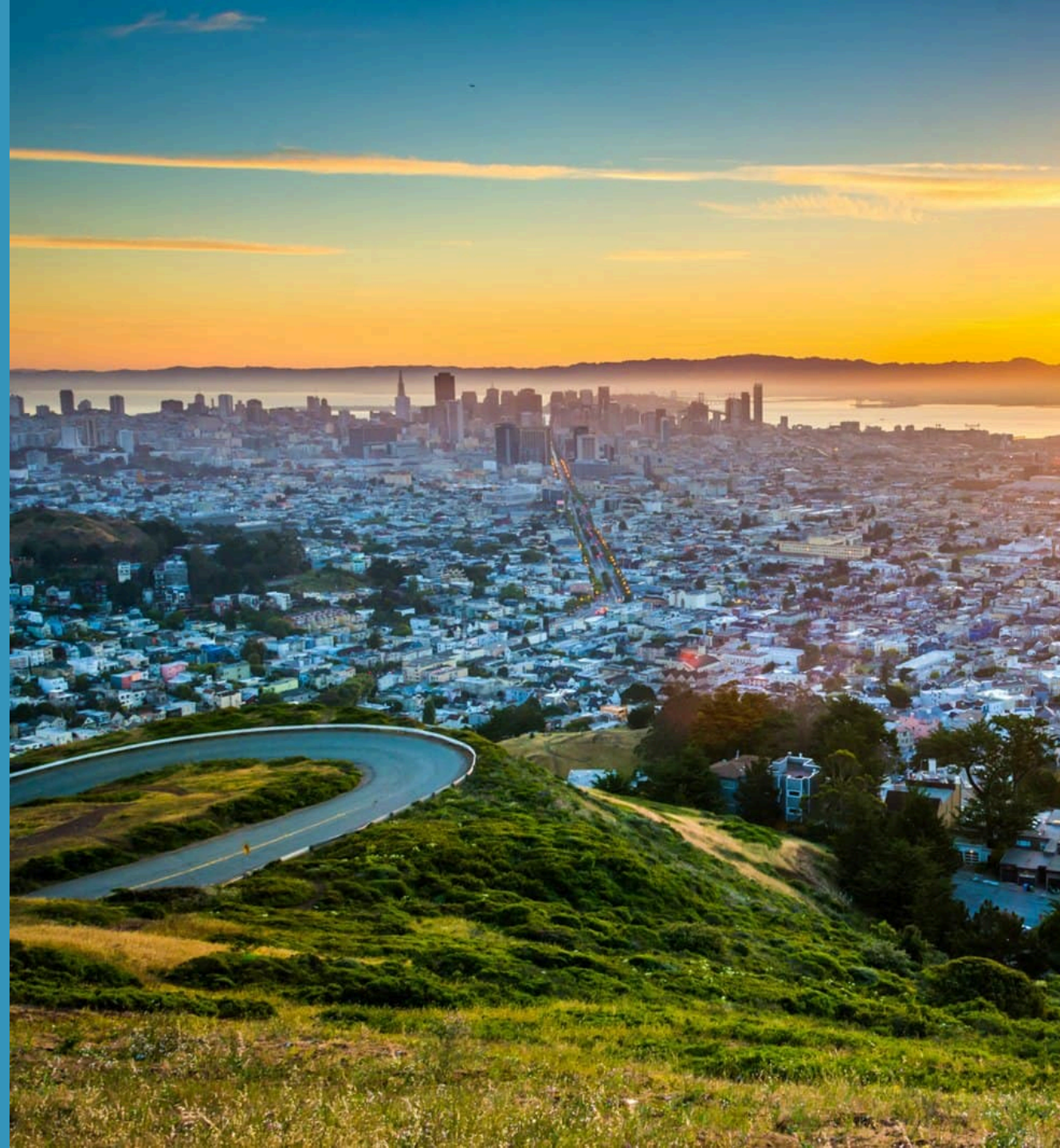


Preparing an Waiver Request under the Post- COVID Portfolio Stabilization Policy

May 7, 2024



AGENDA

1. Introductions 3:00-3:10
2. Post-COVID Portfolio Stabilization Policy 3:10-3:25
 - Key components
 - Eligibility
3. Review of Application & Sample AMRs 3:25-4:00
4. Submission & Timeline 4:00-4:10
5. Q&A 4:10-4:30

Please introduce yourself!

- Name, organization, position, number of AMRs you've completed during your career

Post COVID Stabilization Policy



No new City funding



Temporary 3-yr waiver of requirements under funding agreements and policies

Each approved waiver good for 1 yr period, with 2 options to extend. For CY reporting projects, waiver requests will be accepted for the 2023, 2024 and 2025 AMR reporting periods.



Leverage resources from cash rich projects (Donor Project) to support projects with operating deficits (Deficit Projects)

Does not include repayment of any advances made to Deficit Projects.

Key Elements

Post COVID Stabilization Policy Eligibility



Deficit and Donor Projects:

* Located in San Francisco



* Received City financing from MOHCD, SFRA, or OCII and are currently monitored by MOHCD



* Deficit Projects show operating deficit for the year included in the waiver request



On-time submission of the current-year AMR for all projects in the sponsor's portfolio.

Excess Proceeds from Gap Financing

- Excess proceeds from gap financing may be used to cover operating expenses at one or more Deficit Projects

Excess Proceeds from Reinvestment Waiver

- Excess proceeds from a Loan Committee approved Reinvestment Waiver may be used to cover operating expenses at one or more Deficit Projects.

MOHCD's share of Residual Receipts

- One-third of residual receipts will be payable to MOHCD and owner may retain up to two-thirds of residual receipts to address operating deficits.

Deferral of Ground Lease Rent

- Ground Lease Rent may be deferred for payment in a future year, increasing available cash flow to support Deficit Properties.

Post COVID Stabilization Policy Available Waivers

Waiver of minimum Operating Reserve balance

- Minimum balance of 10% of prior year's operating expenses, so long as the Donor/Deficit Project is able to replenish its operating reserve back up to the requirement minimum balance within a 3-year period.

Reallocation of Operating Reserves across properties

- Cash from Donor Project's operating reserve, up to an amount that leaves the Donor Project with at least a balance = 10% of prior years operating expenses, used to support one or more Deficit Project. Donor Project must replenish operating reserve balance up to required amount within a 3-year period.

Above the line Asset Management Fee

- Available for projects that have not yet been approved to take an above the line asset management fee.

Post COVID Stabilization Policy Available Waivers (cont)

Donor Project

Project with Surplus Cash

	B	D	F	H	J
104	TOTAL OPERATING EXPENSES:		\$3,521,019.00	\$0.00	\$3,521,019.00
105					
		Name of Lessor/ Bond Monitoring Agency/ Reserve Account			
106	Ground Lease Base Rent/Bond Fees/Reserves				
107	Ground Lease - Base Rent (provide Lessor name to the right)	SF-MOH	\$15,000.00		\$15,000.00
108	Bond Monitoring Fee	SF-MOH/BNY	\$104,549.00		\$104,549.00
109	Replacement Reserve Required Annual Deposit (Source is Operating Account.) Enter as positive number.	1320	\$64,500.00		\$64,500.00
110	Operating Reserve Deposits (Source is Operating Account.) Enter as positive number.	1365			\$0.00
111	Operating Reserve Account Withdrawals (For deposits to Operating Account.) Enter as positive number.				\$0.00
112	Other Required Reserve Account Deposits (Source is Operating Account. Enter as positive number. Identify reserve account in next col) (1330)				\$0.00
113	Other Required Reserve Account Withdrawals (For deposit to Operating account. Enter as positive number. Identify account in next col ---->				\$0.00
114	Sub-total Ground Lease Base Rent/Bond Fees/Reserves		\$184,049.00	\$0.00	\$184,049.00
115					
116	TOTAL OPERATING EXPENSES (w/ Reserves/GL Base Rent/ Bond Fees)		\$3,705,068.00	\$0.00	\$3,705,068.00
117		Acct Num	Residential	Non-Residential	Total
118	1. TOTAL INCOME RECEIVED:		\$5,907,116.00	-\$18,548.00	\$5,888,568.00
119	2. TOTAL OPERATING EXPENSES:		\$3,705,068.00	\$0.00	\$3,705,068.00
120	3. NET OPERATING INCOME:		\$2,202,048.00	-\$18,548.00	\$2,183,500.00
121					
		Name of Lender / Describe Other Amt Paid	Residential	Non-Residential	Total
122	4. Debt Service (Principal and Interest)				
123	Lender1 - Principal Paid (provide lender name to the right)	Berkadia	\$397,740.00		
124	Interest Paid		\$342,912.00		
125	Other Amount (describe to the right)				
135	Total Debt Service Payments		\$740,652.00	\$0.00	\$740,652.00
136					
137	Surplus Cash, Detail (NOI minus Debt Service and Reserve Activity)		\$1,461,396.00	-\$18,548.00	\$1,442,848.00

Deficit Project

Project with Operating Deficit

	B	D	F	H	J
103	Amount will be netted out from operating expenses. Enter as positive number.		\$0.00		
104	TOTAL OPERATING EXPENSES:		\$2,516,063.00	\$0.00	\$2,516,063.00
105					
		Name of Lessor/ Bond Monitoring Agency/ Reserve Account			
106	Ground Lease Base Rent/Bond Fees/Reserves				
107	Ground Lease - Base Rent (provide Lessor name to the right)	\$0.00	\$0.00		\$0.00
108	Bond Monitoring Fee	\$0.00	\$0.00		\$0.00
109	Replacement Reserve Required Annual Deposit (Source is Operating Account.) Enter as positive number.	1320	\$74,200.00		\$74,200.00
110	Operating Reserve Deposits (Source is Operating Account.) Enter as positive number.	1365			\$0.00
111	Operating Reserve Account Withdrawals (For deposits to Operating Account.) Enter as positive number.		\$0.00		\$0.00
112	Other Required Reserve Account Deposits (Source is Operating Account. Enter as positive number. Identify reserve account in next col) (1330)		\$0.00		\$0.00
113	Other Required Reserve Account Withdrawals (For deposit to Operating account. Enter as positive number. Identify account in next col)		\$0.00		\$0.00
114	Sub-total Ground Lease Base Rent/Bond Fees/Reserves		\$74,200.00	\$0.00	\$74,200.00
115					
116	TOTAL OPERATING EXPENSES (w/ Reserves/GL Base Rent/ Bond Fees)		\$2,590,263.00	\$0.00	\$2,590,263.00
117		Acct Num	Residential	Non-Residential	Total
118	1. TOTAL INCOME RECEIVED:		\$2,156,749.00	\$0.00	\$2,156,749.00
119	2. TOTAL OPERATING EXPENSES:		\$2,590,263.00	\$0.00	\$2,590,263.00
120	3. NET OPERATING INCOME:		-\$433,514.00	\$0.00	-\$433,514.00
121					
		Name of Lender / Describe Other Amt Paid	Residential	Non-Residential	Total
122	4. Debt Service (Principal and Interest)				
123	Lender1 - Principal Paid (provide lender name to the right)	HCD Loan			
124	Interest Paid		\$5,380.00		
125	Other Amount (describe to the right)				
135	Total Debt Service Payments		\$5,380.00	\$0.00	\$5,380.00
136					
137	Surplus Cash, Detail (NOI minus Debt Service and Reserve Activity)		-\$438,894.00	\$0.00	-\$438,894.00

Donor Projects may also be ones that:

- Have Excess Proceeds from Construction Budget
- Excess Proceeds from Approved Cash out Waiver Request
- Operating Reserve with balance greater than 25% PY Opex

Let's take a look at the
waiver application!

Sample 2023 AMR for Donor Project

	B	D	F	H	J
157					
158	12. RESIDUAL RECEIPTS				\$344,635.00 Leave cells below blank if Surplus Cash is <= \$0.
159				Distribution Priority (select below)	
160	12a. MOHCD Residual Receipts Due for Loan Repayment			3	\$114,878.33
161	12b. MOHCD Residual Receipts Due for Ground Lease Residual Rent Payment				
162	12c. Subtotal Residual Receipts Payments to MOHCD				\$114,878.33
163	12d. Residual Receipts Debt Pmt to other lender3 (note lender name to right)				
164	12e. Residual Receipts Debt Pmt to other lender4 (note lender name to right)				
165	12f. Residual Receipts Debt Pmt to other lender5 (note lender name to right)				
166	Total Residual Receipts Payments:				\$114,878.33
167	DO NOT SUBMIT YOUR PROPOSED RESIDUAL RECEIPT PAYMENT TO MOHCD WITH THIS AMR. MOHCD WILL REVIEW YOUR PROPOSED PAYMENT AND GENERATE AN INVOICE IF THE PAYMENT IS APPROPRIATE; IF THE CALCULATION CANNOT BE				
168					
169	Remaining Balance				\$229,756.67
170					
171	Proposed Owner Distributions (provide description in column D and enter amount in column J. If an amount is entered, a description is required.)	Owner retained 1/3 of residual receipts under Portfolio Stabilization Policy			\$114,878.34
172	Proposed Other Distributions/Uses (provide description in column D and enter amount in column J. If an amount is entered, a description is required. If you had a Calendar Year LOSP surplus, please acknowledge that and note exact amount.)	Amount of residual receipts to support Deficit Projects. \$3000.33 to Bill Sorro. Remainder to Madonna Residences.			\$114,878.34
173					
174	Final Balance: should be ZERO except when Surplus Cash (cell J140) is negative				\$0.00
175					

MOHCD's 1/3 Distribution

Owner's 1/3 Distribution, if taking

Amount to Deficit Projects

What about 2023 AMR for Deficit Projects?

- Complete 2023 AMRs as you typically would.
- Resources from Donor Projects will be reflected on 2024 AMR

What about LOSP Projects?

- Applicable to projects with some non-LOSP units that have generated a surplus.
- Non-LOSP units can use available waivers to support LOSP units in same Project, then to other LOSP units in the Sponsors portfolio.

Annual Monitoring Report - Fiscal Activity - Reporting Year 2023 - Mayor's Office of Housing & Community Development

INCOME & EXPENSES							LOSP REPORTING	
12 Month Report Period	Start Date:	1/0/1900	End Date:	1/0/1900	# LOSP Units	# non-LOSP Units		
12. RESIDUAL RECEIPTS				\$80,000.00	-\$13,780.00	\$93,780.00		
			Distribution Priority (select below)	Leave cells below blank if Surplus Cash is <= \$0.	LOSP	non-LOSP		
12a. MOHCD Residual Receipts Due for Loan Repayment			MOHCD's 1/3 Distribution	\$31,260.00	\$0.00	\$31,260.00		
12b. MOHCD Residual Receipts Due for Ground Lease Residual Rent Payment					\$0.00	\$0.00		
12c. Subtotal Residual Receipts Payments to MOHCD				\$31,260.00	\$0.00	\$31,260.00		
Total Residual Receipts Payments:				\$31,260.00	\$0.00	\$31,260.00		
DO NOT SUBMIT YOUR PROPOSED RESIDUAL RECEIPT PAYMENT TO MOHCD WITH THIS AMR. MOHCD WILL REVIEW YOUR PROPOSED PAYMENT AND GENERATE AN INVOICE IF THE CALCULATION CAN BE VERIFIED AS APPROPRIATE; IF THE CALCULATION CANNOT BE VERIFIED, MOHCD WILL CONTACT YOU.							Residential Breakdown	
Remaining Balance			Owner Distribution + Amount to Deficit Project	\$48,740.00	-\$13,780.00	\$62,520.00		
Proposed Owner Distributions (provide description in column D and enter amount in column J. If an amount is entered, a description is required.)			\$93,780 residual receipts from non-LOSP units. 1/3 distribution to MOHCD, 1/3 to support Deficit Projects and 1/3 to Owner as distribution. J171 and N171 reflect the portions to Owner and Deficit Projects.	\$62,520.00	If L169 is >0, enter that number in J172 & L172 below. The amount will be treated as the LOSP CY surplus.	\$62,520.00		
Proposed Other Distributions/Uses (provide description in column D and enter amount in column J. If an amount is entered, a description is required. If you had a Calendar Year LOSP surplus, please acknowledge that and note exact amount.)							If N169 is >0, you may enter that amount in J171 & N171 above if your LOSP budget allows an owner distribution.	
Final Balance: should be ZERO except when Surplus Cash (cell J140) is negative				-\$13,780.00	-\$13,780.00	\$0.00		

Sample 2023 AMR for LOSP Project

How is the application waiver submitted?

1. Submit to moh.amr@sfgov.org the completed Waiver Request Workbook, and all required documents noted in the Submission Checklist including:

- Organizational audit
- Approvals by investors, HCD, hard debt lenders, as applicable

Note: MOHCD will not begin review until all approvals have been received.

2. Title the submission email: "Reporting Year - Sponsor Name Portfolio Stabilization Waiver Request"

Example:

2023 - MOHCD Development Corp Portfolio Stabilization Waiver Request

Important: Deadline for the waiver request is by the AMR deadline.

Timeline



1. Sponsor submits Waiver Request by 2023 AMR deadline (May 31st or June 30th)
2. MOHCD to provide Director's approval by October 31, 2024.
3. Funds to be transferred from Donor Project to Deficit Project's operating account or operating reserve by December 31, 2024. Once transferred provide documentation to assigned MOHCD Asset Manager.

What about next year?

Extension conditioned on:

- Timely AMR reporting
- No default under any loan agreement or affordability restriction
- Documentation of ongoing operating deficit at Deficit Project
- Demonstrated good faith effort to increase revenue and reduce expenses.

Due by the reporting year's AMR deadline.

Pop Quiz!

What needs to be met for a Sponsor to submit a waiver request under the Post COVID Stabilization Policy in 2024?

- a) On time submission of 2023 AMRs
- b) Donor and Deficit Projects are located in San Francisco and are currently monitored by MOHCD
- c) Deficit Projects reflect a deficit on the 2023 AMRs
- d) ALL OF THE ABOVE

ANSWER: D) ALL OF THE ABOVE!

Pop Quiz!

A Deficit Project is one that:

- a) Does not have an operating deficit after reserve deposits and debt service, but has under funded replacement reserves or operating reserves
- b) Has an operating deficit after required reserve deposits and hard debt service is paid.
- c) Had a deficit in 2021 and 2022 but does not have a deficit in 2023.

ANSWER: B!!!

Questions?