

# The Bay Area Housing Plan

*For Housing People with Developmental Disabilities under AB 2100*

Submitted by:

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San Andreas Regional Center  
Regional Center of the East Bay  
Golden Gate Regional Center

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*“The State of California accepts a responsibility for persons with developmental disabilities and an obligation to them which it must discharge. Affecting hundreds of thousands of children and adults directly, and having an important impact on the lives of their families, neighbors, and whole communities, developmental disabilities present social, medical, economic and legal problems of extreme importance.”*

*Section 1405 of the Lanterman Act*

### **I. INTRODUCTION**

The Bay Area Housing Plan (BAHP) is established to provide affordable, community based housing for people with developmental disabilities in the San Francisco Bay Area. The plan meets the requirements established by AB 2100, as codified in Welfare and Institutions Code §4688.5.

The initial beneficiaries of the BAHP will be the residents of the Agnews Developmental Center in San Jose as they are transitioned from the Agnews facility. The BAHP establishes the strategy and timeline for the acquisition, construction and financing for the completion of homes for these residents.

Implementation will begin in 2005 and continue through 2007 and will involve developing housing for up to 300 Agnews residents based on need. The three affected Regional Centers will have the unqualified right to determine the types, amounts and locations of the housing to be purchased and developed for such Agnews residents, based on the Regional Centers' review and approval of actual plans for each proposed residence.

The BAHP was developed through a public/private partnership between:

- Golden Gate Regional Center, Regional Center of the East Bay, and the San Andreas Regional Center (working in collaboration under what is called the Unified Plan);
- The Hallmark Group, a private capital program management company, and its nonprofit affiliate, Hallmark Community Services; working in conjunction with:
  - Bay Area Housing Corporation, a non-profit organization;
  - Housing Coalition of the East Bay, non-profit organization;
  - West Bay Housing Corporation, non-profit organization;
  - Housing Choices Coalition, non-profit organization;
  - Department of Developmental Services;
  - Agnews Developmental Center in San Jose;
  - Families of persons with developmental disabilities;
  - Advocates;
  - Service providers;

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- Charities Housing Development Corporation, non-profit organization; and
- Lenders for Community Development, non-profit organization.

Utilizing the collaborative ideas of this broad cross-section of individuals and agencies, the plan was guided by their experience and recommendations.

The BAHP is a breakthrough for people with developmental disabilities. It approximates home ownership by enabling these individuals to have their own home located in the community; providing them with the choice of where they will live and how long they will stay.

The BAHP is a breakthrough for the State of California as well. Through public/private partnering, the credit worthiness of the Regional Centers will be leveraged to attract institutional investors for financing home acquisition. The plan enables the Regional Centers and their designees to acquire and control an inventory of homes for the sole use of people with developmental disabilities. Additionally, the plan will allow the State to provide for more stable and permanent housing for people with developmental disabilities, by separation of housing ownership from program service delivery.

Throughout its development the BAHP was guided by the principle of developing a concentric process based on the unique needs of the individual with the developmental disability.

The plan was developed to meet the following objectives:

- Present a housing design and location that is responsive to the needs of the person with the developmental disability.
- Provide safe, secure housing that is integrated into the community.
- Separate the ownership of the housing from the delivery of program services.
- Acquire and/or build quality housing that can withstand rigorous use.
- Pay for it once by creating a model that retains ownership for the exclusive use of people with developmental disorders.
- Create a sense of community.
- Utilize Universal Design concepts.
- Use environmentally sustainable “green” building materials whenever possible.
- Streamline the development and acquisition process.
- Approximate home ownership for the individuals served by the housing.
- Develop a housing program that attracts high quality service providers.
- Meet licensing requirements where applicable.

### II. OVERVIEW

In order to meet the objectives of the plan, the Regional Centers will contract with a Master Developer to create housing to facilitate the integration of the Agnews residents into the community. Relocating Agnews residents into the community will be approached as one unified project that will involve development of several housing sites. This allows for significant economies of scale to be achieved in key areas such as design, acquisition, and finance. The amount of time required to complete the transition and overall complexity are reduced by standardizing processes and consolidating responsibility.

The plan is based on a lease/purchase/conveyance model whereby (1) the Master Developer initially purchases each property, (2) the Master Developer enters into long term lease agreements (the "Leases") with Service Providers, to provide individualized housing options for the Agnews' residents, (3) the Master Developer transfers ownership in the properties to nonprofit organizations selected by the Regional Centers, under the authority granted by California Welfare and Institutions Code §4688.5 and (4) the Regional Centers provide for, secure and assure each tenant's Lease obligation.

The Master Developer is required to acquire, design, and construct or rehabilitate housing based on pre-approved criteria, and may provide support in other areas as requested or needed. In addition, the housing must adhere to the requirements stipulated in AB 2100, sec. 3, codified in California Welfare & Institutions Code §4688.5. To allow the Master Developer to secure long term financing for the acquisition and development of qualified properties, the Master Developer will lease such properties to Service Providers under long term Leases. The Service Providers will then operate the properties for the benefit of consumers who receive services from the Regional Centers. The Regional Centers will provide for, secure and assure the Service Providers' lease payments.

Based on the Regional Centers' agreement to provide for, secure and assure Service Providers' rent under the Leases, the Master Developer will obtain below market financing from institutional investors for the purchase of the homes. The Master Developer will utilize the \$11.115 million dollars re-appropriated in the 2005-2006 Budget Act for pre-development costs. A Pre-development Fund will be established by the BAHP for the oversight and distribution of the funds. In order to preserve funds for future housing opportunities, the Master Developer will endeavor to obtain 100% financing for the project and return pre-development dollars back to the Pre-development Fund to the fullest extent possible. To the extent the Master Developer is unable to obtain 100% financing for any property, the Regional Centers will use their own funds to cover the difference.

The Regional Centers will treat all Pre-development Funds as restricted funds, and will enter into an applicable agreement with the California Department of Developmental Services.

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During an interim period the Master Developer will be responsible for management and maintenance of the properties. At the time the Master Developer obtains long term financing for the properties (which is expected to occur for all properties by 2008, subject to delays beyond the Master Developer's control), the Master Developer is required to convey fee ownership of each of the properties to a non-profit organization at the direction of the BAHP Steering Committee. (The Steering Committee is comprised of the three Regional Center directors, and is responsible for the oversight of the BAHP.) At such time, the non-profit organization will become the landlord under the Leases. The Service Providers will continue to be the tenants under such Leases, and will continue to operate the properties for the benefit of the Regional Centers' consumers.

The responsibilities of the Steering Committee include: assurance that homes proposed for the long term Leases meet the pre-approved criteria, authorization for the release of pre-development dollars, execution of the Lease Assurance Agreements on behalf of their respective Regional Center, and performance evaluation of the Master Developer. The Steering Committee has the authority to modify the Site Selection and Design Criteria, select and replace program service providers and will approve the communities in which the housing will be located. In the event that the Steering Committee becomes disbanded it shall be the responsibility of the Director of the Department of Developmental Services or its designee to assume the responsibilities of the Steering Committee.

Housing Acquisition and Development Procedures have been established for the BAHP. These procedures include the Process to Acquire Housing, the Site Selection and Design Criteria, and the Proposal Documents for Purchase.

Selected NPO's in collaboration with the Master Developer will locate housing based on the Site Selection Criteria. The communities in which the housing will be located and specific resident requirements are coordinated by the Unified Plan Director. Both the Master Developer and the Unified Plan Director report directly to the Steering Committee.

If the Steering Committee determines that the property meets the Site Selection Criteria and Design Criteria, pre-development dollars will be released to place the property in escrow, perform due diligence, pay design fees and other pre-development costs. The Master Developer will create an estimate of the costs required to bring the property into conformance with the Design Criteria. Subsequently, the Master Developer will create a lease costs pro forma to present to the Steering Committee.

Once the Steering Committee determines that the projected costs are reasonable and the Design Criteria are achieved, then the applicable Service Providers selected by the Steering Committee will execute the Leases, and the Regional Centers will execute the Lease Assurance Agreements. The Master Developer will close on the property and supervise the modifications required to meet the Design Criteria. Upon completion and acceptance of the modifications, the property will be available for occupancy. The

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Master Developer will provide for the property management and maintenance until it obtains long term financing for the properties. The long term financing is expected to occur in phases, so that (1) the Master Developer will retain fee ownership of each property for time periods of between 4 and 18 months and (2) the long term financing for all properties should be in place by not later than 2008 (subject to delays beyond Master Developer's control); at such time as the Master Developer obtains long term financing for each property, the Master Developer will convey such properties to a non-profit organization at the direction of the Steering Committee. Along with ownership, the property management responsibilities will transfer to the NPO. The Master Developer will convey the properties to the NPOs subject to pre-existing encumbrances of record, including the Leases, occupancy restrictions, applicable regulatory agreements and applicable financing (all of which will have been previously approved by the Regional Centers).

### III. KEY ORGANIZATIONS AND RELATIONSHIPS

#### **Department of Developmental Services (DDS)**

DDS is one of multiple departments under the jurisdiction of the California Health and Human Services Agency. With an annual budget of over \$3.6 billion, DDS funds serve and support over 200,000 children and adults with developmental disabilities. Within the DDS budget, these services are provided through contracts with the 21 non-profit Regional Centers and through state-operated developmental centers such as Agnews Developmental Center in San Jose, California. The role of DDS in the BAHP is to:

- Review and approve a proposal by the Regional Centers that satisfies all requirements of Welfare and Institutions Code §4688.5.
- Monitor and evaluate the effectiveness of the BAHP.
- Provide a consultant to assist in representing DDS with regard to the BAHP.
- Enter into a separate contract with one or more Regional Center to address DDS' roles and responsibilities under the BAHP.

#### **Agnews Developmental Center**

One of five state facilities that provide intensive training and supervision to people with developmental disabilities, the facility provides 24-hour service and deals with all aspects of the individuals' lives; including residential services, skills training, specialized healthcare and other therapies, and leisure and recreational opportunities. The role of the Agnews Developmental Center in the BAHP is to:

- Assist in the coordination of efforts in assessment, development of Individual Placement Plans, planning and transition for the benefit of residents.
- Advise the Steering Committee regarding housing design, types and locations needed to transition Agnews' residents into the community.

#### **Regional Centers**

California has 21 private, non-profit regional centers contracted by the Department of Developmental Services to provide assessment, diagnosis, counseling and referral services for people with developmental disabilities and their families. People with developmental disabilities are entitled to these services as part of the Lanterman Act. The three Regional Centers that are part of this plan (San Andreas Regional Center, Regional Center of the East Bay, and Golden Gate Regional Center) will:

- Coordinate the program service delivery to support residents in the housing developed through the BAHP.
- Provide a Unified Plan Director to gather consumer housing requirements for current residents of Agnews Developmental Center.
- Perform reference checks and qualification checks on the Master Developer, including a review of Master Developer's development, construction, financial and management experience and capacity.
- Execute the Lease Assurance Agreements and arrange for Service Providers to execute the Leases.

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- Monitor and evaluate the progress of the BAHP.
- The Directors will participate as members of the Steering Committee to approve housing proposals for the BAHP and authorize disbursement of pre-development funds.

### **The Hallmark Group**

The Hallmark Group has been selected as Master Developer. As Master Developer, Hallmark (along with its nonprofit affiliate, Hallmark Community Services) is responsible for:

- Development of up to 100 individualized homes by the end of 2007.
- Development of housing that meets all the requirements approved by the BAHP.
- Acquiring, constructing, financing, managing, and maintaining the properties.
- Conveying the properties to non-profit organizations at the time it obtains long term financing for the properties, under the direction of the Steering Committee.

Hallmark was chosen for its knowledge of the developmentally disabled community, a demonstrated ability to manage complex multiple stakeholder projects, and work experience with public agencies.

Any replacement Master Developer selected by the Regional Centers will also be required to comply with all terms of the Bay Area Housing Plan, including all terms and conditions of the Housing Development Agreement and its attachments.

**Non-Profit Organizations (NPO's):** West Bay Housing Corporation, Housing Consortium of the East Bay, and Bay Area Housing Corporation have been selected to provide the following:

- Locate housing that qualifies for the BAHP within the service areas of their respective regional centers.
- Provide long term ownership and property management.
- Bay Area Housing Corporation, which is one of the NPO's, shall also serve as repository for the Pre-development Fund, subject to direction of the Steering Committee.

The NPO's were selected for their expertise and on the ground knowledge of their local housing market.

Any replacement NPO selected by the Regional Centers will also be required to comply with all terms of the Bay Area Housing Plan, including all terms and conditions of the Leases and their attachments.

### IV. QUALIFICATIONS

In order to achieve the objectives of the BAHP the Regional Centers have selected the following organizations based on their unique abilities.

#### MASTER DEVELOPER

##### **The Hallmark Group/Hallmark Community Services**

The Hallmark Group is part of a family of professional businesses that provide organizational leadership, strategic planning, and capital program management. Hallmark is dedicated to socially responsible and environmentally sensitive programs primarily in the housing, education and health fields. The Regional Centers have performed reference checks and qualification checks on the Master Developer, including a review of Master Developer's development, construction, financial and management experience and capacity, and are continuing to do so.

Hallmark is an organization of program management professionals including design and construction management professionals. In addition to providing services to clients for quality assurance, managed cost and on-time delivery of their projects, Hallmark is known for its creative approach to solving complex problems. The company excels at combining private and public resources to the greatest overall benefit to the project.

The Hallmark Group is responsible for the project management of the first major research university to be constructed in the last fifty years. At a cost of over \$300M the University of California's tenth campus will open in September as a result of Hallmark's innovative and collaborative approach to project delivery. Hallmark's duties include the management of the program budget, maintaining the master schedule, oversight and selection of contractors and consultants, and bidding of all projects. The projects include construction of a 600 student housing complex, the central plant, the library building, the science and engineering building, a classroom and office building, a dining facility, and all related infrastructure required to support the campus. Hallmark has developed a move-in plan and schedule to sequence the tasks and services required for the successful opening of the campus. Included in that plan is coordination for the furniture and equipment installation necessary to house and educate 1000 students on opening day.

In 2002 the professionals at Hallmark began work on a concept project with the goal of developing a better model for housing people with developmental disabilities. After interviewing numerous stakeholders Hallmark brought forward a proposal in August of 2003. The proposal addressed perceived inadequacies of the current housing model by utilizing a lease/purchase/conveyance model. This proposal led to creation of a pilot project for the San Francisco Bay Area involving the individuals from the Agnews Developmental Center.

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The principals of Hallmark have considerable prior experience in residential building and development, including land acquisition, permitting, agency approvals, and the management of large multi-facility programs.

The co-founders of the Hallmark Group are heavily involved in local and national efforts to address the issues of autism. Hallmark constructed the nation's first school designed to respond to the unique learning needs of children with autism, the A.B.C. School. They have been instrumental in establishing education and treatment programs relating to autism including the Land Park Academy, Capital Autism Services and the Listening Clinic.

Hallmark shall provide all necessary qualified personnel to perform Hallmark's services under the Housing Development Agreement. Hallmark shall provide a full-time Project Manager with the authority to commit resources of the firm to monitor, manage and administer all phases of the Project activities and to help achieve the completion of all construction. The Project Manager shall report directly to Charles Gardner, the Executive Officer of Hallmark. Charles Gardner shall serve as the Project Executive and have overall responsibility for the performance of Hallmark's obligations under the Housing Development Agreement.

If the Hallmark's personnel fail to perform to the Steering Committee's satisfaction, the Steering Committee may, upon 30 days written notice, require the Hallmark to remove such person(s) from the project and replace them with personnel acceptable to the Steering Committee.

**Charles Gardner, Executive Officer:** Chuck Gardner is Chief Executive Officer of Gardner Contractors, Inc. Founded in 1992 Gardner Contractors began as a residential construction firm and quickly moved into commercial construction and development. Current projects include small residential and commercial development.

In 2001 he co-founded The Hallmark Group. The Hallmark Group is a program management company that specializes in the management of highly complex and time critical capital improvement projects. The Hallmark Group is under contract to develop, construct, and manage the 144 student preschool at UC Davis Medical Center. Recently the Hallmark Group was awarded the program management contract for the construction of the new \$400 million University of California, Merced Campus. Most recently the Hallmark Group was awarded the project management contract for the entitlement process on the 1100 acre future campus for De La Salle University.

Along with two partners Mr. Gardner founded Land Park Academy in 2002. Land Park Academy is a private school for children with autism that is dedicated to the education and care of children ages 6 – 14. Opened in July of 2002 the school has 60 pupils in the school program and 65 students in the after school program. In 2004 the school launched Capitol Autism Services to provide continuity of service from school to home.

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In 2003 Mr. Gardner founded Hallmark Community Services, a non-profit corporation to provide education, community services, and housing opportunities for people with developmental disabilities. Mr. Gardner serves on the Board of Directors for Hallmark Community Services.

Mr. Gardner has a child with autism and has a personal interest in helping the developmentally disabled. Mr. Gardner is credited with being the visionary behind the MIND Institute. Since 1998 he has worked closely with public and private entities to create a monumental collaboration between scientists, clinicians, educators, the State of California, and the community. Mr. Gardner assembled a team of University administrators and scientists who wrote the business plan for MIND, convincing the Governor and State Legislators that MIND was the solution to the state's autism epidemic. The result was a \$28 million one-time appropriation from the State of California and over \$9 million in annual on going funds. To date MIND has raised approximately \$100 million. He served on the MIND Board of Directors from 1998 until 2000. He continues to serve on the MIND Research Committee. He continues to work with MIND Institute researchers to streamline the scientific process for developing a cure for autism.

Mr. Gardner is an honorary board member of Families for Early Autism treatment. Mr. Gardner has served on the MIND Institute Board of Directors, Education Committee, Research Committee, and Development Committees. He is currently co-chair of the MIND \$20M capital campaign.

Mr. Gardner has a Bachelor of Science degree in Economics from North Carolina State University. He graduated in 1983.

### **NON-PROFIT HOUSING ORGANIZATIONS**

Each of the properties will be owned by a non-profit organization (NPO), to maintain the tax exempt status of those properties leased by such organizations to nonprofit Service Providers during the term of the Regional Centers' occupancy restrictions. The organizational documents of each NPO shall require that their purpose is to provide housing for individuals with developmental disabilities. Such organizational documents shall also provide that each NPO cannot pledge or hypothecate any of its assets during the applicable occupancy restriction period (e.g., 55 years) applicable to each property.

The Regional Centers reserve the right to review and approve all staff qualifications of all NPOs. As noted in the Housing Development Agreement, the Regional Centers, acting through their Steering Committee, will select the appropriate NPO to become the fee owner of each applicable property. The following is a list of NPOs the Regional Centers initially intend to use to become the fee owners of the properties, although the Regional Centers have the right to select other NPOs.

### **Bay Area Housing Corporation (BAHC)**

Bay Area Housing Corporation is a nonprofit organization that was recruited by the three Regional Center Directors from San Andreas Regional Center, The Regional Center of the East Bay, and Golden Gate Regional Center, to facilitate the development of a housing plan to transition residents of Agnews Developmental Center into the community.

Kris McCann, who serves as the Executive Director of BAHC, has worked in creating homes for people with developmental disabilities for the past eight years. She is recognized throughout the State as a leader in the housing field and has a background in organizational development, non-profit management, and real estate. She has a daughter with a developmental disability, is sensitive to the needs of this population and strives to make a difference. In March of 2003, Kris was asked to facilitate the Housing Work Group that gave input to the 2005 Agnews' Closure Plan.

Tracey Chew, is the Associate Director of BAHC and has a significant background in affordable housing and service delivery. She has been an affordable housing advocate for the past 9 years, working with many non-profits in the Bay Area and she brings her talents and passion to the development of the BAHP. Her Master's Degree in Urban Planning and Administration is a tremendous asset to the organization. Tracey has a deep interest in creating a new housing model for people with developmental disabilities where they can live safely and age in place.

In the summer of 2003, BAHC signed a contract with the Regional Center Directors to coordinate the development of a housing plan for the Bay Area Project. BAHC recognized the unique talents of the Hallmark Group and recommended them to the Regional Center Directors. The partnership between the Hallmark Group and BAHC has produced a very creative and dynamic partnership. With input from the other Housing NPO's and other consultants, the BAHP has been formulated by the Hallmark Group and BAHC.

### **West Bay Housing Corporation (WBHC)**

West Bay Housing Corporation (WBHC) was established in March, 2004 by combining 3 distinct housing coalitions that served the Golden Gate Regional Center clients. The WBHC Board of Directors is comprised of a parent, representatives from the affordable housing community, Golden Gate Regional Center (GGRC) service providers and one staff person. In August, 2004, Vera Ciammetti was hired as the Executive Director. She has a staff of three full time employees.

WBHC initially is working on two major projects. In June, 2004, GGRC signed a contract with WBHC to assist with a project to purchase new housing for individuals so that fewer clients live in one setting. In the second project, WBHC is providing assistance to GGRC in the planning efforts for clients who will be moving as a result of

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the closure of Agnews Developmental Center. GGRC signed a contract with WBHC in March, 2004 to assist in providing housing for these individuals.

**Vera R. Ciammetti, Executive Director:** Over eight years experience in affordable housing management, financing, new construction and rehabilitation. Twenty years experience in senior management of low income, senior and disabled housing programs from long term care to independent housing. Previously CEO for PEP Housing. Current and past responsibilities include supervision of daily operations, property management/compliance, staff hiring, training and supervision. Compliance to all applicable rules and regulations of various funding sources including but not limited to: HUD, TCAC, RHCP, AHP, HOME, etc.

**Keith Nakatani, Director of Housing Development:** Two and one half years experience in providing affordable housing and conducting advocacy on behalf of people with developmental disabilities. Responsibilities include overseeing all aspects of project development and acquisitions; designing and managing information systems to ensure project objectives are achieved; and coordinating new project initiation including feasibility analysis, negotiating terms of acquisition, and securing predevelopment and permanent financing.

**John Sedlander, Director of Resource Development:** Three and one half years experience for an agency that provides services to homeless adults as Director of Operations, including the construction and project management of a 130-bed, \$4.4 million homeless shelter and transitional living facility, financed with funding from HUD, California HCD, block grants, and city redevelopment funds. At West Bay Housing, responsible for establishing and maintaining relationships with community resources: coalitions, service providers, and other housing agencies and developers. Designs and implements information systems, assists with cash flow analyses of potential projects, coordinates WBHC's participation with the HomeChoice Program, and formulates strategies and goals for the organization.

### **Housing Consortium of the East Bay (HCEB)**

HCEB was the first non-profit organization in the Bay Area (and a leader in the state) focused on securing/creating affordable housing for persons with developmental disabilities. Established in 1996 and incorporated in 1997 HCEB's work was initially performed on a voluntary basis by the board of directors with assistance from a consultant. After receiving a capacity building grant from the Department of Developmental Services and matching funds from the Regional Center of the East Bay in 2001 the Consortium hired its first Executive Director.

HCEB's relevant experience includes acquiring more than 70 "set-aside units" that house over 100 persons with developmental disabilities, obtaining 300 Section 8 vouchers, as well as creating and operating the Housing Connection that links persons with developmental disabilities to available housing. Last year HCEB started its Home Ownership Program using Home Choice mortgage loans offered by Fanny Mae to

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provide single-family mortgages to low and moderate-income persons who have disabilities, or have family members with disabilities. This is a first in the Bay Area.

In addition to the above, HCEB is working on two major projects. The first is an 11 unit apartment building in Fremont with grants totaling \$4,231,893 from the City of Fremont, the HUD 811 program, Housing and Community Development's Multi-family Housing Program and the Federal Home Loan Bank Affordable Housing Program. Construction will commence in June 2005. The second project involves working under contract with RCEB to assist in the planning for optimal housing solutions for residents leaving Agnews Developmental Center. A contract has been signed to that effect in June 2004.

**Uta Swiatecki, Board President & Acting Executive Director:** More than ten years' experience in affordable housing development for persons with developmental disabilities. She was one of the founding members of HCEB. She also created a non-profit community organization to develop the first HUD 811 project for persons with developmental disabilities in Berkeley. She has thirty years of experience in the field of developmental disabilities, including serving on the Board of Directors of RCEB. She has a son with autism and has a strong commitment to creating affordable housing for persons with developmental disabilities.

**Nesreen Kawar, Project Manager:** Over three years of experience in affordable housing development and management. Her current responsibilities include overseeing all aspects of project development, such as property acquisition, community organizing and outreach, developing and monitoring development budgets and securing funding. She also implements and administers program service activities and communications, and provides tenant liaison services to persons with developmental disabilities.

**Anu Re, Program Coordinator:** Developed and administered HCEB's Home Ownership Program for persons and/or families with developmental disabilities. Responsibilities include infrastructure development, program advocacy and outreach, case management, home buyer education and home ownership coalition development.. He has over five years' experience as a licensed Realtor and Broker in the East Bay, specializing in first-time buyer loan packaging, affordable housing coalition development, and residential and commercial property site analysis and acquisition. He has five years of experience as a licensed special education teacher.

### **V. FINANCING**

#### **Pre-development Funding**

In the 2004 Budget Act, \$11.115 million dollars were set aside for the purpose of facilitating the development of community based living options for current residents of Agnews Developmental Center. This funding was re-appropriated for this purpose in the 2005 Budget Act. Upon DDS's approval of the BAHP, DDS will allocate this sum for Bay Area housing, and the BAHP will utilize those funds to create a Pre-development Fund. The Fund will be made available to Hallmark for pre-development costs and expenses. The pre-development funds will be set up as short term, non-recourse, revolving loans to be used for pre-development costs including but not limited to: escrow deposits to control properties; option payments for land acquisition; due diligence activities; relocation costs; architectural/engineering work; permits and fees; Environmental Impact Reports; mitigation studies; and other activities required prior to property purchase or commencement of construction activities.

Hallmark will endeavor to obtain 100% financing for the homes upon close of escrow. To the extent Hallmark is unable to obtain 100% financing for any property, the Regional Centers will use their own funds to cover the difference. If the lender finances less than 100% of the costs required to complete the purchase, then Hallmark will treat any funds provided by the Regional Centers as an equity investment and cost reduction to the home purchase price. Subsequently Hallmark will reduce lease costs by an amount commensurate with the equity investment.

BAHC will maintain proceeds from the Pre-development Fund, and distribute such proceeds at the direction of the Steering Committee. The Steering Committee will approve the use and disbursement of the funds.

#### **Construction Funding**

A construction loan fund will be established for the BAHP. This fund will be used for the rehabilitation of existing properties and new construction projects. The Construction Funding may be established by an interim lender on a short term revolving basis. The construction loan will be retired by the permanent financing.

#### **Permanent Financing**

Financing for this project will be achieved by use of long term Leases along with Lease Assurance Agreements executed by the Regional Centers, to attract institutional investors to provide financing at below markets rates with a minimum equity investment.

### **VI. COMPENSATION AND FEES**

The following information is based on current industry standards and is an estimated projection of fees for particular roles in the ownership, development and management of BAHP housing. All fees are included as a part of the monthly base rent.

#### **Monthly Base Rent**

The monthly base rent will be determined as a pass through of costs as described in the long term Leases. All costs and fees relating to the ownership and use of the property, including debt service, insurance, property taxes, the property management fee and reserves for landlord's capital repair and replacement obligations, will be totaled to constitute the rent payment. Hallmark will maintain records for review by the Steering Committee, that document the costs that were used to determine the Lease payment amount.

#### **Developer Fee**

As the Master Developer, Hallmark Group will perform work on the BAHP on a cost plus fee basis. Hallmark will be partially compensated for its development related efforts upon its purchase of each property, and Hallmark will receive the balance of its compensation for such property upon its completion of renovation work and closure of permanent financing on the property. The fee will be 10% of total project costs. Total project costs will be defined as all costs that are incurred to complete acquisition and construction/rehab to allow the home to be used for its intended purpose. This fee will be paid out of the proceeds of the loans. This fee is not subject to escalation.

#### **Property Management Fee**

The property management fee will be 5% of the rent under the long term Leases. This fee will transfer with the property on the date Hallmark conveys fee ownership in each property to the non-profit organizations selected by the Steering Committee.

#### **NPO Fee**

The NPO's will create a real estate brokerage agency or otherwise obtain real estate brokerage licenses from the California Department of Real Estate. The entity holding the brokerage license will represent Hallmark in the purchase of the properties. Any real estate commissions that are due will accrue to the entity holding the brokerage license, on behalf of the respective NPO that was the procuring cause of sale. The industry standard for real estate brokerage commissions is 6% of purchase price. They would expect to collect 3% of that of the commission.