



HOUSING SUBCOMMITTEE AGENDA REPORT

Meeting Date: March 17, 2026

From: Julia Ayres, Acting Community Development Director

Subject: Presentation of Revised Proposal from HEART Responding to RFP for Ownership and Management of Visitacion Garden Senior Housing

Recommendation

That the subcommittee (a) receive and discuss the presentation regarding HEART's updated proposal for ownership and management of Visitacion Garden senior apartments, (representatives of HEART will be at the meeting), (b) meet in closed session to discuss terms of the proposal, and (c) provide direction concerning the Housing Authority's negotiations with HEART, with the goal to provide to the full Authority Board in the next month or two a new ground lease and related documents with HEART.

Background

This subcommittee met on December 15, 2025 to review a proposal from the Housing Endowment and Regional Trust of San Mateo County (HEART) for a new 55 year ground lease and management agreement for Visitacion Garden senior apartments. The December 15, 2025 subcommittee report (see Attachment 1) provides a detailed background on the history of the property, current ground lease with Brisbane Senior Housing, Inc. (BRIDGE Housing), as well as HEART's proposal as originally submitted. At that meeting the subcommittee authorized the City Manager/Executive Director (the Housing Authority owns the property) to negotiate with HEART terms of a new ground lease based on its proposal. HEART's due diligence period started immediately.

While HEART's due diligence was initially forecast to conclude within 45 days, extensions were required because of the onset of the holiday season, the completion of the Phase 1 Environmental Assessment, property value appraisal, and updated capital needs assessment required additional time. Due diligence concluded on February 24, 2026 and HEART submitted an updated proposal to staff based on those completed assessments (see Attachment 2). The updated proposal is described below.

Discussion

HEART's updated proposal is driven by two primary factors:

- The completed appraisal (see Attachment 3) found the current value of the property to be less than the outstanding debt (including principal and accrued interest).
- The updated capital needs assessment (see Attachment 4) found additional capital costs beyond BRIDGE's assessment.

The revised salient terms of the proposal are as follows:

- **Acquisition price and outstanding debt:**
 - **Original Proposal:** HEART’s original proposal set forth the “acquisition price” of the improvements on the property as the total outstanding debt on the property, including all outstanding principal and accrued interest from both the Authority and the County loans, (about \$4.267million) which would include two new City/Authority loans that would accrue 3% interest over 30 and 40 year terms.
 - **Updated Proposal:** Acquisition price has been reduced to the appraised value of \$3,290,000. This would require restructuring of the existing Redevelopment Agency/Housing Authority loans and County loan such that the new restructured loans amount to the total appraised value. Specifically, the City loans would be restructured to total \$3,062,564 with 3% interest over a 55 year term (the same as the ground lease term) and would also include an additional principal amount to fund capital improvements (see below). The County loan would be restructured to \$227,436; HEART has been in negotiations with the County concerning this restructuring.
 - **Impact:** Currently, the total remaining principal and accrued interest of the two (former) Redevelopment Agency/Housing Authority loans totaled approximately \$3.99 million. Of this total, about \$1.66 million is accrued interest. If the loans were restructured to \$3,062,564, that would leave \$930,115 in accrued interest not captured by the new loan and either payable by BRIDGE or forgiven by the Authority. BRIDGE has requested that the Authority forgive any principal and accrued interest amount that exceeds HEART’s acquisition price (see letter in Attachment 5).
- **Authority loan for capital improvements:**
 - **Original Proposal:** HEART’s original proposal included a standalone \$350,000 loan from the Housing Authority to fund outstanding repairs and future capital needs. This was based on BRIDGE’s Capital Needs Assessment from 2024 and a construction budget originally estimated by HEART of \$303,000. This loan would have had 3% interest and would have been in the fourth lien position on the property behind the two Authority loans and County loan.
 - **Updated Proposal:** HEART’s requested Authority loan principal has increased to \$390,250, and this principal is now combined with the restructured debt loan into one consolidated loan with a 55 year term and 3% annual interest, holding first lien position on the property. This loan increase is based on increased capital costs found in the updated Capital Needs Assessment prepared by HEART (see Attachment 4) and HEART’s updated budget of \$434,063, which captures years 1-5 of the new Capital Needs Assessment. The proposal also includes an increased amount of the HEART loan to help fund the same and other development related costs;

this would not financially impact directly the Authority. It is noted that the proposed increase to the Authority loan of \$42,250 is significantly less than the proposed increase to the HEART loan of \$127,900. (Originally the proposed HEART loan was \$262,350.)

- **Impact:** Funding this loan would increase immediate expenditures from the Authority's low/moderate income housing asset fund by an additional \$42,250 from the original proposal, plus associated increased interest over the 55 year term.
- **Replacement Reserve**
 - **Original Proposal:** One time initial infusion, funded at closing, of \$90,420 into a replacement reserve account.
 - **Updated Proposal:** Increased initial infusion at closing to \$100,000, as well as increased annual contribution to fund the reserves on an ongoing basis shown in the revised 30 year proforma.
 - **Impact:** Because these reserve payments take precedence over residual receipt loan repayments to the Authority, overall the revised proposal would divert some of those residual receipt loan payments to the Authority compared to the original proposal. Given the revised overall loan amount proposed, in staff's opinion this is a minor impact overall to residual receipt loan repayments compared to the impact of the proposed debt restructuring.
- **Cashflow Distribution for Loan Repayment from Residual Receipts**
 - **Original Proposal:** As noted, HEART's original proposal called for three City/Authority loans; the two existing loans and a new loan to fund needed capital improvements. HEART's original 30-year proforma proposed distributing cashflow (or payments from operating revenue) that prioritized paying off the two HEART loans before the City/Authority over the 30 year projection. It projected \$2.08 million in loan payments to the Authority over the 30 year projection.
 - **Updated Proposal:** HEART's updated proposal restructures the existing debt and consolidates it with additional capital funding into one new loan. Accordingly, cashflow distribution is recalibrated in the updated proposal. The two HEART loans are still prioritized, with cashflow primarily geared toward paying them both off by Year 13. Starting Year 14, the majority of cashflow will go toward paying off the Authority loan. The updated proforma projects \$2.106 million in loan payments to the Authority over the 30 year projection, but due to debt restructuring the Authority isn't necessarily receiving more revenue as a result.

Next Steps

Based on the subcommittee's direction, which direction should be given in the closed session that will follow immediately the regular agenda, staff will complete its negotiations with HEART, with the goal of bringing forward to the full Housing Authority Board a draft ground lease, loan agreements, and Regulatory Agreement (as to the rents charged to the existing tenants) at a

future meeting, likely at the second meeting April or first meeting May for final action. Prior to that, staff will meet in closed session with the Housing Authority Board to discuss the recommended proposal.

Fiscal Impact

Existing debt totals approximately \$3.99 million, including remaining principal and accrued interest of the two Authority loans. Of this amount, approximately \$2,336,087 represents outstanding principal (original principal \$2.5 million), and approximately \$1,636,431 represents accrued interest. HEART has proposed to restructure the existing debt to a total of \$3,062,564. This amount would be combined with the \$390,250 loan to fund capital improvements into one consolidated new loan with a principal of \$3,452,814 with a 55 year term and 3% interest, in first lien position on the property.

Restructuring the debt as proposed would result in approximately \$930,115 in accrued interest not captured by the new loan and either payable by BRIDGE or forgiven. As noted, BRIDGE has requested that the Authority forgive any principal and accrued interest amount that exceeds HEART's acquisition price (see letter in Attachment 5). There are adequate funds in the low and moderate income housing fund to fund the new loan request of \$390,250, should that be determined by the Authority to be appropriate.

As residual receipts loans, loan payments would be paid out of surplus revenue/receipts. HEART's submitted pro forma shows the distribution of anticipated cash flow toward the Authority loan, and shows that the restructured Authority loan would have an unpaid balance due at the end of 30 years, with \$2.106 million in payments over that time period. Projections to the 55 year term were not provided so it is not clear if at the end of the 55 years whether the loan would be entirely repaid.

Attachments

1. December 15, 2025 Housing Subcommittee Report
2. Updated HEART Letter of Interest and 30-Year Pro Forma (February 2026)
3. Appraisal prepared by Bowery dated January 20, 2026
4. Capital Needs Assessment prepared by Association Reserves dated January 27, 2026
5. BRIDGE letter to the Housing Authority dated February 26, 2026

Julia Ayres

Julia Ayres
Acting Community Development Director



Jeremy Dennis
City Manager/Brisbane Housing Authority Executive Director



HOUSING SUBCOMMITTEE AGENDA REPORT

Meeting Date: December 15, 2025

From: John Swiecki, Community Development Director

Subject: Presentation of Proposal from HEART Responding to RFP for Ownership and Management of Visitacion Garden Senior Housing

Recommendation

That the subcommittee receive the presentation of HEART’s proposal for ownership and management of Visitacion Garden senior apartments and recommend that the City negotiate a new ground lease with HEART.

Background

The Visitacion Garden Senior housing development at 8 Visitacion Avenue contains 14 apartment units for low-income seniors (age 62+) and includes a senior recreation center (“Sunrise Room”). The former Brisbane Redevelopment Agency (RDA) purchased the site in 1995 for \$440,000. The RDA partnered with BRIDGE Housing, a non-profit affordable housing developer, to design, construct, and manage the affordable senior housing development. Construction was completed in November 1999. The RDA issued two loans to BRIDGE to fund the development of the property. The Brisbane Housing Authority was activated in 2011 through adoption of Resolution 2011-15. The Housing Authority is governed by a five-member Board of Commissioners, filled by the Brisbane City Council members. Following dissolution of the Brisbane Redevelopment Agency in 2012, the Housing Authority assumed control over the Low and Moderate Income Housing Funds previously held by the Redevelopment Agency.

Brisbane Housing Authority retains ownership of the land beneath the development while BRIDGE (under its subsidiary Brisbane Senior Housing, Inc.) owns the buildings and improvements and manages the facility under a 30-year ground lease (“lease”) that expires in 2028. Under the terms of the existing lease, ownership of the building and improvements on the site will revert to the Housing Authority in 2028 unless a new lease is executed or the existing lease is extended.

BRIDGE reached out to City staff in 2023 to discuss possible extension of the lease. Following discussions among City staff, BRIDGE, and this Subcommittee, it was the consensus that a preferred path forward was to seek a new entity that would enter into the existing lease or, more likely, enter into a new lease, or a new entity that would manage and operate the facility.

Based on this direction, in July 2025, staff brought forward a draft Request for Proposal (RFP) to the full City Council in its capacity as the Housing Authority Board. Following authorization by the Council, the RFP was released in August 2025 (Attachment 1). One proposal was received from the Housing Endowment and Regional Trust of San Mateo County (HEART). The proposal was reviewed by staff as well as a review committee comprised of Douglas Frederick, HCD Housing

Program Manager of San Mateo County Department of Housing (which holds a loan on the property) and Leigh Macalino, Housing Management Analyst with the City of Redwood City. After reviewing the proposal and interviewing HEART, the internal review committee unanimously found HEART’s proposal to be responsive to the RFP and recommended that the City enter into negotiations with HEART for a new lease.

Discussion

HEART was established in 2003 as a Joint Powers Authority (JPA) between the County and its jurisdictions to operate a capital trust fund to provide short- and medium-term loans for the acquisition, predevelopment, and rehabilitation of affordable multifamily projects. In 2023, HEART formed an affiliate JPA (HEART-SV) to hold title in real estate developments and in 2024 purchased its first, and to date only, rental property in Redwood City. Armando Sanchez, Executive Director, has an additional 15 years of experience in affordable housing development and management.

Key features of HEART’s proposal (Attachment 2) include the following:

OVERALL INTENT

- HEART proposes to enter into a new 55 year ground lease and management agreement for Visitacion Garden, assigning its interest to HEART-SV, an affiliate JPA.

DEBT

- HEART is willing to assume the existing debt on the property on the condition that an appraisal demonstrates that the leasehold interest and improvements have a value equal to or greater than the debt. If the valuation is less than the Debt, HEART requests a restructuring of the Debt. (See Fiscal Impact section below.)
- To pay for all costs associated with assuming the Project, including pay for the immediate repairs, the capital reserve, and the operating reserve, HEART is proposing a combination of a new \$350,000 City loan and a 15-year \$262,350 HEART loan.

TENANT MANAGEMENT AND RENT RESTRICTIONS

- HEART will honor all existing leases and designated area median income (AMI) rent levels for tenants currently residing at the Project.
- Existing rent restrictions would be maintained with one modification: replacing two 40% AMI units with one 30% AMI unit and one 50% AMI unit to align rents with Housing and Community Development (HCD) published rent levels.
- HEART proposes using an off-site property management firm.

A full summary of relevant proposal elements can be found in HEART’s letter of intent and proposed approach in Attachment 1. HEART has also provided a pro forma to demonstrate their

anticipated revenues and expenditures together with proposed debt management. HEART will make a full presentation of their proposal at the meeting.

Next Steps

As outlined in the RFP, the subcommittee will make a formal recommendation to the full Council in its capacity as the Brisbane Housing Authority whether to engage in further negotiation with HEART for a new ground lease and the terms of that ground lease.

Fiscal Impact

HEART has proposed to assume the existing debt on the property. Practically this would entail executing new loan agreements for the three existing loans (two City, one County). The two new loan agreements would equate to the existing loan amount plus accrued interest as one new loan, which would itself accrue interest on a 30-year term. Should the City move forward to negotiate with HEART, HEART has requested an appraisal which will determine whether HEART requests restructuring of the existing debt on the property. HEART also proposes a new \$350,000 City/Authority residual receipts loan at 3% interest to finance capital improvements and reserves on a 30 year term. There are adequate funds in the low and moderate income housing fund to fund the new loan request.

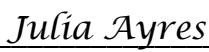
As residual receipts loans, loan payments would be paid out of surplus revenue/receipts. HEART's submitted pro forma shows the distribution of anticipated cash flow toward all three City loans, and shows that all three loans would have unpaid balances due at the end of the 30 year term. Staff anticipates that HEART would request entering into new loans for new terms at the end of the 30 year term to roll over the remaining loan balances.

Attachments


- 1. Request for Proposals for Leasehold Interest and/or Management of the Visitacion Garden Senior Apartments
- 2. HEART of San Mateo County proposal



 John Swiecki, Community Development Director



 Julia Ayres, Principal Planner



 Jeremy Dennis
 City Manager/Brisbane Housing Authority Executive Director



**City of Brisbane and Brisbane Housing Authority
Request for Proposals:
Leasehold Interest and/or Management of the
Visitacion Garden Senior Apartments**

8 Visitacion Avenue/3 Inyo Street, Brisbane, CA 94005

August 26, 2025



Please be aware that under the California Public Records Act, all documents submitted in response to this Requests for Proposals are considered part of the public record and will be made available to the public, upon request, following the application deadline.

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| Enclosure F | Ground Lease by and Between the Redevelopment Agency of the City of Brisbane and BRIDGE Housing Corporation (1998) Second Amendment to the Ground Lease by and Between the Redevelopment Agency of the City of Brisbane and BRIDGE Housing Corporation (2000) |
| Enclosure G | Loan and Regulatory Agreements by and between the Redevelopment Agency of the City of Brisbane and BRIDGE Housing Corporation (1998) |

- Enclosure H Addendum to the Loan and Regulatory Agreement by and between the Redevelopment Agency of the City of Brisbane and BRIDGE Housing Corporation (1998)
- Enclosure I Loan and Regulatory Agreements (Bond Proceeds) by and between the Redevelopment Agency of the City of Brisbane and BRIDGE Housing Corporation (1998)
- Enclosure J Declaration of Restriction by Brisbane Senior Housing, Inc. (2000)
- Enclosure K 2022 Audited Financial Statement
- Enclosure L 2023 Audited Financial Statement
- Enclosure M 2024 Audited Financial Statement
- Enclosure N 2025 Budget
- Enclosure O Current Rent Roll
- Enclosure P Capital Needs Assessment for Visitacion Gardens Apartments prepared by Integrated Property Analysis, Inc. (2024)

The City of Brisbane (“City”) and the Brisbane Housing Authority (“Authority”)¹ are pleased to issue this Request for Proposals (RFP) to Proposers with demonstrated experience to (a) assume an existing leasehold interest and manage 8 Visitacion Avenue/3 Inyo Street (“Visitacion Garden”)[“the Project”], or (b) enter into a management agreement for Project, or (c) to enter into a new ground lease and management agreement for the Project. Where the proposal is for management only, the Authority will continue to be the owner of the property.

Selection will be made from responsive proposals that will best serve the interests of the City, the Authority, and residents of Visitacion Garden based on a combination of cost, experience, and capacity to operate and manage the Project.

Please submit your proposal using the format specified in this RFP. **PROPOSALS MUST BE RECEIVED BY Monday, September 29, 2025 by no later than 5 PM.** Any proposal received after the specified time and date will not be considered. Proposals shall be submitted electronically by email to Principal Planner Julia Ayres via email to jayres@brisbaneca.org. Note: An email will be sent to confirm receipt of the electronic proposal.

Questions regarding proposals should be directed to:

Julia Ayres, Principal Planner
(415) 508-2129
jayres@brisbaneca.org

¹ The property is owned by the Brisbane Housing Authority. The Brisbane City Council serves as the Brisbane Housing Authority. As a practical matter, City staff carries out the day-to-day oversight of the Project.

1. Introduction

The Project is a 14-unit, income and rent-restricted apartment complex for seniors located at 8 Visitacion Avenue and 3 Inyo Street in Brisbane, CA. Construction began in 1998, and the building was occupied in early 2000. At the time of construction, the property was owned by the Redevelopment Agency of the City of Brisbane “RDA”). Bridge Housing Corporation (“BRIDGE”), a Bay Area based company, developed the site. Brisbane Senior Housing, Inc. (the “Current Owner”) currently operates the Project pursuant to a long-term ground lease with the RDA (“Ground Lease”). When Redevelopment Agencies were dissolved statewide, the RDA transferred the property and its interest in the Ground Lease to the Brisbane Housing Authority (“Authority”). The Ground Lease terminates on January 26, 2028. The City of Brisbane (“City”), the RDA and the County of San Mateo are all lent money to develop the Project, which loans remain outstanding. In consultation with Brisbane Senior Housing, Inc., the City, and the Authority, are now seeking proposals for any of the following scenarios:

- Assignment and extension of the existing Ground Lease to a new lessee/operator and/or other modifications to the existing Ground Lease; or
- Early termination of the existing Ground Lease and execution of a new Ground Lease with the Proposer; or
- Early termination of the existing Ground Lease and execution of a property management and operations agreement under which the Proposer will manage and operate the Project for the Authority.

The Proposer must assume, but may work with the City, the County, and the Authority to restructure the existing project debt.

Income and Rent Limitations

Under the existing Ground Lease, the maximum household incomes allowed for tenants in the Project are as follows:

| Table 1: Visitacion Garden, Number of Units by Income Restriction | | |
|--|----------|-----------------|
| Percent of Area Median Income (“AMI”) | Bedrooms | Number of Units |
| 30% | One | 2 |
| 40% | One | 2 |
| 50% | One | 4 |
| 60% | One | 2 |
| 60% | Two | 2 |
| 80% | One | 2 |

Notwithstanding the household income limits, the maximum rents, based on the percent of AMI, have been set by two recorded Declaration of Restrictions. While one of the one-bedroom units may be rented to a household with an income up to 80% of AMI, the maximum rent allowed for that unit is 60% of AMI. The resulting maximum rent table is as follows:

| Table 2: Visitacion Garden, Number of Units by Rent Restriction | | | |
|--|----------------------|----------|-----------------|
| Percent of Area Median Income (“AMI”) | Rent Limit Source | Bedrooms | Number of Units |
| 30% | HCD/San Mateo County | One | 1 |
| 30% | HUD Low HOME Rents | One | 1 |
| 40% | HCD/San Mateo County | One | 2 |
| 50% | HCD/San Mateo County | One | 4 |
| 60% | HUD High HOME Rents | One | 4 |
| 60% | HCD/San Mateo County | Two | 2 |

It is expected that existing income and rent limitations will remain the same for existing tenants and that the Proposer may propose new long-term income and rent limitations that would apply upon turnover of existing units. If the Proposer proposes new income and rent limitations, such rent limitations must be affordable to lower income households.

A. Original Project Financing

The Project was financed through a combination of RDA and County of San Mateo (“County”) funds. As with many affordable housing developments, these funds are to be paid back out of surplus cash flow. And as with many similar developments, cash flow for this Project has been insufficient to repay the loans. Over the life of the Project, some small payments have been made, but substantial interest has been accrued by the Project. Initial debt on the Project was \$2,675,000 (of which, \$2,500,000 was lent by the former RDA). As of January 1, 2025, the Project owes the Authority (who assumed fee ownership of the property and the RDA loan) \$3,937,189, and the County \$292,352, for total outstanding debt of \$4,229,541, or \$302,110 per unit. See Table 3 for details.

Proposals should include a proposal for restructuring this debt.

| Table 3: Source of Funds/Outstanding Debt, as of June 30, 2025 | | | | |
|---|----------------------|-----------------------|------------------|------------------------|
| Source of Funds | Original Loan Amount | Remaining Loan Amount | Accrued Interest | Total Outstanding Debt |
| Redevelopment Agency of the City of Brisbane/Authority Loan 1 | \$1,000,000 | \$899,873 | \$600,700 | \$1,500,573 |
| Redevelopment Agency of the City of Brisbane/Authority Loan 2 | \$1,500,000 | \$1,436,214 | \$1,000,402 | \$2,436,616 |
| County of San Mateo (HOME funds) | \$175,000 | \$175,000 | \$117,352 | \$292,352 |
| Totals | \$2,675,000 | \$2,511,087 | \$1,718,454 | \$4,229,541 |

B. Schedule

The City and the Authority anticipate that the RFP process will take 60 to 90 days, after which time one entity will be recommended to the Authority for negotiation of an assignment and/or extension of the existing Ground Lease, a new ground lease and regulatory agreements, or an agreement to manage the Project. While the schedule stated in this RFP represents the preferred timetable, it shall not be considered binding upon the City or the Authority. In addition, the submission of a proposal in response to the RFP shall not be binding upon the City or the Authority nor construed as a contract with or commitment by the City or the Authority.

The schedule is as follows:

| Table 4. RFP Schedule | |
|---|----------------------------|
| Activity | Date |
| RFP Released | Monday, August 26, 2025 |
| Site Visit and Proposers Conference | Friday, September 12 |
| Questions and Requests for Clarifications Due | Monday, September 15, 2025 |
| City staff Response to RFP Questions/Clarifications | Monday, September 22, 2025 |
| RFP Submittal Deadline | Monday, September 29, 2025 |
| Proposer Interviews and Due Diligence | October 2025 |
| Authority Subcommittee Review and Recommendation | October 2025 |
| Authority Action | November 2025 |

1. **RFP Release:** The RFP is made available online at the City of Brisbane's website at <https://www.brisbaneca.org/rfps> and at the Community Development Department, Brisbane City Hall, 50 Park Place, Brisbane, CA 94005.
2. **Site Visit and Proposer's Conference:** A site visit will be held at the site at 8 Visitacion Avenue on Friday, September 12, 2025 at 10 a.m. A proposer's conference will immediately follow the site visit at Brisbane City Hall, Community Meeting Room, 50 Park Place on Friday, September 12, 2025 at 11 a.m. To submit a proposal, a representative from the Proposer's team MUST be in attendance at both the site visit and the proposers' conference.
3. **Questions and Requests for Clarification.** Proposers must submit any questions or requests for clarification on the RFP via email to City staff by 5 p.m. on Monday, September 12, 2025.
4. **City staff Response to RFP Questions/Clarifications:** City staff will respond to all timely questions and provide any clarifications online at <https://www.brisbaneca.org/rfps>.
5. **RFP Submittal Deadline:** The City/Authority must receive responses to the RFP on or before the deadline listed on page 1 of this RFP. It is the responsibility of the Proposer to ensure that the proposal is received by the City/Authority before the deadline and that the information provided in the proposal is complete. The omission of information may be deemed non-responsive and may subject the Proposer to disqualification. Adherence to the RFP submission deadline will be based on the time the City/Authority receives each submission email from the Proposer.
6. **Proposer Team Interviews:** The selection committee is expected to evaluate the proposals and then, provided that one or more proposals are deemed sufficient, the selection committee will hold interviews with one or more Proposers.
7. **Due Diligence:** The City/Authority reserves the right to request additional documentation and/or written responses to confirm statements made during the interview, follow-up questions, supplemental interviews, or to make other fact-finding efforts as the City/Authority determines it is necessary to assess the most qualified Proposer.
8. **Recommendation and Authority Vote:** The selection committee shall make a recommendation to the Authority's Executive Director and the City of Brisbane's Housing Subcommittee, before making a recommendation to the full Authority. Upon the affirmative vote of the Authority, City staff will negotiate with the selected Proposer an assignment and/or an extension of the existing Ground Lease, a new ground lease, or an agreement for management of the Project The Proposer shall also assume the existing obligations of the Project and the existing lessee shall be fully released from obligations associated with the Project by the City, Authority, and the County of San

Mateo and any successful Proposer. The Proposer should be prepared to perform its own due diligence, lease the Project in its as-is condition (if a ground lease is contemplated in the proposal) and enter into modified loan documents. City staff will also work with the Proposer to negotiate modifications to the County debt. If those negotiations are successful, the selected scenario will be presented to the Authority for a final decision.

2. Project Requirements

The following requirements and underwriting guidelines apply to the Project, whether or not the Proposer is, as part of its proposal, seeking funding from the Authority.

Table 5. Visitacion Garden Preservation Requirements and Underwriting Guidelines

| Item | Requirement |
|--|---|
| Organization Status | The Proposer may be a for-profit organization, a nonprofit organization, local government agency, joint powers agency, or a community land trust. |
| Proposer Experience | Any potential Proposer shall have for at least three years owned or through a lease or other agreement operated at least one project similar to what is proposed in terms of scope, size, budget, financing structure, ability to obtain financing, and schedule. Proposers may use key principals to qualify for experience. Proposals for property management whether responding for just the management contract, or as part of a lessee/management team, must reflect that the Respondent has managed at least two completed projects similar to the existing Project in terms of scope, size, and operating budget. |
| Regulatory Term and Lease | 99 years |
| Income Limits | See Table 1 |
| Maximum Rents (Including Utility Allowances) | See Table 2 and discussion under “Income and Rent Limitations” on p. 5 of this RFP |
| City Monitoring Fee | Except where not allowed by law (AB2430), \$125/unit per year. |
| Construction Management Fee (if applicable) | 5% of total construction costs. |

| Item | Requirement |
|--------------------------------|--|
| Replacement Reserves | <p>Replacement reserve funding covers the cost of all repairs needed for 15 years as described in a Property Needs Assessment (PNA) prepared by a qualified third-party consultant.</p> <p>The reserve must include a 3% price escalator, if not included in the PNA.</p> <p>The reserve may be funded through an initial reserve deposit when the existing lease is extended, or a new lease is entered into or through annual deposits from cash flows (or a combination thereof). A minimum of \$500 per unit per year is required if the initial reserve deposit does not cover 50% of the 15-year PNA cost.</p> |
| Capitalized Operating Reserves | Minimum 3 months' expenses, including: hard debt, monitoring fees, and replacement reserves |
| Vacancy Loss Percentage | Minimum of 5% |
| Debt Coverage Ratio | 1.1 over the first two years and 1.2 over the next 13 years of cash flow or the remaining loan term of any hard debt (whichever is longer). |
| Asset management fee | Lesser of \$1,000/unit, or \$25,000/year with a 3.5% escalator. |
| Subordination | <p>The Authority will subordinate its deed of trust to lenders with a greater investment (senior lenders) and to private lenders that require it as a condition of funding.</p> <p>The city will not subordinate its regulatory agreement to any deed of trust but will consider subordinating its regulatory agreement to a senior lender's regulatory agreement.</p> |
| Insurance | See Exhibit A. |
| Renovations | Any renovations proposed must either address the repairs and upgrades outlined in the Capital Needs Assessment or be justified by an independent assessment paid for by the Proposer. |

| Item | Requirement |
|-----------------------|---|
| Hard cost contingency | At least 20% of hard costs, including general requirements, overhead, profit, and contractor’s contingency |
| Soft cost contingency | At least 10% of all costs except acquisition, hard costs, reserves, and construction management fees |
| Contingency Funds | Contingency funds shall first be used to cover construction cost over runs, and the remainder shall be deposited into the replacement reserve. |
| Relocation | Displacement or permanent relocation of existing tenants is not allowed. Temporary relocation during renovation is allowed. All relocation must follow local, state, and federal relocation laws, and a relocation budget must be part of the proposal. |
| Property Welfare Tax | If applicable, the budget must clearly show that the property will be accessing the welfare tax exemption. |

If new Authority funds are requested, the following requirements also apply:

| Authority Loan Terms | |
|----------------------|--------------------------------------|
| Item | Terms |
| Loan Term | 55 years |
| Interest | 3% annual simple interest |
| Payments | Payments made from residual receipts |
| Subsidy Limit | \$50,000/unit |

Substantive changes to the requirements may only be made upon approval of the Authority.

3. Evaluation and Selection Process

A. Evaluation Criteria

The City/Authority will use a quality-based selection process, and the assignment/lease/agreement will be awarded to the Proposer whose proposal is determined as providing the best value in meeting the interests of the City, the Authority, and Project tenants. Proposals will be evaluated by City staff based on professional qualifications and relevant experience; the proposed financing solution; the project approach; and the proposal's quality.

The City/Authority reserves the right to reject all proposals, refuse any or all proposal(s), to waive technicalities, and to accept whichever proposal that may be in the best interest of the City, the Authority and Project tenants, at the City's/Authority's sole discretion. City staff will evaluate all proposals deemed responsive and make a recommendation to the Authority based on the criteria below and the percentage of their importance.

1. Professional qualifications and relevant experience (30 percent)

Proposers should meet the following capacity and experience requirements:

- Proposers who intend to have a leasehold interest (whether existing or new) and operate the Project must have owned or had a long term leasehold interest for at least three years in at least one project similar to the existing Project in terms of scope, size, budget, financing structure, ability to obtain financing, and schedule. Proposers may use key principals to qualify for experience.
- Proposers, whether responding for a management contract only, or as part of an owner/manager team, shall have managed at least two) completed projects similar to what is proposed in terms of scope, size, and operating budget.

Proposers must provide documentation relevant to capacity and experience including the following from similar projects: two years audited financial statements, the most recent annual budget, and any legal or funding agreements. Statements are not required from key principals if they no longer have access to these documents.

Additional weight will be granted to those Proposers who have similar experience with affordable senior housing projects and/or have the clear capacity to address the capital improvement needs of the Project as outlined in the 2024 Capital Needs Assessment prepared by Integrated Property Analysis, Inc.

2. Financing Solution (30 percent)

Recapitalization is necessary for the Project to meet long-term maintenance needs and financial sustainability. Proposals will receive points based on the Proposer's ability to find creative solutions and reduce investment of scarce public resources while maximizing financial feasibility.

The Authority is open to providing funding for the Project, however Proposers will improve their score if they are able to minimize the expense to the Authority through viable plans to increase income to the Project and/or bringing alternative funding sources (e.g. county, state, private, or charitable funds) to the Project.

3. Approach to the Project (20 points)

The proposal should reflect that Proposers have identified the special circumstances of the Project and have identified viable solutions to the Project's needs. In addition, Proposers should provide a feasible timetable for repairs and upgrades to the Project, while minimizing relocation and other disruptions to tenants.

4. Quality of proposal (20 percent)

Points will be granted based on the information conveyed, the overall proposal quality and readability, and the technical expertise presented.

B. Selection Process

The Authority is the sole final decision maker regarding the selection, and it reserves the right to reject any or all proposals.

During the selection phase of the process, members of the City's selection panel and/or consultants retained by the City will evaluate the proposals. At their discretion, they may contact references and industry sources, investigate previous projects and current commitments, interview some or all the project team members, and take any other information into account in their evaluation of the proposal. The City reserves the right to request clarification or additional information from Respondents and to request that Respondents make presentations to the Authority, community groups or others. Based on their evaluations, City staff will prepare a "short list" of Respondents who will then be interviewed by the selection panel.

The Authority may, with the selected Proposer, enter into an assignment and/or an extension of the existing Ground Lease, an operating/management agreement, or a new ground lease. Any such assignment/extension, agreement or ground lease must have provisions that the existing income and rent limitations applicable to existing tenants shall remain in place.

Minimum Threshold Requirements:

1. The proposal must be complete.
2. A principal member of the Proposer's team must attend the site visit and proposers' conference.
3. The Proposer must commit to maintaining direct and continuing control of the project throughout the regulatory period.
4. The funds requested must align with identified repair and construction needs, as outlined in the 2023 Property Needs Assessment, or through a new assessment, completed by the Proposer at its own cost. Requested funds may also cover the costs of construction management.

4. Submission Requirements

Submit the proposal using the format specified in this Request for Proposals. **PROPOSALS MUST BE RECEIVED BY Monday, September 29, 2025 by no later than 5 PM.** Any proposal received after the specified time and date will not be considered. Proposals shall be submitted electronically to Principal Planner Julia Ayres at jayres@brisbaneca.org. Note: An email will be sent to confirm receipt of the electronic proposal.

Proposals must include the following, in the following order:

1. Cover letter with Proposer's name, amount of funding requested (if any), and proposal summary (max 1 page).
2. A clear statement as to whether the Proposer is seeking an assignment and extension of the existing Ground Lease and to operate and manage the Project, a contract to operate and manage the Project, or a new Ground Lease by which the Proposer will operate and manage the Project.
3. Description of the Proposer's approach to the Project, including a description of how the existing debts would be restructured or paid off and a summary of the sources and uses, including anticipated costs of repairs and renovation as established in the 2024 Capital Needs Assessment prepared by Integrated Property Analysis, Inc., Authority funding, and any additional funding sources anticipated or secured by the Proposer.
4. Description of the Proposer(s), including years of experience, types of projects, role in projects, and key principals with contact information (max 2 pages).
5. Organizational documents from the State, organizational chart, non-profit status (if applicable), and operating agreements for partnerships.
6. Last two years of audited financial statements of entities or principals. Small organizations that do not conduct audits may request a waiver but must submit two years of their financial statements (balance sheets and annual profit and loss statements), and two most recent years of their IRS Form 990.
7. Description of property management company, including years of experience and types of projects managed (max 2 pages).
8. Schedule listing proposed key dates including funding applications (if applicable), inspections, building permits (if applicable), and repairs and renovations.
9. Any property inspections completed by the Proposer.
10. Budget spreadsheets with unit mix by bedroom type and income restriction, development sources and uses, operating budget, 20-year cash flow, and debt

coverage ratios. Applicants should use the budget template provided by the City or provide the information in a spreadsheet (not a PDF) that provides substantially similar information.

11. Financing commitments.
12. Operating subsidy commitment, if applicable.
13. Relocation Plan and Budget, if applicable.
14. Signed Certifications in Enclosure B.
15. Description of any changes to the Project Requirements (Table 5 of this RFP) requested.
16. Any other materials required to evaluate scoring criteria.

5. General Terms and Conditions

1. This RFP does not commit to the City/Authority to pay any cost incurred in the preparation of a submittal to this RFP or in subsequent negotiations.
2. At any time prior to the specified time and date set for the submission, a person/firm, or a designated representative, may withdraw a proposal that has been submitted.
3. The issuance of this RFP and the acceptance of a submittal do not constitute an agreement by the Authority that the Authority will approve an assignment or extension of the existing Ground Lease, a contract to manage the Project, or a new ground lease. The Authority expressly reserves the right to:
 - a. Reject any or all proposals.
 - b. Reissue an RFP.
 - c. Extend the period for submission of the proposals by notification to all parties who have registered an interest in this RFP with the City.
 - d. Request more information from any or all Proposers.
 - e. Waive any immaterial defect or informality.
 - f. Decline to go forward with the RFP
 - g. Reject any proposal.
4. Final terms of any assignment or extension, agreement or lease will be established during negotiations. Negotiations may be terminated by the City/Authority for failure to reach mutually acceptable terms.
5. Each Proposer will be responsible for all costs incurred in preparing a response to this RFP.

6. All materials and documents submitted in response to this RFP will become the property of the City/Authority and will not be returned. Proposers selected for further negotiations will be responsible for all costs incurred by it during negotiations regardless of the outcome of the negotiations.
7. Proposers are responsible for reviewing all portions of this RFP. A Proposer is to promptly notify the City, in writing, if a Proposer discovers any ambiguity, discrepancy, omission or other error in the RFP. Any such notification should be directed to the City promptly after discovery, but in no event later than five working days prior to the date for receipt of proposals.

A. Disclaimers

The City/Authority obtained the information contained in this RFP from sources deemed reliable; however, the City/Authority makes no guarantees, warranties, or representations, nor expresses or implies any opinion concerning the accuracy or completeness of the information provided. It is furnished solely as an aid to interested parties. Interested parties are responsible for undertaking all necessary investigations on and off the Project to determine the financial and physical condition of the Project.

Regarding the information submitted to the City/Authority by Proposers, please note: The California Public Records Act mandates public access to government records. There is a presumption that documents prepared, owned, used, or retained by a public agency are public records and therefore accessible by the public.

6. Enclosures

| | |
|-------------|---|
| Enclosure A | Insurance Requirements |
| Enclosure B | Proposer Certifications |
| Enclosure C | County of San Mateo Promissory Note , Deed of Trust, and Declaration of Restrictive Covenants (1998) |
| Enclosure D | Ground Lease by and Between the Redevelopment Agency of the City of Brisbane and BRIDGE Housing Corporation (1998) |
| Enclosure E | First Amendment to the Ground Lease by and Between the Redevelopment Agency of the City of Brisbane and BRIDGE Housing Corporation (1998) |
| Enclosure F | Ground Lease by and Between the Redevelopment Agency of the City of Brisbane and BRIDGE Housing Corporation (1998) Second Amendment to the Ground Lease by and Between the Redevelopment Agency of the City of Brisbane and BRIDGE Housing Corporation (2000) |
| Enclosure G | Loan and Regulatory Agreements by and between the Redevelopment Agency of the City of Brisbane and BRIDGE Housing Corporation (1998) |
| Enclosure H | Addendum to the Loan and Regulatory Agreement by and between the Redevelopment Agency of the City of Brisbane and BRIDGE Housing Corporation (1998) |
| Enclosure I | Loan and Regulatory Agreements (Bond Proceeds) by and between the Redevelopment Agency of the City of Brisbane and BRIDGE Housing Corporation (1998) |
| Enclosure J | Declaration of Restriction by Brisbane Senior Housing, Inc. (2000) |
| Enclosure K | 2022 Audited Financial Statement |
| Enclosure L | 2023 Audited Financial Statement |
| Enclosure M | 2024 Audited Financial Statement |
| Enclosure N | 2025 Budget |
| Enclosure O | Current Rent Roll |
| Enclosure P | Capital Needs Assessment for Visitacion Gardens Apartments prepared by Integrated Property Analysis, Inc. (2024) |

Enclosure A

Enclosure A – Insurance Requirements

Prior to assuming or extending the existing Ground Lease, entering into an agreement to operate and manage the Project, or entering into a new ground lease, the following policies of insurance shall be obtained and maintained:

(a) Type of policies and coverage:

(1) Commercial General Liability Coverage. Consultant shall maintain commercial general liability insurance in an amount not less than \$1,000,000 per occurrence, \$2,000,000 general aggregate, and \$2,000,000 products and completed operations aggregate for bodily injury, personal injury and property damage, providing coverage at least as broad as Insurance Services Office Commercial General Liability form CG 00 01. The policy shall include a per project or per location general aggregate endorsement. If a per project/location endorsement is not available, the limit for the general aggregate shall be doubled.

(2) Automobile Liability Coverage. Consultant shall maintain business automobile liability insurance in an amount not less than \$1,000,000 each accident combined single limit for bodily injury and property damage, providing coverage at least as broad as Insurance Services Office form CA 00 01 Code 1 (any auto).

(3) Workers' Compensation and Employer's Liability Coverage. Consultant shall maintain workers' compensation insurance as required by the State of California and employer's liability insurance in an amount not less than \$1,000,000 each accident, \$1,000,000 by disease-policy limit, and \$1,000,000 by disease-each employee for any and all persons employed directly or indirectly by Consultant in connection with the performance of services under this Agreement. In the alternative, Consultant may rely on a self-insurance program to provide this coverage so long as the program of self-insurance complies fully with the provisions of the California Labor Code. The insurer, if insurance is provided, or Consultant, if a program of self-insurance is provided, shall waive all rights of subrogation against City for loss arising from work performed by Consultant for City.

(4) Professional Liability Coverage. Consultant shall maintain professional liability insurance that insures against professional errors and omissions in an amount not less than \$1,000,000 per claim and in the aggregate, covering negligent acts, errors or omissions which may be committed by Consultant in the performance of its services under this Agreement.

Enclosure A

(b) Endorsements: Each general liability and automobile liability insurance policy shall contain and be endorsed to contain, the following provisions:

- (1) The City, its officers, officials, employees, agents, and volunteers are to be covered as additional insureds as respects: liability arising out of activities performed by or on behalf of Consultant; on Insurance Services Office form CG 20 10 (or equivalent) for ongoing operations, and on Insurance Services Office form CG 20 37 (or equivalent) for products and completed operations of Consultant; premises owned, occupied or used by Consultant; or automobiles owned, leased, hired or borrowed by Consultant. The coverage shall contain no special limitations on the scope of protection afforded to City, its officers, officials, employees, agents or volunteers.
- (2) For any claims related to the Project, Consultant's insurance coverage shall allow and be endorsed primary insurance as respects the City, its officers, officials, employees, agents and volunteers. Any insurance or self-insurance maintained by City, its officers, officials, employees, agents or volunteers shall be excess of Consultant's insurance and shall not contribute with it.
- (3) The commercial general liability, automobile liability and workers' compensation policies shall allow and be endorsed to include a waiver of subrogation in favor of the City, its officers, officials, employees, agents, and volunteers.
- (4) Any failure to comply with reporting or other provisions of the policies including breaches of warranties shall not affect coverage provided to City, its officers, officials, employees, agents or volunteers.
- (5) Consultant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
- (6) Consultant's insurance coverage shall not be suspended, voided, canceled or reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to City. If a carrier will not provide the required notice, the Consultant shall provide written notice to the City no later than five (5) business days before policy modification or cancellation.

(c) Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by City. At City's option, Consultant shall

Enclosure A

demonstrate financial capability for payment of such deductibles or self-insured retentions.

(d) Acceptability of Insurers. Insurance is to be placed with insurers having a current A.M. Best rating of no less than A:VII, unless otherwise approved by City in writing.

(e) Verification of coverage. Consultant shall provide certificates of insurance with original endorsements to City as evidence of the insurance coverage required by this Agreement. Certificates of such insurance and endorsements shall be filed with City before commencement of work by Consultant. At the request of City, Consultant shall provide complete, certified copies of all required insurance policies, including endorsements effecting the coverage required by this Agreement.

Enclosure B

Enclosure B – Proposer Certifications

Proposer hereby certifies:

1. Truth of Application

That the information submitted in the proposal and any supporting materials is true, accurate, and complete to the best of its knowledge. Proposer acknowledges and understands that if facts and/or information herein are found to be misrepresented, it shall constitute grounds for rejecting the proposal or ending negotiations.

2. Applications are Public Records

That Proposer acknowledges that the information submitted as part of this proposal may be made available to the public pursuant to a request under the California Public Records Act.

3. Legal Authority

The signatory has the legal authority to submit this proposal on behalf of the Proposer.

4. Civil and Legal Questions (include an explanation for any questions answered “Yes”)

- a. Has the Proposer filed bankruptcy or receivership or had a bankruptcy or receivership commenced against it, defaulted on a loan, or been foreclosed against in the past ten years?
- b. Is the Proposer currently a party to, or has it been notified that it may become a party to any civil litigation that may materially and adversely affect the financial condition of the Proposer’s business in this proposal?
- c. Have there been any administrative or civil settlements, decisions, or judgements against the Proposer within the past 10 years that materially and adversely affected the financial condition of the Proposer’s business in this proposal?
- d. Is the Proposer currently subject to, or been notified that it may become subject to, any civil or administrative proceeding, examination, or investigation by a local, state, or federal licensing or accreditation agency, a local, state, federal taxing authority, or a local, state, or federal regulatory or enforcement agency?
- e. In the past 10 years, has the Proposer been subject to any civil or administrative proceeding, examination, or investigation by a local, state, or federal licensing or accreditation agency, a local, state, or federal taxing authority, or a local,

Enclosure B

state, or federal regulatory or enforcement agency that resulted in a settlement, decision, or judgment?

- f. Is the Proposer currently a party to, or the subject of, or been notified that it may become a party to or the subject of, any criminal litigation, proceeding, charge, complaint, examination, or investigation, of any kind, involving, or that could result in felony charges against the Proposer?
- g. Is the Proposer currently a party to, or the subject of, or been notified that it may become a party to or the subject of, any criminal litigation, proceeding, charge, complaint, examination or investigation, of any kind, involving, or that could result in misdemeanor charges against the Proposer for matters relating to the conduct of the Proposer’s business?
- h. Is the Proposer currently a party to, or the subject of, or been notified that it may become a party to or the subject of, any criminal litigation, proceeding, charge, complaint, examination or investigation, of any kind, involving, or that could result in criminal charges against the Proposer for any financial or fraud related crime?
- i. Is the Proposer currently a party to, or the subject of, or been notified that it may become a party to or the subject of, any criminal litigation, proceeding, charge, complaint, examination or investigation, of any kind, involving, or that could result in criminal charges against the Proposer that could affect the financial condition of the Proposer’s business?
- j. Within the past 10 years, has the Proposer been convicted of any felony?
- k. Within the past 10 years, has the Proposer been convicted of any misdemeanor related to the conduct of the Proposer’s business?
- l. Within the past 10 years, has the Proposer been convicted of any misdemeanor for any financial or fraud related crime?

Proposer Name and Title:

Organization:

Signature

Date



September 29, 2025

Julia Ayres, Principal Planner
50 Park Place
Brisbane, CA 94005

Re: Visitacion Garden Senior Apartment, 8 Visitacion Avenue/3 Inyo Street, Brisbane, CA (the "Project")

Dear Ms. Ayres,

This letter sets forth our proposal to enter into a new ground lease and management agreement for the Project. The purpose of this letter is to summarize the material terms of our mutual understanding regarding the ground lease and management of the Project by the Housing Endowment and Regional Trust of San Mateo County ("HEART" or "Buyer") and its assignee, HEART-SV. The landowner is referred to as the "City."

- 1. Debt Assumption** HEART is willing to assume the existing City and County of San Mateo loans ("Debt") on the condition that an appraisal demonstrates that the leasehold interest and improvements have a value equal to or greater than the Debt. If the valuation is less than the Debt, HEART requests a restructuring of the Debt.
- 2. Acquisition Price** The assumed (or restructured) Debt shall constitute the "Acquisition Price" of the Project.
- 3. Due Diligence Period** HEART intends to conduct a full due diligence review, including an appraisal, property needs assessment, Phase I environmental report (if not already provided by the City), and any other studies deemed necessary. HEART will have forty-five (45) days from the date the City notifies HEART that the City Subcommittee is recommending HEART for the Project (the "Due Diligence Period"). At the start of the Due Diligence Period, City will deliver to HEART any due diligence materials provided by the current owner.
- 4. Assignment** The City acknowledges that, immediately prior to closing, Buyer will assign the Project acquisition to HEART-SV, an affiliate of HEART, which will take title.
- 5. Financing** Based on the information provided in the Request for Proposals, HEART believes that existing rental revenue is sufficient to cover general operating expenses. However, outstanding repairs and future capital needs identified in the capital needs assessment exceed projected revenues. To address this gap, HEART proposes a

combination of a new City loan and a HEART loan. Following our own property needs assessment, HEART will confirm whether a capital infusion is necessary and, if so, in what amount, or whether future repairs can be funded through rent revenue.

6. Rent Restriction

HEART accepts and proposes to maintain the existing rent restrictions, while implementing subsidy “stacking” to ensure long-term project sustainability. HEART proposes one modification: replacing two 40% AMI units with one 30% AMI unit and one 50% AMI unit. This will allow rents to align with the State Office of Housing and Community Development (HCD) published rent levels.

To maintain viability, HEART intends to rent four units at 80% AMI. However, Health & Safety Code §§50053 and 50052.5 require that units restricted at 80% AMI be rented at 60% AMI rent levels. To serve 80% AMI households at appropriate rents, these units must instead be deed restricted at 120%. A table summarizing the current and proposed restrictions, subsidy stacking, and targeted occupancy is shown below.

| AMI | Deed Restriction | | | Target |
|-------------|------------------|------|-------|--------|
| | City | HOME | HEART | |
| 30% | 2 | 2 | 3 | 3 |
| 40% | 2 | 2 | 0 | 0 |
| 50% | 0 | | 1 | 1 |
| 60% | 1 | 1 | 6 | 6 |
| 80% | 1 | | 0 | 4 |
| 120% | 8 | | 4 | 0 |
| Total | 14 | | 14 | 14 |
| Average AMI | 89% | | 70% | 59% |

7. Current Tenants

HEART will honor all existing leases and designated AMI rent levels for tenants currently residing at the Project.

8. Affordability

Because the City’s original funding for the Project came from the former Redevelopment Agency, HEART understands that H&SC dictates the method of calculating rents for units regulated by the City deed restriction. HEART and the City further acknowledge that if City and County subsidies are stacked, five units will be subject to the lesser of HUD HOME Income Limits or H&SC-based limits.

9. Property Management

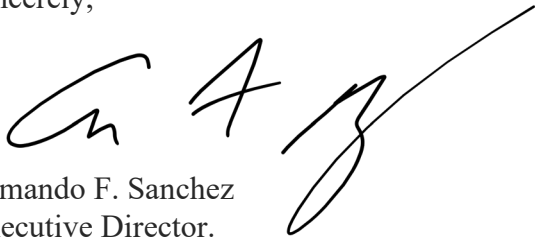
HEART believes that the Project’s prior financial challenges stemmed in part from reliance on part-time, on-site management and maintenance. We propose utilizing a capable, responsive off-site property management team to ensure both quality service to tenants and proper maintenance. Should this approach fall short, HEART is willing to adjust its strategy.

10. Repairs and Upgrades HEART proposes a \$300,000 construction budget to address identified repairs needed in the next three years. In addition, HEART will capitalize a \$90,000 reserve fund and contribute 10% of gross income annually, beginning with approximately \$20,000 in the first year, with contributions increasing in subsequent years. The combination of construction budget, capitalized reserves and the annual deposits to the reserve are sufficient to address all of the repairs identified in the capital needs assessment provided in the request for proposals.

11. Non-Binding Effect This proposal reflects the mutual understanding of the parties with respect to the general terms and conditions of the proposed transaction. Except for provisions expressly intended to be binding (if any), this proposal is non-binding and subject to the negotiation and execution of mutually acceptable definitive agreements.

Thank you for considering this proposal. We look forward to further discussions and to working together to preserve and strengthen affordable housing in the City of Brisbane.

Sincerely,



Armando F. Sanchez
Executive Director.

B.

Statement of Intent

HEART is proposing a new 55-year ground lease to operate and manage the Project.

HEART's Proposed Approach

HEART proposes to assume the existing Debt on the condition that an appraisal demonstrates the leasehold interest and improvements have a value equal to or greater than the Debt. HEART will conduct an appraisal as part of its due diligence review and if the valuation is less than the Debt, HEART requests to restructure the Debt.

The provided 2024 Capital Needs Assessment by Integrated Property Analysis identifies \$796,200 in capital needs. Completing the repairs based on the Assessment's schedule, the future cost of these repairs with inflation will be approximately \$980,460. However, the existing Project revenue does not support this level of repairs. To address this deficit, HEART proposes to establish a \$363,000 construction budget to immediately finance the first 3 years of capital needs, fund a \$90,000 capital reserve, and contribute 10% of gross income annually to the capital reserve fund. The immediate repairs, future repair schedule and total cost are subject to change based on the property needs assessment HEART will conduct once the City notifies HEART that the City Subcommittee is recommending HEART for the Project.

To pay for all costs associated with assuming the Project, including pay for the immediate repairs, the capital reserve, and the operating reserve, HEART is proposing a combination of a new \$350,000 City loan and a 15-year \$262,350 HEART loan.

Table 1: Experience Last 10 Years

HEART MULTIFAMILY LOANS

HEART's role is to provide predevelopment and/or permanent financing to multifamily projects for new construction, preservation and predevelopment.

| Development | Developer | Borrower | Units | Afford. Units | Type | Status | HEART Loan Amount | Note Date | Repayment Type | Total Devt Costs |
|--|--------------------------|--|-------|---------------|------------------|----------------|-------------------|-----------|---------------------------------|------------------|
| Stambaugh | HEART-SV | HEART-SV | 8 | 8 | Preservation | Completed | \$1,900,000 | 7/29/24 | Residual Receipts | \$3,760,327 |
| Stambaugh | HEART-SV | HEART-SV | 8 | 8 | Preservation | Completed | \$450,000 | 2/29/24 | Repaid | |
| Ridge at Ralston | CRP | CRP Affordable Communities | 65 | 64 | New Construction | Predevelopment | \$1,000,000 | 7/1/24 | Balloon, Interest annually | \$61,272,000 |
| Ridge at Ralston | CRP | CRP Affordable Communities | 65 | 64 | New Construction | Predevelopment | \$3,000,000 | 1/1/24 | Balloon, Interest annually | |
| Colibri | MidPen Housing | MP 965 Weeks Street Ass. | 136 | 135 | New Construction | Construction | \$3,230,000 | 10/1/23 | Residual Receipts | \$140,737,067 |
| 493 Eastmoor Ave | CORE | Eastmoor Multifamily | 72 | 71 | New Construction | Predevelopment | \$3,000,000 | 9/18/23 | Repaid | \$71,774,000 |
| Kiku | MidPen Housing | Downtown SM Partners | 225 | 223 | New Construction | Construction | \$3,800,000 | 12/17/21 | Residual Receipts | \$169,000,000 |
| Nugent Square | EDEN/EPACANDO | Nugent Square Partners | 32 | 31 | Rehabilitation | Completed | \$850,000 | 9/13/21 | Repaid | \$850,000 |
| 353 Main Street Family Apartments | ROEM | 353 Main Street Apartments | 125 | 124 | New Construction | Completed | \$3,500,000 | 7/29/19 | Repaid | \$87,894,313 |
| PSD Oddstad Blvd. | Pacifica School District | Pacifica School District | 70 | 45 | New Construction | Predevelopment | \$900,000 | 7/1/18 | Repaid | \$24,000,000 |
| 2821 El Camino Real Unincorporated (North Fair Oaks) | Palo Alto Housing | 2821 ECR LLC | 67 | 66 | New Construction | Completed | \$3,500,000 | 10/2/17 | Repaid | \$33,899,243 |
| Bay Meadows Affordable San Mateo | BRIDGE | Winfield Hill, Inc. | 68 | 67 | New Construction | Completed | \$500,000 | 2/21/17 | Repaid | \$46,958,277 |
| Jefferson Av. Homeownership Redwood City | Habitat for Humanity | Habitat for Humanity Greater San Francisco | 20 | 20 | New Construction | Completed | \$500,000 | 2/24/15 | Repayment: \$12,500 semi-annual | \$10,262,000 |
| 10 Year Totals: | | | 961 | 926 | | | \$26,130,000 | | | \$650,407,227 |

Table 2: Armando Sanchez Preservation Experience

| Project | Units | Affordable | Purchase Price | Year Purchased | Years in Service | Role | Current Status |
|-----------------------------|--------------|-------------------|-----------------------|-----------------------|-------------------------|---|--|
| 232 Miller Avenue, SSF | 2 | 2 | \$700,000 | 2006 | 7 | Acquisition, property management | Demolished, New Parking Structure |
| 217-219 Grand Avenue, SSF | 1 | 1 | \$1,500,000 | 2010 | 3 | Acquisition, rehab, property management | Demolished, New Affordable Housing Development |
| 310-314 Miller Avenue, SSF | 12 | 12 | \$4,215,672 | 2001-2008 | 15 | Acquisition, rehab, property management | Demolished, New Affordable Housing Development |
| 714-718 Linden Ave, SSF | 3 | 3 | \$755,118 | 2005 | 20 | Acquisition, rehab, property management | Affordable 3-plex |
| 339-341 Commercial Ave, SSF | 4 | 4 | \$932,705 | 2007 | 18 | Acquisition, rehab, property management | Affordable 4-plex |

HEART Experience

HEART is a Joint Powers Authority founded in 2003 in collaboration with the County of San Mateo and its cities to address the region's need for affordable housing for low- and moderate-income families. HEART operates a capital trust fund to provide short- and medium-term loans for the acquisition, predevelopment, and rehabilitation of affordable multifamily projects. Table 1 provides an overview of HEART's loan portfolio over the last 10 years.

In 2024, HEART launched its Preservation Program and established an affiliate organization, HEART-SV, to acquire Naturally Occurring Affordable Housing (NOAH) properties and provide rent stability for existing tenants. In July 2024, HEART completed its first acquisition of an 8-unit property in Redwood City, propelling HEART into property acquisition and operations. Armando Sanchez, Executive Director of HEART brings over 15 years of experience as a consultant with South San Francisco where he led the purchase and operations of 5 properties detailed in Table 2.

Key Principle

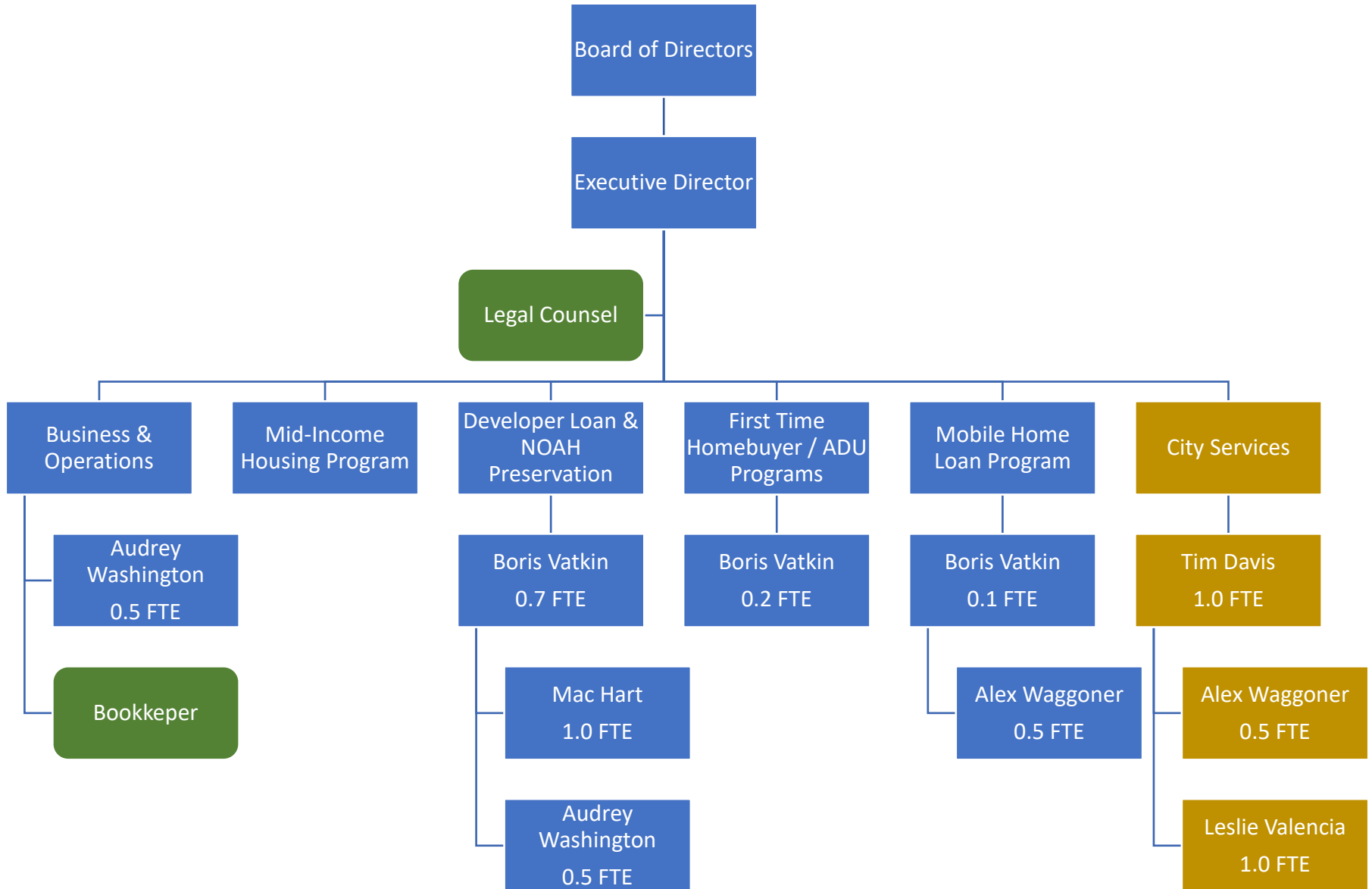
Armando Sanchez

asanchez@heartofsmc.org

(650) 204-5641

HEART

Organization Chart



**First Amended
Joint Exercise of Powers Agreement
Housing Endowment and Regional Trust of San Mateo
County**

This Agreement which supersedes in its entirety the Joint Exercise of Powers Agreement entered into the 13th day of May 2003, which established the Housing Endowment and Trust of San Mateo County, pursuant to the provisions of the Joint Exercise of Powers Act (Title 1, Division 7, Article 1, §6500 et seq. of the California Government Code), is by and between the County of San Mateo (“County”) and those cities and towns within the County of San Mateo who become signatories to this Agreement, and relates to the joint exercise of powers among the signatories hereto, hereafter individually referred to as “Member Agency” and collectively referred to “Member Agencies”.

RECITALS

A. The Member Agencies are responsible for the health and safety of the residents within their geographic boundaries.

B. Each Member Agency has the individual power to plan, acquire, construct, manage, regulate, operate, and control the development, construction and operation of workforce and affordable housing programs generated within its jurisdictional boundaries, as well as to create and issue development agreements for such activities.

C. The Member Agencies find it in their mutual economic interest to address work force and affordable housing issues on a regional level.

D. A county-wide adequate supply of housing will provide social and economic benefits to residents and taxpayers of the Member Agencies.

E. The Member Agencies desire to act in the public interest to lessen the burden of government by reducing the need for each Member Agency to act individually, and to provide charitable support for workforce and affordable housing in San Mateo County.

F. California Government Code §6500 et seq. (“Joint Exercise of Powers Act” or “Act”) permits two or more public agencies to create joint powers authorities for the purposes cited herein, and permits the agencies to exercise jointly any power that the public agencies could exercise separately, and further grants certain additional powers to such joint powers authorities.

G. Local land-use decisions remain solely with the Member Agencies. Nothing in this Agreement deprives member agencies of their sovereign powers or transfers those powers to the joint powers authority.

NOW, THEREFORE BE IT RESOLVED that the Member Agencies do hereby establish the entity to be known as the Housing Endowment and Regional Trust of San Mateo County (hereinafter referred to herein as “HEART”), to generate and disburse funding that will result in permanent additions to the workforce and affordable housing stock within San Mateo County, and do hereby agree as follows:

1. **Purpose.**

1.1 The purpose of this Agreement is to establish an organization that shall be responsible for the joint fundraising, planning, adoption, financing, administration, review, monitoring and reporting of certain workforce and affordable housing program activities in San Mateo County. By entering this joint powers authority, the Member Agencies earn economic benefits not realized when operating individually. Further, the establishment of this joint powers authority provides for the economic viability and coordination of workforce and affordable housing program financing and facilities throughout San Mateo County.

1.2. HEART shall be an entity which is legally independent from the parties to this Agreement and shall be responsible for the administration of this Agreement.

1.3 The assets, rights, debts, liabilities, and obligations of HEART shall not constitute assets, rights, debts, liabilities, or obligations of any of the Member Agencies. However, nothing in this Agreement shall prevent any of the Member Agencies from separately contracting for, or assuming responsibility for, specific debts, liabilities, or obligations of HEART, provided that both the Board and the Member Agency approve such contract or assumption.

2. Powers.

2.1 HEART is authorized, but is in no way required, to act in its own name on any or all of the following matters, as each Member Agency could act separately, and as it deems in the best interest of its Members, to the extent permitted by any and all applicable laws, codes, ordinances, resolutions and regulations:

- a. Facilitate and assist the Member Agencies and others in the housing sector to acquire, construct, finance, refinance, operate, regulate and maintain housing programs, projects and facilities.
- b. Facilitate the planning, study, and recommendation of proper and appropriate housing programs, projects and facilities, and management practices. Research and study issues related to housing, including without limitation workforce, affordable and special needs housing.
- c. Educate the public, its Member Agencies, and other agencies and entities as to housing programs, projects and facilities, including without limitation workforce, affordable and special needs housing.
- d. Provide for or enter into agreements to provide for financial, engineering, legal, audit, and any other professional services supporting any of the HEART's programs or activities.
- e. Solicit, apply for, accept, and receive grants, gifts, donations, advances, and contributions.
- f. Hire agents and employees, including consultants and legal counsel.
- g. Sue and be sued in its own name.
- h. Incur and discharge debts, liabilities, and obligations provided that such debt shall be in the form of secured bonds, revenue bonds or other similar forms of secured debt.

- i. Issue bonds or notes and associated covenants, for designated purposes, subject to the provisions and limitations of the California Government Code.
- j. Acquire or protect any necessary security or leasehold interests involved in loans, bonds, notes, or other financing methods implemented to carry out the purposes of this Agreement.
- k. Acquire, hold, lease and dispose of real and personal property as may be necessary and appropriate in connection with the programmatic needs of HEART.
- l. Issue and receive loans.
- m. Acquire such insurance protection as it deems necessary.
- n. Adopt, as authorized by California law, resolutions necessary to carry out the purposes of this Agreement
- o. Utilize and establish advisory committees or subcommittees whenever necessary.
- p. Adopt bylaws and such other rules and procedures as may be deemed necessary.

2.2 HEART shall facilitate and encourage the creation, construction, development, and maintenance of certain workforce and affordable housing throughout San Mateo County.

3. Term and Termination

3.1 This Agreement shall be effective upon its execution by the County and at least three (3) cities, at least two (2) of which have an adopted housing element that the Department of Housing and Community Development has determined to be in substantial compliance with the requirements of Article 10.6 (commencing with Section 65580) of Chapter 3 of Division 1 of Title 7 of the Government Code (“certified housing element”).

3.2 This Agreement shall continue at least until March 30, 2013, and thereafter shall continue until terminated or dissolved pursuant to Section 3.3 of this Agreement. However, in no event shall the Member Agencies vote to terminate or dissolve HEART if its termination or dissolution would conflict with or violate the terms or conditions of any bonds, financial instruments, or related documentation by or on behalf of HEART, including, without limitation, indentures, resolutions, and letter of credit agreements.

3.3. This Agreement may be terminated by consent of all Member Agencies, and upon full and complete liquidation of all liabilities, including, but not limited to any bonds. Upon the date

of termination (hereinafter "Termination Date"), payment of any and all obligations and division of any and all assets of HEART shall be conducted subject to the then-applicable requirements of the law, pursuant to the following:

a. In the event of termination of HEART where there is a successor public agency that will conduct all of the activities of HEART and will assume all of its obligations, any and all HEART assets and liabilities remaining upon termination of HEART shall be transferred to the successor public agency.

b. If there is no successor public agency that would conduct HEART's activities, all assets and liabilities shall be apportioned to each Member Agency in proportion to the contribution of each Member Agency's total contribution during the term of this Agreement.

c. If there is a successor public agency that would conduct some of HEART's activities, then the Board shall allocate HEART's assets and liabilities between the successor public agency and the Member Agencies each in proportion to its total contribution during the term of this Agreement..

d. In the event HEART is terminated under circumstances falling within (b) or (c) above, all decisions of the Board with regard to determinations of amounts to be transferred to the Member Agencies or any successor shall be final.

e. The obligations of HEART terminate on the Termination Date, and each Member Agency shall pay all amounts owed to HEART prior to that date. In the event of default by a Member Agency with regard to payment of amounts due, the obligation to pay all sums due to HEART shall survive and remain in full force after the Termination Date.

f. By unanimous agreement of all then current Member Agencies, said current Member Agencies may dispose of, divide, distribute, or return assets on a basis different from that established in this Section 3.

g. The assets distributed pursuant to this Section 3 to Member Agencies will be used for public purposes.

4. Governance

4.1 HEART is governed and administered by a Board of Directors ("Board") that shall exercise all powers and authority on behalf of HEART. The Board shall consist of no more than 21 voting members (hereinafter "Directors"), as follows:

- 2 No more than two (2) members of the San Mateo County Board of Supervisors
- 9 No more than nine (9) City representatives appointed by the City Selection Committee of the Council of Cities from among city council members, provided only those cities that are Member Agencies may have a representative Director and no city may have more than one (1) representative Director.

These foregoing Directors shall be referred to as the "Public Directors". Subject to any restriction that may be in the bylaws, the body selecting a Public Director may decide whether to select or allow alternates who may participate when the regular Public Director is absent.

- 10 Not more than 10 individuals who are not publicly elected officials, and who as broadly as may be reasonable, represent the following interests or constituencies: housing advocate groups; labor groups; non-profit developers; real estate development or sales; the population seeking below market housing; the faith community; local school districts or the County Office of Education; the business community; private foundations interested in housing; and finance or financial institutions. These Directors shall be referred to as the "At Large Directors".

Initially, the Public Directors shall, by majority vote of those present at the meeting, select the At Large Directors. Thereafter, successor At Large Directors shall be selected by a majority vote of the voting Directors (Public Directors and At Large Directors) present at the meeting.

The number of Public Directors shall at all times be at least one more than the number of At Large Directors. Vacancies among the Public Directors shall be filled as soon as practical by the City Selection Committee of the Council of Cities to assure that this condition is met.

Additional ex-officio, non-voting, Affiliate Directors may be established by unanimous Board action, and such Affiliate Directors shall be referred to as "Affiliates". Regular attendance by each Director and Affiliate shall be encouraged by the HEART Board and the Member Agencies.

4.2. Directors shall hold office as follows:

- a. The Public Directors' terms shall be three (3) calendar years from March of the first year through February of the third year; provided, however the initial Public Sector Directors selected by the City Selection Committee of the Council of Cities shall each be deemed

to have started in March 2003, and shall have staggered terms such that three (3) have a one (1) year term, three (3) have a two (2) year term, and three (3) have a three (3) year term.

b. The At Large Directors' terms shall be three (3) calendar years from March of the first year through February of the third year; provided, however the initial At Large Directors shall each be deemed to have started in March 2003, and shall have staggered terms such that four (4) have a one (1) year term, three (3) have a two (2) year term, and three (3) have a three (3) year term.

c. There shall be no limit to the number of terms that a Director may serve.

4.3. Directors shall receive no compensation from HEART for serving on the Board. HEART may reimburse Directors for reasonable expenses necessarily incurred on the Board's behalf, with prior approval of the Board.

4.4 The Board may establish an Executive Committee to carry out any and all functions of the Board that the Board may delegate to said Executive Committee. Executive Committee members shall be Board members, but the exact composition of the Executive Committee shall be as determined by the Board.

4.5 The Board may establish Advisory Committees to advise the Board or the Executive Committee. Advisory Committee members need not be Board members. The composition and role of an Advisory Committee shall be as determined by the Board.

4.6 There is established a Member Agency Committee, at any given time composed of all the current Public Directors, plus one (1) City Council member from each Member Agency (as may be selected by that Member Agency) that does not have a council member on the Board at the time. The Board shall receive advice and input from the Member Agency Committee in all matters involving budgets, assessments to Member Agencies and decisions as to the jurisdictions in which Program funds are to be spent. The Member Agency Committee is intended to provide an opportunity for every Member Agency, whether or not it has a council member on the Board, to participate in the fiscal and programmatic deliberations of HEART. The Member Agency Committee may provide advice and input to the Board on additional topics or matters as may be set forth in the bylaws, or as may otherwise be determined by the Board from time to time.

5. Budgets and Financing.

5.1 The Board annually shall adopt, by a date HEART designates by resolution, an operating budget for HEART setting forth anticipated expenses, financing sources and proposed service levels necessary to carry out the purposes of this Agreement. The budget for HEART shall distinguish between Administrative costs (i.e., the cost of operating HEART) and Program costs (i.e., the financing of the programs funded or sponsored by HEART). HEART shall establish its fiscal year by resolution. Immediately after approving the annual budget, the Board shall recommend the budget to the governing bodies of the Member Agencies. The Board shall secure from each Member Agency contributions, appropriations and/or commitments to contribute services or other consideration in accordance with each Member Agency's obligations as determined by the Board as set forth in this Agreement. It is expressly agreed and understood that the Board has no authority to bind any governing board of any Member Agency to make the recommended contribution, appropriation and/or commitment and that this decision rests solely with each governing body. Each Member Agency shall deposit its monetary contribution to the budget with the HEART Treasurer on or before the date HEART designates by resolution. Contributions from private persons or entities and not-for-profit entities, whether or not their interests are represented by any At Large Directors, are acceptable so long as they do not cause a violation of any applicable conflict of interest statutes, rules or regulations.

5.2. In consideration of the mutual promises contained herein, the parties agree that they shall make the following annual contributions towards the Administrative budget of HEART: Initially, the County of San Mateo has or will, make available up to Seventy-Five Thousand Dollars (\$75,000) for the Administrative budget during the start up and initial work of HEART. Thereafter, funds required for the Administrative budget shall be provided by the contribution of each Member Agency and each Member Agency's contribution shall be its pro-rata share of the revenue needed for the Administrative budget as adopted by the Board of Directors. The pro-rata share of each Member Agency shall be based upon its population as then currently in use by City/County Association of Governments of San Mateo County (C/CAG). By unanimous vote, under special circumstances, the Board of Directors may waive one or more Member Agency's contribution. If a Member Agency fails to pay its annual contribution to the Administrative budget, during the period of such non-payment it shall forfeit any right it may have to have a Public Director from its jurisdiction on the Board. A Member Agency's contribution to the

Administrative budget shall be in the form of money, unless the Board approves another form of contribution such as services, personal property or use of real or personal property, or other in-kind contributions. The acceptance and valuation of any such non-monetary contributions shall be as determined by the Board.

5.3 The particular Programs and Program budget, funded, sponsored or operated by HEART, as well as the level of, and mechanisms for, the involvement of HEART and each Member Agency, in such Programs and Program budget, shall be determined and approved by the Board. A Member Agency's individual contribution, involvement and role in any particular Program or the Program budget shall be as may be mutually agreed between the Member Agency and HEART. By way of example only, said contributions, involvement or role may include: cash contributions, provision of services or staffing, use or transfer of title to real or personal property, participation or funding from the Redevelopment Agency under the control of or under contract with the Member Agency, pledges, guarantees or whatever other instruments or involvement the Member Agency and HEART may agree to. Contributions of all kinds to the Program budget from private persons or entities and not-for-profit entities, whether or not their interests are represented by any At Large Directors, are encouraged, so long as they do not cause a violation of any applicable conflict of interest statutes, rules or regulations.

6. Financial Management

6.1. HEART may appoint a financial manager to manage, hold, invest and distribute the funds of HEART ("Financial Manager"). The duties of the Financial Manager shall include those responsibilities as deemed necessary or appropriate by the Board. There shall be a strict accountability of all funds and report of all receipts and disbursements.

6.2. The public office or officers or person or persons who may be designated to have charge of, handle, or have access to any property of HEART, shall file an official bond in an amount to be fixed by the Board.

7. Staffing.

7.1. It is understood that HEART may require the support of its own administrative staff. When deemed necessary, the Board may employ or use a managing agent (“Managing Agent”), to implement the objectives of HEART. The Managing Agent may consist of a separate entity or an executive director. The Board shall have responsibility for all employment decisions regarding said Managing Agent, who shall serve at the pleasure of the Board.

7.2. The Managing Agent may be delegated authority as deemed necessary or appropriate by the Board.

7.3. The Managing Agent shall be responsible for the day-to-day administration of HEART under the direction of the Board. The Managing Agent shall have the authority to employ or use administrative staff consistent with the goals, needs and approved budget of HEART.

7.4. If there is a Managing Agent that is a separate entity, that Managing Agent shall designate who on its staff shall be the Executive Director of HEART, but the acceptance of such choice shall be subject to the approval of the Board.

8. Meetings

8.1. The Board shall schedule by Resolution at least two (2) regular meetings each Fiscal Year.

8.2. Special meetings of the Board may be called by the Chairperson and otherwise as in accordance with provisions of the California Government Code §54956.

8.3. All meetings of the Board shall be held subject to the provisions of California Government Code §54950 et seq. and other applicable laws of the State of California.

8.4. All meetings of the Board must be held within the County of San Mateo at a location determined by the Chairperson, except that the Board may hold a special meeting outside the County of San Mateo upon an affirmative vote in accordance with Section 8.8 of this Agreement.

8.5. The Secretary shall cause the taking and keeping of minutes of all Board meetings. Promptly after each meeting, the Secretary shall cause a copy of the minutes to be forwarded to each Director, either electronically or in paper form.

8.6 A majority of the Directors shall constitute a quorum for the transaction of business of the Board, except that Directors constituting less than a quorum may adjourn any meeting.

8.7 Each Director is entitled to cast one vote on any matter presented to the Board for a vote.

8.8 All decisions and actions shall be by a majority of the total number of Directors, regardless of the number of Directors present, unless otherwise provided in this Agreement. For example, with 21 total Directors, 11 votes are required for a decision or action by the Board; and with 13 total Directors, 7 votes would be required.

8.9 Meetings of the Board shall be conducted by a Chairperson, or in the Chairperson's absence by the Vice Chairperson. In the absence of both the Chairperson and the Vice Chairperson, meetings shall be conducted by the Public Director in attendance who represents the largest Member Agency with Board representation, by population.

9. **Bylaws.** The Board from time to time may adopt and amend bylaws for the conduct of its affairs, provided that they are consistent with this Agreement and are necessary and appropriate in order to carry out HEART's purpose.

10. **Officers and Employees.**

10.1 Every two (2) years, the Board shall elect a Chairperson and a Vice Chairperson from among its members.

10.2 The Board shall appoint a Secretary who may, but need not be, a member of the Board.

10.3 The Board shall select a Treasurer, from one of the Member Agencies or a certified public accountant, who shall be the depository and have custody of all the money and property of HEART from whatever source. The duties of HEART Treasurer shall include those set forth in the Act, including those set forth in Government Code §6505.5. If the Board designates a certified public accountant as the Treasurer, then the auditor of one of the Member Agencies

shall be designated as the auditor of HEART. The Treasurer may, if the Board so elects, also serve as the Financial Manager.

10.4 HEART shall designate its legal counsel.

11. **Withdrawal.** Any Member Agency may withdraw from this Agreement effective as of the end of any fiscal year, provided ninety (90) days prior written notice is provided to the other Member Agencies.. The rights and obligations of such withdrawing Member Agency shall terminate as of the last day of the fiscal year. The withdrawal of any Member Agency from this Agreement shall in no way affect the rights and obligations of the remaining parties. If a Member Agency withdraws from this Agreement, such Member Agency shall not be entitled to the return of any funds contributed to HEART nor to the return in cash or in kind of any materials or supplies until termination of this Agreement. If a withdrawing Member Agency has obligations under contracts or commitments, including bonds, that are independent from its obligations to HEART, such withdrawal from HEART shall have no impact on such independent obligations.

12. **Amendments.** Subject to all legal obligations of HEART, this Agreement may be amended by one or more supplemental agreements executed by all of the Member Agencies of HEART.

13. **Filings.** The Secretary shall cause to be filed all required notices with the California Secretary of State, in accordance with California Government Codes §6503.5 and §53051.

14. **Notices.**

14.1. All notices to the Member Agencies shall be deemed to have been given to the Member Agencies when mailed, postage prepaid by United States mail, or when hand delivered to the governing body of each Member Agency during usual business hours at the principal office, or to the person apparently in charge of that office.

14.2 All notices to HEART shall be deemed to have been given to HEART when mailed, postage prepaid by United States mail, or when hand delivered to each of the Chairperson, Vice

IN WITNESS WHEREOF, the parties hereto by their duly authorized representative, have affixed their signatures on this Agreement, effective as of the date first stated above.

COUNTY OF SAN MATEO

By: [Signature]
President, Board of Supervisors

Date: 9/9/08

ATTEST:

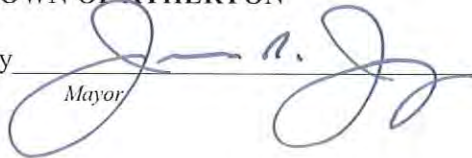
By: [Signature]
Clerk of Said Board

Certificate of Delivery
(Government Code Section 25103)
I certify that a copy of the original document filed in the Office of the Clerk of the Board of Supervisors of San Mateo County has been delivered to the President of the Board of Supervisors.
[Signature]
Deputy Clerk of the Board of Supervisors

11-07-08P04:46 RCVD

Clerk of the Board

TOWN OF ATHERTON

By 
Mayor

ATTEST:

Clerk of Town Council

CITY OF BELMONT

By _____
Mayor

ATTEST:

Clerk of City Council

CITY OF BRISBANE

By _____
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CITY OF BURLINGAME

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TOWN OF COLMA

By _____
Mayor

ATTEST:

Clerk of the Board

TOWN OF ATHERTON

By _____
Mayor

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Clerk of Town Council

CITY OF BELMONT

By Warren Lieberman
Mayor

ATTEST:

[Signature]
Clerk of City Council

CITY OF BRISBANE

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CITY OF BELMONT

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Clerk of City Council

CITY OF BRISBANE

By *Michael G. ...*
Mayor

ATTEST:

Wendy A. Ricks
Clerk of City Council

CITY OF BURLINGAME

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CITY OF BRISBANE

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Clerk of City Council

CITY OF BURLINGAME

By Rosalie M. O'Malley
Mayor

ATTEST:

Christine P. Mortensen
Clerk of City Council

TOWN OF COLMA

By _____
Mayor

ATTEST:

Clerk of Town Council

CITY OF DALY CITY

By _____
Mayor

ATTEST:

Clerk of City Council

CITY OF EAST PALO ALTO

Clerk of the Board

TOWN OF ATHERTON

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CITY OF BURLINGAME

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Clerk of City Council

TOWN OF COLMA

By *Helen Fiskeau*
Mayor

ATTEST:


Clerk of Town Council

CITY OF DALY CITY

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Clerk of City Council

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CITY OF HALF MOON BAY

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ATTEST:

Clerk of City Council

TOWN OF HILLSBOROUGH

By _____
Mayor

ATTEST:

Clerk of Town Council

Clerk of Town Council

CITY OF DALY CITY

By Carol L. Klatt
Mayor

ATTEST:

Mania E. Cortes
Clerk of City Council

CITY OF EAST PALO ALTO

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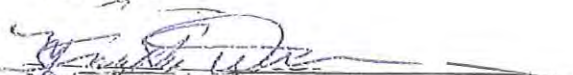
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CITY OF DALY CITY

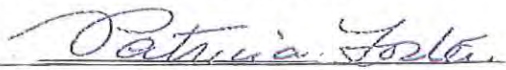
By _____
Mayor

ATTEST:



Clerk of City Council, Minnette Warren

CITY OF EAST PALO ALTO

By 
Mayor, Patricia Foster

Clerk of Town Council

CITY OF DALY CITY

By _____
Mayor

ATTEST:


Clerk of City Council

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CITY OF FOSTER CITY

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Clerk of City Council

CITY OF HALF MOON BAY

By Bonnie McLaugh
Mayor

ATTEST:

[Signature]
Clerk of City Council

TOWN OF HILLSBOROUGH

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CITY OF HALF MOON BAY

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ATTEST:

Clerk of City Council

TOWN OF HILLSBOROUGH

By *Catherine Mullooly*
Mayor

ATTEST:

[Signature]
Clerk of Town Council

ATTEST:
Margaret Roberts
Clerk of City Council

CITY OF MENLO PARK

By *[Signature]*
Mayor

ATTEST:

Clerk of City Council

CITY OF MILLBRAE

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CITY OF REDWOOD CITY

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Mayor

CITY OF MENLO PARK

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Mayor

ATTEST:

Clerk of City Council

CITY OF MILLBRAE

By *Mina Pappas*
Mayor

ATTEST:

Rebecca H. ...
Clerk of City Council

CITY OF PACIFICA

By _____
Mayor

ATTEST:

Clerk of City Council

TOWN OF PORTOLA VALLEY

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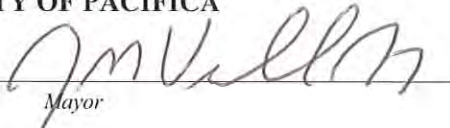
CITY OF MILLBRAE

By _____
Mayor

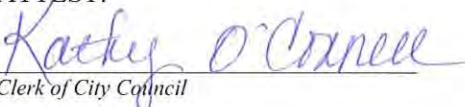
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Clerk of City Council

CITY OF PACIFICA

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ATTEST:

Clerk of City Council

TOWN OF PORTOLA VALLEY

By _____
Mayor

ATTEST:

Clerk of Town Council

CITY OF REDWOOD CITY

By *[Handwritten Signature]*
Mayor

ATTEST:

[Handwritten Signature]
Clerk of City Council

ATTEST:

By _____
Mayor

Clerk of City Council

CITY OF PACIFICA

ATTEST:

By _____
Mayor

Clerk of City Council

TOWN OF PORTOLA VALLEY

ATTEST:

By _____
Mayor

Clerk of Town Council

CITY OF REDWOOD CITY

ATTEST:

By _____
Mayor

Clerk of City Council

CITY OF SAN BRUNO

By _____
Mayor

ATTEST:

Carol Corner
Clerk of City Council



CITY OF SAN CARLOS


CITY OF SAN BRUNO

By _____
Mayor

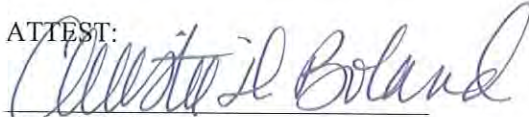
ATTEST:

Clerk of City Council

CITY OF SAN CARLOS

By  _____
Mayor

ATTEST:


Clerk of City Council

CITY OF SAN MATEO

By _____
Mayor

ATTEST:

Clerk of City Council

CITY OF SOUTH SAN FRANCISCO

By _____
Mayor

ATTEST:

Clerk of City Council

TOWN OF WOODSIDE

By _____
Mayor

ATTEST:

Clerk of Town Council

CITY OF SAN BRUNO

By _____
Mayor

ATTEST:

Clerk of City Council

CITY OF SAN CARLOS

By _____
Mayor

ATTEST:

Clerk of City Council

CITY OF SAN MATEO

By Carole Groom
Mayor, Carole Groom

ATTEST:


Clerk of City Council, Norma Gomez

CITY OF SOUTH SAN FRANCISCO

By _____
Mayor

ATTEST:

Clerk of City Council

TOWN OF WOODSIDE

By _____
Mayor

ATTEST:

Clerk of Town Council

CITY OF SAN BRUNO

By _____
Mayor

ATTEST:

Clerk of City Council

CITY OF SAN CARLOS

By _____
Mayor

ATTEST:

Clerk of City Council

CITY OF SAN MATEO

By _____
Mayor

ATTEST:


Clerk of City Council

CITY OF SOUTH SAN FRANCISCO

By 
Mayor

ATTEST:

Clerk of City Council

TOWN OF WOODSIDE

By _____
Mayor

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Clerk of Town Council

CITY OF SAN BRUNO

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Mayor

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CITY OF SAN CARLOS

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CITY OF SAN MATEO

By _____
Mayor

ATTEST:

Clerk of City Council


CITY OF SOUTH SAN FRANCISCO

By _____
Mayor

ATTEST:

Clerk of City Council

TOWN OF WOODSIDE

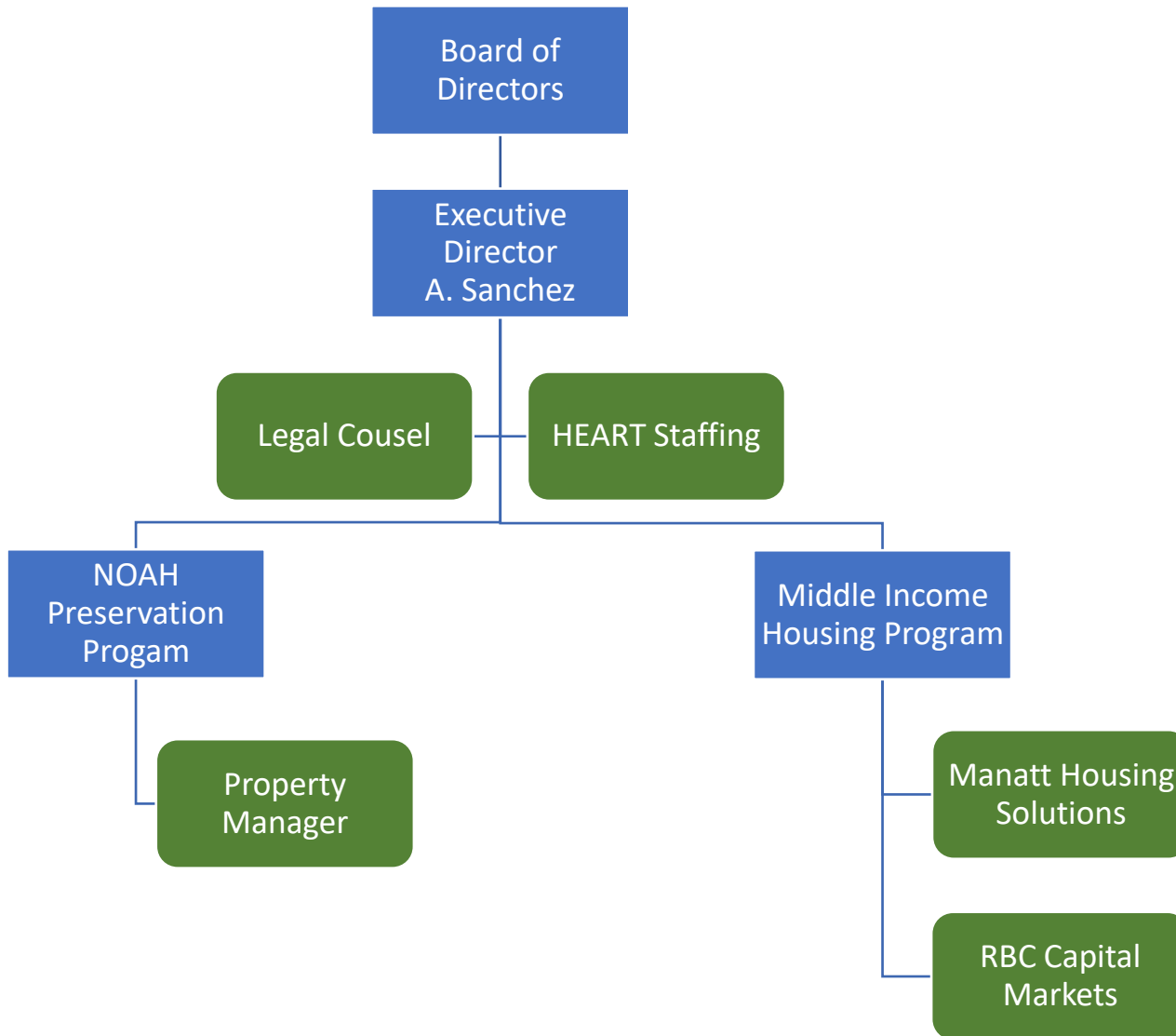
By  _____
Mayor


ATTEST:



Clerk of Town Council

HEART-SV Organization Chart



 Indicates consultants and outside services

**Joint Exercise of Powers Agreement
HEART-SV**

This Agreement is entered into the 23 day of May 2023, pursuant to the provisions of the Joint Exercise of Powers Act (Title 1, Division 7, Article 1, §6500 et seq. of the California Government Code), is by and between the Housing Endowment and Trust of San Mateo County (“HEART”) and those Counties, Cities and Towns, School Districts, College Districts and any other Public Agency who become signatories to this Agreement, and relates to the joint exercise of powers among the signatories hereto, each of which, including HEART, is hereafter individually referred to as “Member Agency” and collectively referred to “Member Agencies”.

RECITALS

A. The Member Agencies have determined that there is an undersupply of affordable housing for “low income,” “median income” and “moderate income” residents of the State of California and wish to provide for the public good and promote the health, safety, education, and/or welfare of the citizens of the State by making dwelling units available to such residents within their geographic boundaries.

B. Each Member Agency has the individual power to plan, acquire, construct, manage, regulate, operate, finance and control the development, construction and operation of housing programs generated within its jurisdictional boundaries, as well as to create and issue development agreements for such activities.

C. The Member Agencies find it in their mutual economic interest to address housing needs of their residents on a regional level.

D. An adequate supply of housing will provide social and economic benefits to residents and taxpayers of the Member Agencies.

E. The Member Agencies desire to act in the public interest to lessen the burden on government by reducing the need for each Member Agency to act individually, and to provide charitable support for housing within their geographic boundaries.

F. California Government Code §6500 et seq. (“Joint Exercise of Powers Act” or “Act”) permits two or more public agencies to create joint powers authorities for the purposes cited herein, and permits the agencies to exercise jointly any power that the public agencies could exercise separately, and further grants certain additional powers to such joint powers authorities.

G. Local land-use decisions remain solely with the Member Agencies. Nothing in this Agreement deprives member agencies of their sovereign powers or transfers those powers to the joint powers authority.

NOW, THEREFORE BE IT RESOLVED that the Member Agencies do hereby establish the entity to be known as HEART-SV, to generate and/or maintain housing, disburse funding, and take other actions that will result in permanent additions to the housing stock within HEART-SV’s jurisdictional boundaries, and do hereby agree as follows:

1. **Purpose.**

1.1 The purpose of this Agreement is to establish an organization that shall be responsible for the joint acquisition, management, operation, fundraising, planning, adoption, financing, administration, review, monitoring and reporting of certain housing program activities in the region for the benefit of low, median and moderate income residents. By entering this joint powers authority, the Member Agencies earn economic benefits not realized when operating individually. Further, the establishment of this joint powers authority provides for the economic viability and coordination of housing program financing and facilities throughout HEART-SV’s jurisdictional boundaries.

1.2. HEART-SV shall be an entity which is legally independent from the parties to this Agreement, and shall be responsible for the administration of this Agreement.

1.3 The assets, rights, debts, liabilities, and obligations of HEART-SV shall not constitute assets, rights, debts, liabilities, or obligations of any of the Member Agencies. However, nothing in this Agreement shall prevent any of the Member Agencies from separately contracting for, or assuming responsibility for, specific debts, liabilities, or obligations of HEART-SV, provided that both the Board and the Member Agency approve such contract or assumption.

2. **Powers.**

2.1 HEART-SV is authorized, but is in no way required, to act in its own name on any or all of the following matters, as each Member Agency could act separately, and as it deems in the best interest of its Members, to the extent permitted by any and all applicable laws, codes, ordinances, resolutions and regulations:

- a. Facilitate and assist the Member Agencies and others in the housing sector to acquire, construct, rehabilitate, finance, refinance, operate, regulate and maintain low, median and moderate income and/or affordable housing programs, projects and facilities (“HEART-SV Housing Programs”).
- b. Facilitate the planning, study, and recommendation of proper and appropriate HEART-SV Housing Programs, and management practices. Research and study issues related to housing, including without limitation workforce, affordable and special needs housing.
- c. Educate the public, its Member Agencies, and other agencies and entities as to HEART-SV Housing Programs.
- d. Provide for or enter into agreements to provide for financial, construction, engineering, legal, audit, and any other professional services supporting any of the HEART-SV Housing Programs or related activities.
- e. Solicit, apply for, accept, and receive grants, gifts, donations, advances, and contributions.
- f. Hire agents and employees, including consultants and legal counsel.
- g. Sue and be sued in its own name.

- h. Incur and discharge debts, liabilities, and obligations which may include but shall not be limited to being in the form of secured bonds, revenue bonds or other forms of secured or unsecured debt.
- i. Issue bonds or notes and associated covenants, for designated purposes, subject to the provisions and limitations of the California Government Code.
- j. Acquire or protect any necessary security or leasehold interests involved in loans, bonds, notes, or other financing methods implemented to carry out the purposes of this Agreement.
- k. Acquire, hold, lease, improve, construct, rehabilitate, maintain, pledge, assign, mortgage, operate and dispose of real and personal property as may be necessary and appropriate in connection with the creation, construction, financing, development, and maintenance of certain workforce and affordable housing, and the programmatic needs of HEART-SV.
- l. Issue and receive loans.
- m. Acquire such insurance protection as it deems necessary.
- n. Adopt, as authorized by California law, resolutions necessary to carry out the purposes of this Agreement
- o. Utilize and establish advisory committees or subcommittees whenever necessary.
- p. Form wholly owned and controlled affiliate entities to accomplish any of its purposes.
- p. Adopt bylaws and such other rules and procedures as may be deemed necessary.
- q. Convey real and/or personal property interests, and/or funds.
- r. Other acts necessary to carry out the actions identified above.

2.2 HEART-SV shall undertake, facilitate and encourage the acquisition, creation, construction, development, and maintenance of certain workforce, affordable and other public benefit housing, programs, projects and facilities.

3. **Term and Termination**

3.1 This Agreement shall be effective upon its execution by HEART and at least one Member Agency.

3.2 This Agreement shall continue at least until May 22, 2033, and thereafter shall continue until terminated or dissolved pursuant to Section 3.3 of this Agreement. However, in no event shall the Member Agencies vote to terminate or dissolve HEART-SV if its termination or dissolution would conflict with or violate the terms or conditions of any bonds, financial instruments, or related documentation by or on behalf of HEART-SV, including, without limitation, indentures, resolutions, and letter of credit agreements.

3.3. This Agreement may be terminated by consent of all Member Agencies, and upon full and complete liquidation of all liabilities, including, but not limited to any bonds. Upon the date of termination (hereinafter "Termination Date"), payment of any and all obligations and division of any and all assets of HEART-SV shall be conducted subject to the then-applicable requirements of the law, pursuant to the following:

a. In the event of termination of HEART-SV, where there is a successor public agency that will conduct all of the activities of HEART-SV and will assume all of its obligations, any and all HEART-SV assets and liabilities remaining upon termination of HEART-SV shall be transferred to the successor public agency.

b. If there is no successor public agency that would conduct HEART-SV's activities, all assets and liabilities shall be apportioned to each Member Agency in proportion to the contribution of each Member Agency's total contribution during the term of this Agreement. Notwithstanding the above, any real property assets shall be distributed to the Member Agency in which such real asset is located.

c. If there is a successor public agency that would conduct some of HEART-SV's activities, then the Board shall allocate HEART-SV's assets and liabilities between the successor public agency and the Member Agencies each in proportion to its total contribution during the term of this Agreement. Notwithstanding the above, any real property assets shall be distributed to the Member Agency in which such real asset was located.

d. In the event HEART-SV is terminated under circumstances falling within (b) or (c) above, all decisions of the Board with regard to determinations of amounts to be transferred under the requirements of this Agreement to the Member Agencies or any successor shall be final.

f. By unanimous agreement of all then current Member Agencies, said current Member Agencies may dispose of, divide, distribute, or return assets on a basis different from that established in this Section 3, but only in accordance with the terms of any financing related to such assets and if such financing was exempt from state and federal income taxation, only with an opinion of bond counsel that such disposition will not adversely affect such tax exemption.

g. The assets distributed pursuant to this Section 3 to Member Agencies will be used for public purposes and will not inure to the benefit of any private person.

4. **Governance**

4.1 HEART-SV is governed and administered by a Board of Directors (“Board”) that shall exercise all powers and authority on behalf of HEART-SV. The Board shall consist of no more than 31 voting members (hereinafter “Directors”), as follows:

21 No more than twenty-one (21) voting Public Directors and At Large Directors of the HEART Board of Directors (“HEART Directors”).

10 No more than ten (10) Member Agency representatives or individuals who are not representatives of a Member Agency, appointed by a majority vote of the Directors present at the meeting. These Directors shall be referred to as the “Regional Directors”.

15 The sum of all Directors representing a Public Agency, whether a HEART Director or a Regional Director, shall at all times be at least one more than the number of Directors from a non-public agency.

The number of HEART-SV Directors shall at all times be at least one more than the number of Regional Directors.

Additional ex-officio, non-voting, Affiliate Directors may be established by majority Board action, and such Affiliate Directors shall be referred to as “Affiliates”. Regular attendance by each Director and Affiliate shall be encouraged by the HEART-SV Board and the Member Agencies.

4.2. Directors shall hold office as follows:

a. The HEART Directors' terms shall be the same as their HEART Board terms, and shall be served concurrently with their HEART Board term. If a HEART Director is no longer serving on the HEART Board, they shall immediately be removed from the Board.

b. The Regional Directors' terms shall be three (3) calendar years, running from March of the first year through February of the third year.

c. There shall be no limit to the number of terms that a Director may serve.

4.3. Directors shall receive no compensation from HEART-SV for serving on the Board. HEART-SV may reimburse Directors for reasonable expenses necessarily incurred on the Board's behalf, with prior approval of the Board.

4.4 The Board shall establish an Executive Committee to carry out any and all functions of the Board that the Board may delegate to said Executive Committee. Executive Committee members shall be Board members, but the exact composition of the Executive Committee shall be as determined by the Board.

4.5 The Board may establish an Advisory Committees to advise the Board or the Executive Committee. Advisory Committee members need not be Board members. The composition and role of an Advisory Committee shall be as determined by the Board.

5. **Budgets and Financing.**

5.1 The Board annually shall adopt, by a date HEART-SV designates by resolution, an operating budget for HEART-SV setting forth anticipated expenses, financing sources and proposed service levels necessary to carry out the purposes of this Agreement. The budget for HEART-SV shall distinguish between Administrative costs (i.e., the cost of operating HEART-SV) and Program costs (i.e., the financing of the programs funded or sponsored by HEART-SV). HEART-SV shall establish its fiscal year by resolution. Contributions from private persons or entities and not-for-profit entities, whether or not their interests are represented by any Directors, are acceptable so long as they do not cause a violation of any applicable conflict of interest statutes, rules or regulations.

5.2 The particular Programs and Program budget, funded, sponsored or operated by HEART-SV, as well as the level of, and mechanisms for, the involvement of HEART-SV and each Member Agency, in such Programs and Program budget, shall be determined and approved by the Board. A Member Agency's individual contribution, involvement and role in any particular Program or the Program budget shall be as may be mutually agreed between the Member Agency and HEART-SV. By way of example only, said contributions, involvement or role may include: cash contributions, provision of services or staffing, use or transfer of title to real or personal property, pledges, guarantees or whatever other instruments or involvement the Member Agency and HEART-SV may agree to. Contributions of all kinds to the Program budget from private persons or entities and not-for-profit entities, whether or not their interests are represented by any Directors, are encouraged, so long as they do not cause a violation of any applicable conflict of interest statutes, rules or regulations.

6. **Financial Management**

6.1. HEART-SV may appoint a financial manager to manage, hold, invest and distribute the funds of HEART-SV ("Financial Manager"). The duties of the Financial Manager shall include those responsibilities as deemed necessary or appropriate by the Board. There shall be a strict accountability of all funds and report of all receipts and disbursements.

6.2. The public office or officers or person or persons who may be designated to have charge of, handle, or have access to any property of HEART-SV, shall file an official bond in an amount to be fixed by the Board.

7. **Staffing.**

7.1. It is understood that HEART-SV will require the support of administrative staff. When deemed necessary, the Board may employ or use a managing agent ("Managing Agent"), to implement the objectives of HEART-SV. The Managing Agent may consist of a separate entity or an executive director. The Board shall have responsibility for all employment decisions regarding said Managing Agent, who shall serve at the pleasure of the Board.

7.2. The Managing Agent may be delegated authority as deemed necessary or appropriate by the Board.

7.3. The Managing Agent shall be responsible for the day-to-day administration of HEART-SV under the direction of the Board. The Managing Agent shall have the authority to employ or use administrative staff consistent with the goals, needs and approved budget of HEART-SV.

7.4. If there is a Managing Agent that is a separate entity, that Managing Agent shall designate who on its staff shall be the Executive Director of HEART-SV, but the acceptance of such choice shall be subject to the approval of the Board.

8. Meetings

8.1. The Board shall schedule by Resolution at least two (2) regular meetings each Fiscal Year.

8.2. Special meetings of the Board may be called by the Chairperson and otherwise as in accordance with provisions of California Government Code §54956 and/or HEART-SV's bylaws.

8.3. All meetings of the Board shall be held subject to the provisions of California Government Code §54950 et seq. (the "Brown Act") and other applicable laws of the State of California.

8.4. All meetings of the Board must be held within the County of San Mateo at a location determined by the Chairperson, except that the Board may hold a special meeting outside the County of San Mateo upon an affirmative vote in accordance with Section 8.8 of this Agreement.

8.5. The Secretary shall cause the taking and keeping of minutes of all Board meetings. Promptly after each meeting, the Secretary shall cause a copy of the minutes to be forwarded to each Director, either electronically or in paper form.

8.6. A majority of the current and appointed Directors shall constitute a quorum for the transaction of business of the Board, except that Directors constituting less than a quorum may adjourn any meeting.

8.7 Each Director is entitled to cast one vote on any matter presented to the Board for a vote.

8.8 All decisions and actions shall be by a majority of the total number of Directors, regardless of the number of Directors and/or Affiliate Directors present, unless otherwise provided in this Agreement. For example, with 21 total current Directors, 11 votes are required for a decision or action by the Board; and with 13 total current Directors, 7 votes would be required.

8.9 Meetings of the Board shall be conducted by a Chairperson, or in the Chairperson's absence by the Vice Chairperson. In the absence of both the Chairperson and the Vice Chairperson, meetings shall be conducted by the HEART Director in attendance who represents the largest HEART Member Agency with Board representation, by population.

9. **Bylaws.** The Board from time to time may adopt and amend bylaws for the conduct of its affairs, provided that they are consistent with this Agreement and are necessary and appropriate in order to carry out HEART-SV's purpose.

10. **Officers and Employees.**

10.1 Every two (2) years, the Board shall elect a Chairperson and a Vice Chairperson from among its members.

10.2 The Board shall appoint a Secretary who may, but need not be, a member of the Board.

10.3 The Board shall select a Treasurer, from one of the Member Agencies or a certified public accountant, who shall be the depository and have custody of all the money and property of HEART-SV from whatever source. The duties of HEART-SV Treasurer shall include those set forth in the Act, including those set forth in Government Code §6505.5. The Treasurer may, if the Board so elects, also serve as the Financial Manager.

10.4 HEART-SV shall designate its legal counsel.

11. **New Members.** New Member Agencies may be added to HEART-SV by a majority vote of the Directors present at the meeting. Membership is effective immediately upon execution of this Agreement by the new Member.

12. **Withdrawal.** Any Member Agency may withdraw from this Agreement effective as of the end of any fiscal year, provided ninety (90) days prior written notice is provided to the other Member Agencies. The rights and obligations of such withdrawing Member Agency shall terminate as of the last day of the fiscal year. The withdrawal of any Member Agency from this Agreement shall in no way affect the rights and obligations of the remaining parties. If a Member Agency withdraws from this Agreement, such Member Agency shall not be entitled to the return of any funds contributed to HEART-SV nor to the return in cash or in kind of any materials or supplies until termination of this Agreement. If a withdrawing Member Agency has obligations under contracts or commitments, including bonds, that are independent from its obligations to HEART-SV, such withdrawal from HEART-SV shall have no impact on such independent obligations.

13. **Amendments.** Except as provided in Section 11, as needed to admit a new Member Agency, subject to all legal obligations of HEART-SV, this Agreement may be amended by one or more supplemental agreements executed by all of the Member Agencies of HEART-SV.

14. **Filings.** The Secretary shall cause to be filed all required notices with the California Secretary of State, in accordance with California Government Codes §6503.5 and §53051.

15. **Notices.**

15.1. All notices to the Member Agencies shall be deemed to have been given to the Member Agencies when mailed, postage prepaid by United States mail, or when hand delivered to the governing body of each Member Agency during usual business hours at the principal office, or to the person apparently in charge of that office.

15.2 All notices to HEART-SV shall be deemed to have been given to HEART-SV when mailed, postage prepaid by United States mail, or when hand delivered to each of the

Chairperson, Vice Chairperson, and any Executive Director of HEART-SV during usual business hours at the principal office, or to the person apparently in charge of that office.

16. **Assignments; Other Agreements.** This Agreement shall be binding upon and shall inure to the benefit of the successors of any Member Agency. No Member Agency may assign any right or obligation hereunder without the written consent of all other Member Agencies. Participation in HEART-SV is not intended to preclude Member Agencies from entering into similar agreements with other jurisdictions.

17. **Severability.** If any provision of this Agreement or its application to any person or circumstances is held invalid or illegal by a final judgment of a court of law in the State of California, the remainder of this Agreement and the application of the provision to other persons or circumstances shall not be affected.

18. **Headings.** All section headings contained in this Agreement are for convenience and reference only. They are not intended to define or limit the scope of any provision of this Agreement.

19. **Confirmation of Jurisdictional Authority.** By signing this Agreement, the Member Agencies retain all jurisdictional authority granted to them by the State and/or their respective Charters. The powers and/or authority granted to HEART-SV pursuant to this Agreement shall in no way serve to limit or restrict an individual Member Agency's jurisdictional authority.

IN WITNESS WHEREOF, the parties hereto by their duly authorized representative, have affixed their signatures on this Agreement, effective as of the date first stated above.

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY

By 
Executive Director
Armando F. Sanchez
5/4/23

ATTEST: 
Secretary of the Board

COUNTY OF SAN MATEO


By _____
President of the Board of Supervisors

ATTEST:

Clerk of the Board

IN WITNESS WHEREOF, the parties hereto by their duly authorized representative, have affixed their signatures on this Agreement, effective as of the date first stated above.

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY


By 

Executive Director
Armando F. Sanchez
5/4/23

ATTEST:


Secretary of the Board

COUNTY OF SAN MATEO

By  Resolution No. 079645

President of the Board of Supervisors

ATTEST:


Clerk of the Board

Date: May 23, 2023

**HOUSING ENDOWMENT AND REGIONAL TRUST
OF SAN MATEO COUNTY**



**Financial Statements and
Independent Auditors' Report
June 30, 2023 and 2022**

B.

HOUSING ENDOWMENT AND REGIONAL TRUST
OF SAN MATEO COUNTY

JUNE 30, 2023 and 2022

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B.



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the Housing Endowment and Regional Trust
of San Mateo County
San Mateo, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Housing Endowment and Regional Trust of San Mateo County, California (HEART), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise HEART's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of HEART, as of June 30, 2023 and 2022, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HEART and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

HEART's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HEART's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

B.

To the Board of Directors
of the Housing Endowment and Regional Trust
of San Mateo County
San Mateo, California
Page 2

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HEART's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HEART's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

B.

To the Board of Directors
of the Housing Endowment and Regional Trust
of San Mateo County
San Mateo, California
Page 3

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-9 and 33-34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise HEART's basic financial statements. The status of funds schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

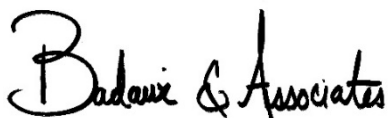
The status of funds schedule is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the status of funds schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

B.

To the Board of Directors
of the Housing Endowment and Regional Trust
of San Mateo County
San Mateo, California
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2024 on our consideration of HEART’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HEART’s internal control over financial reporting and compliance.



Badawi and Associates, CPAs
Berkeley, California
March 4, 2024

Housing Endowment and Regional Trust of San Mateo County Management's Discussion and Analysis

As management of the Housing Endowment and Regional Trust of San Mateo County (HEART), we offer our readers of HEART's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes.

Financial Highlights

- HEART's total net position as of June 30, 2023 amounted to \$17,146,533, an increase of \$1,716,882 from the prior year. This was the result of receiving \$1.7 million in grant to its Trust Fund to assist in the development of affordable housing.
- Consistent with prior years, HEART's net position primarily made up of \$11.1 million in outstanding interest and loan receivables from affordable housing developers.
- Cash and cash equivalents are \$10,130,466. This amount is largely comprised of \$4,620,000 in borrowed funds from the County of San Mateo Measure-K loan, \$5,095,506 in HEART Trust Funds, and \$414,960 in restricted funds. \$9.1 million in cash and cash equivalents can only be used to develop affordable housing.
- During the fiscal year HEART made two preliminary loans commitments totaling \$6 million dollars to support the development of affordable housing, but these funds will not be disbursed until the next fiscal year. During the year, HEART received one loan repayment in the amount of \$678,726 from Nugent Square Partners.
- Total operating and program revenue for the year amounted to \$2,064,968 comprised of \$1.7 million in grants restricted for affordable housing, \$236,286 in contributions from member agencies and the balance of \$119,082 from loan origination fees, interest received, and donor contributions.

Overview of the Financial Statements

HEART's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide the reader with a broad overview of HEART's finances, in a manner similar to a private-sector business.

The *statements of net positions* present information on HEART's assets and liabilities, with the difference reported as net positions. Over time, increases or decreases in net positions may serve as a useful indicator of whether the financial position of HEART is improving or deteriorating.

The *statements of activities* report how HEART's net positions changed during the most recent two fiscal years. Changes in net positions are reported as soon as underlying events occur, regardless of the timing of the related cash flows. Thus, some revenues and expenses reported in this statement may result in cash flows only in future periods. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Housing Endowment and Regional Trust of San Mateo County Management's Discussion and Analysis

Fund Financial Statements

A fund is a group of related accounts that is used to control resources that have been segregated for specific activities or objectives. HEART uses fund accounting to ensure compliance with various legal requirements, such as the annually adopted budget. Accordingly, a budgetary comparison schedule has been included in the supplementary information section of the financial statements to demonstrate compliance with budget. Fund financial statements report essentially the same information as the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year.

As required by accounting principles, the financial transactions of HEART are accounted for in a Special Revenue Fund, a governmental fund, as monies received by it are legally restricted to specific use. Monies allocated and disbursed to HEART can be expended only for purposes authorized under the Agreement.

The fund financial statements can be found on pages 17 through 18 of this report.

Notes to the Financial Statements

The *notes to the financial statements* on pages 21 through 30 provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Other information

This report also presents certain required supplementary information concerning compliance with HEART's annual budget. This information, as well as associated notes, immediately follows the basic financial statements and the accompanying notes.

Housing Endowment and Regional Trust of San Mateo County
Management’s Discussion and Analysis

Financial Analysis – Government-Wide Financial Statements

| Assets | <u>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|
| Cash and cash equivalents | \$ 10,130,466 | \$ 8,053,608 |
| Receivables, net: | | |
| Interest | 1,311,665 | 1,118,907 |
| Loans | 9,809,489 | 10,512,573 |
| Accounts | 162,343 | 533 |
| Restricted assets: | | |
| Temporarily restricted: | | |
| Cash and cash equivalents | <u>414,960</u> | <u>411,932</u> |
| Total Assets | <u>21,828,923</u> | <u>20,097,553</u> |
| Liabilities | | |
| Accounts payable | 62,390 | 47,902 |
| Long-term liabilities | | |
| San Mateo County Measure-K Loan | 4,620,000 | 4,557,500 |
| Paycheck Protection Program Loan | <u>0</u> | <u>62,500</u> |
| Total Liabilities | <u>4,620,000</u> | <u>4,667,902</u> |
| Net Position | | |
| Restricted for: | | |
| Homebuyer Assistance Loan Program – pledge account | 411,960 | 411,932 |
| Unrestricted | <u>16,731,573</u> | <u>15,017,719</u> |
| Total Net Positions | <u>\$ 17,146,533</u> | <u>\$ 15,429,651</u> |

- HEART’s total assets are \$21,828,960, an increase of \$1,731,370. This is an increase of 9% compared to the prior year. A \$1.7 million grant from the City of East Palo Alto is largely responsible for the net \$1.7 million asset increase from the previous year.
- Cash and cash equivalents increased from \$8 million to approximately \$10.1 million. The increase in cash and cash equivalents is largely to the \$1.7 million grant from the City of East Palo Alto and the repayment of a \$678,726 loan from Nugent Square Partners.
- Loans outstanding decrease \$703,084 due to the Nugent Square Partners loan repayment and a few other small loan repayments from other borrowers.
- Total liabilities for the current year are \$4,682,390. This represents a small increase of \$14,488 from the previous year. HEART’s total Measure-K loan from the county stands at \$4,620,000. The remaining \$62,390 in liabilities includes \$57,792 in payroll liabilities and payroll tax payments due and \$4,598 in accounts payable to consultants and miscellaneous vendors.

Housing Endowment and Regional Trust of San Mateo County
Management's Discussion and Analysis

- Net position of governmental activities is \$17,146,533, an increase of \$1,716,882, or 11% more compared to the previous fiscal year. The increase in net position was due to a \$1.7 million grant from the City of East Palo Alto that is slated for a loan to for the development of Colibri Commons, and affordable housing development in the City of East Palo Alto.

Changes in Net Positions

Table with 3 columns: Description, 2023, and 2022. Rows include Revenues (Program Revenues: Operating grants and contributions, Member Agencies, Donors, Charges for Services, Total Program Revenues), Expenses (General management and admin support, Legal services, Interest on long-term debt, Miscellaneous, Total Expenses), Net Program Revenue, General Revenues - Investment Earnings, Change in Net Positions, Net positions - beginning, and Net positions - ending.

- Total operating and program revenue during the current period was \$2,064,968, lower than the prior year's amount of \$4,424,535. This reflects a decrease in grants received to support the development of affordable housing. Grants received decreased from \$4 million to \$1.7 million.
Excluding the \$1.7 grant from the City of East Palo Alto, operating and program revenue was \$364,968. This amount is comprised of \$236,286 from Member Agency contributions and \$128,682 from other donations and program service fees.
Total expenses incurred during the current period amounted to \$764,259, an increase of \$169,682, or 28.5% more, than the previous year. The vast majority (86%) of the increase in expenses is due to the addition of more staff at HEART to meet the increased program work load.

Housing Endowment and Regional Trust of San Mateo County
Management’s Discussion and Analysis

Budgetary Analysis

| | <u>Budgeted Amount Final</u> | <u>Actual Amount – Budgetary Basis</u> | <u>Variance -Positive (Negative)</u> |
|---|----------------------------------|--|--|
| Total Revenues and Other Financing Sources | \$ 798,848 | \$ 2,279,140 | \$ 1,658,882 |
| Total Expenditures and Other Financing Uses | <u>798,848</u> | <u>764,259</u> | <u>(34,589)</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ 1,514,259</u> | <u>\$ 1,514,881</u> |

Actual revenues were higher than budgeted by \$1,658,882. While HEART’s individual revenue sources fluctuated and differed from the budgeted amounts, the \$1.7 million grant awarded to HEART for affordable housing development was responsible for generating the large positive variance. Operating expenses were slightly below the amount budgeted by \$34,589. Expenses were lower largely due the lower utilization of outside contract and consulting services.

Beyond FY 2023

In 2024 HEART is planning to continue making loans to affordable housing developers with its Trust Fund. Currently, it is planning to make \$6 million in loans to two affordable housing developments. Additional funds will be available to make more loans throughout 2024. These loans will help HEART achieve its mission of creating more affordable housing units, while increasing its revenue from developer loan origination fees.

Over the next year HEART will also expend significant resources creating new programs to create and preserve affordable housing by financing the acquisition of privately owned, existing apartment buildings and by providing staffing help to cities to assist them with carrying out their affordable housing programs. HEART will also explore the possibility of developing a loan program to help mobile homeowners replace their units with new ones.

Due to continuing high interest rates, it is likely HEART’s first-time homebuyer down payment loan program, “Opening Doors,” will continue to see low demand for its loans. HEART will continue to present community workshops for first time homebuyers and work with realtors and cities to help buyers prepare for a time when homebuying becomes feasible again.

Requests for Information

This financial report is designed to provide a general overview of HEART’s finances for all those interested. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Housing Endowment and Regional Trust of San Mateo County, Attn: Executive Director, 2905 S. El Camino Real, San Mateo, CA 94403.

B.

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BASIC FINANCIAL STATEMENTS
Government-Wide Financial Statements

B.

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Housing Endowment and Regional Trust of San Mateo County

Statements of Net Position

June 30, 2023 and 2022

| | Governmental Activities | |
|--|-------------------------|----------------------|
| | 2023 | 2022 |
| Assets | | |
| Cash and investments | \$ 10,130,466 | \$ 8,053,608 |
| Receivables, net: | | |
| Interest | 1,311,665 | 1,118,907 |
| Loans | 9,809,489 | 10,512,573 |
| Accounts | 162,343 | 533 |
| Restricted assets: | | |
| Temporarily restricted: | | |
| Cash and cash equivalents | 414,960 | 411,932 |
| Total Assets | <u>21,828,923</u> | <u>20,097,553</u> |
| Liabilities | | |
| Accounts payable | 62,390 | 47,902 |
| Long-term liabilities: | | |
| San Mateo County Measure K loan | <u>4,620,000</u> | <u>4,620,000</u> |
| Total Liabilities | <u>4,682,390</u> | <u>4,667,902</u> |
| Net Position | | |
| Restricted for: | | |
| Home Buyer Assistance Loan Program - pledge account | 414,960 | 411,932 |
| Unrestricted | <u>16,731,573</u> | <u>15,017,719</u> |
| Total Net Position | <u>\$ 17,146,533</u> | <u>\$ 15,429,651</u> |

Housing Endowment and Regional Trust of San Mateo County

Statements of Activities

For the Years Ended June 30, 2023 and 2022

| | Governmental Activities | |
|---|-------------------------|---------------|
| | 2023 | 2022 |
| Expenses | | |
| General management and administrative support | 669,638 | \$ 524,837 |
| Legal services | 11,274 | 24,816 |
| Interest on long-term debt | 83,212 | 44,960 |
| Miscellaneous | 135 | - |
| Total Expenses | 764,259 | 594,613 |
| Program Revenues | | |
| Operating grants and contributions: | | |
| Member agencies | 236,286 | 236,280 |
| Donors | 1,823,882 | 4,165,177 |
| Charges for Services | 4,800 | 23,078 |
| Total Program Revenues | 2,064,968 | 4,424,535 |
| Net Program Revenue (Expenses) | 1,300,709 | 3,829,922 |
| General Revenues | | |
| Investment earnings | 416,173 | 58,889 |
| PPP Loan forgiveness | 0 | 62,500 |
| Total General Revenues | 416,173 | 121,389 |
| Change in Net Positions | 1,716,882 | 3,951,311 |
| Net Positions - beginning | 15,429,651 | 11,478,340 |
| Net Positions - ending | \$ 17,146,533 | \$ 15,429,651 |

BASIC FINANCIAL STATEMENTS
Fund Financial Statements

B.

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Housing Endowment and Regional Trust of San Mateo County
Balance Sheets - Governmental Fund
June 30, 2023 and 2022

| | 2023 | 2022 |
|--|----------------------|----------------------|
| Assets | | |
| Cash and investments | \$ 10,130,466 | \$ 8,053,608 |
| Receivables, net: | | |
| Interest | 1,311,665 | 1,118,907 |
| Loans | 9,809,489 | 10,512,573 |
| Accounts | 162,343 | 533 |
| Cash - restricted | 414,960 | 411,932 |
| Total Assets | <u>\$ 21,828,923</u> | <u>\$ 20,097,553</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balance | | |
| Liabilities | | |
| Accounts payable | \$ 62,390 | \$ 47,902 |
| Total Liabilities | <u>62,390</u> | <u>47,902</u> |
| Deferred Inflows of Resources | | |
| Unavailable revenues | 1,311,665 | 1,118,907 |
| Total Deferred Inflows of Resources | <u>1,311,665</u> | <u>1,118,907</u> |
| Fund Balance | | |
| Nonspendable | 9,809,489 | 10,512,573 |
| Restricted | 414,960 | 411,932 |
| Unassigned | 10,230,419 | 8,006,239 |
| Total Fund Balance | <u>20,454,868</u> | <u>18,930,744</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | <u>\$ 21,828,923</u> | <u>\$ 20,097,553</u> |
| Reconciliation of Fund Balance Sheets to the Statements of Net Position: | | |
| Total Fund Balance - Governmental Fund | \$ 20,454,868 | \$ 18,930,744 |
| Long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the fund | | |
| Interest receivable | 1,311,665 | 1,118,907 |
| Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Fund Balance Sheet | | |
| Paycheck Protection Program loan | - | - |
| County of San Mateo-Measure-K loan | (4,620,000) | (4,620,000) |
| Net position of governmental activities | <u>\$ 17,146,533</u> | <u>\$ 15,429,651</u> |

B. Housing Endowment and Regional Trust of San Mateo County
Statements of Revenues, Expenditures, and Changes in Fund Balance
For the Years Ended June 30, 2023 and 2022

| | 2023 | 2022 |
|--|----------------------|----------------------|
| Revenues | | |
| Member agency contributions | \$ 236,286 | \$ 236,280 |
| Donor contributions | 1,823,882 | 4,165,177 |
| Charges for services | 4,800 | 23,078 |
| Investment earnings | 223,415 | 87,819 |
| Total Revenues | <u>2,288,383</u> | <u>4,512,354</u> |
| Expenditures | | |
| General management and administrative support | 669,638 | 524,837 |
| Legal services | 11,274 | 24,816 |
| Miscellaneous | 135 | - |
| Debt service: | | |
| Interest and fiscal charges | 83,212 | 44,960 |
| Total Expenditures | <u>764,259</u> | <u>594,613</u> |
| Excess (Deficit) of Revenues Over Expenditures | 1,524,124 | 3,917,741 |
| Other Financing Sources (Uses) | | |
| Loan proceeds | - | 1,120,000 |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>1,120,000</u> |
| Net Change in Fund Balance | 1,524,124 | 5,037,741 |
| Fund Balance - Beginning | 18,930,744 | 13,893,003 |
| Fund Balance - Ending | <u>\$ 20,454,868</u> | <u>\$ 18,930,744</u> |
| Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statements of Activities (page 14) | | |
| Net change in fund balance - governmental fund | \$ 1,524,124 | \$ 5,037,741 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 192,758 | (28,930) |
| Gain due to the PPP loan forgiveness recognized as revenue in the government-wide statement of activities, but no long-term debt transactions recorded in the governmental fund statement of revenues, expenditures, and changes in fund balance | - | 62,500 |
| Loan proceeds provided current financial resources to governmental funds, but increased long-term liabilities in the government-wide statement of net position. | - | (1,120,000) |
| Change in net positions of governmental activities | <u>\$ 1,716,882</u> | <u>\$ 3,951,311</u> |

Notes to the Basic Financial Statements

B.

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**HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

On February 26, 2002, the County of San Mateo (County) approved establishment of a housing trust fund for the County and set aside \$3 Million from reserves to be used as the initial capitalization for the fund. A Joint Powers Agreement (Agreement) between the County and certain cities and towns within the County (Member Agencies) established the Housing Endowment and Regional Trust (HEART) in 2003 under the Joint Exercise of Powers Act per California Government Code Sections 6500 et seq. The Agreement was in effect at least until March 30, 2013 and can be terminated thereafter according to the terms specified in the Agreement. HEART's general purpose is to support and generate funding that will result in permanent additions to workforce housing needs in San Mateo County. HEART obtained a determination from the Internal Revenue Service of its tax-exempt status and classification as a public charity under Section 501(c)(3) of the Internal Revenue Code (Code), effective January 8, 2008. Contributions to HEART are tax deductible under Section 170 of the Code.

HEART is an entity separate from each participating entity and is under the direction of a Board of Directors (Board). The Board is comprised of 11 elected officials from the County and Member Agencies and 10 at-large members who are not publicly elected officials. The Board appoints a managing agent who is responsible for the day-to-day administration of HEART under its direction.

The County also made an initial allocation of \$75,000 for administrative costs in addition to the \$3 Million initial capitalization. HEART received \$2.075 Million in fiscal year 2004 and the remaining \$1 Million was paid in equal installments from fiscal years 2005 through 2009. The Member Agencies support HEART by contributing annual dues. The dues were assessed annually through fiscal year 2009 based upon Member Agency's population information used by City/County Association of Governments of San Mateo County (C/CAG). The dues remained fixed from fiscal years 2009 through 2011. The dues were reduced by 10% annually in FY 2012, and remained fixed in FY 2014 through FY 2023 at the lower rate.

Monies allocated and disbursed to HEART can be expended only for purposes authorized under the Agreement.

(b) Measurement Focus, Basis of accounting, and Financial Statement Presentation

Under the new financial reporting model, governments are required to present government-wide and fund financial statements along with reconciliation from the fund financial statements to the government-wide statements. The government-wide financial statements are reported on a basis of accounting similar to a commercial enterprise, which is different from the traditional basis of accounting used for the fund financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred regardless of when the related cash flows take place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Measurement Focus, Basis of accounting, and Financial Statement Presentation (continued)

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues from reimbursement type programs are considered to be *available* when they are collectible within two months of the end of the current fiscal period in order to properly match revenues with related expenditures. Expenditures are recognized in the accounting period in which the liability is incurred.

Cash and Cash Equivalents: Cash and cash equivalents include all monies held in banks, highly liquid investments with maturities of less than three months and cash held in the San Mateo County Investment Pool (County Pool). A portion of the cash balance is pooled with other funds of the County to earn a higher rate of return than could be earned by investing the funds individually. HEART considers its equity in the County's investment pool to be cash equivalents.

Receivables: All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Restricted Assets: Amounts maintained in separate bank accounts are classified as restricted assets on the balance sheet because uses of the funds are externally restricted by the lending agencies to maintain a minimum balance in the Pledge Account for financing eligible housing developers and homeowners.

Long-term Obligations: Long-term debts are reported as liabilities in the government-wide financial statements. In the fund financial statements, governmental fund types report the face amount of the debt issued as other financing sources and interest and principal payments made in the current period are reported as debt service expenditures.

(c) Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results based on subsequent events could differ from those estimates.

(d) Budgetary Information

HEART adopts an annual budget that can be amended throughout the year. The basis used to prepare the budget is the same as the basis used to reflect actual revenues and expenditures except that unrealized gains and losses are not included in the budget. See Note 1 of the notes to the required supplementary information for detail.

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) New Pronouncements

In fiscal year 2022-23, HEART adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 91, Conduit Debt Obligations - The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement did not apply to the HEART for the current fiscal year.
- GASB Statement 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements - The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP in an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The requirements of this statement did not apply to the HEART for the current fiscal year.
- GASB Statement No. 96, Subscription-based Information Technology Arrangements - This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement did not apply to the HEART for the current fiscal year.

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

2. CASH AND INVESTMENTS

(a) Cash and Investments

As of June 30, 2023 and 2022, HEART's cash and investments consisted of:

Table with 3 columns: Description, FY 22-23, and FY 21-22. Rows include Cash on hand, Wells Fargo Checking and Savings Accounts, Meriwest Committed Account, San Mateo County Investment Pool, Total unrestricted cash and investments, Meriwest Restricted Account, and Total cash and investments.

Cash Deposits

The carrying amount of HEART's cash deposits were a total of \$1,921,961. Bank balances before reconciling items were a positive amount of \$1,921,961 as of June 30, 2023. The carrying amount of HEART's cash deposits were a total of \$286,210. Bank balances before reconciling items were a positive amount of \$292,991 as of June 30, 2022.

The California Government Code requires California banks and savings and loan associations to secure HEART's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in HEART's name. The fair value of pledged securities must equal at least 110% of HEART's cash deposits. California law also allows institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the total cash deposits. HEART's cash deposit was fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The remaining amount was not collateralized

San Mateo County Investment Pool

Investment in the County Pool is reported at fair value. The change in fair value for the year is recorded as unrealized gain or loss and reported as part of investment earnings. Fair value is based on information provided by the County Treasurer. The fair value in HEART's investment in the County Pool as of June 30, 2023 and 2022 was \$8,208,505 and \$7,764,308 respectively. The fair value factor of 0.9715 and 0.9688 was used to calculate the fair value of the investments in the County Pool for fiscal year 2023 and fiscal year 2022.

HEART does not have a formally adopted investment policy.

**HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

2. CASH AND INVESTMENTS (CONTINUED)

(b) Risk Disclosures

Interest Risk: Interest rate risk is the market value fluctuation due to overall changes in the interest rates. It is mitigated by limiting the average maturity of HEART’s portfolio.

Investments held in HEART grouped by maturity date as of June 30, 2023 and 2022 are shown below:

| FY2023 | | Investment Maturities (in years) | | | |
|----------------------------------|--------------|----------------------------------|-------------|-------------|--|
| Investment Type | Total | 1 year or Less | 1 - 2 years | 2 - 3 years | |
| San Mateo County Investment Pool | \$ 8,208,505 | \$ 8,208,505 | \$ - | \$ - | |
| Total Investments | \$ 8,208,505 | \$ 8,208,505 | \$ - | \$ - | |

| FY2022 | | Investment Maturities (in years) | | | |
|----------------------------------|--------------|----------------------------------|-------------|-------------|--|
| Investment Type | Total | 1 year or Less | 1 - 2 years | 2 - 3 years | |
| San Mateo County Investment Pool | \$ 7,764,308 | \$ 7,764,308 | \$ - | \$ - | |
| Total Investments | \$ 7,764,308 | \$ 7,764,308 | \$ - | \$ - | |

Credit Risk: Credit risk is the risk that a security or a portfolio will lose some or all its value due to a real or perceived change in the ability of an issuer to repay its debt. As of June 30, 2023, HEART’s deposits and investments were rated as follow:

| | FY2023 Credit Quality Ratings | | | FY2022 Credit Quality Ratings | | |
|----------------------------------|-------------------------------|-----------|----------------|-------------------------------|-----------|----------------|
| | Moody's | S&P | % of Portfolio | Moody's | S&P | % of Portfolio |
| San Mateo County Investment Pool | Not Rated | Not Rated | 100% | Not Rated | Not Rated | 100% |
| Total | | | 100% | | | 100% |

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside.

3. RECEIVABLES

(a) Interest Receivable

The interest receivable balance reported at June 30, 2023 and 2022 of \$1,311,665 and \$1,118,907 respectively represent uncollected interest on loans receivable and fourth quarter interest due from the County Treasurer on investments made by HEART in the County Pool.

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

3. RECEIVABLES (CONTINUED)

(b) Loans Receivable

Loans receivable as of June 30, 2023 and 2022 consist of the following:

Table with 2 columns: 2023, 2022. Rows include: In September 2006, HEART loaned \$1,730,000...; In June 2006, HEART signed a loan agreement with Hillcrest Senior Housing Corporation...; In February 2015, HEART signed a loan agreement with Habitat for Humanity...; In December 2007, HEART signed a loan agreement with Trestle Glen Associates...; In October 2015, Bridge Housing Ventures assumed National Church Residences loan...; Sub-total carried forward.

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

3. RECEIVABLES (CONTINUED)

(b) Loans Receivable

| | 2023 | 2022 |
|--|--------------|---------------|
| Sub-total carried forward | \$ 5,009,489 | \$ 5,033,847 |
| | | |
| In March 2011, HEART signed a loan agreement with Mid-Peninsula South City, L.P. for \$600,000, which was funded by the Genetech Foundation South Francisco Fund to assist with the development of 62-units of a 109-unit rental housing project in South San Francisco, CA, which will provide housing for low and very-low income households. The loan has a term of 55 years from the issuance of the Certificate of Occupancy, which evidences project completion and bears interest at a rate of 3% per annum commencing upon project completion. The Certificate of Occupancy was issued on October 19, 2012. | 600,000 | 600,000 |
| | | |
| In March 2011, HEART signed a loan agreement with Mid-Peninsula South City II, L.P. for \$400,000, which was funded by the Genetech Foundation South Francisco Fund to assist with the development of 47-units of a 109-unit rental housing project in South San Francisco, CA, which will provide housing for low and very-low income households. The loan has a term of 55 years from the issuance of the Certificate of Occupancy, which evidences project completion and bears interest at a rate of 3% per annum commencing upon project completion. The Certificate of Occupancy was issued on October 19, 2012. | 400,000 | 400,000 |
| | | |
| In September 2021, HEART signed a loan agreement with Nugent Square Partners, L.P. for \$850,000 to rehabilitate an existing affordable housing development in need of emergency repairs. Nugent Square apartments is located in the City of East Palo Alto and consists of 32 units affordable to very low- and extremely low-income households. The loan has a term of two years and bears interest at a rate of 3% commencing on October 19, 2021. | - | 678,726 |
| | | |
| In December 2021, HEART signed a Development Loan Agreement with MP Downtown San Mateo Associates, L.P. to provide \$3,800,000 for the development of 225 rental homes for extremely low- very low- and low-income individuals and families. The project is located in the City of San Mateo. The loan has a term of 55 years from and bears an interest rate of 3% commencing in March 2022. | 3,800,000 | 3,800,000 |
| Total Loans Receivable | \$ 9,809,489 | \$ 10,512,573 |

**HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

4. ACCOUNTS PAYABLE

Accounts payable comprises of the following:

| | <u>2023</u> | <u>2022</u> |
|--------------------------------|------------------|------------------|
| Payable for contractor service | \$ 4,598 | \$ 12,039 |
| Accrued payroll | <u>57,792</u> | <u>35,863</u> |
| Total Accounts payable | <u>\$ 62,390</u> | <u>\$ 47,902</u> |

5. NON-CURRENT LIABILITIES

The following is summary of non-current liability activity of HEART:

| | <u>Balance at July 1, 2022</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at June 30, 2023</u> |
|--|------------------------------------|---------------------|--------------------|-------------------------------------|
| San Mateo County:Measure-K | \$ 4,620,000 | \$ - | \$ - | \$ 4,620,000 |
| Total | <u>\$ 4,620,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,620,000</u> |
| | <u>Balance at July 1, 2021</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at June 30, 2022</u> |
| San Mateo County:Measure-K | \$ 3,500,000 | \$ 1,120,000 | \$ - | \$ 4,620,000 |
| Paycheck Protection Program loan: Loan # 9780199-02 | <u>62,500</u> | <u>-</u> | <u>(62,500)</u> | <u>-</u> |
| Total | <u>\$ 3,562,500</u> | <u>\$ 1,120,000</u> | <u>\$ (62,500)</u> | <u>\$ 4,620,000</u> |

San Mateo County: Measure-K loan

On August 1, 2017 HEART entered into a loan agreement with the County of San Mateo for an amount of \$5,000,000 with a maturity date of July 31, 2024. Interest rate will be paid annually based on the amount of interest that the loan would have earned had it been invested in the San Mateo County Pooled Investment rate starting twelve months from the date of the initial disbursement. The proceeds of the loan will to be used to make predevelopment, acquisition, construction and bridge loans that are consistent with the terms of HEART’s Quick Start Loan Program. As of June 30, 2023 HEART drawn an amount of \$4,620,000 from the total loan agreement of \$5,000,000.

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

6. REVENUES

(a) Operating Grants and Contributions

Operating grants and contributions consist of the following:

Member Agencies Dues

Member Agencies are billed annually for dues to cover administrative expenses.

Donors

Other operating grants and contributions include contributions from private donors.

(b) Charges for Services

Charges for services are loan processing fees collected from home buyers upon close of escrow on each home loan.

(c) Investment Earnings

Investment earnings reported in the government fund *statements of revenues, expenditures, and changes in fund balance* comprise of quarterly interest received from the County Treasurer on investments made by HEART in the County Pool and interest collected from developers on cumulative interest receivable accrued. Interest is recorded in the year it is earned and is available to pay current liabilities.

Investment earnings reported in the government-wide *statements of activities* includes earnings from the County investments noted above plus interest earned in the current year on loans made to developers.

7. FUND BALANCES / NET POSITION

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which HEART is bound to honor constraints on the specific purpose for which amount in the fund can be spent. As of June 30, 2023 and 2022, fund balance for the governmental fund consists of the following classifications respectively:

- (a) *Nonspendable Fund Balance* - includes amounts that cannot be spent because they are not in spendable form, such as prepaid items and loans receivable.
- (b) *Restricted Fund Balance* - includes amounts that can be spent only for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- (c) *Unassigned Fund Balance* - is the residual classification for the government’s general fund and includes all spendable amounts not contained in the other classifications.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted and then unassigned.

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

7. FUND BALANCES / NET POSITION (CONTINUED)

At fiscal year-end, fund balance reported on the balance sheets on page 17 includes:

| | 2023 | 2022 |
|--|---------------|---------------|
| Nonspendable | \$ 9,809,489 | \$ 10,512,573 |
| Restricted: | | |
| Home Buyer Assistance Loan Program - pledge account see Note 2(a) | 414,960 | 411,932 |
| Unassigned | 10,230,419 | 8,006,239 |
| Total Fund Balance | \$ 20,454,868 | \$ 18,930,744 |

The amount shown as restricted above is also reported as restricted net position on the *statement of net positions* on page 13.

8. RISK MANAGEMENT

HEART is exposed to various risks of losses related to assets having a current or future benefit to HEART. HEART has insurance coverage provided by the Hartford. In addition, HEART has special excess liability insurance coverage provided as part of the County's insurance coverage. The existing insurance policies are current as of the issuance of this report. Under an agreement with the County, the Department of Housing (DOH) of San Mateo County provides fiscal and program services to HEART. Agents of the DOH are covered by the County's insurance provider. The County Counsel provides legal representation for any claims or litigation of HEART under a contract. For the years ended June 30, 2023 and 2022, the annual amount contracted with County Counsel for legal representation was \$9,773 and \$24,816 respectively.

REQUIRED SUPPLEMENTARY INFORMATION

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| B. |
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Housing Endowment and Regional Trust of San Mateo County
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2023**

| | Budgeted Amount Original | Budgeted Amount Final | Actual Amount Budgetary Basis (Note 1) | Variance with Final Budget Positive (Negative) |
|--|---|--------------------------------------|---|---|
| Revenues | | | | |
| Member Agency contributions | \$ 236,280 | \$ 236,280 | \$ 236,286 | \$ 6 |
| Other contributions | 152,000 | 165,000 | 1,823,882 | 1,658,882 |
| Investment earnings | 111,996 | 111,996 | 138,219 | 26,223 |
| Loan proceeds - interest | 123,429 | 103,572 | 75,953 | (27,619) |
| Charges for services and other administrative support | 658,100 | 182,000 | 4,800 | (177,200) |
| | <u>1,281,805</u> | <u>798,848</u> | <u>2,279,140</u> | <u>1,480,292</u> |
| Expenditures | | | | |
| General management and administrative support | 800,705 | 688,381 | 669,638 | 18,743 |
| Legal services | 25,000 | 15,000 | 11,274 | 3,726 |
| Debt services | | | | |
| Interest and fiscal charges | 95,467 | 95,467 | 83,212 | 12,255 |
| Contingency | 360,633 | - | 135 | (135) |
| | <u>1,281,805</u> | <u>798,848</u> | <u>764,259</u> | <u>34,589</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>1,514,881</u> | <u>1,514,881</u> |
| Fund Balance - beginning | | | <u>19,180,792</u> | |
| Fund Balance - ending | | | <u>\$ 20,695,673</u> | |

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023 and 2022

1. BUDGETS, BUDGETARY PROCESS, AND ENCUMBRANCES

HEART uses two funding sources to manage operations: Administrative Funds and Program Funds. The Board adopts an annual operating budget, which can be amended by the Board throughout the year. Actual revenues and expenditures presented reflect activity in both funds during the year. As discussed in Note 1(d) of the notes to the basic financial statements, the basis used to prepare the budget is the same as the basis used to reflect actual revenues and expenditures, except for unrealized gains and losses under GASB 31. The financial statements record unrealized gains and losses as required by Generally Accepted Accounting Principles (GAAP). Adjustments were made to certain budgeted accounts to reflect changes made in financial statement presentation.

HEART uses an encumbrance system to assist in controlling expenditures. Purchase orders, contracts, and other commitments for the expenditures of monies are recorded under this system in order to reserve applicable appropriations. Any encumbrances outstanding at year-end are recorded as reservations of fund balance as they do not constitute expenditures or liabilities.

The actual net change in fund balance under the budgetary basis on page 33 is reconciled to the change in fund balance under GAAP on page 18 as follows:

Explanation of difference between budgetary basis and GAAP basis:

| | <u>FY 22-23</u> |
|--|----------------------|
| Net Change in Fund Balance - budgetary basis | \$ 1,514,881 |
| Net unrealized loss on cash in County Investment Pool under GASB 31 | 9,243 |
| Change in Fund Balance - GAAP basis | <u>\$ 1,524,124</u> |
| Fund Balance - budgetary basis | \$ 20,695,673 |
| Unrealized loss on cash in County Investment Pool under GASB 31 as of June 30, 2023 | (240,805) |
| Fund Balance - GAAP basis | <u>\$ 20,454,868</u> |

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SUPPLEMENTARY INFORMATION

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B. Housing Endowment and Regional Trust of San Mateo County
 Status of Funds
 For the Year Ended June 30, 2023

| | Program Funds | Administrative Funds | Total |
|--|----------------------|-------------------------|----------------------|
| Revenues | | | |
| Member agency contributions | \$ - | \$ 236,286 | \$ 236,286 |
| Donor contributions | 1,714,318 | 109,564 | 1,823,882 |
| Investment earnings | 59,089 | 79,130 | 138,219 |
| Loan proceeds interest | 17,130 | 58,823 | 75,953 |
| Loan origination fees | 4,800 | - | 4,800 |
| Total Revenues | <u>1,795,337</u> | <u>483,803</u> | <u>2,279,140</u> |
| Expenditures | | | |
| General management and administrative support | 490,081 | 179,557 | 669,638 |
| Legal services | 9,724 | 1,550 | 11,274 |
| Debt services | | | |
| Interest and fiscal charges | 83,212 | - | 83,212 |
| Total Expenditures | <u>583,017</u> | <u>181,242</u> | <u>764,259</u> |
| Net Change in Fund Balance | 1,212,320 | 302,561 | 1,514,881 |
| Fund Balance - beginning | <u>18,141,589</u> | <u>1,039,203</u> | <u>19,180,792</u> |
| Fund Balance - ending | <u>\$ 19,353,909</u> | <u>\$ 1,341,764</u> | <u>\$ 20,695,673</u> |

Notes:

- (1) All income received from investment earnings is categorized to Program Funds
 (2) The above schedule does not include adjustments made for GASB No. 31 as required by generally accepted accounting principles.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

To the Board of Directors
of the Housing Endowment and Regional Trust
of San Mateo County
San Mateo, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the Housing Endowment and Regional Trust of San Mateo County (HEART) as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise HEART's basic financial statements, and have issued our report thereon dated March 4, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HEART's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HEART's internal control. Accordingly, we do not express an opinion on the effectiveness of HEART's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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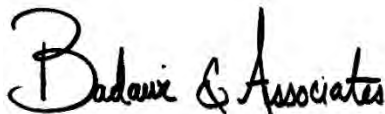
To the Board of Directors
of the Housing Endowment and Regional Trust
of San Mateo County
San Mateo, California
Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether HEART’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Badawi & Associates, CPAs
Berkeley, California
March 4, 2024

**HOUSING ENDOWMENT AND REGIONAL TRUST
OF SAN MATEO COUNTY**



**Financial Statements and
Independent Auditors' Report
June 30, 2024 and 2023**

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY

JUNE 30, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the Housing Endowment and Regional Trust
of San Mateo County
San Mateo, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Housing Endowment and Regional Trust of San Mateo County, California (HEART), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise HEART's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of HEART, as of June 30, 2024 and 2023, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HEART and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

HEART's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HEART's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

B.

To the Board of Directors
of the Housing Endowment and Regional Trust
of San Mateo County
San Mateo, California
Page 2

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HEART's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HEART's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

B.

To the Board of Directors
of the Housing Endowment and Regional Trust
of San Mateo County
San Mateo, California
Page 3

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-9 and 33-34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

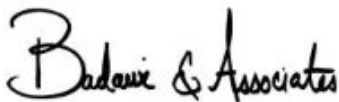
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise HEART's basic financial statements. The status of funds schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The status of funds schedule is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the status of funds schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2025 on our consideration of HEART's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HEART's internal control over financial reporting and compliance.



Badawi and Associates, CPAs
Emeryville, California
August 31, 2025

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Housing Endowment and Regional Trust of San Mateo County Management's Discussion and Analysis

As management of the Housing Endowment and Regional Trust of San Mateo County (HEART), we offer our readers of HEART's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes.

Financial Highlights

- HEART's total net position as of June 30, 2023 amounted to \$19,627,530, an increase of \$2,480,997 from the prior year. This increase was the result of receiving \$1.8 million in grants to assist in the development of affordable housing, an increase of \$354,000 in accrued interest, and the balance from operations.
- Consistent with prior years, HEART's net position primarily made up of \$14.5 million in outstanding interest and loan receivables from affordable housing developers.
- Cash and cash equivalents are \$9.68 million. This amount is largely comprised of \$2,000,000 in borrowed funds from the County of San Mateo Measure-K loan, \$7,258,787 in HEART Trust Funds, and \$421,359 in restricted funds. Of the total \$9.68 million in cash and cash equivalents, \$8.5 million can only be used to develop or preserve affordable housing.
- During the fiscal year HEART made two loans totaling \$6 million dollars to support the development of affordable housing. During the year, HEART received one loan repayment in the amount of \$3 million.
- Total operating and program revenue for the year amounted to \$2,580,071 comprised of \$2 million in grants restricted for affordable housing, \$236,363 in contributions from member agencies and the balance of \$262,225 from loan origination fees and charges to cities for HEART's City staffing program.

Overview of the Financial Statements

HEART's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide the reader with a broad overview of HEART's finances, in a manner similar to a private-sector business.

The *statements of net positions* present information on HEART's assets and liabilities, with the difference reported as net positions. Over time, increases or decreases in net positions may serve as a useful indicator of whether the financial position of HEART is improving or deteriorating.

The *statements of activities* report how HEART's net positions changed during the most recent two fiscal years. Changes in net positions are reported as soon as underlying events occur, regardless of the timing of the related cash flows. Thus, some revenues and expenses reported in this statement may result in cash flows only in future periods. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide financial statements can be found on pages 13 and 14 of this report.

**Housing Endowment and Regional Trust of San Mateo County
Management’s Discussion and Analysis**

Fund Financial Statements

A fund is a group of related accounts that is used to control resources that have been segregated for specific activities or objectives. HEART uses fund accounting to ensure compliance with various legal requirements, such as the annually adopted budget. Accordingly, a budgetary comparison schedule has been included in the supplementary information section of the financial statements to demonstrate compliance with budget. Fund financial statements report essentially the same information as the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year.

As required by accounting principles, the financial transactions of HEART are accounted for in a Special Revenue Fund, a governmental fund, as monies received by it are legally restricted to specific use. Monies allocated and disbursed to HEART can be expended only for purposes authorized under the Agreement.

The fund financial statements can be found on pages 17 through 18 of this report.

Notes to the Financial Statements

The *notes to the financial statements* on pages 21 through 30 provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Other information

This report also presents certain required supplementary information concerning compliance with HEART’s annual budget. This information, as well as associated notes, immediately follows the basic financial statements and the accompanying notes.

**Housing Endowment and Regional Trust of San Mateo County
Management’s Discussion and Analysis**

Financial Analysis – Government-Wide Financial Statements

| Assets | <u>2024</u> | <u>2023</u> |
|--|----------------------|----------------------|
| Cash and cash equivalents | \$ 9,680,146 | \$ 10,130,466 |
| Receivables, net: | | |
| Interest | 1,665,692 | 1,311,665 |
| Loans | 12,834,489 | 9,809,489 |
| Accounts | 104,754 | 162,343 |
| Restricted assets: | | |
| Temporarily restricted: | | |
| Cash and cash equivalents | <u>421,359</u> | <u>414,960</u> |
| Total Assets | <u>24,706,440</u> | <u>21,828,923</u> |
| Liabilities | | |
| Accounts payable | 78,910 | 62,390 |
| Long-term liabilities | | |
| San Mateo County Measure-K Loan | 5,000,000 | 4,620,000 |
| Paycheck Protection Program Loan | <u>0</u> | <u>0</u> |
| Total Liabilities | <u>5,078,910</u> | <u>4,620,000</u> |
| Net Position | | |
| Restricted for: | | |
| Homebuyer Assistance Loan Program – pledge account | 421,359 | 411,960 |
| Unrestricted | <u>19,206,171</u> | <u>16,731,573</u> |
| Total Net Positions | <u>\$ 19,627,530</u> | <u>\$ 17,146,533</u> |

- HEART’s total assets are \$24,706,440, an increase of \$2,877,517 from the previous year. This is an increase of 11.6% compared to the prior year. A \$1.7 million grant from the California Department of Housing and Community Development and a \$1.3 million grant from the City of Daly City are largely responsible for the net \$2.9 million asset increase from the previous year.
- Cash and cash equivalents decreased from \$10.1 million to approximately \$9.7 million. HEART experienced large cash inflow and outflows during the fiscal year. This included receiving \$3 million in grants, making \$6 million in loans, receiving \$3 million in loan repayments and drawing down a \$380,000 loan from the County of San Mateo. The net effect of these flows and total operations was a net decrease of \$450,300 in cash and cash equivalents.
- Loans outstanding increased by a net amount of approximately \$3 million due to a new loan to CRP The Ridge at Ralston for a development project in the City of Belmont.
- Total liabilities for the current year are \$5,078,910. This represents an increase of \$458,920 from the previous year. The increase is largely due to drawing \$380,000 from HEART’s Measure-K loan from the County of San Mateo, bringing the total loan from the County to \$5 million. The remaining

Housing Endowment and Regional Trust of San Mateo County
Management's Discussion and Analysis

\$78,910 in liabilities includes \$65,923 in payroll liabilities for accrued vacation and payroll taxes, and \$12,987 in accounts payable to consultants and miscellaneous vendors.

- Net position of governmental activities is \$17,146,533, an increase of \$1,716,882, or 11% more compared to the previous fiscal year. The increase in net position was due to a \$1.7 million grant from the California Department of Housing and Community Development for the development of Colibri Commons, and affordable housing development in the City of East Palo Alto.

Changes in Net Positions

Table with 3 columns: Description, 2024, and 2023. Rows include Revenues (Program Revenues: Operating grants and contributions, Member Agencies, Donors, Charges for Services, Total Program Revenues), Expenses (General management and admin support, Legal services, Interest on long-term debt, Miscellaneous, Total Expenses), Net Program Revenue, General Revenues - Investment Earnings, Change in Net Positions, Net positions - beginning, and Net positions - ending.

- Total operating and program revenue during the current period was \$2,580,071, higher than the prior year's amount of \$2,064,968. This is an increase of 25% or \$519,1033. The increase is due to an increase of \$257,601 in contributions received and an increase of \$257,425 in charges for services. Grants of \$1.7 million the previous year and a similar amount the current year for the Colibri Commons development in East Palo Alto round out the total program revenue.
- The \$257,601 in contribution noted above is the result of two contributions from the County of San Mateo: a contribution of \$85,436 to HEART's Trust Fund from the County's impact fees and a contribution of \$114,949 from the County to support the HEART's City Staffing Program.

Housing Endowment and Regional Trust of San Mateo County
Management's Discussion and Analysis

- The increase of \$257,425 in charges for services is largely comprised of \$171,000 in fees charged to cities for HEART's City Staffing Program, and \$90,069 in developer loan fees.
Total expenses incurred during the current period amounted to \$1,027,941, an increase of \$263,682, or 24.5% more, than the previous year. Most of the increase in expenses is due to the addition of more staff at HEART to meet the increased program work load of HEART's City Staffing Program.

Budgetary Analysis

Table with 4 columns: Description, Budgeted Amount Final, Actual Amount - Budgetary Basis, and Variance -Positive (Negative). Rows include Total Revenues and Other Financing Sources, Total Expenditures and Other Financing Uses, and Net Change in Fund Balance.

- Actual revenues were higher than budgeted by \$1,629,879. While HEART's individual revenue sources fluctuated and differed from the budgeted amounts, the \$1.7 million grant awarded to HEART for affordable housing development was responsible for generating the large positive variance.
Operating expenses were lower than budgeted by \$418,451. Expenses were lower largely due the lower utilization than expected of outside contract and consulting services.

Beyond FY 2024

In 2025 HEART is planning to continue making loans to affordable housing developers with its Trust Fund. Currently, is planning on making \$3 million in loans two affordable housing projects. Additional funds will be available to make more loans throughout 2025. These loans will help HEART achieve its mission of creating more affordable housing units, while increasing its revenue from developer loan origination fees.

Over the next year HEART will also expend significant resources creating new programs to create and preserve affordable housing by financing the acquisition of privately owned, existing apartment buildings and by providing staffing help to cities to assist them with carrying out their affordable housing programs. HEART has also developed a loan program to help mobile homeowners replace their units with new ones and anticipates making \$1 million in loans to mobile homeowners in 2025.

Due to continuing high interest rates, it is likely HEART's first-time homebuyer down payment loan program, "Opening Doors," will continue to see low demand for its loans. HEART will continue to present community workshops for first time homebuyers and work with realtors and cities to help buyers prepare for a time when homebuying becomes feasible again.

**Housing Endowment and Regional Trust of San Mateo County
Management's Discussion and Analysis**

Requests for Information

This financial report is designed to provide a general overview of HEART's finances for all those interested. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Housing Endowment and Regional Trust of San Mateo County, Attn: Executive Director, 2905 S. El Camino Real, San Mateo, CA 94403.

BASIC FINANCIAL STATEMENTS
Government-Wide Financial Statements

B.

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Housing Endowment and Regional Trust of San Mateo County

Statements of Net Position

June 30, 2024 and 2023

| | Governmental Activities | |
|--|-------------------------|---------------|
| | 2024 | 2023 |
| Assets | | |
| Cash and investments | \$ 9,680,146 | \$ 10,130,466 |
| Receivables, net: | | |
| Interest | 1,665,692 | 1,311,665 |
| Loans | 12,834,489 | 9,809,489 |
| Accounts | 104,754 | 162,343 |
| Restricted assets: | | |
| Temporarily restricted: | | |
| Cash and cash equivalents | 421,359 | 414,960 |
| Total Assets | 24,706,440 | 21,828,923 |
| Liabilities | | |
| Accounts payable | 78,910 | 62,390 |
| Long-term liabilities: | | |
| San Mateo County Measure K loan | 5,000,000 | 4,620,000 |
| Total Liabilities | 5,078,910 | 4,682,390 |
| Net Position | | |
| Restricted for: | | |
| Home Buyer Assistance Loan Program - pledge account | 421,359 | 414,960 |
| Unrestricted | 19,206,171 | 16,731,573 |
| Total Net Position | \$ 19,627,530 | \$ 17,146,533 |

Housing Endowment and Regional Trust of San Mateo County

Statements of Activities

For the Years Ended June 30, 2024 and 2023

| | Governmental Activities | |
|---|-------------------------|---------------|
| | 2024 | 2023 |
| Expenses | | |
| General management and administrative support | 933,913 | \$ 669,638 |
| Legal services | 1,069 | 11,274 |
| Interest on long-term debt | 92,758 | 83,212 |
| Miscellaneous | 201 | 135 |
| Total Expenses | 1,027,941 | 764,259 |
| Program Revenues | | |
| Operating grants and contributions: | | |
| Member agencies | 236,363 | 236,286 |
| Donors | 2,081,483 | 1,823,882 |
| Charges for Services | 262,225 | 4,800 |
| Total Program Revenues | 2,580,071 | 2,064,968 |
| Net Program Revenue (Expenses) | 1,552,130 | 1,300,709 |
| General Revenues | | |
| Investment earnings | 928,867 | 416,173 |
| PPP Loan forgiveness | - | - |
| Total General Revenues | 928,867 | 416,173 |
| Change in Net Positions | 2,480,997 | 1,716,882 |
| Net Positions - beginning | 17,146,533 | 15,429,651 |
| Net Positions - ending | \$ 19,627,530 | \$ 17,146,533 |

BASIC FINANCIAL STATEMENTS
Fund Financial Statements

B.

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Housing Endowment and Regional Trust of San Mateo County
Balance Sheets - Governmental Fund
June 30, 2024 and 2023

| | 2024 | 2023 |
|--|----------------------|----------------------|
| Assets | | |
| Cash and investments | \$ 9,680,146 | \$ 10,130,466 |
| Receivables, net: | | |
| Interest | 1,665,692 | 1,311,665 |
| Loans | 12,834,489 | 9,809,489 |
| Accounts | 104,754 | 162,343 |
| Cash - restricted | 421,359 | 414,960 |
| Total Assets | <u>\$ 24,706,440</u> | <u>\$ 21,828,923</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balance | | |
| Liabilities | | |
| Accounts payable | \$ 78,910 | \$ 62,390 |
| Total Liabilities | <u>78,910</u> | <u>62,390</u> |
| Deferred Inflows of Resources | | |
| Unavailable revenues | 1,665,692 | 1,311,665 |
| Total Deferred Inflows of Resources | <u>1,665,692</u> | <u>1,311,665</u> |
| Fund Balance | | |
| Nonspendable | 12,834,489 | 9,809,489 |
| Restricted | 421,359 | 414,960 |
| Unassigned | 9,705,990 | 10,230,419 |
| Total Fund Balance | <u>22,961,838</u> | <u>20,454,868</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | <u>\$ 24,706,440</u> | <u>\$ 21,828,923</u> |
| Reconciliation of Fund Balance Sheets to the Statements of Net Position: | | |
| Total Fund Balance - Governmental Fund | \$ 22,961,838 | \$ 20,454,868 |
| Long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the fund | | |
| Interest receivable | 1,665,692 | 1,311,665 |
| Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Fund Balance Sheet | | |
| County of San Mateo-Measure-K loan | <u>(5,000,000)</u> | <u>(4,620,000)</u> |
| Net position of governmental activities | <u>\$ 19,627,530</u> | <u>\$ 17,146,533</u> |

B. Housing Endowment and Regional Trust of San Mateo County
Statements of Revenues, Expenditures, and Changes in Fund Balance
For the Years Ended June 30, 2024 and 2023

| | 2024 | 2023 |
|---|----------------------|----------------------|
| Revenues | | |
| Member agency contributions | \$ 236,363 | \$ 236,286 |
| Donor contributions | 2,081,483 | 1,823,882 |
| Charges for services | 262,225 | 4,800 |
| Investment earnings | 574,840 | 223,415 |
| Total Revenues | <u>3,154,911</u> | <u>2,288,383</u> |
| Expenditures | | |
| General management and administrative support | 933,913 | 669,638 |
| Legal services | 1,069 | 11,274 |
| Miscellaneous | 201 | 135 |
| Debt service: | | |
| Interest and fiscal charges | 92,758 | 83,212 |
| Total Expenditures | <u>1,027,941</u> | <u>764,259</u> |
| Excess (Deficit) of Revenues Over Expenditures | 2,126,970 | 1,524,124 |
| Other Financing Sources (Uses) | | |
| Loan proceeds | 380,000 | - |
| Total Other Financing Sources (Uses) | <u>380,000</u> | <u>-</u> |
| Net Change in Fund Balance | 2,506,970 | 1,524,124 |
| Fund Balance - Beginning | 20,454,868 | 18,930,744 |
| Fund Balance - Ending | <u>\$ 22,961,838</u> | <u>\$ 20,454,868</u> |
| Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statements of Activities (page 14) | | |
| Net change in fund balance - governmental fund | \$ 2,506,970 | \$ 1,524,124 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 354,027 | 192,758 |
| Loan proceeds provided current financial resources to governmental funds, but increased long-term liabilities in the government-wide statement of net position. | (380,000) | - |
| Change in net positions of governmental activities | <u>\$ 2,480,997</u> | <u>\$ 1,716,882</u> |

Notes to the Basic Financial Statements

B.

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**HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) Reporting Entity

On February 26, 2002, the County of San Mateo (County) approved establishment of a housing trust fund for the County and set aside \$3 Million from reserves to be used as the initial capitalization for the fund. A Joint Powers Agreement (Agreement) between the County and certain cities and towns within the County (Member Agencies) established the Housing Endowment and Regional Trust (HEART) in 2003 under the Joint Exercise of Powers Act per California Government Code Sections 6500 et seq. The Agreement was in effect at least until March 30, 2013 and can be terminated thereafter according to the terms specified in the Agreement. HEART's general purpose is to support and generate funding that will result in permanent additions to workforce housing needs in San Mateo County. HEART obtained a determination from the Internal Revenue Service of its tax-exempt status and classification as a public charity under Section 501(c)(3) of the Internal Revenue Code (Code), effective January 8, 2008. Contributions to HEART are tax deductible under Section 170 of the Code.

HEART is an entity separate from each participating entity and is under the direction of a Board of Directors (Board). The Board is comprised of 11 elected officials from the County and Member Agencies and 10 at-large members who are not publicly elected officials. The Board appoints a managing agent who is responsible for the day-to-day administration of HEART under its direction.

The County also made an initial allocation of \$75,000 for administrative costs in addition to the \$3 Million initial capitalization. HEART received \$2.075 Million in fiscal year 2004 and the remaining \$1 Million was paid in equal installments from fiscal years 2005 through 2009. The Member Agencies support HEART by contributing annual dues. The dues were assessed annually through fiscal year 2009 based upon Member Agency's population information used by City/County Association of Governments of San Mateo County (C/CAG). The dues remained fixed from fiscal years 2009 through 2011. The dues were reduced by 10% annually in FY 2012, and remained fixed in FY 2014 through FY 2024 at the lower rate.

Monies allocated and disbursed to HEART can be expended only for purposes authorized under the Agreement.

(c) Measurement Focus, Basis of accounting, and Financial Statement Presentation

Under the new financial reporting model, governments are required to present government-wide and fund financial statements along with reconciliation from the fund financial statements to the government-wide statements. The government-wide financial statements are reported on a basis of accounting similar to a commercial enterprise, which is different from the traditional basis of accounting used for the fund financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred regardless of when the related cash flows take place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Measurement Focus, Basis of accounting, and Financial Statement Presentation (continued)

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues from reimbursement type programs are considered to be *available* when they are collectible within two months of the end of the current fiscal period in order to properly match revenues with related expenditures. Expenditures are recognized in the accounting period in which the liability is incurred.

Cash and Cash Equivalents: Cash and cash equivalents include all monies held in banks, highly liquid investments with maturities of less than three months and cash held in the San Mateo County Investment Pool (County Pool). A portion of the cash balance is pooled with other funds of the County to earn a higher rate of return than could be earned by investing the funds individually. HEART considers its equity in the County's investment pool to be cash equivalents.

Receivables: All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Restricted Assets: Amounts maintained in separate bank accounts are classified as restricted assets on the balance sheet because uses of the funds are externally restricted by the lending agencies to maintain a minimum balance in the Pledge Account for financing eligible housing developers and homeowners.

Long-term Obligations: Long-term debts are reported as liabilities in the government-wide financial statements. In the fund financial statements, governmental fund types report the face amount of the debt issued as other financing sources and interest and principal payments made in the current period are reported as debt service expenditures.

(d) Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results based on subsequent events could differ from those estimates.

(e) Budgetary Information

HEART adopts an annual budget that can be amended throughout the year. The basis used to prepare the budget is the same as the basis used to reflect actual revenues and expenditures except that unrealized gains and losses are not included in the budget. See Note 1 of the notes to the required supplementary information for detail.

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) New Pronouncements

In fiscal year 2022-23, HEART adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 100, Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62 - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

2. CASH AND INVESTMENTS

(a) Cash and Investments

As of June 30, 2024 and 2023, HEART's cash and investments consisted of:

Table with 2 columns: Description, FY 23-24, FY 22-23. Rows include Cash on hand, Wells Fargo Checking and Savings Accounts, Meriwest Committed Account, San Mateo County Investment Pool, Total unrestricted cash and investments, Meriwest Restricted Account, and Total cash and investments.

Cash Deposits

The carrying amount of HEART's cash deposits were a total of \$3,752,129. Bank balances before reconciling items were a positive amount of \$3,752,129 as of June 30, 2024. The carrying amount of HEART's cash deposits were a total of \$3,752,129. Bank balances before reconciling items were a positive amount of \$3,752,129 as of June 30, 2023.

The California Government Code requires California banks and savings and loan associations to secure HEART's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in HEART's name. The fair value of pledged securities must equal at least 110% of HEART's cash deposits. California law also allows institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the total cash deposits. HEART's cash deposit was fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The remaining amount was not collateralized

**HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

2. CASH AND INVESTMENTS (CONTINUED)

(a) Cash and Investments, Continued

San Mateo County Investment Pool

Investment in the County Pool is reported at fair value. The change in fair value for the year is recorded as unrealized gain or loss and reported as part of investment earnings. Fair value is based on information provided by the County Treasurer. The fair value in HEART's investment in the County Pool as of June 30, 2024 and 2023 was \$5,928,017 and \$8,208,505 respectively. The fair value factor of 0.9913 and 0.9715 was used to calculate the fair value of the investments in the County Pool for fiscal year 2024 and fiscal year June 30, 2023.

HEART does not have a formally adopted investment policy.

(b) Risk Disclosures

Interest Risk: Interest rate risk is the market value fluctuation due to overall changes in the interest rates. It is mitigated by limiting the average maturity of HEART's portfolio. Investments held in HEART grouped by maturity date as of June 30, 2024 and 2023 are shown below:

| FY2024 | | <u>Investment Maturities (in years)</u> | | | |
|----------------------------------|---------------------|---|--------------------|-------------------|--|
| <u>Investment Type</u> | <u>Total</u> | <u>1 year or Less</u> | <u>1 - 2 years</u> | <u>2- 3 years</u> | |
| San Mateo County Investment Pool | \$ 5,928,017 | \$ 5,928,017 | \$ - | \$ - | |
| Total Investments | <u>\$ 5,928,017</u> | <u>\$ 5,928,017</u> | <u>\$ -</u> | <u>\$ -</u> | |
| FY2023 | | <u>Investment Maturities (in years)</u> | | | |
| <u>Investment Type</u> | <u>Total</u> | <u>1 year or Less</u> | <u>1 - 2 years</u> | <u>2- 3 years</u> | |
| San Mateo County Investment Pool | \$ 8,208,505 | \$ 8,208,505 | \$ - | \$ - | |
| Total Investments | <u>\$ 8,208,505</u> | <u>\$ 8,208,505</u> | <u>\$ -</u> | <u>\$ -</u> | |

Credit Risk: Credit risk is the risk that a security or a portfolio will lose some or all its value due to a real or perceived change in the ability of an issuer to repay its debt. As of June 30, 2024, HEART's deposits and investments were rated as follow:

| | <u>FY2024 Credit Quality Ratings</u> | | | <u>FY2023 Credit Quality Ratings</u> | | |
|----------------------------------|--------------------------------------|----------------|-----------------------|--------------------------------------|----------------|-----------------------|
| | <u>Moody's</u> | <u>S&P</u> | <u>% of Portfolio</u> | <u>Moody's</u> | <u>S&P</u> | <u>% of Portfolio</u> |
| San Mateo County Investment Pool | Not Rated | Not Rated | 100% | Not Rated | Not Rated | 100% |
| Total | | | <u>100%</u> | | | <u>100%</u> |

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside.

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

3. RECEIVABLES

(a) Interest Receivable

The interest receivable balance reported at June 30, 2024 and 2023 of \$1,665,692 and \$1,311,665 respectively represent uncollected interest on loans receivable and fourth quarter interest due from the County Treasurer on investments made by HEART in the County Pool.

(b) Loans Receivable

Loans receivable as of June 30, 2024 and 2023 consist of the following:

| | 2024 | 2023 |
|--|--------------|--------------|
| In September 2006, HEART loaned \$1,730,000 of program funds to The Crossings Phase II, L.P. for the development of the 113-unit The Village at the Crossing project in San Bruno, CA, which will provide housing for very-low and extremely-low income households. The loan has a term of 55 years from the issuance of the Certificate of Occupancy and bears interest at a rate of 3% per annum. The Certificate of Occupancy was issued on January 10, 2008. | \$ 1,709,866 | \$ 1,709,866 |
| In June 2006, HEART signed a loan agreement with Hillcrest Senior Housing Corporation (HSHC) for \$510,000 to assist with construction financing of the 39-unit Hillcrest Gardens project in Daly City, CA, which will provide housing for very-low and extremely-low income seniors. The loan has a term of 55 years from the issuance of the Certificate of Occupancy and/or Notice of Completion for the development, whichever is earlier, and bears interest at a rate of 3% per annum. The Notice of Completion was issued on December 11, 2008. | 510,000 | 510,000 |
| In February 2015, HEART signed a loan agreement with Habitat for Humanity for \$500,000 to assist in the acquisition of the land and improvements located at 612 Jefferson Avenue, Redwood City ("Property") to build a multifamily development. The loan is secured by a Deed of Trust recorded against the property. The loan has a term of 5 years with an option to extending for a term of one year and bears interest at a rate 0% for the first five years and at a rate of 3% if the borrower fails to achieve the project completion milestone at maturity. | 462,500 | 487,500 |
| In December 2007, HEART signed a loan agreement with Trestle Glen Associates for \$1,760,000 to assist with the development of a 119-unit rental housing project in Colma, CA, which will provide housing for very-low and extremely-low income households. The loan has a term of 55 years from the issuance of the Certificate of Occupancy and/or Notice of Completion for the development, whichever is later, and bears interest at a rate of 3% per annum. The Certificate of Occupancy was issued on December 30, 2009. | 1,760,000 | 1,760,000 |
| Sub-total carried forward | \$ 4,442,366 | \$ 4,467,366 |

**HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

3. RECEIVABLES (CONTINUED)

(b) Loans Receivable

| | 2024 | 2023 |
|---|----------------------|---------------------|
| Sub-total carried forward | \$ 4,442,366 | \$ 4,467,366 |
| <p>In October 2015, Bridge Housing Ventures assumed National Church Residences loan including accrued interest for the amount of \$542,123, to assist with the one hundred units of rental housing affordable to low-income households, commonly known as Ocean View Senior Apartments, located at 555 Crespi Drive in Pacifica, California. The loan has a term of 57 years from the date of the modification agreement, which bears interest at a rate of 3% per annum commencing on October 16, 2016.</p> | 542,123 | 542,123 |
| <p>In March 2011, HEART signed a loan agreement with Mid-Peninsula South City, L.P. for \$600,000, which was funded by the Genetech Foundation South Francisco Fund to assist with the development of 62-units of a 109-unit rental housing project in South San Francisco, CA, which will provide housing for low and very-low income households. The loan has a term of 55 years from the issuance of the Certificate of Occupancy, which evidences project completion and bears interest at a rate of 3% per annum commencing upon project completion. The Certificate of Occupancy was issued on October 19, 2012.</p> | 600,000 | 600,000 |
| <p>In March 2011, HEART signed a loan agreement with Mid-Peninsula South City II, L.P. for \$400,000, which was funded by the Genetech Foundation South Francisco Fund to assist with the development of 47-units of a 109-unit rental housing project in South San Francisco, CA, which will provide housing for low and very-low income households. The loan has a term of 55 years from the issuance of the Certificate of Occupancy, which evidences project completion and bears interest at a rate of 3% per annum commencing upon project completion. The Certificate of Occupancy was issued on October 19, 2012.</p> | 400,000 | 400,000 |
| <p>In December 2021, HEART signed a Deveopment Loan Agreement with MP Downtown San Mateo Associates, L.P. to provide \$3,800,000 for the development of 225 rental homes for extremely low- very low- and low-income individuals and families. The project is located in the City of San Mateo. The loan has a term of 55 years from and bears an interest rate of 3% commencing in March 2022.</p> | 3,800,000 | 3,800,000 |
| <p>In February 2024, HEART signed a Deveopment Loan Agreement with CRP Affordable Housing and Community Development CA LLC. to provide \$3,000,000 for the development of 65 rental homes for low-income persons and households. The project is located in the City of San Mateo. The loan has a term of 55 years from and bears an interest rate of 5%.</p> | 3,000,000 | - |
| <p>In July 2024, HEART signed a Deveopment Loan Agreement with HEART-SV, a California Joint Powers Authority. to provide \$450,000 for the development of 8 rental homes for low-income persons and households. The project is located in the City of San Mateo. The loan has a term of 55 years from and bears an interest rate of 3%.</p> | 50,000 | - |
| Total Loans Receivable | \$ 12,834,489 | \$ 9,809,489 |

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

4. ACCOUNTS PAYABLE

Accounts payable comprises of the following:

| | 2024 | 2023 |
|--------------------------------|------------------|------------------|
| Payable for contractor service | \$ 12,986 | \$ 4,598 |
| Accrued payroll | 65,924 | 57,792 |
| Total Accounts payable | <u>\$ 78,910</u> | <u>\$ 62,390</u> |

5. NON-CURRENT LIABILITIES

The following is summary of non-current liability activity of HEART:

| | Balance at July 1, 2023 | Additions | Deletions | Balance at June 30, 2024 |
|----------------------------|----------------------------|-------------------|-------------|-----------------------------|
| San Mateo County:Measure-K | <u>\$ 4,620,000</u> | <u>\$ 380,000</u> | <u>\$ -</u> | <u>\$ 5,000,000</u> |
| Total | <u>\$ 4,620,000</u> | <u>\$ 380,000</u> | <u>\$ -</u> | <u>\$ 5,000,000</u> |

| | Balance at July 1, 2022 | Additions | Deletions | Balance at June 30, 2023 |
|----------------------------|----------------------------|-------------|-------------|-----------------------------|
| San Mateo County:Measure-K | <u>\$ 4,620,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,620,000</u> |
| Total | <u>\$ 4,620,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,620,000</u> |

San Mateo County: Measure-K loan

On August 1, 2017 HEART entered into a loan agreement with the County of San Mateo for an amount of \$5,000,000 with a maturity date of July 31, 2024. Interest rate will be paid annually based on the amount of interest that the loan would have earned had it been invested in the San Mateo County Pooled Investment rate starting twelve months from the date of the initial disbursement. The proceeds of the loan will to be used to make predevelopment, acquisition, construction and bridge loans that are consistent with the terms of HEART’s Quick Start Loan Program. As of June 30, 2024 HEART drawn an amount of \$5,000,000 from the total loan agreement of \$5,000,000.

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

6. REVENUES

(a) Operating Grants and Contributions

Operating grants and contributions consist of the following:

Member Agencies Dues

Member Agencies are billed annually for dues to cover administrative expenses.

Donors

Other operating grants and contributions include contributions from private donors.

(b) Charges for Services

Charges for services are loan processing fees collected from home buyers upon close of escrow on each home loan.

(c) Investment Earnings

Investment earnings reported in the government fund *statements of revenues, expenditures, and changes in fund balance* comprise of quarterly interest received from the County Treasurer on investments made by HEART in the County Pool and interest collected from developers on cumulative interest receivable accrued. Interest is recorded in the year it is earned and is available to pay current liabilities.

Investment earnings reported in the government-wide *statements of activities* includes earnings from the County investments noted above plus interest earned in the current year on loans made to developers.

7. FUND BALANCES / NET POSITION

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which HEART is bound to honor constraints on the specific purpose for which amount in the fund can be spent. As of June 30, 2024 and 2023, fund balance for the governmental fund consists of the following classifications respectively:

- (a) *Nonspendable Fund Balance* - includes amounts that cannot be spent because they are not in spendable form, such as prepaid items and loans receivable.
- (b) *Restricted Fund Balance* - includes amounts that can be spent only for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- (c) *Unassigned Fund Balance* - is the residual classification for the government’s general fund and includes all spendable amounts not contained in the other classifications.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted and then unassigned.

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

7. FUND BALANCES / NET POSITION (CONTINUED)

At fiscal year-end, fund balance reported on the balance sheets on page 17 includes:

| | 2024 | 2023 |
|--|---------------|---------------|
| Nonspendable | \$ 12,834,489 | \$ 9,809,489 |
| Restricted: | | |
| Home Buyer Assistance Loan Program - pledge account see Note 2(a) | 421,359 | 414,960 |
| Unassigned | 9,705,990 | 10,230,419 |
| Total Fund Balance | \$ 22,961,838 | \$ 20,454,868 |

The amount shown as restricted above is also reported as restricted net position on the *statement of net positions* on page 13.

8. RISK MANAGEMENT

HEART is exposed to various risks of losses related to assets having a current or future benefit to HEART. HEART has insurance coverage provided by the Hartford. In addition, HEART has special excess liability insurance coverage provided as part of the County's insurance coverage. The existing insurance policies are current as of the issuance of this report. Under an agreement with the County, the Department of Housing (DOH) of San Mateo County provides fiscal and program services to HEART. Agents of the DOH are covered by the County's insurance provider. The County Counsel provides legal representation for any claims or litigation of HEART under a contract. For the years ended June 30, 2024 and 2023, the annual amount contracted with County Counsel for legal representation was \$1,069 and \$9,773 respectively.

B.

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REQUIRED SUPPLEMENTARY INFORMATION

B.

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| | |
|----|---|
| B. | Housing Endowment and Regional Trust of San Mateo County |
|----|---|

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2024**

| | Budgeted Amount Original | Budgeted Amount Final | Actual Amount Budgetary Basis (Note 1) | Variance with Final Budget Positive (Negative) |
|--|--------------------------------|-----------------------------|--|---|
| Revenues | | | | |
| Member Agency contributions | \$ 236,286 | \$ 236,286 | \$ 236,363 | \$ 77 |
| Other contributions | 355,000 | 355,000 | 2,081,483 | 1,726,483 |
| Investment earnings | 157,166 | 157,166 | 386,061 | 228,895 |
| Charges for services and other administrative support | 587,801 | 587,801 | 262,225 | (325,576) |
| | 1,336,253 | 1,336,253 | 2,966,132 | 1,629,879 |
| Expenditures | | | | |
| General management and administrative support | 1,274,392 | 1,274,392 | 933,913 | 340,479 |
| Legal services | 72,000 | 72,000 | 1,069 | 70,931 |
| Debt services | | | | |
| Interest and fiscal charges | 100,000 | 100,000 | 92,758 | 7,242 |
| Contingency | - | - | 201 | (201) |
| Total Expenditures | 1,446,392 | 1,446,392 | 1,027,941 | 418,451 |
| Net Change in Fund Balance | \$ (110,139) | \$ (110,139) | 2,318,191 | 2,428,330 |
| Fund Balance - beginning | | | 20,695,673 | |
| Fund Balance - ending | | | \$ 23,013,864 | |

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2024 and 2023

1. BUDGETS, BUDGETARY PROCESS, AND ENCUMBRANCES

HEART uses two funding sources to manage operations: Administrative Funds and Program Funds. The Board adopts an annual operating budget, which can be amended by the Board throughout the year. Actual revenues and expenditures presented reflect activity in both funds during the year. As discussed in Note 1(d) of the notes to the basic financial statements, the basis used to prepare the budget is the same as the basis used to reflect actual revenues and expenditures, except for unrealized gains and losses under GASB 31. The financial statements record unrealized gains and losses as required by Generally Accepted Accounting Principles (GAAP). Adjustments were made to certain budgeted accounts to reflect changes made in financial statement presentation.

HEART uses an encumbrance system to assist in controlling expenditures. Purchase orders, contracts, and other commitments for the expenditures of monies are recorded under this system in order to reserve applicable appropriations. Any encumbrances outstanding at year-end are recorded as reservations of fund balance as they do not constitute expenditures or liabilities.

The actual net change in fund balance under the budgetary basis on page 33 is reconciled to the change in fund balance under GAAP on page 18 as follows:

Explanation of difference between budgetary basis and GAAP basis:

| | <u>FY 23-24</u> |
|--|----------------------|
| Net Change in Fund Balance - budgetary basis | \$ 2,318,191 |
| Net unrealized loss on cash in County Investment Pool under GASB 31 | <u>188,779</u> |
| Change in Fund Balance - GAAP basis | <u>\$ 2,506,970</u> |
| Fund Balance - budgetary basis | \$ 23,013,864 |
| Unrealized loss on cash in County Investment Pool under GASB 31 as of June 30, 2024 | <u>(52,026)</u> |
| Fund Balance - GAAP basis | <u>\$ 22,961,838</u> |

B.

SUPPLEMENTARY INFORMATION

B.

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B. **Housing Endowment and Regional Trust of San Mateo County**
Status of Funds
For the Year Ended June 30, 2024

| | Program Funds | Administrative Funds | Total |
|--|--------------------------|---------------------------------|----------------------|
| Revenues | | | |
| Member agency contributions | \$ - | \$ 236,363 | \$ 236,363 |
| Donor contributions | 1,938,375 | 143,108 | 2,081,483 |
| Investment earnings | - | 386,061 | 386,061 |
| Loan origination fees | 217,156 | 45,069 | 262,225 |
| Total Revenues | <u>2,155,531</u> | <u>810,601</u> | <u>2,966,132</u> |
| Expenditures | | | |
| General management and administrative support | 768,541 | 165,372 | 933,913 |
| Legal services | 553 | 516 | 1,069 |
| Debt services | | | |
| Interest and fiscal charges | 92,758 | - | 92,758 |
| Total Expenditures | <u>861,852</u> | <u>166,089</u> | <u>1,027,941</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 1,293,679 | 644,512 | 1,938,191 |
| Other Financing Sources (Uses) | | | |
| Loan proceeds: | | | |
| - San Mateo County Measure K Loan | 380,000 | - | 380,000 |
| Total Other Financing Sources (Uses) | <u>380,000</u> | <u>-</u> | <u>380,000</u> |
| Net Change in Fund Balance | 1,673,679 | 644,512 | 2,318,191 |
| Fund Balance - beginning | <u>19,353,909</u> | <u>1,341,764</u> | <u>20,695,673</u> |
| Fund Balance - ending | <u>\$ 21,027,588</u> | <u>\$ 1,986,276</u> | <u>\$ 23,013,864</u> |

Notes:

- (1) All income received from investment earnings is categorized to Program Funds
- (2) The above schedule does not include adjustments made for GASB No. 31 as required by generally accepted accounting principles.

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BADAWI & ASSOCIATES
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

To the Board of Directors
of the Housing Endowment and Regional Trust
of San Mateo County
San Mateo, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the Housing Endowment and Regional Trust of San Mateo County (HEART) as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise HEART's basic financial statements, and have issued our report thereon dated August 31, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HEART's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HEART's internal control. Accordingly, we do not express an opinion on the effectiveness of HEART's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

B.

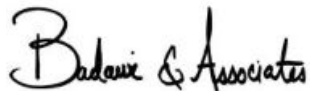
To the Board of Directors
of the Housing Endowment and Regional Trust
of San Mateo County
San Mateo, California
Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether HEART’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Badawi & Associates, CPAs
Emeryville, California
August 31, 2025

Property Management Company

HEART-SV has interviewed four (4) qualified property management companies and is still in the process of negotiating a property management agreement for the Project. Although we have not signed an agreement with the following company, we have included their qualifications to ensure Brisbane City Staff of the availability of qualified managers. The property management company is subject to change to a company other than the company listed below.

[Prodesse Property Group](#) has been in business for 29 years and currently manages over 200 properties. Prodesse Property Group's most public affordable management portfolio is in the North Fair Oaks neighborhood, near Redwood City. There they oversee the St. Francis Center's residential portfolio of smaller 2-20 unit affordable buildings as well as the 64-unit Renalto Court, which was purchased as a community benefit associated with the Malibu Grand Prix redevelopment application.

Prodesse Property Group has experience managing market rate, naturally occurring affordable, and deed restricted housing throughout the peninsula. Their experience with property management and the tenant income verification process is what attracted us to hire them for a property HEART-SV acquired in 2024 in Redwood City.

**Housing Endowment and Regional Trust of San Mateo County
Visitacion Gardens
Proposed Schedule**

| Date | Activity | Notes |
|--------------------------------|---|--|
| By October 2025 | Subcommittee Review and Recommendation | |
| November 1 - December 15, 2025 | Due Diligence Period | HEART will expend funds on due diligence consultants once recommend by City Subcommittee |
| December 1, 2025 | HEART Draft Loan Documents completed | Available for City review |
| December 1, 2025 | Receive Draft Ground Lease and Loan Documents from City | |
| December 10, 2025 | HEART Board loan approval & Project acquisition by HEART-SV | |
| January 2026 | Authority Action | |
| January 28, 2026 | City and HEART deposit loan funds into escrow | |
| January 30, 2026 | Closing | |
| February, 01, 2026 | Rehabilitation commences | Per property needs assessment direction and weather permitting |

B.

Property Inspections

HEART has not completed any due diligence as of this proposal date. HEART will only begin conducting a full due diligence review upon notification from the City that the City Subcommittee is recommending HEART for the Project.

B.

Financing Commitments

Based on the information provided in the RFP, and the resulting Project deficit, HEART staff is planning to provide a 15-year \$262,350 loan to the Project. Final approval for this commitment is subject to the HEART Board's approval. HEART staff is planning to obtain Board approval on December 10, 2025.

B.

Operating Subsidy Commitment

Not applicable.

B.

Relocation Plan and Budget

Not applicable.

Enclosure B

Enclosure B – Proposer Certifications

Proposer hereby certifies:

1. Truth of Application

That the information submitted in the proposal and any supporting materials is true, accurate, and complete to the best of its knowledge. Proposer acknowledges and understands that if facts and/or information herein are found to be misrepresented, it shall constitute grounds for rejecting the proposal or ending negotiations.

2. Applications are Public Records

That Proposer acknowledges that the information submitted as part of this proposal may be made available to the public pursuant to a request under the California Public Records Act.

3. Legal Authority

The signatory has the legal authority to submit this proposal on behalf of the Proposer.

4. Civil and Legal Questions (include an explanation for any questions answered “Yes”)

- a. Has the Proposer filed bankruptcy or receivership or had a bankruptcy or receivership commenced against it, defaulted on a loan, or been foreclosed against in the past ten years?
- b. Is the Proposer currently a party to, or has it been notified that it may become a party to any civil litigation that may materially and adversely affect the financial condition of the Proposer’s business in this proposal?
- c. Have there been any administrative or civil settlements, decisions, or judgements against the Proposer within the past 10 years that materially and adversely affected the financial condition of the Proposer’s business in this proposal?
- d. Is the Proposer currently subject to, or been notified that it may become subject to, any civil or administrative proceeding, examination, or investigation by a local, state, or federal licensing or accreditation agency, a local, state, federal taxing authority, or a local, state, or federal regulatory or enforcement agency?
- e. In the past 10 years, has the Proposer been subject to any civil or administrative proceeding, examination, or investigation by a local, state, or federal licensing or accreditation agency, a local, state, or federal taxing authority, or a local,

Enclosure B

state, or federal regulatory or enforcement agency that resulted in a settlement, decision, or judgment?

- f. Is the Proposer currently a party to, or the subject of, or been notified that it may become a party to or the subject of, any criminal litigation, proceeding, charge, complaint, examination, or investigation, of any kind, involving, or that could result in felony charges against the Proposer?
- g. Is the Proposer currently a party to, or the subject of, or been notified that it may become a party to or the subject of, any criminal litigation, proceeding, charge, complaint, examination or investigation, of any kind, involving, or that could result in misdemeanor charges against the Proposer for matters relating to the conduct of the Proposer’s business?
- h. Is the Proposer currently a party to, or the subject of, or been notified that it may become a party to or the subject of, any criminal litigation, proceeding, charge, complaint, examination or investigation, of any kind, involving, or that could result in criminal charges against the Proposer for any financial or fraud related crime?
- i. Is the Proposer currently a party to, or the subject of, or been notified that it may become a party to or the subject of, any criminal litigation, proceeding, charge, complaint, examination or investigation, of any kind, involving, or that could result in criminal charges against the Proposer that could affect the financial condition of the Proposer’s business?
- j. Within the past 10 years, has the Proposer been convicted of any felony?
- k. Within the past 10 years, has the Proposer been convicted of any misdemeanor related to the conduct of the Proposer’s business?
- l. Within the past 10 years, has the Proposer been convicted of any misdemeanor for any financial or fraud related crime?

Proposer Name and Title:

Organization:

Armando F. Sanchez, Executive Director

Housing Endowment and Regional Tr

Signature

Date

9/29/25

Project Requirements

HEART requests the following changes to Table 5 of the RFP and the background tables referenced therein.

Income Limits & Maximum Rents. Consistent with the current owner's practice, HEART intends to stack public subsidies on a limited number of units. Please note that neither HEART's proposal nor the current owner's existing rent table match the Table 1 or Table 2 of the RFP due to the stacking of public subsidies. This practice will allow HEART to operate a mixed-income project renting to tenants between 30% and 80% AMI. This will generate sufficient rental income to sustain the project in the long-run. Please see Item 6 on the Letter of Intent.

In addition, HEART proposes to replace the two 40% AMI units with one 30% AMI unit and one 50% AMI unit. This will enable HEART to implement the State Office of Housing and Community Development (HCD) published rent levels.

Debt Coverage Ratio. All proposed project loans are residual receipt loans with no hard debt payment requirements. Therefore, the project does not have a debt service coverage ratio.

Property Welfare Tax. HEART and its affiliate HEART-SV are public joint powers authorities and are not subject to ad valorem property taxes. Therefore, it is not necessary to include the property welfare tax exemption in the Project budget.

Insurance Requirements. HEART requests the City waive Professional Liability Coverage as this project does not constitute providing professional consulting services to the City. Second, we are requesting the City waive workers' compensation for HEART-SV. As noted in the proposal, HEART intends to assign the acquisition of the property to its affiliate HEART-SV. HEART-SV serves as the legal entity holding title to assets acquired under HEART's programs and as such it does not have any employees. HEART carries workers compensation and names HEART-SV as an additional insured. The City of Brisbane is also an additional insured on HEART's insurance.

8 Visitacion Avenue, Brisbane

| PROPERTY SUMMARY | |
|------------------------|-----|
| Residential Unit Count | 14 |
| Building Size (SF) | |
| Parcel Size (SF) | |
| Occupancy at Purchase | 93% |

| | |
|---|--------------|
| RDA of the City of Brisbane/Authority Loans | \$ 4,322,518 |
| County of San Mateo (HOME funds) | \$ 294,999 |
| HEART Funds | \$ 322,350 |
| Total Cost | \$ 4,939,867 |
| Total Cost (not PP) per SF of building | #DIV/0! |
| Total Cost per Unit | \$ 352,848 |

| AFFORDABILITY | |
|--------------------------|-----|
| Average BRIDGE AMI level | 40% |
| Average HEART AMI level | 59% |

| LOAN DETAILS | |
|-----------------------------|--|
| Bank: | |
| Loan Term (yrs.) | |
| Amortization (yrs.) | |
| Interest-Only Period (yrs.) | |
| Min. Debt Cov. Ratio | |
| Max. Loan-to-Value | |
| Proforma Loan-to-Value | |
| Est. Interest Rate | |
| Est. Interest-Only Period | |

8 Visitacion Avenue, Brisbane

Income Limits YR: 2025

CA Annual Rent Cap: 5% + CPI or 10%, whichever is less

Assumptions: 30% of household income is the maximum monthly housing payment, including utilities, insurance, taxes, and home

2025 Utility Allowance Schedule/mo. - San Mateo County

| | | Studio 1P | 1BR 1.5P | 2BR 3P | 3BR 4.5P |
|--|-------------|--------------|---------------|---------------|---------------|
| Heating | Natural Gas | \$ 26 | \$ 32 | \$ 37 | \$ 41 |
| | Electric | \$ - | \$ - | \$ - | \$ - |
| Cooking | Natural Gas | \$ - | \$ - | \$ - | \$ - |
| | Electric | \$ 11 | \$ 13 | \$ 18 | \$ 24 |
| Other Electric (incl. climate credit) | | \$ 34 | \$ 42 | \$ 62 | \$ 85 |
| Air Conditioning | | \$ - | \$ - | \$ - | \$ - |
| Water Heating | Natural Gas | \$ - | \$ - | \$ - | \$ - |
| | Electric | \$ - | \$ - | \$ - | \$ - |
| Water | | \$ - | \$ - | \$ - | \$ - |
| Trash | | \$ - | \$ - | \$ - | \$ - |
| Range/Microwave | | \$ 11 | \$ 11 | \$ 11 | \$ 11 |
| Refrigerator | | \$ 12 | \$ 12 | \$ 12 | \$ 12 |
| Total | | \$ 94 | \$ 110 | \$ 140 | \$ 173 |

2025 HCD Income Limits

Extremely Low-Income (30%)

| Household Size | Annual Income | 30% of Annual Income | Max. Monthly Rent |
|----------------|---------------|----------------------|-------------------|
| 1 | \$ 41,150 | \$ 12,345 | \$ 1,029 |
| 2 | \$ 47,000 | \$ 14,100 | \$ 1,175 |
| 3 | \$ 52,900 | \$ 15,870 | \$ 1,323 |
| 4 | \$ 58,750 | \$ 17,625 | \$ 1,469 |
| 5 | \$ 63,450 | \$ 19,035 | \$ 1,586 |
| 6 | \$ 68,150 | \$ 20,445 | \$ 1,704 |
| 7 | \$ 72,850 | \$ 21,855 | \$ 1,821 |
| 8+ | \$ 77,550 | \$ 23,265 | \$ 1,939 |

Very Low-Income (50%)

| Household Size | Annual Income | 30% of Annual Income | Max. Monthly Rent |
|----------------|---------------|----------------------|-------------------|
| 1 | \$ 68,550 | \$ 20,565 | \$ 1,714 |
| 2 | \$ 78,350 | \$ 23,505 | \$ 1,959 |
| 3 | \$ 88,150 | \$ 26,445 | \$ 2,204 |
| 4 | \$ 97,900 | \$ 29,370 | \$ 2,448 |
| 5 | \$ 105,750 | \$ 31,725 | \$ 2,644 |
| 6 | \$ 113,600 | \$ 34,080 | \$ 2,840 |
| 7 | \$ 121,400 | \$ 36,420 | \$ 3,035 |
| 8+ | \$ 129,250 | \$ 38,775 | \$ 3,231 |

Low-Income (60%)

| Household Size | Annual Income | 30% of Annual Income | Max. Monthly Rent |
|----------------|---------------|----------------------|-------------------|
| 1 | \$ 82,260 | \$ 24,678 | \$ 2,057 |
| 2 | \$ 94,020 | \$ 28,206 | \$ 2,351 |
| 3 | \$ 105,780 | \$ 31,734 | \$ 2,645 |
| 4 | \$ 117,480 | \$ 35,244 | \$ 2,937 |
| 5 | \$ 126,900 | \$ 38,070 | \$ 3,173 |
| 6 | \$ 136,320 | \$ 40,896 | \$ 3,408 |
| 7 | \$ 145,680 | \$ 43,704 | \$ 3,642 |
| 8+ | \$ 155,100 | \$ 46,530 | \$ 3,878 |

Low-Income (80%)

| Household Size | Annual Income | 30% of Annual Income | Max. Monthly Rent |
|----------------|---------------|----------------------|-------------------|
| 1 | \$ 109,700 | \$ 32,910 | \$ 2,743 |
| 2 | \$ 125,350 | \$ 37,605 | \$ 3,134 |
| 3 | \$ 141,000 | \$ 42,300 | \$ 3,525 |
| 4 | \$ 156,650 | \$ 46,995 | \$ 3,916 |

Median-Income (100%)

| Household Size | Annual Income | 30% of Annual Income | Max. Monthly Rent |
|----------------|---------------|----------------------|-------------------|
| 1 | \$ 130,600 | \$ 39,180 | \$ 3,265 |
| 2 | \$ 149,300 | \$ 44,790 | \$ 3,733 |
| 3 | \$ 167,950 | \$ 50,385 | \$ 4,199 |
| 4 | \$ 186,600 | \$ 55,980 | \$ 4,665 |

Moderate-Income (120%)

| Household Size | Annual Income | 30% of Annual Income | Max. Monthly Rent |
|----------------|---------------|----------------------|-------------------|
| 1 | \$ 156,750 | \$ 47,025 | \$ 3,919 |
| 2 | \$ 179,100 | \$ 53,730 | \$ 4,478 |
| 3 | \$ 201,500 | \$ 60,450 | \$ 5,038 |
| 4 | \$ 223,900 | \$ 67,170 | \$ 5,598 |

B.

| | | | |
|----|------------|-----------|----------|
| 5 | \$ 169,200 | \$ 50,760 | \$ 4,230 |
| 6 | \$ 181,750 | \$ 54,525 | \$ 4,544 |
| 7 | \$ 194,250 | \$ 58,275 | \$ 4,856 |
| 8+ | \$ 206,800 | \$ 62,040 | \$ 5,170 |

| | | | |
|----|------------|-----------|----------|
| 5 | \$ 201,550 | \$ 60,465 | \$ 5,039 |
| 6 | \$ 216,450 | \$ 64,935 | \$ 5,411 |
| 7 | \$ 231,400 | \$ 69,420 | \$ 5,785 |
| 8+ | \$ 246,300 | \$ 73,890 | \$ 6,158 |

| | | | |
|----|------------|-----------|----------|
| 5 | \$ 241,800 | \$ 72,540 | \$ 6,045 |
| 6 | \$ 259,700 | \$ 77,910 | \$ 6,493 |
| 7 | \$ 277,650 | \$ 83,295 | \$ 6,941 |
| 8+ | \$ 295,550 | \$ 88,665 | \$ 7,389 |

8 Visitacion Avenue, Brisbane

HCD
Max Monthly Rent

| Household size | Moderate-Income 120% | | |
|----------------|----------------------|----------------------|------------------|
| | Annual Income | 30% of Annual Income | Max Monthly Rent |
| 1 | \$ 156,750 | \$ 47,025 | \$ 3,919 |
| 2 | \$ 179,100 | \$ 53,730.00 | \$ 4,478 |
| 3 | \$ 201,500 | \$ 60,450.00 | \$ 5,038 |

| Household size | Median-Income 100% | | |
|----------------|--------------------|----------------------|------------------|
| | Annual Income | 30% of Annual Income | Max Monthly Rent |
| 1 | \$ 130,600 | \$ 39,180 | \$ 3,265 |
| 2 | \$ 149,300 | \$ 44,790 | \$ 3,733 |
| 3 | \$ 167,950 | \$ 50,385 | \$ 4,199 |

| Household size | Low-Income 80% | | |
|----------------|----------------|----------------------|------------------|
| | Annual Income | 30% of Annual Income | Max Monthly Rent |
| 1 | \$ 109,700 | \$ 32,910 | \$ 2,743 |
| 2 | \$ 125,350 | \$ 37,605 | \$ 3,134 |
| 3 | \$ 141,000 | \$ 42,300 | \$ 3,525 |

| Household size | Low-Income 60% | | |
|----------------|----------------|----------------------|------------------|
| | Annual Income | 30% of Annual Income | Max Monthly Rent |
| 1 | \$ 82,260 | \$ 24,678 | \$ 2,057 |
| 2 | \$ 94,020 | \$ 28,206 | \$ 2,351 |
| 3 | \$ 105,780 | \$ 31,734 | \$ 2,645 |

| Household size | Very Low-Income 50% | | |
|----------------|---------------------|----------------------|------------------|
| | Annual Income | 30% of Annual Income | Max Monthly Rent |
| 1 | \$ 68,550 | \$ 20,565 | \$ 1,714 |
| 2 | \$ 78,350 | \$ 23,505 | \$ 1,959 |
| 3 | \$ 88,150 | \$ 26,445 | \$ 2,204 |

| Household size | Extremely Low-Income 30% | | |
|----------------|--------------------------|----------------------|------------------|
| | Annual Income | 30% of Annual Income | Max Monthly Rent |
| 1 | \$ 41,150 | \$ 12,345 | \$ 1,029 |
| 2 | \$ 47,000 | \$ 14,100 | \$ 1,175 |
| 3 | \$ 52,900 | \$ 15,870 | \$ 1,323 |

Max Monthly Rent based on Household Size

| Area Median Income | | OBR | 1BR | 2BR |
|--------------------|------|----------|-------------|-----------|
| | | 1 Person | 1.5 Persons | 3 Persons |
| Moderate | 120% | \$ 3,919 | \$ 4,198 | \$ 5,038 |
| Median | 100% | \$ 3,265 | \$ 3,499 | \$ 4,199 |
| Low | 80% | \$ 2,743 | \$ 2,938 | \$ 3,525 |
| Low | 60% | \$ 2,057 | \$ 2,204 | \$ 2,645 |
| VLI | 50% | \$ 1,714 | \$ 1,959 | \$ 2,204 |
| ELI | 30% | \$ 1,029 | \$ 1,102 | \$ 1,323 |

Net Max Monthly Rent based on Household Size & Utility Allowance

| | |
|-----------------------|--------|
| OBR Utility Allowance | \$ 94 |
| 1BR Utility Allowance | \$ 110 |
| 2BR Utility Allowance | \$ 140 |

| Area Median Income | | OBR | 1BR | 2BR |
|--------------------|------|----------|-------------|-----------|
| | | 1 Person | 1.5 Persons | 3 Persons |
| Moderate | 120% | \$ 3,825 | \$ 4,088 | \$ 4,898 |
| Median | 100% | \$ 3,171 | \$ 3,389 | \$ 4,059 |
| Low | 80% | \$ 2,649 | \$ 2,828 | \$ 3,385 |
| Low | 60% | \$ 1,963 | \$ 2,094 | \$ 2,505 |
| VLI | 50% | \$ 1,620 | \$ 1,849 | \$ 2,064 |
| ELI | 30% | \$ 935 | \$ 992 | \$ 1,183 |

TCAC
Max Rent Calculations

| Household size | Median-Income 100% | | |
|----------------|--------------------|----------------------|------------------|
| | Annual Income | 30% of Annual Income | Max Monthly Rent |
| 1 | \$ 135,400 | \$ 40,620 | \$ 3,385 |
| 2 | \$ 154,800 | \$ 46,440 | \$ 3,870 |
| 3 | \$ 174,100 | \$ 52,230 | \$ 4,353 |

| Household size | Low-Income 80% | | |
|----------------|----------------|----------------------|------------------|
| | Annual Income | 30% of Annual Income | Max Monthly Rent |
| 1 | \$ 108,320 | \$ 32,496 | \$ 2,708 |
| 2 | \$ 123,840 | \$ 37,152 | \$ 3,096 |
| 3 | \$ 139,280 | \$ 41,784 | \$ 3,482 |

| Household size | Low-Income 60% | | |
|----------------|----------------|----------------------|------------------|
| | Annual Income | 30% of Annual Income | Max Monthly Rent |
| 1 | \$ 81,240 | \$ 24,372 | \$ 2,031 |
| 2 | \$ 92,880 | \$ 27,864 | \$ 2,322 |
| 3 | \$ 104,460 | \$ 31,338 | \$ 2,612 |

| Household size | Very Low-Income 50% | | |
|----------------|---------------------|----------------------|------------------|
| | Annual Income | 30% of Annual Income | Max Monthly Rent |
| 1 | \$ 67,700 | \$ 20,310 | \$ 1,693 |
| 2 | \$ 77,400 | \$ 23,220 | \$ 1,935 |
| 3 | \$ 87,050 | \$ 26,115 | \$ 2,176 |

| Household size | Extremely Low-Income 30% | | |
|----------------|--------------------------|----------------------|------------------|
| | Annual Income | 30% of Annual Income | Max Monthly Rent |
| 1 | \$ 40,620 | \$ 12,186 | \$ 1,016 |
| 2 | \$ 46,440 | \$ 13,932 | \$ 1,161 |
| 3 | \$ 52,230 | \$ 15,669 | \$ 1,306 |

Max Monthly Rent based on Household Size

| Area Median Income | | OBR | 1BR | 2BR |
|--------------------|------|----------|-------------|-----------|
| | | 1 Person | 1.5 Persons | 3 Persons |
| Median | 100% | \$ 3,385 | \$ 3,628 | \$ 4,353 |
| Low | 80% | \$ 2,708 | \$ 2,902 | \$ 3,482 |
| Low | 60% | \$ 2,031 | \$ 2,177 | \$ 2,612 |
| VLI | 50% | \$ 1,693 | \$ 1,814 | \$ 2,176 |
| ELI | 30% | \$ 1,016 | \$ 1,088 | \$ 1,306 |

Net Max Monthly Rent based on Household Size

| | |
|-----------------------|--------|
| OBR Utility Allowance | \$ 94 |
| 1BR Utility Allowance | \$ 110 |
| 2BR Utility Allowance | \$ 140 |

| Area Median Income | | OBR | 1BR | 2BR |
|--------------------|------|----------|-------------|-----------|
| | | 1 Person | 1.5 Persons | 3 Persons |
| Median | 100% | \$ 3,291 | \$ 3,518 | \$ 4,213 |
| Low | 80% | \$ 2,614 | \$ 2,792 | \$ 3,342 |
| Low | 60% | \$ 1,937 | \$ 2,067 | \$ 2,472 |
| VLI | 50% | \$ 1,599 | \$ 1,704 | \$ 2,036 |
| ELI | 30% | \$ 922 | \$ 978 | \$ 1,166 |

H&SC
Max Rent Calculations

| Household size | Moderate-Income 120% | | |
|----------------|----------------------|----------------------|------------------|
| | Annual Income | 30% of Annual Income | Max Monthly Rent |
| 1 | \$ 143,660 | \$ 43,098 | \$ 3,592 |
| 2 | \$ 164,230 | \$ 49,269 | \$ 4,106 |
| 3 | \$ 184,745 | \$ 55,424 | \$ 4,619 |

| Household size | Median-Income 100% | | |
|----------------|--------------------|----------------------|------------------|
| | Annual Income | 30% of Annual Income | Max Monthly Rent |
| 1 | \$ 130,600 | \$ 39,180 | \$ 3,265 |
| 2 | \$ 149,300 | \$ 44,790 | \$ 3,733 |
| 3 | \$ 167,950 | \$ 50,385 | \$ 4,199 |

| Household size | Low-Income 80% | | |
|----------------|----------------|----------------------|------------------|
| | Annual Income | 30% of Annual Income | Max Monthly Rent |
| 1 | \$ 78,360 | \$ 23,508 | \$ 1,959 |
| 2 | \$ 89,580 | \$ 26,874 | \$ 2,240 |
| 3 | \$ 100,770 | \$ 30,231 | \$ 2,519 |

| Household size | Low-Income 60% | | |
|----------------|----------------|----------------------|------------------|
| | Annual Income | 30% of Annual Income | Max Monthly Rent |
| 1 | \$ 78,360 | \$ 23,508 | \$ 1,959 |
| 2 | \$ 89,580 | \$ 26,874 | \$ 2,240 |
| 3 | \$ 100,770 | \$ 30,231 | \$ 2,519 |

| Household size | Very Low-Income 50% | | |
|----------------|---------------------|----------------------|------------------|
| | Annual Income | 30% of Annual Income | Max Monthly Rent |
| 1 | \$ 65,300 | \$ 19,590 | \$ 1,633 |
| 2 | \$ 74,650 | \$ 22,395 | \$ 1,866 |
| 3 | \$ 83,975 | \$ 25,193 | \$ 2,099 |

| Household size | Extremely Low-Income 30% | | |
|----------------|--------------------------|----------------------|------------------|
| | Annual Income | 30% of Annual Income | Max Monthly Rent |
| 1 | \$ 39,180 | \$ 11,754 | \$ 980 |
| 2 | \$ 44,790 | \$ 13,437 | \$ 1,120 |
| 3 | \$ 50,385 | \$ 15,116 | \$ 1,260 |

Max Monthly Rent based on Household Size

| Area Median Income | | OBR | 1BR | 2BR |
|--------------------|------|----------|-----------|-----------|
| | | 1 Person | 2 persons | 3 Persons |
| Moderate | 120% | \$ 3,592 | \$ 4,106 | \$ 4,619 |
| Low | 80% | \$ 1,959 | \$ 2,240 | \$ 2,519 |
| Low | 60% | \$ 1,959 | \$ 2,240 | \$ 2,519 |
| VLI | 50% | \$ 1,633 | \$ 1,866 | \$ 2,099 |
| ELI | 30% | \$ 980 | \$ 1,120 | \$ 1,260 |

Net Max Monthly Rent based on Household Size

| | |
|-----------------------|--------|
| OBR Utility Allowance | \$ 94 |
| 1BR Utility Allowance | \$ 110 |
| 2BR Utility Allowance | \$ 140 |

| Area Median Income | | OBR | 1BR | 2BR |
|--------------------|------|----------|-----------|-----------|
| | | 1 Person | 2 persons | 3 Persons |
| Moderate | 120% | \$ 3,498 | \$ 3,996 | \$ 4,479 |
| Low | 80% | \$ 1,865 | \$ 2,130 | \$ 2,379 |
| Low | 60% | \$ 1,865 | \$ 2,130 | \$ 2,379 |
| VLI | 50% | \$ 1,539 | \$ 1,756 | \$ 1,959 |
| ELI | 30% | \$ 886 | \$ 1,010 | \$ 1,120 |

HUD HOME
Max Rent Calculations

Max Monthly Rent based on Household Size

| Area Median Income | | OBR | 1BR | 2BR |
|--------------------|--|----------|-----------|-----------|
| | | 1 Person | 2 persons | 3 Persons |
| High HOME Limit | | \$ 2,208 | \$ 2,366 | \$ 2,842 |
| Low HOME Limit | | \$ 1,713 | \$ 1,836 | \$ 2,203 |

Net Max Monthly Rent based on Household Size

| | |
|-----------------------|--------|
| OBR Utility Allowance | \$ 94 |
| 1BR Utility Allowance | \$ 110 |
| 2BR Utility Allowance | \$ 140 |

| Area Median Income | | OBR | 1BR | 2BR |
|--------------------|--|----------|-----------|-----------|
| | | 1 Person | 2 persons | 3 Persons |
| High HOME Limit | | \$ 2,114 | \$ 2,256 | \$ 2,702 |
| Low HOME Limit | | \$ 1,619 | \$ 1,726 | \$ 2,063 |

8 Vistacion Avenue, Brisbane

Sources and Uses

| Acquisition/Rehab Sources | Acquisition | Perm | Per Unit | Term (yr.) | Rate | LTV | Lien Pos. | Notes |
|---|---------------------|-------------------|-----------------|-------------|--|-----|---------------------------------|-------|
| RDA of the City of Brisbane/Authority Loan 1 | \$ 1,314,352 | \$ 308,156 | 30 | 3.00% | 35.5% | --> | Maintain existing lien position | |
| RDA of the City of Brisbane/Authority Loan 2 | \$ 2,458,838 | \$ 175,595 | 40 | 3.00% | 57.6% | --> | Maintain existing lien position | |
| County of San Mateo (HOME Funds) | \$ 294,999 | \$ 21,071 | 30 | 3.00% | 6.9% | --> | Maintain existing lien position | |
| New City Loan | \$ 350,000 | \$ 25,000 | 55 | 3.00% | 8.2% | # | | |
| New HEART Loan | \$ 262,350 | \$ 18,789 | 15 | 3.00% | 6.1% | \$ | | |
| Deferred developer's Fee - HEART SV | \$ 60,000 | \$ 4,286 | n/a | 3.00% | 1.4% | n/a | | |
| TOTAL | \$ 4,939,867 | \$ 352,848 | | | | | | |
| USES | | | | | | | | |
| Acquisition | | Total Cost | Per Unit | Rate | Notes | | | |
| Property Acquisition (PURCHASE PRICE) | \$ 4,267,517 | \$ 304,823 | | | | | | |
| Closing Costs - Escrow | \$ 14,275 | \$ 1,020 | | 0.3% | First American Title | | | |
| Relocation/Temp. Relocation | | | | | | | | |
| Total Acquisition | \$ 4,281,792 | \$ 305,843 | | | | | | |
| Construction | | | | | | | | |
| Rehabilitation Costs | \$ 303,000 | \$ 21,643 | | | Linked to PMA Mar 2024 | | | |
| Rehab overhead & profit | \$ - | \$ - | | 15.0% | | | | |
| Rehabilitation Contingency | \$ 60,600 | \$ 4,329 | | 20.0% | 20% of hard costs Brisbane requirement | | | |
| Total Construction | \$ 363,600 | \$ 25,971 | | | | | | |
| SOFT COSTS | | | | | | | | |
| Architecture & Design | | | | | | | | |
| Architect | \$ - | \$ - | | | 0.00% | | | |
| Third-party Design Consultants | \$ - | \$ - | | | | | | |
| Total Architect & Design | \$ - | \$ - | | | | | | |
| Eng. & Env. Studies | | | | | | | | |
| Engineering | \$ - | \$ - | | | | | | |
| Survey | \$ - | \$ - | | | | | | |
| Property Needs Assessment & Walkways Inspection | \$ 7,500 | \$ 536 | | | Association Reserves | | | |
| Seismic Study | \$ - | \$ - | | | Jaime Neilson Structural Eng. | | | |
| Other Environmental Consultants | \$ 1,850 | \$ 132 | | | CR/Telligent Phase 1 Report | | | |
| Total Eng. & Env. Studies | \$ 9,350 | \$ 668 | | | | | | |
| Other Soft Development Costs | | | | | | | | |
| Appraisal | \$ 6,000 | \$ 429 | | | | | | |
| Construction Management Fee | \$ - | \$ - | | 5.0% | % of hard cost | | | |
| Permits | \$ 7,272 | \$ 519 | | 2.0% | % of hard cost | | | |
| Relocation Consultant | \$ - | \$ - | | | | | | |
| Utilities Fees | \$ - | \$ - | | | | | | |
| Insurance | \$ - | \$ - | | | | | | |
| Marketing | \$ - | \$ - | | | | | | |
| Property Taxes | \$ - | \$ - | | | | | | |
| Total Other Soft Development Costs | \$ 13,272 | \$ 948 | | | | | | |
| Legal Costs | | | | | | | | |
| Borrower/Project Legal Costs | \$ 5,000 | \$ 357 | | | | | | |
| Other Legal Costs | \$ - | \$ - | | | | | | |
| Total Legal Costs | \$ 5,000 | \$ 357 | | | | | | |
| Soft Cost Contingency | \$ 2,762 | \$ 197 | | 10% | 10% of soft costs Brisbane requirements | | | |
| TOTAL SOFT COSTS | \$ 30,384 | \$ 2,170 | | | | | | |
| FINANCING COSTS | | | | | | | | |
| Conv. Loan Fee | \$ - | \$ - | | | | | | |
| Prepaid Interest Bank Loan | \$ - | \$ - | | | | | | |
| Accrued Interest HEART Bridge Loan | \$ - | \$ - | | | | | | |
| Accrued Interest HEART LHTF Loan | \$ - | \$ - | | | | | | |
| LHTF Loan Fee | \$ - | \$ - | | 1.5% | | | | |
| HEART - Trust Funds Loan Fee | \$ 3,935 | \$ 281 | | 1.5% | | | | |
| Local City Loan Fee | \$ - | \$ - | | | | | | |
| Total Financing Costs | \$ 3,935 | \$ 281 | | | | | | |
| DEVELOPER COSTS | | | | | | | | |
| Developer Fee | \$ 120,485 | \$ 8,606 | | 2.50% | Greater of 2.5% or \$120,000 | | | |
| TOTAL DEVELOPER FEE | \$ 120,485 | \$ 8,606 | | | | | | |
| RESERVES | | | | | | | | |
| Vacancy Reserve | \$ - | \$ - | | 0.0% | Only fund if there is a vacancy at time of purchase. If vacancy, use 3.5% of Eff. Gross Income | | | |
| Operating Reserve | \$ 49,250 | \$ 3,518 | | | 3 mo. expenses + reserves + debt obligation | | | |
| Replacement Reserve | \$ 50,420 | \$ 4,409 | | | Years 4 and 5 from PMA | | | |
| Debt Service Coverage Reserve | \$ - | \$ - | | | | | | |
| TOTAL RESERVES | \$ 139,670 | \$ 9,976 | | | | | | |
| TOTAL DEVELOPMENT COST | \$ 4,939,866 | \$ 352,848 | | | | | | |

Loan Int. Rate 3%
Daily Int. Rate 0.0082191781%

| RDA of the City of Brisbane/Authority Loan 1 | | | | | | |
|--|--------------|--------------------|------------------|---------------|------|------------------|
| Outstanding Debt as of | Principal | Remaining Loan Amt | Accrued Interest | Date of Calc. | Days | Accrued Interest |
| 7/1/2025 | \$ 1,000,000 | \$ 899,873 | \$ 600,700 | 1/1/2026 | 184 | \$ 13,609.04 |
| | | | | | | \$ 1,514,182 |

| RDA of the City of Brisbane/Authority Loan 2 | | | | | | |
|--|--------------|--------------------|------------------|---------------|------|------------------|
| Outstanding Debt as of | Principal | Remaining Loan Amt | Accrued Interest | Date of Calc. | Days | Accrued Interest |
| 7/1/2025 | \$ 1,500,000 | \$ 1,436,214 | \$ 1,000,402 | 1/1/2026 | 184 | \$ 21,720.28 |
| | | | | | | \$ 2,458,336 |

| County of San Mateo (HOME funds) | | | | | | |
|----------------------------------|------------|--------------------|------------------|---------------|------|------------------|
| Outstanding Debt as of | Principal | Remaining Loan Amt | Accrued Interest | Date of Calc. | Days | Accrued Interest |
| 7/1/2025 | \$ 175,000 | \$ 175,000 | \$ 117,352 | 1/1/2026 | 184 | \$ 2,647 |
| | | | | | | \$ 294,999 |

| COST SUMMARY | | |
|------------------------|--------------|------------|
| | Total Costs | \$/unit |
| Total Acquisition | \$ 4,281,792 | \$ 305,842 |
| TOTAL REHABILITATION | \$ 370,872 | \$ 26,491 |
| TOTAL OTHER SOFT COSTS | \$ 23,212 | \$ 1,651 |
| TOTAL FINANCING | \$ 3,935 | \$ 281 |
| TOTAL DEVELOPER FEE | \$ 120,485 | \$ 8,606 |
| TOTAL RESERVES | \$ 139,670 | \$ 9,976 |
| | \$ 4,939,866 | \$ 352,848 |

| Est. Closing Costs Based on Stambaugh | | |
|---------------------------------------|--------|----------------|
| \$ | 3,000 | County |
| \$ | 3,000 | City |
| \$ | 1,800 | HEART |
| \$ | 3,800 | Owner |
| \$ | 2,375 | Escrow Fee |
| \$ | 300 | Mobile Signing |
| \$ | 14,275 | |

5. Valuation Assumptions, Exhibits

Table with columns: Unit#, Rent, Bath, BHC, City, Current Rent, 10% Allowance, Current Rent, 10% Allowance, Current Rent, 10% Allowance, Current Rent, 10% Allowance, Current Rent, 10% Allowance, Current Rent, 10% Allowance. Rows include units V1 through V16.

Table with columns: Unit#, Lease Start, Lease End, Current Rent, 10% Allowance, Current Rent, 10% Allowance, Current Rent, 10% Allowance, Current Rent, 10% Allowance, Current Rent, 10% Allowance, Current Rent, 10% Allowance, Current Rent, 10% Allowance. Rows include units V1 through V16.

Table with columns: Current Occupancy, Rent, Section 8, BHC, City, Income, Rent, Unit, Deadweight, Target Rent, Income. Rows include units V1 through V16.

Table with columns: Unit#, Current Rent, Current Rent, 10% Allowance, Current Rent, 10% Allowance, Current Rent, 10% Allowance, Current Rent, 10% Allowance, Current Rent, 10% Allowance, Current Rent, 10% Allowance, Current Rent, 10% Allowance. Rows include units V1 through V16.

Table with columns: Definition, Unit#, Rent, Bath, BHC, City, Current Rent, 10% Allowance, Current Rent, 10% Allowance, Current Rent, 10% Allowance, Current Rent, 10% Allowance, Current Rent, 10% Allowance. Rows include units V1 through V16.

Table with columns: Unit#, Current Rent, Current Rent, 10% Allowance, Current Rent, 10% Allowance, Current Rent, 10% Allowance, Current Rent, 10% Allowance, Current Rent, 10% Allowance, Current Rent, 10% Allowance, Current Rent, 10% Allowance. Rows include units V1 through V16.

*For modeling purposes, REACT is running NCD

8 Visitacion Avenue, Brisbane

| First Year | | | | | | | | | | | | | | | |
|---------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|--|
| Current Rents | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | | | |
| Unit # | 1/1/2026 | 2/1/2026 | 3/1/2026 | 4/1/2026 | 5/1/2026 | 6/1/2026 | 7/1/2026 | 8/1/2026 | 9/1/2026 | 10/1/2026 | 11/1/2026 | 12/1/2026 | Y1 Total | | |
| V1 | \$ 1,235 | \$ 1,235 | \$ 1,235 | \$ 1,235 | \$ 1,235 | \$ 1,235 | \$ 1,235 | \$ 1,235 | \$ 1,235 | \$ 1,235 | \$ 1,235 | \$ 1,235 | \$ 1,235 | \$ 14,820 | |
| V10 | \$ 556 | \$ 556 | \$ 556 | \$ 556 | \$ 556 | \$ 556 | \$ 556 | \$ 556 | \$ 556 | \$ 556 | \$ 556 | \$ 556 | \$ 556 | \$ 6,672 | |
| V2 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 12,696 | |
| V4 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 12,696 | |
| V5 | \$ 1,235 | \$ 1,235 | \$ 1,235 | \$ 1,235 | \$ 1,235 | \$ 1,235 | \$ 1,235 | \$ 1,235 | \$ 1,235 | \$ 1,235 | \$ 1,235 | \$ 1,235 | \$ 1,235 | \$ 14,820 | |
| V6 | \$ 556 | \$ 556 | \$ 556 | \$ 556 | \$ 556 | \$ 556 | \$ 556 | \$ 556 | \$ 556 | \$ 556 | \$ 556 | \$ 556 | \$ 556 | \$ 6,672 | |
| V8 | \$ 807 | \$ 807 | \$ 807 | \$ 807 | \$ 807 | \$ 807 | \$ 807 | \$ 807 | \$ 807 | \$ 807 | \$ 807 | \$ 807 | \$ 807 | \$ 9,684 | |
| V9 | \$ 1,150 | \$ 1,150 | \$ 1,150 | \$ 1,150 | \$ 1,150 | \$ 1,150 | \$ 1,150 | \$ 1,150 | \$ 1,150 | \$ 1,150 | \$ 1,150 | \$ 1,150 | \$ 1,150 | \$ 13,800 | |
| I1 | \$ 2,528 | \$ 2,528 | \$ 2,528 | \$ 2,528 | \$ 2,528 | \$ 2,528 | \$ 2,528 | \$ 2,528 | \$ 2,528 | \$ 2,528 | \$ 2,528 | \$ 2,528 | \$ 2,528 | \$ 30,336 | |
| I2 | \$ 1,535 | \$ 1,535 | \$ 1,535 | \$ 1,535 | \$ 1,535 | \$ 1,535 | \$ 1,535 | \$ 1,535 | \$ 1,535 | \$ 1,535 | \$ 1,535 | \$ 1,535 | \$ 1,535 | \$ 18,420 | |
| I3 | \$ 807 | \$ 807 | \$ 807 | \$ 807 | \$ 807 | \$ 807 | \$ 807 | \$ 807 | \$ 807 | \$ 807 | \$ 807 | \$ 807 | \$ 807 | \$ 9,684 | |
| I4 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 12,696 | |
| I5 | \$ 2,265 | \$ 2,265 | \$ 2,265 | \$ 2,265 | \$ 2,265 | \$ 2,265 | \$ 2,265 | \$ 2,265 | \$ 2,265 | \$ 2,265 | \$ 2,265 | \$ 2,265 | \$ 2,265 | \$ 27,180 | |
| I6 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 1,058 | \$ 12,696 | |
| Gross Rent | \$ 16,906 | \$ 16,906 | \$ 16,906 | \$ 16,906 | \$ 16,906 | \$ 16,906 | \$ 16,906 | \$ 16,906 | \$ 16,906 | \$ 16,906 | \$ 16,906 | \$ 16,906 | \$ 16,906 | \$ 202,872 | |
| Reserve Interest | \$ 349 | \$ 349 | \$ 349 | \$ 349 | \$ 349 | \$ 349 | \$ 349 | \$ 349 | \$ 349 | \$ 349 | \$ 349 | \$ 349 | \$ 349 | \$ 4,190 | |
| Commercial Unit Utilities | \$ 300 | \$ 300 | \$ 300 | \$ 300 | \$ 300 | \$ 300 | \$ 300 | \$ 300 | \$ 300 | \$ 300 | \$ 300 | \$ 300 | \$ 300 | \$ 3,602 | |
| Parking | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Laundry | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 33 | |
| Vacancy | \$ (1,014) | \$ (1,014) | \$ (1,014) | \$ (1,014) | \$ (1,014) | \$ (1,014) | \$ (1,014) | \$ (1,014) | \$ (1,014) | \$ (1,014) | \$ (1,014) | \$ (1,014) | \$ (1,014) | \$ (12,172) | |
| | \$ 16,544 | \$ 16,544 | \$ 16,544 | \$ 16,544 | \$ 16,544 | \$ 16,544 | \$ 16,544 | \$ 16,544 | \$ 16,544 | \$ 16,544 | \$ 16,544 | \$ 16,544 | \$ 16,544 | \$ 198,524 | |

| Other Income | Per Month |
|---------------------------|-----------------|
| Reserve Int. | 3% \$ 349 |
| Commercial Unit Utilities | \$ 3,602 \$ 300 |
| Parking | |
| Laundry | 33 \$ 3 |
| Compl. Vac. (%) | -6% |
| Current Vac. (%) | -7% |
| # Vacant Units | 1 |
| # Occupied Units | 13 |

| Laundry | Proforma 2026 | Sourced from audited financial statements and budget | | | | |
|---------|---------------|--|--------|---------|-------|--|
| | 2025 Budget | 2024 | 2023 | 2022 | 2021 | |
| \$ 33 | \$ 32 | \$ 52 | \$ 51 | \$ 44 | \$ 21 | |
| | -38.46% | 1.96% | 15.91% | 109.52% | | |

| Commercial Unit Utilities | | | Ann. Increase | |
|---------------------------|----------|-----------------|---------------|----------|
| Rate | Proforma | 3% | 2025 Budget | |
| Gas | 20% | \$ 1,053 | \$ 5,265 | \$ 5,112 |
| Electricity | 20% | \$ 1,204 | \$ 6,019 | \$ 5,844 |
| Water | 10% | \$ 1,015 | \$ 10,148 | \$ 9,852 |
| Sewer | 10% | \$ 330 | \$ 3,300 | \$ 3,204 |
| Total | | \$ 3,602 | | |

8 Visitation Avenue, Brisbane

| | |
|-----------------------------|--------|
| Proforma Date | 1/2026 |
| 1st Year of Operations | 2026 |
| 1st Month of Operations (1) | 1 |

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | Y1 TOTAL | Comments |
|--|------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|----------|
| | 1/1/2026 | 2/1/2026 | 3/1/2026 | 4/1/2026 | 5/1/2026 | 6/1/2026 | 7/1/2026 | 8/1/2026 | 9/1/2026 | 10/1/2026 | 11/1/2026 | 12/1/2026 | | |
| INCOME | | | | | | | | | | | | | | |
| Gross Rent Potential Income | \$ 16,906 | \$ 16,906 | \$ 16,906 | \$ 16,906 | \$ 16,906 | \$ 16,906 | \$ 16,906 | \$ 16,906 | \$ 16,906 | \$ 16,906 | \$ 16,906 | \$ 16,906 | \$ 16,906 | 202,872 |
| Reserve Int. | \$ 349 | \$ 349 | \$ 349 | \$ 349 | \$ 349 | \$ 349 | \$ 349 | \$ 349 | \$ 349 | \$ 349 | \$ 349 | \$ 349 | \$ 349 | 4,150 |
| Commercial Unit Utilities | \$ 300 | \$ 300 | \$ 300 | \$ 300 | \$ 300 | \$ 300 | \$ 300 | \$ 300 | \$ 300 | \$ 300 | \$ 300 | \$ 300 | \$ 300 | 3,602 |
| Parking | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | - |
| Laundry | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 3 | \$ 3 | 33 |
| Var. (ts) | \$ (1,014) | \$ (1,014) | \$ (1,014) | \$ (1,014) | \$ (1,014) | \$ (1,014) | \$ (1,014) | \$ (1,014) | \$ (1,014) | \$ (1,014) | \$ (1,014) | \$ (1,014) | \$ (1,014) | (12,172) |
| GROSS EFFECTIVE INCOME | \$ 16,544 | \$ 16,544 | \$ 16,544 | \$ 16,544 | \$ 16,544 | \$ 16,544 | \$ 16,544 | \$ 16,544 | \$ 16,544 | \$ 16,544 | \$ 16,544 | \$ 16,544 | \$ 16,544 | 198,524 |
| EXPENSES (link to limits) | | | | | | | | | | | | | | |
| Common Area Utilities - PG&E, water/sewer, garbage | 3.50% | \$ 2,071 | \$ 2,071 | \$ 2,071 | \$ 2,071 | \$ 2,071 | \$ 2,071 | \$ 2,071 | \$ 2,071 | \$ 2,071 | \$ 2,071 | \$ 2,071 | \$ 2,071 | 24,852 |
| Unit Utilities Paid By Landlord | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | - |
| Property General Liability Insurance | | \$ 250 | \$ 250 | \$ 250 | \$ 250 | \$ 250 | \$ 250 | \$ 250 | \$ 250 | \$ 250 | \$ 250 | \$ 250 | \$ 250 | 3,000 |
| Property Insurance | | \$ 1,107 | \$ 1,107 | \$ 1,107 | \$ 1,107 | \$ 1,107 | \$ 1,107 | \$ 1,107 | \$ 1,107 | \$ 1,107 | \$ 1,107 | \$ 1,107 | \$ 1,107 | 13,285 |
| Property Tax | | \$ 63 | \$ 63 | \$ 63 | \$ 63 | \$ 63 | \$ 63 | \$ 63 | \$ 63 | \$ 63 | \$ 63 | \$ 63 | \$ 63 | 750 |
| Possessory Interest Tax | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | - |
| Property Management | 7.20% | \$ 1,239 | \$ 1,239 | \$ 1,239 | \$ 1,239 | \$ 1,239 | \$ 1,239 | \$ 1,239 | \$ 1,239 | \$ 1,239 | \$ 1,239 | \$ 1,239 | \$ 1,239 | 14,868 |
| Lease-up Fee | | \$ 83 | \$ 83 | \$ 83 | \$ 83 | \$ 83 | \$ 83 | \$ 83 | \$ 83 | \$ 83 | \$ 83 | \$ 83 | \$ 83 | 1,000 |
| Asset Management (HEART-DV) | \$15,000 | \$ 1,250 | \$ 1,250 | \$ 1,250 | \$ 1,250 | \$ 1,250 | \$ 1,250 | \$ 1,250 | \$ 1,250 | \$ 1,250 | \$ 1,250 | \$ 1,250 | \$ 1,250 | 15,000 |
| City of Brisbane Monitoring fee | \$1,750 | \$ 146 | \$ 146 | \$ 146 | \$ 146 | \$ 146 | \$ 146 | \$ 146 | \$ 146 | \$ 146 | \$ 146 | \$ 146 | \$ 146 | 1,750 |
| Staffing, Admin & Management Overhead (HEART) | 15% | \$ 2,482 | \$ 2,482 | \$ 2,482 | \$ 2,482 | \$ 2,482 | \$ 2,482 | \$ 2,482 | \$ 2,482 | \$ 2,482 | \$ 2,482 | \$ 2,482 | \$ 2,482 | 29,779 |
| Bookkeeping | | \$ 623 | \$ 623 | \$ 623 | \$ 623 | \$ 623 | \$ 623 | \$ 623 | \$ 623 | \$ 623 | \$ 623 | \$ 623 | \$ 623 | 7,476 |
| Audit | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | - |
| Unit Turnover & cleaning (not including renovation) | | \$ 625 | \$ 625 | \$ 625 | \$ 625 | \$ 625 | \$ 625 | \$ 625 | \$ 625 | \$ 625 | \$ 625 | \$ 625 | \$ 625 | 7,500 |
| Contracts | | \$ 1,558 | \$ 1,558 | \$ 1,558 | \$ 1,558 | \$ 1,558 | \$ 1,558 | \$ 1,558 | \$ 1,558 | \$ 1,558 | \$ 1,558 | \$ 1,558 | \$ 1,558 | 18,696 |
| Landscaping/yard care | | \$ 1,494 | \$ 1,494 | \$ 1,494 | \$ 1,494 | \$ 1,494 | \$ 1,494 | \$ 1,494 | \$ 1,494 | \$ 1,494 | \$ 1,494 | \$ 1,494 | \$ 1,494 | 17,922 |
| Security Payroll/Contract | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | - |
| Repairs and Maintenance | | \$ 893 | \$ 893 | \$ 893 | \$ 893 | \$ 893 | \$ 893 | \$ 893 | \$ 893 | \$ 893 | \$ 893 | \$ 893 | \$ 893 | 10,711 |
| Miscellaneous Operating and Maintenance Expenses | 5% | \$ 827 | \$ 827 | \$ 827 | \$ 827 | \$ 827 | \$ 827 | \$ 827 | \$ 827 | \$ 827 | \$ 827 | \$ 827 | \$ 827 | 9,926 |
| SUB-TOTAL - EXPENSES | | \$ 14,710 | \$ 14,710 | \$ 14,710 | \$ 14,710 | \$ 14,710 | \$ 14,710 | \$ 14,710 | \$ 14,710 | \$ 14,710 | \$ 14,710 | \$ 14,710 | \$ 14,710 | 176,515 |
| RESERVES | | | | | | | | | | | | | | |
| Replacement Reserve Deposit | 10.0% | \$ 1,654 | \$ 1,654 | \$ 1,654 | \$ 1,654 | \$ 1,654 | \$ 1,654 | \$ 1,654 | \$ 1,654 | \$ 1,654 | \$ 1,654 | \$ 1,654 | \$ 1,654 | 19,852 |
| Operating Reserve Deposit | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | - |
| SUB-TOTAL - RESERVES | | \$ 1,654 | \$ 1,654 | \$ 1,654 | \$ 1,654 | \$ 1,654 | \$ 1,654 | \$ 1,654 | \$ 1,654 | \$ 1,654 | \$ 1,654 | \$ 1,654 | \$ 1,654 | 19,852 |
| TOTAL OPERATING EXPENSES | | \$ 16,364 | \$ 16,364 | \$ 16,364 | \$ 16,364 | \$ 16,364 | \$ 16,364 | \$ 16,364 | \$ 16,364 | \$ 16,364 | \$ 16,364 | \$ 16,364 | \$ 16,364 | 196,367 |
| NET OPERATING INCOME (INCOME minus OP EXPENSES) | | \$ 180 | \$ 180 | \$ 180 | \$ 180 | \$ 180 | \$ 180 | \$ 180 | \$ 180 | \$ 180 | \$ 180 | \$ 180 | \$ 180 | 2,157 |
| HARD DEBT SERVICE | | | | | | | | | | | | | | |
| Debt A (1st position) | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | - |
| Debt B (2nd position) | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | - |
| Debt C (3rd position) | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | - |
| TOTAL - HARD DEBT SERVICE | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | - |
| NET CASH FLOW (NOI minus DEBT SERVICE) | | \$ 180 | \$ 180 | \$ 180 | \$ 180 | \$ 180 | \$ 180 | \$ 180 | \$ 180 | \$ 180 | \$ 180 | \$ 180 | \$ 180 | 2,157 |
| Debt Service Coverage Ratio | | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| | | \$ 44,128.75 | | | | | | | | | | | | |
| | | \$ 4,963 | | | | | | | | | | | | |
| | | \$ 49,092 | | | | | | | | | | | | |

| Utilities (electricity, gas, water, sewer) | Proforma | Sourced from audited financial statements and budget | | | |
|--|-----------|--|-----------|-----------|-----------|
| | 2026 | 2025 Budget | 2024 | 2023 | 2021 |
| | \$ 24,852 | \$ 24,012 | \$ 23,549 | \$ 22,757 | \$ 25,639 |
| Rate change | | 1.97% | 3.48% | 5.42% | |

| Property Insurance | Stambaugh | Insurance Cost | Acquisition Price | Ratio |
|--------------------|-------------------|---------------------|-------------------|--------------|
| | | | \$ 8,872.00 | \$ 2,850,000 |
| | Visitation Garden | Est. Insurance Cost | Acquisition Price | |
| | | \$ 13,285 | \$ 4,267,517 | |

| Category | Year | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 | 2038 | 2039 | 2040 | | |
|---|-------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| GENERAL FUND REVENUE | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Administrative Services | 1.00% | \$ 2,352.07 | \$ 2,388.68 | \$ 2,425.29 | \$ 2,461.90 | \$ 2,498.51 | \$ 2,535.12 | \$ 2,571.73 | \$ 2,608.34 | \$ 2,644.95 | \$ 2,681.56 | \$ 2,718.17 | \$ 2,754.78 | \$ 2,791.39 | \$ 2,827.99 | \$ 2,864.60 | \$ 2,901.21 | \$ 2,937.82 | \$ 2,974.43 | \$ 3,011.04 | \$ 3,047.65 | \$ 3,084.26 | \$ 3,120.87 | \$ 3,157.48 | \$ 3,194.09 | \$ 3,230.70 | |
| Community Development | 1.00% | \$ 1,450.00 | \$ 1,475.00 | \$ 1,500.00 | \$ 1,525.00 | \$ 1,550.00 | \$ 1,575.00 | \$ 1,600.00 | \$ 1,625.00 | \$ 1,650.00 | \$ 1,675.00 | \$ 1,700.00 | \$ 1,725.00 | \$ 1,750.00 | \$ 1,775.00 | \$ 1,800.00 | \$ 1,825.00 | \$ 1,850.00 | \$ 1,875.00 | \$ 1,900.00 | \$ 1,925.00 | \$ 1,950.00 | \$ 1,975.00 | \$ 2,000.00 | \$ 2,025.00 | \$ 2,050.00 | \$ 2,075.00 |
| Construction | 1.00% | \$ 1,450.00 | \$ 1,475.00 | \$ 1,500.00 | \$ 1,525.00 | \$ 1,550.00 | \$ 1,575.00 | \$ 1,600.00 | \$ 1,625.00 | \$ 1,650.00 | \$ 1,675.00 | \$ 1,700.00 | \$ 1,725.00 | \$ 1,750.00 | \$ 1,775.00 | \$ 1,800.00 | \$ 1,825.00 | \$ 1,850.00 | \$ 1,875.00 | \$ 1,900.00 | \$ 1,925.00 | \$ 1,950.00 | \$ 1,975.00 | \$ 2,000.00 | \$ 2,025.00 | \$ 2,050.00 | \$ 2,075.00 |
| County of San Mateo | 1.00% | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 |
| Landfill | 1.00% | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 |
| Public Works | 1.00% | \$ 1,450.00 | \$ 1,475.00 | \$ 1,500.00 | \$ 1,525.00 | \$ 1,550.00 | \$ 1,575.00 | \$ 1,600.00 | \$ 1,625.00 | \$ 1,650.00 | \$ 1,675.00 | \$ 1,700.00 | \$ 1,725.00 | \$ 1,750.00 | \$ 1,775.00 | \$ 1,800.00 | \$ 1,825.00 | \$ 1,850.00 | \$ 1,875.00 | \$ 1,900.00 | \$ 1,925.00 | \$ 1,950.00 | \$ 1,975.00 | \$ 2,000.00 | \$ 2,025.00 | \$ 2,050.00 | \$ 2,075.00 |
| GRAND EFFECTIVE INCOME | | \$ 5,282.07 | \$ 5,336.66 | \$ 5,391.25 | \$ 5,445.84 | \$ 5,500.43 | \$ 5,555.02 | \$ 5,609.61 | \$ 5,664.20 | \$ 5,718.79 | \$ 5,773.38 | \$ 5,827.97 | \$ 5,882.56 | \$ 5,937.15 | \$ 5,991.74 | \$ 6,046.33 | \$ 6,100.92 | \$ 6,155.51 | \$ 6,210.10 | \$ 6,264.69 | \$ 6,319.28 | \$ 6,373.87 | \$ 6,428.46 | \$ 6,483.05 | \$ 6,537.64 | \$ 6,592.23 | \$ 6,646.82 |
| GENERAL FUND EXPENSES | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Administrative Services | 1.00% | \$ 2,352.07 | \$ 2,388.68 | \$ 2,425.29 | \$ 2,461.90 | \$ 2,498.51 | \$ 2,535.12 | \$ 2,571.73 | \$ 2,608.34 | \$ 2,644.95 | \$ 2,681.56 | \$ 2,718.17 | \$ 2,754.78 | \$ 2,791.39 | \$ 2,827.99 | \$ 2,864.60 | \$ 2,901.21 | \$ 2,937.82 | \$ 2,974.43 | \$ 2,974.43 | \$ 2,974.43 | \$ 2,974.43 | \$ 2,974.43 | \$ 2,974.43 | \$ 2,974.43 | \$ 2,974.43 | \$ 2,974.43 |
| Community Development | 1.00% | \$ 1,450.00 | \$ 1,475.00 | \$ 1,500.00 | \$ 1,525.00 | \$ 1,550.00 | \$ 1,575.00 | \$ 1,600.00 | \$ 1,625.00 | \$ 1,650.00 | \$ 1,675.00 | \$ 1,700.00 | \$ 1,725.00 | \$ 1,750.00 | \$ 1,775.00 | \$ 1,800.00 | \$ 1,825.00 | \$ 1,850.00 | \$ 1,875.00 | \$ 1,900.00 | \$ 1,925.00 | \$ 1,950.00 | \$ 1,975.00 | \$ 2,000.00 | \$ 2,025.00 | \$ 2,050.00 | \$ 2,075.00 |
| Construction | 1.00% | \$ 1,450.00 | \$ 1,475.00 | \$ 1,500.00 | \$ 1,525.00 | \$ 1,550.00 | \$ 1,575.00 | \$ 1,600.00 | \$ 1,625.00 | \$ 1,650.00 | \$ 1,675.00 | \$ 1,700.00 | \$ 1,725.00 | \$ 1,750.00 | \$ 1,775.00 | \$ 1,800.00 | \$ 1,825.00 | \$ 1,850.00 | \$ 1,875.00 | \$ 1,900.00 | \$ 1,925.00 | \$ 1,950.00 | \$ 1,975.00 | \$ 2,000.00 | \$ 2,025.00 | \$ 2,050.00 | \$ 2,075.00 |
| County of San Mateo | 1.00% | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 |
| Landfill | 1.00% | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 | \$ 30 |
| Public Works | 1.00% | \$ 1,450.00 | \$ 1,475.00 | \$ 1,500.00 | \$ 1,525.00 | \$ 1,550.00 | \$ 1,575.00 | \$ 1,600.00 | \$ 1,625.00 | \$ 1,650.00 | \$ 1,675.00 | \$ 1,700.00 | \$ 1,725.00 | \$ 1,750.00 | \$ 1,775.00 | \$ 1,800.00 | \$ 1,825.00 | \$ 1,850.00 | \$ 1,875.00 | \$ 1,900.00 | \$ 1,925.00 | \$ 1,950.00 | \$ 1,975.00 | \$ 2,000.00 | \$ 2,025.00 | \$ 2,050.00 | \$ 2,075.00 |
| GRAND EFFECTIVE EXPENSES | | \$ 5,282.07 | \$ 5,336.66 | \$ 5,391.25 | \$ 5,445.84 | \$ 5,500.43 | \$ 5,555.02 | \$ 5,609.61 | \$ 5,664.20 | \$ 5,718.79 | \$ 5,773.38 | \$ 5,827.97 | \$ 5,882.56 | \$ 5,937.15 | \$ 5,991.74 | \$ 6,046.33 | \$ 6,100.92 | \$ 6,155.51 | \$ 6,210.10 | \$ 6,210.10 | \$ 6,210.10 | \$ 6,210.10 | \$ 6,210.10 | \$ 6,210.10 | \$ 6,210.10 | \$ 6,210.10 | \$ 6,210.10 |
| NET FUND FLOW (MINUS DEBT SERVICE) | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net Fund Flow (Minus Debt Service) | | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 |
| TOTAL DEBT SERVICE | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Debt Service | | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 |
| TOTAL FUND BALANCE | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Fund Balance | | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 |
| GENERAL FUND RESERVE | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| General Fund Reserve | | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 |
| GENERAL FUND BALANCE | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| General Fund Balance | | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 |

Replacement Reserve Schedule

| Period | Year | Balance | Interest | | Expense | Notes |
|--------|------|-------------|-----------|----------|------------|-------|
| | | | Funding | 3% | | |
| 1 | 2026 | \$0 | \$454,020 | \$8,507 | \$ 170,448 | |
| 2 | 2027 | \$292,079 | \$19,852 | \$8,762 | \$0 | |
| 3 | 2028 | \$320,694 | \$20,164 | \$9,621 | \$0 | |
| 4 | 2029 | \$350,479 | \$22,847 | \$9,254 | \$42,026 | 0 |
| 5 | 2030 | \$340,553 | \$23,345 | \$8,462 | \$58,481 | 0 |
| 6 | 2031 | \$313,879 | \$25,176 | \$7,942 | \$49,130 | 0 |
| 7 | 2032 | \$297,867 | \$27,281 | \$6,734 | \$73,386 | 0 |
| 8 | 2033 | \$258,496 | \$29,035 | \$4,860 | \$96,496 | 0 |
| 9 | 2034 | \$195,896 | \$29,835 | \$4,337 | \$51,330 | 0 |
| 10 | 2035 | \$178,738 | \$32,257 | \$3,896 | \$48,877 | 0 |
| 11 | 2036 | \$166,014 | \$39,767 | \$3,419 | \$52,036 | 0 |
| 12 | 2037 | \$157,163 | \$40,955 | \$3,032 | \$56,089 | 0 |
| 13 | 2038 | \$145,062 | \$42,179 | \$998 | \$111,808 | |
| 14 | 2039 | \$76,431 | \$43,440 | \$599 | \$56,480 | 0 |
| 15 | 2040 | \$63,989 | \$44,739 | \$0 | \$98,802 | |
| 16 | 2041 | \$9,926 | \$46,077 | \$298 | \$0 | |
| 17 | 2042 | \$56,300 | \$47,454 | \$1,689 | \$0 | |
| 18 | 2043 | \$105,444 | \$48,874 | \$3,163 | \$0 | |
| 19 | 2044 | \$157,481 | \$50,335 | \$4,724 | \$0 | |
| 20 | 2045 | \$212,540 | \$51,841 | \$6,376 | \$0 | |
| 21 | 2046 | \$270,757 | \$53,391 | \$8,123 | \$0 | |
| 22 | 2047 | \$332,271 | \$54,989 | \$9,968 | \$0 | |
| 23 | 2048 | \$397,228 | \$56,634 | \$11,917 | \$0 | |
| 24 | 2049 | \$465,779 | \$58,328 | \$13,973 | \$0 | |
| 25 | 2050 | \$538,081 | \$60,074 | \$16,142 | \$0 | |
| 26 | 2051 | \$614,297 | \$61,871 | \$18,429 | \$0 | |
| 27 | 2052 | \$694,597 | \$63,723 | \$20,838 | \$0 | |
| 28 | 2053 | \$779,158 | \$65,630 | \$23,375 | \$0 | |
| 29 | 2054 | \$868,163 | \$67,595 | \$26,045 | \$0 | |
| 30 | 2055 | \$961,802 | \$69,618 | \$28,854 | \$0 | |
| | 2055 | \$1,060,274 | | | | |



February 24, 2026

Julia Ayres, Principal Planner
50 Park Place
Brisbane, CA 94005

Re: *Visitacion Garden Senior Apartment, 8 Visitacion Avenue/3 Inyo Street, Brisbane, CA (the "Project")*

Dear Ms. Ayres,

This letter sets forth our revised proposal to enter into a new ground lease and management agreement for the Project. The purpose of this letter is to summarize the material terms of our mutual understanding regarding the ground lease and management of the Project by the Housing Endowment and Regional Trust of San Mateo County ("HEART" or "Buyer") and its assignee, HEART-SV. The landowner is referred to as the "City." For clarity, references to "acquisition" below refer to Buyer's acquisition of the Project's leasehold interest and improvements pursuant to the ground lease.

- 1. Debt Assumption** HEART is willing to assume the existing City and County of San Mateo loans ("Debt") via new loan agreements on the condition that an appraisal demonstrates that the leasehold interest and improvements have a value equal to or greater than the Debt. The current total Debt is \$4,289,188. HEART engaged Bowery Valuation to appraise the Project and the valuation, \$3,290,000, is less than the Debt. As a result, HEART requests a restructuring of the Debt through new loan agreements in the following amounts: \$3,062,564 for the City loan and \$227,436 for the County of San Mateo loan.
- 2. Acquisition Price** The restructured Debt totaling \$3,290,000 shall constitute the "Acquisition Price" of the Project leasehold interest and improvements.
- 3. Due Diligence Period** HEART conducted a full due diligence review, including an appraisal, a capital needs assessment, a Phase I environmental report, three reroofing quotes, and two exterior painting quotes.
- 4. Assignment** The City acknowledges that, immediately prior to closing, Buyer will assign the Project acquisition to HEART-SV, an affiliate of HEART, which will take title.
- 5. Financing** Based on the information provided in the Request for Proposals and by the current Project operator, HEART believes that existing rental revenue is sufficient to cover general operating expenses. However, outstanding repairs and future capital needs identified in the capital

needs assessment exceed projected revenues. To address this gap, HEART proposes a combination of a new City loan and a HEART loan, each in the amount of \$390,250.

6. Rent Restriction

HEART accepts and proposes to maintain the existing rent restrictions, while implementing subsidy “stacking” to ensure long-term project sustainability. HEART proposes one modification: replacing two 40% AMI units with one 30% AMI unit and one 50% AMI unit. This will allow rents to align with the State Department of Housing and Community Development (HCD) published rent levels.

To maintain viability, HEART intends to rent four units to income-qualified households at 80% AMI. However, Health & Safety Code §§50053 and 50052.5 requires that units restricted at 80% AMI be rented at 60% AMI rent levels. To serve 80% AMI households at appropriate rents, these units must instead be deed restricted at 120% AMI. Notwithstanding the 120% deed restriction level, HEART will continue to income-qualify and target tenants for these four units at 80% AMI. A table summarizing the proposed restrictions, target occupancy, and subsidy stacking is shown below.

| Proposed Deed Restrictions | | | |
|-----------------------------------|-------------------------------|--------------------|---|
| | City Deed Restrictions | | County Deed Restrictions Stacked |
| AMI | Income | Target Rent | |
| 30% | 3 | 3 | 3 |
| 40% | 0 | 0 | |
| 50% | 1 | 1 | |
| 60% | 6 | 6 | 1 |
| 80% | 0 | 4 | 1 |
| 120% | 4 | 0 | |
| Total | 14 | 14 | 5 |

7. Current Tenants

HEART will honor all existing leases and designated AMI rent levels for tenants currently residing at the Project.

8. Affordability

Because the City’s original funding for the Project came from the former Redevelopment Agency, HEART understands that H&SC dictates the method for calculating rents for units regulated by the City deed restriction. HEART and the City further acknowledge that if City and County subsidies are stacked, five units will be subject to the lesser of HUD HOME Income Limits or H&SC-based limits.

9. Property Management

HEART believes that the Project’s prior financial challenges stemmed in part from reliance on part-time, on-site management and maintenance. HEART proposes utilizing a capable, responsive off-site

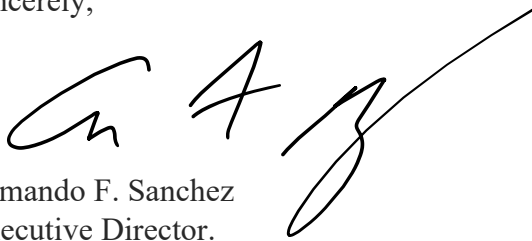
property management team to ensure both quality service for tenants and proper maintenance. Should this approach fall short, HEART is willing to adjust its strategy.

10. Repairs and Upgrades HEART proposes a \$434,000 construction budget to address identified repairs needed over the next five years. In addition, HEART will capitalize a \$100,000 reserve fund and contribute 10% of gross income annually for the first four years, beginning with approximately \$21,000 in the first year. To fund the ongoing repair needs, HEART will increase the replacement reserve deposit to 15% of gross income annually in year five and again to 20% of gross income annually in year sixteen. In year twenty-four, HEART will reduce the replacement reserve deposit to 15% of gross income annually. The combination of the construction budget, capitalized reserves, and the annual deposits to the reserve is sufficient to address all repairs identified in the capital needs assessment.

11. Non-Binding Effect This proposal reflects the mutual understanding of the parties with respect to the general terms and conditions of the proposed transaction. Except for provisions expressly intended to be binding (if any), this proposal is non-binding and subject to the negotiation and execution of mutually acceptable definitive agreements.

Thank you for considering this proposal. We look forward to further discussions and to working together to preserve and strengthen affordable housing in the City of Brisbane.

Sincerely,



Armando F. Sanchez
Executive Director.



APPRAISAL REPORT

A 14 Unit Affordable Housing Property

8 Visitacion Avenue

Brisbane, CA 94005

Multifamily Building

REQUESTED BY

Audrey Washington

HEART of San Mateo County
2905 South El Camino Real
San Mateo, CA 94403

DATE OF VALUE

Hypothetical : January 20, 2026

PREPARED BY



Bryson
Young, MAI



Sam
Cimino

January 28, 2026

Audrey Washington
HEART of San Mateo County
2905 South El Camino Real
San Mateo, CA 94403

Re: Appraisal File No. 2600045589
Multifamily Building
8 Visitacion Avenue
Brisbane, CA 94005

Dear Audrey Washington,

In accordance with your request, we have completed an appraisal of the subject located at 8 Visitacion Avenue, Brisbane, CA 94005 for the purpose of advancing an opinion of the Hypothetical Market Value of the Leasehold Interest in the subject.

The subject is a 2-story, walk-up, multifamily building consisting of 14 residential units with 19,998 square feet of gross building area. The property is currently operating as an affordable senior housing project property and consists of twelve, 1 BR / 1 BA units and two, 2 BR / 1 BA units. All of the units are deed restricted. Upon transfer of the property, HEART will update the rent restriction levels to include three 30% AMI units, one 50% AMI unit, six 60% AMI units, and four 120% AMI units. The property is currently encumbered by a ground lease with The Redevelopment Agency of the City of Brisbane. The existing ground lease expires in 2028. Based on the provided ground lease, the rental payments consist of any surplus cash associated with the operation of the property; however, there have reportedly never been any payments on the ground lease as there has never been surplus cash over the life of the lease. The current owner, BRIDGE, intends to sell the property to HEART of San Mateo County. We note that this is not a traditional sale as HEART will essentially be assuming the remaining debt on the property, which totals \$4,285,886. HEART is currently finalizing a new ground lease which will be \$1 per year that will commence upon the existing ground lease expiration. The project also features a senior community center that is subleased for \$1 per year. We note this sublease expires along with the existing ground lease and will be renewed upon expiration for \$1 to match the 55 year term of the new ground lease. This community center provided a small amount of utility reimbursement income and will only be leased to this tenant for 55 years. We have included this reimbursement income within our analysis but the space is largely treated as amenity space. Overall, the property is considered to be in average condition. We note that at the request of the client, we have provided the hypothetical value of the subject property as if the subject is encumbered by the new ground lease and is leased at the proposed max affordable rents.

The subject is situated on a 17,138 square foot parcel in an (NCRO-2) Neighborhood Commercial zone and is identified in the city of Brisbane, San Mateo County tax maps as APN 007-221-180. The subject property is located along Visitacion Avenue in the Brisbane neighborhood of Daly City Brisbane.

Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformance with the Standards of Professional Practice and Code of Professional Ethics of the Appraisal Institute, the Uniform Standard of Professional Appraisal Practice (USPAP), HEART of San Mateo County's appraisal guidelines, and applicable state appraisal regulations. To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP.

Ms. Washington
Page 2
January 28, 2026

After carefully considering all available information and factors affecting value, our opinion is:

Final Value Conclusion

| Value Premise | Date of Value | Interest Appraised | Value Conclusion |
|----------------------|----------------------|---------------------------|-------------------------|
| As Is Market Value | January 20, 2026 | Leasehold Interest | \$3,290,000 |

As with any appraisal, the reader is reminded that the opinion of value is only valid as of the effective date(s). Our conclusions are predicated on the attitudes and expectations prevalent in the subject submarket and market on the date(s) of value. Bowery Valuation continuously monitors the markets where we are active and appropriate steps have been taken to ensure our analysis is based on the most recent, relevant data available. Changes in market conditions or associated with other unanticipated future events, could impact value.

Ms. Washington
Page 3
January 28, 2026

The value conclusions are subject to the following **Extraordinary Assumptions**¹. We note the use of this/these extraordinary assumption(s) may have affected the assignment results. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions:

- None.

The value conclusions are based on the following **Hypothetical Conditions**². We note the use of this/these hypothetical conditions(s) may have affected the assignment results:

- We note the property is currently encumbered by a ground lease that expires in 2028. HEART intends to renew this ground lease at a rate of \$1 per year upon expiration. We have valued the property as if it is already encumbered by the new ground lease.
- We note there is a community center lease that is coterminous with the ground lease that expires in 2028. HEART intends to renew this sublease for \$1 per year with expense reimbursements for their share of utilities. We have valued the property as if the new lease is in place.
- HEART intends to apply for a new regulatory agreement with new maximum allowable rents. At the request of the client, we have valued the property as if the tenants are leasing the units at the proposed maximum allowable rents.

The opinion of value expressed herein is subject to the certification, assumptions and limiting conditions, and all other information contained in the following written appraisal report.

Thank you for the opportunity to serve you.

Sincerely,



Bryson Young, MAI
Senior Managing Director
Certified General Real Estate Appraiser
CA License No. AG044713
bryson.young@boweryvaluation.com
(650) 334-5404



Sam Cimino
Vice President
Certified General Real Estate Appraiser
CA License No. AG3007042
sam.cimino@boweryvaluation.com
(408) 592-0697

¹ The definition of Extraordinary Assumptions can be found in the Glossary of Terms, which is located in the Addenda.

² The definition of Hypothetical Conditions can be found in the Glossary of Terms, which is located in the Addenda.

Summary of Salient Facts & Conclusions

8 Visitacion Avenue, Brisbane, CA



Salient Facts

Property

| | |
|----------------------|---------------------------------------|
| Property Name | A 14 Unit Affordable Housing Property |
| Address | 8 Visitacion Avenue |
| City | Brisbane |
| State | California |
| County | San Mateo |

| | |
|---|--------------------------------------|
| APN | 007-221-180 |
| Highest and Best Use - Vacant | Affordable Housing - Deed Restricted |
| Highest and Best Use - As Improved | Affordable Housing - Deed Restricted |
| Date of Inspection | January 20, 2026 |
| Report Date | January 28, 2026 |
| Effective Date(s) of Value | |
| Hypothetical | January 20, 2026 |

Building Characteristics

| | |
|--------------------------------|----------------|
| Property Type | Multifamily |
| GBA | 19,998 sq. ft. |
| Year Built | 2000 |
| No. of Floors | 2 |
| Residential Units | 14 |
| Occupancy | 100% |
| Condition | Average |
| Total Economic Life | 50 years |
| Effective Age | 20 years |
| Remaining Economic Life | 30 years |

Site Characteristics

| | |
|-------------------|----------------------------------|
| Site Area | 17,138 sq. ft. |
| Site Shape | Rectangular |
| Topography | Generally level at street grade |
| Zoning | (NCRO-2) Neighborhood Commercial |
| Flood Zone | Zone X |

Financial Indicators

| | Total | Per Unit |
|--------------------------------------|-------------|-----------|
| Potential Gross Income | \$324,215 | \$23,158 |
| Effective Gross Income | \$317,731 | \$22,695 |
| Operating Expense Ratio | 28% | - |
| Net Operating Income | \$230,072 | \$16,434 |
| Capitalization Rate | 7.00% | - |
| Stabilized Residential Occupancy | 98% | - |
| Income Capitalization Approach As Is | \$3,290,000 | \$235,000 |
| Sales Comparison Approach As Is | \$3,150,000 | \$225,000 |

Value Conclusion

Final Value Conclusion

| Value Premise | Date of Value | Interest Appraised | Value Conclusion |
|--------------------|------------------|--------------------|------------------|
| As Is Market Value | January 20, 2026 | Leasehold Interest | \$3,290,000 |

The value conclusions are subject to the following **Extraordinary Assumptions**³. We note the use of this/these extraordinary assumption(s) may have affected the assignment results. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions:

- None.

The value conclusions are based on the following **Hypothetical Conditions**⁴. We note the use of this/these hypothetical conditions(s) may have affected the assignment results:

- We note the property is currently encumbered by a ground lease that expires in 2028. HEART intends to renew this ground lease at a rate of \$1 per year upon expiration. We have valued the property as if it is already encumbered by the new ground lease.
- We note there is a community center lease that is coterminous with the ground lease that expires in 2028. HEART intends to renew this sublease for \$1 per year with expense reimbursements for their share of utilities. We have valued the property as if the new lease is in place.
- HEART intends to apply for a new regulatory agreement with new maximum allowable rents. At the request of the client, we have valued the property as if the tenants are leasing the units at the proposed maximum allowable rents.

³ The definition of Extraordinary Assumptions can be found in the Glossary of Terms, which is located in the Addenda.

⁴ The definition of Hypothetical Conditions can be found in the Glossary of Terms, which is located in the Addenda.

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Introduction

Purpose & Date of Value

| Value Premise | Date of Value | Interest Appraised |
|---------------------------|------------------|--------------------|
| Hypothetical Market Value | January 20, 2026 | Leasehold Interest |

Identification of the Client

HEART of San Mateo County has engaged Bowery Valuation and is Bowery Valuation's client for this assignment.

Intended Use & User

The Intended Use is for loan underwriting.

The Intended User is HEART of San Mateo County. This appraisal is not intended for any other use or user. No party or parties other than the intended user may use or rely on the information, opinions and conclusions contained in this report.

Property Rights Appraised⁵

In this appraisal we provide an opinion of Hypothetical Market Value of the leasehold interest.

Property History

According to public record, the owner of 8 Visitacion Avenue is BRIDGE Housing Corporation. The subject property has, to the best of our knowledge, not sold within the past three years.

We are aware of the contract for HEART to purchase this asset from BRIDGE Housing Corporation. This is not a traditional sale and is being treated more as a transfer of the existing remaining debt on the property. According to the buyer, the City of Brisbane sent out a call for offers of the improvements as BRIDGE wanted to offload the property. There were no other offers to purchase the asset. We are not aware of any additional bids, offers, or options to purchase for this asset.

We note the property is currently in the process of transferring ownership; however, this is not a typical sale. The property is ground leased and the current owner of the improvements wished to move on from the property. The City of Brisbane put out a call for offers and the buyer was the only interested party. We note that this is an assumption of existing debt, and not a true purchase. The remaining debt is \$4,285,886. We note the buyer, HEART, ordered this appraisal in order to determine the difference between the outstanding debt and the value of the property, if any. This was done in order to try to gain a debt forgiveness of the difference between the two. We note our concluded value is \$3,290,000, which is well below the existing debt.

⁵ The definitions of the various interests appraised can be found in the Glossary of Terms, which is located in the Addenda.

Exposure Time⁶

It is our opinion that given the current economic conditions, an exposure time for the subject property is between 6 months and 9 months. This conclusion is predicated on interviews with local brokers and other real estate industry sources, on information obtained in the verification process of recent sale transactions for similar properties, and our analysis of supply and demand forces in the local market. The value reported herein presumes such an exposure time.

Marketing Time⁷

It is our opinion that given the current economic conditions, a marketing time for the subject property is between 6 months and 9 months. This conclusion considers the property's relative market position, as well as our market value conclusion and it is predicated on interviews with brokers, other real estate industry sources and on information obtained in the verification process.

General Assumptions

Various estimates of gross building area/gross leasable area and net rentable area were provided by the owner/client and/or their agents. This opinion of value reported herein assumes that the data provided are the most recent and accurate.

We note that our appraisers are not experts in the following domains:

- **Technical Environmental Inspections:** No Environmental Site Assessment report was provided in conjunction with this appraisal. If a report is commissioned and there are any environmental issues uncovered, they could affect our opinion of value reported. We recommend the services of a professional engineer for this purpose.
- **Zoning Ordinances:** We recommend an appropriately qualified land use attorney if a definitive determination of compliance is required.
- **Building Inspections:** We recommend an inspection by a building engineer or professional property inspector if a more thorough examination of the subject's improvements is required. Any immediate expenditures that a trained professional may determine are needed, could affect our opinion of value reported.
- **Easements, Encroachments, and Restrictions:** Within our research and analysis we will examine the tax map, deed, legal description, and survey (if available) to determine the existence of any easements, encroachments or restrictions impacting the subject property. However, further research required to determine whether or not such restrictions exist is beyond the scope of this appraisal assignment. Deed restrictions are a legal matter and only a title examination by an attorney or title company can uncover such restrictive covenants. Thus, we recommend a title search to definitively determine if any such restrictions do exist.
- **Building Health and Fire Codes:** Our valuation assumes there are no known code violations.

⁶ The definition of *Exposure Time* can be found in the *Glossary of Terms*, which is located in the *Addenda*.

⁷ The definition of *Marketing Time* can be found in the *Glossary of Terms*, which is located in the *Addenda*.

Definition of Market Value⁸

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Scope of the Appraisal

Within the course of this assignment, we have:

- Inspected the building facade, exterior entrance, common areas and stairs of the subject property.
- Researched and investigated the location in terms of its economic activity, development patterns, and future trends and related their impact in the market.
- Determined the Highest and Best Use of the subject property based on an analysis of all relevant factors.
- Conducted a market survey of rent and vacancy levels of similar buildings.
- Analyzed the subject's operating expense history and projections, as well as expense reports of comparable properties, in order to accurately project the stabilized cash flow.
- Projected the net operating income under stabilized operation and applied a market-derived capitalization rate to develop an opinion of value by the income capitalization approach.
- Researched and analyzed sales of competitive assets and applied the techniques of the sales comparison approach in providing an opinion of value.
- Advanced an opinion of the Hypothetical market value of the identified interest.

Data Sources

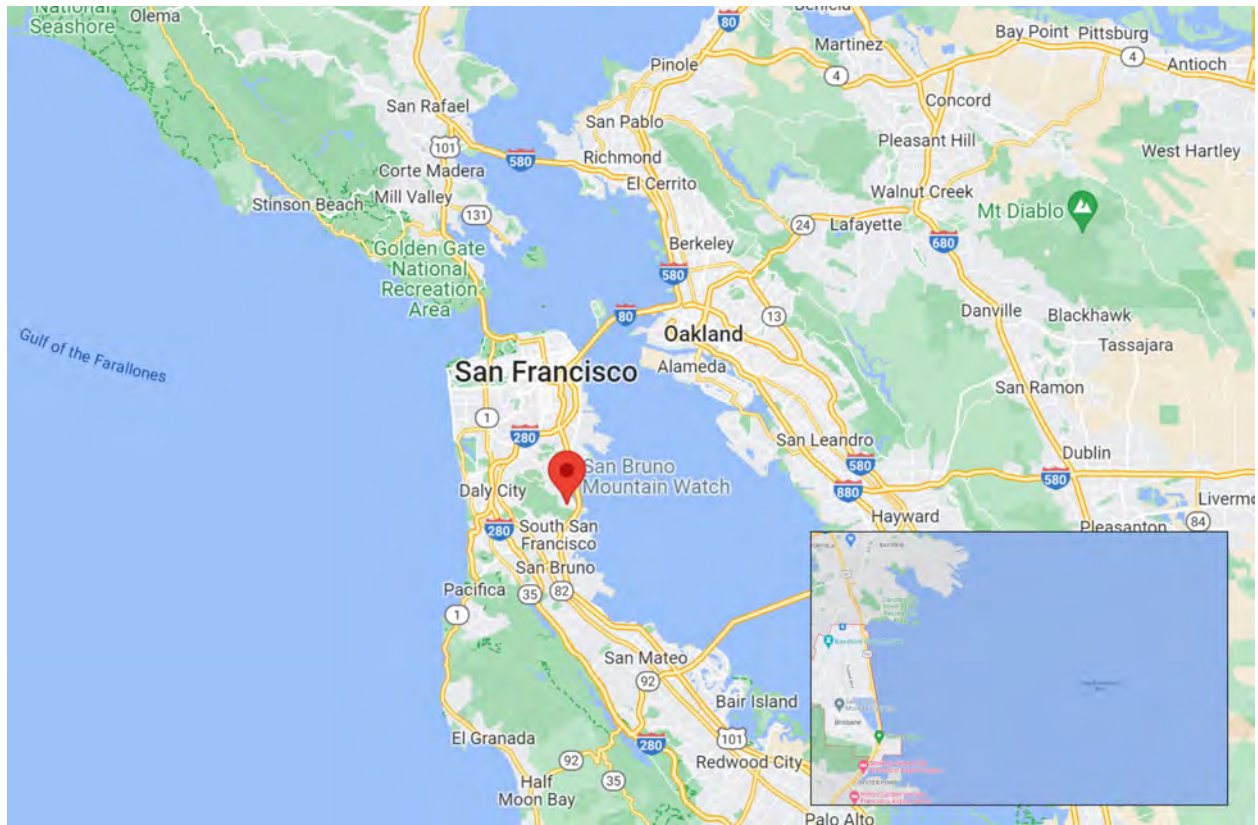
The data contained within this appraisal was compiled from market analysis utilizing the following sources (unless otherwise noted): the City Tax Assessor, state and county tax records, the Zoning Board, Claritas, CoStar, Attom, Federal Reserve, and FEMA. The subject photos were taken by Sam Cimino on 01/20/2026. When possible, we have confirmed the reported data with parties to the transactions or those who are intimately familiar with their critical details.

⁸ Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, April 9, 2018, page 77472

Resource Verification

| Data | Source/Verification |
|------------------------|---------------------------------------|
| Site Size | Public Record |
| Excess/Surplus Land | Tax Map |
| Gross Size/Units | Public Record |
| Residential SF | Appraiser's Estimate; Inspection |
| Number of Buildings | Inspection |
| Amenities | Inspection |
| Deferred Maintenance | Inspection |
| Area Analysis | Bureau of Labor Statistics |
| Income Data | Owner; Market Forecast |
| Expense Data | Owner; Expense Comparables |
| Comparable Rental Data | CoStar; Primary Source |
| Comparable Sales Data | CoStar; Public Record; Primary Source |

Neighborhood & Demographic Overview



Source: Google Maps

Brisbane at a Glance

Brisbane is a residential and semi-suburban community located in San Mateo County, California, approximately 10 miles south of Downtown San Francisco. The area features established neighborhoods, light industrial and commercial corridors, and preserved open-space areas, reflecting a mix of suburban development and low-density residential character. Streets are primarily lined with single-family homes, while smaller clusters of duplexes and townhomes are located near local commercial and service areas. Large-lot rural properties are limited, consistent with the community's suburban and semi-urban setting, though significant hillside open space and protected natural areas remain throughout the area.

Retail activity is concentrated along primary corridors such as Visitacion Avenue and Bayshore Boulevard, featuring grocery stores, restaurants, coffee shops, banks, and neighborhood service businesses. Additional retail and dining options are available in nearby communities including South San Francisco and Daly City, while larger regional shopping destinations such as Serramonte Center and downtown San Francisco are accessible within a short drive. Recreational amenities in Brisbane include community parks and extensive open-space preserves, offering walking trails, scenic overlooks, and outdoor recreation opportunities. The area is adjacent to larger regional parks and waterfront areas, providing access to hiking, biking, and outdoor activities. Community facilities support local programs and events, and public open spaces contribute to neighborhood recreation and gatherings.

Brisbane benefits from strong regional and local transportation access. Major corridors include Bayshore Boulevard and U.S. Highway 101, while nearby interstates provide efficient connections throughout the San Francisco Peninsula and the broader Bay Area. Public transportation is available via SamTrans bus service and nearby BART and Caltrain stations, linking the community to major employment centers and transit hubs. Passenger rail service is accessible through Caltrain, offering connections throughout the Peninsula and to San Francisco and San Jose. Air travel is served by San Francisco International Airport (SFO) and Oakland International Airport (OAK), providing extensive domestic and international flight options.

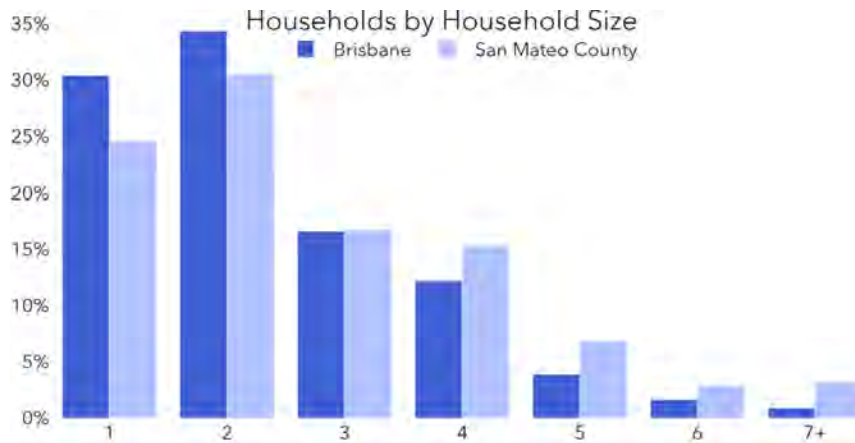
Population

The following demographic profile, including all of the following charts, were created with data from the U.S. Census Bureau, reflecting the subject's municipality and point of comparison. As of the 2010 Census, Brisbane had a population of 4,282 people and 1,821 households. 2020 Census data shows its population has grown by 1.3% per year to 4,851 residents.

Population and Household Growth

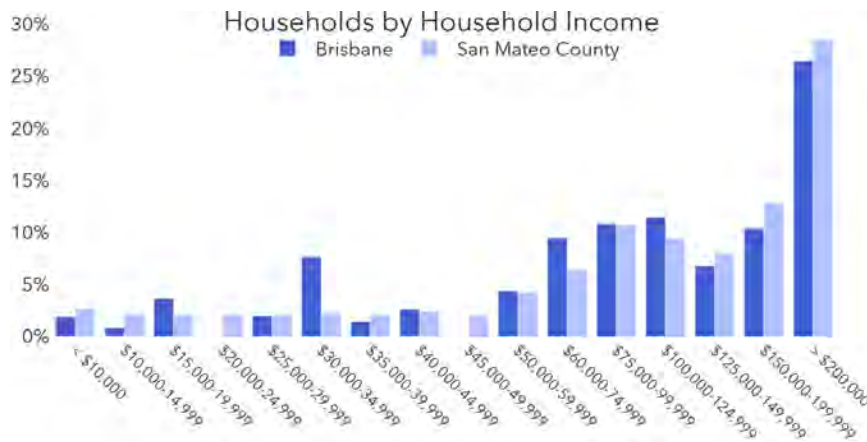
| | Area | 2010 Census | 2020 Census | Annual % Change | 2025 Forecast |
|------------|------------------|-------------|-------------|-----------------|---------------|
| Population | Brisbane | 4,282 | 4,851 | 1.3% | 5,182 |
| | San Mateo County | 718,451 | 764,442 | 0.6% | 789,225 |

Households in Brisbane are, on average, smaller than those in San Mateo County. Households in Brisbane have an average size of 2.34 people, compared to 2.75 people in San Mateo County. 2 person households account for the largest share in both Brisbane and San Mateo County.



Source: U.S. Census Bureau

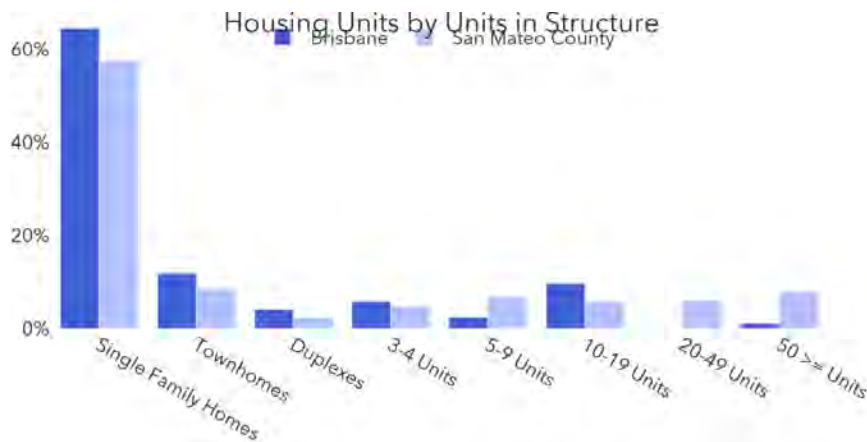
Households in Brisbane have a lower median income than those in San Mateo County. Households in Brisbane have a median income of \$112,016, compared to \$122,641 for households in San Mateo County. The chart below indicates the share of households by income brackets. In both Brisbane and San Mateo County, the most common household income is \$200k or higher.



Source: U.S. Census Bureau

Housing

Single-family homes, followed by townhomes then 10-19-unit properties account for the most common forms of housing in Brisbane. 64% of the housing units in Brisbane are occupied by their owner. This percentage of owner-occupation is higher than the San Mateo County level of 59%.

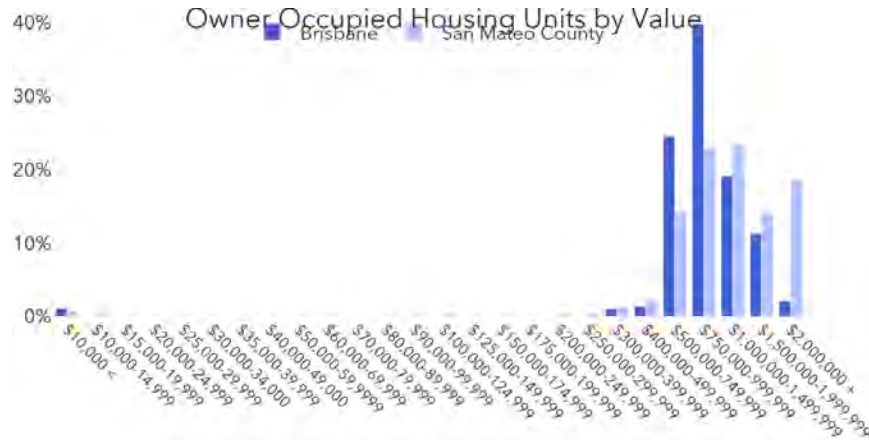


Source: U.S. Census Bureau



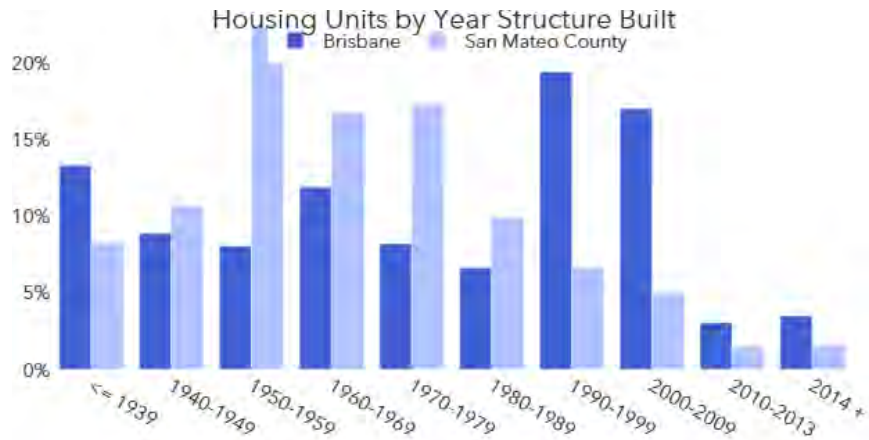
Source: U.S. Census Bureau

Homes in Brisbane have a median value of \$889,200, compared to \$1,089,400 for San Mateo County. In Brisbane, the most common home value is between \$750k - \$1 million, compared to between \$1 million - \$1.5m for San Mateo County.



Source: U.S. Census Bureau

Homes in Brisbane have a median year built of 1980, compared to 1965 for San Mateo County. In Brisbane, the largest share of homes were built between 1990-1999, compared to between 1950-1959 for San Mateo County.

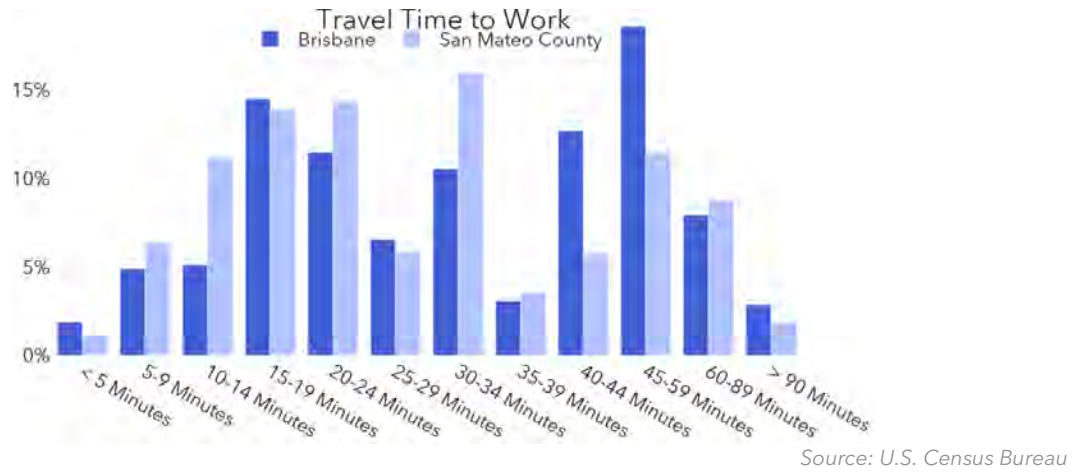


Source: U.S. Census Bureau





Transportation

In Brisbane, the majority of residents drive alone with 70% choosing to do so. The second most common method is public transit with 10%.

Commuters in Brisbane have a median commute time of about 32 minutes. In Brisbane, the most common commute time is between 45-59 minutes, compared to 30-34 minutes for San Mateo County.



Transportation Methods

-  Brisbane benefits from strong regional and local transportation access. Major corridors include Bayshore Boulevard and U.S. Highway 101, while nearby interstates provide efficient connections throughout the San Francisco Peninsula and the broader Bay Area.
-  Passenger rail service is accessible through Caltrain, offering connections throughout the Peninsula and to San Francisco and San Jose.
-  Public transportation is available via SamTrans bus service and nearby BART and Caltrain stations, linking the community to major employment centers and transit hubs.
-  Air travel is served by San Francisco International Airport (SFO) and Oakland International Airport (OAK), providing extensive domestic and international flight options.

Conclusion

Brisbane is a city in San Mateo County, California with access to US highways, public transportation, a range of housing options, recreational amenities, and businesses and retailers for everyday use. Brisbane has experienced moderate population growth over the past decade, a trend that will likely continue in the near term.

Zoning Summary

8 Visitacion Avenue is in a (NCRO-2) Neighborhood Commercial zone. Below is a summary of the subject property's compliance with regard to use and bulk regulations.

Zoning Summary

| Authority | Classification |
|---|----------------------------------|
| Property Jurisdiction | Brisbane ⁹ |
| Existing Zoning Classification | (NCRO-2) Neighborhood Commercial |
| Special Permitting or Condition(s) (i.e., site plan approval, PUD, or other variance) | None known |

Summary of Use and Bulk Regulations

| | Permits | Status |
|---------------------------------|--|------------|
| Current Use | Accessory dwelling units and junior accessory dwelling units associated with an existing or proposed single family dwelling duplex or multiple family dwelling, financial institutions, home occupations, large family day care homes in a dwelling unit if part of a mixed use development, medical facilities, offices, personal services, restaurants, retail sales and rental, and small family day care homes in a dwelling unit if part of a mixed use development | Conforming |
| Minimum Lot Size | 2500 | Complying |
| Minimum Lot Width / Frontage | 25 | Complying |
| Maximum Height Of Structures Ft | 28, Authorized by a design permit: 35 | Complying |
| Minimum Front Setback Ft | No requirement (0) | Complying |
| Minimum Side Setback Ft | No requirement (0), Abutting any residential district: 10 | Complying |
| Rear Setback | 10 | Complying |
| Density Of Development | Density of Residential Use: Dwelling unit density in a mixed use shall be established by use permit | Complying |
| Min. Parking Required | 14 | Complying |

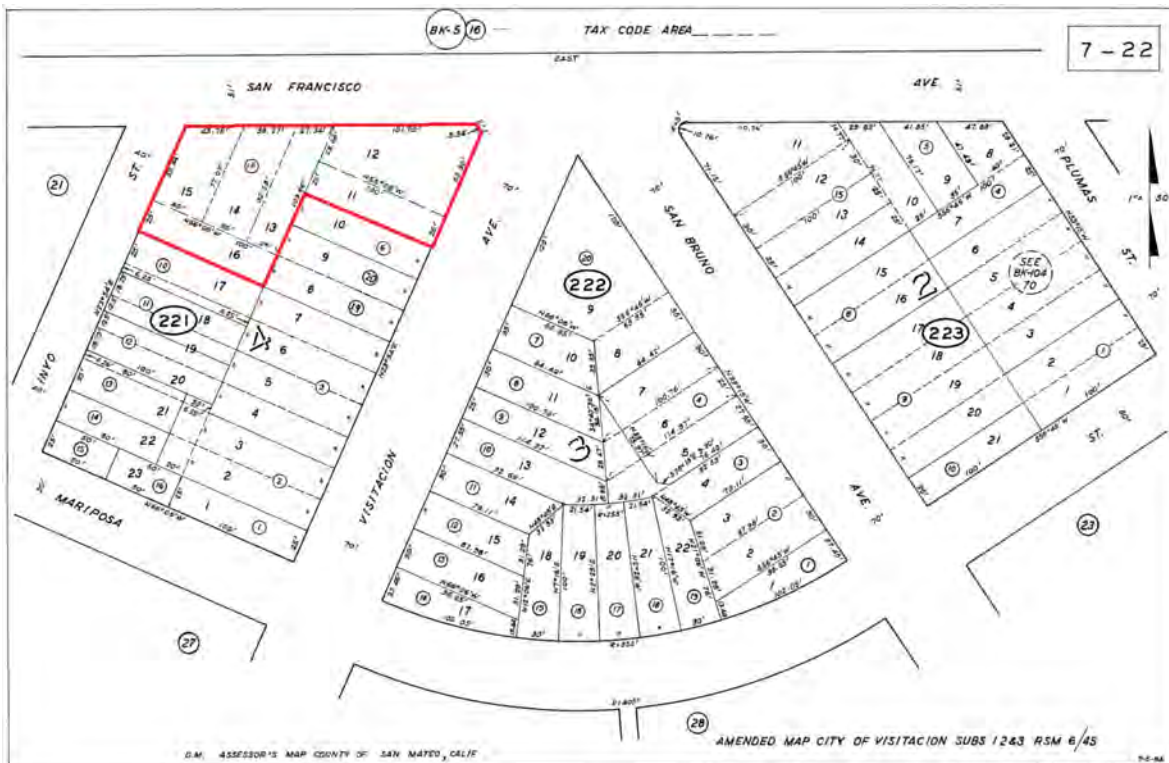
The (NCRO-2) Neighborhood Commercial zone permits accessory dwelling units and junior accessory dwelling units associated with an existing or proposed single family dwelling duplex or multiple family dwelling, financial institutions, home occupations, large family day care homes in a dwelling unit if part of a mixed use development, medical facilities, offices, personal services, restaurants, retail sales and rental, and small family day care homes in a dwelling unit if part of a mixed use development as of right. 8 Visitacion Avenue is a multifamily property, is conforming with regards to the allowable uses.

The subject is complying with regards to bulk regulations.

Based on the subject's current zoning regulations, 14 parking spaces are required on the subject property. The subject has 14 available and is complying with regards to parking regulations.

⁹ The zoning map can be found in the Map Gallery, which is located in the Addenda.

Assessed Value & Real Estate Taxes



Current Tax Liability

Real property in California is assessed at a county level. With the passing of Proposition 13 in 1978, property taxes are limited in California to 1% of the assessed value plus local voter-approved bonded indebtedness and special assessments. Proposition 13 also provides for a maximum taxable assessment increase of 2.0% per year unless ownership to the respective property has been transferred or significant new construction occurs. When real property is sold, it becomes uncapped and the taxable assessed value is set at the sale price, and the 2.0% yearly cap becomes applicable for future years. The current real estate tax amount has been capped as described by Proposition 13. A sale of the subject would trigger a reassessment and increased real estate taxes if it sold for a price consistent with the value conclusions presented in this report. The table below outlines the current assessed value for the subject property.

Final Tax Assessment

| | Actual |
|--------------|---------------|
| Land | \$0.00 |
| Building | + |
| Total | \$0.00 |

Tax Liability

| | | Total | PSF |
|--|---|----------------|---------------|
| Taxable Assessed Value | | \$0.00 | \$0.00 |
| Tax Rate (Brisbane - Brisbane Class, 2019) | × | 0% | 0% |
| Special Assessment Row | | \$20.82 | \$0.00 |
| Tax Liability | | \$20.82 | \$0.00 |

We note the property is 100% affordable and deed restricted. Ownership is only responsible for special assessments as the property is fully tax exempt.

Projected Tax Liability

In order to determine the projected tax liability, we have applied a tax rate of 0% to our projection of the assessed value.

We note the property is 100% affordable and is tax exempt. The only taxes ownership pays are the special assessments, which are projected at \$20.82 annually.

| | | Total | PSF |
|--|---|--------------|---------------|
| Taxable Assessed Value (Provided) | | \$2,332,684 | \$116.65 |
| Tax Rate (Brisbane - Brisbane Class, 2019) | × | 0% | 0% |
| Special Assessment Row | | \$20.82 | \$0.00 |
| Tax Liability (Projected) | | \$21 | \$0.00 |

Site Description



| | |
|-----------------------------|--|
| Location | The subject property is located along Visitation Avenue in the Brisbane neighborhood of Daly City Brisbane. |
| Surrounding Uses | It is located on a primarily residential and commercial block. |
| Transportation | |
| Site Area | 17,138 square feet |
| Shape | Rectangular |
| Frontage | Visitation: 90 feet San Francisco: 210 feet Inyo: 84 feet |
| Access | The primary access is from Visitation Avenue |
| Topography | Generally level at street grade |
| Drainage | Assumed adequate |
| Paving | All roads are paved with asphalt and are in satisfactory condition. |
| Street Lighting | Adequate |
| Hazardous Substances | We observed no evidence of toxic or hazardous substances during our inspection of the site. However, environmental issues are beyond our scope of expertise. It is assumed that the property is not adversely affected by environmental hazards. |

| | |
|---|--|
| Easements, Encroachments, and Restrictions | We did not receive a title report. We know of no deed restrictions, private or public, that further limit the subject property's use. It is noted that any further research required to determine whether or not such restrictions exist, is beyond the scope of this appraisal assignment. Our valuation assumes no adverse impacts from easements, encroachments or restrictions, and further assumes that the subject has clear and marketable title. |
| Seismic Hazards (Earthquake) | All properties in California are subject to some degree of seismic risk. The Alquist-Priolo special Studies Zone Act of 1972 was enacted by the State of California to regulate development near active earthquake faults. The Act required the State Geologist to delineate "special studies zones" along known active faults in California. Cities and Counties affected by the identified zones must limit certain development projects within the zones unless geologic investigation demonstrates that the sites are not threatened by surface displacement from future faulting. According to "Fault-Rupture Hazard Zones in California" published in 2018 by the California Department of Conservation, Department of Mines and Geology, the subject is not within an area affected by the Alquist-Priolo Special Studies Zone Act. Related development limitations do not apply. The subject is not within 1,000 feet of a Alquist Priolo earthquake zone. |
| Utilities & Services | Water/Sewer and Refuse - City Police & Fire Protection - City Gas - PG&E Electricity - PG&E |
| Flood Hazard Status | According to National Flood Insurance Program Rate Map dated April 5, 2019 Community Panel #06081C0042F the subject is located within a Zone X flood zone. Zone X is an area of minimal flooding. These areas are determined to be outside the 500-year floodplain and are determined to be outside the 1% and 0.2% annual chance floodplains. |
| Conclusion | The site is similar to others in the vicinity, and there are no known negative external factors. Based on its current use, it is functionally adequate. |

Ground Lease

The subject property is currently encumbered by a ground lease with The Redevelopment Agency of the City of Brisbane and BRIDGE Housing. The lease is set to expire in 2028. The existing rental agreement states that ground rent payments consists of any surplus cash associated with the operation of the property; however, to the best of our knowledge, no ground rent payments have ever been made.

HEART, the pending buyer of the property, intends to sign a new 55 year ground lease once the property is transferred to them. The lease rate for this ground lease will be \$1 per year. At the request of the client, we have provided the hypothetical value of the subject property under the terms of this new ground lease agreement. While there is no official documentation of this lease agreement it is currently in the works and will be finalized before the expiration of the existing lease agreement.

Description of Improvements

Building Description

The subject is a 2-story, walk-up, multifamily building consisting of 14 residential units with 19,998 square feet of gross building area. The property is currently operating as an affordable senior housing project property and consists of twelve, 1 BR / 1 BA units and two, 2 BR / 1 BA units. All of the units are deed restricted. Upon transfer of the property, HEART will update the rent restriction levels to include three 30% AMI units, one 50% AMI unit, six 60% AMI units, and four 120% AMI units.

The property is currently encumbered by a ground lease with The Redevelopment Agency of the City of Brisbane. The existing ground lease expires in 2028. Based on the provided ground lease, the rental payments consist of any surplus cash associated with the operation of the property; however, there have reportedly never been any payments on the ground lease as there has never been surplus cash over the life of the lease. The current owner, BRIDGE, intends to sell the property to HEART of San Mateo County. We note that this is not a traditional sale as HEART will essentially be assuming the remaining debt on the property. HEART is currently finalizing a new ground lease which will be \$1 per year that will commence upon the existing ground lease expiration. The project also features a senior community center that is subleased for \$1 per year. We note this sublease expires along with the existing ground lease and will be renewed upon expiration for \$1 to match the 55 year term of the new ground lease. This community center has been treated as an amenity given the lack of income associated with the space. Overall, the property is considered to be in average condition.

It was built in 2000.

Building Inspection

On January 20, 2026, Sam Cimino of Bowery Valuation conducted an interior and exterior inspection of the subject property. The inspection included a tour of the building facade, exterior entrance, common areas, and stairs. We were able to inspect the stairs and they are in average condition. We were unable to inspect the roof, but assume it is in average condition. Nevertheless, we recommend a roof inspection by a qualified professional. Moreover, we did not observe any hazardous substances on the improvements or adverse environmental or physical conditions.

Unit Inspection

We inspected 3 one-bedroom units and 1 two-bedroom unit.

Structural, Utilities & Mechanicals

Structural

| | |
|--------------------------|--|
| Foundation | Poured concrete |
| Structural System | We assume the structural system is adequate. |
| Exterior Walls | Stucco |
| Windows | Sliding |
| Roof | Flat built-up roof |

Utilities

| | |
|--------------------|--|
| Electricity | Individual electric meters are located outside. |
| Hot Water | Central hot water heater system located in the utility room. |

Gas Individual gas meters are located outside.
Heating/Cooling HVAC system located in the unit for heating and cooling.

Mechanicals

Elevators None
Plumbing We assume the plumbing is adequate and meets local building code requirements.
Sprinklers None

Layout & Finishes

Basement/Cellar The subject does not contain a basement or a cellar.
Entry & Hallways We have not inspected the entryway and interior hallways, but we assume they are in satisfactory condition.
Laundry The subject contains a laundry room as well as in unit washer/dryers.
Stairwell There are exterior staircases that runs from the ground floor to the 2nd floor.
Security Door locks

Amenities

Building Amenities

Laundry Room There is a laundry room in the building with leased washers and dryers.
Storage Units There are no storage units in the building.
Parking There are 14 parking spaces on the property site.
Shared Recreation Room The building features a shared recreation room.

Unit Amenities

Washer/Dryer All units have washer/dryer hookups.

Residential Unit Finishes

We note that the finishes vary depending on the tenure of the in-place tenants and how recently the unit was renovated.

Kitchens The units generally feature average quality kitchen finishes relative to typical units in similar walk up buildings in the area. The units typically contain linoleum flooring, laminate counter tops, natural wood cabinets, standard oven range stovetops, and standard refrigerators.

Bathrooms The units generally feature average quality bathroom finishes relative to typical units in similar walk up buildings in the area. The units typically contain vinyl tile flooring, bathtub shower combo tubs, laminate top set in cabinet sinks, and ceramic toilets.

Bedrooms The units generally feature average quality bedroom finishes relative to typical units in similar walk up buildings in the area. The units typically contain vinyl plank and carpet flooring, and sheet rock walls.

Living Area The units generally feature average quality living room finishes relative to typical units in similar walk up buildings in the area. The units typically contain vinyl plank and carpet flooring, and sheet rock walls.

Residential Unit Distribution Summary

| Unit Type | No. of Units | Avg. SF/Unit | Total Leasable SF |
|-----------------------|---------------------|---------------------|--------------------------|
| 1 BR 120% AMI | 3 | 696 | 2,089 |
| 1 BR 30% AMI | 3 | 694 | 2,083 |
| 1 BR 50% AMI | 1 | 695 | 695 |
| 1 BR 60% AMI | 5 | 726 | 3,632 |
| 2 BR 120% AMI | 1 | 833 | 833 |
| 2 BR 60% AMI | 1 | 833 | 833 |
| Totals/Average | 14 | 726 | 10,165 |

Condition, Deferred Maintenance & Remaining Economic Life

Condition

Based on our inspection, the subject is in average condition. The subject was constructed in 2000 and adequately maintained over the years.

Deferred Maintenance

No Property Condition Report was given in conjunction with this appraisal.

The subject is in average condition. During our visit to the building, we noticed no significant items of deferred maintenance.

Remaining Economic Life

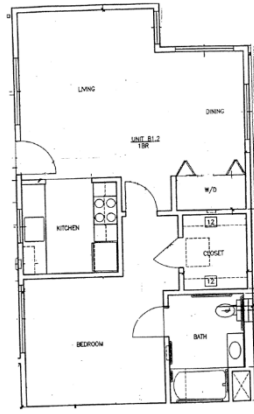
While the improvements were originally constructed in 2000 and adequately maintained over the years, we estimate the effective age to be 20 years; given a useful life of 50 years, the remaining economic life of the building is estimated as 30 years.

Summary

The subject was constructed in 2000 and adequately maintained over the years. Based on our inspection, the subject is in average condition. The building features a functional design with typical site coverage. No significant functional obsolescence was noted during our inspection. The layout, site coverage of the improvements and positioning of the improvements as well as the construction quality of the improvements, interior layout, building mechanicals, building-wide and unit amenities and finishes are functional by market standards.

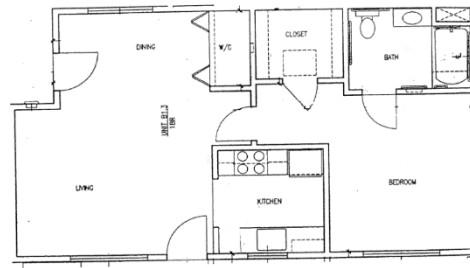
Floor Plans

Floor Plans



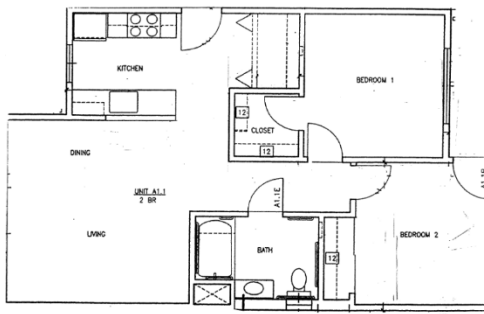
1 Bedroom Type F
718 Square Feet
Unit(s) B1.2

Floor Plans



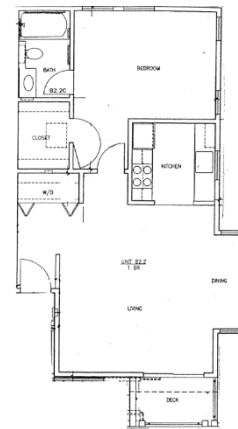
1 Bedroom Type G
699 Square Feet
Unit(s) B1.3

Floor Plans



2 Bedroom Type A
833 Square Feet
Unit(s) A1.1, A1.2

Floor Plans



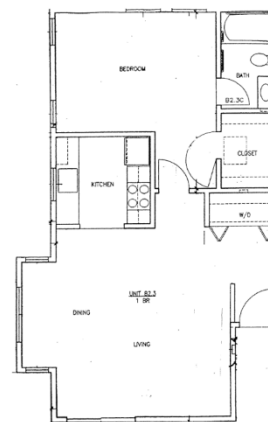
1 Bedroom Type A
763 Square Feet
Unit(s) B2.2

Floor Plans



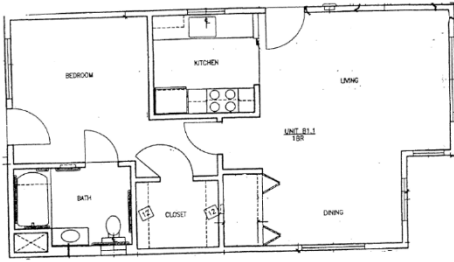
1 Bedroom Type C
694 Square Feet
Unit(s) A2.1, A2.2

Floor Plans



1 Bedroom Type D
761 Square Feet
Unit(s) B2.3

Floor Plans

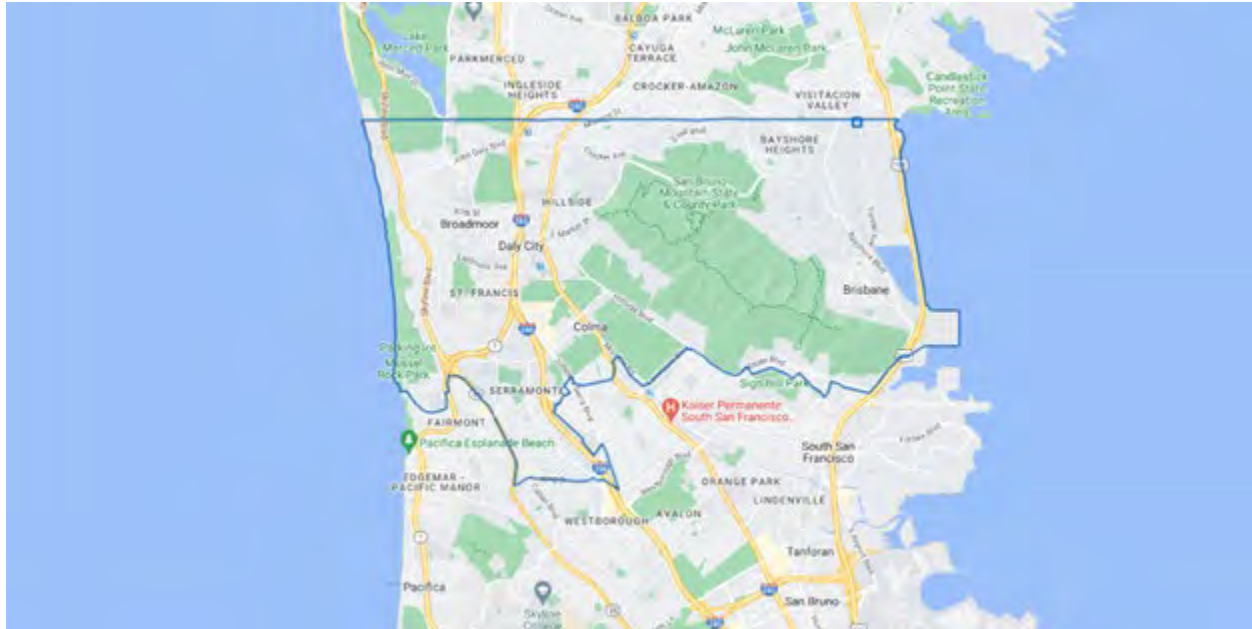


1 Bedroom Type E
695 Square Feet
Floorplan R1.1, R2.1

Submarket Analyses

Daly City/Brisbane: Multifamily Submarket Analysis

The information contained in this report was provided using 2025 Q3 CoStar data for the Daly City/Brisbane Multifamily Submarket ("Submarket") located in the San Francisco Market ("Market").



Overview

The subject property is in the Daly City/Brisbane Submarket of the San Francisco Market, defined in the map above. This Submarket accounts for 4.1% of the Markets total inventory with 7.8k units. In the Daly City/Brisbane Submarket, demand remains strong with vacancy rates down yoy and over the past quarter, decreasing -163 bps yoy to 1.6%. Despite this, rents are up 4.19% over the past year, increasing 1.44% in the latest quarter. Despite positive fundamentals, values decreased -1.5% over the past year after negative growth in the latest quarter, ultimately decreasing to \$426,483/unit.

Sector Fundamentals

| | Daly City/Brisbane | YoY | QoQ | San Francisco | YoY | QoQ |
|----------------------|--------------------|----------|---------|---------------|----------|---------|
| Market Rent/Unit | \$2,629 | 4.19% | 1.44% | \$3,302 | 6.33% | 0.92% |
| Vacancy Rate | 1.64% | -163 bps | -61 bps | 4.39% | -164 bps | -44 bps |
| Net Absorption Units | 47 | 30.6% | 571.4% | 1,012 | 20.8% | -11.5% |
| Asset Value/Unit | \$426,483 | -1.5% | -0.8% | \$527,529 | 0.1% | 0.3% |
| Market Cap Rate | 4.37% | 9 bps | 1 bps | 4.55% | 4 bps | -1 bps |
| Transaction Count | 2 | 100% | 100% | 65 | 18% | -54% |
| Sales Volume | \$16,056,000 | 703% | 173% | \$621,298,112 | 33% | -22% |

The table below presents historical performance of key indicators for multifamily space in the Submarket including inventory & construction levels, net absorption, vacancy & availability, rental rates, pricing, and cap rates.

Historical Multifamily Performance: Daly City/Brisbane Submarket

| Period | Inventory Units | Under Construction Units | Net Delivered | | Vacancy Rate | Market Effective Rent/Unit | Asset Value/Unit | Market Cap Rate |
|---------|-----------------|--------------------------|---------------|------------------------|--------------|----------------------------|------------------|-----------------|
| | | | Units 12 Mo | Absorption Units 12 Mo | | | | |
| 2025 Q3 | 7,776 | 214 | 0 | 126 | 1.6% | \$2,629 | \$426,483 | 4.37% |
| 2025 Q2 | 7,776 | 0 | 0 | 115 | 2.2% | \$2,592 | \$429,994 | 4.36% |
| 2024 | 7,776 | 0 | 816 | 904 | 3.0% | \$2,528 | \$428,928 | 4.32% |
| 2023 | 6,960 | 816 | 0 | 115 | 4.6% | \$2,404 | \$485,782 | 4.18% |
| 2022 | 6,960 | 816 | 0 | 150 | 6.2% | \$2,401 | \$548,986 | 3.64% |
| 2021 | 6,960 | 0 | 0 | 139 | 8.4% | \$2,372 | \$612,465 | 3.23% |
| 2020 | 6,960 | 0 | 0 | -285 | 10.4% | \$2,219 | \$537,002 | 3.49% |
| 2019 | 6,960 | 0 | 0 | 55 | 6.3% | \$2,418 | \$550,749 | 3.51% |
| 2018 | 6,960 | 0 | 0 | -11 | 7.1% | \$2,393 | \$523,738 | 3.57% |
| 2017 | 6,960 | 0 | 0 | -47 | 6.9% | \$2,317 | \$483,516 | 3.67% |
| 2016 | 6,960 | 0 | 0 | -55 | 6.2% | \$2,278 | \$460,635 | 3.71% |
| 2015 | 6,960 | 0 | 0 | -35 | 5.5% | \$2,295 | \$437,080 | 3.73% |

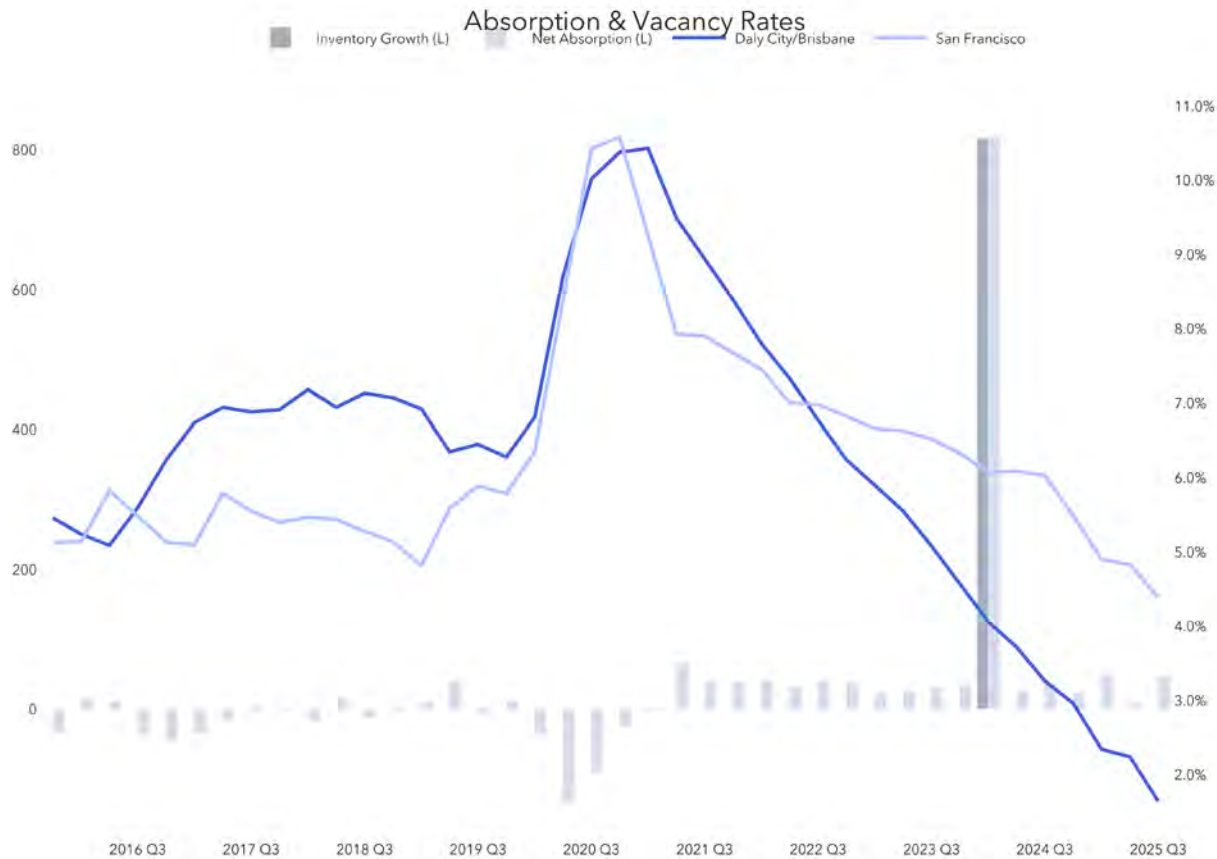
Supply & Demand

The Submarket has 7.8k units of multifamily space, and developers have added, net of demolitions, 816 units over the past ten years, increasing inventory by 11.7% during that time.

Although demand has declined, in the absence of inventory growth, vacancy rates have compressed 163 bps over the past year from 3.3% to 1.6%, remaining below the 10-year average of 6.3%, and below the Market average by 275 bps. With 47 units absorbed in 2025 Q3, vacancy rates have compressed 61 bps over the past quarter. In the third quarter, multifamily tenants in the Submarket absorbed 47 units, an increase from the 7 units absorbed in 2025 Q2, and an improvement from the 36 units absorbed in the same quarter last year.

Vacancy Rates

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 Q2 | 2025 Q3 |
|-----------|-------|-------|------|------|------|-------|-------|------|------|------|---------|---------|
| - | | | | | | | | | | | | |
| National | 6.3% | 6.6% | 6.8% | 6.6% | 6.6% | 6.8% | 5.1% | 6.6% | 7.8% | 8.3% | 8.2% | 8.2% |
| Market | 5.1% | 5.1% | 5.4% | 5.1% | 5.8% | 10.6% | 7.7% | 6.8% | 6.3% | 5.5% | 4.8% | 4.4% |
| Submarket | 5.5% | 6.2% | 6.9% | 7.1% | 6.3% | 10.4% | 8.4% | 6.2% | 4.6% | 3.0% | 2.2% | 1.6% |
| Class A | 12.6% | 10.2% | 7.9% | 6.2% | 3.5% | 7.8% | 4.5% | 4.1% | 5.3% | 6.0% | 4.3% | 2.2% |
| Class B | 6.8% | 8.1% | 9.2% | 9.2% | 7.7% | 13.1% | 11.0% | 8.1% | 5.2% | 2.4% | 1.7% | 1.0% |
| Class C | 3.6% | 4.1% | 4.4% | 4.8% | 4.9% | 7.7% | 5.9% | 4.4% | 3.9% | 3.6% | 3.1% | 2.6% |



Source: CoStar

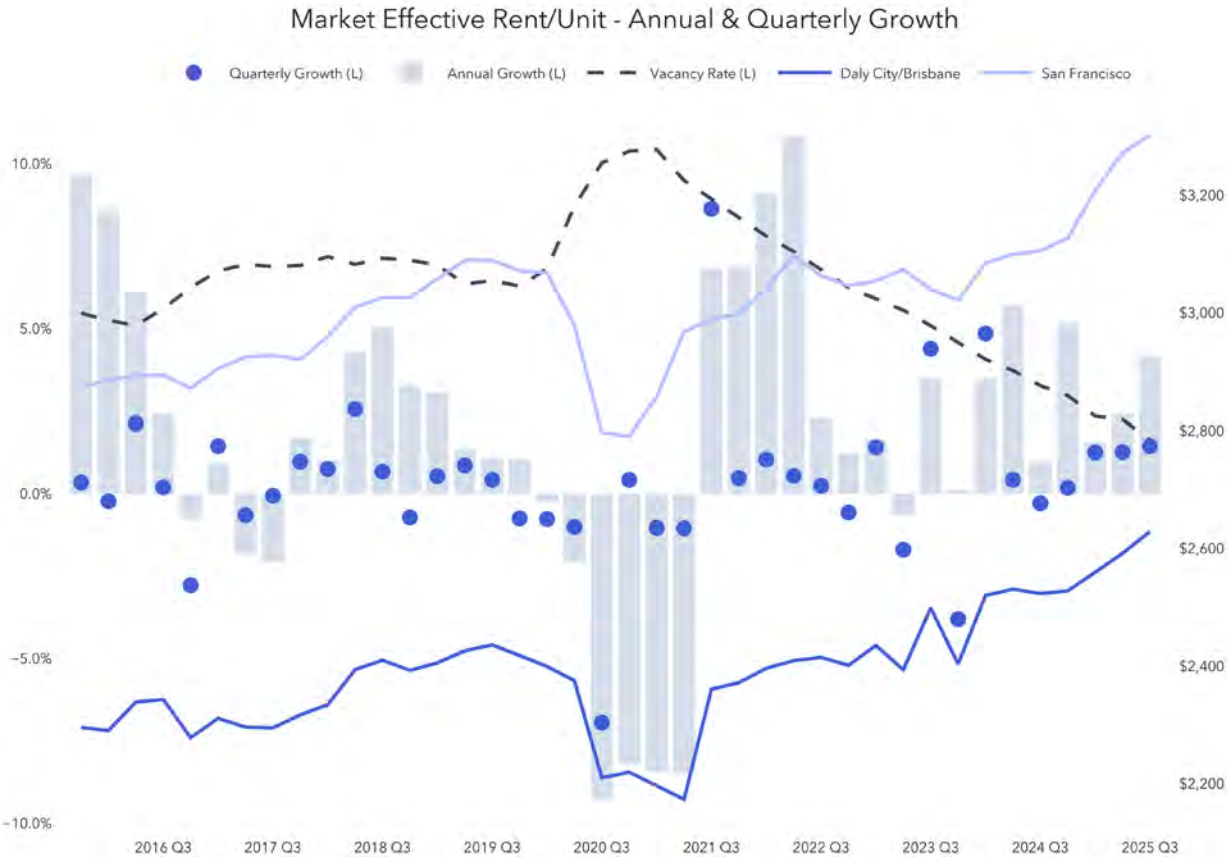
Rents

At \$2,629/unit, rents in the Daly City/Brisbane Submarket are roughly 20% lower than the Market average of \$3,302/unit. Rents vary throughout the Submarket. Class A apartment units are a premium with an average effective rent rate of \$3,237/unit, followed by \$2,718/unit for Class B and \$2,405/unit for Class C units. Rents in the Submarket have increased 1.45% per annum over the past decade, falling short of the Market average, where rents increased 1.49% per annum during that time.

Market Rents

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 Q2 | 2025 Q3 |
|-----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| - | | | | | | | | | | | | |
| National | \$1,309 | \$1,341 | \$1,374 | \$1,419 | \$1,468 | \$1,482 | \$1,630 | \$1,695 | \$1,711 | \$1,729 | \$1,758 | \$1,746 |
| Market | \$2,873 | \$2,871 | \$2,921 | \$3,026 | \$3,071 | \$2,791 | \$2,998 | \$3,046 | \$3,022 | \$3,127 | \$3,272 | \$3,302 |
| Submarket | \$2,295 | \$2,278 | \$2,317 | \$2,393 | \$2,418 | \$2,219 | \$2,372 | \$2,401 | \$2,404 | \$2,528 | \$2,592 | \$2,629 |
| Class A | \$3,192 | \$3,211 | \$3,230 | \$3,228 | \$3,214 | \$3,128 | \$3,163 | \$3,191 | \$3,200 | \$3,204 | \$3,212 | \$3,237 |
| Class B | \$2,377 | \$2,315 | \$2,338 | \$2,417 | \$2,432 | \$2,179 | \$2,395 | \$2,433 | \$2,415 | \$2,588 | \$2,673 | \$2,718 |
| Class C | \$2,062 | \$2,132 | \$2,203 | \$2,279 | \$2,327 | \$2,229 | \$2,263 | \$2,275 | \$2,318 | \$2,355 | \$2,380 | \$2,405 |

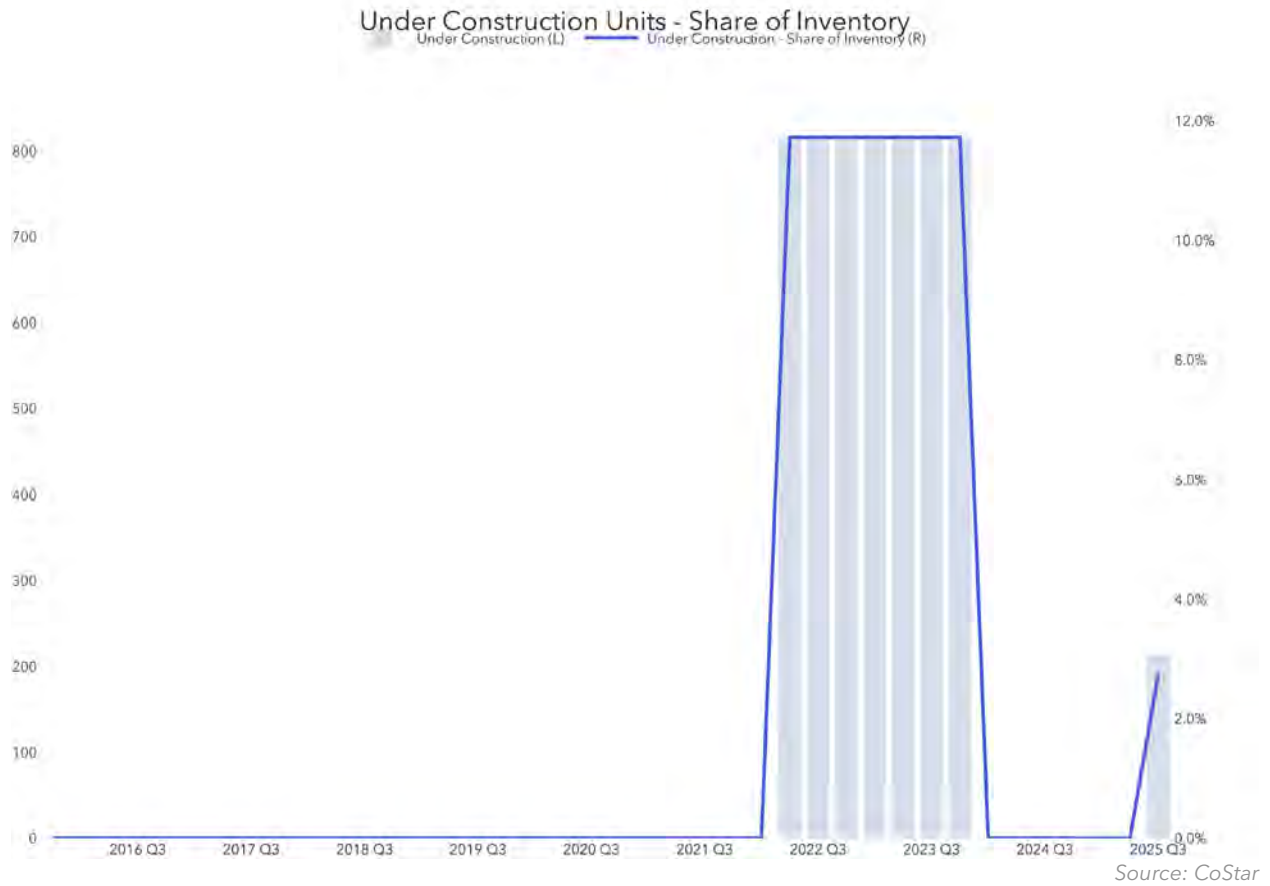
Prior to the pandemic, the Daly City/Brisbane Multifamily Submarket experienced softening rent growth. In 2019 Q4, annual rent growth in the Submarket softened below the previous quarter, and was below the historical average, with annual growth of 1.05%. In 2020 Q2, quarterly rent growth fell to -1.0%. By the end of 2020, rents had fallen 8.21% from the 2019 Q4 rent level of \$2,418/unit. From 2019 Q4 to 2021 Q4, rents decreased 1.90%. Quarterly rent growth in 2025 Q3 increased 1.44%, pushing annual growth to 4.19%.



Source: CoStar

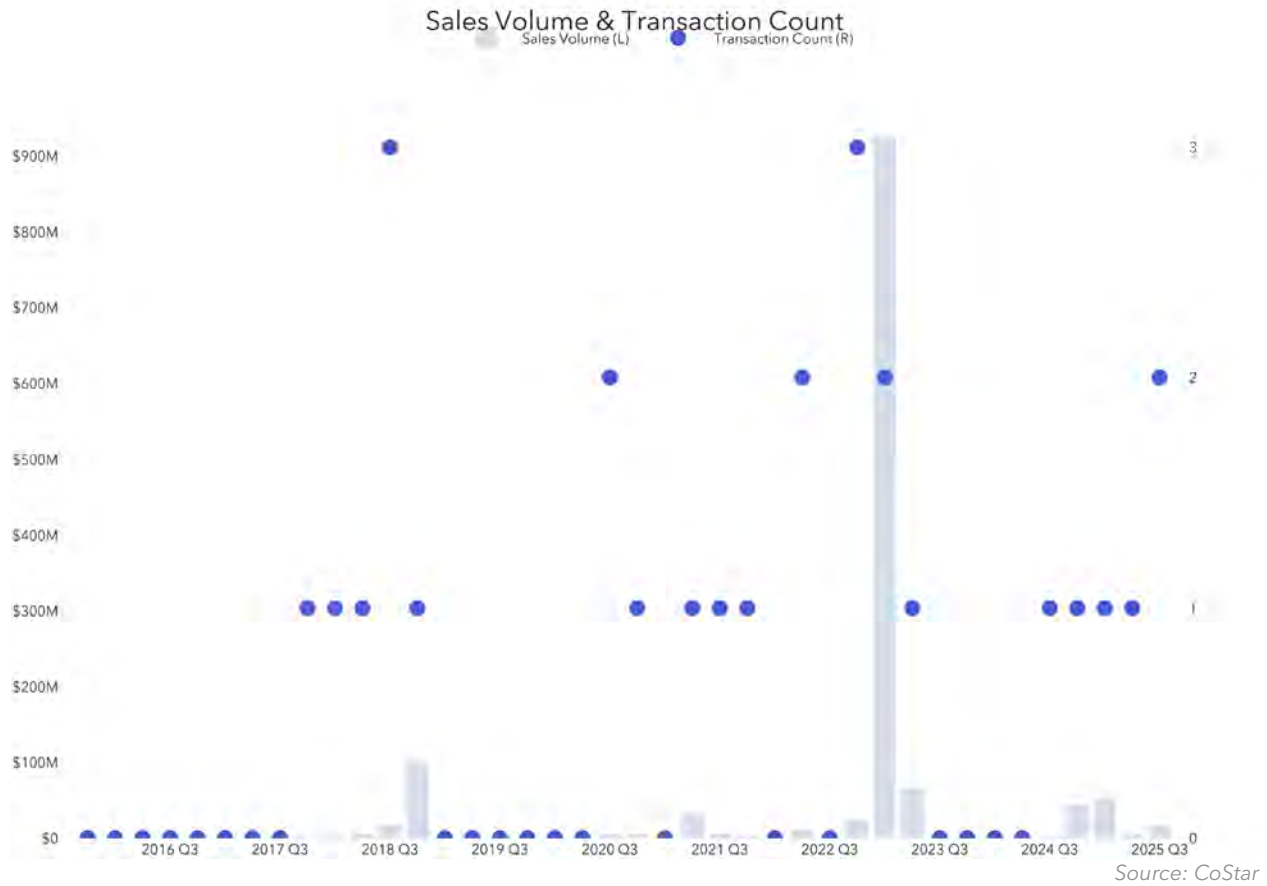
Construction & Future Supply

Data from CoStar indicates that developers have been inactive for much of the past ten years. In fact, they have added just 816 units to the Submarket during that time period. Developers remain active in the Submarket despite elevated construction and debt costs. In fact, developers are currently active with 214 units, or the equivalent of 2.8% of existing inventory, underway. Demand in the Daly City/Brisbane Submarket has outpaced new deliveries over the past year but could slow along with softening economic growth.

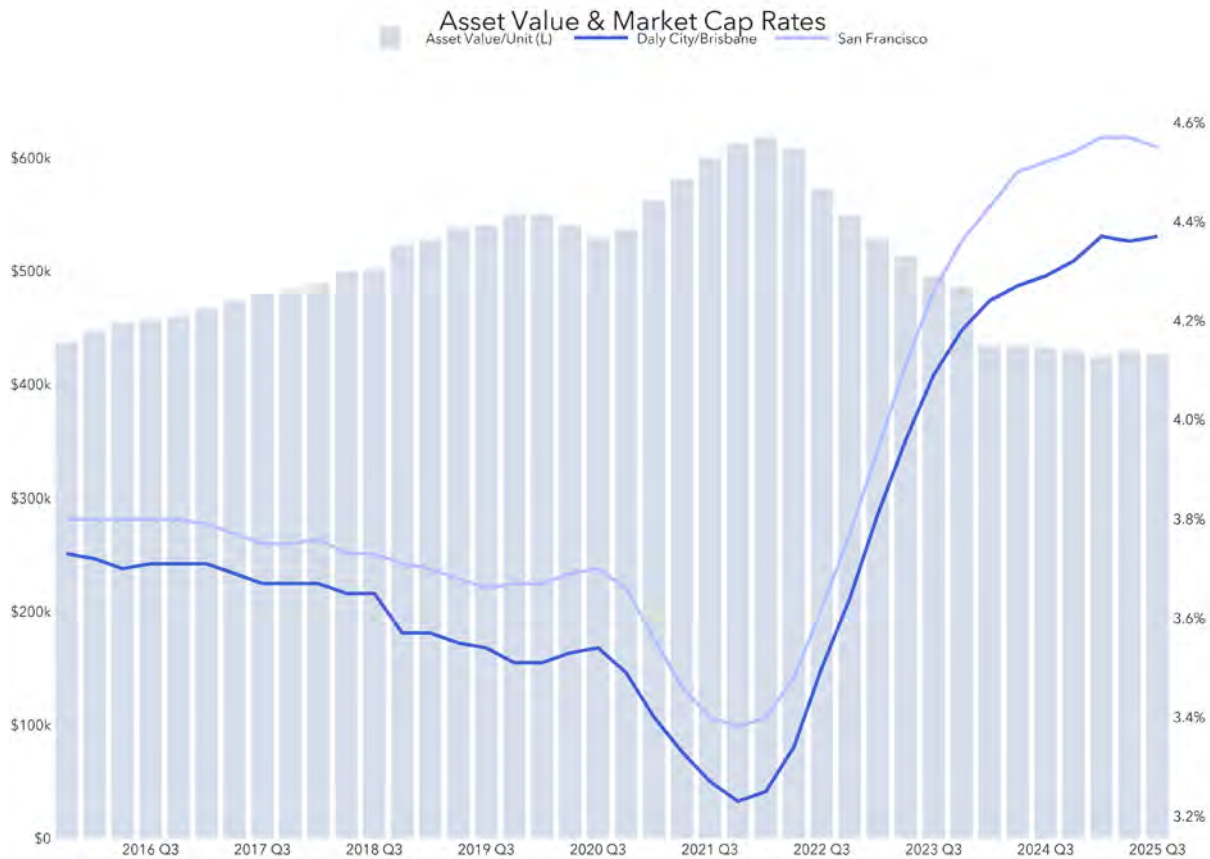


Capital Markets

Investors have not been very active in the Submarket over the past three years, and few transactions have occurred. During that time, investors have closed on average 3 transactions per year with an annual average sales volume of \$357.7 million. Over the past year, there were 5 closed transactions across 460 units, for a total sales volume of \$118.9 million. As of 2025 Q3, CoStar data indicates there were 2 transactions for a total sales volume of \$16.1 million, compared to \$5.9 million in the previous quarter.



Market pricing, based on the estimated price movement of all properties in the Submarket, is currently \$426,483/unit. Values have compressed 1.5% over the past year and continued to fall in the past quarter, decreasing 0.8% in 2025 Q3. Capitalization rates increased 9 bps over the past year to 4.4% and increased 1 bps in 2025 Q3.



Source: CoStar

Outlook

Multifamily market conditions in the Daly City/Brisbane Submarket indicate positive annual absorption, although it has slowed. Vacancy rates have been aided by an absence of inventory growth as well. With vacancy rates compressing, quarterly rent growth increased 1.44%, increasing annual growth 4.19%. Looking ahead to the near term, it is likely that tenant demand remains active, although an active pipeline will likely add upward pressure on vacancy rates, slowing rent growth.

Max Allowable Rents

We note HEART intends to apply for a new regulatory agreement with new max rents. The existing rents are well below the proposed max rents and HEART is anticipating they will be able to bring one unit to the new max rents per year. We note that at the request of the client, we have assumed that all units are rents at the newly proposed max allowable rents. The proposed max allowable rents are illustrated below:

| Unit # | Bed | Bath | Deed Restricted AMI Level | Max Allowable Rent |
|--------|-----|------|------------------------------|-----------------------|
| V1 | 1 | 1 | 60% | \$ 2,130 |
| V10 | 1 | 1 | 30% | \$ 1,010 |
| V2 | 1 | 1 | 50% | \$ 1,756 |
| V4 | 1 | 1 | 60% | \$ 2,130 |
| V5 | 1 | 1 | 120% | \$ 4,088 |
| V6 | 1 | 1 | 60% | \$ 2,130 |
| V8 | 1 | 1 | 120% | \$ 4,088 |
| V9 | 1 | 1 | 60% | \$ 2,130 |
| I1 | 2 | 1 | 60% | \$ 2,379 |
| I2 | 2 | 1 | 120% | \$ 4,898 |
| I3 | 1 | 1 | 30% | \$ 1,010 |
| I4 | 1 | 1 | 30% | \$ 1,010 |
| I5 | 1 | 1 | 60% | \$ 2,130 |
| I6 | 1 | 1 | 120% | \$ 4,088 |

Highest & Best Use

In determining highest and best use, we have considered the current trends of supply and demand on the market, current zoning regulations and other possible restrictions, and neighboring land uses.

It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use.

In estimating highest and best use, alternative uses that meet the four criteria of legally permissible, physically possible, financially feasible, and the maximally productive use, are considered and tested for the subject site as if vacant and as improved.

As Vacant

Legally Permissible

The subject is in zone (NCRO-2) Neighborhood Commercial, which permits Accessory dwelling units and junior accessory dwelling units associated with an existing or proposed single family dwelling duplex or multiple family dwelling, Financial institutions, Home occupations, Large family day care homes in a dwelling unit if part of a mixed use development, Medical facilities, Offices, Personal services, Restaurants, Retail sales and rental, and Small family day care homes in a dwelling unit if part of a mixed use development use as of right. There are no zoning changes anticipated and no easements or encroachments that preclude development. We note the property is deed restricted and any development is restricted to be 100% affordable.

Physically Possible

The site contains 17,138 square feet with 90 feet of frontage along Visitacion, 210 feet of frontage along San Francisco and 84 feet of frontage along Inyo. The size falls within the range of improved sites in the area. All necessary utilities are available and the site appears functional for a variety of permitted uses.

Financially Feasible

The subject property is located within a primarily residential neighborhood. Based on our analysis of the market, there is sufficient demand for multifamily properties. Market conditions are such that new multifamily construction is feasible, as the value would sufficiently exceed the cost plus developer's profit. New construction in the neighborhood is currently underway and newly developed multifamily buildings in the subject's submarket are selling, an indication of feasibility.

Maximally Productive/ Highest and Best Use

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than to develop for multifamily use. Based on the normal market density level permitted by zoning, this is considered the maximally productive use of the site.

Conclusion

Based on the subject property's zoning, physical characteristics, location, and forecasted economic conditions, it is our opinion that the highest and best use of the site as vacant is to develop a Deed Restricted Affordable Housing building to the highest density permitted by zoning and supported within the market.

As Improved

| | |
|---|---|
| Legally Permissible | The subject improvements consist of 19,998 square feet of gross building area on a 17,138 square feet site which reflect an FAR of 1.17. Located in the (NCRO-2) Neighborhood Commercial zone, permitted uses include various residential uses. The current multifamily use of the improvements is a permitted use. The improvements also comply to the bulk requirements as specified and discussed in the zoning section of the report. |
| Physically Possible | The subject is a 2-story, walk-up, multifamily building consisting of 14 residential units with 19,998 square feet of gross building area. The property is currently operating as an affordable senior housing project property and consists of twelve, 1 BR / 1 BA units and two, 2 BR / 1 BA units. All of the units are deed restricted. Upon transfer of the property, HEART will update the rent restriction levels to include three 30% AMI units, one 50% AMI unit, six 60% AMI units, and four 120% AMI units. The layout, site coverage and positioning of the improvements are considered functional for the current use. While it would be physically possible for a wide variety of uses, based on legal restrictions in place and the design of the improvements, continued use of the property as multifamily use is considered the most functional. Additionally, there is no excess or surplus land noted nor excess FAR to consider. |
| Financially Feasible | The subject property is located within a primarily residential neighborhood exhibiting low vacancy rates and increasing rental rates. As improved, the subject reflects 100% occupancy and will generate a positive net cash flow. Therefore, use as a multifamily property is financially feasible. Also, demolition is not an option. |
| Maximally Productive/ Highest and Best Use | There does not appear to be any alternative use that could reasonably be expected to provide a higher present value than the current use, and the existing use exceeds the value of the site as vacant. Continued multifamily use is concluded to be maximally productive. |
| Conclusion | Based on the subject property's zoning, physical characteristics, location, and forecasted economic conditions, continued Deed Restricted Affordable Housing use is concluded to be the highest and best use as improved. |
| Most Probable Buyer | Taking into account the size and characteristics of the property and its multifamily occupancy, the likely buyer is a local investor/developer. |

Appraisal Valuation Process

The Cost Approach is based on market participants relating value of improvements to associated costs to build. In the Cost Approach, the cost to build a new or substitute property is used as a comparison to the subject. The replacement cost or reproduction cost estimate is then adjusted for all applicable depreciation. This approach reflects a good indicator of value when the improvements are new, nearly new, close to fully depreciated, or when the property has unique or specialized improvements.

The Income Capitalization Approach reflects the analysis of a property's capacity to generate future income and capitalizes the income into an indication of present value. This approach reflects the relationship between a property's potential income and its market value and is a strong indicator of value when there is reliable market data to derive market rents, vacancy rates, stabilized expenses, and capitalization/discount rates. The two most common valuation techniques are direct capitalization and the discounted cash flow (DCF) analysis, with one or both methods applied as appropriate. This approach is widely used in appraising income producing properties.

The Sales Comparison Approach assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with similar utility. This approach is reliable in an active market with sufficient sales data where few differences exist between the comparable sales and the subject, and the sales data collected is credible and accurate. Similar property types in competitive locations tend to sell within a consistent range, and this factor makes valuation on a per square foot and per unit basis a strong predictor of value. The Sales Comparison Approach is often relied upon for owner-user properties and/or in markets where leasing activity is sparse. For leased properties, this approach is more often considered as secondary support for the Income Approach.

Each approach applied is then reconciled to a final value conclusion after weighing the quantity and quality of data analyzed and the applicability of each approach to the subject property type.

Approaches to Value Applied

| Approach | Applicability to Subject | Use in Assignment |
|--------------------------------|---------------------------------|--------------------------|
| Cost Approach | Not Applicable | No |
| Income Capitalization Approach | Applicable | Yes |
| Sales Comparison Approach | Applicable | Yes |

The difficulty in credibly isolating the influence of physical and economic depreciation on value affects the reliability of the Cost Approach. Investors typically give nominal weight to this analysis if the asset is operating on a stabilized basis and its cost bears little relationship to the value, therefore it was not found to be appropriate in our value development.

Income Capitalization Approach

In the Income Capitalization Approach, a property's capacity to generate future benefits is analyzed; the forecasted income is capitalized into an indication of present value. Definitions of commonly used measures of anticipated benefits are defined in the Glossary of Terms within the Addenda.

The Income Capitalization Approach supports two methodologies: direct and yield capitalization. Investors in the local market typically utilize a direct capitalization when making investment decisions for this asset class, therefore we conclude that the direct capitalization method is appropriate to apply to the subject.

Income Analysis

Current Residential Rent Roll

8 Visitacion Avenue currently contains 14 occupied unit

8 Visitacion Avenue

| # | Unit # | Unit Type | Bedroom ms | Bathrooms | SF | Rent Type | Lease Status | Lease Start Date | Monthly Rent | Rent/SF |
|-------------------|--------|-----------|---------------|-----------|---------------|------------|-----------------|---------------------|---------------------|----------------|
| 1 | I1 | 60% AMI | 2 | 1 | 833 | Affordable | Occupied | 04/29/2016 | \$509.00 | \$7.33 |
| 2 | I2 | 120% AMI | 2 | 1 | 833 | Affordable | Occupied | 01/19/2023 | \$1,535.00 | \$22.11 |
| 3 | I3 | 30% AMI | 1 | 1 | 694 | Affordable | Occupied | 03/02/2020 | \$807.00 | \$13.95 |
| 4 | I4 | 30% AMI | 1 | 1 | 694 | Affordable | Occupied | 10/01/2019 | \$1,058.00 | \$18.29 |
| 5 | I5 | 60% AMI | 1 | 1 | 718 | Affordable | Occupied | 06/27/2023 | \$621.00 | \$10.38 |
| 6 | I6 | 120% AMI | 1 | 1 | 699 | Affordable | Occupied | 01/01/2018 | \$1,058.00 | \$18.16 |
| 7 | V1 | 60% AMI | 1 | 1 | 761 | Affordable | Occupied | 03/15/2017 | \$1,235.00 | \$19.47 |
| 8 | V10 | 30% AMI | 1 | 1 | 695 | Affordable | Occupied | 02/01/2003 | \$556.00 | \$9.60 |
| 9 | V2 | 50% AMI | 1 | 1 | 695 | Affordable | Occupied | 03/01/2019 | \$1,058.00 | \$18.27 |
| 10 | V4 | 60% AMI | 1 | 1 | 695 | Affordable | Occupied | 08/28/2020 | \$1,058.00 | \$18.27 |
| 11 | V5 | 120% AMI | 1 | 1 | 695 | Affordable | Occupied | 10/22/2020 | \$1,235.00 | \$21.32 |
| 12 | V6 | 60% AMI | 1 | 1 | 695 | Affordable | Occupied | 08/01/2025 | \$1,016.00 | \$17.54 |
| 13 | V8 | 120% AMI | 1 | 1 | 695 | Affordable | Occupied | 02/16/2000 | \$807.00 | \$13.93 |
| 14 | V9 | 60% AMI | 1 | 1 | 763 | Affordable | Occupied | 07/15/2021 | \$1,150.00 | \$18.09 |
| Totals/Avg | | | 16 | 14 | 10,165 | | | | \$13,703.00 | \$16.18 |
| s | | | | | | | | | | |
| Annual | | | | | | | | | \$164,436.00 | |

We note this represents the existing rental rates at the property, which are well below that of the newly proposed max allowable rents. At the request of the client, we have provided a hypothetical value as if all the units are leased at the max allowable rents.

Comparable Rentals

In order to gauge the reasonableness of the contract rents, we have examined the following rental activity in the submarket:

1 BR 120% AMI Rentals



1 BR 120% AMI Rentals Summary

| Comp | Address | Bedrooms | Monthly Rent |
|------|--|----------|--------------------|
| 1 | 2 West Cavour Street, Daly City, CA | 1 | \$2,300 |
| 2 | 607 Sylvan Street, Daly City, CA | 1 | \$2,350 |
| 3 | 667 Villa Street, Daly City, CA | 1 | \$2,400 |
| 4 | 340 Railroad Avenue, South San Francisco, CA | 1 | \$1,900 |
| 5 | 681 Linden Street, Daly City, CA | 1 | \$2,300 |
| | | | Min \$1,900 |
| | | | Avg \$2,250 |
| | | | Max \$2,400 |

Rent Reconciliation

The subject has no market rate one-bedroom units, as they are all currently affordable. Currently, the in-place rental range is from \$807 to \$1,235 per month. Comparable one-bedroom units range from \$1,900 to \$2,400 per month with an average of \$2,250 per month. Based on the range of the comparables, we forecast a market rent of \$2,000 per month. We note the max allowable rents for 120% AMI units is \$4,088, which is significantly higher than the market rent for the area. Therefore, we have utilized market rent within our analysis. We conclude towards the bottom end of the range given tenants would need to be incentivized to sign a lease at the property given it is affordable.

The remaining 1 BR units max rents are all below market and we have utilized the provided max allowable rents for these units.

| Unit # | Bed | Bath | Deed Restricted AMI Level | Max Allowable Rent |
|--------|-----|------|---------------------------|--------------------|
| V1 | 1 | 1 | 60% | \$ 2,130 |
| V10 | 1 | 1 | 30% | \$ 1,010 |
| V2 | 1 | 1 | 50% | \$ 1,756 |
| V4 | 1 | 1 | 60% | \$ 2,130 |
| V5 | 1 | 1 | 120% | \$ 4,088 |
| V6 | 1 | 1 | 60% | \$ 2,130 |
| V8 | 1 | 1 | 120% | \$ 4,088 |
| V9 | 1 | 1 | 60% | \$ 2,130 |
| I1 | 2 | 1 | 60% | \$ 2,379 |
| I2 | 2 | 1 | 120% | \$ 4,898 |
| I3 | 1 | 1 | 30% | \$ 1,010 |
| I4 | 1 | 1 | 30% | \$ 1,010 |
| I5 | 1 | 1 | 60% | \$ 2,130 |
| I6 | 1 | 1 | 120% | \$ 4,088 |

2 BR 120% AMI Rentals



2 BR 120% AMI Rentals Summary

| Comp | Address | Bedrooms | Monthly Rent |
|------|--|----------|--------------------|
| 1 | 766 Hillside Boulevard, Daly City, CA | 2 | \$2,895 |
| 2 | 361 Half Moon Lane, Daly City, CA | 2 | \$2,850 |
| 3 | 414 Commercial Avenue, South San Francisco, CA | 2 | \$2,880 |
| 4 | 83 Bellevue Avenue, Daly City, CA | 2 | \$3,200 |
| 5 | 200 Monterey Street, Brisbane, CA | 2 | \$2,900 |
| | | | Min \$2,850 |
| | | | Avg \$2,945 |
| | | | Max \$3,200 |

Rent Reconciliation

The subject has no market rate two-bedroom units, as they are all currently affordable. Currently, the in-place rental range is from \$1,535 to \$1,535 per month. Comparable two-bedroom units range from \$2,850 to \$3,200 per month with an average of \$2,945 per month. Based on the range of the comparables, we forecast a market rent of \$2,900 per month. We note the max allowable rents for 120% AMI units is \$4,898, which is significantly higher than the market rent for the area. Therefore, we have utilized market rent within our analysis. We conclude towards the bottom end of the range given tenants would need to be incentivized to sign a lease at the property given it is affordable.

The remaining 2 BR units max rents are all below market and we have utilized the provided max allowable rents for these units.

| Unit # | Bed | Bath | Deed Restricted AMI Level | Max Allowable Rent |
|--------|-----|------|---------------------------|--------------------|
| V1 | 1 | 1 | 60% | \$ 2,130 |
| V10 | 1 | 1 | 30% | \$ 1,010 |
| V2 | 1 | 1 | 50% | \$ 1,756 |
| V4 | 1 | 1 | 60% | \$ 2,130 |
| V5 | 1 | 1 | 120% | \$ 4,088 |
| V6 | 1 | 1 | 60% | \$ 2,130 |
| V8 | 1 | 1 | 120% | \$ 4,088 |
| V9 | 1 | 1 | 60% | \$ 2,130 |
| I1 | 2 | 1 | 60% | \$ 2,379 |
| I2 | 2 | 1 | 120% | \$ 4,898 |
| I3 | 1 | 1 | 30% | \$ 1,010 |
| I4 | 1 | 1 | 30% | \$ 1,010 |
| I5 | 1 | 1 | 60% | \$ 2,130 |
| I6 | 1 | 1 | 120% | \$ 4,088 |

Market Rent Comparison

| Bedroom | Market Survey | Market Rent Conclusion |
|-----------------------|---------------|------------------------|
| 1 BR 120% AMI Minimum | \$1,900.00 | |
| 1 BR 120% AMI Average | \$2,250.00 | \$2,000.00 |
| 1 BR 120% AMI Maximum | \$2,400.00 | |
| 1 BR 30% AMI Minimum | \$1,900.00 | |
| 1 BR 30% AMI Average | \$2,250.00 | \$1,010.00 |
| 1 BR 30% AMI Maximum | \$2,400.00 | |
| 1 BR 50% AMI Minimum | \$1,900.00 | |
| 1 BR 50% AMI Average | \$2,250.00 | \$1,756.00 |
| 1 BR 50% AMI Maximum | \$2,400.00 | |
| 1 BR 60% AMI Minimum | \$1,900.00 | |
| 1 BR 60% AMI Average | \$2,250.00 | \$2,130.00 |
| 1 BR 60% AMI Maximum | \$2,400.00 | |
| 2 BR 120% AMI Minimum | \$2,850.00 | |
| 2 BR 120% AMI Average | \$2,945.00 | \$2,900.00 |
| 2 BR 120% AMI Maximum | \$3,200.00 | |
| 2 BR 60% AMI Minimum | \$2,850.00 | |
| 2 BR 60% AMI Average | \$2,945.00 | \$2,379.00 |
| 2 BR 60% AMI Maximum | \$3,200.00 | |

Base Residential Income

8 Visitation Avenue contains 14 residential units; the residential rent roll is summarized by unit type and rent regulation status.

Rent Roll Summary by Unit Type

| Unit Type | No. of Units | Rental Range Per Month | Total Annual Rent | Avg. Rent Per Month |
|-----------------------|--------------|------------------------|-------------------|---------------------|
| 1 BR 120% AMI | 3 | \$2,000 - \$2,000 | \$72,000 | \$2,000 |
| 1 BR 30% AMI | 3 | \$1,010 - \$1,010 | \$36,360 | \$1,010 |
| 1 BR 50% AMI | 1 | \$1,756 - \$1,756 | \$21,072 | \$1,756 |
| 1 BR 60% AMI | 5 | \$2,130 - \$2,130 | \$127,800 | \$2,130 |
| 2 BR 120% AMI | 1 | \$2,900 - \$2,900 | \$34,800 | \$2,900 |
| 2 BR 60% AMI | 1 | \$2,379 - \$2,379 | \$28,548 | \$2,379 |
| Totals/Average | 14 | | \$320,580 | \$1,908 |

Rent Roll Summary by Rent Regulation Status

| Income Type | No. of Units | Rental Range Per Month | Total Annual Rent | Avg. Rent Per Month |
|-----------------------|--------------|------------------------|-------------------|---------------------|
| Affordable | 14 | \$1,010 - \$2,900 | \$320,580 | \$1,908 |
| Totals/Average | 14 | | \$320,580 | \$1,908 |

The average in place monthly rent is \$1,908.

The contract rents are based on the following expense structure:

Landlord's Obligations Common area electricity, refuse removal, water/sewer and common area maintenance.

Tenant Obligations In-unit electricity, cooking gas and heat.

Potential Gross Residential Income

Potential gross residential income is summarized by income type:

Potential Gross Residential Income

| Income Type | PGI |
|--------------|------------------|
| Affordable | \$320,580 |
| Total | \$320,580 |

Miscellaneous Income

Laundry Income

The subject property derives additional income from washers and dryers in the laundry room. The laundry room is currently leased to and operated by Wash with an annual income of \$33. This income equates to \$2 per unit per annum. Based on comparable assets in the marketplace, this income is reasonable and will be applied in the stabilized pro forma. We note this estimate is very low; however, the income has been consistent over the past 3 years and the pending buyer is projecting the same income. We have placed primary reliance on the buyer projections.

Parking Income

The subject property has 14 parking spaces available. Parking is a free amenity.

Other Income

We note that the community center is providing \$3,602 of additional annual income for the subject. The existing lease, which expires in 2028 along with the ground lease includes a utility reimbursement of 20% of the costs of gas & electric and 10% of the costs of water and sewer. HEART has stated the lease terms will remain the same for the new lease for the community center space and has projected this income at \$3,602. This forecast has been applied to our analysis.

Residential Vacancy and Collection Loss

The subject is 100% occupied and contains 14 affordable residential units. CoStar reports the submarket rate near 1.64% and metro area rate near 4.39%. We note the submarket vacancy rate has dropped 61 basis points QoQ and 163 basis points YoY. Overall, we have concluded to a vacancy below the middle of the range given the affordable housing aspect of the subject. Based on 8 Visitacion Avenue's current and historical operating results, macro market conditions, and investor expectations, a 2.00% residential vacancy and collection loss has been applied.

Effective Gross Income Summary

| Effective Gross Income | |
|--|------------------|
| Potential Residential Income | \$320,580 |
| Potential Laundry Income | \$33 |
| Commercial Unit Utilites | \$3,602 |
| Potential Gross Income | \$324,215 |
| Less Residential V/C Loss @ 2.00% | -\$6,412 |
| Less Laundry V/C Loss @ 2.00% | -\$1 |
| Less Commercial Unit Utilites V/C Loss @ 2.00% | -\$72 |
| Effective Gross Income | \$317,731 |

Operating Expense Analysis

We were provided with the following summarized operating expense information for the subject property. In developing our forecast of operating expenses, we considered the provided expense information as well as expense reports of comparable properties. The data, analyzed in terms of residential units and gross building area, is presented below.

Owner's Operating Expense History & Projection

Historical & Projected Expenses

| | 2023 Actual | | | 2024 Actual | | |
|--|------------------|----------------|-----------------|-------------------|---------------|-----------------|
| | Gross | Per SF | Per Unit | Gross | Per SF | Per Unit |
| Effective Gross Revenue | \$173,947 | \$8.70 | \$12,425 | \$189,312 | \$9.47 | \$13,522 |
| Operating Expenses | | | | | | |
| Real Estate Taxes | \$32 | \$0.00 | \$2 | \$37 | \$0.00 | \$3 |
| Insurance | \$15,802 | \$0.79 | \$1,129 | \$12,689 | \$0.63 | \$906 |
| Utilities | \$22,757 | \$1.14 | \$1,626 | \$23,549 | \$1.18 | \$1,682 |
| Repairs & Maintenance | \$40,591 | \$2.03 | \$2,899 | \$54,187 | \$2.71 | \$3,871 |
| Payroll & Benefits | - | - | - | - | - | - |
| General & Administrative | \$59,691 | \$2.98 | \$4,264 | \$69,558 | \$3.48 | \$4,968 |
| Management Fees | \$13,692 | \$0.68 | \$978 | \$14,103 | \$0.71 | \$1,007 |
| Replacement Reserves | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - |
| Total Operating Expenses | \$152,565 | \$7.63 | \$10,898 | \$174,123 | \$8.71 | \$12,437 |
| Total Operating Expenses (Excl. RE Taxes) | \$152,533 | \$7.63 | \$10,895 | \$174,086 | \$8.71 | \$12,435 |
| | | | | | | |
| | 2025 Actual | | | Owner's Pro Forma | | |
| | Gross | Per SF | Per Unit | Gross | Per SF | Per Unit |
| Effective Gross Revenue | \$182,685 | \$9.14 | \$13,049 | \$198,524 | \$9.93 | \$14,180 |
| Operating Expenses | | | | | | |
| Real Estate Taxes | - | - | - | - | - | - |
| Insurance | \$14,040 | \$0.70 | \$1,003 | \$13,285 | \$0.66 | \$949 |
| Utilities | \$24,012 | \$1.20 | \$1,715 | \$24,852 | \$1.24 | \$1,775 |
| Repairs & Maintenance | \$35,626 | \$1.78 | \$2,545 | \$28,633 | \$1.43 | \$2,045 |
| Payroll & Benefits | - | - | - | - | - | - |
| General & Administrative | \$116,603 | \$5.83 | \$8,329 | \$82,626 | \$4.13 | \$5,902 |
| Management Fees | \$14,592 | \$0.73 | \$1,042 | \$14,868 | \$0.74 | \$1,062 |
| Replacement Reserves | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - |
| Total Operating Expenses | \$204,873 | \$10.24 | \$14,634 | \$164,264 | \$8.21 | \$11,733 |
| Total Operating Expenses (Excl. RE Taxes) | \$204,873 | \$10.24 | \$14,634 | \$164,264 | \$8.21 | \$11,733 |

Comparable Operating Expenses

| | Basis & Totals | | | | |
|---------------------------------|-----------------|-----------------|---------------------|---------------------|-----------------|
| | Comp 1 | Comp 2 | Comp 3 | Comp 4 | Average |
| City | San Francisco | San Francisco | South San Francisco | South San Francisco | - |
| State | CA | CA | CA | CA | - |
| Expense Period | Annualized | Actual | Actual | Actual | - |
| | Historical | | | | |
| Expense Year | 2024 | 2024 | 2024 | 2024 | - |
| SF | 11,414 | 8,025 | 6,016 | 13,644 | 9,775 |
| Units | 13 | 8 | 6 | 11 | 10 |
| Insurance | \$9,388 | \$12,425 | \$5,165 | \$12,236 | \$9,804 |
| Utilities | \$22,234 | \$15,211 | \$9,950 | \$30,859 | \$19,563 |
| Repairs & Maintenance | \$22,986 | \$15,740 | \$5,100 | \$24,189 | \$17,004 |
| General & Administrative | \$1,300 | \$10,007 | \$3,400 | \$5,099 | \$4,951 |
| Management Fees | \$8,441 | \$18,199 | \$3,000 | \$20,378 | \$12,504 |
| Replacement Reserves | - | - | - | - | - |
| Total Operating Expenses | \$64,350 | \$71,582 | \$26,615 | \$92,761 | \$63,827 |

| | Per Unit | | | | |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| | Comp 1 | Comp 2 | Comp 3 | Comp 4 | Average |
| Insurance | \$722 | \$1,553 | \$861 | \$1,112 | \$1,062 |
| Utilities | \$1,710 | \$1,901 | \$1,658 | \$2,805 | \$2,019 |
| Repairs & Maintenance | \$1,768 | \$1,968 | \$850 | \$2,199 | \$1,696 |
| General & Administrative | \$100 | \$1,251 | \$567 | \$464 | \$595 |
| Management Fees | \$649 | \$2,275 | \$500 | \$1,853 | \$1,319 |
| Replacement Reserves | - | - | - | - | - |
| Total Operating Expenses | \$4,950 | \$8,948 | \$4,436 | \$8,433 | \$6,692 |

Estimated Operating Expenses

Our stabilized annual expense forecast is presented:

Real Estate Taxes

As presented earlier, we forecasted the tax payment at \$21 annually or \$0.00 per square foot.

Insurance

| Per Unit Summary | Value | Low | Average | High |
|-----------------------------|--------------|-------|---------|---------|
| 2023 Actual | \$1,129 | | | |
| 2024 Actual | \$906 | | | |
| 2025 Actual | \$1,003 | | | |
| Owner's Projection | \$949 | | | |
| Comparable | | \$722 | \$1,062 | \$1,553 |
| Appraiser's Forecast | \$950 | | | |

Insurance costs vary by the type of coverage. Costs are generally lower (on a per unit basis) for larger buildings and for multi-building policies. Based on the information above, we have projected this expense at \$950 per unit, or \$13,300 annually.

Utilities

| Per Unit Summary | Value | Low | Average | High |
|-----------------------------|----------------|---------|---------|---------|
| 2023 Actual | \$1,626 | | | |
| 2024 Actual | \$1,682 | | | |
| 2025 Actual | \$1,715 | | | |
| Owner's Projection | \$1,775 | | | |
| Comparable | | \$1,658 | \$2,019 | \$2,805 |
| Appraiser's Forecast | \$1,775 | | | |

Based on the information above, we have projected this expense at \$1,775 per unit, or \$24,850 annually.

Repairs & Maintenance

| Per Unit Summary | Value | Low | Average | High |
|-----------------------------|----------------|-------|---------|---------|
| 2023 Actual | \$2,899 | | | |
| 2024 Actual | \$3,871 | | | |
| 2025 Actual | \$2,545 | | | |
| Owner's Projection | \$2,045 | | | |
| Comparable | | \$850 | \$1,696 | \$2,199 |
| Appraiser's Forecast | \$1,500 | | | |

This expense varies depending on building age, management philosophy, services provided, and accounting methodology. Some management companies expense items that are normally included as capital costs. In addition, repair and maintenance costs may change from year to year; in some cases, repairs that require attention may be postponed due to cash flow considerations. Based on the information above, we have projected this expense at \$1,500 per unit, or \$21,000 annually. We note the projections include a higher than typical landscaping expense and we have concluded more in line with the expense comparables.

General & Administrative

| Per Unit Summary | Value | Low | Average | High |
|-----------------------------|--------------|-------|---------|---------|
| 2023 Actual | \$4,264 | | | |
| 2024 Actual | \$4,968 | | | |
| 2025 Actual | \$8,329 | | | |
| Owner's Projection | \$659 | | | |
| Comparable | | \$100 | \$595 | \$1,251 |
| Appraiser's Forecast | \$650 | | | |

This expense allows for any expenditure not included in the above categories including general administrative costs, accounting/legal, permits and dues, miscellaneous charges, office expense, etc. Based on the information above, we have projected this expense at \$650 per unit, or \$9,100 annually.

Management Fees

| Per Unit Summary | Value | Low | Average | High |
|-----------------------------|----------------|-------|---------|---------|
| 2023 Actual | \$978 | | | |
| 2024 Actual | \$1,007 | | | |
| 2025 Actual | \$1,042 | | | |
| Owner's Projection | \$1,062 | | | |
| Comparable | | \$500 | \$1,319 | \$2,275 |
| Appraiser's Forecast | \$1,135 | | | |

Typically, management fees for similar properties range from 2% to 6% of effective gross income. We have projected this expense at 5% of effective gross income, which equates to \$1,135 per unit, or \$15,887 annually.

Replacement Reserves

| Per Unit Summary | Value | Low | Average | High |
|-----------------------------|--------------|-----|---------|------|
| Comparable | | - | - | - |
| Appraiser's Forecast | \$250 | | | |

This expense provides for the periodic replacement of building components that wear out more rapidly than the building itself and that must be replaced periodically during the building's economic life. We note the owner did not indicate this expense. We have projected this expense at \$250 per unit, or \$3,500 annually.

Ground Lease

| Annual Summary | Value | Low | Average | High |
|-----------------------------|------------|-----|---------|------|
| Comparable | | - | - | - |
| Appraiser's Forecast | \$1 | | | |

The property is encumbered by a ground lease with the City of Brisbane. The existing ground lease runs through 2028; however, HEART will have a new ground lease in place at the expiration for \$1 per year. At the request of the client we have utilized the new ground lease within this analysis. It is worth noting the existing ground lease payment is based upon surplus cash. According to our knowledge, there has never been a payment on the ground lease as there has never been surplus cash at the property. We have projected this expense at \$1 annually.

Total Operating Expenses

| Per Unit Summary | Per Unit | | | |
|-----------------------------|----------------|---------|---------|---------|
| | Value | Low | Average | High |
| 2023 Actual | \$10,895 | | | |
| 2024 Actual | \$12,435 | | | |
| 2025 Actual | \$14,634 | | | |
| Owner's Projection | \$6,490 | | | |
| Comparable | | \$4,436 | \$6,692 | \$8,948 |
| Appraiser's Forecast | \$6,260 | | | |

Operating expenses, exclusive of real estate taxes, were forecasted at \$6,260 per unit. Excluding real estate taxes, the comparables ranged from \$4,436 to \$8,948 per unit. Our forecast is above the comparables given the higher General & Administrative expense due to the fact the property is an affordable project. Generally speaking, affordable projects have significant G&A expenses due to the large amount of work necessary to audit tenants to ensure they are within the max allowable rents and complying to the regulatory agreement in place.

Stabilized Income & Expenses

| Pro Forma | Pro Forma | | |
|--|------------------|----------------|-----------------|
| | \$ | PSF | Per Unit |
| Income | | | |
| Potential Residential Income | \$320,580 | \$16.03 | \$22,899 |
| Laundry Income | \$33 | \$0.00 | \$2 |
| Commercial Unit Utilites | \$3,602 | \$0.18 | \$257 |
| Potential Gross Income | \$324,215 | \$16.21 | \$23,158 |
| Less Residential V/C Loss @ 2.00% | -\$6,412 | -\$0.32 | -\$458 |
| Less Laundry V/C Loss @ 2.00% | -\$1 | -\$0.00 | -\$0 |
| Less Commercial Unit Utilites V/C Loss @ 2.00% | -\$72 | \$0.00 | -\$5 |
| Effective Gross Income | \$317,731 | \$15.89 | \$22,695 |
| Operating Expenses | | | |
| Real Estate Taxes | \$21 | \$0.00 | \$1 |
| Insurance | \$13,300 | \$0.67 | \$950 |
| Utilities | \$24,850 | \$1.24 | \$1,775 |
| Repairs & Maintenance | \$21,000 | \$1.05 | \$1,500 |
| General & Administrative | \$9,100 | \$0.46 | \$650 |
| Management Fees | \$15,887 | \$0.79 | \$1,135 |
| Replacement Reserves | \$3,500 | \$0.18 | \$250 |
| Ground Lease | \$1 | \$0.00 | \$0 |
| Total Operating Expenses | \$87,659 | \$4.38 | \$6,261 |
| Total Expenses Excluding RE Taxes | \$87,638 | \$4.38 | \$6,260 |
| Net Operating Income | \$230,072 | \$11.50 | \$16,434 |
| Operating Expense Ratio | 28% | | |

Income Capitalization

In developing an opinion of the overall capitalization rate required by an investor, we will apply several methods of analyses: (1) Comparable Capitalization Rates; (2) National Survey Responses; and (3) Personal Surveys.

Comparable Capitalization Rates

Comparable Cap Rates Table

| # | Address | Property Type | No. of Units | Year Built | Sale Date | Capitalization Rate |
|------------|--|---------------|--------------|------------|-----------|---------------------|
| 1 | 578-586 Guerrero Street, San Francisco, CA | Multifamily | 6 | 1913 | 10/21/25 | 7.03% |
| 2 | 132 Southwood Drive, San Francisco, CA | Multifamily | 7 | 1958 | 9/5/25 | 7.36% |
| 3 | 1116 Douglas Ave., Burlingame, CA | Multifamily | 10 | 1936 | 7/28/25 | 3.82% |
| 4 | 1102 Mason St., San Francisco, CA | Multifamily | 5 | 1909 | 6/12/25 | 5.30% |
| 5 | 116 San Luis Avenue, San Bruno, CA | Multifamily | 7 | 1964 | 2/14/25 | 6.35% |
| 6 | 198 West Moltke Street, Daly City, CA | Multifamily | 6 | 1931 | 9/12/24 | 4.70% |
| Avg | | | | | | 5.76% |

We analyzed sales of comparable assets within the subject's periphery and they exhibit overall capitalization rates from 3.82% to 7.36% with an average of 5.76%. We note we could not locate any comparable affordable multifamily properties and have instead utilized traditional market rate properties. Given we have assumed the subject is leased at the maximum allowable rents and there is limited upside associated with the rental rates, we have concluded towards the upper end of the range indicated by the comparables.

National Survey Responses

The PwC Real Estate and Real Estate Research Corporation's investment surveys summarize the expectations of institutional investors. As indicated, the going-in capitalization rates range from 4% to 6.5%, with an average between 5.1% and 5.23%.

Summary

| Survey | Low | Avg | High |
|----------------------|-------|-------|-------|
| Personal Survey | 6.00% | - | 6.50% |
| PWC 4Q 2025 | 4.00% | 5.23% | 6.50% |
| RERC - Situs 3Q 2025 | 4.30% | 5.10% | 5.50% |
| Comparable Cap Rates | 3.82% | 4.99% | 6.35% |

We note the survey responses are indicative of typical market properties and we would expect the subject to achieve an OAR at the upper end of the range.

Capitalization Rate Conclusion

An overall rate of 7.00% is applied in the analysis and in line with investor expectations. The value is calculated below:

Value Opinion Via the Income Capitalization Approach

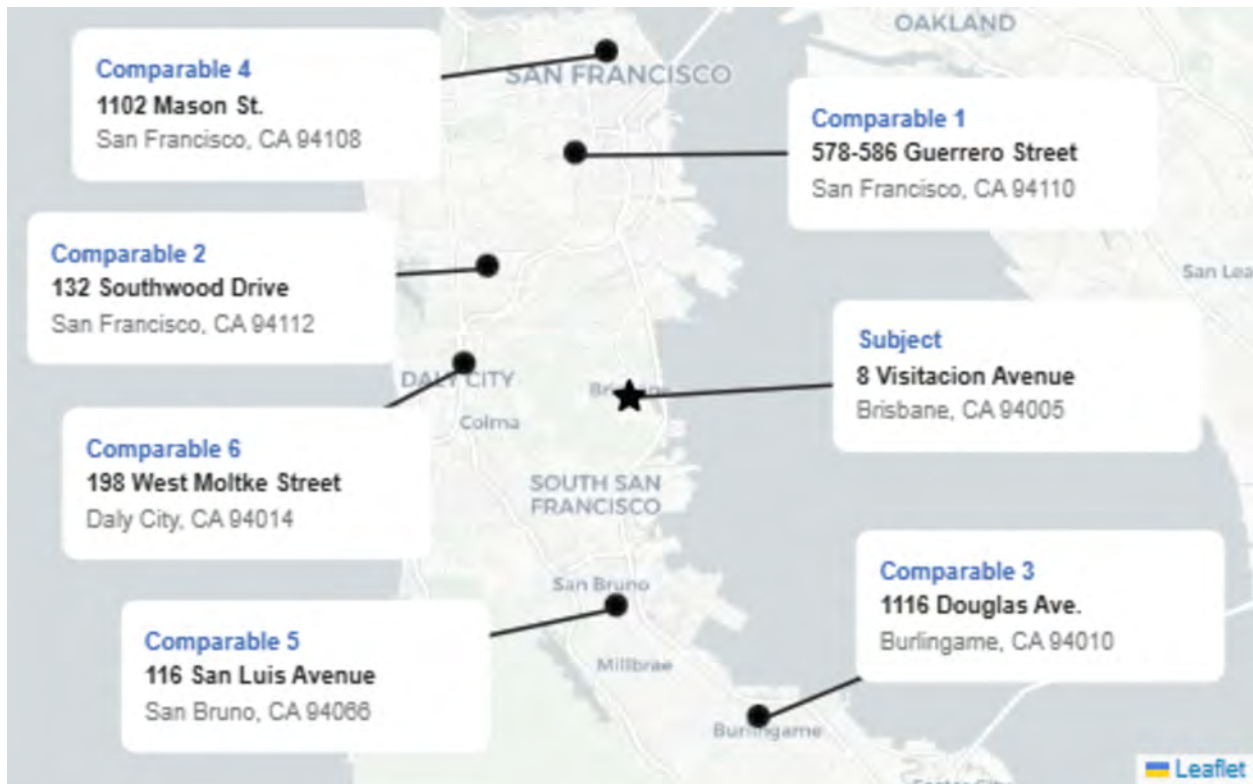
| | Date of Value | Value | Final Value (RD) |
|--|-------------------------|--------------------|---------------------|
| NOI | | \$230,072 | - |
| Cap Rate | | 7.00% | - |
| As Is Market Value Via the Income Capitalization Approach | January 20, 2026 | \$3,286,743 | \$3,290,000 |

In consideration of the above analysis, the As Is Market Value of \$3,290,000 reflects a unit value of \$235,000 per unit. The final value is rounded to the nearest \$10,000.

Sales Comparison Approach

In the Sales Comparison Approach, an opinion of market value is provided by comparing the subject property to transactions of competitive assets. A major premise is the principle of substitution which holds market value is directly related to the prices of comparable properties as a knowledgeable investor will pay no more for a substitute property.

In order to analyze comparable sales, it is necessary to convert the sale prices to an appropriate unit of comparison, a process which facilitates price comparisons between properties of different sizes, and it also enables adjustment for qualitative differences. Since investors typically purchase similar buildings in the subject's area in terms of value per residential unit, we have applied this unit of comparison.



Comparable Sales Summary¹⁰

| Address | Sale Date | Residential Unit | Sale Price | Sale Price Per Residential Unit | NOI Per Residential Unit | Cap Rate |
|--|------------|------------------|-------------|---------------------------------|--------------------------|----------|
| 1 578-586 Guerrero Street, San Francisco, CA | 10/21/2025 | 6 | \$1,390,000 | \$231,667 | \$16,286 | 7.03% |
| 2 132 Southwood Drive, San Francisco, CA | 09/05/2025 | 7 | \$2,000,000 | \$285,714 | \$21,029 | 7.36% |
| 3 1116 Douglas Ave., Burlingame, CA | 07/28/2025 | 10 | \$2,900,000 | \$290,000 | \$11,078 | 3.82% |
| 4 1102 Mason St., San Francisco, CA | 06/12/2025 | 5 | \$1,144,000 | \$228,800 | \$12,126 | 5.30% |
| 5 116 San Luis Avenue, San Bruno, CA | 02/14/2025 | 7 | \$1,450,000 | \$207,143 | \$13,154 | 6.35% |
| 6 198 West Moltke Street, Daly City, CA | 09/12/2024 | 6 | \$2,000,000 | \$333,333 | \$15,667 | 4.70% |

¹⁰ The outlines of each of the comparable sales can be found in the Addenda.

We note that despite an extensive search, we were unable to find any comparable affordable projects similar to the subject. We have utilized typical market rate properties and made an adjustment to account for the fact the property is affordable. Further, we were unable to find any leasehold sales similar to the subject. Given the fact the proposed ground lease is only \$1 per year, there is no meaningful impact on the value of the subject as a result of the ground lease.

Comparable Sales Adjustment Grid

| Comparable # | Subject | 1 | 2 | 3 | 4 | 5 | 6 |
|---|-----------------------------------|-------------------------|---------------------|---------------------|---------------------|---------------------|------------------------|
| Address | 8 Visitacion Avenue, Brisbane, CA | 578-586 Guerrero Street | 132 Southwood Drive | 1116 Douglas Ave. | 1102 Mason St. | 116 San Luis Avenue | 198 West Moltke Street |
| Sale Date | | 10/21/2025 | 9/5/2025 | 7/28/2025 | 6/12/2025 | 2/14/2025 | 9/12/2024 |
| Sale Price | | \$1,390,000 | \$2,000,000 | \$2,900,000 | \$1,144,000 | \$1,450,000 | \$2,000,000 |
| Cap Rate | | 7.03% | 7.36% | 3.82% | 5.3% | 6.35% | 4.7% |
| Property Rights | Leasehold Interest | Leased Fee Interest | Leased Fee Interest | Leased Fee Interest | Leased Fee Interest | Leased Fee Interest | Leased Fee Interest |
| City | Brisbane | San Francisco | San Francisco | Burlingame | San Francisco | San Bruno | Daly City |
| # of Residential Units | 14 | 6 | 7 | 10 | 5 | 7 | 6 |
| Average Unit Size | 726 | 606 | 777 | 525 | 1,069 | 914 | 750 |
| GBA | 19,998 | 3,635 | 5,440 | 5,253 | 5,344 | 6,660 | 5,979 |
| Condition | Average | Average | Average | Average | Average | Average | Average |
| Year Built | 2000 | 1913 | 1958 | 1936 | 1909 | 1964 | 1931 |
| Parking Ratio | 1.00 per unit | | | 1.00 per unit | | | |
| Price Per Residential Unit: | | \$231,667 | \$285,714 | \$290,000 | \$228,800 | \$207,143 | \$333,333 |
| Property Rights | | 0% | 0% | 0% | 0% | 0% | 0% |
| Financing Terms | None | 0% | 0% | 0% | 0% | 0% | 0% |
| Conditions of Sale | None | 0% | 0% | 0% | 0% | 0% | 0% |
| Market Conditions (Time): | January 20, 2026 | 0% | 0% | 0% | 0% | 0% | 0% |
| Cumulative Price Per Residential Unit: | | \$231,667 | \$285,714 | \$290,000 | \$228,800 | \$207,143 | \$333,333 |
| Location | Central Brisbane | 0% | 0% | -5% | 0% | 15% | 0% |
| Utility | | 0% | 0% | 0% | 0% | 0% | 0% |
| Size | | 0% | 0% | 0% | 0% | 0% | 0% |
| Rent Stabilization Level | | 0% | 0% | 0% | 0% | 0% | 0% |
| Condition | | -5% | 0% | -5% | 5% | 0% | -5% |
| Average Unit Size | | 7% | 0% | 5% | -5% | -5% | 0% |
| Affordable | | -15% | -15% | -15% | -15% | -15% | -15% |
| Net Adjustments | | -13% | -15% | -20% | -15% | -5% | -20% |
| Adjusted Price Per Residential Unit | | \$201,550 | \$242,857 | \$232,000 | \$194,480 | \$196,786 | \$266,667 |
| Unadjusted | | | Adjusted | | | | |
| Low | \$207,143 | | Low | \$194,480 | | | |
| Average | \$262,776 | | Average | \$222,390 | | | |
| High | \$333,333 | | High | \$266,667 | | | |
| Median | \$258,690 | | Median | \$216,775 | | | |

| | |
|----------------------------------|--|
| Property Rights Appraised | The purpose of this adjustment is to account for differences in the property rights transferred with the sale. We are valuing the leasehold interest in the subject property, as reflected by all of the comparables. Thus, no adjustments were required. |
| Financing Terms | The purpose of adjusting for financing terms is to determine cash equivalent sale prices for the comparables in accordance with the definition of market value for this report. To the best of our knowledge, all of the comparables used in this analysis were accomplished with cash or market-oriented financing. Therefore, no adjustments were required. |
| Conditions of Sale | Condition of sale refers to the motivations of the buyer and seller involved in a particular transaction. However, all comparables used in this analysis are considered to be "arm's-length" market transactions between both knowledgeable buyers and sellers on the open market. Therefore, no adjustments were required. |
| Market Conditions (Time) | The purpose of this adjustment is to account for changes in market conditions. All comparables used in this analysis sold under similar market condition; therefore, no adjustments were required. |
| Location | The subject property is located in Brisbane. Comparable 5 is located in an area with typically lower rental rates, and thus required a 15% upward adjustment. Comparable 3 is located in an area with typically higher rental rates, and thus required a 5% downward adjustment. |
| Utility | All comparables used in this analysis have similar utility; therefore, no adjustments were required. |
| Size | This adjustment accounts for the difference in size between each of the comparables and the subject property. We note that there is an inverse relationship between size and value per residential unit such that smaller properties will sell for higher prices per residential unit and vice versa. The subject and all of the comparables are within a reasonable size range, thus no adjustments were necessary. |
| Rent Stabilization Level | The subject is not rent stabilized. No adjustments were necessary as the comparables have similar rent stabilization levels. |
| Condition | The subject property was constructed in 2000 and is in average condition. Comparables 1, 3 and 6 are in a superior condition, and thus required downward adjustments. Comparable 4 is in an inferior condition, and thus required an upward adjustment. |
| Average Unit Size | The comparable properties are analyzed on price per unit basis; however, the average unit size can vary among the comparable properties. Typically there is a direct correlation between the average size of a unit and the price per unit. Comparables 4 and 5 have a larger average unit size as compared to the subject, and thus required downward adjustments. Comparables 1 and 3 have a smaller average unit size as compared to the subject, and thus required upward adjustments. |
| Affordable | Comparables 1, 2, 3, 4, 5 and 6 required downward adjustments as they are not affordable projects. |

After adjustments, the comparable sales exhibited a range between \$194,480 per residential unit and \$266,667 per residential unit with an average of \$222,390 per residential unit and a median of \$216,775 per residential unit. Thus, considering the elements of comparison noted above, our opinion of market value is \$225,000 per residential unit.

Value Opinion via the Sales Comparison Approach

| | Date of Value | Value | Final Value (RD) |
|---|-------------------------|--------------------|--------------------|
| Concluded Value Per Residential Unit | | \$225,000 | - |
| Residential Units | | 14 | - |
| As Is Market Value Via the Sales Comparison Approach | January 20, 2026 | \$3,150,000 | \$3,150,000 |

The final value is rounded to the nearest \$10,000.

Reconciliation & Final Value

The estimated values arrived at by the approaches to value used in this report are as follows:

| Estimated Values | | | |
|--------------------------------|--------------------|------------------|-------------|
| Approach | Value | Date | Conclusion |
| Cost Approach | As Is Market Value | N/A | Not Applied |
| Income Capitalization Approach | As Is Market Value | January 20, 2026 | \$3,290,000 |
| Sales Comparison Approach | As Is Market Value | January 20, 2026 | \$3,150,000 |

The Cost Approach is traditionally a good indicator of value when properties being appraised are new or close to new. The difficulty in credibly isolating the influence of physical depreciation and obsolescence affects the reliability of the Cost Approach. Investors typically give nominal weight to this analysis once a property is operating on a stabilized basis as its cost bears little relationship to the value; therefore, we exclude this approach from our analysis.

The Income Capitalization Approach is a strong indicator of value when market rents, vacancy rates, stabilized expenses, and/or capitalization/discount rates are based on reliable market data. In this case, given the depth of the market, there are numerous transactions from which to glean points of analysis, lending credibility to the results of the approach. Similar assets are generally acquired for their capacity to generate a return on and of capital, which is why this is the methodology primarily applied by investors. Balancing the previously noted factors, and available points of analysis, most weight is placed on the opinion developed by the Income Capitalization Approach.

The Sales Comparison Approach is reliable when few differences exist between the comparable sales and the subject, and the sales data collected is credible and accurate. Similar property types in competitive locations tend to sell within a consistent range, and this factor makes valuation on a per square foot and per unit basis a strong predictor of value. The Sales Comparison Approach is largely used as a secondary support for our opinion developed in the application of other approaches.

| Final Value Conclusion | | | |
|------------------------|------------------|--------------------|------------------|
| Value Premise | Date of Value | Interest Appraised | Value Conclusion |
| As Is Market Value | January 20, 2026 | Leasehold Interest | \$3,290,000 |

The value conclusions are subject to the following **Extraordinary Assumptions**¹¹. We note the use of this/these extraordinary assumption(s) may have affected the assignment results. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions:

- None.

The value conclusions are based on the following **Hypothetical Conditions**¹². We note the use of this/these hypothetical conditions(s) may have affected the assignment results:

- We note the property is currently encumbered by a ground lease that expires in 2028. HEART intends to renew this ground lease at a rate of \$1 per year upon expiration. We have valued the property as if it is already encumbered by the new ground lease.
- We note there is a community center lease that is coterminous with the ground lease that expires in 2028. HEART intends to renew this sublease for \$1 per year with expense reimbursements for their share of utilities. We have valued the property as if the new lease is in place.
- HEART intends to apply for a new regulatory agreement with new maximum allowable rents. At the request of the client, we have valued the property as if the tenants are leasing the units at the proposed maximum allowable rents.

¹¹ The definition of Extraordinary Assumptions can be found in the Glossary of Terms, which is located in the Addenda.

¹² The definition of Hypothetical Conditions can be found in the Glossary of Terms, which is located in the Addenda.

Certification

We certify to the best of our knowledge:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- We have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standard of Professional Practice of the Appraisal Institute, the Uniform Standards of Professional Appraisal Practice, and applicable state appraisal regulations.
- Sam Cimino has made a personal inspection of the property that is the subject of this report on 01/20/2026. Bryson Young, MAI has not made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Bryson Young, MAI has completed the continuing education program for Designated Members of the Appraisal Institute.
- We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.



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Addenda

Contingent & Limiting Conditions

1. Any legal description or plats reported herein are assumed to be accurate. Any sketches, surveys, plats, photographs, drawings, or other exhibits are included only to assist the intended user to better understand and visualize the subject property, the environs, and the competitive data. We have made no survey of the property and assume no responsibility in connection with such matters.
2. The appraiser has not conducted any engineering or architectural surveys in connection with this appraisal assignment. Information reported pertaining to dimensions, sizes, and areas is either based on measurements taken by the appraiser or the appraiser's staff or was obtained or taken from referenced sources and is considered reliable. No responsibility is assumed for the costs of preparation or for arranging geotechnical engineering, architectural, or other types of studies, surveys, or inspections that require the expertise of a qualified professional.
3. No responsibility is assumed for matters legal in nature. Title is assumed to be good and marketable and in fee simple unless otherwise stated in the report. The property is considered to be free and clear of existing liens, easements, restrictions, and encumbrances, except as stated.
4. Unless otherwise stated herein, it is assumed there are no encroachments or violations of any zoning or other regulations affecting the subject property and the utilization of the land and improvements is within the boundaries or property lines of the property described and that there are no trespasses or encroachments.
5. Bowery Real Estate Systems, Inc. assumes there are no private deed restrictions affecting the property which would limit the use of the subject property in any way.
6. It is assumed the subject property is not adversely affected by the potential of floods; unless otherwise stated herein.
7. It is assumed all water and sewer facilities (existing and proposed) are or will be in good working order and are or will be of sufficient size to adequately serve any proposed buildings.
8. Unless otherwise stated within the report, the depiction of the physical condition of the improvements described herein is based on visual inspection. No liability is assumed for the soundness of structural members since no engineering tests were conducted. No liability is assumed for the condition of mechanical equipment, plumbing, or electrical components, as complete tests were not made. No responsibility is assumed for hidden, unapparent, or masked property conditions or characteristics that were not clearly apparent during our inspection.
9. If building improvements are present on the site, no significant evidence of termite damage or infestation was observed during our physical inspection, unless so stated in the report. No termite inspection report was available, unless so stated in the report. No responsibility is assumed for hidden damages or infestation.
10. Any proposed or incomplete improvements included in this report are assumed to be satisfactorily completed in a workmanlike manner or will be thus completed within a reasonable length of time according to plans and specifications submitted.
11. No responsibility is assumed for hidden defects or for conformity to specific governmental requirements, such as fire, building, safety, earthquake, or occupancy codes, except where specific professional or governmental inspections have been completed and reported in the appraisal report.
12. Responsible ownership and competent property management are assumed.

13. The appraisers assume no responsibility for any changes in economic or physical conditions which occur following the effective date of value within this report that would influence or potentially affect the analyses, opinions, or conclusions in the report. Any subsequent changes are beyond the scope of the report.
14. The value estimates reported herein apply to the entire property. Any proration or division of the total into fractional interests will invalidate the value estimates, unless such proration or division of interests is set forth in the report.
15. Any division of the land and improvement values estimated herein is applicable only under the program of utilization shown. These separate valuations are invalidated by any other application.
16. Unless otherwise stated in the report, only the real property is considered, so no consideration is given to the value of personal property or equipment located on the premises or the costs of moving or relocating such personal property or equipment.
17. Unless otherwise stated, it is assumed that there are no subsurface oil, gas or other mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered; unless otherwise stated. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
18. Any projections of income and expenses, including the reversion at time of resale, are not predictions of the future. Rather, they are our best estimate of current market thinking of what future trends will be. No warranty or representation is made that these projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of an appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future in terms of expectations of growth in rental rates, expenses, and supply and demand. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.
19. Unless subsoil opinions based upon engineering core borings were furnished, it is assumed there are no subsoil defects present, which would impair development of the land to its maximum permitted use or would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
20. Bowery Real Estate Systems, Inc. representatives are not experts in determining the presence or absence of hazardous substances, defined as all hazardous or toxic materials, wastes, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such substances or for loss as a result of the presence of such substances. Appraisers are not qualified to detect such substances. The client is urged to retain an expert in this field.
21. We are not experts in determining the habitat for protected or endangered species, including, but not limited to, animal or plant life (such as bald eagles, gophers, tortoises, etc.) that may be present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such species or for loss as a result of the presence of such species. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent endangered species impact studies, research, and investigation that may be provided.
22. No environmental impact studies were either requested or made in conjunction with this analysis. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, and investigation that may be provided.

23. The appraisal is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the report; further, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.
24. Neither all nor any part of the contents of this report or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales, or any other media, without the prior written consent and approval of the appraisers. This limitation pertains to any valuation conclusions, the identity of the analyst or the firm and any reference to the professional organization of which the appraiser is affiliated or to the designations thereof.
25. Although the appraiser has made, insofar as is practical, every effort to verify as factual and true all information and data set forth in this report, no responsibility is assumed for the accuracy of any information furnished the appraiser either by the client or others. If for any reason, future investigations should prove any data to be in substantial variance with that presented in this report, the appraiser reserves the right to alter or change any or all analyses, opinions, or conclusions and/or estimates of value.
26. If this report has been prepared in a so-called "public non-disclosure" state, real estate sales prices and other data, such as rents, prices, and financing, are not a matter of public record. If this is such a "non-disclosure" state, although extensive effort has been expended to verify pertinent data with buyers, sellers, brokers, lenders, lessors, lessees, and other sources considered reliable, it has not always been possible to independently verify all significant facts. In these instances, the appraiser may have relied on verification obtained and reported by appraisers outside of our office. Also, as necessary, assumptions and adjustments have been made based on comparisons and analyses using data in the report and on interviews with market participants. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

Subject Property Photos

All subject photos were taken on the date of value of this appraisal.

Building Facade



Building Facade



Building Facade



Building Facade



Building Facade



Building Facade



Subject Street



Subject Street



Subject Street



Subject Street



Subject Street



Subject Street



Subject Street



Subject Street



Subject Street



Subject Street



Subject Street



Subject Street



Typical Kitchen



Typical Kitchen



Typical Kitchen



Typical Kitchen



Typical Bathroom



Typical Bathroom



Typical Bathroom



Typical Bathroom



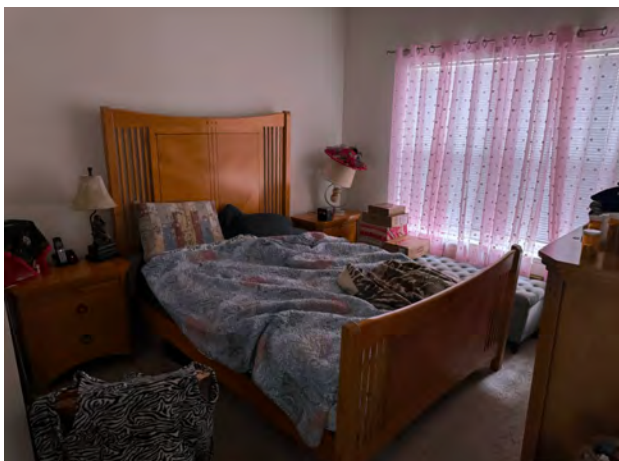
Typical Bathroom



Typical Bedroom



Typical Bedroom



Typical Bedroom



Typical Bedroom



Typical Bedroom



Typical Living Room



Typical Living Room



Typical Living Room



Typical Living Room



Recreation Room



Recreation Room



Laundry Room



Parking



Parking

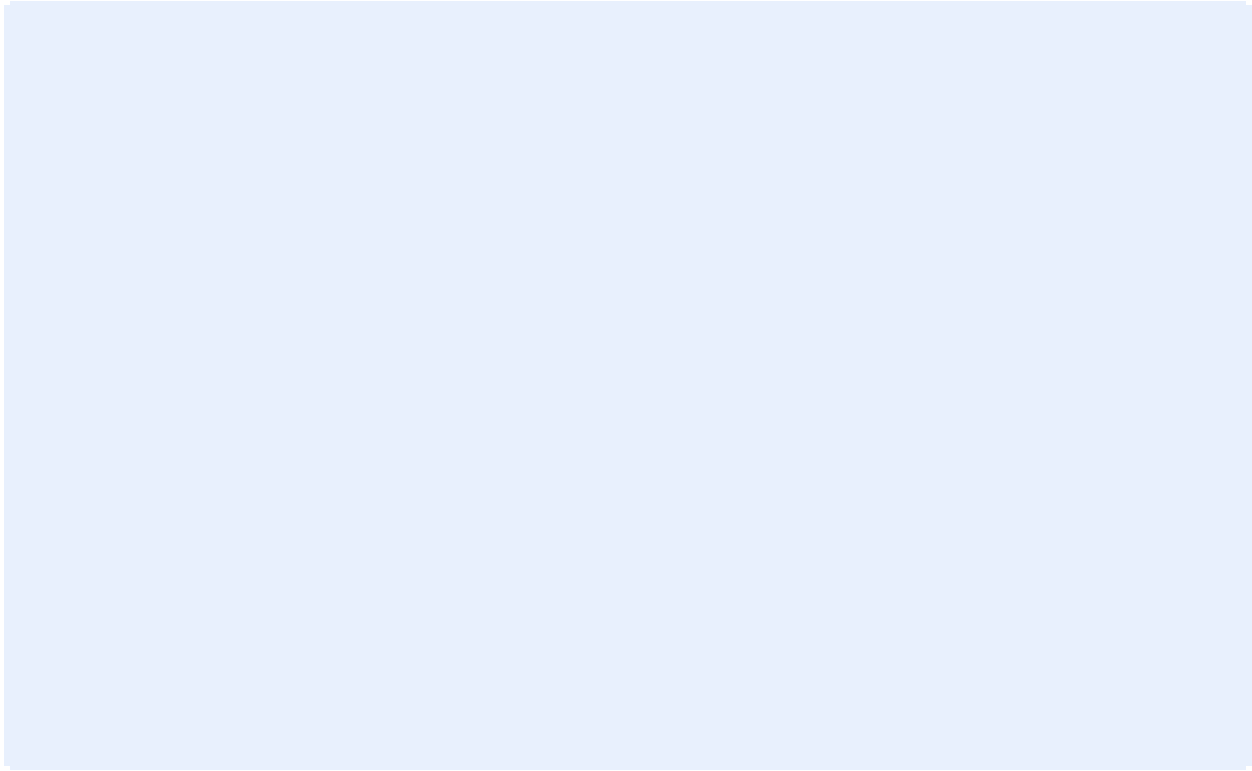


Parking

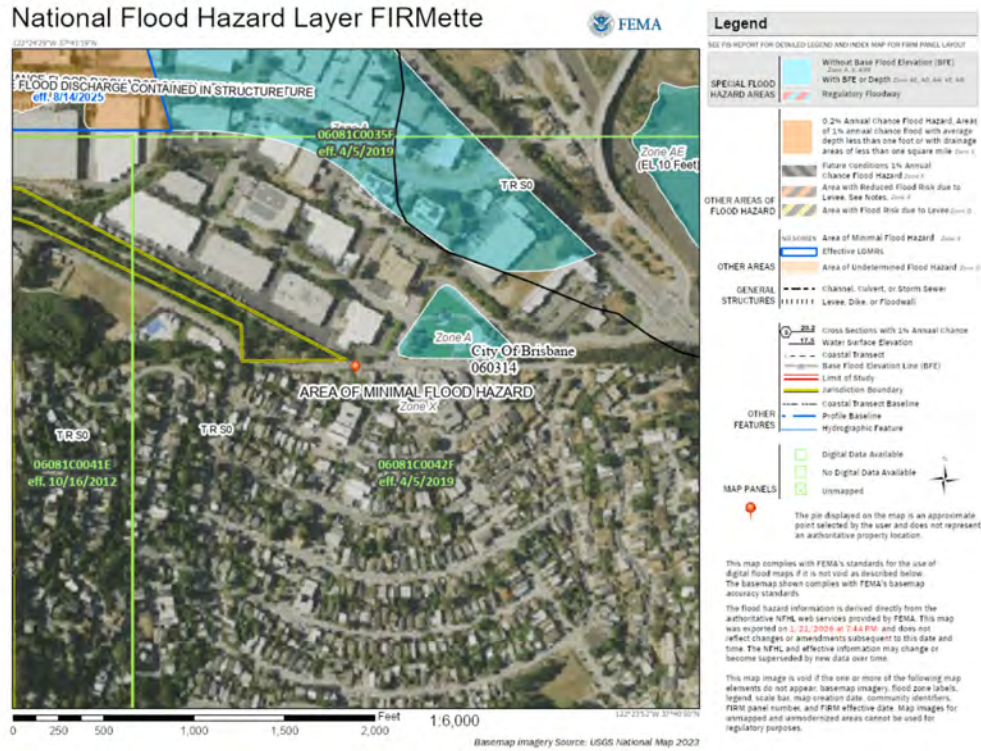


Map Gallery

Zoning Map



Flood Map



Rent Roll & Financial Statements

8 Visitacion Avenue

| # | Unit # | Unit Type | Bedrooms | Bathrooms | SF | Rent Type | Monthly Rent | Bowery Rent Estimate | Rent/SF |
|--------------------|--------|-----------|-----------|-----------|---------------|------------|---------------------|----------------------|----------------|
| 1 | I1 | 60% AMI | 2 | 1 | 833 | Affordable | \$2,379.00 | \$2,379 | \$34.27 |
| 2 | I2 | 120% AMI | 2 | 1 | 833 | Affordable | \$2,900.00 | \$2,900 | \$41.78 |
| 3 | I3 | 30% AMI | 1 | 1 | 694 | Affordable | \$1,010.00 | \$1,010 | \$17.46 |
| 4 | I4 | 30% AMI | 1 | 1 | 694 | Affordable | \$1,010.00 | \$1,010 | \$17.46 |
| 5 | I5 | 60% AMI | 1 | 1 | 718 | Affordable | \$2,130.00 | \$2,130 | \$35.60 |
| 6 | I6 | 120% AMI | 1 | 1 | 699 | Affordable | \$2,000.00 | \$2,000 | \$34.33 |
| 7 | V1 | 60% AMI | 1 | 1 | 761 | Affordable | \$2,130.00 | \$2,130 | \$33.59 |
| 8 | V10 | 30% AMI | 1 | 1 | 695 | Affordable | \$1,010.00 | \$1,010 | \$17.44 |
| 9 | V2 | 50% AMI | 1 | 1 | 695 | Affordable | \$1,756.00 | \$1,756 | \$30.32 |
| 10 | V4 | 60% AMI | 1 | 1 | 695 | Affordable | \$2,130.00 | \$2,130 | \$36.78 |
| 11 | V5 | 120% AMI | 1 | 1 | 695 | Affordable | \$2,000.00 | \$2,000 | \$34.53 |
| 12 | V6 | 60% AMI | 1 | 1 | 695 | Affordable | \$2,130.00 | \$2,130 | \$36.78 |
| 13 | V8 | 120% AMI | 1 | 1 | 695 | Affordable | \$2,000.00 | \$2,000 | \$34.53 |
| 14 | V9 | 60% AMI | 1 | 1 | 763 | Affordable | \$2,130.00 | \$2,130 | \$33.50 |
| Totals/Avgs | | | 16 | 14 | 10,165 | | \$26,715.00 | \$26,715 | \$31.54 |
| Annual | | | | | | | \$320,580.00 | \$320,580 | |

Provided Documents

12.01.25 Rent Roll

Rent Roll

Page 1

Vistacion Garden Apartments (153)

As Of = 12/31/2025

Month Year = 12/2025

| Unit | Unit Type | Unit Sq Ft | Resident | Name | Market Rent | Actual Rent | Resident Deposit | Other Move In Deposit | Lease Expiration | Move Out | Balance |
|--|-----------|------------|----------|--------------------|------------------|------------------|------------------|-----------------------|------------------|------------|-------------|
| Current/Notice/Vacant Residents | | | | | | | | | | | |
| I1 | vg1860 | 833.00 | 80016143 | Shi Wu | 2,528.00 | 509.00 | 1,193.00 | 0.00 | 4/29/2016 | 4/28/2017 | 0.00 |
| I2 | vg1860 | 833.00 | 80026235 | Agnes Hau/Hu Cheng | 2,528.00 | 1,535.00 | 1,303.00 | 0.00 | 1/19/2023 | 1/18/2024 | 0.00 |
| I3 | vg1840 | 694.00 | 80018033 | Gordon Douglas | 1,873.00 | 807.00 | 692.00 | 0.00 | 3/22/2026 | 3/1/2021 | 0.00 |
| I4 | vg1850 | 694.00 | 80018465 | Sau Chu Fong | 2,118.00 | 1,056.00 | 676.00 | 0.00 | 10/12/2018 | 9/30/2020 | 0.00 |
| I5 | vg1860 | 718.00 | 80027742 | Linda Salmon | 2,265.00 | 521.00 | 458.00 | 20.00 | 6/21/2023 | 6/26/2024 | 0.00 |
| I6 | vg1850 | 699.00 | 80017971 | Cecilia Wright | 2,118.00 | 1,056.00 | 895.00 | 500.00 | 1/1/2018 | 12/31/2018 | 0.00 |
| V1 | vg1880 | 751.00 | 80017778 | Cristalene Ryder | 2,265.00 | 1,236.00 | 964.00 | 0.00 | 3/15/2017 | 3/14/2018 | 0.00 |
| V10 | vg1850 | 695.00 | 80006174 | Nikki McSee | 1,751.00 | 556.00 | 296.00 | 500.00 | 2/1/2003 | 2/28/2017 | 0.00 |
| V2 | vg1850 | 695.00 | 80018955 | Trudi Davis | 2,118.00 | 1,056.00 | 876.00 | 500.00 | 3/1/2015 | 2/29/2020 | 0.00 |
| V4 | vg1850 | 695.00 | 80020583 | Judy McRitt | 2,118.00 | 1,056.00 | 685.00 | 0.00 | 8/28/2020 | 8/27/2021 | 0.00 |
| V5 | vg1880 | 695.00 | 80020603 | Barbara Vow | 2,265.00 | 1,236.00 | 1,056.00 | 500.00 | 10/22/2020 | 10/21/2021 | 0.00 |
| V6 | vg1830 | 695.00 | 80036909 | Marta Umans | 1,751.00 | 1,016.00 | 1,016.00 | 500.00 | 6/1/2025 | 6/1/2026 | 0.00 |
| V8 | vg1840 | 695.00 | 80001170 | Jorge Arrospeide | 1,873.00 | 807.00 | 395.00 | 0.00 | 2/18/2000 | 2/29/2017 | 0.00 |
| V9 | vg1860 | 783.00 | 80023885 | Carmen Lara | 2,265.00 | 1,150.00 | 695.00 | 0.00 | 7/15/2021 | 7/14/2022 | 0.00 |
| Total | | | | | 29,836.00 | 13,703.00 | 11,728.00 | 2,520.00 | | | 0.00 |

| Summary Group | Square Footage | Market Rent | Actual Rent | Security Deposit | Other Deposits | # Of Units | % Unit Occupancy | % Sqft Occupied | Balance |
|---------------------------------|------------------|------------------|------------------|------------------|-----------------|------------|------------------|-----------------|-------------|
| Current/Notice/Vacant Residents | 10,165.00 | 29,836.00 | 13,703.00 | 11,728.00 | 2,520.00 | 14 | 100.00 | 100.00 | 0.00 |
| Future Residents/Applicants | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | | | 0.00 |
| Occupied Units | 10,165.00 | 29,836.00 | | | | 14 | 100.00 | 100.00 | |
| Total Non Rev Units | 0.00 | 0.00 | | | | 0 | 0.00 | 0.00 | |
| Total Vacant Units | 0.00 | 0.00 | | | | 0 | 0.00 | 0.00 | |
| Totals: | 10,165.00 | 29,836.00 | 13,703.00 | 11,728.00 | 2,520.00 | 14 | 100.00 | 100.00 | 0.00 |

Thursday, January 09, 2026 10:04 PM

Enclosure M - 2024 Audited Financial Statement

Brisbane Senior Housing, Inc.
Financial Statements
(With Supplementary Information)
and Independent Auditor's Report
December 31, 2024 and 2023



Brisbane Senior Housing, Inc.

ENCLOSURE M

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CohnReznick LLP
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Independent Auditor's Report

Board of Directors
Brisbane Senior Housing, Inc.

Opinion

We have audited the financial statements of Brisbane Senior Housing, Inc., which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities and net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Brisbane Senior Housing, Inc. as of December 31, 2024 and 2023, and the changes in net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Brisbane Senior Housing, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Brisbane Senior Housing, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Brisbane Senior Housing, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Brisbane Senior Housing, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "CohnReznick LLP".

Sacramento, California
March 3, 2025

ENCLOSURE M

Brisbane Senior Housing, Inc.

Statements of Financial Position
December 31, 2024 and 2023Assets

| | <u>2024</u> | <u>2023</u> |
|---|--------------------|--------------------|
| Current assets | | |
| Cash - operations | \$ 5,537 | \$ 473 |
| Tenant accounts receivable, net | - | 4,071 |
| Total current assets | <u>5,537</u> | <u>4,544</u> |
| Deposits held in trust - funded | | |
| Tenant deposits | <u>16,002</u> | <u>15,519</u> |
| Restricted deposits and funded reserves | | |
| Reserve for replacements | 115,412 | 109,484 |
| Operating reserve | <u>64,232</u> | <u>57,920</u> |
| Total restricted deposits and funded reserves | <u>179,644</u> | <u>167,404</u> |
| Rental property | | |
| Building and improvements | 2,490,142 | 2,469,921 |
| Furniture, fixtures and equipment | <u>61,834</u> | <u>61,834</u> |
| | 2,551,976 | 2,531,755 |
| Less accumulated depreciation | <u>(2,141,823)</u> | <u>(2,071,039)</u> |
| Total rental property | <u>410,153</u> | <u>460,716</u> |
| Total assets | <u>\$ 611,336</u> | <u>\$ 648,183</u> |

ENCLOSURE M

Brisbane Senior Housing, Inc.

Statements of Financial Position
December 31, 2024 and 2023Liabilities and Net Assets (Deficit)

| | <u>2024</u> | <u>2023</u> |
|--|--------------------|--------------------|
| Current liabilities | | |
| Accounts payable - operations | \$ 11,055 | \$ 1,059 |
| Related party payable, current | 32,950 | 5,797 |
| Accrued wages payable | 2,253 | 1,701 |
| Miscellaneous current liabilities | 1,451 | 3,858 |
| Prepaid revenue | 56 | 2,940 |
| Total current liabilities | <u>47,765</u> | <u>15,355</u> |
| Deposits liability | | |
| Tenant deposits held in trust (contra) | <u>16,957</u> | <u>17,046</u> |
| Long-term liabilities | | |
| Notes payable | 2,511,087 | 2,511,087 |
| Accrued interest payable | <u>1,718,454</u> | <u>1,643,122</u> |
| Total long-term liabilities | <u>4,229,541</u> | <u>4,154,209</u> |
| Total liabilities | <u>4,294,263</u> | <u>4,186,610</u> |
| Net assets | | |
| Net assets without donor restrictions | <u>(3,682,927)</u> | <u>(3,538,427)</u> |
| Total net assets | <u>(3,682,927)</u> | <u>(3,538,427)</u> |
| Total liabilities and net assets (deficit) | <u>\$ 611,336</u> | <u>\$ 648,183</u> |

See Notes to Financial Statements.

ENCLOSURE M

Brisbane Senior Housing, Inc.

Statements of Activities and Net Assets
Years Ended December 31, 2024 and 2023

| | 2024 | 2023 |
|--|-----------------------|-----------------------|
| Revenue | | |
| Rental income | \$ 183,383 | \$ 169,919 |
| Vacancies | (913) | (4,960) |
| Interest income | 5,216 | 4,643 |
| Other | 1,626 | 4,345 |
| Total revenue | <u>189,312</u> | <u>173,947</u> |
| Expenses | | |
| Program services | 317,555 | 285,286 |
| General and administrative | 16,257 | 16,325 |
| Total expenses | <u>333,812</u> | <u>301,611</u> |
| Change in net assets | (144,500) | (127,664) |
| Net assets without donor restrictions, beginning | <u>(3,538,427)</u> | <u>(3,410,763)</u> |
| Net assets without donor restrictions, ending | <u>\$ (3,682,927)</u> | <u>\$ (3,538,427)</u> |

See Notes to Financial Statements.

ENCLOSURE M

Brisbane Senior Housing, Inc.
Statements of Functional Expenses
Years Ended December 31, 2024 and 2023

| | 2024 | | | 2023 | | |
|---------------------------------------|-------------------|----------------------------|-------------------|-------------------|----------------------------|-------------------|
| | Program services | General and administrative | Total | Program services | General and administrative | Total |
| Administrative | \$ 69,432 | \$ 14,229 | \$ 83,661 | \$ 59,026 | \$ 14,357 | \$ 73,383 |
| Operating and maintenance | 54,187 | - | 54,187 | 40,591 | - | 40,591 |
| Utilities | 23,549 | - | 23,549 | 22,757 | - | 22,757 |
| Taxes and insurance | 24,271 | - | 24,271 | 15,834 | - | 15,834 |
| Total operating expenses | 171,439 | 14,229 | 185,668 | 138,208 | 14,357 | 152,565 |
| Interest | 75,332 | - | 75,332 | 75,332 | - | 75,332 |
| Related party fees and other expenses | - | 2,028 | 2,028 | - | 1,968 | 1,968 |
| Depreciation | 70,784 | - | 70,784 | 71,746 | - | 71,746 |
| | \$ 317,555 | \$ 16,257 | \$ 333,812 | \$ 285,286 | \$ 16,325 | \$ 301,611 |

See Notes to Financial Statements.

ENCLOSURE M

Brisbane Senior Housing, Inc.

Statements of Cash Flows
Years Ended December 31, 2024 and 2023

| | 2024 | 2023 |
|--|--------------|--------------|
| Cash used in operating activities | | |
| Change in net assets | \$ (144,500) | \$ (127,664) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation | 70,784 | 71,746 |
| Bad debts | - | 1,078 |
| Changes in asset and liability accounts | | |
| (Increase) decrease in assets | | |
| Tenant accounts receivable | 4,071 | (5,149) |
| Accounts receivable | - | 1,209 |
| Prepaid expenses | - | 405 |
| Increase (decrease) in liabilities | | |
| Accounts payable | 9,996 | (2,287) |
| Accrued liabilities | 552 | (124) |
| Accrued interest payable | 75,332 | 75,333 |
| Tenant security deposits held in trust | (89) | 3,238 |
| Prepaid revenue | (2,884) | 2,884 |
| Entity/construction liability accounts (include detail) | | |
| Related party payable | 27,153 | (40,071) |
| Other adjustments (include detail) | | |
| Other accrued expenses | (2,407) | 108 |
| | 182,508 | 108,370 |
| Net cash provided by (used in) operating activities | 38,008 | (19,294) |
| Cash flows from investing activities | | |
| Net purchases of rental property | (20,221) | (8,200) |
| | (20,221) | (8,200) |
| Net cash used in investing activities | (20,221) | (8,200) |
| Net increase (decrease) in cash and restricted cash | 17,787 | (27,494) |
| Cash and restricted cash, beginning | 183,396 | 210,890 |
| Cash and restricted cash, end | \$ 201,183 | \$ 183,396 |
| Supplemental disclosure of cash flow information | | |
| Cash paid for interest | \$ - | \$ - |

See Notes to Financial Statements.

ENCLOSURE M

Brisbane Senior Housing, Inc.

Notes to Financial Statements
December 31, 2024 and 2023**Note 1 - Organization and nature of operations**

Brisbane Senior Housing, Inc., a California nonprofit public benefit corporation (the "Organization") was formed on February 4, 1998 to develop and operate a 14-unit rental housing development for low-income seniors in Brisbane, California on ground leased from the City of Brisbane. The property is currently operating under the name of Visitation Garden Apartments (the "Project"). The construction was completed in January 2000 and occupancy began in February 2000.

Officers and staff of BRIDGE Housing Corporation ("BRIDGE" or "BHC") form the board of directors of the Organization, BRIDGE Property Management Company ("BPMC") and various other nonprofit public benefit corporations. Other board of directors of the Organization is comprised of members from the San Francisco Housing Development Corporation and a person jointly appointed by the boards of directors of both sponsoring organizations. All board members serve without compensation.

Construction financing was obtained through loans from the City of Brisbane (Successor Agency of City of Brisbane Redevelopment Agency) and County of San Mateo.

Various agreements dictate the maximum income level of new tenants and also provide rent restrictions through 2028.

The Organization will continue to operate perpetually, unless dissolved earlier in accordance with the operating agreement.

Note 2 - Significant accounting policies**Accounting method**

The financial statements have been prepared on the accrual basis of accounting. Accordingly, income is recognized as earned and expenses as incurred, regardless of the timing of payments.

Basis of presentation

The Organization presents its financial statements in accordance with the accounting guidance for nonprofit entities. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. All the net assets of the Organization are without donor restrictions. Furthermore, information is required to segregate program service expenses from management and general expenses.

The Organization conforms to accounting guidance on revenue recognition for nonprofit entities. Under this guidance, contributions received, if any, are recorded as support without or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Tenant accounts receivable

Tenant accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of December 31, 2024 and 2023, there was no allowance for doubtful accounts.

ENCLOSURE M

Brisbane Senior Housing, Inc.

Notes to Financial Statements
December 31, 2024 and 2023**Rental property**

Property, equipment and improvements are recorded at cost. Expenditures for maintenance and repairs are charged to expenses as incurred while major renewals and betterments are capitalized. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses will be reflected in the statements of activities and net assets. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

| | |
|-----------------------------------|--------------|
| Building and improvements | 30 years |
| Off-site improvements | 15 years |
| Furniture, fixtures and equipment | 3 to 7 years |

Impairment of long-lived assets

The Organization reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the Project are less than its carrying amount, management compares the carrying amount of the Project to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment losses have been recognized during the years ended December 31, 2024 and 2023.

Rental income

Rental income is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Organization and the tenants of the Project are operating leases. The rental property is generally leased to tenants under six- or twelve-month noncancelable operating leases.

Commercial income

Commercial income is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Organization and the commercial tenants of the Project are operating leases. Lease income is recorded when due and is not materially different than the income that would be recorded using the straight-line method.

Advertising

Advertising and marketing costs are expensed as incurred.

Income taxes

The Organization has applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax-exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the years ended December 31, 2024 and 2023. Due to its tax-exempt status, the Organization is not subject to income taxes. The Organization is required to file and does file tax returns with the IRS and other taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that, as of December 31, 2024 and 2023, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. Accordingly, these financial statements do not reflect a provision for income taxes and the Organization has no other tax positions which must be considered for disclosure. Income tax returns filed by the Organization are subject to examination by the IRS for a period of three years. While no income tax returns are currently being examined by the IRS, tax years since 2021 remain open.

ENCLOSURE M

Brisbane Senior Housing, Inc.

Notes to Financial Statements
December 31, 2024 and 2023**Functional expenses allocation**

The costs of providing program and other activities are summarized on a functional basis in the statements of activities and net assets and statements of functional expenses. Accordingly, certain costs are allocated among program services and supporting services benefited. All expenses are directly attributable to a specific function.

Use of estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - Liquidity and availability

As of December 31, 2024, the Organization has \$42,554 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$5,537, and restricted deposits and funded reserves of \$37,017. Only amounts related to restricted deposits and funded reserves anticipated to be used more than one year after the statement of financial position date have been excluded from the above amounts.

As of December 31, 2023, the Organization had \$12,744 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$473, accounts receivable of \$4,071 and restricted deposits and funded reserves of \$8,200. Only amounts related to restricted deposits and funded reserves anticipated to be used more than one year after the statement of financial position date have been excluded from the above amounts.

Note 4 - Restricted deposits and funded reserves**Reserve for replacements**

In accordance with the operating, loan and regulatory agreements, the Organization is required to maintain a reserve for replacements. The reserve is to be funded in the amount of \$899 per month. A detailed schedule of the replacement reserve activity is set forth below:

| | 2024 | 2023 |
|----------------------|-------------------|-------------------|
| Balance, January 1 | \$ 109,484 | \$ 138,488 |
| Deposits | 10,785 | 10,786 |
| Interest earnings | 3,343 | 3,154 |
| Withdrawals | (8,200) | (42,944) |
| Balance, December 31 | <u>\$ 115,412</u> | <u>\$ 109,484</u> |

ENCLOSURE M

Brisbane Senior Housing, Inc.

Notes to Financial Statements
December 31, 2024 and 2023**Operating reserve**

The Organization established a reserve for excessive operating expenses, vacancy, and bad-debt losses. The reserve is to be funded in the amount equal to 3% of budgeted annual operating expenditures. A detailed schedule of the operating reserve activity is set forth below:

| | 2024 | 2023 |
|----------------------|------------------|------------------|
| Balance, January 1 | \$ 57,920 | \$ 57,221 |
| Deposits | 4,439 | 4,442 |
| Interest earnings | 1,873 | 1,489 |
| Withdrawals | - | (5,232) |
| | <u>64,232</u> | <u>57,920</u> |
| Balance, December 31 | <u>\$ 64,232</u> | <u>\$ 57,920</u> |

Note 5 - Rental property

Rental property is comprised of the following at December 31, 2024 and 2023:

| | Balance 12/31/23 | Additions | Deletions | Balance 12/31/24 |
|-----------------------------------|---------------------|--------------------|-------------|---------------------|
| Building and improvements | \$ 2,435,795 | \$ 20,221 | \$ - | \$ 2,456,016 |
| Off-site improvements | 34,126 | - | - | 34,126 |
| Furniture, fixtures and equipment | <u>61,834</u> | <u>-</u> | <u>-</u> | <u>61,834</u> |
| Sub-total | 2,531,755 | 20,221 | - | 2,551,976 |
| Less accumulated depreciation | <u>(2,071,039)</u> | <u>(70,784)</u> | <u>-</u> | <u>(2,141,823)</u> |
| Total net book value | <u>\$ 460,716</u> | <u>\$ (50,563)</u> | <u>\$ -</u> | <u>\$ 410,153</u> |

Note 6 - Statements of cash flows

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position that sum to the total of the same such amounts in the statements of cash flows:

| | 2024 | 2023 |
|--|-------------------|-------------------|
| Cash | \$ 5,537 | \$ 473 |
| Tenant deposits | 16,002 | 15,519 |
| Reserve for replacements | 115,412 | 109,484 |
| Operating reserve | <u>64,232</u> | <u>57,920</u> |
| Total cash and restricted cash shown in the statements of cash flows | <u>\$ 201,183</u> | <u>\$ 183,396</u> |

ENCLOSURE M

Brisbane Senior Housing, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

Amounts included in restricted cash are comprised of security deposits held in a trust for the future benefit of tenants upon moving out of the Project and other reserves as required by the regulatory authority and the operating agreement.

Note 7 - Related party transactions

All payroll-related costs are paid by BRIDGE on behalf of the Organization and subsequently reimbursed. Related party transactions include the following fees and charges at December 31, 2024 and 2023:

| Description | Paid to | Payable at 12/31/23 | 2024 Expense | (Payments) advances | Payable at 12/31/24 |
|-----------------------------|---------|------------------------|------------------|------------------------|------------------------|
| Property management fee (1) | BPMC | \$ - | \$ 14,103 | \$ (14,103) | \$ - |
| Asset management fee (2) | BPMC | 5,650 | 2,028 | (1,513) | 6,165 |
| Bookkeeping fee | BPMC | - | 7,263 | (7,263) | - |
| Operating advances | BHC | 147 | - | 26,638 | 26,785 |
| | | <u>\$ 5,797</u> | <u>\$ 23,394</u> | <u>\$ 3,759</u> | <u>\$ 32,950</u> |

| Description | Paid to | Payable at 12/31/22 | 2023 Expense | (Payments) advances | Payable at 12/31/23 |
|-----------------------------|---------|------------------------|------------------|------------------------|------------------------|
| Property management fee (1) | BPMC | \$ - | \$ 13,692 | \$ (13,692) | \$ - |
| Asset management fee (2) | BPMC | 3,682 | 1,968 | - | 5,650 |
| Bookkeeping fee | BPMC | - | 7,052 | (7,052) | - |
| Operating advances | BHC | 42,186 | - | (42,039) | 147 |
| | | <u>\$ 45,868</u> | <u>\$ 22,712</u> | <u>\$ (62,783)</u> | <u>\$ 5,797</u> |

- (1) Property management of the Project is contracted with BPMC for an annual amount of \$7,658, subject to annual increases.
- (2) An annual payment of \$1,194 in asset management fees is to be made to BPMC from excess/distributable cash, subject to annual increases. Unpaid fees carry forward without interest.

ENCLOSURE M

Brisbane Senior Housing, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

Note 8 - Notes payable

Notes payable are secured by the Project unless otherwise noted and consisted of the following at December 31:

| | <u>2024</u> | <u>2023</u> |
|---|---------------------|---------------------|
| County of San Mateo, in the original amount of \$175,000, bearing simple interest at 3%, with annual payments of interest-only due on July 1 to the extent of 5.93% of excess/distributable cash, commencing August 1998, to be repaid in full by February 2030. Interest expense was \$5,250 each of the years ended December 31, 2024 and 2023. As of December 31, 2024 and 2023, accrued interest is \$117,352 and \$112,102, respectively. | \$ 175,000 | \$ 175,000 |
| City of Brisbane (Successor Agency of City of Brisbane Redevelopment Agency), originally amounting to \$1,000,000, bearing simple interest at 3% with annual payment to the extent of 30.48% of excess/distributable cash, commencing February 1998, to be repaid in full by February 2028. Interest expense was \$26,996 for each of the years ended December 31, 2024 and 2023. As of December 31, 2024 and 2023, accrued interest is \$600,700 and \$573,704, respectively. | 899,873 | 899,873 |
| City of Brisbane (Successor Agency of City of Brisbane Redevelopment Agency), originally amounting to \$1,500,000, bearing simple interest at 3% with annual payments to the extent of 48.65% of excess/distributable cash, commencing February 1998, to be repaid in full by February 2028. Interest expense was \$43,086 for each of the years ended December 31, 2024 and 2023. As of December 31, 2024 and 2023, accrued interest is \$1,000,402 and \$957,316, respectively. | <u>1,436,214</u> | <u>1,436,214</u> |
| Total | <u>\$ 2,511,087</u> | <u>\$ 2,511,087</u> |

ENCLOSURE M

Brisbane Senior Housing, Inc.

Notes to Financial Statements
December 31, 2024 and 2023

The liability of the Organization under the loans and notes payable is limited to the underlying value of the real estate collateral plus other amounts deposited with the lenders.

Principal payments on notes payable for the next four years are subject to changes in net cash flow, which is a contingency that cannot be reasonably estimated.

Note 9 - Concentration of credit risk

The Organization maintains its cash accounts with various financial institutions. All reserves are held in trust accounts in the Organization's name. Investment options of the reserves are controlled by the trustee. At times, these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these balances at December 31, 2024.

Note 10 - Ground lease

The Organization leases the parcel of land on which the Project was built from the City of Brisbane. The lease is for a 30-year term and requires lease payments based on the availability of 14.94% of excess/distributable cash. In any year the Project does not generate excess/distributable cash, there is no requirement to record rent expense. Per the second amendment to the ground lease agreement, the Organization shall apply any lease payments to an awning reserve account that shall be maintained at a balance of \$28,243, as adjusted from time to time by the percentage change in the Consumer Price Index. The awning reserve is to be used to maintain and repair the awning above the porch next to the Project's community room. The awning reserve, which amounted to \$38,283 and \$37,127 at December 31, 2024 and 2023, respectively, is not reflected in the statements of financial position, as it belongs to the City of Brisbane.

In April 2000, the Organization executed a sublease agreement for a portion of the building to the City of Brisbane. The sublease term is 28 years and requires annual rent payments of \$1.

Ground lease expense for the years ended December 31, 2024 and 2023 was \$0 and \$0, respectively.

Note 11 - Economic concentration

The Organization operates a 14-unit apartment project located in Brisbane, California. Future operations could be affected by changes in economic or other conditions in that geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

ENCLOSURE M

Brisbane Senior Housing, Inc.

Notes to Financial Statements
December 31, 2024 and 2023**Note 12 - Distribution of excess/distributable cash**

Excess cash shall be applied in the following order of priority:

- i. First, to payment of accrued and unpaid asset management fees;
- ii. Second, the remaining excess/distributable cash should be distributed as follows:
 - a. 14.94% towards rent under ground lease;
 - b. 79.13% towards debt service on the promissory notes in favor of the City of Brisbane (Successor Agency of City of Brisbane Redevelopment Agency); and
 - c. 5.93% towards debt on the promissory note in favor of the County of San Mateo.

Note 13 - Subsequent events

Events that occur after the statement of financial position date, but before the financial statements were available to be issued, must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through March 3, 2025, the date the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

ENCLOSURE M

Supplementary Information

ENCLOSURE M

Brisbane Senior Housing, Inc.

Supplementary Information

Schedules of Activities - Revenue
Years Ended December 31, 2024 and 2023

| | 2024 | 2023 |
|--|-------------------|-------------------|
| Rental revenue | | |
| Rent revenue - gross potential | \$ 146,898 | \$ 144,526 |
| Tenant assistance payments | 36,485 | 25,393 |
| Total rental revenue | <u>183,383</u> | <u>169,919</u> |
| Vacancies | | |
| Apartments | (913) | (4,960) |
| Total vacancies | <u>(913)</u> | <u>(4,960)</u> |
| Net rental revenue | <u>182,470</u> | <u>164,959</u> |
| Financial revenue | | |
| Revenue from investments - replacement reserve | 3,343 | 3,154 |
| Revenue from investments - miscellaneous | 1,873 | 1,489 |
| Total financial revenue | <u>5,216</u> | <u>4,643</u> |
| Other revenue | | |
| Laundry and vending | 52 | 51 |
| Tenant charges | - | 4,282 |
| Miscellaneous revenue | 1,574 | 12 |
| Total other revenue | <u>1,626</u> | <u>4,345</u> |
| Total revenue | <u>\$ 189,312</u> | <u>\$ 173,947</u> |

See Independent Auditor's Report.

ENCLOSURE M

Brisbane Senior Housing, Inc.

Supplementary Information

Schedules of Activities - Expenses
Years Ended December 31, 2024 and 2023

| | 2024 | 2023 |
|--|---------------|---------------|
| Administrative expenses | | |
| Conventions and meetings | \$ 308 | \$ 257 |
| Management consultants | 4,453 | 911 |
| Other renting expenses | 1,124 | 939 |
| Office salaries | 2,772 | 476 |
| Office expenses | 14,531 | 13,880 |
| Management fee | 14,103 | 13,692 |
| Manager or superintendent salaries | 32,123 | 27,611 |
| Legal expense - project | - | 95 |
| Auditing expense | 6,966 | 7,305 |
| Bookkeeping fees/accounting services | 7,263 | 7,052 |
| Bad debts | - | 1,078 |
| Miscellaneous administrative expenses | 18 | 87 |
| Total administrative expenses | <u>83,661</u> | <u>73,383</u> |
| Utilities expense | | |
| Electricity | 5,313 | 5,681 |
| Water | 8,567 | 9,435 |
| Gas | 6,698 | 4,294 |
| Sewer | 2,971 | 3,347 |
| Total utilities expense | <u>23,549</u> | <u>22,757</u> |
| Operating and maintenance expenses | | |
| Payroll | 2,111 | 3,393 |
| Supplies | 4,625 | 6,804 |
| Contracts | 42,193 | 23,373 |
| Security payroll/contract | 5,200 | 5,549 |
| Heating/cooling repairs and maintenance | - | 900 |
| Miscellaneous operating and maintenance expenses | 58 | 572 |
| Total operating and maintenance expenses | <u>54,187</u> | <u>40,591</u> |

ENCLOSURE M

Brisbane Senior Housing, Inc.

Supplementary Information

Schedules of Activities - Expenses
Years Ended December 31, 2024 and 2023

| | 2024 | 2023 |
|--|---------------------|---------------------|
| Taxes and insurance | | |
| Real estate taxes | 37 | 32 |
| Payroll taxes | 2,842 | 2,605 |
| Property and liability insurance | 12,689 | 8,913 |
| Workmen's compensation | 1,688 | 1,858 |
| Health insurance and other employee benefits | 6,920 | 2,301 |
| Miscellaneous taxes, licenses, permits and insurance | 95 | 125 |
| Total taxes and insurance | <u>24,271</u> | <u>15,834</u> |
| Financial expenses | | |
| Interest on notes payable - long-term | 75,332 | 75,332 |
| Total financial expenses | <u>75,332</u> | <u>75,332</u> |
| Total cost of operations before depreciation | <u>261,000</u> | <u>227,897</u> |
| Income (loss) before depreciation | <u>(3,610,115)</u> | <u>(3,464,713)</u> |
| Depreciation | | |
| Depreciation expense | 70,784 | 71,746 |
| Total depreciation | <u>70,784</u> | <u>71,746</u> |
| Operating income (loss) | <u>(3,680,899)</u> | <u>(3,536,459)</u> |
| Corporate or mortgagor entity revenue and expenses | | |
| Other expenses | 2,028 | 1,968 |
| Net entity expenses | <u>2,028</u> | <u>1,968</u> |
| Total expenses | <u>333,812</u> | <u>301,611</u> |
| Change in net assets | <u>\$ (144,500)</u> | <u>\$ (127,664)</u> |

See Independent Auditor's Report.

ENCLOSURE M

Brisbane Senior Housing, Inc.

Supplementary Information

**Computations of Surplus Cash
Years Ended December 31, 2024 and 2023**

| | 2024 | 2023 |
|--|------------|------------|
| Operating income | | |
| Total income | \$ 189,312 | \$ 173,947 |
| Interest earned on restricted reserve accounts | (5,216) | (4,643) |
| Adjusted operating income | 184,096 | 169,304 |
| Operating expenses | 185,668 | 152,565 |
| Adjusted net income (loss) | (1,572) | 16,739 |
| Other activity | | |
| Deposits into replacement reserve account | (10,786) | (10,786) |
| Purchase of property and equipment | (20,221) | (8,200) |
| Deposits into operating reserve | (4,439) | (4,442) |
| Withdrawals from replacement reserve - purchase of property and equipment (subsequent to year-end) | - | 8,200 |
| Withdrawals from operating reserve - operating expenses (subsequent to year-end) | 37,017 | - |
| Miscellaneous adjustment | 1 | 2 |
| Total other activity | 1,572 | (15,226) |
| Operating cash flow/surplus cash and (deficit) | \$ - | \$ 1,513 |
| Distribution of operating cash flow/surplus cash | | |
| Asset management fee | \$ - | \$ 1,513 |
| | \$ - | \$ 1,513 |

See Independent Auditor's Report.



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Enclosure N - 2025 Budget

ENCLOSURE N

Budget Analysis - Visitation Garden Apartments (193) - 2025 FY Property Budget

Forecast IQ

For Property(s) 193 (Visitation Garden Apartments)
 For Account Tree Property Surplus (prop_sur1)
 Grouped By Property
 Forecasted Budget(s) 2025 FY Property Budget for Budget Year 2025

Report Generated 01/09/2025

| Account Code | Description | 2025 FY Property Budget | 2025 FY Property Budget | Narratives |
|--------------|--------------------------------------|-------------------------|-------------------------|------------|
| | | Jan 2025 - Dec 2025 | Per Unit | |
| | Adjusted Net Operating Income (Loss) | | | |
| 4000-0000 | Net Operating Income (Loss) | | | |
| 4001-0000 | Income | | | |
| 4100-0000 | Development Revenue | | | |
| 4199-0000 | Total Development Revenue | 0 | 0 | |
| 4200-0000 | Contribution Revenue | | | |
| 4299-0000 | Total Contribution Revenue | 0 | 0 | |
| 4300-0000 | Management Revenue | | | |
| 4399-0000 | Total Management Revenue | 0 | 0 | |
| 5100-0000 | Rent Income | | | |
| 5120-0000 | Gross Potential Rent-Tenants | 307,212 | 21,944 | |
| 5122-0000 | Gross Potential Rent-Subsidy | 50,820 | 3,630 | |
| 5190-0000 | Loss/Gain to Lease | -168,108 | -12,008 | |
| 5218-0000 | Vacancy Loss | -7,596 | -543 | |
| 5299-0000 | Total Rent Income | 182,328 | 13,023 | |
| 5900-0000 | Other Income | | | |
| 5910-0000 | Laundry Income | 32 | 2 | |
| 5930-0000 | Damage & Cleaning Fees | 300 | 21 | |
| 5940-0000 | Application Fees | 25 | 2 | |
| 5998-0000 | Total Other Income | 357 | 26 | |
| 5999-0000 | Total Income | 182,685 | 13,049 | |
| 6001-0000 | Operating Expenses | | | |
| 6000-0000 | Renting Expenses | | | |
| 6250-0000 | Other Renting Expenses | 1,196 | 85 | |
| 6250-0100 | Credit Report | 25 | 2 | |
| 6299-0000 | Total Rental Expenses | 1,221 | 87 | |
| 6300-0000 | Administrative Expenses | | | |
| 6310-0100 | Office Bonus - Annual | 1,248 | 89 | |
| | Office Supplies | 1,893 | 135 | |
| 6320-0000 | Property Management Fee | 14,592 | 1,042 | |
| 6330-0000 | Manager's Salary | 61,452 | 4,389 | |
| 6340-0000 | Legal | 24,000 | 1,714 | |
| 6346-0000 | Bank Charges | 31 | 2 | |

ENCLOSURE N

| | | | | |
|-----------|--------------------------------|---------|-------|--|
| 6350-0000 | Audit & Tax | 7,164 | 512 | |
| 6351-0000 | Bookkeeping Fees | 7,476 | 534 | |
| 6355-0000 | Professional | 300 | 21 | |
| 6360-0000 | Telephone/Answering Service | 10,346 | 739 | |
| 6382-0000 | Consulting | 1,508 | 108 | |
| | Other Administrative Expenses | 1,185 | 85 | |
| 6399-0000 | Total Administrative Expenses | 131,195 | 9,371 | |
| 6400-0000 | Utilities Expense | | | |
| 6450-0000 | Electricity | 5,844 | 417 | |
| 6451-0000 | Water | 9,852 | 704 | |
| 6452-0000 | Gas | 5,112 | 365 | |
| 6453-0000 | Sewer | 3,204 | 229 | |
| 6499-0000 | Total Utilities Expense | 24,012 | 1,715 | |
| 6500-0000 | Maintenance Expenses | | | |
| 6515-0000 | Janitorial & Cleaning Supplies | 256 | 18 | Budget - Annual cost of janitorial and cleaning supplies. |
| 6517-0000 | Janitorial & Cleaning Contract | 1,308 | 93 | Budget - subcategories, Budget - Annual gutter cleaning - \$804 allowance Excellent Window Cleaning charged in 2024 \$690. Cleaning contingency for unit carpet cleaning & special unit cleaning- \$504 |
| 6519-0000 | Exterminating Contract | 1,702 | 122 | Budget - subcategories |
| 6530-0000 | Fire Protection | 4,764 | 340 | Budget - Sabah International Inc provides fire alarm monitoring and fire alarm testing. Nickell Fire Protection, Inc services the sites fire extinguishers and sprinkler system. Projected annual monitoring of fire alarm system - \$600 Projected annual cost of fire alarm testing - \$1704 Projected annual cost of inspecting extinguishers - \$348 Quarterly fire sprinkler inspections - \$270/quarter. Should account for 3 since 4th is an annual. Annual fire sprinkler inspection - \$800 |
| 6533-0000 | Security Contract | 41 | 3 | \$500 contingency Budget - subcategories |

ENCLOSURE N

| | | | | |
|-----------|--|--------|-------|---|
| | | | | <p>Budget - subcategories, Budget - Korotkin Associates, Inc. is the landscape maintenance vendor for site.</p> <p>Flower replacement - \$396 Monthly maintenance with projected 4% escalation - \$875/month Annual tree trimming - \$6504</p> <p>2024 maintenance is \$841/month. Between 2023 and 2024 - there was a 4% increase. Projecting same for 2025.</p> |
| 6537-0000 | Grounds Contract | 17,400 | 1,243 | |
| 6541-0000 | Repairs Materials | 747 | 53 | <p>Budget - Estimate for basic materials for maintenance and repairs for the property and units.</p> |
| 6542-0000 | Repairs Contract | 6,996 | 500 | <p>Budget - Estimate for repairs contracts utilizing outside services., Budget - Increasing repairs contract by \$2k from 2024. 2 transactions are due to leaks prompting restoration services totaling nearly \$12k.</p> |
| 6546-0000 | Heating & Cooling Repairs & Maintenance | 900 | 64 | |
| 6560-0000 | Decorating Payroll & Contract | 1,500 | 107 | <p>Budget - Annual cost to utilize outside vendor to paint units., Budget - Contingency for 1 unit @ \$1500</p> <p>2024 shows repairs and painting due to leaks.</p> |
| 6561-0000 | Decorating Supplies | 12 | 1 | Budget - Annual cost of paint and supplies. |
| 6599-0000 | Total Maintenance Expenses | 35,626 | 2,545 | |
| 6700-0000 | Taxes & Insurance | | | |
| 6711-0000 | Payroll Taxes | 5,016 | 358 | |

ENCLOSURE N

| | | | |
|-----------|--|---------|--------|
| 6719-0000 | Other Taxes Licenses & Permits | 108 | 8 |
| 6720-0000 | Property & Liability Insurance | 14,040 | 1,003 |
| 6722-0000 | Worker's Compensation | 2,820 | 201 |
| 6723-0000 | Health Ins. & Employee Benefit | 11,064 | 790 |
| 6725-0000 | Retirement Plan Contributions | 2,508 | 179 |
| 6798-0000 | Total Taxes & Insurance | 35,556 | 2,540 |
| 6799-0000 | Total Operating Expenses | 227,610 | 16,258 |
| | Total Net Operating Income (Loss) | -44,925 | -3,209 |
| | Non-Operating Expenses | | |
| 6900-0000 | Other Partnership Expense | | |
| 6999-0000 | Total Other Partnership Expense | 0 | 0 |
| 9900-0000 | Reserve Transfers | | |
| | Funding Replacement Reserve | | |
| 9960-0000 | Allocation | 10,776 | 770 |
| 9970-0000 | Funding Operating Reserve Allocation | 4,803 | 343 |
| 9997-0000 | Total Reserve Transfers | 15,579 | 1,113 |
| 9998-0000 | Total Non-Operating Expenses | 15,579 | 1,113 |
| 9999-0000 | Total Adjusted Net Operating Income (Loss) | -60,504 | -4,322 |

Enclosure K - 2022 Audited Financial Statement

Brisbane Senior Housing, Inc.
Financial Statements
(With Supplementary Information)
and Independent Auditor's Report
December 31, 2022 and 2021



Brisbane Senior Housing, Inc.**ENCLOSURE K**Index

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Independent Auditor's Report

To the Board of Directors
Brisbane Senior Housing, Inc.

Opinion

We have audited the financial statements of Brisbane Senior Housing, Inc., which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Brisbane Senior Housing, Inc. as of December 31, 2022 and 2021, and the changes in net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Brisbane Senior Housing, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Brisbane Senior Housing, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Brisbane Senior Housing, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Brisbane Senior Housing, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.



Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "CohnReznick LLP".

Sacramento, California
April 25, 2023

ENCLOSURE K

Brisbane Senior Housing, Inc.

Statements of Financial Position
December 31, 2022 and 2021Assets

| | <u>2022</u> | <u>2021</u> |
|---|--------------------|--------------------|
| Current assets | | |
| Cash - operations | \$ 1,373 | \$ 5,427 |
| Tenant accounts receivable, net | - | 4 |
| Accounts and notes receivable - operations | 1,209 | 6 |
| Prepaid expenses | 405 | 560 |
| Total current assets | <u>2,987</u> | <u>5,997</u> |
| Deposits held in trust - funded | | |
| Tenant deposits | <u>13,808</u> | <u>14,300</u> |
| Restricted deposits and funded reserves | | |
| Reserve for replacements | 138,488 | 157,802 |
| Operating reserve | 57,221 | 52,809 |
| Total restricted deposits and funded reserves | <u>195,709</u> | <u>210,611</u> |
| Rental property | | |
| Buildings and improvements | 2,461,721 | 2,461,721 |
| Furniture, fixtures and equipment | 61,834 | 47,645 |
| | 2,523,555 | 2,509,366 |
| Less accumulated depreciation | <u>(1,999,293)</u> | <u>(1,928,628)</u> |
| Total rental property | <u>524,262</u> | <u>580,738</u> |
| Total assets | <u>\$ 736,766</u> | <u>\$ 811,646</u> |

ENCLOSURE K

Brisbane Senior Housing, Inc.

Statements of Financial Position
December 31, 2022 and 2021Liabilities and Net Assets (Deficit)

| | <u>2022</u> | <u>2021</u> |
|---|--------------------|--------------------|
| Current liabilities | | |
| Accounts payable - operations | \$ 3,346 | \$ 2,518 |
| Related party payable, current | 42,186 | 31,489 |
| Accrued wages payable | 1,825 | 1,904 |
| Miscellaneous current liabilities | 3,750 | 958 |
| Prepaid revenue | 56 | 58 |
| Total current liabilities | <u>51,163</u> | <u>36,927</u> |
| Deposits liability | | |
| Tenant deposits held in trust (contra) | <u>13,808</u> | <u>14,300</u> |
| Long-term liabilities | | |
| Related party payable, net of current portion | 3,682 | 1,767 |
| Notes payable | 2,511,087 | 2,511,087 |
| Accrued interest payable | <u>1,567,789</u> | <u>1,492,457</u> |
| Total long-term liabilities | <u>4,082,558</u> | <u>4,005,311</u> |
| Total liabilities | <u>4,147,529</u> | <u>4,056,538</u> |
| Contingency | - | - |
| Net assets | | |
| Net assets without donor restrictions | <u>(3,410,763)</u> | <u>(3,244,892)</u> |
| Total net assets | <u>(3,410,763)</u> | <u>(3,244,892)</u> |
| Total liabilities and net assets (deficit) | <u>\$ 736,766</u> | <u>\$ 811,646</u> |

See Notes to Financial Statements.

ENCLOSURE K

Brisbane Senior Housing, Inc.

Statements of Activities and Net Assets
Years Ended December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|--|-----------------------|-----------------------|
| Revenue | | |
| Rental income | \$ 156,132 | \$ 152,112 |
| Vacancies | (12,607) | (2,546) |
| Interest income | 1,164 | 324 |
| Other | 852 | 954 |
| | <u>145,541</u> | <u>150,844</u> |
| Total revenue | | |
| Expenses | | |
| Program services | 295,887 | 278,071 |
| General and administrative | 15,525 | 15,073 |
| | <u>311,412</u> | <u>293,144</u> |
| Total expenses | | |
| Change in net assets | (165,871) | (142,300) |
| Net assets without donor restrictions, beginning | <u>(3,244,892)</u> | <u>(3,102,592)</u> |
| Net assets without donor restrictions, ending | <u>\$ (3,410,763)</u> | <u>\$ (3,244,892)</u> |

See Notes to Financial Statements.

ENCLOSURE K

Brisbane Senior Housing, Inc.
Statements of Functional Expenses
Years Ended December 31, 2022 and 2021

| | 2022 | | | 2021 | | |
|---------------------------------------|-------------------|----------------------------|-------------------|-------------------|----------------------------|-------------------|
| | Program services | General and administrative | Total | Program services | General and administrative | Total |
| Administrative | \$ 56,696 | \$ 13,610 | \$ 70,306 | \$ 53,949 | \$ 13,214 | \$ 67,163 |
| Operating and maintenance | 52,209 | - | 52,209 | 44,148 | - | 44,148 |
| Utilities | 25,639 | - | 25,639 | 21,587 | - | 21,587 |
| Taxes and insurance | 15,346 | - | 15,346 | 13,259 | - | 13,259 |
| Total operating expenses | 149,890 | 13,610 | 163,500 | 132,943 | 13,214 | 146,157 |
| Interest | 75,332 | - | 75,332 | 75,332 | - | 75,332 |
| Related party fees and other expenses | - | 1,915 | 1,915 | - | 1,859 | 1,859 |
| Depreciation | 70,665 | - | 70,665 | 69,796 | - | 69,796 |
| | <u>\$ 295,887</u> | <u>\$ 15,525</u> | <u>\$ 311,412</u> | <u>\$ 278,071</u> | <u>\$ 15,073</u> | <u>\$ 293,144</u> |

See Notes to Financial Statements.

ENCLOSURE K

Brisbane Senior Housing, Inc.

Statements of Cash Flows
Years Ended December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|--|----------------|----------------|
| Reconciliation of change in net assets to net cash (used in) provided by operating activities | | |
| Change in net assets | \$ (165,871) | \$ (142,300) |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities | | |
| Depreciation | 70,665 | 69,796 |
| Changes in asset and liability accounts | | |
| (Increase) decrease in assets | | |
| Tenant accounts receivable | 4 | (4) |
| Accounts receivable | (1,203) | 26 |
| Prepaid expenses | 155 | (16) |
| Increase (decrease) in liabilities | | |
| Accounts payable | 828 | (885) |
| Accrued liabilities | (79) | (139) |
| Accrued interest payable | 75,332 | 72,835 |
| Tenant security deposits held in trust | (492) | (427) |
| Prepaid revenue | (2) | 2 |
| Entity/construction liability accounts (include detail) | | |
| Related party payable | 12,612 | 25,143 |
| Other adjustments (include detail) | | |
| Other accrued expenses | 2,792 | (905) |
| Ground lease payable | - | (439) |
| Total adjustments | <u>160,612</u> | <u>164,987</u> |
| Net cash (used in) provided by operating activities | <u>(5,259)</u> | <u>22,687</u> |

ENCLOSURE K

Brisbane Senior Housing, Inc.
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|-------------------|
| Cash flows from investing activities | | |
| Net purchases of fixed assets | <u>(14,189)</u> | <u>(20,525)</u> |
| Net cash used in investing activities | <u>(14,189)</u> | <u>(20,525)</u> |
| Net (decrease) increase in cash and restricted cash | (19,448) | 2,162 |
| Cash and restricted cash, beginning | <u>230,338</u> | <u>228,176</u> |
| Cash and restricted cash, end | <u>\$ 210,890</u> | <u>\$ 230,338</u> |
| Supplemental cash flow information | | |
| Cash paid for interest | <u>\$ -</u> | <u>\$ 2,497</u> |

See Notes to Financial Statements.

ENCLOSURE K

Brisbane Senior Housing, Inc.

Notes to Financial Statements
December 31, 2022 and 2021**Note 1 - Organization and nature of operations**

Brisbane Senior Housing, Inc., a California nonprofit public benefit corporation (the "Organization") was formed on February 4, 1998 to develop and operate a 14-unit rental housing development for low-income seniors in Brisbane, California on ground leased from the City of Brisbane. The property is currently operating under the name of Visitacion Garden Apartments (the "Project"). The construction was completed in January 2000 and occupancy began in February 2000.

Officers and staff of BRIDGE Housing Corporation ("BRIDGE" or "BHC") form the board of directors of Brisbane Senior Housing, Inc., BRIDGE Property Management Company ("BPMC") and various other nonprofit public benefit corporations. Other board of directors of the Organization is comprised of members from the San Francisco Housing Development Corporation ("SFHDC") and a person jointly appointed by the boards of directors of both sponsoring organizations. All board members serve without compensation.

Construction financing was obtained through loans from the City of Brisbane (Successor Agency of City of Brisbane Redevelopment Agency) and County of San Mateo.

Various agreements dictate the maximum income level of new tenants and also provide rent restrictions through 2028.

The Organization will continue to operate perpetually, unless dissolved earlier in accordance with the operating agreement.

Note 2 - Significant accounting policies**Accounting method**

The financial statements have been prepared on the accrual basis of accounting. Accordingly, income is recognized as earned and expenses as incurred, regardless of the timing of payments.

Basis of presentation

The Organization presents its financial statements in accordance with the accounting guidance for nonprofit entities. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. All the net assets of the Organization are without donor restrictions. Furthermore, information is required to segregate program service expenses from management and general expenses.

The Organization conforms to accounting guidance on revenue recognition for nonprofit entities. Under this guidance, contributions received, if any, are recorded as support without or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Tenant accounts receivable

Tenant accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of December 31, 2022 and 2021, there was no allowance for doubtful accounts.

ENCLOSURE K

Brisbane Senior Housing, Inc.

Notes to Financial Statements
December 31, 2022 and 2021**Investment in rental property**

Property, equipment and improvements are recorded at cost. Expenditures for maintenance and repairs are charged to expenses as incurred while major renewals and betterments are capitalized. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses will be reflected in the statement of activities. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

| | |
|-----------------------------------|--------------|
| Building and improvements | 30 years |
| Off-site improvements | 15 years |
| Furniture, fixtures and equipment | 3 to 7 years |

Impairment of long-lived assets

The Organization reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the Project are less than its carrying amount, management compares the carrying amount of the Project to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment losses have been recognized during the years ended December 31, 2022 and 2021.

Rental income

Rental income is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Organization and the tenants of the Project are operating leases. The rental property is generally leased to tenants under six- or twelve-month noncancelable operating leases.

Commercial income

Commercial income is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Organization and the commercial tenants of the Project are operating leases. Lease income is recorded when due and is not materially different than the income that would be recorded using the straight-line method.

Advertising

Advertising and marketing costs are expensed as incurred.

Income taxes

The Organization has applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax-exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the years ended December 31, 2022 and 2021. Due to its tax-exempt status, the Organization is not subject to income taxes. The Organization is required to file and does file tax returns with the IRS and other taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that, as of December 31, 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. Accordingly, these financial statements do not reflect a provision for income taxes and the Organization has no other tax positions which must be considered for disclosure. Income tax returns filed by the Organization are subject to examination by the IRS for a period of three years. While no income tax returns are currently being examined by the IRS, tax years since 2019 remain open.

ENCLOSURE K

Brisbane Senior Housing, Inc.

Notes to Financial Statements
December 31, 2022 and 2021**Functional expenses allocation**

The costs of providing program and other activities are summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs are allocated among program services and supporting services benefited. All expenses are directly attributable to a specific function.

Use of estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

New accounting pronouncements

The Organization adopted Accounting Standards Update 2016-02 (as amended), *Leases* ("Topic 842") on January 1, 2022 ("Adoption Date"). Additionally, the Organization elected and applied the following practical expedients on the Adoption Date:

- The package of practical expedients permitting the Organization to not reassess (i) the lease classification of existing leases; (ii) whether existing and expired contracts are or contain leases; and (iii) initial direct costs for existing leases.

The Organization accounted for its existing operating leases with residential and commercial tenants of the Project as operating leases. Adopting Topic 842 in accounting for residential and commercial tenant leases did not result in adjustments to the financial statements.

The Organization accounted for its existing ground lease with the City of Brisbane as an operating lease. The adoption of Topic 842 did not result in adjustments to the financial statements.

Note 3 - Liquidity and availability

As of December 31, 2022, the Organization has \$50,759 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$1,373, accounts receivable of \$1,209 and restricted deposits and funded reserves of \$48,177. Only amounts related to restricted deposits and funded reserves anticipated to be used more than one year after the statement of financial position date have been excluded from the above amounts.

As of December 31, 2021, the Organization had \$36,366 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$5,427, accounts receivable of \$10 and restricted deposits and funded reserves of \$30,929. Only amounts related to restricted deposits and funded reserves anticipated to be used more than one year after the statement of financial position date have been excluded from the above amounts.

ENCLOSURE K

Brisbane Senior Housing, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

Note 4 - Restricted deposits and funded reserves

Reserve for replacements

In accordance with the operating, loan and regulatory agreements, the Organization is required to maintain a reserve for replacements. The reserve is to be funded in the amount of \$899 per month. A detailed schedule of the replacement reserve activity is set forth below:

| | 2022 | 2021 |
|----------------------|-------------------|-------------------|
| Balance, January 1 | \$ 157,802 | \$ 146,773 |
| Deposits | 10,786 | 10,786 |
| Interest earnings | 830 | 243 |
| Withdrawals | (30,930) | - |
| | <u>138,488</u> | <u>157,802</u> |
| Balance, December 31 | <u>\$ 138,488</u> | <u>\$ 157,802</u> |

Operating reserve

The Organization established a reserve for excessive operating expenses, vacancy, and bad-debt losses. The reserve is to be funded in the amount equal to 3% of budgeted annual operating expenditures. A detailed schedule of the operating reserve activity is set forth below:

| | 2022 | 2021 |
|----------------------|------------------|------------------|
| Balance, January 1 | \$ 52,809 | \$ 48,839 |
| Deposits | 4,078 | 3,889 |
| Interest earnings | 334 | 81 |
| | <u>57,221</u> | <u>52,809</u> |
| Balance, December 31 | <u>\$ 57,221</u> | <u>\$ 52,809</u> |

Note 5 - Rental property

Rental property is comprised of the following at December 31, 2022 and 2021:

| | Balance 12/31/21 | Additions | Deletions | Balance 12/31/22 |
|-----------------------------------|---------------------|--------------------|-------------|---------------------|
| Building and improvements | \$ 2,427,595 | \$ - | \$ - | \$ 2,427,595 |
| Off-site improvements | 34,126 | - | - | 34,126 |
| Furniture, fixtures and equipment | 47,645 | 14,189 | - | 61,834 |
| Sub-total | 2,509,366 | 14,189 | - | 2,523,555 |
| Less accumulated depreciation | (1,928,628) | (70,665) | - | (1,999,293) |
| Total net book value | <u>\$ 580,738</u> | <u>\$ (56,476)</u> | <u>\$ -</u> | <u>\$ 524,262</u> |

ENCLOSURE K

Brisbane Senior Housing, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

Note 6 - Statements of cash flows

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position that sum to the total of the same such amounts in the statements of cash flows:

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Cash | \$ 1,373 | \$ 5,427 |
| Deposits held in trust - funded | 13,808 | 14,300 |
| Reserve for replacements | 138,488 | 157,802 |
| Operating reserve | 57,221 | 52,809 |
| | <u>210,890</u> | <u>230,338</u> |
| Total cash and restricted cash shown in the statements of cash flows | <u>\$ 210,890</u> | <u>\$ 230,338</u> |

Amounts included in restricted cash are comprised of security deposits held in trust for the future benefit of tenants upon moving out of the Project and other reserves as required by the regulatory authority and the operating agreement.

Note 7 - Related party transactions

All payroll-related costs are paid by BRIDGE on behalf of the Organization and subsequently reimbursed. Related party transactions include the following fees and charges at December 31, 2022 and 2021:

| Description | Paid to | Payable at 12/31/21 | 2022 Expense | (Payments) advances | Payable at 12/31/22 |
|-----------------------------|---------|------------------------|------------------|------------------------|------------------------|
| Property management fee (1) | BPMC | \$ - | \$ 13,229 | \$ (13,229) | \$ - |
| Asset management fee (2) | BPMC | 1,859 | 1,915 | (92) | 3,682 |
| Bookkeeping fee | BPMC | - | 6,813 | (6,813) | - |
| Operating advances | BHC | 31,397 | - | 10,789 | 42,186 |
| | | <u>\$ 33,256</u> | <u>\$ 21,957</u> | <u>\$ (9,345)</u> | <u>\$ 45,868</u> |
| | | | | | |
| Description | Paid to | Payable at 12/31/20 | 2021 Expense | (Payments) advances | Payable at 12/31/21 |
| Property management fee (1) | BPMC | \$ - | \$ 12,840 | \$ (12,840) | \$ - |
| Asset management fee (2) | BPMC | 1,805 | 1,859 | (1,805) | 1,859 |
| Bookkeeping fee | BPMC | - | 6,612 | (6,612) | - |
| Operating advances | BHC | 6,308 | - | 25,089 | 31,397 |
| | | <u>\$ 8,113</u> | <u>\$ 21,311</u> | <u>\$ 3,832</u> | <u>\$ 33,256</u> |

ENCLOSURE K

Brisbane Senior Housing, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

- (1) Property management of the Project is contracted with BPMC for an annual amount of \$7,658, subject to annual increases.
- (2) An annual payment of \$1,194 in asset management fees is to be made to BPMC from excess/distributable cash, subject to annual increases. Unpaid fees carry forward without interest.

Note 8 - Notes payable

Notes payable are secured by the Project unless otherwise noted and consisted of the following at December 31:

| | 2022 | 2021 |
|---|---------------------|---------------------|
| County of San Mateo, in the original amount of \$175,000, bearing simple interest at 3%, with annual payments of interest-only due July 1 to the extent of 5.93% of excess/distributable cash, commencing August 1998, to be repaid in full by August 2028. Interest expense was \$5,250 each of the years ended December 31, 2022 and 2021. As of December 31, 2022 and 2021, accrued interest is \$106,852 and \$101,602, respectively. | \$ 175,000 | \$ 175,000 |
| City of Brisbane (Successor Agency of City of Brisbane Redevelopment Agency), originally amounting to \$1,000,000, bearing simple interest at 3% with annual payment to the extent of 30.48% of excess/distributable cash, commencing February 1998, to be repaid in full by February 2028. Interest expense was \$26,996 for each of the years ended December 31, 2022 and 2021. As of December 31, 2022 and 2021, accrued interest is \$546,708 and \$519,712, respectively. | 899,873 | 899,873 |
| City of Brisbane (Successor Agency of City of Brisbane Redevelopment Agency), originally amounting to \$1,500,000, bearing simple interest at 3% with annual payments to the extent of 48.65% of excess/distributable cash, commencing February 1998, to be repaid in full by February 2028. Interest expense was \$43,086 for each of the years ended December 31, 2022 and 2021. As of December 31, 2022 and 2021, accrued interest is \$914,229 and \$871,143, respectively. | 1,436,214 | 1,436,214 |
| Total | \$ 2,511,087 | \$ 2,511,087 |

ENCLOSURE K

Brisbane Senior Housing, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

The liability of the Organization under the loans and notes payable is limited to the underlying value of the real estate collateral plus other amounts deposited with the lenders.

Principal payments on notes payable for the next five years are subject to changes in net cash flow, which is a contingency that cannot be reasonably estimated.

Note 9 - Concentration of credit risk

The Organization maintains its cash accounts with various financial institutions. All reserves are held in trust accounts in the Organization's name. Investment options of the reserves are controlled by the trustee. At times, these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these balances at December 31, 2022.

Note 10 - Ground lease

The Organization leases the parcel of land on which the Project was built from the City of Brisbane. The lease is for a 30-year term and requires lease payments based on the availability of 14.94% of excess/distributable cash. In any year the Project does not generate excess/distributable cash, there is no requirement to record rent expense. Per the second amendment to the ground lease agreement, the Organization shall apply any lease payments to an awning reserve account that shall be maintained at a balance of \$28,243, as adjusted from time to time by the percentage change in the Consumer Price Index. The awning reserve is to be used to maintain and repair the awning above the porch next to the Project's community room. The awning reserve, which amounted to \$36,152 and \$35,936 at December 31, 2022 and 2021, respectively, is not reflected in the statements of financial position, as it belongs to the City of Brisbane.

In April 2000, the Organization executed a sublease agreement for a portion of the building to the City of Brisbane. The sublease term is 28 years and requires annual rent payments of \$1.

Ground lease expense for the years ended December 31, 2022 and 2021 was \$0 and \$0, respectively.

Note 11 - Economic concentration

The Organization operates a 14-unit apartment project located in Brisbane, California. Future operations could be affected by changes in economic or other conditions in that geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

Note 12 - Distribution of excess/distributable cash

Excess cash shall be applied in the following order of priority:

- i. First, to payment of accrued and unpaid asset management fees;
- ii. Second, the remaining excess/distributable cash should be distributed as follows:
 - a. 14.94% towards rent under ground lease;
 - b. 79.13% towards debt service on the promissory notes in favor of the City of Brisbane (Successor Agency of City of Brisbane Redevelopment Agency); and

Brisbane Senior Housing, Inc.**ENCLOSURE K****Notes to Financial Statements
December 31, 2022 and 2021**

- c. 5.93% towards debt on the promissory note in favor of the County of San Mateo.

Note 13 - Subsequent events

Events that occur after the statement of financial position date, but before the financial statements were available to be issued, must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statement. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through April 25, 2023, the date the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

ENCLOSURE K

Supplementary Information

ENCLOSURE K

Brisbane Senior Housing, Inc.

Supplementary Information

Schedules of Activities - Revenue
Years Ended December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Rental revenue | | |
| Rent revenue - gross potential | \$ 141,564 | \$ 137,544 |
| Tenant assistance payments | <u>14,568</u> | <u>14,568</u> |
| Total rental revenue | <u>156,132</u> | <u>152,112</u> |
| Vacancies | | |
| Apartments | <u>(12,607)</u> | <u>(2,546)</u> |
| Total vacancies | <u>(12,607)</u> | <u>(2,546)</u> |
| Net rental revenue | <u>143,525</u> | <u>149,566</u> |
| Financial revenue | | |
| Revenue from investments - replacement reserve | 830 | 243 |
| Revenue from investments - miscellaneous | <u>334</u> | <u>81</u> |
| Total financial revenue | <u>1,164</u> | <u>324</u> |
| Other revenue | | |
| Laundry and vending | 44 | 28 |
| Tenant charges | 771 | 766 |
| Miscellaneous revenue | <u>37</u> | <u>160</u> |
| Total other revenue | <u>852</u> | <u>954</u> |
| Total revenue | <u>\$ 145,541</u> | <u>\$ 150,844</u> |

See Independent Auditor's Report.

ENCLOSURE K

Brisbane Senior Housing, Inc.

Supplementary Information

Schedules of Activities - Expenses
Years Ended December 31, 2022 and 2021

| | 2022 | 2021 |
|--|---------------|---------------|
| Administrative expenses | | |
| Conventions and meetings | \$ 27 | \$ 159 |
| Management consultants | 1,783 | 2,082 |
| Other renting expenses | 267 | 160 |
| Office salaries | 408 | 505 |
| Office expenses | 11,270 | 8,667 |
| Management fee | 13,229 | 12,840 |
| Manager or superintendent salaries | 29,123 | 29,200 |
| Legal expense - project | 33 | 115 |
| Auditing expense | 6,797 | 6,602 |
| Bookkeeping fees/accounting services | 6,813 | 6,612 |
| Miscellaneous administrative expenses | 556 | 221 |
| Total administrative expenses | <u>70,306</u> | <u>67,163</u> |
| Utilities expense | | |
| Electricity | 5,745 | 4,561 |
| Water | 10,962 | 9,717 |
| Gas | 5,381 | 4,445 |
| Sewer | 3,551 | 2,864 |
| Total utilities expense | <u>25,639</u> | <u>21,587</u> |
| Operating and maintenance expenses | | |
| Supplies | 13,380 | 7,163 |
| Contracts | 33,219 | 32,418 |
| Garbage and trash removal | 685 | - |
| Security payroll/contract | 4,025 | 4,567 |
| Heating/cooling repairs and maintenance | 900 | - |
| Total operating and maintenance expenses | <u>52,209</u> | <u>44,148</u> |

ENCLOSURE K

Brisbane Senior Housing, Inc.

Supplementary Information

Schedules of Activities - Expenses
Years Ended December 31, 2022 and 2021

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Taxes and insurance | | |
| Real estate taxes | 31 | 30 |
| Payroll taxes | 2,452 | 2,542 |
| Property and liability insurance | 8,151 | 6,565 |
| Workmen's compensation | 1,683 | 1,688 |
| Health insurance and other employee benefits | 2,847 | 2,304 |
| Miscellaneous taxes, licenses, permits and insurance | 182 | 130 |
| Total taxes and insurance | <u>15,346</u> | <u>13,259</u> |
| Financial expenses | | |
| Interest on notes payable - long-term | <u>75,332</u> | <u>75,332</u> |
| Total financial expenses | <u>75,332</u> | <u>75,332</u> |
| Total cost of operations before depreciation | <u>238,832</u> | <u>221,489</u> |
| Income (loss) before depreciation | <u>(93,291)</u> | <u>(70,645)</u> |
| Depreciation | | |
| Depreciation expense | <u>70,665</u> | <u>69,796</u> |
| Total depreciation | <u>70,665</u> | <u>69,796</u> |
| Operating income (loss) | <u>(163,956)</u> | <u>(140,441)</u> |
| Corporate or mortgagor entity revenue and expenses | | |
| Other expenses | <u>1,915</u> | <u>1,859</u> |
| Net entity expenses | <u>1,915</u> | <u>1,859</u> |
| Total expenses | <u>311,412</u> | <u>293,144</u> |
| Change in net assets | <u>\$ (165,871)</u> | <u>\$ (142,300)</u> |

See Independent Auditor's Report.

ENCLOSURE K

Brisbane Senior Housing, Inc.

Supplementary Information

Computations of Surplus Cash
Years Ended December 31, 2022 and 2021

| | 2022 | 2021 |
|---|------------|------------|
| Operating income | | |
| Total income | \$ 145,541 | \$ 150,844 |
| Interest earned on restricted reserve accounts | (1,164) | (324) |
| Adjusted operating income | 144,377 | 150,520 |
| Operating expenses | (163,500) | (146,157) |
| Adjusted net income | (19,123) | 4,363 |
| Other activity | | |
| Deposits into replacement reserve account | (10,786) | (10,786) |
| Purchase of property and equipment | (14,189) | (20,525) |
| Deposits into operating reserve | (4,078) | (3,889) |
| Withdrawals from replacement reserve - operating expenses (subsequent to year-end) | 28,756 | 10,404 |
| Withdrawals from replacement reserve - purchase of property and equipment (subsequent to year-end) | 14,189 | 20,525 |
| Miscellaneous adjustment | (1) | - |
| Total other activity | 13,891 | (4,271) |
| Operating cash flow/surplus cash and (deficit) | \$ (5,232) | \$ 92 |
| Distribution of operating cash flow/surplus cash and (deficit) | | |
| Asset management fee | \$ - | \$ 92 |
| Withdrawals from operating reserve - operating expenses (subsequent to year-end) | (5,232) | - |
| | \$ (5,232) | \$ 92 |

See Independent Auditor's Report.



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Enclosure L - 2023 Audited Financial Statement

Brisbane Senior Housing, Inc.
Financial Statements
(With Supplementary Information)
and Independent Auditor's Report
December 31, 2023 and 2022



Brisbane Senior Housing, Inc.**ENCLOSURE L**Index

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Independent Auditor's Report

To the Board of Directors
Brisbane Senior Housing, Inc.

Opinion

We have audited the financial statements of Brisbane Senior Housing, Inc., which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Brisbane Senior Housing, Inc. as of December 31, 2023 and 2022, and the changes in net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Brisbane Senior Housing, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Brisbane Senior Housing, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Brisbane Senior Housing, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Brisbane Senior Housing, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.



Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CohnReznick LLP

Sacramento, California
February 8, 2024

ENCLOSURE L

Brisbane Senior Housing, Inc.

Statements of Financial Position
December 31, 2023 and 2022Assets

| | <u>2023</u> | <u>2022</u> |
|---|--------------------|--------------------|
| Current assets | | |
| Cash - operations | \$ 473 | \$ 1,373 |
| Tenant accounts receivable, net | 4,071 | - |
| Accounts and notes receivable - operations | - | 1,209 |
| Prepaid expenses | - | 405 |
| Total current assets | <u>4,544</u> | <u>2,987</u> |
| Deposits held in trust - funded | | |
| Tenant deposits | <u>15,519</u> | <u>13,808</u> |
| Restricted deposits and funded reserves | | |
| Reserve for replacements | 109,484 | 138,488 |
| Operating reserve | <u>57,920</u> | <u>57,221</u> |
| Total restricted deposits and funded reserves | <u>167,404</u> | <u>195,709</u> |
| Rental property | | |
| Building and improvements | 2,469,921 | 2,461,721 |
| Furniture, fixtures and equipment | <u>61,834</u> | <u>61,834</u> |
| | 2,531,755 | 2,523,555 |
| Less accumulated depreciation | <u>(2,071,039)</u> | <u>(1,999,293)</u> |
| Total rental property | <u>460,716</u> | <u>524,262</u> |
| Total assets | <u>\$ 648,183</u> | <u>\$ 736,766</u> |

ENCLOSURE L

Brisbane Senior Housing, Inc.

Statements of Financial Position
December 31, 2023 and 2022Liabilities and Net Assets (Deficit)

| | <u>2023</u> | <u>2022</u> |
|---|--------------------|--------------------|
| Current liabilities | | |
| Accounts payable - operations | \$ 1,059 | \$ 3,346 |
| Related party payable, current | 5,797 | 42,186 |
| Accrued wages payable | 1,701 | 1,825 |
| Miscellaneous current liabilities | 3,858 | 3,750 |
| Prepaid revenue | 2,940 | 56 |
| Total current liabilities | <u>15,355</u> | <u>51,163</u> |
| Deposits liability | | |
| Tenant deposits held in trust (contra) | <u>17,046</u> | <u>13,808</u> |
| Long-term liabilities | | |
| Related party payable, net of current portion | - | 3,682 |
| Notes payable | 2,511,087 | 2,511,087 |
| Accrued interest payable | <u>1,643,122</u> | <u>1,567,789</u> |
| Total long-term liabilities | <u>4,154,209</u> | <u>4,082,558</u> |
| Total liabilities | <u>4,186,610</u> | <u>4,147,529</u> |
| Net assets | | |
| Net assets without donor restrictions | <u>(3,538,427)</u> | <u>(3,410,763)</u> |
| Total net assets | <u>(3,538,427)</u> | <u>(3,410,763)</u> |
| Total liabilities and net assets (deficit) | <u>\$ 648,183</u> | <u>\$ 736,766</u> |

See Notes to Financial Statements.

ENCLOSURE L

Brisbane Senior Housing, Inc.

Statements of Activities and Net Assets
Years Ended December 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|-----------------------|-----------------------|
| Revenue | | |
| Rental income | \$ 169,919 | \$ 156,132 |
| Vacancies | (4,960) | (12,607) |
| Interest income | 4,643 | 1,164 |
| Other | <u>4,345</u> | <u>852</u> |
| Total revenue | <u>173,947</u> | <u>145,541</u> |
| Expenses | | |
| Program services | 285,286 | 295,887 |
| General and administrative | <u>16,325</u> | <u>15,525</u> |
| Total expenses | <u>301,611</u> | <u>311,412</u> |
| Change in net assets | (127,664) | (165,871) |
| Net assets without donor restrictions, beginning | <u>(3,410,763)</u> | <u>(3,244,892)</u> |
| Net assets without donor restrictions, ending | <u>\$ (3,538,427)</u> | <u>\$ (3,410,763)</u> |

See Notes to Financial Statements.

ENCLOSURE L

Brisbane Senior Housing, Inc.
Statements of Functional Expenses
Years Ended December 31, 2023 and 2022

| | 2023 | | | 2022 | | |
|---------------------------------------|-------------------|----------------------------|-------------------|-------------------|----------------------------|-------------------|
| | Program services | General and administrative | Total | Program services | General and administrative | Total |
| Administrative | \$ 59,026 | \$ 14,357 | \$ 73,383 | \$ 56,696 | \$ 13,610 | \$ 70,306 |
| Operating and maintenance | 40,591 | - | 40,591 | 52,209 | - | 52,209 |
| Utilities | 22,757 | - | 22,757 | 25,639 | - | 25,639 |
| Taxes and insurance | 15,834 | - | 15,834 | 15,346 | - | 15,346 |
| Total operating expenses | 138,208 | 14,357 | 152,565 | 149,890 | 13,610 | 163,500 |
| Interest | 75,332 | - | 75,332 | 75,332 | - | 75,332 |
| Related party fees and other expenses | - | 1,968 | 1,968 | - | 1,915 | 1,915 |
| Depreciation | 71,746 | - | 71,746 | 70,665 | - | 70,665 |
| | <u>\$ 285,286</u> | <u>\$ 16,325</u> | <u>\$ 301,611</u> | <u>\$ 295,887</u> | <u>\$ 15,525</u> | <u>\$ 311,412</u> |

See Notes to Financial Statements.

ENCLOSURE L

Brisbane Senior Housing, Inc.

Statements of Cash Flows
Years Ended December 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|-----------------|----------------|
| Cash used in operating activities | | |
| Change in net assets | \$ (127,664) | \$ (165,871) |
| Adjustments to reconcile change in net assets to net cash used in operating activities | | |
| Depreciation | 71,746 | 70,665 |
| Bad debts | 1,078 | - |
| Changes in asset and liability accounts | | |
| (Increase) decrease in assets | | |
| Tenant accounts receivable | (5,149) | 4 |
| Accounts receivable | 1,209 | (1,203) |
| Prepaid expenses | 405 | 155 |
| Increase (decrease) in liabilities | | |
| Accounts payable | (2,287) | 828 |
| Accrued liabilities | (124) | (79) |
| Accrued interest payable | 75,333 | 75,332 |
| Tenant security deposits held in trust | 3,238 | (492) |
| Prepaid revenue | 2,884 | (2) |
| Entity/construction liability accounts (include detail) | | |
| Related party payable | (40,071) | 12,612 |
| Other adjustments (include detail) | | |
| Other accrued expenses | 108 | 2,792 |
| Total adjustments | <u>108,370</u> | <u>160,612</u> |
| Net cash used in operating activities | <u>(19,294)</u> | <u>(5,259)</u> |

ENCLOSURE L

Brisbane Senior Housing, Inc.
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

| | | |
|--|------------|------------|
| Cash flows from investing activities | | |
| Net purchases of fixed assets | (8,200) | (14,189) |
| Net cash used in investing activities | (8,200) | (14,189) |
| Net decrease in cash and restricted cash | (27,494) | (19,448) |
| Cash and restricted cash, beginning | 210,890 | 230,338 |
| Cash and restricted cash, end | \$ 183,396 | \$ 210,890 |
| Supplemental cash flow information | | |
| Cash paid for interest | \$ - | \$ - |

See Notes to Financial Statements.

ENCLOSURE L

Brisbane Senior Housing, Inc.

Notes to Financial Statements
December 31, 2023 and 2022**Note 1 - Organization and nature of operations**

Brisbane Senior Housing, Inc., a California nonprofit public benefit corporation (the "Organization") was formed on February 4, 1998 to develop and operate a 14-unit rental housing development for low-income seniors in Brisbane, California on ground leased from the City of Brisbane. The property is currently operating under the name of Visitation Garden Apartments (the "Project"). The construction was completed in January 2000 and occupancy began in February 2000.

Officers and staff of BRIDGE Housing Corporation ("BRIDGE" or "BHC") form the board of directors of the Organization, BRIDGE Property Management Company ("BPMC") and various other nonprofit public benefit corporations. Other board of directors of the Organization is comprised of members from the San Francisco Housing Development Corporation and a person jointly appointed by the boards of directors of both sponsoring organizations. All board members serve without compensation.

Construction financing was obtained through loans from the City of Brisbane (Successor Agency of City of Brisbane Redevelopment Agency) and County of San Mateo.

Various agreements dictate the maximum income level of new tenants and also provide rent restrictions through 2028.

The Organization will continue to operate perpetually, unless dissolved earlier in accordance with the operating agreement.

Note 2 - Significant accounting policies**Accounting method**

The financial statements have been prepared on the accrual basis of accounting. Accordingly, income is recognized as earned and expenses as incurred, regardless of the timing of payments.

Basis of presentation

The Organization presents its financial statements in accordance with the accounting guidance for nonprofit entities. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. All the net assets of the Organization are without donor restrictions. Furthermore, information is required to segregate program service expenses from management and general expenses.

The Organization conforms to accounting guidance on revenue recognition for nonprofit entities. Under this guidance, contributions received, if any, are recorded as support without or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Tenant accounts receivable

Tenant accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of December 31, 2023 and 2022, there was no allowance for doubtful accounts.

ENCLOSURE L

Brisbane Senior Housing, Inc.

Notes to Financial Statements
December 31, 2023 and 2022**Investment in rental property**

Property, equipment and improvements are recorded at cost. Expenditures for maintenance and repairs are charged to expenses as incurred while major renewals and betterments are capitalized. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses will be reflected in the statements of activities and net assets. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

| | |
|-----------------------------------|--------------|
| Building and improvements | 30 years |
| Off-site improvements | 15 years |
| Furniture, fixtures and equipment | 3 to 7 years |

Impairment of long-lived assets

The Organization reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the Project are less than its carrying amount, management compares the carrying amount of the Project to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment losses have been recognized during the years ended December 31, 2023 and 2022.

Rental income

Rental income is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Organization and the tenants of the Project are operating leases. The rental property is generally leased to tenants under six- or twelve-month noncancelable operating leases.

Commercial income

Commercial income is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Organization and the commercial tenants of the Project are operating leases. Lease income is recorded when due and is not materially different than the income that would be recorded using the straight-line method.

Advertising

Advertising and marketing costs are expensed as incurred.

Income taxes

The Organization has applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax-exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the years ended December 31, 2023 and 2022. Due to its tax-exempt status, the Organization is not subject to income taxes. The Organization is required to file and does file tax returns with the IRS and other taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that, as of December 31, 2023, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. Accordingly, these financial statements do not reflect a provision for income taxes and the Organization has no other tax positions which must be considered for disclosure. Income tax returns filed by the Organization are subject to examination by the IRS for a period of three years. While no income tax returns are currently being examined by the IRS, tax years since 2020 remain open.

ENCLOSURE L

Brisbane Senior Housing, Inc.

Notes to Financial Statements
December 31, 2023 and 2022**Functional expenses allocation**

The costs of providing program and other activities are summarized on a functional basis in the statements of activities and net assets and statements of functional expenses. Accordingly, certain costs are allocated among program services and supporting services benefited. All expenses are directly attributable to a specific function.

Use of estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - Liquidity and availability

As of December 31, 2023, the Organization has \$12,744 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$473, accounts receivable of \$4,071 and restricted deposits and funded reserves of \$8,200. Only amounts related to restricted deposits and funded reserves anticipated to be used more than one year after the statement of financial position date have been excluded from the above amounts.

As of December 31, 2022, the Organization had \$16,771 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$1,373, accounts receivable of \$1,209 and restricted deposits and funded reserves of \$14,189. Only amounts related to restricted deposits and funded reserves anticipated to be used more than one year after the statement of financial position date have been excluded from the above amounts.

Note 4 - Restricted deposits and funded reserves**Reserve for replacements**

In accordance with the operating, loan and regulatory agreements, the Organization is required to maintain a reserve for replacements. The reserve is to be funded in the amount of \$899 per month. A detailed schedule of the replacement reserve activity is set forth below:

| | 2023 | 2022 |
|----------------------|-------------------|-------------------|
| Balance, January 1 | \$ 138,488 | \$ 157,802 |
| Deposits | 10,786 | 10,786 |
| Interest earnings | 3,154 | 830 |
| Withdrawals | (42,944) | (30,930) |
| Balance, December 31 | <u>\$ 109,484</u> | <u>\$ 138,488</u> |

ENCLOSURE L

Brisbane Senior Housing, Inc.

Notes to Financial Statements
December 31, 2023 and 2022**Operating reserve**

The Organization established a reserve for excessive operating expenses, vacancy, and bad-debt losses. The reserve is to be funded in the amount equal to 3% of budgeted annual operating expenditures. A detailed schedule of the operating reserve activity is set forth below:

| | 2023 | 2022 |
|----------------------|------------------|------------------|
| Balance, January 1 | \$ 57,221 | \$ 52,809 |
| Deposits | 4,442 | 4,078 |
| Interest earnings | 1,489 | 334 |
| Withdrawals | (5,232) | - |
| Balance, December 31 | <u>\$ 57,920</u> | <u>\$ 57,221</u> |

Note 5 - Rental property

Rental property is comprised of the following at December 31, 2023 and 2022:

| | Balance 12/31/22 | Additions | Deletions | Balance 12/31/23 |
|-----------------------------------|---------------------|--------------------|-------------|---------------------|
| Building and improvements | \$ 2,427,595 | \$ 8,200 | \$ - | \$ 2,435,795 |
| Off-site improvements | 34,126 | - | - | 34,126 |
| Furniture, fixtures and equipment | 61,834 | - | - | 61,834 |
| Sub-total | 2,523,555 | 8,200 | - | 2,531,755 |
| Less accumulated depreciation | (1,999,293) | (71,746) | - | (2,071,039) |
| Total net book value | <u>\$ 524,262</u> | <u>\$ (63,546)</u> | <u>\$ -</u> | <u>\$ 460,716</u> |

ENCLOSURE L

Brisbane Senior Housing, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

Note 6 - Statements of cash flows

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position that sum to the total of the same such amounts in the statements of cash flows:

| | 2023 | 2022 |
|--|-------------------|-------------------|
| Cash | \$ 473 | \$ 1,373 |
| Tenant deposits | 15,519 | 13,808 |
| Reserve for replacements | 109,484 | 138,488 |
| Operating reserve | 57,920 | 57,221 |
| | <u>183,396</u> | <u>210,890</u> |
| Total cash and restricted cash shown in the statements of cash flows | <u>\$ 183,396</u> | <u>\$ 210,890</u> |

Amounts included in restricted cash are comprised of security deposits held in a trust for the future benefit of tenants upon moving out of the Project and other reserves as required by the regulatory authority and the operating agreement.

Note 7 - Related party transactions

All payroll-related costs are paid by BRIDGE on behalf of the Organization and subsequently reimbursed. Related party transactions include the following fees and charges at December 31, 2023 and 2022:

| Description | Paid to | Payable at 12/31/22 | 2023 Expense | (Payments) advances | Payable at 12/31/23 |
|-----------------------------|---------|------------------------|------------------|------------------------|------------------------|
| Property management fee (1) | BPMC | \$ - | \$ 13,692 | \$ (13,692) | \$ - |
| Asset management fee (2) | BPMC | 3,682 | 1,968 | - | 5,650 |
| Bookkeeping fee | BPMC | - | 7,052 | (7,052) | - |
| Operating advances | BHC | 42,186 | - | (42,039) | 147 |
| | | <u>\$ 45,868</u> | <u>\$ 22,712</u> | <u>\$ (62,783)</u> | <u>\$ 5,797</u> |

| Description | Paid to | Payable at 12/31/21 | 2022 Expense | (Payments) advances | Payable at 12/31/22 |
|-----------------------------|---------|------------------------|------------------|------------------------|------------------------|
| Property management fee (1) | BPMC | \$ - | \$ 13,229 | \$ (13,229) | \$ - |
| Asset management fee (2) | BPMC | 1,859 | 1,915 | (92) | 3,682 |
| Bookkeeping fee | BPMC | - | 6,813 | (6,813) | - |
| Operating advances | BHC | 31,397 | - | 10,789 | 42,186 |
| | | <u>\$ 33,256</u> | <u>\$ 21,957</u> | <u>\$ (9,345)</u> | <u>\$ 45,868</u> |

ENCLOSURE L

Brisbane Senior Housing, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

- (1) Property management of the Project is contracted with BPMC for an annual amount of \$7,658, subject to annual increases.
- (2) An annual payment of \$1,194 in asset management fees is to be made to BPMC from excess/distributable cash, subject to annual increases. Unpaid fees carry forward without interest.

Note 8 - Notes payable

Notes payable are secured by the Project unless otherwise noted and consisted of the following at December 31:

| | 2023 | 2022 |
|---|---------------------|---------------------|
| County of San Mateo, in the original amount of \$175,000, bearing simple interest at 3%, with annual payments of interest-only due on July 1 to the extent of 5.93% of excess/distributable cash, commencing August 1998, to be repaid in full by August 2028. Interest expense was \$5,250 each of the years ended December 31, 2023 and 2022. As of December 31, 2023 and 2022, accrued interest is \$112,102 and \$106,852, respectively. | \$ 175,000 | \$ 175,000 |
| City of Brisbane (Successor Agency of City of Brisbane Redevelopment Agency), originally amounting to \$1,000,000, bearing simple interest at 3% with annual payment to the extent of 30.48% of excess/distributable cash, commencing February 1998, to be repaid in full by February 2028. Interest expense was \$26,996 for each of the years ended December 31, 2023 and 2022. As of December 31, 2023 and 2022, accrued interest is \$573,704 and \$546,708, respectively. | 899,873 | 899,873 |
| City of Brisbane (Successor Agency of City of Brisbane Redevelopment Agency), originally amounting to \$1,500,000, bearing simple interest at 3% with annual payments to the extent of 48.65% of excess/distributable cash, commencing February 1998, to be repaid in full by February 2028. Interest expense was \$43,086 for each of the years ended December 31, 2023 and 2022. As of December 31, 2023 and 2022, accrued interest is \$957,316 and \$914,229, respectively. | 1,436,214 | 1,436,214 |
| Total | <u>\$ 2,511,087</u> | <u>\$ 2,511,087</u> |

ENCLOSURE L

Brisbane Senior Housing, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

The liability of the Organization under the loans and notes payable is limited to the underlying value of the real estate collateral plus other amounts deposited with the lenders.

Principal payments on notes payable for the next four years are subject to changes in net cash flow, which is a contingency that cannot be reasonably estimated.

Note 9 - Concentration of credit risk

The Organization maintains its cash accounts with various financial institutions. All reserves are held in trust accounts in the Organization's name. Investment options of the reserves are controlled by the trustee. At times, these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these balances at December 31, 2023.

Note 10 - Ground lease

The Organization leases the parcel of land on which the Project was built from the City of Brisbane. The lease is for a 30-year term and requires lease payments based on the availability of 14.94% of excess/distributable cash. In any year the Project does not generate excess/distributable cash, there is no requirement to record rent expense. Per the second amendment to the ground lease agreement, the Organization shall apply any lease payments to an awning reserve account that shall be maintained at a balance of \$28,243, as adjusted from time to time by the percentage change in the Consumer Price Index. The awning reserve is to be used to maintain and repair the awning above the porch next to the Project's community room. The awning reserve, which amounted to \$37,127 and \$36,152 at December 31, 2023 and 2022, respectively, is not reflected in the statements of financial position, as it belongs to the City of Brisbane.

In April 2000, the Organization executed a sublease agreement for a portion of the building to the City of Brisbane. The sublease term is 28 years and requires annual rent payments of \$1.

Ground lease expense for the years ended December 31, 2023 and 2022 was \$0 and \$0, respectively.

Note 11 - Economic concentration

The Organization operates a 14-unit apartment project located in Brisbane, California. Future operations could be affected by changes in economic or other conditions in that geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

ENCLOSURE L

Brisbane Senior Housing, Inc.

Notes to Financial Statements
December 31, 2023 and 2022**Note 12 - Distribution of excess/distributable cash**

Excess cash shall be applied in the following order of priority:

- i. First, to payment of accrued and unpaid asset management fees;
- ii. Second, the remaining excess/distributable cash should be distributed as follows:
 - a. 14.94% towards rent under ground lease;
 - b. 79.13% towards debt service on the promissory notes in favor of the City of Brisbane (Successor Agency of City of Brisbane Redevelopment Agency); and
 - c. 5.93% towards debt on the promissory note in favor of the County of San Mateo.

Note 13 - Subsequent events

Events that occur after the statement of financial position date, but before the financial statements were available to be issued, must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through February 8, 2024, the date the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

ENCLOSURE L

Supplementary Information

ENCLOSURE L

Brisbane Senior Housing, Inc.

Supplementary Information

Schedules of Activities - Revenue
Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|--|-------------------|-------------------|
| Rental revenue | | |
| Rent revenue - gross potential | \$ 144,526 | \$ 141,564 |
| Tenant assistance payments | 25,393 | 14,568 |
| Total rental revenue | <u>169,919</u> | <u>156,132</u> |
| Vacancies | | |
| Apartment | (4,960) | (12,607) |
| Total vacancies | <u>(4,960)</u> | <u>(12,607)</u> |
| Net rental revenue | <u>164,959</u> | <u>143,525</u> |
| Financial revenue | | |
| Revenue from investments - replacement reserve | 3,154 | 830 |
| Revenue from investments - miscellaneous | 1,489 | 334 |
| Total financial revenue | <u>4,643</u> | <u>1,164</u> |
| Other revenue | | |
| Laundry and vending | 51 | 44 |
| Tenant charges | 4,282 | 771 |
| Miscellaneous revenue | 12 | 37 |
| Total other revenue | <u>4,345</u> | <u>852</u> |
| Total revenue | <u>\$ 173,947</u> | <u>\$ 145,541</u> |

See Independent Auditor's Report.

ENCLOSURE L

Brisbane Senior Housing, Inc.

Supplementary Information

Schedules of Activities - Expenses
Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|--|---------------|---------------|
| Administrative expenses | | |
| Conventions and meetings | \$ 257 | \$ 27 |
| Management consultants | 2,796 | 1,783 |
| Other renting expenses | 939 | 267 |
| Office salaries | 476 | 408 |
| Office expenses | 11,995 | 11,270 |
| Management fee | 13,692 | 13,229 |
| Manager or superintendent salaries | 27,611 | 29,123 |
| Legal expense - project | 95 | 33 |
| Auditing expense | 7,305 | 6,797 |
| Bookkeeping fees/accounting services | 7,052 | 6,813 |
| Bad debts | 1,078 | - |
| Miscellaneous administrative expenses | 87 | 556 |
| Total administrative expenses | <u>73,383</u> | <u>70,306</u> |
| Utilities expense | | |
| Electricity | 5,681 | 5,745 |
| Water | 9,435 | 10,962 |
| Gas | 4,294 | 5,381 |
| Sewer | 3,347 | 3,551 |
| Total utilities expense | <u>22,757</u> | <u>25,639</u> |
| Operating and maintenance expenses | | |
| Payroll | 3,393 | - |
| Supplies | 6,804 | 13,380 |
| Contracts | 23,373 | 33,219 |
| Garbage and trash removal | - | 685 |
| Security payroll/contract | 5,549 | 4,025 |
| Heating/cooling repairs and maintenance | 900 | 900 |
| Miscellaneous operating and maintenance expenses | 572 | - |
| Total operating and maintenance expenses | <u>40,591</u> | <u>52,209</u> |

ENCLOSURE L

Brisbane Senior Housing, Inc.

Supplementary Information

Schedules of Activities - Expenses
Years Ended December 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Taxes and insurance | | |
| Real estate taxes | 32 | 31 |
| Payroll taxes | 2,605 | 2,452 |
| Property and liability insurance | 8,913 | 8,151 |
| Workmen's compensation | 1,858 | 1,683 |
| Health insurance and other employee benefits | 2,301 | 2,847 |
| Miscellaneous taxes, licenses, permits and insurance | 125 | 182 |
| Total taxes and insurance | <u>15,834</u> | <u>15,346</u> |
| Financial expenses | | |
| Interest on notes payable - long-term | 75,332 | 75,332 |
| Total financial expenses | <u>75,332</u> | <u>75,332</u> |
| Total cost of operations before depreciation | <u>227,897</u> | <u>238,832</u> |
| Income (loss) before depreciation | <u>(3,464,713)</u> | <u>(3,338,183)</u> |
| Depreciation | | |
| Depreciation expense | 71,746 | 70,665 |
| Total depreciation | <u>71,746</u> | <u>70,665</u> |
| Operating income (loss) | <u>(3,536,459)</u> | <u>(3,408,848)</u> |
| Corporate or mortgagor entity revenue and expenses | | |
| Other expenses | 1,968 | 1,915 |
| Net entity expenses | <u>1,968</u> | <u>1,915</u> |
| Total expenses | <u>301,611</u> | <u>311,412</u> |
| Change in net assets | <u>\$ (127,664)</u> | <u>\$ (165,871)</u> |

See Independent Auditor's Report.

ENCLOSURE L

Brisbane Senior Housing, Inc.

Supplementary Information

Computations of Surplus Cash
Years Ended December 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---|-----------------|-------------------|
| Operating income | | |
| Total income | \$ 173,947 | \$ 145,541 |
| Interest earned on restricted reserve accounts | (4,643) | (1,164) |
| Adjusted operating income | 169,304 | 144,377 |
| Operating expenses | <u>152,565</u> | <u>163,500</u> |
| Adjusted net income (loss) | <u>16,739</u> | <u>(19,123)</u> |
| Other activity | | |
| Deposits into replacement reserve account | (10,786) | (10,786) |
| Purchase of property and equipment | (8,200) | (14,189) |
| Deposits into operating reserve | (4,442) | (4,078) |
| Withdrawals from replacement reserve - operating expenses (subsequent to year-end) | - | 28,756 |
| Withdrawals from replacement reserve - purchase of property and equipment (subsequent to year-end) | 8,200 | 14,189 |
| Miscellaneous adjustment | 2 | (1) |
| Total other activity | <u>(15,226)</u> | <u>13,891</u> |
| Operating cash flow/surplus cash and (deficit) | <u>\$ 1,513</u> | <u>\$ (5,232)</u> |
| Distribution of operating cash flow/surplus cash | | |
| Asset management fee | <u>\$ 1,513</u> | <u>\$ -</u> |
| | <u>\$ 1,513</u> | <u>\$ -</u> |
| Operating deficit funding sources | | |
| Withdrawals from operating reserve - operating expenses (subsequent to year-end) | <u>\$ -</u> | <u>\$ (5,232)</u> |
| | <u>\$ -</u> | <u>\$ (5,232)</u> |

See Independent Auditor's Report.



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Insurable Replacement Cost

In estimating the insurable replacement cost we have followed traditional appraisal standards and industry practices in using the calculator cost method of Marshall Valuation Service. This estimate is based on the replacement cost new of the building improvements less deductions for typical insurable exclusions. It is noted that actual construction costs and related estimates can vary greatly from this estimate.

It is noted that methodologies for developing insurable replacement costs vary dependent upon underwriter standards. We have not viewed the specific policy that is in effect or may be written for the subject, nor have we been given specific instructions by the client on what is to be included in or excluded from the insurable replacement cost estimate.

This is provided to aid the client/intended user in their overall decision-making process. We recommend the engagement of an appropriately qualified professional if a definitive estimate of insurable replacement cost for insurance coverage is required.

The indicated insurable replacement cost is shown on the following page.

Insurable Value

| Building Component | Indicated Insurable Value | |
|---|---------------------------|------------|
| | Building 1 | Total |
| Grade | | |
| Building Type | | |
| Class | | |
| Class Type | | |
| Finished / Unfinished | | |
| MVS Section | | |
| MVS Page | | |
| Manual Dated | | |
| Base Unit Cost New PSF | \$0.00 | |
| Refinements | | |
| Add HVAC / Climate Adjustment | \$0.00 | |
| Elevator (Addition or Deduction) | \$0.00 | |
| Add Sprinklers | \$0.00 | |
| Adjusted Base Unit Cost New PSF | \$0.00 | |
| Multipliers | | |
| Number of Stories Multiplier | 1.000 | |
| Height/Story Multiplier | 1.000 | |
| Floor Area/Perimeter Multiplier | 1.000 | |
| Current Cost Multiplier | 1.000 | |
| Local Multiplier | 1.000 | |
| Complex/Congested Sites Multiplier | 1.000 | |
| Total Multiplier | 1.000 | |
| Adjusted Replacement Cost New PSF | \$0.00 | |
| Area | 0 | |
| Replacement Cost New | \$0 | \$0 |
| Less Insurance Exclusions | | |
| Total Exclusions (%) | 0% | |
| Total Exclusions (\$) | \$0.00 | |
| Indicated Insurable Replacement Cost | \$0 | \$0 |
| Rounded Indicated Insurable Replacement Cost | \$0 | \$0 |

Comparable Sales Outline

Comparable Sale 1



Location Overview

| | |
|-----------------------|-------------------------|
| Street Address | 578-586 Guerrero Street |
| City | San Francisco |
| State | CA |
| Zip | 94110 |
| Property ID | 3578-013 |
| Market | San Francisco |
| Submarket | Mission Dolores |

Property Information

| | | | |
|-----------------------|----------|--------------------------|--------------------|
| Condition | Average | Site Area | 2,040 SF |
| Year Built | 1913 | Residential Units | 6 |
| # Floors | 3 | Comparable Type | Multifamily |
| Building Type | Walk Up | Commercial Units | 0 |
| Building Class | C | Commercial Area | 0 SF |
| Zoning | NC1 | Average Unit Size | 606 SF |
| GBA | 3,635 SF | Unit Types | Studio, 1 BR, 2 BR |

Sale Information

| | | | |
|-----------------------|-----------------------------|------------------------|---------------------|
| Sale Status | Transaction | Deed Sale Price | \$1,390,000 |
| Sale Date | 10/21/2025 | Per Unit | \$231,667 |
| Grantee | Carrie G Huie | Per SF | \$382 |
| Grantor | Shek Kwong Lee Lucy S Zee | Cap Rate | 7.03% |
| Unique Sale ID | 87885 | Property Rights | Leased Fee Interest |

Appraiser Comments

This is the sale of a six-unit multifamily property located at 578-586 Guerrero Street in San Francisco, California. The property, built in 1913, consists of three floors and is in average condition. Each residential unit has an average size of approximately 605.8 square feet, and the building has a 100% occupancy rate. The sale price was \$1,390,000 with a reported cap rate of 7.03%. The property is situated in the Mission Dolores submarket of San Francisco and falls under the NC1 zoning. Nearby amenities include a variety of restaurants, cafes, shops, and public transportation options.

Comparable Sale 2



Location Overview

| | |
|-----------------------|---------------------|
| Street Address | 132 Southwood Drive |
| City | San Francisco |
| State | CA |
| Zip | 94112 |
| Property ID | 013-044-030 |
| Market | San Mateo |
| Submarket | Avalon |

Property Information

| | | | |
|-----------------------|----------|--------------------------|-------------|
| Condition | Average | Site Area | 6,421 SF |
| Year Built | 1958 | Residential Units | 7 |
| # Floors | 2 | Comparable Type | Multifamily |
| Building Type | Walk Up | Commercial Units | 0 |
| Building Class | C | Commercial Area | 0 SF |
| GBA | 5,440 SF | Average Unit Size | 777 SF |

Sale Information

| | | | |
|-----------------------|-----------------------------|------------------------|---------------------|
| Sale Status | Transaction | Deed Sale Price | \$2,000,000 |
| Sale Date | 9/5/2025 | Per Unit | \$285,714 |
| Grantee | Wilkinson Construction, Inc | Per SF | \$368 |
| Grantor | Doreen D Peluffo | Cap Rate | 7.36% |
| Unique Sale ID | 44953 | Property Rights | Leased Fee Interest |

Appraiser Comments

This is the sale of a 7-unit multifamily property located at 132 Southwood Drive in San Francisco, California. The property sold for \$2,000,000 on September 5, 2025. The building, constructed in 1958, consists of two floors and has a total gross building area of 5,440 square feet. Each residential unit has an average size of approximately 777 square feet, and the property maintains full occupancy. The reported cap rate for this transaction was 7.36%. The sale was an arms-length transaction involving the seller, Doreen D Peluffo, and the buyer, Wilkinson Construction, Inc. The price per square foot was \$367.65, and the price per unit was approximately \$285,714.28.

Comparable Sale 3



Location Overview

| | |
|----------------|---------------------|
| Street Address | 1116 Douglas Ave. |
| City | Burlingame |
| State | CA |
| Zip | 94010 |
| Property ID | 029-132-150 |
| Market | San Mateo |
| Submarket | Downtown Burlingame |

Property Information

| | | | |
|----------------|-------------------------|-------------------|-------------|
| Condition | Average | Site Area | 9,148 SF |
| Year Built | 1936 | Residential Units | 10 |
| # Floors | 2 | Comparable Type | Multifamily |
| Building Type | Walk Up | Commercial Units | 0 |
| Building Class | C | Commercial Area | 0 SF |
| Zoning | Multifamily Residential | Average Unit Size | 525 SF |
| Parking | 10 | Unit Types | Studio |
| GBA | 5,253 SF | | |

Sale Information

| | | | |
|----------------|----------------------------|-----------------|---------------------|
| Sale Status | Transaction | Deed Sale Price | \$2,900,000 |
| Sale Date | 7/28/2025 | Per Unit | \$290,000 |
| Grantee | Constructive Solutions Inc | Per SF | \$552 |
| Grantor | BBDO San Francisco | Cap Rate | 3.82% |
| Unique Sale ID | 38344 | Property Rights | Leased Fee Interest |

Appraiser Comments

The property at 1116 Douglas Avenue in Burlingame, California, is a multifamily residential building with 10 residential units. The property was sold to Constructive Solutions Inc. by BBDO San Francisco for \$2,900,000 on July 28, 2025. The building, constructed in 1936, features two floors and offers 10 parking spaces. The sale price equates to \$552.07 per square foot and \$290,000 per unit. The property is situated in the Downtown Burlingame submarket of the San Mateo market. Nearby amenities include various dining options, shopping centers, and recreational facilities. The street is a well-established residential area known for its tree-lined sidewalks and proximity to local schools and parks.

Comparable Sale 4



Location Overview

| | |
|------------------------------|----------------|
| Street Address | 1102 Mason St. |
| City | San Francisco |
| State | CA |
| Zip | 94108 |
| Property ID | 02120-20A |
| Neighborhood/District | Nob Hill |

Property Information

| | | | |
|----------------------|----------|--------------------------|-------------|
| Condition | Average | Site Area | 2,108 SF |
| Year Built | 1909 | Residential Units | 5 |
| # Floors | 2 | Comparable Type | Multifamily |
| Building Type | Walk Up | Commercial Units | 0 |
| GBA | 5,344 SF | Average Unit Size | 1,069 SF |

Sale Information

| | | | |
|-----------------------|------------------|------------------------|---------------------|
| Sale Status | Transaction | Deed Sale Price | \$1,144,000 |
| Sale Date | 6/12/2025 | Per Unit | \$228,800 |
| Grantee | CLAY MASON LLC | Per SF | \$214 |
| Grantor | ANDERSEN IRENE P | Cap Rate | 5.30% |
| Unique Sale ID | 42783 | Property Rights | Leased Fee Interest |

Verification Source

| | | | |
|---------------------|------------------|--------------------------|----------------|
| Contact Name | Dan McGue | Role | Listing Broker |
| Company | Coldwell Banker | Verification Date | 7/16/2025 |
| Email | dan@danmcgue.com | Number | 415-310-5787 |

Appraiser Comments

This property is a two-story multifamily building located at 1102 Mason St. in the Nob Hill neighborhood of San Francisco, California. The property was built in 1909 and consists of five residential units. The sale closed for \$1,144,000 on June 12, 2025, with a reported cap rate of 5.30%. Nearby amenities include restaurants, shops, and parks, making it a desirable location for residents. The sale details were verified by Dan McGue of Coldwell Banker on July 16, 2025.

Comparable Sale 5



Location Overview

| | |
|----------------|---------------------|
| Street Address | 116 San Luis Avenue |
| City | San Bruno |
| State | CA |
| Zip | 94066 |
| Property ID | 021-164-120 |
| Market | San Mateo |
| Submarket | San Bruno |

Property Information

| | | | |
|----------------|----------|-------------------|-------------|
| Condition | Average | Site Area | 7,100 SF |
| Year Built | 1964 | Residential Units | 7 |
| # Floors | 2 | Comparable Type | Multifamily |
| Building Type | Walk Up | Commercial Units | 0 |
| Building Class | C | Commercial Area | 0 SF |
| Zoning | C0001P | Average Unit Size | 914 SF |
| GBA | 6,660 SF | Unit Types | 2 BR |

Sale Information

| | | | |
|----------------|-------------------------|-----------------|---------------------|
| Sale Status | Transaction | Deed Sale Price | \$1,450,000 |
| Sale Date | 2/14/2025 | Per Unit | \$207,143 |
| Grantee | John F Britton | Per SF | \$218 |
| Grantor | Ogihara Revocable Trust | Cap Rate | 6.35% |
| Unique Sale ID | 6670 | Property Rights | Leased Fee Interest |

Appraiser Comments

This is the sale of a multifamily property located at 116 San Luis Avenue in San Bruno, California. The property consists of seven residential units with an average unit size of 914 square feet. The building was constructed in 1964 and has two floors. The property was last sold on February 14, 2025, for \$1,450,000. The sale price equates to approximately \$217.72 per square foot and \$207,142.86 per unit. The occupancy rate at the time of sale was 100%, and the reported cap rate was 6.35%. The property rights are leased fee interest.

Comparable Sale 6



Location Overview

| | |
|-----------------------|------------------------|
| Street Address | 198 West Moltke Street |
| City | Daly City |
| State | CA |
| Zip | 94014 |
| Property ID | 003-302-340 |
| Market | San Mateo |
| Submarket | Hillside |

Property Information

| | | | |
|-----------------------|----------|--------------------------------|-------------|
| Condition | Average | Residential Units | 6 |
| Year Built | 1931 | Comparable Type | Multifamily |
| # Floors | 2 | Commercial Units | 0 |
| Building Class | C | Average Unit Size | 750 SF |
| Zoning | R | Unit Types | 1 BR, 2 BR |
| GBA | 5,979 SF | Exposure/Marketing Time | 50 Days |
| Site Area | 4,320 SF | | |

Sale Information

| | | | |
|-----------------------|----------------------|------------------------|---------------------|
| Sale Status | Transaction | Deed Sale Price | \$2,000,000 |
| Sale Date | 9/12/2024 | Per Unit | \$333,333 |
| Grantee | D & C Lee Management | Per SF | \$335 |
| Grantor | Alex Kolenko | Cap Rate | 4.70% |
| Unique Sale ID | 048213 | Property Rights | Leased Fee Interest |

Verification Source

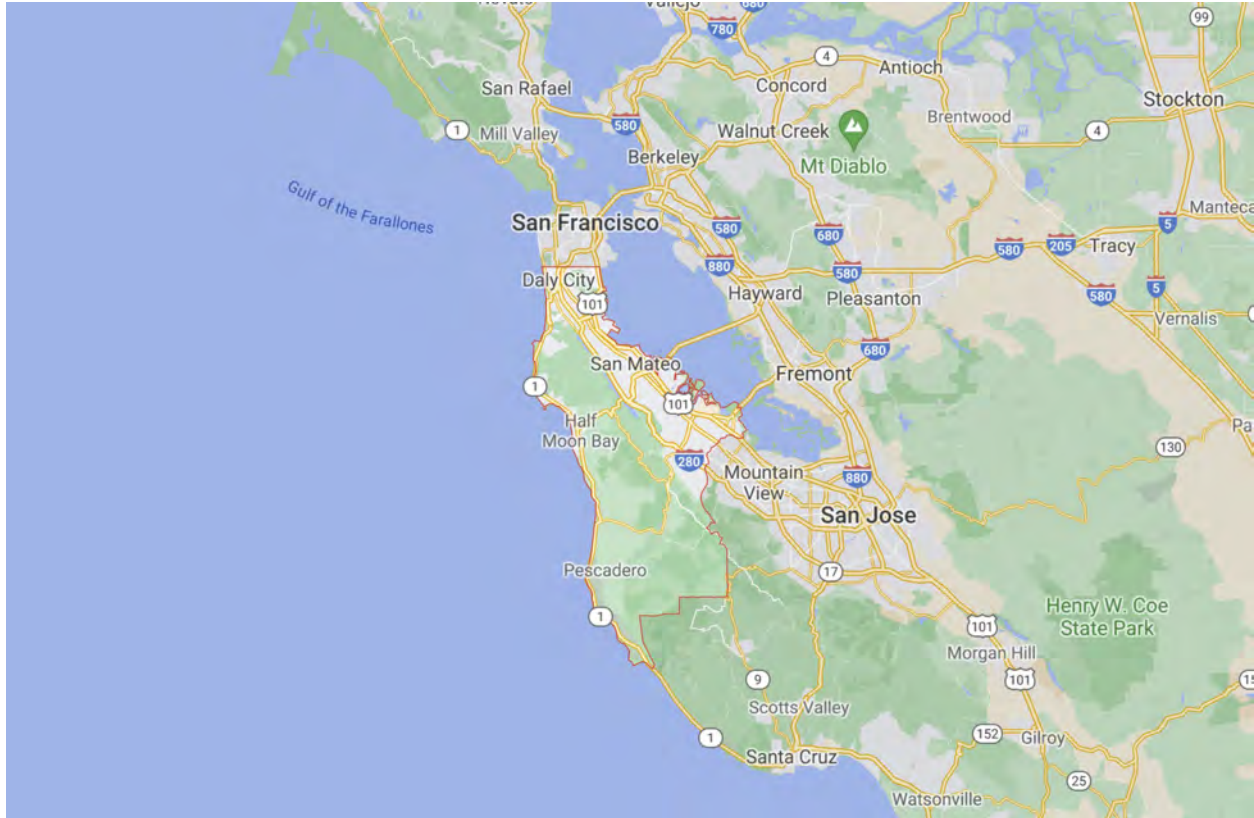
| | | | |
|---------------------|------------------------|--------------------------|----------------|
| Contact Name | Valerie Hinton | Role | listing broker |
| Company | Valerie Hinton, Broker | Verification Date | 4/14/2025 |

Appraiser Comments

This is a transaction between 2 private individuals. The cap rate is confirmed with the listing broker.

San Mateo County Area Analysis

The following analysis includes pertinent aspects of the surrounding region as it pertains to the subject property. This report was compiled using data as of 2025 Q2 unless otherwise noted. Data is from a number of sources including the U.S. Bureau of Labor Statistics ("BLS"), the U.S. Bureau of Economic Analysis ("BEA"), and the U.S. Census Bureau.



Source: Google Maps

San Mateo County at a Glance

San Mateo County is located in California and is included in the San Francisco-Oakland-Berkeley, CA MSA. It is considered to be suburban in nature, being located south of the city of San Francisco. The county is home to several cities, including San Mateo, Redwood City, and Pacifica. The economy of San Mateo County is largely driven by the technology industry, with many major tech companies having headquarters or offices in the area. Some of the top employers in the county include Google, Oracle, and Facebook. Other companies include Visa Inc, Sony Interactive Entertainment, Electronic Arts, YouTube, Genentech, GoPro, and Gilead Sciences, as well as a hub of venture capital firms in Menlo Park and several other technology-related companies. There is also a thriving retail and tourism industry, with the county being home to several shopping centers and popular tourist destinations such as the Half Moon Bay State Beach and the Pacifica State Beach. Housing options in San Mateo County range from urban apartments to suburban single-family homes. The cost of living in the area is relatively high, with a median home price above the national average. However, there are a variety of affordable housing options available for residents, including subsidized housing and affordable rental options. The coastal Santa Cruz Mountain range bisects San Mateo, leaving the western side to more rural uses such as agriculture, game preserve, watershed, parks and undeveloped lands. Community parks and green spaces are abundant in San Mateo County, with several large regional parks, such as the San Francisco Watershed and the Edgewood Park and Natural Preserve, as well as smaller neighborhood parks and open spaces. The county is served by several major roads, including the I-280 and I-101 freeways, which provide access to nearby cities and destinations. Public transit options in San Mateo County include the Caltrain commuter rail service, which connects the county to San Francisco and other nearby cities, as well as several bus lines operated by the San Mateo County Transit District. The county is also located near the San Francisco International Airport, making air travel convenient for residents and visitors.

Area Fundamentals

| Attribute | County Level Value | 5 Year Annualized | |
|----------------------------|--------------------|-------------------|----------------------------|
| | | Growth Rate | Relative to Baseline (MSA) |
| Employment | 400,482 | 2.0% | Faster than MSA |
| GDP | \$186.3 billion | 7.8% | Faster than MSA |
| Population | 742,893 | -0.6% | Slower than MSA |
| Per Capita Personal Income | \$172,828 | 8.0% | Faster than MSA |

Labor Market Conditions

According to the latest data from the Q4 2024 Quarterly Census of Employment and Wages, San Francisco-Oakland-Hayward employed 2,071,652 private employees, with establishments in the Professional & Business Services, Education & Health Services, and Trade, Transportation, & Utilities industries accounting for the top three employers. These industries employ 472,758 (22.8%), 410,835 (19.8%), and 351,027 (16.9%) private sector workers in the Metro, respectively. San Francisco-Oakland-Hayward has an especially large share of workers in the Information industry. In fact, its 5.9% fraction of workers is 2.8 times higher than the National average.

MSA Private Employment Composition & Wages by Industry (2024 Q4)



Source: U.S. Bureau of Labor Statistics

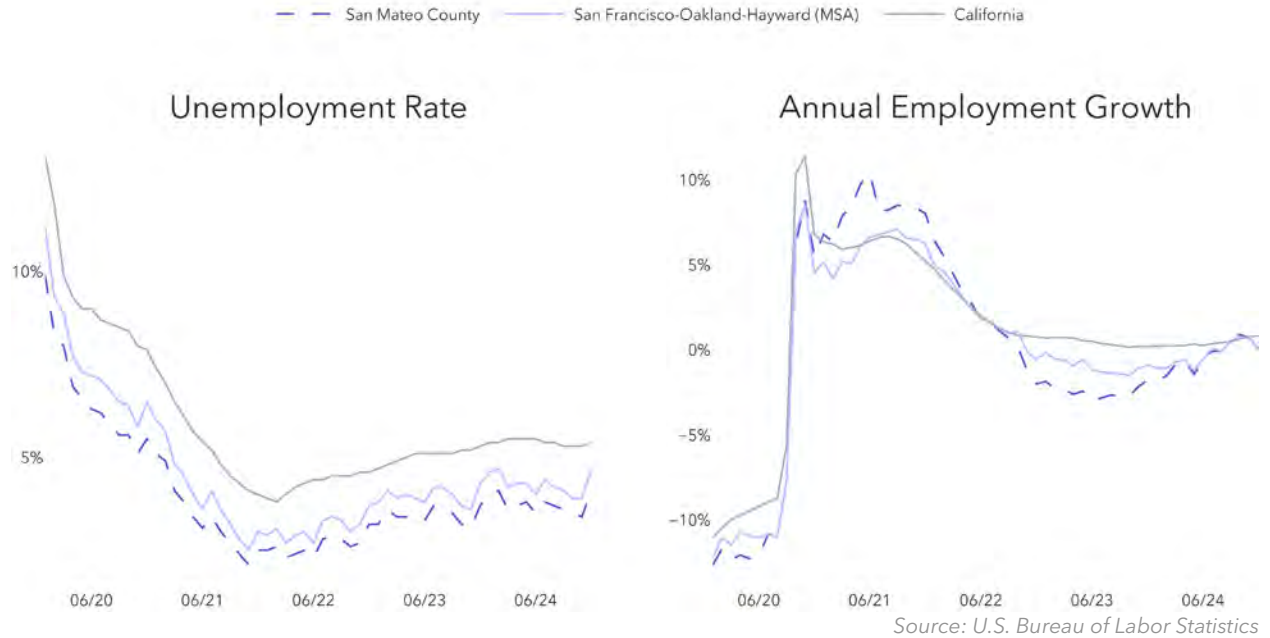
The latest data from the 2024 Q4 Quarterly Census of Employment and Wages, San Mateo County employed 413,595 employees. Establishments in the Professional & Business Services, Education & Health Services, and Trade, Transportation, & Utilities industries accounted for the top three employers. These industries employ 96,767 (23.4%), 76,603 (18.5%), and 71,877 (17.4%) workers in the County, respectively. San Mateo County has an especially large share of workers in the Information industry. In fact, its 9.4% fraction of workers is 5.0 times higher than the National average.

County Employment Composition & Wages by Industry (2024 Q4)

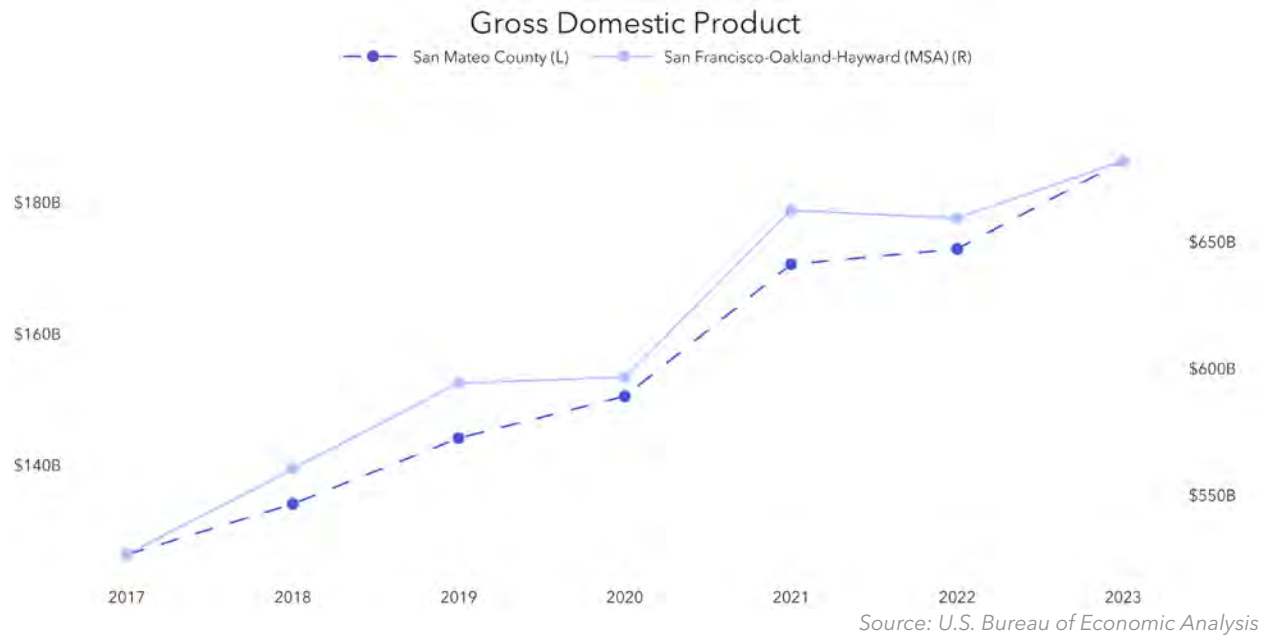


Source: U.S. Bureau of Labor Statistics

At the onset of the pandemic last spring, San Mateo County area employers shed 16.2% of their workforce, expanding the unemployment rate from 2.2% in February 2020 to 12.5% just two months later. The unemployment rate in San Mateo County has expanded over the past year to the current rate of 4.1%, just slightly below the San Francisco-Oakland-Hayward rate of 4.7%. As of 06/25, total employment is up 0.1% on a year-over-year basis. The unemployment rate remains above its pre-pandemic level (Feb 2020) of 2.2%.



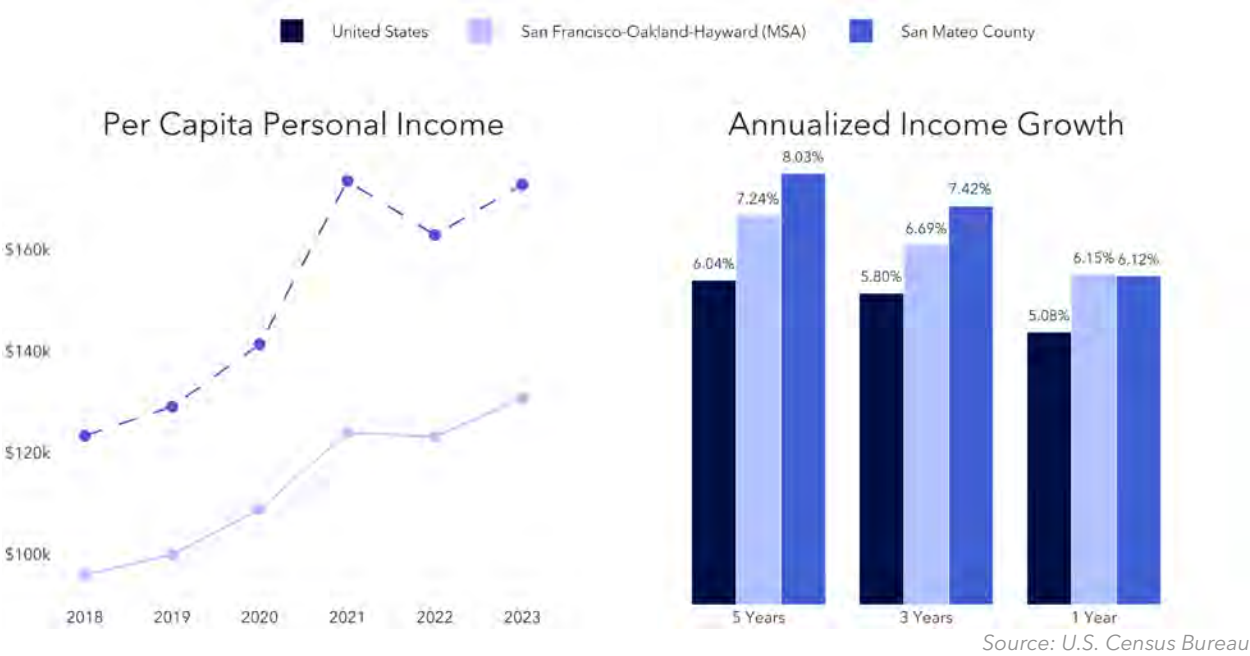
Economic Production



Demographics




Going back ten years, San Mateo County's population has compressed 0.2% per annum to the 2024 count of 742,893. Over the past five years, growth has declined, contracting 0.6% per annum since 2019. This growth rate falls short of the Nation, which has expanded 0.7% per year over the last five years.

Going back five years, San Mateo County residents' per capita personal income has expanded 8.0% per annum to the 2023 level of \$172,828. Over the past three years, growth has declined, growing 7.4% per annum since 2020. This growth rate exceeds the Nation, which has expanded 5.8% per year over the last three years.



Infrastructure

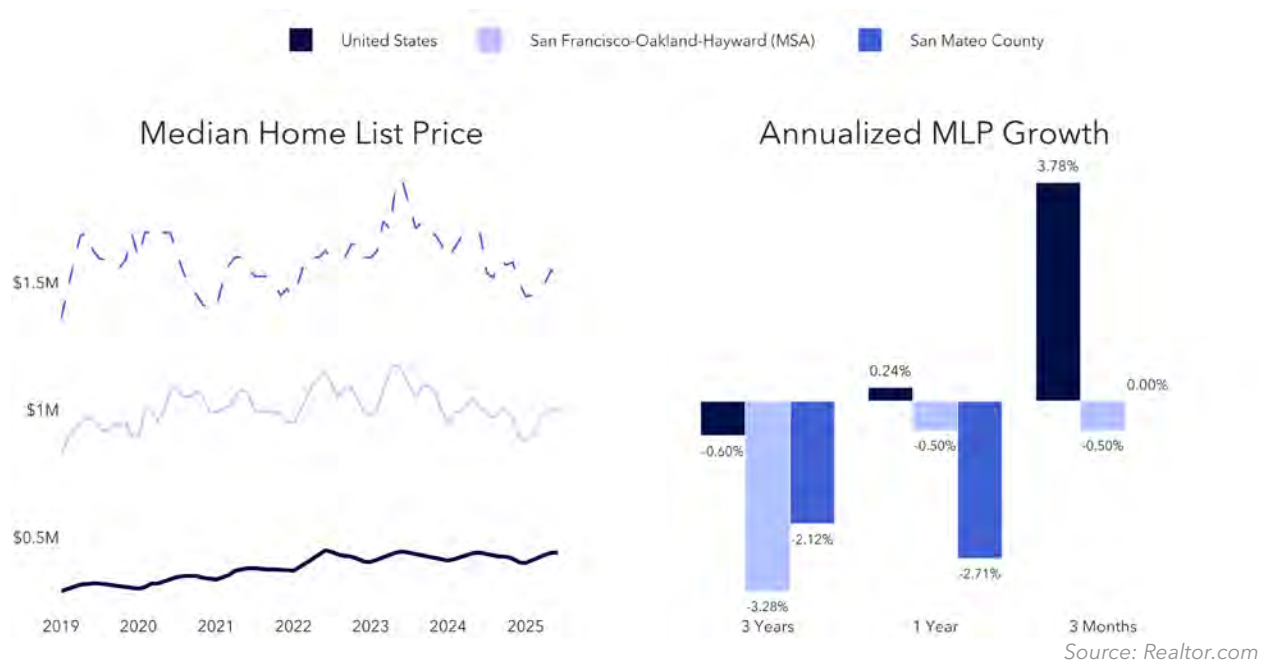
Transportation Methods

-  San Mateo County has an extensive highway network. It is served by several interstate highways including Interstate 280, Interstate 380, and U.S. Route 101.
-  Caltrain, the commuter rail system, traverses the county from north to south, running alongside the Highway 101 corridor for most of the way. Bay Area Rapid Transit (BART) trains serve San Francisco International Airport and the northern portion of the county, terminating at Millbrae. Caltrain, BART, and SamTrans converge at the Millbrae Intermodal station.
-  SamTrans (San Mateo County Transit District) provides local bus service within San Mateo County. Local and commuter bus routes also operate into San Francisco.
-  The county is also located near the San Francisco International Airport, making air travel convenient for residents and visitors.

Housing

The housing market has undergone significant shifts since 2021, when low mortgage rates and remote work trends fueled unprecedented demand and price growth, pushing the median listing price in the US to \$413,000 by mid-2022. The subsequent aggressive interest rate hikes in late 2022 and throughout 2023 dramatically impacted affordability, cooling demand and moderating price growth in many markets. By 2025, we've seen mortgage rates stabilize and gradually decline, restoring some buyer confidence while persistent inventory constraints in high-demand areas continue to support price resilience. Markets now show greater regional variation with some areas experiencing renewed price growth while others maintain more balanced conditions between buyers and sellers.

In San Mateo County, Realtor.com data points to negative growth in values over the past year. As of 07/2025, the median home list price sits at \$1,496,500, a decrease of 2.7% compared to a decrease of 0.5% for the San Francisco-Oakland-Hayward Metro, and an increase of 0.2% across the Nation over the past year. The county median list price has experienced no change of 0.0% over the past 3 months, compared to a decrease of 0.5% for the San Francisco-Oakland-Hayward Metro in the same period.



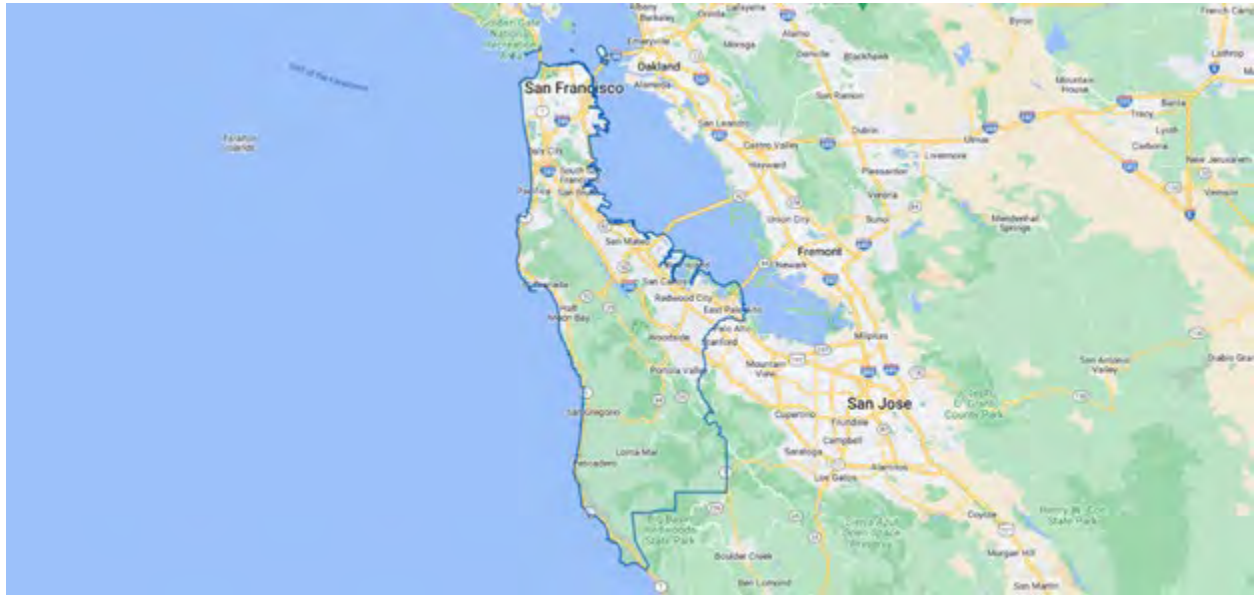
Outlook

The United States economy is experiencing some headwinds in early 2025, with Q1 GDP declining by 0.3% after several quarters of modest growth. Recently implemented tariffs have created uncertainty in international trade and supply chains, putting pressure on consumer prices and business operations. While labor markets remain relatively resilient, the Federal Reserve faces a complex balance between addressing slowing economic growth and managing inflation pressures that have been exacerbated by trade policy changes. Businesses are adapting to these conditions with cautious investment strategies as they navigate economic uncertainty in the near term.

The current unemployment rate in San Mateo County of 4.1% is below its five-year average. By contrast, that rate is also below the state rate of 5.4%, but equal to the national rate of 4.1%. Although San Mateo County has experienced population decline of 0.6% per year annually over the past five years, growth has returned to positive levels with a most recent one-year growth rate of 1.2%. Considering its strong positive growth relative to the nation as a whole over the five years prior to the pandemic, its diversified economy, and its recently growing population, the county boasts all the attributes necessary for near- and long-term growth.

San Francisco: Multifamily Market Analysis

The information contained in this report was provided using 2025 Q3 CoStar data for the San Francisco Multifamily Market ("Market").



Overview

The subject property is in the San Francisco Market defined in the map above, which includes 190.3k units of multifamily space. The inventory is roughly 18% Class A, 26% Class B, and 56% Class C. The multifamily market is showing signs of improvement following a prolonged adjustment period. Vacancy held at 8.2% in Q3 2025, marking its first quarter without an increase since 2022, while new starts have declined sharply. Investment sentiment strengthened with cap rates stabilizing near 6.1% and transaction volume reaching \$35 billion. As absorption catches up to deliveries, the sector appears positioned for gradual rent growth recovery through 2026. In the San Francisco Market, demand remains strong with vacancy rates down yoy and over the past quarter, decreasing -164 bps yoy to 4.4%. Despite this, rents are up 6.3% over the past year, increasing by 0.9% in the latest quarter. With market conditions improving, values increased 0.3% over the past quarter to \$527,529/unit.

Sector Fundamentals

| | San Francisco | YoY | QoQ | National | YoY | QoQ |
|----------------------|---------------|----------|---------|------------------|--------|--------|
| Market Rent/Unit | \$3,302 | 6.33% | 0.92% | \$1,746 | 0.6% | -0.69% |
| Vacancy Rate | 4.39% | -164 bps | -44 bps | 8.24% | 14 bps | 4 bps |
| Net Absorption Units | 1,012 | 20.8% | -11.5% | 121,088 | -20.7% | -16.7% |
| Asset Value/Unit | \$527,529 | 0.1% | 0.3% | \$238,269 | -0.2% | -0.7% |
| Market Cap Rate | 4.55% | 4 bps | -1 bps | 6.09% | -1 bps | -1 bps |
| Transaction Count | 65 | 18% | -54% | 3,246 | 9% | -1% |
| Sales Volume | \$621,298,112 | 33% | -22% | \$34,934,362,112 | 22% | 25% |

The table below presents historical performance of key indicators for multifamily space in the Market including inventory & construction levels, net absorption, vacancy & availability, rental rates, pricing, and cap rates.

Historical Multifamily Performance: San Francisco Market

| Period | Inventory Units | Under Construction Units | Net | | Vacancy Rate | Market Effective Rent/Unit | Asset Value/Unit | Market Cap Rate |
|---------|--------------------|--------------------------------|-----------------------------|---------------------------|-----------------|----------------------------------|---------------------|-----------------------|
| | | | Delivered Units 12 Mo | Absorption Units 12 Mo | | | | |
| 2025 Q3 | 190,253 | 2,014 | 1,425 | 4,459 | 4.4% | \$3,302 | \$527,529 | 4.55% |
| 2025 Q2 | 190,075 | 1,514 | 2,016 | 4,285 | 4.8% | \$3,272 | \$525,884 | 4.57% |
| 2024 | 188,828 | 2,743 | 2,792 | 4,214 | 5.5% | \$3,127 | \$524,915 | 4.54% |
| 2023 | 186,036 | 4,921 | 1,122 | 1,957 | 6.3% | \$3,022 | \$549,016 | 4.36% |
| 2022 | 184,914 | 4,087 | 2,025 | 3,462 | 6.8% | \$3,046 | \$634,555 | 3.77% |
| 2021 | 182,889 | 3,389 | 2,745 | 7,780 | 7.7% | \$2,998 | \$702,408 | 3.38% |
| 2020 | 180,144 | 4,993 | 2,855 | -5,961 | 10.6% | \$2,791 | \$621,402 | 3.66% |
| 2019 | 177,289 | 6,724 | 2,059 | 810 | 5.8% | \$3,071 | \$652,897 | 3.67% |
| 2018 | 175,230 | 5,479 | 2,453 | 2,787 | 5.1% | \$3,026 | \$639,037 | 3.71% |
| 2017 | 172,776 | 4,781 | 3,782 | 3,126 | 5.4% | \$2,921 | \$613,999 | 3.75% |
| 2016 | 168,994 | 5,654 | 3,437 | 3,266 | 5.1% | \$2,871 | \$596,159 | 3.80% |
| 2015 | 165,557 | 8,298 | 2,492 | 1,898 | 5.1% | \$2,873 | \$581,156 | 3.80% |

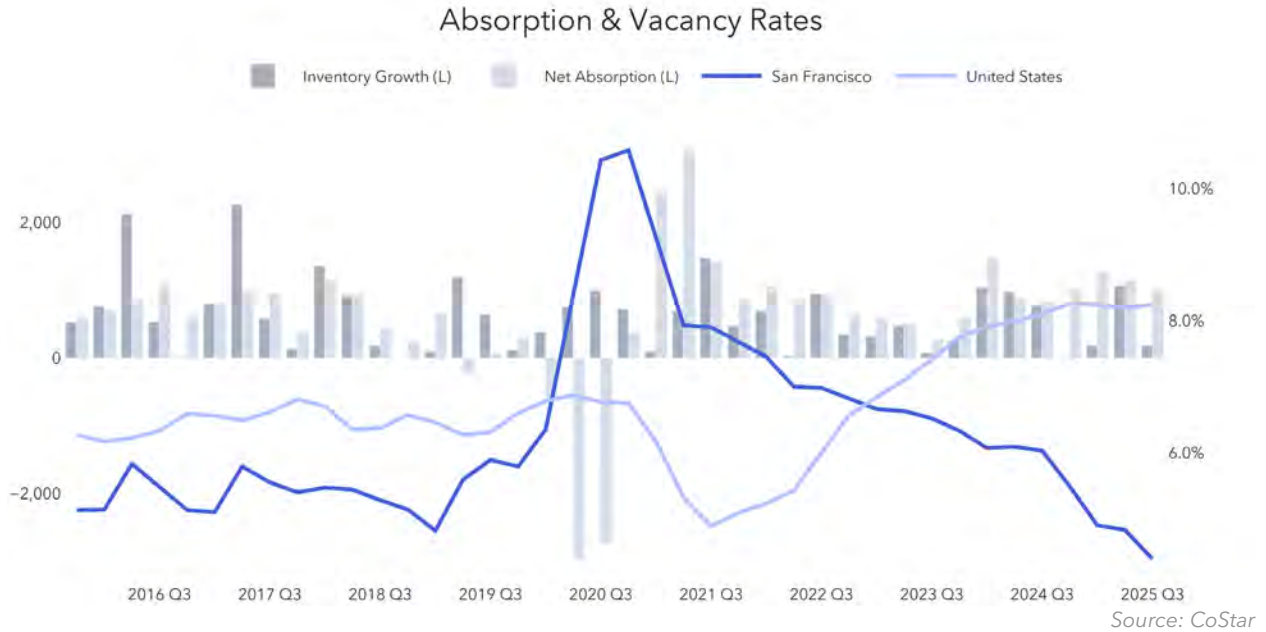
Supply & Demand

The Market has 190.3k units of multifamily space, and developers have added, net of demolitions, 24.7k units over the past ten years, increasing inventory by 14.9% during that time. Despite an increase in supply over the past ten years, absorption levels have outpaced it, and vacancy rates are lower than they were a decade ago, compressing from 5.1% to 4.4%.

Despite an increase in inventory levels over the past year, demand has outpaced it, and vacancy rates have compressed 164 bps over the past year from 6.0% to 4.4%, remaining below the 10-year average of 6.3%, and below the National average by 385 bps. With 1k units absorbed in 2025 Q3, vacancy rates have compressed 44 bps over the past quarter. In the third quarter, multifamily tenants in the Market absorbed 1k units, a decrease from the 1.1k units absorbed in 2025 Q2, but an improvement from the 838 units absorbed in the same quarter last year.

Vacancy Rates

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 Q2 | 2025 Q3 |
|----------|------|------|------|------|------|-------|-------|------|-------|------|------------|------------|
| National | 6.3% | 6.6% | 6.8% | 6.6% | 6.6% | 6.8% | 5.1% | 6.6% | 7.8% | 8.3% | 8.2% | 8.2% |
| Market | 5.1% | 5.1% | 5.4% | 5.1% | 5.8% | 10.6% | 7.7% | 6.8% | 6.3% | 5.5% | 4.8% | 4.4% |
| Class A | 8.6% | 7.6% | 9.7% | 4.8% | 8.8% | 20.3% | 13.3% | 9.6% | 10.2% | 9.5% | 8.4% | 6.6% |
| Class B | 5.0% | 5.8% | 5.5% | 6.7% | 6.1% | 10.7% | 7.6% | 7.6% | 6.4% | 4.7% | 4.2% | 3.9% |
| Class C | 4.7% | 4.5% | 4.5% | 4.6% | 5.0% | 8.1% | 6.2% | 5.7% | 5.2% | 4.6% | 4.0% | 3.9% |



Rents

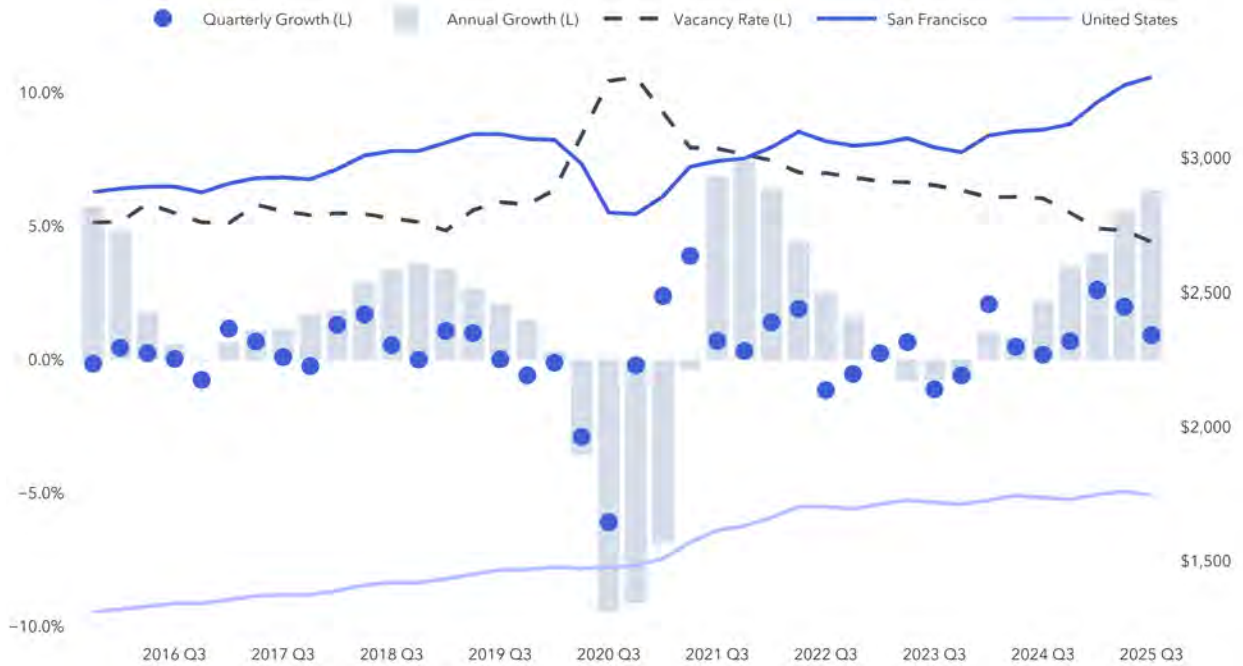
At \$3,302/unit, rents in the San Francisco Market are roughly 89% higher than the National average of \$1,746/unit. Rents vary throughout the Market. Class A apartment units are a premium with an average effective rent rate of \$4,184/unit, followed by \$3,377/unit for Class B and \$2,601/unit for Class C units. Rents in the Market have grown 1.5% per annum over the past decade, falling short of the National average, where rents increased 3.3% per annum during that time.

Market Rents

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 Q2 | 2025 Q3 |
|----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| National | \$1,309 | \$1,341 | \$1,374 | \$1,419 | \$1,468 | \$1,482 | \$1,630 | \$1,695 | \$1,711 | \$1,729 | \$1,758 | \$1,746 |
| Market | \$2,873 | \$2,871 | \$2,921 | \$3,026 | \$3,071 | \$2,791 | \$2,998 | \$3,046 | \$3,022 | \$3,127 | \$3,272 | \$3,302 |
| Class A | \$3,689 | \$3,659 | \$3,708 | \$3,880 | \$3,946 | \$3,355 | \$3,773 | \$3,835 | \$3,701 | \$3,886 | \$4,146 | \$4,184 |
| Class B | \$2,930 | \$2,897 | \$2,945 | \$3,031 | \$3,067 | \$2,811 | \$3,006 | \$3,051 | \$3,069 | \$3,181 | \$3,333 | \$3,377 |
| Class C | \$2,236 | \$2,281 | \$2,330 | \$2,403 | \$2,442 | \$2,366 | \$2,431 | \$2,472 | \$2,491 | \$2,533 | \$2,589 | \$2,601 |

Prior to the pandemic, the San Francisco Multifamily Market experienced softening rent growth. In 2019 Q4, annual rent growth in the Market softened below the previous quarter, and was below the historical average, with annual growth of 1.5%. With demand softening during the initial stages of the pandemic, quarterly rent growth decreased 2.9% in 2020 Q2. By the end of 2020, rents fell 9.1% from the 2019 Q4 rent level of \$3,071/unit. From 2019 Q4 to 2021 Q4, rents decreased -2.4%. Quarterly rent growth in 2025 Q3 slowed by 0.92%, although annual growth increased to 6.3%.

Market Effective Rent/Unit - Annual & Quarterly Growth

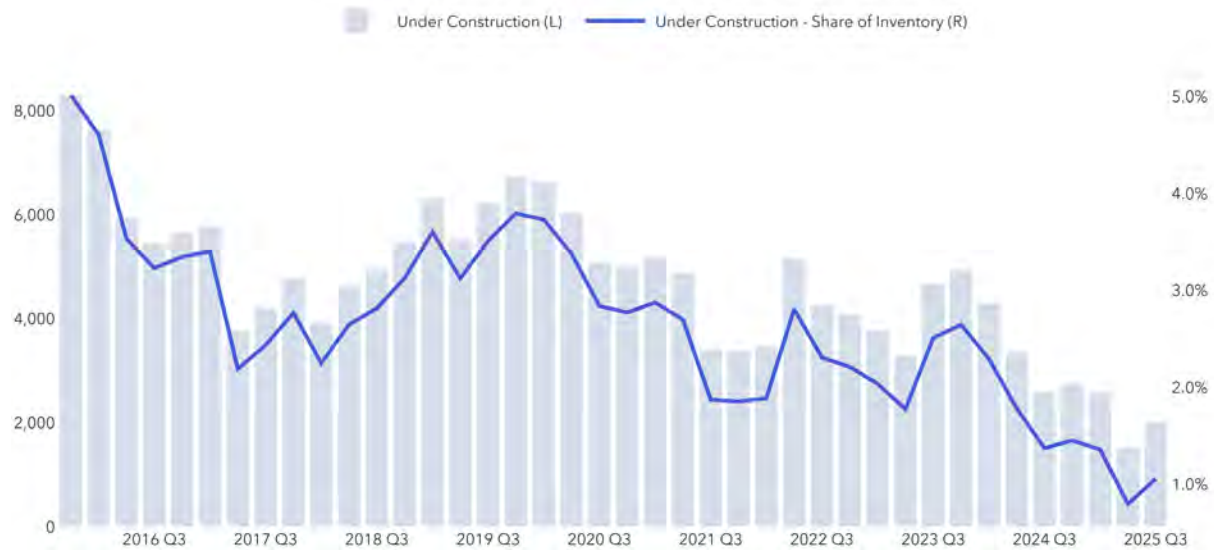


Source: CoStar

Construction & Future Supply

Developers have been active for much of the past ten years. In fact, they have added 25.4k units to the Market over that time, expanding inventory by 14.9%. Developers remain active in the Market, but elevated construction and debt costs have slowed the pipeline to 2k units, or the equivalent of 1.1% of existing inventory, underway. Demand in the San Francisco Market has outpaced new deliveries over the past year but could slow along with softening economic growth.

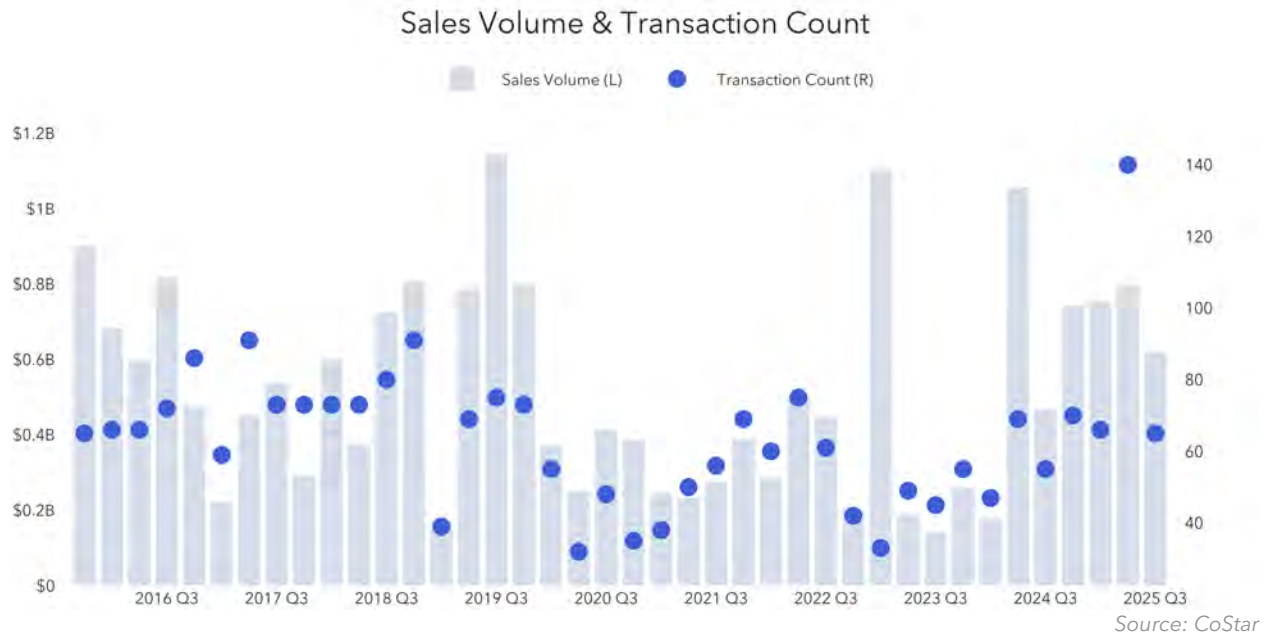
Under Construction Units - Share of Inventory



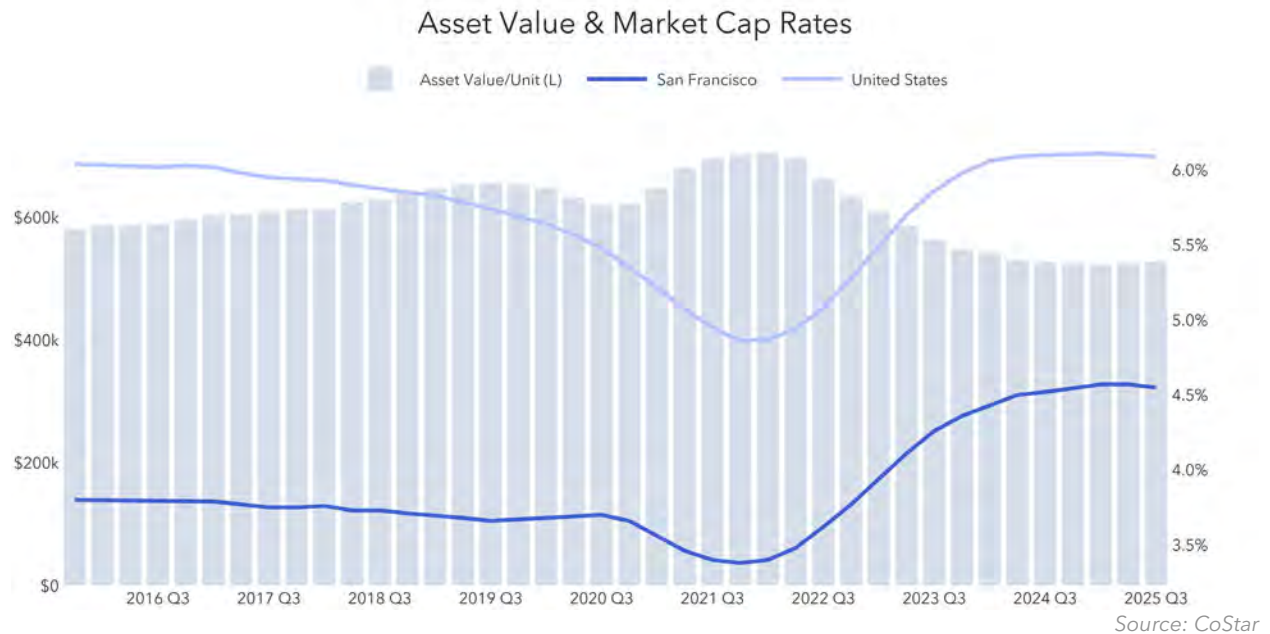
Source: CoStar

Capital Markets

Investors have been active in the Market over the past three years. During that time, investors have closed on average 220 transactions per year with an annual average sales volume of \$1.9 billion. Over the past year, there were 341 closed transactions across 8k units, for a total sales volume of \$2.9 billion. As of 2025 Q3, CoStar data indicates there were 65 transactions for a total sales volume of \$621.3 million, compared to \$797.1 million in the previous quarter.



Market pricing, based on the estimated price movement of all properties in the Market, is currently \$527,529/unit. Values have increased 0.1% over the past year and 0.3% in 2025 Q3. Capitalization rates increased 4 bps over the past year to 4.5% and compressed 1 bps in 2025 Q3.



Outlook

Multifamily market conditions in the San Francisco Market indicate growing demand that has outpaced an increase in inventory. With positive absorption, vacancy rates have compressed over the past year. With vacancy rates compressing, quarterly rent growth slowed by 0.9%, increasing annual growth 6.3%. Looking ahead to the near term, it is likely that tenant demand remains strong, outpacing an active pipeline, putting downward pressure on vacancy rates, increasing rent growth.

Appendix

San Francisco Multifamily Market Overview

| Submarket | Inventory Units | Vacancy Rate | Under Construction Units | Market Effective Rent/Unit | Asset Value/Unit | Market Cap Rate |
|--|--------------------|-----------------|--------------------------------|----------------------------------|---------------------|--------------------|
| Downtown San Francisco | 25,279 | 5.1% | 0 | \$2,969 | \$510,084 | 4.53% |
| San Mateo/Burlingame | 22,103 | 4.7% | 601 | \$3,305 | \$572,839 | 4.37% |
| Haight- Ashbury/Castro/Noe Vly/Mission | 21,874 | 3.7% | 0 | \$3,358 | \$554,350 | 4.54% |
| Richmond/Western Addition | 19,246 | 3.2% | 8 | \$2,822 | \$509,303 | 4.52% |
| Redwood City/Menlo Park | 17,295 | 4.2% | 520 | \$3,342 | \$540,888 | 4.54% |
| Marina/Pacific Heights/Presidio | 15,054 | 3.4% | 18 | \$3,994 | \$659,584 | 4.29% |
| South Of Market | 13,562 | 4.6% | 124 | \$3,940 | \$517,104 | 4.73% |
| Civic Center/Tenderloin | 11,016 | 6.1% | 0 | \$2,529 | \$355,660 | 4.84% |
| Sunset/Lakeshore | 9,406 | 7.7% | 0 | \$2,820 | \$480,175 | 4.75% |
| S San Francisco/San Bruno/Millbrae | 8,892 | 3.6% | 464 | \$3,129 | \$554,198 | 4.70% |
| Mission Bay/China Basin/Potrero Hill | 8,202 | 4.6% | 65 | \$4,389 | \$574,870 | 4.81% |
| Daly City/Brisbane | 7,776 | 1.6% | 214 | \$2,629 | \$426,483 | 4.37% |
| Foster City/Redwood Shores | 5,667 | 3.0% | 0 | \$3,545 | \$515,631 | 4.45% |
| Pacifica | 2,294 | 2.3% | 0 | \$2,960 | \$418,507 | 4.81% |
| Bayview/Visitacion Valley | 1,383 | 5.6% | 0 | \$2,906 | \$470,221 | 4.81% |
| Treasure/Yerba Buena Islands | 858 | 22.9% | 0 | \$3,221 | \$597,399 | 4.69% |
| Outlying San Mateo County | 346 | 2.4% | 0 | \$2,101 | \$415,789 | 4.88% |

Qualifications

Bryson Young, MAI

Senior Managing Director

Experience

Bryson Young is the Senior Managing Director of California for Bowery Valuation and joined the firm in December of 2021. He has oversight of a growing team of appraisers in both the Bay Area as well as Los Angeles. He has worked in the commercial real estate industry for over 20 years, with over 15 years in the commercial appraisal space. During his appraisal career, Bryson has worked on the valuation of a wide range of property types, including existing and proposed market-rate and affordable multi-family housing, low-rise and high-rise office, R&D, retail, industrial, automotive dealerships, and development land throughout the Southwest and the Midwest, with primary concentration within the Northern and Southern California market areas. He has expertise in institutional and non-institutional multi-family properties, having appraised well over 50,000 apartment units over his career. His team at Bowery consistently appraises 100s of multifamily and mixed-use (residential/commercial) assignments annually. In addition, Bryson and his team appraise well over 5 million square feet of Office/R&D/Industrial in California annually.

Before joining Bowery, Bryson was a Vice President at CBRE, where he was a top producer in Northern California and responsible for training and oversight of a team of appraisers in the Silicon Valley office. Bryson spent over ten years within the appraisal department at CBRE prior to assisting with the launch of Bowery on the West Coast.

Bryson graduated from Northwestern University where he was a scholarship member of the golf team.

Education

| | |
|-------------------------|--|
| Northwestern University | Bachelor of Science in Communication Studies with a minor in Business Institutions |
|-------------------------|--|

Certifications & Professional Designations

| | |
|---|---|
| Appraisal Institute | MAI, Designated Member Bryson is currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members. |
| Certified General Real Estate Appraiser | State of Arizona (# CGA-1044972) State of California (# AG 044713) State of Colorado (# CG200003943) State of Nevada (# A.0208642-CG) State of Utah (# 13248853-CG00) |

Sam Cimino

Vice President

Experience

Sam Cimino is a Vice President at Bowery Valuation who joined the firm in December 2021. He has worked in the real estate appraisal industry since 2015, with more than 6 years in the commercial appraisal space. Throughout his career, Sam has appraised millions of square feet over a variety of property types, including existing and proposed, industrial, auto dealerships, Office/R&D, retail, and development land throughout all of California. Additionally, Sam has appraised tens of thousands of units of institutional and non-institutional multifamily properties, including both market rate and affordable housing, both existing and proposed.

Prior to joining the appraisal department, Sam was a member of the CBRE research team responsible for tracking, analyzing, and reporting market and submarket statistics for all major asset classes, as well as supporting a brokerage team that included some of the highest producing leasing and sales brokers in the Silicon Valley market.

Education

San Jose State University Bachelor of Art in Radio, TV, and Film

Certifications & Professional Designations

Certified General Real Estate Appraiser State of California (# 3007042)

Licenses

Bryson Young, MAI, State Certified General Appraiser- California



Sam Cimino, State Certified General Appraiser- California



Letter of Engagement



Engagement Letter For Professional Valuation Service

Date of Agreement:
01/12/2026

Parties To Agreement:

Client:
HEART of San Mateo County (the "Client")
2905 S. El Camino Real San Mateo, CA 94403
(650) 204-5640

Appraisers:
Bowery Valuation ("Bowery Valuation")
425 Page Mill Road, 2nd Floor PMB 2035
Palo Alto, CA 94306
(650) 409-1592

Pursuant to the terms of this agreement ("Agreement") between Bowery Valuation and the Client, Bowery Valuation is hereby engaged to complete an appraisal assignment (the "Appraisal Report") as follows:

Property Identification

8 Visitacion Avenue (the "Property")
Brisbane, CA 94005

Property Type(s)

Multifamily property

Interest Valued

Leasehold Interest

Intended Users

The Intended Users of the Appraisal Report are the Client with its affiliates, and its capital partners as specified by Client. This appraisal is not intended for any other use or user.

Intended Use

The Intended Use of the Appraisal Report is for the purpose of loan underwriting.

Type Of Value / Value Premise(s)

The Appraisal Report shall provide the current As Is Market Value.

Date(s) Of Value

The Appraisal Report shall include current date (date of transmittal), the date of site inspection/As Is value and other dates specified herein associated with retrospective or prospective value scenarios per assignment value premises requested.

Payment To Bowery Valuation

\$4,500

Bowery Valuation



Payment Due Date

Bowery Valuation shall invoice the borrower specified by the Client for services rendered pursuant to this Agreement based upon the fees specified in this Agreement. The fee is due prior to the start of the Appraisal Report.

Delivery date

10 business days. This delivery date is contingent upon timely receipt of pertinent due diligence information requested herein (Exhibit A). In the event of delays, Bowery Valuation will promptly inform the client.

Delivery Method

The Appraisal Report will be delivered as PDF via email. Up to three (3) printed reports can be delivered, if requested.

Hypothetical Conditions, Extraordinary Assumptions

Appraisal limiting conditions and assumptions, including any necessary extraordinary assumptions or hypothetical conditions, will be stated, within the Appraisal Report, and used in accordance with USPAP requirements. Use of or reliance on all extraordinary assumptions and hypothetical conditions will be discussed with the client during the appraisal process.

Applicable Requirements Other Than The Uniform Standards Of Professional Appraisal Practice (USPAP)

The Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and all applicable state licensing regulations.

IF client is a federally regulated institution, This appraisal shall also prepared in compliance with Title XI (with amendments) of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), as well as the Interagency Appraisal and Evaluation Guidelines dated December 2, 2010

Anticipated Scope Of Work

Site inspection:

Interior and Exterior inspection..

Valuation Approaches

As part of this Appraisal Report, Bowery appraiser(s) shall develop all approaches necessary to provide a credible opinion of value. All three approaches will be considered and used as/where applicable: The Sales Comparison Approach, the Cost Approach, and the Income Capitalization Approach.

Appraisal Report Type

Report option as per USPAP:

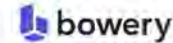
Appraisal Report option in accordance with Standard Rule 2-2(a) of USPAP

Prior Services Disclosure

The appraisers performing the appraisal have [not] provided any services regarding the subject property as an appraiser, or in any other capacity, within the three-year period preceding the date of this proposal.

Property Access, If Applicable

Client shall provide primary contact information for arranging access to the Property, as well as for obtaining requested information and materials in Exhibit "A".



Contract For Sale

If the property appraised is currently under contract for sale, Client shall provide an executed copy of said contract including all addenda to the Appraiser(s).

Proposed Improvements

If the property appraised consists of proposed (not yet constructed/partially constructed) improvements, Client shall provide plans, specifications, detailed costs/budget or other documentation sufficient to identify the extent and character of the proposed improvements to the Appraiser(s).

Additional Documentation

Client agrees to provide Appraisers with additional documentation as needed and as available. Examples of these documents are listed in the due diligence section at the end of this letter.

When Bowery Valuation's Obligations Are Complete

Bowery Valuation's obligations pursuant to this Agreement are complete when the Appraisal Report in the form specified in this Agreement is delivered to Client pursuant to this Agreement. Appraisers agree to be responsive to Client's reasonable legitimate inquiries regarding the contents of the Appraisal Report after initial delivery.

Confidentiality

Bowery Valuation shall not provide a copy of the written Appraisal Report to, or disclose the results of the appraisal prepared in accordance with this Agreement to, any party other than Client, unless Client authorizes, except as stipulated in the Confidentiality Section of the Ethics Rule of the Uniform Standards of Professional Appraisal Practice (USPAP).

Data Usage

Notwithstanding anything to the contrary, Client acknowledges and agrees that Bowery Valuation (i) will have access to certain diligence data in connection with the engagement (e.g. address, unit number) that does not itself identify the individual owner ("Diligence Data") and (ii) Bowery Valuation may use, share, and distribute, such Diligence Data in whole or in part without restriction for business purposes.

Use Of Employees Or Independent Contractors

Bowery Valuation may use employees or independent contractors at Bowery Valuation's discretion to complete the assignment, unless otherwise agreed by the parties. Notwithstanding the foregoing sentence, Bowery Valuation shall sign the written Appraisal Report and take full responsibility for the services provided as a result of this Agreement.

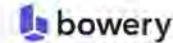
Services Not Provided

The fees set forth in this Agreement apply to the appraisal services rendered by Bowery Valuation as set forth in this Agreement. Unless otherwise specified herein, Bowery Valuation's services for which the fees in this Agreement apply shall not include meetings with persons other than Client or Client's agents or professional advisors; Appraisers' deposition(s) or testimony before judicial, arbitration or administrative tribunals; or any preparation associated with such depositions or testimony. Any additional services performed by Bowery Valuation not set forth in this Agreement will be performed on terms and conditions set forth in an amendment to this Agreement, or in a separate agreement.

Testimony Or Other Proceedings

Unless otherwise stated in this Agreement, Client agrees that Appraisers' assignment pursuant to this Agreement shall not include Appraisers' participation in or preparation for, whether voluntarily or pursuant to subpoena, any oral or written discovery; sworn testimony in a judicial, arbitration or administrative proceeding; or attendance at any judicial, arbitration or administrative proceeding relating to this assignment.

Bowery Valuation



Changes To Agreement

Any changes to the assignment as outlined in this Agreement shall necessitate a new Agreement. The identity of the Client, intended users, or intended use; the date of value; type of value; or property appraised cannot be changed without a new Agreement.

Cancellation

The Client may cancel this Agreement at any time prior to Bowery Valuation's delivery of the Appraisal Report upon written notification to Bowery Valuation. Work completed on assignment, billed at \$500 per hour, prior to Bowery Valuation's receipt of written cancellation notice, may be collected unless otherwise agreed upon by all parties, in writing.

Governing Law And Jurisdiction

This Agreement shall be governed by the law of the state in which Bowery Valuation's office as specified in this Agreement is located, exclusive of that state's choice of law rules. The parties agree that any legal proceeding brought by either party to interpret or enforce this Agreement, or to enforce an arbitration award entered pursuant to this Agreement, shall be brought in a state or federal court having jurisdiction over the location of Bowery Valuation's office as specified in this Agreement, and the parties hereby waive any objections to the personal jurisdiction of said court.

Appraiser Independence

Appraisers cannot provide a value opinion that is contingent on a predetermined amount. Appraisers cannot guarantee the outcome of the assignment in advance. Appraisers cannot ensure that the opinion of value developed as a result of this Assignment will serve to facilitate any specific objective of Client or others or advance any particular cause. Appraisers' opinion of value will be developed competently and with independence, impartiality and objectivity.

Notices

Any notice or request required or permitted to be given to any party shall be given in writing and shall be delivered to the receiving party by: a) registered or certified mail, postage prepaid; (b) overnight courier, such as Federal Express, United Parcel Service or equivalent; or (c) hand delivery. The address for delivery of any notice shall be the address for the party as specified in this Agreement, or at such other address as party may designate by written notice to the other party in conformance with this paragraph. Unless otherwise specified herein, notice shall be effective the date it is postmarked or given to a third party for delivery to the receiving party, whether or not the receiving party signs for or accepts delivery of such notice.

No Third-Party Beneficiaries

Nothing in this Agreement shall create a contractual relationship between Bowery Valuation or Client and any third party, or any cause of action in favor of any third party unless otherwise noted herein. This Agreement shall not be construed to render any person or entity a third party beneficiary of this Agreement, including, but not limited to, any third parties identified herein.

Mediation And Arbitration

In the event of a dispute concerning the subject matter of this agreement, the parties shall in good faith attempt to resolve such dispute by negotiation between the parties' principals, or, if such negotiation is unsuccessful, by mediation conducted by a third-party mediator. If such mediation results in an impasse, the parties shall submit their dispute to binding arbitration. Such mediation or, if necessary, binding arbitration shall be conducted pursuant to the mediation procedures or the commercial arbitration rules of the American Arbitration Association. Any arbitration shall be conducted in the city in which Bowery Valuation's office as specified herein is located. The parties shall share equally the costs of any mediation. In the event of binding arbitration, the arbitrators shall, in addition to any relief appropriate to be awarded to the prevailing party, enter an award in favor of the prevailing party for that party's costs of the arbitration, including the party's reasonable attorneys' fees and arbitration expenses incurred in prosecuting or defending the arbitration proceeding. Subject to the right of the prevailing party to recover its share of the costs of the arbitration

Bowery Valuation



services pursuant to the arbitrator's award, the costs of the arbitration services shall be borne equally by the parties. If the prevailing party seeks judicial confirmation of any arbitration award entered pursuant to this agreement, the court shall, in addition to any other appropriate relief, enter an award to the prevailing party in such confirmation proceeding for its reasonable attorneys' fees and litigation expenses incurred in confirming or successfully opposing the confirmation of such an award.

Special Or Consequential Damages

Neither party shall under any circumstances be liable to the other party for special, exemplary, punitive or consequential damages, including, without limitation, loss of profits or damages proximately caused by loss of use of any property, whether arising from either party's negligence, breach of the Agreement or otherwise, whether or not a party was advised, or knew, of the possibility of such damages, or such possibility was foreseeable by that party. In no event shall Appraisers be liable to Client for any amounts that exceed the fees and costs paid by Client to Appraisers pursuant to this Agreement.

Assignment

Neither party may assign this Agreement to a third party without the express written consent of the other party, which the non-assigning party may withhold in its sole discretion. In the event this Agreement is assigned by mutual consent of the parties, it shall become binding on the assigning party's permitted assigns.

Severability

In the event any provision of this Agreement shall be determined to be void or unenforceable by any court of competent jurisdiction, then such determination shall not affect any other provision of this Agreement and all such other provisions shall remain in full force and effect.

Duty To Indemnify

A breaching party (the "Breaching Party") agrees to defend, indemnify and hold harmless the non-breaching party (the "Non-Breaching Party") from any damages, losses or expenses, including attorneys' fees and litigation expenses at trial or on appeal, arising from allegations asserted against the Non-Breaching Party by any third party that if proven to be true would constitute a breach by the Breaching Party of any of the Breaching Party's obligations, representations or warranties made in this Agreement, or any violation by the Breaching Party of any federal, state or local law, ordinance or regulation, or common law (a "Claim"). In the event of a Claim, the Non-Breaching Party shall promptly notify the Breaching Party of such Claim, and shall cooperate with the Breaching Party in the defense or settlement of any Claim. The Breaching Party shall have the right to select legal counsel to defend any Claim, provided that the Non-Breaching Party shall have the right to engage independent counsel at the Non-Breaching Party's expense to monitor the defense or settlement of any Claim. The Breaching Party shall have the right to settle any Claim, provided that the Non-Breaching Party shall have the right to approve any settlement that results in any modification of the Non-Breaching Party's rights under this Agreement, whose approval will not be unreasonably withheld, delayed or conditioned.

Representations And Warranties

Each Party represents and warrants to the other that (1) it has all right, power and authority to enter into this Agreement; and (2) its duties and obligations under this Agreement do not conflict with any other duties or obligations assumed by Client under any agreement between Client and any other party; and Client represents and warrants to Bowery Valuation that Client has not engaged Bowery Valuation, nor will Client use Bowery Valuation's Appraisal Report, for any purposes that violate any federal, state or local law, regulation or ordinance or common law.

Extent Of Agreement

This agreement represents the entire and integrated agreement between the client and bowery valuation and supersedes all prior negotiations, representations or agreements, either written or oral. This agreement may be amended only by a written instrument signed by both client and bowery valuation. This agreement includes the appendices (if any), which are incorporated into, and made a part of this agreement.

Bowery Valuation



Expiration Of Agreement

This agreement is valid only if signed by both an agent for bowery valuation and client within five (5) days of the date of agreement specified.

Agreed And Accepted

As Agent for Bowery:

(Signature)

(1/12/2025)

By Client:

(Signature)
Audrey Washington

(1/12/2025)

Bowery Valuation _____



EXHIBIT A Data Requested

Please provide the following information/documentation upon receipt of this engagement letter if applicable and available:

- Survey and/or Plat Map
- Copy of Title Policy
- Site plan
- Building Plans/Floor plans (includes square footage)
- Unit Mix (includes unit sizes and asking rents)
- Detailed rent roll with square footage breakdown (if applicable)
- Executed Lease Agreements (if applicable)
- Occupancy History (last 3 to 5 years)
- Three year historical operating statements and current budget
- Other property information (marketing brochures, broker package, other details/data for consideration)
- Current tax bill
- Recent Capital Expenditures/Construction costs (if constructed within last 3 years)
- Current listing information, executed contract of sale including all addenda, and/or recent acquisition details, including the deed if a sale has occurred within the past three (3) years
- Past third-party reports – appraisals, environmental reports, BPOs, market studies
- If the property to be appraised involves **proposed** improvements, Client shall provide plans, specifications, or other documentation sufficient to identify the extent and character of the proposed improvements. This should also include a detailed cost budget.

Additional information may be requested during the course of the assignment.

Glossary of Terms

Unless otherwise noted, The Dictionary of Real Estate Appraisal, 7th edition (Chicago: Appraisal Institute, 2022) is the source of the following definitions.

| | |
|-------------------------------------|--|
| Absolute Net Lease | A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. |
| Absorption Period | The actual or expected period required from the time a property, group of properties, or commodity is initially offered for lease, purchase, or use by its eventual users until all portions have been sold or stabilized occupancy has been achieved. |
| Absorption Rate | 1. Broadly, the rate at which vacant space in a property or group of properties for sale or lease has been or is expected to be successfully sold or leased over a specified period of time. 2. In subdivision analysis, the rate of sales of lots or units in a subdivision. |
| Arm's Length Transaction | A transaction between unrelated parties who are each acting in his or her own best interest. |
| Condominium | An attached, detached, or stacked unit within or attached to a structure with common areas that are held as tenants in common (an undivided interest) with other owners in the project. The units can be residential, commercial, industrial, or parking spaces or boat docks. These units are commonly defined by state laws in their locations. Because units can be stacked on top of other units, these units can be defined both vertically and horizontally. |
| Cooperative | A unit in a building owned by a corporation or trust in which each unit owner purchases stock representing the value of a single apartment unit and receives a proprietary lease as evidence of title. Sometimes abbreviated as co-op. |
| Deferred Maintenance | Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of the property, such as a broken window, a dead tree, a leak in the roof, or a faulty roof that must be completely replaced. These items are almost always curable. |
| Depreciation | A loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvements on the same date. |
| Direct Capitalization | A method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the net income estimate by an appropriate capitalization rate or by multiplying the income estimate by an appropriate factor. This technique employs capitalization rates and multipliers extracted from sales. Direct capitalization employs capitalization rates and multipliers extracted or developed from market data. Only one year's income is used. Yield and value changes are implied, but not explicitly identified. |
| Discounted Cash Flow (DCF) | The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate. |
| Effective Date | 1. The date on which the appraisal opinion applies. (SVP) 2. The date to which an appraiser's analyses, opinions, and conclusions apply; also referred to as date of value. (USPAP, 2024 ed.) 3. The date that a lease goes into effect. |
| Effective Gross Income (EGI) | The anticipated income from all operations of real property adjusted for vacancy and collection losses. |

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| Entrepreneurial Incentive | The amount an entrepreneur expects or wants to receive as compensation for providing coordination and expertise and assuming the risks associated with the development of a project. Entrepreneurial incentive is the expectation of future reward as opposed to the profit actually earned on the project. |
| Entrepreneurial Profit | (1) A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses. (2) In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward. |
| Equity Dividend | The portion of net operating income that remains after total mortgage debt service is paid but before ordinary income tax on operations is deducted; also called equity cash flow. |
| Equity Dividend Rate | See Equity Capitalization Rate |
| Equity Capitalization Rate | An income rate that reflects the relationship between one year's equity cash flow and the equity investment; also called the cash-on-cash rate, cash flow rate, cash throw-off rate. |
| Excess Land | Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. |
| Exposure Time | (1) The time a property remains on the market. (2) An opinion, based on supporting market data, of the length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. (USPAP, 2024 ed.) |
| Extraordinary Assumption | An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property, or conditions external to the property, such as market conditions or trends, or about the integrity of data used in an analysis. (USPAP, 2024 ed.) |
| Fee Simple Interest | Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. |
| Financial Feasibility | The capability of a physically possible and legal use of property to produce a positive return after considering risk and all costs to create and maintain the use. |
| Go Dark | 1. A term to describe when a tenant vacates space prior to a lease expiration. |

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| Gross Building Area (GBA) | 1. Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved. 2. Gross leasable area plus all common areas. 3. For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically, does not include garage space. |
| Highest and Best Use | The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. |
| Hypothetical Condition | 1. A condition that is presumed to be true when it is known to be false. 2. A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis. Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2024 ed.) |
| Insurable Value | A type of value for insurance purposes. |
| Leased Fee Interest | The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires. |
| Leasehold Estate | The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. |
| Legal Permissibility | One of the four criteria the highest and best use of a property must meet; a property use that is either currently allowed or most probably allowable under zoning codes, building codes, environmental regulations, and other applicable laws and regulations that govern land use. |
| Liquidation Value (also known as Disposition Value) | The most probable price that a specified interest in real property should bring under the following conditions: • Consummation of a sale within a short time period. • The property is subjected to market conditions prevailing as of the date of valuation. • Both the buyer and seller are acting prudently and knowledgeably. • The seller is under extreme compulsion to sell. • The buyer is typically motivated. • Both parties are acting in what they consider to be their best interests. • A normal marketing effort is not possible due to the brief exposure time. • Payment will be made in cash in US dollars or in terms of financial arrangements comparable thereto. • The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. |
| Marketing Time | An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which precedes the effective date of an appraisal. |

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| Market Rent | The most probable rent that a property should bring in a competitive and open market under all conditions requisite to a fair lease transaction, the lessee and lessor each acting prudently and knowledgeably, and assuming the rent is not affected by undue stimulus. Implicit in this definition is the execution of a lease as of a specified date under conditions whereby: <ul style="list-style-type: none"> • Lessee and lessor are typically motivated. • Both parties are well informed or well advised, and acting in what they consider their best interests. • Payment is made in terms of cash or in terms of financial arrangements comparable thereto; and • The rent reflects specified terms and conditions typically found in that market, such as permitted uses, use restrictions, expense obligations, duration, concessions, rental adjustments and revaluations, renewal, and purchase options, frequency of payments (annual, monthly, etc.), and tenant improvements (TIs). |
| Market Value of the Going Concern | The market value of an established and operating business including the real property, personal property, financial assets, and the intangible assets of the business. |
| Modified Gross Lease | A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a double net lease, net net lease, partial net lease, or semi-gross lease. |
| Net Net Net Lease (NNN) | An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called net net net lease, triple net lease, or fully net lease. |
| Net Operating Income (NOI) | The anticipated net income remaining after all operating expenses are deducted from effective gross income. |
| Net Rentable Area (NRA) | For office or retail buildings, the tenant's pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which the rent is based; calculated according to local practice. |
| Physical Possibility | One of the criteria that the highest and best use of a property must meet. For a land use to be considered physically possible, the parcel of land must be able to accommodate the construction of any building that would be a candidate for the ideal improvement. |
| Potential Gross Income (PGI) | The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. |
| Property Rights | An enforceable, legal claim to title of or interest in property. |
| Prospective Market Value "As Completed" | A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report. Prospective value opinions are intended to reflect the current expectations and perceptions of market participants, based on available data. The prospective market value—as completed— reflects the property's market value as of the time that development is expected to be completed. |

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| Prospective Market Value "As Stabilized" | A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report. Prospective value opinions are intended to reflect the current expectations and perceptions of market participants, based on available data. The prospective market value—as stabilized— reflects the property's market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties. |
| Prospective Opinion of Value | A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy. |
| Replacement Cost for Insurance Purposes | The estimated cost, at current prices as of the effective date of valuation, of a substitute for the building being valued, using modern materials and current standards, design, and layout for insurance coverage purposes guaranteeing that damaged property is replaced with new property (i.e., depreciation is not deducted). |
| Replacement Costs | The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. |
| Reproduction Costs | The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, super-adequacies, and obsolescence of the subject building. |
| Retrospective Value Opinion | A value opinion effective as of a specified historical date. The term retrospective does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion". |
| Reversion | A lump-sum benefit that an investor receives or expects to receive upon the termination of the investment. |
| Stabilized Income | (1) An estimate of income, either current or forecasted, that presumes the property is at stabilized occupancy. (2) The forecast of the subject property's yearly average income (or average- equivalent income) expected for the economic life of the subject property. (3) Projected income that is subject to change but has been adjusted to reflect an equivalent, stable annual income. |
| Stabilized Occupancy | (1) The occupancy of a property that would be expected at a particular point in time, considering its relative competitive strength and supply and demand conditions at the time, and presuming it is priced at market rent and has had reasonable market exposure. A property is at stabilized occupancy when it is capturing its appropriate share of market demand. (2) An expression of the average or typical occupancy that would be expected for a property over a specified projection period or over its economic life. |

| | |
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| Surplus Land | Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. |
| Tenant Improvements (TIs) | 1. Fixed improvements to the land or structures installed for use by a lessee. 2. The original installation of finished tenant space in a construction project; subject to periodic change for succeeding tenants. |
| Yield Capitalization | A method used to convert future benefits into present value by: (1) discounting each future benefit at an appropriate yield rate, or (2) developing an overall rate that explicitly reflects the investment's income pattern, holding period, value change, and yield rate. |

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ATTACHMENT 4
Regional Offices

Fresno
Lake Tahoe
Monterey
Sacramento
San Francisco
San Jose
Walnut Creek

"Full" Capital Reserve Plan



Visitacion Gardens Apartments Brisbane , CA

Report #: 58592-0
For Period Beginning: January 1, 2027
Expires: December 31, 2027

Date Prepared: January 27, 2026



Hello, and welcome to your Capital Reserve Plan!

This Report is a valuable budget planning tool, for with it you control the future of your property. It contains all the fundamental information needed to understand your current and future obligations, some of the most significant expenses that ownership will face.

With respect to Reserves, this Report will tell you "where you are," and "where to go from here."

In this Report, you will find...

- 1) A List of What you're Reserving For
- 2) An Evaluation of your Reserve Fund Size and Strength
- 3) A Recommended Multi-Year Reserve Funding Plan

More Questions?

Visit our website at www.reservestudy.com or call us at:

415-694-8931



ASSOCIATION
RESERVES®

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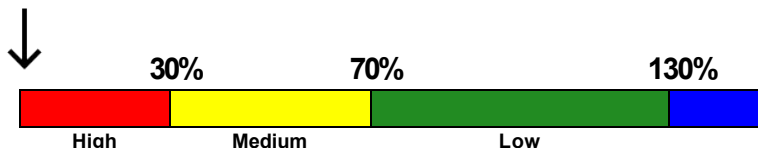
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3- Minute Executive Summary

Property: Visitacion Gardens Apartments Property #: 58592-0
 Location: Brisbane , CA # of Units: 1
 Report Period: January 1, 2027 through December 31, 2027

| | |
|--|-----------|
| Projected Starting Reserve Balance | \$0 |
| Current Fully Funded Reserve Balance | \$542,383 |
| Average Reserve Deficit (Surplus) Per Unit | \$542,383 |
| Percent Funded | 0.0 % |
| Recommended 2027 "Monthly Fully Funding Contributions" | \$6,700 |
| Recommended 2027 Special Assessments for Reserves | \$100,000 |
| 2026 Monthly Contribution Rate | \$0 |

Reserves % Funded: 0.0%



Special Assessment Risk:

Economic Assumptions:

Net Annual "After Tax" Interest Earnings Accruing to Reserves 2.00 %
 Annual Inflation Rate 4.00 %

- This is a "Full" Capital Reserve Plan Reserve Study.
- The information in this Reserve Study is based on our site inspection on 1/12/2026.
- This Reserve Study was prepared by a credentialed Reserve Specialist (RS).
- Because your Reserve Fund is at 0.0 % Funded, this means the association’s special assessment & deferred maintenance risk is currently High.
- Your multi-year Funding Plan is designed to gradually bring you to the 100% level, or "Full Funded".
- Based on this starting point, your anticipated future expenses, and your historical Reserve allocation rate, we recommend setting your Reserve allocations to \$6,700 Monthly.
- The Deterioration rate for your Reserve Components is \$4,812.50 Monthly.
- No assets appropriate for Reserve designation were excluded.
- We recommend that this Reserve Study be updated annually, with an on-site inspection update every three years.

Executive Summary

58592-0

| # Component | Useful Life (yrs) | Rem. Useful Life (yrs) | Current Average Cost |
|---|-------------------|------------------------|----------------------|
| Building Exteriors | | | |
| 104 Balcony Surfaces - Resurface | 40 | 13 | \$1,280 |
| 117 Walkway Decks - Resurface | 40 | 13 | \$10,800 |
| 117 Walkway Decks - Seal/Repair | 5 | 3 | \$1,800 |
| 118 Balcony Railing - Replace | 40 | 13 | \$9,600 |
| 324 Exterior Lights - Replace | 20 | 15 | \$8,400 |
| 508 Exterior Railing - Repair/Replace | 40 | 13 | \$12,000 |
| 703 Utility Doors - Replace | 35 | 8 | \$3,000 |
| 1115 Building Exterior - Repaint | 10 | 5 | \$79,500 |
| 1117 Exterior Surfaces - Repair | 10 | 5 | \$19,875 |
| 1137 Windows - Replace | 40 | 13 | \$189,000 |
| 1303 Comp Shingle Roofs - Replace | 30 | 3 | \$112,500 |
| 1308 Flat Roof - Replace | 20 | 3 | \$40,000 |
| 1309 Metal Roof - Replace | 40 | 13 | \$12,500 |
| 1312 Gutters/Downspouts - Partial Replace | 5 | 0 | \$17,000 |
| Building Interiors, Common | | | |
| 325 Interior Lights - Replace | 25 | 5 | \$3,000 |
| 909 Bathroom - Refurbish | 20 | 5 | \$5,000 |
| 911 Kitchen Appliances - Replace | 10 | 5 | \$2,400 |
| 912 Kitchen - Remodel | 20 | 5 | \$10,500 |
| 918 Office - Remodel | 20 | 5 | \$3,500 |
| 1110 Community Room - Repaint | 10 | 5 | \$9,600 |
| Building Interiors, Units | | | |
| 915 Unit - Remodel | 1 | 0 | \$18,500 |
| Common Area | | | |
| 202 Asphalt - Repave | 30 | 25 | \$20,500 |
| 203 Asphalt - Seal/Repair/Stripe | 5 | 4 | \$2,563 |
| 320 Pole Lights - Replace | 30 | 15 | \$12,000 |
| 322 Bollard Lights - Replace | 20 | 5 | \$7,200 |
| 403 Mailboxes - Replace | 25 | 1 | \$4,200 |
| 404 Outdoor Furniture - Replace | 10 | 5 | \$2,000 |
| 503 Metal Fence/Gate - Replace | 40 | 13 | \$9,500 |
| 505 Wood Fence - Repair/Replace | 25 | 1 | \$18,500 |
| 509 Decorative Arbor - Replace | 25 | 3 | \$3,000 |
| 514 Wood Retaining Wall - Replace/Repair | 35 | 8 | \$16,500 |
| 750 Pedestrian Gates - Replace | 40 | 13 | \$16,500 |
| Mechanical & Systems | | | |
| 704 Intercom - Replace | 12 | 5 | \$19,500 |
| 803 Water Heaters - Replace | 12 | 6 | \$27,000 |
| 1001 Fire Backflow Preventer - Replace | 30 | 3 | \$15,000 |
| 1811 Plumbing - Inspect/Repair | 5 | 0 | \$7,000 |
| 1819 Fire Alarm System - Replace | 20 | 0 | \$12,000 |
| 1844 Electrical System - Inspect/Repair | 15 | 0 | \$7,000 |

38 Total Funded Components

Note 1: Yellow highlighted line items are expected to require attention in this initial year.

Introduction



A Capital Reserve Plan is the art and science of anticipating, and preparing for, a property's major predictable repair and replacement expenses. Partially art, because in this field we are making projections about the future. Partially science, because our work is a combination of research and well-defined computations, following consistent National Reserve Study Standard principles.

The foundation of this and every Capital Reserve Plan is your Component List (what you are reserving for). This is because the Component List defines the *scope and schedule* of all your anticipated upcoming major, predictable capital projects. Based on that List and your starting balance, we calculate the property Capital Reserve Fund Strength (reported in terms of "Percent Funded"). Then we compute a Funding Plan to provide for the needs of the property. These form the three results of your Capital Reserve Plan.



Capital Reserve transfers are not “for the future”. Capital Reserve transfers are designed to offset the ongoing, daily deterioration of your Capital Reserve assets. Done well, a stable, budgeted Capital Reserve Funding Plan will collect sufficient funds from the owners who enjoyed the use of those assets, so the property is financially prepared for the irregular expenditures scattered through future years when those projects eventually require replacement.

Methodology

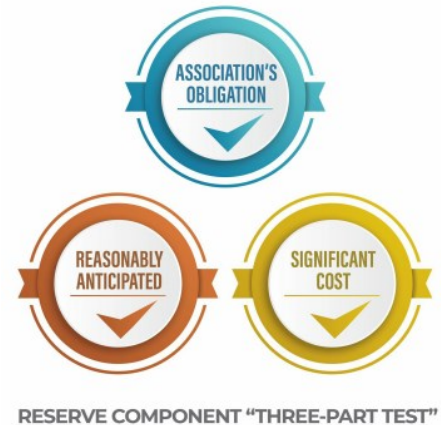


For this [Capital Reserve Plan](#), we started with a review of ownership boundaries, as detailed by property, recent Capital expenditures, an evaluation of how expenditures are handled (ongoing maintenance vs Capital), and research into any well-established historical precedents.

We performed an on-site inspection to quantify and evaluate your major predictable, creating your Reserve Component List *from scratch*.

Which Physical Assets are Funded by Reserves?

There is a national-standard three-part test to determine which projects should appear in a Reserve Component List. First, it must be a common area maintenance obligation. Second, both the need and schedule of a component's project can be reasonably anticipated. Third, the project's total cost is material to the client, can be reasonably anticipated, and includes all direct and related costs. A project cost is commonly considered *material* if it is more than 0.5% to 1% of the total annual budget. This limits Reserve components to major, predictable expenses. Within this framework, it is inappropriate to include *lifetime* components, unpredictable expenses (such as damage due to natural disasters and/or insurable events), and expenses more appropriately handled from the Operational budget.



How do we establish Useful Life and Remaining Useful Life estimates?

- 1) Visual Inspection (observed wear and age)
- 2) Association Reserves Database and Experience
- 3) Property History (install dates & previous life cycle information)
- 4) Vendor Evaluation and Recommendation

How do we establish Current Repair/Replacement Cost Estimates?

In this order...

- 1) Actual property cost history, or current proposals
- 2) Comparison to Association Reserves Database of Work Completed at Similar Properties
- 3) Vendor Recommendations
- 4) Reliable National Industry cost estimating guidebooks

How much Reserves are enough?

Capital Reserve Fund adequacy is not measured in cash terms. Capital Reserve Fund adequacy is found when the *amount* of current Capital cash is compared to Capital Reserve asset component deterioration (the *needs of the property*). Having *enough* means the property can execute its projects in a timely manner with existing Capital Reserve funds. Not having *enough* typically creates deferred maintenance or special funding needs.

Adequacy is measured in a two-step process:

- 1) Calculate the *value of deterioration* at the property (called Fully Funded Balance, or FFB).
- 2) Compare that to the Capital Reserve Fund Balance, and express as a percentage.



Each year, the *value of deterioration* at the property changes. When there is more deterioration (as components approach the time they need to be replaced), there should be more cash to offset that deterioration and prepare for the expenditure. Conversely, the *value of deterioration* shrinks after projects are accomplished. The *value of deterioration* (the FFB) changes each year, and is a moving but predictable target.

There is a high risk of special funding needs and deferred maintenance when the Percent Funded is *weak*, below 30%. Approximately 30% of all properties are in this high risk range. While the 100% point is Ideal (indicating Reserve cash is equal to the *value of deterioration*), a Reserve Fund in the 70% - 130% range is considered strong (low risk of special funding needs).

Measuring your Capital Reserve Funds by Percent Funded tells how well prepared your property is for upcoming Reserve expenses. Those charged with maintaining the physical property should be very aware of this important figure!

How much should we transfer to Reserves?



According to National Reserve Study Standards, there are four Funding Principles to balance in developing your Reserve Funding Plan. Our first objective is to design a plan that provides you with sufficient cash to perform your Reserve projects on time. Second, a stable rate of ongoing Reserve transfers is desirable because it keeps these naturally irregular expenses from unsettling the budget.

Reserve transfers that are evenly distributed over current and future owners enable each owner to pay their fair share of the property's Reserve expenses over the years. And finally, we develop a plan that is fiscally responsible and safe for Board members to recommend to their property. Remember, it is the Board's job to provide for the ongoing care of the real property that supports your entity mission.

What is our Recommended Funding Goal?

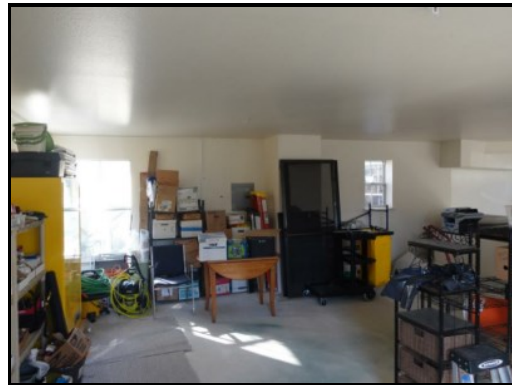
Maintaining the Reserve Fund at a level equal to the *value* of deterioration is called "Full Funding" (100% Funded). As each asset ages and becomes "used up," the Reserve Fund grows proportionally. **This is simple, responsible, and our recommendation.** Evidence shows that properties in the 70 - 130% range *enjoy a low risk of special funding needs or deferred maintenance.*



Allowing the Reserves to fall close to zero, but not below zero, is called Baseline Funding. Doing so allows the Reserve Fund to drop into the 0 - 30% range, where there is a high risk of special funding needs & deferred maintenance. Since Baseline Funding still provides for the timely execution of all Reserve projects, and only the "margin of safety" is different, recommended Reserve transfers for Baseline Funding average only 10% to 15% less than Full Funding recommendations. Threshold Funding is the title of all other Cash or Percent Funded objectives *between* Baseline Funding and Full Funding.

Site Inspection Notes

During our site visit on 1/12/2026, we visually inspected the property and were able to see most areas. Please see the Photographic Inventory Appendix at the end of this report for a detailed look at each component.



Projected Expenses

While this Reserve Study looks forward 30 years, we have no expectation that all these expenses will all take place as anticipated. This Reserve Study needs to be updated annually because we expect the timing of these expenses to shift and the size of these expenses to change. We do feel more certain of the timing and cost of near-term expenses than expenses many years away. Please be aware of your near-term expenses, which we are able to project more accurately than the more distant projections.

The figure below summarizes the projected future expenses at your property as defined by your Reserve Component List. A summary of these components is shown in the Component Details table, while a summary of the expenses themselves are shown in the 30-yr Expense Summary table.

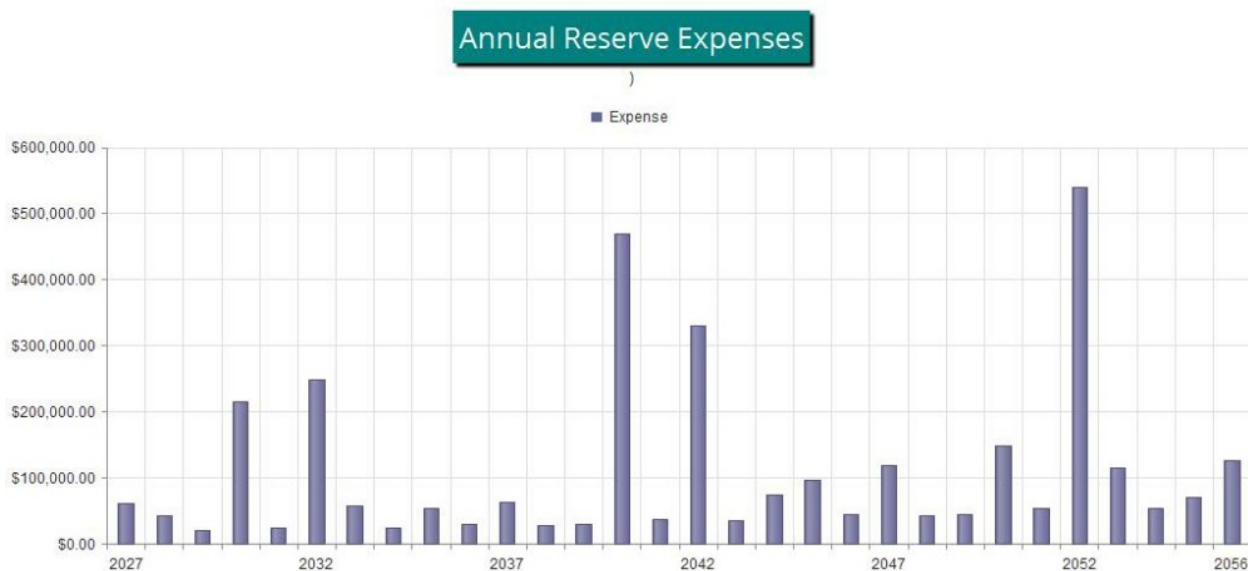


Figure 1

Reserve Fund Status

The starting point for our financial analysis is your Reserve Fund balance, projected to be \$0 as-of the start of your fiscal year. This is based on your actual balance on 12/31/2025 of \$0 and anticipated Reserve transfers and expenses projected through the end of your Fiscal Year. As of 1/1/2027, your Fully Funded Balance is computed to be \$542,383. (see Acct/Tax Summary table). This figure represents the deteriorated value of your common area components. Comparing your Reserve Balance to your Fully Funded Balance indicates you are 0.0 % Funded.

Recommended Funding Plan

Based on your current Percent Funded and your near-term and long-term Reserve needs, we are recommending budgeted transfers of \$6,700/Monthly this Fiscal Year. The overall 30-yr plan, in perspective, is shown below. This same information is shown numerically in both the 30-yr Summary and the Cash Flow Detail tables.

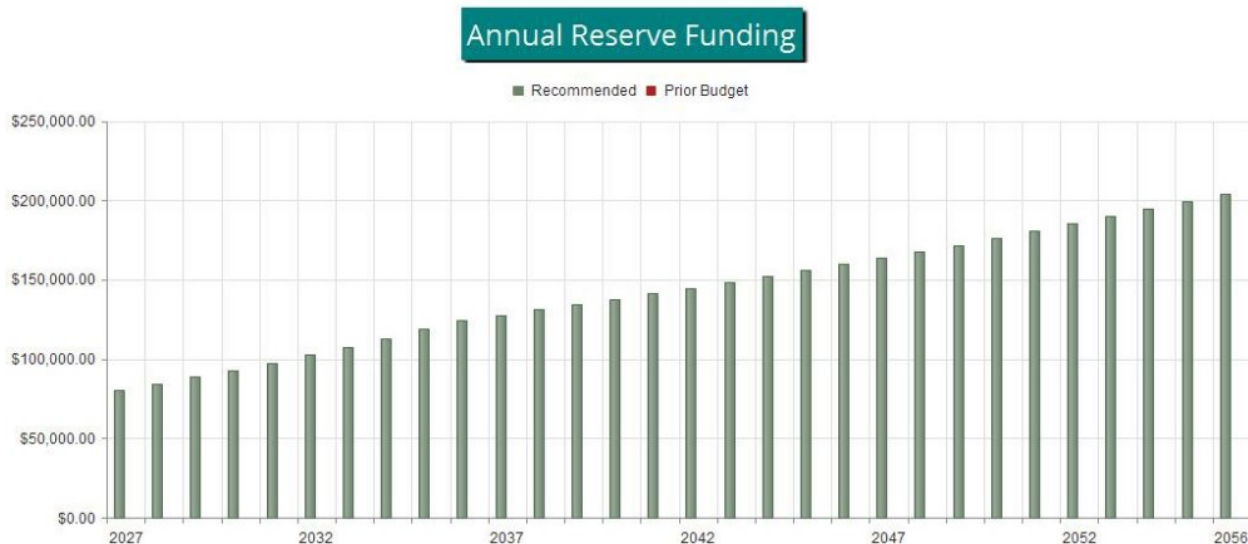


Figure 2

The following chart shows your Reserve balance under our recommended Full Funding Plan and at your current budgeted transfer rate, compared to your always-changing Fully Funded Balance target.

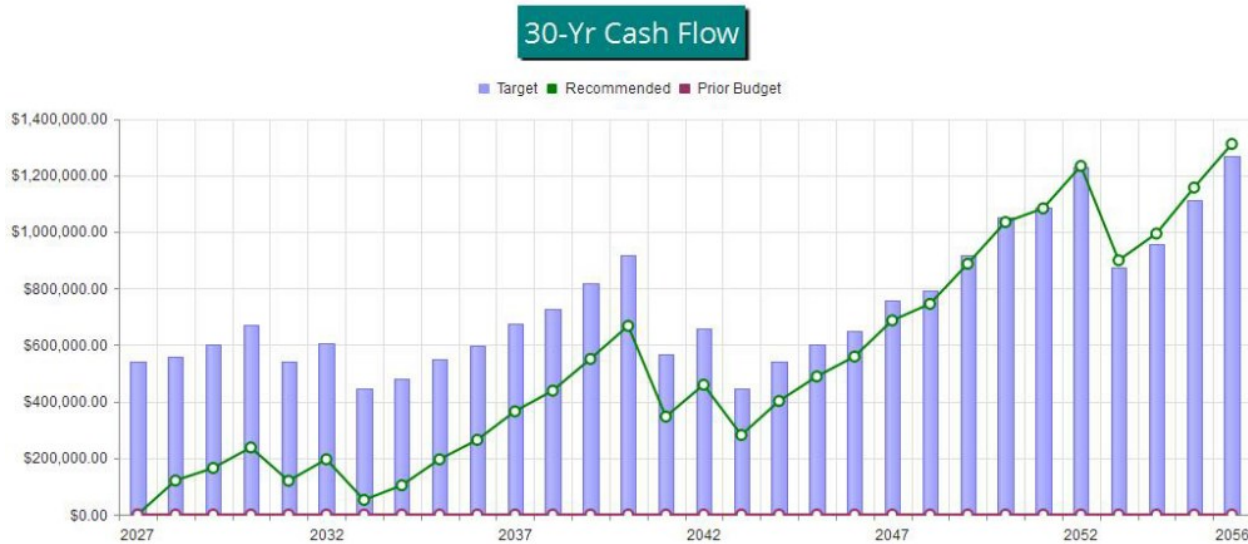


Figure 3

This figure shows the same information plotted on a Percent Funded scale. It is clear here to see how your Reserve Fund strength approaches the 100% Funded level under our recommended multi-yr Funding Plan.

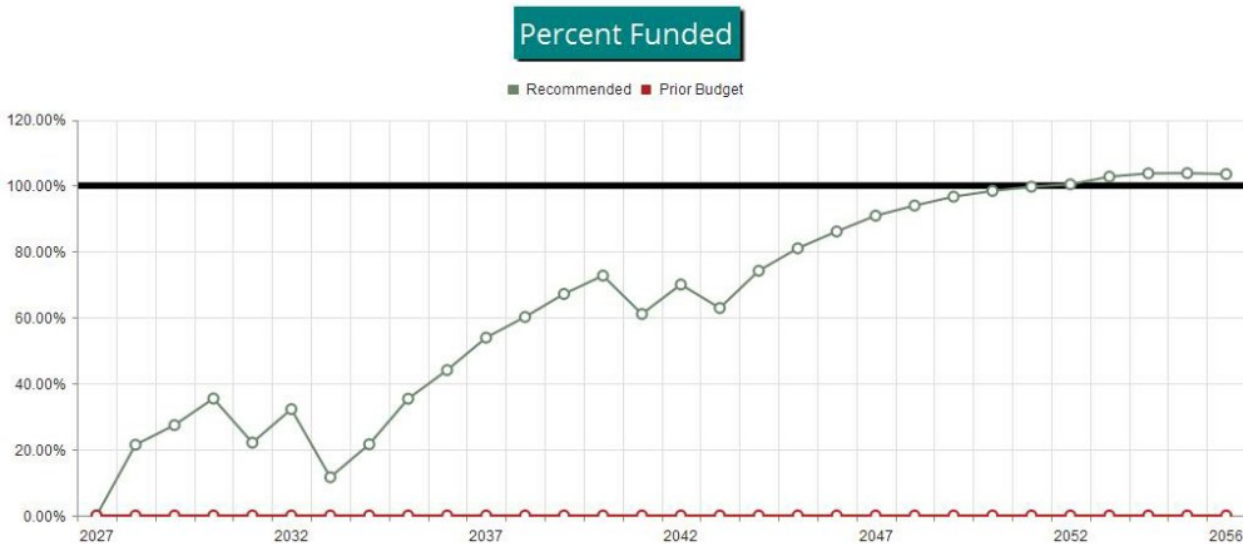


Figure 4

Table Descriptions

Executive Summary is a summary of your Reserve Components

Budget Summary is a management and accounting tool, summarizing groupings of your Reserve Components.

Reserve Component List Detail discloses key Component information, providing the foundation upon which the financial analysis is performed.

Fully Funded Balance shows the calculation of the Fully Funded Balance for each of your components, and their specific proportion related to the property total. For each component, the Fully Funded Balance is the fraction of life used up multiplied by its estimated Current Replacement Cost.

Component Significance shows the relative significance of each component to Reserve funding needs of the property, helping you see which components have more (or less) influence than others on your total Reserve funding requirements. The deterioration cost/yr of each component is calculated by dividing the estimated Current Replacement Cost by its Useful Life, then that component's percentage of the total is displayed.

Accounting & Tax Summary provides information on each Component's proportion of key totals. If shown, the Current Fund Balance is a re-distribution of the current Reserve total to near-term (low RUL) projects first. Any Reserve transfer shown is a portion of the total current transfer rate, assigned proportionally on the basis of that component's deterioration cost/yr. As this is a Cash Flow analysis in which no funds are assigned or restricted to particular components, all values shown are only representative and have no merit outside of tax preparation purposes. They are not useful for Reserve funding calculations.

30-Yr Reserve Plan Summary provides a one-page 30-year summary of the cash flowing into and out of the Reserve Fund, with a display of the Fully Funded Balance, Percent Funded, and special assessment risk at the beginning of each year.

30-Year Income/Expense Detail shows the detailed income and expenses for each of the next 30 years. This table makes it possible to see which components are projected to require repair or replacement in a particular year, and the size of those individual expenses.

Budget Summary

58592-0
Full

| | Useful Life | | 2027 Rem. Useful Life | | Estimated Replacement Cost in 2027 | 2027 Expenditures | 01/01/2027 Current Fund Balance | 01/01/2027 Fully Funded Balance | Remaining Bal. to be Funded | 2027 Funding |
|----------------------------|-------------|-----|-----------------------|-----|------------------------------------|-------------------|---------------------------------|---------------------------------|-----------------------------|--------------|
| | Min | Max | Min | Max | | | | | | |
| Building Exteriors | 5 | 40 | 0 | 15 | \$517,255 | \$17,000 | \$0 | \$365,818 | \$517,255 | \$35,965 |
| Building Interiors, Common | 10 | 25 | 5 | 5 | \$34,000 | \$0 | \$0 | \$22,650 | \$34,000 | \$3,160 |
| Building Interiors, Units | 1 | 1 | 0 | 0 | \$18,500 | \$18,500 | \$0 | \$18,500 | \$18,500 | \$25,756 |
| Common Area | 5 | 40 | 1 | 25 | \$112,463 | \$0 | \$0 | \$71,040 | \$112,463 | \$5,994 |
| Mechanical & Systems | 5 | 30 | 0 | 6 | \$87,500 | \$26,000 | \$0 | \$64,375 | \$87,500 | \$9,525 |
| | | | | | \$769,718 | \$ 61,500 | \$ 0 | \$ 542,383 | \$ 769,718 | \$ 80,400 |
| Percent Funded: | | | | | | | | | 0.0% | |

Reserve Component List Detail

Report # 58592-0
Full Capital Reserve Plan

| # | Component | Approx | Quantity | Useful Life | Rem. Useful Life | Current Cost Estimate |
|-----------------------------------|--------------------------------------|--------|---------------|-------------|---------------------|-----------------------------|
| Building Exteriors | | | | | | |
| 104 | Balcony Surfaces - Resurface | 32 | GSF | 40 | 13 | \$1,280 |
| 117 | Walkway Decks - Resurface | 360 | GSF | 40 | 13 | \$10,800 |
| 117 | Walkway Decks - Seal/Repair | 360 | GSF | 5 | 3 | \$1,800 |
| 118 | Balcony Railing - Replace | 80 | LF | 40 | 13 | \$9,600 |
| 324 | Exterior Lights - Replace | 28 | Fixtures | 20 | 15 | \$8,400 |
| 508 | Exterior Railing - Repair/Replace | 80 | LF | 40 | 13 | \$12,000 |
| 703 | Utility Doors - Replace | 2 | Doors | 35 | 8 | \$3,000 |
| 1115 | Building Exterior - Repaint | 15,900 | GSF | 10 | 5 | \$79,500 |
| 1117 | Exterior Surfaces - Repair | 15,900 | GSF | 10 | 5 | \$19,875 |
| 1137 | Windows - Replace | 126 | Windows | 40 | 13 | \$189,000 |
| 1303 | Comp Shingle Roofs - Replace | 7,500 | GSF | 30 | 3 | \$112,500 |
| 1308 | Flat Roof - Replace | 2,000 | GSF | 20 | 3 | \$40,000 |
| 1309 | Metal Roof - Replace | 500 | GSF | 40 | 13 | \$12,500 |
| 1312 | Gutters/Downspouts - Partial Replace | 850 | LF x20% | 5 | 0 | \$17,000 |
| Building Interiors, Common | | | | | | |
| 325 | Interior Lights - Replace | 10 | Fixtures | 25 | 5 | \$3,000 |
| 909 | Bathroom - Refurbish | 1 | Bathroom | 20 | 5 | \$5,000 |
| 911 | Kitchen Appliances - Replace | 2 | Appliances | 10 | 5 | \$2,400 |
| 912 | Kitchen - Remodel | 1 | Kitchen | 20 | 5 | \$10,500 |
| 918 | Office - Remodel | 1 | Office | 20 | 5 | \$3,500 |
| 1110 | Community Room - Repaint | 3,200 | GSF | 10 | 5 | \$9,600 |
| Building Interiors, Units | | | | | | |
| 915 | Unit - Remodel | 1 | Unit | 1 | 0 | \$18,500 |
| Common Area | | | | | | |
| 202 | Asphalt - Repave | 2,050 | GSF | 30 | 25 | \$20,500 |
| 203 | Asphalt - Seal/Repair/Stripe | 2,050 | GSF | 5 | 4 | \$2,563 |
| 320 | Pole Lights - Replace | 4 | Pole Lights | 30 | 15 | \$12,000 |
| 322 | Bollard Lights - Replace | 6 | Bollards | 20 | 5 | \$7,200 |
| 403 | Mailboxes - Replace | 14 | Boxes | 25 | 1 | \$4,200 |
| 404 | Outdoor Furniture - Replace | 4 | Pieces | 10 | 5 | \$2,000 |
| 503 | Metal Fence/Gate - Replace | 95 | LF | 40 | 13 | \$9,500 |
| 505 | Wood Fence - Repair/Replace | 185 | LF | 25 | 1 | \$18,500 |
| 509 | Decorative Arbor - Replace | 1 | Structure | 25 | 3 | \$3,000 |
| 514 | Wood Retaining Wall - Replace/Repair | 110 | LF | 35 | 8 | \$16,500 |
| 750 | Pedestrian Gates - Replace | 3 | Gates | 40 | 13 | \$16,500 |
| Mechanical & Systems | | | | | | |
| 704 | Intercom - Replace | 3 | Intercom | 12 | 5 | \$19,500 |
| 803 | Water Heaters - Replace | 3 | Water Heaters | 12 | 6 | \$27,000 |
| 1001 | Fire Backflow Preventer - Replace | 1 | Device | 30 | 3 | \$15,000 |
| 1811 | Plumbing - Inspect/Repair | 1 | Allowance | 5 | 0 | \$7,000 |
| 1819 | Fire Alarm System - Replace | 1 | System | 20 | 0 | \$12,000 |
| 1844 | Electrical System - Inspect/Repair | 1 | Allowance | 15 | 0 | \$7,000 |

38 Total Funded Components

Fully Funded Balance

58592-0
Full

| # | Component | Current Cost Estimate | X | Effective Age | / | Useful Life | = | Fully Funded Balance |
|-----------------------------------|--------------------------------------|-----------------------------|---|------------------|---|----------------|---|----------------------------|
| Building Exteriors | | | | | | | | |
| 104 | Balcony Surfaces - Resurface | \$1,280 | X | 27 | / | 40 | = | \$864 |
| 117 | Walkway Decks - Resurface | \$10,800 | X | 27 | / | 40 | = | \$7,290 |
| 117 | Walkway Decks - Seal/Repair | \$1,800 | X | 2 | / | 5 | = | \$720 |
| 118 | Balcony Railing - Replace | \$9,600 | X | 27 | / | 40 | = | \$6,480 |
| 324 | Exterior Lights - Replace | \$8,400 | X | 5 | / | 20 | = | \$2,100 |
| 508 | Exterior Railing - Repair/Replace | \$12,000 | X | 27 | / | 40 | = | \$8,100 |
| 703 | Utility Doors - Replace | \$3,000 | X | 27 | / | 35 | = | \$2,314 |
| 1115 | Building Exterior - Repaint | \$79,500 | X | 5 | / | 10 | = | \$39,750 |
| 1117 | Exterior Surfaces - Repair | \$19,875 | X | 5 | / | 10 | = | \$9,938 |
| 1137 | Windows - Replace | \$189,000 | X | 27 | / | 40 | = | \$127,575 |
| 1303 | Comp Shingle Roofs - Replace | \$112,500 | X | 27 | / | 30 | = | \$101,250 |
| 1308 | Flat Roof - Replace | \$40,000 | X | 17 | / | 20 | = | \$34,000 |
| 1309 | Metal Roof - Replace | \$12,500 | X | 27 | / | 40 | = | \$8,438 |
| 1312 | Gutters/Downspouts - Partial Replace | \$17,000 | X | 5 | / | 5 | = | \$17,000 |
| Building Interiors, Common | | | | | | | | |
| 325 | Interior Lights - Replace | \$3,000 | X | 20 | / | 25 | = | \$2,400 |
| 909 | Bathroom - Refurbish | \$5,000 | X | 15 | / | 20 | = | \$3,750 |
| 911 | Kitchen Appliances - Replace | \$2,400 | X | 5 | / | 10 | = | \$1,200 |
| 912 | Kitchen - Remodel | \$10,500 | X | 15 | / | 20 | = | \$7,875 |
| 918 | Office - Remodel | \$3,500 | X | 15 | / | 20 | = | \$2,625 |
| 1110 | Community Room - Repaint | \$9,600 | X | 5 | / | 10 | = | \$4,800 |
| Building Interiors, Units | | | | | | | | |
| 915 | Unit - Remodel | \$18,500 | X | 1 | / | 1 | = | \$18,500 |
| Common Area | | | | | | | | |
| 202 | Asphalt - Repave | \$20,500 | X | 5 | / | 30 | = | \$3,417 |
| 203 | Asphalt - Seal/Repair/Stripe | \$2,563 | X | 1 | / | 5 | = | \$513 |
| 320 | Pole Lights - Replace | \$12,000 | X | 15 | / | 30 | = | \$6,000 |
| 322 | Bollard Lights - Replace | \$7,200 | X | 15 | / | 20 | = | \$5,400 |
| 403 | Mailboxes - Replace | \$4,200 | X | 24 | / | 25 | = | \$4,032 |
| 404 | Outdoor Furniture - Replace | \$2,000 | X | 5 | / | 10 | = | \$1,000 |
| 503 | Metal Fence/Gate - Replace | \$9,500 | X | 27 | / | 40 | = | \$6,413 |
| 505 | Wood Fence - Repair/Replace | \$18,500 | X | 24 | / | 25 | = | \$17,760 |
| 509 | Decorative Arbor - Replace | \$3,000 | X | 22 | / | 25 | = | \$2,640 |
| 514 | Wood Retaining Wall - Replace/Repair | \$16,500 | X | 27 | / | 35 | = | \$12,729 |
| 750 | Pedestrian Gates - Replace | \$16,500 | X | 27 | / | 40 | = | \$11,138 |
| Mechanical & Systems | | | | | | | | |
| 704 | Intercom - Replace | \$19,500 | X | 7 | / | 12 | = | \$11,375 |
| 803 | Water Heaters - Replace | \$27,000 | X | 6 | / | 12 | = | \$13,500 |
| 1001 | Fire Backflow Preventer - Replace | \$15,000 | X | 27 | / | 30 | = | \$13,500 |
| 1811 | Plumbing - Inspect/Repair | \$7,000 | X | 5 | / | 5 | = | \$7,000 |
| 1819 | Fire Alarm System - Replace | \$12,000 | X | 20 | / | 20 | = | \$12,000 |
| 1844 | Electrical System - Inspect/Repair | \$7,000 | X | 15 | / | 15 | = | \$7,000 |

ATTACHMENT 4

\$542,383

Component Significance

58592-0
Full

| # | Component | Useful Life (yrs) | Current Cost Estimate | Deterioration Cost/Yr | Deterioration Significance |
|-----------------------------------|--------------------------------------|-------------------|-----------------------|-----------------------|----------------------------|
| Building Exteriors | | | | | |
| 104 | Balcony Surfaces - Resurface | 40 | \$1,280 | \$32 | 0.06 % |
| 117 | Walkway Decks - Resurface | 40 | \$10,800 | \$270 | 0.47 % |
| 117 | Walkway Decks - Seal/Repair | 5 | \$1,800 | \$360 | 0.62 % |
| 118 | Balcony Railing - Replace | 40 | \$9,600 | \$240 | 0.42 % |
| 324 | Exterior Lights - Replace | 20 | \$8,400 | \$420 | 0.73 % |
| 508 | Exterior Railing - Repair/Replace | 40 | \$12,000 | \$300 | 0.52 % |
| 703 | Utility Doors - Replace | 35 | \$3,000 | \$86 | 0.15 % |
| 1115 | Building Exterior - Repaint | 10 | \$79,500 | \$7,950 | 13.77 % |
| 1117 | Exterior Surfaces - Repair | 10 | \$19,875 | \$1,988 | 3.44 % |
| 1137 | Windows - Replace | 40 | \$189,000 | \$4,725 | 8.18 % |
| 1303 | Comp Shingle Roofs - Replace | 30 | \$112,500 | \$3,750 | 6.49 % |
| 1308 | Flat Roof - Replace | 20 | \$40,000 | \$2,000 | 3.46 % |
| 1309 | Metal Roof - Replace | 40 | \$12,500 | \$313 | 0.54 % |
| 1312 | Gutters/Downspouts - Partial Replace | 5 | \$17,000 | \$3,400 | 5.89 % |
| Building Interiors, Common | | | | | |
| 325 | Interior Lights - Replace | 25 | \$3,000 | \$120 | 0.21 % |
| 909 | Bathroom - Refurbish | 20 | \$5,000 | \$250 | 0.43 % |
| 911 | Kitchen Appliances - Replace | 10 | \$2,400 | \$240 | 0.42 % |
| 912 | Kitchen - Remodel | 20 | \$10,500 | \$525 | 0.91 % |
| 918 | Office - Remodel | 20 | \$3,500 | \$175 | 0.30 % |
| 1110 | Community Room - Repaint | 10 | \$9,600 | \$960 | 1.66 % |
| Building Interiors, Units | | | | | |
| 915 | Unit - Remodel | 1 | \$18,500 | \$18,500 | 32.03 % |
| Common Area | | | | | |
| 202 | Asphalt - Repave | 30 | \$20,500 | \$683 | 1.18 % |
| 203 | Asphalt - Seal/Repair/Stripe | 5 | \$2,563 | \$513 | 0.89 % |
| 320 | Pole Lights - Replace | 30 | \$12,000 | \$400 | 0.69 % |
| 322 | Bollard Lights - Replace | 20 | \$7,200 | \$360 | 0.62 % |
| 403 | Mailboxes - Replace | 25 | \$4,200 | \$168 | 0.29 % |
| 404 | Outdoor Furniture - Replace | 10 | \$2,000 | \$200 | 0.35 % |
| 503 | Metal Fence/Gate - Replace | 40 | \$9,500 | \$238 | 0.41 % |
| 505 | Wood Fence - Repair/Replace | 25 | \$18,500 | \$740 | 1.28 % |
| 509 | Decorative Arbor - Replace | 25 | \$3,000 | \$120 | 0.21 % |
| 514 | Wood Retaining Wall - Replace/Repair | 35 | \$16,500 | \$471 | 0.82 % |
| 750 | Pedestrian Gates - Replace | 40 | \$16,500 | \$413 | 0.71 % |
| Mechanical & Systems | | | | | |
| 704 | Intercom - Replace | 12 | \$19,500 | \$1,625 | 2.81 % |
| 803 | Water Heaters - Replace | 12 | \$27,000 | \$2,250 | 3.90 % |
| 1001 | Fire Backflow Preventer - Replace | 30 | \$15,000 | \$500 | 0.87 % |
| 1811 | Plumbing - Inspect/Repair | 5 | \$7,000 | \$1,400 | 2.42 % |
| 1819 | Fire Alarm System - Replace | 20 | \$12,000 | \$600 | 1.04 % |
| 1844 | Electrical System - Inspect/Repair | 15 | \$7,000 | \$467 | 0.81 % |
| 38 Total Funded Components | | | | \$57,750 | 100.00 % |

Accounting & Tax Summary

58592-0
Full

| # | Component | UL | RUL | Current Cost Estimate | Fully Funded Balance | Projected Reserve Balance | Proportional Reserve Funding |
|-----------------------------------|--------------------------------------|----|-----|-----------------------|----------------------|---------------------------|------------------------------|
| Building Exteriors | | | | | | | |
| 104 | Balcony Surfaces - Resurface | 40 | 13 | \$1,280 | \$864 | \$0 | \$4 |
| 117 | Walkway Decks - Resurface | 40 | 13 | \$10,800 | \$7,290 | \$0 | \$31 |
| 117 | Walkway Decks - Seal/Repair | 5 | 3 | \$1,800 | \$720 | \$0 | \$42 |
| 118 | Balcony Railing - Replace | 40 | 13 | \$9,600 | \$6,480 | \$0 | \$28 |
| 324 | Exterior Lights - Replace | 20 | 15 | \$8,400 | \$2,100 | \$0 | \$49 |
| 508 | Exterior Railing - Repair/Replace | 40 | 13 | \$12,000 | \$8,100 | \$0 | \$35 |
| 703 | Utility Doors - Replace | 35 | 8 | \$3,000 | \$2,314 | \$0 | \$10 |
| 1115 | Building Exterior - Repaint | 10 | 5 | \$79,500 | \$39,750 | \$0 | \$922 |
| 1117 | Exterior Surfaces - Repair | 10 | 5 | \$19,875 | \$9,938 | \$0 | \$231 |
| 1137 | Windows - Replace | 40 | 13 | \$189,000 | \$127,575 | \$0 | \$548 |
| 1303 | Comp Shingle Roofs - Replace | 30 | 3 | \$112,500 | \$101,250 | \$0 | \$435 |
| 1308 | Flat Roof - Replace | 20 | 3 | \$40,000 | \$34,000 | \$0 | \$232 |
| 1309 | Metal Roof - Replace | 40 | 13 | \$12,500 | \$8,438 | \$0 | \$36 |
| 1312 | Gutters/Downspouts - Partial Replace | 5 | 0 | \$17,000 | \$17,000 | \$0 | \$394 |
| Building Interiors, Common | | | | | | | |
| 325 | Interior Lights - Replace | 25 | 5 | \$3,000 | \$2,400 | \$0 | \$14 |
| 909 | Bathroom - Refurbish | 20 | 5 | \$5,000 | \$3,750 | \$0 | \$29 |
| 911 | Kitchen Appliances - Replace | 10 | 5 | \$2,400 | \$1,200 | \$0 | \$28 |
| 912 | Kitchen - Remodel | 20 | 5 | \$10,500 | \$7,875 | \$0 | \$61 |
| 918 | Office - Remodel | 20 | 5 | \$3,500 | \$2,625 | \$0 | \$20 |
| 1110 | Community Room - Repaint | 10 | 5 | \$9,600 | \$4,800 | \$0 | \$111 |
| Building Interiors, Units | | | | | | | |
| 915 | Unit - Remodel | 1 | 0 | \$18,500 | \$18,500 | \$0 | \$2,146 |
| Common Area | | | | | | | |
| 202 | Asphalt - Repave | 30 | 25 | \$20,500 | \$3,417 | \$0 | \$79 |
| 203 | Asphalt - Seal/Repair/Stripe | 5 | 4 | \$2,563 | \$513 | \$0 | \$59 |
| 320 | Pole Lights - Replace | 30 | 15 | \$12,000 | \$6,000 | \$0 | \$46 |
| 322 | Bollard Lights - Replace | 20 | 5 | \$7,200 | \$5,400 | \$0 | \$42 |
| 403 | Mailboxes - Replace | 25 | 1 | \$4,200 | \$4,032 | \$0 | \$19 |
| 404 | Outdoor Furniture - Replace | 10 | 5 | \$2,000 | \$1,000 | \$0 | \$23 |
| 503 | Metal Fence/Gate - Replace | 40 | 13 | \$9,500 | \$6,413 | \$0 | \$28 |
| 505 | Wood Fence - Repair/Replace | 25 | 1 | \$18,500 | \$17,760 | \$0 | \$86 |
| 509 | Decorative Arbor - Replace | 25 | 3 | \$3,000 | \$2,640 | \$0 | \$14 |
| 514 | Wood Retaining Wall - Replace/Repair | 35 | 8 | \$16,500 | \$12,729 | \$0 | \$55 |
| 750 | Pedestrian Gates - Replace | 40 | 13 | \$16,500 | \$11,138 | \$0 | \$48 |
| Mechanical & Systems | | | | | | | |
| 704 | Intercom - Replace | 12 | 5 | \$19,500 | \$11,375 | \$0 | \$189 |

ATTACHMENT 4

| | | | | | | |
|---|----|---|----------|-----------|-----|---------|
| 803 Water Heaters - Replace | 12 | 6 | \$27,000 | \$13,500 | \$0 | \$261 |
| 1001 Fire Backflow Preventer - Replace | 30 | 3 | \$15,000 | \$13,500 | \$0 | \$58 |
| 1811 Plumbing - Inspect/Repair | 5 | 0 | \$7,000 | \$7,000 | \$0 | \$162 |
| 1819 Fire Alarm System - Replace | 20 | 0 | \$12,000 | \$12,000 | \$0 | \$70 |
| 1844 Electrical System - Inspect/Repair | 15 | 0 | \$7,000 | \$7,000 | \$0 | \$54 |
| <hr/> | | | | | | |
| 38 Total Funded Components | | | | \$542,383 | \$0 | \$6,700 |

30-Year Reserve Plan Summary **58592-0**
Full

| Fiscal Year Start: 2027 | | | | Net After Tax Interest: 2.00 % | | Avg 30-Yr Inflation: 4.00 % | | | | |
|---|--------------------------|----------------------|----------------|-----------------------------------|--------------------------------------|-----------------------------|-----------------|-------------------------------|-----------------|------------------|
| Reserve Fund Strength (as-of Fiscal Year Start) | | | | Projected Reserve Balance Changes | | | | | | |
| Year | Starting Reserve Balance | Fully Funded Balance | Percent Funded | Special Funding Needs Risk | % Increase In Annual Reserve Funding | Reserve Funding | Reserve Funding | Loan or Special Funding Needs | Interest Income | Reserve Expenses |
| 2027 | \$0 | \$542,383 | 0.0 % | High | 0.00 % | \$80,400 | \$80,400 | \$100,000 | \$1,200 | \$61,500 |
| 2028 | \$120,100 | \$560,178 | 21.4 % | High | 5.00 % | \$84,420 | \$84,420 | \$0 | \$2,844 | \$42,848 |
| 2029 | \$164,516 | \$600,486 | 27.4 % | High | 5.00 % | \$88,641 | \$88,641 | \$0 | \$4,013 | \$20,010 |
| 2030 | \$237,160 | \$668,656 | 35.5 % | Medium | 5.00 % | \$93,073 | \$93,073 | \$0 | \$3,560 | \$214,624 |
| 2031 | \$119,170 | \$539,752 | 22.1 % | High | 5.00 % | \$97,727 | \$97,727 | \$0 | \$3,143 | \$24,641 |
| 2032 | \$195,398 | \$605,977 | 32.2 % | Medium | 5.00 % | \$102,613 | \$102,613 | \$0 | \$2,468 | \$248,897 |
| 2033 | \$51,582 | \$444,435 | 11.6 % | High | 5.00 % | \$107,744 | \$107,744 | \$0 | \$1,547 | \$57,572 |
| 2034 | \$103,302 | \$478,332 | 21.6 % | High | 5.00 % | \$113,131 | \$113,131 | \$0 | \$2,981 | \$24,345 |
| 2035 | \$195,069 | \$551,182 | 35.4 % | Medium | 5.00 % | \$118,787 | \$118,787 | \$0 | \$4,586 | \$54,469 |
| 2036 | \$263,974 | \$598,777 | 44.1 % | Medium | 5.00 % | \$124,727 | \$124,727 | \$0 | \$6,284 | \$29,979 |
| 2037 | \$365,006 | \$677,033 | 53.9 % | Medium | 2.50 % | \$127,845 | \$127,845 | \$0 | \$8,023 | \$62,910 |
| 2038 | \$437,963 | \$727,591 | 60.2 % | Medium | 2.50 % | \$131,041 | \$131,041 | \$0 | \$9,875 | \$28,480 |
| 2039 | \$550,399 | \$819,535 | 67.2 % | Medium | 2.50 % | \$134,317 | \$134,317 | \$0 | \$12,166 | \$29,619 |
| 2040 | \$667,263 | \$917,670 | 72.7 % | Low | 2.50 % | \$137,675 | \$137,675 | \$0 | \$10,128 | \$468,685 |
| 2041 | \$346,381 | \$566,948 | 61.1 % | Medium | 2.50 % | \$141,117 | \$141,117 | \$0 | \$8,048 | \$36,474 |
| 2042 | \$459,071 | \$655,697 | 70.0 % | Low | 2.50 % | \$144,645 | \$144,645 | \$0 | \$7,395 | \$330,068 |
| 2043 | \$281,043 | \$446,818 | 62.9 % | Medium | 2.50 % | \$148,261 | \$148,261 | \$0 | \$6,819 | \$34,650 |
| 2044 | \$401,473 | \$541,146 | 74.2 % | Low | 2.50 % | \$151,967 | \$151,967 | \$0 | \$8,890 | \$74,020 |
| 2045 | \$488,310 | \$602,801 | 81.0 % | Low | 2.50 % | \$155,767 | \$155,767 | \$0 | \$10,461 | \$95,821 |
| 2046 | \$558,717 | \$648,929 | 86.1 % | Low | 2.50 % | \$159,661 | \$159,661 | \$0 | \$12,441 | \$44,377 |
| 2047 | \$686,442 | \$755,271 | 90.9 % | Low | 2.50 % | \$163,652 | \$163,652 | \$0 | \$14,302 | \$119,416 |
| 2048 | \$744,980 | \$792,888 | 94.0 % | Low | 2.50 % | \$167,744 | \$167,744 | \$0 | \$16,304 | \$42,157 |
| 2049 | \$886,871 | \$917,622 | 96.6 % | Low | 2.50 % | \$171,937 | \$171,937 | \$0 | \$19,194 | \$43,843 |
| 2050 | \$1,034,158 | \$1,051,066 | 98.4 % | Low | 2.50 % | \$176,236 | \$176,236 | \$0 | \$21,152 | \$148,622 |
| 2051 | \$1,082,924 | \$1,086,572 | 99.7 % | Low | 2.50 % | \$180,642 | \$180,642 | \$0 | \$23,136 | \$53,991 |
| 2052 | \$1,232,711 | \$1,227,835 | 100.4 % | Low | 2.50 % | \$185,158 | \$185,158 | \$0 | \$21,300 | \$540,032 |
| 2053 | \$899,137 | \$875,425 | 102.7 % | Low | 2.50 % | \$189,787 | \$189,787 | \$0 | \$18,911 | \$114,226 |
| 2054 | \$993,609 | \$958,161 | 103.7 % | Low | 2.50 % | \$194,531 | \$194,531 | \$0 | \$21,480 | \$53,342 |
| 2055 | \$1,156,278 | \$1,114,186 | 103.8 % | Low | 2.50 % | \$199,395 | \$199,395 | \$0 | \$24,646 | \$69,870 |
| 2056 | \$1,310,449 | \$1,266,190 | 103.5 % | Low | 2.50 % | \$204,379 | \$204,379 | \$0 | \$27,237 | \$126,502 |

30-Year Income/Expense Detail (yrs 0 through 4)

58592-0

Full

| Fiscal Year | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|------------------|------------------|------------------|------------------|------------------|
| Starting Reserve Balance | \$0 | \$120,100 | \$164,516 | \$237,160 | \$119,170 |
| Annual Reserve Funding | \$80,400 | \$84,420 | \$88,641 | \$93,073 | \$97,727 |
| Recommended Special Assessments | \$100,000 | \$0 | \$0 | \$0 | \$0 |
| Interest Earnings | \$1,200 | \$2,844 | \$4,013 | \$3,560 | \$3,143 |
| Total Income | \$181,600 | \$207,364 | \$257,170 | \$333,794 | \$220,039 |
| # Component | | | | | |
| Building Exteriors | | | | | |
| 104 Balcony Surfaces - Resurface | \$0 | \$0 | \$0 | \$0 | \$0 |
| 117 Walkway Decks - Resurface | \$0 | \$0 | \$0 | \$0 | \$0 |
| 117 Walkway Decks - Seal/Repair | \$0 | \$0 | \$0 | \$2,025 | \$0 |
| 118 Balcony Railing - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 324 Exterior Lights - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 508 Exterior Railing - Repair/Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 703 Utility Doors - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1115 Building Exterior - Repaint | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1117 Exterior Surfaces - Repair | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1137 Windows - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1303 Comp Shingle Roofs - Replace | \$0 | \$0 | \$0 | \$126,547 | \$0 |
| 1308 Flat Roof - Replace | \$0 | \$0 | \$0 | \$44,995 | \$0 |
| 1309 Metal Roof - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1312 Gutters/Downspouts - Partial Replace | \$17,000 | \$0 | \$0 | \$0 | \$0 |
| Building Interiors, Common | | | | | |
| 325 Interior Lights - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 909 Bathroom - Refurbish | \$0 | \$0 | \$0 | \$0 | \$0 |
| 911 Kitchen Appliances - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 912 Kitchen - Remodel | \$0 | \$0 | \$0 | \$0 | \$0 |
| 918 Office - Remodel | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1110 Community Room - Repaint | \$0 | \$0 | \$0 | \$0 | \$0 |
| Building Interiors, Units | | | | | |
| 915 Unit - Remodel | \$18,500 | \$19,240 | \$20,010 | \$20,810 | \$21,642 |
| Common Area | | | | | |
| 202 Asphalt - Repave | \$0 | \$0 | \$0 | \$0 | \$0 |
| 203 Asphalt - Seal/Repair/Stripe | \$0 | \$0 | \$0 | \$0 | \$2,998 |
| 320 Pole Lights - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 322 Bollard Lights - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 403 Mailboxes - Replace | \$0 | \$4,368 | \$0 | \$0 | \$0 |
| 404 Outdoor Furniture - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 503 Metal Fence/Gate - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 505 Wood Fence - Repair/Replace | \$0 | \$19,240 | \$0 | \$0 | \$0 |
| 509 Decorative Arbor - Replace | \$0 | \$0 | \$0 | \$3,375 | \$0 |
| 514 Wood Retaining Wall - Replace/Repair | \$0 | \$0 | \$0 | \$0 | \$0 |
| 750 Pedestrian Gates - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| Mechanical & Systems | | | | | |
| 704 Intercom - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 803 Water Heaters - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1001 Fire Backflow Preventer - Replace | \$0 | \$0 | \$0 | \$16,873 | \$0 |
| 1811 Plumbing - Inspect/Repair | \$7,000 | \$0 | \$0 | \$0 | \$0 |
| 1819 Fire Alarm System - Replace | \$12,000 | \$0 | \$0 | \$0 | \$0 |
| 1844 Electrical System - Inspect/Repair | \$7,000 | \$0 | \$0 | \$0 | \$0 |
| Total Expenses | \$61,500 | \$42,848 | \$20,010 | \$214,624 | \$24,641 |
| Ending Reserve Balance | \$120,100 | \$164,516 | \$237,160 | \$119,170 | \$195,398 |

ATTACHMENT 4

| Fiscal Year | 2032 | 2033 | 2034 | 2035 | 2036 |
|---|------------------|------------------|------------------|------------------|------------------|
| Starting Reserve Balance | \$195,398 | \$51,582 | \$103,302 | \$195,069 | \$263,974 |
| Annual Reserve Funding | \$102,613 | \$107,744 | \$113,131 | \$118,787 | \$124,727 |
| Recommended Special Assessments | \$0 | \$0 | \$0 | \$0 | \$0 |
| Interest Earnings | \$2,468 | \$1,547 | \$2,981 | \$4,586 | \$6,284 |
| Total Income | \$300,479 | \$160,874 | \$219,414 | \$318,443 | \$394,985 |
| # Component | | | | | |
| Building Exteriors | | | | | |
| 104 Balcony Surfaces - Resurface | \$0 | \$0 | \$0 | \$0 | \$0 |
| 117 Walkway Decks - Resurface | \$0 | \$0 | \$0 | \$0 | \$0 |
| 117 Walkway Decks - Seal/Repair | \$0 | \$0 | \$0 | \$2,463 | \$0 |
| 118 Balcony Railing - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 324 Exterior Lights - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 508 Exterior Railing - Repair/Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 703 Utility Doors - Replace | \$0 | \$0 | \$0 | \$4,106 | \$0 |
| 1115 Building Exterior - Repair | \$96,724 | \$0 | \$0 | \$0 | \$0 |
| 1117 Exterior Surfaces - Repair | \$24,181 | \$0 | \$0 | \$0 | \$0 |
| 1137 Windows - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1303 Comp Shingle Roofs - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1308 Flat Roof - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1309 Metal Roof - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1312 Gutters/Downspouts - Partial Replace | \$20,683 | \$0 | \$0 | \$0 | \$0 |
| Building Interiors, Common | | | | | |
| 325 Interior Lights - Replace | \$3,650 | \$0 | \$0 | \$0 | \$0 |
| 909 Bathroom - Refurbish | \$6,083 | \$0 | \$0 | \$0 | \$0 |
| 911 Kitchen Appliances - Replace | \$2,920 | \$0 | \$0 | \$0 | \$0 |
| 912 Kitchen - Remodel | \$12,775 | \$0 | \$0 | \$0 | \$0 |
| 918 Office - Remodel | \$4,258 | \$0 | \$0 | \$0 | \$0 |
| 1110 Community Room - Repaint | \$11,680 | \$0 | \$0 | \$0 | \$0 |
| Building Interiors, Units | | | | | |
| 915 Unit - Remodel | \$22,508 | \$23,408 | \$24,345 | \$25,319 | \$26,331 |
| Common Area | | | | | |
| 202 Asphalt - Repave | \$0 | \$0 | \$0 | \$0 | \$0 |
| 203 Asphalt - Seal/Repair/Stripe | \$0 | \$0 | \$0 | \$0 | \$3,648 |
| 320 Pole Lights - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 322 Bollard Lights - Replace | \$8,760 | \$0 | \$0 | \$0 | \$0 |
| 403 Mailboxes - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 404 Outdoor Furniture - Replace | \$2,433 | \$0 | \$0 | \$0 | \$0 |
| 503 Metal Fence/Gate - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 505 Wood Fence - Repair/Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 509 Decorative Arbor - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 514 Wood Retaining Wall - Replace/Repair | \$0 | \$0 | \$0 | \$22,581 | \$0 |
| 750 Pedestrian Gates - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| Mechanical & Systems | | | | | |
| 704 Intercom - Replace | \$23,725 | \$0 | \$0 | \$0 | \$0 |
| 803 Water Heaters - Replace | \$0 | \$34,164 | \$0 | \$0 | \$0 |
| 1001 Fire Backflow Preventer - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1811 Plumbing - Inspect/Repair | \$8,517 | \$0 | \$0 | \$0 | \$0 |
| 1819 Fire Alarm System - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1844 Electrical System - Inspect/Repair | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Expenses | \$248,897 | \$57,572 | \$24,345 | \$54,469 | \$29,979 |
| Ending Reserve Balance | \$51,582 | \$103,302 | \$195,069 | \$263,974 | \$365,006 |

ATTACHMENT 4

| Fiscal Year | 2037 | 2038 | 2039 | 2040 | 2041 |
|---|------------------|------------------|------------------|------------------|------------------|
| Starting Reserve Balance | \$365,006 | \$437,963 | \$550,399 | \$667,263 | \$346,381 |
| Annual Reserve Funding | \$127,845 | \$131,041 | \$134,317 | \$137,675 | \$141,117 |
| Recommended Special Assessments | \$0 | \$0 | \$0 | \$0 | \$0 |
| Interest Earnings | \$8,023 | \$9,875 | \$12,166 | \$10,128 | \$8,048 |
| Total Income | \$500,873 | \$578,879 | \$696,882 | \$815,066 | \$495,546 |
| # Component | | | | | |
| Building Exteriors | | | | | |
| 104 Balcony Surfaces - Resurface | \$0 | \$0 | \$0 | \$2,131 | \$0 |
| 117 Walkway Decks - Resurface | \$0 | \$0 | \$0 | \$17,983 | \$0 |
| 117 Walkway Decks - Seal/Repair | \$0 | \$0 | \$0 | \$2,997 | \$0 |
| 118 Balcony Railing - Replace | \$0 | \$0 | \$0 | \$15,985 | \$0 |
| 324 Exterior Lights - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 508 Exterior Railing - Repair/Replace | \$0 | \$0 | \$0 | \$19,981 | \$0 |
| 703 Utility Doors - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1115 Building Exterior - Repair | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1117 Exterior Surfaces - Repair | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1137 Windows - Replace | \$0 | \$0 | \$0 | \$314,699 | \$0 |
| 1303 Comp Shingle Roofs - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1308 Flat Roof - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1309 Metal Roof - Replace | \$0 | \$0 | \$0 | \$20,813 | \$0 |
| 1312 Gutters/Downspouts - Partial Replace | \$25,164 | \$0 | \$0 | \$0 | \$0 |
| Building Interiors, Common | | | | | |
| 325 Interior Lights - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 909 Bathroom - Refurbish | \$0 | \$0 | \$0 | \$0 | \$0 |
| 911 Kitchen Appliances - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 912 Kitchen - Remodel | \$0 | \$0 | \$0 | \$0 | \$0 |
| 918 Office - Remodel | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1110 Community Room - Repaint | \$0 | \$0 | \$0 | \$0 | \$0 |
| Building Interiors, Units | | | | | |
| 915 Unit - Remodel | \$27,385 | \$28,480 | \$29,619 | \$30,804 | \$32,036 |
| Common Area | | | | | |
| 202 Asphalt - Repave | \$0 | \$0 | \$0 | \$0 | \$0 |
| 203 Asphalt - Seal/Repair/Stripe | \$0 | \$0 | \$0 | \$0 | \$4,438 |
| 320 Pole Lights - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 322 Bollard Lights - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 403 Mailboxes - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 404 Outdoor Furniture - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 503 Metal Fence/Gate - Replace | \$0 | \$0 | \$0 | \$15,818 | \$0 |
| 505 Wood Fence - Repair/Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 509 Decorative Arbor - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 514 Wood Retaining Wall - Replace/Repair | \$0 | \$0 | \$0 | \$0 | \$0 |
| 750 Pedestrian Gates - Replace | \$0 | \$0 | \$0 | \$27,474 | \$0 |
| Mechanical & Systems | | | | | |
| 704 Intercom - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 803 Water Heaters - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1001 Fire Backflow Preventer - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1811 Plumbing - Inspect/Repair | \$10,362 | \$0 | \$0 | \$0 | \$0 |
| 1819 Fire Alarm System - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1844 Electrical System - Inspect/Repair | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Expenses | \$62,910 | \$28,480 | \$29,619 | \$468,685 | \$36,474 |
| Ending Reserve Balance | \$437,963 | \$550,399 | \$667,263 | \$346,381 | \$459,071 |

ATTACHMENT 4

| Fiscal Year | 2042 | 2043 | 2044 | 2045 | 2046 |
|---|------------------|------------------|------------------|------------------|------------------|
| Starting Reserve Balance | \$459,071 | \$281,043 | \$401,473 | \$488,310 | \$558,717 |
| Annual Reserve Funding | \$144,645 | \$148,261 | \$151,967 | \$155,767 | \$159,661 |
| Recommended Special Assessments | \$0 | \$0 | \$0 | \$0 | \$0 |
| Interest Earnings | \$7,395 | \$6,819 | \$8,890 | \$10,461 | \$12,441 |
| Total Income | \$611,111 | \$436,123 | \$562,331 | \$654,538 | \$730,819 |
| # Component | | | | | |
| Building Exteriors | | | | | |
| 104 Balcony Surfaces - Resurface | \$0 | \$0 | \$0 | \$0 | \$0 |
| 117 Walkway Decks - Resurface | \$0 | \$0 | \$0 | \$0 | \$0 |
| 117 Walkway Decks - Seal/Repair | \$0 | \$0 | \$0 | \$3,646 | \$0 |
| 118 Balcony Railing - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 324 Exterior Lights - Replace | \$15,128 | \$0 | \$0 | \$0 | \$0 |
| 508 Exterior Railing - Repair/Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 703 Utility Doors - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1115 Building Exterior - Repair | \$143,175 | \$0 | \$0 | \$0 | \$0 |
| 1117 Exterior Surfaces - Repair | \$35,794 | \$0 | \$0 | \$0 | \$0 |
| 1137 Windows - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1303 Comp Shingle Roofs - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1308 Flat Roof - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1309 Metal Roof - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1312 Gutters/Downspouts - Partial Replace | \$30,616 | \$0 | \$0 | \$0 | \$0 |
| Building Interiors, Common | | | | | |
| 325 Interior Lights - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 909 Bathroom - Refurbish | \$0 | \$0 | \$0 | \$0 | \$0 |
| 911 Kitchen Appliances - Replace | \$4,322 | \$0 | \$0 | \$0 | \$0 |
| 912 Kitchen - Remodel | \$0 | \$0 | \$0 | \$0 | \$0 |
| 918 Office - Remodel | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1110 Community Room - Repaint | \$17,289 | \$0 | \$0 | \$0 | \$0 |
| Building Interiors, Units | | | | | |
| 915 Unit - Remodel | \$33,317 | \$34,650 | \$36,036 | \$37,478 | \$38,977 |
| Common Area | | | | | |
| 202 Asphalt - Repave | \$0 | \$0 | \$0 | \$0 | \$0 |
| 203 Asphalt - Seal/Repair/Stripe | \$0 | \$0 | \$0 | \$0 | \$5,400 |
| 320 Pole Lights - Replace | \$21,611 | \$0 | \$0 | \$0 | \$0 |
| 322 Bollard Lights - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 403 Mailboxes - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 404 Outdoor Furniture - Replace | \$3,602 | \$0 | \$0 | \$0 | \$0 |
| 503 Metal Fence/Gate - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 505 Wood Fence - Repair/Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 509 Decorative Arbor - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 514 Wood Retaining Wall - Replace/Repair | \$0 | \$0 | \$0 | \$0 | \$0 |
| 750 Pedestrian Gates - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| Mechanical & Systems | | | | | |
| 704 Intercom - Replace | \$0 | \$0 | \$37,984 | \$0 | \$0 |
| 803 Water Heaters - Replace | \$0 | \$0 | \$0 | \$54,697 | \$0 |
| 1001 Fire Backflow Preventer - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1811 Plumbing - Inspect/Repair | \$12,607 | \$0 | \$0 | \$0 | \$0 |
| 1819 Fire Alarm System - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1844 Electrical System - Inspect/Repair | \$12,607 | \$0 | \$0 | \$0 | \$0 |
| Total Expenses | \$330,068 | \$34,650 | \$74,020 | \$95,821 | \$44,377 |
| Ending Reserve Balance | \$281,043 | \$401,473 | \$488,310 | \$558,717 | \$686,442 |

ATTACHMENT 4

| Fiscal Year | 2047 | 2048 | 2049 | 2050 | 2051 |
|---|------------------|------------------|--------------------|--------------------|--------------------|
| Starting Reserve Balance | \$686,442 | \$744,980 | \$886,871 | \$1,034,158 | \$1,082,924 |
| Annual Reserve Funding | \$163,652 | \$167,744 | \$171,937 | \$176,236 | \$180,642 |
| Recommended Special Assessments | \$0 | \$0 | \$0 | \$0 | \$0 |
| Interest Earnings | \$14,302 | \$16,304 | \$19,194 | \$21,152 | \$23,136 |
| Total Income | \$864,396 | \$929,028 | \$1,078,002 | \$1,231,547 | \$1,286,702 |
| # Component | | | | | |
| Building Exteriors | | | | | |
| 104 Balcony Surfaces - Resurface | \$0 | \$0 | \$0 | \$0 | \$0 |
| 117 Walkway Decks - Resurface | \$0 | \$0 | \$0 | \$0 | \$0 |
| 117 Walkway Decks - Seal/Repair | \$0 | \$0 | \$0 | \$4,436 | \$0 |
| 118 Balcony Railing - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 324 Exterior Lights - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 508 Exterior Railing - Repair/Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 703 Utility Doors - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1115 Building Exterior - Repaint | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1117 Exterior Surfaces - Repair | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1137 Windows - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1303 Comp Shingle Roofs - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1308 Flat Roof - Replace | \$0 | \$0 | \$0 | \$98,589 | \$0 |
| 1309 Metal Roof - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1312 Gutters/Downspouts - Partial Replace | \$37,249 | \$0 | \$0 | \$0 | \$0 |
| Building Interiors, Common | | | | | |
| 325 Interior Lights - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 909 Bathroom - Refurbish | \$0 | \$0 | \$0 | \$0 | \$0 |
| 911 Kitchen Appliances - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 912 Kitchen - Remodel | \$0 | \$0 | \$0 | \$0 | \$0 |
| 918 Office - Remodel | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1110 Community Room - Repaint | \$0 | \$0 | \$0 | \$0 | \$0 |
| Building Interiors, Units | | | | | |
| 915 Unit - Remodel | \$40,536 | \$42,157 | \$43,843 | \$45,597 | \$47,421 |
| Common Area | | | | | |
| 202 Asphalt - Repave | \$0 | \$0 | \$0 | \$0 | \$0 |
| 203 Asphalt - Seal/Repair/Stripe | \$0 | \$0 | \$0 | \$0 | \$6,570 |
| 320 Pole Lights - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 322 Bollard Lights - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 403 Mailboxes - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 404 Outdoor Furniture - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 503 Metal Fence/Gate - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 505 Wood Fence - Repair/Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 509 Decorative Arbor - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 514 Wood Retaining Wall - Replace/Repair | \$0 | \$0 | \$0 | \$0 | \$0 |
| 750 Pedestrian Gates - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| Mechanical & Systems | | | | | |
| 704 Intercom - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 803 Water Heaters - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1001 Fire Backflow Preventer - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1811 Plumbing - Inspect/Repair | \$15,338 | \$0 | \$0 | \$0 | \$0 |
| 1819 Fire Alarm System - Replace | \$26,293 | \$0 | \$0 | \$0 | \$0 |
| 1844 Electrical System - Inspect/Repair | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Expenses | \$119,416 | \$42,157 | \$43,843 | \$148,622 | \$53,991 |
| Ending Reserve Balance | \$744,980 | \$886,871 | \$1,034,158 | \$1,082,924 | \$1,232,711 |

ATTACHMENT 4

| Fiscal Year | 2052 | 2053 | 2054 | 2055 | 2056 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Starting Reserve Balance | \$1,232,711 | \$899,137 | \$993,609 | \$1,156,278 | \$1,310,449 |
| Annual Reserve Funding | \$185,158 | \$189,787 | \$194,531 | \$199,395 | \$204,379 |
| Recommended Special Assessments | \$0 | \$0 | \$0 | \$0 | \$0 |
| Interest Earnings | \$21,300 | \$18,911 | \$21,480 | \$24,646 | \$27,237 |
| Total Income | \$1,439,169 | \$1,107,835 | \$1,209,620 | \$1,380,319 | \$1,542,065 |
| # Component | | | | | |
| Building Exteriors | | | | | |
| 104 Balcony Surfaces - Resurface | \$0 | \$0 | \$0 | \$0 | \$0 |
| 117 Walkway Decks - Resurface | \$0 | \$0 | \$0 | \$0 | \$0 |
| 117 Walkway Decks - Seal/Repair | \$0 | \$0 | \$0 | \$5,398 | \$0 |
| 118 Balcony Railing - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 324 Exterior Lights - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 508 Exterior Railing - Repair/Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 703 Utility Doors - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1115 Building Exterior - Repaint | \$211,934 | \$0 | \$0 | \$0 | \$0 |
| 1117 Exterior Surfaces - Repair | \$52,983 | \$0 | \$0 | \$0 | \$0 |
| 1137 Windows - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1303 Comp Shingle Roofs - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1308 Flat Roof - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1309 Metal Roof - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1312 Gutters/Downspouts - Partial Replace | \$45,319 | \$0 | \$0 | \$0 | \$0 |
| Building Interiors, Common | | | | | |
| 325 Interior Lights - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 909 Bathroom - Refurbish | \$13,329 | \$0 | \$0 | \$0 | \$0 |
| 911 Kitchen Appliances - Replace | \$6,398 | \$0 | \$0 | \$0 | \$0 |
| 912 Kitchen - Remodel | \$27,991 | \$0 | \$0 | \$0 | \$0 |
| 918 Office - Remodel | \$9,330 | \$0 | \$0 | \$0 | \$0 |
| 1110 Community Room - Repaint | \$25,592 | \$0 | \$0 | \$0 | \$0 |
| Building Interiors, Units | | | | | |
| 915 Unit - Remodel | \$49,318 | \$51,291 | \$53,342 | \$55,476 | \$57,695 |
| Common Area | | | | | |
| 202 Asphalt - Repave | \$54,650 | \$0 | \$0 | \$0 | \$0 |
| 203 Asphalt - Seal/Repair/Stripe | \$0 | \$0 | \$0 | \$0 | \$7,993 |
| 320 Pole Lights - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 322 Bollard Lights - Replace | \$19,194 | \$0 | \$0 | \$0 | \$0 |
| 403 Mailboxes - Replace | \$0 | \$11,644 | \$0 | \$0 | \$0 |
| 404 Outdoor Furniture - Replace | \$5,332 | \$0 | \$0 | \$0 | \$0 |
| 503 Metal Fence/Gate - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 505 Wood Fence - Repair/Replace | \$0 | \$51,291 | \$0 | \$0 | \$0 |
| 509 Decorative Arbor - Replace | \$0 | \$0 | \$0 | \$8,996 | \$0 |
| 514 Wood Retaining Wall - Replace/Repair | \$0 | \$0 | \$0 | \$0 | \$0 |
| 750 Pedestrian Gates - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| Mechanical & Systems | | | | | |
| 704 Intercom - Replace | \$0 | \$0 | \$0 | \$0 | \$60,814 |
| 803 Water Heaters - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1001 Fire Backflow Preventer - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1811 Plumbing - Inspect/Repair | \$18,661 | \$0 | \$0 | \$0 | \$0 |
| 1819 Fire Alarm System - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1844 Electrical System - Inspect/Repair | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Expenses | \$540,032 | \$114,226 | \$53,342 | \$69,870 | \$126,502 |
| Ending Reserve Balance | \$899,137 | \$993,609 | \$1,156,278 | \$1,310,449 | \$1,415,563 |

Accuracy, Limitations, and Disclosures

Association Reserves and its employees have no ownership, management, or other business relationships with the client beyond this Reserve Study engagement. Derek Eckert, R.S., company president, is a credentialed Reserve Specialist (#114). All work performed by Association Reserves adheres to National Reserve Study Standards (NRSS) under his Responsible Charge. To our knowledge, no material issues have been withheld that would distort the client's situation.

This Reserve Study relies on information provided by representatives of the client, vendors, and suppliers regarding financial details, component quantities, maintenance plans, contracts, and historical conditions. This information is deemed reliable but is not audited or independently verified. Our work is for budgeting purposes only and is not intended to be used for the purpose of any type of audit, quality inspections, forensic analysis, background checks of historical records, or the identification of construction defects, hazardous materials, or dangerous conditions.

Estimates for interest and inflation have been included because including such estimates is more accurate than ignoring them completely. Clients who engage us for update reports are considered to have deemed prior component quantities and other prior Reserve Study data accurate unless otherwise noted. During inspections, our company standard is to establish measurements within a 5% margin of error, and our scope includes visual inspection of accessible areas and components and does not include any destructive or other testing. Our opinions on Useful Life, Remaining Useful Life, and cost estimates are not guarantees of actual costs or timing and assume proper installation, maintenance, and a stable economic environment.

We recommend developing a preventive maintenance plan in conjunction with the Reserve Study to minimize costs and maximize life cycles. We can only adjust the Reserve Study as needed if the client provides such plans. Structural inspections are recommended to identify costs for reserve planning, and we recommend consulting subject matter experts for such evaluations. Corrective maintenance costs and timing can only be incorporated per the results of these engagements if the information is provided by the client. No preventive maintenance plan or structural inspection report has been discussed or provided unless otherwise noted.

Identifying hidden issues, such as but not limited to, plumbing, electrical, and structural problems, is outside our scope of work. We recommend engaging subject matter experts to evaluate all issues outside the scope of the Reserve Study and our expertise.

Components included in this study usually have an anticipated remaining useful life within 30 years from the time of field observations. Information provided by the client about ongoing maintenance or repairs is included in component notes for full or site-visit reserve studies.

Because the physical and financial status of the property, legislation, the economy, weather, owner expectations, and usage are all in a continual state of change over which we have no control, we do not expect that the events projected in this document will all occur exactly planned. This Reserve Study is a "one-year" document that needs to be updated annually to incorporate more accurate estimates. A long-term perspective improves the accuracy of near-term planning that this report projects expenses for the future. We fully expect a number of adjustments will be necessary through the interim years to the cost and timing of expense projections and the funding necessary to prepare for those estimated expenses.

In this engagement, our compensation is not contingent upon our conclusions, and our liability in any matter involving this Reserve Study is limited to our fee for services rendered.

The re-use of this Reserve Study, figures, or calculations in any other format absolves Association Reserves of all responsibility.

Terms and Definitions

| | |
|------------------------------------|--|
| BTU | British Thermal Unit (a standard unit of energy) |
| DIA | Diameter |
| GSF | Gross Square Feet (area). Equivalent to Square Feet |
| GSY | Gross Square Yards (area). Equivalent to Square Yards |
| HP | Horsepower |
| LF | Linear Feet (length) |
| UOM | Unit of Measure |
| Effective Age | The difference between Useful Life and Remaining Useful Life. Note that this is not necessarily equivalent to the chronological age of the component. |
| Fully Funded Balance (FFB) | The value of the deterioration of the Reserve Components. This is the fraction of life "used up" of each component multiplied by its estimated Current Replacement. While calculated for each component, it is summed together for a property total. |
| Inflation | Cost factors are adjusted for inflation at the rate defined in the Executive Summary and compounded annually. These increasing costs can be seen as you follow the recurring cycles of a component on the "30-yr Income/Expense Detail" table. |
| Interest | Interest earnings on Reserve Funds are calculated using the average balance for the year (taking into account income and expenses through the year) and compounded monthly using the rate defined in the Executive Summary. Annual interest earning assumption appears in the Executive Summary. |
| Percent Funded | The ratio, at a particular point in time (the first day of the Fiscal Year), of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage. |
| Remaining Useful Life (RUL) | The estimated time, in years, that a common area component can be expected to continue to serve its intended function. |
| Useful Life (UL) | The estimated time, in years, that a common area component can be expected to serve its intended function. |



Component Details

The primary purpose of the Component Details appendix is to provide the reader with the basis of our funding assumptions resulting from our physical analysis and subsequent research. The Component Details herein represent a wide range of components that were observed and measured against National Reserve Study Standards to determine if they meet the criteria for reserve funding.

- 1) Common area maintenance repair & replacement responsibility
- 2) The component must have a limited life
- 3) Life limit must be predictable
- 4) Above a minimum threshold cost (board's discretion – typically ½ to 1% of annual operating expenses).

Some components are recommended for reserve funding, while others are not. The components that meet these criteria in our judgment are shown with corresponding maintenance, repair, or replacement cycles (UL = Useful Life of how often the project is expected to occur, RUL = Remaining Useful Life pr how many years from our reporting period) and representative market cost range termed “Best Cost” and “Worst Cost”. There are many factors that can result in a wide variety of potential costs, we are attempting to represent a market to be a one-time expense. Where no pricing, the component is deemed inappropriate for Reserve Funding.

Building Exteriors

Comp #: 104 Balcony Surfaces - Resurface

Approx Quantity: 32 GSF

Location:

Funded?: Yes.

History: Installed in ~2000

Comments: There are (4) 8'x4' Decks. Decking surfaces typically need to be recoated every few years to restore the "wear" layer and protect the waterproofing membrane. Conditions can vary in different areas based on sun and weather exposure, adequacy of drainage, level of foot traffic, etc. Re-coating will restore the deck's aesthetic appeal while bridging small surface cracks. Lack of proper coating can reduce the decking system's life expectancy. Before recoating, the deck should be repaired (cracks and gouges patched, etc.).

Useful Life:
40 years

Remaining Life:
13 years



Lower Estimate:

\$ 1,150

Higher Estimate:

\$ 1,410

Cost Source: ARSF Cost Database

Comp #: 104 Balcony Surfaces - Seal/Repair

Approx Quantity: 32 GSF

Location:

Funded?: No. The project cost estimate is below a minimum threshold. No Reserve funding allocated.

History:

Comments: There are (4) 8'x4' Decks. Decking surfaces typically need to be recoated every few years to restore the "wear" layer and protect the waterproofing membrane. Conditions can vary in different areas based on sun and weather exposure, adequacy of drainage, level of foot traffic, etc. Re-coating will restore the deck's aesthetic appeal while bridging small surface cracks. Lack of proper coating can reduce the decking system's life expectancy. Before recoating, the deck should be repaired (cracks and gouges patched, etc.).

Useful Life:

Remaining Life:



Lower Estimate:

Higher Estimate:

Cost Source:

Comp #: 117 Walkway Decks - Resurface

Approx Quantity: 360 GSF

Location:

Funded?: Yes.

History: Installed in ~2000

Comments: The client should consult with a decking or waterproofing contractor when evaluating the scope of work to properly define any necessary structural repairs/restoration. The funding recommendations shown here should be updated based on any new analysis/information provided by more comprehensive evaluations.

Useful Life:

40 years

Remaining Life:

13 years



Lower Estimate:

\$ 9,720

Higher Estimate:

\$ 11,900

Cost Source: ARSF Cost Database

Comp #: 117 Walkway Decks - Seal/Repair

Approx Quantity: 360 GSF

Location:

Funded?: Yes.

History: Installed in ~2000

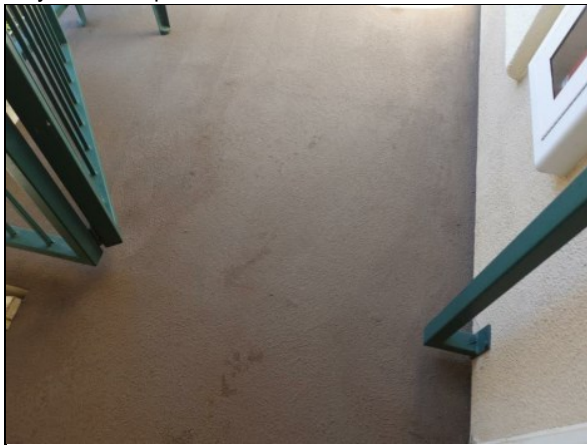
Comments: The client should consult with a decking or waterproofing contractor when evaluating the scope of work to properly define any necessary structural repairs/restoration. The funding recommendations shown here should be updated based on any new analysis/information provided by more comprehensive evaluations.

Useful Life:

5 years

Remaining Life:

3 years



Lower Estimate:

\$ 1,620

Higher Estimate:

\$ 1,980

Cost Source: ARSF Cost Database

Comp #: 118 Balcony Railing - Replace

Approx Quantity: 80 LF

Location:

Funded?: Yes.

History: Installed in ~2000

Comments: Inspect regularly to ensure the stability of the railing. A durable and typically long-lived component with ordinary care and maintenance. However, we recommend setting aside funding for eventual replacement at the interval below. We recommend regular painting to maximize the useful life of the railing.

Useful Life:

40 years

Remaining Life:

13 years



Lower Estimate:

\$ 8,640

Higher Estimate:

\$ 10,600

Cost Source: ARSF Cost Database

Comp #: 119 Balcony Railing - Repaint

Approx Quantity: 80 LF

Location: Common area

Funded?: No. The project cost estimate is below a minimum threshold. No Reserve funding allocated.

History:

Comments:

Useful Life:

Remaining Life:



Lower Estimate:

Higher Estimate:

Cost Source:

Comp #: 324 Exterior Lights - Replace

Approx Quantity: 28 Fixtures

Location:

Funded?: Yes.

History:

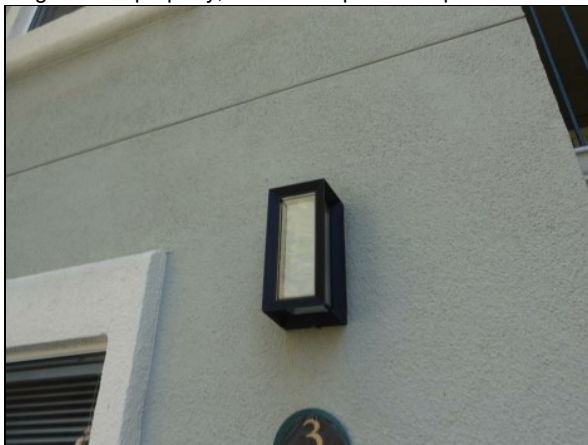
Comments: The wall lights were observed during daylight hours and assumed to be in functional operating condition. As routine maintenance, clean by wiping down with an appropriate cleaner, change bulbs, and repair as needed. For cost efficiency and consistent quality/appearance throughout the property, it is best to plan for replacement at the interval below.

Useful Life:

20 years

Remaining Life:

15 years



Lower Estimate:

\$ 7,560

Higher Estimate:

\$ 9,240

Cost Source: ARSF Cost Database

Comp #: 508 Exterior Railing - Repair/Replace

Approx Quantity: 80 LF

Location:

Funded?: Yes.

History: Installed in ~2000

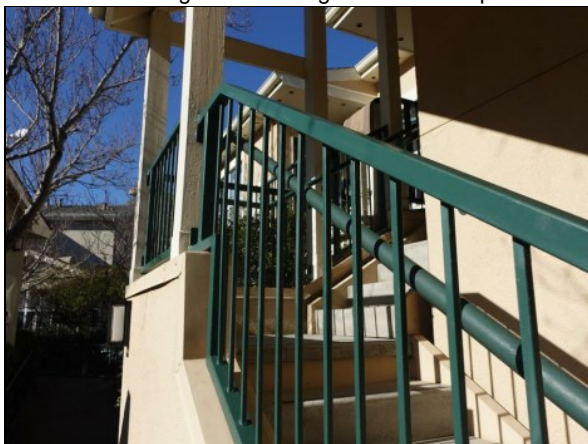
Comments: Inspect regularly to ensure the stability of the railing. A durable and typically long-lived component with ordinary care and maintenance. However, we recommend setting aside funding for eventual replacement at the interval indicated below.

Useful Life:

40 years

Remaining Life:

13 years



Lower Estimate:

\$ 10,800

Higher Estimate:

\$ 13,200

Cost Source: ARSF Cost Database

Comp #: 701 Unit Doors - Replace

Approx Quantity: 1 Doors

Location:

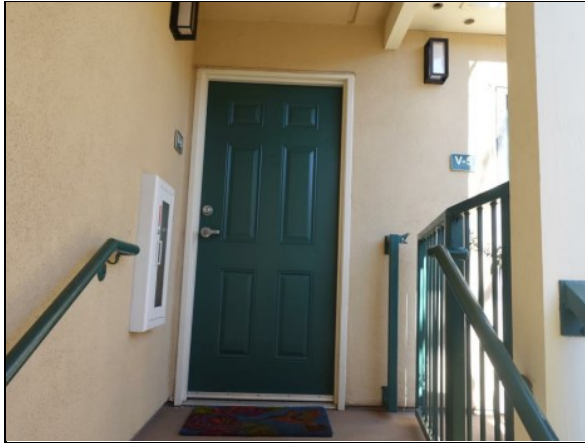
Funded?: No. The useful life of this component extends past the scope of this report. No Reserve funding allocated.

History:

Comments: We were not able to test the doors during the site inspection. However, they appear to be intact and have a satisfactory seal. Doors should be inspected and repaired as needed, as an Operating expense, to ensure good function. This component provides funding for replacement at the interval below.

Useful Life:

Remaining Life:



Lower Estimate:

Higher Estimate:

Cost Source:

Comp #: 703 Utility Doors - Replace

Approx Quantity: 2 Doors

Location:

Funded?: Yes.

History: Installed in ~2000

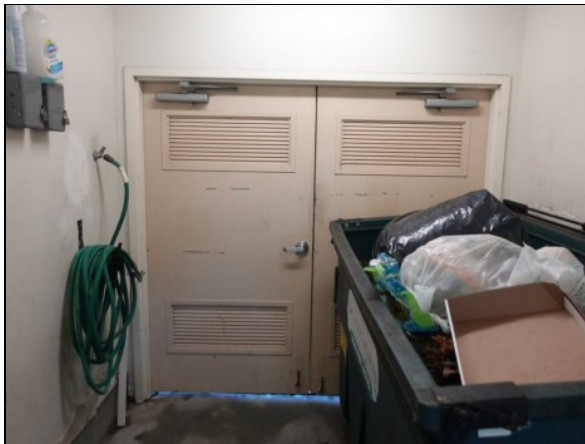
Comments: The doors appear to be functional. No indications of advanced deterioration noted. Doors should be inspected and repaired as needed, as an Operating expense, to ensure good function. We recommend setting aside funding for replacement at the interval below.

Useful Life:

35 years

Remaining Life:

8 years



Lower Estimate:

\$ 2,700

Higher Estimate:

\$ 3,300

Cost Source: ARSF Cost Database

Comp #: 1115 Building Exterior - Repaint

Approx Quantity: 15,900 GSF

Location: Building exterior surfaces

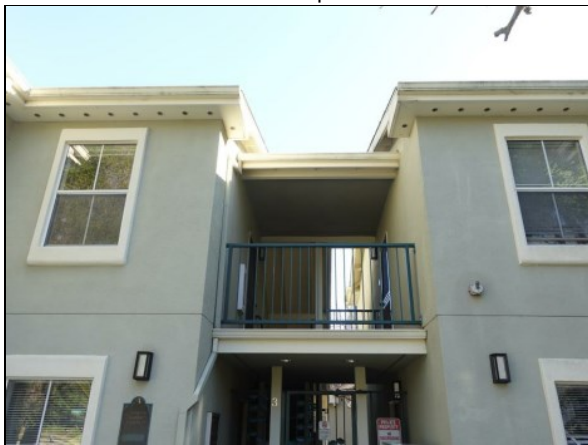
Funded?: Yes.

History:

Comments: Painting is recommended at the intervals below to preserve the exterior building surfaces and maintain appearance.

Useful Life:
10 years

Remaining Life:
5 years



Lower Estimate: \$ 71,600 **Higher Estimate:** \$ 87,500

Cost Source: ARSF Cost Database

Comp #: 1117 Exterior Surfaces - Repair

Approx Quantity: 15,900 GSF

Location: Building exterior surfaces

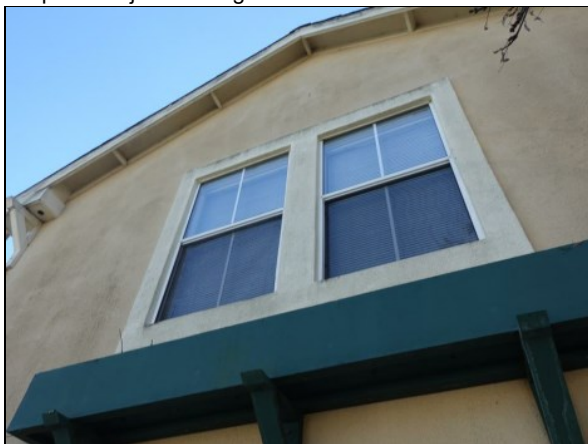
Funded?: Yes.

History:

Comments: Funding is recommended for partial wood replacement due to the potential for termite damage, wood rot, and natural deterioration. Coordinate with painting for cost efficiency. We recommend an inspection by a licensed professional before painting to determine the scope of needed repairs. Adjust funding as future conditions dictate.

Useful Life:
10 years

Remaining Life:
5 years



Lower Estimate: \$ 17,900 **Higher Estimate:** \$ 21,900

Cost Source: ARSF Cost Database

Comp #: 1137 Windows - Replace

Approx Quantity: 126 Windows

Location: Building exterior

Funded?: Yes.

History: Installed in ~2000

Comments: Inspect regularly and handle minor repairs as an operating expense. This component provides funding for replacement at the interval outlined below.

Useful Life:

40 years

Remaining Life:

13 years



Lower Estimate:

\$ 170,000

Higher Estimate:

\$ 208,000

Cost Source: ARSF Cost Database

Comp #: 1303 Comp Shingle Roofs - Replace

Approx Quantity: 7,500 GSF

Location: Building roof

Funded?: Yes.

History: Installed in ~2000

Comments: We recommend regular inspections by a licensed professional to ensure the roof is fully functional and aging correctly. Avoid debris buildup to maximize the useful life of the surface.

Useful Life:

30 years

Remaining Life:

3 years



Lower Estimate:

\$ 101,000

Higher Estimate:

\$ 124,000

Cost Source: ARSF Cost Database

Comp #: 1308 Flat Roof - Replace

Approx Quantity: 2,000 GSF

Location: Building roof

Funded?: Yes.

History: Repaired in 2025

Comments: Minor repairs in 2025. We recommend regular inspections by a licensed professional to ensure the roof is fully functional and aging correctly. Avoid debris buildup to maximize the useful life of the surface.

Useful Life:
20 years

Remaining Life:
3 years



Lower Estimate: \$ 36,000 **Higher Estimate:** \$ 44,000

Cost Source: ARSF Cost Database

Comp #: 1309 Metal Roof - Replace

Approx Quantity: 500 GSF

Location: Building roof

Funded?: Yes.

History: Installed in ~2000

Comments: We recommend regular inspections by a licensed professional to ensure the roof is fully functional and aging correctly. Avoid debris buildup to maximize the useful life of the surface.

Useful Life:
40 years

Remaining Life:
13 years



Lower Estimate: \$ 11,300 **Higher Estimate:** \$ 13,800

Cost Source: ARSF Cost Database

ATTACHMENT 4

Comp #: 1312 Gutters/Downspouts - Partial Replace

Approx Quantity: 850 LF x20%

Location: Perimeter of building

Funded?: Yes.

History: Installed in ~2000

Comments: Most fair, some in poor condition. Inspect regularly, keep gutters and downspouts free of debris to ensure water evacuates from rooftops as designed, and repair as needed from general operating funds. Planning for replacement at the same intervals as roof replacement, cost efficiency is best.

Useful Life:

5 years

Remaining Life:

0 years



Lower Estimate:

\$ 15,300

Higher Estimate:

\$ 18,700

Cost Source: ARSF Cost Database

Comp #: 1405 Building Signs - Replace

Approx Quantity: 2 Misc. Signs

Location: Throughout building

Funded?: No. Replace as an Operating Expense. No funding provided.

History:

Comments: We recommend replacing all signs at one time to maintain a uniform appearance. This component provides an allowance for replacement at the interval outlined below.

Useful Life:

Remaining Life:



Lower Estimate:

Higher Estimate:

Cost Source:

Building Interiors, Common

Comp #: 325 Interior Lights - Replace

Approx Quantity: 10 Fixtures

Location: Community room

Funded?: Yes.

History: Installed in ~2000

Comments: As routine maintenance, clean by wiping down with an appropriate cleaner, change bulbs, and repair as needed. For cost efficiency and consistent quality/appearance throughout the property, it is best to plan for replacement at the interval below. The best practice is to coordinate replacement at the same time as other interior projects, such as painting, whenever possible, to minimize downtime and maintain consistent quality standards.

Useful Life:
25 years

Remaining Life:
5 years



Lower Estimate: \$ 2,700 **Higher Estimate:** \$ 3,300

Cost Source: ARSF Cost Database

Comp #: 909 Bathroom - Refurbish

Approx Quantity: 1 Bathroom

Location: Community room

Funded?: Yes.

History:

Comments: As routine maintenance, inspect regularly and perform any needed repairs promptly, utilizing general Operating funds. A typical remodeling project can include some or all of the following: replacement of plumbing fixtures, partitions, countertops, lighting, flooring, ventilation fans, accessories, décor, etc. The timing of the bathroom refurbishment highly depends on the client's desired aesthetics. This component provides an allowance for general refurbishment at the interval indicated below.

Useful Life:
20 years

Remaining Life:
5 years



Lower Estimate: \$ 4,500 **Higher Estimate:** \$ 5,500

Cost Source: ARSF Cost Database

Comp #: 911 Kitchen Appliances - Replace

Approx Quantity: 2 Appliances

Location: Community room

Funded?: Yes.

History:

Comments: Replacement should ideally be coordinated with kitchen refurbishing. The funding recommendation shown here is for replacing with comparable quality appliances.

Useful Life:

10 years

Remaining Life:

5 years



Lower Estimate:

\$ 2,160

Higher Estimate:

\$ 2,640

Cost Source: ARSF Cost Database

Comp #: 912 Kitchen - Remodel

Approx Quantity: 1 Kitchen

Location: Community room kitchen

Funded?: Yes.

History: Installed in ~2000

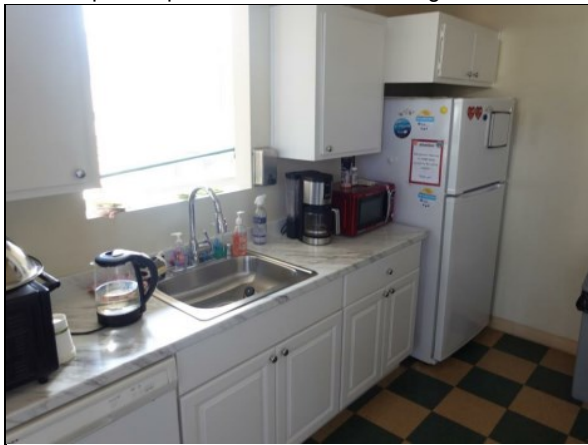
Comments: Kitchen materials typically have an extended useful life. However, many properties choose to refurbish the kitchen for aesthetic updates periodically. This may include refurbishing or refinishing kitchen cabinets and countertops, replacing sinks, installing or replacing under-cabinet lighting, etc. The timing of the kitchen refurbishment is highly dependent on the level of aesthetics desired by the client. This component provides an allowance for general refurbishment at the interval indicated below.

Useful Life:

20 years

Remaining Life:

5 years



Lower Estimate:

\$ 9,450

Higher Estimate:

\$ 11,600

Cost Source: ARSF Cost Database

Comp #: 918 Office - Remodel
Location: Community room office
Funded?: Yes.
History:

Approx Quantity: 1 Office

Comments: Inspect regularly and repair or replace any damaged pieces promptly to ensure safety. We recommend replacing all pieces together to maintain a consistent style. Costs may vary based on the quality of furniture selected for replacement.

Useful Life:
20 years

Remaining Life:
5 years



Lower Estimate:

\$ 3,150

Higher Estimate:

\$ 3,850

Cost Source: ARSF Cost Database

Comp #: 920 Office Equipment - Replace

Approx Quantity: 1 Allowance

Location: Community room office

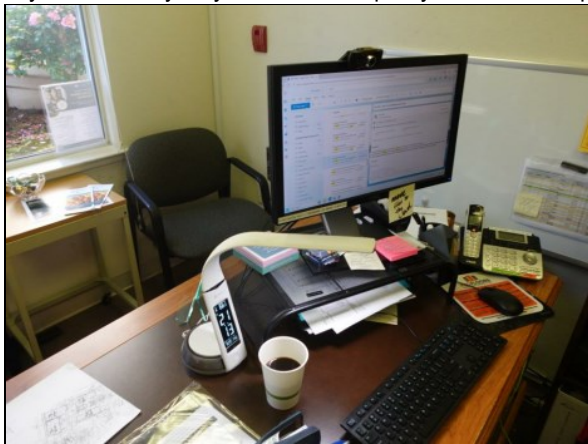
Funded?: No. Replacement handled out of the Operating budget. No Reserve funding allocated.

History:

Comments: Inspect regularly and repair or replace any damaged pieces as needed. We recommend replacing all pieces together to maintain a consistent style. Costs may vary based on the quality selected for replacement.

Useful Life:

Remaining Life:



Lower Estimate:

Higher Estimate:

Cost Source:

Comp #: 925 Laundry Room - Remodel

Approx Quantity: 1 Laundry Room

Location: Laundry room

Funded?: No. Handled out of the Operating budget. No Reserve funding allocated.

History:

Comments: Based on our experience with other associations, laundry rooms should be remodeled at the approximate interval below. Remodeling typically includes replacing flooring and finishes (wall coverings, etc.), painting, and installing/replacing lighting, countertops, etc. Costs can vary depending on the type and quality of replacement materials.

Useful Life:

Remaining Life:



Lower Estimate:

Higher Estimate:

Cost Source:

Comp #: 1110 Community Room - Repaint

Approx Quantity: 3,200 GSF

Location: Community room

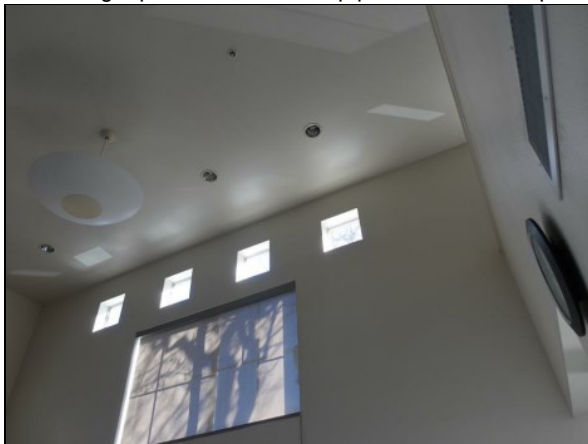
Funded?: Yes.

History:

Comments: We recommend regular painting at the intervals below to maintain an attractive, uniform appearance. If possible, painting should be coordinated with flooring replacement. Touch-up paint should be kept on-site for projects in between cycles.

Useful Life:
10 years

Remaining Life:
5 years



Lower Estimate:

\$ 8,640

Higher Estimate:

\$ 10,600

Cost Source: ARSF Cost Database

Building Interiors, Units

Comp #: 915 Unit - Remodel

Approx Quantity: 1 Unit

Location: Building interior surfaces

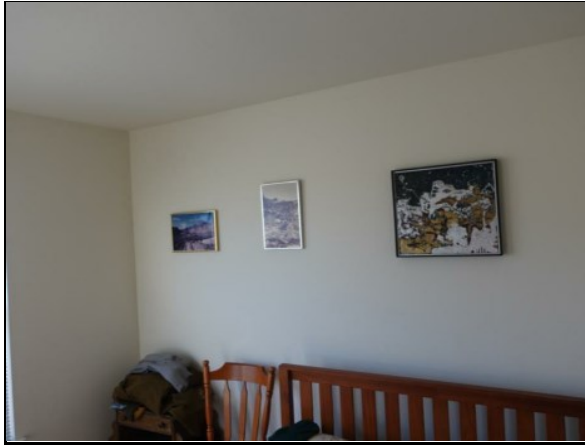
Funded?: Yes.

History:

Comments: Funding provided to remodel (1) of (14) Units per year. Includes funding to repaint, replace flooring, and replace appliances. Remodeling is prudent to maintain an attractive, desirable appearance for residents. Life estimates can vary greatly depending on the level of wear and the client's preferences. Similarly, costs can vary greatly depending on the types of materials selected for replacement. The funding recommendation is for remodeling to an appropriate standard for this property.

Useful Life:
1 years

Remaining Life:
0 years



Lower Estimate:

\$ 16,700

Higher Estimate:

\$ 20,400

Cost Source: ARSF Cost Database

Common Area

Comp #: 103 Concrete - Repair

Approx Quantity: 1 GSF

Location:

Funded?: No. Repair handled out of the Operating budget. No Reserve funding allocated.

History:

Comments: Large-scale repairs or complete replacement should not be anticipated, but moderate-sized projects should be considered as the concrete ages. Although timing, cost, and scope are difficult to predict, we suggest setting aside a repair/replacement allowance to supplement the operating budget in future years. Adjust as conditions dictate in future years. Avoid adjacent overwatering of the landscape and monitor any tree roots nearby.

Useful Life:

Remaining Life:



Lower Estimate:

Higher Estimate:

Cost Source:

Comp #: 202 Asphalt - Repave

Approx Quantity: 2,050 GSF

Location:

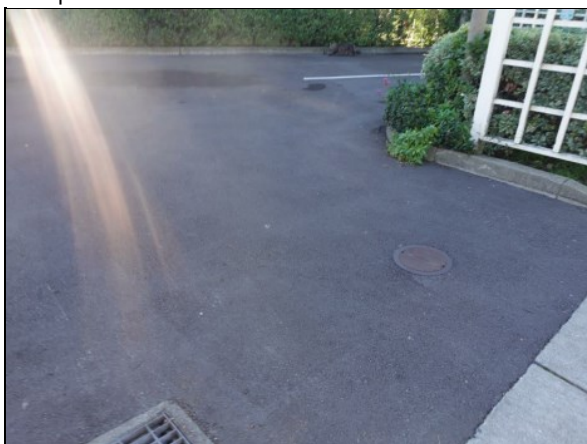
Funded?: Yes.

History:

Comments: We recommend having the surface sealed and repaired; regular cycles of seal coating are recommended for maximum design life. As routine maintenance, keep the roadway clean, debris-free, and well-drained; fill/seal cracks to prevent water from penetrating the sub-base and accelerating damage. Even with ordinary care and maintenance, plan for eventual resurfacing at roughly the time frame below. As the timing draws nearer, consult an asphalt vendor/consultant for recommendations and a complete scope.

Useful Life:
30 years

Remaining Life:
25 years



Lower Estimate:

\$ 18,500

Higher Estimate:

\$ 22,600

Cost Source: ARSF Cost Database

Comp #: 203 Asphalt - Seal/Repair/Stripe

Approx Quantity: 2,050 GSF

Location:

Funded?: Yes.

History: Resealed in 2025

Comments: Regular cycles of seal coating, along with any needed repairs, have proven to be the most cost-effective program for the long-term care of asphalt. Seal coating protects against damaging weather elements while bridging small surface cracks and maintaining a uniform appearance over the inevitable patching and repairs needed in future years.

Useful Life:

5 years

Remaining Life:

4 years



Lower Estimate:

\$ 2,310

Higher Estimate:

\$ 2,820

Cost Source: ARSF Cost Database

Comp #: 320 Pole Lights - Replace

Approx Quantity: 4 Pole Lights

Location:

Funded?: Yes.

History:

Comments: The pole lights were observed during daylight hours and assumed to be in functional operating condition. Inspect, repair, and change the bulbs as routine maintenance as needed. For cost efficiency and consistent quality/appearance throughout the property, it is best to plan for replacement at the interval below.

Useful Life:

30 years

Remaining Life:

15 years



Lower Estimate:

\$ 10,800

Higher Estimate:

\$ 13,200

Cost Source: ARSF Cost Database

Comp #: 404 Outdoor Furniture - Replace

Approx Quantity: 4 Pieces

Location:

Funded?: Yes.

History:

Comments: Inspect regularly and repair or replace any damaged pieces promptly to ensure safety. We recommend replacing all pieces together to maintain a consistent style. Costs may vary based on the quality of furniture selected for replacement. This component provides an allowance for replacement at the interval below.

Useful Life:

10 years

Remaining Life:

5 years



Lower Estimate:

\$ 1,800

Higher Estimate:

\$ 2,200

Cost Source: ARSF Cost Database

Comp #: 503 Metal Fence/Gate - Replace

Approx Quantity: 95 LF

Location:

Funded?: Yes.

History: Installed in ~2000

Comments: Inspect regularly to ensure the stability of fencing. A durable and typically long-lived component with ordinary care and maintenance. However, we recommend setting aside funding for eventual replacement at the interval below. We recommend regular painting to maximize the useful life of the metal.

Useful Life:

40 years

Remaining Life:

13 years



Lower Estimate:

\$ 8,550

Higher Estimate:

\$ 10,500

Cost Source: ARSF Cost Database

Comp #: 505 Wood Fence - Repair/Replace

Approx Quantity: 185 LF

Location:

Funded?: Yes.

History: Installed in ~2000

Comments: As routine maintenance, inspect regularly for any damage, repair as needed, and avoid contact with irrigation and surrounding vegetation wherever possible. Plan to replace at roughly the time frame below, with funding included here for a similar wood fence replacement. Regular cycles of uniform and professional sealing/painting will help to maintain appearance and maximize life.

Useful Life:
25 years

Remaining Life:
1 years



Lower Estimate:

\$ 16,700

Higher Estimate:

\$ 20,400

Cost Source: ARSF Cost Database

Comp #: 509 Decorative Arbor - Replace

Approx Quantity: 1 Structure

Location:

Funded?: Yes.

History: Installed in ~2000

Comments: With ordinary care and maintenance, plan for replacement at roughly the interval indicated below due to deterioration resulting from constant exposure to the elements. Local repairs between large-scale replacements can be handled as an operating expense.

Useful Life:
25 years

Remaining Life:
3 years



Lower Estimate:

\$ 2,700

Higher Estimate:

\$ 3,300

Cost Source: ARSF Cost Database

Comp #: 514 Wood Retaining Wall - Replace/Repair

Approx Quantity: 110 LF

Location:

Funded?: Yes.

History: Installed in ~2000

Comments: Conditions vary by location. This component provides funding for repair/replacement. Adjust funding as future conditions dictate.

Useful Life:

35 years

Remaining Life:

8 years



Lower Estimate:

\$ 14,900

Higher Estimate:

\$ 18,200

Cost Source: ARSF Cost Database

Comp #: 750 Pedestrian Gates - Replace

Approx Quantity: 3 Gates

Location:

Funded?: Yes.

History: Installed in ~2000

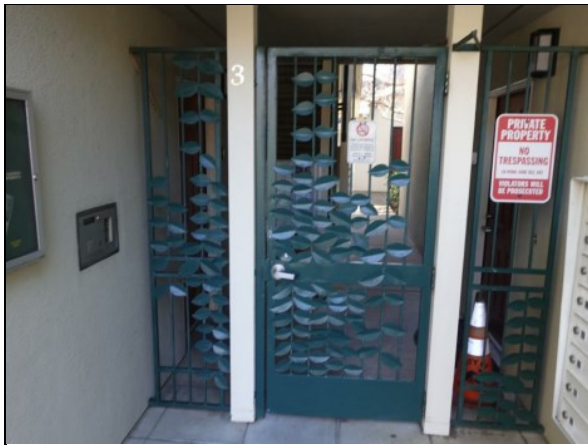
Comments: A sturdy item that can typically last for an extended period with ordinary care and maintenance. In our experience, however, eventual replacement is warranted due to constant wear, usage, and exposure. Plan to replace at roughly the time frame below. Inspect regularly, clean for appearance, and repair promptly to ensure safety. We recommend regular painting to maximize the useful life of the gate.

Useful Life:

40 years

Remaining Life:

13 years



Lower Estimate:

\$ 14,900

Higher Estimate:

\$ 18,200

Cost Source: ARSF Cost Database

Comp #: 1006 Irrigation System - Repair/Replace

Approx Quantity: 1 Irrigation System

Location: Common area landscaping

Funded?: No. Handle replenishment out of the Operating budget. No Reserve funding allocated.

History:

Comments: If properly installed and bedded without defect, the lines are expected to be long-lived, with no predictable replacement expectation. In our experience, however, renovations, repairs, zone reconfiguration, etc., become necessary as the system ages. This component provides a rotating funding allowance to supplement the operating/maintenance budget for periodic, more significant repairs and replacements. Adjust as conditions and actual expense patterns dictate in future reserve study updates.

Useful Life:

Remaining Life:



Lower Estimate:

Higher Estimate:

Cost Source:

Comp #: 1008 Trees - Trim/Remove

Approx Quantity: 1 Allowance

Location: Common area landscaping

Funded?: No. Handle replenishment out of the Operating budget. No Reserve funding allocated.

History:

Comments: This component may be utilized for larger tree removal/trimming projects that are not handled as operating expenses. If the community has not already done so, consult with a qualified arborist to develop a long-term plan for caring for and managing the trees within the community, balancing aesthetics with protecting property assets.

Useful Life:

Remaining Life:



Lower Estimate:

Higher Estimate:

Cost Source:

Comp #: 1009 Landscaping - Replenish

Approx Quantity: 1 Allowance

Location: Common area landscaping

Funded?: No. Handle replenishment out of the Operating budget. No Reserve funding allocated.

History:

Comments: Although typically funded as an ongoing maintenance item, this component may be used to set aside funds for more significant expenses, such as large-scale plantings, resodding lawn areas, and replenishing bark/mulch. Adjust as conditions and actual expense patterns dictate in future Reserve Study updates.

Useful Life:

Remaining Life:



Lower Estimate:

Higher Estimate:

Cost Source:

Comp #: 1113 Metal Surfaces - Repaint

Approx Quantity: 1 GSF

Location:

Funded?: No. The project cost estimate is below a minimum threshold. No Reserve funding allocated.

History:

Comments: Plan to repaint at the interval below to inhibit corrosion, prevent or limit costly repairs, and maximize design life.

Useful Life:

Remaining Life:



Lower Estimate:

Higher Estimate:

Cost Source:

Mechanical & Systems

Comp #: 704 Intercom - Replace

Approx Quantity: 3 Intercom

Location:

Funded?: Yes.

History:

Comments: Clean and wipe down regularly with an appropriate cleaner. Handle any minor repairs as an operating expense. We recommend regular service and maintenance by a licensed professional to help ensure the intercom system continues to function correctly. We anticipate the need for replacement at the interval below.

Useful Life:
12 years

Remaining Life:
5 years



Lower Estimate: \$ 17,600 **Higher Estimate:** \$ 21,500

Cost Source: ARSF Cost Database

Comp #: 803 Water Heaters - Replace

Approx Quantity: 3 Water Heaters

Location:

Funded?: Yes.

History: Replaced in ~2021

Comments: (6) Rheem 100 gallon, 199.9k BTU water heaters, all installed in ~2021; M/N: GNU100-200, S/N: A092120814, Mfg. Date: 3/2021. It is best to plan for replacement within the typical life expectancy of ten to fifteen years. We recommend regular inspections by a licensed professional to ensure the water heater is fully functional and aging correctly. Flush the tank and inspect the pressure relief valve each year. If not already done, install earthquake strapping and a drain pan for added protection.

Useful Life:
12 years

Remaining Life:
6 years



Lower Estimate: \$ 24,300 **Higher Estimate:** \$ 29,700

Cost Source: ARSF Cost Database

Comp #: 1001 Fire Backflow Preventer - Replace

Approx Quantity: 1 Device

Location: Common area

Funded?: Yes.

History: Installed in ~2000

Comments: No active leaks or other indications of failure. We recommend regular testing and inspection by a licensed backflow professional to ensure the device is fully functional and aging correctly.

Useful Life:

30 years

Remaining Life:

3 years



Lower Estimate:

\$ 13,500

Higher Estimate:

\$ 16,500

Cost Source: ARSF Cost Database

Comp #: 1811 Plumbing - Inspect/Repair

Approx Quantity: 1 Allowance

Location: Throughout property

Funded?: Yes.

History:

Comments: Analysis of the plumbing systems is beyond the scope of our services. As the property continues to age, we highly recommend that the client engage a qualified firm to evaluate the plumbing systems, which are classified as a major component under Civil Code Section 5550, as amended by SB900. This may include forensic wall openings and testing sections of piping.

Manufacturing defects occasionally become apparent, and specific site conditions (e.g., galvanic corrosion, dissimilar metals in contact with piping, chemical reactions) can contribute to the premature deterioration of plumbing systems. Patterns of significant repair expenses, leaks, poor flow, and sediments in the lines will accelerate the need for replacement.

The client should seek a detailed analysis to identify hidden conditions, project the remaining useful life of the system, and make recommendations for any necessary repairs, maintenance, and other necessary actions. Before such an evaluation, there is no predictable basis for large-scale plumbing repair or replacement expenses.

The cost projected below is a budget allowance for an inspection and minor repairs, including SB900-related expenses. Adjust the funding and frequency of this component based on further analysis by a subject matter expert and as future conditions dictate.

Useful Life:
5 years

Remaining Life:
0 years



Lower Estimate:

\$ 6,300

Higher Estimate:

\$ 7,700

Cost Source: ARSF Cost Database

Comp #: 1819 Fire Alarm System - Replace

Approx Quantity: 1 System

Location: Main panel is located in the lobby

Funded?: Yes.

History:

Comments: Fire panels and systems may last an extended period, barring unforeseen electrical incidents. However, design obsolescence, parts availability, technological advances, and code changes dictate the need to plan for periodic replacement. A wide range of panels and features is available, and this component provides an allowance for replacement. We recommend regular testing and inspection by a licensed professional to ensure all fire systems are fully functional and aging correctly.

Useful Life:
20 years

Remaining Life:
0 years



Lower Estimate: \$ 10,800 **Higher Estimate:** \$ 13,200

Cost Source: ARSF Cost Database

Comp #: 1844 Electrical System - Inspect/Repair

Approx Quantity: 1 Allowance

Location: Throughout property

Funded?: Yes.

History:

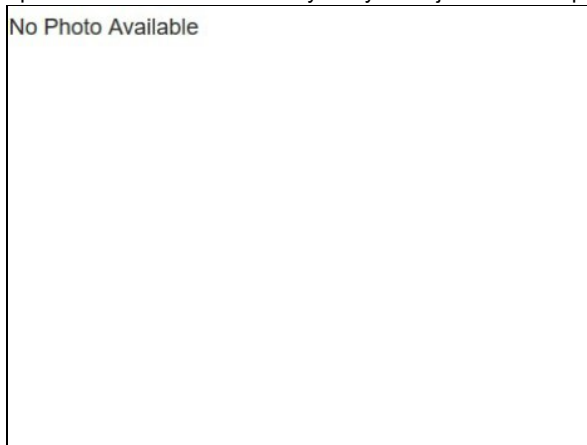
Comments: Assessing the electrical system is beyond the scope of our services. As the property continues to age, we highly recommend that the client engage a qualified firm to evaluate the electrical system, which is classified as a major component under Civil Code Section 5550, as amended by SB900.

The client should seek a detailed analysis to identify hidden conditions, project the remaining useful life of the system, and make recommendations for any necessary repairs, maintenance, and other necessary actions. Before such an evaluation, there is no predictable basis for large-scale electrical system repair or replacement expenses.

The cost projected below is a budget allowance for an inspection and minor repairs, including SB900-related expenses. Adjust the funding and frequency of this component based on further analysis by a subject matter expert and as future conditions dictate.

Useful Life:
15 years

Remaining Life:
0 years



Lower Estimate: \$ 6,300 **Higher Estimate:** \$ 7,700

Cost Source: ARSF Cost Database



BUILDING SUSTAINING LEADING

BRIDGE HOUSING
CORPORATION

BRIDGE PROPERTY
MANAGEMENT COMPANY

BRIDGE ECONOMIC
DEVELOPMENT CORPORATION

February 27, 2026

Via Email

Brisbane Housing Authority
50 Park Place
Brisbane, CA 94005
Attn: Ms. Julia Ayres

Re: Redevelopment Agency of the City of Brisbane Loans for Visitacion Garden -
Conditional Letter to RFP

Dear Ms. Ayres:

As we explained with our correspondence on June 19, 2025, we are supportive of the City's and Authority's efforts to reposition the Project with a new long-term lessee or operator. With a prospective new lessee working towards City Council approval on April, 2026, we want to reiterate our support of the transfer of the property to the new lessee and any agreement to alter the terms of the lease are conditioned upon the City's agreement that, regardless of the outcome of the RFP, the Authority and City will:

(a) forgive existing Project loans and interest that consist of (i) a loan made by the Redevelopment Agency of the City of Brisbane (Agency) to BRIDGE Housing Corporation (BRIDGE) in the original principal amount of One Million Dollars (\$1,000,000) from the Agency's Low and Moderate Income Housing Fund (Agency Loan), and (ii) a loan made by the Agency to BRIDGE in the original principal amount of One Million Five Hundred Thousand Dollars (\$1,500,000) from the proceeds of bonds issued by the Agency deposited in the Agency's Low and Moderate Income Housing Fund (Bond Proceeds Loan); (b) release BRIDGE, and cause any new lessee or operator to release Brisbane Senior Housing, Inc., as current lessee, from ongoing liabilities associated with the Project; (c) work with us to seek to cause the County of San Mateo's (County) Project loan to be forgiven concurrently with the Authority's loan; (d) terminate the lease as soon as practicable in light of the RFP responses.



We look forward to our collective efforts relating to this Project. Please let us know of next steps and we look forward to a successful Council meeting.

Sincerely,

Sierra Atilano

Sierra Atilano, Chief Real Estate Officer
Authorized Representative of Brisbane Senior Housing, Inc.
Enclosure

[Signatures of City and Authority on the Following Page]

The City of Brisbane and Brisbane Housing Authority hereby agree to forgive the Agency Loan and the Bond Proceeds Loan effective as of the expiration or earlier termination of that certain Ground Lease dated as of January 26, 1998, amended in November 4, 1998, and April 10, 2000, and to comply with the other conditions described in (b) through (d).

CITY OF BRISBANE,
a municipal corporation

By: _____

Name: _____

Title: _____

BRISBANE HOUSING AUTHORITY,
a public body, corporate and politic

By: _____

Name: _____

Title: _____