

WILLOW GLEN APARTMENTS

SECTION 42 LOW INCOME TAX CREDIT CONVERSION

Hercules, CA

Prepared By:

RELIANT GROUP MANAGEMENT, LLC

RELIANT GROUP MANAGEMENT, LLC

601 California Street, Suite 1150

San Francisco, CA 94108

Phone: (415) 788-0700

Fax: (415) 788-0435

www.reliantgroup.com

OVERVIEW

Reliant Group Management, LLC (“Reliant”), is under contract to purchase the 84-unit Willow Glen Apartments (“Willow Glen”) as part of a seven-property portfolio purchase in the Bay Area.

PROPERTY NAME	ADDRESS	UNITS	YEAR BUILT
Willow Glen	1231 Willow Avenue Hercules, CA 94547	84	1988



The purchase is expected to close on or around January 30th, 2019, with the tax credit and bond closing to follow in late March, 2019. This closing will include a syndication of 4% low income housing tax credits or (“LIHTC”) equity, new tax-exempt bond financing, and an extensive rehabilitation of the property. The acquisition and renovation will preserve the physical plant of the asset for the foreseeable future, as well as create much-needed affordable housing in a market that has seen significant rental escalations over the last several years. The renovation will include but not be limited to the following as necessary;

Exterior / Common Areas:

- New roofs
- New energy efficient windows and sliding glass doors
- Upgraded, energy efficient lighting fixtures throughout
- Wood repair / siding replacement and full exterior paint
- Extensive landscaping upgrades, including drought tolerant plants and irrigation retrofit
- Upgraded pool area
- Upgraded laundry room
- New building and monument signage

- Parking lot repairs, slurry seal and striping
- Redecorated and improved community building

Unit Interiors:

- New cabinets and hard surface countertops in kitchens and baths
- New stainless-steel energy efficient appliances in all units
- Low Flow Toilets and showerheads throughout
- Energy efficient lighting and new fixtures throughout
- New vinyl plank flooring in kitchen, hallways, and baths

The California debt limit allocation committee or “CDLAC” will allocate bonds necessary to complete the acquisition and renovation. CalPFA will facilitate the issuance of the tax-exempt bonds and will be responsible for compliance and reporting for the project. **The city of Hercules will not have any financial or oversight responsibility for the bonds whatsoever.**

As a condition of the bond allocation, a land use restriction agreement or (“LURA”) will be recorded on title. The LURA will restrict 90% of the incomes and rents of families residing in the units at 60% of the area median income and 10% of the units at 50% of the area median income. The affordability restrictions will remain for a period of 55 years. This recorded agreement will ensure that the property is maintained as affordable for the long-term and provide much needed affordable housing for the citizens of Hercules.

The maximum allowable LIHTC rents will be significantly below market rents in the area. This is unique in the marketplace and reflects the significant level of deferred maintenance which needs to be addressed at the property through a LIHTC renovation. The comparable market rents for similar units in the market are significantly higher than the maximum allowable rents that will be charged at Willow Glen, as shown in the chart below.

Unit Type	Sq. Ft.	Units	% of Total	Net Max LIHTC Rents	Comparable Market Rents	% Below Market
2BR/2BA (60% AMI)	825	75	89.3%%	\$1,515	\$2,200	45%
2BR/2BA (50% AMI)	825	9	10.7%	\$1,253	\$2,200	76%
Total / Avg	825	84	100.0%	\$1,487	\$2,200	41%

RELIANT GROUP MANAGEMENT, LLC / GUNG HO PARTNERS, LLC

Few firms have the depth of knowledge that Reliant Group Management brings to the process of acquiring, renovating, and managing complicated affordable housing real estate transactions. Since the founding of The Reliant Group in 1992, Reliant and its affiliated entities have acquired over \$2.5 billion of multifamily real estate and loan transactions. Reliant's team has focused on assets requiring extensive rehabilitation, repositioning, and restructuring.

Since 1999, The Reliant Group and affiliated entities have acquired more than \$1.26 billion in multifamily assets with a total equity investment of \$440 million, encompassing 16,636 multifamily housing units through its discretionary investment funds, called the Capital Accelerator Program ("CAP" Fund series) TM.

The Reliant Group Management Multifamily Investments (as of October 2018)

	Total Assets	# of Units	Acquisition Price (Total)	Equity Invested	Acquisition Financing
CAP I	8	529	14,659,091	2,900,000	11,759,091
CAP II	4	1,220	33,692,536	9,708,622	23,983,914
CAP III	6	1,577	62,306,319	17,252,044	45,054,275
CAP IV	7	3,241	49,474,763	24,603,917	24,870,846
CAP V	10	1,738	94,724,428	35,399,428	59,325,000
CAP VI	13	2,275	153,898,555	56,250,155	97,648,400
CAP VII	16	2,188	283,115,996	92,652,694	190,463,302
CAP VIII	15	2,912	366,515,768	142,240,365	244,275,403
CAP IX	2	956	184,618,921	59,069,821	125,549,100
Total CAP Fund Investments	81	16,636	1,263,006,376	440,077,045	822,929,331
LIHTC Transactions ⁽¹⁾	37	4,122	627,050,030	260,999,081	412,482,283
Direct Investments	2	266	9,790,152	915,152	8,875,000
Total Multifamily Investments	120	21,024	1,899,846,558	701,991,278	1,244,286,614

(1) The CAP Funds have purchased subordinate tax exempt bonds or GP interests in LIHTC transactions. There are 23 assets and 2,937 units of CAP Fund investments included in the LIHTC Transactions. Equity invested in LIHTC assets includes tax credit equity, deferred developer fees and NOI during lease-up.

The sponsor member of the CAP fund series is Gung Ho Partners, an entity also managed by Reliant Group Management, but owned by the individual employees of Reliant Group Management. Over the last 10 years, Gung Ho Partners has successfully completed the acquisition and renovation of 37 properties under the Low-Income Housing Tax Credit ("LIHTC") Program totaling \$627 million in total capitalization, including \$261 million of LIHTC equity and \$412 million in acquisition financing.

We are excited to work on this project, and look forward to the renovation and preservation of affordable housing for the City of Hercules.