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Addendum #1: Revised Submission Deadline and FAQ re NH Debt and Equity RFQ

Please be advised that the submission deadline has been extended from April 6, 2024, to April 20, 2023 at 5:00 p.m. Pacific Time.

Below are the complete list of questions received prior to the posted deadline of March 16, 2023 in the order questions were received. Some questions ask what amounts to materially the same question and may direct you to the response to an earlier question.

1) Do you prefer direct investors or syndicators?

> Response: AHA/ICD welcome responses from both direct investors and syndicators for our North Housing Block A development. This development is very important to us, as the first on our property on the former Naval Air Station. Because we are a public agency, we competitively bid all of our projects. This procurement is to secure debt and equity for up to three sites, including two future sites, and in the spirit of competitive bidding, we are open to all offers from all direct investor and syndicators and lenders. Any priorities or preferences are written into the procurement document. We thank you for your interest and your support of our affordable housing work.

2) Do you have a list of direct investors responding to this RFQ?

> Response: Responses to this RFQ has been extended from April 6, 2023 to April 20, 2023, at 5:00 p.m. Pacific Time. Therefore, we do not have a list of direct investors responding to this RFQ.

3) For PSH I and II, please confirm when the COSR is required to be funded, deferring the funding may help a bit with pricing.

> Response: For PSH I, the operating reserve is expected to be partially funded at construction loan closing and fully funded at conversion. The additional operating reserve is expected to be fully funded at 8609. Please provide alternative options in your responses for adjustments to the anticipated timing of funding the COSR.

4) For PSH I and Senior, please confirm is the HA is okay assuming a 3 month lease up period for PSH I and Senior to avoid having a stub year of tax credits and show a full delivery of credits in the first year. We noted the market study does support a 3 month lease up assumption.

> Response: AHA and ICD are willing to consider full delivery of credits in the first year – 2025. However, we would like to see any and all equity adjustments/adjusters should the project’s first year credit delivery is to occur in 2026.

5) For all projects,

a) Please confirm if we should assume all loans coming through or from the sponsor will be considered related party for tax purposes or if the intent is to have them disaffiliated for minimum gain purposes.

Response: Yes, please assume all loans pass-thru the sponsor will be considered related party loans for tax purposes. Unless necessary, AHA and ICD does not intend to have or create disaffiliated entities for the three projects at North Housing Block A.

b) Please confirm if we should assume tax exempt use property or whether the HA is open to making a 168h election or using qualified allocations to allow the fund to take bonus depreciation.

Response: Please assume tax exempt use property and no bonus depreciation. However, we are willing to consider alternatives, please note any relevant tax treatment elections and their respective impacts to the proposed terms.

6) Is AHA/ICD looking for term sheet or letter of commitment for all three projects?

Response: AHA/ICD is seeking term sheet and letter of intent from lender and investor, respectively for all three projects. Please refer to Section III of the RFQ for submission details.

7) On your REO can you please include: a) occupancy rate b) debt service coverage ratio c) outstanding balance of hard debt?

Response: An updated REO schedule with the requested information is included with this addendum.

8) How many 100% homeless project has AHA built and managed?

Response: AHA/ICD has demonstrated to State HCD that through its principal, Sylvia Martinez, ICD meets the experience requirements per Section 7302 of the UMR. Please see attached Principal Statement of Qualifications included with this addendum. The two permanent supportive housing projects within North Housing Block A will be AHA's first 100% homeless housing projects. However, the Housing Authority and its affiliates have considerable experience with extremely low income and homeless housing oversight due to its project based contracts with other City of Alameda projects that have 100% or significant numbers of homeless households. We work with 3rd party managers and AHA contracts with FPI for property management.

9) PSH I and II - Service Providers - Building Futures and Alameda Point Collaborative

a. How many projects of AHA's are Building Futures and Alameda Point Collaborative currently serving as service providers?

Response: The two permanent supportive housing projects within North Housing Block A will be AHA's first projects with Building Futures and Alameda Point Collaborative as service providers. However, we have administered the Single Room Occupancy Moderate Rehabilitation Program at Bessie Coleman Court which contracts with these experienced social service providers for almost two decades. AHA also works intimately with these two organizations as part of the City of Alameda social services network. BF and APC have teamed with AHA on the North Housing homeless housing conveyance from the US Navy since 2007.

b. What economics (developer fee, cash flow, etc.) are you planning to share with Building Futures and Alameda Point Collaborative if they end up being a special limited partner in the tax credit partnership, with .001% ownership?

Response: ICD is the developer and will receive 100% of the developer fees payable from the tax credit projects. Building Futures and Alameda Point Collaborative will share a fixed Services Project Management Fee in the amount of $600,000 to be allocated 50% to each of the two permanent supportive housing projects, $330,000 for PSH I and II respectively. ICD will pay for the fixed Services Project Management Fee to the providers from Developer Fees received from the project.BF, APC and AHA have agreed that Excess Cash Flow (as defined of income after all expenses, mandatory debt, soft debt, and asset management fees are paid) will be set aside as a 3rd party reserve (outside of the LP for services for the Project).

c. Would Building Futures and Alameda Point Collaborative be obligated to make any capital contributions at any point while they are a special limited partner?

Response: Building Futures and Alameda Point Collaborative are not expected to make any capital contributions beyond their obligations as defined in the final LPA.

d. Will Building Futures and Alameda Point Collaborative have any rights on project design, construction, development, operations, capital expenditures, or anything beyond their role as service providers?

Response: ICD works with Building Futures and Alameda Point Collaborative throughout the project and at different funding application of the project to solicit inputs and consent on project design, construction, development, operations, capital expenditures. No further approvals will be needed after final construction closing except those required by the funders and lenders, unless changes either affect the services budget, or change any of the operating budget, furniture budget, security budget, or developer fee by more than 5%.

10) Can you provide additional information on soil stabilization work that will be done to remediate conditions for seismic stability of the new slab foundation and the building structure?

a. For PSH I is the cost of this work included in the budget? Is this included in the budget line item, Site improvements in basis for $2.89MM?

Response: Yes, the soil stabilization work attributed to the PSH I project is included in the budget on the “site improvements” line item.

11) Any challenges with site work anticipated at any of the projects?

a. The Phase I Noted a clay marsh that I read to act as a barrier from VOC or metals below it. Do you anticipate the soil stabilization work to impact the effectiveness or cause any issues with it?

Response: The proposed soil stabilization work is based on the Soils Engineer/Geotechnical Engineer’s recommendation after their investigation of the soils conditions.

b. If you plan to store materials on site, where might that be for the projects?
    i. A number clients have had difficulty getting appliances, switch gear, and other stored materials, so that have turned to stores on site generally.

Response: If needed, the remaining 12-acres of land is available to store materials or stockpiles. ICD will follow applicable funder requirements related to onsite and/or offsite stored materials.

12) In the event that North Housing PSH I is built, but North Housing PSH II and Senior Apartments are delayed by 5 or more years:

a. Will PSH I one be able to operate and have full pedestrian and vehicular access and utility hook ups to its property without any issues?

Response: Yes, PSH I would be able to operate and have all backbone infrastructures such as pedestrian, vehicular access, and utilities serving this property without any issues.

b. What might be the higher operating expense load be if PSH I would not be able to share costs for maintenance and insurance, and possibly other items?

Response: Currently, the operating expenses are shown to operate as standalone. The cost efficiency would be determined when both PSH projects are completed and in operation.

c. Would there be any fewer project amenities or resident amenities?

Response: We don't anticipate any reduction with project amenities. The site is designed to be phased. There is a smaller number of office/community room in Phase I. Once Phase II has been built, that older space is converted to all offices, and a new larger community room is built in PSH II.

13) Shared maintenance and insurance between PSH I, PSH II, and Senior Apartments – in the event one or two of the projects are underperforming and unable to pay for their prorata share of maintenance, insurance and any other shared costs, how would the expenses be handled? Would the costs accrue of the propertie(s) that are unable to fund their prorata share of costs, and those properties be obligated to pay?

Response: Each of the properties will be owned by a separate L.P. that will be billed or financially tracked separately for their respective shared costs and be responsible for each properties' financial obligations. In the event that there is an operating deficit, we will follow the protocols and procedures specified in the LPA of each entity.

14) Will PSH I be required to pay a higher portion of site costs (e.g. as road access, utility hook ups, grading) for all of Block A compared to portion of those costs to be paid for by PSH II and Senior Apartments?

Response: Site costs such as road access, utility hookups, grading were calculated on the basis of square footage of the site work so that each project pays its fair share will be as follows:
PSH I – 20% of total site costs mentioned above.

PSH II – 20% of total site costs mentioned above.
NH Senior – 60% of the total site costs mentioned above.

15) Will Block A be subdivided in to 3 separate parcels?

a. If 3 separate parcels, will each parcel be owned by its respective partnership?

Response: Yes, after the Final Map has been recorded, there will be two parcels. However, AHA will continue to own all of the land and each partnership will own the improvements related to their transaction. PSH I and II will be located on the upper parcel along Mosley Avenue with a Condo Map for PSH II. NH Senior will be on the lower parcel at the corner of Lakehurst Circle and Mabuhay Street.

b. Clarify that the land that the improvements that are to be built on for PSH I project for will be owned by PSH I partnership?

Response: Each partnership/project will have a ground lease with the Housing Authority of the City of Alameda that continues to own the land. PSH I and II will be on the same parcel with a Condo Map for PSH II.

16) Property manager – Exhibit A confirms FPI to the property manager on all three projects, but page 3 of Exhibit C refers to John Stewart as property manager. Will John Stewart also property manage?

Response: No, this is a typo. John Stewart Company will not be the property manager. FPI Management, Inc. will be the property manager for all three projects.

17) In the unlikely event that the Section 8 HAP contract or rental subsidy is terminated prior to its maturity:

a. PSH I -
    i. What AMI could rents float to?
    ii. Does the HAP contract limit the float up?

Response: In the event Project-Based Rental Assistance is terminated, the rents may be increased to the minimum extent required for fiscal integrity, and we would need to negotiate a float up rent with consideration for the target population with regulatory agencies and funders.

b. PSH II –
    i. What AMI could rents float to? *(Am I correct to assume HCD UMRs will limit float up to 50% AMI?)*

Response: In the event Project-Based Rental Assistance is terminated, the rents may be increase to the minimum extend required for fiscal integrity, and we would need to negotiate a float up rent with consideration for the target population with regulatory agencies and funders.

c. Senior Apartments
    i. What AMI could rents float to? *(Am I correct to assume HCD UMRs will limit float up to 50% AMI?)*

Response: In the event Project-Based Rental Assistance is terminated, the rents may be increase to the minimum extend required for fiscal integrity, and we would need to negotiate a float up rent with consideration for the target population with regulatory agencies and funders.

18) Senior Apartments – in the unlikely event of a senior lender foreclosing on the property, would rent restrictions remain in place?

Response: Yes, rent restrictions remain in place.

19) Please confirm bond issuers for:

a. PSH II
   i. Will the issuer charge a fee of more than 12.5bps?

Response: Yes, California Municipal Finance Authority charges 18.75 bps on the first $20 million and $37,500 plus 5 bps for projects over $20 million. CMFA, our bond issuer's schedule of fees is included with this addendum.

b. Senior Apartments
   i. Will the issuer charge a fee of more than 12.5bps?

Response: Yes, California Municipal Finance Authority charges 18.75 bps on the first $20 million and $37,500 plus 5 bps for projects over $20 million. CMFA, our bond issuer's schedule of fees is included with this addendum.

20) PSH I gap loans:

a. AHP Loan $660,000 – will this require a hard set aside of all units to remain for homeless families, event in the event of a loss of the Section 8 contract?

Response: Yes

b. Alameda Housing Authority Loan of AAHTF Funds: $5,000,000.
   i. Are the proceeds for funding the loan allocated and specifically reserved for the project?

Response: Yes.

   ii. Are the funds for this loan subject to annual appropriations?

Response: No.

   iii. Are the funds for this loan subject to claw back for any other spending priority?

Response: No.

c. Alameda Housing Authority Loan: $3,000,000.
   i. Are the proceeds for funding the loan allocated and specifically reserved for the project?

Response: Yes.

ii. Are the funds for this loan subject to annual appropriations?

Response: No.

iii. Are the funds for this loan subject to claw back for any other spending priority?

Response: No.

21) PSH II:

a. Alameda Housing Authority Loan of AAHTF Funds: $5,000,000. The
    i. Are the proceeds for funding the loan allocated and specifically reserved for the project?
    ii. Are the funds for this loan subject to annual appropriations?
    iii. Are the funds for this loan subject to claw back for any other spending priority?

Response: Please see response to question #20 b.

22) PSH Senior:

a. Alameda Housing Authority Loan of $2,438,000:
    i. Are the proceeds for funding the loan allocated and specifically reserved for the project?
    ii. Are the funds for this loan subject to annual appropriations?
    iii. Are the funds for this loan subject to claw back for any other spending priority?

Response: Please see response to question #20 c.

23) PSH I – what is the placed-in service deadline?

Response: The PSH I project is expected to be placed-in-service or receipt of certificate of occupancy by August 2025. This assumes a 19-month construction period with construction start in January 2024.

24) PSH I - Please provide the number of days or months you are estimating between the project placed-in service date and the placed-in service deadline?

Response: The PSH I project is expected to be placed-in-Service within 12-months of project completion/receipt of certificate of occupancy, estimating by August 2026.

25) Can you please confirm or clarify which of the three projects have received tax credit or bond allocations?

Response: The projects have not received a tax credit or bond allocations yet. Here is the anticipated schedule: NH PSH I will submit a 9% tax credit application on 4/25/2023. The CTCAC Committee meeting is scheduled for 7/26/2023 for applications received on 4/25/2023. NH Senior has submitted for a 4% and bond application on 2/7/2023 (and looks favorable). The CTCAC/CDLAC Committee meeting is scheduled for 5/10/2023 for applications received on 2/7/2023. NH PSH II requires additional funding and we will actively seek funding in 2023 and 2024 for anticipate construction start in late 2024.

26) What is the anticipated timing for submitting a LIHTC application—and receiving notice of award—for each of these deals?

Response: Please see response to question #25.

27) When will you know when the VHHP funds are available and committed?

Response: The VHHP funds (along with MHP and IIG funds) from State HCD have been awarded to the NH Senior project.

28) Can you confirm the PSH/special needs units are "hard" (i.e. that they MUST only be occupied by individuals with special needs, WITH NO EXCEPTIONS)? To whom (e.g. City, County, TCAC) will be the set-aside be pledged?

Response: Yes, the 90 PSH/special needs units in the two PSH projects is a requirement of the Housing Authority of the City of Alameda. The requirement to develop 90 PSH units is a part of the 12-acres of land transfer from the Navy to the Alameda Housing Authority under a homeless accommodation conveyance. Additionally, the PSH/special needs units are set-aside/pledged to State HCD and TCAC as applicable based on each project's funding sources.

29) For the senior apartments, given an appraised value of over $3MM—and only $99 reflected in the project budget—how do you envision getting a tax opinion allowing this?

Response: For funding competitiveness and the 50% bond test reason, we have removed the land value in the NH Senior project and the corresponding seller carryback financing. Thus, only the nominal $1 per year ground lease for 99 years is shown in the projection. Our transaction and tax attorney have reviewed this structure as presented in the NH Senior projections. If there is a need to include land appraised value and the corresponding seller carryback loan to the project, please note this in your proposal.