CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)

STAFF REPORT

CALIFORNIA LENDING FOR ENERGY AND ENVIRONMENTAL NEEDS (CLEEN) CENTER DIRECT FINANCING EXECUTIVE SUMMARY

Applicant: Housing Authority of the County of Monterey (HACM)		**CLEEN Project Type:** Statewide Energy Efficiency Project (SWEEP)	**CLEEN Project Category:** Energy Efficiency and Renewable Energy
Financing Amount: $2,870,000	**Financing Term:** 20 years	**Interest Rate[1]:** 3.47%	
Source of Repayment: General Fund (Fund)		**Fund Rating/Date:** Not Rated	
Security/Leased Asset: HACM's Headquarter Building and 50% of the attached Warehouse (Leased Asset)			
Project Name: HACM–Energy Upgrade Project (Project)		**Project Location:** 123 Rico Street, Salinas, CA 93907	

Project Description / Sources and Uses of Proceeds:

Housing Authority of the County of Monterey (HACM) is requesting CLEEN Center financing (Financing) to design and construct solar energy and energy efficiency improvements in and around its headquarters, located in Salinas, California. The Project includes, but is not limited to, the following: (1) replacing the existing roof system with a new energy efficient roof system, (2) upgrading the heating, ventilating, and air conditioning (HVAC) system, (3) installing a roof-mounted solar energy system, and (4) installing a parking lot solar energy system.

Use of Financing Proceeds:

The Financing would fund all components necessary to complete the Project including, but not limited to, equipment and machinery, design, architecture, engineering, construction, permitting, entitlement, constructing management, project administration, and general project development activities. IBank's loan origination fee will be paid directly by HACM. There is a 5% contingency included in the project construction cost.

Project Uses	Project Sources		
	IBank	HACM	Total
Energy Upgrade Project Construction, Contingency, & Equip.	$2,870,000	$66,756	$2,936,756
Other (Management Fee)		$100,000	$100,000
Origination Fee		$28,700	$28,700
Total	**$2,870,000**	**$195,456**	**$3,065,456**

Source: Financing Application

[1] As of April 4th, 2017

Credit Considerations:

Cash flow and debt service analysis for the Financing is as follows:

Lease Payment and Fund Balance Analysis					
Fiscal Year End June 30	2012	2013	2014	2015	2016
Net Change in Fund Balance	**$749,967**	**$500,268**	**$786,077**	**$321,687**	**($17,711)**
Proposed CLEEN Lease Payment	$215,510	$215,510	$215,510	$215,510	$215,510
Net Change in Funds Balance with CLEEN Lease Payment	**$534,457**	**$284,758**	**$570,567**	**$106,177**	**($233,221)**

The CLEEN Lease payment was calculated based on $2,870,000 @ 3.47%, 30 year term

The Fund demonstrates historical ability to service its operations and the proposed Financing in four of the five years reviewed. The Net Change in Fund Balance, shown above, is after specific adjustments were made related to grant income and grant income related expenses. In 2016 a specific adjustment was made to the financial statement related to a non-recurring sale of 486 housing units which resulted in the negative Net Change in Funds Balance. For further detail and analysis see Credit Analysis section.

Exception:

Per IBank's Criteria, Priorities, and Guidelines, staff is to review at least the previous three years' audited financial statements. However, unaudited financial statements were also used in the review of this transaction. These were prepared by HACM staff at the request of IBank Staff. The unaudited financial statement provide a clearer picture of the cash flow with adjustments made to eliminate grants, grant program related expenses, and certain mortgages. Further details are in the Credit Analysis section of this staff report.

Support for Staff Recommendation:

1. Cash flow analysis demonstrates the Fund's historical ability to service the proposed debt under the CLEEN Program Financing.
2. Total Assets, specifically Cash and Investments, are trending upward.
3. The Fund's Total Net Assets were strong in fiscal years (FY) 2012-2015 years with an average of $72,435,058 and showed a significant increase to $103,574,073 in fiscal year 2016 (discussed further in the credit analysis section of this Staff Report).
4. The fair market value of the City's proposed Leased Asset is 23.9% higher than the proposed financing amount.

IBank Staff: Lina Benedict	**Date of Staff Report:** April 10, 2017
Date of IBank Board Meeting: April 25, 2017	**Resolution Number:** 17-06

Staff Recommendation:

Staff recommends approval of Resolution No.17-06 authorizing CLEEN Center financing in the amount of $2,870,000 to the Housing Authority of the County of Monterey for HACM-Energy Upgrade Project.

PROJECT DESCRIPTION

Housing Authority of the County of Monterey (HACM) is requesting CLEEN Center financing (Financing) to design and construct solar energy and energy efficiency improvements in and around its headquarters, located in Salinas, California. The Project includes, but is not limited to, the following: (1) replacing the existing roof system with a new energy efficient roof system, (2) upgrading the heating, ventilating, and air conditioning (HVAC) system, (3) installing a roof-mounted solar energy system, and (4) installing a parking lot solar energy system.

Upon IBank's approval of the project, HACM will start the installation bid process. For discussion of the energy savings and other Project benefits please see the Project Benefits section.

Project Background and Needs Description

HACM commissioned an energy audit in 2014 to help it identify potential energy efficiency upgrades and improvements. Following the audit's findings, HACM proposes certain upgrades to its headquarters building located at 123 Rico Street in Salinas, CA. (Exhibit 1). The Housing Development Corporation of Monterey County (HDC) will serve as the construction manager for the Project. HDC is a 501(c)(3) public benefit corporation that provides development consulting services to housing authorities and redevelopment housing projects. HDC has over 60 years of experience in development and construction.

HACM's headquarters consists of a single story 85,900 square foot (sq. ft.) office building with an attached maintenance warehouse and adjacent surface parking. It was built in 1989 and include standard office space facilities, such as a lobby, offices, meeting rooms and restrooms. The building also includes rooms dedicated to copying, supplies, storage and mechanical systems. The maintenance warehouse contains a workshop, storage areas and offices. The useful life of the building with attached warehouse is 40 years as of today.

This upgrade to HACM's headquarter building will provide needed efficient heating and air conditioning, energy savings and a comfortable work environment for the employees of HACM.

The Project Components Details

(1) Replace the roof:
The existing 18 year old asphalt roof is modified bitumen material with embedded granules and is at the end of its useful life of 20 years. The granules are thin and bare surfaces are beginning to show in some areas of the roof. The roof will be replaced with a membrane type roof from Ever Guard Extreme which is reported to be highly durable, reflect heat and integrate well with the photovoltaic solar panels to be installed for the Project. The temperatures under the photovoltaic solar panels can reach 190 degrees Fahrenheit. This extreme heat will accelerate the decay process of a standard roofing system and will lead to premature failure. The new roofing system HACM proposes is able to withstand these extreme temperatures and is expected to have a useful life of at least 20 years.

(2) Upgrade the HVAC System:
The HVAC system has not been upgraded since the building was constructed in 1989. The current HVAC systems are well past their expected performance lives. Heat is generated by a boiler and is distributed by ceiling mounted fan coil units. The air conditioning units are roof-mounted. The

heating and cooling have been problematic for the occupants as some areas of the building are not able to maintain a consistent and comfortable temperature.

There are many benefits to upgrading the HVAC system:

a. Cost savings: replacing the older HVAC system with a high efficiency system will save thousands of dollars in fuel costs. Older systems operate at around 65% annual fuel utilization efficiency (AFUE), with the remaining 35% AFUE simply being lost, the new systems offer AFUE ratings well over 90%, which will improve HACM's bottom line as well as be good for the environment.
b. Programmable thermostats: some rooms need to be heated or cooled more than others. The ability to pre-program temperatures is a necessity for office buildings that are unoccupied in the evenings and overnight.
c. Superior air flow and upgraded filtration system: high efficiency systems feature variable speed motors that ensure consistent air flow throughout the building. The upgraded filtration system results in better regulated temperature, helps remove air impurities, prevents mold, and creates a pleasant and healthy breathing environment.
d. Sound: the high-tech sound absorbing materials in modern high efficiency systems make operating noise non-existent.
e. Environmental impact: high efficiency systems use less fuel when compared to older models resulting in less waste and better conservation of natural resources.

(3) Installing a roof-mounted solar energy system:
The solar panels from Ever Guard Extreme are high performance and withstand high heat. The solar panels are designed to meet performance and durability needs of weather conditions in North America including ice, high humidity and extreme thermal fluctuations. The solar panels have up to a 25 year linear power warranty of minimum peak power.

(4) Installing a parking lot solar energy system:
Installing a solar energy system in the parking lot, including construction of a solar panel structural support system. The car ports will be built as part of the Project and will maximize a solar array sufficiently to offset energy costs on the building. The asphalt drive and parking area is 43,000 square feet.

Project Benefits

Economic Benefits: The Project will provide an upgraded energy efficient headquarter building to HACM. Additionally, these upgrades will provide a comfortable office for the employees of HACM helping to sustain HACM's ability to deliver affordable housing, preserve jobs post construction and provide energy savings. HACM anticipates the creation of 20 jobs with the prevailing average wage and 70 jobs will be retained at an average wage of $28.70 per hour.

Other Benefits: The Project will help HACM support environmental and energy efficiency targets:

1. Governor Brown's Executive Order B-30-15 sets a goal to reduce greenhouse gas emissions to 40% below 1990 levels by 2030 and 80% below 1990 levels by 2050.
2. The California Energy Code, part 6 of the California Building Standards Code i.e. Title 24 of the California Code of Regulations is a legislative mandate to reduce California's energy consumption. The standards are updated periodically by the California Energy Commission to allow consideration and incorporation of new energy efficiency technologies and methods.

HACM's proposed improvements will reduce the carbon footprint and reduce greenhouse gas emissions and measurably improve Title 24 energy related efficiencies. The Project is estimated to provide savings of at least 10% of HACM's utility bills based on 2016 title 24 building codes.

The value of the property will also likely increase based on the energy efficient upgrades and the new carport.

GENERAL INFORMATION

HACM is a public agency with a mission to provide, administer and encourage quality affordable housing and related services to eligible residents of the County of Monterey (County). HACM addresses housing shortage issues by partnering with a broad spectrum of city and county agencies, community non-profits, and state organizations.

Established in 1941 by a resolution of the Monterey County Board of Supervisors, it operates under a seven member Board of Commissioners. The commissioners are appointed for terms of four years by the Monterey County Board of Supervisors, except for two of the commissioners who reside at HACM's family or elderly housing units and are selected to represent the needs and concerns of tenants.

HACM is allied with a number of entities that are legally separate organizations (limited partnerships and corporations) and warranted inclusion in HACM's financial statements. These entities are formed to construct, develop and operate various affordable housing projects, see (Exhibit 2).

The mission of HACM is accomplished by providing a variety of housing and services through:

- Housing Choice Vouchers (formerly Section 8)
- Public Housing
- Farm Labor Housing
- Tax Credit and other Affordable Housing Programs

HACM is supported by grants and special allocations from the U.S. Department of Housing and Urban Development (HUD) and the State of California housing programs. In addition, the Monterey County Inclusionary Housing Fund often provides seed money for housing development projects. HACM receives no general fund allocation, tax increment revenue, or special funding from the State of California, the County of Monterey or any city government. Please note: Grant funds were not considered when calculating HACM's ability to repay the subject debt.

As mentioned earlier, HDC will serve as the construction manager for the subject project. HDC is a 501(c)(3) public benefit corporation that provides development consulting services to housing authorities and redevelopment housing projects. HDC has been the lead developer for HACM on mixed-use, mixed-income and redeveloped housing projects. HDC's expertise also includes project-based accounting, business process management and automation, and information technology systems. HDC will not financially be obligated in this transaction.

HACM takes part in the Section 8 Housing Choice Voucher program and the Public Housing Assessment System (PHAS), a scoring mechanism that measures management of the public housing program. In the last assessment HACM' s PHAS Score was 93. The highest score is 100. This shows that HACM's programs are appropriately and successfully managed.

Per California Employment Development Department (EDD) the preliminary January 2017 data shows that Monterey County has a total labor force of 212,300, with 188,400 employed and a 11.2% unemployment rate. California's unemployment rate is 5.1% per preliminary January 2017 data from EDD. The higher unemployment rate of the County is an indication that there is a higher need for subsidized housing in some parts of the County.

Some of the County's major employers include State University of Monterey Bay, Monterey County offices, the Salinas Valley Memorial Healthcare District, Municipalities Colleges Schools Insurance Group, the City of Salinas, Monterey-Salinas Transit, City of Seaside, City of Pacific Grove, Soledad Community Healthcare District and the Monterey Regional Waste Management District.

The California State University, Monterey Bay, is the largest employer in the County, 2,257 people or 1% of the County's labor force. This indicates that there is no significant concentration of employment.

Capital Improvement Plan

HACM's FY 2017 Annual Plan and Supporting Documents (Plan) is available on HACM's website. The Plan published focuses on the agencies core competencies. A capital needs assessment was completed in 2012 and an energy audit was completed in 2011 and the information received as a result is being used to identify ways to improve the sites and energy efficiencies of the properties.

HACM continues to evaluate its properties to ensure that they are financially and physically viable and continue to provide affordable housing for its tenants into the future.

CREDIT ANALYSIS

Source of Financing Repayment

The Source of Financing repayment is HACM's General Fund. HACM's audited financial statements include grants and related liabilities and expenses. Grants are considered non-recurring as HACM has to annually submit an application for the grants. The audited statements also include certain mortgages that do not strictly require regular payments. These are problematic for IBank (Further details below).

Staff discussed this challenge and decided the best way to evaluate the appropriate recurring revenue stream was to use both audited and unaudited financial statements in this analysis for two reasons:

First, HACM receives grant funds for the benefit of County residents to be used for housing allowance and assistance. In addition to the grants, HACM owns and manages various residential buildings and the buildings have mortgages that are paid for by grant funds received from HUD and other governmental entities. Many of these mortgages were written to provide HACM the ability to skip payments when there is insufficient cash flow. These "skip payment" arrangements are problematic for IBank to underwrite since IBank underwrites based on Maximum Annual Debt (MADS) payments. HACM does not need to make payments if it cannot meet a certain cash flow criteria for each specific lender, on any of these properties that have these note payment agreements.

Second, grant revenue is viewed as a non-recurring revenues source. IBank staff sought to show the cash flow of HACM excluding the grant funds and its related expenses. IBank Staff worked with HACM to isolate grant fund revenue and expenses and the unaudited financial statements are more detailed with regards to grants and the related expenses. By using unaudited financial statements, staff was able to analyze only the administrative revenue and related expenses to determine the viability of the Project. The remainder is the administrative revenue, which is the difference of all rental income received less mortgage obligations. Grant funds were not considered when calculating HACM's ability to repay the subject debt.

HACM is the primary governmental reporting entity. Certain corporations and limited partnerships (entities) are included in its financial reporting as an exclusion of these entities would not provide a complete and accurate picture of HACM's financial statements. These entities are included in the financial statement as Discretely Presented Component Units (12 in number) and Blended Component Units (9 in number). These are presented in Exhibit 2 of this staff report.

These entities are legally separate from HACM. The properties they own provide tenant income to HACM. They do not have any connection or ownership with HACM's headquarter building i.e. the leased asset.

Source of Revenue to Repay Proposed CLEEN Program Financing:	General Fund
Outstanding General Fund and Lease Obligations:	None
Type of Audited Financial Documents Reviewed:	[X] Comprehensive Annual Financial Reports (CAFR) [ ] Basic Financial Statements (F/S) [X] Other: Unaudited Financial Statements
Audit Fiscal Years Reviewed: **Fiscal Year Ends:**	2012-2016 June 30
The auditor's reports for all years indicate that the financial statements present fairly, in all material respects, the financial position of the District, and that the results of its operations and the cash flows are in conformity with generally accepted accounting principles.	[X] Yes [ ] No. [If no, explain]
Adopted Budget(s) Reviewed:	[X] Yes [ ] No. [If no, explain]
Budget Year(s) Reviewed:	2015-2017

General Fund Comparative Balance Sheet Analysis

Unaudited Financial statements were reviewed (see below) as mentioned earlier. The audited financial statements (both the balance sheet and revenue statement) were examined and are attached to this Staff Report as Exhibit 3.

The Comparative Balance Sheet for the last five fiscal years is as follows:

HOUSING AUTHORITY OF THE COUNTY OF MONTEREY GENERAL FUND COMPARATIVE BALANCE SHEET- EXCLUDING GRANTS										
For Fiscal Year Ending (FYE) June 30	2012		2013		2014		2015		2016	
Source:	Unaudited F/S	% [1]	Unaudited F/S	% [1]	Unaudited F/S	% [1]	Unaudited F/S	% [1]	Unaudited F/S	% [1]
Assets										
Current Assets:										
Cash - Unrestricted	$4,891,730	6.0%	$9,216,983	10.8%	$10,537,789	13.1%	$11,315,092	140%	$7,379,040	6.5%
Cash - Restricted	10,657,139	13.1%	10,300,932	12.0%	3,385,599	4.2%	3,962,123	49%	12,758,395	11.3%
Cash - Tenant Security Deposits	360,486	0.4%	375,209	0.4%	392,778	0.5%	374,708	05%	148,967	0.1%
Cash- Restricted Pmt. of Current Liability	0	0.0%	0	0.0%	0	0.0%	0	00%	700,222	0.6%
Total Cash	$15,909,355	19.5%	$19,893,124	23.2%	$14,316,166	17.8%	$15,651,923	19.4%	$20,986,624	18.6%
Receivables:										
Total Receivables-Net of Allowances	5,608,078	6.9%	5,957,047	7.0%	7,391,237	9.2%	7,693,049	95%	9,444,440	8.4%
Investments Unrestricted	778,372	1.0%	762,669	0.9%	746,288	0.9%	890,612	11%	888,314	0.8%
Investments - Restricted	121,374	0.1%	134,540	0.2%	147,638	0.2%	0	00%	0	0.0%
Inventories - Net Allowance	72,110	0.1%	88,961	0.1%	99,391	0.1%	75,648	0.1%	126,224	0.1%
Total Current Assets	$22,489,289	27.6%	$26,836,341	31.4%	$22,700,720	28.2%	$24,311,232	30.1%	$31,445,602	27.9%
Non-Current Assets:										
Capital Assets:										
Land	8,130,537	10.0%	8,130,538	9.5%	8,123,710	10.1%	8,123,710	10.1%	3,595,123	3.2%
Buildings	59,456,843	73.1%	61,396,316	71.7%	61,308,952	76.0%	63,087,547	782%	20,616,299	18.3%
Furniture, Equipment & Machinery-Dwellings	307,124	0.4%	207,071	0.2%	200,493	0.2%	200,493	02%	68,274	0.1%
Furniture, Equipment & Machinery-Admin	2,441,096	3.0%	2,441,096	2.9%	2,441,096	3.0%	2,441,096	30%	1,497,896	1.3%
Accumulated Depreciation	(31,497,505)	-38.7%	(30,016,513)	-35.1%	(31,498,529)	-39.1%	(32,965,972)	-409%	(13,059,540)	-11.6%
Construction in Progress	4,685,887	5.8%	1,361,860	1.6%	1,815,089	2.3%	1,251,860	16%	(135,351)	-0.1%
Total Capital Assets net of Depreciation	$43,523,982	53.5%	$43,520,368	50.9%	$42,390,811	52.6%	$42,138,734	52.2%	$12,582,701	11.1%
Other Non-Current Assets:										
Notes and Mortgages Receivable - Other	11,496,293	14.1%	11,240,827	13.1%	11,414,414	14.2%	10,497,020	130%	65,666,234	58.2%
Other Assets	3,588,182	4.4%	3,778,089	4.4%	3,694,914	4.6%	3,522,807	44%	2,921,523	2.6%
Total Non-Current Assets	$58,608,457	72.0%	$58,539,284	68.4%	$57,500,139	71.3%	$56,158,561	69.6%	$81,170,458	71.9%
Deffered Outflow of Resources	287,781	0.4%	204,863	0.2%	426,662	0.5%	223,973	03%	283,318	0.3%
Total Assets & Deferred Outflow of Resources	$81,385,527	100.0%	$85,580,488	100.0%	$80,627,521	100.0%	$80,693,766	100.0%	$112,899,378	100.0%
Liabilities										
Current Liabilities:										
Accounts Payable	320,884	0.4%	400,268	0.5%	308,401	0.4%	121,097	02%	628,353	0.6%
Accrued Wage / Payroll Taxes Payable	0	0.0%	9,979	0.0%	1,836	0.0%	33,391	00%	13,012	0.0%
Compensated Absences	370,374	0.5%	404,294	0.5%	408,578	0.5%	388,052	05%	341,560	0.3%
Accrued Interest Payable	496,466	0.6%	536,286	0.6%	613,022	0.8%	445,297	06%	454,704	0.4%
A/P - HUD PHA Program - Other	16,897	0.0%	68,203	0.1%	31,075	0.0%	44,786	0.1%	40,428	0.0%
A/P - Other - Government	244,538	0.3%	105,795	0.1%	102,199	0.1%	104,731	0.1%	0	0.0%
Tenant Security Deposits	356,844	0.4%	377,343	0.4%	364,990	0.5%	370,265	05%	138,180	0.1%
Capital Projects (CPLTD) - Mortgage Revenue	403,626	0.5%	236,549	0.3%	240,882	0.3%	61,590	0.1%	1,034,368	0.9%
Other Current Liabilites	356,962	0.4%	260,566	0.3%	371,615	0.5%	469,654	06%	625,348	0.6%
Accrued Liabilities - Other	921,308	1.1%	786,431	0.9%	556,500	0.7%	795,000	10%	985,975	0.9%
Total Current Liabilities	$3,487,899	4.3%	$3,185,714	3.7%	$2,999,098	3.7%	2,833,863	35%	4,261,928	3.8%
Non-Current Liabilities:										
Long Term Debt - Capital Projects - Mtg. Revenue	3,904,123	4.8%	7,077,909	8.3%	6,856,169	8.5%	5,636,029	70%	4,266,830	3.8%
Total Liabilities	$7,392,022	9.1%	$10,263,623	12.0%	$9,855,267	12.2%	$8,469,892	10.5%	$8,528,758	7.6%
Deferred Inflows of Resources										
Deferred Revenues Other	121,054	0.1%	837,538	10%	805,887	10%	801,784	10%	796,547	0.7%
Total Deferred Inflows of Resources	$121,054	0.1%	$837,538	10%	$805,887	10%	$801,784	10%	$796,547	0.7%
EQUITY										
Restricted Cash and Investments										
Net Invested In Capital Assets	40,601,714	49.9%	45,535,637	53.2%	44,623,620	55.3%	36,441,115	452%	7,281,503	6.4%
Restricted Net Position	10,361,775	12.7%	10,131,805	11.8%	3,189,409	4.0%	632,661	08%	3,424,418	3.0%
Unrestricted Net Position	22,908,962	28.1%	18,811,885	22.0%	22,153,336	27.5%	34,348,314	426%	92,868,152	82.3%
TOTAL EQUITY / NET ASSETS	$73,872,451	90.8%	$74,479,327	87.0%	$69,966,365	86.8%	$71,422,090	885%	$103,574,073	91.7%
TOTAL LIABIITIES, DEFERRED INFLOWS & EQUITY	$81,385,527	100.0%	$85,580,488	100.0%	$80,627,521	100.0%	$80,693,766	100.0%	$112,899,378	100.0%
Total Liabilities to Total Assets	0.09		0.12		0.12		0.10		0.08	
Total Fund Balance/Total Liabilities	9.99		7.26		7.10		8.43		12.14	

[1] Calculated as a percent of Total Assets and Deferred Outflow of Resources.

In FY 2016 there was a significant impact in the Capital Assets, Non-Current Assets and consequently in the Total Net Asset categories resulting from HACM transferring 486 units of public housing to the affiliated corporations and limited partnerships discussed above. Transfer notes were recorded and are reported as notes receivable by HACM. These limited partnerships are legally separate organizations formed to construct, develop and operate various affordable housing projects. HACM provides accounting and property management services to these other entities or affiliates. A list of these organizations, ownership type, and the number of units attached to each entity has been assembled on a separate table. Please see Exhibit 2.

The 2016 transfer of the 486 public housing units was in accordance with the U.S. Department of Housing and Urban Development's (HUD) Rental Assistance Demonstration Program (RAD) and was financed with the approval of HUD. The units are being converted from public housing units to project based rental assistance contracts. This transfer results in changes in various line items on the Balance Sheet as follows:

- Total Cash grew 34% in 2016 as Restricted Cash increased by almost $9 million.
- Buildings decreased by $42,471,248 to $20,616,299 as the Balance Sheet was adjusted to show the transfer of the housing units. HACM no longer owns the land and buildings, but now has notes receivable (see Notes and Mortgages Receivable-Other).
- Capital Projects increased from $61,590 to $1,034,368 in 2016. Per HACM this category will decrease and eventually be non-existent in future years.
- Notes and Mortgages Receivable--Other increased by $55,169,214 in 2016, reflecting the notes receivable for the transfer of the public housing units.
- Unrestricted Net Position increased by $58,519,838 from FY 2015 to FY 2016. This relates to the accounting treatment of all of the above. Previously the net assets were invested in properties (restricted), after the transfer the Notes and Mortgages Receivable are considered an asset and not restricted.

The General Fund Comparative Balance Sheet Analysis reflects that Total Net Assets of the Fund grew by 40.2% over FYs 2012-2016. The Total Net Assets remained within a $5 million range between $69,966,365 and $74,479,327 over FYs 2012 through 2015; in FY 2016, Total Net Assets were higher at $103,574,073, again as a result of the transfer of the 486 units described earlier.

Comparative Statement of Revenues, Expenditures and Changes in Fund Balance

Analysis of the Fund's Comparative Statement of Revenues, Expenditures and Changes in Fund Balance for the last five years is as follows:

HOUSING AUTHORITY OF THE COUNTY OF MONTEREY GENERAL FUND COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES										
For Fiscal Year Ending (FYE) June 30	2012	%	2013	%	2014	%	2015	%	2016	%
Source:	Unaudited F/S		Unaudited F/S		Unaudited F/S		Unaudited F/S		Unaudited F/S	
% Change Year-over-Year in Total Revenues		N/A		6.04%		-13.94%		10.00%		-2.53%
Revenues										
Total Tenant Revenue	$4,038,460	10.1%	$4,031,496	9.4%	$4,223,903	11.3%	$3,897,793	9.4%	$3,742,835	9.2%
HUD PHA Operating Grants	32,842,708	81.9%	35,253,130	82.6%	29,635,030	79.1%	33,921,042	81.5%	31,862,707	78.5%
Capital Grants	554,711	1.4%	783,967	1.8%	752,216	2.0%	1,112,757	2.7%	2,036,159	5.0%
Other Governmental Grants	893,017	2.2%	825,714	1.9%	804,566	2.1%	802,106	1.9%	817,025	2.0%
Total Fee Revenue	588,614	1.5%	352,411	0.8%	495,445	1.3%	515,099	1.2%	552,924	1.4%
Investment Income Unrestricted	613,599	1.5%	580,276	1.4%	573,009	1.5%	565,918	1.4%	646,203	1.6%
Fraud Recovery	26,010	0.1%	32,002	0.1%	81,742	0.2%	91,236	0.2%	107,578	0.3%
Other Revenue	528,756	1.3%	797,198	1.9%	867,623	2.3%	693,064	1.7%	808,701	2.0%
Investment Income Restricted	8,926	0.0%	14,032	0.0%	16,397	0.0%	12,277	0.0%	8,733	0.0%
Total Revenues	**$40,094,801**	100.0%	**$42,670,226**	100.0%	**$37,449,931**	100.0%	**$41,611,292**	100.0%	**$40,582,865**	100.0%
Expenditures										
Administrative Cost	$4,577,929	11.4%	$4,810,036	11.3%	$4,828,152	12.9%	$5,064,987	12.2%	$5,246,976	12.9%
Total Tenant Services	276,524	0.7%	287,148	0.7%	300,866	0.8%	315,306	0.8%	337,381	0.8%
Total Utilities	832,653	2.1%	827,486	1.9%	799,384	2.1%	747,558	1.8%	781,351	1.9%
Total Maintenance	2,243,723	5.6%	2,157,530	5.1%	2,244,796	6.0%	2,119,384	5.1%	2,029,395	5.0%
Total Protective Services	15,423	0.0%	13,560	0.0%	12,839	0.0%	13,735	0.0%	16,533	0.0%
Total Insurance Premiums	251,120	0.6%	229,434	0.5%	286,755	0.8%	313,296	0.8%	349,746	0.9%
Total Other General Expenses	$568,638	1.4%	$547,182	1.3%	$557,829	1.5%	$498,831	1.2%	571,509	1.4%
Interest on Notes Payable (Short & Long Term	121,152	0.3%	228,386	0.5%	218,838	0.6%	188,699	0.5%	181,511	0.4%
Total Operating Expenditures	**$8,887,162**	22.2%	**$9,100,762**	21.3%	**$9,249,459**	24.7%	**$9,261,796**	22.3%	**$9,514,402**	23.4%
Sub Total of Excess Operating Revenues Over (Under) Expenditures	**$31,207,639**	77.8%	**$33,569,464**	78.7%	**$28,200,472**	75.3%	**$32,349,496**	77.7%	**$31,068,463**	76.6%
Extraordinary Maintenance	43,770		25,043		34,890		19,721		65,072	
Casualty Losses Non-Capitalized	435		7,179		0		830		1,012	
Total Housing Assistance Payments	30,417,146		31,693,876		31,093,629		29,342,299		28,728,026	
Depreciation	1,634,567		1,590,886		1,548,168		1,491,770		1,443,966	
Total Expenses	**$40,983,080**		**$42,417,746**		**$41,926,146**		**$40,116,416**		**$39,752,478**	
Excess (Deficiency) of Revenues Over (Under) Expenditures	**($888,279)**		**$252,480**		**($4,476,215)**		**$1,494,876**		**$830,387**	
Other Financing Sources (Uses)										
Operating Transfers From / To Component Un	0		0		0		0		65,000	
Special Items (Net gain / loss)	0		0		0		0		31,318,688	
Total Other Financing Sources (Uses)	**$ -**		**$ -**		**$ -**		**$ -**		**$31,383,688**	
Total Excess (Deficiency) of Revenues Over (Under) Expenditures	**($888,279)**		**$252,480**		**($4,476,215)**		**$1,494,876**		**$32,214,075**	
ADJUSTMENTS										
+ Depreciation	**$1,634,567**		**$1,590,886**		**$1,548,168**		**$1,491,770**		**$1,443,966**	
- Capital Grants	**($554,711)**		**($783,967)**		**($752,216)**		**($1,112,757)**		**($2,036,159)**	
- HAP Grants	**(28,590,185)**		**($31,003,416)**		**($25,329,516)**		**($29,539,131)**		**($27,813,388)**	
- Other Governmental Grants	**(893,017)**		**($825,714)**		**($804,566)**		**($802,106)**		**($817,025)**	
+ HAP Expenses	**30,417,146**		**31,693,876**		**31,093,629**		**29,342,299**		**28,728,026**	
- Extraordinary Items	**0**		**0**		**0**		**0**		**(31,383,688)**	
- Restrict Net Income for Public Housing	**($375,554)**		**($423,877)**		**($493,207)**		**($553,264)**		**($353,518)**	
Adjusted Net Income	**$749,967**		**$500,268**		**$786,077**		**$321,687**		**($17,711)**	

HACM's revenue sources are tenant revenue, grants (operating, capital and governmental), fee revenue, and investment and other revenue.

Analysis of HACM's Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance illustrates that Total Revenues have remained stable over the five years reviewed except for FY 2014 when the HUD PHA Operating Grant Funds were reduced. There were some fluctuations in Total Revenues and Total Expenditures related to changes in the Grant Income i.e. HUD PHA Grants, Capital Grants and Other Governmental Grants.

Total Operating Expenses grew nominally primarily due to increases in Administrative Costs and General Expenses attributed to normal inflationary changes.

A new category, Special Items (Net gain/loss) is seen in FY 2016. As mentioned earlier, this is related to the 486 units that were converted from public housing units to project based rental assistance contracts. This conversion resulted in $31,318,688 in Special Items (Net gain/loss) under Other Financing Sources in FY 2016. This also represents the net of the loans issued by the Housing Authority transfer of ownership, and the cost of sales, i.e. net book value of the properties. Special Items was not included when calculating cash flow for the Project as it is considered to be non-recurring.

Additionally, HACM states the Special Items transaction will not impact tenant revenue received. Tenant Revenue will continue to be a source of income from the rental of housing units, HACM has substantially reduced vacancies in its public housing program and continue to review its properties for financial stability.

Obligations of the General Fund and Percentage of Total Revenues

The table below shows the proposed Obligations of the Fund. The fund has no existing obligations.

General Fund Obligations for Housing Authority of the County of Monterey Proposed Debt					
Debt Issues	**Underlying Rating (at issuance)**	**Date Issued**	**Amount Issued**	**Outstanding Balance**	**Maturity**
No Debt					
2016 Total Revenue		**$41,611,292**			
15% of 2016 Total Revenue		**$6,241,694**			
Total Annual Payments		**$215,510**			
% of 2016 Total Revenue		**0.52%**			

The Maximum Annual Debt Service inclusive of the Financing of $215,510 does not exceed 15% of the Fund's 2016 Total Revenues. Total debt service obligations, inclusive of the Financing, are 0.52% of the Fund's 2016.

Proposed Lease Payment

Lease Payment and Fund Balance Analysis					
Fiscal Year End June 30	2012	2013	2014	2015	2016
Total of Excess (Deficiency) of Revenues Over (Under) Expenditures	**($888,279)**	**$252,480**	**($4,476,215)**	**$1,494,876**	**$830,387**
+ Depreciation	$1,634,567	$1,590,886	$1,548,168	$1,491,770	$1,443,966
- Capital Grants	($554,711)	($783,967)	($752,216)	($1,112,757)	($2,036,159)
- HAP Grants	($28,590,185)	($31,003,416)	($25,329,516)	($29,539,131)	($27,813,388)
- Other Governmental Grants	($893,017)	($825,714)	($804,566)	($802,106)	($817,025)
+ HAP Expenses	$30,417,146	$31,693,876	$31,093,629	$29,342,299	$28,728,026
- Restricted Net Income for Public Housing	($375,554)	($423,877)	($493,207)	($553,264)	($353,518)
Total Adjustments	**$1,638,246**	**$247,788**	**$5,262,292**	**($1,173,189)**	**($848,098)**
Net Change in Fund Balance	**$749,967**	**$500,268**	**$786,077**	**$321,687**	**($17,711)**
Proposed CLEEN Lease Payment	$215,510	$215,510	$215,510	$215,510	$215,510
Net Change in Funds Balance with CLEEN Lease Payment	**$534,457**	**$284,758**	**$570,567**	**$106,177**	**($233,221)**

The CLEEN Lease payment was calculated based on $2,870,000 @ 3.47%, 30 year term

The following are the adjustments made to the Fund Balance Analysis as shown in the table above:

- Depreciation, the standard non-cash expense was added back.
- Grants are not considered recurring income. Therefore all grant income was deducted i.e. Capital Grants, HAP Grants (Housing Authority Payment Grants), and, Other Governmental Grants.
- HAP expenses (Housing Authority Payment Expenses) are grant related and were added back.
- Restricted Net Income for Public Housing was deducted as these funds are only available for public housing.

The table reflects that the Fund has sufficient capacity to support the Financing in four of the five years reviewed. 2014 under performed as the grant funds were greatly reduced and HACM chose to work through their reserve rather than eliminate housing benefits. The following years indicate HACM was better able to plan expenditures that match current funding levels. The table above (as explained earlier) also shows the 2016 Net Change in Funds Balance with the CLEEN Lease Payment was ($233,221) due to the transfer of the 486 units resulted in 2016 and the resulting accounting adjustments.

HACM has no other debt associated with administrative cost or against the leased asset. Based on the review of the financials it appears HACM demonstrates the ability to manage its operating budget and expenses year over year.

Pension Plan

HACM contributes to a defined contribution plan administered by Massachusetts Mutual. All regular, full–time, eligible employees of HACM may participate in the pension plan from the date they are eligible. Effective September 1, 2015, HACM's required contribution amount was reduced to 7.9% of the employee's gross earnings. HACM has been meeting its contractual pension obligations for the years reviewed, which demonstrates its consistency and fiscally responsible management of its pension plan.

Analysis of the Proposed Leased Asset

HACM proposes the subject of the lease to be property located at 123 Rico Street, Salinas, CA 93907 (Leased Asset). This includes the essential assets of the office building and attached warehouse with a combined sq. ft. of 85,900. The warehouse has offices, a supply room, and stores large equipment.

IBank proposes to lease the building and 50% of the attached warehouse as shown in the following table.

HOUSING AUTHORITY OF THE COUNTY OF MONTEREY						
Name of Asset	Year Built	Type of Building	Building Size (square feet)	Estimated Cost per square foot	% of Asset	Estimate of Value
HACM's headquarter building located at 123 Rico Street, Salinas, CA 93907	1989	Single Story Office Building	14,333	$147.71	100%	$2,117,127
50% of warehouse located at 123 Rico Street, Salinas, CA 93907	1989	Warehouse	71,667	$40.16	50%	$1,439,073
Total Value						$3,556,201
Lease Amount						2,870,000
Value-to-Lease						124%

The table above shows the leased assets have adequate value relative to the financing amount.

Staff received and reviewed a preliminary title report from First American Title Insurance Company dated September 20, 2016 for the Leased Assets. There is one exception listed, a powerline easement; this was reviewed by IBank Legal Staff and deemed acceptable.

The useful life of the Leased Asset is at least 40 years, and exceeds the term of the loan.

RISK FACTORS

1. The cash flow analysis is based on audited and unaudited financials; this is excluding grant revenues and the related expenses.
2. The security is a leasehold interest on the Leased Asset and not a lien on the Fund.
3. Under State law governing the Financing structure, acceleration in the event of default by the County is prohibited. Thus, in the event of payment default, IBank must annually pursue a remedy of compelling past due lease payments.

MITIGATING FACTORS

1. The unaudited financial statements were provided by HACM's Director of Finance and the values were checked and verified by HACM and crossed checked against the audited statements.
2. HACM would covenant against permitting additional encumbrances against the Leased Asset.
3. HACM would covenant to annually budget and appropriate lease payments.
4. HACM would covenant to procure rental interruption insurance for the Leased Asset for a period of at least six months beyond the period required to rebuild the Leased Asset, so that in the event of abatement, such insurance would cover abated Lease payments.

Interest Rate Setting Adjustment / Subsidy

The Interest rate for the CLEEN program is determined by the CalEnviroScreen 3.0 Score and the credit quality of the source of repayment. In the subject transaction the security is the Leased Asset and HACM itself has no bond rating.

The interest rate for the proposed Financing considered scores obtained from CalEnviroScreen 3.0, the California Communities Environmental Health Screening Tool published by the Office of Environmental Health Hazard Assessment on behalf of the California Environmental Protection Agency (CalEPA).

CalEnviroScreen is a mapping tool that helps identify California communities that are most affected by many sources of pollution, and where people are often especially vulnerable to pollution's effects. An area with a high score is one that experiences a much higher pollution burden than areas with low scores.

The Project is located in ZIP Code 93907 and the CES Score for the ZIP Code is within the range of 14.18 and 36.58 with a percentile range of 21-25% to 71-75%. The interest rate adjustment applicable to CLEEN borrowers is equal to 25% of the applicable spread.

STAFF RECOMMENDATION

Staff recommends approval of Resolution No. 17-06 authorizing Financing to the Housing Authority of the County of Monterey (HACM) for its HACM-Energy Upgrade Project (Project).

1. **Applicant/Borrower:** Housing Authority of the County of Monterey (HACM)
2. **Project:** HACM- Energy Upgrade Project
3. **Amount of Financing:** $2,870,000
4. **Maturity:** Twenty (20) years
5. **Repayment/Security:** General Fund Lease provides IBank with a leasehold interest in HACM's headquarters building and 50% of the adjacent warehouse, both located at 123 Rico Street, Salinas, CA 93907 (Leased Asset).
6. **Interest Rate:** 3.47%
7. **Fees:** Origination fee of 1.00% of the Financing amount ($28,700) to be paid by HACM at the time of funding and an annual fee of 0.30% of the outstanding principal balance.
8. **Not an Unconditional Commitment:** IBank's resolution shall not be construed as an unconditional commitment to finance the Project, but rather IBank's approval pursuant to the Resolution is conditioned upon entry by IBank and HACM into a Financing agreement, in form and substance satisfactory to IBank.
9. **Limited Time**: The Board's approval expires 180 days from the date of its adoption. Thus, HACM and IBank must enter into the Financing agreement no later than 180 days from such date. Once the approval has expired, there can be no assurances that IBank would be able to provide the Financing to HACM or consider extending the approval period.
10. **CLEEN Center Financing Agreement Covenants and Conditions:** The financing agreement will require, among other things, that HACM covenant to:

    a. Comply with all applicable requirements of the CLEEN Center Program Criteria, as well as all applicable laws, regulations and permitting requirements associated with public works projects.
    b. Enter into a fixed-price construction contract; obtain payment and performance bonds; set aside construction contingency funds; and obtain builder's risk, and liability and worker's compensation insurance.
    c. Budget and appropriate funds sufficient to make annual Lease payments.
    d. Procure and maintain rental interruption insurance for a period of at least six months beyond the time needed to reconstruct the Leased Asset.
    e. Procure a CLTA or an ALTA title insurance policy.
    f. Not encumber further the Leased Asset.
    g. Provide IBank within 240 days of the end of each fiscal year a copy of its audited financial statements and unaudited financial statements, together with an annual certificate demonstrating compliance with the foregoing covenants, as well as other information as IBank may request from time to time.

EXHIBIT 1
Headquarter Building - HACM

Source: Google Maps

EXHIBIT 2
HACM's FINANCIAL REPORTING COMPONENTS

HACM's FINANCIAL REPORTING ENTITY'S COMPONENTS		
		DETAILS
PRIMARY GOVERNMENT	Housing Authority of the County of Monterey (HACM)	Established by resolution of the Monterey County Board of Supervisors. HACM is governed by a seven member Board of Commissioners.
DISCRETELY PRESENTED COMPONENT UNITS: The entities listed here are legally separate organizations that the nature and significance of their relationship with HACM met the criteria for inclusion in the Authority's financial statements.	Monterey County Housing Inc. and Affiliate consists of two entities: 1. Monterey County Housing Inc. 2. MCHI Affordable Acquisitions, Inc.	Two of the seven members of the Board of Directors of HACM. HACM provides accounting and management services to both entities
	Benito FLC, L.P.	73 unit apartment complex.
	Benito Street Affordable Housing, L.P.	70 unit apartment complex.
	Fanoe Vista, L.P.	79 unit apartment complex.
	Monterey Affordable Housing, L.P.	52 unit apartment complex.
	Rippling River Affordable Housing, L.P.	79 unit apartment complex.
	Haciendas, L.P.	53 unit apartment complex.
	Oak Park 1, L.P.	80 unit apartment complex.
	Haciendas 2, L.P.	46 unit apartment complex.
	Oak Park 2, L.P.	70 unit apartment complex.
	Haciendas Senior, L.P.	41 unit apartment complex.
	Tynan Affordable Housing, L.P.	171 unit apartment complex.
BLENDED COMPONENT UNITS: The entities listed here, even though legally separate, are so interrelated with the Authority that they are in substance part of HACM, and are reported as such by "blending" the component unit's balances and transactions with those of HACM itself. Component units that are blended into the reporting activities of the Authority.		
	Tynan Village, Inc.	Corporation owns and operate affordable housing and provide related services. General Partner of Tynan Affordable Housing LP. The Board of Directors of the Corporation serve as the Board of Commissioners of HACM. The Authority Hold resources of the Corporation and provides accounting and property management services to the Corporation and Limited Partnerships.
	Monterey County Housing Authority Development Corporation	Corporation owns and operate affordable housing and provide related services. General Partner of Benito FLC, LP; Benito Street Affordable Housing, LP; and Fanoe Vista, LP. The Board of Directors of the Corporation serve as the Board of Commissioners of HACM. The Authority Hold resources of the Corporation and provides accounting and property management services to the Corporation and Limited Partnerships.
	Housing Authority Limited Liability Company	LLC owns and operate affordable housing and provide related services. General Partner of Monterey Affordable Housing, LP.; Haciendas L.P., Haciendas 2, L.P. and Oak Park 1, L.P.. The Board of Directors of the Corporation serve as the Board of Commissioners of HACM. The Authority Hold resources of the Corporation and provides accounting and property management services to the Corporation and Limited Partnerships.
	Rippling River Affordable Housing, LLC	LLC owns and operate affordable housing and provide related services. General Partner of Rippling River Affordable Housing, LP. The Board of Directors of the Corporation serve as the Board of Commissioners of HACM. The Authority Hold resources of the Corporation and provides accounting and property management services to the Corporation and Limited Partnerships.
	Soledad Affordable Housing, LLC	LLC owns and operate affordable housing and provide related services. The Board of Directors of the Corporation serve as the Board of Commissioners of HACM. The Authority holds resources of the Corporation and provides accounting and property management services to the Limited Partnerships.
	Salinas New Markets Development company, LLC	LLC owns and operate affordable housing and provide related services. The Board of Directors of the Corporation serve as the Board of Commissioners of HACM. The Authority holds resources of the Corporation and provides accounting and property management services to the Limited Partnerships.
	Monterey County Affordable Housing, LLC	LLC owns and operate affordable housing and provide related services. The Board of Directors of the Corporation serve as the Board of Commissioners of HACM. The Authority holds resources of the Corporation and provides accounting and property management services to the Limited Partnerships.
	Housing Authority Limited Liability Company 2	LLC owns and operate affordable housing and provide related services. General Partner of Oak Park 2, L.P. The Board of Directors of the Corporation serve as the Board of Commissioners of HACM. The Authority Hold resources of the Corporation and provides accounting and property management services to the Corporation and Limited Partnerships.
	Housing Authority Limited Liability Company 4	LLC owns and operate affordable housing and provide related services. General Partner of Haciendas Seniors, L.P. The Board of Directors of the Corporation serve as the Board of Commissioners of HACM. The Authority Hold resources of the Corporation and provides accounting and property management services to the Corporation and Limited Partnerships.

Discretely Presented Component Units are legally separate organizations, but included in HACM's financial statements as excluding them would render the financial statement misleading or inaccurate.

Blended Component Units though legally separate, are so interrelated with the HACM that they are in substance part of HACM, and are reported as such by "blending" the component unit's balances and transactions with those of HACM itself. Component units are blended into the reporting activities of the Authority.

EXHIBIT 3
HACM's AUDITED FINANCIAL STATEMENTS

PRIMARY GOVERNMENT ENTERPRISE FUND AND DISCRETELY PRESENTED COMPONENT UNITS
CONSOLIDATED STATEMENT OF NET POSITION

For Fiscal Year Ending (FYE) June 30	2012		2013		2014		2015		2016	
Source:	Audited	%(1)	Audited	%(1)	Audited	%(1)	Audited	%(1)	Audited	%(1)
ASSETS										
Current Assets:										
Cash and Investments	$10,962,392	5.1%	$16,687,375	7.1%	$18,338,458	7.5%	$20,291,594	6.5%	$16,030,536	3.5%
Accounts Receivable:										
Tenants - Net	322,956	0.2%	365,202	0.2%	95,952	0.0%	124,134	0.0%	98,404	0.0%
Government Agencies	636,719	0.3%	525,300	0.2%	386,769	0.2%	564,082	0.2%	76,894	0.0%
Related Parties	0		0		0		6,373,186		9,465,374	
Other - Net	306,420	0.1%	152,389	0.1%	531,649	0.2%	5,625,014	1.8%	6,499,713	1.4%
Interest Receivable	186,712	0.1%	202,815	0.1%	223,433	0.1%	3,736,525	1.2%	4,217,014	0.9%
Prepaid Expenses	577,671	0.3%	272,385	0.1%	671,615	0.3%	0	0.0%	0	0.0%
Inventories - Net	72,110	0.0%	88,961	0.0%	99,391	0.0%	75,648	0.0%	127,613	0.0%
Total Current Assets	**$13,064,980**	6.1%	**$18,294,427**	7.8%	**$20,347,267**	8.3%	**$36,790,183**	9.7%	**$36,515,548**	8.0%
Capital Assets net of Depreciation	**$178,095,479**	82.9%	**$191,716,146**	81.9%	**$207,733,051**	84.6%	**$238,969,615**	76.0%	**$286,801,648**	63.1%
Noncurrent Assets:										
Cash and Cash Equivalents	16,000,630	7.4%	16,633,220	7.1%	9,564,842	3.9%	10,427,805	3.3%	47,594,016	10.5%
Notes Receivable	2,274,915	1.1%	2,250,000	1.0%	2,423,455	1.0%	22,658,988	7.2%	78,100,063	17.2%
Other Assets net of Amortization	5,428,370	2.5%	5,155,787	2.2%	5,588,777	2.3%	5,384,712	1.7%	5,567,195	1.2%
Total Noncurrent Assets	**$23,703,915**	11.0%	**$24,039,007**	10.3%	**$17,577,074**	7.2%	**$38,471,505**	12.2%	**$131,261,274**	28.9%
Total Assets	**$214,864,374**	100.0%	**$234,049,580**	100.0%	**$245,657,392**	100.0%	**$314,231,303**	100.0%	**$454,578,470**	100.0%
DEFERRED OUTFLOWS OF RESOURCES										
Deferred Outflows of Resources	0		0		0		$460,351		$774,642	0.2%
Accumulated Decrease in Fair Value of Derivative	0		0		$150,160		$214,505	0.1%	$53,148	0.0%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	0	0.0%	0	0.0%	**$150,160**	0.1%	**$674,856**	0.2%	**$827,790**	0.2%
LIABILITIES										
Current Liabilities:										
Accounts Payable:										
Trade	2,022,501	0.9%	2,652,980	1.1%	2,978,582	1.2%	1,916,972	0.6%	3,240,880	0.7%
Government Agencies	261,435	0.1%	173,998	0.1%	133,274	0.1%	149,517	0.0%	40,428	0.0%
Accrued Liabilities:										
Salaries	15,924	0.0%	18,503	0.0%	19,071	0.0%	54,172	0.0%	49,183	0.0%
Compensated Absences	482,841	0.2%	528,229	0.2%	516,518	0.2%	507,813	0.2%	406,324	0.1%
Related Parties	166,209	0.1%	208,200	0.1%	1,945,212	0.8%	11,237,174	3.6%	15,016,297	3.3%
Other	2,663,827	1.2%	1,876,560	0.8%	6,023,104	2.5%	2,274,095	0.7%	2,556,197	0.6%
Interest Payable	4,061,217	1.9%	5,015,033	2.1%	1,107,663	0.5%	10,658,185	3.4%	11,835,353	2.6%
Prepaid Rents	43,445	0.0%	43,662	0.0%	0	0.0%	0	0.0%	0	0.0%
Deferred Revenue	107,410	0.0%	819,710	0.4%	0	0.0%	0	0.0%	0	0.0%
Current Portion of Long Term Liabilities	1,871,870	0.9%	1,867,737	0.8%	12,465,916	5.1%	12,501,807	4.0%	22,877,435	5.0%
Total Current Liabilities	**$11,696,679**	5.4%	**$13,204,612**	5.6%	**$25,189,340**	10.3%	**$39,299,735**	12.5%	**$56,022,097**	12.3%
Noncurrent Liabilities:										
Tenant Security Deposits	978,954	0.5%	1,069,714	0.5%	12,465,916	5.1%	1,180,676	0.4%	1,003,681	0.2%
Long Term Debt	84,828,586	39.5%	91,196,343	39.0%	98,615,025	40.1%	123,474,542	39.3%	204,928,866	45.1%
Total Noncurrent Liabilities	**$85,807,540**	39.9%	**$92,266,057**	39.4%	**$111,080,941**	45.2%	**$124,655,218**	39.7%	**$205,932,547**	45.3%
DEFERRED INFLOWS OF RESOURCES										
Advance Receipt of Income Revenue	0		0		$841,613		$835,579	0.3%	$801,833	0.2%
TOTAL DEFERRED INFLOWS OF RESOURCES	**0**		**0**	0.0%	**$841,613**	0.3%	**$835,579**	0.3%	**$801,833**	0.2%
Total Liabilities	**$97,504,219**	45.4%	**$105,470,669**	45.1%	**$136,270,281**	55.5%	**$163,954,953**	52.2%	**$261,954,644**	57.6%
Non-Controlling Interest in Partnerships	$40,396,811	18.8%	$50,893,843	21.7%			$0		$0	
NET ASSETS										
Invested in Capital Assets, Net of Related Debt	50,998,212	23.7%	47,758,223	20.4%	96,652,110	39.3%	102,993,266	32.8%	58,995,347	13.0%
Restricted	13,254,890	6.2%	13,847,130	5.9%	6,507,749	2.6%	8,777,475	2.8%	45,965,867	10.1%
Unrestricted	12,710,242	5.9%	16,267,326	7.0%	17,799,895	7.2%	38,344,886	12.2%	87,688,569	19.3%
TOTAL NET POSITION	**$76,963,344**	35.8%	**$77,872,679**	33.3%	**$120,959,754**	49.2%	**$150,115,627**	47.8%	**$192,649,783**	42.4%

(1)Calculated as a percent of Total Assets.

CONSOLIDATED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For Fiscal Year Ending (FYE) June30	2012	%[1]	2013	%[1]	2014	%[1]	2015	%[1]	2016	%[1]
Source:	Audited		Audited		Audited		Audited		Audited	
% Change Year-over-Year in Total Revenues		N/A		6.22%		-11.17%		15.43%		188%
REVENUES										
HUD PHA Grants	$32,842,708	69.0%	$35,253,130	69.5%	$29,635,031	64.9%	$33,921,042	62.9%	$31,863,108	58.0%
Rent	12,372,636	26.0%	13,072,513	25.8%	13,671,896	30.0%	14,239,372	26.4%	15,001,894	27.3%
Other Government Grants	1,364,666	2.9%	1,335,154	2.6%	1,276,805	2.8%	1,277,386	2.4%	1,397,141	2.5%
Management Fees	132,301	0.3%	130,768	0.3%	121,556	0.3%	277,264	0.5%	311,273	0.6%
Other	859,756	18%	933,107	18%	922,553	2.0%	4,237,407	7.9%	6,410,180	11.7%
Total Revenues	**$47,572,067**	**100.0%**	**$50,724,672**	**100.0%**	**$45,627,841**	**100.0%**	**$53,952,471**	**100.0%**	**$54,983,596**	**100.0%**
EXPENSES										
Administration	7,005,125	14.7%	7,336,453	14.5%	$7,489,468	16.4%	$8,456,536	15.7%	$8,883,815	16.2%
Tenant Services	355,900	0.7%	397,962	0.8%	442,809	10%	469,809	0.9%	513,684	0.9%
Utilities	1,524,012	3.2%	1,603,412	3.2%	1,575,229	3.5%	1,612,176	3.0%	1,745,286	3.2%
Maintenance	3,717,032	7.8%	3,751,937	7.4%	4,034,456	8.8%	4,152,037	7.7%	4,123,809	7.5%
Protective Services	59,093	0.1%	45,416	0.1%	45,754	0.1%	64,198	0.1%	93,712	0.2%
General	625,412	13%	623,225	12%	684,557	15%	1,321,752	2.4%	1,977,254	3.6%
Insurance	572,702	12%	561,163	1.1%	643,615	14%	785,740	15%	778,651	14%
Total Operating Expenses before Housing Assistance Payments	**$13,859,276**	**29.1%**	**$14,319,568**	**28.2%**	**$14,915,888**	**32.7%**	**16,862,248**	**31.3%**	**18,116,211**	**32.9%**
Housing Assistance Payments	30,417,146	63.9%	31,693,876	62.5%	31,093,629	68.1%	29,342,298	54.4%	28,728,026	52.2%
Total Operating Expenses	**$44,276,422**	**93.1%**	**$46,013,444**	**90.7%**	**$46,009,517**	**100.8%**	**$46,204,546**	**85.6%**	**$46,844,237**	**85.2%**
Operating Income before Depreciation	**3,295,645**	**6.9%**	**4,711,228**	**9.3%**	**(381,676)**	**-0.8%**	**7,747,925**	**14.4%**	**8,139,359**	**14.8%**
Depreciation Expense	$5,713,930	12.0%	$5,832,901	11.5%	$5,693,628	12.5%	$7,340,072	13.6%	$7,644,040	13.9%
Operating Income / Loss	**(2,418,285)**	**-5.1%**	**(1,121,673)**	**-2.2%**	**(6,075,304)**	**-13.3%**	**407,853**	**0.8%**	**495,319**	**0.9%**
NONOPERATING INCOME (EXPENSE)										
Interest Income	225,359	0.5%	200,432	0.4%	204,629	0.4%	841,490	16%	938,975	17%
Interest Expense	(3,613,712)	-7.6%	(3,844,549)	-7.6%	(3,763,317)	-8.2%	(4,841,106)	-9.0%	(5,286,222)	-9.6%
Amortization Expense	(113,329)	-0.2%	(166,737)	-0.3%	(194,702)	-0.4%	(289,989)	-0.5%	(432,240)	-0.8%
Extraordinary Maintenance	(60,741)	-0.1%	(74,837)	-0.1%	(42,408)	-0.1%	(37,589)	-0.1%	(134,758)	-0.2%
Casualty Loss	(1,749)	0.0%	(8,019)	0.0%	(5,123)	0.0%	(1,011)	0.0%	(2,261)	0.0%
Loss / Gain on Interest Rate Swap	(579,165)	-12%	439,409	0.9%	150,160	0.3%	(214,505)	-0.4%	(53,148)	-0.1%
Other Income/Expenses	125,642	0.3%	(13,553)	0.0%	100,277	0.2%	(226,836)	-0.4%	0	0.0%
Loss on Debt Forgiveness from Plaza	(1,846,543)	-3.9%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Debt Forgiveness resulting from Liquidation	1,846,543	3.9%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Loss on Disposal of Fixed Assets	(1,725,082)	-3.6%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Loss on Abandoned Costs	0	0.0%	(107,454)	-0.2%	0	0.0%	0	0.0%	0	0.0%
Gain on Sale	0	0.0%	0	0.0%	0	0.0%	784,437	15%	31,880,820	58.0%
Total Nonoperating Income (Expense)	**($5,742,777)**	**-12.1%**	**($3,575,308)**	**-7.0%**	**($3,550,484)**	**-7.8%**	**($3,985,109)**	**-7.4%**	**$26,911,166**	**48.9%**
Loss before Capital Grants	**($8,160,962)**	-17.2%	**($4,696,981)**	-9.3%	**($9,977,442)**	-21.9%	**($3,577,256)**	-6.6%	**$27,408,953**	49.8%
Capital Grants	554,710	12%	783,967	15%	752,216	16%	1,112,757	2.1%	2,036,159	3.7%
Changes in Net Assets Before Non-Controlling Interests	**(7,606,252)**	-16.0%	**(3,913,014)**	-7.7%	**(9,225,226)**	-20.2%	**(2,464,499)**	-4.6%	**29,445,112**	53.6%
Plus: Non-Controlling interests in Limited Partnerships	(4,105,795)	-8.6%	(10,497,032)	-20.7%	0	0.0%	0	0.0%	0	0.0%
Changes in Net Assets	**($11,712,047)**	-24.6%	**($14,410,046)**	-28.4%	**($9,225,226)**	-20.2%	**($2,464,499)**	-4.6%	**$29,445,112**	53.6%
Net Assets, Beginning of Year	**$79,734,746**	167.6%	**$76,963,344**	151.7%	**$128,766,522**	282.2%	**$120,959,754**	224.2%	**$150,115,627**	273.0%
Capital Contributions / Capital Contributions Discrete Component Units	$729,055	15%	$14,194,205	28.0%	$1,618,458	3.5%	$13,117,911	24.3%	$13,089,044	23.8%
Less Non-Controlling Interest	8,211,590	17.3%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Prior Period Adjustment	0	0.0%	1,125,176	2.2%	(200,000)	-0.4%	18,562,461	34.4%	0	0.0%
Syndication Costs	0	0.0%	0	0.0%	0	0.0%	(60,000)	-0.1%	0	0.0%
Net Assets, End of Year	**$76,963,344**	161.8%	**$77,872,679**	153.5%	**$120,959,754**	265.1%	**$150,115,627**	278.2%	**$192,649,783**	350.4%

[1] Calculated as a percent of Total Revenues