SPECIAL MEETING
BOARD OF COMMISSIONERS
HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
Conference Room A/B
505 West Julian Street
San Jose, CA
August 27, 2013
9:00 a.m.

The Housing Authority's mission is to provide and inspire affordable housing solutions to enable low-income people in Santa Clara County to achieve financial stability and self-reliance.

AGENDA

The Board of Commissioners may take any actions relating to the issues on the agenda following the Board's consideration of the matter and discussion of the recommended action.

1. Call to Order
2. Roll Call
3. Comments from the Public

This portion of the meeting is reserved for persons desiring to address the Board on any matter not on this agenda. Speakers are limited to two minutes. The law does not permit board action or extended discussion of any items not on the agenda except under special circumstances. All statements that require a response will be referred to staff for reply in writing.

Persons wishing to address the Board on a regularly scheduled item on the agenda are requested to complete a form located on the table as you enter the room. (Government Code Section 54953.3). Individual speakers will be asked to limit their presentations to three minutes.

NOTE: The Chair may limit the duration of time that speakers may address the Board on any matter.

4. Approval of Minutes for the July 23, 2013 regular meeting
5. Report of Executive Director
6. Correspondence(s)
7. Unfinished Business
   A. Verbal Report on Ad Hoc Strategic Planning Committee
8. New Business
   A. Consent Calendar:
   Pgs. 6-7
      i. Report on Administrative Services Departments Activities
   Pgs. 8-12
      ii. Report on Housing Programs Department Activities

The Housing Authority will make reasonable efforts to accommodate persons with disabilities. If you require special accommodations, please call 983-2900 at least three days in advance in accordance with the Rehabilitation Act of 1973.
iii. Report on Real Estate Services Department Activities including Development Disbursement Report

iv. Report on Status of Villa Garcia Rehabilitation (now Clarendon Street Apartments) Project

v. Report on Cash Reserves, Operating Program Funds, MTW Reserve Fund, Facilities Consolidation Fund

vi. Quarterly Investment Report

vii. Status of Advances to Property Management, Inc. (PMI)

B. Items for Discussion:

i. Verbal Report on Implementation of Section 8 Program Changes

ii. Report on Financial Performance of Housing Authority of the County of Santa Clara (HACSC) Properties

iii. Resolution 13-12 to Approve the Recognition of John Scrempos honoring his work as a Board of Commissioner

9. Commissioner Comments/Request to Place Matters on the Next Agenda

10. Time, Date and Place for Next Meeting:

Study Session-September 17 at 9:30 a.m.  
505 W. Julian Street, San Jose, CA  
Conference Room A/B

Regular Board Meeting- September 24 at 9:30 a.m.  
505 W. Julian Street, San Jose, CA  
Conference Room A/B

11. Executive Session (Closed to the Public)

A. Personnel (CA. Government Code Section: 54957)

It is the intention of the Board to meet in Closed Session to consider:

1. Employee Evaluation: Executive Director

12. Adjourn

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MINUTES
REGULAR MEETING
BOARD OF COMMISSIONERS
HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
Conference Room A/B
505 West Julian Street
San Jose, CA
July 23, 2013
9:30 a.m.

The Housing Authority’s mission is to provide and inspire affordable housing solutions to enable low-income people in Santa Clara County to achieve financial stability and self-reliance.

1. Call to Order

Chair Kathy Espinoza-Howard called the meeting to order at 9:37 a.m. Chair Espinoza-Howard welcomed our newest Commissioner, Adrienne Lawton, to the Board.

2. Roll Call

Present: Chair Kathy Espinoza-Howard
Commissioner Bena Chang
Commissioner Denis O’Neal

Vice Chair Bill Anderson
Commissioner Verna Hayden
Commissioner Adrienne Lawton

Staff: Alex Sanchez, Secretary
Vanessa Cooper

Katherine Harasz, General Counsel
Aleli Sangalang, Assistant HPD Director

Baku Patel
Amy Ramos, Clerk of the Board

3. Comments from the Public (not on the agenda)

No comments were presented from the public that were not on the agenda.

4. Approval of Minutes for the June 25, 2013 regular meeting

A motion to approve the minutes of the June 25, 2013 regular meeting was made by Vice Chair William Anderson and seconded by Commissioner Denis O’Neal. The motion passed.

5. Report of Executive Director

Executive Director Alex Sanchez had two updates:

1. The agency received three Awards of Merit at the NAHRO (National Association of Housing and Redevelopment Officials) event in Denver, CO. The awards were for Julian Gardens, the Public Housing Disposition and Portfolio Refinance, and Sunset Gardens. Julian Gardens was also nominated for a NAHRO Award of Excellence; and

*Agenda items may be taken out of order at the Chair’s discretion.
2. Alex will be participating on the Seniors Policy Council with the County of Santa Clara. The first meeting is tentatively scheduled for September 2013.

6. Correspondence(s)

Chair Espinoza-Howard informed the Board she and Commissioner O’Neal went on a tour to see some of the agency owned properties.

7. Unfinished Business

A. Verbal Report on Ad Hoc Strategic Planning Committee (Don Davis, Strategic Planning facilitator with the Bronner Group) defer to 11:00 a.m. time certain

Chair Espinoza-Howard informed the Board the Committee is working on the draft goals. There are three focus group meeting scheduled for August 5th, 6th and 8th is intended to receive input from tenants about the agency’s Strategic Plan.

8. New Business*

A. Consent Calendar:

i. Report on Administrative Services Departments Board Report for June 2013

ii. Report on Housing Programs Department Board Report for June 2013

iii. Report on Real Estate Services Department Activities including Development Disbursement Report for July 2013

iv. Report on Status of Villa Garcia Rehabilitation (now Clarendon Street Apartments) Project

v. Report on Cash Reserves, Operating Program Funds, MTW Reserve Fund, Facilities Consolidation Fund

A motion was made to approve the Consent Calendar, with the exception of 8Aiii by Vice Chair Anderson and Commissioner O’Neal seconded the motion. The motion passed unanimously by those present.

Vice Chair Anderson pulled item 8Aiii to hear matters that were reported in the memo. Real Estate Services Director Vanessa Cooper informed the Board a report on the Third Party Management transition will be presented at the August 27th meeting. The report was accepted by the Chair.

B. Items for Discussion:

i. Report on Implementation of the Moving to Work (MTW) Plan Amendment Activities Approved by the Housing and Urban Development (HUD)

Chair Espinoza-Howard opened up for public comment regarding the rent changes in the rent subsidy.

1. Christy Wong, CHAM-concerned about her rent increase

2. Sandy Perry, Affordable Housing Network-informed the Board some of the participants saw an increase of 800% in their rent

*Agenda items may be taken out of order at the Chair’s discretion.
3. **Krystal Bearden, Section 8 participant**-unable to pay daycare with her rent increase; asked where can she go for help

4. **Sparkles Lopez, Section 8 participant**-her additional safety nets have been eliminated in addition to her rent increasing

5. **Roi Davis, Sunset Gardens tenant**-requesting the Board needs to more outreach with tenants regarding the changes

6. **Laura Hardin, Section 8 participant**-requesting a hardship exemption

A discussion developed about what the difference between a request for reasonable accommodation and a request for hardship exemption. General Counsel Katherine Harasz explained the two definitions:

*A reasonable accommodation is a request from a household requesting accommodation as a result of a physical or mental impairment that substantially limits one or more major life activities. This accommodation can be temporary or permanent depending on the specified period.*

*The hardship exemption is a one-time exemption of the rent increase by taking the gross annual income and deducting eligible expenses for a period of 90 days. The new rent portion will be effective after the 90-day hardship period.*

ii. **Resolution 13-11 to Approve Sierra Vista Subordination of Bond Affordability Restrictions**

Director of Real Estate Services Vanessa Cooper presented the Resolution to Approve the Sierra Vista Subordination of Bond Affordability.

A Roll Call Vote was taken to adopt Resolution 13-11:

**AYES:** Chair Espinosa-Howard, Vice Chair Anderson Commissioner Chang, Commissioner Hayden, Commissioner Lawton, Commissioner O’Neal

**NAYES:** None

**ABSTENTIONS:** None

**ABSENT:** None

iii. **To be heard at a time certain: 10:30 a.m.**

**Report on Housing Authority of the County of Santa Clara Resident Survey Results**

Cathy Craig presented the Resident Survey Result to the Board.

Some of the updates since the last survey:

1. LifeSTEPS services have been added to all properties;
2. There was a 38% response to the survey;
3. This was the first year the survey was in three additional languages (Chinese, Spanish and Vietnamese); and
4. The major concerns are parking issues at the properties and the rent increases.

The HACSC Resident Survey Results is on file with the Clerk of the Board.

*Agenda items may be taken out of order at the Chair’s discretion.*
iv. **Report from City of San Jose Director of Housing regarding housing issues in San Jose**

City of San Jose Director of Housing Leslye Corsiglia gave a presentation on housing issues in San Jose.

The presentation is on file with the Clerk of the Board.

v. **To be heard at a time certain: 11:00 a.m.**

**Report on Salient Data from HACSC Needs Assessment in support of Strategic Planning Effort**

Colleen Lopez presented the Housing Needs Assessment to the Board.

The 2013 Housing Needs Assessment is on file with the Clerk of the Board.

vi. **Selection of Standing Board Committees for the Fiscal Year 2014**

A motion to disband the Finance Committee as a Standing committee and have it as an ad hoc board committee was made by Commissioner Hayden and seconced by Vice Chair Anderson. The motion passed unanimously by those present.

vii. **Direction regarding Board Information on agency website**

IT Manager James Shinagawa presented to the Board three options on how they would like their information displayed on the agency’s website.

- **Option 1:** Description of Board with photos of Commissioners; click on a name and go to that Commissioner’s bio.
- **Option 2:** Description of Board with group photo but no individual photos; click on name and go to that Commissioner’s bio.
- **Option 3:** Keep it as it is; list of Board’s names with no links or photos.

The Board agreed on Option 1. The Commissioners will send their bios and will work with the Executive Department on getting their individual photo.

viii. **Approve Public Housing Tenant Outstanding Balance Write off as of June 30, 2013**

Director of Real Estate Services Vanessa Cooper presented the Housing Tenant Outstanding Balance Write off as of June 30, 2013. The total amount requested to be written off is $4,197.61

A motion to approve the Housing Tenant Outstanding Balance Write off as of June 30, 2013 was made by Vice Chair Anderson and seconced by Commissioner O’Neal. The motion passed unanimously by those present.

*Agenda items may be taken out of order at the Chair’s discretion.
9. Commissioner Comments/Request to Place Matters on the Next Agenda

- Policy regarding HACSC as the insurer of Bonds for Real Estate transactions at a future board meeting (Commissioner O'Neal)
- Off agenda memo to include more details about the Housing Needs Assessment (Chair Espinoza-Howard)

10. Time, Date and Place for Next Meeting:

August 27 at 9:00 a.m. at 505 W. Julian Street, San Jose, CA, Conference Room A/B

*The Board went into Executive Session at 12:38 p.m.*

11. Executive Session (Closed to the Public)

**A. Conference with Real Property Negotiator**

- **Properties:** 344-350 North Montgomery Street, San Jose, CA 95110; APN 259-25-022; 259-25-031; 345-351 North Autumn Street, San Jose, CA 95110; APN 259-25-016; 259-25-028
- **Agency negotiator:** Vanessa Cooper, Director of Real Estate Services
- **Negotiating parties:** Rudy and Angela Corrales
- **Under negotiation:** price and terms of lease

*The Board came out of Executive Session at 12:55 p.m. The Board discussed the following item in Open Session:*

ix. *Approval of Delegation to the Executive Director, or designee to enter into a parking lease agreement for the properties on 344-350 North Montgomery Street, San Jose, CA 95110; APN 259-25-022; 259-25-031; 345-351 North Autumn Street, San Jose, CA 95110; APN 259-25-016; 259-25-028*

A motion to approve the Delegation to the Executive Director, or designee to enter into a parking lease agreement for the properties on 344-350 North Montgomery Street, San Jose, CA 95110 and 345-351 North Autumn Street, San Jose, CA 95110 by Commissioner Chang and seconded by Commissioner Hayden. Vice Chair Anderson added on the Delegation should be consistent with the terms in the Letter of Interest reviewed during Executive Session. The motion passed unanimously by those present.

12. Adjourn

Chair Espinoza-Howard adjourned the meeting at 12:56 p.m.

__________________________  ____________________________
Kathy Espinoza-Howard, Chair  Alex Sanchez, Executive Director/

Attest:  Secretary

__________________________
Amy Ramos, Clerk of the Board

*Agenda items may be taken out of order at the Chair's discretion.
To: Board of Commissioners

From: Katherine Harasz, Deputy Executive Director

Submitted By: Ridvana Perdue, General Services Supervisor

Subject: Administrative Services Department Board Report

Recommendation
Accept report regarding the Administrative Services Department’s activities for July 2013.

Background
This is a monthly report on the Administrative Services Department’s activities and projects. The Administrative Services Department includes the Information Technology, General Services and Human Resources Units. Each of these units has a distinct area of responsibility within the agency; following is a summary of each:

Information Technology: The Information Technology (IT) Unit supports all aspects of the agency’s information technology resources, including equipment and software performance issues. James Shinagawa is the IT Manager.

General Services: The General Services (GS) Unit supports the agency’s procurement, drafting and administration of contracts, and manages the vehicle fleet and mail services. In addition, GS handles the Illness, Injury Prevention Plan, risk management, including insurance coverage and claims management, ergonomic evaluations, and ongoing support of HACSC’s safety culture. Ridvana Perdue is the GS Supervisor.

Human Resources: The Human Resources Unit supports all aspects of the agency’s Human Resources (HR) activities, including the administration of payroll. Human Resources’ staff provides management and professional development and training, labor relations, benefits administration, employee relations, performance management, workers compensation, and staff recruitment and retention. Kirstin Rohr is the HR Manager.

Department Updates

Information Technology
The re-design of the Agency’s website is now in the content development phase. Once all content is reviewed and edited, the project will move into the BETA site development phase. The Go-Live date for the new web site is expected to be March, 2014.
IT's efforts to standardize and update HACSC’s computer inventory is continuing. IT Staff has begun deploying computer systems and monitors to Agency employees. All employees will be on standard computer systems by the end of September, 2013.

Finally, the IT department is progressing with improving our electrical backup system for the main server room. The Agency’s Construction Manager is reviewing competitive electrical installation quotes from electricians. Project completion is anticipated to be September, 2013.

**General Services**
The General Services Unit continues to support HACSC’s communication with clients related to the changes in the Section 8 program rent calculation. GSU staff mailed out the letters informing tenants and landlords of the changes, which resulted in 25% higher volume of mail being processed in July than in June. The GS unit continues to manage receipt and distribution of a large amount of mail being sent to a special, temporary post office box, which was set up to accommodate written communication to staff regarding the rent calculation changes.

In procurement, last month General Services conducted construction bid solicitations for RESD’s Villa San Pedro Rehabilitation Project. General Services assisted and guided the RESD team through a bid protest. Following General Services’ analysis and recommendations, the Villa San Pedro HDC, Inc., Board selected D.F.P.F. Corporation dba Fine Line as the general contractor for the project.

**Human Resources**
The HR unit is continuing its progress of conducting an agency-wide classification and compensation study. The project has had some delays and should be completed in January 2014. The HR is developing the list of agencies that we will ask to participate in the survey. HR has asked our labor partners for their feedback on this list, and we will be asking the Board for direction at the September 2013 Board Meeting.

The HR unit is also working on updating its HR and payroll system. Currently in the beginning phases, the HR unit will be coordinating with all departments in order to ensure a smooth transition which is scheduled to occur towards the end of this year or the beginning of next year.

The HR unit is also working on cost savings for the agency. For 2014, the HR unit changed its flexible spending account (FSA) provider from Wage Works to Discovery Benefits. There will not be any impact to employees. HACSC will save 12% per year in administration fees. Finally, the agency saves money by keeping our employees healthy. As a result, the HR unit is organizing a health and wellness fair to be held in October 2013.

_Signed_ Signature of Submitting Director

_Deputy Executive Director_ Signature

_Title_
To: Board of Commissioners

From: Aleli Sangalang, Acting Director of Housing Programs

Submitted By: Dominica Henderson, Housing Policy Manager

Subject: Housing Programs Department (HPD) Board Report

Approved

Date 8/20/13

Recommendation

Accept report regarding the Housing Programs Department’s activities for July 2013.

Background

The Housing Programs Department (HPD) provides regular status reports of activities and projects to the Board. During the month of July, HPD focused on implementing the MTW activities and managing the resulting increase in client visits and telephone calls. This report describes those activities in detail as well as provides updates on voucher utilization, implementation of HACSC’s FY2014 MTW Plan, and training for HPD staff.

Analysis

HPD Voucher Utilization Report:
As of July 31, 2013, the lease-up rate for the Housing Choice Voucher (HCV) Program is 98%. There are 355 households actively searching for housing, which are not included in the reported lease-up rate. Of the 355 households searching for a new unit, 23 households are part of the Chronically Homeless Direct Referral (CHDR) program.

HPD also administers several special purpose voucher programs. The lease-up rate for these programs, as listed in the following chart, averages 90% as of July 31, 2013.
<table>
<thead>
<tr>
<th>Special Purpose Voucher Programs</th>
<th>Total Vouchers Available</th>
<th>June Lease Up Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuum of Care (formerly Shelter + Care)*</td>
<td>174</td>
<td>121%</td>
</tr>
<tr>
<td>Family Unification Program (FUP)</td>
<td>100</td>
<td>85%</td>
</tr>
<tr>
<td>Mainstream Program</td>
<td>53</td>
<td>83%</td>
</tr>
<tr>
<td>Moderate Rehabilitation Program</td>
<td>79</td>
<td>91%</td>
</tr>
<tr>
<td>Non-Elderly Persons with Disabilities (NED) Program</td>
<td>10</td>
<td>80%</td>
</tr>
<tr>
<td>Sunnyvale HOME Tenant Based Rental Assistance</td>
<td>15</td>
<td>73%</td>
</tr>
<tr>
<td>Veterans Affairs Supportive Housing (VASH)</td>
<td>535</td>
<td>82%</td>
</tr>
</tbody>
</table>

* Separately funded and authorized to over-lease based on program design and regulations.

In addition to the special purpose vouchers under lease, as of July 31, 2013, there are 73 households shopping for a new unit with special purpose vouchers in hand. The majority of these applicants are homeless veterans with VASH vouchers.

**Turnover Voucher Report:**
End of Participations (EOPs) occur each month as households exit the program. During this reporting month of July, staff completed 39 End of Participations (EOPs) in the Housing Choice Voucher program.

<table>
<thead>
<tr>
<th>End of Participations (EOP’s)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Month</td>
<td>Total</td>
</tr>
<tr>
<td>June 2013</td>
<td>36</td>
</tr>
<tr>
<td>July 2013</td>
<td>39</td>
</tr>
<tr>
<td>Total</td>
<td>75</td>
</tr>
</tbody>
</table>

**Chronically Homeless Direct Referral (CHDR) Vouchers Chronology and Update:**
In December 2012, HACSC signed a Memorandum of Understanding with the County of Santa Clara providing 100 vouchers to chronically homeless individuals and families and released the first allocation of these vouchers in January 2013. Since January, the vouchers have been released quarterly in increments of 25, with one more increment to be released until 100 chronically homeless are housed.

HPD witnessed an increase in the total number of families housed to 21 households during the month of July. Additionally, the number of applications being processed nearly doubled, which highlights the shift in the number of tenants having finally submitted their Request for Tenancy Approval forms. HACSC and its partners plan to make a strong push in efforts to meet the December 2013 deadline for housing 100 chronically homeless families.
## CHDR 2013 Lease-Up Statistics (as of 7/31/13)

<table>
<thead>
<tr>
<th></th>
<th>Allocation 1: 25 total (Jan 2013)</th>
<th>Allocation 2: 25 total (April 2013)</th>
<th>Allocation 3: 25 total (June 2013)</th>
<th>Total (all allocations)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Housed</td>
<td>13</td>
<td>8</td>
<td>0</td>
<td>21</td>
</tr>
<tr>
<td>Vouchers Issued/Participants Searching for Housing</td>
<td>9</td>
<td>6</td>
<td>8</td>
<td>23</td>
</tr>
<tr>
<td>Applications In Progress (incomplete apps, under review, awaiting intake appointments)</td>
<td>0</td>
<td>3</td>
<td>24</td>
<td>27</td>
</tr>
<tr>
<td>In Process (filling out the application)</td>
<td>0</td>
<td>4</td>
<td>11</td>
<td>15</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>22</strong></td>
<td><strong>21</strong></td>
<td><strong>43</strong></td>
<td><strong>86</strong></td>
</tr>
</tbody>
</table>

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**Update on FY2014 MTW Plan and Implementation of FY 2014 MTW Plan Activities:**

In efforts to provide the Board with the most current up-to-date information regarding the implementation of the approved FY2014 MTW Plan Activities, this update will cover activities that have occurred from July 16, 2013 to August 15, 2013. HPD will continue to include updates on the status of the implementation plan and activities in the monthly report to the Board through first quarter of 2014.

The recent activities have served as an impetus for several client initiated transactions. HPD experienced a swell of requests to port out to housing authorities in different counties in order to avoid the financial impact of the policy changes. Staff also has received several calls from tenants requesting voucher extensions to allow for more time to search for a suitable unit and expressing concern that they will not find an appropriately sized unit due to a shortage of 2 and 3 bedrooms in the market. Moreover, increased requests for interim changes in income due to loss or decrease in earned income have been received from participants.

HPD also saw increased amounts of mail on-site and at the post office box, which will remain open until August. To date, the post office box has received 1295 pieces of mail. The need to process additional mail was compounded by the higher than usual call volumes and walk in clients or owners. In June, telephone calls to the customer service center averaged 300 per day. In July, that number rose to 382 per day. HPD also procured the services of a 1-800 number, which exhausted 405 hours of calls in addition to those received by HACSC staff directly. At this time HPD has discontinued the service provided by the 1-800 number, but it has an outgoing message referring callers to contact the HACSC customer service center. Additionally, the HPD Leadership Team spent about 25% of their time assisting staff in the lobby to triage walk in clients and field questions which ranged from owners requesting explanations to tenants wanting copies of unit listings.
After sending over 35,000 letters to tenants and owners in the first two weeks of July, staff anticipated a high volume of rent determination and subsidy size hearing requests. HACSC outreached to the community, including Santa Clara University Law School, for volunteer hearing officers. In order to ensure that requests to appeal the voucher size and rent portion changes are handled appropriately, staff conducted a Hearing Officer training on July 25th. During this training, potential hearing officers were introduced to the requirements of the position and educated about the hearing process. There were about 20 attendees, four of which were non HACSC staff. Another Hearing Officer training will occur on August 23rd at 10 a.m.

HPD also hosted a Tenant Resource Fair on July 26th, from 9 a.m. – 4 p.m. at the County's Social Services Auditorium at 333 West Julian Street. Over 1640 people attended the informational fair to collect resources and communicate with a variety of agencies that provide legal services, food bank assistance, information on reduced rate utilities, rental assistance, and more. Overall, 13 external agencies attended the fair and disseminated information to tenants, some of whom stood in line as early as 7:00 a.m. HACSC staff also operated an informational table and provided clients the opportunity to submit hardship requests, ask general questions, and learn more about the changes to the rent calculation and the subsidy size. The Resource Fair was well attended and exceptionally successful due to the work of staff and the collaboration with community partners to proactively address the needs of HACSC’s clients.

During the Resource Fair, HPD staff collected about 300 of the total 2000 hardship exemption requests it has received since mailing the Special Rent Portion letters. Participants also sent their requests to the post office box and the front lobby. The hardship exemption requires households to submit proof of medical or childcare expenses in order to be considered for the 90-day exemption. Fewer than 10% of the requests contained attached evidence of expenses, and staff has been processing those requests. HPD will outsource the processing of all hardship requests that required additional information and expect to use the additional staffing resources to complete processing. HPD also will use the contracted assistance to complete any remaining certifications associated with the implementation plan for the MTW activities.

While it was anticipated that participants would request exemptions or appeal the decision, there have been a few unintended consequences that have arisen including an increase in the number of reasonable accommodation requests. In response to these requests, staff plans to conduct staff training to be better prepared to process the requests in a timely fashion.

**Elite Training and Staff Development:**

In order to properly plan for the high volume of interim changes, reasonable accommodation requests, and hardship exemption applications, the HPD Leadership Team rolled out a series of trainings for Elite based processes. Staff worked diligently to develop procedures and subsequently trained staff on the step by step processes. Over 6 hours were spent training staff on new procedures. HPD expects to spend
additional hours providing supplemental training to ensure accuracy and seamless implementation of the activities as well as other projects.

Additionally, HPD recognizes the need to couple practical trainings such as the process overviews with skill building sessions designed to expand management capacity and develop career pathways for staff. With the intention of introducing new skills identified by staff as critical to improve performance and for career development, HPD hosted the following trainings:

July 9th: Supervisory Development Series: Session 1 of 5
- Offered to an interdepartmental audience of Supervisors, Managers, and other staff on the supervisory track, this series equips each participant with a new skill set in the areas of team development, performance management, coaching, and communication.

July 29th: Project Management Series: Session 1 of 5
- For HPD Analysts and Managers, the Project Management Series offers skills fundamental to successfully manage projects. After all five sessions, graduates will have a strong foundation in leading a team, developing efficient project plans, tracking progress, etc.

Introduction of these training sessions was preparation for the official launch of MTW University, which is a comprehensive training curriculum designed to expand knowledge and understanding of HACSC and its implementation of the MTW program. MTW University will have different tracks for staff, tenants and owners, and HACSC’s community partners.

Fiscal Impact
There is no fiscal impact associated with this report.

Coordination
This report was coordinated by the Housing Programs Department.

Signature of Submitting Director

Title
To: Board of Commissioners

From: Vanessa Cooper, Director of Real Estate Services Department

Submitted By: Victoria Johnson, Senior Development Manager

Subject: Real Estate Services Department Board Report – August 2013

Approved [Signature] Date 8/20/13

Recommendation
Accept report relating to the Real Estate Department’s activities for the month of August 2013.

Background
The Real Estate Services Department (RESD) reports on its activities on a monthly basis.

Public Housing Update
The Public Housing Wait List was reopened in March and over 6000 applications were received. A lottery was held on May 14, 2013 to randomly select 750 applications. These applications have been reviewed and eligible applicants will be included on the updated wait list for available apartments at the Deborah, Eklund I and Eklund II apartments. A written request to modify the original public housing disposition application was submitted to HUD in July, asking to dispose of the Eklund units and retain the Deborah units as public housing. Once the disposition of the Eklund properties has been completed, only the four units at Deborah Apartments will be operated as public housing.
Development

Phase IIB Portfolio Project Close-out - The Public Housing Disposition project (Phase IIB) has been fully closed out. RESD staff successfully obtained the third and final equity installment in the amount of $806,704 for Julian Street Partners. These proceeds have been paid from the partnership to HACSC as developer fee. Additionally, HACSC also received $2,378,079 in deferred developer fee based on the 2012 year-end audit and per the Limited Partnership Agreement.

Villa Garcia/Clarendon Street - The project construction is proceeding successfully and remains on schedule. Please see attached update report from RESD Director Vanessa Cooper.

Villa San Pedro - RESD staff has received a preliminary commitment for tax-exempt bonds from the California Debt Limit Allocation Committee and 4% non-competitive tax credits will be awarded when the FHA permanent loan is approved. Staff continues to work with Prudential Huntton Paige, the FHA lender, to complete the underwriting process. A final commitment from HUD (for the FHA loan) is expected by November. A competitive solicitation for a tax credit investor and a bank to purchase the tax-exempt (private placement) bond was issued in May 2013 and eight responses were received. Red Stone Equity Partners was selected as the tax credit investor and Chase Bank was selected to purchase the bonds. Additionally, D.F.P.F. Corporation dba Fine Line Construction has been selected as the General Contractor. The current project schedule is to close the bond and FHA loans in December 2013.

Development Fund - Financing for the 75 unit project being developed by Eden Housing closed on January 31, 2013. The construction financing and tax credit equity is provided through Wells Fargo Bank. HACSC funds are being drawn over the course of the project. The construction is scheduled to be completed in 2014 and priority in leasing will be given to applicants on the HACSC Section 8 waitlist. Eden has submitted six construction draw requests. To date, HACSC has funded pre-development draws totaling $941,604 and in late August HACSC will be partially funding a construction draw in the amount of $138,567, for total disbursement of $1,080,171. Eden Housing has been notified that the project will receive a $740,000 grant through the Federal Home Loan Bank, Affordable Housing Program (AHP). (Per the HACSC Loan Agreement, the award of this grant means that the HACSC loan amount of $6.5 million dollar will be reduced by an equivalent amount.) The AHP grant is expected to close before the end of 2013.

Park Avenue - HACSC’s Planned Development (PD) rezoning application to divide the site into two parcels was submitted to the City of San Jose Planning Department in March. Staff has received comments from three of the five review agencies and the architect has begun to make changes to address these comments. Some of the comments received pertain to the site water runoff, sidewalk configuration, setbacks and driveway entrance locations.
During the initial field survey and analysis, the environmental consultant did not identify any irregularities or hazards, but the archaeological survey did locate some items of historical significance (antique glass bottles) that are being handled according to the States' historic preservation guidelines. Site excavation and cataloging will take place the week of September 2, 2013. Upon completion of this work, we will obtain environmental site clearance which will allow us to complete the reports required by the City of San Jose.

The site fence has been repaired and a clean-up contractor has been hired to perform a bi-monthly maintenance to ensure a satisfactory appearance as neighborhood engagement becomes more regular.

Staff has completed the funding application for a Transit Oriented Development (TOD) loan from the State Department of Housing and Community Development which was due on August 14, 2013. Staff continues to work toward meeting the 2014 tax credit application deadlines.

**Development Project Funding Overview** – The Finance Department has provided a Development Disbursement Report and memo to the Board for the past several years. The information within that report has included a summary of each month's financial transactions that are related to development projects. This information is now incorporated within the RESD Report.

The Board has approved the use of MTW and Replacement Housing Factor (RHF) funds to support development projects. These funds are generally advanced in the form of a loan to the non-profit that serves as the general partner, and funds are reimbursed at construction closing or repaid through project cash flow. The Development Project Budget and Disbursement Report (Attachment A) table summarizes the total amount of funds available to each project and expenses incurred through the month of July 2013. It further shows the amount of funds that have been obligated (placed under contract) as of July 31, 2013 and the funds that remain available to be obligated.

The table also includes detailed information for active development projects that are funded through private bank loans. The following points describe the financial activity for the Clarendon Street project:

- The Villa Garcia, Inc. Board of Directors approved the use of $1,061,902 in funds paid at closing to the General Partner (Villa Garcia, Inc.) This is used for short term construction related costs. In prior years HACSC has used a line of credit for such activities.
- A Bank of the West construction loan for $13,000,000 was fully funded at the escrow closing. As of 7/31/2013, $8,556,342 has been used. The remaining balance of $4,443,658 remains in a bank controlled account, and is disbursed upon approval of monthly construction draw requests.

One use of the Public Housing Capital Grant funds is also reflected on the table. Under the MTW fungibility authority, $425,371 of Capital Grant funding was temporarily used
to subsidize the Section 8 Program following sequestration. In the future, as MTW funds become available, they will be transferred to the Affordable Housing Preservation Fund (MTW Activity 2012-4) and used for other eligible purposes.

**HACSC Affiliates**

**Property Management Transition** – Two years have elapsed since HACSC awarded property management contracts to third party management companies. Asset management staff has completed a review of the management contract and related documents used for that transition. Staff is working to implement upgrades to the documents and to move two key functions – insurance placement and replacement reserves withdrawals- to the property management companies. See report from Director Cooper on the financial impacts of the transition to third party management.

**Affiliate Board Meetings** – A special meeting of the Villa San Pedro Board was held on August 1, 2013. The meeting was called to update the Board on matters relating to the outcome of the General Contractor bid process and the award of the construction contract. While two sealed bids were received for the Villa San Pedro rehabilitation project, the apparent low bid was determined to be non-responsive due to defects in the bid proposal. The Board President reviewed relevant information and elected to award the contract to the sole remaining bidder. The contract was awarded to D.F.P.F. Corporation dba Fine Line Construction on August 5, 2013.

Staff is currently working with the property management companies on developing the 2014 annual operating budgets that are due in November 2013 to the investors and lenders.

**Year 15 Buyouts** – Asset Management is currently carrying out the analysis, capital work and legal steps needed to ensure that each of the projects that has reached the end of its credit period or has reached its buyout period, is transferred to either HACSC or an affiliate. Staff has begun to prepare for the buyout process for two of our properties, Klamath Gardens and Pinmore Gardens.

**Resident Services** - LifeSTEPS provides social services and after school programs at each site, except the Opportunity Center. Julian, Lucretia, San Pedro Gardens, and the Willows do not have an After School Program since there are no community rooms. LifeSTEPS offers modified children activities for those sites. In the month of July, the total number of hours provided was 1,357 which included the following activities After School Programs; Program and Activities Development and Coordination; Case Management and Crisis Intervention; Information and Referral services; and Mediation services. The Educational Curriculum: Money Matters for Multi Family and Affording the Golden Years for Senior sites. At the Opportunity Center, staff is partnering with the Community Working Group and Stanford University to conduct a grant funded study on the second and third hand impacts of smoking in the Housing First model with the goal of modifying the smoking policy in 2014. Cessation/addiction services will be provided by InnVision Shelter Network who recently received a grant for this work.
**Property Performance** - HACSC has established three key indicators to gauge the property management companies’ performance - vacancy, collections and debt service coverage (the ratio of cash available for debt service to the total debt payment). Each indicator has an established standard with which the month’s performance can be compared. The debt service coverage indicates whether, after paying the bills, a property has sufficient funds to repay its hard debt obligations. A number greater than 100% defines when a property will meet its operating and debt obligations, although a ratio of 115% or above is expected in most cases. The Portfolio Property Management Performance Matrix (Attachment B) and the LifeSTEPS HACSC Impact Report (Attachment C) show the performance across the portfolio.

**Capital Improvements**

**Helzer Courts Apartments** – Staff received repainting bids from three vendors and the lowest qualified bidder was Valenti Builders. We will only be able to complete eight additional buildings at this time, as the contract amount of $425,000 will leave the replacement reserves with $40,000. We will then have four buildings left to paint and we need about $215,000 to complete this work. At the present rate of replacement reserve deposits it will take two years to build up enough reserves to complete the final four buildings. Staff is currently waiting for approval from the Limited Partner, as the budget was exceeded and approval is needed for the additional funds.

**Bracher Senior Housing** - In early July 2013, staff will be soliciting bids for a large package of items to be completed prior to the acquisition (buyout from the Limited Partner) of this property. This will include replacement of Exterior Paint, Trim Replacements, Sheet Metal Railing Caps, LED Lighting Fixtures, and Automated Storefront Doors. We will also be replacing all indoor ADA Signage (American Disabilities Act) throughout the property. Depending on the Replacement Reserves balance, we may be able to include work items. A pre-bid conference was held on August 13, 2013 and there were 16 potential bidders present. Bids are due September 9, 2013.

**Pinmore Gardens** - We have now received all the correct components for the installation of the entrance door and new locking hardware. This project has been very challenging due to a supplier incorrectly ordering the correct door jambs. We are proceeding and will be completed by the end of July. All doors have been installed and we are finishing the painting of the doors. The final materials are due to arrive on August 23, 2013 and we will then be able to close out this project.

**Blossom River Apartments** - Replacement of all entrance doors and locking hardware will include replacing the door jamb, exterior trim, interior trim and painting of all components. There are approximately 300 doors to be replaced. We will be soliciting bids for this work in June 2013, with construction to start sometime in August 2013. The project is on hold at this time.
Deborah Drive - We will be replacing the Parking Area Concrete due to many cracks with lifting and settlement causing tripping hazards. This project is also soliciting bids in Summer 2013.

Poco Way Apartments - Design Development for the installation of a Precast Wall on the east end of the property is underway. We will be taking this plan to the City of San Jose Planning Department for approval to block off the existing opening at the end of Poco Way. Both residents and the Management Company have asked for this to be completed to help maintain and control access to the property and the common area from trespassers not living at Poco Way apartments. Staff has submitted an application for PD amendment to the City of San Jose’s planning department to start this process.

Installation of new rubberized surfacing at the playground and the installation of wrought iron fencing around the playground will begin in June and completed by the end of July. Playground surfacing and fencing is complete, Precast wall design will be submitted the week of August 23, 2013.

Cypress, Rincon and Lenzen Gardens- We will be modernizing the elevator machine room equipment at these properties over the next several months. This work is extremely difficult in scheduling and coordinating with the residents, elevator company, fire alarm contractors, city building departments, and the management company. We will always have at least one elevator operating at all times.

Huff Family Housing - We have begun preparing specifications for modernizing the interior of 72 apartment units. This project will spend down $500,000 of replacement reserves funds. This project will include interior unit painting, floor covering replacements, and new appliances. Staff is currently waiting for pricing to be provided by HD Supply to contract for this work.

Main Office - We are currently preparing for the Real Estate Services and Finance Departments to relocate to the Main Office. Moves have already started and office furniture setups have begun. We are also preparing for re-lamp of the office lighting fixtures, installation of microphone system and recording equipment for the A/B conference room, installation of UPS Backup Power Supply for the Server Room. HPD Staff will move from the second floor to the first floor on September 12, 2013.

Fiscal Impact
All development projects are structured to generate developer fees and to recapture any eligible expenses funded as part of pre-development. Asset Management activities are funded, in part, by asset management, partnership and bond fees. Construction projects are funded from replacement reserves held at the property level.
Coordination
The Real Estate Services Department coordinated this memo.

Victoria Johnson
Signature of Submitting Director

Mr. Development Manager
Title of Submitting Director

Attachment C: LifeSTEPS HACSC Impact Report for August 2013
### A. Acquisition & Development Fund / MTW Board Designated Fund:

<table>
<thead>
<tr>
<th>NAME OF PROJECT/BORROWER:</th>
<th>MTW FUND</th>
<th>Beginning Bal.</th>
<th>CURRENT ACTIVITY</th>
<th>Ending Bal.</th>
<th>MTW FUND REMAINING</th>
<th>Obligations (Total Commitments)</th>
<th>Balance Available To Obligate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eden Housing, Inc., Loan</td>
<td>6,500,000</td>
<td>941,804</td>
<td>0</td>
<td>0</td>
<td>5,558,196</td>
<td>(6,500,000)</td>
<td>-</td>
</tr>
<tr>
<td>Park Ave Predevelopment Loan/Borrower Pinmore HDC</td>
<td>3,200,000</td>
<td>287,523</td>
<td>2,932,677</td>
<td>0</td>
<td>3,200,000</td>
<td>(462,307)</td>
<td>2,717,393</td>
</tr>
<tr>
<td>Villa Garcia Predevelopment/Borrower Clarendon ST, LP</td>
<td>920,000</td>
<td>920,000</td>
<td>0</td>
<td>0</td>
<td>920,000</td>
<td>(600,000)</td>
<td>-</td>
</tr>
<tr>
<td>Villa San Pedro Flex Loan Repay/Borrower Sendorf Dr, LP</td>
<td>600,000</td>
<td>600,000</td>
<td>0</td>
<td>0</td>
<td>600,000</td>
<td>(600,000)</td>
<td>-</td>
</tr>
<tr>
<td>Villa San Pedro Predevelopment/Borrower Sendorf Dr, LP</td>
<td>200,000</td>
<td>191,743</td>
<td>3,767</td>
<td>0</td>
<td>191,743</td>
<td>8,257</td>
<td>-</td>
</tr>
<tr>
<td>Villa San Pedro Predevelopment/Borrower Sendorf Dr, LP</td>
<td>1,600,000</td>
<td>790,000</td>
<td>66,957</td>
<td>0</td>
<td>700,000</td>
<td>(1,311,004)</td>
<td>330,196</td>
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<tr>
<td>Morrone Gardens</td>
<td>51,995</td>
<td>51,995</td>
<td>0</td>
<td>0</td>
<td>51,995</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Remaining Balance to be Committed to Projects</td>
<td>2,028,005</td>
<td>5,700,670</td>
<td>2,999,534</td>
<td>0</td>
<td>8,700,204</td>
<td>6,299,796</td>
<td>(9,053,991)</td>
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</table>

**Total Acquisition & Development Fund:** $15,000,000

### B. Facilities Consolidation Fund / MTW Designated Fund:

<table>
<thead>
<tr>
<th>NAME OF PROJECT:</th>
<th>MTW FUND</th>
<th>Beginning Bal.</th>
<th>CURRENT ACTIVITY</th>
<th>Ending Bal.</th>
<th>MTW FUND REMAINING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities Consolidation Feasibility Expenses</td>
<td>500,000</td>
<td>75,972</td>
<td>-</td>
<td>75,972</td>
<td>424,028</td>
</tr>
<tr>
<td>Transfer to Section 9 for Federal Sequestration</td>
<td>6,600,000</td>
<td>1,895,000</td>
<td>1,800,000</td>
<td>3,695,000</td>
<td>2,805,000</td>
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</table>

**Total Facilities Consolidation Fund:** $7,000,000

### C. Replacement Housing Factor (RHF) Grant Fund:

<table>
<thead>
<tr>
<th>NAME OF PROJECT:</th>
<th>RHF FUND</th>
<th>Beginning Bal.</th>
<th>CURRENT ACTIVITY</th>
<th>Ending Bal.</th>
<th>RHF FUND REMAINING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Park Ave/Borrower Pinmore HDC</td>
<td>1,800,000</td>
<td>0</td>
<td>-</td>
<td>0</td>
<td>1,800,000</td>
</tr>
</tbody>
</table>

**Total Replacement Housing Factor Fund:** $1,800,000

### D. Current Projects in Development:

<table>
<thead>
<tr>
<th>NAME OF PROJECT:</th>
<th>LOANS</th>
<th>Beginning Bal.</th>
<th>CURRENT ACTIVITY</th>
<th>Ending Bal.</th>
<th>LOANS REMAINING</th>
<th>Obligations (Total Commitments)</th>
<th>Balance Available To Obligate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clarendon Street:</td>
<td>APPROVED</td>
<td>1,081,921</td>
<td>128,449</td>
<td>85,090</td>
<td>1,014,024</td>
<td>960,879</td>
<td>(111,267)</td>
</tr>
<tr>
<td>Villa Garcia GP - Bridge Fund (Constr. Period Only)</td>
<td>1,081,921</td>
<td>128,449</td>
<td>85,090</td>
<td>1,014,024</td>
<td>960,879</td>
<td>(111,267)</td>
<td>950,654</td>
</tr>
<tr>
<td>Villa Garcia Note</td>
<td>8,724,603</td>
<td>8,724,603</td>
<td>2,822,431</td>
<td>8,502,172</td>
<td>8,502,172</td>
<td>4,443,658</td>
<td>(12,019,854)</td>
</tr>
<tr>
<td>Villa Garcia - Bank of the West Construction Loan</td>
<td>13,000,000</td>
<td>5,735,911</td>
<td>2,822,431</td>
<td>8,856,342</td>
<td>4,443,658</td>
<td>(12,131,212)</td>
<td>1,930,800</td>
</tr>
</tbody>
</table>

**Total Loans:** $22,786,524

**Outstanding Loans:** $14,581,563

**Future Commitments:** $10,747,477

**Total Balance Available To Obligate:** $54,045,377
<table>
<thead>
<tr>
<th>Property</th>
<th>General Partner</th>
<th># of Units</th>
<th>Property Mgmt</th>
<th>Vacancy Rate Standard</th>
<th>Vacancy Rate Achieved</th>
<th>Collection Rate Standard</th>
<th>Collection Rate Achieved</th>
<th>Debt Service Coverage Standard</th>
<th>Debt Service Coverage Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avenida Espressa Gardens</td>
<td>Avenida Espressa, HDC</td>
<td>84</td>
<td>John Stewart</td>
<td>3.0%</td>
<td>1.4%</td>
<td>98.0%</td>
<td>103.5%</td>
<td>120%</td>
<td>520%</td>
</tr>
<tr>
<td>Cypress Gardens</td>
<td>Avenida Espressa, HDC</td>
<td>125</td>
<td>John Stewart</td>
<td>5.0%</td>
<td>1.6%</td>
<td>98.0%</td>
<td>101.5%</td>
<td>120%</td>
<td>188.0%</td>
</tr>
<tr>
<td>Julian Gardens</td>
<td>Avenida Espressa, HDC</td>
<td>9</td>
<td>John Stewart</td>
<td>5.0%</td>
<td>11.1%</td>
<td>98.0%</td>
<td>91.0%</td>
<td>120%</td>
<td>95%</td>
</tr>
<tr>
<td>Lenzen Gardens</td>
<td>Avenida Espressa, HDC</td>
<td>94</td>
<td>John Stewart</td>
<td>5.0%</td>
<td>2.7%</td>
<td>98.0%</td>
<td>99.6%</td>
<td>120%</td>
<td>173%</td>
</tr>
<tr>
<td>Lucretia Gardens</td>
<td>Avenida Espressa, HDC</td>
<td>16</td>
<td>John Stewart</td>
<td>5.0%</td>
<td>6.3%</td>
<td>98.0%</td>
<td>90.1%</td>
<td>120%</td>
<td>163%</td>
</tr>
<tr>
<td>Miramar Way</td>
<td>Avenida Espressa, HDC</td>
<td>16</td>
<td>John Stewart</td>
<td>5.0%</td>
<td>0.5%</td>
<td>98.0%</td>
<td>100.6%</td>
<td>120%</td>
<td>218%</td>
</tr>
<tr>
<td>Rinno Gardens</td>
<td>Avenida Espressa, HDC</td>
<td>200</td>
<td>John Stewart</td>
<td>5.0%</td>
<td>1.0%</td>
<td>98.0%</td>
<td>98.7%</td>
<td>165%</td>
<td>166%</td>
</tr>
<tr>
<td>Sunset Gardens</td>
<td>Avenida Espressa, HDC</td>
<td>75</td>
<td>John Stewart</td>
<td>5.0%</td>
<td>0.0%</td>
<td>98.0%</td>
<td>98.9%</td>
<td>120%</td>
<td>123%</td>
</tr>
<tr>
<td>John Burns Gardens</td>
<td>Bracher HDC</td>
<td>100</td>
<td>John Stewart</td>
<td>5.0%</td>
<td>1.5%</td>
<td>98.0%</td>
<td>100.0%</td>
<td>120%</td>
<td>129%</td>
</tr>
<tr>
<td>River towns Apartment</td>
<td>Bracher HDC</td>
<td>100</td>
<td>John Stewart</td>
<td>5.0%</td>
<td>0.0%</td>
<td>98.0%</td>
<td>100.0%</td>
<td>119%</td>
<td>148%</td>
</tr>
<tr>
<td>Blossom River</td>
<td>De Rose HDC, Inc.</td>
<td>144</td>
<td>John Stewart</td>
<td>5.0%</td>
<td>2.1%</td>
<td>98.0%</td>
<td>101.4%</td>
<td>115%</td>
<td>154%</td>
</tr>
<tr>
<td>El Parador Apartments</td>
<td>De Rose HDC, Inc.</td>
<td>125</td>
<td>John Stewart</td>
<td>5.0%</td>
<td>0.1%</td>
<td>98.0%</td>
<td>93.9%</td>
<td>120%</td>
<td>200%</td>
</tr>
<tr>
<td>Villa Hermosa</td>
<td>De Rose HDC, Inc.</td>
<td>100</td>
<td>John Stewart</td>
<td>3.0%</td>
<td>0.0%</td>
<td>98.0%</td>
<td>98.0%</td>
<td>115%</td>
<td>231%</td>
</tr>
<tr>
<td>Deborah Drive</td>
<td>IMAGC</td>
<td>4</td>
<td>John Stewart</td>
<td>6.0%</td>
<td>0.0%</td>
<td>98.0%</td>
<td>100.4%</td>
<td>120%</td>
<td>N/A</td>
</tr>
<tr>
<td>Elmund I</td>
<td>HACSC</td>
<td>10</td>
<td>John Stewart</td>
<td>5.0%</td>
<td>7.5%</td>
<td>98.0%</td>
<td>100.1%</td>
<td>120%</td>
<td>N/A</td>
</tr>
<tr>
<td>Elmund II</td>
<td>HACSC</td>
<td>6</td>
<td>John Stewart</td>
<td>5.0%</td>
<td>16.8%</td>
<td>98.0%</td>
<td>100.0%</td>
<td>120%</td>
<td>N/A</td>
</tr>
<tr>
<td>Villa Garcia Apartments</td>
<td>VGI, Inc</td>
<td>80</td>
<td>John Stewart</td>
<td>5.0%</td>
<td>14.8%</td>
<td>98.0%</td>
<td>106.9%</td>
<td>115%</td>
<td>N/A</td>
</tr>
<tr>
<td>Villa San Pedro</td>
<td>VSP HDC</td>
<td>100</td>
<td>John Stewart</td>
<td>2.5%</td>
<td>14.1%</td>
<td>98.0%</td>
<td>98.5%</td>
<td>115%</td>
<td>N/A</td>
</tr>
</tbody>
</table>
## FPI PERFORMANCE MATRIX FOR JUNE 2013

<table>
<thead>
<tr>
<th>Property</th>
<th>General Partner</th>
<th># of units</th>
<th>Property Mgmt</th>
<th>Vacancy Rate Standard</th>
<th>Vacancy Rate Achieved</th>
<th>Collection Rate Standard</th>
<th>Collection Rate Achieved</th>
<th>Debt Service Coverage Standard</th>
<th>Debt Service Coverage Achieved</th>
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</thead>
<tbody>
<tr>
<td>Holter Court Apartments</td>
<td>Pinmore HDC, Inc.</td>
<td>155</td>
<td>FPI</td>
<td>5%</td>
<td>0.7%</td>
<td>98.00%</td>
<td>100.0%</td>
<td>115%</td>
<td>130%</td>
</tr>
<tr>
<td>Huff Gardens</td>
<td>Rotary Plaza/HACSC, HDC</td>
<td>72</td>
<td>FPI</td>
<td>3%</td>
<td>0.0%</td>
<td>98.00%</td>
<td>98.7%</td>
<td>110%</td>
<td>291%</td>
</tr>
<tr>
<td>Klamath Gardens</td>
<td>SPG Housing, Inc.</td>
<td>17</td>
<td>FPI</td>
<td>3%</td>
<td>0.0%</td>
<td>98.00%</td>
<td>99.8%</td>
<td>117%</td>
<td>200%</td>
</tr>
<tr>
<td>De Rose Gardens</td>
<td>SPG Housing, Inc.</td>
<td>76</td>
<td>FPI</td>
<td>5%</td>
<td>0.0%</td>
<td>98.00%</td>
<td>99.7%</td>
<td>120%</td>
<td>260%</td>
</tr>
<tr>
<td>Poco Way Apartments</td>
<td>Poco Way, HDC</td>
<td>129</td>
<td>FPI</td>
<td>3%</td>
<td>0.4%</td>
<td>98.00%</td>
<td>99.2%</td>
<td>115%</td>
<td>260%</td>
</tr>
<tr>
<td>Morningside Gardens</td>
<td>Rotary Plaza/HACSC, HDC</td>
<td>102</td>
<td>FPI</td>
<td>3%</td>
<td>0.4%</td>
<td>98.00%</td>
<td>99.0%</td>
<td>125%</td>
<td>284.00%</td>
</tr>
<tr>
<td>Betcher Gardens</td>
<td>SPG Housing, Inc.</td>
<td>72</td>
<td>FPI</td>
<td>3%</td>
<td>0.8%</td>
<td>98.00%</td>
<td>95.0%</td>
<td>115%</td>
<td>195%</td>
</tr>
<tr>
<td>Pinmore Gardens</td>
<td>SPG Housing, Inc.</td>
<td>51</td>
<td>FPI</td>
<td>3%</td>
<td>0.0%</td>
<td>98.00%</td>
<td>99.5%</td>
<td>115%</td>
<td>190%</td>
</tr>
<tr>
<td>The Willows Apartments</td>
<td>Pinmore HDC, Inc.</td>
<td>47</td>
<td>FPI</td>
<td>5%</td>
<td>0.0%</td>
<td>98.00%</td>
<td>100.0%</td>
<td>125%</td>
<td>562.00%</td>
</tr>
<tr>
<td>San Pedro Gardens</td>
<td>SPG Housing, Inc.</td>
<td>20</td>
<td>FPI</td>
<td>3%</td>
<td>0.0%</td>
<td>98.00%</td>
<td>100.0%</td>
<td>115%</td>
<td>356.00%</td>
</tr>
</tbody>
</table>

## PERFORMANCE MATRIX FOR CHARITIES HOUSING DEVELOPMENT CORPORATION JUNE 2013

<table>
<thead>
<tr>
<th>Opportunity Center</th>
<th>Opportunity Center HDC, Inc.</th>
<th># of units</th>
<th>Mgmt</th>
<th>Vacancy Rate</th>
<th>Collection Rate</th>
<th>Debt Service Coverage</th>
<th>Debt Service Coverage Achieved</th>
</tr>
</thead>
</table>
|                       | 89                            | CHDC       | 5.00%| n/a          | 96.00%            | 95.00%                 | 100%                           | n/a

**Vacancy Rate** is defined as less in dollars as a percentage of gross potential rent for the period measured.

**Collection rate** is defined as total (resident and subsidy) cash collected as a percentage of total rent billed.

**Debt Service Coverage Ratio** is defined as the ratio of net operating income (NOI) after deduction of required reserve contributions to required debt payments (hard debt).
Changing Lives

Peter* is an 11 year old student that has made a dramatic transformation since enrolling in the LifeSTEPS After School Program at Poco Way Apartments. When he first came around about one year ago, he had a poor attitude and was quite vocal about his aspirations to become a gang member. The LifeSTEPS Program Coordinator continuously poured positive reinforcement into Peter. She worked hard to make him understand that gang life is not glamorous; gang life is violent and deadly.

Slowly Peter came around to a new way of thinking. LifeSTEPS Regional Director Peggy has scheduled a Police Officer to speak to the youth during the ASP. Studies show that education is key to preventing gang violence. Peter's grades have improved and he has made friends with kids that are also changing their thinking. Just because kids grow up in an environment where gang violence is common they are not doomed to this lifestyle.

Aside from his improved grades and enthusiastic attendance at the ASP, the most significant change Peter has made is his perception of gang life. He has made a total turnaround. Instead of being a perpetrator of violence he dreams of becoming an undercover police officer fighting gang violence. Peter says, "I want to be a cop."

At LifeSTEPS After School Programs children are receiving positive reinforcement that contributes to improved performance in school as well as new dreams of being successful adult members of society.
LifeSTEPS social and supportive services are changing lives.

Traveling the World

The residents at Sunset Gardens in Gilroy have been travelling the world from the comfort of the community room. When Gilroy resident, Arne Kalma, read an article about LifeSTEPS services in the local paper last year he felt led to contact Regional Director Peggy Huffstutler. Arne offered to provide travel presentations to the seniors living at Sunset Gardens.

Arne and his wife have traveled extensively and enjoy sharing their experience in other countries and cultures with others. Arne prepares a slide show presentation and educates residents about a different country each month. The first place they "visited" was Tanzania, and then on to India, Scandinavia, San Francisco, Ecuador, and the Galapagos Islands.

The residents find each presentation entertaining and the events are well attended. Not only is this a great opportunity to see other cultures, the residents also enjoy the fellowship. Many of the Vietnamese ESL students use this event to practice and learn English skills.

Because of our volunteer program, residents at LifeSTEPS communities have access to unique opportunities that are not offered in other communities. Our social workers strategically network to bring meaningful services and opportunities tailored to the unique interests and needs of each community.

LifeSTEPS Client Assistance Program

LifeSTEPS began providing social and supportive services at HACSC’s El Parador community in November 2011. Residents here enjoy a variety of social and educational opportunities, such as Tai Chi, Knitting and
Crocheting, Birthday socials, computer instruction and health and safety classes. Each activity we provide is intended to meet the needs of the unique population at this site.

Sue* has been living at El Parador in Campbell since 2008 where she is an active participant in socials and educational classes. She often volunteers to help. Sue suffers from Diabetes and arthritis and takes medication daily. Last year she was hospitalized due to dehydration and pneumonia. To make matters worse, three days after being admitted to the hospital she suffered a heart attack which prolonged her stay and increased her medical bills.

The combination of health issues and medical debt was making it difficult for Sue to recover. Even after her release from the hospital she was suffering from stress and high blood pressure. Sue reached out to her LifeSTEPS social worker for help getting her finances back in order. Together with her social worker she completed the budget worksheet and was a bit surprised to see exactly how she was spending her money. She noted that there were some obvious expenses that she would eliminate to get back on track.

Still she needed $238 to pay her rent and not fall further behind. Through the LifeSTEPS Client Assistance Program we were able to provide this assistance which brought financial relief. It also eliminated some of the stress in Sue's life so she could worry less about how to get her bills paid and more about taking care of her physical health.

LifeSTEPS Client Assistance Program is designed with seniors like Sue in mind, for which one financial setback could snowball into a crisis. This one time assistance potentially saved Sue the risk of eviction for unpaid rent. In turn, she is more financially secure after the intervention and has made a commitment to better manage her finances, including establishing a savings account for future emergency expenses.

*Names have been changed.
To: Board of Commissioners  
From: Vanessa Cooper, Director of Real Estate Services  
Submitted By: Josiah Denmark, Project Manager  
Subject: Report on Status of Villa Garcia Rehabilitation Project

Recommendation  
Accept report on the Villa Garcia Rehabilitation Project, now the Clarendon Street Apartments (Project), for August 2013.

Background  
The Real Estate Services Department provides monthly reports on the status of active projects. The Villa Garcia Rehabilitation Project is the renovation of an 80-unit development located at 7213 Clarendon Street in San Jose. The construction financing closed in November 2012. Bank of the West is serving both as construction lender and permanent lender. At the closing, Villa Garcia, Inc. transferred the property to the newly created limited partnership, Clarendon St., L.P. Upon project completion, the property will be known as Clarendon Street Apartments. The building permits were issued and construction commenced during the first week of December.

Analysis  
The project is presently scheduled for completion by November 2013 and the work has been divided into four phases. The community center and management offices will also be totally renovated. The first and second phases included four buildings and are completed. Phase two residents returned to their newly renovated units in May 2013. The third phase also started in May and includes three buildings and 24 households. Sixteen households have been located off site, one is housed on site in a hospitality unit, and seven units are vacant. This phase is scheduled for completion in August. The solar support system and solar panels have been installed and the community center is included in the current phase and is scheduled for completion by the end of August.

All eligible households have been income certified for tax credit compliance; all over-income (non-eligible) households were provided with relocation assistance and were relocated as of March 2013.
As of August 8th, 2013 the project site work is 75% complete, and overall construction is 70% complete. Funding requests to Bank of the West are being submitted and paid on time. As of the ninth draw request submitted in August, approximately 63% or $8.2 million of the $13 million construction loan has been expended on both hard and soft costs, including closing costs. Approximately 70% of budgeted construction (hard) costs and 82% of soft costs were expended through Draw #9.

The hard cost contingency line item was funded at $1,039,588 at closing and 79% of hard cost contingency has been committed to change orders to date. The soft cost contingency line item was funded at $41,328 and 19% of this amount has been committed for soft cost budget adjustments to date. Staff does not anticipate any shortfall in contingency funds based on the current balances. Sufficient funds remain in the budget to meet interest expenses through the construction period, and other eligible costs including professional services. At project completion, any surplus funds remaining in the loan account can be used to pay principal due under the seller-take back note.

**Fiscal Impact**

MTW funds were loaned to Villa Garcia to fund pre-development activities. Some of these funds were repaid at the financial closing and other funds will be repaid through project cash flow.

The following points describe the financial details for the Clarendon Street project.

- The Villa Garcia, Inc. Board of directors approved the use of $1,061,902 in funds paid at closing to the General Partner (Villa Garcia, Inc.) A temporary advance of $500,000 from the General Partner fund was set aside in a GP checking account. Invoices that must be paid promptly are funded through this bridge account and are reimbursed monthly with the next construction draw. As of July 31, 2013 $101,042 has been loaned and remains outstanding in the bridge account.

- In connection with the Villa Garcia rehabilitation project financing, the seller accepted a promissory note in the amount of $8,724,603. This note will be paid from excess cash flow over a 55 year period.

- A Bank of the West construction loan for $13,000,000 was fully funded at the escrow closing. As of 7/31/2013, $8,556,342 has been used. The remaining balance of $4,443,658 remains in a bank controlled account, and is disbursed upon approval of monthly construction draw requests.

**Coordination**

The memo was coordinated by the Real Estate Services Department.

[Signature]

*Victoria Johnson for Vanessa Cooper*

*Signature of Submitting Director*

*Er. Development Manager*

*Title*
To: Board of Commissioners
From: Baku Patel, CFO/Finance Director

Submitted By: Terry Ramos, Accountant

Subject: 06/30/13 HACSC Cash Reserves Report – Operating Program Funds, Move to Work (MTW) Reserve Fund, Development & Acquisition Fund and Facilities Consolidation Fund

Approved by: [signature] Date: 8/20/13

Recommendation

Accept report regarding the Housing Authority's Cash Reserves.

Background

The attached Operating Program Cash Reserves report has been prepared to give Board members information on the cash reserves by department/program of the Housing Authority at each month end. This report includes conservative estimates of current large accounts payables and accounts receivables.

The attached report also includes a separate summary of the Cash and Investments held under MTW Reserve Fund, Development & Acquisition Fund and Facilities Consolidation Fund, together with a brief summary of funds used in the past. The "Development & Acquisition Fund and Facilities Consolidation Funds" were funded by transfers from the MTW reserves funds, as approved by the Board at the March 22, 2011 meeting.

Analysis

Operating Program Cash Reserve Month End Summary:

- Table A - the cash and investment balances in each of the agency's program operating accounts at the end of the month. These balances are then adjusted by known large receivables/advance and payables.
- Table B - the month end balance comparison to the previous month end balance. In total, an increase in cash of $3,342,103 of which $2.4M is due to Developer Fees received on Julian Street Partnership and $553,077 is for Rincon Public Housing Disposition Proceeds of Rincon 2012 Excess Cash.

- Table C – month end balances of the amounts due from various programs to the General and Revolving Fund. These are technically inter-program borrowing balances.

Please refer to the summary narratives below the Month End Summary for each Table A, B, & C, respectively.

The Cash Flows for the month and year to date, and the Cash Position at the end of the month are consistent with what was expected.

**MTW Reserve Fund:**

- This Reserve Fund represents the cumulative net cash flow balance of financial activity of Housing Assistance Payments (HAP) and receipts over the past years. This fund continues to experience a HAP funding deficit, in the current month (as in the past few months) due to a shortfall in funding available to meet the current leased units’ HAP expenditures. This shortfall has partly been funded by a transfer of funds from the Facilities Consolidation Fund Cash Reserves. See below.

Please refer to the narrative on the bottom of the MTW Reserve Fund – Cash Reserves report.

**Acquisition and Development Fund Cash Reserves Fund:**

- The Board created this fund on March 22, 2011 from MTW Reserve Funds of $15 Million. These funds were designated for the acquisition and development of affordable housing projects and its use is reported in the RESD reports to the Board.

**Facilities Consolidation Cash Reserves Fund:**

- The Board created this fund on March 22, 2011 from MTW Reserve Funds of $7 Million. However, due to deficit funding in HCV HAP as a result of the federal budget cut in March 2013, on 04/22/13, the Board approved use of $6.5M of these funds to cover the deficit. As of 06/30/13, $'895,000 has been used. As of 08/14/13, concurrent with the date of this memo, $4,995,000 has been used, leaving a current balance of $1,505,000.
**Fiscal Impact**

This report is a critical component of cash management of all HACSC Departments.

**Coordination**

The Finance Department coordinated this memo with the Real Estate Services Department.

Signature of Submitting Director

CFO/FINANCE DIRECTOR

Title
### Housing Authority of the County of Santa Clara
#### Operating Program Cash Reserves Month-End Summary 06/30/13

<table>
<thead>
<tr>
<th>Program</th>
<th>Cash Balance 06/30/13</th>
<th>Investments</th>
<th>Advances</th>
<th>Less Payables</th>
<th>Cash Position 06/30/13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate Services</td>
<td>58,345</td>
<td>214,094</td>
<td></td>
<td></td>
<td>85,379</td>
</tr>
<tr>
<td>Conventional Low Rent</td>
<td>606,262</td>
<td>214,094</td>
<td></td>
<td></td>
<td>820,356</td>
</tr>
<tr>
<td>RH Projects - Rincon</td>
<td>5,833</td>
<td></td>
<td></td>
<td></td>
<td>5,833</td>
</tr>
<tr>
<td>RH Projects - Phase 28 (8 props)</td>
<td>7,057</td>
<td></td>
<td></td>
<td></td>
<td>7,057</td>
</tr>
<tr>
<td>Winter Shelter Program</td>
<td>5,833</td>
<td></td>
<td></td>
<td></td>
<td>5,833</td>
</tr>
<tr>
<td>Management Services</td>
<td>115,475</td>
<td>276,000</td>
<td></td>
<td>222,623</td>
<td>169,368</td>
</tr>
<tr>
<td>Asset Management</td>
<td>396,674</td>
<td></td>
<td></td>
<td></td>
<td>396,674</td>
</tr>
<tr>
<td>Development</td>
<td>5,582</td>
<td></td>
<td></td>
<td></td>
<td>5,582</td>
</tr>
<tr>
<td>Construction</td>
<td>1,754</td>
<td></td>
<td></td>
<td></td>
<td>1,754</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>8,122,215</strong></td>
<td></td>
<td></td>
<td><strong>8,122,215</strong></td>
</tr>
</tbody>
</table>

#### Table A

- This section of the report shows cash and investments by program. This amount is then adjusted by known large receivables/advances and payables.
- The amount in advances of $275,000 for Management Services represents money advanced by FMI in support of the affiliated properties. The $222,623 payable is the Board Approved draw on the Comerica Line of Credit (LOC) used to fund affiliated property operating deficits.
- The Conventional Low Rent Housing Payables is Payment in Lieu of Taxes (PILOT).
- The payable in the Veteran’s Affairs Supportive Housing (VASH) Program is for unspent VASH Housing Assistance Payments (HAP). This amount is not part of the Move to Work (MTW) HAP reserve and will be payable to HUD if spent.
- Cash Balances (if any) for Rincon and Phase 28 Public Housing Disposition Proceeds are now included on this report.

<table>
<thead>
<tr>
<th>Program</th>
<th>Cash Position 5/31/13</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate Services</td>
<td>19,795</td>
<td></td>
</tr>
<tr>
<td>Conventional Low Rent</td>
<td>241,224</td>
<td></td>
</tr>
<tr>
<td>RH Projects - Rincon</td>
<td>4,223</td>
<td></td>
</tr>
<tr>
<td>RH Projects - Phase 28 (8 props)</td>
<td>181,859</td>
<td></td>
</tr>
<tr>
<td>Winter Shelter Program</td>
<td>5,087</td>
<td></td>
</tr>
<tr>
<td>Management Services</td>
<td>276,000</td>
<td></td>
</tr>
<tr>
<td>Asset Management</td>
<td>5,733</td>
<td></td>
</tr>
<tr>
<td>Development</td>
<td>271,663</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>9,385</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>2,143,846</strong></td>
</tr>
</tbody>
</table>

#### Table B

- For comparative purposes this section provides the prior month’s adjusted cash position by program.

#### Table C

- This section shows the amounts due from various programs to the General Fund for the current and prior month. The General Fund is a checking account and has no funding of its own so funds are advanced from the Housing Choice Voucher Program (HCV) to cover the other program deficits. As of 06/30/13, the HCV program would have had an additional $5,092,22 in cash if these advances were not needed.

*** The balance in this account will be reviewed with the Final Analysis during Fiscal Year End 06/30/13 and excess balances will be returned to respective Program/Dept.

---

08/09/13 - mp
F:\WCON-PROFILE\Cash Reports-Bank Balancet\Cash Position Report\FY 2013\Cash Position 2013-08-13.xls
Housing Authority of the County of Santa Clara
MTW Reserve Fund - Cash Reserves
As of June 30, 2013

Cash and Investments

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAIF</td>
<td>$ 4,644</td>
</tr>
<tr>
<td>Certificates of Deposit</td>
<td>$ 22,933</td>
</tr>
<tr>
<td>Treasury Bills</td>
<td>$  02,711</td>
</tr>
<tr>
<td>UBOC Money Market Account</td>
<td>$ 454,510</td>
</tr>
<tr>
<td>Comerica MTW Reserve Account (Pledge for LOC)</td>
<td>$    -</td>
</tr>
<tr>
<td>Cash</td>
<td>$  17,152</td>
</tr>
<tr>
<td><strong>Total Cash and Investments</strong></td>
<td>$ 581,951</td>
</tr>
</tbody>
</table>

MTW Reserve *

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance 06/01/2013</td>
<td>$ 920,205</td>
</tr>
<tr>
<td>HAP Received</td>
<td>$18,469,709</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
</tr>
<tr>
<td>HAP Paid</td>
<td>(19,774,579)</td>
</tr>
<tr>
<td>Interest</td>
<td>(1,107)</td>
</tr>
<tr>
<td>Fraud Recovery</td>
<td>1,313</td>
</tr>
<tr>
<td>FSS Escrow Forfeits</td>
<td>835</td>
</tr>
<tr>
<td>Account Receivable-Portables</td>
<td>(22,414)</td>
</tr>
<tr>
<td>Receivables fr. owners for overpayment of HAP</td>
<td>(126,782)</td>
</tr>
<tr>
<td>Trf to Housing Choice Vouchers to cover for operating costs</td>
<td>(55,129)</td>
</tr>
<tr>
<td>Trf from Facilities Consolidation Fund to cover for HAP deficit **</td>
<td>1,170,000</td>
</tr>
<tr>
<td><strong>MTW Reserve Balance 06/30/2013</strong></td>
<td>$ 581,951</td>
</tr>
</tbody>
</table>

* Because of the Sequestration cut, HACSC is currently receiving 94% of its eligible HAP's funding. Due to insufficient fund, it is expected to have a monthly net HAP funding deficit that is financed from MTW reserves. ** Per Board approval, in June 2013, $1,170,000 was transferred from Facilities Consolidation Funds to cover for the HAP deficit. Thus, the total transfer from Facilities Consolidation Funds to Section 8 Vouchers to cover for HAP deficit as of June 2013 was $1,895,000.
Housing Authority of the County of Santa Clara
MTW Reserve Fund - Cash Reserves
As of June 30, 2013

Descriptive transactions

The Move To Work (MTW) Reserve account balance is based on our calculation of excess HAP that has been received since January 1, 2005 and imputed interest. Three months Treasury Bill Rate was used to compute the imputed interest earned.

From July 2011, actual interest earned on investments was recorded.

In September 2008 $2,140,128 was advanced from the MTW Reserve Fund to defease the Public Housing (PH) Bonds. This is showing as a receivable in the MTW General Ledger.

In May 2009 $3,852,060 was transferred to Housing Programs Department (HPD) for short fall in Admin Fee.

$5,743,723 was advanced from the MTW Reserve Fund to Housing Authority Reserves and Activities (HARA) to purchase the Park Avenue Property. This shows as a receivable in the MTW General Ledger.

In August 2008 $5,456,651 was transferred from Housing Choice Vouchers (HCV) to the MTW Reserve for PH Disposition Project Based Vouchers (PBV) funds not used.

In October 2009 $1,301,024 was transferred to pay off the LOC for Julian Renovation; $431,000 was transferred to Assets Management; $732,000 was transferred to Development.

In June 2010, a transfer was made to Section 8 Vouchers for $12,122,676 to pay for current year pension contributions.

In June 2010, a transfer was made to Section 8 Vouchers for $4,823,940 to pay for current year Other Post Employment Benefits (OPEB) Contributions.

In June 2010, a transfer was made to Conventional for $2,140,128 as a forgiveness of interfund balance recorded in prior year. (During the year ended June 30, 2009, the Conventional Housing Program Fund borrowed funds to help fund an escrow to defease the Series 2004 Certificates of Participation.)

In June 2010, $3,197,760 was borrowed by Real Estate Services pension contribution and OPEB made during the fiscal year end June 30, 2010 (Within $3,197,760 there was $2,297,322 for Pension and $900,438 was for OPEB).

In anticipation of HACSC office closure on October 1, 2010, a temporary advance of $9,000,000 was made to the General Fund to fund the release of the HAP Owners checks. Subsequently, on October 1, 2010, upon confirmation of HUD first of the month funding, the advance was transferred back to MTW.

On 11/16/2010, $1,572,606.13 was transferred to Conventional to pay off loans to City of San Jose and City of Santa Clara on Phase 2B properties.

In November 2010, $1,800,000 from MTW Local Agency Investment Fund (LAIF) was transferred to HARA for Capital Contribution for Julian Partners.

In November 2010, $1,800,000 replenish withdrawal from HARA was made and transferred to MTW LAIF.

In November 2010, $5,000,000 was transferred to HARA for the Lien release.

In November 2010, $5,000,000 was transferred from HARA and the amount was deposited to MTW reserved (Cornerica) for the release of blanket lien.
Housing Authority of the County of Santa Clara
MTW Reserve Fund - Cash Reserves
As of June 30, 2013

In March 2011, a temporary advance of $500,000.00 was made to General Fund to fund the release of the HAP Owners checks in anticipation of HACSC office closure on Mar 31st. Subsequently, on April 1st, 2011, the advance was transferred back to MTW.

In June 2011, $442,623 was transferred to Assets Mgmt to cover for dept. costs that were related to project based Sect 8 units & PH units - The total of transfer was based on budget amount that was approved by board.

In June 2011, $398,011 was transferred to Construction Mgmt to cover for dept. costs that were related to project based Sect 8 units & PH units - The total of transfer was based on budget amount that was approved by board.

In June 2011, $1,608,043 was transferred to Vouchers to cover for dept. costs. The total of transfer was based on budget amount that was approved by board.

In June 2011, per Board approval, $7M was transferred from MTW reserved to establish Facilities Consolidation Fund which is designated for the acquisition or rehabilitation of Housing Authority facilities to enable consolidation of operations.

In June 2011, per Board approval, $15M was transferred from MTW reserved to "Acquisition and Development Fund", which is designated for the acquisition and development of affordable housing projects.

In June 2011, upon Board approval, $1,760,800 was transferred to Vouchers for CalPERS pension payment of unfunded liability.

In June 2012, a receivable of $525,327.80 to Real Estate Services was for payment made to CalPers unfunded liability on 6/25/12.

In June 2012, a transferred of $1,081,648.02 was made to RESD to reimburse for expenses incurred in the fiscal year period that were related to PH and PBV activities.

In June 2012, a transfer of $1,362,632.20 was transferred to Vouchers for payment to CalPERS unfunded liability.

In September 2012, HUD's funding of $1.9M for Calendar Year 2012 Set Aside was received. The amount was included in "HAP Received" category.

In October 2012, a wire transfer out of $25,000 from MTW reserves to cover Ekund 1, Ekund 2 and Deborah operating costs.

In November 2012, RESD reimbursed MTW total $525,328 for payments made to Calpers Unfunded Liability.

In January 2013, $1,060,106 was transferred to Vouchers to cover for the deficit in the Vouchers portion in the Money Market account.

In January 2013, an advance of $1M was made to General Fund to fund the release of the HAP owners checks in anticipation of HACSC closure on February 1, 2013. Subsequently, the receivable of $1M cleared in February 2013.

$126,620 is a total of account receivable to Initial Public Housing Authorities for incoming portables.

In May 2013, $1,300,000 was transferred to Vouchers to cover for operating deficits.

In May 2013, $725,000 was transferred from Facilities Consolidation Funds to cover for the HAP deficit.

In May 2013, $425,371.06 was transferred from Capital Fund 2011 to cover for the HAP deficit.
Housing Authority of the County of Santa Clara
Acquisition and Development Fund - Cash Reserves
Facilities Consolidation Fund - Cash Reserves
As of JUNE 30, 2013

<table>
<thead>
<tr>
<th>ACQUISITION AND DEVELOPMENT FUND</th>
<th>FACILITIES CONSOLIDATION FUND</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAIF</td>
<td>$ 2,879</td>
</tr>
<tr>
<td>Certificates of Deposit</td>
<td>$ -</td>
</tr>
<tr>
<td>Treasury Bills</td>
<td>$ 502,135</td>
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<tr>
<td>Comerica MTW Reserve Account (Pledge for)</td>
<td>$ 5,035,643</td>
</tr>
<tr>
<td>Cash</td>
<td>$ 211,730</td>
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<tr>
<td>Total Cash and Investments¹</td>
<td>$ 5,752,387</td>
</tr>
</tbody>
</table>

Reserve

<table>
<thead>
<tr>
<th></th>
<th>ACQUISITION AND DEVELOPMENT FUND</th>
<th>FACILITIES CONSOLIDATION FUND</th>
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</thead>
<tbody>
<tr>
<td>Beginning Balance 06/01/2013</td>
<td>$ 5,759,400</td>
<td>$ 6,231,592</td>
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<tr>
<td>Interest</td>
<td>$ (1,741)</td>
<td>$ (2,527)</td>
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<td>Cost of Services for:</td>
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<td></td>
</tr>
<tr>
<td>Park Ave</td>
<td>$ (5,272)</td>
<td></td>
</tr>
<tr>
<td>Feasibility Studies</td>
<td>$ -</td>
<td></td>
</tr>
<tr>
<td>Investment Transaction fees</td>
<td>$ -</td>
<td></td>
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<tr>
<td>Trf to Housing Choice Vouchers to cover for HAP deficit</td>
<td>$ -</td>
<td>$ (1,170,000.00)</td>
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<tr>
<td>Reserves Represented as Cash 06/30/2013</td>
<td>$ 5,752,387</td>
<td>$ 5,059,065</td>
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Note:
The Acquisition and Development Fund AND the Facilities Consolidation Fund were established per Board approval on March 22, 2011.

The Acquisition and Development Fund is used to purchase or develop affordable housing and these funds are obligated as follows:

1. Committed Funds

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Date Committed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Park Avenue</td>
<td>239,088</td>
<td>Feb 2012</td>
</tr>
<tr>
<td>Villa San Pedro HD, Inc.</td>
<td>1,500,000</td>
<td>Feb 2013</td>
</tr>
<tr>
<td>Park Avenue</td>
<td>2,700,000</td>
<td>May 2013</td>
</tr>
<tr>
<td>Huff Gardens</td>
<td>1,000,000</td>
<td>July 2013</td>
</tr>
<tr>
<td>Derose Gardens</td>
<td>1,000,000</td>
<td>July 2013</td>
</tr>
<tr>
<td></td>
<td>$ 6,439,088</td>
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</tbody>
</table>

2. Eden Housing Inc. - Contractual Loan Agreement

The Acquisition and Development fund above does not include the cash of $5,566,272 that is designated for this loan commitment of up to $6.5M to Ford and Monterey Project that was approved by the HACSC Board on 8/24/2011.

* $85,000 prior period adjustment is made to account for voided checks that were created in January 2013.

** $700,000 is a receivable to Villa San Pedro's loan for the purpose of HUD Flexibility Subsidy Loan payoff.
To: Board of Commissioners
From: Baku Patel, CFO/Finance Director
Submitted By: Terry Ramos, Accountant
Subject: Quarterly Investment Report 06/30/13

Approved

Date 5/20/13

Recommendation
Accept report relating to the Housing Authority's Investments.

Background
It is a State of California requirement (California Government Code 53646 (A)) that this report should be prepared quarterly and presented at a public Board meeting.

Analysis
All investments are in conformity with the Housing Authority of the County of Santa Clara's approved investment policy.

The agency had sufficient funds available to meet its expenditure requirements thru the Quarter Ended 06/30/13 and six months thereafter.

Fiscal Impact
This report is a critical component of HACSC investment management.

Coordination
None

Signature of Submitting Director

CFO/FINANCE DIRECTOR
Title
Housing Authority Of the County of Santa Clara
Investment Schedule as of 06/30/13

<table>
<thead>
<tr>
<th>Type</th>
<th>% of Total Investment</th>
<th>Program</th>
<th>Book Value</th>
<th>Market Value</th>
<th>Current Rate</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed Pool - LAIF</td>
<td>36%</td>
<td>HA Reserves &amp; Activities (HARA)</td>
<td>$ 7,362,368</td>
<td>$ 7,362,368</td>
<td>0.24%</td>
<td>Open</td>
</tr>
<tr>
<td></td>
<td>0%</td>
<td>MTW Reserve</td>
<td>$ 4,644</td>
<td>$ 4,644</td>
<td>0.24%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2%</td>
<td>VASH</td>
<td>$ 384,782</td>
<td>$ 384,782</td>
<td>0.24%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0%</td>
<td>Moderate Program</td>
<td>$ 61,323</td>
<td>$ 61,323</td>
<td>0.24%</td>
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</tr>
<tr>
<td></td>
<td>0%</td>
<td>Acquisition &amp; Development</td>
<td>$ 2,879</td>
<td>$ 2,879</td>
<td>0.24%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1%</td>
<td>Facilities Consolidation</td>
<td>$ 137,044</td>
<td>$ 137,044</td>
<td>0.24%</td>
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<tr>
<td></td>
<td>1%</td>
<td>Public Hsg Dispo (rinph)</td>
<td>$ 214,094</td>
<td>$ 214,094</td>
<td>0.24%</td>
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</tr>
<tr>
<td></td>
<td>24%</td>
<td>Eden (Fdo/ Monterey Family Hsg)</td>
<td>$ 5,011,228</td>
<td>$ 5,011,228</td>
<td>0.24%</td>
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</tr>
<tr>
<td>Comerica Pledge for LOC</td>
<td>25%</td>
<td>Acquisition &amp; Development</td>
<td>$ 5,035,643</td>
<td>$ 5,035,643</td>
<td>0.20%</td>
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<td>UBOC Money Market Account</td>
<td>2%</td>
<td>MTW Reserve / Vouchers</td>
<td>$ 500,630</td>
<td>$ 500,630</td>
<td>0.04%</td>
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<tr>
<td>Wunderlich Securities (formerly chop &amp; Lamont) Certificate of Deposit</td>
<td>0%</td>
<td>MM MTW Reserve</td>
<td>$ 22,933</td>
<td>$ 22,933</td>
<td>0.01%</td>
<td></td>
</tr>
<tr>
<td>Cantella &amp; Co., Inc.</td>
<td>0%</td>
<td>MM, HA Reserves &amp; Activities (HARA)</td>
<td>$ 488</td>
<td>$ 488</td>
<td>0.01%</td>
<td>Open</td>
</tr>
<tr>
<td></td>
<td>0%</td>
<td>MM Mod Rehab Program</td>
<td>$ 3,161</td>
<td>$ 3,161</td>
<td>0.01%</td>
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<tr>
<td></td>
<td>0%</td>
<td>MM MTW Reserve</td>
<td>$ 4,790</td>
<td>$ 4,790</td>
<td>0.01%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1%</td>
<td>MM Acquisition &amp; Development</td>
<td>$ 161,010</td>
<td>$ 161,010</td>
<td>0.01%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0%</td>
<td>MM Facilities Consolidation</td>
<td>$ 4,895</td>
<td>$ 4,895</td>
<td>0.01%</td>
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<tr>
<td></td>
<td>0%</td>
<td>GSE MTW Reserve</td>
<td>$ 80,000</td>
<td>$ 77,922</td>
<td>0.27% - 1.25%</td>
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<tr>
<td></td>
<td>2%</td>
<td>GSE Acquisition &amp; Development</td>
<td>$ 343,000</td>
<td>$ 341,125</td>
<td>0.27% - 1.25%</td>
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<tr>
<td></td>
<td>6%</td>
<td>GSE Facilities Consolidation</td>
<td>$ 1,200,978</td>
<td>$ 1,199,990</td>
<td>0.27% - 1.25%</td>
<td></td>
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<tr>
<td><strong>100%</strong></td>
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<td><strong>$ 20,544,808</strong></td>
<td><strong>$ 20,659,057</strong></td>
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</tr>
</tbody>
</table>

Securities sold/called:
- 4/8/2013 Cusip 36161N209 $ 99,986
- 4/8/2013 Cusip 36160YNF8 $100,003
- 4/8/2013 Cusip 025970LK2 $200,828
- 4/8/2013 Cusip 38143AL60 $200,882
- 4/8/2013 Cusip 795450PP4 $200,834

Securities bought:
None this period

These investments are in compliance with the Housing Authority of the County of Santa Clara's adopted investment policy and the State of California Government Code (GC) 53649.

Balkrish Patel, Finance Director

Notes:
1. All of the current investments have an open ended maturity date.
2. Book Value is equal to the amount invested. Interest earned is recorded as interest income and reinvested.
3. The valuation source for Market Value are the monthly statements from the individual investment institutions.
4. None of the current investments are being managed by contracted parties. (Money managers, etc)
5. The agency had sufficient funds available to meet its expenditure requirements thru QE 06/30/13 and six months thereafter.
To: Board of Commissioners

From: Baku Patel, CFO/Finance Director

Submitted By: Terry Ramos, Accountant

Subject: Status of Advances to Property Management, Inc. 06/30/13

Approved 8/20/13  Date 8/20/13

Recommendation

Accept report regarding the status of Housing Authority advances to Property Management, Inc. (PMI).

Background

In 1997 PMI, an affiliate of the Housing Authority, set aside $275,000 to be used as an advance to fund monthly cash shortages to the affiliated properties’ vendors. In addition to this amount, it became necessary for the Housing Authority to hold PMI’s checks reimbursing the agency for services provided to PMI.

In June 2009, the Board approved use of HACSC’s Comerica Line of Credit (LOC) in the amount of $500,000 for the purpose of advancing funds to PMI to cover property costs. Beginning in January 2010, the agency again had to hold PMI’s checks as the approved advances once again fell short of the program’s operating deficits.

In February 2010, the Board approved an additional draw on the Comerica LOC for $225,000, which was drawn in September 2010.

The Board approved an additional draw from the Comerica LOC for $750,000 in June 2010, during the FYE June 30, 2011 budget approval process, and to date, $300,000 has been withdrawn from this source.
Analysis
Properties were able to generate surplus cash in FY 2011 that, in turn, was available to pay towards the amount due to PMI. In July 2012, RESD reimbursed $500,000 of $1,025,000 to the LOC. An additional $225K was available to reimburse the LOC in September 2012. In March 2013, the LOC was reimbursed an additional $76,077.

The report shows the current as well as the historical status of these advances and the amounts due to PMI from the various affiliates for the period from 12/2012 through 06/2013.

Fiscal Impact

The balance on the agency’s LOC was reduced to $223,923 as of 06/30/13.

As of 07/30/13, the outstanding balance of $223,923 on the LOC was paid off from the Cash Distribution received from various Partnerships for the year ended 12/31/12.

Coordination

The Finance Department coordinated this memo with the Real Estate Services Department.

Signature of Submitting Director

CFO/FINANCE DIRECTOR

Title
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<td>Miramar</td>
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<tr>
<td>Avantida Espana Acededios</td>
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<td>Broadview Senior Housing</td>
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<td>Broadview Senior Housing</td>
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<td>Klamath Gardens</td>
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<tr>
<td>Mobile Gardens</td>
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<td>Oppenheimer Center</td>
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<tr>
<td>Polo Way Apartments</td>
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<td>DeRose Gardens</td>
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<td>San Pedro Gardens</td>
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<tr>
<td>Villa Garcia</td>
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<tr>
<td>The Willows</td>
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</tr>
<tr>
<td><strong>Total Due to PMI</strong></td>
<td>405,656</td>
<td>405,656</td>
<td>405,656</td>
<td>405,656</td>
<td>405,656</td>
<td>405,656</td>
<td>405,656</td>
<td>405,656</td>
<td>252,227</td>
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</tbody>
</table>

These advances to the affiliates are funded with a $275,000 advance from Property Management, Inc. (PMI), a $500,000 draw on the Housing Authority’s Line of Credit (LOC) with Comerica Bank effective 6/2008, and an additional draw of $225,000 from the Housing Authority’s LOC with Comerica Bank effective 9/2010.

In June 2010, an additional draw from the LOC in the amount of $750,000 was approved during the FYE 6/30/2011 budget approval process. of this amount to date $200,000 was withdrawn December 2010.

In January 2011, a $91 increase due to a scale dated check that was voided in a prior period but renewed in January. In June 2012, Opportunity Center reimbursed PMI the balance due of $145,000.

In July 2012, the following properties reimbursed PMI:

<table>
<thead>
<tr>
<th>Property</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>BLO</td>
<td>$ 46,120.41</td>
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<tr>
<td>HUF</td>
<td>$ 112,386.00</td>
</tr>
<tr>
<td>KLA</td>
<td>$ 12,072.02</td>
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<tr>
<td>POA</td>
<td>$ 53,790.00</td>
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</tbody>
</table>

In July 2012, a reimbursement of $500 was made to the LOC to clear the draw made in 6/2008.

In August 2012, the following properties reimbursed PMI:

<table>
<thead>
<tr>
<th>Property</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>HEL</td>
<td>$ 49,893.00</td>
</tr>
<tr>
<td>WIL</td>
<td>$ 165,409.00</td>
</tr>
</tbody>
</table>

In September 2012, a check request was prepared to reimburse the LOC $323.54 to clear the draw made in 9/2010.

In November 2012, The Willows reimbursed PMI the balance due of $76,077.

In June 2013, the following properties reimbursed PMI:

<table>
<thead>
<tr>
<th>Property</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>HEL</td>
<td>$ 123,224.00</td>
</tr>
<tr>
<td>HUF</td>
<td>$ 30,418.55</td>
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</table>
To: Board of Commissioners
From: Vanessa Cooper, Director of Real Estate Services Department
Subject: Report on Financial Performance of HACSC Properties

Approved Date 8/27/13

Recommendation
Accept report relating to the financial performance of HACSC owned/controlled properties following transition of property management services to third party vendors.

Background
In 2010, the Board of Commissioners of the Housing Authority voted to contract for third party property management at its sites in an effort to improve financial performance. In response, staff outlined what it believed to be cost savings, efficiencies and improved services that could be provided by eliminating a less efficient business model. During the subsequent 24 months, property management services were subject to a Request for Proposal (RFP) process through which three third party firms were selected.

The Comparative Analysis of HACSC Transition to Third Party Management Study (Attachment A) is one of the review and control mechanisms that the Real Estate Services Department (RESD) Asset Management team uses to ensure adherence to the Agency’s mission and contract enforcement with the property management vendors. In addition to this report, RESD carries out an annual tenant survey, holds weekly conference calls and monthly roundtable meetings with the property management companies, inspects every site at least once per year and reviews all key financials, reports and compliance documentation.

Analysis
The report indicates that the properties have strong financial performance, with dramatic improvement in the overall financial health of the properties. Through careful oversight and contract enforcement of the third party property management companies, and their strong management of income and expenses at the sites, all properties are performing well.
The report examines key measures such as net cash flow (income less expenses and debt service), rent collected, vacancy, expenses and debt service coverage (ratio of cash available for debt service to total debt payment). In all areas there is exceptional performance at the sites.

A number of recommendations are included in the report to ensure that strong performance continues, including adequate staffing and training for RESD Asset Management staff, an emphasis on long term financial planning for the sites and securing fees to ensure strong contract compliance.

**Fiscal Impact**
The report cost approximately $5,000 to complete. Any changes to programs or policies at the properties or contract revisions as a result of the survey are generally made subject to available funds in the property budgets.

**Coordination**
RESD coordinated this memo.

![Signature](signature.png)

**Title**

**Attachment A: Comparative Analysis of HACSC Transition to Third Party Management**
Jack Geary Consulting
Asset Management Consulting & Analysis

Comparative Analysis of HACSC Transition to Third Party Management
July 29, 2013

*Sunset Gardens Apartments Community Center, Gilroy California*
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</table>
Section A: Executive Summary & Findings

The Housing Authority of the County of Santa Clara controls and operates more than 27 rental communities throughout Santa Clara County, serving over 2600 family and senior households. The properties were constructed between 1972 and 2006. For over 20 years, the portfolio was managed by HACSC, through an affiliate business, PMI.

In 2010, HACSC Board of Directors voted to transition the day to day management of the Agency’s affordable housing portfolio to third party property management companies. This change was driven primarily by the portfolio’s poor financial performance, high maintenance costs and inefficient processes under the self-management model, which in turn negatively impacted service to residents, including deteriorating property physical conditions and a growing backlog of work orders. Starting in February 2011, the properties were transitioned to third party management and resident services were brought in provided by a third party social services agency.

The results of the transition have been very successful, indicated by demonstrated performance improvements outlined in this analysis. A comparison of “like-to-like” properties between 2010 and 2012 - the last period of self-management and the first full period of third party management - reveals greatly increased cash flow, lower vacancy loss and operating costs and significant increases in distributions to HACSC, its affiliates and partners, including the City of San Jose and Santa Clara County. From an operating and financial perspective, HACSC’s property portfolio is now financially healthy, with strong performance across all key management indicators. Furthermore, in addition to increased financial stability, HACSC’s transition to outsourced management has contributed to considerable physical upgrades to the properties. During this same period, HACSC has completed major rehab of ten properties valued at over $100 Million, while completing capital improvements of over $5 Million at other existing properties.
HACSC's transition to third party management has allowed agency staff attention to move from day to day property management duties to a focus on strategic oversight, contract management and asset management of the portfolio with measurable positive results. The benefits of this transition include improved property operations, better property conditions, a more financially and operationally stable portfolio and considerable financial benefit to HACSC and its public and private partners.

This analysis consists of a review of the property audits for 2010 (properties largely self-managed) and 2012 (property management largely outsourced) comparing property performance for those years. The analysis also includes a review of cash distributions between 2010 and 2012, including those to HACSC and affiliates, the City of San Jose and payments to other public and private sector partners.
Section B: Review Methodology

This review was completed by Jack Geary, an asset management professional with over 30 years experience in the public and not-for-profit sectors. The review includes an analysis of the operations and financial results of the entire HACSC property portfolio, inclusive (where applicable) of properties that are or have gone through loan or ownership restructuring.

A major component of this study is a comparative "like-to-like" analysis evaluating improved operations of that portion of the portfolio that was self-managed by HACSC/PMI in 2010 and managed by third party managers in 2010. Properties contained in this analysis group (representing 65% of the units in the HACSC portfolio) are referred to as the "comparable properties." The comparative property control group was limited to those HACSC-controlled properties that were self-managed in 2010 and managed by third-parties in 2012.

The properties that were not included in the comparative analysis control group were excluded either because they did not have a 2010 baseline (six former Public Housing sites now owned by Julian Street Partners), are undergoing major restructuring in 2012 (Villa Garcia) or were not fully controlled by HACSC (Corte Terra and Fairgrounds Senior where HACSC has shared oversight responsibilities). The 20 remaining Public Housing units and Seifert House were not included in this analysis as they are in transition and their participation would be unlikely to be material to the findings of the analysis. In addition, De Rose was not included because separate audit data was not available. While the comparative control group was limited to ensure accuracy of the transition analysis, unless otherwise noted, we also reviewed the data for the excluded properties and observed little material difference in HACSC's 2012 property performance with the excluded properties rolled in to the totals.
Section C: Key Findings of the Analysis

- **HACSC's property portfolio is financially very strong and healthy, with positive Net Cash Flow from operations across the portfolio in 2012.**
  With the exception of Opportunity Center, all HACSC properties generated positive Net Cash Flow in 2012. Opportunity Center was underwritten as a "high-mission" property with losses covered by operating reserves.

- **Net Cash Flow (cash available for distribution) increased by 251% for comparable properties between 2010-2012, exceeding $9 Million for the entire portfolio.**

As the chart to the left depicts, Net Cash Flow increased from $1.3 Million in 2010 to nearly $4.5 Million in 2012, an increase of over 250%. With Corte Terra, Fairgrounds, Julian Street Partners and Villa Garcia included, Net Cash Flow (before distributions) exceeds $9 Million.

- **Property Distributions to HACSC and Partners increased by 256% for comparable properties while total Payments/Distributions exceed $7 Million in 2012.**

Higher Net Cash Flow driven by stronger property management and more strategic asset management has led to significantly higher distributions to HACSC, its affiliates and partners, described in the two exhibits below.
The graph to the right depicts significant increases in distributions from the comparable properties, with total distributions increasing by 256% from $892,000 in 2010 to $3.1 Million in 2012. Payments from the comparable properties to the City of San Jose increased by 2038% between 2010 and 2012.

Looking at the portfolio as a whole, with distributions from Corte Terra and Fairgrounds as well as developer fees from projects that were redeveloped with tax credits added to the total (Villa Garcia and Julian Street Partners), payments and distributions from the HACSC portfolio exceeded $7 Million in 2012, and properties have provided over $12 Million over the three year span.

- **Vacancy Loss decreased by over 50%, and beats local market vacancy rates**

For the comparable properties, the vacancy rate decreased by over 50% between 2010 and 2012, from 2.7% (consistent with the wider San Jose's market) to best practices level of near 1%. Vacancy loss in financial terms dropped from over $500,000 in 2010 to less than $250,000 in 2012.
• **Operating Costs have decreased by 11%, or 15% when adjusted for inflation.**

![Operating Cost Comparison Diagram](image)

Across the comparable properties, operating costs decreased by 11% in constant dollars, from $6,579 (PUPY) in 2010 to $5,861. When adjusted for (2.5%) inflation, the 2012 operating cost of $5,861 per unit per year represents a 15% decrease in operating costs. Management Fees decreased by 44%, while maintenance decreased 31%. A more detailed view of cost trends by category is included below.

• **Debt Coverage Ratio increased by 43%**

![Debt Coverage Ratio Diagram](image)

Debt Coverage Ratio (aggregated across comparable properties) is up nearly 50% from 2010 to 2012, from 1.21 to 1.73.

**Rent Collection** was very strong across the portfolio in 2010 and remained so in 2012.

Rent collection is one area where HACSC’s self management left little area for improvement. Staff indicates that collection was an agency priority in 2010, and the numbers back that up, with an estimated collection rate of 100.1% (indicating that HACSC collected at least some rent from prior delinquent balances. The collection rate for 2012 did not suffer from the transition, with an estimated collection rate of 99.7%.

<table>
<thead>
<tr>
<th>Collection Rate - Comparable Properties</th>
<th>2010</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Rent Collection</td>
<td>100.1%</td>
<td>99.7%</td>
</tr>
</tbody>
</table>
Section D: Digging Down Deeper - Findings, Analysis and Supporting Data

From an operating and financial perspective, HACSC's transition to outsourced management has been remarkably successful across the portfolio. The analysis strongly suggests that the transition to third party management, combined with strategic and continued oversight by HACSC of the third party managers has led to significantly improved property operations, a more financially and operationally stable portfolio and considerable financial benefit to HACSC and its public and private partners, as described in more detail below. Continuing on the summary information above, below is a more in-depth look at some of the highlights listed above

- **Net Cash Flow at the comparable properties (before distributions) has increased by 173%**

  Across the comparable properties, Net Cash Flow increased by 251%, from $1.3 Million to nearly $4.5 Million, as depicted in the chart below:

<table>
<thead>
<tr>
<th>Net Cash Flow</th>
<th>2010</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Operating Income</td>
<td>$8,073,552</td>
<td>$11,348,660</td>
</tr>
<tr>
<td>Hard Debt &amp; Reserve Deposits</td>
<td>$6,796,556</td>
<td>$6,868,947</td>
</tr>
<tr>
<td>Net Cash Flow (Available for Distribution)</td>
<td>$1,276,996</td>
<td>$4,487,713</td>
</tr>
</tbody>
</table>

  Across the comparison properties alone, the increase in net cash flow is over $3 Million. While the $4.5 Million net cash flow generated is not immediately and automatically available to HACSC, it is the pool from which distributions are made. Net Cash Flow for 2012 is of course higher when the non-comparable properties are included (Corte Terra, Fairgrounds, Julian Partners and Villa Garcia), with total 2012 portfolio-wide Net Cash Flow of $9.1 Million.

- **Sharing the Benefits - Distribution to HACSC and Partners Increased by 256%**

  Driven by management improvements, including strategic rent increases, improved occupancy management and effective cost controls, distributions from the properties to HACSC, its affiliates and partners increased considerably. Distributions from the comparable properties HACSC and its partners, including the City of San Jose and the County of Santa Clara, increased by more than 250% between 2010 and 2012. Distributions are dictated by property financing agreements and include payment of cash-flow contingent fees, loans and ground leases as well as reimbursement to HACSC and affiliates for advances during the agency's self-management years.
Distribution Trends for Comparable Properties

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2010-2012 Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>HACSC</td>
<td>720,899</td>
<td>1,604,554</td>
<td>1,652,299</td>
<td>129%</td>
</tr>
<tr>
<td>City of San Jose</td>
<td>54,467</td>
<td>226,053</td>
<td>1,164,423</td>
<td>2038%</td>
</tr>
<tr>
<td>Santa Clara County</td>
<td>74,298</td>
<td>149,340</td>
<td>173,839</td>
<td>134%</td>
</tr>
<tr>
<td>Other Investor Partners</td>
<td>42,800</td>
<td>51,905</td>
<td>182,991</td>
<td>328%</td>
</tr>
<tr>
<td>Total - Comparable Props</td>
<td>$892,464</td>
<td>$2,031,852</td>
<td>$3,173,552</td>
<td>256%</td>
</tr>
</tbody>
</table>

A more detailed analysis of the specific nature of the distributions is included as Appendix C.

- **Vacancy Loss - Decreased by more than 50%**
  One reason for the significant increase in Net Cash Flow leading to more robust distributions is stronger occupancy management leading to a considerable decrease in the portfolio vacancy rate. As the chart below indicates, vacancy loss across the comparison properties - 2.7% in 2010, dropped to 1.2% in 2012.

<table>
<thead>
<tr>
<th>Vacancy - Comparable Properties</th>
<th>2010</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacancy Loss in Dollars</td>
<td>$530,537</td>
<td>$247,020</td>
</tr>
<tr>
<td>Vacancy Rate</td>
<td>2.7%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

An April 2013 report by the Census Bureau indicates that San Jose's regional rental vacancy rate of 2.7% is the lowest of the nation's large cities. The financial impact of improved vacancy management - just across the comparison properties - is over $280,000 annually.

- **Modest Rental Rate increases have boosted property income without negatively impacting residents or vacancy trends**
  Over the two year comparison period, the rent levels of HACSC's units have increased gradually, by 4.6% per year average, providing a growing revenue base without forcing increased turnover.

<table>
<thead>
<tr>
<th>Comparable Property Rents</th>
<th>2010</th>
<th>2012</th>
<th>Avg Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Contract Rent</td>
<td>$949</td>
<td>$1,038</td>
<td>4.6%/Yr</td>
</tr>
</tbody>
</table>

Given the improvements in vacancy rates across the portfolio, this indicates that the modest rent increases of less than 5% annually have not negatively impacted residents*. Additionally, some portion of the increases is likely to have occurred on rent-subsidy units, where the subsidy source bears the impact of the rent increase. This compares favorably with the county-wide trend for market rate apartments, which have increased by 7.4% in 2013 after 15%-20% increases in 2011 and 2012.*
• Operating Costs (Per Unit Per Year) have decreased by 11%-15%
While HACSC's properties were increasing revenues, good onsite management and strong HACSC asset management oversight has significantly lowered operating costs, outlined below:

<table>
<thead>
<tr>
<th>Operating Costs / Per Unit Per Year</th>
<th>2010</th>
<th>2012</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Costs - No Inflation Adjustment</td>
<td>$6,579</td>
<td>$5,861</td>
<td>11%</td>
</tr>
<tr>
<td>Operating Costs - In 2012 Dollars</td>
<td>$6,912</td>
<td></td>
<td>15%</td>
</tr>
</tbody>
</table>

Across the comparable properties, total Operating Costs (measured in Per Unit Per Year, or PUPY), decreased by 11% from $6,579 in 2010 to $5,861 in 2012. While impressive, this number alone misses the normal inflationary impact that would, without outside influence, cause costs to increase over time. If we are to assume a modest operating cost inflation rate of 2.5%, we would expect 2010 operating costs of $6,579 to increase to $6,912 by 2012. Yet across the comparable properties, operating costs decreased to $5,861 per unit annually representing a decrease of 15% factoring in normal inflation.

2012 Operating costs across HACSC's entire portfolio (adding Corte Terra, Fairgrounds Senior, Julian Street and Villa Garcia) were even lower than the comparable properties alone, at $5,476. This is not surprising given the scale efficiencies of these larger properties, recent rehab at Julian and the high proportion of senior units.

Drilling Down on Operating Cost Efficiencies - Maintenance Costs, Fees and Resident Services
While the Operating Cost savings are significant and impressive, a breakdown of where the savings occurred at the comparable properties appears to indicate that the savings occurred without a negative impact to customer and resident services. As the chart below depicts, operating costs related to management fees decreased 44% between 2010 and 2012. These significant management overhead savings are driven by (among other factors), operating efficiencies of having a single onsite property manager carrying out leasing and compliance functions (previously, onsite functions were carried out by PMI and compliance functions by HACSC). Maintenance expenses, recognized by HACSC to be overly expensive in self management, decreased by 31%.
**Total Operating Costs at Comparable Properties**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2012</th>
<th>% Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leasing Fee</td>
<td>596,693</td>
<td>42,531</td>
<td>-93%</td>
</tr>
<tr>
<td>PM Fee</td>
<td>1,013,400</td>
<td>842,145</td>
<td>-17%</td>
</tr>
<tr>
<td>Accounting</td>
<td>101,648</td>
<td>74,255</td>
<td>-27%</td>
</tr>
<tr>
<td>Total Mgmt Fee</td>
<td>1,711,741</td>
<td>958,931</td>
<td>-44%</td>
</tr>
<tr>
<td>Administration</td>
<td>757,148</td>
<td>797,453</td>
<td>5%</td>
</tr>
<tr>
<td>Resident Services</td>
<td>180,469</td>
<td>466,173</td>
<td>158%</td>
</tr>
<tr>
<td>Personnel/Benefits</td>
<td>1,901,385</td>
<td>1,993,742</td>
<td>5%</td>
</tr>
<tr>
<td>Maintenance</td>
<td>3,990,672</td>
<td>2,733,645</td>
<td>-31%</td>
</tr>
<tr>
<td>Tax</td>
<td>194,065</td>
<td>305,536</td>
<td>57%</td>
</tr>
<tr>
<td>Insurance</td>
<td>622,131</td>
<td>586,759</td>
<td>-6%</td>
</tr>
<tr>
<td>Utilities</td>
<td>1,852,394</td>
<td>1,971,601</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>26,617</td>
<td>197,690</td>
<td>643%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11,236,622</td>
<td>10,011,530</td>
<td>11%</td>
</tr>
</tbody>
</table>

The transition appears to have caused no loss of service to residents, improved rather than decreased maintenance delivery and brought about improvements in resident satisfaction. Cuts in management fee payments have not negatively impacted compliance, as the properties have experienced only minor compliance issues which have been corrected. Maintenance has not been negatively impacted despite a 31% decrease in maintenance spending. HACSC has completed major rehab of ten properties valued at over $100 Million, while completing capital improvements of $5 Million on existing properties and registers strong resident satisfaction on resident surveys. Additionally, through the transition, HACSC has increased Resident Services spending by 158%, providing social services funding and programs at every property during this period, as provided by Lifesteps and Invision Shelter Network.
Section E: Recommendations

1. **Stay the Course on Basic Oversight - Managing the Manager**
   HACSC has made remarkable strides in building its asset management capacity, and working in close partnership with its third party management agents, HACSC's properties and residents have benefitted. Even in strong markets, we can experience quick environmental changes causing softening of rental market. It is imperative that HACSC continue to develop its analysis staff and closely oversee measure and steer property performance to solidify operating gains and strong performance on such key indicators as occupancy, collections and cost controls. Systems such as HACSC's "matrix" reports, analysis and evaluation and continued close contact, oversight and cooperation with management companies are critical.

2. **Expand & Enhance HACSC’s Asset Management Capacity to Meet Current Needs**
   HACSC should enhance its asset management capacity and develop evaluation and management systems to more proactively manage potential distributions from Net Cash Flow. This strategic oversight and management of the property "waterfall" distributions will be essential in ensuring that HACSC earns the fees to cover asset management duties and that the financial interests of and promises to our valued partners are protected. For new or refinanced deals, HACSC seek to build in adequate fees to pay for this work.

3. **Prioritize HACSC’s Asset Management Goals of Long-Term Property Viability**
   With the transition to third party management progressing successfully, HACSC should increase its attention to overseeing and managing the properties’ long-term viability, especially in the light of the number of year 15 buyouts that the agency is facing in the near future. Overseeing preventive maintenance and capital repairs will complete the cycle for HACSC from a reactive to a proactive owner and manager.

4. **Increase HACSC’s asset management oversight of joint ventures (including Corte Terra, the Fountains and Fairgrounds Senior)**
   HACSC acts as the Managing General Partner or other part owner for these properties, sharing control (and fees) with an affiliate Co-General Partner or other part owner. While this is a slightly different relationship than HACSC has with its other properties, the agency should realize that HACSC, directly or indirectly through its affiliate Pinmore HDC, has certain fiduciary responsibilities, albeit shared responsibility. Even if HACSC’s responsibility is shared and limited, these properties represent a major HACSC investment that requires oversight to ensure that the agency’s interests are advanced and protected. HACSC should better understand the extent and limits of the agency’s responsibility as part owner and work closely with the partners to ensure that oversight and asset management addresses all HACSC concerns and interests. HACSC also holds loans for a number of town homes in Morgan Hill which need closer attention.
Audit Consistency, Transparency & Review

In order to provide an ongoing comparison, it is important that HACSC has individual audit data for each property. As properties/limited partnerships are bought out by the nonprofits, it is important that the operating data be presented separately in the nonprofit audit, so that the Board and staff can ensure that the efficiencies noted above are measured accurately. This may require an additional fee to be paid to the auditor.

Furthermore, the audits for two properties where HACSC has a shared general partner interest - Fairgrounds Senior and Corte Terra- are prepared with slightly different formats. While the audits appear to meet all required GAAP guidelines, they fail to contain certainly supplementary schedules - particularly those relating to net cash flow distributions - that would greatly increase the reports' transparency and value as a measurement and management evaluation tool as HACSC continues to enhance its asset management oversight capacity.
Section F: Appendices (provided upon request)

Appendix A
Property Samples - Comparable Not Comparable

Appendix B
Property Performance Summary

Appendix C
Distribution Detail

Appendix D
Conventions/Calculations
Net Cash Flow is a key asset management performance indicator. It is property rents and other income (net of vacancy loss) less operating costs less required (must-pay) debt service (principal and interest) less required replacement and operating reserve contributions. Net Cash Flow differs from Net Income or Net Loss in the audit in that it does not include deductions for depreciation or accrued interest. Net Cash Flow is the source of distributions.

Distributions are "below the line" payments to partners, generally contingent on Net Cash Flow, and include cash flow contingent loan payments, ground lease payments and other fees and payments. For this analysis, distributions include repayment of PMI and HACSC advances to properties.

SJ Rental Vacancy Source: J.S. Census (Press Release April 2013). Vacancy Rate is Vacancy Loss divided by GPR.

Debt Coverage Ratio is calculated as Net Operating Income (NOI) less required reserve contributions divided by Hard Debt.

Collection is estimated as it was extrapolated from available audit data. Collection is estimated by determining the uncollected rent during the audited period (Δ in Accounts Receivable plus any Bad Debt write off), divided by estimated billed (Gross Potential Rent less Vacancy Loss).

Net Cash Flow is calculated by Net Operating Income (NOI) less Operating Costs, Hard Debt and Required Reserve Contributions. Depreciation and Soft Debt (including accrued interest) is not included in Operating Costs.

Vacancy Rate calculated by Vacancy Loss (in dollars) divided by Gross Potential Rent (GPR). In a few cases, conservative estimates were required to calculate 2010 vacancy rates (as the vacancy loss was not listed in the 2010 audit). We attempted to keep assumptions conservative and do not believe that these assumptions are material to the analysis or would, with different assumptions, change the findings in any material way.

Source: Data Place Beta (online), Data Profile for Santa Clara County

Contract Rent is the dollar amount received by the properties - subsidized residents often pay a lower rent, based on income, with subsidy providing the difference between resident payments and contract rent.

These increases include increases in Housing Payments Assistance and new move in rents at or closer the maximum allowable so the actual annual increase to existing tenants is likely significantly smaller.

As reported in the San Jose Mercury News (4/15/2013), by Realfacts (a Novato-based real estate consulting group)

Operating Costs do not include hard or soft debt, depreciation, capital costs or reserve contributions. Per Unit Per Year calculations are based on Operating Costs divided by Number of Units.
To: Board of Commissioners

From: Alex Sanchez, Executive Director

Subject: Resolution 13-12: Recognition of John Scrempos honoring his work as a Board of Commissioner

Approved Date 5/20/13

Recommendation

Adopt Resolution 13-12 recognizing former Commissioner John Scrempos honoring his work on the Board for the past eight years.

Background

Former Commissioner Scrempos was appointed by then Board of Supervisor Pete McHugh in 2005 and was re-appointed by Board of Supervisor Dave Cortese. The attached resolution acknowledges his service on the Board.

Analysis
N/A

Fiscal Impact
N/A

Coordination
The Executive Department coordinated this memo.

Attachments:
Attachment A-Resolution 13-12
Attachment B-Thank you letter dated July 22, 2013
ATTACHMENT A

RESOLUTION NO. 13-12

RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA RECOGNITION OF JOHN SCREMPLOS TO HONOR HIS WORK AS A BOARD OF COMMISSIONER

WHEREAS, John Scrempos was appointed to and served on the Housing Authority’s Board of Commissioner for eight years; and

WHEREAS, during his tenure, Commissioner Scrempos assisted in providing direction and decision-making during the most difficult times for the agency, and stayed the course in maintaining the mission of the agency:

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Housing Authority of the County of Santa Clara, State of California, the Housing Authority of the County of Santa Clara does thank and honor John Scrempos for his eight years of service on the Board of Commissioners.

PASSED AND ADOPTED by the Board of Commissioners of the Housing Authority of the County of Santa Clara, State of California, on ________________, 20___, held at 505 W. Julian Street, City of San Jose, State of California, upon motion from ______________________ and seconded by ______________________ with the following vote:

AYES:

NAYS:

ABSTAIN:

ABSENT:

______________________________
Kathy Espinoza-Howard, Chair

ATTEST: _______________________
Alex Sanchez, Secretary/Executive Director
July 22, 2013

Mr. John Scrempos  
380 West Middle Avenue  
Morgan Hill, CA 95037

Dear Commissioner Scrempos:

On behalf of the Board of Commissioners for the Housing Authority of Santa Clara County (HACSC), I want to thank you for your eight years of service as member of the Board of Commissioners.

You have served during some of the most difficult times for the agency. As a Commissioner, you made very hard decisions and stayed the course of maintaining the mission of the organization; to provide and inspire affordable housing solutions to enable low-income people in Santa Clara County to achieve financial stability and self-reliance.

The Board of Commissioners appreciates your dedication to serving on the HACSC Board and wishes you well in your future endeavors.

Regards,

Kathy Espinosa-Howard  
Chairperson  
Housing Authority of Santa Clara County Board of Commissioners