



EXECUTIVE SUMMARY

HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

MEETING DATE: September 18, 2020

HCR20-079

SUBJECT: Front & Beech Affordable Housing Loan Recommendation

COUNCIL DISTRICT(S): 3

ORIGINATING DEPARTMENT: Real Estate

CONTACT/PHONE NUMBER: Colin Miller (619) 578-7429

REQUESTED ACTION:

Advance notice of San Diego Housing Commission (Housing Commission) hearing of the following matter has been provided to the Housing Authority Members pursuant to the provisions of San Diego Municipal Code Section 98.0301(e)(4)(B).

Approve a proposed residual receipts loan in an amount not to exceed \$4,250,000 to Front & Beech SD, LP, a California limited partnership, to facilitate the new construction of Front & Beech Apartments, a 78-unit affordable, transit-oriented housing development to be located at southeast corner of Front and Beech streets, San Diego, which will include 77 units that will remain affordable for 55 years and one unrestricted manager's unit.

EXECUTIVE SUMMARY OF KEY FACTORS:

- Front & Beech will consist of 78 new units: 77 studios and one manager's unit.
- Affordability will average 59 percent of San Diego's Area Medium Income (AMI), with 32 units affordable up to 30 percent of AMI and 45 units affordable up to 80 percent of AMI.
- The Housing Commission has committed 32 federal project-based housing vouchers to this development.
- The developer is Affirmed Housing Group, an experienced developer.
- Total development cost is estimated at \$36,459,757 (\$467,433/unit).
- The use of project-based housing vouchers requires payment of Davis-Bacon prevailing wages.
- The site is currently used as a parking lot and will not require any tenant relocation.
- If approved, construction can start in February 2021 and complete by summer 2022



REPORT

DATE ISSUED: September 15, 2020

REPORT NO: HCR20-079

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of September 18, 2020

SUBJECT: Front & Beech Affordable Housing Loan Recommendation

COUNCIL DISTRICT: 3

REQUESTED ACTIONS

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STAFF RECOMMENDATIONS

That the San Diego Housing Commission (Housing Commission) take the following actions as described in this report:

- 1) Approve a Housing Commission residual receipts loan of up to \$4,250,000 to Front & Beech SD, LP, a California limited partnership, to finance the proposed acquisition and new construction of Front & Beech Apartments, a 78-unit affordable rental housing development to be located at the southeast corner of Front and Beech streets, San Diego, which will include 77 units that will remain affordable for 55 years and one unrestricted manager's unit.

The Housing Commission's proposed loan will be contingent upon the developer receiving all necessary third-party funding commitments as described in this report. Such third-party funding commitments will be subject to the Housing Commission General Counsel's approval.

- 2) Authorize the President and Chief Executive Officer (President & CEO), or designee:
 - a. To execute any and all documents necessary to effectuate the transaction and implement the project in a form approved by the General Counsel, and to take such actions as are necessary, convenient and/or appropriate to implement the approvals upon advice of the General Counsel.
 - b. To adjust financing terms/conditions, as necessary, for consistency with requirements of other funding sources or to accommodate market changes that may occur, provided that the proposed \$4,250,000 maximum loan amount may not increase.

- c. To substitute approved funding sources with any other available funds as deemed appropriate, contingent upon budget availability, and further authorize the President & CEO, or designee, to take such actions as are necessary, convenient, and/or appropriate to implement this approval and delegation of authority by the Housing Commission upon advice of the General Counsel.

SUMMARY

A Development Summary is at Attachment 1.

Table 1 –Development Details

Address	Southeast Corner of Front and Beech streets, San Diego, CA
Council District	District 3
Community Plan Area	Downtown Community Planning Council
Developers	Front & Beech SD, L.P. c/o Affirmed Housing Group, Inc.
Development Type	New Construction
Construction Type	5 stories of Type IIIA over 2 stories of type IA
Parking Type	7 surface parking spaces
Housing Type	Affordable
Lot Size	.23 Acres, 10,019 square feet
Units	78 (77 affordable and 1 manager's unit)
Density	339 dwelling units per acre (78 units /.23 acres)
Unit Mix	77 Studios and 1 two-bedroom manager's unit
Gross Building Area	50,690 square feet
Net Rentable Area	31,893 square feet
Commercial/Retail Space	5,000 square feet of community space
Project Based Housing Vouchers (PBV)	32 PBVs requested from SDHC

The Development

Front & Beech Apartments (Front & Beech) is a proposed, new construction, affordable housing development in the Cortez Hill neighborhood of Downtown San Diego (Attachment 2 – Site Map). Once completed, the development will include 77 new units of affordable housing and one unrestricted manager's unit, in the Cortez Hill/Little Italy neighborhoods. All of the units will be contained in one seven-story, building composed of five stories of type IIIA construction, over two stories of type IA construction. Of the building's 78 apartments, 77 are studios and one is a two-bedroom apartment, set aside for the manager. With the exception of the manager's unit, rents at the property will remain affordable to households earning no more than 30 percent of the San Diego Area Median Income (AMI) for 32 of the units, and 80 percent of AMI for the remaining 45 units.

The property will feature approximately 5,000 square feet of community space. Building amenities will include a multipurpose room, a community room, lounge areas, on-site laundry, and a courtyard on the third floor. Residents will also have access to a bicycle storage room (on the second floor) and bicycle maintenance facility operated by a nonprofit partner on the first floor that opens up on Beech Street. Front & Beech will provide seven parking spaces. Public transportation options nearby (within 1/3 of a

mile) include the Blue and Orange Metropolitan Transit System (MTS) Trolley line Civic Center stop, the Sycuan Green Line MTS Trolley line Little Italy stop, and the MTS Express Route 150 bus.

On-site resident services will include adult educational, health and wellness, and skill building classes. These services will be provided by Compass for Affordable Housing (Compass), which has partnered with the developer, Affirmed Housing Group (Affirmed) to provide similar services at other Affirmed properties.

Developer's Request

Front & Beech SD, LP and Affirmed submitted an application in response to the Housing Commission's September 23, 2019, Notice of Funding Availability (NOFA) for Affordable and Permanent Supportive Housing. On March 3, 2020, Housing Commission staff provided a preliminary recommendation of award for a residual receipts loan of up to \$4,250,000 and 32 Project-Based Housing Vouchers (PBV) for Front & Beech.

Front & Beech SD, LP and Affirmed has been awarded a California Debt Limit Allocation Committee (CDLAC) allocation of authority to issue tax-exempt private equity bonds through the California Housing Finance Agency (Cal HFA). They have also applied for California Tax Credit Allocation Committee (CTCAC) approval for 4 percent tax credits, and third-party financing, as described in this report.

The Property

Front & Beech SD, LP acquired the subject property in December 2018. The proposed site is an approximately 10,000-square-foot lot, located two blocks south of the Interstate 5 corridor and within three blocks of Little Italy. Neighborhood amenities include a Rite Aid Pharmacy, Amici Public Park, Ralph's Supermarket, multiple restaurants, including fast food, and a community health clinic—all within a 15-minute walk. The Downtown Family Health Center at Connections Housing, which is operated by Family Health Centers of San Diego, and provides healthcare to low-income, medically underserved individuals is located 10 minutes away. This clinic is located inside PATH Connections Housing, which was also developed by Affirmed.

Appraisal

A November 2019 appraisal of the subject site, conducted by Novogradac, valued the subject property at \$4,300,000.

Prevailing Wages

Front & Beech proposes to use U.S. Department of Housing and Urban Development (HUD) Project-Based Housing Vouchers, administered by the Housing Commission, which will require the project to pay federal Davis-Bacon prevailing wages.

Project Sustainability

Front & Beech will be constructed in conformance with the California Tax Credit Allocation Committee's (CTCAC) minimum energy efficiency standards. The developers plan to pursue a Green point rating certification. Planned green features include Energy Star appliances, energy-efficient dual-pane windows, domestic solar hot water heating, solar photovoltaic system, and low VOC paints. Landscape architecture will be designed using drought-tolerant and native plants.

Accessibility

CTCAC requires wheelchair accessibility in 10 percent of the units, and 4 percent of the units accessible to residents with visual and/or hearing impairment. The same units can satisfy both of these accessibility requirements. In the event HOME funds are used to fund the development, these accessible units will satisfy the HOME requirement of wheelchair accessibility in 5 percent of the units, plus an additional 2 percent of the units accessible for residents with visual and/or hearing impairment.

Relocation

The site is currently used as a parking lot and will not require any tenant relocation.

Development Team

Front & Beech SD, LP is a partnership in which Affirmed will act as the Administrative General Partner and development lead. As such, Affirmed will obtain all necessary funding and oversee all development activities, including but not limited to selection of the development team; direction of all the entitlements, design, and construction related to the project; and management of the limited partnership for the life of the development. The partnership will also include a nonprofit Managing General Partner and an Investor Limited Partner that will be named later.

Affirmed is an award-winning, San Diego, for-profit development company that specializes in affordable housing. They have developed more than 4,000 units of affordable housing in more than 50 communities. Affirmed has successfully developed multiple affordable rental housing developments in San Diego using Housing Commission loan funds and is in full compliance on its previous Housing Commission funded loans.

Table 2 Development Team Summary

ROLE	FIRM/CONTACT
Developers	Front & Beech SD, LP and Affirmed Housing Group
Owner/Borrower	Front & Beech SD, LP
Managing General Partner	Nexus MGP LLC
Administrative General Partner	Affirmed Housing Group, Inc.
Tax Credit Investor Limited Partner	TBD
Architect	Carrier Johnson & Culture
General Contractor	TBD
Property Management	Solari Enterprises, Inc.
Construction and Permanent Lender	TBD

Property Management

Solari Enterprises has more than 25 years of experience in the management of affordable housing. They are a full-service property management firm whose portfolio includes 134 properties containing 8,174 units located across Southern California.

FINANCING STRUCTURE

Front & Beech has an estimated total development cost of \$36,459,757 (\$467,433/unit). Financing will include a combination of federal 4 percent tax credits, tax-exempt bonds issued by the California Housing Finance Agency (Cal HFA), a loan from Cal HFA, state tax credits, deferred developer fee and a Housing Commission Loan.

Table 3 – Front & Beech SD, LP Estimated Permanent Sources and Uses

Financing Sources		Financing Uses		Per Unit
Permanent Loan	\$8,078,808	Acquisition	\$4,179,097	\$53,578
SDHC Loan	\$4,250,000	Construction	\$21,271,000	\$272,705
CalHFA	\$3,785,968	Financing costs	\$1,876,500	\$24,057
State Tax Credit	\$6,820,232	Other soft costs	\$3,646,525	\$46,750
Federal Tax credits	\$12,382,390	City permits and impact fees	\$1,579,276	\$20,247
Deferred Developer's Fee	\$1,142,359	Developer's fee	\$3,642,359	\$46,697
		Reserves	\$265,000	\$3,397
Total Sources	\$36,459,757	Total Uses	\$36,459,757	\$467,433

The Housing Commission's proposed \$4,250,000 residual receipts loan will be funded with \$4,250,000 from the City of San Diego's Affordable Housing Fund (Inclusionary Housing Fee and Housing Impact Fee, also known as Linkage Fee), which the Housing Commission administers. The total amount of funding sources shall not exceed \$4,250,000. A final determination of Housing Commission funding sources will be made by the Housing Commission's President & CEO, or designee, contingent upon budget availability. The proposed loan terms are summarized at Attachment 5.

The Housing Commission requires affordable housing developers to pursue all viable sources of funding to reduce the financing gap and amount of Housing Commission subsidy required. If other funding is secured, proceeds will first be used to make an adjustment to reduce the Housing Commission's loan.

Developers' Fee

\$3,642,359 – gross developer fee
-1,142,359 – deferred developer fee
\$2,500,000– net cash developer fee

On April 25, 2017, the Housing Authority of the City of San Diego (Housing Authority) approved the "Request for Approval of Updated Developer Fees" (Report No. HAR17-011). That report approved

certain developer fee guidelines for multifamily loans and bonds issuances. That report at its Attachment 1 states: “Developer fee for 4% tax credits: in project costs 15% of eligible basis....” For this Front & Beech development, the developers are proposing a \$3,642,359 total developer fee, which complies with HAR17-011. The net cash developer fee shall be \$2,500,000 provided, however, that in the event financing terms or construction costs change and result in a financing gap, the developer may defer additional developer fee. The fee proposed is consistent with the Request for Approval of Updated Developer Fees (HAR17-011) approved by the Housing Authority on April 25, 2017.

Development Cost Key Performance Indicators

Housing Commission staff has identified development cost performance indicators, which are used to evaluate proposed developments and make a funding recommendation. The key performance indicators listed in Table 4 are commonly used by real estate industry professionals and affordable housing developers.

Table 4 – Front & Beech Key Performance Indicators

Development Cost Per Unit	$\$36,459,757 \div 78 \text{ units} =$	\$467,433
Housing Commission Subsidy Per Unit	$\$4,250,000 \div 78 \text{ units} =$	\$54,487
Acquisition Cost Per Unit	$\$4,179,097 \div 78 \text{ units} =$	\$53,578
Gross Building Square Foot Hard Cost	$\$19,695,000 \div 50,690 \text{ sq. ft.} =$	\$389
Net Rentable Square Foot Hard Cost	$\$19,695,000 \div 31,893 \text{ sq. ft.} =$	\$618

Project Comparison Chart

Multiple factors and variables influence the cost of developing multifamily affordable housing, including but not limited to project location, site conditions, environmental factors, land use approval process, community involvement, construction type, design requirements/constraints, economies of scale, City fees, developer experience and capacity, and the mission and goals of the organization developing the project. Similar construction-type developments (completed or approved) over recent years are listed in Table 5. These developments are similar in terms of new construction, target population, and construction type and are provided as a comparison to the subject Front & Beech development.

Table 5 – Front & Beech Comparable Development Projects

Project Name	Year	Construction Type	Units	Prevailing Wage	Total Development Cost	Cost Per Unit	HC Subsidy Per Unit	Gross Hard Cost Sq. Ft.
Subject – Front & Beech (7 stories)	2020	III over I	78	Yes	\$36,459,757	\$467,433	\$54,487	\$389
East Block Senior (5 stories)	2019	III	117	No	\$31,151,948	\$266,256	\$57,692	\$313
14th and Commercial (14 stories)	2019	High-rise (Type I)	326	Yes	\$150,744,360	\$462,406	\$18,865	\$371

Twain Veterans (6 stories)	2017	III Over I	80	Yes	\$26,275,500	\$328,444	\$68,750	\$234
Fairmount Family (5 stories)	2017	III Over I	80	No	\$32,174,500	\$402,182	\$118,356	\$218

AFFORDABLE HOUSING IMPACT

Front & Beech will be subject to a Housing Commission Declaration of Covenants and Restrictions, in addition to applicable tax credit and bond regulatory agreements, which will restrict affordability of 77 units for 55 years.

The average anticipated affordability level is 59 percent of AMI, which meets the 60 percent average affordability requirement necessary to qualify for low-income housing tax credits under CTCAC regulations. At Front & Beech, the rent of 32 units will be partially subsidized by revenue from HUD PBVs the Housing Commission administers and awarded to this development. Under this PBV program, the tenants' rent portion is determined by using the applicable minimum rent or a calculated amount based on their income level, whichever is higher, with the remainder being federally subsidized up to a gross rent level approved by the Housing Commission, and the units will remain affordable to households with income at or below 30 percent of AMI. The rent for the remaining 45 affordable units will remain affordable to tenants with income at or below 80 percent of AMI.

Table 6 Affordability and Monthly Estimated Rent Table

Unit Type	AMI	Number of Units	Gross Rents
Studio (with PBVs)	30%	32	\$1,311
Studio	80%	45	\$1,258
Average Affordability	59%	77	-
2 Bedroom Manager	-	1	-
Total Units	-	78	-

FISCAL CONSIDERATIONS

The funding sources and uses proposed for approval by this action are included in the Housing Authority-approved Fiscal Year (FY) 2021 Housing Commission Budget. Approving this action will not change the FY 2021 total budget.

Funding sources approved by this action will be as follows

City of San Diego Affordable Housing Fund – up to \$4,250,000
 Total Funding Sources – up to \$4,250,000

Funding uses approved by this action

Loans up to \$4,250,000

Total Funding Uses - up to \$4,250,000

Development Schedule

The estimated development timeline is as follows:

Milestones	Estimated Dates
CDLAC Allocation Meeting	September 16, 2020
Close Construction Financing	January 15, 2021
Estimated Start of Construction	February 15, 2021
Estimated Completion of Construction	June 30, 2022

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

On January 23, 2019, Affirmed presented the proposed development as an action item to the Downtown Community Planning Council. The Downtown Community Planning Council approved the motion on a vote of 13 to 0 in favor.

KEY STAKEHOLDERS & PROJECTED IMPACTS

Stakeholders include Affirmed as the developer, Compass for Affordable Housing as the service provider, the Housing Commission as a lender, and the Downtown Community Planning Council. The project is anticipated to have a positive impact on the community, as it will contribute to the quality of the surrounding neighborhood and create 77 new affordable rental homes for San Diegans with low income in and around downtown San Diego.

STATEMENT FOR PUBLIC DISCLOSURE

The Developer Disclosure Statement for Affirmed is provided in Attachment 6

ENVIRONMENTAL REVIEW

California Environmental Quality Act

Development within the Downtown Community Planning area is covered under the following documents, all referred to as the "Downtown FEIR": Final Environmental Impact Report (FEIR) for the San Diego Downtown Community Plan, Centre City Planned District Ordinance, and 10th Amendment to the Centre City Redevelopment Plan, certified by the former Redevelopment Agency ("Former Agency") and the City Council on March 14, 2006 (Resolutions R-04001 and R-301265, respectively); subsequent addenda to the FEIR certified by the Former Agency on August 3, 2007 (Former Agency Resolution R-04193), April 21, 2010 (Former Agency Resolution R-04510), and August 3, 2010 (Former Agency Resolution R-04544), and certified by the City Council on February 12, 2014 (City Council Resolution R-308724) and July 14, 2014 (City Council Resolution R-309115); and, the Final Supplemental Environmental Impact Report for the Downtown San Diego Mobility Plan certified by the City Council on June 21, 2016 (Resolution R-310561). Development within the Downtown Community Planning area is also covered under the following documents, all referred to as the "CAP FEIR": FEIR for the City of San Diego Climate Action Plan (CAP), certified by the City Council on July 12, 2016 (City Council Resolution R-310596). The Downtown FEIR and CAP FEIR are both "Program EIRs" prepared in compliance with California Environmental Quality Act (CEQA) September 26, 2019 Guidelines Section 15168. The information contained in the Downtown FEIR and the CAP FEIR reflects the independent judgement of the City of San Diego as the lead agency. The Downtown FEIR and CAP FEIR are located on the City of San Diego's website: ([https://www.sandiego.gov/planning/programs/ceqa#Final CEQA Documents](https://www.sandiego.gov/planning/programs/ceqa#Final%20CEQA%20Documents)). Consistent with best

practices suggested by Section 15168, a Downtown 15168 Consistency Evaluation ("Evaluation") will be completed to evaluate the project's consistency with the findings of the Downtown FEIR and CAP FEIR. If the evaluation concludes that the environmental impacts of the project were adequately addressed in the Downtown FEIR and CAP FEIR, the project within the scope of the development program described within both documents for the purposes of CEQA; and, that none of the conditions listed in Section 15162 exist, no further environmental documentation will be required under CEQA. Approval will occur once the environmental review has been completed in accordance with CEQA Section 15004. This action will not foreclose review of alternatives or mitigation measures by the public as part of the CEQA process.

National Environmental Policy Act

Federal funds will constitute a portion of the funding for the project. A final reservation of federal funds shall occur only upon satisfactory completion of the environmental review and receipt by the City of San Diego of a release of funds from the U.S. Department of Housing and Urban Development under 24 CFR Part 58 of the National Environmental Policy Act (NEPA). The final authorization to release funds from HUD was received on July 8, 2020.

Respectfully submitted,

Approved by,

Colin Miller

Colin Miller
Vice President of Multifamily Housing Finance
Real Estate Division

Jeff Davis

Jeff Davis
Executive Vice President & Chief of Staff
San Diego Housing Commission

Attachments:

1. Development Summary
2. Site Maps
3. Organization Chart
4. Developers' Project Pro Forma
5. Proposed Loan Terms
6. Developers' Disclosure Statement

Docket materials are available in the "Governance & Legislative Affairs" section of San Diego Housing Commission website at www.sdhc.org

Development Summary – Front & Beech

Table 1 – Development Details

Address	SE Corner of Front St. and Beech St., San Diego, CA
Council District	District 3
Community Plan Area	Downtown Community Planning Council
Developers	Front & Beech SH, L.P. c/o Affirmed Housing Group, Inc.
Development Type	New Construction
Construction Type	5 stories of Type IIIA over 2 stories of type 1A
Parking Type	7 surface parking spaces
Housing Type	Affordable
Lot Size	.23 Acres, 10,019 square feet
Units	78 (77 affordable and 1 manager's unit)
Density	339 dwelling units per acre (78 units /.23 acres)
Unit Mix	77 Studios and 1 two-bedroom manager's unit
Gross Building Area	50,690 square feet
Net Rentable Area	31,893 square feet
Commercial/Retail Space	5,000 square feet of community space
Project Based Housing Vouchers (32 total)	32 PBVs requested from SDHC

Table 2 - Development Team Summary

ROLE	FIRM/CONTACT
Developers	Front & Beech SD, LP and Affirmed Housing Group
Owner/Borrower	Front & Beech SD, LP
Managing General Partner	Affirmed Housing Group
Administrative General Partner	TBD
Tax Credit Investor Limited Partner	TBD
Architect	Carrier Johnson & Culture
General Contractor	TBD
Property Management	Solari Enterprises, Inc.
Construction and Permanent Lender	TBD

Table 3 –Estimated Sources and Uses of Financing

Financing Sources	Amounts	Financing Uses	Amounts	Per Unit
Permanent Loan	\$8,078,808	Property acquisition:	\$4,179,097	\$53,578
SDHC Loan	\$4,250,000	Construction costs \$19,695,000 Contingency + \$1,576,000 Total construction \$21,271,000	\$21,271,000	\$272,705
CalHFA	\$3,785,968	Financing costs	\$1,876,500	\$24,057
State Tax Credit	\$6,820,232	Other soft costs	\$3,646,525	\$46,750
Federal Tax credits	\$12,382,390	City permits and impact fees	\$1,579,276	\$20,247
Deferred Developer's Fee	\$1,142,359	Developer's fee	\$3,642,359	\$46,697
		Reserves	\$265,000	\$3,397
Total Development Cost	\$36,459,757	Total Development Cost (TDC)	\$36,459,757	\$467,433

Table 4 – Key Performance Indicators

Development Cost Per Unit	$\$36,459,757 \div 78 \text{ units} =$	\$467,433
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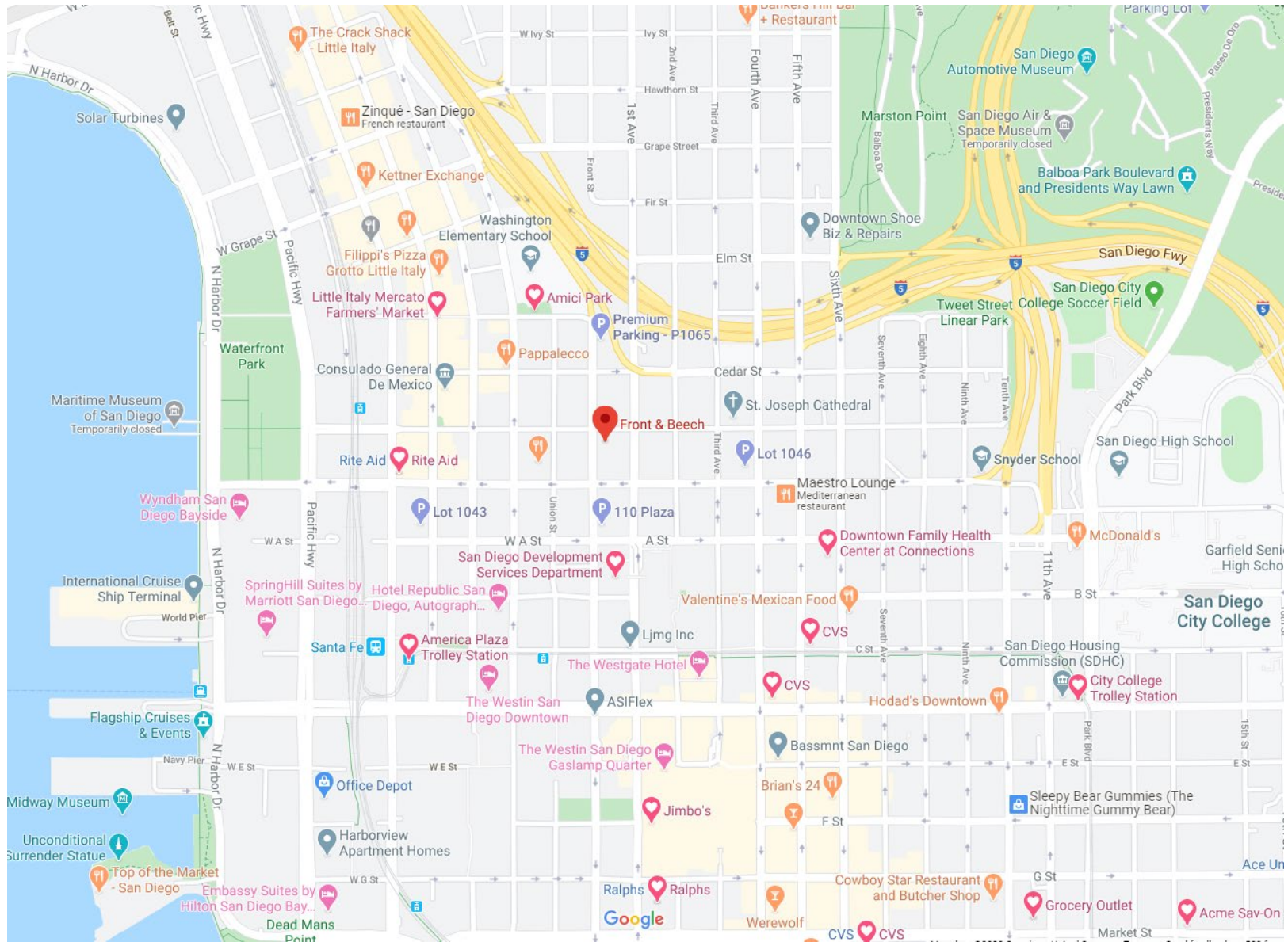
Table 5 – Comparable New Construction Projects

Project Name	Year	Construction Type	Units	Prevailing Wage	Total Development Cost	Cost Per Unit	HC Subsidy Per Unit	Gross Hard Cost Sq. Ft.
Subject – Front & Beech (7 stories)	2020	III over I	78	Yes	\$36,459,757	\$467,433	\$54,487	\$389
East Block Senior (5 stories)	2019	III	117	No	\$31,151,948	\$266,256	\$57,692	\$313
14th and Commercial (14 stories)	2019	High-rise (Type I)	326	Yes	\$150,744,360	\$462,406	\$18,865	\$371
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Table 6 – Affordability & Monthly Estimated Rent Table

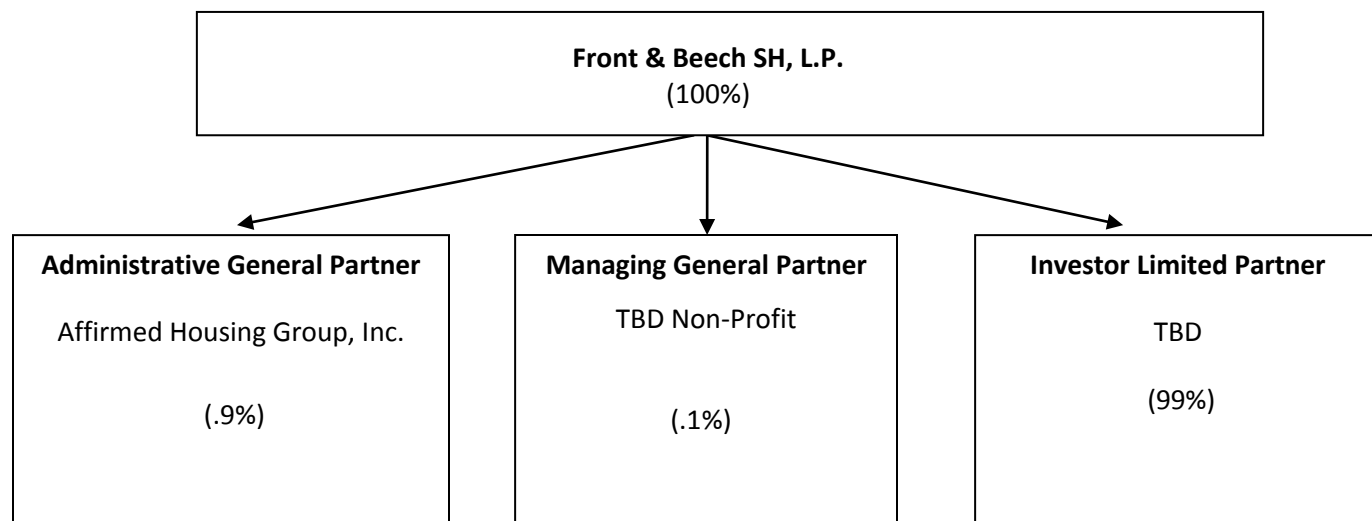
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Studio	80%	45	\$1,258
Average Affordability	59%	77	-
2 Bedroom Manager	-	1	-
Total Units	-	78	-

Attachment 2 – Site Map Front & Beech



**FRONT& BEECH SH, L.P.
OWNERSHIP STRUCTURE:**

Affirmed Housing Group, Inc., a Delaware for-profit corporation, has formed a Limited Partnership that is the 100% ownership entity of the affordable housing project. Affirmed Housing Group will own .9% interest, the Investor Limited Partner will have 99% interest in the limited partnership, and the Managing General Partner will own .1% of the limited partnership.



OFFICERS AND/OR MANAGERS RESPONSIBLE FOR THE PROJECT:

- | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. James Silverwood
President
Affirmed Housing Group, Inc.
13520 Evening Creek Dr. N, #160
San Diego, CA 92128</p> | <p>3. Cristina Martinez
Project Manager
Affirmed Housing Group, Inc.
13520 Evening Creek Dr. N, #160
San Diego, CA 92128</p> |
| <p>2. Jimmy Silverwood
Vice President of Acquisitions & Development
Affirmed Housing Group, Inc.
13520 Evening Creek Dr. N, #160
San Diego, CA 92128</p> | <p>4. Michelle Muniz
Application Manager
Affirmed Housing Group, Inc.
13520 Evening Creek Drive N. Suite 160
San Diego, CA 92128</p> |

Affirmed Housing Group, Inc. will act as the General Partner in the development of the affordable housing project. Affirmed Housing Group's role in the development will be to obtain all the necessary funding to develop and operate the project, process entitlements, select consultants, General Contractor and property management company, oversee architectural design, construction management and other aspects of the development process as well as manage the limited partnership for the life of the project.

Front & Beech
San Diego, CA 92101
78 Unit Affordable & Workforce Housing (32 Non-PSH PBV)
7 Story Total On Grade- 5 Story Type III over 2 Stories Type I
4% + State LIHTC + SDHC + CalHFA + 32 PBVs
5/27/2020

SOURCES

Name of Lender/Source	Amount of Funds	Per Unit	%
Tranche B Loan	\$ 8,078,808	103,574	22.16%
SDHC Loan	\$ 4,250,000	54,487	11.66%
CalHFA	\$ 3,785,968	48,538	10.38%
Deferred Developer Fee	\$ 1,142,359	14,646	3.13%
Federal Tax Credit Equity	\$ 12,382,390	158,749	33.96%
State Tax Credit Equity	\$ 6,820,232	87,439	18.71%
TOTAL SOURCES	\$ 36,459,757	467,433	100.0%

USES

Property Acquisition Cost	\$ 4,179,097	53,578	11.5%
Total Relocation Expenses	\$ 65,000	833	0.2%
Total New Construction Costs	\$ 19,695,000	252,500	54.0%
Hard Cost subtotal	\$ 19,695,000	252,500	54.0%
Construction Contingency	\$ 1,576,000	20,205	4.3%
Architecture & Engineering	\$ 1,531,840	19,639	4.2%
Construction Interest & Fees	\$ 1,544,500	19,801	4.2%
Agency Constr Interest & Fees	\$ -	-	0.0%
Capitalized Reserves	\$ 265,000	3,397	0.7%
Taxes & Insurance	\$ 290,000	3,718	0.8%
Cost of Issuance	\$ 225,000	2,885	0.6%
Other: Const Mgmt	\$ 150,000	1,923	0.4%
Escrow & Title	\$ 22,000	282	0.1%
Legal Fees	\$ 187,500	2,404	0.5%
Devel Impact Fees & Permits	\$ 1,579,276	20,247	4.3%
Tax Credit Fees	\$ 107,000	1,372	0.3%
Misc. Soft Costs	\$ 912,860	11,703	2.5%
Soft Cost subtotal	\$ 6,814,976	87,371	18.7%
Soft Cost Contingency	\$ 487,325	6,248	1.3%
Developer Fee	\$ 3,642,359	46,697	10.0%
TOTAL USES	\$ 36,459,757	467,433	100.0%

FINANCING ASSUMPTIONS

Permanent Loan Amount	\$8,078,808
Permanent Loan Interest Rate	4.39%
Permanent Loan Term (mo.)	204
Net Operating Income	\$545,018
Debt Service	\$451,922
Debt Coverage Ratio	1.18
Construction Loan Amount	\$20,524,487
Construction Loan Interest Rate	4.00%
Construction Loan Term (mo.)	26
Loan to Value	56.29%

INCOME

Type	Qty.	%AMI	Net Income	Total Income
Studio-Non-PSH PBV	32	30%	\$ 1,311	\$ 41,952
Studio	35	80%	\$ 1,258	\$ 44,030
Studio	4	80%	\$ 1,288	\$ 5,152
Studio	6	80%	\$ 1,348	\$ 8,088
2BR MGR	1		\$ -	\$ -
TOTAL	78	270%	\$ 5,205	\$ 99,222.00
Annual Residential Income				\$ 899,976
Excess PBV Income:				\$ 290,688
Other Income				\$ 13,552
Total Gross Annual Income				\$ 1,204,216
Vacancy @ 5.0%				\$ (59,533)
TOTAL NET ANNUAL INCOME				\$ 1,144,683

EXPENSES

Administrative	\$ 1,103	\$ 86,000
Management	\$ 881	\$ 68,681
Utilities	\$ 872	\$ 68,000
Payroll	\$ 2,090	\$ 163,000
Total Insurance:	\$ 346	\$ 27,000
Maintenance	\$ 923	\$ 72,000
Other:	\$ -	\$ -
Subtotal	\$ 6,214	\$ 484,681
SDHC Monitoring Fees	\$ 148	\$ 11,550
CalHFA Annual Admin Fee + MIP Loan Fee	\$ 440	\$ 34,304
Replacement Reserves	\$ 300	\$ 23,400
Real Estate Taxes	\$ 73	\$ 5,730
Other: Services for all units	\$ 513	\$ 40,000
ANNUAL EXPENSES	\$ 7,688	\$ 599,665

TAX CREDIT ASSUMPTIONS

4% + State Tie Breaker Score	37.73%
Federal Tax Credits Requested	1,289,832
Equity Pricing	\$0.96
State Tax Credits	9,185,498
State pricing	\$0.75
LP Interest	99.00%
Tax Credit Factor	3.24%
Applicable Rate - 9%	NA
Applicable Rate - 4%	3.24%
50% Test	58.72%

PROPOSED BASIS LIMITS CALCULATIONS AND BOOSTS

Front & Beech

Basis Limits Used: **TCAC 2020**
Application Type: **4%+State**

County: **SAN DIEGO**
Project Type: **Special Needs**

Unit Size	Unit Basis Limit	No. of Units	(Basis) X (No. of Units)
SRO/STUDIO	\$255,964	77	\$19,709,228
1	\$295,124	0	\$0
2	\$356,000	1	\$356,000
3	\$455,680	0	\$0
4+	\$507,656	0	\$0
TOTAL UNITS:		78	
TOTAL UNADJUSTED THRESHOLD BASIS LIMIT:			\$20,065,228
		Yes/No	
(a)	Plus (+) 20% basis adjustment for projects required to pay state or federal prevailing wages.	Yes	\$4,013,046
(b)	Plus (+) 7% basis adjustment for new construction projects which are required to provide parking beneath residential units (but not "tuck under" parking).	No	\$0
(c)	Plus (+) 2% basis adjustment for projects where a day care center is part of the development.	No	\$0
(d)	Plus (+) 2% basis adjustment for projects where 100 percent of the units are for Special Needs populations.	No	\$0
(e)	Plus (+) up to 10% basis adjustment for projects applying under Section 10325 or Section 10326 of these regulations that includes Item (e) Features. If yes, enter total % boost: 0%	No	\$0
(f)	Plus (+) the lesser of the associated costs or up to a 15% basis adjustment for projects requiring seismic upgrading of existing structures, and/or projects requiring toxic or other environmental mitigation as certified by the project architect/ engineer +costs. If Yes, select type: Seismic Upgrading	No	\$0
(g)	Plus (+) local development impact fees required to be paid to local government entities. Certification from local entities assessing fees also required.	Yes <small>Please Enter Amount:</small>	\$1,227,276
(h)	Plus (+) 10% basis adjustment for projects wherein at least 95% of the project's upper floor units are serviced by an elevator.	Yes	\$2,006,523
(i)	Plus (+) 10% basis adjustment for a project that is: (i) in a county that has an unadjusted 9% threshold basis limit for a 2-bedroom unit equal to or less than \$400,000; AND (ii) located in a census tract designated on the TCAC/HCD Opportunity Area Map as Highest or High Resource.	No	\$0
4% Projects Only			
(j)	Plus (+) 1% basis adjustment for each 1% of project's Low-Income and Market Rate Units restricted between 35% and 50% of AMI. Affordable Units: 77 Total Affordable Units @ 50% to 35% of AMI: 0	0%	\$0
(k)	Plus (+) 2% basis adjustment for each 1% of project's Low-Income and Market Rate Units restricted at or below 35% of AMI. Affordable Units: 77 Total Affordable Units @ 35% of AMI or Below: 32	42%	\$16,677,592
TOTAL ADJUSTED THRESHOLD BASIS LIMIT:			\$43,989,665

HIGH COST TEST

Total Eligible Basis

Percentage of the Adjusted Threshold Basis Limit

107.939%

UNADJUSTED THRESHOLD BASIS - 39% TEST

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From Total of (a), (b), (c), (d), & (h) cannot exceed 39%

30.000%

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PROJECT FINANCING: INCOME INFORMATION
Front & Beech

Construction Financing				
Name of Lender/Source	Term (months)	Interest Rate	Amount of Funds	Int. Reserve
Construction Loan Amount	26	4.00%	20,524,487	1,274,000
Tax Credit Equity (Fed + State)			9,601,311	
SDHC Loan			4,037,500	
			-	
Costs Deferred Until Perm			2,296,459	
Total Funds for Construction			36,459,757	

Permanent Financing				
Name of Lender/Source	Term (months)	Interest Rate	Amount of Funds	Debt Service
Tranche B Loan	204	4.39%	\$8,078,808	451,922
SDHC Loan	660	4.00%	4,250,000	10,000
CalHFA	660	2.75%	3,785,968	
Deferred Developer Fee	NA	2.00%	1,142,359	
Total Permanent Financing			17,257,135	
Federal Tax Credit Equity			12,382,390	
State Tax Credit Equity			6,820,232	
Total Sources of Project Funds			36,459,757	

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DEVELOPMENT BUDGET

Front & Beech

	TOTAL PROJECT COST	RESIDENTIAL COST	COMMERCIAL COST	SDHC Loan	CalHFA	Deferred Developer Fee	0	0	Tax Credit Equity		70% PVC for New Construction/ Rehabilitation	30% PVC for Acquisition
LAND COST/ACQUISITION												
Purchase Price	3,750,000	3,750,000	-	-	-	-	-	-	-	3,750,000		
Land Carry Cost + Misc. Fees	377,097	377,097	-	-	-	-	-	-	-	377,097		
AHG Land Carry Interest	52,000	52,000	-	-	-	-	-	-	-	52,000		
Total Land Cost or Value	4,179,097	4,179,097	-	-	-	-	-	-	-	4,179,097		
Existing Improvements Value		-	-	-	-	-	-	-	-	-		-
Off-Site Improvements		-	-	-	-	-	-	-	-	-		-
Total Acquisition Cost		-	-	-	-	-	-	-	-	-		-
Total Land Cost / Acquisition Cost	4,179,097	4,179,097	-	-	-	-	-	-	-	4,179,097		
REHABILITATION												
Abatement/Demolition		-	-		-			-	-	-	-	-
Structures		-	-		-			-	-	-	-	-
General Requirements		-	-		-			-	-	-	-	-
Contractor Overhead		-	-		-			-	-	-	-	-
Contractor Profit		-	-		-			-	-	-	-	-
Prevailing Wages										-	-	-
General Liability Insurance		-	-		-			-	-	-	-	-
Contractor Contingency		-								-		
Total Rehabilitation Costs		-	-		-			-	-	-	-	-
Total Relocation Expenses	65,000	65,000	-		-			-	-	65,000	-	-
NEW CONSTRUCTION												
Site Work (Incl Prev Wage)	1,070,000	1,070,000	-		-			-	-	1,070,000	1,070,000	-
Structures (Incl Prev Wage)	15,400,000	15,400,000	-						-	15,400,000	15,400,000	-
General Requirements	800,000	800,000	-						-	800,000	800,000	-
Contractor Overhead	775,000	775,000	-						-	775,000	775,000	-
Contractor Profit	750,000	750,000	-		-			-	-	750,000	750,000	-
Demolition & Abatement		-			-			-	-	-	-	-
Prevailing Wages (incl above)	incl above	incl above	-		-			-	-		-	-
GL Insurance + Bond Premium	550,000	550,000	-		-			-	-	550,000	550,000	-
Solar	250,000	250,000								250,000	250,000	
Other: Site Security	100,000	100,000	-		-			-	-	100,000	100,000	
Total New Construction Costs	19,695,000	19,695,000	-		-			-	-	19,695,000	19,695,000	-

DEVELOPMENT BUDGET

Front & Beech

	TOTAL PROJECT COST	RESIDENTIAL COST	COMMERCIAL COST	SDHC Loan	CalHFA	Deferred Developer Fee	-	-	Tax Credit Equity	-	70% PVC for NC/Rehab or 30% PVC for Fed Subsidized NC/Rehab	30% PVC for Acquisition
ARCHITECTURAL FEES												
Design (incl ADA)	1,101,240	1,101,240	-		-			-	-	1,101,240	1,101,240	-
Other:	52,300	52,300	-		-				-	52,300	52,300	-
Total Architectural Costs	1,153,540	1,153,540	-		-			-	-	1,153,540	1,153,540	-
Total Survey and Engineering	378,300	378,300	-		-			-	-	378,300	378,300	-
CONST. INTEREST & FEES												
Construction Loan Interest	679,000	679,000	-		-			-	-	679,000	679,000	-
Construction Loan Origination Fee	167,000	167,000			-			-	-	167,000	167,000	-
Cost of Issuance	225,000	225,000								225,000		
Credit Enhancement/Application Fee	-	-								-	-	
Taxes	65,000	65,000	-		-			-	-	65,000	65,000	-
General Liability Insurance	225,000	225,000	-		-			-	-	225,000	225,000	-
Title and Recording	22,000	22,000	-		-			-	-	22,000	22,000	-
Construction Service Fees (Bank)	35,000	35,000	-		-			-	-	35,000	35,000	-
Other: Const Mgmt	150,000	150,000	-		-			-	-	150,000	150,000	

Total Const. Interest & Fees	1,568,000	1,568,000	-		-			-	-	1,568,000	1,343,000	-
<i>PERMANENT FINANCING</i>												
Perm Loan Origination Fee	68,500	68,500	-		-			-	-	68,500		
Credit Enhancement/Application Fee		-	-		-			-	-	-		
Title and Recording		-	-		-			-	-	-		
Taxes		-								-		
Other SDHC Loan Fee	87,500	87,500								87,500		
Other Cal HFA loan fee:	37,860	37,860								37,860		
Other: Post Construction Interest	595,000	595,000	-		-			-	-	595,000		
Total Perm. Financing Costs	788,860	788,860	-		-			-	-	788,860		
<i>LEGAL FEES</i>												
Lender Legal Pd. by Applicant	60,000	60,000	-		-			-	-	60,000	42,000	-
SDHC & CalHFA Legal Fees	42,500	42,500	-		-			-	-	42,500	42,500	-
Other : Partnership & Transaction	85,000	85,000	-		-			-	-	85,000	51,000	-
Total Attorney Costs	187,500	187,500	-		-			-	-	187,500	135,500	-
<i>RESERVES</i>												
Rent Reserves	-	-	-		-			-	-	-		
Capitalized Rent Reserve	-	-	-		-			-	-	-		
*3- Month Operating Reserve	265,000	265,000	-		-			-	-	265,000		
Other: (Specify)										-		
Total Reserve Costs	265,000	265,000	-		-			-	-	265,000		

DEVELOPMENT BUDGET

Front & Beech

	TOTAL PROJECT COST	RESIDENTIAL COST	COMMERCIAL COST	SDHC Loan	CalHFA	Deferred Developer Fee	-	-	Tax Credit Equity	-	70% PVC for NC/Rehab or 30% PVC for Fed Subsidized NC/Rehab	30% PVC for Acquisition
Total Appraisal Costs	10,000	10,000	-		-			-	-	10,000	10,000.00	-
Total Hard Cost Contingency	1,576,000	1,576,000	-		-			-	-	1,576,000	1,576,000.00	-
<i>OTHER PROJECT COSTS</i>												
TCAC App/Allocation/Monitoring	107,000	107,000	-		-			-	-	107,000		
Environmental Audit	22,000	22,000	-		-			-	-	22,000	22,000	-
Local Dev. Impact Fees	1,227,276	1,227,276			-			-	-	1,227,276	1,227,276	-
Permit Processing Fees	352,000	352,000			-			-		352,000	352,000	
Marketing & Prop Mgmt Startup Fees	65,000	65,000			-			-	-	65,000		
Furnishings	500,500	500,500	-		-			-	-	500,500	500,500	-
Market Study	10,000	10,000	-		-			-	-	10,000	10,000	-
Accounting/Reimbursables	25,000	25,000	-		-			-	-	25,000	25,000	-
Soft Cost Contingency	487,325	487,325	-		-			-	-	487,325	487,325	-
Other: Financial Consultant		-	-		-			-	-	-	-	-
Other: Lease-Up Fees	90,000	90,000	-		-			-	-	90,000		-
Other: Community Outreach	65,000	65,000	-		-			-	-	65,000	65,000	-
Other:		-								-	-	
Total Other Costs	2,951,101	2,951,101	-		-			-	-	2,951,101	2,689,101	-
SUBTOTAL PROJECT COST	32,817,398	32,817,398	-		-			-	-	32,817,398	26,980,441	-
	Total Project Cost	Total Residential	Total Commercial	239,500 261,000	Subtotal Eligible Basis						26,980,441	-
<i>DEVELOPER COSTS</i>												
Developer Overhead/Profit	3,642,359	3,642,359	-		-					3,642,359	3,642,359.00	-
Consultant/Processing Agent	-	-	-		-			-	-	-	-	-
Project Administration	-	-	-		-			-	-	-	-	-
Broker Fees Paid to a Related Party	-	-	-		-			-	-	-	-	-
Construction Oversight by Developer		-	-		-			-	-	-	-	-
Other: (Specify)	-	-	-		-			-	-	-	-	-
Total Developer Costs	3,642,359	3,642,359	-		-			-	-	3,642,359	3,642,359	-
TOTAL PROJECT COSTS	36,459,757	36,459,757	-		-			-	-	36,459,757	30,622,800	-
Bridge Loan Expense During Construction											-	-
Total Eligible Basis											30,622,800	-

ELIGIBLE AND QUALIFIED BASIS

Front & Beech

	70% PVC for New Construction/ Rehabilitation	30% PVC for Acquisition
Total Eligible Basis:	30,622,800	\$ -
Ineligible Amounts		
Subtract all Grant Proceeds Used to Finance Costs in Eligible Basis:		-
Subtract Non-Qualified Non-Recourse Financing:		-
Subtract Non-Qualifying Portion of Higher Quality Units:		-
Subtract Photovoltaic Credit (as applicable):		-
Subtract Historic Credit (residential portion only):		-
Total Ineligible Amounts:		-
Total Eligible Amount Voluntarily Excluded:		-
Total Basis Reduction:		-
Total Requested Unadjusted Eligible Basis:	30,622,800	-
Total Adjusted Threshold Basis Limit	43,989,665	
*Qualified Census Tract (QCT) or Difficult to Develop Area (DDA) Adjustment:	130%	100%
Total Adjusted Eligible Basis:	39,809,640	-
Applicable Fraction:	100%	100%
Qualified Basis	39,809,640	-
Total Qualified Basis	39,809,640	
**Total Credit Reduction:	-	-
Total Adjusted Qualified Basis:	39,809,640	

*130% boost if your project is located in a DDA or QCT

****to be calculated in "Points System"**

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BASIS AND CREDITS: FEDERAL

Front & Beech

	New Construction /Rehabilitation	Acquisition
Adjusted Qualified Basis, After Credit Reduction:	39,809,640.00	-
*Applicable Percentage:	3.24%	3.20%
Subtotal Annual Federal Credit:	1,289,832	-
Total Combined Annual Federal Credit:	1,289,832	<--- \$2.5M Max

Determination of Minimum Federal Credit Necessary For Feasibility

Total Project Cost	36,459,757		
Permanent Financing	17,257,135		
Funding Gap	19,202,622	0.9697	Equity Pricing
Federal Tax Credit Factor **	0.96000	99.00%	LP Interest
Total Credits Necessary for Feasibility	20,002,731		
Annual Federal Credit Necessary for Feasibility	\$ 2,000,273		
Maximum Annual Federal Credits	\$ 1,289,832		
Equity Raised From Federal Credit	\$ 12,382,390		75,000
Remaining Funding Gap	\$ 6,820,232.00		

BASIS AND CREDITS: STATE

Determination of State Credit	NC/Rehab	Acquisition	9138260.811
Adjusted Qualified Basis	30,622,800	-	9185497.643
Factor Amount *	30%	30%	
Maximum Total State Credit	9,186,840	0	
Determination of Minimum State Credit Necessary for Feasibility			0.75 Equity Pricing
State Tax Credit Factor **	0.74250		99% LP Interest
State Credit Necessary for Feasibility	9,185,498		
Maximum State Credit	9,186,840		117,762.79
Equity Raised from State Credit	\$6,820,232		
Remaining Funding Gap	-		

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PROJECT INCOME INFORMATION
Front & Beech

(a) # of Bedrooms	(b) # of Units	(c) Proposed Monthly Rent Less Utilities	(d) Total Monthly Rents (bxc)	(e) Monthly Utility Allow.	(f) Monthly Rent Plus Utilities (c + e)	(g) % of Area Mediam Income	PBVs Rents	PBV Add Mo. Rent Above TCAC	Total Add. Mo. Rents
Studio-Non-PSH PBV	32	\$ 554	\$ 17,728	\$ 52.00	\$ 606	30%	\$ 1,311	\$ 757	\$ 24,224
Studio	35	\$ 1,258	\$ 44,030	\$ 52.00	\$ 1,310	80%	\$ -	\$ -	\$ -
Studio	4	\$ 1,288	\$ 5,152	\$ 52.00	\$ 1,340	80%	\$ -	\$ -	\$ -
Studio	6	\$ 1,348	\$ 8,088	\$ 52.00	\$ 1,400	80%	\$ -	\$ -	\$ -
2BR MGR	1	\$ -	\$ -	\$ -	\$ -	MKT	\$ -	\$ -	\$ -
Affordable Units	77	Total Rent	\$ 74,998				Total Tranche B:		\$ 24,224

Aggregate Monthly Rents for All Units:	\$ 74,998
Aggregate Annual Rents for All Units:	\$ 899,976

Avg Affordability	59.22%
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Total Affordable Plus Manager Units:	78
--------------------------------------	----

Annual Income from Laundry Facilities	\$ 6,552	7.00 per unit per month
Annual Income from Vending Machines	-	
Annual Interest Income	-	
Other Annual Income (Specify)	7,000	
Total Miscellaneous Income:	13,552	
Total Annual Potential Gross Income:	\$ 913,528	

Excess PBV Income:	\$ 290,688
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Total Gross Annual Income	\$ 1,204,216
---------------------------	--------------

Utility Allowances					
	Studio	1 BR	2 BR	3 BR	4 BR
Space Heating:	17		-	-	-
Water Heating:			-	-	-
Cooking:	7		-	-	-
Lighting:			-	-	-
Electricity:	28		-	-	-
Water:*			-	-	-
AC					
City's Fee					
Total:	52				

*Owner paid utilities

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ANNUAL RESIDENTIAL OPERATING EXPENSES
Front & Beech

Administrative	Advertising:	15,000	Per Unit 192
	Legal	7,000	90
	Accounting/Audit:	12,000	154
	Security:	40,000	513
	General Office Costs:	12,000	154
	Total Administrative:	86,000	1,103
Management	Total Management:	68,681	881
Utilities	Fuel:	-	-
	Gas:	8,000	103
	Electricity:	35,000	449
	Water/Sewer:	25,000	321
	Total Utilities:	68,000	872
Payroll / Payroll Taxes	On-site Manager(s):	55,000	705
	Maintenance Personnel:	75,000	962
	Other: Payroll Burden	33,000	423
	Total Payroll/Payroll Taxes:	163,000	2,090
	Total Insurance:	27,000	346
Maintenance	Painting:	3,000	38
	Repairs:	20,000	256
	Trash Removal:	15,000	192
	Exterminating:	7,000	90
	Grounds:	8,000	103
	Other: Cleaning & Building Supplies	5,000	64
	Other: Fire Monitoring	5,000	64
	Other: Elevator & Alarm	9,000	115
	Total Maintenance:	72,000	923
Other Expenses	Other:		-
	Other:		-
	Other:		-
	Other:		-
	Other:		-
	Total Other:	0	-

Total Expenses

Total Annual Residential Operating Expenses:	484,681
Total Number of Units in the Project:	78
Total Annual Operating Expenses Per Unit:	6,214
Total 3-Month Operating Reserve:	265,000
SDHC Monitoring Fees	11,550
CalHFA Annual Admin Fee + MIP Loan Fee	34,304
Total Annual Reserve for Replacement:	23,400
Total Annual Real Estate Taxes:	\$5,730
Other: Services for all units	40,000
TOTAL:	599,665

5,700 min per unit

440 per unit
300 per unit
yes non-profit
512.82
7,688 per unit
641 per month

Commercial Income

Total Annual Commercial/Non Residential Revenue:	-
Total Annual Commercial/Non Residential Expenses:	-
Total Annual Commercial/Non Residential Debt Service:	-
Total Annual Commercial/Non Residential Net Income:	-

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15-YEAR CASH FLOW PROJECTION

Front & Beech		Inflation Factor	Year 1 2022	Year 2 2023	Year 3 2024	Year 4 2025	Year 5 2026	Year 6 2027	Year 7 2028	Year 8 2029	Year 9 2030	Year 10 2031	Year 11 2032	Year 12 2033	Year 13 2034	Year 14 2035	Year 15 2036
Rental Income		2.5%	899,976	922,475	945,537	969,176	993,405	1,018,240	1,043,696	1,069,789	1,096,533	1,123,947	1,152,045	1,180,847	1,210,368	1,240,627	1,271,643
PBV Income		2.5%	290,688	297,955	305,404	313,039	320,865	328,887	337,109	345,537	354,175	363,029	372,105	381,408	390,943	400,717	410,735
TOTAL GROSS POTENTIAL REVENUE			1,190,664	1,220,431	1,250,941	1,282,215	1,314,270	1,347,127	1,380,805	1,415,325	1,450,708	1,486,976	1,524,151	1,562,254	1,601,311	1,641,343	1,682,377
Vacancy @		5.0%	59,533	61,022	62,547	64,111	65,714	67,356	69,040	70,766	72,535	74,349	76,208	78,113	80,066	82,067	84,119
Other Income		2.5%	13,552	13,891	14,238	14,594	14,959	15,333	15,716	16,109	16,512	16,925	17,348	17,781	18,226	18,682	19,149
TOTAL NET RENTAL INCOME			1,144,683	1,173,300	1,202,632	1,232,698	1,263,516	1,295,104	1,327,481	1,360,668	1,394,685	1,429,552	1,465,291	1,501,923	1,539,471	1,577,958	1,617,407
Advertising		3.5%	15,000	15,525	16,068	16,631	17,213	17,815	18,439	19,084	19,752	20,443	21,159	21,900	22,666	23,459	24,280
Legal		3.5%	7,000	7,245	7,499	7,761	8,033	8,314	8,605	8,906	9,218	9,540	9,874	10,220	10,577	10,948	11,331
Accounting		3.5%	12,000	12,420	12,855	13,305	13,770	14,252	14,751	15,267	15,802	16,355	16,927	17,520	18,133	18,767	19,424
Security		3.5%	40,000	41,400	42,849	44,349	45,901	47,507	49,170	50,891	52,672	54,516	56,424	58,399	60,443	62,558	64,748
Other Admin		3.5%	12,000	12,420	12,855	13,305	13,770	14,252	14,751	15,267	15,802	16,355	16,927	17,520	18,133	18,767	19,424
Management Fee		2.5%	68,681	70,398	72,158	73,962	75,811	77,706	79,649	81,640	83,681	85,773	87,917	90,115	92,368	94,677	97,044
Gas		3.5%	8,000	8,280	8,570	8,870	9,180	9,501	9,834	10,178	10,534	10,903	11,285	11,680	12,089	12,512	12,950
Electricity		3.5%	35,000	36,225	37,493	38,805	40,163	41,569	43,024	44,530	46,088	47,701	49,371	51,099	52,887	54,738	56,654
Water & Sewer		3.5%	25,000	25,875	26,781	27,718	28,688	29,692	30,731	31,807	32,920	34,072	35,265	36,499	37,777	39,099	40,467
On-Site Manager		3.5%	55,000	56,925	58,917	60,979	63,114	65,323	67,609	69,975	72,424	74,959	77,583	80,298	83,109	86,018	89,028
Maintenance Personnel		3.5%	75,000	77,625	80,342	83,154	86,064	89,076	92,194	95,421	98,761	102,217	105,795	109,498	113,330	117,297	121,402
Other Payroll		3.5%	33,000	34,155	35,350	36,588	37,868	39,194	40,565	41,985	43,455	44,976	46,550	48,179	49,865	51,611	53,417
Insurance		3.5%	27,000	27,945	28,923	29,935	30,983	32,068	33,190	34,352	35,554	36,798	38,086	39,419	40,799	42,227	43,705
Painting		3.5%	3,000	3,105	3,214	3,326	3,443	3,563	3,688	3,817	3,950	4,089	4,232	4,380	4,533	4,692	4,856
Repairs		3.5%	20,000	20,700	21,425	22,174	22,950	23,754	24,585	25,446	26,336	27,258	28,212	29,199	30,221	31,279	32,374
Trash Removal		3.5%	15,000	15,525	16,068	16,631	17,213	17,815	18,439	19,084	19,752	20,443	21,159	21,900	22,666	23,459	24,280
Exterminating		3.5%	7,000	7,245	7,499	7,761	8,033	8,314	8,605	8,906	9,218	9,540	9,874	10,220	10,577	10,948	11,331
Grounds		3.5%	8,000	8,280	8,570	8,870	9,180	9,501	9,834	10,178	10,534	10,903	11,285	11,680	12,089	12,512	12,950
Other: Cleaning & Building Supplies		3.5%	5,000	5,175	5,356	5,544	5,738	5,938	6,146	6,361	6,584	6,814	7,053	7,300	7,555	7,820	8,093
Other: Fire Monitoring		3.5%	5,000	5,175	5,356	5,544	5,738	5,938	6,146	6,361	6,584	6,814	7,053	7,300	7,555	7,820	8,093
Other: Elevator & Alarm		3.5%	9,000	9,315	9,641	9,978	10,328	10,689	11,063	11,451	11,851	12,266	12,695	13,140	13,600	14,076	14,568
Other:		3.5%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SDHC Monitoring Fees		3.5%	11,550	11,954	12,373	12,806	13,254	13,718	14,198	14,695	15,209	15,741	16,292	16,863	17,453	18,064	18,696
CalHFA Annual Admin Fee + MIP Loan Fee		3.5%	34,304	35,505	36,747	38,033	39,365	40,742	42,168	43,644	45,172	46,753	48,389	50,083	51,836	53,650	55,528
Other: Services for all units		2.5%	40,000	41,000	42,025	43,076	44,153	45,256	46,388	47,547	48,736	49,955	51,203	52,483	53,796	55,140	56,519
Real Estate Taxes		2.0%	5,730	5,844	5,961	6,080	6,202	6,326	6,453	6,582	6,713	6,848	6,985	7,124	7,267	7,412	7,560
Replacement Reserve		0.0%	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400
TOTAL EXPENSES			599,665	618,661	638,294	658,584	679,554	701,226	723,626	746,777	770,704	795,435	820,996	847,416	874,724	902,949	932,124
Cash Flow Prior to Debt Service (NOI)			545,018	554,639	564,339	574,114	583,962	593,877	603,855	613,892	623,981	634,117	644,295	654,507	664,747	675,009	685,283
DEBT SERVICE - Tranche A			451,922	451,922	451,922	451,922	451,922	451,922	451,922	451,922	451,922	451,922	451,922	451,922	451,922	451,922	451,922
SDHC Fixed Debt Payment			10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
FORECASTED CASH AVAILABLE			83,096	92,717	102,417	112,192	122,040	131,955	141,933	151,970	162,059	172,195	182,373	192,585	202,825	213,086	223,361
Percent of Gross Revenue	8% Max		6.98%	7.60%	8.19%	8.75%	9.29%	9.80%	10.28%	10.74%	11.17%	11.58%	11.97%	12.33%	12.67%	12.98%	13.28%
25% Debt Service Test	Yr 1-3 Max		18.39%	20.52%	22.66%	24.83%	27.00%	29.20%	31.41%	33.63%	35.86%	38.10%	40.35%	42.61%	44.88%	47.15%	49.42%
Debt Coverage Ratio	1.15 Min		1.1799	1.20	1.22	1.24	1.26	1.29	1.31	1.33	1.35	1.37	1.39	1.42	1.44	1.46	1.48
Partnership Management Fee		3.0%	20,000	20,600	21,218	21,855	22,510	23,185	23,881	24,597	25,335	26,095	26,878	27,685	28,515	29,371	30,252
Asset Management Fee		3.0%	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524	6,720	6,921	7,129	7,343	7,563
Cash Available for Distribution			58,096	66,967	75,894	84,874	93,902	102,973	112,082	121,223	130,389	139,576	148,775	157,979	167,181	176,373	185,546
Deferred Fee		1,142,359	58,096	66,967	75,894	84,874	93,902	102,973	112,082	121,223	130,389	139,576	148,775	157,979	4,349	-	-
		2.0%	21,685	20,780	19,677	18,373	16,863	15,141	13,202	11,041	8,654	6,036	3,181	85	-	-	-
balance			1,105,948	1,059,761	1,003,545	937,044	860,005	772,172	673,292	563,111	441,376	307,836	162,242	4,349	-	-	-
Capitalized Rent Reserve \$			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
earning			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
balance		1.250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CASH FLOW FOR DISTRIBUTION			-	-	-	-	-	-	-	-	-	-	-	-	162,833	176,373	185,546
Annual Payment to SDHC	25.00%	\$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	40,708 \$	44,093 \$	46,386
Annual Payment to Affirmed	50.00%	\$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	81,416 \$	88,187 \$	92,773
Annual Payment to CalHFA	25.00%	\$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	40,708 \$	44,093 \$	46,386

15-YEAR CASH FLOW PROJECTION

Front & Beech		Inflation Factor	Year 16 2037	Year 17 2038	Year 18 2039	Year 19 2040	Year 20 2041	Year 21 2042	Year 22 2043	Year 23 2044	Year 24 2045	Year 25 2046	Year 26 2047	Year 27 2048	Year 28 2049	Year 29 2050	Year 30 2051
Rental Income		2.5%	1,303,434	1,336,019	1,369,420	1,403,655	1,438,747	1,474,715	1,511,583	1,549,373	1,588,107	1,627,810	1,668,505	1,710,218	1,752,973	1,796,798	1,841,718
PBV Income		2.5%	421,003	431,528	442,316	453,374	464,708	476,326	488,234	500,440	512,951	525,775	538,919	552,392	566,202	580,357	594,866
TOTAL GROSS POTENTIAL REVENUE			1,724,436	1,767,547	1,811,736	1,857,029	1,903,455	1,951,042	1,999,818	2,049,813	2,101,058	2,153,585	2,207,424	2,262,610	2,319,175	2,377,155	2,436,584
	Vacancy @	5.0%	86,222	88,377	90,587	92,851	95,173	97,552	99,991	102,491	105,053	107,679	110,371	113,131	115,959	118,858	121,829
Other Income		2.5%	19,627	20,118	20,621	21,136	21,665	22,207	22,762	23,331	23,914	24,512	25,125	25,753	26,397	27,057	27,733
TOTAL NET RENTAL INCOME			1,657,842	1,699,288	1,741,770	1,785,315	1,829,947	1,875,696	1,922,588	1,970,653	2,019,919	2,070,417	2,122,178	2,175,232	2,229,613	2,285,354	2,342,487
Advertising		3.5%	25,130	26,010	26,920	27,862	28,838	29,847	30,891	31,973	33,092	34,250	35,449	36,689	37,974	39,303	40,678
Legal		3.5%	11,727	12,138	12,563	13,002	13,458	13,929	14,416	14,921	15,443	15,983	16,543	17,122	17,721	18,341	18,983
Accounting		3.5%	20,104	20,808	21,536	22,290	23,070	23,877	24,713	25,578	26,473	27,400	28,359	29,352	30,379	31,442	32,543
Security		3.5%	67,014	69,359	71,787	74,300	76,900	79,592	82,377	85,260	88,245	91,333	94,530	97,838	101,263	104,807	108,475
Other Admin		3.5%	20,104	20,808	21,536	22,290	23,070	23,877	24,713	25,578	26,473	27,400	28,359	29,352	30,379	31,442	32,543
Management Fee		2.5%	99,471	101,957	104,506	107,119	109,797	112,542	115,355	118,239	121,195	124,225	127,331	130,514	133,777	137,121	140,549
Gas		3.5%	13,403	13,872	14,357	14,860	15,380	15,918	16,475	17,052	17,649	18,267	18,906	19,568	20,253	20,961	21,695
Electricity		3.5%	58,637	60,690	62,814	65,012	67,288	69,643	72,080	74,603	77,214	79,916	82,714	85,609	88,605	91,706	94,916
Water & Sewer		3.5%	41,884	43,350	44,867	46,437	48,063	49,745	51,486	53,288	55,153	57,083	59,081	61,149	63,289	65,504	67,797
On-Site Manager		3.5%	92,144	95,369	98,707	102,162	105,738	109,438	113,269	117,233	121,336	125,583	129,978	134,528	139,236	144,109	149,153
Maintenance Personnel		3.5%	125,651	130,049	134,601	139,312	144,188	149,234	154,457	159,863	165,459	171,250	177,243	183,447	189,868	196,513	203,391
Other Payroll		3.5%	55,287	57,222	59,224	61,297	63,443	65,663	67,961	70,340	72,802	75,350	77,987	80,717	83,542	86,466	89,492
Insurance		3.5%	45,234	46,818	48,456	50,152	51,908	53,724	55,605	57,551	59,565	61,650	63,808	66,041	68,352	70,745	73,221
Painting		3.5%	5,026	5,202	5,384	5,572	5,768	5,969	6,178	6,395	6,618	6,850	7,090	7,338	7,595	7,861	8,136
Repairs		3.5%	33,507	34,680	35,894	37,150	38,450	39,796	41,189	42,630	44,122	45,667	47,265	48,919	50,631	52,403	54,238
Trash Removal		3.5%	25,130	26,010	26,920	27,862	28,838	29,847	30,891	31,973	33,092	34,250	35,449	36,689	37,974	39,303	40,678
Exterminating		3.5%	11,727	12,138	12,563	13,002	13,458	13,929	14,416	14,921	15,443	15,983	16,543	17,122	17,721	18,341	18,983
Grounds		3.5%	13,403	13,872	14,357	14,860	15,380	15,918	16,475	17,052	17,649	18,267	18,906	19,568	20,253	20,961	21,695
Other: Cleaning & Building Supplies		3.5%	8,377	8,670	8,973	9,287	9,613	9,949	10,297	10,658	11,031	11,417	11,816	12,230	12,658	13,101	13,559
Other: Fire Monitoring		3.5%	8,377	8,670	8,973	9,287	9,613	9,949	10,297	10,658	11,031	11,417	11,816	12,230	12,658	13,101	13,559
Other: Elevator & Alarm		3.5%	15,078	15,606	16,152	16,717	17,303	17,908	18,535	19,184	19,855	20,550	21,269	22,014	22,784	23,582	24,407
Other:		3.5%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SDHC Monitoring Fees		3.5%	19,350	20,028	20,729	21,454	22,205	22,982	23,786	24,619	25,481	26,372	27,295	28,251	29,240	30,263	31,322
CalHFA Annual Admin Fee + MIP Loan Fee		3.5%	57,471	59,483	61,565	63,719	65,949	68,258	70,647	73,119	75,679	78,327	81,069	83,906	86,843	89,882	93,028
Other: Services for all units		2.5%	57,932	59,380	60,865	62,386	63,946	65,545	67,183	68,863	70,584	72,349	74,158	76,012	77,912	79,860	81,856
Real Estate Taxes		2.0%	7,712	7,866	8,023	8,184	8,347	8,514	8,684	8,858	9,035	9,216	9,400	9,588	9,780	9,976	10,175
Replacement Reserve		0.0%	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400	23,400
TOTAL EXPENSES			962,281	993,452	1,025,672	1,058,978	1,093,405	1,128,993	1,165,780	1,203,807	1,243,118	1,283,754	1,325,763	1,369,190	1,414,083	1,460,494	1,508,472
Cash Flow Prior to Debt Service (NOI)			695,561	705,836	716,098	726,337	736,542	746,704	756,809	766,846	776,802	786,663	796,415	806,043	815,530	824,860	834,015
DEBT SERVICE - Tranche A			451,922	451,922	451,922	451,922	451,922	451,922	451,922	451,922	451,922	451,922	451,922	451,922	451,922	451,922	451,922
SDHC Fixed Debt Payment			10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
FORECASTED CASH AVAILABLE			233,639	243,914	254,176	264,415	274,620	284,781	294,887	304,924	314,880	324,741	334,493	344,121	353,608	362,938	372,093
Percent of Gross Revenue	8% Max		13.55%	13.80%	14.03%	14.24%	14.43%	14.60%	14.75%	14.88%	14.99%	15.08%	15.15%	15.21%	15.25%	15.27%	15.27%
25% Debt Service Test	Yr 1-3 Max		51.70%	53.97%	56.24%	58.51%	60.77%	63.02%	65.25%	67.47%	69.68%	71.86%	74.02%	76.15%	78.25%	80.31%	82.34%
Debt Coverage Ratio	1.15 Min		1.51	1.53	1.55	1.57	1.59	1.62	1.64	1.66	1.68	1.70	1.72	1.74	1.77	1.79	1.81
Partnership Management Fee		3.0%	31,159	32,094	33,057	34,049	35,070	36,122	37,206	38,322	39,472	40,656	41,876	43,132	44,426	45,759	47,131
Asset Management Fee		3.0%	7,790	8,024	8,264	8,512	8,768	9,031	9,301	9,581	9,868	10,164	10,469	10,783	11,106	11,440	11,783
Cash Available for Distribution			194,690	203,797	212,855	221,854	230,783	239,629	248,379	257,021	265,540	273,921	282,148	290,206	298,076	305,740	313,179
Deferred Fee	1,142,359		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2.0%		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	balance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capitalized Rent Reserve \$			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
earning	1.250%		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
balance			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CASH FLOW FOR DISTRIBUTION			194,690	203,797	212,855	221,854	230,783	239,629	248,379	257,021	265,540	273,921	282,148	290,206	298,076	305,740	313,179
Annual Payment to SDHC	25.00%	\$	48,673	\$ 50,949	\$ 53,214	\$ 55,464	\$ 57,696	\$ 59,907	\$ 62,095	\$ 64,255	\$ 66,385	\$ 68,480	\$ 70,537	\$ 72,551	\$ 74,519	\$ 76,435	\$ 78,295
Annual Payment to Affirmed	50.00%	\$	97,345	\$ 101,898	\$ 106,427	\$ 110,927	\$ 115,391	\$ 119,814	\$ 124,190	\$ 128,511	\$ 132,770	\$ 136,961	\$ 141,074	\$ 145,103	\$ 149,038	\$ 152,870	\$ 156,589
Annual Payment to CalHFA	25.00%	\$	48,673	\$ 50,949	\$ 53,214	\$ 55,464	\$ 57,696	\$ 59,907	\$ 62,095	\$ 64,255	\$ 66,385	\$ 68,480	\$ 70,537	\$ 72,551	\$ 74,519	\$ 76,435	\$ 78,295

ATTACHMENT 5
PROPOSED LOAN NON-BINDING COMMITMENT TERMS SUMMARY

Front & Beech SH, LP
Southeast Corner of Front Street and Beech Street, San Diego, CA 92101 (Project)
July 13, 2020

The San Diego Housing Commission (“Housing Commission”) is pleased to submit this non-binding commitment terms summary. This commitment terms summary is not a binding contract and is subject to the approval by the San Diego Housing Commission Board of Commissioners (“Board of Commissioners”) and, if necessary, the Housing Authority of the City of San Diego. The purpose of this commitment terms summary is to set forth the general terms and conditions under which the Housing Commission is interested in making a loan (“Housing Commission Loan”) to Front & Beech SH, LP, (the borrower) a California limited partnership for the Front & Beech (“Project”) with respect to the proposed new construction and permanent financing of a 78-unit development (with 77 affordable units and one unrestricted manager’s unit) located at the Southeast corner of Front Street and Beech Street in the City of San Diego. Closing must occur within eighteen (18) months of the Board of Commissioners approval of the Housing Commission Loan, unless an extension is granted by the President & CEO of the Housing Commission (or by his designee) in his sole discretion.

In the event of a conflict between any term or provision (or absence of any term or provision) of this commitment terms summary and any term or provision of any approval of any applicable board or governing body, the term or provision of such board or governing body shall apply. Provided the Housing Commission Loan is approved by the Board of Commissioners, and if necessary by Housing Authority of the City of San Diego, the following terms shall apply to the Housing Commission Loan. In addition, Exhibit A includes the Borrower’s pro forma which models financial projections of the Project.

The terms of the Housing Commission’s proposed financing shall be as follows:

1. **Maximum loan amount (not to exceed)** - Up to \$4,250,000 as a residual receipts loan. Loan funds to be used for the acquisition, construction and permanent financing of the Project.
2. **Interest Rate**- 4 percent simple interest.
3. **Loan Term** - The loan will be due, and payable in full, in 55 years from completion of the Project.
4. **Loan Payments** - Annual payments on the loan shall equal the 50% percent of the Project’s residual cash. Provided, however, if the Housing Commission approves other lenders whose loans will be paid from residual receipts, then the

Housing Commission and such other approved lenders shall share the 50% percent of the Project's residual receipts, in proportion to the original principal balances of their respective loans. The following items, in addition to other operating expenses, shall be payable by the Borrower prior to the calculation of residual receipts:

- (i) The year 1 "Limited Partnership Fees" shall be capped at \$25,000. "Limited Partnership Fees" shall be defined to include any and all partnership-related fees including but not limited to: Investor Partnership fees, Asset Management fees, Other Limited Partnership oversight fees, and General Partner Fees. Partnership fee increases will be capped at three (3) percent annually. Unpaid partnership fees shall not accrue and the Housing Commission will require the Limited Partnership Agreement to explicitly state that requirement.
- (ii) Eligible deferred developer fee, and
- (iii) Repayment of eligible development deficit and operating deficit loans.

5. **Affordability-**

- a. Restricted units must remain affordable for 55 years. At escrow closing the Borrower and the Housing Commission shall cause a Declaration of Covenants, Conditions, and Restrictions (CC&R), restricting the rent and occupancy of the affordable units for 55 years, to be recorded against the Project. Such CC&R shall be in a form and format acceptable to the Housing Commission and its General Counsel in their sole discretions.
- b. The affordability shall be as follows:

Unit Type	AMI	Affordable Units
Studio	30%	32
Studio	80%	45
Subtotal		77
Manager Units		
Two Bedroom	N/A	1
TOTAL		78

- 6. **Purchase Option** – The developer has received additional points in the Notice Of Funding Availability application for committing to provide the Housing Commission with the option to purchase the property at the end of the 15-year tax-credit compliance period.
- 7. **Alternate Funding-** Borrower shall also seek alternative funding, including but

not limited to the State of California Department of Housing and Community Development, County of San Diego, Federal Home Loan Bank, etc. along with tax exempt bonds and 4% tax credits, Housing Commission legal counsel will determine if subsequent approvals for alternative financing structures are required by the San Diego Housing Commission Board of Commissioners and the Housing Authority of the City of San Diego.

8. **Site Value** – The purchase price of land and improvements was \$3,750,000 as shown in the purchase and sale agreement executed May 14, 2018. In the event that the developer, Affirmed Housing, or its affiliate, transfers the land or prior to Housing Commission Loan closing, 100% of any net sales proceeds resulting from a subsequent sale to the tax credit limited partnership shall be structured as a Seller Carryback Loan. Borrower will submit an updated appraisal report with an effective date that is no more than 90 days before the closing.
9. **Closing Costs** - The Borrower shall pay all escrow, title and closing costs, including, without limitation, paying for an American Land Title Association (ALTA) Lenders Policy for the Housing Commission Loan with endorsements, as acceptable to the Housing Commission's legal counsel.
10. **Construction Costs Third-Party Review** - Prior to loan approval a costs review will be obtained by the Housing Commission with a third-party consultant. Borrower will reimburse the Housing Commission at escrow closing for all reasonable third-party review costs.
11. **Contractor** - The construction contract shall be competitively bid to at least three qualified General Contractors and shall be awarded to the lowest qualified and responsive bidder.
 - a. Borrower will submit copies of three qualified bids received from subcontractors for each trade.
 - b. Construction Agreement - Borrower shall submit the proposed Construction Agreement to the Housing Commission for its review and prior approval. The Housing Commission shall have a minimum of two weeks for its review of the proposed Construction agreement.
 - c. Subcontractors – the Borrower shall require the General Contractor to solicit and obtain competitive bids from at least three qualified subcontractors for each major trade involved in the construction of the Project. Those bids will be reviewed and approved by the Borrower. The Borrower and General Contractor shall submit the subcontractors' competitive bids to the Housing Commission for prior review and reasonable approval.
 - d. Change orders at or in excess of \$50,000 shall have Housing Commission prior written approval. For proposed change orders over \$50,000, the



Borrower and General Contractor shall submit to the Housing Commission a detailed explanation of why the change order work is necessary, why the issue was not included in the original scope of work, and why the change is not being charged against the General Contractor's contingency.

- e. Agreement Changes - a Construction Agreement with a Guaranteed Maximum Price (GMP) may not be revised to a Lump Sum or other form of Construction Agreement without the prior written approval of the Housing Commission.
 - f. Insurance - prior to close of escrow, evidence of the General Contractor's insurance acceptable to the Housing Commission's legal counsel shall be provided. The Housing Commission, the Housing Authority of the City of San Diego, and the City of San Diego, shall be named as additional insureds on the General Contractor's insurance policies.
12. **Tax Credit Equity**- Borrower will provide the Letter Of Intent with equity pricing from the low-income housing tax credit (LIHTC) investor within 90 days of closing.
13. **First Mortgage**- Borrower will provide the term sheet from the first mortgage provider that was used at time of application as well as an update within 90 days of closing.
14. **Cost Certification** - The Borrower shall submit the final tax credit cost certification to the Housing Commission for its review and approval before the cost certification is completed/finalized.
15. **Cost Savings and/or Additional Proceeds at Escrow Closing** - In the event that the Borrower obtains funds in excess of those shown as sources in Exhibit A Proforma, then upon the construction loan closing, the excess funds shall be used as follows:
- a. First, such excess funds shall be used to fund development cost overruns reasonably approved by the Housing Commission.
 - b. Second, upon Construction Loan Closing and subject to lender and investor approval, any excess funds shall be used to pay the Housing Commission Loan as set forth in Section 15 below.
 - c. Other Public Lenders - If the Project financing includes other public lenders who may require cost savings sharing then the cost savings shall be split proportionately based upon the public lenders loan amounts and in conformance with the other public lenders' agreements.
 - d. Excess funds will be applied first to pay down the accrued interest, and the remaining amount shall pay down the principal.
16. **Cost Savings and/or Additional Proceeds at Conversion to Permanent**

Financing - In the event that the Borrower obtains funds in excess of those shown as sources in Exhibit A Proforma, (including but not limited to cost savings, improved debt, improved tax credit equity pricing, deferred developer fee if any, and any other sources), then upon conversion to permanent loan, the excess funds shall be used as follows:

- a. First, to pay for development cost overruns reasonably approved by the Housing Commission.
- b. Second, used to make any necessary adjustment to the total tax credit allocation as may be required by CTCAC.
- c. Third, payment towards the Borrower's deferred developer fee. A deferred developer fee is currently modeled in the pro forma (Attachment A).
- d. Fourth, excess funds shall be shared fifty percent (50%) to the Borrower and the other fifty percent (50%) will be paid to the Housing Commission and other soft lenders in proportion to the original principal balance of their loans.
- e. Excess funds will be applied first to pay down the accrued interest, and the remaining amount shall pay down the principal.

17. Developer Fee-

- a. Maximum Fee \$2,500,000 paid from Development Sources with the excess Developer Fee calculated per TCAC and SDHC guidelines, not to exceed \$3,642,359.
- b. Additional developer fee provisions
 - i. If for any reason the Borrower does not collect the entire developer fee from development sources through the last equity installment, with the exception of negative tax credit adjusters, uncollected fee up to \$1,142,359 shall be given priority over Housing Commission residual receipt payments.
 - ii. If any amount of the developer fee is deferred, then such amount shall be repaid during the 15-year tax credit compliance period. Amounts outstanding after the expiration of the 15-year tax credit compliance period shall be contributed to the Project in the form of a capital contribution.
- c. Developer fee payments shall be paid out incrementally: because this is a tax credit project, the developer fee payments shall be in accordance with lender and investor requirements.

Due Diligence - The Borrower, at Borrower's expense, shall provide the following: a current appraisal, an environmental review, a lead paint and asbestos review, and a relocation plan for the commercial tenants in the existing buildings that will be demolished upon commencement of construction of the Project. The Borrower shall provide the Housing Commission with an updated appraisal within 90 days of the estimated escrow closing date.

- 18. Environmental Requirements** - Currently the Housing Commission does not intend to fund the Housing Commission Loan using any HOME funds. In the

event the Housing Commission ultimately determines to funding (all or part) of the Housing Commission Loan using any HOME funds, the parties agree and acknowledge that this Letter constitutes a conditional reservation and does not represent a final commitment of HOME funds or site approval under 24 CFR Part 58 of the National Environmental Policy Act (NEPA). HOME funds constitute a portion of the funding for the Project, and a final reservation of HOME funds shall occur only upon satisfactory completion of environmental review and receipt by the City of San Diego of a Release Of Funds from the U.S. Department of Housing and Urban Development under 24 CFR Part 58 of NEPA. The parties agree that the provision of any HOME funds to the Project will be conditioned on the City of San Diego's determination to proceed with, modify or cancel the Project based on the results of subsequent environmental review under NEPA. By execution of this Letter, you acknowledge no legal claim to any amount of HOME funds to be used for the Project or site unless and until the site has received environmental clearance under NEPA. You are also prohibited from undertaking or committing any funds to physical or choice-limiting actions, including property acquisition, demolition, movement, clearance, rehabilitation, conversion, repair or construction prior to environmental clearance under NEPA. Violation of this provision may result in denial of any HOME funds for this Project.

19. **Fees/Payments to Housing Commission** - Borrower will pay to the Housing Commission:
 - a) **Underwriting Fee** - a flat underwriting fee in the amount of **\$60,000** will be charged as reimbursement of Housing Commission costs related to underwriting and issuing the loan. This must be included in the total development cost of the Project and is to be paid at close of escrow.
 - b) **Legal Fee** - the Housing Commission charges a legal costs fee for document preparation and review that must be included in the total development cost. Current Housing Commission legal fees are **\$25,000** and are to be paid at the close of escrow.
 - c) **Compliance Affordability Monitoring Fee** - compliance monitoring fees must be incorporated into the operating proforma. Borrower will pay the fee in accordance with the then-existing Housing Commission fee schedule. Current annual affordability monitoring are as follows: \$150 X 77 (Project units to be affordability monitored) = **\$11,550** per year. Additional training and assistance is currently at \$100 per hour.
 - d) **Asset Management Fee** - the Housing Commission charges a 15-year capitalized asset management fee of **\$15,000** and is paid at close of escrow.
20. **Fees for Asset Management** (amounts not to exceed)-
 - a. As detailed in paragraph 4 (above), the year 1 "Limited Partnership Fees" shall be capped at \$25,000 per year and shall not increase more than 3.0% annually. "Limited Partnership Fees" include Asset management fees (19(d)) related to

the investor and general partner's management of the Project.

- b. Unpaid General Partner fees shall not accrue. The Housing Commission will require the Limited Partnership Agreement to explicitly state this requirement.
 - c. Any changes to the asset management partnership fees will require the prior written approval of the Housing Commission's President and CEO or his designee.
21. **Financing Gap** - The Borrower will cover any financing gap that arises after Housing Commission underwriting, with its equity, its developer fee, and/or other non-Housing Commission sources, all of which shall be subject to the approval of the Housing Commission in its sole discretion and will not be unreasonably withheld. No additional Housing Commission funds, beyond this Letter of Intent's \$4,250,000, will be provided for the Project in any Housing Commission's future Notices of Funds Available.
22. **Funding Sources** - The Housing Commission may fund the Housing Commission Loan from various sources including local, State, and/or federal funds including HOME Investment Partnership Program funds. The Housing Commission reserves the right to allocate available program funds in the best interest of the Housing Commission. In the event the Housing Commission ultimately determines to fund (all or part) of the Housing Commission Loan using any HOME funds, then Borrower should be familiar with the HOME programs rules and regulations, Federal Davis Bacon law and Section 3.
23. **HOME Investment Partnerships (HOME) Funds** -
Currently there are no HOME funds planned for the Project. In the event the Housing Commission ultimately determines to fund (all or part) of the Housing Commission Loan using any HOME funds, then:
- a. HOME program regulations will be applicable.
 - b. HOME funds may not be used to fund any of the following:
 - i) Any reserves are not eligible for HOME funds (including but not limited to operating reserves).
 - ii) Offsite improvements are not eligible for funding with HOME funds.
 - iii) Furnishings costs are not eligible for funding with HOME funds.
 - iv) Commercial space improvements are not eligible for funding with HOME funds.
 - c. The HOME IDIS funding system requires at least one HOME draw in a 12 month period and at least of small portion of the HOME funds must remain in the IDIS system until the Project is ready for occupancy.
24. **Insurance** - Borrower shall at all times during the term of the loan maintain



General Liability and Property Insurance (fire and extended coverage), workers compensation, builder's completed value risk insurance against "all risks of physical loss" (during construction) and, if required by the Housing Commission, floor and earthquake insurance, in forms acceptable to the Housing Commission and approved by the Housing Commission's General Counsel. The San Diego Housing Commission, the Housing Authority of the City of San Diego, and the City of San Diego shall be listed as an additional insureds: for General Liability Insurance, for Property Insurance, and in the General Contractor's Insurance policy. The San Diego Housing Commission shall be endorsed as a loss payee of the private insurance policies. Evidence of borrower's insurance coverage shall be provided to the Housing Commission prior to close of escrow.

25. **Loan Disbursement Schedule** - Upon submittal and approval of eligible costs, the Housing Commission Loan (up to **\$4,250,000**) will be disbursed as follows:

- Up to 75 percent (**\$3,187,500**) at escrow closing.
 - Up to 10 percent (**\$425,000**) to be distributed at 50 percent construction completion,
 - Up to 10 percent (**\$425,000**) to be withheld until the issuance of a Certificate of Occupancy and all unconditional lien releases are forwarded to the Housing Commission.
 - Up to 5 percent (**\$212,500**) upon conversion to permanent financing.
- a. The Housing Commission's President and Chief Executive Officer, or his designee, is authorized to modify the Housing Commission Loan disbursement schedule in their sole reasonable discretion.
 - b. In the event the Housing Commission ultimately determines to fund (all or part) of the Housing Commission Loan using any HOME funds, then a portion of the HOME program funds must be withheld until final inspection approval and all unconditional lien releases are forwarded to the Housing Commission.
 - c. Loan proceeds are disbursed for work completed upon Housing Commission approval of payment requests in a form approved by the Housing Commission. Verifiable documentation of expenses must be submitted with all payment requests.

26. **Loan Payments** – Annual hard payments will not be required. Annual residual receipts payments at 50 percent of cash flow is required.

- a. Starting at the end of the first year after Project completion, the Housing Commission will split its share of residual cash flow with Housing Commission-approved public lenders loans, in proportion to their respective loan amounts. Residual payments will begin on May 1 in the year immediately following the calendar year in which construction is completed.

- b. The Housing Commission defines residual receipts as the net cash flow of the development after specified expenses and other debt service are paid.

27. **Management of the Development** -

- a. **Management Plan** - Prior to occupancy the Borrower shall submit a Management Plan to the Housing Commission for its review and approval. The Management Plan shall be subject to initial and periodic approval by the Housing Commission, at its reasonable discretion.
 - b. **Approval of Management Fee** - The Borrower's proposed property manager's fee must be approved by the Housing Commission.
 - c. The Housing Commission reserves the right to declare Borrower in default of the loan agreement after an uncured ninety (90) day written notice of malfeasance and/or misfeasance in management of the Project.
 - d. **Manager's Units** - Experienced on-site management is required. There shall be one manager's units.
 - e. **Marketing Plan** - In the event the Housing Commission ultimately determines to funding (all or part) of the Housing Commission Loan using any HOME funds, then to ensure compliance with HOME regulations and with federal fair housing requirements prior to occupancy the Borrower shall submit a proposed marketing plan for review and approval by the Housing Commission's Civil Rights Analyst in the Procurement and Compliance Division.
28. **Annual Budget Submittal** -three months prior to the end of each calendar year, the borrower shall submit an annual budget for Housing Commission review and prior approval.
29. **Project Based Vouchers**- The project will feature 32 Project Based Vouchers (PBV) from the Housing Commission.
30. **Prevailing Wage** - It is anticipated that the Project will not be subject to Federal Davis-Bacon prevailing wage rates.
31. **Recourse** - The Housing Commission's loan will be recourse until the timely completion of the construction, after which it will become non-recourse.
32. **Reserves**: Replacement reserves and operating reserves must be consistent with lender and equity investor requirements. The Housing Commission reserves the right to require higher operating or replacement reserves.



- a. Replacement Reserve -The attached proforma models an annual replacement reserve at **\$23,400 (\$300 per unit per year)**.
 - b. Operating Reserve - The attached proforma models a capitalized operating reserve at **\$265,000** at conversion to permanent financing. The operating reserve is to be maintained for the entire term of the Housing Commission Loan.
 - c. Disbursements from Reserves: Housing Commission prior written approval shall be required for any and all disbursements from either the Project's operating reserve funds and/or from the Project's replacement reserve funds.
33. **Section 3** - In the event the Housing Commission ultimately determines to funding (all or part) of the Housing Commission Loan using any HOME funds, then Section 3 of the HUD Act of 1968 will be applicable and Borrower should be familiar with, and remain in compliance with, all Section 3 requirements.
34. **Security** -The Housing Commission Loan will be secured by a Declaration of Covenants, Conditions and Restrictions (CC&R), a Loan Agreement, and a Deed of Trust which will be senior to the deeds of trust and security instruments securing all other sources of funds secured by the Property, except that the Housing Commission's CC&R and Deed of Trust shall be subordinated to:
- a) The deed of trust and security instruments securing the construction and permanent loan.
 - b) **Lien position** - The lien positions will be approved by the Housing Commission's President and CEO and the Housing Commission's General Counsel. It is intended that the lien positions will be conformance with the public lenders' program requirements, and the requirements of private lenders which may require Housing Commission subordination.
 - c) **Cure Rights** - The Housing Commission shall have the right, but not the obligation, to cure all senior encumbrances in all subordinating agreements that it executes. All subordination agreements shall be subject to the sole approval of the Housing Commission's President and Chief Executive Officer and General Counsel.
35. **Tenant Service Delivery Plan** - Borrower shall submit a draft tenant service delivery plan 90-days prior to occupancy for Housing Commission staff review and comment. Borrower shall submit a revised draft incorporating Housing Commission comment prior to occupancy of the first tenant. A final tenant service deliver plan shall be subject to the approval of the Housing Commission in its reasonable discretion and will not be unreasonably withheld prior to project lease up.



36. **Title (ALTA Lender's Policy)** - The Borrower shall acquire, at its sole cost and expense, an ALTA Lender's Policy for the Commission Loan with endorsements acceptable to the Housing Commission.
37. **Miscellaneous Additional Conditions** - The Housing Commission reserves the right to impose such additional conditions in the final documentation of the transaction as are reasonably necessary to protect the interests of the Housing Commission and fulfill the intent of this letter.
38. **Exhibit A - Proforma** - is attached hereto and is hereby incorporated.

If the Borrower is willing to proceed on the terms and conditions referenced herein, please execute this letter of intent and return it to the undersigned by July ____, 2020 so that this letter of intent may be attached to the Housing Commission Board report.

ACKNOWLEDEED AND AGREED TO BY:

Front and Beech SH, LP

By: 

Print Name: Jimmy Silverwood

Title: Executive Vice President

Date: 7/15/2020

San Diego Housing Commission

By: 

Print Name: Emily S Jacobs

Title: SVP, Real Estate

Date: 9-9-2020

Attachment: Exhibit A Developer's Pro forma



SAN DIEGO
HOUSING
COMMISSION

DEVELOPERS/CONSULTANTS/SELLERS/CONTRACTORS/
ENTITY SEEKING GRANT/BORROWERS
(Collectively referred to as "CONTRACTOR" herein)
Statement for Public Disclosure

1. Name of CONTRACTOR: Affirmed Housing Group, Inc.
2. Address and ZIP Code: 13520 Evening Creek Dr. N. Ste. 160, San Diego, CA 92128
3. Telephone Number: (858) 679-2828
4. Name of Principal Contact for CONTRACTOR: Cristina Martinez
5. Federal Identification Number or Social Security Number of CONTRACTOR: 26-0812994
6. If the CONTRACTOR is not an individual doing business under his own name, the CONTRACTOR has the status indicated below and is organized or operating under the laws of California as:

☒ A corporation (Attach Articles of Incorporation)

☐ A nonprofit or charitable institution or corporation. (Attach copy of Articles of Incorporation and documentary evidence verifying current valid nonprofit or charitable status)

☐ A partnership known as: _____

(Name)

Check one:

☐ General Partnership (Attach Statement of General Partnership)

☐ Limited Partnership (Attach Certificate of Limited Partnership)

☐ A business association or a joint venture known as: _____

(Attach joint venture or business association agreement)

☐ A Federal, State or local government or instrumentality thereof.

☐ Other (explain)

7. If the CONTRACTOR is not an individual or a government agency or instrumentality, give date of organization:
August 7, 2007
8. Provide names, addresses, telephone numbers, title of position (if any) and nature and extent of the interest of the current officers, principal members, shareholders, and investors of the CONTRACTOR, other than a government agency or instrumentality, as set forth below:
 - a. If the CONTRACTOR is a corporation, the officers, directors or trustees, and each stockholder owning more than 10 percent of any class of stock.
 - b. If the CONTRACTOR is a nonprofit or charitable institution or corporation, the members who constitute the board of trustees or board of directors or similar governing body.

- c. If the CONTRACTOR is a partnership, each partner, whether a general or limited, and either the percent of interest or a description of the character and extent of interest.
- d. If the CONTRACTOR is a business association or a joint venture, each participant and either the percent of interest or a description of the character and extent of interest.
- e. If the CONTRACTOR is some other entity, the officers, the members of the governing body, and each person having an interest of more than 10 percent.(Attach extra sheet if necessary)

Name and Address	Position Title (if any) and percent of interest or description of character and extent of interest
Name: James Silverwood	President/CEO, 100% interest
Address: 13520 Evening Creek Dr. N. Ste. 160 San Diego, CA 92128	
Phone: (858) 386-5175	
Name:	
Address:	
Name:	
Address:	

9. Has the makeup as set forth in Item 8(a) through 8(e) changed within the last twelve (12) months? If yes, please explain in detail.
No
10. Is it *anticipated* that the makeup as set forth in Item 8(a) through 8(e) will change within the next twelve (12) months? If yes, please explain in detail.
No
11. Provide name, address, telephone number, and nature and extent of interest of each person or entity (not named in response to Item 8) who has a beneficial interest in any of the shareholders or investors named in response to Item 8, which gives such person or entity more than a computed 10 percent interest in the CONTRACTOR (for example, more than 20 percent of the stock in a corporation that holds 50 percent of the stock of the CONTRACTOR, or more than 50 percent of the stock in the corporation that holds 20 percent of the stock of the CONTRACTOR):

Name and Address	Position Title (if any) and percent of interest or description of character and extent of interest
Name: N/A (see 8)	
Address:	
Name:	
Address:	
Name:	
Address:	

12. Names, addresses and telephone numbers (if not given above) of officers and directors or trustees of any corporation or firm listed under Item 8 or Item 11 above:

Name and Address	Position Title (if any) and percent of interest or description of character and extent of interest
Name: N/A (see 8)	
Address:	
Name:	
Address:	
Name:	
Address:	

13. Is the CONTRACTOR a subsidiary of or affiliated with any other corporation or corporations, any other firm or any other business entity or entities of any nature? If yes, list each such corporation, firm or business entity by name and address, specify its relationship to the CONTRACTOR, and identify the officers and directors or trustees common to the CONTRACTOR and such other corporation, firm or business entity.

Name and Address	Relationship to CONTRACTOR
Name: Affirmed Housing Group, a CA Corp.	Sister Company (combined group for reporting financials)
Address: 13520 Evening Creek Dr. N. Ste. 160	
San Diego, CA 92128	
Name:	
Address:	
Name:	
Address:	

14. Provide the financial condition of the CONTRACTOR as of the date of the statement and for a period of twenty-four (24) months prior to the date of its statement, as reflected in the **attached** financial statements, including, but not necessarily limited to, profit and loss statements and statements of financial position.
15. If funds for the development/project are to be obtained from sources other than the CONTRACTOR's own funds, provide a statement of the CONTRACTOR's plan for financing the development/project:
TCAC, Civic San Diego Land + Capital, San Diego Housing Commission Capital
16. Provide sources and amount of cash available to CONTRACTOR to meet equity requirements of the proposed undertaking:
- In banks/savings and loans:
Name: US Bank, Citi, Fidelity
Address: (Provided upon request – see financials)
Amount: \$ 2 million

- b. By loans from affiliated or associated corporations or firms:

Name: US Bank

Address: 4747 Executive Dr., 3rd Fl., San Diego, CA 92121

Amount: \$ 750,000 to \$1,500,000

- c. By sale of readily salable assets/including marketable securities:

Description	Market Value (\$)	Mortgages or Liens (\$)
N/A		

17. Names and addresses of bank references, and name of contact at each reference:

Name and Address	Contact Name
Name: US Bank	John Petersen
Address: 4747 Executive Dr., 3 rd Fl	
San Diego, CA 92121	
Name: Citibank	
Address: 740 Lomas Santa Fe Dr., Suite 210	Christopher D Meyers
Solana Beach, CA 92075	
Name:	
Address:	

18. Has the CONTRACTOR or any of the CONTRACTOR's officers or principal members, shareholders or investors, or other interested parties been adjudged bankrupt, either voluntary or involuntary, within the past 10 years?

☐ Yes

☒ No

If yes, give date, place, and under what name.

N/A

19. Has the CONTRACTOR or anyone referred to above as "principals of the CONTRACTOR" been convicted of any felony within the past 10 years?

☐ Yes

☒ No

If yes, give for each case (1) date, (2) charge, (3) place, (4) court, and (5) action taken. Attach any explanation deemed necessary.

N/A

20. List undertakings (including, but not limited to, bid bonds, performance bonds, payment bonds and/or improvement bonds) comparable to size of the proposed project which have been completed by the CONTRACTOR, including identification and brief description of each project, date of completion, and amount of bond, whether any legal action has been taken on the bond:

Type of Bond	Project Description	Date of Completion	Amount of Bond	Action on Bond
	(Please see attached bond list)			No legal action on any of the bonds

21. If the CONTRACTOR, or a parent corporation, a subsidiary, an affiliate, or a principal of the CONTRACTOR is to participate in the development as a construction contractor or builder, provide the following information:

- a. Name and addresses of such contractor or builder:

Name and Address	Affiliation
Name: N/A	
Address:	
Name:	
Address:	
Name:	
Address:	

- b. Has such contractor or builder within the last 10 years ever failed to qualify as a responsible bidder, refused to enter into a contract after an award has been made, or failed to complete a construction or development contract?

☐ Yes ☒ No

If yes, please explain, in detail, each such instance:

N/A

- c. Total amount of construction or development work performed by such contractor or builder during the last three (3) years: \$ N/A

General description of such work:

N/A

List each project, including location, nature of work performed, name, address of the owner of the project, bonding companies involved, amount of contract, date of commencement of project, date of completion, state whether any change orders were sought, amount of change orders, was litigation commenced concerning the project, including a designation of where, when and the outcome of the litigation. (Attach extra sheet if necessary)

Project Name	N/A	
Project Owner Contact Information		
	Name	Address
Project Location		
Project Details		
Bonding Company Involved		
	Name	Amount of Contract
Change Order Details		
Change Order Cost		
Litigation Details		
	Location/Date	Outcome Details

d. Construction contracts or developments now being performed by such contractor or builder:

Identification of Contract or Development	Location	Amount	Date to be Completed
N/A			

e. Outstanding construction-contract bids of such contractor or builder:

Awarding Agency	Amount	Date Opened
N/A		

22. Provide a detailed and complete statement regarding equipment, experience, financial capacity, and other resources available to such contractor or builder for the performance of the work involved in the proposed project, specifying particularly the qualifications of the personnel, the nature of the equipment, and the general experience of the contractor:

N/A

23. Does any member of the governing body of SDHC, Housing Authority of the City of San Diego ("AUTHORITY") or City of San Diego ("CITY"), to which the accompanying proposal is being made or any officer or employee of SDHC, the AUTHORITY or the CITY who exercises any functions or responsibilities in connection with the carrying out of the project covered by the CONTRACTOR's proposal, have any direct or indirect personal financial interest in the CONTRACTOR or in the proposed contractor?

☐ Yes

☒ No

If yes, explain:

N/A

24. Statements and other evidence of the CONTRACTOR's qualifications and financial responsibility (other than the financial statement referred to in Item 8) are attached hereto and hereby made a part hereof as follows:

N/A

25. Is the proposed CONTRACTOR, and/or are any of the proposed subcontractors, currently involved in any construction-related litigation?

☐ Yes

☒ No

If yes, explain:

N/A

26. State the name, address and telephone numbers of CONTRACTOR's insurance agent(s) and/or companies for the following coverage's. List the amount of coverage (limits) currently existing in each category:

- a. General Liability, including Bodily Injury and Property Damage Insurance [Attach certificate of insurance showing the amount of coverage and coverage period(s)] (see attached certificates)

Check coverage(s) carried:

- ☒ Comprehensive Form
- ☒ Premises - Operations
- ☒ Explosion and Collapse Hazard
- ☒ Underground Hazard
- ☒ Products/Completed Operations Hazard
- ☒ Contractual Insurance
- ☒ Broad Form Property Damage
- ☒ Independent Contractors
- ☒ Personal Injury

- b. Automobile Public Liability/Property Damage [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

Check coverage(s) carried:

- ☒ Comprehensive Form
☒ Owned
☒ Hired
☒ Non-Owned

- c. Workers Compensation [Attach certificate of insurance showing the amount of coverage and coverage period(s)]
- d. Professional Liability (Errors and Omissions) [Attach certificate of insurance showing the amount of coverage and coverage period(s)]
- e. Excess Liability [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]
- f. Other (Specify) [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]

27. CONTRACTOR warrants and certifies that it will not during the term of the PROJECT, GRANT, LOAN, CONTRACT, DEVELOPMENT and/or RENDITIONS OF SERVICES discriminate against any employee, person, or applicant for employment because of race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. The CONTRACTOR will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The CONTRACTOR agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by SDHC setting forth the provisions of this nondiscrimination clause.
28. The CONTRACTOR warrants and certifies that it will not, without prior written consent of SDHC, engage in any business pursuits that are adverse, hostile or take incompatible positions to the interests of SDHC, during the term of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT and/or RENDITION OF SERVICES.
29. CONTRACTOR warrants and certifies that no member, Commissioner, Councilperson, officer, or employee of SDHC, the AUTHORITY and/or the CITY, and no member of the governing body of the locality in which the PROJECT is situated, no member of the governing body in which SDHC was activated, and no other public official of such locality or localities who exercises any functions or responsibilities with respect to the assignment of work, has, during his or her tenure, or will for one (1) year thereafter, have any interest, direct or indirect, in this PROJECT or the proceeds thereof.

30. List all citations, orders to cease and desist, stop work orders, complaints, judgments, fines, and penalties received by or imposed upon CONTRACTOR for safety violations from any and all government entities including but not limited to, the City of San Diego, County of San Diego, the State of California, the United States of America and any and all divisions and departments of said government entities for a period of five (5) years prior to the date of this statement. If none, please state:

Government Complaint	Entity Making	Date	Resolution
N/A			

31. Has the CONTRACTOR ever been disqualified, removed from or otherwise prevented from bidding on or completing a federal, state, or local government project because of a violation of law or a safety regulation?

☐ Yes

☒ No

If yes, please explain, in detail,

N/A

32. Please list all licenses obtained by the CONTRACTOR through the State of California and/or the United States of America, which are required and/or will be utilized by the CONTRACTOR and/or are convenient to the performance of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT, or RENDITION OF SERVICES. State the name of the governmental agency granting the license, type of license, date of grant, and the status of the license, together with a statement as to whether the license has ever been revoked:

Government Agency	License Description	License Number	Date Issued (Original)	Status (Current)	Revocation (Yes/No)
N/A					

33. Describe in detail any and all other facts, factors or conditions that may adversely affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, SALES of Real Property to, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with SDHC.

N/A

34. Describe in detail, any and all other facts, factors or conditions that may favorably affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with SDHC.

Over 20 years of experience in affordable housing and 3,500+ units built to date; strong financials and strong relationships with lenders, investors, cities and localities

35. List all CONTRACTS with, DEVELOPMENTS for or with, LOANS with, PROJECTS with, GRANTS from, and SALES of Real Property to SDHC, AUTHORITY and/or the CITY within the last five (5) years:

Date	Entity Involved (i.e. City SDHC, etc)	Status (Current, delinquent, repaid, etc.)	Dollar Amount
11/15/2017	Grantville Veteran Housing, LP – Zephyr (ENTITY - SDHC)	Current	\$3,000,000
12/14/2017	Twain Housing, LP – Stella (ENTITY - SDHC)	Current	\$7,500,000
12/22/2017	Fairmount Family Housing, LP – Bluewater (ENTITY - SDHC)	Current	\$9,468,500
12/3/2015	Imperial Urban Housing, LP – Cypress (ENTITY - SDHC)	Current	\$3,450,000

36. Within the last five years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, been the subject of a complaint filed with the Contractor's State License Board (CSLB)?

☐ Yes ☒ No

If yes, explain:

N/A

37. Within the last five years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, had a revocation or suspension of a CONTRACTOR's License?

☐ Yes ☒ No

If yes, explain:

N/A

38. List three local references that would be familiar with your previous construction projects:

- Name: Timothy Elliot, City of Los Angeles Development and Finance Department
Address: 1200 West 7th Street, Los Angeles CA 90017
Phone: (213) 808-8596
Project Name and Description: Vermont Villas – 79 units PSH Veterans & Seniors
- Name: Brad Richter, Assistant Vice President, Planning, Civic San Diego
Address: 401 B Street, 4th Floor, San Diego, CA 92101
Phone: (619) 533-7115
Project Name and Description: Ten Fifty B – high rise with 229 units between two phases
- Name: Harry Williams, City of San Marcos

Address: 1 Civic Center Drive, San Marcos, CA 92069

Phone: (760) 744-1050 ext 3238

Project Name and Description: Eastgate – 40 units, mixed use, new construction project

39. Give a brief statement regarding equipment, experience, financial capacity and other resources available to the CONTRACTOR for the performance of the work involved in the proposed project, specifying particularly the qualifications of the personnel, the nature of the equipment and the general experience of the CONTRACTOR.

N/A

40. Give the name and experience of the proposed Construction Superintendent.

Name	Experience
TBD	

CONSENT TO PUBLIC DISCLOSURE BY CONTRACTOR

By providing the "Personal Information", (if any) as defined in Section 1798.3(a) of the Civil Code of the State of California (to the extent that it is applicable, if at all), requested herein and by seeking a loan from, a grant from, a contract with, the sale of real estate to, the right to develop from, and/or any and all other entitlements from the SAN DIEGO HOUSING COMMISSION ("SDHC"), the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO ("AUTHORITY") and/or the CITY OF SAN DIEGO ("CITY"), the CONTRACTOR consents to the disclosure of any and all "Personal Information" and of any and all other information contained in this Public Disclosure Statement. CONTRACTOR specifically, knowingly and intentionally waives any and all privileges and rights that may exist under State and/or Federal Law relating to the public disclosure of the information contained herein. With respect to "Personal Information," if any, contained herein, the CONTRACTOR, by executing this disclosure statement and providing the information requested, consents to its disclosure pursuant to the provisions of the Information Practices Act of 1977, Civil Code Section 1798.24(b). CONTRACTOR is aware that a disclosure of information contained herein will be made at a public meeting or meetings of SDHC, the AUTHORITY, and/or the CITY at such times as the meetings may be scheduled. CONTRACTOR hereby consents to the disclosure of said "Personal Information," if any, more than thirty (30) days from the date of this statement at the duly scheduled meeting(s) of SDHC, the AUTHORITY and/or the CITY. CONTRACTOR acknowledges that public disclosure of the information contained herein may be made pursuant to the provisions of Civil Code Section 1798.24(d).

CONTRACTOR represents and warrants to SDHC, the AUTHORITY and the CITY that by providing the information requested herein and waiving any and all privileges available under the Evidence Code of the State of California, State and Federal Law, (to the extent of this disclosure that the information being submitted herein), the information constitutes a "Public Record" subject to disclosure to members of the public in accordance with the provisions of California Government Section 6250 et seq.

CONTRACTOR specifically waives, by the production of the information disclosed herein, any and all rights that CONTRACTOR may have with respect to the information under the provisions of Government Code Section 6254 including its applicable subparagraphs, to the extent of the disclosure herein, as well as all rights of privacy, if any, under the State and Federal Law.

Executed this 22 day of November, 20 19, at San Diego, California.

CONTRACTOR

By: _____

Signature

President

Title

CERTIFICATION

The CONTRACTOR, Affirmed Housing Group, Inc., hereby certifies that this CONTRACTOR's Statement for Public Disclosure and the attached information/evidence of the CONTRACTOR's qualifications and financial responsibility, including financial statements, are true and correct to the best of CONTRACTOR's knowledge and belief.

By: [Signature]
Title: President
Dated: 9/22/2019

By: _____
Title: _____
Dated: _____

WARNING: 18 U.S.C. 1001 provides, among other things, that whoever knowingly and willingly makes or uses a document or writing containing any false, fictitious or fraudulent statement or entry, in any matter within the jurisdiction or any department or agency of the United States, shall be fined not more than \$10,000 or imprisoned for not more than five years, or both.

JURAT

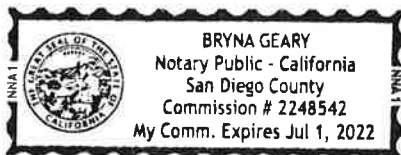
A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of San Diego

Subscribed and sworn to (or affirmed) before me on this 22 day of November, 20 19

by James Silverwood personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.



SEAL

[Signature]
Signature of Notary

Delaware

PAGE 1

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "AFFIRMED HOUSING GROUP, INC.", FILED IN THIS OFFICE ON THE NINTH DAY OF AUGUST, A.D. 2007, AT 9:54 O'CLOCK A.M.



4405102 8100

080401471

You may verify this certificate online
at corp.delaware.gov/authver.shtml

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

AUTHENTICATION: 6505458

DATE: 04-07-08

STATE of DELAWARE
CERTIFICATE of INCORPORATION
A STOCK CORPORATION

- First: The name of this Corporation is AFFIRMED HOUSING GROUP, INC.
- Second: Its registered office in the State of Delaware is to be located at 40 E. Division Street, Suite A Street, in the City of Dover County of Kent Zip Code 19901. The registered agent in charge thereof is Paracorp Incorporated
- Third: The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.
- Fourth: The amount of the total stock of this corporation is authorized to issue is 1,000,000 shares (number of authorized shares) with a par value of \$1.00 per share.
- Fifth: The name and mailing address of the incorporator are as follows:
Name Joel L. Incorvaia
Mailing Address 445 Marine View Avenue, Suite 295
Del Mar, CA Zip Code 92014
- I, The Undersigned, for the purpose of forming a corporation under the laws of the State of Delaware, do make, file and record this Certificate, and do certify that the facts herein stated are true, and I have accordingly hereunto set my hand this 7th day of August, A.D. 20 07

BY: 

(Incorporator)

NAME: Joel L. Incorvaia
(type or print)

Bond No.	Surety	Bond Type	Principal	Obligee	Job Description	Original Effective Date	Renewal Date	Premium	Bond Amount
4416581	SureTec Indemnity	Grading Bond	Fairmont Family Housing, LP	City of San Diego	Drawing No. 40205-D; Project No. 562765	12/17/19	12/17/20	\$1,112.00	\$88,930.00
4416582	SureTec Indemnity	Grading Bond	Fairmont Family Housing, LP	City of San Diego	Drawing No. 42060-D; Project No. 565855	12/17/19	12/17/20	\$2,304.00	\$205,407.00

updated 11.21.19

ACORDTM**CERTIFICATE OF LIABILITY INSURANCE**

DATE (MM/DD/YYYY)

03/21/2019

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer any rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Marsh & McLennan Agency LLC Marsh & McLennan Ins. Agency LLC PO Box 85638 San Diego, CA 92186	CONTACT NAME: Kris Farmer PHONE (A/C, No, Ext): 858-587-7551 E-MAIL ADDRESS: kristine.farmer@marshmma.com		FAX (A/C, No): 858-909-9802
	INSURER(S) AFFORDING COVERAGE		NAIC #
INSURED Affirmed Housing Group 13520 Evening Creek Drive North San Diego, CA 92128	INSURER A : Philadelphia Indemnity Insurance Co.		18058
	INSURER B : National Union Fire Ins Co PittsburghPA		19445
	INSURER C : Fireman's Fund Insurance Company		21873
	INSURER D : State Compensation Ins. Fund		14500
	INSURER E :		
INSURER F :			

COVERAGES**CERTIFICATE NUMBER:****REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.


INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: POLICY <input type="checkbox"/> PRO-JECT <input checked="" type="checkbox"/> LOC OTHER:	<input checked="" type="checkbox"/>		PHPK1948747	03/01/2019	03/01/2020	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 300,000 MED EXP (Any one person) \$ 15,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMP/OP AGG \$ 2,000,000 \$
A	AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO OWNED AUTOS ONLY <input checked="" type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS NON-OWNED AUTOS ONLY			PHPK1948747	03/01/2019	03/01/2020	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
B	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> EXCESS LIAB DED <input checked="" type="checkbox"/> RETENTION \$ 0	<input checked="" type="checkbox"/>		BE061213386 Primary Excess Follow Form GL	03/01/2019	03/01/2020	EACH OCCURRENCE \$ 10,000,000 AGGREGATE \$ 10,000,000 \$
D	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? <input type="checkbox"/> Y / N (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below		N/A	917119118	12/06/2018	12/06/2019	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000
C	2nd Excess Liability			LHE00058223116	03/01/2019	03/01/2020	\$10,000,000 per occ. \$10,000,000 aggregate

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

Evidence of Coverage.

Additional Coverages: Directors & Officers Liability / Employment Practices Liability - Carrier: Scottsdale Insurance Company - pol# EKS3290669; effective 4/30/2019 to 4/30/2020 ; Limits: \$1,000,000 aggregate and \$1,000,000 maximum aggregate; \$25,000 EPL each claim and \$25,000 Third Party Claim deductibles apply. Crime Coverage - Carrier: Travelers Property and Casualty - pol# 106298641; effective 4/30/2019 to 4/30/2020 ; Limits: \$300,000 Employee Theft with \$5,000 deductible each loss. \$300,000 ERISA Limit with no deductible.

CERTIFICATE HOLDER**CANCELLATION**

Evidence of Coverage	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE 

INSURED: Affirmed Housing Group

POLICY #: PHPK1948747

POLICY PERIOD: 03/01/2019

TO: 03/01/2020

PI-AH-6 (08/07)

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**GENERAL LIABILITY DELUXE ENDORSEMENT:
AFFORDABLE HOUSING**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

It is understood and agreed that the following extensions only apply in the event that no other specific coverage for the indicated loss exposure are provided under this policy. If such specific coverage applies, the terms, conditions and limits of that coverage are the sole and exclusive coverage applicable under this policy, unless otherwise noted on this endorsement. The following is a summary of the Limits of Insurance and additional coverage provided by this endorsement. For complete details on specific coverages, consult the policy contract wording.

Coverage Applicable	Limit of Insurance	Page #
Damage To Premises Rented To You, All Covered Causes of Loss	\$1,000,000	2
Expected or Intended Injury-Property Damage	included	2
Non-Owned Watercraft	Less than 58 feet	2
Supplementary Payments – Bail Bonds	\$2,500	2
Supplementary Payment – Loss of Earnings	\$500 per day	2
Employee Indemnification Defense Coverage for Employee	\$10,000	3
Additional Insured – Committee, Organization and Subsidiary	Included	3
Additional Insured – Managers or Lessors of Premises	Included	3
Additional Insured – Lessor of Leased Equipment-Automatic Status when Required in Lease Agreement with You	Included	3
Additional Insured – Use of Watercraft	Included	4
Duties in the Event of Occurrence, Claim or Suit	Included	4
Unintentional Failure to Disclose Hazards	Included	4
Liberalization	Included	4
Bodily Injury – includes Mental Anguish	Included	4
Personal and Advertising Injury – includes Abuse of Process, Discrimination	Included	4

A. Damage To Premises Rented To You

If damage by fire to premises rented to you is not otherwise excluded from this Coverage Part, the word "fire" is changed to all Covered Causes of Loss where it appears in:

1. The last paragraph of **SECTION I – COVERAGES, COVERAGE A BODILY INJURY AND PROPERTY DAMAGE LIABILITY** after the Exclusions;
2. Paragraph 6 of **SECTION III - LIMITS OF INSURANCE**;
3. Paragraph b.(1)(b) of 4. Other Insurance in **SECTION IV - COMMERCIAL GENERAL LIABILITY CONDITIONS**; and
4. Paragraph 9.a. "Insured contract" in **SECTION V - DEFINITIONS**.

The Damage To Premises Rented To You Limit section of the Declarations is amended to the greater of:

- a. \$1,000,000; or
- b. The amount shown in the Declarations as the Damage to Premises Rented to You Limit.

This is the most we will pay for all damage proximately caused by the same event, whether such damage results from a Covered Cause of Loss or any combination thereof.

B. Extended Property Damage

SECTION I – COVERAGES, COVERAGE A BODILY INJURY AND PROPERTY DAMAGE LIABILITY, 2. Exclusions a. is deleted and replaced by the following:

a. Expected or Intended Injury

"Bodily injury" or "property damage" expected or intended from the standpoint of the insured. This exclusion does not apply to "bodily injury" or "property damage" resulting from the use of reasonable force to protect persons or property.

C. Non-Owned Watercraft

SECTION I – COVERAGES, COVERAGE A BODILY INJURY AND PROPERTY DAMAGE LIABILITY, 2. Exclusions paragraph g. (2) is amended to read as follows:

- (2) A watercraft you do not own that is:
- (a) Less than 58 feet long; and
 - (b) Not being used to carry persons or property for a charge;

This provision applies to any person, who with your consent, either uses or is responsible for the use of a watercraft. This insurance is excess over any other valid and collectible insurance available to the insured whether primary, excess or contingent.

D. Supplementary Payments – Coverages A and B

In the **SUPPLEMENTARY PAYMENTS - COVERAGE A AND B** provision:

1. The limit for the cost of bail bonds is changed from \$250 to \$2,500; and
2. The limit for loss of earnings is changed from \$250 a day to \$500 a day.

E. Employee Indemnification Defense Coverage

Under **SUPPLEMENTARY PAYMENTS - COVERAGES A AND B** the following is added:

3. We will pay, on your behalf, defense costs incurred by an "employee" in a criminal proceeding. The most we will pay for any "employee" who is alleged to be directly involved in a criminal proceeding is \$10,000 regardless of the numbers of employees, claims or "suits" brought or persons or organizations making claims or bringing "suits".

F. SECTION II - WHO IS AN INSURED is amended as follows:

1. If coverage for newly acquired or formed organizations is not otherwise excluded from this Coverage Part, paragraph 3.a is changed to read:
 - a. Coverage under this provision is afforded until the end of the policy period.
2. 2. c and d are deleted in their entirety and replaced with the following:
 - c. Any person or organization having proper temporary custody of your property if you cease to exist as a legal entity, but only:
 1. With respect to liability arising out of the maintenance or use of that property; and
 2. Until your legal representative has been appointed.
 - d. Your legal representative, if you cease to exist as a legal entity, but only with respect to duties as such. That representative will have all your rights and duties under this Coverage Part.
3. Each of the following is also an insured:
 - a. **Committee, Organization and Subsidiary** - Any committee, organization and subsidiary thereof which you control and actively manage on the effective date of this Coverage Part. However, coverage does not apply to any committee, organization and subsidiary not named in the Declarations as a Named Insured, if they are also insured under another policy, but for its termination or the exhaustion of its limits of insurance.
 - b. **Managers or Lessors of Premises** - Any person or organization with respect to their liability arising out of the ownership, maintenance or use of that part of the premises leased to you subject to the following additional exclusions:

This insurance does not apply to:

 - 1) Any "occurrence" which takes place after you cease to be a tenant in that premises.
 - 2) Structural alterations, new construction or demolition operations performed by or on behalf of that person or organization.
 - c. **Lessor of Leased Equipment – Automatic Status When Required in Lease Agreement With You** – any person or organization from whom you lease equipment when you and such person or organization have agreed in writing in a contract or agreement that such person or organization is to be added as an additional insured on your policy. Such person or organization is an insured only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by your maintenance, operation or use of equipment leased to you by such person or organization.

A person's or organization's status as an additional insured under this endorsement ends when their contract or agreement with you for such leased equipment ends.

With respect to the insurance afforded to these additional insureds, this insurance does not apply to any "occurrence" which takes place after the equipment lease expires.

- d. **Use of Watercraft** – any person, who with your consent, either uses or is responsible for the use of a watercraft that you do not own that is less than 58 feet long and is not being used to carry persons or property for a charge.

G. Duties in the Event of Occurrence, Claim or Suit

1. The requirement in condition 2.a. of **SECTION IV - COMMERCIAL GENERAL LIABILITY CONDITIONS** that you must see to it that we are notified as soon as practicable of an "occurrence" or an offense, applies only when the "occurrence" or offense is known to:
 - a. You, if you are an individual;
 - b. A partner, if you are a partnership; or
 - c. An executive officer, director, or insurance manager, if you are a corporation.
2. The requirement in condition 2.b. that you must see to it that we receive notice of a claim or "suit" as soon as practicable will not be considered breached unless the breach occurs after such claim or "suit" is known to:
 - a. You, if you are an individual;
 - b. A partner, if you are a partnership; or
 - c. An executive officer, director, or insurance manager, if you are a corporation.

H. Unintentional Failure To Disclose Hazards

It is agreed that, based on our reliance on your representations as to existing hazards, if you should unintentionally fail to disclose all such hazards prior to the beginning of the policy period of this Coverage Part, we shall not deny coverage under this Coverage Part because of such failure.

I. Liberalization

If we revise this endorsement to provide more coverage without additional premium charge, we will automatically provide the additional coverage to all endorsement holders as of the day the revision is effective in your state.

J. Bodily Injury - Mental Anguish

The definition of "Bodily injury" is changed to read:

3. "Bodily injury":
 - a. Means bodily injury, sickness or disease sustained by a person, and includes mental anguish resulting from any of these; and
 - b. Except for mental anguish, includes death resulting from the foregoing (item a. above) at any time.

K. Personal and Advertising Injury – Abuse of Process, Discrimination

If **COVERAGE B PERSONAL AND ADVERTISING INJURY LIABILITY COVERAGE** is not otherwise excluded from this Coverage Part, the definition of "Personal and Advertising Injury" is amended as follows:

1. Item 14 b. is revised to read:
 - a. Malicious prosecution or abuse of process:
2. Adding the following:

- a. "Personal and advertising injury" also means discrimination based on race, color, religion, sex, age or national origin, except when:
 - 1. Done intentionally by or at the direction of, or with the knowledge or consent of:
 - a. Any insured; or
 - b. Any executive officer, director, stockholder, partner or member of the insured; or
 - 2. Directly or indirectly related to the employment, former or prospective employment, termination of employment, or application for employment of any person or persons by an insured; or
 - 3. Directly or indirectly related to the sale, rental, lease or sublease or prospective sales, rental, lease or sub-lease of any room, dwelling or premises by or at the direction of any insured; or
 - 4. Insurance for such discrimination is prohibited by or held in violation of law, public policy, legislation, court decision or administrative ruling.

The above does not apply to fines or penalties imposed because of discrimination.

ACORDTM**CERTIFICATE OF LIABILITY INSURANCE**

DATE (MM/DD/YYYY)

12/10/2018

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Marsh & McLennan Agency LLC Marsh & McLennan Ins Agncy LLC PO Box 85638; CA Lic #0H18131 San Diego, CA 92186	CONTACT NAME: Kris Farmer PHONE (A/C, No, Ext): 858 587-7551 FAX (A/C, No): 858-909-9802 E-MAIL ADDRESS: kristine.farmer@marshmma.com																					
INSURED Affirmed Housing Group 13520 Evening Creek Drive North San Diego, CA 92128	<table border="1"> <tr> <th colspan="2">INSURER(S) AFFORDING COVERAGE</th><th>NAIC #</th></tr> <tr> <td colspan="2">INSURER A : State Compensation Ins Fund</td><td>35076</td></tr> <tr> <td colspan="2">INSURER B :</td><td></td></tr> <tr> <td colspan="2">INSURER C :</td><td></td></tr> <tr> <td colspan="2">INSURER D :</td><td></td></tr> <tr> <td colspan="2">INSURER E :</td><td></td></tr> <tr> <td colspan="2">INSURER F :</td><td></td></tr> </table>	INSURER(S) AFFORDING COVERAGE		NAIC #	INSURER A : State Compensation Ins Fund		35076	INSURER B :			INSURER C :			INSURER D :			INSURER E :			INSURER F :		
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INSURER F :																						

COVERAGES**CERTIFICATE NUMBER:****REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.


INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:						EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMP/OP AGG \$ \$
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
	UMBRELLA LIAB <input type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED <input type="checkbox"/> RETENTION \$						EACH OCCURRENCE \$ AGGREGATE \$ \$
A	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? <input checked="" type="checkbox"/> N <input type="checkbox"/> Y (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below		N/A	917119118	12/06/2018	12/06/2019	X PER STATUTE <input type="checkbox"/> OTH-ER <input type="checkbox"/> E.I. EACH ACCIDENT \$1,000,000 E.I. DISEASE - EA EMPLOYEE \$1,000,000 E.I. DISEASE - POLICY LIMIT \$1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

Evidence of Coverage.

Additional Coverages: Directors & Officers Liability / Employment Practices Liability - Carrier: Scottsdale Insurance Company - pol# EKS3253951 ; effective 4/30/2018 to 4/30/2019 ; Limits: \$1,000,000 aggregate and \$1,000,000 maximum aggregate; \$25,000 EPL each claim and \$25,000 Third Party Claim deductibles apply. Crime Coverage - Carrier: Travelers Property and Casualty - pol# 106298641; effective 4/30/2018 to 4/30/2019 ; Limits: \$300,000 Employee Theft with \$5,000 deductible each loss. \$300,000 ERISA Limit with no deductible.

CERTIFICATE HOLDER**CANCELLATION**

Evidence of Coverage	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE 
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AFFIRMED HOUSING GROUP

CONFIDENTIAL FINANCIALS

**FURNISHED UPON REQUEST
UNDER SEPARATE COVER**