

# Attachment B

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**To:** Tory Gunsolley, Interim Executive Director, Housing Authority of the County of Monterey  
**From:** TAG Associates, Inc.  
**Date:** 6/24/2022  
**Subject:** HDC Assessment

The Monterey County Housing Authority Development Corporation (MCHADC aka HDC) was created in 2005 as an instrumentality of the Housing Authority of the County of Monterey (HACM) to undertake its housing development and redevelopment activities. It is a 503(c)3 non-profit corporation whose Board of Directors consists of the same members as the Housing Authorities' Board.

HUD's regulations for Public Housing Authority (PHA) development Affiliates and Instrumentalities is most recently and comprehensively stated in PIH notice 2007-15. The notice defines an "Instrumentality" as "an entity related to the PHA whose assets, operations, and management are legally and effectively controlled by the PHA." An "affiliate" is an entity created by a PHA but where the PHA has a lesser level of control and is therefore considered a third part contractor by HUD. Given that HDC and HACM were fully controlled by Boards that consisted of the same members, HDC is and has throughout since its inception been an Instrumentality according to HUD's notice, which states "the Instrumentality is directed or managed by the same persons who constitute the board of directors or governing body of the PHA or who are employees of the PHA."

During that initial period of 2007-2008, HDC redeveloped 6 properties with Low Income Housing Tax Credits and rental assistance from a combination of Section 8 PBVs, USDA, HOME, and others. Between 2014 and 2016, it redeveloped the Haciendas and Oak Park complexes in phases (4 and 2 phases, respectively), and in 2016 and 2017, it converted 4 developments to RAD. In total, HDC now is the managing member of 17 Limited Partnerships, all of which were former HACM Public Housing, sites belonging to other City PHAs, or Farm Labor Housing sites.

Unlike the typical PHA instrumentality, HDC hired its own staff and was led by its own Executive Director who it appears was able to exercise decision making power which has largely been in a manner independent of the Housing Authority's leadership. In December of 2021, the HDC/HACM and the Monterey County Board of Commissioners held a joint meeting and voted to merge HDC into HACM to remediate what they considered HDC's "unchecked" development activity which was having adverse (financial and operational) impacts on HACM. The result was that HDC employees were terminated and re-hired as HACM employees. The former HDC Executive Director and CFO did not return as HACM employees.

To assist in this transition, the Monterey County Board of Commissioners also recommended engaging a third party to perform an assessment of HDC and provide recommendations for the future of HDC as an integrated department of HACM. This report summarizes the overall findings of the assessment and presents information that we believe will help HACM recapture control of its assets and staff. The assessment focuses on 5 key areas:

1. Shared services
2. Asset management procedures
3. Options for future development
4. Procurement
5. Cash flow projections.

## 1. SHARED SERVICES

In 2009, the Board authorized entering into a fee-for-service agreement between HDC and HACM. A fee schedule was agreed upon in March 2010 in which a percentage of the costs for Development and Finance staff would be paid from HACM to HDC (total about \$96,000), and HDC would pay HACM for IT, HR, Finance and Executive services (total \$180,000). The costs covered “routine” work, with “special projects” to be billed on a direct cost allocation basis plus overhead markup. There was no inflation factor mentioned. In addition, there was no review to update and refresh assumptions or to test the validity of assumptions used in the fees initially established. It is also unclear what analysis was actually done to determine the exact assessment amount from the outset.

Given that the shared services agreement in place a) may not have been dynamic enough to keep pace with the type of activity that HDC was involved with, and b) is no longer applicable considering that HDC does not have its own staff, it would be beneficial to both HACM and HDC to restructure the agreement. The scope of work should distinguish between core functions of HDC performed by dedicated HACM staff and support functions performed by HACM staff for HDC as well as the Housing Authority itself and other affiliates. The former set would consist of project management, real estate development and asset management functions (as described further in this report). The latter could include direct and indirect overhead and administrative functions such as:

- Personnel Services and Human Resources
- Purchasing services
- Accounting and recordkeeping
- Property maintenance services
- LIHTC certification
- Tenant services
- Office and IT services
- Waitlist services
- Legal compliance services for lease and contract enforcement
- Procurement services
- Executive costs

While it is our understanding that some of the above functions are performed directly for individual properties owned by HDC, any functions that are centralized could be covered under the shared services agreement. Attachment A includes an example of a recent shared services agreement between a Housing Authority and its instrumentality which provides a good illustration of how the scope of services is outlined and defined.

PIH notice 2007-15 allows PHAs to use either a cost allocation or fee-based approach for shared services between PHAs and their Instrumentalities. HACM should consider a fee-for-service structure based on an annual budget which would include the cost of the staff whose jobs exclusively relate to the core functions, as well as an overhead markup to cover HDC’s pro-rata share of the support and overhead cost. The advantage of this percentage-based split versus an ongoing cost allocation methodology is that it is easier to implement and maintain and less susceptible to errors which may result in audit findings. The percentage share could be determined based on an assessment of a projection of actual costs and time spent by HACM over past 3-5 projects. TAG has performed these analyses in the past, for example, to estimate how much time staff was spending on self-developed projects to determine a percentage of developer fees earned by the affiliate to be used to reimburse the Housing Authority.

## 2. ASSET MANAGEMENT FUNCTION / PROTOCOL.

HDC appears to have transitioned into an asset management entity more than a development one. In total, 5 former HDC employees were rehired. These 5 employees cover the following positions and functions: Director of Housing Development, Construction Project Manager, and three Development Analysts. The Director is now the head of the Development department and has taken all coordination and decision-making responsibilities previously held by the HDC Executive Director, but now under the direction of the HACM E.D.. The Construction Project Manager has temporarily stepped into the role of Construction Manager, although it is expected that the CM position will be filled in the near future. When HDC was heavily active in development, the Analysts assisted with tax credit applications, facilitating the due diligence process of lenders and investors, and construction administration. However, as the development pipeline winds down, it does not appear that all staff have a full workload. This may be more a function of uneven work distribution and misplaced knowledge base than lack of tasks to be accomplished. There are two areas where HACM could benefit from enhanced capacity either through new positions or training for current employees: finance and capital planning.

**Finance:** The HACM Finance department has had vacancies in the CFO position for some time and a high rate of turnover. This has exacerbated (and perhaps was caused by) the already-fraught relationship between HACM and HDC and the perceived lack of transparency regarding HDC's financials and decision-making on the part of HACM. Since HDC's transition, development staff have been working with the Finance Department to address items that had been left outstanding or unresolved, and to reconstruct the financial analysis and reporting procedures that were previously carried out by HDC leadership who is no longer there. HACM should consider focusing on increasing the capacity of the Finance Department through joint training on asset management, financial monitoring, budgeting and reporting best practices. Once this expertise is built up, we recommend that the Finance Department take over the financial reporting responsibilities at each property. As an example of what is required, we have summarized all investor reporting requirements for Haciendas III in Attachment B.

**Capital Planning:** HACM does not have its own staff or department dedicated to capital planning and capital work. Capital work at the properties appears to be reactive rather than proactive and led by the construction administration staff who will now have more time available as development slows down. With several of the sites approaching their 10<sup>th</sup> year since their rehab, it will become more and more important to develop capital strategies and budgets for each site and develop a plan to secure their long-term livability. A first step could be to obtain Physical Needs Assessments to establish a baseline of current conditions and project future needs across the portfolio. The construction administration, quality control, and vendor management expertise that HDC was in the process building can be re-directed to capital planning efforts for the existing portfolio.

Interviews with current staff revealed that while the new structure under HACM leadership has led to greater cooperation and accountability, there is still a lack of clearly-defined processes, policies and guidelines. Overall, HACM could benefit from drafting an overall asset management protocol to guide its core responsibilities and control processes. The protocol should outline monthly, quarterly and annual reviews covering:

- In-person physical conditions assessments
- rent and occupancy procedures
- Resident concerns such as rent collection, safety, fair housing
- overall management assessments including LIHTC compliance, property operations, reporting, budget management, staffing.
- Financial management based on specific benchmarks

We have included an example of such a policy for monitoring and evaluating privately managed assets in Attachment C.

### 3. OPTIONS FOR FUTURE DEVELOPMENT

There is currently only one project under construction and no concrete or actionable plans for future developments. All previous public housing assets for which HACM had control have been converted and/or redeveloped. A second phase of Parkside was planned but is delayed due to disagreements with HACM's other entity, MCHI, a CHDO which operates largely independently of HACM as HACM does not have controlling membership of the Board of Directors. Since HDC had not made significant efforts to acquire sites for a new pipeline, HACM can tap into some existing resources for future development: its Faircloth units and LPs whose tax credit compliance period is ending.

**Faircloth Units:** Faircloth Limit (from the 1998 Faircloth Amendment to the Housing Act) is the maximum number of public housing units that a PHA can have. Housing Authorities are allowed to bring back units that were taken offline after 1999 for reasons other than RAD or Section 18 and request that HUD reactivate their ACC subsidy. The Housing Reform Act also allowed certain previous ACC units to be "bankable" by the PHA such as those not replaced under HOPE VI or those that were part of an approved HUD replacement plan. HACM has a Faircloth allowance of 208 units. HACM may want to establish a strategy to bring those units back and place them in new developments. While the ACC subsidy will most likely be set too low to make it financially feasible, HACM can pursue either a RAD conversion or convert them to HCVs with the intent of having them structured as PBVs by pursuing an agency-wide voluntary conversion.

**Faircloth-to-RAD conversion:** HUD has recently introduced a streamlined process for Faircloth-to-RAD conversions. It involves first notifying HUD's Recapitalization office, who then allocates RAD authority and issues a Notice of Anticipated RAD Rents (NARR). This NARR is similar to a CHAP as it provides a reliable estimate of what the rents will be after conversion. HACM would then proceed to submit a combination of the RAD financial plan requirements and the Mixed Finance proposal requirements through the Recap Office. Recap coordinates a streamlined review of both the RAD and Mixed Finance requirements and assigns a RAD Closing Coordinator. The closing is considered a Mixed Finance closing but HUD issues a RAD Conversion Conditional Approval to give comfort to underwriters in using the RAD rents. The RAD conversion takes place after the units are complete, along with the project's conversion to permanent finance. One drawback of this option is that since the units are considered "new", the RAD rents tend to be lower than the legacy RAD rents, and they are not eligible for the RAD/Section 18 blends.

**Voluntary Conversion:** Alternatively, HACM may consider pursuing a voluntary conversion which means closing out its Public Housing program, which it appears is already ended in practice, through a Streamlined Voluntary Conversion. This option is available to PHA with less than 250 Public Housing Units. HACM would need to first bring back the Faircloth ACC units. One way to accomplish this is to plan a series of mixed PBV or LIHTC-only projects with ACC units such that the non-ACC units can leverage debt. Once all units are back online, HACM can pursue a voluntary conversion which converts all remaining Public Housing units to HCVs which can then be converted if desired to PBVs.

**LP Acquisitions:** HDC had already acquired two of the Limited Partnerships which reached the end of their compliance period, and there are four more with upcoming ends which provide a refinancing opportunity:

- Rippling River (Already acquired): 70 units. Compliance period ends in 2025. Mortgage matures on June 1<sup>st</sup> 2024 and \$2.2 million will be due.
- Monterey Affordable (Already acquired): 52 units. Compliance period ends in 2024. Appears to not have sufficient income to make required debt payments. Loan matures in 2039.
- Tynan Village: 171 units. Compliance period ends in 2024. Loan matures in 2044.
- Benito FLC: 73 units. Compliance period ends in 2024. Mortgage matures on August 1<sup>st</sup> 2024 and \$1 million will be due. Investor's capital account was positive as of the end of 2020 which implies no exit tax liability.
- Benito Affordable: 70 units. Compliance period ends in 2024. Loan matures in 2044.
- Fanoe Vista: 44 units. Compliance period ends in 2024. No must-pay debt. Investor's capital account was positive as of the end of 2020 which implies no exit tax liability.

**Acquisition from Local Agencies:** Under a recent amendment to the California Surplus Land Act, local agencies with Surplus Land (i.e. land no longer necessary for the Agency's use) are required to issue a notice of availability to dispose of the land to local public agencies within their jurisdiction. The issuing Agency is required to engage in good faith negotiations with parties submitting proposals for residential development with at least 25% of units available to low- and moderate-income households. Although there is no requirement to accept a purchase price below market value, in the case where there is more than one proposal, the Agency is required to give priority to the one offering the greatest number of affordable housing units or deeper affordability if the number is the same. Agencies can bypass this process under the Surplus Real Property Act by directly selling the property to nonprofits formed "exclusively to provide housing facilities for persons and families of low or moderate income." HDC therefore is well-positioned to pursue the opportunities created by this Act. Proposed developments could include Faircloth units as explained above. Additionally, HDC may consider partnerships with private developers. HDC's contribution could be the land in exchange for a share of developer fee and cash flow, while the third-party developer provides development guarantees and takes on the risk. HDC could take a position in the long the ownership structure of the project or become the sole and managing member if the developer is persuaded to leave the project after it is complete.

#### 4. PROCUREMENT

The notice states as far as HUD is concerned, an Instrumentality "assumes the role of the PHA and is the PHA under the public housing requirements for purposes of implementing public housing development activities and programs" meaning that it "must abide by the public housing requirements that would be applicable to the PHA." The notice specifically mentions that the Instrumentality must abide the same procurement requirements as the PHA. At the same time, this is also why the PHA can select the Instrumentality to perform development services without being formally procured. However, it appears (although it is still to be confirmed) that HACM no longer receives or holds any Public Housing funds, which would mean that it is not necessarily subject to Public Housing Procurement rules. TAG was provided with a recently proposed Procurement policy for HACM and prior HDC Procurement Policy. Attachment D includes a summary of the key terms of the new proposed policy and highlights they differ from HDC's. Overall the differences were mainly administrative.

A future HDC policy should mirror the updated HACM policy while amplifying requirements for non-federally-funded solicitations. For procuring third party developers, HDC should consider procuring them under a two-step process where the first step is issuing a request for qualifications (RFQ) rather than Requests for Proposals (RFPs). Under an RFQ process, HDC would be able to prequalify a pool of developers and then proceed to step two by issuing RFPs for specific projects. This provides HDC with a fair and transparent method which can avoid having to commit to a low bid from an inexperienced or otherwise less qualified Developer.

Lastly, although a formal procurement of lender and investors by an instrumentality is not required by HUD, HDC could benefit from also establishing internal outreach and selection guidelines that generate competition for future projects. TAG reviewed the financing of three sample projects and found for two of them that both debt and equity terms appear below-market for the time in which the projects were funded (see Attachment E). From our assessment, it seems HDC may have accepted financing terms that were below market in order to do business with partners they were already familiar with. Our understanding is that there was no internal protocol by which HDC selected equity and investors.

## 5. CASH FLOW ANALYSIS

As of this writing there was no audited statement of cash available to HDC. HACM and HDC had not completed audited financials since 2019. At HACM's request, TAG performed a review of the distributable cash flow projections for the entire HDC LP portfolio based on the 2020 audited financials of each entity and additional information from HACM's finance department. A summary of the combined cash flow projections is included in Attachment F. As of the end of 2021, HDC had outstanding deferred developer fees in 9 of the 17 developments totaling \$4.6 million due to HDC. Based on a projection of income and expenses, we estimate that in total, combining payments of deferred developer fee, partnership management fees, and payments on any soft loans, HDC may have received a \$4.5 million in 2020 and 2021 combined, and can be expected to receive from \$1.3 million to \$1.9 million per year over the next 5 years.

### Summary of Recommendations:

1. Update the Shared Services agreement between HABC and HDC.
2. Develop asset management capacity in finance and capital planning through written protocols.
3. Explore Faircloth as a way to develop new units.
4. Acquire limited partnerships with expiring compliance periods.
5. Discuss improved reporting with auditor as it relates to identifying distributable cash flow.

## ATTACHMENT A: SAMPLE CONSULTING AND SHARED SERVICES AGREEMENT

This Consulting and Shared Services Agreement (this "**Agreement**") is made as of the \_\_\_\_ day of \_\_\_\_, 2021 between the Housing Authority, a public body corporate and politic (the "**Authority**"), and Housing Management Company, a limited liability company (the "**Company**").

### PREAMBLE

A. The Company was established to manage affordable housing properties and related activities within the City, among other purposes.

B. The Company intends to enter into contracts to serve as the property manager of certain low-income affordable rental communities located in the City (collectively, the "**Developments**").

C. The Authority has office space, computers, supplies and similar equipment and employs skilled individuals involved in the provision of accounting, legal, housing and tenant services, property management, insurance, and other services.

D. The Company requires office space and equipment, as well as trained individuals to provide the management services it is to perform in respect of the Developments.

E. The Company and the Authority recognize the value to be derived through a cooperative agreement under which the Authority will make available certain personnel together with office space, technology, and supplies to provide certain services to the Company, all upon the terms and subject to the conditions set forth herein.

### AGREEMENT

In consideration of the mutual promises set forth herein and with the foregoing recitals hereby incorporated, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Scope of Services. Upon the terms and subject to the conditions of this Agreement, the Authority and the Company agree that the Authority will provide to the Company the expertise, staffing, office space, technology and supplies, set forth in Section 2 of this Agreement (the "**Services**").

2. Services to be Provided by the Authority. The Authority shall provide the following Services on behalf of the Company, provided, however, that if the performance of any of the Services is outside the scope of experience or expertise of the Authority's personnel, the Authority shall promptly notify the Company of its lack of ability and capacity to complete those specific Services.

(a) Personnel Services; Activity Reports. The Authority shall provide qualified personnel, including property management and maintenance personnel, to perform all of the Services required by this Agreement, including any Specialized Services provided in accordance with Section 3 hereof. The Authority shall be responsible for hiring such employees, directing

work of employees, maintaining employee records, payment of employee compensation (including, as applicable and without limitation, withholding of income taxes and payment and withholding of social security and other payroll taxes, unemployment insurance, workers' compensation insurance payments, and disability benefits), and complying with all applicable employment laws. The Authority shall cause its personnel to maintain activity reports or such other documentation necessary to account for all time and resources spent in performance of the Services and any Specialized Services, including the nature of the task and Development name and type.

(b) Accounting and Recordkeeping Services. The Authority shall provide accounting and recordkeeping services including but not limited to:

(i) establishing and maintaining the books and records for the operations of the Company and of the Developments, including accounts receivable, accounts payable, bank accounts, payroll processing, budgeting, tax filings and returns, and state and local filings and returns;

(ii) preparing reports, including rent collection, rent delinquency, financial statements, budget variances, and operating reports; and

(iii) assembling and retaining all contracts, agreements, accurate as-built plans and other records and data as may be necessary to carry out the Company's functions. Without limiting the foregoing, the Authority will prepare, accumulate and furnish to the Company and the appropriate governmental authorities, as necessary, data and information sufficient to identify the market value of improvements in place as of each real property tax lien date, and will make application for appropriate exclusions from the capital costs of the Developments for purposes of real property ad valorem taxes.

(c) Purchasing Services. The Authority shall provide account services including coordination of the acquisition and maintenance of necessary supplies, equipment, and materials needed for the day-to-day operation of the Company and of the Developments.

(d) Maintenance Services. The Authority may provide maintenance services including maintenance and preventative maintenance on both the interior and exterior areas of the Developments.

(e) Project Management Services. The Authority may establish and implement appropriate administrative and financial controls for the management of the Developments, including but not limited to:

(i) negotiation and administration of any contracts on behalf of the Company and/or the Authority, as the case may be;

(ii) providing low income housing tax credit services for the Developments, including tenant employment verification, income verification, tax credit certifications, tax credit reporting, maximum rent calculations, and tax credit record maintenance; and

(iii) furnishing such consultation and advice relating to the Developments as may be reasonably requested from time to time by the Company.

(f) Tenant Services. The Authority may provide tenant services for the Developments, including without limitation application intake, applicant interviewing and screening, verification procedures, determination of eligibility for admission, qualification for preferential admission, tenant records and file maintenance, unit assignment, preparation and enforcement of leases, and tenant counseling.

(g) Office Services. The Authority shall provide office services including clerical, mailroom, copy, facsimile, and e-communication services.

(h) Information Services. The Authority shall provide information services including computer and information processing services.

(i) The Authority shall provide such management, executive services, personnel and staffing, marketing of units, maintaining a site-based waiting list, applicant rejections, collecting and accounting for rents, collecting, depositing and reimbursing security deposits, conducting unit inspections, conducting orientation sessions, performing re-determinations of eligibility and income re-certifications, administering the tenant grievance procedure, and complying with income tiering requirements as required.

(j) Legal Compliance Services. The Authority shall take all reasonable steps to enable the Company and the Developments to comply with all applicable present and future laws, ordinances, orders, rules, regulations and requirements (hereinafter the "**applicable laws**") of all federal, state and municipal governments, courts, departments, commissions, boards and offices, any national or local Board of Fire Underwriters or Insurance Services Offices having jurisdiction in the county in which the Developments are located or any other body exercising functions similar to those of any of the foregoing, or any insurance carriers providing any insurance coverage.

(k) Office Space. The Authority shall provide office space, letterhead, telephone equipment, computers and other necessary supplies to the Company.

3. Specialized Services to be Provided by the Authority upon Request and Mutual Agreement. Upon reasonable notice and at the request of the Company, the Authority from time to time may agree to provide any of the following services (the "**Specialized Services**") on behalf of the Company, provided, however, that if the performance of any of the Specialized Services is outside the scope of experience or expertise of the Authority's personnel, or is otherwise impracticable, the Authority shall promptly notify the Company of its lack of ability and capacity to complete those Specialized Services, and the Authority shall have no obligation to provide such Specialized Services.

(a) Procurement Services. The Authority may procure consultants and other professional services necessary to manage the Developments.

(b) Financing Services. The Authority may advise the Company as to federal, state, and local subsidy programs available for the Developments; assist the Company in

identifying sources of financing for the Developments; and negotiate the terms of such financing with lenders.

(c) Other Services. The Authority may perform and administer any and all other services and responsibilities of the Company which are set forth in any other provisions of this Agreement, or which are requested to be performed by the Company and are within the general scope of the Services and/or Specialized Services described herein.

4. Fee.

(a) Except as otherwise provided herein, the Company shall pay the Authority for the Services and any Specialized Services at the hourly rate (the "Fee") of the person providing such Services or Specialized Services on behalf of the Authority:

<u>Experience Level</u>	<u>Rate</u>
Management	\$150.00 per work hour
Administrative	\$55.00 per work hour
Maintenance	\$70.00 per work hour

(b) Beginning on the first new Authority fiscal year following the date hereof and on each anniversary thereafter, the Fee charged at each experience level shall be increased by three percent (3%).

(c) The Authority shall provide the Company with a monthly invoice within fifteen (15) days following the end of every month containing the total Fee and a detailed list of the hours worked for the Company for the prior month at each experience level (each, an "Invoice"). The Company shall remit payment to the Authority for the Fees in the total amount contained on any Invoice within thirty (30) days following the receipt of such Invoice.

5. Limitations and Restrictions. Notwithstanding any provisions of this Agreement, the Authority shall not take any action, expend any sum, make any decision, give any consent, approval or authorization, or incur any obligation with respect to any of the following matters unless and until the same has been approved by the Company:

(a) Approval of all contracts, except for such matters as may be expressly delegated in writing to the Authority by the Company;

(b) Making any expenditure or incurring any obligation by or on behalf of each respective Development involving a sum in excess of \$25,000, or involving a sum of more than \$5,000 where the same relates to a component part of any work the combined cost of which exceeds \$25,000, except for such matters as may be otherwise expressly delegated to the Authority by the Company; or

(c) Expending more than what the Authority in good faith believes to be the fair and reasonable market value at the time and place of contracting for any goods purchased or leased or services engaged on behalf of, or otherwise in connection with, the Developments.

6. Accounts and Records.

(a) The Authority shall keep such books of account and other records as may be required and approved by the Company, including, but not limited to, records relating to the costs of management and expenditures of funds. The Authority shall keep vouchers, statements, receipted bills and invoices and all other records, in the form approved by the Company, covering all collections, if any, disbursements and other data in connection with the Developments prior to completion. All accounts and records relating to the Developments, including all correspondence, shall be surrendered to the Company upon demand without charge therefor.

(b) The Authority shall cooperate to facilitate the timely preparation of such reports and financial statements as the Company is required to furnish pursuant to its duties with respect to the Developments.

(c) All books and records prepared or maintained by the Authority shall be kept and maintained at all times at the place or places approved by the Company, and shall be available for and subject to audit, inspection and copying by the Company or any representative or auditor thereof or supervisory or regulatory authority.

7. Representations and Warranties.

(a) Each party represents and warrants to the other party that:

(i) it is duly organized, validly existing and in good standing as a corporation or other entity as represented herein under the laws and regulations of the State of Florida;

(ii) it has the full right, power and authority to enter into this Agreement, to grant the rights granted hereunder and to perform its obligations hereunder;

(iii) the execution of this Agreement by its representative whose signature is set forth at the end hereof has been duly authorized by all necessary corporate action of the party; and

(iv) when executed and delivered by such party, this Agreement will constitute the legal, valid and binding obligation of such party, enforceable against such party in accordance with its terms.

(b) The Authority represents and warrants to the Company that:

(i) it shall perform the Services and any Specialized Services using personnel of required skill, experience and qualifications and in a professional and workmanlike manner in accordance with commercially reasonable industry standards for similar services and shall devote adequate resources to meet its obligations under this Agreement; and

(ii) it is in compliance with, and shall perform the Services and any Specialized Services in compliance with, all applicable laws.

8. Default and Remedies. If either party shall default in any material respect in the performance of any of its covenants or obligations under this Agreement and such default shall continue unremedied for a period of 60 days after written notice thereof from the non-defaulting party, the non-defaulting party may terminate this Agreement.

9. Notices. All notices, consents, requests, demands and other communications required or permitted under this Agreement: (a) will be in writing; (b) will be sent by messenger, certified or registered U.S. mail, a reliable express delivery service or telefacsimile or e-mail (with a copy sent by one of the foregoing means), charges prepaid as applicable, to the appropriate address(es) or number(s) set forth below; and (c) will be deemed to have been given on the date of receipt by the addressee (or, if the date of receipt is not a business day, on the first business day after the date of receipt), as evidenced by (i) a receipt executed by the addressee (or a responsible person in his or her office), the records of the person delivering such communication or a notice to the effect that such addressee refused to claim or accept such communication, if sent by messenger, U.S. mail or express delivery service, or (ii) a receipt generated by the sender's telecopier or computer showing that such communication was sent to the appropriate number or e-mail address on a specified date, if sent by telefacsimile or e-mail. All such communications will be sent to the following addresses or numbers, or to such other addresses or numbers as any party may inform the others by giving five business days' prior notice:

((Redacted))

10. Term; Termination. This Agreement shall be effective as of the date first written above and shall continue until either party terminates this Agreement, upon ten days written notice to the other party.

11. Independent Contractor. The parties agree that the Authority is an independent contractor and its personnel are employees of the Authority and shall not be deemed to be and shall not hold itself out as an agent, joint venturer, legal representative or employee of the Company.

12. Miscellaneous. This Agreement: (a) may be amended only by a writing signed by each of the parties; (b) may be executed in several counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument; (c) contains the entire agreement of the parties with respect to the transactions contemplated hereby and supersedes all prior written and oral agreements, and all contemporaneous oral agreements, relating to such transactions; (d) shall be governed by, and construed and enforced in accordance with, the internal substantive laws of the State of Florida, without regard to its conflict of laws principles; and (e) shall be binding upon, and inure to the benefit of, the parties and their respective successors and permitted assigns. The waiver by a party of any breach or violation of any provision of this Agreement shall not operate or be construed a waiver of any subsequent breach or violation hereof.

**IN WITNESS WHEREOF**, the parties have caused this Agreement to be duly executed as of the date first written above.

**ATTACHMENT B**

**Housing Authority of the City of Monterey**

**Haciendas III Residential Investor Reporting Requirements**

<b>Report</b>	<b>Frequency</b>
Certified rent roll showing current occupancy and date each unit was qualified	Due by the 10 <sup>th</sup> of each calendar month
Number of applications under review and/or approved but not moved in	
Monthly occupancy report (if project fails to maintain >90% occupancy for the previous quarter)	
Statement of income & expenses	
An operating statement	
Accounts receivable/payable	
Check register	
<b>First Year tenant files</b> -to be provided electronically to the Special Limited Partner showing compliance with all regulations and procedures relating to the operation of the Project as a qualified Tax Credit Project	-The greater of the first 10% or 5 files are due as they become qualified -At qualified occupancy, the balance of the files are due within 30 days of the date of qualified occupancy
<b>Quarterly Status Report and Financials</b> -commencing with the start of the lease-up, a report showing financial and operational performance	Due within 30 days of the end of the quarter Quarter 1: April 30 Quarter 2: July 31 Quarter 3: October 31 Quarter 4: January 31
Signed quarterly status report-all questions answered	
Copies of Real Estate Tax Bill and evidence of payment	
A rent roll for each month in the quarter	
Income statement	
Balance sheet	
Operating and Replacement Reserve Bank Statements for all 3 months of the quarter	
Detailed explanation of any variances from the budget submitted to CREA	
Any other pertinent information regarding the Partnership and its activities as may be requested by the Special Limited Partner	

Report	Frequency
<p><b>Monthly Financial Statements-</b> A copy of the prior month's financial operations of the property, including DSCR calculation before reserves*</p> <p>*Required only if the project did not maintain above 1.0 DSCR with replacement reserves for the previous quarter</p>	<p>Due by the 15<sup>th</sup> of each month</p>
<p><b>Audited Financials and Tax Returns (with K-1's) of Partnership</b></p> <p>Copies of tax returns and reports</p> <p>Financial statements on a year over year comparable basis for the Partnership (including balance sheet, statements of income, equity and changes in financial position)</p> <p>Cash flow statement</p> <p>Statement and reconciliation of each Partner's Capital Account</p> <p>Statement of the tax basis for the computation of the Tax Credits and depreciation deductions</p> <p>Depreciation schedules for the current and all future years and a depreciation worksheet</p>	<p>Drafts- within 30 days after year end</p> <p>Final versions- within 75 days after year end</p> <p>Engagement Letter with CPA at least 60 days prior to year end</p>
<p><b>Audited or Certified Financials and Tax Returns of General Partner and Guarantors-</b> current audited financial statements of GP and each guarantor entity, or certified personal financial statements if the guarantor is an individual, and, upon written request of the SLP, updates to the same on a quarterly basis</p>	<p>Within 120 days after year end</p>
<p><b>Operating Budget-</b> Projected annual operating and capital improvements budget including:</p> <p>Account numbers for the following year</p> <p>Separate breakout of projected rents used for rental income in the budget</p> <p>Proposed repairs and capital improvements for the upcoming year</p> <p>Proposed use of replacement reserves</p>	<p>Due at least 30 days prior to year end</p>
<p><b>Annual Owner Certification, and Periodic Reports required by project lenders or governmental agencies</b></p> <p>Certification by the GP to the LP, in the same scope and manner that it is required to certify to the applicable State Housing Finance Agency, that the Partnership is in compliance with all regulations and procedures relating to the operation of the Project as a qualified Tax Credit project</p>	<p>At the same time such certification or report is filed with the Governmental Agency or delivered to the Project Lender</p>

A copy of any periodic financial or performance report provided by the Partnership to any federal, state, or local governmental agency or to any Partnership lender, or any compliance monitoring report provided to the State Housing Finance Agency	
<b>Permanent Insurance Policies</b>	See Appendix VI of LPA

**ATTACHMENT C: SAMPLE ASSET MANAGEMENT PROTOCOL**

**Management Review Scope**  
**Property Management**  
**The Project**  
*DRAFT*

REVIEW ITEM	PURPOSE	PERFORMANCE STANDARD	REVIEW DOCUMENT(S)	FREQUENCY	EVIDENTIARY REFERENCE
<b>Physical Condition</b>					
Building exterior and grounds condition	Determine if building exterior and grounds are being maintained in acceptable condition.	Meets UPCS and Housing Authority standards	· Walkthrough inspection of building exterior(s) and grounds	Monthly	· R&O § 3(a)(1)
Unit condition (Quarterly)	Determine if PH units are being maintained in acceptable condition.	Meets UPCS and Housing Authority standards	· Inspection of 2-3 PH units	Quarterly	· R&O § 3(a)(1)
Unit condition (Annual)	Determine if PH units are being maintained in acceptable condition.	Meets UPCS and Housing Authority standards	· Inspection of 3-5 PH units	Annual	· R&O § 3(a)(1)
<b>Maintenance/Capital Planning</b>					
Maintenance Requests	Determine if work orders are being properly prioritized as emergency/non-emergency.	Emergency and non-emergency work requests identified on all work orders.	· Work order reports · Sampling of open and closed work orders from review period.	Quarterly	· R&O, §3(a) · Mgmt Plan §2.10(c)
Work Order Management	Determine if work order processing is in accordance with PHAS standards and requirements of agreements and Housing Authority.	Work orders responded to within one (1) day.	· Work order reports · Sampling of open and closed work orders from review period.	Monthly	· Mgmt Plan §2.10(c)
		Work orders opened and closed in AS400 on timely basis.	· Work order reports · Sampling of open and closed work orders from various periods of year	Quarterly	· R&O, §3(g) · Mgmt Plan, §2.3(a)
Communication access for hearing impaired.	Determine if management office has way to communicate with hearing-impaired residents by telephone.	Site maintains communication access for hearing-impaired residents (TTD/TTY or call relay).	· Written disabled access policies and procedures · Ask staff about procedures	Annual	· R&O § 3(a)(l)
Grounds Maintenance	Insure that site management has adequate system in place to schedule and track routine grounds maintenance.	Site has plan and schedule to perform regular maintenance of grounds.	· Grounds maintenance plan and schedule	Annual	· Mgmt Plan, §2.3(a) · R&O, §3(a)(1)
Fire Safety, Security and Loss Prevention	Insure that fire, safety, and emergency systems are being regularly inspected	Inspections of unit fire alarm systems performed annually and during maintenance calls.	· Inspection schedule · Management inspection checklist	Annual	· R&O § 3(a)(l)
	Insure that any deficiencies found have been corrected or are on schedule for correction	Completion of required corrective action or compliance with schedule for corrective action	· Site maintenance inspection checklist or report or third party inspection report · Completed work order for correction · If third party report, letter or certification from third party of corrective action completed · Inspections of building exteriors and grounds, community building, and other interior common areas	Annual	· Mgmt. Plan, §2.10 · R&O § 3(a)(l)
Capital Needs Assessment	Insure that capital needs planning is in place and adequate.	Site has up-to-date plan for capital replacement	· Current capital needs plan and schedule	Annual	· Mgmt. Plan, §2.10 · R&O § 3(a)(l)
		Site has sufficient reserves to meet capital replacement schedule	· Current capital needs plan and schedule · Reserve account statements · Income and expense variance report for year showing replacement reserve contributions scheduled and made	Annual	· Repl Res Escrow Agmt, §3
<b>Renting Policies and Procedures</b>					
Marketing and Rental Practices	Confirm that management is maintaining the required mix of PH and Non-PH Units.	Correct number of PH units and bedroom sizes; number of Additional Tax Credit, and Market Rate units.	· Annual Owner Certification · Tenant roster/resident listing · Current Property Info Sheet	Monthly	· R & O, Preamble · R & O, §2(a)
	Verify that fair housing standards are being followed in marketing to public housing residents.	No resident rejections based on unfair marketing practice.	· AS400 Move-In and Move-Out Report · Resident files for last five applicants who rejected units.	Annual or as needed	· R & O, §10(l) · Mgmt Plan, §2.6

REVIEW ITEM	PURPOSE	PERFORMANCE STANDARD	REVIEW DOCUMENT(S)	FREQUENCY	EVIDENTIARY REFERENCE
Vacancy Management	Determine if vacancy rate and vacant unit turnaround meet Housing Authority performance goal.	Development maintains turnaround of 20 days or less (PHAS "A" score).	· Management vacancy report for review period showing vacancies · AS400 Vacant Units Report	Monthly	· Mgmt Plan, §2.3(b)
	Determine if there have been any vacancies over 60 days for which the Housing Authority may recapture subsidy.	No vacancies in public housing units over 60 days.	· Management vacancy report for review period showing vacancies · AS400 Vacant Units Report	Annual or as needed	· R & O, §4(b)(viii) · R & O, §7(d)
	Determine if vacancies are being accurately tracked and reported.	Accuracy and completeness of vacancies reported	· AS400 Vacant Units Report for review period. · AS400 Move-In and Move-Out Report · Management vacancy report for year showing vacant days · Sample of files for reported move-outs and corresponding move-ins	Monthly	· R & O, §3(a)(l) · R&O, §7(c)
	Determine if move-outs are being processed correctly	· All necessary move-in documentation placed in resident file: - Notice of intent to vacate from resident or lease termination or eviction notice - Move-out inspection - Security deposit refund record (if applicable) - Record of any rent or charges owed after move-out - For Intertransfers to another Housing Authority unit, approved request for transfer · For intertransfers out, resident file sent to receiving site	· Resident files for last five move-outs	Quarterly	· R & O, §3(a)(l)
Applicant Selection and Rejection	Determine if site Waiting List is being properly maintained.	List maintained by bedroom size, preference category and date/time of application.	· Waiting list · Random sample of 5-10 applicant files.	Quarterly	· Mgmt Plan §2.5(c)(2)
	Determine if site Waiting List has sufficient number of applicants.	Sufficient number of applicants to fill existing vacancies and vacancies anticipated over next 120 days.	· Waiting list · Past year vacancy data	Quarterly	· Mgmt Plan, §2.3(b)
	Determine if PH residents are being properly selected in accordance with the Resident Selection Plan.	Applicants notified to complete application 90-120 days before anticipated vacancy.	· Random sample of 5-10 recent applicant files	Quarterly	· Mgmt Plan §2.5(c)(3)
		Applicants meet all PH eligibility requirements.	· Random sample of 5-10 recent applicant files	Quarterly	· R&O, §3(d)(ii) · Mgmt Plan §2.5(e)(1)
		Applicant preference correctly determined, including consideration of mitigating factors, and properly documented.	· Random sample of 5-10 recent applicant files	Quarterly	· Mgmt Plan §2.5(f)
	Determine if new move-ins are being properly processed and documented.	Applicants properly screened for all criteria as stated in Resident Selection Plan; applicants failing screening withdrawn.	· Random sample of 5-10 recent applicant files	Quarterly	· Mgmt Plan §2.5(g)
	· All move-ins documented: - All required certification documentation - Documentation of all screening steps - Lease, public housing lease addendum and attachments - If resident transferred from another Housing Authority unit, approved request for transfer and resident file from previous development · Resident files for intertransfers in received by site	· Resident files for last five move-ins	Quarterly	· R & O, §3(a)(l) · Mgmt Plan, §2.2	

REVIEW ITEM	PURPOSE	PERFORMANCE STANDARD	REVIEW DOCUMENT(S)	FREQUENCY	EVIDENTIARY REFERENCE
Lease Violations and Evictions	Determine if cases of resident non-payment and other lease violations, especially One Strike violations, are being diligently pursued in accordance with Housing Authority policies and regulations.	Leases enforced in a diligent and expeditious manner.	<ul style="list-style-type: none"> <li>· Site legal/lease enforcement log</li> <li>· Resident files for residents undergoing lease enforcement action</li> <li>· AS400 Vacant Units Report/Move-In and Move-Out Report</li> <li>· Management vacancy reports</li> </ul>	Monthly	· Mgmt Plan §2.9(b)
		Proper notices sent in proper form.	<ul style="list-style-type: none"> <li>· Sample of 3-5 current resident files: Lease enforcement notices and notices of conference rights</li> </ul>	Quarterly	· Mgmt Plan §2.9(d) · R & O, §3(a)(l)
	Determine if site manager is communicating with Housing Authority Legal about lease enforcement and court action.	Site management and outside counsel sends lease enforcement and eviction to Housing Authority Legal Department: <ul style="list-style-type: none"> <li>· Notice of lease termination</li> <li>· Grievance notices and decisions</li> <li>· Notices of court hearings</li> <li>· Set-out notices</li> </ul>	<ul style="list-style-type: none"> <li>· Site legal/lease enforcement log</li> <li>· Weekly memorandum from Housing Authority Legal Dept.</li> <li>· Housing Authority Legal Dept. files</li> </ul>	Monthly	· R&O, 3(g) · R&O, §7(c)
Grievance Procedure	Determine if site is properly processing resident grievances.	Compliance with agreed grievance procedure and HUD regulations.	<ul style="list-style-type: none"> <li>· 10% sample of current resident files: Notices related to grievance procedures</li> </ul>	Quarterly or as needed	· Mgmt Plan §2.9(d)
<b>Resident-Related Policies and Procedures</b>					
Management/Resident Relations	Confirm that management is providing proper orientation to new public housing residents.	All required orientations topics covered.	<ul style="list-style-type: none"> <li>· Written materials used by management for orientation</li> </ul>	Annual	· Mgmt Plan, §2.7
		Orientation provide to all public housing residents.	<ul style="list-style-type: none"> <li>· Sample of 3-5 resident files: Signed resident acknowledgements of orientation</li> </ul>	Annual	· Mgmt Plan, §2.7
Safety/Security	Determine what crime prevention measures site management is pursuing.	Site taking one or more of following measures: <ul style="list-style-type: none"> <li>· Promoting resident involvement</li> <li>· Liaison with Police Dept.</li> <li>· Implementing site security program</li> <li>· Employing private security guards</li> </ul>	<ul style="list-style-type: none"> <li>· Incident or patrol logs</li> <li>· Police reports</li> </ul>	Annual or as needed	· Mgmt. Plan, §3.4(b)
	Insure that management is participating in Neighborhood Advisory Committee.	Management participating in Neighborhood Advisory Committee.	<ul style="list-style-type: none"> <li>· Member roster or attendance list from last meeting</li> <li>· Attend meeting</li> </ul>	Annual or as needed	· Mgmt. Plan, §3.4(c)
Rent Collection Practices	Determine if management has been diligent in rent collection.	Management maintains a PHAS "A" for Tenant Receivables Outstanding.	<ul style="list-style-type: none"> <li>· Management rent roll</li> <li>· AS400 Current Tenant Balance or Current Tenant Ledger report</li> </ul>	Monthly	· Mgmt Plan, 2.3(b)
	Verify that residents damage charges and late fees are being assessed appropriately.	All resident charge amounts correct.	<ul style="list-style-type: none"> <li>· Resident charges for past year on management rent roll</li> <li>· Sample of 3-5 resident files for residents charged</li> </ul>	Annual	· Mgmt Plan §3(g)
		All resident charges assessed in a timely manner.	<ul style="list-style-type: none"> <li>· Resident charges for past year on management rent roll</li> <li>· Sample of 5-8 resident files for residents charged</li> </ul>	Annual	· Mgmt Plan §3(g)
	Verify that rent collections for PH units are being timely and accurately reported to Housing Authority.	Management Agent reports to Housing Authority by 15th of month.	<ul style="list-style-type: none"> <li>· Monthly Management Report</li> <li>· AS400 Current Tenant Balance or Current Tenant Ledger report</li> </ul>	Monthly	· R&O, §7(c) · Mgmt Plan §2.2(b)(6) · Mgmt Plan §2.3
Fair Housing/Section 504 Practices	Insure that Fair Housing logo is displayed in office and on all marketing literature.	Fair Housing logo posted in office and printed on literature	<ul style="list-style-type: none"> <li>· Management office visit</li> <li>· Site marketing literature and lease</li> </ul>	Annual	· R & O, §10(l) · Mgmt Plan, §2.6
	Insure that site is complying with Affirmative Fair Housing Marketing Plan.	Level of compliance with with Affirmative Fair Housing Marketing Plan	<ul style="list-style-type: none"> <li>· Resident list with demographic information</li> <li>· Rejected applicant files</li> </ul>	Annual or as needed	· R & O, §10(l) · Mgmt Plan, §2.6
Recertifications	Determine if annual and interim recertifications are being initiated and completed on schedule.	All recertifications completed on time.	<ul style="list-style-type: none"> <li>· Management recertification report or log for year</li> <li>· AS400 Tenants Not Certified report for year</li> <li>· Sample of 3-5 resident files</li> </ul>	Quarterly and in accordance with annual recertification schedule	· R & O, §3(a)(l) · Mgmt Plan, §2.2
	Verify that annual and interim recertifications are being properly completed per Housing Authority requirements.	Recertification documentation complete and accurate.	<ul style="list-style-type: none"> <li>· Sample of 3-5 resident files: Recertification documentation and income and rent calculations</li> </ul>	Quarterly	· R & O, §3(a)(l) · Mgmt Plan, §2.2

REVIEW ITEM	PURPOSE	PERFORMANCE STANDARD	REVIEW DOCUMENT(S)	FREQUENCY	EVIDENTIARY REFERENCE
<b>Administrative and Management</b>					
Site Staffing	Determine if site staffing meets requirements.	Site must have minimum of: (1) Site Manager (1) Lease Agent (1) Maintenance Person	· Site operating expense actuals · Site staff roster · Site visit observations	Quarterly or upon notice of staffing change	· Mgmt Plan, §2.4(b) · Mgmt Plan, §2.2(b)(s)
Budget Management	Determine if PH units are operating within budget.	Benchmark: No monthly budget variances in excess of 5%.	· Management income and expense variance report for past year	Monthly	· R & O § 4(b) · Industry Standards
MBE/WBE/SBE/Section 3 Outreach	Determine if site is meeting Section 3 goals.	Section 3 goals and schedules	· Section 3 plan · Vendor and contractor lists	Annual	10(l)7(e)
Accounting Fee	Determine if accounting fee claimed is correct.	Fee is 1.5% of gross rent roll for public housing units plus 1.5% of any income from units.	· Rent roll for PH units · Tenant receivables report with fees charged · Income and expense statement showing other income collected	Monthly	· Mgmt & Acctng Serv Agmt, §7
Management Fee	Determine if management fee claimed is correct.	Management fee is 3% of gross rent roll for public housing units plus 3% of any income from units.	· Rent roll for PH units · Tenant receivables report with fees charged · Income and expense statement showing other income collected	Monthly	· Mgmt & Acctng Serv Agmt, §10
Tax Credit Compliance	Determine if property is staying in compliance with Section 42 and regulations and agreements.	No compliance findings or findings being corrected expeditiously.	· Review most recent compliance audit report. · If audit report shows findings, review follow-up compliance verification; ask manager about progress remedying deficiencies found.	Annual	· Mgmt & Acctng Serv Agmt, §3(h) · R & O §3(a)(ii)
Computer data reporting	Determine if site is entering required information into AS400 on a timely basis.	Data in AS400 systems up-to-date.	· Compare AS400 reports (vacancy, work order, recertifications, annual inspections) to site management reports and files and inspection observations.	Monthly	· R&O, §3(g) · Mgmt Plan, §2.3(a)
Monthly reports	Determine if site is submitting required monthly information on a timely basis.	Any recurring omissions or currently outstanding information requests	· Contents and dates of monthly reports · Correspondence or documented communications regarding reporting deficiencies	Monthly	· R&O, §3(g) · Mgmt Plan, §2.3(a)
Security Deposit/Last Month's Rent Collection Practices	Determine if security deposits and last month's rent are being properly collected, documented and maintained.	Proper security deposit amount collected.	· Management rent roll and security deposit report · AS400 rent roll and security deposit report · 10% resident file sample: Security deposit receipts	Annual	· Mgmt. Plan § 2.9 · State security deposit laws
		Security deposit properly documented.	· Sample of 5-8 resident files	Annual	· State security deposit laws
		Security deposit maintained in accordance with state law.	· Security deposit account statement	Annual	· State security deposit laws
Lease	Verify that site management is using proper lease form.	All provisions of public housing lease addendum are compliant with HUD regulations and approved by Housing Authority.	· Sample of 3-5 resident files	Quarterly	· R&O, §3(e) · Approved Public Housing Lease

<b>GENERAL REGULATORY AUTHORITY</b>	
Management responsibility to comply with HUD regulations	· R & O, §3(a)(l) · Mgmt Plan, §2.2
Management responsibility to comply with PHAS	· Mgmt Plan, §2.3(b)
Management responsibility to respond to Housing Authority reporting requirements	· R&O, §3(g) · R&O, §7(c) · Mgmt Plan, §2.3(a) · Mgmt Plan §2.2(b)(6)

**Management Review Scope**  
**Financial Management**  
**Crooked Creek**  
*DRAFT*

REVIEW ITEM	PURPOSE	PERFORMANCE STANDARD	REVIEW DOCUMENT(S)	FREQUENCY	EVIDENTIARY REFERENCE
<b>Budget Approval and Monitoring</b>					
Submission of Proposed Operating Budget	Determine if Owner is complying with schedule for submitting proposed operating budget to HAKC.	Operating budget proposal submitted to HAKC within 120 days before end of prior fiscal year.	· Operating budget proposal · Correspondence from management concerning budget submission date	Annual	· R&O, §4(b)
Review of Proposed Operating Budget	Determine if Estimated PHA Assisted Units Income and Expenses are reasonable.	Income and expenses reasonable and in line with comparable developments.	· Operating budget proposal · Expense actuals from prior year · Expense actuals from comparable properties · Local cost information	Annual	· R&O, §4(b)(I) & (II)
Approval of Budget	Approve or disapprove proposed budget (or portions) within required time period.	Approval or disapproval by HAKC within 30 days of receipt of proposed budget.	· Operating budget proposal	Annual	· R&O, §4(b)(I)
	Appoint a budget referee in the event of unresolvable dispute over proposed budget.	Owner and HAKC agree on a budget referee within 5 days of request by either party.	· Written notice(s) of disputes over budget · Written request for appointment of referee	Annual	· R&O, §4(b)(I)
	Insure that Budget Referee meets requirements of agreements.	Budget Referee must meet requirements for a Qualified Project Manager as defined in R&O, §1(rr).	· Work order reports · Sampling of open and closed work orders from review period.	Annual	· R&O, §4(b)(I) · R&O, §1(rr)
Monthly Reports	Determine if site is submitting required monthly financial information on a timely basis.	Submission of all required information by 15th of month.	· Contents and dates of monthly reports · Correspondence or documented communications regarding reporting submission or deficiencies	Monthly	· R&O, §3(g) · Mgmt Plan, §2.3(a)
Budget Monitoring	Determine if PH units are operating within budget.	Benchmark: No monthly budget variances in excess of 5%.	· Management income and expense variance report for month	Monthly	· R&O § 4(b)(iv) · Industry Standards
	Determine if accountng fee claimed is correct.	Fee is 1.5% of gross rent roll for public housing units plus 1.5% of any income from units.	· Rent roll for PH units · Tenant receivables report with fees charged · Income and expense statement showing other income collected	Monthly	· Mgmt & Acctng Serv Agmt, §7
	Determine if management fee claimed is correct.	Management fee is 3% of gross rent roll for public housing units plus 3% of any income from units.	· Rent roll for PH units · Tenant receivables report with fees charged · Income and expense statement showing other income collected	Monthly	· Mgmt & Acctng Serv Agmt, §10
	Determine if any deductions are to be made from subsidy for units vacant over 60 days.	Prorated subsidy is deducted for any units vacant over 60 days through no fault of HAKC.	· Vacancy report for PH units · Site waiting list records	Monthly	· R & O, §4(b)(viii) · R & O, §7(d)
Payment of subsidy	Insure that subsidy owed is paid timely.	Correct subsidy amount paid within 14 days of receipt of monthly Owner invoice.	· Owner invoices · Subsidy payment records	Quarterly	· R&O, §7(c)
<b>Budget Reconciliation</b>					
Audited Financial Statements	Determine if Owner is complying with schedule for submission of annual audited financial statement.	Statement submitted within 120 days of beginning of subsequent fiscal year.	· Audited Financial Statement · Correspondence from management concerning budget submission date	Annual	· R&O, §7(b)
	Determine if audited financial statement is complete and contains information required for reconciliation.	· Statement prepared in accordance with GAAP standards · Statement includes any additional financial statements delivered to partners	· Audited Financial Statement	Annual	· R&O, §7(b)
	Verify that required Supplemental Data has been submitted.	Correct number of PH units and bedroom sizes; number of Additional Tax Credit, and Market Rate units.	· Annual Owner Certification · Tenant roster/resident listing · Current Property Info Sheet	Annual	· R & O, Preamble · R & O, §2(a)

Review of Income and Expense Actuals	Determine if actual expenses were in accordance with expenses approved by HAKC.	PH unit expenses do not exceed expenses approved by HAKC.	· Approved operating budget · Audited financial statement (Income and expense statement)	Annual	· R&O § 4(b)(iv)
	Determine if actual expenses that exceed approved operating budget are allowable.	Allowed expenses must be "reasonable and necessary".	· Approved operating budget · Income and expense statement · Owner explanation for amounts over budget · HAKC site review findings	Annual	· R&O, §4(a)(i)
	Determine if accounting fee claimed is correct.	Fee is 1.5% of <u>gross</u> rent roll for public housing units plus 1.5% of any income from units.	· Rent roll for PH units · Income and expense statement	Monthly	· Mgmt & Acctng Serv Agmt, §7
	Determine if management fee claimed is correct.	Management fee is 3% of <u>gross</u> rent roll for public housing units plus 3% of any income from units.	· Rent roll for PH units · Tenant receivables report with fees charged · Income and expense statement showing other income collected	Monthly	· Mgmt & Acctng Serv Agmt, §10
		Site has sufficient reserves to meet capital replacement schedule.	· Reserve account statements · Income and expense variance report for year showing replacement reserve contributions scheduled and made	Annual	· Repl Res Escrow Agmt, §3
Review and adjustment of subsidy	Insure that any remaining subsidy owed is paid and any overpayment is recovered.	Correct subsidy payment based on approved budget and provisions of R&O.	· Subsidy payment records · Internal reconciliation memo	Annual	· R&O, §7(c)
<b>Reserves</b>					
Replacement Reserve	Verify that Owner is reporting deposits to and withdrawals from reserve.	Owner provides monthly report of deposits and withdrawals.	· Monthly reserve report · Reserve account statements · Income and expense variance report	Monthly	· Repl Res Escrow Agmt, §10
	Insure that reserves are used only for allowed purposes.	Replacement Reserve funds used only for capital replacements and improvements.	· Copy of Owner request for withdrawal and documentation	Annual	· R&O, §5(c)(i)
	Insure that Owner provides required certifications with request for withdrawal from reserves.	Owner provides certification of necessity or authorization for expenditure using approved form (see Repl Res Esc Agmt, Exh. B) to Escrow Agent, who sends copy of certification and supporting documentation to HAKC within three (3) days of Owner request.	· Copy of Owner request for withdrawal and documentation · Monthly reserve report · Reserve account statements	As occurs	· Repl Res Escrow Agmt, §6
	Insure that HAKC provides timely notice of any objection to Owner request for reserve withdrawal.	HAKC must provide objection in writing by 10th day following Owner request to Escrow Agent.	· Copy of Owner request and documentation · Income and expense variance report · Approved operating budget	As occurs	· Repl Res Escrow Agmt, §6
	Insure that site has sufficient reserves to meet capital replacement schedule	Sufficient reserves to meet capital replacement schedule.	· Reserve account statements · Income and expense variance report for year showing replacement reserve contributions scheduled and made	Annual	· Repl Res Escrow Agmt, §3

Authority Reserve	Verify that Owner is reporting deposits to and withdrawals from reserve.	Owner provides monthly report of deposits and withdrawals.	· Monthly reserve report · Reserve account statements · Income and expense variance report	Monthly	· Aff Res Escrow Agmt, §10
	Insure that Owner provides required certifications with request for withdrawal from reserves.	Owner certifies that: · HAKC failed to pay full approved subsidy amount · That there has been reduction in subsidy due to legislative or regulatory change or diminished appropriations, or other unanticipated causes not the fault of Owner. · Funds are need to meet approved operating budget <u>or</u> · HAKC has consented in writing to disbursement Owner sends request to escrow agent with certification and supporting documentation; Escrow Agent sends copy of certification and supporting documentation to HAKC within three (3) days of Owner request.	· Copy(ies) of Owner request(s) and documentation sent to HAKC · Monthly reserve report · Reserve account statements · Income and expense variance report showing reserve withdrawals made · Approved operating budget	As occurs	· R&O, §5(b)(iii) · R&O, §6(c)
	Insure that reserves are used only for allowed purposes.	Affordability Reserve funds used only to cover approved operating expenses in the event of reduction in subsidy due to legislative or regulatory change or diminished appropriations, or other unanticipated causes not the fault of Owner.	· Copy of Owner request and documentation · Income and expense variance report · Approved operating budget · Subsidy payment records	As occurs	· R&O, §6(c) · Aff Res Escrow Agmt, Background (A)
	Insure that HAKC provides timely notice of any objection to Owner request for reserve withdrawal.	HAKC must provide objection in writing by 10th day following Owner request to Escrow Agent.	· Copy of Owner request and documentation · Income and expense variance report · Approved operating budget	As occurs	· R&O, §5(b)(iii)
	Insure that reserve balance is at appropriate level.	Reserve cannot exceed three (3) times approved operating subsidy for previous three (3) years. Increases in ceiling beyond initial \$32,000 deposit plus investment income must be approved by HAKC and Owner.	· Monthly reserve report · Reserve account statements · Audited financial statements (Income and expense statements) for previous three (3) years	Annual	· R&O, §5(b)(v)
<b>Insurance</b>					
Required Insurance	Verify that owner is carrying insurance required by HAKC agreements.	Owner carries all-risk insurance against hazards at 100% of full replacement cost of entire development.	· Sample of 3-5 resident files: Signed resident acknowledgements of orientation	Annual	· R&O, §8(a)
Restoration of Property	Insure that Owner repairs or rebuilds PH units in the event of damage or loss.	Owner restores PH units to as near as possible to their condition before damage or loss occurred.	· Repair or construction contract(s) · Physical inspection	As occurs	· R&O, §8(b)
<b>Authority Loan</b>					
Loan Payments	Insure that loan payment (when due) is made timely.	Loan payment (when due) is due 120 days following end of fiscal year.	· Audited financial statement (Income and Expense statement) · HAKC receivables records	Annual	1st Ded of Tr Loan Agmt, §3.5
	Insure that loan payments are made in proper amount.	Loan payment equals 5% of Net Available Cash Flow as defined in Loan Agreement. Net Available Cash Flow is equal to: · Gross Receipts of project <b>minus</b> · Debt service/loan payments · Real estate taxes · Reasonable operating expenses · Required Owner payments into Affordability Reserve · Deferred Developer Fees and interest on them	· Audited financial statement (Income and Expense statement) · HAKC receivables records	Annual	1st Ded of Tr Loan Agmt, §3.5

# Management Review Scope

Monthly

## Crooked Creek

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REVIEW ITEM	PURPOSE	PERFORMANCE STANDARD	REVIEW DOCUMENT(S)	FREQUENCY	EVIDENTIARY REFERENCE
<b>Physical Condition</b>					
Building exterior and grounds condition	Determine if building exterior and grounds are being maintained in acceptable condition.	Meets UPCS and HAKC standards	· Walkthrough inspection of building exterior(s) and grounds	Monthly	· R&O § 3(a)(1)
<b>Maintenance/Capital Planning</b>					
Work Order Management	Determine if work order processing is in accordance with PHAS standards and requirements of agreements and HAKC.	Work orders responded to within one (1) day.	· Work order reports · Sampling of open and closed work orders from review period.	Monthly	· Mgmt Plan §2.10(c)
<b>Renting Policies and Procedures</b>					
Marketing and Rental Practices	Confirm that management is maintaining the required mix of PH and Non-PH Units.	Correct number of PH units and bedroom sizes; number of Additional Tax Credit, and Market Rate units.	· Annual Owner Certification · Tenant roster/resident listing · Current Property Info Sheet	Monthly	· R & O, Preamble · R & O, §2(a)
Vacancy Management	Determine if vacancy rate and vacant unit turnaround meet HAKC performance goal.	Development maintains turnaround of 20 days or less (PHAS "A" score).	· Management vacancy report for review period showing vacancies · AS400 Vacant Units Report	Monthly	· Mgmt Plan, §2.3(b)
	Determine if vacancies are being accurately tracked and reported.	Accuracy and completeness of vacancies reported	· AS400 Vacant Units Report for review period. · AS400 Move-In and Move-Out Report · Management vacancy report for year showing vacant days · Sample of files for reported move-outs and corresponding move-ins	Monthly	· R & O, §3(a)(l) · R&O, §7(c)
Lease Violations and Evictions	Determine if cases of resident non-payment and other lease violations, especially One Strike violations, are being diligently pursued in accordance with HAKC policies and regulations.	Leases enforced in a diligent and expeditious manner.	· Site legal/lease enforcement log · Resident files for residents undergoing lease enforcement action · AS400 Vacant Units Report/Move-In and Move-Out Report · Management vacancy reports	Monthly	· Mgmt Plan §2.9(b)
	Determine if site manager is communicating with HAKC Legal about lease enforcement and court action.	Site management and outside counsel sends lease enforcement and eviction to HAKC Legal Department: · Notice of lease termination · Grievance notices and decisions · Notices of court hearings · Set-out notices	· Site legal/lease enforcement log · Weekly memorandum from HAKC Legal Dept. · HAKC Legal Dept. files	Monthly	· R&O, 3(g) · R&O, §7(c)
<b>Resident-Related Policies and Procedures</b>					
Rent Collection Practices	Determine if management has been diligent in rent collection.	Management maintains a PHAS "A" for Tenant Receivables Outstanding.	· Management rent roll · AS400 Current Tenant Balance or Current Tenant Ledger report	Monthly	· Mgmt Plan, 2.3(b)
	Verify that rent collections for PH units are being timely and accurately reported to HAKC.	Management Agent reports to HAKC by 15th of month.	· Monthly Management Report · AS400 Current Tenant Balance or Current Tenant Ledger report	Monthly	· R&O, §7(c) · Mgmt Plan §2.2(b)(6) · Mgmt Plan §2.3
<b>Administrative and Management</b>					
Budget Management	Determine if PH units are operating within budget.	Benchmark: No monthly budget variances in excess of 5%.	· Management income and expense variance report for past year	Monthly	· R & O § 4(b) · Industry Standards
Computer data reporting	Determine if site is entering required information into AS400 on a timely basis.	Data in AS400 systems up-to-date.	· Compare AS400 reports (vacancy, work order, recertifications, annual inspections) to site management reports and files and inspection observations.	Monthly	· R&O, §3(g) · Mgmt Plan, §2.3(a)
Monthly reports	Determine if site is submitting required monthly information on a timely basis.	Any recurring omissions or currently outstanding information requests	· Contents and dates of monthly reports · Correspondence or documented communications regarding reporting deficiencies	Monthly	· R&O, §3(g) · Mgmt Plan, §2.3(a)

REVIEW ITEM	PURPOSE	PERFORMANCE STANDARD	REVIEW DOCUMENT(S)	FREQUENCY	EVIDENTIARY REFERENCE
<b>Budget Approval and Monitoring</b>					
Monthly Reports	Determine if site is submitting required monthly financial information on a timely basis.	Submission of all required information by 15th of month.	· Contents and dates of monthly reports · Correspondence or documented communications regarding reporting submission or deficiencies	Monthly	· R&O, §3(g) · Mgmt Plan, §2.3(a)
Budget Monitoring	Determine if PH units are operating within budget.	Benchmark: No monthly budget variances in excess of 5%.	· Management income and expense variance report for month	Monthly	· R&O § 4(b) · Industry Standards
	Determine if accounting fee claimed is correct.	Fee is 1.5% of gross rent roll for public housing units plus 1.5% of any income from units.	· Rent roll for PH units · Tenant receivables report with fees charged · Income and expense statement showing other income collected	Monthly	· Mgmt & Acctng Serv Agmt, §7
	Determine if management fee claimed is correct.	Management fee is 3% of gross rent roll for public housing units plus 3% of any income from units.	· Rent roll for PH units · Tenant receivables report with fees charged · Income and expense statement showing other income collected	Monthly	· Mgmt & Acctng Serv Agmt, §10
	Determine if any deductions are to be made from subsidy for units vacant over 60 days.	Prorated subsidy is deducted for any units vacant over 60 days through no fault of HAKC.	· Vacancy report for PH units · Site waiting list records	Monthly	· R & O, §4(b)(viii) · R & O, §7(d)
<b>Reserves</b>					
Replacement Reserve	Verify that Owner is reporting deposits to and withdrawals from reserve.	Owner provides monthly report of deposits and withdrawals.	· Monthly reserve report · Reserve account statements · Income and expense variance report	Monthly	· Repl Res Escrow Agmt, §10
Authority Reserve	Verify that Owner is reporting deposits to and withdrawals from reserve.	Owner provides monthly report of deposits and withdrawals.	· Monthly reserve report · Reserve account statements · Income and expense variance report	Monthly	· Aff Res Escrow Agmt, §10

# Management Review Scope

Quarterly

Crooked Creek

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REVIEW ITEM	PURPOSE	PERFORMANCE STANDARD	REVIEW DOCUMENT(S)	FREQUENCY	EVIDENTIARY REFERENCE	
<b>Physical Condition</b>						
Unit condition	Determine if PH units are being maintained in acceptable condition.	Meets UPCS and HAKC standards	· Inspection of 2-3 PH units	Quarterly	· R&O § 3(a)(1)	
<b>Maintenance/Capital Planning</b>						
Maintenance Requests	Determine if work orders are being properly prioritized as emergency/non-emergency.	Emergency and non-emergency work requests identified on all work orders.	· Work order reports · Sampling of open and closed work orders from review period.	Quarterly	· R&O, §3(a) · Mgmt Plan §2.10(c)	
		Work orders opened and closed in AS400 on timely basis.	· Work order reports · Sampling of open and closed work orders from various periods of year	Quarterly	· R&O, §3(g) · Mgmt Plan, §2.3(a)	
<b>Renting Policies and Procedures</b>						
	Determine if move-outs are being processed correctly	· All necessary move-in documentation placed in resident file: - Notice of intent to vacate from resident or lease termination or eviction notice - Move-out inspection - Security deposit refund record (if applicable) - Record of any rent or charges owed after move-out - For Intertransfers to another HAKC unit, approved request for transfer · For intertransfers out, resident file sent to receiving site	· Resident files for last five move-outs	Quarterly	· R & O, §3(a)(l)	
Applicant Selection and Rejection	Determine if site Waiting List is being properly maintained.	List maintained by bedroom size, preference category and date/time of application.	· Waiting list · Random sample of 5-10 applicant files.	Quarterly	· Mgmt Plan §2.5(c)(2)	
	Determine if site Waiting List has sufficient number of applicants.	Sufficient number of applicants to fill existing vacancies and vacancies anticipated over next 120 days.	· Waiting list · Past year vacancy data	Quarterly	· Mgmt Plan, §2.3(b)	
	Determine if PH residents are being properly selected in accordance with the Resident Selection Plan.	Applicants notified to complete application 90-120 days before anticipated vacancy.	Applicants notified to complete application 90-120 days before anticipated vacancy.	· Random sample of 5-10 recent applicant files	Quarterly	· Mgmt Plan §2.5(c)(3)
		Applicants meet all PH eligibility requirements.	Applicants meet all PH eligibility requirements.	· Random sample of 5-10 recent applicant files	Quarterly	· R&O, §3(d)(ii) · Mgmt Plan §2.5(e)(1)
		Applicant preference correctly determined, including consideration of mitigating factors, and properly documented.	Applicant preference correctly determined, including consideration of mitigating factors, and properly documented.	· Random sample of 5-10 recent applicant files	Quarterly	· Mgmt Plan §2.5(f)
		Applicants properly screened for all criteria as stated in Resident Selection Plan; applicants failing screening withdrawn.	Applicants properly screened for all criteria as stated in Resident Selection Plan; applicants failing screening withdrawn.	· Random sample of 5-10 recent applicant files	Quarterly	· Mgmt Plan §2.5(g)
	Determine if new move-ins are being properly processed and documented.	· All move-ins documented: - All required certification documentation - Documentation of all screening steps - Lease, public housing lease addendum and attachments - If resident transferred from another HAKC unit, approved request for transfer and resident file from previous development · Resident files for intertransfers in received by site	· Resident files for last five move-ins	Quarterly	· R & O, §3(a)(l) · Mgmt Plan, §2.2	

REVIEW ITEM	PURPOSE	PERFORMANCE STANDARD	REVIEW DOCUMENT(S)	FREQUENCY	EVIDENTIARY REFERENCE
Lease Violations and Evictions	Determine if cases of resident non-payment and other lease violations, especially One Strike violations, are being diligently pursued in accordance with HAKC policies and regulations.	Proper notices sent in proper form.	· Sample of 3-5 current resident files: Lease enforcement notices and notices of conference rights	Quarterly	· Mgmt Plan §2.9(d) · R & O, §3(a)(l)
Grievance Procedure	Determine if site is properly processing resident grievances.	Compliance with agreed grievance procedure and HUD regulations.	· 10% sample of current resident files: Notices related to grievance procedures	Quarterly or as needed	· Mgmt Plan §2.9(d)
<b>Resident-Related Policies and Procedures</b>					
Recertifications	Determine if annual and interim recertifications are being initiated and completed on schedule.	All recertifications completed on time.	· Management recertification report or log for year · AS400 Tenants Not Certified report for year · Sample of 3-5 resident files	Quarterly and in accordance with annual recertification schedule	· R & O, §3(a)(l) · Mgmt Plan, §2.2
	Verify that annual and interim recertifications are being properly completed per HAKC requirements.	Recertification documentation complete and accurate.	· Sample of 3-5 resident files: Recertification documentation and income and rent calculations	Quarterly	· R & O, §3(a)(l) · Mgmt Plan, §2.2
<b>Administrative and Management</b>					
Site Staffing	Determine if site staffing meets requirements.	Site must have minimum of: (1) Site Manager (1) Lease Agent (1) Maintenance Person	· Site operating expense actuals · Site staff roster · Site visit observations	Quarterly or upon notice of staffing change	· Mgmt Plan, §2.4(b) · Mgmt Plan, §2.2(b)(s)
Lease	Verify that site management is using proper lease form.	All provisions of public housing lease addendum are compliant with HUD regulations and approved by HAKC.	· Sample of 3-5 resident files	Quarterly	· R&O, §3(e) · Approved Public Housing Lease
<b>Budget Approval and Monitoring</b>					
Payment of subsidy	Insure that subsidy owed is paid timely.	Correct subsidy amount paid within 14 days of receipt of monthly Owner invoice.	· Owner invoices · Subsidy payment records	Quarterly	· R&O, §7(c)

**Management Review Scope**  
**Annual/As Occurs**  
**Crooked Creek**  
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REVIEW ITEM	PURPOSE	PERFORMANCE STANDARD	REVIEW DOCUMENT(S)	FREQUENCY	EVIDENTIARY REFERENCE
<b>Physical Condition</b>					
Unit condition	Determine if PH units are being maintained in acceptable condition.	Meets UPCS and HAKC standards	· Inspection of 3-5 PH units	Annual	· R&O § 3(a)(1)
<b>Maintenance/Capital Planning</b>					
Communication access for hearing impaired.	Determine if management office has way to communicate with hearing-impaired residents by telephone.	Site maintains communication access for hearing-impaired residents (TTD/TTY or call relay).	· Written disabled access policies and procedures · Ask staff about procedures	Annual	· R&O § 3(a)(1)
Grounds Maintenance	Insure that site management has adequate system in place to schedule and track routine grounds maintenance.	Site has plan and schedule to perform regular maintenance of grounds.	· Grounds maintenance plan and schedule	Annual	· Mgmt Plan, §2.3(a) · R&O, §3(a)(1)
Fire Safety, Security and Loss Prevention	Insure that fire, safety, and emergency systems are being regularly inspected	Inspections of unit fire alarm systems performed annually and during maintenance calls.	· Inspection schedule · Management inspection checklist	Annual	· R&O § 3(a)(1)
	Insure that any deficiencies found have been corrected or are on schedule for correction	Completion of required corrective action or compliance with schedule for corrective action	· Site maintenance inspection checklist or report or third party inspection report · Completed work order for correction · If third party report, letter or certification from third party of corrective action completed · Inspections of building exteriors and grounds, community building, and other interior common areas	Annual	· Mgmt. Plan, §2.10 · R&O § 3(a)(1)
Capital Needs Assessment	Insure that capital needs planning is in place and adequate.	Site has up-to-date plan for capital replacement	· Current capital needs plan and schedule	Annual	· Mgmt. Plan, §2.10 · R&O § 3(a)(1)
		Site has sufficient reserves to meet capital replacement schedule	· Current capital needs plan and schedule · Reserve account statements · Income and expense variance report for year showing replacement reserve contributions scheduled and made	Annual	· Repl Res Escrow Agmt, §3
<b>Renting Policies and Procedures</b>					
Marketing and Rental Practices	Verify that fair housing standards are being followed in marketing to public housing residents.	No resident rejections based on unfair marketing practice.	· AS400 Move-In and Move-Out Report · Resident files for last five applicants who rejected units.	Annual or as needed	· R & O, §10(l) · Mgmt Plan, §2.6
Vacancy Management	Determine if there have been any vacancies over 60 days for which the Housing Authority may recapture subsidy.	No vacancies in public housing units over 60 days.	· Management vacancy report for review period showing vacancies · AS400 Vacant Units Report	Annual or as needed	· R & O, §4(b)(viii) · R & O, §7(d)
<b>Resident-Related Policies and Procedures</b>					
Management/Resident Relations	Confirm that management is providing proper orientation to new public housing residents.	All required orientations topics covered.	· Written materials used by management for orientation	Annual	· Mgmt Plan, §2.7
		Orientation provide to all public housing residents.	· Sample of 3-5 resident files: Signed resident acknowledgements of orientation	Annual	· Mgmt Plan, §2.7
Safety/Security	Determine what crime prevention measures site management is pursuing.	Site taking one or more of following measures: · Promoting resident involvement · Liaison with Police Dept. · Implementing site security program · Employing private security guards	· Incident or patrol logs · Police reports	Annual or as needed	· Mgmt. Plan, §3.4(b)
	Insure that management is participating in Neighborhood Advisory Committee.	Management participating in Neighborhood Advisory Committee.	· Member roster or attendance list from last meeting · Attend meeting	Annual or as needed	· Mgmt. Plan, §3.4(c)

REVIEW ITEM	PURPOSE	PERFORMANCE STANDARD	REVIEW DOCUMENT(S)	FREQUENCY	EVIDENTIARY REFERENCE
Rent Collection Practices	Verify that residents damage charges and late fees are being assessed appropriately.	All resident charge amounts correct.	· Resident charges for past year on management rent roll · Sample of 3-5 resident files for residents charged	Annual	· Mgmt Plan §3(g)
		All resident charges assessed in a timely manner.	· Resident charges for past year on management rent roll · Sample of 5-8 resident files for residents charged	Annual	· Mgmt Plan §3(g)
	Verify that rent collections for PH units are being timely and accurately reported to HAKC.	Management Agent reports to HAKC by 15th of month.	· Monthly Management Report · AS400 Current Tenant Balance or Current Tenant Ledger report	Monthly	· R&O, §7(c) · Mgmt Plan §2.2(b)(6) · Mgmt Plan §2.3
Fair Housing/Section 504 Practices	Insure that Fair Housing logo is displayed in office and on all marketing literature.	Fair Housing logo posted in office and printed on literature	· Management office visit · Site marketing literature and lease	Annual	· R & O, §10(l) · Mgmt Plan, §2.6
	Insure that site is complying with Affirmative Fair Housing Marketing Plan.	Level of compliance with with Affirmative Fair Housing Marketing Plan	· Resident list with demographic information · Rejected applicant files	Annual or as needed	· R & O, §10(l) · Mgmt Plan, §2.6
<b>Administrative and Management</b>					
MBE/WBE/SBE/Section 3 Outreach	Determine if site is meeting Section 3 goals.	Section 3 goals and schedules	· Section 3 plan · Vendor and contractor lists	Annual	10(l)7(e)
Tax Credit Compliance	Determine if property is staying in compliance with Section 42 and MHDC regulations and agreements.	No MHDC compliance findings or findings being corrected expeditiously.	· Review most recent MHDC compliance audit report. · If MHDC audit report shows findings, review follow-up compliance verification from MDHC; ask manager about progress remedying deficiencies found.	Annual	· Mgmt & Acctng Serv Agmt, §3(h) · R & O §3(a)(ii)
Security Deposit/Last Month's Rent Collection Practices	Determine if security deposits and last month's rent are being properly collected, documented and maintained.	Proper security deposit amount collected.	· Management rent roll and security deposit report · AS400 rent roll and security deposit report · 10% resident file sample: Security deposit receipts	Annual	· Mgmt. Plan § 2.9 · State security deposit laws
		Security deposit properly documented.	· Sample of 5-8 resident files	Annual	· State security deposit laws
		Security deposit maintained in accordance with state law.	· Security deposit account statement	Annual	· State security deposit laws
Site Staffing	Determine if site staffing meets requirements.	Site must have minimum of: (1) Site Manager (1) Lease Agent (1) Maintenance Person	· Site operating expense actuals · Site staff roster · Site visit observations	Upon notice of staffing change	· Mgmt Plan, §2.4(b) · Mgmt Plan, §2.2(b)(s)
<b>Budget Approval and Monitoring</b>					
Submission of Proposed Operating Budget	Determine if Owner is complying with schedule for submitting proposed operating budget to HAKC.	Operating budget proposal submitted to HAKC within 120 days before end of prior fiscal year.	· Operating budget proposal · Correspondence from management concerning budget submission date	Annual	· R&O, §4(b)
Review of Proposed Operating Budget	Determine if Estimated PHA Assisted Units Income and Expenses are reasonable.	Income and expenses reasonable and in line with comparable developments.	· Operating budget proposal · Expense actuals from prior year · Expense actuals from comparable properties · Local cost information	Annual	· R&O, §4(b)(I) & (II)
Approval of Budget	Approve or disapprove proposed budget (or portions) within required time period.	Approval or disapproval by HAKC within 30 days of receipt of proposed budget.	· Operating budget proposal	Annual	· R&O, §4(b)(I)
	Appoint a budget referee in the event of unresolvable dispute over proposed budget.	Owner and HAKC agree on a budget referee within 5 days of request by either party.	· Written notice(s) of disputes over budget · Written request for appointment of referee	Annual	· R&O, §4(b)(I)
	Insure that Budget Referee meets requirements of agreements.	Budget Referee must meet requirements for a Qualified Project Manager as defined in R&O, §1(rr).	· Work order reports · Sampling of open and closed work orders from review period.	Annual	· R&O, §4(b)(I) · R&O, §1(rr)

REVIEW ITEM	PURPOSE	PERFORMANCE STANDARD	REVIEW DOCUMENT(S)	FREQUENCY	EVIDENTIARY REFERENCE
<b>Budget Reconciliation</b>					
Audited Financial Statements	Determine if Owner is complying with schedule for submission of annual audited financial statement.	Statement submitted within 120 days of beginning of subsequent fiscal year.	· Audited Financial Statement · Correspondence from management concerning budget submission date	Annual	· R&O, §7(b)
	Determine if audited financial statement is complete and contains information required for reconciliation.	· Statement prepared in accordance with GAAP standards · Statement includes any additional financial statements delivered to partners	· Audited Financial Statement	Annual	· R&O, §7(b)
	Verify that required Supplemental Data has been submitted.	Correct number of PH units and bedroom sizes; number of Additional Tax Credit, and Market Rate units.	· Annual Owner Certification · Tenant roster/resident listing · Current Property Info Sheet	Annual	· R & O, Preamble · R & O, §2(a)
Review of Income and Expense Actuals	Determine if actual expenses were in accordance with expenses approved by HAKC.	PH unit expenses do not exceed expenses approved by HAKC.	· Approved operating budget · Audited financial statement (Income and expense statement)	Annual	· R&O § 4(b)(iv)
	Determine if actual expenses that exceed approved operating budget are allowable.	Allowed expenses must be "reasonable and necessary".	· Approved operating budget · Income and expense statement · Owner explanation for amounts over budget · HAKC site review findings	Annual	· R&O, §4(a)(1)
Review and adjustment of subsidy	Insure that any remaining subsidy owed is paid and any overpayment is recovered.	Correct subsidy payment based on approved budget and provisions of R&O.	· Subsidy payment records · Internal reconciliation memo	Annual	
<b>Reserves</b>					
Replacement Reserve	Insure that reserves are used only for allowed purposes.	Replacement Reserve funds used on ly for capital replacements and improvements.	· Copy of Owner request for withdrawal and documentation	Annual	· R&O, §5(c)(i)
	Insure that Owner provides required certifications with request for withdrawal from reserves.	Owner provides certification of necessity or authorization for expenditure using approved form (see Repl Res Esc Agmt, Exh. B) to Escrow Agent, who sends copy of certification and supporting documentation to HAKC within three (3) days of Owner request.	· Copy of Owner request for withdrawal and documentation · Monthly reserve report · Reserve account statements	As occurs	· Repl Res Escrow Agmt, §6
	Insure that HAKC provides timely notice of any objection to Owner request for reserve withdrawal.	HAKC must provide objection in writing by 10th day following Owner request to Escrow Agent.	· Copy of Owner request and documentation · Income and expense variance report · Approved operating budget	As occurs	· Repl Res Escrow Agmt, §6
	Insure that site has sufficient reserves to meet capital replacement schedule	Sufficient reserves to meet capital replacement schedule.	· Reserve account statements · Income and expense variance report for year showing replacement reserve contributions scheduled and made	Annual	· Repl Res Escrow Agmt, §3

REVIEW ITEM	PURPOSE	PERFORMANCE STANDARD	REVIEW DOCUMENT(S)	FREQUENCY	EVIDENTIARY REFERENCE
Authority Reserve	Insure that Owner provides required certifications with request for withdrawal from reserves.	Owner certifies that: · HAKC failed to pay full approved subsidy amount · That there has been reduction in subsidy due to legislative or regulatory change or diminished appropriations, or other unanticipatable causes not the fault of Owner. · Funds are need to meet approved operating budget or · HAKC has consented in writing to disbursement Owner sends request to escrow agent with certification and supporting documentation; Escrow Agent sends copy of certification and supporting documentation to HAKC within three (3) days of Owner request.	· Copy(ies) of Owner request(s) and documentation sent to HAKC · Monthly reserve report · Reserve account statements · Income and expense variance report showing reserve withdrawals made · Approved operating budget	As occurs	· R&O, §5(b)(iii) · R&O, §6(c)
	Insure that reserves are used only for allowed purposes.	Affordability Reserve funds used only to cover approved operating expenses in the event of reduction in subsidy due to legislative or regulatory change or diminished appropriations, or other unanticipatable causes not the fault of Owner.	· Copy of Owner request and documentation · Income and expense variance report · Approved operating budget · Subsidy payment records	As occurs	· R&O, §6(c) · Aff Res Escrow Agmt, Background (A)
	Insure that HAKC provides timely notice of any objection to Owner request for reserve withdrawal.	HAKC must provide objection in writing by 10th day following Owner request to Escrow Agent.	· Copy of Owner request and documentation · Income and expense variance report · Approved operating budget	As occurs	· R&O, §5(b)(iii)
	Insure that reserve balance is at appropriate level.	Reserve cannot exceed three (3) times approved operating subsidy for previous three (3) years. Increases in ceiling beyond initial \$32,000 deposit plus investment income must be approved by HAKC and Owner.	· Monthly reserve report · Reserve account statements · Audited financial statements (Income and expense statements) for previous three (3) years	Annual	· R&O, §5(b)(v)
<b>Insurance</b>					
Required Insurance	Verify that owner is carrying insurance required by HAKC agreements.	Owner carries all-risk insurance against hazards at 100% of full replacement cost of entire development.	· Sample of 3-5 resident files: Signed resident acknowledgements of orientation	Annual	· R&O, §8(a)
Restoration of Property	Insure that Owner repairs or rebuilds PH units in the event of damage or loss.	Owner restores PH units to as near as possible to their condition before damage or loss occurred.	· Repair or construction contract(s) · Physical inspection	As occurs	· R&O, §8(b)
<b>Authority Loan</b>					
Loan Payments	Insure that loan payment (when due) is made timely.	Loan payment (when due) is due 120 days following end of fiscal year.	· Audited financial statement (Income and Expense statement) · HAKC receivables records	Annual	1st Ded of Tr Loan Agmt, §3.5
	Insure that loan payments are made in proper amount.	Loan payment equals 5% of Net Available Cash Flow as defined in Loan Agreement. Net Available Cash Flow is equal to: · Gross Receipts of project <b>minus</b> · Debt service/loan payments · Real estate taxes · Reasonable operating expenses · Required Owner payments into Affordability Reserve · Deferred Developer Fees and interest on them	· Audited financial statement (Income and Expense statement) · HAKC receivables records	Annual	1st Ded of Tr Loan Agmt, §3.5

## ATTACHMENT D: COMPARISON OF PROCUREMENT POLICIES

\*Red text represents information that differs across HACM/HDC docs

Topic	Procurement Methods
Small Purchase Procedures	<ul style="list-style-type: none"> <li>·Any contract not exceeding \$100,000 is a small purchase</li> <li>·\$100,000 may be processed through a petty cash account</li> <li>·Executive director is authorized to make purchases and contracts not exceeding \$2,000,000. Only one quotation is required</li> <li>·Purchases between \$2,000,000-\$10,000 must be accompanied by at least 3 quotations</li> <li>·For purchases and contracts \$10,000-\$100,000, executive director shall solicit written price quotations from at least 3 suppliers, along with the retention of tabulated quotations received</li> </ul>
Sealed Bidding	<ul style="list-style-type: none"> <li>·Contracts awarded based on competitive sealed bidding if these conditions are met: Complete purchase description; 2 or more responsible bidders willing and able to compete for the work; procurement lends itself to a fixed price contract; selection of successful bidder can be made principally on the basis of price</li> <li>·Sealed bidding is used when services or supply contracts exceed \$100,000</li> <li>·Bids are publicly solicited and a firm-fixed-price contract is awarded to responsible bidder whose bid is the lowest in price</li> <li>·HDC policy states additionally: "The invitation for bids shall state the time and place for both the receipt of bids and the public bid opening. All bids received shall be time-stamped but not opened and shall be stored in a secure place until bid opening. A bidder may withdraw its bid at any time prior to bid opening"</li> <li>·For contract awarding conditions; see small purchase procedures desc.</li> <li>·Bids shall be opened publicly; an abstract of bids shall be recorded and the bids shall be available for public inspection</li> <li>·Correction or withdrawal of inadvertently erroneous bids may be permitted before bid opening by written or telegraphic notice</li> <li>·For construction or facility improvement contracts exceeding the simplified acquisition threshold,</li> </ul>
Competitive Proposals	<ul style="list-style-type: none"> <li>·Competitive proposals may be used if there is an adequate method of evaluating technical procedures and where HACM determines the conditions are not appropriate for the use of sealed bids- must be used for professional services</li> <li>·Public RFP shall clearly identify the relative importance of price and other evaluation factors and subjects</li> <li>·Proposals shall be evaluated only on the criteria stated in the RFP</li> <li>·Unless there is no need for negotiations with any of the offerors, negotiations shall be conducted with offerors who submit proposals determined to have a reasonable chance of being selected for award based on evaluation against technical and price factors specified in the RFP</li> <li>·The purpose of negotiations shall be to seek clarification with regard to and advise offerors of deficiencies in both technical and price aspects of the proposal</li> <li>·After evaluation of proposal revisions, the contract shall be awarded to the responsible firm whose qualifications are most advantageous to HACM</li> <li>·Architect/engineer may be obtained by either the competitive proposals method or qualifications based selection procedures</li> <li>·Sealed bidding shall not be used to obtain architect/engineer services. Price is not a factor in this selection process.</li> <li>·HDC policy includes professional services section: "HDC utilizes a variety of highly specialized professional services (consultants) to include: bond counsel, tax counsel, tax accountants, transaction legal counsel, construction legal counsel, environmental legal counsel, financial</li> </ul>

<p>Noncompetitive Proposals</p>	<ul style="list-style-type: none"> <li>·Conditions for use: item is available only from a single source; an emergency exists that seriously threatens public health/endangers property/cause serious injury to HACM; the appropriate regulatory authority recognizes the use of noncompetitive proposals; after solicitation of a number of sources, competition is determined inadequate</li> <li>·Each procurement based on noncompetitive proposals shall be supported by written justification for using such procedures. This shall be approved by the executive director</li> <li>·Reasonableness of the price for all procurements shall be determined by performing a cost analysis</li> </ul>
<p>Cost and Price Analysis</p>	<ul style="list-style-type: none"> <li>·Cost analysis shall include: cost breakdown; commercial pricing and sales information; documentation showing that the offered price is set by law or regulation</li> <li>·Cost analysis shall be performed if an offeror is required to submit a cost breakdown as part of its proposal. When this is submitted, HACM shall have a right to audit the contractor's books and records pertinent to such costs.</li> <li>·For competitive procurements for which cost or pricing information is not required of contractors, HACM shall perform a comparison of prices received in relation to the independent cost estimate</li> </ul>
<p>Cancellation of Solicitations</p>	<ul style="list-style-type: none"> <li>· An invitation for bids, RFPs, or other solicitation may be canceled before offers are due if: HACM no longer requires supplies, services, or construction; or if HACM can no longer expect to fund the procurement; proposed amendments to the solicitation would be of such magnitude that a new solicitation would be desirable</li> <li>·Additional reasons for cancellation include: if services or supplies are ambiguous; the solicitation did not provide for consideration of all factors of significance to HACM; prices exceed available funds; may have been collusive; may have been submitted in bad faith</li> <li>·Reasons for cancellation shall be documented in the procurement file</li> <li>·Notice of cancellation shall be sent to all offerors solicited with an explanation that they will be</li> </ul>
<p>Cooperative Purchasing</p> <p>*This section is included in HACM policy but not HDC</p>	<ul style="list-style-type: none"> <li>·HACM may enter into state or local intergovernmental agreements to purchase or use common goods and services. The decision to enter into such agreement shall be based on economy and efficiency</li> <li>·If used, intergovernmental agreement shall stipulate who is authorized to purchase on behalf of the participating parties and shall specify inspection, acceptance, termination, payment, and other relevant terms and conditions</li> </ul>

Topic	Types of Contracts, Clauses, and Contract Administration
Contract Types	<ul style="list-style-type: none"> <li>·Any type of contract which is appropriate to the procurement and which will promote the best interest of HACM may be used, provided that the cost-plus-a-percentage-of-cost and percentage of construction cost methods are prohibited.</li> <li>·All procurement shall include the clauses and provisions necessary to define the rights and responsibilities of the parties</li> <li>·A cost reimbursement contract shall not be used unless it is likely to be less costly or it is impracticable to satisfy HACM's needs otherwise</li> </ul>
Options	<ul style="list-style-type: none"> <li>·Options for additional quantities or performance periods may be included in contracts, provided that: the option is contained in the solicitation; the option is a unilateral right of HACM; the contract states a limit on the additional quantities and the overall term of the contract; the options are evaluated as part of the initial competition; the contract states the period within which the options may be exercised; the options may be exercised only at the price specified in or reasonably determine from the contract; and the options may be exercised only if determined to be more advantageous to HACM than conducting a new procurement</li> </ul>
Contract Clauses	<ul style="list-style-type: none"> <li>·In addition to containing a clause identifying the contract type, all contracts shall include any clauses required by Federal statutes, executive orders, and their implementing regulations</li> </ul>

Contract Administration	<ul style="list-style-type: none"><li>·A contract admin system designed to ensure that contractors perform in accordance with their contracts shall be maintained</li><li>·This shall include guidelines of inspection of supplies, services, or construction as well as monitoring contractor performance and status reporting</li></ul>
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**ATTACHMENT E: FINANCIAL REVIEW OF SAMPLE PROJECTS**

<b>Project</b>	<b>Castroville FLC</b>																	
Former owner/type	Formerly Paseo de Las Rosas. HACM was prior owner and operated as Farm Labor Housing which it had developed with Section 514 FLH loans.																	
Financial Closing	2017																	
Conversion to Perm	2020																	
Construction Type	Demolition and reconstruction with modular units																	
TDC	At closing: \$35 million including \$5.8 million site acquisition +\$1.2M cost overruns																	
Units	LIHTC USDA RD: 46 units Non-LIHTC USDA RD: 8 units Total units : 54																	
Rental Subsidy	USDA 514/516 and 521 rental																	
LIHTC type	9%																	
Tax credit investor	CREA. \$0.95 per credit \$12,414,963																	
Mortgage lender	CCRC																	
Mortgage terms	\$5,271,800. 5.19%. 35 years amortization. 17 years term.																	
Construction lender	\$24,140,000 Rabobank																	
Soft debt/other sources	<table border="1"> <tr> <td>County of Monterey (HOME)</td> <td>\$341,000</td> </tr> <tr> <td>County of Monterey (CDBG)</td> <td>\$35,000</td> </tr> <tr> <td>HDC gap</td> <td>\$949,961</td> </tr> <tr> <td>HDC (Seller Note)</td> <td>\$5,015,932</td> </tr> <tr> <td>CREA Warehousing LLC (equity) State tax credit loan</td> <td>\$4,000,092</td> </tr> <tr> <td>USDA (assumed, must pay)</td> <td>\$75,506</td> </tr> <tr> <td>USDA loans (must pay)</td> <td>\$6,000,000</td> </tr> <tr> <td>GP funding for construction shortfalls</td> <td>\$1,261,338</td> </tr> </table>		County of Monterey (HOME)	\$341,000	County of Monterey (CDBG)	\$35,000	HDC gap	\$949,961	HDC (Seller Note)	\$5,015,932	CREA Warehousing LLC (equity) State tax credit loan	\$4,000,092	USDA (assumed, must pay)	\$75,506	USDA loans (must pay)	\$6,000,000	GP funding for construction shortfalls	\$1,261,338
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USDA loans (must pay)	\$6,000,000																	
GP funding for construction shortfalls	\$1,261,338																	
Cash Flow Waterfall	<ol style="list-style-type: none"> <li>1. Asset management fee</li> <li>2. HDC Partnership Management Fee</li> <li>3. LP loans/amounts owed</li> <li>4. Developer fee</li> <li>5. Reserve accounts</li> <li>6. HDC loan</li> <li>7. 50% to seller note and 50% to HOME and City loans</li> <li>8. State Tax Credit loan</li> <li>9. Unpaid GP loans</li> <li>10. Deferred management fee</li> <li>11. Other amounts owed to GP</li> <li>12. 99% to LP and .01% to GP</li> </ol>																	

Fees to/from HDC	Payable to HDC: Partnership Management Fee. \$5,000 + 3% per year
Fees to/from HACM	\$310,375 owed to HACM for admin services per 2020 FS
ROFT/PO	Option agreement only for greater of FMV or IRS min; LP also has a Put Option
Other notes	Ongoing dispute with GC. Likely to settle for \$2-3M. Over \$2M in permanent relocation costs

Project	Haciendas 3	
Former owner/type	Last phase of a former Public Housing Site. SAC approval dated 3/1/2011	
Financial Closing	2017	
Conversion to Perm	2019	
Construction Type	Demo and new construction	
TDC	\$26 M including \$1.86 acquisition	
Units	50 total. All LIHTC.	
Rental Subsidy	3 HOME units and 9 PBV. Rest are LIHTC-only	
LIHTC type	9%	
Tax credit investor	CREA. \$0.885 per credit \$12,827,124	
Mortgage lender	CCRC	
Mortgage terms	\$4,286,900 5.47% Interest. 30 year amort. 17 year term	
Construction lender	Rabobank \$14,200,000	
Soft debt/other sources	HOME	\$1,515,476
	City of Salinas	\$582,692
	HACM loan	\$4,000,000
	HDC seller loan	\$1,860,000
Cash Flow Waterfall	<ol style="list-style-type: none"> <li>1. Asset management fee</li> <li>2. HDC Partnership Management Fee</li> <li>3. LP loans/amounts owed/negative adjusters</li> <li>4. Developer fee</li> <li>5. Reserve accounts</li> <li>6. Soft loans: <ol style="list-style-type: none"> <li>a. HOME (11%)</li> <li>b. City (23%)</li> <li>c. HDC loan (33%)</li> <li>d. HACM loan (33%)</li> </ol> </li> <li>7. Unpaid GP loans</li> <li>8. Deferred management fee</li> <li>9. Other amounts owed to GP</li> <li>10. 99% to LP and .01% to GP</li> </ol>	
Fees to/from HDC	Payable to HDC: Partnership Management Fee. \$15,450 + 3% per year	
Fees to/from HACM	Per 2020 FS: \$453,142 owed from HACM	
ROFT/PO	Option agreement only for greater of FMV or IRS min; LP also has a Put Option (\$100)	

Other notes	Ongoing litigation with GC
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<b>Project</b>	<b>One Parkside</b>															
Former owner/type	Site was owned by MCHI (a different affiliate) and combined with another site called Casanova under a bond issuance. The bond had to be repaid and refinanced in order to separate this site for redevelopment. The new loan was placed against Casanova and the proceeds used for One Parkside (about \$7 million).															
Financial Closing	2021															
Conversion to Perm	Under construction															
Construction Type	Demo and new construction (modular)															
TDC	\$53.7 million at closing including \$4M acquisition															
Units	80 units.															
Rental Subsidy	Section 8 PBV															
LIHTC type	9%															
Tax credit investor	Hudson. \$0.895 per credit \$20,540,192															
Mortgage lender	JPMC															
Mortgage terms	\$13,305,000 4.78% interest rate. 18 year term. 40 yr amortization															
Construction lender	JPMC \$27,580,000															
Soft debt/other sources	<table border="1"> <tr> <td>City of Salinas (fees deferred)</td> <td>\$394,943</td> </tr> <tr> <td>City of Salinas (HOME)</td> <td>\$957,540</td> </tr> <tr> <td>City of Salinas (PLHA)</td> <td>\$756,505</td> </tr> <tr> <td>Sponsor Casanova Loan</td> <td>\$6,984,956</td> </tr> <tr> <td>Sponsor loan</td> <td>\$500,000</td> </tr> <tr> <td>Seller loan and MCHI Loan</td> <td>\$8,155,000</td> </tr> <tr> <td>Energy tax credit equity</td> <td>\$57,700</td> </tr> </table>	City of Salinas (fees deferred)	\$394,943	City of Salinas (HOME)	\$957,540	City of Salinas (PLHA)	\$756,505	Sponsor Casanova Loan	\$6,984,956	Sponsor loan	\$500,000	Seller loan and MCHI Loan	\$8,155,000	Energy tax credit equity	\$57,700	
City of Salinas (fees deferred)	\$394,943															
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Sponsor loan	\$500,000															
Seller loan and MCHI Loan	\$8,155,000															
Energy tax credit equity	\$57,700															
Cash Flow Waterfall	<ol style="list-style-type: none"> <li>1. Tax credit shortfalls</li> <li>2. Asset management fee</li> <li>3. Operating reserve</li> <li>4. Partnership management fee</li> <li>5. Developer fee</li> <li>6. Soft loans: <ol style="list-style-type: none"> <li>a. 30% to the City loans</li> <li>b. 70% Seller Loan, the Sponsor Loan, the Sponsor Casanova Loan and the MCHI Loan – pro rata</li> </ol> </li> <li>7. After energy tax credit recapture period, 90% to GP</li> <li>8. 99% to LP and .01% to GP</li> </ol>															
Fees to/from HDC	Partnership management fee \$20,000 plus 3% per year to HDC															
Fees to/from HACM																
ROFT/PO	ROFR: 2 years after end of compliance period. Greater of debt + exit taxes + amounts owed to the LP or FMV.															
Other notes	Guarantors were both HACM and HDC by lender and investor request.															

**Conclusions:** Equity prices for Castroville and Haciendas 3 seem low for the time period. There is no clear indication in the deal structure that would explain a difference of \$0.065 from the same investor in the same year. During 2017 equity of \$1.00 per credit was not uncommon, especially in strong markets such as Monterey. By 2021, prices had decreased so Parkside One's terms seem more appropriate. Debt terms for Castroville and Haciendas 3 also could have been more advantageous. Interest rates could have been closer to 4% at the time the deals closed. From our assessment, it seems HDC may have accepted financing terms that were below market in order to do business with partners they were already familiar with.

