



Good Neighbors

San Diego Housing Commission

REPORT

DATE ISSUED: June 30, 2006 REPORT NO: HCR 06-48
ATTENTION: Chair and Members of the Housing Commission ITEM: 106
For the Agenda of July 7, 2006
SUBJECT: Final Authorization to Issue Multifamily Housing Revenue Bonds for Del Sol Apartments

REQUESTED ACTION:

Approve funding to preserve an existing 91-unit affordable rental complex by taking the final step to issue housing revenue bonds for the Del Sol Apartments. Borrower will rehabilitate the property and restrict rents below market.

STAFF RECOMMENDATION:

Recommend that the Housing Authority authorize the issuance of tax-exempt multifamily housing revenue bonds in an amount not to exceed \$12,421,531 for the acquisition and construction of the 91-unit Del Sol Apartments by Wakeland Housing and Development Corporation and its affiliate, Del Sol Apartments, L.P., located at 3606-3690 Del Sol Boulevard in the Otay Mesa-Nestor community.

SUMMARY:

Del Sol Apartments is a 30-year old project located at 3606-3690 Del Sol Boulevard in the Otay Mesa-Nestor community of Council District 8. The project has been operating under a federal affordable housing program and the affordability restrictions are set to expire at the end of 2006. In addition, although the project has been maintained, the improvements are suffering from the effects of age and could become a detriment to the neighborhood if the apartment complex is not renovated in the near future. The Housing Commission has been working with the Wakeland Housing and Development Corporation (Wakeland) in order to establish a financing plan to acquire, rehabilitate, and preserve the affordable housing units in the project.

Wakeland is a California 501(c)(3) nonprofit corporation established in 1998 with the mission of developing affordable housing. Wakeland has participated in the development of over 1,900 affordable rental housing units in San Diego and has collaborated with the Housing Commission on several successful projects.

As part of the proposed financing plan, Wakeland would acquire the project and spend approximately \$4.5 million to rehabilitate the complex. After rehabilitation, a total of 90 units would be restricted as affordable housing for 55 years, with one unit to be occupied by a resident manager: 32 units would be restricted at 30% of the Area Median Income (AMI) (\$20,700 for a family of four); 17 units would be restricted at 50% AMI (\$34,500 for a family of four); and 41 units would be restricted at 60% AMI (\$41,400 for a family of four).



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The Borrower

The owner and the borrower would be Del Sol Apartments, LP; Wakeland Del Sol LLC, a limited liability corporation formed by Wakeland, would be the managing general partner and Red Capital Markets would be the tax credit limited partner. Del Sol Apartments would be the borrower's sole asset. Wakeland's financial statements were reviewed by Housing Commission staff and found to be satisfactory (see Attachment 5 – Financial Statements).

Wakeland's project team for the Del Sol Apartments would include its executive director (Mr. Ken Sauder) and its senior project manager (Mr. Barry Getzel). The borrower would contract with John Stewart Company to provide property management services for Del Sol Apartments.

In March of 2006, Wakeland completed construction of the 60-unit Beyer Courtyard Apartments, an affordable rental housing complex located on Beyer Boulevard in San Ysidro. Beyer Courtyard Apartments was financed in part with a loan from the Housing Commission and bonds issued by the Housing Authority. In September of 2002, the Housing Commission provided a \$1,200,000 loan for Wakeland's acquisition and rehabilitation of Vista Terrace Hills. Vista Terrace Hills is 262 units of affordable rental housing located on the parcel immediately adjacent to Beyer Courtyard Apartments. Beyer Courtyard Apartments and Vista Terrace Hills are within walking distance of the proposed development. Wakeland is currently in compliance with the terms of its previous loans from the Housing Commission.

The Development

Built in 1975, Del Sol Apartments is located in the community of Nestor near the intersection of Highways 5 and 905. The complex currently consists of 93 townhome style apartment units in 16 two-story wood frame and stucco buildings on approximately six acres (see Attachment 1 – Location Map). Laundry facilities are provided on-site. The property is within walking distance of a bus stop and trolley stop, and the complex provides convenient access to schools, parks, supermarkets and other retail establishments.

Planned improvements to the property include upgraded laundry facilities, a new outdoor play area for children, and a new community room. To increase the number of units suitable for families, the complex would be reconfigured with two studio apartments combined to create a two-bedroom unit and two small one-bedroom apartments combined to create a three-bedroom unit. Rehabilitation will include landscaping, site drainage, walkway repairs, kitchen and bathroom remodeling, roofing, door and window replacements, floorcoverings, interior and exterior painting, plumbing, and electrical work. Parking is provided by 191 spaces in a central courtyard area.

Upon completion of rehabilitation, the reconfigured complex would provide two one-bedroom apartments, 11 two-bedroom apartments, 66 three-bedroom apartments, 11 four-bedroom apartments, and one resident manager's unit. Wakeland would also work with the residents of Del Sol Apartments to tailor a package of tenant services that may include such activities as computer training, financial fitness classes, homeownership education, English language instruction, and after-school programs. These opportunities will enhance the lives of project residents and improve conditions in the community beyond the benefit of preserving the affordable units.

The following table describes the units by size and proposed initial rents:

Unit Type	Unit Size (sq. ft.)	No. of Units	Initial Monthly Rent	Maximum Percent of Area Median Income of Eligible Households	Monthly Utility Allowance	Monthly Housing Cost	Monthly Market Rent	Annual Rent Savings Over Market Rate
2br/1.5ba	921	5	\$ 430	30%	\$35	\$ 465	\$1,075	\$ 38,700
3br/1.5ba	995	23	\$ 475	30%	\$43	\$ 518	\$1,280	\$ 222,180
4br/1.5ba	1076	4	\$ 505	30%	\$54	\$ 559	\$1,440	\$ 44,880
1br/1.0ba	507	2	\$ 618	50%	\$28	\$ 646	\$ 865	\$ 5,928
2br/1.5ba	921	2	\$ 741	50%	\$35	\$ 776	\$1,075	\$ 8,016
3br/1.5ba	995	10	\$ 820	50%	\$43	\$ 863	\$1,280	\$ 55,200
4br/1.5ba	1076	3	\$ 877	50%	\$54	\$ 931	\$1,440	\$ 20,268
2br/1.5ba	921	4	\$ 896	60%	\$35	\$ 931	\$1,075	\$ 8,592
3br/1.5ba	995	33	\$ 992	60%	\$43	\$1,035	\$1,280	\$ 114,048
4br/1.5ba	1076	4	\$1,064	60%	\$54	\$1,118	\$1,440	\$ 18,048
2br/1.5ba	921	1	MGR					
Total		91						\$535,860

Of the existing units, 88 are currently affordable under a Section 8 Moderate Rehabilitation contract, which is renewable on an annual basis by the owner (88 units are rented at 30% of adjusted household gross income and four units are rented at market rates). This contract would not be continued after the required noticing period expires on December 31, 2006, because federal regulations preclude implementation of tax credit financing when Section 8 Moderate Rehabilitation contracts are in place.

It is assumed that the majority of the existing households have incomes at or below 60% AMI, which would allow them to continue living in the restricted units following project completion. With HUD approval, eligible tenants would receive tenant-based rental assistance vouchers from the Housing Commission. This would expand the supply of Section 8 vouchers in the City. Tenants could use these vouchers to continue to reside at Del Sol both during and after rehabilitation. Tenants could also use their vouchers to secure housing at any other rental project that accepts Section 8. Any vacancies caused when tenants use their vouchers to secure housing elsewhere are expected to be filled quickly because of the high demand for affordable rental housing in the area.

Financing Structure

The project has a total development cost of approximately \$22,500,000; sources of funds include tax-exempt bonds, tax credits, a low-interest loan from the State of California's Multifamily Housing Program (MHP), and rental income during rehabilitation. Approximately \$12,400,000 in bonds will be issued for the project. A \$4,126,000 Housing Commission loan, contingent on the receipt of the MHP loan, was approved on March 8, 2006 by the Housing Authority; the MHP loan was recently awarded by the State. Approximately \$7,600,000 of the bond amount will be paid off at conversion to permanent financing, resulting in a permanent bond of approximately \$4,800,000. The large amount of bonds to be

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retired at conversion to permanent financing is due to the fact that approximately \$8,700,000 in tax credit equity and MHP loan proceeds become available at conversion.

Permanent financing sources are summarized in the following table.

Permanent Financing Sources	
Federal Tax Credits	\$7,400,000
MHP Loan	\$5,500,000
Housing Revenue Bonds	\$4,800,000
Housing Commission Loan	\$4,100,000
Project Income	\$700,000
Total	\$22,500,000

The bonds will be sold through a private placement with Washington Mutual Bank (WaMu). As part of proposed financing, WaMu will be required to sign an investor letter certifying that they are a sophisticated investor and understand the risk associated with the purchase of the bonds. The transfer of the bonds by WaMu or any subsequent bondholder will be restricted to transferees who would take all of the bonds (to maintain ownership by a single bondholder), and who would represent to the Authority and the Commission that they are sophisticated investors, are buying for investment and not for resale, and have made due investigation of the information they would deem material in connection with the purchase of the bonds. Finally, WaMu must agree that should a mortgage default occur, there would not be a bond default.

Public Disclosure and Bond Authorization

Because the bonds are being sold through a private placement, an Official Statement will not be used. In addition, the bonds will not be subject to continuing disclosure requirements nor will they be credit enhanced or rated. However, it is necessary for members of the Housing Authority to disclose any knowledge, not available to the general public, about the viability of the project.

As part of its authorizing resolution, the Housing Authority will be asked to approve a Master Agency Agreement, a Master Pledge and Assignment Agreement, a Regulatory Agreement and Declaration of Restrictive Covenants, and any other document as may be necessary or advisable in consultation with the City Attorney's Office and Bond Counsel to document the transaction. At the time of docketing, all bond documents in substantially final form will be presented to members of the Housing Authority.

The Housing Authority and WaMu will be parties to the Master Agency Agreement and the Master Pledge and Assignment Agreement. The Master Agency Agreement appoints WaMu to act as the Housing Authority's agent and loan the proceeds of the bond issuance to Del Sol Apartments, LP in order to acquire and rehabilitate the property. The Master Pledge and Assignment Agreement contains the basic financial terms of the bonds (maturity dates, interest rates redemption provisions), sets forth the collateral and project revenues pledged to repay the bonds, and established events of default and remedies available to WaMu. The Housing Authority, WaMu, and Del Sol Apartments, L.P. (the

borrower) are parties to the Regulatory Agreement and Declaration of Restrictive Covenants. The Regulatory Agreement contains all the affordable housing requirements and is recorded against the property in order to ensure the long-term use of the project as affordable housing. The Regulatory Agreement also includes covenants to ensure compliance with all applicable federal and state laws.

The issuance of bonds will not constitute a financial liability of the Housing Authority, the City, or the Housing Commission. 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.

Staff has been working with Public Financial Management., the Housing Commission's Financial Advisor, to perform due diligence concerning the proposed financing and to formulate a recommendation for the Housing Authority. After evaluating the terms of the proposed financing and the public benefits to be achieved, it is the Financial Advisor's recommendation that the bond issuance for the project be authorized. The Financial Advisor's analysis and recommendation to proceed is included as Attachment 5.

Staff is also working with the City's Disclosure Practices Working Group to assure that the issuance of Housing Authority bonds is in conformance with the City's requirements.

Conclusion

In its Housing Needs Assessment of the rental housing market, the City's Consolidated Plan identifies large families as an under-served tenant population. Assessment findings show that cost factors result in incentives for developers to produce primarily one-bedroom and two-bedroom units, resulting in a shortage of three-bedroom and four-bedroom apartments.

The City's Draft Housing Element for 2005 to 2010 identifies over 4,000 affordable housing units at risk of conversion to market rents. The Draft Housing Element specifically lists the Del Sol Apartments as an "at risk" affordable housing project. The City's stated goal is to preserve 100 "at risk" housing units each year between 2005 and 2010.

If approved, the recommended actions for this project will provide 77 affordable units (66 three-bedroom and 11 four-bedroom units) for large low-income families, preserve the affordability of 91 "at risk" housing units, and benefit the community by improving the appearance of the property. In addition, up to 88 Section 8 tenant-based housing vouchers would be added to the City's current allotment of approximately 12,000 vouchers.

FISCAL CONSIDERATIONS:

The issuance and sale of 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. All costs of the financing, including compensation for staff efforts in preparing the bonds, will be borne by the developer. The Housing Commission's origination fee as well as the annual administrative fee under the financing will be up to \$28,000 (0.23 percent of the bond amount).

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

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On March 28, 2006, the Housing Authority approved a loan of up to \$4,126,000 and a bond inducement resolution of up to \$14,400,000 for the project. On the same date, the City Council held a public hearing and approved a resolution in compliance with the Tax Equity and Fiscal Responsibility Act (TEFRA).

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

At its regular meeting on January 11, 2006, the Otay Mesa-Nestor Planning Group voted to approve this development. The Housing Commission's Loan Committee recommended approval of the loan on January 24, 2006. The Housing Commission Board recommended approval of the loan, the bond inducement and the TEFRA hearing and resolution on February 10, 2006.

ENVIRONMENTAL REVIEW:

This project is categorically excluded from the requirements of the National Environmental Policy Act (NEPA) pursuant to the applicable provisions of NEPA 24CFR PART 58, SECTION 58.35(A)(3)(II). The project is also categorically exempt from the provisions of the California Environment Quality Act (CEQA) pursuant to section 15301 of the CEQA guidelines.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

The project is being developed by Wakeland Housing and Development Corporation. Wakeland has selected WaMu and Red Capital Markets as financial participants on the project. The Housing Commission has engaged Public Financial Management and Stradling Yocca Carlson and Rauth to assist in preparing the bond financing.

Respectfully submitted,

**Signature on File
With Original Document**

Approved by,

Cissy Fisher
Director of Housing Finance and Development

Elizabeth C. Morris
President & Chief Executive Officer

- Attachments:
1. Location Map
 2. Financial Statements*
 3. Disclosure Statement*
 4. Multifamily Bond Program Summary
 5. Financial Advisor's Recommendation

Distribution of these attachments may be limited. Copies available for review during business hours at the Housing Commission offices at 1625 Newton Avenue.

The Development Site



Del Sol Apartments is located on Del Sol Boulevard in the Otay Mesa-Nestor Planning Area

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WAKELAND HOUSING AND DEVELOPMENT CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004



WAKELAND HOUSING AND DEVELOPMENT CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

Independent Auditor's Report

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Independent Auditor's Report

To the Board of Directors
Wakeland Housing and Development Corporation
(A California Not-For-Profit Corporation)
625 Broadway, Suite 1000
San Diego, California 92101

We have audited the accompanying consolidated statements of financial position of Wakeland Housing and Development Corporation (A California Not-For-Profit Corporation) and subsidiaries as of June 30, 2005 and 2004, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wakeland Housing and Development Corporation and subsidiaries as of June 30, 2005 and 2004, and the consolidated changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Leaf & Cole, LLP

San Diego, California
September 16, 2005

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WAKELAND HOUSING AND DEVELOPMENT CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2005 AND 2004

ASSETS

	<u>2005</u>	<u>2004</u>
<u>Current Assets:</u> (Notes 1, 2 and 3)		
Cash	\$ 1,049,142	\$ 192,729
Investments	98,444	-0-
Accounts receivable	165,741	126,396
Notes receivable	264,878	496,687
Accrued interest receivable	10,036	6,458
Prepaid expenses	<u>29,410</u>	<u>33,424</u>
Total Current Assets	<u>1,617,651</u>	<u>855,694</u>
 <u>Noncurrent Assets:</u> (Notes 1, 4, 5 and 6)		
Accrued interest receivable	8,776	8,913
Funded reserves	1,943,690	2,096,870
Investment in partnerships	562	487
Property and equipment, net	<u>14,856,951</u>	<u>16,329,164</u>
Total Noncurrent Assets	<u>16,809,979</u>	<u>18,435,434</u>
 TOTAL ASSETS	 <u>\$18,427,630</u>	 <u>\$19,291,128</u>

The accompanying notes are an integral part of the financial statements.

LIABILITIES AND NET ASSETS

	<u>2005</u>	<u>2004</u>
<u>Current Liabilities:</u> (Note 1)		
Accounts payable and accrued expenses	\$ 86,894	\$ 161,873
Accrued interest payable	89,421	94,127
Deferred revenue	30,129	9,388
Security deposits	3,595	2,945
Current portion of notes payable	<u>140,000</u>	<u>1,298,878</u>
Total Current Liabilities	<u>350,039</u>	<u>1,567,211</u>
<u>Noncurrent Liabilities:</u> (Notes 5, 6 and 8)		
Accrued interest payable	320,982	162,733
Share of deficiency in partnerships	99,020	21,106
Notes payable, less current portion above	<u>15,660,456</u>	<u>15,848,104</u>
Total Noncurrent Liabilities	<u>16,080,458</u>	<u>16,031,943</u>
Total Liabilities	16,430,497	17,599,154
<u>Commitments and Contingencies</u> (Notes 7, 8, 9, 10, 11 and 12)		
<u>Unrestricted Net Assets</u> (Note 1)	<u>1,997,133</u>	<u>1,691,974</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$18,427,630</u>	<u>\$19,291,128</u>

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
<u>Revenue and Support:</u>		
Rental income	\$2,075,338	\$1,981,631
Developer's fee	519,584	323,750
Asset management	382,962	266,426
Resident services	188,159	124,873
Grants	122,499	247,303
Contributions	37,201	59,105
Interest income	19,769	51,320
Other income	530	16,801
Share of loss in partnerships	<u>(77,262)</u>	<u>(4,335)</u>
Total Revenue and Support	<u>3,268,780</u>	<u>3,066,874</u>
<u>Expenses:</u>		
Program Services:		
Affordable housing	<u>2,539,107</u>	<u>2,311,634</u>
Supporting Services:		
Management and general	394,332	362,531
Fundraising	<u>30,182</u>	<u>27,295</u>
Total Supporting Services	<u>424,514</u>	<u>389,826</u>
Total Program and Supporting Services	<u>2,963,621</u>	<u>2,701,460</u>
Change in Net Assets	305,159	365,414
Unrestricted Net Assets at Beginning of Year	<u>1,691,974</u>	<u>1,326,560</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 1,997,133</u>	<u>\$1,691,974</u>

The accompanying notes are an integral part of the financial statements.

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
<u>Cash Flows From Operating Activities:</u>		
Change in unrestricted net assets	\$ 305,159	\$ 365,414
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	145,803	144,470
Amortization	14,363	14,363
Share of loss in partnerships	77,262	4,335
(Increase) Decrease in:		
Accounts receivable	(39,395)	(26,060)
Prepaid expenses	4,014	(18,258)
Accrued interest receivable	(3,441)	(13,294)
Increase (Decrease) in:		
Accounts payable and accrued expenses	(87,641)	119,577
Accrued interest payable	153,779	237,469
Deferred revenue	20,741	(16,504)
Security deposits	<u>650</u>	<u>2,945</u>
Net Cash Provided by Operating Activities	<u>591,294</u>	<u>814,457</u>
<u>Cash Flows From Investing Activities:</u>		
Investment purchases	(98,444)	-0-
Payments on notes receivable	231,859	(496,687)
Funded reserves deposits	(1,143,033)	(1,186,059)
Funded reserves withdrawals	1,296,213	725,025
Partnership distributions, net	577	-0-
Purchases of property and equipment	(124,464)	(610,622)
Repayment of Beyer Boulevard Apartments, L.P. related party receivable	<u>395,237</u>	<u>-0-</u>
Net Cash Provided (Used) by Investing Activities	<u>557,945</u>	<u>(1,568,343)</u>

(Continued)

The accompanying notes are an integral part of the financial statements

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
<u>Cash Flows From Financing Activities:</u>		
Principal payments on notes payable	\$(335,536)	\$ (720,638)
Proceeds from notes payable	<u>42,710</u>	<u>1,354,678</u>
Net Cash (Used) Provided by Financing Activities	<u>\$(292,826)</u>	<u>634,040</u>
 Net Increase (Decrease) in Cash	 856,413	 (119,846)
Cash at Beginning of Year	<u>192,729</u>	<u>312,575</u>
 CASH AT END OF YEAR	 <u>\$1,049,142</u>	 <u>\$ 192,729</u>
 <u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for interest	\$ <u>552,881</u>	\$ <u>527,535</u>
 <u>Noncash Investing and Financing Activities:</u>		
During the year ended June 30, 2005, the Corporation conveyed its interest in Beyer Boulevard Apartments, L.P. as follows:		
Construction-in-progress and other assets	\$ <u>1,595,047</u>	\$ <u>-0-</u>
Notes payable, accrued interest payable and related party payable	\$(<u>1,595,047</u>)	\$ <u>-0-</u>

The accompanying notes are an integral part of the financial statements.

**WAKELAND HOUSING AND DEVELOPMENT CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

Note 1 - Organization and Nature of Activities and Significant Accounting Policies:

Organization and Nature of Activities

Wakeland Housing and Development Corporation (the "Corporation") is a California Not-For-Profit Corporation. Its mission is to provide low and moderate income persons, elderly persons and disabled persons with affordable housing by acquiring and/or developing low and moderate income housing and providing ancillary support activities.

Town Square Row Homes, LLC was established in September 2000 to acquire, develop, improve and sell the six units that comprise Town Square Row Homes located in National City, California. The Corporation owns 100% of Town Square Row Homes, LLC. At June 30, 2002, all six units had been sold.

Beyer Boulevard Apartments, L.P. was established in February 2003 to acquire, own, construct, operate, maintain and lease a 60 unit multifamily residential apartment complex located in San Ysidro, California. At June 30, 2004, the Corporation was a 99.9% general partner in Beyer Boulevard Apartments, L.P. and the Partnership was consolidated into these financial statements. During the year ended June 30, 2005, the Corporation conveyed 99.89% of their interest to a limited partner retaining a .01% general partner interest in the partnership. At June 30, 2005 the general partner interest in Beyer Boulevard Apartments, L.P. has been recorded on the equity method.

Poinsettia Mobile Home Park was originally acquired in June 2003 by Poway Manufactured Home-Communities, LLC. The Corporation was the sole member of Poway Manufactured Home Communities, LLC. In November 2003, the Corporation established Poinsettia Park Corporation. In May 2004, Poway Manufactured Home Communities, LLC was dissolved and the Poinsettia Mobile Home Park was transferred to the Corporation. The Corporation intends to transfer Poinsettia Mobile Home Park to a Limited Liability Company, with the Corporation as its sole member.

Significant Accounting Policies

Consolidated Financial Statements

At June 30, 2005, the financial statements include the accounts of Wakeland Housing and Development Corporation, Town Square Row Homes, LLC, and Poinsettia Mobile Home Park. All material intercompany transactions have been eliminated in consolidation.

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

Note 1 - Organization and Nature of Activities and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Method of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The financial statements are presented in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations", which requires the Corporation to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

Note 1 - Organization and Nature of Activities and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Investments

The Corporation follows Statement of Financial Accounting Standards No. 124 "Accounting for Certain Investments Held by Not-For-Profit Organization" whereby investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Investments consist of the following at June 30:

	<u>2005</u>
Certificates of Deposit	<u>\$98,444</u>

Property and Equipment

Property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Corporation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment is depreciated on the straight-line method over the assets estimated useful lives. Depreciation expense was \$145,803 and \$144,470 for the years ended June 30, 2005 and 2004, respectively.

Amortization

Bond discounts and bond closing costs, included in property and equipment, are recorded at cost and are amortized on the straight-line method. Amortization expense totalled \$14,363 and \$14,363 for the years ended June 30, 2005 and 2004, respectively.

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

Note 1 - Organization and Nature of Activities and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Deferred Revenue

Rental revenues are deferred until the fiscal year in which revenues are earned. Deferred revenues totalled \$129 and \$9,388 at June 30, 2005 and 2004, respectively.

Developer fees received in advance are deferred and recognized over the periods earned. Deferred developer fees totalled \$30,000 and \$-0- at June 30, 2005 and 2004, respectively.

Allocated Expenses

Expenses have been allocated by function among program and supporting services classifications on the basis of internal records and estimates made by the Corporation's management.

Income Tax Status

The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code and contributions to it are tax deductible within the limitations prescribed by the Code. The Corporation is not a private foundation.

Concentration of Credit Risk

The Corporation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts. The Corporation believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Corporation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

Note 1 - Organization and Nature of Activities and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Reclassification

The Corporation has reclassified certain prior year information to conform with current year presentations.

Note 2 - Accounts Receivable:

Accounts receivable consist of the following at June 30:

	<u>2005</u>	<u>2004</u>
Vista Terrace Hills Preservation, L.P.	\$ 54,499	\$ 34,743
Coronado Terrace Preservation, L.P.	40,116	19,549
Canyon Rim LP	15,696	8,967
Sienna Vista, L.P.	14,905	20,148
Westchester Park, L.P.	10,602	10,532
The Stratton LP	9,330	5,244
Walden Glen LP	7,642	3,457
Trinity Escondido 1, L.P.	5,523	-0-
MG Creekside Apartments L.P.	3,991	4,112
Poway Royal Estates	3,437	-0-
Poway Redevelopment Agency	-0-	14,200
Other	<u>-0-</u>	<u>5,444</u>
Total	<u>\$165,741</u>	<u>\$126,396</u>

Management believes that all accounts receivable are collectible therefore no allowance for doubtful accounts has been established at June 30, 2005 and 2004, respectively.

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

Note 3 - Notes Receivable:

The Corporation holds an unsecured note receivable from Lillian Place, L.P., a California Limited Partnership, which was used to fund predevelopment costs on the project in an amount not to exceed \$550,000 with interest at a rate of 6% per annum. Principal and interest are due and payable at the close of escrow on the construction loan. At June 30, 2005 and 2004 the balance on the note receivable was \$264,828 and \$496,687, respectively and accrued interest receivable was \$7,103 and \$6,458, respectively.

The Corporation holds an unsecured note receivable from Beyer Boulevard Apartments, L.P., a California Limited Partnership, which was used to fund predevelopment costs on the project in an amount not to exceed \$300,000 with interest at a rate of 6% per annum. Principal and interest are due and payable at the close of escrow on the construction loan. At June 30, 2005 and 2004 the balance on the note receivable was \$50 and \$-0-, respectively and accrued interest receivable was \$2,933 and \$-0-, respectively.

Note 4 - Property and Equipment:

Property and equipment consist of the following at June 30:

	<u>2005</u>	<u>2004</u>
Land	\$11,305,847	\$11,305,847
Improvements	3,082,751	3,030,591
Building	580,457	580,457
Construction-in-progress	122,299	1,503,894
Computer equipment	68,115	59,725
Office equipment	<u>22,870</u>	<u>21,436</u>
	15,182,339	16,501,950
Less: Accumulated depreciation	<u>(325,388)</u>	<u>(172,786)</u>
Property and Equipment, Net	<u>\$14,856,951</u>	<u>\$16,329,164</u>

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

The Corporation provided development, management, and resident services to these partnerships for which it earned the following amounts for the years ended June 30:

	2005			2004		
	Developer Fees	Asset Management Fees	Resident Services	Developer Fees	Asset Management Fees	Resident Services
Beyer Boulevard Apartments, L.P.	\$ 75,000	\$	\$	\$	\$	\$
Canyon Rim LP		52,441	28,915		52,754	24,092
Coronado Terrace Preservation, L.P.		21,497	24,900		22,049	22,872
Fairfield Creekview, L.P.				32,500		
Fairfield Belmont, L.P.	50,000					
Fairfield Bristol, L.P.	25,000					
Fairfield Highlander, L.P.	14,584			31,250		
Fairfield Raintree, L.P.	31,250					
Fairfield Trestles, L.P.	7,500			30,000		
Fairfield Turnleaf L.P.	21,250					
Fairfield Whisperwood, L.P.	8,750					
Fairfield Wyndover, L.P.	31,250					
FF Hills, L.P.	125,000					
Lillian Place, L.P.	100,000					
MG Creekside Apartments L.P.		26,199	10,142		24,577	
Pacific Vista Las Flores, L.P.			540			
Sienna Vista, L.P.		23,531	9,360		24,534	
The Stratton LP		31,867	18,176		30,698	
Trinity Escondido 1, L.P.			5,523	200,000		
Vista Terrace Hills Preservation, L.P.		115,425	23,580		49,743	21,756
Walden Glen LP		24,673	14,550		20,140	13,200
Westgate Courtyards, L.P.	30,000	20,116	2,228	30,000	2,519	4,050
Westchester Park, L.P.		18,325	13,578		18,032	7,200
Other		48,888	36,666		21,380	15,000
	<u>\$519,584</u>	<u>\$382,962</u>	<u>\$188,159</u>	<u>\$323,750</u>	<u>\$266,426</u>	<u>\$124,873</u>

Note 6 - Notes Payable:

2005

A secured note payable was held by the Local Initiatives Support Corporation, a New York Not-For-Profit Corporation, to fund an operations reserve and to renovate Poway Mobile Home Communities, LLC in an amount not to exceed \$100,000, with interest at a rate of 6.3% per annum. Interest was payable on a quarterly basis and the entire outstanding principal balance and accrued and unpaid interest was due and payable on July 1, 2005. The note was secured with a first priority security interest in 50% of all unrestricted residual cash flows from the rents and all other income from the mobile home park.

\$ -0- \$ 97,922

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WAKELAND HOUSING AND DEVELOPMENT CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

Note 6 - Notes Payable: (Continued)

	<u>2005</u>	<u>2004</u>
A secured note payable was held by the Low Income Investment Fund, a California Nonprofit Public Benefit Corporation, with interest at a rate of 7.75% per annum. Interest and principal was due on January 1, 2005. The note was secured by a Deed of Trust on Beyer Boulevard Apartments, L.P.	\$ -0-	\$ 344,250
A secured note payable was held by the Local Initiatives Support Corporation, a New York Not-For-Profit Corporation, in the original amount of \$365,000, with interest at a rate of 6.3% per annum. Interest and principal was payable on a quarterly basis. The remaining principal and interest was due and payable on December 1, 2004. The note was secured by a Deed of Trust on Beyer Boulevard Apartments, L.P.	-0-	364,999
A secured note payable was held by the Low Income Investment Fund, a California Nonprofit Public Benefit Corporation, in an amount not to exceed \$262,750. Interest accrued at a rate of 7.25% per annum and was payable on a monthly basis beginning May 1, 2004. All accrued but unpaid interest and principal was due and payable on January 1, 2005. The note is secured by a Deed of Trust on Beyer Boulevard Apartments, L.P.	-0-	252,015
A secured note payable was held by Provident Community Development Company, an Ohio Limited Liability Company, in the original amount of \$500,000. Interest accrued at a rate of prime plus 1% per annum (5% at June 30, 2004). Interest and principal was due on December 31, 2004. The note was secured by a Deed of Trust on Beyer Boulevard Apartments, L.P.	-0-	100,000
An unsecured revolving credit note was held by the Low Income Investment Fund, a California Nonprofit Public Benefit Corporation in an amount not to exceed \$200,000. The note accrued interest at a rate of 7.75% per annum and interest payments accrued to principal until the total advances reach the note amount of \$200,000. Interest and principal was due and payable on July 1, 2004.	-0-	102,614

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

Note 6 - Notes Payable: (Continued)

	<u>2005</u>	<u>2004</u>
<p>A secured note payable is held by the Poway Redevelopment Agency, a public body, corporate and politic, in the amount of \$5,112,231 and accrues interest at rates between 3% - 7% per annum. Interest rates are based on the schedule included in the loan documents. Payments on the note begin on May 15, 2008 provided that the required payment shall not exceed net cash flow from Poinsettia Mobile Home Parks during the previous year. All unpaid principal and interest is due and payable on May 15, 2037. This note is secured by a Deed of Trust on Poinsettia Mobile Home Park.</p>	\$ 5,112,231	\$ 5,112,231
<p>A secured note payable is held by the City of Poway, a California municipal corporation duly organized and existing under the laws of the State of California, in the original amount of \$10,615,000 and accrues interest at rates between 1.8% - 5.5% per annum. Interest rates are based on the schedule included in the loan documents. Payments on the note began on May 1, 2004 and to ensure payments, the Corporation agrees to pay to the Trustee commencing on July 15, 2003, all net operating revenues received on or prior to the 13th of the month and not otherwise remitted in the prior month. All unpaid principal and interest is due and payable on May 1, 2038. This note is secured by a Deed of trust on Poinsettia Mobile Home Park (Note 8).</p>	10,360,000	10,495,000
<p>An unsecured loan payable is held by a financial institution, in the amount of \$250,000. The loan accrues interest at an initial fixed rate equal to 2.0% per annum for the first ten years from the date of the initial disbursement and interest is payable quarterly. The outstanding principal balance of the loan and accrued, but unpaid interest, is due and payable ten years from the date of initial disbursement, October 23, 2012.</p>	250,000	250,000
<p>An unsecured loan payable is held by a financial institution in the amount of \$250,000. The loan accrues interest at a fixed rate equal to 2.0% per annum from the date of the initial disbursement and interest is payable quarterly. The outstanding principal balance of the loan and accrued, but unpaid interest, is due and payable three years from the date of initial disbursement, November 25, 2006.</p>	250,000	250,000

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

Note 6 - Notes Payable: (Continued)

	<u>2005</u>	<u>2004</u>
<p>An unsecured loan payable is held by the City of Carlsbad in the amount of \$244,161. The loan is noninterest bearing and is to be used specifically for costs related to predevelopment and construction management of approximately eleven affordable rental units at Roosevelt Villas in Carlsbad. The term of the loan is for a period of fifty-five years and shall expire fifty-five years after the final Certificate of Occupancy is issued for the project. The loan is due and payable in full upon the sale or transfer of the property or upon failure of the Corporation to operate the units for low and moderate income households.</p>		
Notes Payable	\$ <u>77,513</u>	\$ <u>34,803</u>
Less: Bond discount	16,049,744	17,403,834
Total Note Payable	<u>(249,288)</u>	<u>(256,852)</u>
Less: Current portion	15,800,456	17,146,982
Total Notes Payable	<u>(140,000)</u>	<u>(1,298,878)</u>
	<u>\$15,660,456</u>	<u>\$15,848,104</u>

Future principal payments on the notes payable are as follows at June 30, 2005:

2006	\$ 140,000
2007	145,000
2008	150,000
2009	155,000
2010	160,000
Thereafter	<u>15,299,744</u>
	<u>\$16,049,744</u>

Note 7 - Line-of-Credit:

During the year ended June 30, 2005, the Organization obtained an unsecured business line-of-credit agreement with a bank under which the Organization may borrow up to \$100,000. Advances under this agreement bear interest at Wall Street Journal prime rate plus 1.25% and mature June 28, 2006. At June 30, 2005, \$-0- was outstanding under this line-of-credit.

**WAKELAND HOUSING AND DEVELOPMENT CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

Note 8 - Pledged Revenues:

The City of Poway issued 2003 Housing Revenue Bonds in the amount of \$10,615,000 less a bond discount of \$264,416. The proceeds of the sale of the Bonds were used to fund a loan to Poway Manufactured Home Communities, LLC (Poway MHC), which was used to finance the acquisition of certain real property constituting the Poinsettia Mobile Home Park and any structures, site improvements, facilities, and fixtures. The proceeds were also used to finance certain facilities, replacements and improvements beneficial to the project, fund a debt service reserve fund and a repair and replacement fund, and pay certain costs of issuance. At June 30, 2005 and 2004, the funded reserves were \$1,943,690 and \$2,096,870, respectively, and accrued interest receivable was \$8,776 and \$8,913, respectively.

In accordance with the Loan Agreement with the City of Poway, U.S. Bank National Association, as Trustee, and Poway MHC, Poway MHC (currently Wakeland Housing and Development Corporation)(See Note 1) has agreed to pay to the Trustee not later than the 15th day of each month, commencing July 15, 2003, all net operating revenues received on or prior to the 13th day of the month and not otherwise remitted in the prior month. Any net operating revenues received by Poway MHC after the 13th day of the current month shall be transferred to the Trustee on the 15th day of the immediately following month. Poway MHC agrees to pay, in repayment of their loan, all net operating revenues until the principal of, premium if any, and interest on the Bonds are paid or provision for payment is made in accordance with the Indenture of Trust.

Note 9 - Lease Commitments:

The Corporation leases office space under a lease agreement through May 31, 2009. The total occupancy expense included in the statement of activities for the year ended June 30, 2005 and 2004 is \$73,305 and \$35,577, respectively.

Future minimum lease payments are as follows at June 30, 2005

2006	\$ 75,180
2007	77,056
2008	78,932
2009	<u>73,930</u>
	<u>\$305,098</u>

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

Note 10 - Employee Benefit Plan:

In September 2003, the Corporation established a 401(K) plan covering employees employed on that date and all new employees who have completed three months of service and have attained age 18. Employees may defer a percentage of their annual compensation, not to exceed the annual amount allowed by law. During the year ended June 30, 2005, the Corporation made a contribution of 2% of employee compensation and a 1% match. The Corporation contributed \$10,937 and \$12,968 for the years ending June 30, 2005 and 2004, respectively.

Note 11 - Related Party Transaction:

The former chairman of the board of the Corporation is a member of Trinity Housing Group, LLC and Trinity Capital Funding, LLC. For the years ended June 30, 2005 and 2004, project development fees were earned by Trinity Housing Group, LLC in the amount of \$-0- and \$10,200, respectively.

Note 12 - Litigation:

The Corporation is, from time to time, involved in lawsuits arising in the ordinary course of its business that, in the opinion of management, will not have a material effect on the Corporation's results of operations.

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2005

	Wakeland Housing and Development Corporation	Town Square Row Homes, LLC	Poinsettia Mobile Home Park	Eliminations	Total Consolidated
Current Assets:					
Cash	\$ 937,852	\$13,544	\$ 97,746	\$	\$ 1,049,142
Investments	98,444				98,444
Accounts receivable	180,100				165,741
Notes receivable	264,878			(14,359)	264,878
Accrued interest receivable	10,036				10,036
Prepaid expenses	26,391		3,019		29,410
Related party receivable	39,792		109,321	(149,113)	-0-
Total Current Assets	<u>1,557,493</u>	<u>13,544</u>	<u>210,086</u>	<u>(163,472)</u>	<u>1,617,651</u>
Noncurrent Assets:					
Accrued interest receivable			8,776		8,776
Funded reserves			1,943,690		1,943,690
Investment in partnerships	562				562
Property and equipment, net	158,104		14,698,847		14,856,951
Total Noncurrent Assets	<u>158,666</u>	<u>-0-</u>	<u>16,651,313</u>	<u>-0-</u>	<u>16,809,979</u>
TOTAL ASSETS	<u>\$1,716,159</u>	<u>\$13,544</u>	<u>\$16,861,399</u>	<u>\$(163,472)</u>	<u>\$18,427,630</u>
Current Liabilities:					
Accounts payable and accrued expenses	\$ 67,575	\$	\$ 33,678	\$ (14,359)	\$ 86,894
Accrued interest payable	1,250		88,171		89,421
Deferred revenue	30,000		129		30,129
Security deposits			3,595		3,595
Current portion of notes payable			140,000		140,000
Related party payable	109,321		39,792	(149,113)	-0-
Total Current Liabilities	<u>208,146</u>	<u>-0-</u>	<u>305,365</u>	<u>(163,472)</u>	<u>350,039</u>
Noncurrent Liabilities:					
Accrued interest payable			320,982		320,982
Share of deficiency in partnerships	99,020				99,020
Notes payable, less current portion above	577,513		15,082,943		15,660,456
Total Noncurrent Liabilities	<u>676,533</u>	<u>-0-</u>	<u>15,403,925</u>	<u>-0-</u>	<u>16,080,458</u>
Total Liabilities	884,679	-0-	15,709,290	(163,472)	16,430,497
Unrestricted Net Assets	<u>831,480</u>	<u>13,544</u>	<u>1,152,109</u>		<u>1,997,133</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,716,159</u>	<u>\$13,544</u>	<u>\$16,861,399</u>	<u>\$(163,472)</u>	<u>\$18,427,630</u>

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
CONSOLIDATING SCHEDULE OF ACTIVITIES
JUNE 30, 2005

	<u>Wakeland Housing and Development Corporation</u>	<u>Town Square Row Homes, LLC</u>	<u>Poinsettia Mobile Home Park</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
<u>Revenue and Support:</u>					
Rental income	\$ 209,826	\$	\$2,075,338	\$(209,826)	\$2,075,338
Developer's fee	519,584				519,584
Asset management	410,050			(27,088)	382,962
Resident services	241,371			(53,212)	188,159
Grants	122,499				122,499
Contributions	37,201				37,201
Interest income	19,769				19,769
Other income	530				530
Share of loss in partnerships	(77,262)				(77,262)
Total Revenue and Support	<u>1,483,568</u>	<u>-0-</u>	<u>2,075,338</u>	<u>(290,126)</u>	<u>3,268,780</u>
<u>Expenses:</u>					
Program Services:					
Affordable housing	<u>988,694</u>	<u>-0-</u>	<u>1,797,020</u>	<u>(246,607)</u>	<u>2,539,107</u>
Supporting Services:					
Management and general	120,730		317,121	(43,519)	394,332
Fundraising	<u>30,182</u>				<u>30,182</u>
Total Supporting and Services	<u>150,912</u>	<u>-0-</u>	<u>317,121</u>	<u>(43,519)</u>	<u>424,514</u>
Total Program and Supporting Services	<u>1,139,606</u>	<u>-0-</u>	<u>2,114,141</u>	<u>(290,126)</u>	<u>2,963,621</u>
Change in Net Assets	343,962	-0-	(38,803)	-0-	305,159
Unrestricted Net Assets at Beginning of Year	<u>487,518</u>	<u>13,544</u>	<u>1,190,912</u>	<u>-0-</u>	<u>1,691,974</u>
UNRESTRICTED NET ASSETS END OF YEAR	<u>\$ 831,480</u>	<u>\$13,544</u>	<u>\$1,152,109</u>	<u>\$ -0-</u>	<u>\$1,997,133</u>

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

Name of CONTRACTOR: Wakeland Housing and Development Corporation

- 2. Address and Zip Code: 625 Broadway, Suite 1000, San Diego, CA 92101
- 3. Telephone Number: 619-235-2296
- 4. Name of Principal Contact for CONTRACTOR: Barry Getzel
- 5. Federal Identification Number or Social Security Number of CONTRACTOR: 33-0833640
- 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)

X 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:

1998

- 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.

NA

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.

Wakeland Housing and Development Corporation Board of Directors

Loren Adams, 600 B Street, Suite 2000, San Diego, CA 92101	(619) 544-6963	
Chairman		
Douglas Perkins, 450 A Street, Suite 500, San Diego, CA 92101	(619) 234-3491	
Treasurer		
Lee Winslett, 401 B Street, Suite 304-A, San Diego, CA 92101	(619) 699-3037	
Secretary		
Craig Fukuyama, 1815 Aston Avenue, Suite 101, Carlsbad, CA 92008	(760) 431-1211	Board Member
Karolina Ericsson, 600 West Broadway, Suite 2600, San Diego, CA 92101	(619) 533-7360	Board Member
Art Rivera, 707 Broadway, 15th Floor, San Diego 92101	(619) 687-0202	Board Member
Jack Farris, 1200 Third Avenue, Suite 1700, San Diego, CA 92101	(619) 236-5548	Board Member

- 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.
- NA
- 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>
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(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.

Two board members have left within the last 12 months – James Herman and Rich Juarez.

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.

We are currently planning to add 2 – 3 new Board Members during the next 12 months. These Board Members have not yet been selected.

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):

<u>Name, Address and Zip Code</u>	<u>Position Title (if any) and extent of interest</u>
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NA

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:

NA

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.

No.

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 attached financial statements for Wakeland Housing and Development Corporation.

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:

- CTCAC - Low Income Housing Tax Credits (4%) - \$6,713,282
- CDLAC - Bonds - \$4,432,375
- MHP - \$5,445,169
- Equity (project income) - \$720,000
- San Diego Housing Commission - \$3,953,876

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

Equity to be provided through the rents received on existing units.

a. In banks/savings and loans:

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

Amount: \$

NA

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

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

Amount: \$

NA

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

<u>Description</u>	<u>Market Value</u>	<u>Mortgages or Liens</u>
--------------------	---------------------	---------------------------

	\$	\$
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NA

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

Sally Lang, Vice President
Washington Mutual
17877 Von Karman Avenue
IRB4CLI
Irvine, CA 92614

Tonya Brown, Vice President
Community Lending
Wells Fargo Bank, N.A.
707 Wilshire Blvd., 18th Floor
Los Angeles, CA 90017

Amber Carter
Low Income Investment Fund
800 S. Figueroa Street, Suite 760
Los Angeles, CA 90017

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:

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

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:

NA

- 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: \$

General description of such work:

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

NA

- 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>
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- 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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NA

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:

Wakeland is a general partner in two separate limited partnerships that are currently building (over 80% completed as of December 13, 2005) Beyer Courtyard Apartments in San Ysidro and Lillian Place in downtown San Diego, both of which have received SDHC funding.

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.

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:

NA

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:

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:

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

Acordia of California Insurance Services, Inc.
2030 Main Street
Suite 660
Irvine, CA 92614
Phone: (949) 224-1690
Fax: (949) 225-6919

Check coverage(s) carried:

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

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

Check coverage(s) carried:

- Comprehensive Form
- Owned
- Hired
- Non-Owned

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

State Compensation Insurance Fund
PO Box 420807
San Francisco, CA 94142-0807
(877) 405-4545

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

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

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

Director and Officers Liability

Cavignac & Associates
450 B St., Ste 1800
San Diego, CA 92101-3547
619-234-6848

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>
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None.

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.

NA

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.

NA

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:

<u>Date</u>	<u>Entity Involved (i.e., CITY, COMMISSION, etc.)</u>	<u>Status (Current, delinquent repaid, etc.)</u>	<u>Dollar</u>
2004	Lillian Place	Redev. Agency	\$7,289,000
2004	Beyer Courtyards	SDHC	\$4,200,000
2001	Vista Terrace Hills	SDHC	\$1,290,000
2001	Coronado Terrace	SDHC	\$1,270,000
2000	Canyon Rim	SDHC	\$1,565,000
2000	Stratton	SDHC	\$1,565,000

36. Within the last five years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, been the subject of a complaint filed with the Contractor's State License Board (CSLB)?
 Yes ___ No

If yes, explain:

NO

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 X No

If yes, explain:

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

Name: Dale Royal

Address: 225 Broadway, Suite 1100, San Diego, CA 92101-5074

Phone: (619) 533-7108

Project Name and Description: Lillian Place, 74 unit affordable housing project

Name: Cissy Fisher

Address: 1625 Newton Avenue, San Diego, CA 92113-1308

(619) 578-7585

Project Name and Description:	<u>Canyon Rim:</u>	<u>504 Units</u>
	Stratton:	312 Units
	Vista Terrace Hills:	262 Units
	Coronado Terrace:	312 Units
	Beyer Courtyard Apts.	60 Units
	Lillian Place	74 Units

Debbie Fountain

Address: 2965 Roosevelt St., Suite B Carlsbad, CA 92008-2389

Phone: (760) 434-2935

Project Name and Description: Vista Las Flores – 28 units

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.

NA

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

NA

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 20 day of January, 2005, at San Diego, California.

CONTRACTOR

By:


Signature

Kenneth L Sauder
President

CERTIFICATION

The CONTRACTOR, Wakeland Housing and Development Corporation, 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: *Kenneth L. Sauder* By: Kenneth L. Sauder
Title: President Title: President
Dated: 1/20/06 Dated: January 20, 2006

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

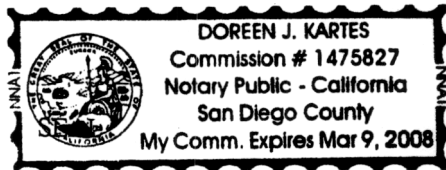
JURAT

State of California

County of San Diego

Subscribed and sworn to (or affirmed) before me on this 20th day of January, 2006
by Kenneth L. Sauder personally known to me or proved to me on the
basis of satisfactory

evidence to be the person(s) who appeared before me.



Doreen J. Kartes
Signature of Notary

**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



The PFM Group

Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

50 California Street
Suite 2300
San Francisco, CA 94111

415 982-5544
415 982-4513 fax
www.pfm.com

June 26, 2006

Mr. Peter Armstrong
San Diego Housing Commission
1625 Newton Avenue
San Diego, CA 92113

RE: Proposed actions relating to the proposed issuance of approximately \$12,400,000 Housing Authority of San Diego Multifamily Housing Revenue Bonds (the "Bonds") in connection with the acquisition and rehabilitation of the Del Sol apartments.

Dear Mr. Armstrong:

You have asked Public Financial Management, Inc. ("PFM") to review the proposed financing and recommend whether, in our judgment, it is reasonable for the Housing Authority to issue tax-exempt revenue bonds for the acquisition and rehabilitation of the 91-unit, Del Sol Apartments. In preparing this report we have reviewed financial projections and background information provided by the borrower and the Housing Commission.

The specific findings this report addresses are:

- Whether the issuance of the Bonds will achieve a public purpose by creating or preserving affordable housing.
- Whether the Housing Authority will avoid undue financial risk in undertaking the financing.
- Whether the Project will be able to meet debt service payments after the proposed financing.

As described below, we find that all of the conditions are met and therefore recommend that the Housing Authority authorize the issuance of the Bonds.

DESCRIPTION OF THE PROJECT

Del Sol Apartments is a 30-year old project located at 3606-3690 Del Sol Boulevard in the Otay Mesa-Nestor community of Council District 8. The project has been operating under a federal affordable housing program and the affordability restrictions are set to expire at the end of 2006. In addition, although the project has been maintained, the improvements are suffering from the effects of age and could become a detriment to the neighborhood if the apartment complex is not renovated in the near future. The Housing Commission has been working with the Wakeland Housing and Development Corporation (Wakeland) in order to establish a financing plan to acquire, rehabilitate, and preserve the affordable housing units in the project.

Peter Armstrong
June 26, 2006



Wakeland is a California 501(c)(3) nonprofit corporation established in 1998 with the mission of developing affordable housing. Wakeland has participated in the development of over 1,900 affordable rental housing units in San Diego and has collaborated with the Housing Commission on several successful projects.

As part of the proposed financing plan, Wakeland would acquire the project and spend approximately \$4.5 million to rehabilitate the complex. After rehabilitation, a total of 90 units would be restricted as affordable housing for 55 years, with one unit to be occupied by a resident manager: 32 units would be restricted at 30% of the Area Median Income (AMI) (\$20,700 for a family of four); 17 units would be restricted at 50% AMI (\$34,500 for a family of four); and 41 units would be restricted at 60% AMI (\$41,400 for a family of four).

THE BORROWER

The owner and the borrower would be Del Sol Apartments, LP. Wakeland Del Sol LLC, a limited liability corporation formed by Wakeland, would be the managing general partner and Red Capital Markets would be the tax credit limited partner. Del Sol Apartments would be the borrower's sole asset.

Wakeland's project team for the Del Sol Apartments would include its executive director (Mr. Ken Sauder) and its senior project manager (Mr. Barry Getzel). The borrower would contract with John Stewart Company to provide property management services for Del Sol Apartments.

In March of 2006, Wakeland completed construction of the 60-unit Beyer Courtyard Apartments, an affordable rental housing complex located on Beyer Boulevard in San Ysidro. Beyer Courtyard Apartments was financed in part with a loan from the Housing Commission and bonds issued by the Housing Authority. In September of 2002, the Housing Commission provided a \$1,200,000 loan for Wakeland's acquisition and rehabilitation of Vista Terrace Hills. Vista Terrace Hills is 262 units of affordable rental housing located on the parcel immediately adjacent to Beyer Courtyard Apartments. Beyer Courtyard Apartments and Vista Terrace Hills are within walking distance of the proposed development. Wakeland is currently in compliance with the terms of its previous loans from the Housing Commission.



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PFM Asset Management LLC
PFM Advisors

50 California Street
Suite 2300
San Francisco, CA 94111

415 982-5544
415 982-4513 fax
www.pfm.com

THE FINANCING

The project has a total development cost of approximately \$22,500,000; sources of funds include tax-exempt bonds, tax credits, a low-interest loan from the State of California's Multifamily Housing Program (MHP), and rental income during rehabilitation. Approximately \$12,400,000 in bonds will be issued for the project. Approximately \$7,600,000 million of the bond amount will be paid off at conversion to permanent financing, resulting in a permanent bond of approximately \$4,800,000 million. The large amount of bonds to be retired at conversion to permanent financing is due to the fact that approximately \$8,700,000 million in tax credit equity and MHP loan proceeds become available at conversion.

The bonds will be sold through a private placement with Washington Mutual Bank (WaMu). As part of proposed financing, WaMu will be required to sign an investor letter certifying that they are a sophisticated investor and understand the risk associated with the purchase of the bonds. The transfer of the bonds by WaMu or any subsequent bondholder will be restricted to transferees who would take all of the bonds (to maintain ownership by a single bondholder), and who would represent to the Authority and the Commission that they are sophisticated investors, are buying for investment and not for resale, and have made due investigation of the information they would deem material in connection with the purchase of the bonds. Finally, WaMu must agree that should a mortgage default occur, there would not be a bond default.

Sources and uses of funds for this project are shown in Table 1.



TABLE 1
DEL SOL APARTMENTS

SOURCES AND USES OF FUNDS

SOURCES OF FUNDS

Tax-Exempt Bond Proceeds	
Permanent Loan	\$ 4,799,935
Bridge Loan	7,621,826
MHP Loan	5,445,169
Tax Credit Equity	7,402,898
SDHC Residual Loan	4,126,000
Project Income	<u>679,728</u>
TOTAL SOURCES OF FUNDS	\$ 30,075,555

USES OF FUNDS

Land/Acquisition	\$ 13,515,000
Design & Engineering	301,000
Legal/Financial/Other Consultants	253,080
Permits & Fees	198,500
Bridge Loan Repayment	7,621,826
Direct Building Construction	3,889,087
Financing Costs	2,410,119
Marketing/General & Administrative	112,500
Developer Fees	1,118,500
Hard Cost Contingency	540,502
Soft Cost Contingency	115,442
TOTAL USES OF FUNDS	\$ 30,075,555



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ACHIEVING PUBLIC PURPOSE

90 of the 91 existing units would be rent and occupancy-restricted (one non-restricted two-bedroom unit will be occupied by a resident manager). Of the 90 affordable units, 32 would be rent and occupancy-restricted to very low-income households with incomes at or below 30% of the Area Median Income (AMI) (\$20,700 for a family of four); 17 would be rent and occupancy-restricted to very low-income households with incomes at or below 50 percent of AMI (\$34,500 for a family of four) and 41 would be rent and occupancy-restricted to low-income households with incomes at or below 60 percent of Area Median Income (\$41,400 for a family of four). Restrictions would be recorded against the property restricting rents and occupancy for 55 years.

MEETING DEBT SERVICE AFTER THE FINANCING

As shown in Table 2, the Project will have ample cash flow to meet debt service upon completion of construction and rent-up. Based upon the developer’s initial cash flow estimates, there would be about \$433,537 of net operating income available for debt service in the first full year of stabilization (2006). This amount would provide bond debt service coverage of 1.15 times. By the fifth year, assuming a 3.0% annual increase in gross income and a 3.5% annual increase in expenses, debt service coverage would increase to 1.28 times.

**TABLE 2
DEL SOL APARTMENTS
ESTIMATED CASH FLOW**

Principal Amount of Permanent Bonds: \$ 4,799,935

	Year				
	1	2	3	4	5
Effective Gross Income*	\$ 809,121	\$ 833,395	\$ 858,396	\$ 884,148	\$ 910,673
Less: Operating Expenses*	<u>(375,584)</u>	<u>(388,730)</u>	<u>(402,335)</u>	<u>(416,417)</u>	<u>(430,991)</u>
Net Operating Income	\$ 433,537	\$ 444,665	\$ 456,061	\$ 467,732	\$ 479,681
Replacement Reserve	\$ 36,400	\$ 36,400	\$ 36,400	\$ 36,400	\$ 36,400
Cash Flow Available For Debt Service	\$ 397,137	\$ 408,265	\$ 419,661	\$ 431,332	\$ 443,281
Less: Debt Service**	<u>(345,336)</u>	<u>(345,336)</u>	<u>(345,336)</u>	<u>(345,336)</u>	<u>(345,336)</u>
Cash Flow After Debt Service	\$ 51,800	\$ 62,929	\$ 74,325	\$ 85,995	\$ 97,945
Bond Debt Service Coverage	1.15	1.18	1.22	1.25	1.28

* First stabilized year cash flow as estimated by owner, income assumed to increase at 3% per year and expenses assumed to increase at 3.5% per year

** Amortized in 30 years at a 6.00% mortgage rate; includes insurance, issuer fee and trustee fee.



FINANCIAL RISKS

There will be no undue risk to the Housing Authority. The Bonds are being sold through private placement to a sophisticated investor. The borrower has agreed to pay all costs of issuance for the financing and to indemnify the City, the Housing Authority and the Housing Commission regarding matters relating to the financing. It should be noted that the borrower will have no significant assets or sources of income other than the Project and is not required under most circumstances to make up any cash flow shortfalls.

CONCLUSION

Based upon our review, we recommend that the Authority proceed with the issuance of the Bonds. This recommendation is based upon the following findings:

- The Bonds would achieve a public purpose by providing 90 affordable units, with 32 units affordable at 30% or less of median income, 17 units affordable at 50% of median income and 41 units affordable at 60% of median income for a term of 55 years.
- The owner has agreed to indemnify the City, the Housing Authority and the Housing Commission regarding any matters relating to the financing. The owner will pay all costs of the financing.
- Based upon estimates by the owner there are sufficient funds to complete the Project, and the Project provides adequate debt service coverage.

If there is any additional information you require concerning this matter, we will be glad to provide it as a supplement to this report.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Joe C. Litten", is written over a light blue rectangular background.

Joe C. Litten
Senior Managing Consultant
Public Financial Management, Inc.