



Good Neighbors

San Diego Housing Commission

REPORT

DATE ISSUED: July 28, 2006 REPORT NO: HCR 06-55
ATTENTION: Chair and Members of the Housing Commission ITEM: 102
For the Agenda of August 4, 2006
SUBJECT: Preliminary Items Pursuant to Issuing Multifamily Housing Revenue Bonds for
Broadway Square Apartments (Council District 2)

REQUESTED ACTION:

Take the initial steps to issue Housing Authority mortgage revenue bonds to fund the acquisition and development of a 393-unit rental complex located in downtown San Diego. Borrower would develop the property and restrict rents below market; issuance of bonds would require Housing Authority approval at a later date. A proposed loan from the Centre City Development Corporation (CCDC) would require approval by the Redevelopment Agency.

STAFF RECOMMENDATION:

1. Housing Commission recommend the:
 - A. Housing Authority approve a bond inducement resolution (a “declaration of official intent”) for up to \$40 million in multifamily housing revenue bonds for development of the Broadway Square Apartments, located at 9th Avenue and Broadway, by Centurion Partners, LLC (Centurion) and Housing Development Partners of San Diego (HDP);
 - B. Housing Authority approve an application (and subsequent applications if necessary) to the California Debt Limit Allocation Committee (“CDLAC”) for an allocation of authority to issue tax-exempt “private activity bonds” in an amount up to \$40 million for the Broadway Square Apartments; and,
 - C. City Council hold a public hearing (*known as a TEFRA hearing - Tax Equity and Fiscal Responsibility Act*) and adopt a resolution approving the issuance of tax-exempt bonds in an amount up to \$40 million by the Housing Authority for the Broadway Square Apartments at the southeast corner of Ninth Avenue and Broadway in the City of San Diego.
2. Housing Commission approve a financing team of Stradling Yocca Carlson & Rauth as bond counsel and CSG Advisors as financial advisor to begin work on the project.

BACKGROUND

On March 25, 2003, the Redevelopment Agency (Agency) approved an Owner Participation Agreement (OPA) with Broadway and 9th, LP (Bud Fischer and Frank Goldberg) (original developer) to construct a 12-story, 393-unit affordable rental-housing project on a 25,000 square-foot site located on the southeast corner of Ninth Avenue and Broadway. On September 23, 2003, the Housing Authority authorized the issuance of \$29.5 million in housing revenue bonds to finance the development of the original project. On November 13, 2003, the bonds were issued and the proceeds were invested in a guaranteed investment contract.



Prior to the start of construction, the original developer requested that the Agency terminate the agreement due to concerns that development costs had increased to the point that the project was no longer economically viable. Since the proceeds of the original bond issuance were never expended, the bonds were retired and necessary interest payments made with the proceeds of the guaranteed investment contract.

Rather than forgo affordable housing on the project site, CCDC staff and the original developer negotiated terms of a no-cost option to give the Agency an opportunity to find a replacement developer or purchase the site by September 1, 2006. On November 15, 2005, the Agency approved the option, called the Broadway Square Revised Second Implementation Agreement, which includes rights to the design plans for the project to allow a replacement developer to utilize a design that has already been reviewed by the City for a significantly shorter time frame to start construction. The action encumbered a total of \$8.8 million of the Agency's low- and moderate-income housing set-aside funds to cover the negotiated, fixed cost for land acquisition at \$7.6 million (\$304 per square foot) and the cost to purchase the design plans and other entitlements at \$1.2 million.

In December 2005, CCDC issued a Request for Qualifications and Proposals (RFQ/P) seeking a qualified development team to develop an affordable housing project on the original project site. On June 28, 2006, CCDC's board of directors selected Centurion and HDP to develop the Broadway Square project.

The Project

Centurion and HDP propose to construct a twelve-story, 393-unit affordable housing project on a 25,000 sq. ft. site located at the southeast corner of 9th Avenue and Broadway. The project will contain 267 "living units", 96 one-bedroom apartments, 30 two-bedroom apartments, 2,000 square feet of commercial/retail space, and two levels of underground parking. The site is currently being utilized as a surface parking lot. (Please see Attachment 1 for a location map.)

The proposed studio apartments would meet the requirements of "living units" under San Diego Municipal Code Section 103.1959 since they would be larger and have more amenities than typical SRO units. Each apartment would have a bathroom, and a kitchenette equipped with a combination microwave/convection oven, a sink with a garbage disposal, and a small refrigerator. The units differ from a standard studio apartment because they are smaller, with living areas averaging 275 square feet rather than the 400 square feet of a typical studio. Maximum allowable occupancy for the proposed units would be one person. The living units would be located on the first 6 floors of the project. The remaining one- and two-bedroom units would be standard apartments and would be located on floors 7 through 12.

The building would have a 24-hour on-site management and security presence. A front desk would control access to the building and would be staffed continuously. Tenants would also be able to contact management as needed for emergency repairs. Two elevators will provide access to each residential floor. Key cards will restrict access to specific floors and community areas.

Housing Affordability

The project will be restricted for occupancy by, and at rents affordable to, households earning between 50% Area Median Income (AMI) (\$24,150 for a household of one) and 60% AMI (\$29,000 for a household of one). One unit would be occupied by a resident manager. Rent and income restrictions for the project are outlined in the chart below:

Type	AMI	Number of Units	Restricted Rent (net of utility allowance)	Market Rate	Monthly Savings per unit
Studio/Living Unit	50% AMI	27	\$589	\$829	\$240
Studio/Living Unit	60% AMI	240	\$710	\$829	\$119
One Bedroom	50% AMI	10	\$627	\$1,399	\$772
One Bedroom	60% AMI	86	\$757	\$1,399	\$642
Two Bedroom	50% AMI	3	\$752	\$1,798	\$1,046
Two Bedroom	60% AMI	27	\$907	\$1,798	\$891
Total		393			
Total Annual Savings					\$125,167

Development Team

Centurion will act as the administrative general partner of Broadway Housing Partners, L.P, a single asset entity that will own and operate Broadway Square. Centurion, headquartered in Newport Beach, California, is a real estate development and investment company. Centurion owns, develops, and manages commercial real estate specializing in luxury residential and commercial projects primarily in the Western region of the United States. Centurion is currently developing two high rise condominium projects in downtown San Diego. Centurion’s Statement for Public Disclosure and most recent financials are included as Attachments 2 and 3.

HDP will act as a co-managing general partner in Broadway Housing Partners, L.P. HDP is a nonprofit public benefit corporation established by the Housing Commission in 1990 to acquire and develop publicly financed low and moderate-income housing and to provide facilities and services related to housing. The organization is operated as an independent nonprofit by a Board of Directors consisting of two members of the Board of Commissioners of the San Diego Housing Commission, the President and CEO of the Housing Commission, and four at-large directors. HDP's Statement for Public Disclosure and most recent financials are included as Attachments 4 and 5. None of the Board members of the Housing Commission, nor the President and CEO of the Housing Commission, receive any remuneration for sitting on the 501(c)(3) nonprofit board.

HDP developed and operates two affordable housing projects in San Diego: Casa Colina del Sol and Knox Glen. Knox Glen is a 54-unit affordable housing development for families located in the San Diego community of Lincoln Park. Casa Colina del Sol is a 75-unit affordable housing project for seniors located in City Heights. In 2002 HDP acquired the Mason Hotel, a 27-unit single-room-occupancy facility located at 1345 Fifth Avenue in downtown San Diego. (A cigarette started a fire in this property in December of 2004; HDP carries fire insurance for the

asset and claims have been filed against HDP in connection with the fire.) HDP is also a general partner in the Island Village development, a 280-unit rental complex located in East Village that is similar in scope to Broadway Square.

Selection of the Financing Team Members

Staff recommends assigning CSG Advisors as financial advisor and Stradling Yocca Carlson & Rauth as bond counsel to work on the project. The proposed financing team members have been selected in accordance with the existing policy for the issuance of bonds. Financial advisors and bond counsels are designated on a rotating basis from the firms selected under the program through a competitive RFP process. In addition, both firms worked on the original bond issuance for Broadway Square.

Proposed Housing Bonds

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

The developer has requested that staff submit an application for CDLAC's September allocation meeting. It is anticipated that the project will receive a bond allocation at the September meeting; however, if necessary, staff will submit an additional application to CDLAC during 2006 to secure a bond allocation for the project. A general description of the Multifamily Bond Program and actions that must be taken by the Housing Authority and by the City Council to initiate and finalize proposed financings are described in Attachment 6.

Financial Structure

The \$40 million allocation that will be sought from CDLAC is approximately 15% higher than the amount for which the project is currently being underwritten (\$35 million). The developer has requested this cushion to account for possible increases in the bond amount due to increases in construction costs or decreases in the assumed interest rate. Of the total \$35 million estimated bond issuance amount, approximately \$6.5 million in housing revenue bonds will be used to finance the construction of the project and will be paid off at conversion to permanent financing. The permanent bond amount is estimated to be approximately \$28.5 million and will be based upon project costs, revenues, and interest rates at the time of bond issuance.

The developer currently proposes to issue the bonds through a private placement. The bonds would meet all the requirements of the Housing Commission's Multifamily Housing Revenue Bond Program policy.

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

Proposed Permanent Financing Sources	
CCDC Loan	\$14,200,000
Federal Tax Credits	\$30,700,000
Housing Revenue Bonds	\$28,500,000
Total	\$73,400,000

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

Disclosure

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

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

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

Alternative

Do not initiate the bond process. If the recommended actions are not taken, the project will not be able to benefit from tax-exempt below-market rate financing or gain access to low income housing tax credits, and the development of Broadway Square will not proceed.

FISCAL CONSIDERATIONS:

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

PREVIOUS HOUSING AUTHORITY And/Or COMMITTEE ACTIONS:

On March 25, 2003, the Agency approved an OPA with original developer to construct the project. On September 23, 2003, the Housing Authority authorized the issuance of \$29.5 million in housing revenue bonds to finance the project. On November 15, 2005, the Agency approved a CCDC option to purchase the land and design documents for the project.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

In December 2005, CCDC issued a RFQ/P to find a developer for the site and on June 28, 2006, CCDC's board of directors selected Centurion and HDP to develop the Broadway Square project.

ENVIRONMENTAL REVIEW:

This project is within the jurisdiction of the CCDC. CCDC completed an Environmental Secondary Study for the project in accordance with the Master and Supplemental Environmental Impact Reports (MEIR/SEIR) for the Centre City Community Plan and Planned District Ordinance.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

Low and very-low income households are the intended residents of the project. Centurion and HDP compose the development team for the project. The owners of Centurion and the HDP board members are listed in Attachments 2 and 4. Capmark Securities and PNC Financial have been selected to provide debt and equity for the project. CCDC currently owns the property and intends to lease it to the developers.

Respectfully submitted,

**Signature on File
With Original Document**

Approved by,

Cissy Fisher
Director of Housing Finance & Development

Carrol M. Vaughan
Executive Vice President & Chief
Operating Officer

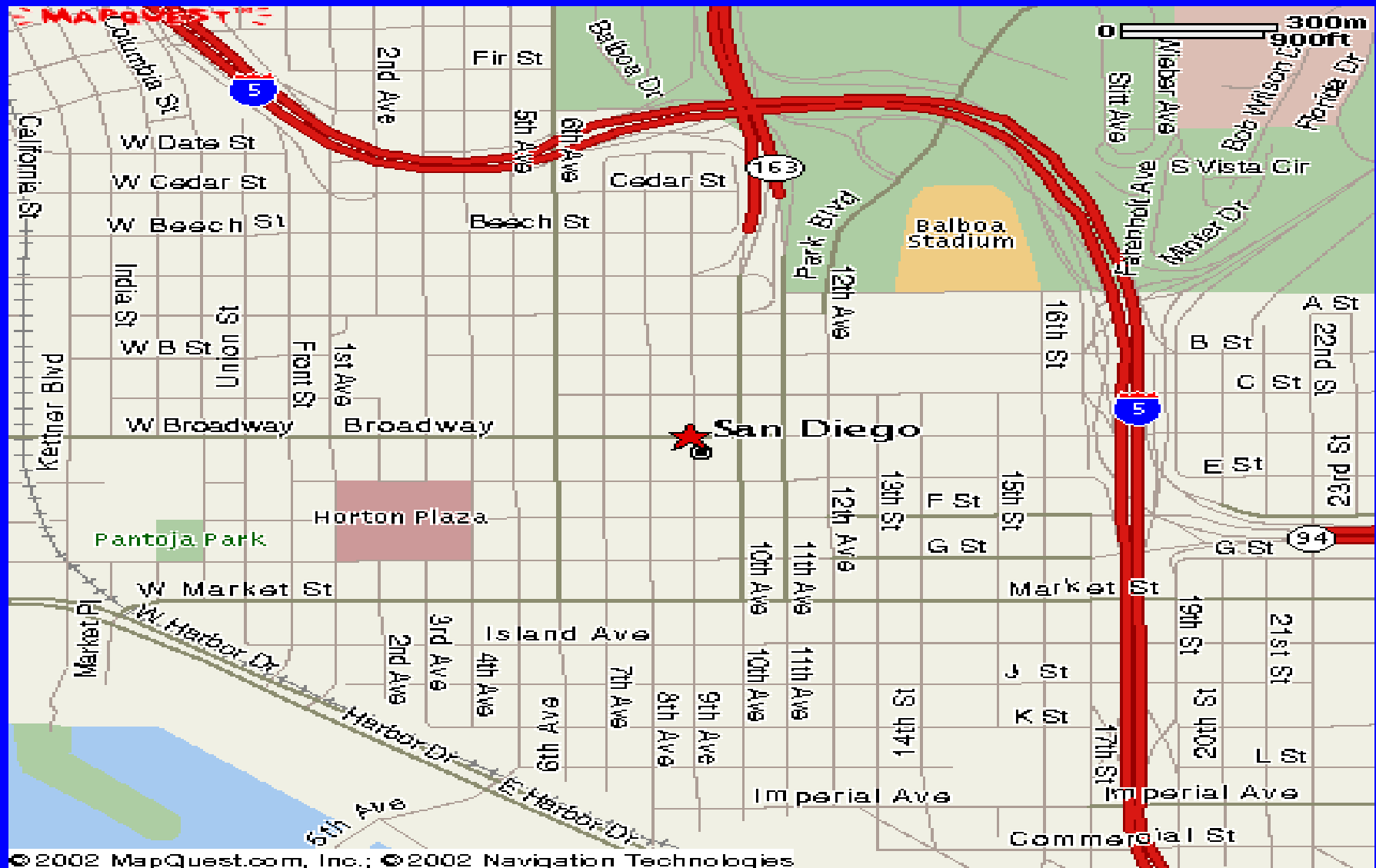
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Attachments:

1. Site Map
2. Centurion's Developer's Disclosure Statement*
3. Centurion's Developer's Financial Statement*
4. HDP's Developer's Disclosure Statement*
5. HDP's Developer's Financial Statement*
6. Multifamily Bond Program Summary

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

Broadway Square



917 9th Avenue



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

1. Name of developer: Broadway Housing Partners, L.P.
2. Address, phone number and ZIP Code: 660 Newport Center Drive, Suite 500
Newport Beach, Ca 92660
3. IRS Number of Developer:
4. If the developer is not an individual doing business under his own name, the developer has the status indicated below and is organized or operating under the laws of California as:
 - _____ A corporation
 - _____ A nonprofit or charitable institution or corporation
 - X _____ A partnership known as: Broadway Housing Partners, L.P.
 - _____ A business association or a joint venture known as _____
 - _____ A Federal, State or local government or instrumentality thereof.
 - _____ Other (explain)
5. If the developer is not an individual or a government agency or instrumentality, give date of organization: July 14, 2006
6. Names, addresses, phone numbers, title of position (if any) and nature and extent of the interest of the officers and principal members, shareholders, and investors of the developer, other than a government agency or instrumentality, are set forth as follows:



DISCLOSURE STATEMENT: PAGE 2

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

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

- c. If the developer is a partnership, each partner, whether a general or limited partner, and either the percent of interest or a description of the character and extent of interest. See organization chart. Broadway Housing partners, L.P., Broadway Tower, LLC is the General Partner, the two Managers of which are Michael Lutton and Colorado Pacidfic Holdings, Philip Wall is the Manager of Colorado Pacific Holdings. Mike Lutton and Philip each have a 50% interst at this time. Scot Matteson and Mike Smith to be added, with all 4 individuals then having an equal 25% overall interest in the General partner named above

- d. If the developer is a business association or a joint venture, each participant and either the percent of interest or a description of the character and extent of interest.

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

<u>Name, Address & Zip Code</u>	<u>Phone Number</u>	<u>Position Title (if any) and percent of interest or description of character and extent of interest</u>
Broadway Housing Partners 660 Newport Center Drive, #500 Newport beach, Ca 92660	949-250-8800	

DISCLOSURE STATEMENT: PAGE 3

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

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

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

N/A

9. Is the developer a subsidiary of or affiliated with any other corporation or corporations or any other firm or firms? If yes, list each such corporation or firm by name and address, specify its relationship to the developer, and identify the officers and directors or trustees common to the developer and such other corporation or firm.

NO

10. The financial condition of the developer, as of _____ is reflected in the attached financial statement.
Peter, you have the financial statements of the individuals.

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

Please see detailed financing plan contained with the completed CDLAC application in your office

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

- a. In banks:

<u>Name, Address and ZIP Code of Bank</u>	<u>\$ Amount</u>
<u>See Financial Statements</u>	

DISCLOSURE STATEMENT: PAGE 5

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

<u>Name, Address and ZIP Code of Source</u>	<u>\$ Amount</u>
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- c. By sale of readily salable assets:

<u>Description</u>	<u>Market Value</u>	<u>Mortgages or Liens</u>
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13. Name and addresses of bank references: Bank of America, Mellon Bank,
Goldman Sachs, Deutsche Bank

14. Has the developer or any of the developer's officers or principal members, shareholders or investors, or other interested parties been adjudged bankrupt, either voluntary or involuntary, within the past 10 years? Yes _____ No X
If yes, give date, place, and under what name.

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

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

16. Undertakings, comparable to the proposed project, which have been completed by the developer including identification and brief description of each project and date of completion: See Corporate Resume, Sapphire Tower, San Diego

DISCLOSURE STATEMENT: PAGE 6

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

- a. Name and address of such contractor or builder:
- b. Has such contractor or builder within the last 10 years ever failed to qualify as a responsible bidder, refused to enter into a contract after an award has been made, or failed to complete a construction or development contract? Yes _____ No _____ If yes, explain:
- c. Total amount of construction or development work performed by such contractor or builder during the last three years: \$ _____

General description of such work:

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

<u>Identification of Contract or Development</u>	<u>Location</u>	<u>Amount</u>	<u>Date to be Completed</u>
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- e. Outstanding construction-contract bids of such contractor or builder:

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

N/A 18. Brief statement respecting equipment, experience, financial capacity, and other resources available to such contractor or builder for the performance of the work involved in the proposed project, specifying particularly the qualifications

DISCLOSURE STATEMENT: PAGE 7

of the personnel, the nature of the equipment, and the general experience of the contractor:

DISCLOSURE STATEMENT: PAGE 8

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

20. Statements and other evidence of the developer's qualifications and financial responsibility (other than the financial statement referred to in Item 10) are attached hereto and hereby made a part hereof as follows: SEE OUR COMPANY QUALIFICATOINS IN THE RFP/Q AS WELL AS OTHER HANDOUTS DLEIVERED TO THE SELECTION COMMITTEE IN THE PAST

CERTIFICATION

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

Date: _____

Date: _____

Signature

Signature

Title: _____

Title: _____

Address & ZIP Code

Centurion Partners Holdings, LLC

Balance Sheet

As of June 30, 2006

	<u>Jun 30, 06</u>
ASSETS	
Current Assets	
Checking/Savings	
Mellon Bank	31,123.28
Total Checking/Savings	<u>31,123.28</u>
Other Current Assets	
Petty Cash	250.00
INTERCOMPANY RECEIVABLES	-593,058.70
Receivables	-3,000.00
Bridge Loans	3,979,428.69
Deposits	111,892.60
Total Other Current Assets	<u>3,495,512.59</u>
Total Current Assets	3,526,635.87
Fixed Assets	
FFE	22,585.41
Total Fixed Assets	<u>22,585.41</u>
Other Assets	
Investments	82,181.00
Total Other Assets	<u>82,181.00</u>
TOTAL ASSETS	<u><u>3,631,402.28</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	150,623.05
Total Accounts Payable	<u>150,623.05</u>
Other Current Liabilities	
Line of Credit-Mellon Bank	1,437,400.00
Total Other Current Liabilities	<u>1,437,400.00</u>
Total Current Liabilities	1,588,023.05
Long Term Liabilities	
Investor Note Payable	4,281,037.00
Total Long Term Liabilities	<u>4,281,037.00</u>
Total Liabilities	5,869,060.05
Equity	
Distributions	-290,000.00
Retained Earnings	-1,928,474.09
Net Income	-19,183.68

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Accrual Basis

Centurion Partners Holdings, LLC
Balance Sheet
As of June 30, 2006

	<u>Jun 30, 06</u>
Total Equity	<u>-2,237,657.77</u>
TOTAL LIABILITIES & EQUITY	<u><u>3,631,402.28</u></u>

Centurion Partners Holdings, LLC
Profit & Loss
January through June 2006

	<u>Jan - Jun 06</u>
Ordinary Income/Expense	
Income	
Income from Investements	54,434.00
REVENUES	<u>1,267,238.48</u>
Total Income	<u>1,321,672.48</u>
Expense	
General & Administrative Costs	509,368.74
Entertainment	23,793.19
Payroll Expenses	513,288.50
Salaries	<u>240,000.00</u>
Total Expense	<u>1,286,450.43</u>
Net Ordinary Income	35,222.05
Other Income/Expense	
Other Income	
Other Income	181.00
Interest Income	<u>210.98</u>
Total Other Income	391.98
Other Expense	
Other Expenses	0.00
Interest Expense	<u>54,797.71</u>
Total Other Expense	<u>54,797.71</u>
Net Other Income	<u>-54,405.73</u>
Net Income	<u><u>-19,183.68</u></u>

DEVELOPER'S STATEMENT FOR PUBLIC DISCLOSURE

(add extra sheets if you need more space)

1. Name of developer: **Broadway Housing Partners, L.P.**
Housing Development Partners of San Diego, Co-Managing General Partner

2. Address, phone number and ZIP Code:

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

3. IRS Number of Developer: 33-0427639

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

A corporation

A nonprofit or charitable institution or corporation

A partnership known as: _____

A business association or a joint venture known as _____

A Federal, State or local government or instrumentality thereof.

Other (explain)

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

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

DISCLOSURE STATEMENT: PAGE 2

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

Lynda Buckner Board Member
Asst. Vice President
California Bank & Trust
11622 El Camino Real, Ste 200
San Diego, CA 92130

Tom Carter Board Member
Principal
Carter Reese & Assoc
2250 Fourth Ave, Ste. 300
San Diego, CA 92101

Robert Henderson Vice President
Carter Reese & Assoc
2250 Fourth Ave, Ste. 300
San Diego, CA 92101

Elizabeth Morris President
President & Chief Executive Officer
San Diego Housing Commission
1625 Newton Ave.
San Diego, CA 92113

John Pedroarena Chairman of the Board
Coldwell Banker Commercial
4305 University Ave., #600
San Diego, CA 92105

Sal Salas Secretary
West End Mortgage
587 Third Ave
San Diego, CA 92101

Tony Yip Chief Financial Officer
Brodshatzer, Wallace, Spoon & Yip
555 W. Beech St., Ste. 400
San Diego, CA 92101

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

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

Same as members listed in No. 6 above.

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

- d. If the developer is a business association or a joint venture, each participant and either the percent of interest or a description of the character and extent of interest. **N/A**

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

<u>Name, Address & Zip Code</u>	<u>Phone Number</u>	<u>Position Title (if any) and percent of interest or description of character and extent of interest</u>
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7. Name, address and nature and extent of interest of each person or entity (not named in response to Item 6) who has a beneficial interest in any of the shareholders or investors named in response to Item 6 which gives such person or entity more than a computed 10% interest in the developer (for example, more than 20% of the stock in a corporation which holds 50% of the stock of

DISCLOSURE STATEMENT: PAGE 4

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

<u>Name, Address and Zip Code</u>	<u>Description of character and extent of interest</u>
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None.

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

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

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

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

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

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

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

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

DISCLOSURE STATEMENT: PAGE 5

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

- a. In banks:

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

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

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

- c. By sale of readily salable assets:

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

13. Name and addresses of bank references:

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

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

14. Has the developer or any of the developer's officers or principal members, shareholders or investors, or other interested parties been adjudged bankrupt, either voluntary or involuntary, within the past 10 years? Yes _____ No X
If yes, give date, place, and under what name.

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

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

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

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

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

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

Construction Contractor not yet selected.

- a. Name and address of such contractor or builder:
b. Has such contractor or builder within the last 10 years ever failed to qualify as a responsible bidder, refused to enter into a contract after an award has been made, or failed to complete a construction or development contract? Yes _____ No _____ If yes, explain:

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

General description of such work:

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

<u>Identification of Contract or Development</u>	<u>Location</u>	<u>Amount</u>	<u>Date to be Completed</u>
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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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18. Brief statement respecting equipment, experience, financial capacity, and other resources available to such contractor or builder for the performance of the work involved in the proposed project, specifying particularly the qualifications of the personnel, the nature of the equipment, and the general experience of the contractor:
19. Does any member of the governing body of the San Diego Housing Commission, to which the accompanying proposal is being made, or any officer or employee of the San Diego Housing Commission who exercises any functions or responsibilities in connection with the carrying out of the project covered by the developer's proposal, have any direct or indirect personal financial interest in the developer or in the proposed contractor? Yes _____ No X
If yes, explain.

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

Description of developments attached.

CERTIFICATION

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

Date: July 19, 2006

Date: _____

Signature

Signature

Title: Authorized Representative

Title: _____

Address & ZIP Code

HOUSING DEVELOPMENT PARTNERS OF SAN DIEGO

1625 Newton Ave, Ste. C

San Diego, CA 92113

HOUSING DEVELOPMENT PARTNERS of San Diego

A California Nonprofit Public Benefit Corporation

Mission Statement

“The mission of Housing Development Partners of San Diego is to preserve and increase affordable housing opportunities for low- and moderate-income residents in the City of San Diego. The Corporation will pursue opportunities by either collaborating with other affordable housing providers in the community or by serving a unique niche not being met by other housing organizations.”

Adopted April 23, 1998.

Background

On March 19, 1990, the Housing Commission authorized the establishment of a nonprofit housing corporation. Articles of Incorporation were filed with the Secretary of State on April 17, 1990, creating Housing Development Partners of San Diego (HDP), formerly the San Diego Housing Development Corporation, a California public benefit corporation.

The specific purposes of the corporation as expressed in the Articles of Incorporation are:

1. To provide low and moderate income persons, elderly persons and disabled persons with affordable housing by acquiring or developing publicly financed low and moderate income housing and renting such housing to these persons;
2. To provide facilities and services related to housing; and
3. To take such other actions, in cooperation with private and public persons or agencies, to promote the cause of low and moderate income housing.

The corporation has a seven-member board designated as follows:

- (1) Two Commissioners of the San Diego Housing Commission;
- (2) The Executive Director of the Commission; and
- (3) Four at-large Directors.

The officers are a President, Vice-President, Secretary and a Chief Financial Officer. The Executive Director board position serves as the President of the corporation with all other officers elected by the Board. The two Commissioner-Board members and the Executive Director-Board member hold office by virtue of their positions as Housing Commissioners and Executive Director. Their terms expire at the time they no longer hold their respective positions.

The four at-large Directors serve staggered two-year terms and hold office until their successor is appointed and assumes office.

Affordable Housing Developments

In its early years, HDP was active in the preservation of HUD 236 and 221(d) developments with expiring regulatory restrictions, providing technical assistance to local developments during the enactment of "ELIPHRA" and other emergency legislation. In 1994, the corporation began seeking opportunities for the development of affordable housing, both on its own and in collaboration with other for-profit and non-profit organizations.

Knox Glen Townhomes, located at 47th Street and Logan Avenue in San Diego, is a development constructed, owned and operated by the corporation. It provides 54 two-three- and four-bedroom units affordable and 50% and 60% of median area income, and was completed in December of 1996.

Once a dilapidated and abandoned construction site, this project was a tremendous success toward eliminating blight. It provides clean, safe and attractive affordable housing and has resulted in a revitalization of the surrounding community and the elimination of an eyesore in the neighborhood. The new construction activity stimulated other new residential development just across the street and in the immediate vicinity. The corner businesses were also remodeled and revitalized. All units are affordable for 55 years.

Island Village Apartments is a 280-unit new construction development at 1245 Market Street. HDP is the managing co-general partner in a tax-credit limited partnership. The development provides "living units" designed to address the need for rental housing affordable to single low-income adults working downtown, along with 3,000 square feet of commercial lease space on the ground floor. Construction was completed September 2003.

The Mason Hotel, located at 1345 Fifth Avenue, is an acquisition and rehabilitation project that provides 27 units of special purpose housing. The corporation acquired the property in June 2002 and rehabilitation is being performed. The development contains over 2,000 square feet of commercial lease space on the ground floor.

Casa Colina del Sol, located at 5207 52nd Place, is a 75-unit acquisition and rehabilitation senior housing project. The acquisition of the project ensured the affordability of 74 units in perpetuity. The project was acquired in February 2004 and rehabilitation was completed in December 2004. A Resident Services Coordinator was placed on the site in 2005.

52nd and El Cajon Seniors, is a new-construction 88-unit senior housing development currently in the entitlement stage. The project will offer one- and two-bedroom units on an approximate one-acre site. Project financing is anticipated from low-income housing tax credits, making all units affordable to low-income seniors. Adjacent retail will be improved to serve the residents pursuant to an agreement with the owner. Located on a major transit corridor, residents will enjoy convenient access to goods, services and transportation all within walking distance. Completion is anticipated in 2008.

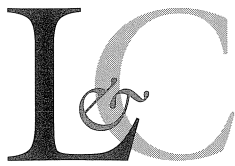
HOUSING DEVELOPMENT PARTNERS OF SAN DIEGO

FINANCIAL STATEMENTS

JUNE 30, 2005



Leaf & Cole, LLP
Certified Public Accountants



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

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Nicholas M. Gines, C.P.A.

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

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

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

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

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

Leaf & Cole, LLP

San Diego, California
January 5, 2006

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

ASSETS

Current Assets:

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

Noncurrent Assets:

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

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

LIABILITIES AND NET ASSETS

Current Liabilities:

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

Long-Term Liabilities:

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

Net Assets:

Unrestricted	<u>1,342,198</u>
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TOTAL LIABILITIES AND NET ASSETS **\$4,111,781**

See accountant's compilation report.

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

Revenue:

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

Expenses:

Program Services:

Housing Services:

Mason Hotel:

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

Other Housing Services:

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

Total Program Services	<u>252,658</u>
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(Continued)

See accountant's compilation report.

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

Expenses: (Continued)

Supporting Services:

Outside services	\$ 12,436
Insurance	8,625
Accounting	5,860
Miscellaneous	1,254
Consultant	1,097
Legal	<u>444</u>
Total Supporting Services	<u>29,716</u>

Total Program and Supporting Services 282,374

Change in Net Assets 573,014

Net Assets, Beginning of Year 769,184

NET ASSETS, END OF YEAR \$1,342,198

See accountant's compilation report.

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

Cash Flows From Operating Activities:

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

Cash Flows From Investing Activities:

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

Cash Flows From Financing Activities:

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

Net Decrease in Cash (20,195)

Cash, Beginning of Year 225,533

CASH, END OF YEAR **\$205,338**

Supplemental Disclosures:

Interest paid	<u>\$ 10,523</u>
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See accountant's compilation report.

ATTACHMENT 6

HOUSING COMMISSION MULTIFAMILY HOUSING REVENUE BOND PROGRAM

Summary

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

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

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

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

Approval Process:

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

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

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

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

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

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

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