



Good Neighbors

San Diego
Housing Commission

REPORT

DATE ISSUED: May 9, 2006 REPORT NO: HCR 06-29
ATTENTION: Chair and Members of the Housing Commission ITEM: 100
SUBJECT: Preliminary Items Pursuant to Issuing Multifamily Housing Revenue Bonds for Studio 15 Apartments (Council District 2)
REFERENCE: HCR05-110

REQUESTED ACTION:

Approve a change in the development team for the Studio 15 Apartments and re-affirm the prior actions taken by the Housing Commission Board.

STAFF RECOMMENDATION:

Approve a substitution of Affirmed Housing Group for Barone Galasso and Associates as part of the development team for the 275-unit Studio 15 Apartments located at 15th Street and Imperial Avenue in downtown San Diego. Re-affirm the Housing Commission Board's prior actions, taken on January 13, 2006, which included selecting a financing team to work on the proposed bond transaction and recommending that the Housing Authority and City Council take the initial steps to issue housing mortgage revenue bonds to fund the development of the Studio 15 project.

SUMMARY:

On January 13, 2006, the Housing Commission Board heard a report on the Studio 15 Apartments and approved staff's recommendations. (Please see HCR05-110 included as Attachment 1). Since that time, Affirmed Housing Group (Affirmed) has replaced Barone Galasso and Associates as the primary developer of the project. The Studio 15 project and the financing structure remain largely unchanged. Staff does not recommend any changes to the financing team (Ross Financial Services and Quint & Thimmig LLP).

The Project

Studio 15 Apartments is a new construction community that will create a total of 275 new units. The development will be located on the southwest corner of 15th Street and Imperial Avenue in the East Village neighborhood of downtown San Diego. The location map is included as Attachment 2.

The project would consist of 275 furnished rental housing units and approximately 2,000 square feet of commercial lease space in one four-story building. The design of the exterior elevations avoids a monolithic appearance through various combinations of setbacks, awnings, and other architectural details. The building would have a landscaped interior courtyard: parking would be provided in an underground garage.

The proposed apartments would meet the requirements of "living units" under San Diego Municipal Code Section 103.1959 since they would be larger and have more amenities than typical SRO units. Each apartment would have a bathroom, and a kitchenette equipped with a



A state agency authorized by the City of San Diego

combination microwave/convection oven, a sink with a garbage disposal, and a small refrigerator. The units differ from a standard studio apartment because they are smaller, with living areas averaging 275 square feet rather than the 400 square feet of a typical studio. Maximum allowable occupancy for the proposed units would be one person.

Housing Affordability

As a condition of the proposed financing sources, the project will be restricted for occupancy by, and at rents affordable to, households earning between 40% Area Median Income (AMI) (\$19,300 for a household of one) and 60% AMI (\$29,000 for a household of one). One unit would be occupied by a resident manager. Rent and income restrictions for the project are outlined in the chart below:

Type	AMI	Number of Units	Restricted Rent (with utility allowance)	Market Rate	Monthly Savings per unit
Studio/SRO	40% AMI	27	\$483	\$750	\$267
Studio/SRO	50% AMI	108	\$603	\$750	\$147
Studio/SRO	60% AMI	139	\$724	\$750	\$26
1 Bedroom*	60% AMI	1	\$776	\$850	\$74
Total		275			
Total Annual Savings					\$327,072

*Manager's Unit

Development Team

Affirmed will be the managing member of a limited liability corporation that will be formed to own and operate Studio 15. Affirmed is a for-profit real estate development firm located in Escondido, California specializing in affordable rental housing. Since 1994, Affirmed has developed over 1,100 units in Southern California and the mid-Atlantic states of West Virginia, Virginia and North Carolina. Since 1994, Affirmed has secured over \$200 million of tax credit, conventional and other financing for affordable housing. Recent developments include new construction as well as acquisition and substantial rehabilitation projects in San Diego County, Riverside County and Ventura County. Affirmed's recent local projects include the 106-unit Tesoro Grove Apartments, the 94-unit Hollywood Palms Apartments, the 50-unit Creekside Trails Apartments, and the 69-unit Auburn Park Apartments. Affirmed's Statement for Public Disclosure and most recent financials are included as Attachments 3 and 4.

Housing Development Partners of San Diego (HDP) will act as a co-managing member of a limited liability corporation that will be formed to own and operate Studio 15. HDP is a nonprofit public benefit corporation established by the Housing Commission in 1990 to acquire and develop publicly financed low and moderate-income housing and to provide facilities and services related to housing. The organization is operated as an independent nonprofit by a Board of Directors consisting of two members of the Board of Commissioners of the San Diego Housing Commission, the Chief Executive Officer of the Housing Commission, and four at-large directors. HDP's Statement for Public Disclosure and most recent financials are included as Attachments 5 and 6. None of the Board members of the Housing Commission, nor the CEO of the Housing Commission, receive any remuneration for sitting on the 501(c)(3) nonprofit board.

HDP developed and operates two affordable housing projects in San Diego: Casa Colina del Sol and Knox Glen. Knox Glen is a 54-unit affordable housing development for families located in the San Diego community of Lincoln Park. Casa Colina del Sol is a 75-unit affordable housing project for seniors located in City Heights. In 2002 HDP acquired the Mason Hotel, a 27-unit single-room-occupancy facility located at 1345 Fifth Avenue in downtown San Diego. (A cigarette started a fire in this property in December of 2004; HDP carries fire insurance for the asset and claims have been filed against HDP in connection with the fire.) HDP is also a general partner in the Island Village development, a 280-unit rental complex located in East Village that is very similar to Studio 15.

Proposed Housing Bonds

The Housing Commission utilizes the Housing Authority's tax-exempt borrowing status to pass on lower interest rate financing (and make federal tax credits available) to developers of affordable housing. The Housing Authority's ability to issue bonds is limited under the U.S. Internal Revenue Code. To issue bonds for a project, the Housing Authority must first submit an application to CDLAC for a bond allocation. Prior to submitting applications to CDLAC, projects are brought before the Housing Commission, Housing Authority, and City Council. Housing Authority bond inducement resolutions must be obtained prior to application submittal and City Council TEFRA resolutions must be secured no later than 30 days after application submittal.

The developer has requested that staff submit an application to CDLAC in May to meet the application deadline for CDLAC's July allocation meeting. It is anticipated that the project will receive a bond allocation at the July meeting; however, if necessary, staff will submit up to two additional applications to CDLAC during 2006 to secure a bond allocation for the project.

A general description of the Multifamily Bond Program and actions that must be taken by the Housing Authority and by the City Council to initiate and finalize proposed financings are described in Attachment 7.

Financial Structure

The \$25 million allocation that will be sought from CDLAC is approximately 20% higher than the amount for which the project is currently being underwritten (\$21 million). The developer has requested this cushion to account for possible increases in the bond amount due to increases in construction costs or decreases in the assumed interest rate. Of the total \$21 million estimated bond issuance amount, approximately \$13 million in housing revenue bonds will be used to finance the construction of the project and will be paid off at conversion to permanent financing. The permanent bond amount is estimated to be approximately \$8.3 million and will be based upon project costs, revenues, and interest rates at the time of bond issuance.

The developer is currently investigating various ways to structure the issuance of bonds for the project, i.e., sale through a public offering or private placement. However, whatever bond

structure is used will have to comply with the Housing Commission's Multifamily Housing Revenue Bond Program policy.

Issuance of the bonds is contingent on approval of the residual receipts loan by CCDC and the Redevelopment Agency, among other contingencies. The following table summarizes the proposed permanent financing sources for the project:

Proposed Permanent Financing Sources	
CCDC Loan	\$15,800,000
Federal Tax Credits	\$15,300,000
Housing Revenue Bonds	\$8,300,000
Deferred Developer Fee	\$600,000
Total	\$40,000,000

In the future, should the Housing Authority, under a separate action, authorize the issuance of bonds for the project, the bonds would not constitute a debt or liability of the Housing Authority or the City of San Diego. Neither the faith and credit nor the taxing power of the City or the Authority would be pledged to the payment of the bonds.

Disclosure

Commissioners Sal Salas and Tony Yip and Chief Executive Officer of the Housing Commission, Elizabeth C. Morris, are each directors and officers of Housing Development Partners, a California nonprofit public benefit corporation qualified as an Internal Revenue Code Section 501(c)(3) corporation. Neither Commissioner Salas, Commissioner Yip, nor Ms. Morris receives any compensation for their service on the Board of Directors of Housing Development Partners. Pursuant to the provisions of Government Code Section 1091.5(a)(7) and (8), Commissioner Salas, Commissioner Yip, and Ms. Morris each have a "non-interest" as described in Government Code Section 1091.5 in these actions and Commissioners Yip and Salas are legally entitled to participate, vote and be counted for quorum purposes in the matters referenced in this report.

It is the opinion of Charles B. Christensen, General Counsel for the Housing Commission, that none of the board members of Housing Development Partners has a financial interest in the development that would legally preclude their participation under the provisions of Government Code Sections 1090 and/or 87100 et.seq. (no compensation is paid by HDP to any of its members and HDP is an approved 501(c)(3) entity under the Internal Revenue Code) and/or the San Diego Housing Commission's Conflict of Interest Code. This disclosure shall be and is hereby documented in the official records of the San Diego Housing Commission.

Further, the action on these bond matters by the Housing Commission is advisory to the Housing Authority of the City of San Diego. The Housing Authority of the City of San Diego will make all final decisions on the matters which are the subject of this report.

Alternative

Do not approve the developer substitution or re-affirm the Board's prior actions. If the recommended actions are not taken, the project will not be able to benefit from tax-exempt below-market rate financing or gain access to low income housing tax credits, and the development of Studio 15 will not proceed.

FISCAL CONSIDERATIONS:

There are no fiscal impacts to the Housing Commission, City, or Housing Authority associated with the requested actions. Approval of the bond inducement and TEFRA resolutions do not commit the Housing Authority to issue bonds. If bonds are ultimately issued for the project, the bonds will not financially obligate the City, the Housing Authority or the Housing Commission because security for the repayment of the bonds will be limited to specific private revenue sources. The developer is responsible for the payment of all costs under the financing, including the Housing Commission's annual administrative fee.

PREVIOUS HOUSING AUTHORITY And/Or COMMITTEE ACTIONS:

None

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

In June 2005, the CCDC Budget/Finance & Administration Committee and the Centre City Advisory Committee ("CCAC") voted unanimously to include the proposed project among the Fiscal Year 2006 Low and Moderate Income Housing Fund priorities. At its meeting on April 15, 2005, the CCAC Pre-Design Subcommittee reviewed the project and offered a variety of comments that were subsequently addressed in the design.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

Affirmed and HDP compose the development team for the project. The owners of Affirmed and the HDP board members are listed in Attachments 3 and 5. The seller of the land for the project is the Jinger Lee Matuzas Trust. Ross Financial Services and Quint & Thimmig have been selected as bond counsel and financial advisor to represent the Housing Authority.

Respectfully submitted,

**Signature on File
With Original Document**

Cissy Fisher
Director of Housing Finance & Development

Approved by,

Carrol Vaughan
Executive Vice President & Chief
Operating Officer

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Attachments:

1. HCR05-110
2. Site Map
3. Affirmed's Developer's Disclosure Statement*
4. Affirmed's Developer's Financial Statement*
5. HDP's Developer's Disclosure Statement*
6. HDP's Developer's Financial Statement*
7. Multifamily Bond Program Summary

* Distribution of the attachment is limited. A copy is available for review at the Housing Commission office located at 1625 Newton Avenue.



Good Neighbors

San Diego
Housing Commission

- 1625 Newton Avenue
- San Diego, California 92113-1038
- 619/231 9400
- FAX: 619/544 9193

REPORT

DATE ISSUED: January 6, 2006

ITEM 103

REPORT NO.: HCR05-110 **REVISED**
For the Agenda of January 13, 2006

SUBJECT: Preliminary Items Pursuant to Issuing Multifamily Housing Revenue Bonds for Studio 15 Apartments (Council District 2)

SUMMARY

Issue #1: Should the Housing Commission recommend that the Housing Authority and City Council take the initial steps to issue multifamily housing revenue bonds to finance the acquisition and construction by Housing Development Partners of San Diego (“HDP”) of the Studio 15 Apartments located in the East Village area of downtown San Diego?

Recommendation #1: That Housing Commission recommend the:

A. Housing Authority approve a bond inducement resolution (a “declaration of official intent”) for up to \$25 million in multifamily housing revenue bonds for new construction of the 275-unit Studio 15 Apartments;

B. Housing Authority approve an application (and subsequent applications if necessary) to the California Debt Limit Allocation Committee (“CDLAC”) for an allocation of authority to issue tax-exempt “private activity bonds” for the Studio 15 Apartments (*Applications to CDLAC are due no later than January 20, 2006*); and,

C. City Council hold a public hearing (*known as a TEFRA hearing - Tax Equity and Fiscal Responsibility Act*) and adopt a resolution approving the issuance of tax-exempt bonds in an amount up to \$25 million by the Housing Authority.

Issue #2: Should the Housing Commission approve a financing team from the previously approved list of Financial Advisors and Bond Counsels to work on preparing the proposed bond issuance?

Recommendation #2: That the Housing Commission approve Peter Ross of Ross Financial Services as financial advisor and Quint & Thimmig LLP as bond counsel to begin work on the project.



Fiscal Impact: Approval of the bond inducement and TEFRA resolutions do not commit the Housing Authority to issue bonds. If bonds are ultimately issued for the project, the bonds will not financially obligate the City, the Housing Authority or the Housing Commission because security for the repayment of the bonds will be limited to specific private revenue sources.

Housing Affordability Impact: 10% of the units (28) will be restricted at 40% Area Median Income (AMI) (\$27,600 for a family of four), 40% of the units will be restricted (110) at 50% AMI (\$34,250 for a family of four), and 50% of the units (137) will be restricted at 60% AMI (\$41,100 for a family of four) The units will be restricted for a minimum of 55 years.

Environmental Impact: This project is within the jurisdiction of the Centre City Development Corporation (“CCDC”). CCDC has conducted an Environmental Secondary Study for the project in accordance with the Master and Supplemental Environmental Impact Reports (MEIR/SEIR) for the Community Plan and Planned District Ordinance. The Mitigation Measures listed in the MEIR/SEIR will be applied to the project. The bond-related actions contemplated by this report do not constitute a project within the meaning of the California Environmental Quality Act.

Future Related Action(s): If the requested items are approved by the Housing Commission, Housing Authority, and City Council, an application to CDLAC will be submitted by January 20, 2006 for consideration by CDLAC at its March 15, 2006 meeting. Specific authorization to issue bonds for Studio 15 Apartments will be sought from the Housing Commission and Housing Authority at a future date (Refer to Attachment 1, Section 4 “Final Bond Approval”). Bonds may not be issued without final approval of the Housing Authority. CCDC and Redevelopment Agency approval of a gap loan will also be sought prior to the issuance of bonds.

BACKGROUND

The Housing Commission utilizes the Housing Authority’s tax-exempt borrowing status to pass on lower interest rate financing (and make federal tax credits available) to developers of affordable housing. The Housing Authority’s ability to issue bonds is limited under the U.S. Internal Revenue Code. To issue bonds for a project, the Housing Authority must first submit an application to CDLAC for a bond allocation. Prior to submitting applications to CDLAC, projects are brought before the Housing Commission, Housing Authority, and City Council. Housing Authority bond inducement resolutions must be obtained prior to application submittal and City Council TEFRA resolutions must be secured no later than 30 days after application submittal.

The developer has requested that staff submit an application to CDLAC in January if approved by the Housing Authority. If necessary, staff will submit additional applications to CDLAC to secure a bond allocation for the project.

A general description of the Multifamily Bond Program and actions that must be taken by the Housing Authority and by the City Council to initiate and finalize proposed financings are described in Attachment 1.

DISCUSSION

The Developer

HDP is a nonprofit public benefit corporation established by the Housing Commission, a public agency, in 1990 to acquire and develop publicly financed low and moderate-income housing and to provide facilities and services related to housing. The organization is operated as an independent nonprofit by a Board of Directors consisting of two members of the Board of Commissioners of the San Diego Housing Commission, the Chief Executive Officer of the Housing Commission, and four at-large directors. HDP's Statement for Public Disclosure and most recent financials are included as Attachments 2 and 3. None of the Board members of the Commission, nor the CEO of the Commission, receive any remuneration for sitting on the 501(c)(3) nonprofit board.

HDP will act as the managing general partner of Studio 15, L.P., a limited partnership that has been formed to own and operate the project. HDP developed and operates two affordable housing projects in San Diego: Casa Colina del Sol and Knox Glen. Knox Glen is a 54-unit affordable housing development for families located in the San Diego community of Lincoln Park. Casa Colina del Sol is a 75-unit affordable housing project for seniors located in City Heights. In 2002 HDP acquired the Mason Hotel, a 27-unit single-room-occupancy facility located at 1345 Fifth Avenue in downtown San Diego. (A cigarette started a fire in this property in December of 2004; HDP carries fire insurance for the asset and claims have been filed against HDP in connection with the fire.) HDP is also a general partner with Barone Galasso & Associates ("BGA") in the Island Village development, a 280-unit rental-housing complex located in the East Village.

BGA originally intended to be a co-general partner in Studio 15, L.P. However, BGA is a member of 500 West Broadway, L.P. which is currently in technical default on a Redevelopment Agency (the "Agency") loan for the YMCA SRO project in downtown San Diego. The YMCA project is in technical default because the construction loan has expired and the partnership has not been able to secure a new, first position permanent loan that is acceptable to BGA, the tax credit limited partner, and the Agency. The Agency loan is secured in second position behind the construction loan and the parties intend to keep this loan (\$1,630,000) in place along with the existing rent restrictions on 52 of the total 261 units. In order to facilitate the refinancing of the

YMCA project, 500 West Broadway, L.P. filed for bankruptcy. The bankruptcy is currently pending. BGA is a creditor in the bankruptcy.

Due to the status of the YMCA project, BGA will not be included as a member of Studio 15, L.P. Instead, BGA will act as a development consultant to HDP for the project. BGA is an experienced affordable housing developer who has successfully developed over \$100 million in affordable and market rate housing over the past 10 years in San Diego and throughout California. In addition to the 280-unit Island Village project, BGA has also recently completed 235 unit Palermo Apartments in downtown San Diego.

Despite the temporary issues discussed above, both HDP and BGA are seasoned affordable housing developers who have the financial and technical expertise to develop and operate the Studio 15 project. There is no evidence that the technical default at the YMCA project will in any way limit BGA's ability to meet its development obligations to HDP on Studio 15. In the unlikely event that BGA is unable to meet its obligations, HDP would have the option to complete the project itself or hire another development consultant.

BGA currently expects that the default and bankruptcy of 500 West Broadway, L.P. will be resolved in the next few months through a refinancing of the loan on the project and a reorganization of the limited partnership. Should these events occur, BGA intends to reenter the limited partnership that will own and operate the Studio 15 project, subject to approval by CCDC, the Housing Commission, and the tax credit limited partner.

The Project

Studio 15 Apartments is a new construction project that will create a total of 275 new units. The development will be located on the southwest corner of 15th Street and Imperial Avenue in the East Village neighborhood of downtown San Diego. The location map is included as Attachment 4.

The project would consist of 275 furnished rental housing units and approximately 2,000 square feet of commercial lease space in one four-story building. One of the restricted units would be reserved for an on-site manager. The design of the exterior elevations avoids a monolithic appearance through various combinations of setbacks, awnings, and other architectural details. The building would have a landscaped interior courtyard with a fountain. Parking would be provided in an underground garage beneath the building.

The proposed apartments would meet the requirements of "living units" under San Diego Municipal Code Section 103.1959 since they would be larger and have more amenities than typical SRO units. Each apartment would have a bathroom, and a kitchenette equipped with a combination microwave/convection oven, a sink with a garbage disposal, and a small refrigerator. The units differ from a standard studio apartment because they are smaller, with

living areas averaging 275 square feet rather than the 400 square feet of a typical studio. Maximum allowable occupancy for the proposed units would be one person.

Rent and Income restrictions for the project are outlined in the chart below:

Type	AMI	Number of Units	Restricted Rent (with utility allowance)	Market Rate	Monthly Savings per unit
Studio/SRO	40% AMI	28	\$483	\$750	\$267
Studio/SRO	50% AMI	110	\$603	\$750	\$147
Studio/SRO	60% AMI	136	\$724	\$750	\$26
1 Bedroom*	60% AMI	1	\$776	\$850	\$74
Total		275			
Total Annual Savings					\$327,072

*Manager's Unit

Selection of the Financing Team Members

Staff recommends assigning Peter Ross as financial advisor and Quint & Thimmig LLP as bond counsel to work on the project. The proposed financing team members have been selected in accordance with the existing policy for the issuance of bonds. Financial advisors and bond counsels are designated on a rotating basis from the firms selected under the program through a competitive RFP process.

Financial Structure

The \$25 million allocation that will be sought from CDLAC is approximately 20% higher than the amount for which the project is currently being underwritten. The developer has requested this cushion to account for possible increases in the bond amount due to increases in construction costs or decreases in the assumed interest rate. Of the total \$25 million bond allocation, approximately \$10-15 million in housing revenue bonds will be used to finance the construction of the project and will be paid off at conversion to permanent financing. The permanent bond amount will be based upon estimated project costs, revenues, and interest rates at the time of bond issuance.

The estimated development cost of the project is approximately \$39.4 million. Anticipated permanent financing sources include \$10.4 million in bonds, \$14.2 million in tax credit equity, and up to a \$14.8 million residual receipts loan from CCDC. Issuance of the bonds is contingent on approval of the residual receipts loan by CCDC and the Redevelopment Agency, among other contingencies.

The developer is currently investigating various ways to structure the issuance of bonds for the project, i.e. sale through a public offering or private placement. However, whatever bond

structure is used will have to comply with the Housing Commission's Multifamily Housing Revenue Bond Program policy.

In the future, should the Housing Authority, under a separate action, authorize the issuance of bonds for the project, the bonds would not constitute a debt or liability of the Housing Authority or the City of San Diego. Neither the faith and credit nor the taxing power of the City or the Authority would be pledged to the payment of the bonds because security for bond payments is limited to the value of the property and its revenue sources. The developer is responsible for the payment of all costs under the financing, including the Housing Commission's annual administrative fee.

Disclosure

Commissioners Sal Salas and Tony Yip and Chief Executive Officer of the Housing Commission, Elizabeth C. Morris, are each directors and officers of Housing Development Partners, a California nonprofit public benefit corporation qualified as an Internal Revenue Code Section 501(c)(3) corporation. Neither Commissioner Salas, Commissioner Yip, nor Ms. Morris receives any compensation for their service on the Board of Directors of Housing Development Partners. Pursuant to the provisions of Government Code Section 1091.5(a)(7) and (8), Commissioner Salas, Commissioner Yip, and Ms. Morris each have a "non-interest" as described in Government Code Section 1091.5 in these actions and Commissioners Yip and Salas are legally entitled to participate, vote and be counted for quorum purposes in the matters referenced in this report.

It is the opinion of Charles B. Christensen, General Counsel for the Housing Commission, that none of the board members of Housing Development Partners has a financial interest in the development that would legally preclude their participation under the provisions of Government Code Sections 1090 and/or 87100 et.seq. (no compensation is paid by HDP to any of its members and HDP is an approved 501(c)(3) entity under the Internal Revenue Code) and/or the San Diego Housing Commission's Conflict of Interest Code. This disclosure shall be and is hereby documented in the official records of the San Diego Housing Commission.

Further, the action on these bond matters by the Housing Commission is advisory to the Housing Authority of the City of San Diego. The Housing Authority of the City of San Diego will make all final decisions on the matters which are the subject of this report.

Risks and Mitigation

Approval of the bond inducement and TEFRA resolutions do not commit the Housing Authority to issue bonds. If bonds are eventually issued, the risk associated with the financing will be minimal because the security for the bond repayment is limited to the value of the subject property and its revenue sources.

ALTERNATIVES

Do not recommend approval of the bond inducement and TEFRA resolutions. If the recommended actions are not taken, the project will not be able to benefit from tax-exempt below-market rate financing or gain access to low income housing tax credits.

Respectfully submitted,

Cissy Fisher
Director of Housing Finance & Development

**Signature on File
With Original Document**

Approved by,

Carrol M. Vaughan
Executive Vice President &
Chief Operating Officer

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- Attachments:
1. Multifamily Bond Program Summary
 2. HDP Developer's Disclosure Statement*
BGA Developer's Disclosure Statement*
 3. HDP Developer's Financial Statement*
BGA Developer's Financial Statement*
 4. Location Map

* Distribution of the attachment is limited. A copy is available for review at the Housing Commission office located at 1625 Newton Avenue.

Attachment 1

HOUSING COMMISSION MULTIFAMILY HOUSING REVENUE BOND PROGRAM Summary

General Description: The multifamily housing bond program provides below-market financing (based on bond interest being exempt from income tax) for developers willing to set aside a percentage of project units as affordable housing. Multifamily housing revenue bonds are also known as “private activity bonds” bonds because the projects are owned by private entities, often including nonprofit sponsors and for-profit investors.

Bond Issuer: Housing Authority of the City of San Diego. There is no direct legal liability to the City, the Housing Authority or the Housing Commission in connection with the issuance or repayment of bonds; there is no pledge of the City’s or the Housing Authority’s faith, credit or taxing power. The bonds do not constitute a general obligation of the issuer because security for repayment of the bonds is limited to specific private revenue sources, such as project revenues. The developer is responsible for the payment of costs of issuance and all other costs under each financing.

Affordability: Minimum requirement is that at least 20% of the units are affordable at 50% of Area Median Income (AMI). Alternatively, a minimum of 10% of the units may be affordable at 50% AMI with an additional 30% of the units affordable at 60% AMI. The Housing Commission requires that the affordability restriction be in place for a minimum of 15 years. In practice, projects financed by multifamily housing bonds are affordable for a minimum of 30 years. Bonds may also be combined with other financing sources to create deeper affordability and longer terms of restriction.

Rating: Generally “AAA” or its equivalent with a minimum rating of “A” or, under conditions that meet IRS and Housing Commission requirements, bonds may be unrated for private placement with institutional investors (typically, large banks). Additional security is normally achieved through the provision of outside credit support (“credit enhancement”) by participating financial institutions that underwrite the project loans and guarantee the repayment of the bonds. The credit rating on the bonds reflects the credit quality of the credit enhancement provider.

Approval Process:

- **Inducement Resolution:** The bond process is initiated when the issuer (Housing Authority) adopts an “Inducement Resolution” to establish the date from which project costs may be reimbursable from bond proceeds (if bonds are later issued) and to authorize staff to work with financing team to perform a due diligence process. The Inducement Resolution does not represent any commitment by the Housing Commission, Housing Authority, or the developer to proceed with the financing.

- **TEFRA Hearing and Resolution (Tax Equity and Fiscal Responsibility Act of 1982):** To assure that projects making use of tax-exempt financing meet appropriate governmental purposes and provide reasonable public benefits, IRS Code requires that a public hearing be held and that the issuance of bonds be approved by representatives of the governmental unit with jurisdiction over the area in which the project is located (City Council). This process does not make the City financially or legally liable for the bonds or for the project.

[Note: It is uncommon for the members of the City Council to be asked to take two actions at this stage in the bond process---one in their capacity as the City Council (TEFRA hearing and resolution) and another as the Housing Authority (bond inducement). Were the issuer (Housing Authority) a more remote entity, the TEFRA hearing and resolution would be the only opportunity for local elected officials to weigh in on the project.]

- **Application for Bond Allocation:** The issuance of these “private activity bonds” (bonds for projects owned by private developers, including projects with nonprofit sponsors and for-profit investors) requires an allocation of bond issuing authority from the State of California. To apply for an allocation, an application approved by the Housing Authority and supported by an adopted inducement resolution and by proof of credit enhancement (or bond rating) must be filed with the California Debt Limit Allocation Committee (CDLAC). In addition, evidence of a TEFRA hearing and approval must be submitted prior to the CDLAC meeting.
- **Final Bond Approval:** The Housing Authority retains absolute discretion over the issuance of bonds through adoption of a final resolution authorizing the issuance. Prior to final consideration of the proposed bond issuance, the project must comply with all applicable financing, affordability, and legal requirements and undergo all required planning procedures/reviews by local planning groups, etc.
- **Funding and Bond Administration:** All monies are held and accounted for by a third party trustee. The trustee disburses proceeds from bond sales to the developer in order to acquire and/or construct the housing project. Rental income used to make bond payments is collected from the developer by the trustee and disbursed to bond holders. If rents are insufficient to make bond payments, the trustee obtains funds from the credit enhancement provider. No monies are transferred through the Housing Commission or Housing Authority, and the trustee has no standing to ask the issuer for funds.

Bond Disclosure: The offering document (typically a Preliminary Offering Statement or bond placement memorandum) discloses relevant information regarding the project, the developer, and the credit enhancement provider. Since the Housing Authority is not responsible, in any way, for bond repayment, there are no financial statements or summaries about the Housing

Authority or the City that are included as part of the offering document. The offering document includes a paragraph that states that the Housing Authority is a legal entity with the authority to issue multifamily housing bonds and that the Housing Commission acts on the behalf of the Housing Authority to issue the bonds. The offering document also includes a paragraph that details that there is no pending or threatened litigation that would affect the validity of the bonds or curtail the ability of the Housing Authority to issue bonds. This is the extent of the disclosure required of the Housing Authority, Housing Commission, or the City. However, it is the obligation of members of the Housing Authority to disclose any material facts known about the project, not available to the general public, which might have an impact on the viability of the project.

F: Bond Program*Summary*Mar2005



Good Neighbors

San Diego Housing Commission

- 1625 Newton Avenue
- San Diego, California 92113-1038
- 619/231 9400
- FAX: 619/544 9193

DEVELOPER'S STATEMENT FOR PUBLIC DISCLOSURE
 (add extra **sheets** if you need more **space**)

1. Name of developer: Affirmed Housing Group
2. Address, phone number and ZIP Code:
200 E. Washington Ave, #208, Escondido, CA 92025
3. IRS Number of Developer: 33-0454528
4. If the developer is not an individual doing business under his own name, the developer has the status indicated below and is organized or operating under the laws of California as:

- A corporation
- A nonprofit or charitable institution or corporation
- A partnership known as: _____
- A business association or a joint venture known as _____
- A Federal, State or local government or instrumentality thereof.
- Other (explain)

5. If the developer is not an individual or a government agency or instrumentality, give date of organization: December 18, 1990

6. Names, addresses, phone numbers, title of position (if any) and nature and extent of the interest of the officers and principal members, shareholders, and investors of the developer, other than a government agency or instrumentality, are set forth as follows:

James Silverwood , President and 100% shareholder

5816 Winland Hills Drive

Rancho Santa Fe, CA 92

(760) 738-8401



DISCLOSURE STATEMENT: PAGE 2

- a. If the developer is a corporation, the officers, directors or trustees, and each stockholder owning more than 10% of any class of stock.

James Silverwood - 100% shareholder

- b. If the developer is a nonprofit or charitable institution or corporation, the members who constitute the board of trustees or board of directors or similar governing body. N/A

- c. If the developer is a partnership, each partner, whether a general or limited partner, and either the percent of interest or a description of the character and extent of interest. N/A

- d. If the developer 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. N/A

- e. If the developer is some other entity, the officers, the members of the governing body, and each person who has an interest of more than 10%.
N/A

<u>Name, Address & Zip Code</u>	<u>Phone Number</u>	<u>Position Title (if any) and percent of interest or description of character and extent of interest</u>
-------------------------------------	---------------------	---

DISCLOSURE STATEMENT: PAGE 3

7. Name, address and nature and extent of interest of each person or entity (not named in response to Item 6) who has a beneficial interest in any of the shareholders or investors named in response to Item 6 which gives such person or entity more than a computed 10% interest in the developer (for example, more than 20% of the stock in a corporation which holds 50% of the stock of the developer; or more than 50% of the stock in a corporation which holds 20% of the stock of the developer): N/A

<u>Name, Address and Zip Code</u>	<u>Description of character and extent of interest</u>
---------------------------------------	--

8. Names (if not given above) of officers and directors or trustees of any corporation or firm listed under Item 6 or Item 7 above: N/A
9. Is the developer a subsidiary of or affiliated with any other corporation or corporations or any other firm or firms? If yes, list each such corporation or firm by name and address, specify its relationship to the developer, and identify the officers and directors or trustees common to the developer and such other corporation or firm. NO
10. The financial condition of the developer, as of 11/30/2005 is reflected in the attached financial statement.
11. If funds for the development are to be obtained from sources other than the developer's own funds, a statement of the developer's plan for financing the development: Private Activity Tax-Exempt Bonds provided by the California Debt Limit Allocation Committee (CDLAC), Equity from the sale of 4% Low-Income Housing Tax Credits allocated by the California Tax Credit Allocation Committee (TCAC) and purchased by private investors; deferred payment loan from Centre City Development Corporation (CCDC).

DISCLOSURE STATEMENT: PAGE 4

12. Sources and amount of cash available to developer to meet equity requirements of the proposed undertaking:

a. In banks:

<u>Name, Address and ZIP Code of Bank</u>	<u>\$ Amount</u>
Alice Carr Citibank 787 West Fifth Street, 29 th Floor Los Angeles, CA 90071	\$20,500,000

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

<u>Name, Address and ZIP Code of Source</u>	<u>\$ Amount</u>
Boston Capital (line of Credit) One Boston Place, 21 st Floor Boston, MA 02108	\$1,500,000

c. By sale of readily salable assets:

<u>Description</u>	<u>Market Value</u>	<u>Mortgages or Liens</u>
N/A		

13. Name and addresses of bank references:

Alice Carr	Paul Shipstead	Hank Cunningham
Citibank	Union Bank of California	Bank of America
787 W. 5 th St, 29 th Fl.	530 B St., Suite 500	450 B St., #450
Los Angeles, CA 90071	San Diego, CA 92101	San Diego, CA 92101

14. Has the developer or any of the developer'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 x
If yes, give date, place, and under what name.

15. Has the developer or anyone referred to above as "principals of the developer" been indicted for or convicted of any felony within the past 20 years? Yes ____
No x

DISCLOSURE STATEMENT: PAGE 5

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

16. Undertakings, comparable to the proposed project, which have been completed by the developer including identification and brief description of each project and date of completion: See attached Project Profiles

17. If the developer or a parent corporation, a subsidiary, an affiliate, or a principal of the developer is to participate in the development as a construction contractor or builder: N/A

- a. Name and address of such contractor or builder:
- 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 x If yes, explain:

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

General description of such work:

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

<u>Identification of</u>		<u>Date to be</u>
<u>Contract or Development</u>	<u>Location</u>	<u>Amount</u> <u>Completed</u>

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

<u>Awarding Agency</u>	<u>Amount</u>	<u>Date Opened</u>
------------------------	---------------	--------------------

18. Brief statement respecting 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

DISCLOSURE STATEMENT: PAGE 7

19. Does any member of the governing body of the San Diego Housing Commission, to which the accompanying proposal is being made, or any officer or employee of the San Diego Housing Commission who exercises any functions or responsibilities in connection with the carrying out of the project covered by the developer's proposal, have any direct or indirect personal financial interest in the developer or in the proposed contractor? Yes _____ No x
If yes, explain.

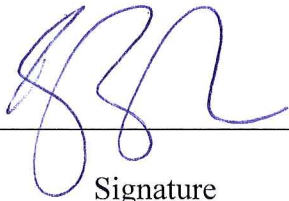
20. Statements and other evidence of the developer's qualifications and financial responsibility (other than the financial statement referred to in Item 10) are attached hereto and hereby made a part hereof as follows:

Please see attached Affirmed Housing Group Corporate Profile

CERTIFICATION

I (We) Affirmed Housing Group certify that this Developer's Statement for Public Disclosure and the attached evidence of the developer's qualifications and financial responsibility, including financial statements, are true and correct to the best of my (our) knowledge and belief.

Date: April 26, 2006



A handwritten signature in blue ink, consisting of stylized, overlapping loops and curves, positioned above a horizontal line.

Signature

Title: Vice President of Development

Address & ZIP Code

200 E. Washington Avenue, #208, Escondido, CA 92025

Affirmed Housing Group

Financial Statements

November 30, 2005

Peter P. Marquardt, CPA
550 West Vista Way, Ste. 202
Vista, CA 92083
(760) 758-6071

Affirmed Housing Group

Table of Contents

Accountant's Review Report	2
Balance Sheet	3
Statement of Income and Retained Earnings	4
Statement of Cash Flows	5
Notes to Financial Statements	6-8
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PETER P. MARQUARDT

CERTIFIED PUBLIC ACCOUNTANT

PH: (760) 758-6071
FAX: (760) 758-6458

550 West Vista Way, Suite 202
Vista, California 92083

To the Board of Directors
Affirmed Housing Group
Escondido, California

I have reviewed the accompanying balance sheet of Affirmed Housing Group (a California corporation) as of November 30, 2005 and the related statements of income and retained earnings and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Affirmed Housing Group.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression on an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

My review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The information included in the accompanying Schedule 1 is presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and I am not aware of any material modifications that should be made thereto.


Peter P. Marquardt
Certified Public Accountant

February 7, 2006

Affirmed Housing Group
Balance Sheet
November 30, 2005

Current Assets

Cash	\$ 328,460	
Accounts Receivable (Note 3)	2,008,385	
Other Receivables	1,166,049	
Accrued Interest	149,006	
Project Advances (Note 2)	398,696	
Total Current Assets	\$ 4,050,596	

Property & Equipment (Note 2)

Land	119,856	
Vehicles	69,782	
Office Furniture & Equipment	39,117	
Tenant Improvements	14,117	
Computer Equipment	4,923	
Accumulated Depreciation	(112,961)	
Total Fixed Assets	134,834	

Other Assets

Deferred Tax Asset (Note 6)	30,207	
Due From Shareholder (Note 5)	195,765	
Investments in Partnerships	(968,953)	
Total Other Assets	(742,981)	

Total Assets

\$ 3,442,449

Current Liabilities

Accounts Payable	\$ 15,688	
Pension Plan Payable	55,808	
Accrued Payroll	14,738	
Payroll Taxes Payable	2,227	
Current Portion Long-Term Debt	7,282	
Total Current Liabilities	\$ 95,743	

Long-Term Debt (Note 4)

26,579

Deferred Tax Liability (Note 6)

391,654

Total Liabilities

513,976

Equity

Common Stock	2,000	
Retained Earnings	2,926,473	
Total Equity	2,928,473	

Total Liabilities & Equity

\$ 3,442,449

Affirmed Housing Group
Statement of Income and Retained Earnings
For the Year Ended November 30, 2005

Revenues (Note 2)		\$	2,736,300
Cost of Goods Sold (Note 2)			112,474
Gross Profit			2,623,826
General & Administrative Expenses (Schedule 1)			1,878,892
Operating Income			744,934
Other Income (Expense)			
Interest Income	\$	-	
Other Income		-	
Interest Paid		(3,500)	
Partnership Losses		(21,667)	
			(25,167)
Net Income Before Income Tax			719,767
Income Tax Expense (Note 6)			800
Deferred Tax Expense (Note 6)			38,470
Net Income			680,497
Retained Earnings December 1, 2004			2,245,976
Retained Earnings November 30, 2005		\$	2,926,473

See accompanying notes and accountant's review report

Affirmed Housing Group
Statement of Cash Flows
For the Year Ended November 30, 2005

Net Cash Flows From Operating Activities

Net income	\$	680,497
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation expense		3,185
Increase in accounts receivable		(1,838,605)
Decrease in other receivables		982,141
Decrease in accrued interest		36,516
Decrease in project advances		65,489
Increase in Deferred Tax Asset		(7,345)
Decrease in due from shareholders		29,815
Increase in accounts payable		9,836
Increase in pension plan payable		6,773
Decrease in accrued payroll		(2,692)
Increase in payroll taxes		2,227
Increase in Deferred Tax Liability		45,815
Decrease in income tax payable		(800)
Net Cash Provided by Operating Activities		12,852
 Cash Flows From Financing Activities		
Purchase of real estate		36,350
Decrease in Investments in Partnerships		21,667
Decrease in long term debt		(10,360)
Net Cash Provided by Financing Activities		47,657
Increase in cash		60,509
Cash balance December 1, 2004		267,951
Cash balance November 30, 2005	\$	328,460

See accompanying notes and accountant's review report

Affirmed Housing Group
Notes to Financial Statements
November 30, 2005

Note 1 - Nature of Business

Affirmed Housing Group, a California Corporation, was incorporated December 18, 1990. The company is engaged in projects which consist of the development of affordable apartment complexes.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The company's policy is to prepare financial statements on the accrual basis of accounting. The company uses the modified accelerated cost recovery system and I.R.C. Section 179 expensing for depreciation which are not depreciation methods used under generally accepted accounting principles.

Accounting Basis for Recording Income

The company reports its developer fee project revenue on the percentage completed method of accounting. The completion percentage is based on a contractually determined set of milestones with the customer. As various milestones are met, a percentage of the developer fee is earned.

The account titled "project advances" represents all costs incurred and advanced on projects in process.

Income Taxes

For income tax purposes, the company reports developer fee income on the completed contract method of accounting.

Deferred income taxes may be recorded to reflect differences in the income tax and financial statement methods of accounting for state franchise taxes and in recognizing developer fees from projects.

Property and Equipment

Property and equipment are carried at cost. Depreciation is determined on the federal modified accelerated cost recovery system.

Maintenance and repairs are charged to operations as incurred. Additions and betterments which extend the lives of the assets are capitalized.

Affirmed Housing Group
Notes to Financial Statements (cont.)
November 30, 2005

Note 3 - Accounts Receivable

All receivables are deemed to be collectible.

Note 4 - Long-term Debt

Vehicle loan payable to an automobile company, monthly installments of \$645.22, including interest, final payment due July 2007, secured by vehicle.	\$ 19,071
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Vehicle loan payable to an automobile company, monthly installments of \$419.29 , including interest, final payment due May 2006, secured by vehicle.	14,790
---	--------

Less: Current Portion	(7,282)
	\$ 26,579

Note 5 - Related Party Transactions

The company has a 4% demand loan receivable from its 100% shareholder James Silverwood.

Note 6 - Deferred Income Taxes

The provision for income taxes consist of the following components:

Current Taxes	\$ 800
Deferred Tax Expense	38,470
	\$ 39,270

The income tax provision differs from the amounts that would be determined through the application of the federal statutory rate due to the effect of state income taxes.

Deferred tax assets in the amount of \$30,207 as of November 30, 2005 have been recognized for deductible temporary differences. Deferred tax liabilities in the amount of \$442,244 as of November 30, 2005 have been recognized for taxable temporary differences.

Affirmed Housing Group
Notes to Financial Statements (cont.)
November 30, 2005

Note 7 - Contingencies

The Company is contingently liable as guarantor of limited partnership construction loans and operating deficit loans.

DEVELOPER'S STATEMENT FOR PUBLIC DISCLOSURE

(add extra sheets if you need more space)

1. Name of developer: **Studio 15 Housing Partners, L.L.C.**
Housing Development Partners of San Diego, Co-Managing Member

2. Address, phone number and ZIP Code:

1625 Newton Ave., Ste. C
San Diego, CA 92113

3. IRS Number of Developer: 33-0427639

4. If the developer is not an individual doing business under his own name, the developer has the status indicated below and is organized or operating under the laws of California as:

A corporation

A nonprofit or charitable institution or corporation

A partnership known as: _____

A business association or a joint venture known as _____

A Federal, State or local government or instrumentality thereof.

Other (explain)

5. If the developer is not an individual or a government agency or instrumentality, give date of organization: April 17, 1990

6. Names, addresses, phone numbers, title of position (if any) and nature and extent of the interest of the officers and principal members, shareholders, and

DISCLOSURE STATEMENT: PAGE 2

investors of the developer, other than a government agency or instrumentality, are set forth as follows:

There are no shareholders of Housing Development Partners. All board members are volunteers. The board of directors is as follows:

Lynda Buckner Asst. Vice President California Bank & Trust 11622 El Camino Real, Ste 200 San Diego, CA 92130	Board Member
Tom Carter Principal Carter Reese & Assoc 2250 Fourth Ave, Ste. 300 San Diego, CA 92101	Board Member
Robert Henderson Carter Reese & Assoc 2250 Fourth Ave, Ste. 300 San Diego, CA 92101	Vice President
Elizabeth Morris President & Chief Executive Officer San Diego Housing Commission 1625 Newton Ave. San Diego, CA 92113	President
John Pedroarena Coldwell Banker Commercial 4305 University Ave., #600 San Diego, CA 92105	Chairman of the Board
Sal Salas West End Mortgage 587 Third Ave San Diego, CA 92101	Secretary
Tony Yip Brodshatzer, Wallace, Spoon & Yip 555 W. Beech St., Ste. 400 San Diego, CA 92101	Chief Financial Officer

DISCLOSURE STATEMENT: PAGE 3

- a. If the developer is a corporation, the officers, directors or trustees, and each stockholder owning more than 10% of any class of stock. **N/A**

- b. If the developer is a nonprofit or charitable institution or corporation, the members who constitute the board of trustees or board of directors or similar governing body.
Same as members listed in No. 6 above.

- c. If the developer is a partnership, each partner, whether a general or limited partner, and either the percent of interest or a description of the character and extent of interest. **Developer will become the Managing General Partner of a tax credit limited partnership, with Paramount Financial Group as the limited partner with a 99.99% interest.**

- d. If the developer 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. **N/A**

- e. If the developer is some other entity, the officers, the members of the governing body, and each person who has an interest of more than 10%.
N/A

<u>Name, Address & Zip Code</u>	<u>Phone Number</u>	<u>Position Title (if any) and percent of interest or description of character and extent of interest</u>
-------------------------------------	---------------------	---

- 7. Name, address and nature and extent of interest of each person or entity (not named in response to Item 6) who has a beneficial interest in any of the shareholders or investors named in response to Item 6 which gives such person or entity more than a computed 10% interest in the developer (for example,

DISCLOSURE STATEMENT: PAGE 4

more than 20% of the stock in a corporation which holds 50% of the stock of the developer; or more than 50% of the stock in a corporation which holds 20% of the stock of the developer):

<u>Name, Address and Zip Code</u>	<u>Description of character and extent of interest</u>
---------------------------------------	--

None.

8. Names (if not given above) of officers and directors or trustees of any corporation or firm listed under Item 6 or Item 7 above: **N/A**

9. Is the developer a subsidiary of or affiliated with any other corporation or corporations or any other firm or firms? If yes, list each such corporation or firm by name and address, specify its relationship to the developer, and identify the officers and directors or trustees common to the developer and such other corporation or firm. **Housing Development Partners has two Housing Commissioners of the Housing Commission, and the Chief Executive Officer of the Housing Commission, serving on its board of directors as follows:**

Tony Yip, Housing Commissioner and also board member of Housing Development Partners

Sal Salas, Housing Commissioner and also board member of Housing Development Partners

Elizabeth Morris, CEO of Housing Commission and board member of Housing Development Partners

10. The financial condition of the developer, as of 6/30/04 is reflected in the attached financial statement.

11. If funds for the development are to be obtained from sources other than the developer's own funds, a statement of the developer's plan for financing the development:

Financial sources include tax-exempt bonds, 4% tax credits, and a loan from City Redevelopment.

DISCLOSURE STATEMENT: PAGE 5

12. Sources and amount of cash available to developer to meet equity requirements of the proposed undertaking: Approximately \$100,000 of developer's existing cash; deferral of developer fee; tax credit equity as shown below:

a. In banks:

<u>Name, Address and ZIP Code of Bank</u>	<u>\$ Amount</u>
Union Bank 530 B St. San Diego, CA 92101	\$100,000

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

<u>Name, Address and ZIP Code of Source</u>	<u>\$ Amount</u>
Paramount Financial Group 4009 Columbus Road SW Granville, OHIO 43023	\$12,30,000

c. By sale of readily salable assets:

<u>Description</u>	<u>Market Value</u>	<u>Mortgages or Liens</u>
None proposed		

13. Name and addresses of bank references:

Union Bank
530 B Street
San Diego, CA 92101
Randy Ungersma

Red Mortgage Capital, Inc.
P.O. Box 691782
Cincinnati, OH 45269-1782
Veronica Davis
vmdavis@redcapitalgroup.com

14. Has the developer or any of the developer'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 X
If yes, give date, place, and under what name.

15. Has the developer or anyone referred to above as "principals of the developer" been indicted for or convicted of any felony within the past 20 years? Yes _____
No X

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

16. Undertakings, comparable to the proposed project, which have been completed by the developer including identification and brief description of each project and date of completion:

Island Village, 1245 Market Street, San Diego CA : 280 living units, new construction, financed with tax exempt bonds, 4% tax credits and a Housing Commission loan, completed September 2003.

Casa Colina del Sol, 5207 52nd Pl, San Diego, CA: preservation of 75 senior units, acquisition and rehab financed with tax exempt bonds and 4% tax credits, with a loan from the Housing Commission, completed December 2004.

17. If the developer or a parent corporation, a subsidiary, an affiliate, or a principal of the developer is to participate in the development as a construction contractor or builder:

Construction Contractor not yet selected.

- a. Name and address of such contractor or builder:
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, explain:

c. Total amount of construction or development work performed by such contractor or builder during the last three years: \$ _____

General description of such work:

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

<u>Identification of Contract or Development</u>	<u>Location</u>	<u>Amount</u>	<u>Date to be Completed</u>
--	-----------------	---------------	---------------------------------

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

<u>Awarding Agency</u>	<u>Amount</u>	<u>Date Opened</u>
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18. Brief statement respecting 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:

19. Does any member of the governing body of the San Diego Housing Commission, to which the accompanying proposal is being made, or any officer or employee of the San Diego Housing Commission who exercises any functions or responsibilities in connection with the carrying out of the project covered by the developer's proposal, have any direct or indirect personal financial interest in the developer or in the proposed contractor? Yes _____ No X
If yes, explain.

20. Statements and other evidence of the developer's qualifications and financial responsibility (other than the financial statement referred to in Item 10) are attached hereto and hereby made a part hereof as follows:

Description of developments attached.

CERTIFICATION

I (We) Wendy G. DeWitt certify that this Developer's Statement for Public Disclosure and the attached evidence of the developer's qualifications and financial responsibility, including financial statements, are true and correct to the best of my (our) knowledge and belief.

Date: November 2, 2005

Date: _____

Signature

Signature

Title: Authorized Representative

Title: _____

Address & ZIP Code

HOUSING DEVELOPMENT PARTNERS OF SAN DIEGO

1625 Newton Ave, Ste. C

San Diego, CA 92113

HOUSING DEVELOPMENT PARTNERS OF SAN DIEGO

FINANCIAL STATEMENTS

JUNE 30, 2005





Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

1843 Hotel Circle South
Suite 300
San Diego, California
92108-3397
619.294.7200
619.294.7077 fax
www.leaf-cole.com
leafcole@leaf-cole.com

Steven W. Northcote, C.P.A.
Lawrence P. Baber, C.P.A.
Michael S. Schreiberman, C.P.A.
Michael J. Zizzi, C.P.A.
Julie A. Firl, C.P.A.
Nicholas M. Gines, C.P.A.

Members
American Institute of Certified Public Accountants
California Society of Certified Public Accountants

To the Trustees
Housing Development Partners of San Diego
1625 Newton Avenue
San Diego, California 92113-1038

We have compiled the accompanying statement of financial position of Housing Development Partners of San Diego (A Nonprofit Organization) as of June 30, 2005, and the related statements of activities and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Organization's financial position, changes in net assets, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Leaf & Cole, LLP

San Diego, California
January 5, 2006

HOUSING DEVELOPMENT PARTNERS OF SAN DIEGO
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2005

ASSETS

Current Assets:

Cash	\$ 205,338
Accounts receivable	192,456
Insurance refund receivable	398,473
Partnership management fee receivable	13,333
Prepaid expenses	<u>22,821</u>
Total Current Assets	<u>832,421</u>

Noncurrent Assets:

Developer fee receivable - Island Palm Apartments, L.P.	19,829
Developer fee receivable - Casa Colina, L.P.	685,785
Note receivable - Logan Development, L.P.	756,897
Construction in progress	308,218
Land and building, net of accumulated depreciation	<u>1,508,631</u>
Total Noncurrent Assets	<u>3,279,360</u>

TOTAL ASSETS **\$4,111,781**

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and accrued expenses	\$ 180,437
Construction payable	398,473
Tenant security deposits	<u>1,375</u>
Total Current Liabilities	<u>580,285</u>

Long-Term Liabilities:

Accrued interest payable	189,534
Share of deficiency in Logan Development, L.P.	21,039
Share of deficiency in Island Palm Apartments, L.P.	771
Share of deficiency in Casa Colina, L.P.	17
Notes payable	<u>1,977,937</u>
Total Long-Term Liabilities	<u>2,189,298</u>

Net Assets:

Unrestricted	<u>1,342,198</u>
--------------	------------------

TOTAL LIABILITIES AND NET ASSETS **\$4,111,781**

See accountant's compilation report.

**HOUSING DEVELOPMENT PARTNERS OF SAN DIEGO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

Revenue:

Developer fee	\$685,785
Rental income	59,996
Interest income	58,081
Other revenue	40,423
Partnership management fee	13,333
Laundry and vending income	272
Share of loss in partnerships	<u>(2,502)</u>
Total Revenue	<u>855,388</u>

Expenses:

Program Services:

Housing Services:

Mason Hotel:

Interest expense	63,283
Repairs and maintenance	40,741
Depreciation	38,008
Other	18,489
Management fee	13,044
Utilities	9,731
Payroll	8,259
Legal	4,290
Property taxes	2,813
Insurance	1,451
Payroll taxes	<u>1,026</u>
Total Mason Hotel	<u>201,135</u>

Other Housing Services:

Outside services	49,746
Legal	<u>1,777</u>
Total Other Housing Services	<u>51,523</u>

Total Program Services	<u>252,658</u>
------------------------	----------------

(Continued)

See accountant's compilation report.

**HOUSING DEVELOPMENT PARTNERS OF SAN DIEGO
STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

Expenses: (Continued)

Supporting Services:

Outside services	\$ 12,436
Insurance	8,625
Accounting	5,860
Miscellaneous	1,254
Consultant	1,097
Legal	<u>444</u>
Total Supporting Services	<u>29,716</u>
Total Program and Supporting Services	<u>282,374</u>
Change in Net Assets	573,014
Net Assets, Beginning of Year	<u>769,184</u>
NET ASSETS, END OF YEAR	<u>\$1,342,198</u>

See accountant's compilation report.

**HOUSING DEVELOPMENT PARTNERS OF SAN DIEGO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005**

Cash Flows From Operating Activities:

Change in net assets	\$573,014
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	38,008
Share of loss in partnerships	2,502
(Increase) Decrease in operating assets:	
Accounts receivable	(179,465)
Insurance refund receivable	(398,473)
Partnership management fee receivable	(13,333)
Prepaid expenses	(19,162)
Developer fee receivable	(685,785)
Increase (Decrease) in operating liabilities:	
Accounts payable and accrued expenses	133,512
Construction payable	398,473
Tenant security deposit	(2,478)
Accrued interest payable	<u>63,283</u>
Net Cash Used by Operating Activities	<u>(89,904)</u>

Cash Flows From Investing Activities:

Note receivable payments	
Construction in progress	(175,387)
Net Cash Used by Investing Activities	<u>(110,661)</u>

Cash Flows From Financing Activities:

Proceeds from notes payable	180,370
Net Cash Provided by Financing Activities	<u>180,370</u>

Net Decrease in Cash (20,195)

Cash, Beginning of Year 225,533

CASH, END OF YEAR \$205,338

Supplemental Disclosures:

Interest paid \$ 10,523

See accountant's compilation report.

ATTACHMENT 7

HOUSING COMMISSION MULTIFAMILY HOUSING REVENUE BOND PROGRAM

Summary

General Description: The multifamily housing bond program provides below-market financing (based on bond interest being exempt from income tax) for developers willing to set aside a percentage of project units as affordable housing. Multifamily housing revenue bonds are also known as “private activity bonds” bonds because the projects are owned by private entities, often including nonprofit sponsors and for-profit investors.

Bond Issuer: Housing Authority of the City of San Diego. There is no direct legal liability to the City, the Housing Authority or the Housing Commission in connection with the issuance or repayment of bonds; there is no pledge of the City’s or the Housing Authority’s faith, credit or taxing power. The bonds do not constitute a general obligation of the issuer because security for repayment of the bonds is limited to specific private revenue sources, such as project revenues. The developer is responsible for the payment of costs of issuance and all other costs under each financing.

Affordability: The minimum requirement is that at least 20% of the units are affordable at 50% of Area Median Income (AMI). Alternatively, a minimum of 10% of the units may be affordable at 50% AMI with an additional 30% of the units affordable at 60% AMI. The Housing Commission requires the affordability restriction to be in place for a minimum of 15 years. In practice, projects financed by multifamily housing bonds are affordable for a minimum of 30 years. Bonds may also be combined with other financing sources to create deeper affordability and longer terms of restriction.

Rating: Generally “AAA” or its equivalent with a minimum rating of “A” or, under conditions that meet IRS and Housing Commission requirements, bonds may be unrated for private placement with institutional investors (typically, large banks). Additional security is normally achieved through the provision of outside credit support (credit enhancement) by participating financial institutions that underwrite the project loans and guarantee the repayment of the bonds. The credit rating on the bonds reflects the credit quality of the credit enhancement provider.

Approval Process:

- **Inducement Resolution:** The bond process is initiated when the issuer (Housing Authority) adopts the Inducement Resolution to establish the date from which project costs may be reimbursable from bond proceeds (if bonds are later issued) and to authorize staff to work with the financing team to perform a due diligence process. The Inducement Resolution does not represent a commitment by the

Housing Commission, the Housing Authority, or the developer to proceed with the financing.

- **TEFRA Hearing and Resolution (Tax Equity and Fiscal Responsibility Act of 1982):** To assure that projects making use of tax-exempt financing meet appropriate governmental purposes and provide reasonable public benefits, the IRS Code requires that a public hearing be held and that the issuance of bonds be approved by representatives of the governmental unit with jurisdiction over the area in which the project is located (City Council). This process does not make the City financially or legally liable for the bonds or the project.

[Note: It is uncommon for the City Council to be asked to take two actions at this stage in the bond process---one in their capacity as the City Council (TEFRA hearing and resolution) and another as the Housing Authority (bond inducement). Were the issuer (Housing Authority) a more remote entity, the TEFRA hearing and resolution would be the only opportunity for local elected officials to weigh in on the project.]

- **Application for Bond Allocation:** The issuance of these “private activity bonds” (bonds for projects owned by private developers, including projects with nonprofit sponsors and for-profit investors) requires an allocation of bond issuing authority from the State of California. To apply for an allocation, an application approved by the Housing Authority and supported by an adopted inducement resolution and by proof of credit enhancement (or bond rating) must be filed with the California Debt Limit Allocation Committee (CDLAC). In addition, evidence of a TEFRA hearing and approval must be submitted prior to the CDLAC meeting.
- **Final Bond Approval:** The Housing Authority retains absolute discretion over the issuance of bonds through adoption of a final resolution authorizing the issuance. Prior to final consideration of the proposed bond issuance, the project must comply with all applicable financing, affordability, and legal requirements and undergo all required planning procedures/reviews by local planning groups.
- **Funding and Bond Administration:** All monies are held and accounted for by a third party trustee. The trustee disburses proceeds from bond sales to the developer in order to acquire and/or construct the housing project. Rental income used to make bond payments is collected from the developer by the trustee and disbursed to bond holders. If rents are insufficient to make bond payments, the trustee obtains funds from the credit enhancement provider. No monies are transferred through the Housing Commission or the Housing Authority and the trustee has no standing to ask the issuer for funds.

Bond Disclosure: The offering document (typically a Preliminary Offering Statement or bond placement memorandum) discloses relevant information regarding the project, the developer, and the credit enhancement provider. Because the Housing Authority is not

responsible for bond repayment, there are no financial statements or summaries about the Housing Authority or the City included as part of the offering document. The offering document includes a paragraph that states that the Housing Authority is a legal entity with the authority to issue multifamily housing bonds and that the Housing Commission acts on the behalf of the Housing Authority to issue the bonds. The offering document also includes a paragraph stating that there is no pending or threatened litigation that would affect the validity of the bonds or curtail the ability of the Housing Authority to issue the bonds. This is the extent of disclosure required of the Housing Authority, the Housing Commission, or the City. However, it is the obligation of members of the Housing Authority to disclose any material facts known about the project, not available to the general public, which may have an impact on the viability of the project.