

**EmeryStation Overland Affordable Housing
Term Sheet**

10.29.21

1) Objective:

Agreement on business terms for a proposed Affordable Housing Agreement to provide Below Market Rate ("BMR") units in an existing building, in order to obtain "Flexible Community Benefit" points associated with planning entitlements for the EmeryStation Overland Project.

2) Parties:

Wareham Development ("Developer") and City of Emeryville ("City")

3) Flexible Benefit:

Developer proposes to obtain 30 bonus points through the provision of affordable units as a Flexible Community Benefit.

Value of 30 bonus points = 3% of construction costs, per EMC Section 8-1.04(v) ("Building Permit Valuation").

Estimated construction costs = \$163,990,000 (rounded)

Target Value of flexible benefit = \$ 4,919,730

4) Designation of Affordable Units:

Unit #	Sq Ft	Description	Average Rent ¹	Bedroom Designation ²	Affordability Level
1504	1027	1 level, interior room	\$2,593	1 BR	Very Low
1512	1027	1 level, open	\$2,593	Studio	Low
1518	1027	1-level, interior room, updated kitchen and bath	\$2,593	1 BR	Low
1531	1461	1-level, 2 interior rooms	\$3,688	2 BR	Low
1533	1078	1-level, interior room	\$2,721	1 BR	Low
1539	1598	1-level, interior room	\$4,034	1 BR	Low
1558	1123	2-level, updated kitchen and bath	\$2,709	1 BR	Low
1566	1073	2-level, open	\$2,835	1 BR	Very Low
1576	1121	2-level, open, updated kitchen	\$2,830	1 BR	Very Low
1508	1027	1-level, interior room	\$2,593	1BR	Low

¹ Average Rent is calculated based on the average rent per square foot for all currently rented units that are between 1000 to 1610 SF in size (i.e. comparable in size to the Affordable Units). This average rent of \$2.52/SF is then multiplied by the square footage for each of the nine Affordable Units to arrive at Average Rent.

² Bedroom Designation is based whether an enclosure of a room(s) exists, or a second level exists. Based on field visit 8/25/21.

5) Rent and Income Restrictions

The following Rent and Income Restrictions apply to the units as designated in Section 4, to be adjusted for household size:

Affordability Designation	Household Income Limit	Gross Rent Limit
Low Income	51% to 80% AMI	30% of 60% of AMI
Very Low Income	Up to 50% AMI	30% of 50% of AMI

The Rent Limits includes the total of monthly payments for a rental including a reasonable allowance for utilities and any required service charges or fees charged to tenants.

Developer shall re-certify tenant incomes annually (see Section 10).

6) Calculation of Flexible Benefit Value:

See Attachment 1 for the calculation of the Flexible Benefit Value. The calculations utilize the following assumptions:

Unit type/bedroom count and corresponding affordable rents per table in Section 4.

55-year affordability period.

7% vacancy rate.

2.5% rent growth.

5% discount rate.

Future rents discounted to Year 0.

Calculations based on the difference between Average Rent and Affordable Rent as designated.

Flexible Benefit Value = \$4,960,000 (rounded).

The parties acknowledge that the assumptions used to calculate the Flexible Benefit Value are conservative, in particular the assumed 7% vacancy rate. The conservative assumptions are intended to ensure the City receives the full benefit.

7) Renovations

The designated affordable units must be renovated to bring all affordable units to a comparable level of quality, including stainless steel appliances 2 years old or less, new cabinets/vanities, countertops and floor coverings. Replace showers/tubs where visible staining or evidence of leakage/caulk deterioration occurs. All units must receive an inspection for life safety systems and unpermitted work and any deficiencies corrected. Building must meet accessibility requirements per the California Building Code (CBC), but renovate no less than 1 BMR unit to be accessible notwithstanding the CBC requirements.

8) Marketing Program

Marketing program consistent with City's Marketing Program Procedures and recent template is required. Submittal required at least 120 days prior to lease-up.

9) Annual Report

Developer shall prepare an Annual Report due on March 1 of each year, which shall include:

- Cover letter describing compliance with Affordable Housing Agreement, any problems and recommendations for solving/enhancing compliance
- Certificate of Continuing Program Compliance
- Copy of current marketing plan
- Copy of current form of lease agreements, for both affordable and market rate units
- Income recertifications for tenants of Affordable Units
- Amount of any rent increases applied to affordable units and the effective date of such increase
- The names and household sizes of tenants vacating or newly occupying affordable units, including income for the new tenants
- Unit number, floor plan, location, bedroom bathroom mix of any units re-designated due to tenants with incomes over the applicable income limits
- Update on Affordable Units Marketing Program, including incorporation of any City procedures changes
- Rent roll for all 41 live-work units

Additionally, the rent roll for all 41 live-work units shall be submitted every six months (i.e. between Annual Report submittals on September 1 of each year) to determine vacancy (see Section 11)

10) Vacancy

Developer shall submit the rent roll for all 41 live-work units to City every six months. If within the first three-year period of the Agreement a review of the rent rolls for this time period demonstrates the vacancy rate for the affordable units exceeds 20%, the term of the Affordability Agreement will be automatically extended an additional 5 years. This review will be repeated after the 10th and 20th year of the Agreement. Developer may request prior approval from the City for a unit to remain vacant for a defined period of time if extensive repairs are required during the term of the Agreement, which approved vacancy will not count against the vacancy rate calculation.

11) Management

If Developer contracts for management of the units, third-party management requires City prior approval, not unreasonably withheld. Property Manager shall have at least 5 years' experience in the operation and management of similar size rental housing projects, and at least 3 years' experience in the operation and management of rental housing projects containing below-market-rate units, without any record of material violations of discrimination restrictions.

12) Continued Use

No affordable unit may be demolished during the term of the affordability agreement.

13) Destruction of Affordable Units

In the event of a disaster or act of god that renders the affordable units unlivable, Developer shall provide relocation assistance for tenants of the affordable units. Relocation assistance includes actual and reasonable moving expenses plus the additional amount which is necessary to enable the person to lease or rent a comparable replacement dwelling for a period not to exceed 42 months, in an amount not to exceed \$5,250.

14) Expenses

Developer shall pay the monitoring and enforcement fees annually as established by the City's Master Fee Schedule. The fee shall be either a) the City's actual expenses incurred for monitoring or enforcing the terms of the Affordability Agreement (including staff time and third party costs) or b) the amount set forth in the Master Fee Schedule, as determined by the City.

15) Schedule

Milestone	Deadline
Execution of Affordable Housing Agreement	Prior to Issuance of Building Permit for EmeryStation Overland Project (Project)
Completion of Renovations of Affordable Units	Prior to issuance of any Certificate of Occupancy for the Project, including Temporary Certificates of Occupancy
Submittal of Marketing Program	120 days prior to Lease-up
All Affordable Units leased	Within six months of issuance of Final Certificate of Occupancy for Project

Alternative 1
CALCULATIONS OF NET PRESENT VALUE TO YEAR 0

Projected Rent Increase Discount Rate		2.5% 5.0%	
	Year	Total	NPV to Year 0
	0	\$ -	\$ -
	1	\$ 168,736	\$ 160,701
	2	\$ 172,955	\$ 156,875
	3	\$ 177,279	\$ 153,140
	4	\$ 181,711	\$ 149,494
	5	\$ 186,253	\$ 145,934
	6	\$ 190,910	\$ 142,460
	7	\$ 195,683	\$ 139,068
	8	\$ 200,575	\$ 135,757
	9	\$ 205,589	\$ 132,524
	10	\$ 210,729	\$ 129,369
	11	\$ 215,997	\$ 126,289
	12	\$ 221,397	\$ 123,282
	13	\$ 226,932	\$ 120,347
	14	\$ 232,605	\$ 117,481
	15	\$ 238,420	\$ 114,684
	16	\$ 244,381	\$ 111,954
	17	\$ 250,490	\$ 109,288
	18	\$ 256,752	\$ 106,686
	19	\$ 263,171	\$ 104,146
	20	\$ 269,750	\$ 101,666
	21	\$ 276,494	\$ 99,246
	22	\$ 283,407	\$ 96,883
	23	\$ 290,492	\$ 94,576
	24	\$ 297,754	\$ 92,324
	25	\$ 305,198	\$ 90,126
	26	\$ 312,828	\$ 87,980
	27	\$ 320,649	\$ 85,885
	28	\$ 328,665	\$ 83,840
	29	\$ 336,881	\$ 81,844
	30	\$ 345,303	\$ 79,895
	31	\$ 353,936	\$ 77,993
	32	\$ 362,784	\$ 76,136
	33	\$ 371,854	\$ 74,323
	34	\$ 381,150	\$ 72,554
	35	\$ 390,679	\$ 70,826
	36	\$ 400,446	\$ 69,140
	37	\$ 410,457	\$ 67,494
	38	\$ 420,719	\$ 65,887
	39	\$ 431,237	\$ 64,318
	40	\$ 442,018	\$ 62,787
	41	\$ 453,068	\$ 61,292
	42	\$ 464,395	\$ 59,832
	43	\$ 476,005	\$ 58,408
	44	\$ 487,905	\$ 57,017
	45	\$ 500,102	\$ 55,660
	46	\$ 512,605	\$ 54,334
	47	\$ 525,420	\$ 53,041
	48	\$ 538,556	\$ 51,778
	49	\$ 552,019	\$ 50,545
	50	\$ 565,820	\$ 49,342
	51	\$ 579,965	\$ 48,167
	52	\$ 594,465	\$ 47,020
	53	\$ 609,326	\$ 45,900
	54	\$ 624,559	\$ 44,808
	55	\$ 640,173	\$ 43,741
Total		\$ 19,497,648	
Net Present Value (to Year 0)			\$ 4,956,086
NPV Per Unit (to Year 0)			\$ 495,609