and low rent structure, would not be feasible for the Authority to consider. A refinance of the project would appear to be able to provide a significant amount of the funds necessary for most of the required capital improvements, all at one time. The corresponding cash flow projections in a refinance scenario would be equal to, if not greater than is currently being realized but immaterial. A tax credit syndication would allow for a significant increase in the renovation scope and would cover all needed improvements and upgrades but would likely provide a zero benefit to the Authority from a cash standpoint. Cash flow would again be less than is currently being realized but not from a nominal standpoint. If this is the only project in Oroville that is being considered for the tax credit repositioning strategy, it might be difficult to include this project with other tax credit projects in Chico or even as a stand-alone tax credit deal.

Cordillera Apartments – If the current estimated annual cash flow of $45,000 is accurate, then these amounts together with reserves on-hand would not be adequate to make the mandatory repairs and upgrades needed. Disposition of the project, considering the limited per unit net proceeds, as well as the location and low rent structure, would not be feasible for the Authority to consider. A refinance of the project would appear to be able to provide a significant amount of the funds necessary for most of the required capital improvements, all at one time. The corresponding cash flow projections in a refinance scenario would be substantially less than is currently being realized but from a nominal standpoint immaterial. A tax credit syndication would allow for a significant increase in the renovation scope and would cover all needed improvements and upgrades but would likely provide very little benefit to the Authority from a cash standpoint. Considering the difficulty of a tax credit syndication, together with little to no cash benefit to the Authority, weighing whether or not proceeds from a refinance are sufficient enough to handle the required capital needs should be seriously considered.

Locust Street Apartments – If the current estimated annual cash flow of $40,000 is accurate, then these amounts together with reserves on-hand would most likely allow the Authority to "limp" along and make mandatory repairs and upgrades each year but with the possibility of having to infuse cash into the project from time-to-time. Disposition of the project, considering the per unit net proceeds, would probably not be feasible for the Authority to consider. A refinance of the project would appear to be able to provide the necessary funding for most of the required capital improvements, all at one time. The corresponding cash flow projections in a refinance scenario would be equal to, if not greater than is currently being realized but immaterial. A tax credit syndication would allow for almost the same amount of renovation scope as in a refinance, a reduction in annual cash flow and would likely provide very little benefit to the Authority from a cash standpoint.

Considering the difficulty of a tax credit syndication, together with little to no cash benefit to the Authority, and the same amount of renovation work as in a refinance, the Authority would most likely be better served from refinancing this project.

Chico Commons Apartments – If the current estimated annual cash flow of $260,000 is accurate, then these amounts together with reserves on-hand would not be adequate to make the mandatory repairs and upgrades needed. Disposition of the project, considering the limited per unit net proceeds, as well as the low rent structure, would not be feasible for the Authority to consider. A refinance of the project would appear to be able to provide more than enough funds for all of the required capital improvements and upgrades, all at one time. The corresponding cash flow projections in a refinance scenario would be less than are currently being realized but could be increased should the Authority provide rental subsidies for the lowest income set-aside units. A tax credit syndication would allow for a similar renovation scope as in a refinance and could provide the Authority with +/- $1.5 million in cash proceeds. Cash flow would again be less than is currently being realized but similar to the projections in a refinance. As a stand-alone tax credit deal and all of the complexities involved, the Authority should seriously consider the refinance route, irrespective of the projected cash benefit; that said, if the Authority is considering 1200 Park Place as a tax credit resyndication, then combining Chico Commons with that project would probably warrant serious consideration.

Walker Commons Apartments – If the current estimated annual cash flow of $165,000 is accurate, then these amounts together with reserves on-hand would most likely allow the Authority to make the mandatory repairs and upgrades each year with the possibility of having to infuse cash into the project from time-to-time. Disposition of the project, considering the limited per unit net proceeds, as well as the low rent structure and the senior population would not be feasible for the Authority to consider. A refinance of the project would appear to be able to provide more than enough funds for all of the required capital improvements and upgrades, all at one time. The corresponding cash flow projections in a refinance scenario would be significantly less than are currently being realized, but potentially borrowing less for the renovation could improve that amount. A tax credit syndication would allow for an extensive renovation scope, probably more than is needed and at the same time provide the Authority with +/- $750,000 in cash proceeds. Those cash proceeds could increase by say $650,000 to around $1.4 million if the tax credit renovation budget was decreased from the proposed $2.8 million to say, $2 million, which should be more than adequate for the project. Cash flow would again be less than is currently being realized but similar to the projections in a refinance. As a stand-alone tax credit deal and all of the complexities involved, the Authority should seriously consider the refinance route at around $1.3 million, irrespective of the projected cash benefit from a tax credit strategy; that said, if the Authority is considering 1200 Park Place and Chico Commons as a tax credit resyndication, then combining Walker Commons with these projects would probably warrant serious consideration.

1200 Park Place Apartments – If the current estimated annual cash flow of around $180,000 is accurate, then these amounts together with reserves on-hand would not be adequate to make the mandatory repairs and upgrades needed. Disposition of the project, considering the limited per unit net proceeds, as well as the low rent structure and the senior population would not be feasible for the Authority to consider. A refinance of the project considering the current low rent structure and outstanding debt would not appear to provide any meaningful proceeds for capital improvements. If the Authority were to project base 100% of the senior units with section 8 vouchers, then such refinance proceeds would provide more than sufficient proceeds for all of the required capital improvements and upgrades, all at one time. A tax credit syndication, assuming section 8 subsidies at the project would allow for an extensive renovation scope, probably more than is needed and at the same time provide the Authority with +/- $7 million in cash proceeds. The key to making 1200 Park Place a financial success will be the ability for the Authority to project base section 8 subsidies at 100% of the units.

Without the ability to increase the perceived valuation of the building through the section 8 subsidies, a resyndication would be feasible but would probably only allow for around $4million in upgrades and most likely very little cash benefit to the Authority. From a refinance perspective, it’s probably not feasible to pursue this strategy unless all or some of the units have section 8 subsidies, allowing for an increased NOI.

RECOMMENDATIONS

IX. Recommendations

Notwithstanding the extensive amount of information and analysis included above, there are numerous factors that the Authority should consider in determining their best path forward in repositioning their real estate assets.

While this report primarily examines the financial factors involved in repositioning, there are other factors only the Authority and Board of Commissioners will be familiar with, for example political impacts, community pressure and response, long term portfolio visions, the degree and level of project upgrades, sentiment towards debt and leveraging, as well as internal and external capacity, just to name a few.

Notwithstanding these other factors and to assist the Board in "starting" their internal discussions and decision-making processes for repositioning, we've created a specific set of conjectural recommendations based on the above data. Please note that while these hypothetical conclusions are based on actual information provided by the Authority, together with current market condition expectations, there is a significant amount of "forward" looking projections, which are subject to some uncertainty.

Without attention to the more qualitative factors mentioned above, it would appear that a practical recommendation would include the following Transaction Strategies:

Project	Strategy
Alamont Apartments	**Transaction 1:** Pooled Bond Refinance
Locust Street Apartments	
Park Place Apartments	
Cordillera Apartments	
Chico Commons Apartments	**Transaction 2:** Scattered Site 4% Tax Credit Transaction
Walker Commons Apartments	
1200 Park Apartments	
Lincoln Apartments	
1744 Laurel Street	**Transaction 3:** Disposition
Evanswood Apartments	**Transaction 4:** Disposition*
2131 Fogg Avenue	**HOLD**

Transaction 1 – In this strategy, HACB would retire the existing outstanding bonds on the indicated properties. Cordillera and Locust Street Apartments would be added to the pooled bond issuance, and Lincoln, and Evanswood would be excluded. The new bond issuance would include more favorable financing terms and in addition, provide funds for repair and upgrades to the properties

Transaction 2 – For this proposed strategy, HACB would form a single tax credit partnership to own, operate, and renovate the scattered site portfolio including Chico Commons, Walker Commons, 1200 Park, and Lincoln Apartments. HACB would be anticipated to have an expanded role in the redevelopment of the Projects. HACB, or affiliate non-profit, would be the General Partner of limited liability limited partnership; HACB will also be the developer of the Project and issuer of the bonds. Moreover, HACB as the Grantor would lease the land and buildings to the partnership as the Grantee for 99 years as a low-income housing project pursuant to Sections 42 and 142(d) of the Internal Revenue Code of 1986. This strategy assumes successful negotiations with the existing limited partner at 1200 Park to exit the existing tax credit partnership.

Transaction 3 – Based on location and the difficulty in operating single family homes, this strategy assumes the disposition of the 1744 Laurel Street single family home. Proceeds from the sale could be used for future Authority development activities.

***Transaction 4** – The Evanswood Apartments could legitimately have two valid strategic repositioning strategies. Given the lack of other affordable Authority developments in Oroville, should the Authority not have an intent to add/develop additional units in the area, a disposition of Evanswood is most likely the best given approach. If, however, the Authority intends to move forward with additional development, i.e. Fogg Avenue and Public Housing tax credit syndication, then adding Evanswood to the *Transaction 2 strategy (Tax Credit)* would allow for the necessary improvements to the project and a more synergetic operational plan due to proximity to the other local developments.

2131 Fogg Avenue – Given future development opportunities, this Plan would tend to endorse holding the Fogg Avenue property until the opportunity presents itself to develop the site and to potentially provide the basis for a tax credit syndication with the adjacent Hammon Park public housing project.

Transaction	Renovation Benefit	Current Evaluated Cashflow**	Projected Cashflow	Sponsor Cash Benefit
Transaction 1	$3,750,000	$200,000	$150,000*	$0
Transaction 2	$15,145,000	$758,000	$473,000	$9,750,000
Transaction 3	$0	$0	$0	$235,000
Transaction 4	$0	($15,000)	($15,000)	$3,600,000
TOTAL	**$18,895,000**	**$943,000**	**$608,000**	**$13,585,000**

*Note, Potential additional annual cash flow, over and above the indicated figures are a possibility should the Authority elect to increase project rents, which would appear to be substantially below market at some projects. Then again, providing an "internal" rent margin to maintain more affordability might be more attractive to the Authority from a mission perspective.

** Current Evaluated Cashflow is based on 2018 Authority audit information and excludes balance sheet related data and instead attempts to analyze actual project cash flows. Additionally, indicated cash flows might or might not be effected by the inclusion of non-recurring capitalized expenditures.

Strategy Implementation

Given the complexities involved in development activities such as Bond Issuance, Construction Management, Tax Credit Syndication, Disposition, etc, it is critical that the Authority assemble a "Team" of experts in the respective fields should HACB elect to pursue this strategy.

For the most part, the Authority has already assembled a team, both internal and external, to execute Bond Issuance and general development activities. That being said, "Transaction 2" involves Tax Credit Syndication with the assumption that the Authority will act as the Developer, General Partner, and Sponsor of the transaction. The Authority's position in these roles is critical in order to realize the projected proceeds and other benefits highlighted within this report. As such, it will be necessary to assemble a team to assist with the various aspects of Tax Credit development. The following roles are the core "team" members necessary for a successful Tax Credit syndication.

Development Consultant – with the Authority undertaking the role of "developer," it is necessary to have a development consultant that can help navigate the role and responsibilities that come along with Developer, Sponsor, and General Partner. The development consultant assists in creating the team, procures the lender/investor, underwrites the transaction on behalf of the Authority, manages the Lender/Investor due diligence process, and in general, represents the Authority, ensuring the transaction maintains the financial and intangible benefits at the end of the day.

Partnership Counsel – The partnership counsel assists in the formation of the Partnership, represents the Authority as General Partner of the Partnership, reviews and generates necessary documents associated with the partnership, and provides general guidance on the transaction. Note that Partnership Counsel is different than Bond Counsel, however Bond Counsel will also be necessary as part of the transaction team. Notable firms in California include Bocarsly Emden, Gubb and Barshay, and Goldfarb and Lipman.

Bond Counsel – Bond Counsel assists in all aspects with the tax-exempt Bond issuance, including Authority resolutions, TEFRA hearing and process, and all legal documents associated with the Bonds. Depending on approach, many time Bond Counsel and Partnership Council and be represented by the same firm, assuming the Authority is issuing the bonds.

Partnership Accountant – The partnership accountant consults with the Authority on any partnership related accounting issues, accounting methodologies related to partnership tracking, and financial reporting related to the partnership. As part of this service, the partnership accountant will provide the Final Cost Certification required under the 4% LIHTC program. Furthermore, they will draft and provide the first (and typically second) partnership tax return and annual audit. There are various firms that provide these types of services. Novogradac is one that is well known by Lenders and Investors.

Construction/Design Team – The construction and design team is another key element to a successful tax credit syndication. Given the complexities of credit delivery and their association with the construction schedule, it is critical to assemble a team that has experience with Tax Credit developments, the reporting requirements that come with LIHTC IRS regulation, and experience with occupied rehabs. The development consultant and owner's representative work closely with the Authority in assembling this team, which typical includes limited architectural scope for selective rehab projects, or even Design/Build, whereby the General Contractor assumes design responsibilities.

Other Team Members – In addition to the core members listed above, the partnership (via the Authority as General Partner) would procure additional key team members/reports such as title insurer/escrow agent, surveyor, appraiser, environmental consultant, etc. An example of a procurement schedule for an Acq/Rehab 4% transaction is attached to this report as Exhibit B.

Certain statements and other information included in this Repositioning Plan constitute "forward looking information." All statements and information in this Plan, other than those relating to historical information or current condition, are forward-looking statements, including, but not limited to, estimates, forecasts and statements as to expectations with respect to, among other things, business and financial prospects, financial multiples, future trends, strategies, objectives and expectations, including with respect to future operations following the proposed restructuring plan implementation. These forward-looking statements are subject to a number of risks and uncertainties, which could cause actual results to differ materially from the proposal.

Events or circumstances that could cause actual results to differ materially from what is included in this Plan, include, but are not limited to, actual project capital needs, Authority capacity, debt and equity market volatility, impacts on resident relocation, the availability of private-activity bond cap, the availability of project based section-8 subsidies, or the possible delay in the completion of the steps required to be taken for the eventual restructuring plan to be implemented, including the possibility that approvals required from public agencies and other entities will not be obtained in a timely manner or will be obtained on conditions that may require the proposal to be modified.

EXHIBITS

X. Exhibits

a. **Project Data Sheets**

b. **Example Procurement Schedule**

INTRODUCTION

The purpose of the Procurement Management Plan ("Plan") is to outline those services to be procured by Brawner & Company (Brawner), either on behalf of the client/project or by Brawner directly. Further, the Plan describes how the procurement will be managed, from identification and developing procurement documentation through contract closure. The Plan is intended to be in compliance with internal Housing Authority (PHA) and Brawner procedures.

The overall function of procurement is to solicit and engage those "outside" consultants which will complete tasks required to finance, operate and develop the project(s) and then describe, in specific terms, under what conditions those tasks should be performed. Procurement deadlines are usually affected by the project schedule and completion of required tasks is needed by certain dates to ensure timely project completion. Additionally, completion of certain tasks may provide data which can provide guidance on financial viability and various strategies, and greater insight into the physical condition of the property, all of which allow to define varied approaches to mitigating risk.

PROCUREMENT MANAGEMENT APPROACH

This Plan sets the procurement framework for the transaction. It identifies and defines the items to be procured, the purpose, special procurement language, types of contracts to be used in support of this project, budget constraints, roles, the contract approval process, and decision criteria. The Transaction Manager will work with the Development Manager, PHA's Development Team, and other key players to manage the procurement activities.

The Transaction Manager will provide oversight and management in concert with appropriate procurement requirements for all procurement activities. Brawner's Executive Team and Development Manager will work with PHA to identify all items to be procured for the successful completion of the project. PHA's Development Team will review the procurement list and related information and seek final approval from the CFO.

PROCUREMENT APPROVAL PROCESS

Related to project and financial service procurements as well as pre-construction service procurements, the Transaction Manager shall make a recommendation to PHA on the type of procurement for each task, such as non-competitive contract request, competitive negotiation, alternative procurement, RFP or RFQ. Once PHA has approved the type of procurement for a specific task, the Transaction Manager, along with the Development Manager, will meet to discuss the contents of the procurement package. The Transaction Manager will draft the appropriate procurement documents and related attachments and forward to PHA's Development Team for review, who will then seek approval from PHA's CFO.

CONTRACT TYPE

Many different types of contracts exist, such as: firm-fixed price, time and materials (T&M), cost-reimbursable, and others. Varying procurement items may also require different contract types. It is the intent that all services to be procured will be solicited under firm-fixed price contracts. The Transaction Manager will work with the Development Manager and Executive Team to define the scope of services and required delivery dates. The Transaction Manager will then solicit bids under a Request for Proposal (RFP) to various vendors in order to procure the services within the required time frame and at a reasonable cost.

DECISION CRITERIA

Depending upon the type of procurement, various criteria will be used by the Transaction Manager to make a recommendation to PHA on what contract(s) to award. Again, these criteria will vary between different procurement packages, but will be defined as part of the Plan.

The criteria for the selection and award of procurement contracts for this project will consider some or all of the following criteria:

- Mandatory Requirements
- Vendor financial documentation
- General Qualifications & Experience (vendor and proposed staff)
- Past Performance Technical Qualifications
- Quality
- Ability of the vendor to provide all items by the required delivery date
- Oral Presentation
- Cost

Based on the procurement criteria and the responses to those criteria by specific vendors, the Transaction Manager in consultation with the Development Manager shall prepare a bid evaluation and a contract award recommendation to PHA. The recommendation shall include among other items a list of those vendors who submitted a proposal, their proposed cost to complete the work, their timeline to complete the work and a summary of the how the proposers responded to the required criteria. Finally, an adequate justification for the recommendation of the award will be included. The Recommendation will be signed by the Transaction Manager and in turn executed by PHA indicating approval of that recommendation.

CONTRACT AWARD

The Transaction Manager shall work with the Development Manager to execute the required contract. In some cases, contracts may need to be reviewed by partnership counsel, in which case the Transaction Manager shall take the lead in finalizing a contract for review. Once the related contract has been vetted, the Transaction Manager shall forward to PHA's Development Team via email or Sharefile for execution. The contract shall include a transmittal cover sheet from the Transaction Manager indicating that the Contract meets all previously required procurement criteria at a cost previously agreed to. The Transaction Manager shall oversee the execution of the contract by all parties and ensure that executed contracts are delivered to all parties. If Brawner is tracking development cost during the pre-construction phase, a copy of the contract shall also be delivered to the Project Finance Director.

VENDOR MANAGEMENT

The Transaction Manager is ultimately responsible for managing vendors. In order to ensure the timely delivery and high quality of reports from vendors, the Transaction Manager may designate other internal staff to work with various vendors on their specific task. The responsible staff shall have continued communication with the vendors to review status of reports and initial findings. This will also serve as an opportunity to ask questions or modify contracts or requirements ahead of time in order to prevent delays in delivery and schedule. The Transaction Manager will be responsible for scheduling required site inspections, meetings and other activities required by the vendor to complete their task. This also includes working with PHA's Asset Manager to arrange inspection times and the necessary notices to residents.

If the inspections require entry into an occupied unit, the Transaction Manager shall keep track throughout the pre-development period of those units that have been inspected, the date inspected, and the purpose for such inspections.

When the contract for services has been completed or a progress payment has been submitted by a vendor, the Transaction Manager shall provide (via email or Sharefile) a written document to PHA confirming that the service(s) indicated in the vendor billing statement/invoice has been completed in satisfactory condition pursuant to the contract terms and that the amount billed is authorized to be paid.

The attached procurement items and/or services have been determined to be essential for completion and success of the transaction.

ACCEPTANCE

Approved by:

____ Date: _____________________

Housing Authority

____ Date: _____________________

Brawner & Company
Transaction Manager

BRAWNER REAL ESTATE DEVELOPMENT AND CONSULTING

EXAMPLE PROCUREMENT SCHEDULE

Pre-Development Service to be Procured	Procurement Package Date	Estimated Due Date of Vendor Response	Vendor Deliverable Date	Type of Procurement	Selection Criteria	Notes
ALTA Survey	2/22/2019	N/A	4/8/2019	RFP	Mandatory requirements, qualifications, past performance, meet delivery date, and cost.	For title insurance extended coverage as well as lender/investor requirements. Include typical investor requirements in RFP.
*Seismic Survey	2/1/2019	2/16/2019	4/1/2019	RFP	Mandatory requirements, qualifications, past performance, meet delivery date, and cost.	To identify structural needs of the building. Depending on investor lender requirements and age of building, original construction may suffice.
Property Appraisals & Market Study	2/22/2019	3/9/2019	3/18/2019	RFP	Mandatory requirements, qualifications, past performance, meet delivery date, and cost.	To determine value in which the PHA will lease the properties to the limited partnership. Appraiser shall provide a separate quote for both a land value and a market study conforming to the Commission requirements. Will need bid to include preparation for Reliance Letter to investor.
Property Insurance	3/7/2019	N/A	4/16/2019	N/A	N/A	Assumption is that the existing coverage will be updated to include the revised valuation of the property under the exising PHA umbrella
Phase I Environmental	2/5/2019	2/20/2019	3/12/2019	RFP	Mandatory requirements, qualifications, past performance, quality of proposal, meet delivery date, and cost.	Assumption is that based on age of building, lender/investor will not require extensive O&M plans and/or ACM and LBP testing
Pest Inspection	5/15/2019	N/A	6/13/2019	Sole Source with price negotiations	Mandatory requirements, qualifications, past performance, meet delivery date, and cost.	Investor requirement.
Legal - Partnership & Borrower's Counsel	2/6/2019	N/A	2/13/2019	Sole Source with Fee Proposal	N/A	Need Fee Proposal from Partnership Counsel for Projected Services.
Accounting	4/23/2019	N/A	7/19/2019	Sole Source with Fee Proposal	Mandatory requirements, qualifications, past performance, meet delivery date, and cost.	Need to determine accounting firm. Likely Novogradac
*Physical Conditions Assessment	2/15/2019	3/2/2019	4/30/2019	RFP	Mandatory requirements, qualifications, past performance, meet delivery date, and cost.	Potential requirement of the lender (Suppliment to McCullough Allen Inspection)
Title	1/23/2019	N/A	2/1/2019	Sole Source with price negotiations	Mandatory requirements, qualifications, past performance, meet delivery date, and cost.	Need to determine preferred title insurance company. Recommend Chicago Title.
*Zoning Report	2/1/2019	N/A	2/14/2019	Sole Source with Fee Proposal	N/A	Sole Source of PZR based on lender/investor zoning requirements
Pre-Construction Service to be Procured	**Procurement Package Date**	**Estimated Due Date of Vendor Response**	**Vendor Deliverable Date**	**Type of Procurement**	**Selection Criteria**	**Notes**
Contractor Pre-Construction Services	TBD	TBD	3/4/2019	RFP or Sole Source	Mandatory requirements, qualifications, past performance, meet delivery date, and cost.	Requesting proposal from Contracotr. Potential for zero pre-construction fees if certain contractor is chosen.
Mechanical, Electrical, Plumbing (MEP)	TBD	TBD	3/4/2019	RFP or Sole Source	Determined by type of procurement	Determined by GC procurement and driven by scope of work as necessary.
Roof Consultants	TBD	TBD	2/7/2019	RFP or Sole Source	Determined by type of procurement	Driven by scope of work as necessary.
Membrane Consultants	TBD	TBD	2/7/2019	RFP or Sole Source	Determined by type of procurement	Driven by scope of work as necessary.
Elevator Engineering	TBD	TBD	2/7/2019	RFP or Sole Source	Determined by type of procurement	Driven by scope of work as necessary. Need to determine if existing reports will suffice.
Architecture	N/A	N/A	3/4/2019	Selected GC will Procure	Mandatory requirements, qualifications, past performance, meet delivery date, and cost.	Determined by Contstruction Service. If design/build chosen, Architect will be included in fee proposal.

Please see the Procurement and Fees Budget spreadsheet for monthly costs related to the items listed above.

*The need for identified reports will be determined by the investor/lender, once selected

BRAWNER REAL ESTATE DEVELOPMENT AND CONSULTING

EXAMPLE PROCUREMENT AND FEES BUDGET

Pre-Development Service to Be Procured	Total	February	March	April	May	June	July	August	Balance to be Paid at Closing	Notes
ALTA Survey	$ 8,275			$ 7,125				$ 1,150		
Seismic Survey	$ 3,250			$ 3,250						
Property Appraisals & Market Study	$ 10,250		$ 8,750			$ 1,500				Includes FMV appraisal, land appraisal, and potential update
Property Insurance	$ -									No fees till closing
Phase I Environmental	$ 11,375		$ 8,750				$ 2,625			
Pest Inspection	$ 1,250					$ 1,250				
Legal - Partnership & Borrower's Counsel	$ 15,000				$ 15,000				Yes	Partnership Counsel Fees for LLLP formation and Sponsor Debt
Accounting	$ -								Yes	No fees untill after closing
Physical Conditions Assessment	$ 7,850					$ 7,850				Potential requirement of the lender (Suppliment to McCullough Allen Inspection)
Title	$ -								Yes	
Zoning Report	$ 750		$ 750							Sole Source of PZR based on lender/investor zoning requirements
***Pre-Construction Service to be Procured**	**Total**	**February**	**March**	**April**	**May**	**June**	**July**	**August**	**Balance to be Paid at Closing**	**Notes**
Permits	$ 35,246							$ 35,246		
Construction Services	$ -								Yes	Belfor or other service provider will bill at closing
Mechanical, Electrical, Plumbing (MEP)	$ 6,750		$ 6,750							
Roof Consultants	$ 4,125	$ 4,125								
Membrane Consultants	$ 6,500	$ 6,500								
Elevator Engineering	$ 2,850	$ 2,850								
Architecture	$ -								Yes	Subject to change depending on which architect is chosen. Assuming through Belfor.
Pre-development Fees	**Total**	**February**	**March**	**April**	**May**	**June**	**July**	**August**	**Balance to be Paid at Closing**	**Notes**
**Resident Income Certs	$ 21,750						$ 10,000	$ 11,750		Tax Credit Income Certs
Tax Credit Application	$ 7,500				$ 7,500					Fee for 4% Application
Bond Cap Reservation Fee	$ 75,000					$ 75,000				0.5% of Bond Cap Request
Cost of Issuance Deposit	$ 75,000					$ 75,000				0.5% of Bond Cap Request
***Lender Fee	$ 25,000			$ 25,000						Potential Fee related to procurement - reimbursed at close
***Investor Fee	$ 25,000			$ 25,000						Potential Fee related to procurement - reimbursed at close
TOTAL AMOUNTS	$ 342,721	$ 13,475	$ 25,000	$ 60,375	$ 22,500	$ 160,600	$ 12,625	$ 48,146		

*Specific services required currently unknown
**If 3rd party contractor needed for assistance
***Dependant on investor/lender selected

SUMMARY

TO: Housing Authority of the County of Butte ("HACB")
Ed Mayer, Executive Director

CC: Tom Lewis, Counsel to California Affordable Housing Agency

FROM: Patrick Howard, PHIG Consulting LLC (a subsidiary of PHIG Holdings LLC)

Thank you for providing me for review copies of the HACB's Request for Proposal Strategic Asset Plan dated February 20, 2019 and the HACB Asset Repositioning Study, Strategic Portfolio Review, dated July 2019 as prepared by Brawner Real Estate Development and Consulting. Both were instrumental in my being able to assess a course of action for HACB as it relates to its decisions for financing and refinancing of its affordable housing inventory.

This Summary is merely an outline of what my assessment is for a call to action based on the review and understanding of HACB's goals coupled with the findings and recommendations from the recently completed Strategic Portfolio Review. Additional analysis and discussion will need to be completed to assess timing considerations and actual financial ramifications to maximize benefits to HACB. That being said the following I believe to be the most desirable way to proceed to achieve the goals set out by HACB.

1. Proceed immediately with the refinancing of the Series 2000A Bonds. This will be the quickest execution and provide the most immediate benefit to HACB given the high interest rate associated with these outstanding Bonds versus current tax-exempt Bond interest rates. This issuance should consider issuing what is referred to as new money Bonds with the refinancing of the outstanding Bonds; ideally in an amount that would not increase the current debt service payment on the properties included. The new money proceeds would be targeted towards needed improvements for the properties and could possibly provide funds for the eventual rebuilding of those units lost in Paradise.

2. My recommendation for structuring this refinancing would be to establish a master trust indenture and issue this as the first Series under this master indenture, thereby allowing to add additional Series of future Bond financings for the other properties (see below) that I recommend refinancing with Bonds as well. This will allow for HACB to use excess cash flow from this initial Bond refinancing to help subsidize any future Series of Bonds under this master indenture structure if necessary. Jones Hall is well versed in this structure as we have used this approach in previous Bond financings.

3. It would appear that the two multifamily properties not previously financed by either Bonds or use of Low Income Housing Tax Credits ("LIHTC"), Cordillera Apartments and Locust Street Apartments, could be included in this first Series as they would appear to be relatively simple to include in this process.

4. Next steps to accomplish this first action would be to immediately pass a Board Resolution to process with the refinancing, and to order physical condition reports on each of the four properties to assess the scope and cost of rehab needed. Once that is completed, HACB will need to order an appraisal to assess the current value, as well as the as-improved value based on the scope of the rehab that would be completed with the financing.

5. Simultaneous with item number 4 above will be to assemble the working team to initially include Jones Hall as Bond Counsel, among others, to determine whether a public offering of Bonds through an investment bank or a direct private placement with a Bank already familiar with HACB would be the desired and most beneficial approach for HACB.

6. Depending on schedules and timing for reports it could be expected that this first action could be completed by the end of October 2019.

7. The next step would be to begin working on the refinancing of the two LIHTC properties, Chico Commons Apartments and Walker Commons Apartments, and look to refinance both in the same second Series under the master indenture structure. Similar action items as indicated in item numbers 4 and 5 above would need to occur when ready to proceed with these properties. I would expect that these could be financed before the end of the year 2019. As with the first Series of Bonds as described above the focal points will be initially on the scope of rehab needed and desired, the cost for that and whether the required debt service can be supported by the net operating cash flow generated by these properties without support from the excess cash flow generated by Series one or any other support.

8. Other factors and assets to be considered in this will be HACB's office building and whether the value of collateral from this asset would be needed or helpful for the financings noted above. My initial thoughts on this are to keep it simple and not include the building at this stage and save that for helping with other development projects that are being planned and highly needed, including possible future plans involving HACB's 345 public housing units and 130 farm working housing units. Instead, the focus should be on getting value for HACB's Standard & Poor's Issuer Credit Rating and using that to help negotiate lower interest rates for the Bond financings.

9. Finally, as for the other LIHTC property, 1200 Park Place Apartments, I recommend initiating discussions with the other Limited Partners in order to come to terms for a buy-out and if timing works then include that with the second Series offering, or look to go after another LIHTC syndication for this property. I would expect that if Bonds were a possibly for this property then that could occur as early as the first quarter 2020, while a LIHTC financing would occur later in the year 2020 at the earliest.

10. In conclusion, it is my recommendation to HACB to immediately move forward in the methodology as stated above, and to take action to move immediately to refinance the Series 2000A Bonds.

- Patrick Howard, August 1, 2019

Memo

To: Ed Mayer

From: Real Estate Development Services

Date: August 7, 2019

RE: Analysis of 1200 Park Avenue

As previously discussed, 1200 Park Avenue is ready for a repositioning due to the imminent end of the 15-year tax credit compliance period. We have spent the past few months analyzing the asset from a value perspective as well as vetting various financing options. In this analysis, we took into consideration options that would yield the Agency both a desired rehabilitation as well as retaining the Agency its most appreciated asset.

We focused the initial analysis for 1200 Park Avenue Apartments in two scenarios: the first as a 9% Tax Credit scenario and the second as a 4% Tax Credit/Tax Exempt Bond development. We used the same general assumptions for acquisition cost, operating expenses, and temporary relocation costs. We also assumed that the City of Chico and HACB would recontribute their existing debt.

9% Tax Credits

Income targeting is set from 30% to 60% AMI based on the existing regulatory agreements. Total Development Costs (TDC) including improvements is estimated at $18.6m, or $174k per unit.

Hard construction costs are currently projected at $40,000 per unit.

Current projected shortfall is $1.3m, or $12.5k per unit, which could be filled with deferred developer fee, increased credit pricing, Section 8 Project Based Vouchers, and possibly Affordable Housing Program (AHP) funds.

Using the assumptions above, the TCAC tiebreaker is approximately 35.69%.

<u>4% Tax Credits</u>

Income targeting is set from 30% to 60% AMI based on the existing regulatory agreements. TDC including land is estimated at $15.3m, or $143k per unit.

Hard construction costs are currently projected at $20,000 per unit.

Current shortfall is $4.7m, or $44k per unit.

Based on the shortfall shown in the 4% scenario, the 9% scenario is more viable and would allow for *additional* renovations to be made to the asset with twice the amount budgeted for hard construction costs as a result of the additional tax credit equity provided by 9% tax credits (approximately $10.4m vs. $3.5m).

- The soft loans provided by the City of Chico and Housing Authority of the County of Butte both work as leveraged soft financing in the 9% scenario, and these funds increase the tiebreaker to a competitive 35.69%.

- The City of Chico competes in CTCAC's Northern Region. Our projected tiebreaker is higher than the projects awarded in the previous two rounds for this Region:
  - First Round 2019 - 32.473%
  - Second Round 2018 - 11.486%

- A *typical* advantage of the 4% scenario is higher income targeting (i.e. 50% and 60% AMI units, yielding more income and higher debt); however, these units will be required to maintain the affordability set forth in the existing regulatory agreements that follow 9% guidelines therefore cannot be modified.

Additionally, Real Estate Development Services previously completed a successful negotiation and buyout of 21 Limited Partnership Interests from Alden Torch, current tax credit investor in 1200 Park Avenue. We believe we possess the knowledge and experience to negotiate on behalf of the Agency and come to a reasonable agreement with Alden Torch on buyout terms.

As always, we are here for the Agency to answer any questions, as this asset is an important part of our history as a Company.