



REPORT

DATE ISSUED: May 19, 2006

REPORT NO: HCR 06-35

ATTENTION: Chair and Members of the Housing Commission

ITEM: 103

SUBJECT: Preliminary Items Pursuant to Issuing Bonds for Pine Hollow Apartments
(Council District 4)

REQUESTED ACTION:

Preserve the opportunity to issue tax-exempt bonds to fund the acquisition and rehabilitation of the 58-unit Pine Hollow Apartments. Borrower would rehabilitate the property and restrict rents below market; issuance of bonds would require Housing Authority approval at a later date. A proposed loan from the Housing Commission would also require approval by the Housing Authority.

STAFF RECOMMENDATION:

Housing Authority approve a bond inducement resolution (a “declaration of official intent”) for up to \$7 million in multifamily housing revenue bonds for acquisition and rehabilitation of the Pine Hollow Apartments, located at 5020 Federal Boulevard, by The Association For Community Housing Solutions (TACHS). Approval of a bond inducement resolution would allow the Housing Commission to work with TACHS to structure the most cost-effective financing for the affordable housing project and would not commit the Housing Authority to issue bonds.

Housing Commission approve a financing team of Ross Financial Services as financial advisor and Quint & Thimmig LLP as bond counsel to work on preparing the proposed bond issuance. Ross Financial Services and Quint & Thimmig have been selected in accordance with the current policy for the issuance of bonds.

DISCUSSION:

The Project

Pine Hollow Apartments is an existing 58-unit rental property located in the community of Webster. TACHS acquired the property on April 24, 2006, in order to provide permanent supportive housing for chronically homeless, mentally ill adults and seniors. The apartment complex includes 12 studios, 32 one-bedroom units, and 12 two-bedroom units. TACHS plans to spend approximately \$300,000 to rehabilitate the property. The location map is included as Attachment 1.

Housing Affordability

TACHS plans to restrict 9 units for occupancy by, and at rents affordable to, households earning no more than 60% Area Median Income (AMI) (\$41,400 for a family of four). Rents on 47 units will be restricted at 50% AMI (\$34,500 for a family of four). One unit would be reserved for a resident manager. One 2-bedroom unit will be taken out of residential use and converted to



office/community room use. Rent and income restrictions for the project are outlined in the chart below:

Type	AMI	Number of Units	Restricted Rent (with utility allowance)
Studio	50%	12	\$604
1 Bedroom	50%	32	\$646
2 Bedroom	50%	3	\$776
2 Bedroom	60%	9	\$931
2 Bedroom	N. A.	1	New Community Room
2 Bedroom	MGR	1	
Total		58	

Developer

Founded in 1994 with the mission of developing housing for the City's mentally ill homeless, TACHS is a local 501(c)(3) nonprofit corporation operating in San Diego. In 1998, TACHS leased the Parker-Kier Building from the Housing Commission for ten years with options to renew the lease for a total of forty-five years. TACHS utilizes the building as permanent supportive housing for mentally disabled adults capable of independent living. In 1999, the Parker-Kier Building received a Meritorious Achievement Award from the Association of Local Housing Finance Agencies for the use of HOME funds. The development provides 22 units of permanent supportive rental housing for mentally ill residents with incomes at or below 50 percent of Area Median Income and 11 units for other very low income households.

The homeless mentally ill are a critically under-served resident population whose housing needs are not met within the private development sector. To help address this housing shortage, TACHS completed its first construction project, the eighteen-unit Reese Village development, in May of 2002. Located at 4809-4819 70th Street in the College Area of East Central San Diego, Reese Village was funded in part through the HUD 811 program. The fully-leased apartment complex now provides permanent supportive housing for formerly homeless adults with mental illness. The Housing Commission made a \$670,000 revocable grant to TACHS to help pay for the improvements, which involved the demolition of 2 dilapidated structures, the construction of two new buildings, and substantial rehabilitation of 2 existing buildings.

TACHS also collaborated with the Housing Commission on the Paseo Glenn Apartments. The Paseo Glenn project provides 13 units of rent-subsidized permanent supportive housing for mentally ill adults capable of living independently. Following the model of the Parker-Kier Building and Reese Village, prospective tenants are selected through a screening process involving TACHS and its property management personnel, mental health providers, and professional case managers.

TACHS has taken on the role of the development partner with Jewish Family Services (JFS) and its recent acquisition and planned rehabilitation of the 20-unit Hope Village apartments. Hope Village is the first JFS residential property acquisition and will further their social

service capabilities. Hope Village will house residents from the chronically homeless, mentally ill adult population. JFS does not have the development and management expertise that TACHS provides as discussed above. TACHS was selected to be the development partner by JFS to provide rehabilitation construction oversight and property management at Hope Village. Hope Village has recently received Housing Authority approval for a \$982,000 residual receipts loan. This loan will close in the current fiscal year.

TACHS' board members are experienced in the field of special purpose housing development. The executive director of TACHS is Ms. Kimberly Russell-Shaw. In addition to her duties as Executive Director, Ms. Shaw served as TACHS' project manager for the Reese Village project. The nonprofit's staff includes professional property managers and a social services coordinator who manage the organization's rental housing facilities. TACHS' audited financial statement and developer disclosure statement are included as Attachments 2 and 3.

Proposed Housing Bonds

The Housing Commission utilizes the Housing Authority's tax-exempt borrowing status to pass on lower interest rate financing to developers of affordable housing. Usually, these are tax-exempt mortgage revenue bonds; the Housing Authority's ability to issue these bonds is limited under the U.S. Internal Revenue Code.

The Internal Revenue Code also permits the issuance of tax-exempt bonds for 501(c)(3) organizations whose charitable purpose is to provide affordable housing for low income households. The Housing Authority would issue 501(c)(3) bonds for the Pine Hollow Apartments because the acquisition and rehabilitation of the Pine Hollow Apartments would further the charitable purpose of TACHS. In addition, the proposed rent and occupancy restrictions of the project and the nature of the scope of rehabilitation will comply with all Internal Revenue Code requirements for 501(c)(3) housing bond issuances.

501(c)(3) housing bond issuances are different from standard mortgage revenue bonds issued by the Housing Authority. Most significantly, 501(c)(3) bonds do not qualify a project for low income housing tax credits. This restriction is not a constraint for the Pine Hollow Apartments because the prior owner of the project did not own it for 10 years, and as a result, Pine Hollow does not qualify for tax credits. In addition, because there is no limit to the principal amount of 501(c)(3) bonds that can be issued in a given state in a year, 501(c)(3) bonds do not require an allocation of bonding authority from the State of California. Finally, unlike most housing revenue bonds, interest earnings on 501(c)(3) bonds are not subject to the Alternative Minimum Tax. This results in lower interest rates on 501(c)(3) bonds.

The action item for the Housing Authority is to approve a bond inducement resolution for the project. The bond inducement resolution establishes a date after which (and up to 60 days prior to which) costs incurred can be reimbursed from bond proceeds. TACHS purchased the Pine Hollow apartments on April 24, 2006. In order for the acquisition price to be an eligible use of bond proceeds, the Housing Authority will need to approve the bond inducement resolution by

June 23rd. As such, this item has been docketed for consideration by the Housing Authority on June 20th.

TACHS purchased Pine Hollow with a number of sources of interim financing, which will require repayment within 2 years. TACHS has been preparing applications for various permanent financing sources to help subsidize the acquisition, rehabilitation, and operation of the facility. Potential funding sources include the State of California's Governor's Initiative to End Chronic Homelessness and the Mental Health Services Act (Proposition 63) and the Department of Housing and Urban Development's Shelter Plus Care program. TACHS has also submitted a loan application to the Housing Commission.

TACHS anticipates that its funding applications will be highly competitive. However, regardless of the subsidies that the project is able to secure, there is a strong likelihood that the project will need a first position loan on the property. Interest rates for conventional mortgages on properties such as Pine Hollow are currently in excess of 7%. An estimated interest rate on a tax-exempt 501(c)(3) bond would be 5.5%. The lower tax-exempt interest rate could lower the debt service that TACHS pays over the life of the loan and increase the financial resources that the agency would have to own and operate the property. A lower interest cost could also increase the size of the loan, reducing the size of the Housing Commission gap loan that is required, freeing up resources to produce additional affordable housing units in other projects.

The Housing Commission and TACHS are 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 would be contingent on TACHS receiving commitments from other public and private entities to fully fund the acquisition, rehabilitation, and operation of the project. A Housing Commission loan would also need future approval by the Housing Commission and Housing Authority.

Should the Housing Authority, under a separate action, authorize the issuance of bonds for the project at a future date, the bonds would not constitute a financial 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. All costs of issuing the bonds would be paid by the developer.

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 current 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.

Alternative

If the recommended actions are not taken, the project will not be able to benefit from tax-exempt below-market rate financing.

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 does 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:

Not applicable. Prior to final authorization of the bonds or the approval of a Housing Commission loan, the developer would need to present this item to the City Heights Area Planning Committee.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

TACHS is the developer for the project. TACHS' board members are listed in Attachments 2. 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**

Approved by,

Cissy Fisher
Director of Housing Finance & Development

Elizabeth C. Morris
President & Chief Executive Officer

G:\hfshare\Bonds reports\Pine Hollow\Bond Inducement Pine Hollow.doc

- Attachments:
1. Site Map
 2. TACHS Developer's Disclosure Statement*
 3. TACHS Financial Statement*

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

ATTACHMENT 2

DEVELOPER'S DISCLOSURE STATEMENT



ATTACHMENT C
DEVELOPERS/CONSULTANTS/SELLERS/CONTRACTORS/
ENTITY SEEKING GRANT/BORROWERS
(Collectively referred to as "CONTRACTOR" herein)
STATEMENT FOR PUBLIC DISCLOSURE

1. Name of CONTRACTOR:

TACHS (The Association For Community Housing Solutions)

2. Address and Zip Code:

9636 Tierra Grande Suite #202
San Diego, CA 92126

3. Telephone Number:

(858) 790-3744

4. Name of Principal Contact for CONTRACTOR:

Kimberly Russell-Shaw, Executive Director

5. Federal Identification Number or Social Security Number of CONTRACTOR:

33-0602842

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:

TACHS – September 1994

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% 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.
Please refer to Exhibit Section for the List of Board of Directors
- 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%.

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

(Attach extra sheet if necessary)

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% interest in the CONTRACTOR (for example, more than 20% of the stock in a corporation which holds 50% of the stock of the CONTRACTOR or more than 50% of the stock in the corporation which holds 20% of the stock of the CONTRACTOR):

Name, Address and
Zip Code

Position Title (if any and
extent of interest

None.

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:

None.

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 whatever 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.

The Association for Community Housing Solutions (TACHS) helped to form TACHS Property Development (TPD). There is an "affiliation" in that the two share office space and costs associated with the staffing of the Executive Director. There is no legal or formal affiliation.

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.

See exhibits for Financial Audit of TACHS and TACHS Property Development as of December 2003.

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:

The project will be funded by a HUD Supportive Housing Grant (\$400,000) and a private mortgage (\$365,000), and State MHP funding (1.7 million) with bridge financing through the Corporation For Supportive Housing (\$600,000) and the Low Income Housing Fund (\$735,000).

16. Provide sources and amount of cash available to CONTRACTOR to meet equity requirements of the proposed undertaking:

- a. In banks/savings and loans:

Name, Address & Zip Code of Bank/Savings & Loan:

TACHS
 California Bank & Trust
 525 B Street
 San Diego, CA 92101
 Checking Account #: 20-700350-69
 Amount: \$ 20,000

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

Name, Address & Zip Code of Bank/Savings & Loan:

Amount: \$ _____

None.

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

<u>Description</u>	<u>Market Value</u>	<u>Mortgages or Liens</u>
	\$	\$

None.

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

Becky Ramirez
Financial Services Representative
California Bank & Trust
525 B Street
San Diego, CA 92101

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.

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.

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:

<u>Type Bond</u>	<u>Project Description</u>	<u>Date of Completion</u>	<u>Amount of Bond</u>	<u>Action on Bond</u>
------------------	----------------------------	---------------------------	-----------------------	-----------------------

Not Applicable, however TACHS has completed the following projects that are comparable to the current project:

Del Mar Apartments
2170 Front Street
San Diego, CA 92101

Reese Village Apartments
4809 70th Street
San Diego, CA 92115

Paseo Glenn Apartments
1851-65 Titus Street
San Diego, CA 92110

TACHS and A Community of Friends (ACOF) partnered in a master lease agreement with the San Diego Housing Commission to rehabilitate and manage 34 units of subsidized housing at 2170 Front Street, known as the Del Mar Apartments (formerly known as the Parker-Kier Building). The San Diego Housing Commission originally purchased the building from the Port District for affordable housing and began renovations. The Housing Commission then entered into a partnership with ACOF and TACHS to complete the

renovations, operate the complex and help provide off-site services essential to adults with mental illness who are transitioning out of homelessness.

TACHS has successfully operated the Del Mar Apartments since 1998. Twenty-two low-income, formerly homeless mentally disabled adults now occupy the Del Mar Apartment building's first two floors in a service-enriched environment. Eleven units on the third floor are rented to other adults earning less than 50% of the area median income. There is an on-sight resident manager living in the remaining unit. The Del Mar Apartment building is known to be the first development of its kind in San Diego County.

Initially, there was significant community resistance to the proposed Del Mar Apartments development. Understanding was the key to community acceptance. Through meetings with community planning groups and neighborhood associations, TACHS and ACOF were able to convince concerned neighborhood residents as to the needs of the mentally disabled in their community. Together, TACHS and ACOF were able to secure community approval for public funding of the Del Mar Apartments.

The property has been fully leased and operating in solid condition since opening in October 1998. Cuatro Properties is the contracted property management firm. The Telecare Corporation provides case management to the 22 mentally ill residents under a Supportive Housing Grant from SDHC/HUD. The San Diego Housing Commission won a national award from the Association of Local Housing Authorities for this unique partnership renovation project.

In September 2000, TACHS Property Development began the construction of a HUD funded Section 811 project known as Reese Village Apartments. This project was completed in June 2002, with lease up of the 19 one-bedroom units immediately following. This property also serves adults with a serious mental illness, and case management services are offered to all residents.

TACHS' third project, the Paseo Glenn Apartments is a 13 unit low income housing development for chronically homeless, seriously mentally ill adults. This project was funded with HUD, SDHC, S+C and a private mortgage. This property was acquired by TACHS in November 2002, with relocation and rehabilitation following. The project has recently been completed and closed out. The units were placed in to service in June 2003.

Because of the level of experience in developing special needs housing in and around San Diego, TACHS has been contracted by Jewish Family Service of San Diego to be the developer/contractor for the Hope Village project. This project is in the final stages of the development, and anticipated to be completed in the fall of 2006.

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:

Not Applicable.

- 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:

- c. Total amount of construction or development work performed by such contractor or builder during the last three (3) years: \$ 4,300,000

General description of such work:

As stated in Section 20, TACHS Property Development was granted the funding for, and completed the construction of a 19 unit affordable housing project known as the Reese Village Apartments. This project took 1.75 years to complete and is still in the final stages of the HUD close out. There has been no litigation against the owner (TACHS) relating to this property, however, TACHS filed a legal claim against the engineering firm of Meridian Engineering for deficient and inadequate engineering plans (both on and off-site work). During the course of construction, \$98,000 worth of additional change orders were necessary, and authorized as a result of the engineering contractors failure to meet current codes/expectations.

The 13-unit Paseo Glenn project in the Mission Hills area of San Diego required a rehabilitation budget of nearly \$600,000, all of which was loaned from the SDHC. Relocation assistance was provided to 9 original residents.

- 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>
--	-----------------	---------------	---------------------------------

Not Applicable.

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

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

Not Applicable.

- 22. Provide a detailed and complete 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:

Not Applicable.

23. Does any member of the governing body of the San Diego Housing Commission ("COMMISSION"), 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 the COMMISSION, 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.

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:

A Community of Friends (ACOF) was hired by the San Diego Mental Health Services Department to establish a locally-based non-profit development corporation, which would develop permanent, affordable, supportive housing for adults with mental disabilities. ACOF helped form the initial Board of Directors for TACHS. The Association For Community Housing Solutions (TACHS) set up the Single-purpose Corporation, TACHS Property Development, solely to be the owner off this HUD 811 project as is required by HUD regulations. TACHS has now received sole sponsor status of this project from HUD. The contract for this project was \$2.8 million.

TACHS has successfully completed the Paseo Glenn Apartments project, from the time of site control through completion of the rehabilitation. The contracted acquisition and rehab amount of this project was \$1.8 million.

TACHS and TACHS Property Development share an executive director, who was hired in March 2001. Since 1994, the Executive Director has successfully developed several affordable housing projects for persons with special needs, and has obtained over \$8,000,000 in funding over the past five years.

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: This action is pending a claim against the Civil Engineer's insurance carrier.

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

TACHS Insurer:

Snapp and Associates – Pat Palmer
438 Camino Del Rio South #112
San Diego, Ca 92108

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

Not Applicable.

- Comprehensive Form
- Owned
- Hired
- Non-Owned

- c. Workers Compensation [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

Refer to Exhibits Section.

- d. Professional Liability (Errors and Omissions) [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

Not Applicable.

- e. Excess Liability [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]

Not Applicable.

- e. Other (Specify) [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]

Directors and Officers Insurance – Refer to Exhibits Section.

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 the COMMISSION setting forth the provisions of this nondiscrimination clause.
28. The CONTRACTOR warrants and certifies that it will not without prior written consent of the COMMISSION, engage in any business pursuits that are adverse, hostile or take incompatible positions to the interests of the COMMISSION, 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 the COMMISSION, the AUTHORITY and/or the CITY, no member of the governing body of the locality in which the PROJECT is situated, no member of the government body in which the Commission 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 so state:

Government Entity
Making Complaint

Date

Resolution

NONE.

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. If so, please explain the circumstances in detail. If none, please so state:

NO.

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:

<u>Governmental Agency</u>	<u>Description License</u>	<u>License Number</u>	<u>Date Issued (original)</u>	<u>Status (current)</u>	<u>Revocation (yes/no)</u>
----------------------------	----------------------------	-----------------------	-------------------------------	-------------------------	----------------------------

NONE. NOT APPLICABLE.

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 the COMMISSION.

NONE.

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 the COMMISSION.

TACHS has a long-standing history of providing quality service in the developments it engages in. TACHS has also been successful in all outside audits, site visits, contract compliance reviews and other monitoring tools from local, state and federal funding sources.

TACHS Board Commitment:

Individuals comprising the TACHS and TACHS Property Development Board of Directors have demonstrated their commitment to see this project through. Board attendance at regularly scheduled board meetings is high and board members are very active.

TACHS and TACHS Property Development are certified CHDO's in the City of San Diego. Our client population is strongly involved in designing TACHS's programs. A volunteer Board of Directors, along with the Executive Director, run TACHS and TACHS Property Development. Board members include two people living with a serious mental illness, one parent and one brother of mentally ill adults. Board members are diverse in age, race (7 of 12 members are ethnic minorities) and gender, and include skills in law, real estate, social services, religion and business and mental health services. (See attached list of Board Members.)

35. List all CONTRACTS with, DEVELOPMENTS for or with, LOANS with, PROJECTS with, GRANTS from, SALES of Real Property to, the COMMISSION, AUTHORITY and/or the CITY within the last five (5) years:
- 1) TACHS is presently in a master-lease relationship with the San Diego Housing Commission on the Del Mar Apartments. There is a \$45,000 residual receipt note to TACHS from the Housing Commission for this project.
 - 2) The San Diego Housing Commission has provided a revocable grant to TACHS Property Development in the amount of \$670,000, and the CDBG program has provided \$81,000 in grant funding for the Reese Village property.

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:

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:

38. List three local references who would be familiar with your previous construction project:

Name: Kathi Houck; Shelter Plus Care Program Manager

Address: San Diego Housing Commission

650 Gateway Center Drive Suite D
San Diego, CA 92102

Phone: (619) 578-7473

Project Name and Description: Shelter Plus Care Program at the Del Mar and Paseo

Glenn Apartments and Scattered Sites

Name: Daniel Cady

Address: San Diego Housing Commission

1625 Newton Avenue
San Diego, CA 92102

Phone: (619) 578-7594

Project Name and Description: Del Mar Apartments, Reese Village Apartments, Paseo
Glenn Apartments

Name: Matthew Dougherty and Simonne Ruff

Address: Corporation For Supportive Housing

325 Maple Street, Fourth Floor
San Diego, CA 92101

Phone: (619) 232-3194

Project Name and Description: Funding Source for the Paseo Glenn Apartments project,
the Hope Village Apartments project , and the Pine Hollow Apartments project

39. Give a brief statement respecting 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.

TACHS and TACHS Property Development

TACHS is the only organization in the San Diego County region dedicated solely to developing permanent service-enriched housing. Our primary client population is the seriously mentally ill and other people living with chronic disabilities who are homeless, living in emergency shelters or in transitional housing programs.

TACHS promotes an innovative model of affordable housing which enables people with serious mental and health disabilities to live independently by creating affordable housing that offers comprehensive case management, social and mental health services. TACHS acquires, develops and rehabilitates housing to make it affordable to very low- income people. TACHS also secures funding to provide ongoing supportive health and social services so that our clients

can improve their quality of life, maintain their dignity and participate more fully in society.

BACKGROUND

In 1993, the San Diego County Department of Mental Health (DMHS) identified housing as a major problem of homeless people with mental illness. The Department of Mental Health issued a Request for Proposal to fund a nonprofit to develop housing opportunities for people with mental illness. DMHS selected A Community of Friends (ACOF), an accomplished developer and owner of housing with supportive services in the Los Angeles area, to set up an independent nonprofit in San Diego County to develop housing for the mentally ill.

In 1994, ACOF helped establish The Association for Community Housing Solutions (TACHS), apply for nonprofit status and put together the first board of directors. ACOF has completed over 500 supportive housing units in 13 projects and has 7 additional projects underway; most of this housing is in the Los Angeles area. Monique Lawshe, the Executive Director of ACOF, had been the principal ACOF staff person providing technical assistance to TACHS. Since 1994, TACHS and ACOF have worked together to initiate two service-enriched housing developments in San Diego.

TACHS Property Development (TPD) - TACHS established this single purpose nonprofit corporation to own and operate the HUD 811-funded Reese Village Apartment project. The HUD 811 program requires that multi-purpose nonprofits set up an affiliate single purpose corporation. The boards of directors of TACHS and TPD currently include the same people but each board keeps separate corporate minutes and documents, and convene under its own name and bylaws. TACHS and TACHS PD have shared one Executive Director and most administrative costs such as bookkeeping.

ACCOMPLISHMENTS

Since incorporating in 1994 as a 501 © 3 nonprofit, TACHS, TPD and ACOF have raised over \$8 million, completed three permanent supportive housing project, secured funding to start construction on another project in partnership with JFS, and secured HUD Shelter Plus Care funding for a fifth project. To date, all of TACHS housing developments are located in the City of San Diego because the city has the largest population of homeless people with special needs. Over time, TACHS intends to develop supportive housing opportunities throughout the county.

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

TACHS will utilize the services of Albert Jauregui of AJ Maintenance Solutions to act as the project rehabilitation superintendent. Mr. Jauregui was formerly the Project Superintendent for Rehabilitations at the Cuatro Construction Company, and has worked in this capacity for over 18 years. Mr. Jauregui has worked as the General contractor on approximately 22 construction projects in San Diego County, and is well versed in affordable housing requirements for persons with special needs. Mr. Jauregui will provide additional labor and specialty services as required through a sub-contracting agreement.

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 ("COMMISSION"), 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 the COMMISSION, 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 the COMMISSION, 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 the COMMISSION, 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 ____ day of _____, 2005, at San Diego, California.

CONTRACTOR

By: _____
Signature

Executive Director
Title

CERTIFICATION

The CONTRACTOR, TACHS (The Association For Community Housing Solutions), 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: _____ By: _____

Title: Executive Director Title: _____

Dated: May 17, 2005 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.

ATTEST:

Subscribed and sworn to before me this ____ day of _____, 20____.

Signature of Notary

My Commission Expires: _____

G:\HFSHARE\FORMS\DISCLOSE.PUB - 05/09/06



Sonnenberg & Company, CPAs

A Professional Corporation

5190 Governor Drive, Suite 201, San Diego, California 92122

Phone: (858) 457-5252 • (800) 464-4HOA • Fax: (858) 457-2211 • (800) 303-4FAX



Leonard C. Sonnenberg, CPA

TACHS The Association for Community Housing Solutions

AUDITED FINANCIAL STATEMENTS

December 31, 2004

Table of Contents

	<u>Page</u>
Financial Statements	
Independent Auditor's Report on Financial Statements	1
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Statements of Functional Expenses	5
Notes to Financial Statements	6-11
Supplementary Information	
Supplementary Schedule of Grants Received	12
Supplementary Schedule of Revenue and Expenses by Class	13



Sonnenberg & Company, CPAs

A Professional Corporation

5190 Governor Drive, Suite 201, San Diego, California 92122

Phone: (858) 457-5252 • (800) 464-4HOA • Fax: (858) 457-2211 • (800) 303-4FAX



Leonard C. Sonnenberg, CPA

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Board of Directors of
The Association for Community Housing Solutions (TACHS)

We have audited the accompanying statement of financial position of The Association for Community Housing Solutions (TACHS), as of December 31, 2004, and the related statement of activities and changes in net assets, statement of cash flows, and statement of functional expenses for the year then ended. These financial statements are the responsibility of TACHS' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from TACHS' 2003 financial statements and, in our report dated August 29, 2004, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TACHS as of December 31, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of TACHS taken as a whole. The accompanying supplementary schedules on pages 12 and 13 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

August 3, 2005

Sonnenberg & Company, CPAs

The Association for Community Housing Solutions
Statement of Financial Position
December 31, 2004
(With Comparative Totals for December 31, 2003)

	<u>2004</u>	<u>2003</u>
ASSETS	Total	Total
Operating Assets		
Cash	\$ 108,432	\$ 91,865
Accounts & Grants Receivable	100,177	144,806
Prepaid Rents & Insurance	5,156	8,543
Intercompany Receivable - TACHS PD	105,762	68,658
Restricted Deposits		
Residual Receipts (Trust Checking)	66,283	17,946
Tenant Security Deposits	19,366	20,481
Rent Reserve	15,391	9,470
Operating Reserve	43,336	35,922
Replacement Reserve	88,993	92,482
Rent Reserve - CD	66,000	66,000
Total Current Assets	<u>618,896</u>	<u>556,173</u>
Fixed Assets		
Land	900,000	900,000
Building	465,782	369,870
Equipment & Furniture	76,510	73,435
Less: Accumulated Depreciation	(59,570)	(42,348)
Total Fixed Assets	<u>1,382,722</u>	<u>1,300,957</u>
 Total Assets	 <u>\$ 2,001,618</u>	 <u>\$ 1,857,130</u>
 LIABILITIES & NET ASSETS		
Operating Liabilities		
Accounts Payable	\$ 11,866	\$ 58,781
Payroll Liabilities	604	
Accrued Interest - SDHC	9,300	7,950
Management Trust - Security Deposits	13,231	13,997
Tenant Security Deposit	1,895	2,260
Total Current Liabilities	<u>36,896</u>	<u>82,988</u>
Secured Note Payable Liabilities		
Note Payable - CB&T	586,905	598,157
Note Payable - SDHC	458,281	261,292
Note Payable - SDHC	45,000	45,000
Total Secured Note Payable Liabilities	<u>1,090,186</u>	<u>904,449</u>
Total Liabilities	<u>1,127,082</u>	<u>987,437</u>
Net Assets		
Unrestricted Net Assets	<u>874,536</u>	<u>869,693</u>
 Total Liabilities & Net Assets	 <u>\$ 2,001,618</u>	 <u>\$ 1,857,130</u>

The Accompanying Notes are an Integral Part of the Financial Statements

The Association for Community Housing Solutions
Statement of Activities and Changes in Net Assets
For The Year Ended December 31, 2004
(With Comparative Totals for the Year Ended December 31, 2003)

	2004 Total	2003 Total
Revenue & Other Support		
Rental Income - Tenants	\$ 179,913	\$ 192,508
Rental Assistance-HUD Section 8		1,867
Rental Assistance-SDHC-HUD	99,672	104,837
Less: Management Lodging	(12,200)	(12,200)
Net Rental Income	267,385	287,012
Grants-City of San Diego - General Funds	11,904	7,043
Grants-HUD	0	420,000
Grants-SHIA	101,273	172,690
Grants-SHP	83,713	85,455
Grants-SDHC	141,764	117,114
Grants-Telecare	82,992	109,017
Contributions Unrestricted	84,799	10,633
Property Management Fee	26,400	18,000
Interest Income	2,260	1,918
Laundry & Miscellaneous	1,011	1,771
Total Revenue & Other Support	\$ 803,501	\$ 1,230,653
Functional Expenses		
Program Services		
Del Mar Apartments	\$ 213,122	\$ 202,431
Paseo Glenn Apartments	119,538	98,577
Telecare	106,714	79,151
Other Programs	57,170	31,714
SHIA	99,247	161,861
SHP	77,187	79,514
Supporting Services		
Management & General	102,702	71,307
Fund Raising	0	0
Total Functional Expenses	775,680	724,555
Change in Net Assets	\$ 27,821	\$ 506,098
Net Assets - Beginning	869,693	363,595
Prior Year Adjustment	(22,978)	
Net Assets - Ending	\$ 874,536	\$ 869,693

The Accompanying Notes are an Integral Part of the Financial Statements

The Association for Community Housing Solutions
Statement of Cash Flows
For The Year Ended December 31, 2004
(With Comparative Totals for the Year Ended December 31, 2003)

	2004 Total	2003 Total
Change in Net Assets	\$ 27,821	\$ 506,098
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	17,222	14,224
Changes in assets and liabilities (Increase) / Decrease in Assets		
Accounts & Grants Receivable	44,629	(27,582)
Prepaid Rents & Insurance	3,387	(3,444)
Intercompany Receivable - TACHS PD	(37,104)	0
Increase / (Decrease) in Liabilities		
Accounts Payable	(46,915)	(6,915)
Payroll Liabilities	604	
Accrued Interest - SDHC	1,350	(1,983)
Management Trust - Security Deposits	(766)	2,587
Tenant Security Deposit	(365)	(1,980)
Net Cash Provided (Used) by Operating Activities	9,863	481,005
Cash Flows From Investing Activities		
Deposit to Restricted Accounts	(57,068)	4,605
Building Improvements	(95,912)	0
Equipment & Furniture	(3,075)	(5,330)
Net Cash Provided (Used) by Investing Activities	(156,055)	(725)
Cash Flows From Financing Activities		
Prior Year Correction - Note Pay - SDHC	(22,978)	251,292
Loan Repayment CBT	(11,252)	(659,879)
Loan Advances - SDHC	196,989	0
Net Transfers from TACHS to TACHS PD	0	(6,415)
Net Cash Provided (Used) by Financing Activities	162,759	(415,002)
Net Increase in Cash & Cash Equivalents	16,567	65,278
Beginning Cash & Cash Equivalents	91,865	26,587
Ending Cash & Cash Equivalents	\$ 108,432	\$ 91,865

The Accompanying Notes are an Integral Part of the Financial Statements

The Association for Community Housing Solutions
Statement of Functional Expenses
For The Year Ended December 31, 2004
(With Comparative Totals for the Year Ended December 31, 2003)

	Del Mar		Paseo	Telecare		Other		SHIA	SHP	Program		Management & General	2004		2003				
	Apt			Apt		Progrms				Total	Total		Total	Total	Total	Total			
Payroll & Related Expenses	\$	47,954	\$	6,000	\$	79,970	\$	13,211	\$	10,000	\$	24,000	\$	181,135	\$	53,810	\$	195,210	
Payroll		4,267		528		6,757		1,271		919		2,073		15,815		4,248		15,656	
Payroll Taxes		7,406		757		7,981		540		1,030		2,821		20,535		4,461		20,033	
Employee Benefits & Work Comp		59,627		7,285		94,708		15,022		11,949		28,894		217,485		62,519		230,899	
Total Payroll and Related Expenses																			
Operating Expenses																			
Accounting & Audit		22,500		5,500				3,900						31,900		9,100		41,000	
Advertising		126				12,006								126				126	
Bad Debt														12,006				12,006	
Cable TV		145		439										584				584	
Consulting & Professional Fees		964		1,449				53,200				48,293		102,457		995		103,452	
Furnishings & Equipment		13,884		4,576				3,338						18,671		1,608		20,279	
Insurance		3,804		36,730										8,380		4,478		12,858	
Interest-Mortgage														36,730				36,730	
Interest-SDHC														0		1,350		1,350	
Legal Fees		1,584												1,584		100		1,684	
Meeting & Conferences										601				601		879		1,480	
Office Supplies		1,437		771				9,028						11,236		2,967		14,203	
Other Expenses		1,699						981						2,680		4,414		7,094	
Printing & Postage		-152		120				277						245		1,550		1,795	
Property Maintenance		34,810		8,026				937						43,773		278		44,051	
Property Management		18,000												18,000				18,000	
Property Tax				37										37		-1477		(1,440)	
Relocation				36,486										36,486				36,486	
Rent							42,148			8,738				36,486		8,883		59,769	
Resident Relations		5,359												50,886		2,243		7,602	
Telephone		4,298						4,022						5,359		2,329		8,574	
Security & Alarm Monitoring		2,205						2,013						9,155		2,329		11,484	
Utilities		37,423		5,471				263						4,218		486		4,218	
Total Operating Expenses		148,086		100,440		12,006		42,148		87,298		48,293		438,271		40,183		478,454	
Depreciation		5,409		11,813										17,222				17,222	
Total Expenses	\$	213,122	\$	119,538	\$	106,714	\$	57,170	\$	99,247	\$	77,187	\$	672,978	\$	102,702	\$	775,680	
																		\$	724,555

The Accompanying Notes are an Integral Part of the Financial Statements

The Association for Community Housing Solutions
Notes to Financial Statements
December 31, 2004

NOTE 1 - ORGANIZATION & SIGNIFICANT ACCOUNTING POLICIES:

TACHS

The Association for Community Housing Solutions (TACHS) is a private, non-profit organization incorporated in January 1994 in the State of California. The organization's purpose is to promote, develop, and assist with the development and maintenance of decent, permanent, service-enriched housing for adults with mental/neurobiological disabilities, affordable to low or moderate income people.

TACHS qualifies as a tax-exempt corporation defined under Section 501(c)(3) of the Internal Revenue Code, and Section 23701(d) of the California State Revenue and Taxation Code.

TACHS operates a 34-unit apartment building known as Del Mar Apartments on Front Street in San Diego, California. This project was formally operated as a Joint Venture with A Community of Friends (ACOF), a non-profit organization based in Los Angeles, however during the current year ACOF is no longer a partner and this project is no longer a joint venture.

On November 4, 2002 TACHS purchased and operates a 14-unit apartment building on Titus Street in San Diego, California, known as Paseo Glenn Apartments. This property was purchased with four loans.

TACHS is also overseeing the placement and grant requests under Shelter + Care for the rental of privately owned units (Monroe and Mason Apartments) to qualified individuals.

RELATED ENTITY – TACHS PD

The Association for Community Housing Solutions (TACHS) and TACHS Property Development (TACHS PD) are separate, related corporations but are operated concurrently by the same Board of Directors, Executive Director, and staff, and they provide essentially the same exempt purpose services.

TACHS Property Development (TACHS PD) is a private, non-profit organization incorporated as a single purpose corporation in April 1995 in the State of California. The organization's purpose is to promote, develop, and assist with the development and maintenance of decent, permanent, service-enriched housing for adults with mental/neurobiological disabilities, affordable to low or moderate income people.

TACHS PD operates a 19-unit property known as Reese Village located on 70th Street in San Diego, California. The new construction of this project was completed in June 2002.

The Association for Community Housing Solutions
Notes to Financial Statements
December 31, 2004

NOTE 1 - ORGANIZATION & SIGNIFICANT ACCOUNTING POLICIES (continued):

TACHS 's accounting records and the accompanying financial statements are presented on the accrual basis in accordance with U.S. generally accepted accounting principles whereby all revenue is recognized when earned and expenses are recognized when incurred. The financial statements reflect all significant receivables, prepaid expenses, payables, and other liabilities.

Use of SFAS 116 - TACHS has implemented the disclosure and display requirements of the Financial Accounting Standards Board (FASB) as set forth in the Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made", required for all non-profits organizations. FASB 116 requires that non-profit agencies distinguish between contributions received that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also requires recognition of the expiration of donor-imposed restrictions in the period in which the restrictions expire.

Use of SFAS 117 - TACHS has implemented the disclosure and display requirements of the FASB as set forth in the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations," required for all non-profits for fiscal years beginning after December 15, 1995. FASB 117 requires that the net assets of a non-profit agency be classified and reported in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and/or (c) permanently restricted net assets.

Unrestricted and Temporarily Restricted Net Assets - Once an agency satisfies or meets the donor-imposed restrictions on their use in regards to either purpose or timing, temporarily restricted net assets are transferred to unrestricted net assets. In addition, donor-restricted contributions whose restrictions are met in the same reporting period may be reported as unrestricted support, provided that an organization reports consistently from period to period and discloses this policy. Grants and donations received for specific purposes are recognized as support to the extent of related expenses incurred in compliance with the specific restrictions.

All service fees, unrestricted contributions, and miscellaneous income received are considered available for TACHS' general operating expenses.

Rent Income is generated from residents based on their income as adjusted for various factors.

Fixed Assets are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives. Land is not depreciated.

The Association for Community Housing Solutions
Notes to Financial Statements
December 31, 2004

NOTE 2 - ESTIMATES:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 – COMMITMENTS AND CONTINGENCIES:

Expenditures of grant funds received by TACHS are subject to audits by the granting agencies for expenditures disallowed under terms of the grant. Management anticipates no disallowances.

NOTE 4 – PASEO GLENN APARTMENTS:

On November 4, 2002, TACHS purchased a residence at 1851-65 Titus Street. It is planned that the fourteen-unit property would house thirteen qualified Section 811 tenants and one on-site manager. The property is recorded at historical cost (purchase price) and the buildings' depreciation began as of November 4, 2002.

NOTE 5 – RESTRICTED DEPOSITS:

TACHS has various restricted deposits for replacement and operating reserves, residual receipts, and security deposits held in trust. Pursuant to requirements, interest incomes earned on restricted accounts are also restricted.

NOTE 6 – REPLACEMENT RESERVE:

The lease contract with SDHC allowed TACHS to maintain a capitalized replacement reserve not to exceed \$90,000, which may be used for repairs to plumbing or other legitimate major repair costs. This is in addition to monthly contributions to an operating reserve that may be made from monthly cash flows. During 2004, funds were funded to this account on a monthly basis, and withdrawn as needed and approved, resulting in an ending balance of \$88,993 at December 31, 2004.

The Association for Community Housing Solutions
Notes to Financial Statements
December 31, 2004

NOTE 7 – NOTES PAYABLE:

In July 1999, SDHC funded a residual receipts note to TACHS in the amount of \$45,000 for predevelopment expenses, developer’s fees, and consultant fees for the Del Mar Apartments. The note is unsecured and is repayable annually starting April 1, 1998, and bears simple interest at the rate of 3% per year. Residual receipts are defined as all income remaining annually after the payment of all expenses, costs, reserve for replacements, and reasonable operating expenses of the project. When residual receipts are generated, TACHS must annually make payments to SDHC. Payments shall first be applied to accrued interest and then to principal. As of December 31, 2004, the balance of \$45,000 is outstanding and \$9,300 in interest had accrued, of which \$1,350 was incurred in 2004.

On November 5, 2002, TACHS purchased the Paseo Glenn Apartments with three loans:

The first conventional loan with California Bank & Trust is a 5-year loan that totaled \$609,848, with interest of 6.09%. This loan consists of 59 monthly payments of \$3,998.56 each and one irregular last payment estimated to be \$554,188, due on November 5, 2007. This loan is secured by the real property. As of December 31, 2004, the outstanding balance on this loan is \$586,905. The following is a schedule of principal payments on this loan:

Year	Principal
2005	12,655
2006	13,448
2007	560,802
Total	586,905

A second trust deed loan with the Corporation for Supportive Housing in the amount of \$400,000 was paid off during 2003 with funding from a grant from H.U.D. in the amount of \$420,000. The additional \$20,000 in the grant was allowed for administrative expenses. The third loan was with The Low-Income Housing Fund, a California nonprofit organization, in the amount of \$250,000, which was also paid off during 2003 with funding from the San Diego Housing Commission (SDHC).

The new second trust deed is from the San Diego Housing Commission, dated September 11, 2003. It is a 30-year loan that was approved for \$591,881. During 2003, loan proceeds were drawn to pay off the \$250,000 loan from The Low Income Housing Fund plus interest of \$1,292. Additional loan draws totaling \$335,613 have been drawn for rehabilitation of the project. As of December 31, 2004 the outstanding balance on this loan is \$206,989. The SDHC loan repayment terms are based on 50% of residual receipts, with interest accruing at a rate of 3%. Residual receipts are defined as all income remaining annually after the payment of all expenses, costs, reserve for replacements, and reasonable operating expenses of the project. When residual receipts are generated, TACHS must annually make payments to SDHC. Payments shall first be applied to accrued interest and then to principal.

The Association for Community Housing Solutions
Notes to Financial Statements
December 31, 2004

NOTE 8 - OPERATING LEASE OBLIGATION – TACHS and SDHC:

In March 1998, TACHS and ACOF entered into a lease with SDHC for Del Mar Apartments, a 34 unit multi-family residential complex in San Diego. The lease is for ten years, commencing March 1998 and terminating in March 2007, with a ten-year extension option. The rent is \$100 per year, due in advance of the first date of each year of the term of the lease. The first two floors of the Del Mar Apartments contain 22 residential units for persons with mental illness. The basement contains one manager unit and an office. The third floor contains 11 residential units restricted to low-income tenants earning less than 50% of the area median income. In the lease, SDHC provided funding of up to \$270,321 for receipts note for developer fees for a total of \$315,321. These funds have been fully expended for tenant improvements.

NOTE 9 – RENT ALLOWANCES:

In accordance with the accrual method of accounting, rent revenue and rent receivable are recorded based on a pre-determined rate per unit each month. Rent allowances are recorded for vacancies and for on-site manager housing.

NOTE 10 – SECURITY DEPOSITS:

TACHS collects a security deposit of \$300 from each third floor resident of the Del Mar Apartments building and Shelter + Care grant provides \$400 a unit for the first two floors. As of December 31, 2004, a total of \$13,231 in security deposits is held, which have been deposited in a restricted bank account. When units are vacated, an on-site inspection is conducted and the security deposits are used for any necessary repairs. On several occasion repairs have exceeded the security deposits on hand and additional Shelter + Care funds were required to complete the repairs.

In addition, as of December 31, 2004 TACHS held \$1,895 of tenant security deposits on the Paseo Glenn property and had funded an equal amount in a restricted bank account.

NOTE 11 – LINE OF CREDIT:

TACHS PD borrowed \$66,000 through a revolving line of credit in order to fund cost overruns on the Reese Village Apartment project. This is a 4.1% note that has a TACHS' CD as collateral. TACHS PD pays interest payments on the line of credit. The line of credit matures on September 30, 2005.

The Association for Community Housing Solutions
Notes to Financial Statements
December 31, 2004

NOTE 12 – INTERCOMPANY ACTIVITIES:

During 2004 and in prior years, there were various transactions that created intercompany receivables / payables between TACHS and TACHS-PD:

- TACHS expenses that were paid by TACHS PD or vice versa
- Shared expenses, such as payroll and professional fees
- TACHS loans funds to TACHS PD

As of December 31, 2004, the net balance of all transfers owed by TACHS PD to TACHS was \$105,762. The Board of Directors will consider a transfer at a later date.

**The Association for Community Housing Solutions
Supplementary Schedule of Grants Received
For The Year Ended December 31, 2004**

Name of Contract	Source	Total Grant Amt	Contract Dates		Location	Purpose	Received 2004
			From	To			
Shelter Plus Care Beta Project	HUD - SDHC \$	148,872	07/01/2003 (renewed annually)	06/30/2004	Passo Glenn & Scattered Sites	Rental Subsidy for 12 units at PG and up to 6 at SS	\$ 130,604
Supportive Housing Program (SHP)	HUD	73,500	08/01/2004 (renewed annually)	07/31/2005	Del Mar	Case Mgmt salaries for 22 residents at the Del Mar	83,713
Telecare SD	Telecare	80,000	01/01/2004	12/31/2004	Passo Glenn	Unrestricted funds for administrative purposes	82,992
CDBG	City of SD	20,000	07/01/2003	06/30/2004	RVA, DM, PG	Supportive Services for Res.	11,904
SHIA	State of CA	502,378	06/01/2001	06/30/2004	Reese Village	Case Mgmt for RVA	101,273
San Diego Housing Corp	SDHC	10,000	01/01/2004	12/31/2004	Administrative	Admin & Reimb Exp	10,000
San Diego Housing Corp	SDHC	1,160	01/01/2004	12/31/2004	Del Mar	Repairs - Del Mar Apts	<u>1,160</u>
Total Grant Revenue							<u>\$ 421,646</u>
Shelter Plus Care-DM (Reported as Rental Revenue)	HUD - SDHC \$	1,333,090	11/01/1998	10/31/2007	Del Mar Apts	Rent Subsidy - 22 units at DM	\$ <u>99,092</u>

See Independent Auditor's Report

**The Association for Community Housing Solutions
Supplementary Schedule of Revenue and Expenses by Class
For The Year Ended December 31, 2004**

	Del Mar Apt.	Paseo Apt.	Telecare	Other Progrms	SHIA	SHP	Program Total	Management & General	2004 Total
Revenue									
Contributions	\$ 111	\$	\$	\$	\$	\$	\$ 111	\$ 84,688	\$ 84,799
Grants	1,160	74,898	82,992	44,341	101,273	83,713	388,377	33,269	421,646
Rental	237,821	29,564					267,385		267,385
Management Fee							-	26,400	26,400
Laundry & Other	682	329					1,011		1,011
Interest Income	2,260						2,260		2,260
Total Revenue	242,034	104,791	82,992	44,341	101,273	83,713	659,144	144,357	803,501
Payroll & Related Expenses									
Payroll	\$ 47,954	\$ 6,000	\$ 79,970	\$ 13,211	\$ 10,000	\$ 24,000	\$ 181,135	\$ 53,810	\$ 234,945
Payroll Taxes	4,267	528	6,757	1,271	919	2,073	15,815	4,248	20,063
Employee Benefits & Work Comp	7,406	757	7,981	540	1,030	2,821	20,535	4,461	24,996
Total Payroll and Related Expenses	59,627	7,285	94,708	15,022	11,949	28,894	217,485	62,519	280,004
Operating Expenses									
Accounting & Audit	22,500	5,500			3,900		31,900	9,100	41,000
Advertising	126						126		126
Bad Debt			12,006				12,006		12,006
Cable TV	145	439					584		584
Consulting & Professional Fees	964				53,200	48,293	102,457	995	103,452
Furnishings & Equipment	13,884	1,449			3,338		18,671	1,608	20,279
Insurance	3,804	4,576					8,380	4,478	12,858
Interest-Mortgage		36,730					36,730		36,730
Interest-SDHC							-	1,350	1,350
Legal Fees	1,584						1,584	100	1,684
Meeting & Conferences					601		601	879	1,480
Office Supplies	1,437	771			9,028		11,236	2,967	14,203
Other Expenses	1,699				981		2,680	4,414	7,094
Printing & Postage	(152)	120			277		245	1,550	1,795
Property Maintenance	34,810	8,026			937		43,773	278	44,051
Property Management	18,000						18,000		18,000
Property Tax		37					37	(1,477)	(1,440)
Relocation		36,486					36,486		36,486
Rent				42,148	8,738		50,886	8,883	59,769
Resident Relations	5,359						5,359	2,243	7,602
Telephone	4,298	835			4,022		9,155	2,329	11,484
Security & Alarm Monitoring	2,205				2,013		4,218		4,218
Utilities	37,423	5,471			263		43,157	486	43,643
Total Operating Expenses	148,086	100,440	12,006	42,148	87,298	48,293	438,271	40,183	478,454
Depreciation	5,409	11,813					17,222		17,222
Total Expenses	213,122	119,538	106,714	57,170	99,247	77,187	672,978	102,702	775,680
Excess Revenue over Expense	\$ 28,912	\$ (14,747)	\$ (23,722)	\$ (12,829)	\$ 2,026	\$ 6,526	\$ (13,834)	\$ 41,655	\$ 27,821

See Independent Auditor's Report