



Good Neighbors

San Diego
Housing Commission

- ◆ 1625 Newton Avenue
- ◆ San Diego, California 92113-1038
- ◆ 619.231.9400
- ◆ FAX: 619.544.9193
- ◆ www.sdhc.net

REPORT

DATE ISSUED: September 29, 2006

REPORT NO.: HCR06-076

ATTENTION: Chair and Members of the Housing Commission
For the Agenda of October 6, 2006

ITEM: 101

SUBJECT: Sale of Habitat for Humanity Home at 3280 Island Avenue (Council District 8)

REQUESTED ACTION:

Rescind the affordable housing restrictions on the Habitat for Humanity-developed single family home at 3280 Island Avenue and approve its sale by Habitat at fair market price. Proceeds from the sale would be held by the Housing Commission and available for future reinvestment by Habitat.

STAFF RECOMMENDATION:

That the Housing Commission rescind the recapture and affordability restrictions currently in place on 3280 Island Avenue and allow Habitat to sell the property at market value. Net proceeds of the sale will be placed into the HOME trust account for 24 months for future use by Habitat in acquiring land for developing affordable homes in San Diego, subject to applicable HOME program guidelines.

DISCUSSION:

San Diego Habitat for Humanity is a nonprofit 501(c)(3) corporation whose mission is to build decent, affordable homes in partnership with families in need. The local Habitat chapter was formed in 1987 and recently completed construction of its 67th home. Forty-five more homes are in the planning stages.

The land acquisition costs for the Habitat home at 3280 Island Avenue (and another lot at 3284 Island) were financed with \$57,000 of HOME funds in 2002 (see Attachment – HCR02-058). HOME program restrictions recorded on the properties at that time included a provision that the properties would be affordable to low-income households for 20 years, and it allowed the Housing Commission to recapture the net proceeds from the sale of the properties if the borrower (Habitat) did not re-sell them to other households meeting the affordability terms.

In June 2006, Habitat notified the Housing Commission that the homeowner at 3280 Island Avenue sold the property back to Habitat for approximately \$36,000, and it requested Housing Commission consideration of the action discussed above. General Counsel believes the proposal is consistent with



HOME requirements as long as the future additional units will be restricted at the required income levels for 20 years and if bedroom counts and sizes match or exceed the unit being replaced.

Habitat has not yet identified potential sites, though it suggested up to four additional lots could be purchased with the proceeds from the sale of the Island Avenue property. Habitat would have 24 months from the sale to purchase land on which to build homes. If no sites are identified within that period, the funds would recycle back into the HOME program account for future use.

AFFORDABLE HOUSING IMPACT:

If this action is approved and the home is sold, the supply of units restricted to low income households will be reduced by one. However, proceeds from the property's market sale would be used to purchase unimproved lots that may yield up to four units affordable to low-income homebuyers.

FISCAL CONSIDERATIONS:

The market value of the property based on the most recent appraisal is \$395,000. Net proceeds on the sale could reach approximately \$325,000 after closing costs, commissions, and payoff of the Housing Commission's loan are considered.

PREVIOUS ACTIONS:

On June 28, 2002, the Housing Commission approved an unsecured zero percent interest loan of \$57,000 to Habitat for acquisition costs related to two vacant lots located at 3280 and 3284 Island Avenue. Loan documents containing occupancy and income restrictions were recorded in December 2002. Habitat pays \$226 monthly to the Housing Commission on this loan, and the current balance is \$46,821.

ENVIRONMENTAL REVIEW:

This action is categorically exempt from the provisions of CEQA pursuant to State CEQA Article 19 Guidelines Section 15301 (existing facilities). This action is determined to be an exempt activity for NEPA purposes under the provisions of 24 Code of Federal Regulations 58.34(a)(1).

Respectfully submitted,

Cissy Fisher
Director of Housing Finance & Development

Attachment: HCR02-058

**Signature on File
With Original Document**

Approved by,

Elizabeth C. Morris
President & Chief Executive Officer



Good Neighbors

San Diego
Housing Commission

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

REPORT

DATE: For the Agenda of June 28, 2002 **Item 101**

REPORT NO: HCR02-058

SUBJECT: Loan to San Diego Habitat for Humanity for Property Acquisition
(Council District 8)

SUMMARY

Issue: Should the San Diego Housing Commission approve a loan of \$57,000 to assist San Diego Habitat for Humanity in developing two single family homes for families with very low incomes?

Recommendation: That the Housing Commission approve an unsecured 21-year amortizing recourse loan of \$57,000 at zero percent interest to San Diego Habitat for Humanity for acquisition costs related to two vacant lots located at 3280 and 3284 Island Avenue.

Fiscal Impact:

Certificate No.:	02-160
Amount:	\$57,000
Revenue Source:	HOME
Division:	Housing Finance & Development
Line Item:	Loans

Affordable Housing Impact: New construction of two single family homes for sale to households with very low income (at or below 50 percent of median area income, presently \$30,050 for a family of four).

Environmental Review: The project has been approved as exempt from California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15060 (c)(3) (the activity is not a project as defined in Section 15378).

Previous Related Actions: Loan Committee approved this item on June 11, 2002, with the proviso that the loan from Habitat for Humanity to the borrower contains owner-occupancy restrictions.



HOME Program Compliance: An acquisition-new construction loan for homeownership to a non-profit entity is an eligible activity under the HOME Program. The proposed homebuyers' incomes are 80% or below MAI.

BACKGROUND

This request for funding was received under the Housing Trust Fund Targets of Opportunity Program that provides consideration of proposals for which the Request for Proposals (RFP) process is not suitable. Typically, these proposals involve opportunities that have severe time constraints precluding RFP schedules or they are for innovative projects not anticipated by the RFP process. Currently, the Housing Commission does not plan to issue an RFP for acquisition of property for construction of single-family homes.

DISCUSSION

Habitat for Humanity

San Diego Habitat for Humanity (Habitat) is a local nonprofit 501(c) (3) corporation affiliated with a major international organization. The local Habitat chapter was formed in 1987. To date, in the San Diego region, Habitat has completed construction of 48 houses and will complete construction of an additional 8 homes by the end of 2002. Habitat has a paid staff of eleven, an 18-member board of directors, and an active volunteer base.

Habitat has three loans with the Housing Commission and all are current:

1. 3933 Gamma Street
San Diego, CA 92113
Loan of \$25,000 funded 7/00 maturing 7/21
\$22,817.38 remaining balance as of 5/10/02
1 single family house
2. 875, 885, 895 Iona Street
880, 890, 920, 930 60th Street
San Diego, CA 92115
Loan of \$70,303.85 funded 5/90 maturing 10/11
\$33,099.20 remaining balance as of 5/10/02
7 single family houses
3. 4025 Broadway
1005 40th Street
San Diego, CA 92105
Loan of \$37,500 funded 5/99 maturing 4/21
\$33,779.75 remaining balance as of 5/10/02
2 single family houses

The development team for this project consists of Joe Carton (Construction Superintendent), Bill Kurimay (Construction Coordinator), Steve Kiss (Architect), AMEC Earth and Environments, Inc. and Jim Rowan (Architect).

Habitat has submitted an audited financial statement for the period ending June 30, 2001. According to that statement, Habitat had net assets of \$2.6 million, consisting primarily of mortgages and contracts receivable related to homes Habitat has built and sold. Habitat does not maintain a reserve account to cover defaults on these loans because management believes the value of the collateral will prevent any losses.

The Properties

The two properties are located at 3280 and 3284 Island Avenue in the Grant Hill/Stockton neighborhood. The lots are adjacent and will be used to build two three-bedroom, one and a half bathrooms homes. The development plan complies with the current zoning.

Habitat purchased the lots from Mr. Barry Collins (a private party) for \$57,000, which is well below the market value of \$44,000 per lot indicated in appraisals dated October 2001.

The Habitat Program

In place of a cash downpayment, each homebuyer household is required to work 500 hours of "sweat equity" during construction and the first year of occupancy.

Habitat will make each home available to a household with an income not exceeding fifty percent of median area income (currently \$30,050 for a family of four) with Habitat carrying the mortgage. The total monthly housing payment for mortgage, taxes and insurance would be approximately \$800 per month. Habitat will not charge interest on this loan.

Should the homebuyer household decide to sell the home, Habitat will retain the right of first refusal to purchase during the life of the mortgage. The purchase price is determined by a formula that establishes the difference between fair market value and the original sales price of the property (the "appreciated value" of the property), then allows the household a percentage of any appreciation (increasing from 1% in year one to 100% in year 20) plus the original sales price. Habitat maintains a waiting list of Habitat-qualified families to whom the seller agrees to give preference for 120 days at the formula-derived "affordable" price. At the end of 120 days, an owner may sell the home on the private market but must share the appreciation with Habitat according to the same percentage/time formula.

Habitat estimates that its total development cost for these two homes is approximately \$210,000. An estimated 73% of the total cost is offset by the use of volunteer workers and donated supplies.

The Funding Request

Habitat purchased the lots in advance of a commitment from the Housing Commission and is fully aware that the Housing Commission is in no way obligated to reimburse Habitat for the acquisition costs.

Habitat is requesting \$57,000 to pay for the purchase of the lots. Closing costs were paid with other Habitat funds. This structure is similar to the other single-family developments that Habitat has completed utilizing Housing Commission funds.

The Financial Plan

Total Loan:	San Diego Habitat for Humanity will receive an unsecured loan of \$57,000.
Recourse:	The loan will be a recourse loan.
Payments and Term:	The loan will amortize over 21 years with monthly payments.
Interest:	Zero interest will be charged for this loan.
Affordability Restrictions:	The home will be sold to a household earning 50 percent or below median area income. Habitat will retain a right of first refusal upon sale so that the home may be resold to another qualifying household because the HOME restrictions are for 20 years of affordability.

Risks and Mitigations

The loan would be unsecured. However, because the loan represents only a small portion (approximately 28 percent) of the sales price that Habitat will be collecting in monthly payments from homeowners, Habitat would have adequate income to make monthly payments to repay the loan. In addition, Habitat has made timely payments on the amortizing loans currently outstanding with the Housing Commission. The amortization of this loan will reduce the risk over time.

Habitat has a successful record of securing funds, labor and materials to complete its homebuilding projects.

Summary

This loan would provide homeownership opportunities for two households at 50 percent of median area income. This affordability compares favorably with the Housing Commission's homebuyer programs, for which the average income is 65% of median area income. The Housing Commission's cost of these units (\$28,500 per unit) is less than the average cost of a shared equity second position loan plus a downpayment assistance grant (approximately \$38,950). Given these positive factors, and Habitat's track record of success in making

homeownership possible for families at 50 percent of median area income, staff recommends funding the unsecured loan to encourage and facilitate Habitat's homeownership endeavors.

ALTERNATIVE

Secure the loans with the two properties. This alternative is not recommended because the homebuyers would then be making their payments directly to the Housing Commission, and staff would be servicing two loans instead of one. The homebuyers would not be able to take advantage of the type of financial assistance offered by Habitat, such as extended loan terms or accommodation should the homebuyer experience financial hardship.

Respectfully submitted,



Jack D. Farris
Manager, Housing Finance & Development

Approved by,



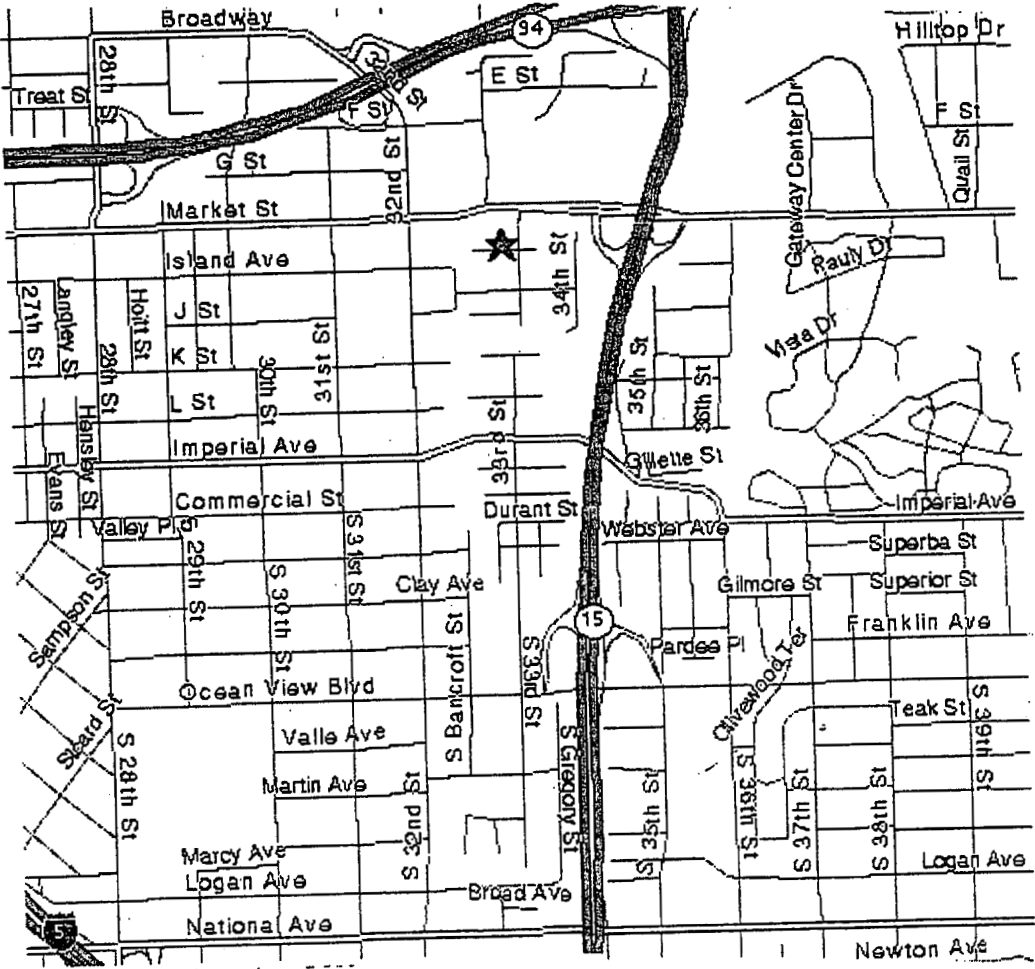
efm
Elizabeth C. Morris
Chief Executive Officer

meredith\G:\HFSHARE\REPORTS\Habitat for Humanity\6-28HCrpt.doc

Attachments:

1. Location Map
2. Project Development Summary
3. Project Timeline
4. SDHC General Application
5. Appraisals
6. Audited Financial Statements of June 30, 2001*

*Distribution of this attachment is limited. A copy is available for review at the Housing Commission's 1625 Newton Avenue office and the office of the City Clerk, 2nd floor, 202 "C" Street.



PROJECT DEVELOPMENT SUMMARY

Habitat Project: Island Avenue

Project Name: San Diego Habitat for Humanity, Inc.
Location: 3280 and 3284 Island Avenue
Description: Construction of two new single family homes

Affordability

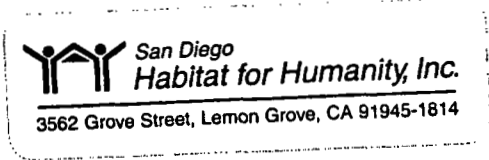
Total Homes: Two
Sale Price Restrictions: Affordable to a household earning not more than 50 percent of median area income

Use of Funds (estimated Development Cost)

Acquisition (does not include closing costs):	\$ 57,000
Construction and Materials:	<u>\$153,000</u>
Total	\$210,000

Sources of Funds

Donations of labor and material (estimate):	\$ 55,000
Housing Commission loans:	\$ 57,000
Total Sponsors:	<u>\$ 98,000</u>
Total	\$210,000



BUILD SCHEDULE

CONSTRUCTION ACTIVITY	CONSTRUCTION SCHEDULE
Purchase and Secure Land	December 22, 2000
Select Family	October 1, 2001
Obtain Building Permits	November 1, 2001
Start Construction	November 19, 2001
Clearing/Grading	November 19, 2001
Concrete Foundation/Slab	December 20, 2001
Framing	January 2, 2002
Rough-In Inspections (Mech/Elec)	February 2, 2002
GWB Installation and Finish	March 10, 2002
Interior Trim and Paint	March 20, 2002
Mechanical/Electrical Trim Out	April 20, 2002
Flooring	May 1, 2002
Complete Home-Dedication	June 1, 2002

**Proposed build dates: November, 2001 thru June 2002

Construction Schedule completed by Joe Carton, Construction Supervisor

**SAN DIEGO HOUSING COMMISSION
GENERAL APPLICATION FORM - Project Overview**

Last revised: March 22, 2002

DATE: 5/14/02

PLEASE PROVIDE ALL KNOWN INFORMATION AS REQUESTED IN SHADED CELLS (Check all boxes that apply)

REQUEST FOR: EARLY ASSISTANCE PROJECT FUNDING \$ _____
 TECHNICAL ASSISTANCE PREDEVELOPMENT LOAN \$ _____
 LOAN TO COVER LAND COSTS PROJECT SUPPORT GRANT \$ _____

PROJECT TYPE: ACQUISITION ACQUISITION & REHABILITATION RENTAL
 NEW CONSTRUCTION REHABILITATION OWNERSHIP

PROJECT CONDITION: UNIMPROVED SITE RESIDENTIAL COMMERCIAL
YEAR BUILT: 2002 EXISTING STRUCTURE OTHER (DESCRIBE) _____

PROJECT NAME: ISLAND AVENUE PROJECT
ADDRESS: 3280 AND 3284 ISLAND AVE. San Diego CA 92102
STREET CITY STATE ZIP
LEGAL DESCRIPTION: 34+35 2 McLARENS "H" ST. ADDITION 545-130-66 545-130-67
LOT NO. BLOCK NO. SUBDIVISION NAME ASSESSORS PARCEL NO. CENSUS TRACT

SITE CONTROL: DEED OPTION OTHER (DESCRIBE) _____

DWELLING UNITS:	0-BEDROOM	1-BEDROOM	2-BEDROOM	3-BEDROOM	4-BEDROOM	5-BEDROOM	TOTAL UNITS	# STORIES
HC Assisted Units:								

EXISTING USES OF PROPERTY: VACANT LOTS NO. OF BUILDINGS: _____

DESCRIPTION OF PROPOSED PROJECT: 2 SINGLE FAMILY RESIDENCES, 1144sq ft, 3 BR, 2 BATH, 2 STORY, NEW CONSTRUCTION

APPLICANT/BORROWER:
NAME: SAN DIEGO HABITAT FOR HUMANITY INC. CONTACT PERSON: TONI FUNG
ADDRESS: 3562 GROVE STREET LEMON GROVE CA 91945-1814
STREET CITY STATE ZIP
TELEPHONE: (619) 465-7576 FAX NO. (619) 461-6116

LEGAL DESCRIPTION OF APPLICANT:
 FOR PROFIT CORPORATION NONPROFIT CORPORATION PARTNERSHIP INDIVIDUAL OWNER
 CHDO OTHER _____
DESCRIBE

TAXPAYER IDENTIFICATION NUMBER: 33-0259190

CURRENT (OWNER) SELLER INFORMATION:
NAME: SAN DIEGO HABITAT FOR HUMANITY INC. LEGAL DESCRIPTION: _____
ADDRESS: 3562 GROVE STREET LEMON GROVE CA 91945-1814
STREET CITY STATE ZIP
TELEPHONE: (619) 465-7576 FAX NO. (619) 461-6116

ZONING: _____ COMMUNITY PLAN AREA: _____
COUNCIL DISTRICT: _____ SCHOOL DISTRICT: _____

Barbara Stienstra SIGNATURE BARBARA STIENSTRA PRINT NAME DIRECTOR OF OPERATIONS TITLE 5/14/02 DATE

**SAN DIEGO HOUSING COMMISSION
APPLICANT INTEREST FORM - AI**

PLEASE PROVIDE ALL KNOWN INFORMATION AS REQUESTED

NAME, ADDRESS, TITLE/POSITION, TELEPHONE, NATURE OF INTEREST AND PERCENT OF INTEREST
FOR PROPOSED OWNERS, OFFICERS AND GENERAL PARTNERS - LIST ALL
FOR SHAREHOLDERS, INVESTORS, LIMITED PARTNERS AND OTHERS - LIST ALL WITH A 10% OR HIGHER INTEREST

PROJECT NAME: ISLAND AVENUE PROJECT
ADDRESS: 3280 AND 3284 ISLAND AVE San Diego CA 92102
ADDRESS CITY STATE ZIP
OWNERSHIP NAME: SAN DIEGO HABITAT FOR HUMANITY INC DATE: 5/14/02

1. N/A
NAME TITLE/POSITION NATURE OF INTEREST
STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
CITY STATE ZIP

2. N/A
NAME TITLE/POSITION NATURE OF INTEREST
STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
CITY STATE ZIP

3. N/A
NAME TITLE/POSITION NATURE OF INTEREST
STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
CITY STATE ZIP

4. N/A
NAME TITLE/POSITION NATURE OF INTEREST
STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
CITY STATE ZIP

5. N/A
NAME TITLE/POSITION NATURE OF INTEREST
STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
CITY STATE ZIP

6. N/A
NAME TITLE/POSITION NATURE OF INTEREST
STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
CITY STATE ZIP

7. N/A
NAME TITLE/POSITION NATURE OF INTEREST
STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
CITY STATE ZIP

8. N/A
NAME TITLE/POSITION NATURE OF INTEREST
STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
CITY STATE ZIP

USE ADDITIONAL SHEETS AS NE



San Diego Habitat for Humanity, Inc.

3562 Grove Street, Lemon Grove CA 91945-1814 (619) 465-7576 Fax (619) 461-6116

Name of CONTRACTOR:
Address and Zip Code:
Telephone Number:

Habitat for Humanity
3562 Grove St., Lemon Grove, CA 91945
619-465-7576

Name of Principal Contact for CONTRACTOR:
Federal Identification Number of CONTRACTOR:
CONTRACTOR is operating under the laws of California as:
Sources of funds for development/project

none
33-0259190
A nonprofit or charitable institution or corporation
San Diego Habitat for Humanity (SDHFH) raises funds to build houses from corporate sponsors, individuals, service groups and churches. SDHFH already has the sponsors committed to \$98,000 on this project. In addition, \$55,000 in labor and materials have been donated by volunteers and organizations. See attachment.

Sources and amount of cash available to CONTRACTOR to meet equity requirements of the proposed undertaking:

a.) In bank/savings and loans:
Name, Address & Zip Code of Bank/Savings & Loan:
Amount:

Western Financial Bank, 7877 Parkway Dr., La Mesa, CA 91942 \$238,000

Contact, name and address of bank reference:

Paul Fairweather, Northern Trust Bank, 1125 Wall St., La Jolla CA 92037
619-551-7906
DeAnna Kendall, Western Financial Bank, 7877 Parkway Dr., La Mesa, CA 91942
619-460-7911

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?

NO

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

NO

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.

San Diego Habitat for Humanity (SDHFH) is an affiliate of Habitat for Humanity International, a non-profit housing ministry. The San Diego affiliate has completed 48 houses to date and will complete construction on an additional 8 homes by the end of 2002. SDHFH currently has a paid staff of 11, an 18-member board of directors, and an active volunteer base. The development team for this project consists of Joe Carton (Construction Superintendent), Bill Kurimay (Construction Coordinator), Steve Kiss (architect), AMEC Earth and Environmentals, Inc and Jim Rowan (architect). See below for Mr. Carton's experience. Mr. Kurimay has over 30 years of construction, land use and construction defect litigation experience. His expertise in acquiring permits, negotiating construction contracts, and coordinating engineers and architects has been invaluable to our affiliate. Since joining SDHFH in April 2001 he has attained 8 permits and currently has 7 permits pending.

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?

NO

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:

SDHFH holds 34 mortgages totaling \$2,835,871.34. Each homeowner mortgage is a 20-year, interest-free mortgage. Families with incomes of up to fifty percent of median income who meet our credit and income guidelines are eligible for consideration. The median selling price of a SDHFH home is \$100,000.

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

NO

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:

Because the loan will only represent a small portion of the sales price that SDHFH will be collecting in monthly payments from homeowners, Habitat will have adequate income to make monthly payments to repay the loan. In addition, SDHFH has made all payments due on the amortizing loans they are currently paying to the Commission. The amortization of these loans will reduce risk over time. SDHFH has had a successful record of securing funds, labor and materials to complete its homebuilding projects. USAA, Wells Fargo and Salomon, Smith Barney have committed funds to pay construction and materials costs for these two homes.

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 5 years:

- Loan # 2-00-0052, approved July 24, 2001 for \$25,000. (3933 Gamma Street) Balance remaining: \$22,916.59, loan matures on July 1, 2022
- Loan # 2-99-0032, approved April 29, 1999 for \$37,500. (4025 Broadway and 1005 40th St.) Balance remaining: \$33,928.56, matures April, 2021
- Loan # 1-92-0007, approved May 29, 1992 for \$75,000. (875,885, 895 Iona St., and 880,890, 920, 930 60th St.) Balance remaining: \$33,099.20, matures April 1, 2013

Within the last 5 years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, been the

Within the last 5 years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, had a revocation or suspension of a CONTRACTORS License?

NO

References familiar with previous construction projects:

Steven E. Kiss, Architect
6502 Estrella Avenue, San Diego, CA 92120 (619)-286-2742

Ted Primus, AMEC Earth and Environmentals, Inc.
5510 Morehouse, Ste. 300, San Diego, CA 92121 (858)-458-9044

Mike Close, Centex Building
1815 Aston Avenue, Ste. 101, Carlsbad, CA 92008 (619) 719-8923

Name and experience of Construction Superintendent:

Joe Carton has supervised the construction and completion of 14 homes since he left Habitat for Humanity International and joined us in 1997. In 2001, he began the process for building 17 homes, the most ambitious project of our affiliate's history. Joe orders all materials, solicits in-kind donations, participates in the development of construction contracts, acquiring permits, and interacts with architects, our construction coordinator, and volunteer coordinators.

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 21 day of MAY, ²⁰⁰²~~1999~~, at San Diego, California.

CONTRACTOR
By: *Deborah Stenstra*
Signature
Director of Operations
Title

ISLAND

ATTACHMENT 5

APPRAISAL OF REAL PROPERTY

LOCATED AT:

APN 545 130 67
LOT 35 BLK 2 TR 291

FOR:

San Diego Habitat For Humanity, Inc.
3562 Grove Street
Lemon Grove, CA 91945-1814

AS OF:

October 9,

BY:

Neal R. Jacobs CREA CRA

N. R. Jacobs and Associates

LAND APPRAISAL REPORT

File No. W2110198B

Summary Appraisal Report

Borrower N/A Census Tract 037140 Map Reference 1289F3
 Property Address APN 545 130 67
 City San Diego County San Diego State CA Zip Code 92102
 Legal Description LOT 35 BLK 2 TR 291
 Sale Price \$ N/A Date of Sale N/A Loan Term yrs. Property Rights Appraised Fee Leasehold De Minimis PUD
 Actual Real Estate Taxes \$ 108.50 (yr) Loan charges to be paid by seller \$ N/A Other sales concessions N/A
 Lender/Client San Diego Habitat For Humanity, Inc. Address 3562 Grove Street, Lemon Grove, CA 91945-1814
 Occupant N/A Appraiser Neal R. Jacobs CREA CRA Instructions to Appraiser Estimate Market Value

<p> Location <input type="checkbox"/> Urban <input checked="" type="checkbox"/> Suburban <input type="checkbox"/> Rural Built Up <input checked="" type="checkbox"/> Over 75% <input type="checkbox"/> 25% to 75% <input type="checkbox"/> Under 25% Growth Rate <input type="checkbox"/> Fully Dev. <input checked="" type="checkbox"/> Rapid <input type="checkbox"/> Steady <input type="checkbox"/> Slow Property Values <input checked="" type="checkbox"/> Increasing <input type="checkbox"/> Stable <input type="checkbox"/> Declining Demand/Supply <input type="checkbox"/> Shortage <input checked="" type="checkbox"/> In Balance <input type="checkbox"/> Oversupply Marketing Time <input type="checkbox"/> Under 3 Mos. <input checked="" type="checkbox"/> 4-6 Mos. <input type="checkbox"/> Over 6 Mos. Present Land Use <u>97% 1 Family</u> <u> </u> % 2-4 Family <u> </u> % Apts. <u> </u> % Condo <u> </u> % Commercial <u> </u> % Industrial <u>3%</u> Vacant <u> </u> % Change in Present Land Use <input type="checkbox"/> Not Likely <input checked="" type="checkbox"/> Likely (*) <input checked="" type="checkbox"/> Taking Place (*) (*) From <u>vac/redevelop</u> To <u>new residential</u> Predominant Occupancy <input checked="" type="checkbox"/> Owner <input type="checkbox"/> Tenant <u> </u> % Vacant Single Family Price Range \$ <u>95,000</u> to \$ <u>190,000</u> Predominant Value \$ <u>145,000</u> Single Family Age <u> </u> new yrs. to <u>60</u> yrs. Predominant Age <u>35+</u> yrs. </p>	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%; text-align: center;">Good Avg. Fair Poor</td> </tr> <tr> <td>Employment Stability</td> <td style="text-align: center;"><input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></td> </tr> <tr> <td>Convenience to Employment</td> <td style="text-align: center;"><input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></td> </tr> <tr> <td>Convenience to Shopping</td> <td style="text-align: center;"><input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></td> </tr> <tr> <td>Convenience to Schools</td> <td style="text-align: center;"><input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></td> </tr> <tr> <td>Adequacy of Public Transportation</td> <td style="text-align: center;"><input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></td> </tr> <tr> <td>Recreational Facilities</td> <td style="text-align: center;"><input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></td> </tr> <tr> <td>Adequacy of Utilities</td> <td style="text-align: center;"><input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></td> </tr> <tr> <td>Property Compatibility</td> <td style="text-align: center;"><input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></td> </tr> <tr> <td>Protection from Detrimental Conditions</td> <td style="text-align: center;"><input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></td> </tr> <tr> <td>Police and Fire Protection</td> <td style="text-align: center;"><input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></td> </tr> <tr> <td>General Appearance of Properties</td> <td style="text-align: center;"><input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></td> </tr> <tr> <td>Appeal to Market</td> <td style="text-align: center;"><input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></td> </tr> </table>		Good Avg. 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Comments including those factors, favorable or unfavorable, affecting marketability (e.g. public parks, schools, view, noise): Neighborhood Boundaries: Broadway to the North City Limits to the South Highway 5 to the West Highway 805 to the East

Dimensions 25 X 130 = 3,250 Sq. Ft. or Acres Corner Lot
 Zoning classification MF-30 Present Improvements do do not conform to zoning regulations
 Highest and best use Present use Other (specify) Develop in accordance with zoning.
 Public Other (Describe)
 Elec. Gas Water San. Sewer Underground Elect. & Tel.
 OFF SITE IMPROVEMENTS: Street Access Public Private Surface paved asphalt Maintenance Public Private Storm Sewer Curb/Gutter Sidewalk Street Lights
 Topo level Size typical Shape rectangular View none Drainage appears adequate
 Is the property located in a HUD identified Special Flood Hazard Area? No Yes
 Comments (favorable or unfavorable including any apparent adverse easements, encroachments, or other adverse conditions): Normal telephone, utility easements etc. No title report was provided or reviewed. FEMA: 060295 1903 Zone - X 6/19/97

The undersigned has verified three recent sales of properties most similar and proximate to subject and has considered these in the market analysis. The description includes a dollar adjustment reflecting market reaction to those items of significant variation between the subject and comparable properties. If a significant item in the comparable property is superior to or more favorable than the subject property, a minus (-) adjustment is made thus reducing the indicated value of subject; if a significant item in the comparable is inferior to or less favorable than the subject property, a plus (+) adjustment is made thus increasing the indicated value of the subject.

ITEM	SUBJECT PROPERTY	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3
Address	APN 545 130 67 San Diego	APN 545 431 11 San Diego	APN 535 491 27 San Diego	APN 534 311 17 San Diego
Proximity to Subject		+ 7-8 blks	+ 7-8 blks	+ 9-10 blks
Sales Price	\$ N/A	\$ 45,000	\$ 44,000	\$ 55,500
Price	\$	\$	\$	\$
Data Source	inspection	CMDC/DQ Doc#502965	CMDC/DQ Doc#440417	CMDC/DQ Doc#897881
Date of Sale and Time Adjustment	DESCRIPTION N/A	DESCRIPTION 7/01	DESCRIPTION 6/01	DESCRIPTION 12/00
Location	average	similar	similar	superior
Site/View	3,250sq ft/none	7000sq ft/none no adj	7000sq ft/none -5,000	3297sq ft/none
Zoning	MF-30	R4	R2	GH100
Sales or Financing Concessions	N/A	none	none	none
Net Adj. (Total)		<input checked="" type="checkbox"/> + <input type="checkbox"/> - \$	<input type="checkbox"/> + <input checked="" type="checkbox"/> - \$ 5,000	<input type="checkbox"/> + <input checked="" type="checkbox"/> - \$ 10,000
Indicated Value of Subject		\$ 45,000	\$ 39,000	\$ 45,500

Comments on Market Data: All three comparable sales offer similar uses to an investor and therefore only a minimal deduction is made to comp 2 which may be developed with more than one unit. (Comp 1 has since been improved with a SFR and therefore has no additional utility to an investor). Comp 3's location north of Broadway is considered to be superior.
 Comments and Conditions of Appraisal: No contingencies. Appraised as is. This appraisal is intended for, and made for the client named above and may not be used by any other party. Use by any other party invalidates its conclusions. Please see attached Statement of Limiting Conditions.
The subject last sold more than 12 months ago. It is not currently listed and has not been listed in the past 12 months.

Final Reconciliation: The final value conclusion is the result of the Sales Comparison Approach to value. The Income Approach and Reproduction Cost Approach are not applicable and are not used in this analysis.

I ESTIMATE THE MARKET VALUE, AS DETERMINED BY SUBJECT PROPERTY AS OF October 9, 20 01 to be \$ 44,000
 NEAL R. JACOBS CREA CRA Did Did Not Physically Inspect Property
 Appraiser(s) Preview Appraiser (if applicable)

APPRAISAL OF REAL PROPERTY

LOCATED AT:
APN 545 130 68
LOT 34 BLK 2 TR 291

FOR:
San Diego Habitat For Humanity, Inc.
3562 Grove Street
Lemon Grove, CA 91945-1814

AS OF:
October 9, 2001

BY:
Neal R. Jacobs CREA CRA

N. R. Jacobs and Associates

LAND APPRAISAL REPORT

File No. W2110198A

Summary Appraisal Report

Borrower N/A Census Tract 037/40 Map Reference 1289F3
 Property Address APN 545 130 66
 City San Diego County San Diego State CA Zip Code 92102
 Legal Description LOT 34 BLK 2 TR 291
 Sale Price \$ N/A Date of Sale N/A Loan Term yrs. Property Rights Appraised Fee Leasehold De Minimis PUD
 Actual Real Estate Taxes \$ 108.50 (yr) Loan charges to be paid by seller \$ N/A Other sales concessions N/A
 Lender/Client San Diego Habitat For Humanity, Inc. Address 3562 Grove Street, Lemon Grove, CA 91945-1814
 Occupant N/A Appraiser Neal R. Jacobs CREA CRA Instructions to Appraiser Estimate Market Value

Location	<input type="checkbox"/> Urban	<input checked="" type="checkbox"/> Suburban	<input type="checkbox"/> Rural	Employment Stability	Good	Avg.	Fair	Poor
Built Up	<input checked="" type="checkbox"/> Over 75%	<input type="checkbox"/> 25% to 75%	<input type="checkbox"/> Under 25%	Convenience to Employment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Growth Rate	<input type="checkbox"/> Fully Dev.	<input type="checkbox"/> Rapid	<input checked="" type="checkbox"/> Steady	Convenience to Shopping	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Property Values	<input checked="" type="checkbox"/> Increasing	<input type="checkbox"/> Stable	<input type="checkbox"/> Declining	Convenience to Schools	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Demand/Supply	<input type="checkbox"/> Shortage	<input checked="" type="checkbox"/> In Balance	<input type="checkbox"/> Oversupply	Adequacy of Public Transportation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Marketing Time	<input type="checkbox"/> Under 3 Mos.	<input checked="" type="checkbox"/> 4-6 Mos.	<input type="checkbox"/> Over 6 Mos.	Recreational Facilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Present Land Use	<u>97%</u> 1 Family	<u> </u> % 2-4 Family	<u> </u> % Apts.	Adequacy of Utilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<u> </u> % Industrial	<u>3%</u> Vacant	<u> </u> % Condo	Property Compatibility	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Change in Present Land Use	<input type="checkbox"/> Not Likely	<input checked="" type="checkbox"/> Likely (*)	<input checked="" type="checkbox"/> Taking Place (*)	Protection from Detrimental Conditions	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(*) From <u>vac/redevelop</u> To <u>new residential</u>			Police and Fire Protection	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Predominant Occupancy	<input checked="" type="checkbox"/> Owner	<input type="checkbox"/> Tenant	<u> </u> % Vacant	General Appearance of Properties	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Single Family Price Range	\$ <u>95,000</u> to \$ <u>190,000</u>		Predominant Value \$ <u>145,000</u>	Appeal to Market	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Single Family Age	<u>new</u> yrs. to <u>60</u> yrs.		Predominant Age <u>35+</u> yrs.					

Comments including those factors, favorable or unfavorable, affecting marketability (e.g. public parks, schools, view, noise): Neighborhood Boundaries: Broadway to the North City Limits to the South Highway 5 to the West Highway 805 to the East

Dimensions 25 X 130 = 3,250 Sq. Ft. or Acres Corner Lot
 Zoning classification MF-30 Present Improvements do do not conform to zoning regulations
 Highest and best use Present use Other (specify) Develop in accordance with zoning.
 Elec. Gas Water San. Sewer Underground Elect. & Tel.
 OFF SITE IMPROVEMENTS
 Street Access Public Private
 Surface paved asphalt
 Maintenance Public Private
 Storm Sewer Curb/Gutter
 Sidewalk Street Lights
 Topo level Size typical
 Shape rectangular
 View none
 Drainage appears adequate.
 Is the property located in a HUD identified Special Flood Hazard Area? No Yes
 Comments (favorable or unfavorable including any apparent adverse easements, encroachments, or other adverse conditions): Normal telephone, utility easements etc. No title report was provided or reviewed. FEMA: 060295 1903 Zone - X 6/19/97

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Proximity to Subject		<u>+ 7-8 blks</u>	<u>+ 7-8 blks</u>	<u>+ 9-10 blks</u>
Sales Price	\$ <u>N/A</u>	\$ <u>45,000</u>	\$ <u>44,000</u>	\$ <u>55,500</u>
Price				
Data Source	<u>Inspection</u>	<u>CMDC/DQ Doc#502965</u>	<u>CMDC/DQ Doc#440417</u>	<u>CMDC/DQ Doc#697881</u>
Date of Sale and Time Adjustment	DESCRIPTION	DESCRIPTION	DESCRIPTION	DESCRIPTION
	<u>N/A</u>	<u>7/01</u>	<u>8/01</u>	<u>12/00</u>
Location	<u>average</u>	<u>similar</u>	<u>similar</u>	<u>superior</u>
Site/View	<u>3,250sq ft/none</u>	<u>7000sq ft/none</u>	<u>7000sq ft/none</u>	<u>3297sq ft/none</u>
Zoning	<u>MF-30</u>	<u>R4</u>	<u>R2</u>	<u>GH100</u>
Sales or Financing Concessions	<u>N/A</u>	<u>none</u>	<u>none</u>	<u>none</u>
Net Adj. (Total)		<input checked="" type="checkbox"/> + <input type="checkbox"/> - \$	<input type="checkbox"/> + <input checked="" type="checkbox"/> - \$ <u>5,000</u>	<input type="checkbox"/> + <input checked="" type="checkbox"/> - \$ <u>10,000</u>
Indicated Value of Subject		\$ <u>45,000</u>	\$ <u>39,000</u>	\$ <u>45,500</u>

Comments on Market Data: All three comparable sales offer similar uses to an investor and therefore only a minimal deduction is made to comp 2 which may be developed with more than one unit. (Comp 1 has since been improved with a SFR and therefore has no additional utility to an investor). Comp 3's location north of Broadway is considered to be superior.
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 Final Reconciliation: The final value conclusion is the result of the Sales Comparison Approach to value The Income Approach and Reproduction Cost Approach are not applicable and are not used in this analysis.

I ESTIMATE THE MARKET VALUE, AS DEFINED, OF SUBJECT PROPERTY AS OF October 9, 20 01 to be \$ 44,000
 NEAL R. JACOBS CREA CRA Did Did Not Physically Inspect Property
 Appraiser(s) Review Appraiser (if applicable)

[Y2K]

**SAN DIEGO
HABITAT FOR HUMANITY, INC.**

FINANCIAL REPORT

JUNE 30, 2001

SAN DIEGO
HABITAT FOR HUMANITY, INC.

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PARTNERS

ROBERT W. JASSOY, JR., CPA
WILLIAM J. GRAFF, CPA, INC.
ROBERT E. DOUGLAS, CPA
DAVID R. BRZEZNIAK, CPA
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
San Diego Habitat for Humanity, Inc.
San Diego, California

We have audited the accompanying statement of financial position of San Diego Habitat for Humanity, Inc. (a nonprofit organization) as of June 30, 2001, and the related statements of activities, net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As explained in Note 2 to the financial statements, inventory that San Diego Habitat for Humanity, Inc. acquired by donation is not recorded in the financial statements. In our opinion, accounting principles generally accepted in the United States of America require that such donated property be recorded at its fair value at the date of receipt. It was not practicable to determine the effects of the unrecorded inventory on the financial statements.

In our opinion, except for the effects of not recording inventory of used materials for resale received as a donation, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of San Diego Habitat for Humanity, Inc. as of June 30, 2001, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Jassoy, Graff & Douglas LLP

January 23, 2002
San Diego, California

San Diego Habitat for Humanity, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2001

ASSETS

CURRENT ASSETS

Cash	\$ 526,620
Amounts held in trust for impounds	11,812
Current portion of mortgage receivables	163,119
Inventories - land & lot	107,376
Construction in progress	196,446
Prepaid expenses and other assets	<u>5,860</u>
Total current assets	<u>1,011,233</u>

PROPERTY, PLANT & EQUIPMENT

Land	102,133
Building	153,951
Vehicles	42,378
Equipment	<u>47,749</u>
	346,211
Accumulated depreciation	<u>(72,024)</u>
Net property, plant and equipment	<u>274,187</u>

OTHER ASSETS

Mortgage receivables, less current portion	2,455,035
Less financing discount	(1,048,723)
Deposits	<u>6,000</u>
Total other assets	<u>1,412,312</u>
Total assets	<u>\$ 2,697,732</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 14,779
Accrued expenses	13,887
Current portion of notes payable	66,000
Customer deposits	8,677
Impounds held in trust	<u>8,468</u>

Total current liabilities 111,811

NOTES PAYABLE, LESS CURRENT PORTION 728,705

Total liabilities 840,516

NET ASSETS

Unrestricted net assets	1,442,947
Temporarily restricted net assets	314,269
Permanently restricted net assets	<u>100,000</u>

Total net assets 1,857,216

Total liabilities and net assets \$ 2,697,732

San Diego Habitat for Humanity, Inc.
STATEMENT OF ACTIVITIES
Year ended June 30, 2001

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
Cash contributions	\$ 145,013	\$ 289,366	\$ 0	\$ 434,379
In-kind contributions	0	14,204		14,204
Other contributions	67,630			67,630
Volunteer hours	57,017			57,017
Special events and other	4,403			4,403
Restore net income (Note 2)	110,624			110,624
Interest and investment income	34,299			34,299
Sales of homes	255,000			255,000
Discount to present value of note	124,506			124,506
Mortgage discount expense	(128,807)			(128,807)
Net assets released from restrictions	74,301	(74,301)		0
	<u>743,986</u>	<u>229,269</u>	<u>0</u>	<u>973,255</u>
EXPENSES				
Fundraising expenses	26,329			26,329
Program expenses - cost of homes sold	492,546			492,546
Management and general expenses	83,590			83,590
	<u>602,465</u>	<u>0</u>	<u>0</u>	<u>602,465</u>
INCREASE IN NET ASSETS	<u>\$ 141,521</u>	<u>\$ 229,269</u>	<u>\$ 0</u>	<u>\$ 370,790</u>

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

San Diego Habitat for Humanity, Inc.
 STATEMENT OF NET ASSETS
 Year ended June 30, 2001

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
NET ASSETS - JUNE 30, 2000 - as previously reported	\$ 1,413,270	\$ 85,000	\$ 100,000	\$ 1,598,270
PRIOR PERIOD ADJUSTMENT - NOTE 11	<u>(111,844)</u>	<u> </u>	<u> </u>	<u>(111,844)</u>
NET ASSETS - JUNE 30, 2000 - restated	1,301,426	85,000	100,000	1,486,426
NET INCREASE	<u>141,521</u>	<u>229,269</u>	<u>0</u>	<u>370,790</u>
NET ASSETS - JUNE 30, 2001	<u>\$ 1,442,947</u>	<u>\$ 314,269</u>	<u>\$ 100,000</u>	<u>\$ 1,857,216</u>

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

San Diego Habitat for Humanity, Inc.
 STATEMENT OF FUNCTIONAL EXPENSES
 Year ended June 30, 2001

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>
Salaries	\$ 128,710	\$ 20,289	\$ 8,414	\$ 157,413
Employee taxes and benefits	11,200	1,782	736	13,718
Accounting and legal	2,026			2,026
Auto expense	5,668			5,668
Conferences and training		247		247
Construction	156,329			156,329
Depreciation	16,104			16,104
Dues & subscriptions			1,288	1,288
Equipment rental/lease		8,861		8,861
Insurance	29,197			29,197
Interest and investment expenses	39,509	10,424		49,933
Maintenance		3,784		3,784
Postage		3,964	11,813	15,777
Program expense	16,772			16,772
Sales expenses	2,428			2,428
Supplies	21,001	19,328	1,707	42,036
Taxes & licenses	3,060	(1,628)		1,432
Telephone	1,855	3,285		5,140
Tithing to HFH International (Note 9)	16,800			16,800
Utilities		3,491		3,491
Other	41,887	9,763	2,371	54,021
Total	<u>\$ 492,546</u>	<u>\$ 83,590</u>	<u>\$ 26,329</u>	<u>\$ 602,465</u>

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

San Diego Habitat for Humanity, Inc.
 STATEMENT OF CASH FLOWS
 Year ended June 30, 2001

CASH FLOWS FROM OPERATING ACTIVITIES

CHANGE IN NET ASSETS	\$ <u>370,790</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation	27,083
Net value of homes sold	80,136
(Increase) decrease in assets:	
Accounts receivable - other	(1,745)
Amounts held in trust for impounds	(3,202)
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	(3,180)
Deposits and impounds held in trust	<u>1,321</u>
Total adjustments	<u>100,413</u>
Net cash provided by operating activities	<u>471,203</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales of investments	10,000
Purchase of land, lots and construction in progress	(335,474)
Purchase of property, equipment and improvements	<u>(3,661)</u>
Net cash used in investing activities	<u>(329,135)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on long-term debt	<u>(8,096)</u>
Net cash used by financing activities	<u>(8,096)</u>

NET INCREASE IN CASH	133,972
CASH - JUNE 30, 2000	<u>392,648</u>
CASH - JUNE 30, 2001	<u>\$ <u>526,620</u></u>

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

San Diego Habitat for Humanity, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2001

NOTE --SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement presentation : San Diego Habitat for Humanity, Inc. ("the Organization") was founded in 1987 as a nonprofit, ecumenical Christian housing ministry affiliated with Habitat for Humanity International, Inc., an organization with affiliates worldwide that seeks to eliminate poverty housing and homelessness from the world, and to make decent shelter a matter of conscience and action. Through volunteer labor and donations of money and materials, the Organization builds simple, decent houses with the help of low-income homeowner families. The Organization focuses its efforts in San Diego, California.

The houses built by the Organization and its volunteers are sold to partner families at no profit, financed with affordable, no-interest loans. The homeowner's monthly mortgage payments go into a revolving fund that is used to build more houses. In addition to monthly mortgage payments, each homeowner family invests hundreds of hours of their own labor into the building of their house as well as the houses of others.

Accounting method : The financial statements of the Organization are prepared on the accrual basis of accounting. Under this basis, revenues are recognized when earned and expenses are recognized when the obligation is incurred. Revenues from the sale of houses are recognized at the transfer to the homeowner. Construction costs are capitalized and carried as an asset ("Construction in Progress") until the property is completed and sold.

Basis of presentation : The Organization has adopted the provisions of Financial Accounting Standards Board (FASB), Statement of Financial Accounting Standards No. 117 pertaining to Financial Statements of Not-for-Profit Organizations and the Statement of Financial Accounting Standards No. 116 pertaining to Accounting for Contributions Received and Contributions Made.

Under these provisions, net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor – imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

NOTE --SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued) : Permanently restricted net assets – Net assets subject to donor-imposed stipulations that will be permanently restricted. The Organization has \$100,000 of permanently restricted net assets at June 30, 2001.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

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

Contributions : Contributions are recognized as revenues in the period the commitment is received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value except for used building materials for resale (See Note 2).

Contributions of long-lived assets : Contributions of land, building and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Cash equivalents : For purposes of the financial statements, the Organization considers all liquid investments having initial maturities of three months or less to be cash equivalents. At June 30, 2001, there were no cash equivalents.

Land, finished homes, construction in progress and depreciation : Land for construction, finished homes and construction in progress are carried at cost or at market value when acquired by donation. No depreciation is charged against these assets if they are being held for resale.

NOTE 1 --SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Land, finished homes, construction in progress and depreciation (continued) : Construction equipment is carried at cost or at market value when acquired by donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which are generally 3 to 5 years.
- Investments : Investments are carried at market value. Net appreciation in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) of those investments, is reported in the statement of activities. Interest income is accrued as earned.
- Revenue recognition : All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Service revenues are recognized at the time services are provided and the revenues are earned.
- Operations : Results from operations in the statement of activities reflects all transactions increasing or decreasing unrestricted net assets except those items of a capital nature associated with long-term investment or physical facilities.
- Income taxes : The Organization is exempt from federal tax under Section 501(c)(3) of the Internal Revenue Code and comparable state law.
- Advertising : The Organization expenses advertising costs as they are incurred. Advertising expense for the year ended June 30, 2001 is \$1,969.

NOTE 2--HABITAT RESTORE BUILDING MATERIALS RETAIL OPERATION

The Organization includes a used building material retail operation in its activities. This function, the Habitat ReStore, has a three-part mission:

1. to recycle used building materials reducing waste and pollution,
2. to make available low cost materials for homeowners to use in improving their homes, and
3. to generate funds for the home building program that is the heart of Habitat for Humanity.

The ReStore normally receives donations of building materials as builders or building material suppliers complete a project and have miscellaneous material left over, or when individuals complete a remodeling project and are disposing of the replaced items. Many of the items are one of a kind or of limited general use. It is difficult to place a value on the items until they are sold. The cost to maintain an inventory system of such a mixed set of items would be a material cost to the ReStore program. The Organization's practice is not to value the items until they are sold and then to recognize the income as ReStore revenue.

This practice is recommended by Habitat for Humanity International in their Affiliate Operations Manual. The Organization adopted this policy as of June 30, 2000 as the best approach considering efficient use of resources within the San Diego affiliate. This policy is not in accordance with accounting principles generally accepted in the United States of America.

NOTE 2--HABITAT RESTORE BUILDING MATERIALS RETAIL OPERATION (continued)

Adopting this policy caused a change in accounting method which resulted in a prior period adjustment (See Note 11).

The results of the ReStore program for the year ended June 30, 2001 are summarized as follows:

Revenue	\$	389,606
Payroll expense		(44,828)
Rent expense		(92,800)
Other costs of sales		<u>(144,586)</u>
ReStore net income	\$	<u>107,392</u>

NOTE 3--MORTGAGE RECEIVABLES

When the Organization sells a home, it accepts an interest-free installment note generally issued for a term of 20 years. There are no allowances for bad debts. Mortgages receivable as of June 30, 2001 are at face value of \$2,618,154 of which \$163,119 was current and \$2,455,035 was long-term. The Organization records an unamortized discount based on imputed interest rates ranging from 6% to 9%. As of June 30, 2001 the balance of the unamortized discount was \$1,048,723, for a net amount due from mortgages of \$1,569,431.

NOTE 4--BUILDING PROJECTS AND IN-KIND CONTRIBUTIONS

Construction in progress represents costs incurred to build single family homes. Upon completion of construction, these houses will be sold. At that time the construction in progress related to the completed homes are reclassified as cost of goods sold.

The Organization regularly receives contributed services from a large number of volunteers who assist in home construction and by working with the Organization in a variety of other capacities. For the year ended June 30, 2001, a value of \$57,018 has been placed on the services contributed by volunteers.

In-kind contributions of equipment and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of the Organization's activities. During the year ended June 30, 2001 contributions of equipment or other materials were recorded in the amount of \$14,204. These donations are recorded as restricted in-kind contributions, which are released from construction in progress to cost of goods sold upon completion of the project.

NOTE 5--NOTES PAYABLE

Note payable, bank, secured by trust deed on property. Interest at 8.25%, payment of monthly principal and interest of \$4,076 per month through September 2009.	\$ 403,544
Note payable, bank, secured by trust deed on property. Monthly installments of \$438 through February 2016, at 0% interest.	76,325
Note payable, bank, secured by trust deed on property. Interest at 6.75%, payment of monthly principal and interest of \$483 per month through June 2017.	56,238
Note payable, bank, secured by trust deed on property. Interest at 6.62%, payment of monthly principal and interest of \$396 per month through January 2016.	43,538
Three notes payable to a governmental agency secured by real estate and notes receivable with monthly payments of \$541, at 0% interest.	95,355
Note payable to a private party with monthly installment of \$961 of principal and interest of 8.5% through July 2009.	<u>119,705</u>
Total notes payable	794,705
Less current portion	<u>66,000</u>
Long-term portion	<u>\$ 728,705</u>
Future principal payments on long-term debts, are as follows:	
2002	\$ 66,000
2003	66,400
2004	66,815
2005	67,286
2006	67,780
Thereafter	<u>460,424</u>
Total	<u>\$ 794,705</u>

NOTE 6--RESTRICTIONS ON NET ASSET BALANCES

Temporarily restricted net assets represent contributions from donors with specifications on how the funds are to be spent. In the case of San Diego Habitat for Humanity, temporarily restricted net assets represents funds from sponsors identifying specific homes and/or areas of the city in which the home(s) will be built. These funds are held in a money market account and are transferred as specific costs associated with the building of the home(s) are needed to pay for construction costs. As of June 30, 2001, temporarily restricted funds were \$314,269.

NOTE 7--NET ASSETS RELEASED FROM RESTRICTIONS

Net assets are released from temporary donor restrictions when costs are incurred in the construction of the home specifically sponsored. The temporarily restricted funds are held in a money market trust account and transferred to the general operating account as needed. For the year ended June 30, 2001, \$74,301 of temporarily restricted funds were released for construction costs related to sponsored homes.

NOTE 8--FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash equivalents and mortgages receivable. The Organization has cash accounts with financial institutions that are in excess of federally insured limits by \$362,937.

Concentrations of credit risk with respect to mortgage receivables are limited through various monitoring procedures. Bad debt expenses have not been material.

NOTE 9--TITHING TO HABITAT FOR HUMANITY INTERNATIONAL

The Organization annually remits a portion of its contributions (excluding in-kind contributions) to Habitat for Humanity International, Inc. These funds are used exclusively to construct homes in economically depressed areas around the world. For the year ended June 30, 2001, the Organization contributed \$16,800.

NOTE 10--OPERATING LEASE COMMITMENTS

The Organization has various operating leases for office equipment. Minimum lease payments for the years ended June 30, 2002 and 2003 are approximately \$6,500 and \$2,451. The Organization leases warehouse space for its ReStore operations. The present lease expires in August 2002 and the Organization is in the process of renegotiating renewal of the lease. Minimum lease payments for the years ended June 30, 2002 and 2003 are \$92,800 and \$7,733.

NOTE 11--PRIOR PERIOD ADJUSTMENT

As of June 30, 2000, the Organization changed the method of accounting for building materials sold through the ReStore operations (See Note 2). This change resulted in a prior period adjustment to remove the ReStore inventory of \$111,844 as of June 30, 2000. Removing the value of the inventory as of June 30, 2000 resulted in a restatement of unrestricted net assets from the original balance of \$1,413,270 to a restated balance of \$1,301,426 (See the Statement of Net Assets).