



Good Neighbors

San Diego  
Housing Commission

## REPORT

DATE ISSUED: September 29, 2006 REPORT NO: HCR 06-077  
ATTENTION: Chair and Members of the Housing Commission ITEM: 102  
For the Agenda of October 6, 2006  
SUBJECT: Preliminary Items Pursuant to Issuing Multifamily Housing Revenue Bonds for  
16<sup>th</sup> and Market Apartments (Council District 2)

### REQUESTED ACTION:

Take the initial steps to issue Housing Authority mortgage revenue bonds to fund the development of a 136-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.

### 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 16<sup>th</sup> and Market Apartments, by S.V.D.P. Management, Inc. (SVDP) and Chelsea Investment Corporation (Chelsea);
  - 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 16<sup>th</sup> and Market 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 16<sup>th</sup> and Market Apartments at the northwest corner of 16<sup>th</sup> Street and Market Street in the City of San Diego.
2. Housing Commission approve a financing team of Quint & Thimmig LLP as bond counsel and Ross Financial as financial advisor to begin work on the project.

### BACKGROUND

16<sup>th</sup> and Market is a proposed 12-story residential building that is being constructed to partially fulfill the inclusionary housing obligation of Ballpark Village, a 1,500 unit market rate condominium project being developed adjacent to Petco Park by Ballpark Village LLC, a joint venture of Lennar and JMI Realty (Master Developer). The Master Developer is also required to build approximately 35 for-sale affordable units as part of the Ballpark Village project.



The Project

16<sup>th</sup> and Market is a 136-unit new construction development to be located in the East Village of downtown San Diego on a 0.54 acre site at the northwest corner of 16<sup>th</sup> and Market Streets. (A site map is included as Attachment 1.) The project will include a total of 166,579 square feet in a single twelve story building. The ground floor will include 4,700 square feet of retail space and 10,000 square feet of residential common space. The second floor will include an additional 900 square foot community room, a laundry room, and a 6,000 square foot exterior courtyard for outdoor activities. Parking for 114 autos and storage for 40 bicycles will be provided in two-level subterranean parking garage.

Floors two through twelve will contain a mixture of one-, two-, and three-bedroom units. Each unit will include a private balcony with either a street or courtyard view. The three-bedroom units will be concentrated on the lower levels to provide families with easy access to the second level courtyard and community amenities by using either the elevator or a common open stair. The twelfth floor will include a 1,100 square foot community room and a 2,250 square foot outdoor common space.

Housing Affordability

16<sup>th</sup> and Market will accommodate a range of household sizes and income levels. There will be 40 one-bedroom units (29%), 51 two-bedroom units (38%) and 45 three-bedroom units (33%). The project will be restricted for occupancy by, and at rents affordable to, households earning between 30% Area Median Income (AMI) (\$20,700 for a household of four) and 60% AMI (\$41,400 for a household of four). Two units will be reserved for on-site managers and will not be occupancy-restricted. 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
One Bedroom	30% AMI	10	\$367	\$1,300	\$933
One Bedroom	40% AMI	6	\$496	\$1,300	\$804
One Bedroom	50% AMI	16	\$625	\$1,300	\$675
One Bedroom	60% AMI	8	\$755	\$1,300	\$545
Two Bedroom	30% AMI	13	\$438	\$1,750	\$1,312
Two Bedroom	40% AMI	8	\$594	\$1,750	\$1,156
Two Bedroom	50% AMI	20	\$749	\$1,750	\$1,001
Two Bedroom	60% AMI	9	\$904	\$1,750	\$846
Two Bedroom	MGR	1	N/A	\$1,750	N/A
Three Bedroom	30% AMI	11	\$505	\$2,200	\$1,695
Three Bedroom	40% AMI	7	\$684	\$2,200	\$1,516
Three Bedroom	50% AMI	18	\$830	\$2,200	\$1,370
Three Bedroom	60% AMI	8	\$1,002	\$2,200	\$1,198
Three Bedroom	MGR	1	N/A	\$2,200	N/A
<b>Total</b>		<b>136</b>			
<b>Total Annual Savings</b>					<b>\$1,761,036</b>

Development Team

SVDP and Chelsea will be joint venture partners in a limited partnership that will be established to own and operate 16<sup>th</sup> and Market; SVDP will be the managing general partner and an affiliate of Chelsea will be the administrative general partner. SVDP and Chelsea have collaborated on five affordable housing projects during the previous twelve years. These collaborations include: Paul Mirabile Center, a 350 bed short-term single adult facility (1994); Village Place Apartments, a 46-unit permanent affordable housing facility (1996); Toussaint Academy of the Arts and Sciences, a residence and high school for 30 youth (1998); Martha's Village & Kitchen in Riverside County which provides emergency and transitional housing for up to 120 individuals (1999); and Villa Harvey Mandel, a 90-unit permanent affordable housing project dedicating 25 units for mentally ill/chemically dependent adults (2002).

SVDP is the property owner, developer and key partner of St. Vincent de Paul Village, a complex of buildings and programs in downtown San Diego that provides a continuum of care for homeless individuals and families. St. Vincent de Paul Village was established in 1987 and has grown to be the largest homeless service provider in San Diego offering emergency and transitional housing for up to 869 men, women and children on a nightly basis. St. Vincent de Paul currently provides 42% of all available shelter beds in urban San Diego. St. Vincent de Paul provides transitional housing programs for over 4,000 homeless individuals a year as well as comprehensive services including daily meals, case management, counseling, employment skills development, education, child care, access to free healthcare and other supportive services leading to greater self-sufficiency and independence. SVDP and St. Vincent de Paul Village, Inc. are 501c (3) organizations, each with its own Board of Directors; however the agencies collaborate closely for fundraising and program development, and share the same President, Father Joe Carroll. SVDP's Statement for Public Disclosure and most recent financials are included as Attachments 2 and 3.

Chelsea has been developing affordable housing in San Diego and Imperial Counties of southern California and Yuma County, Arizona for nineteen years. Chelsea has developed thirty-nine (39) properties totaling 3,933 units of affordable housing. The following table summarizes the projects that Chelsea has developed in the City of San Diego. Chelsea's Statement for Public Disclosure and most recent financials are included as Attachments 4 and 5.

<u>Project Name</u>	<u>Number of Units</u>
Regency Centre	100
Torrey Highlands	76
Villa Andalucia	32
Villa Glen	26
Windwood Village	92
Rancho del Norte	119
Fairbanks Ridge	204
<b>Total</b>	<b>649</b>

#### Selection of the Financing Team Members

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

#### 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.

It is anticipated that the project will receive a bond allocation at CDLAC's December meeting; however, if necessary, staff will submit additional applications to CDLAC during 2007 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.

The \$40 million allocation that will be sought from CDLAC is approximately 10% higher than the amount for which the project is currently being underwritten (\$36 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 \$36 million estimated bond issuance amount, approximately \$33 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 \$3 million and will be based upon project costs, revenues, and interest rates at the time of bond issuance.

The total development cost of the project is estimated to be approximately \$70 million. Other sources of permanent funds for 16<sup>th</sup> and Market will include a \$10 million low interest loan that has already been secured from the State's Multifamily Housing Program, a donation of the site and equity by SVDP, federal tax credits, and a financial contribution from the Master Developer.

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 and would fully comply with the City's ordinance on bond disclosure.

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. The bonds would not constitute a debt of the City of San Diego. 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. Neither the faith and credit nor the taxing power of the City or the Authority would be pledged to the payment of the bonds. The developer is responsible for the payment of all costs under the financing, including the Housing Commission's annual administrative fee. No local housing funds (Tax increment, Inclusionary, Housing Trust Fund, HOME, CDBG etc.) will be made available to develop the project.

PREVIOUS HOUSING AUTHORITY And/Or COMMITTEE ACTIONS:

On October 22, 2005, the Redevelopment Agency (Agency) approved an Owner Participation Agreement (OPA) for Ballpark Village with the Master Developer. On March 28, 2006, the Agency approved a development permit for 16<sup>th</sup> and Market.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

On May 18, 2005, the Centre City Advisory Committee (CCAC) approved an Owner Participation Agreement (OPA) with the Master Developer that required the provision of affordable housing. On May 25, 2005, the Centre City Development Corporation (CCDC) approved the OPA with the Master Developer. On August 26, 2005 and October 5, 2005, the Housing Commission approved items dealing with the proposed affordable housing requirements of Ballpark Village. On February 15, 2006, CCAC approved a development permit for 16<sup>th</sup> and Market, and on February 22, 2006, CCDC did the same.

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 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. SVDP and Chelsea compose the development team for the project. The SVDP board members and the owners of Chelsea are listed in Attachments 2 and 4. 16<sup>th</sup> and Market will partially satisfy the affordable housing obligations of Ballpark Village LLC (JMI Realty/Lennar Homes). US Bank and the Richmond Group have been tentatively selected to provide debt and equity for the project.

Respectfully submitted,

Approved by,

Cissy Fisher  
Director of Housing Finance & Development

Elizabeth C. Morris  
President & Chief Executive Officer

**Signature on File  
With Original Document**

G:\hfshare\Reports\Bonds reports\16<sup>th</sup> and Market HC Report

- Attachments:
1. Site Map
  2. SVDP's Disclosure Statement\*
  3. SVDP's Financial Statement\*
  4. Chelsea's Developer's Disclosure Statement\*
  5. Chelsea'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

# 16<sup>th</sup> and Market



Source: CCDC Interactive Map, [www.ccdc.com](http://www.ccdc.com)



Good Neighbors

# San Diego Housing Commission

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

## DEVELOPER'S STATEMENT FOR PUBLIC DISCLOSURE

(add extra sheets if you need more space)

1. Name of developer:  
S.V.D.P. Management, Inc.
2. Address, phone number and ZIP Code:  
3350 E Street  
San Diego, CA 92102
3. IRS Number of Developer:  
33-0492304
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:  
N/A
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.  
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.

**Board of Directors – S.V.D.P. Management, Inc.**

- Adelizzi, Bob
- Benson, Judy
- Benson, Roger
- Boudreau, Steve - Board Secretary
- Burdick, Henry
- Conway, Steve
- Fischer, Bob - Board Treasurer
- Francis, Steve - Board Chair
- Jennings, Jackie
- Malcolm, David
- Mulvaney Sr., James
- Norling, Richard
- Panetta, Joseph D.
- Parisi, Charles
- Ward, Linc
- Witt, Ed

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.

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

DISCLOSURE STATEMENT: PAGE 3

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

N/A

Name, Address and  
Zip Code

Description of character and  
extent of interest

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.

N/A

10. The financial condition of the developer, as of December 31, 2004 is reflected in the attached financial statement.

Please see attached.

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:

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>
Merrill Lynch 11181 Bernardo Plaza Ct. San Diego, CA 92128	\$3,000,000
Union Bank of California 530 B St. San Diego, CA 92101	\$1,000,000

DISCLOSURE STATEMENT: PAGE 4

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

Name, Address and ZIP Code of Source \$ Amount

c. By sale of readily salable assets:

Description Market Value Mortgages or Liens

13. Name and addresses of bank references:

Union Bank of California, 530 B St. San Diego, CA 92101  
 Wells Fargo 4365 Executive Dr, San Diego, CA 92121  
 Merrill Lynch 11181 Bernardo Plaza Ct, San Diego, CA 92128

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:

Project Name:	Project Address:	# of Units	Date of Completion
Villa Harvey Mandel (new construction)	72 17 <sup>th</sup> Street, San Diego, CA 92101	A six story, 90-unit permanent affordable housing facility with 8 Shelter + Care units and 25 units set aside for persons with special needs. The unit count consists of 85 studios (326 s.f.) and 5 One-BR (540 s.f.)	May-03
Village Place (rehab)	32 17 <sup>th</sup> Street, San Diego, CA 92101	A two story, 47-unit permanent affordable housing facility with 45 One-BR and 2 Two-BR units	Jan-97
Toussaint Academy of the Arts and Sciences (new construction)	1404 5th Avenue, San Diego, CA 92101	A four story facility with 30 transitional housing beds, 5 permanent affordable studio units	1998
Martha's Village and Kitchen	83791 Date Avenue, Indio, CA 92201	A two story transitional housing complex with 120 beds and 34 private rooms serving homeless families and singles.	January-01

DISCLOSURE STATEMENT: PAGE 5

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

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

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

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

DISCLOSURE STATEMENT: PAGE 6

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:

CERTIFICATION

I ~~(we)~~ FATHER JOE CARROLL 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: 9/28/06

Date: \_\_\_\_\_

Father Joe Carroll  
Signature

\_\_\_\_\_  
Signature

Title: President

Title: \_\_\_\_\_

Address & ZIP Code

3350 E St.  
San Diego Ca 92102

\_\_\_\_\_  
\_\_\_\_\_

**S.V.D.P. Management, Inc.  
and Consolidated Entities**

**Report on Consolidated Financial Statements  
(With Supplementary Information)**

**Years Ended December 31, 2004 and 2003**

# S.V.D.P. MANAGEMENT, INC. AND CONSOLIDATED ENTITIES

## Index

	<u>Page</u>
Report of Independent Public Accountants	2
Consolidated Statements of Financial Position December 31, 2004 and 2003	3
Consolidated Statements of Activities Years Ended December 31, 2004 and 2003	4
Consolidated Statements of Cash Flows Years Ended December 31, 2004 and 2003	5-6
Notes to Consolidated Financial Statements	7-22
Report of Independent Public Accountants on Supplementary Information	23
S.V.D.P. Management, Inc.:	
Statements of Financial Position December 31, 2004 and 2003	24
Statements of Activities Years Ended December 31, 2004 and 2003	25

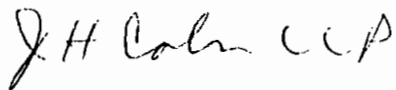
**Report of Independent Public Accountants**

To the Board of Directors  
S.V.D.P. Management, Inc.

We have audited the accompanying consolidated statements of financial position of S.V.D.P. Management, Inc. and Consolidated Entities ("S.V.D.P.") as of December 31, 2004 and 2003, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of S.V.D.P.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of S.V.D.P. Management, Inc. and Consolidated Entities as of December 31, 2004 and 2003, and the changes in their net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



San Diego, California  
September 23, 2005

**S.V.D.P. MANAGEMENT, INC. AND CONSOLIDATED ENTITIES**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2004 AND 2003**

<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
Current assets:		
Cash and cash equivalents	\$ 527,119	\$ 314,759
Investments, at market	3,328,396	3,728,097
Current portion of contributions receivable	606,790	824,000
Grants receivable	206,855	83,492
Due from San Diego Health and Faith Alliance, Inc.	220,205	
Inventory	1,353,552	
Prepaid expenses and other current assets	177,835	259,312
Total current assets	<u>6,420,752</u>	<u>5,209,660</u>
Property and equipment:		
Land	11,471,483	11,712,399
Buildings and improvements	52,557,464	52,481,546
Construction in progress	5,471,503	2,006,286
Furniture and equipment	3,860,512	3,302,702
	<u>73,360,962</u>	<u>69,502,933</u>
Less accumulated depreciation and amortization	<u>(15,529,566)</u>	<u>(13,592,500)</u>
	<u>57,831,396</u>	<u>55,910,433</u>
Designated cash fund and statutory reserves	703,201	665,338
Long-term investments	592,768	
Investment in limited partnership	1,457,831	1,352,389
Charitable remainder trusts	1,068,668	836,853
Contributions receivable, net of current portion	173,863	374,045
Bond issuance costs, net	363,790	377,779
Due from St. Vincent de Paul Village, Inc.		23,166
Deposits and other assets	333,364	349,094
	<u>333,364</u>	<u>349,094</u>
Total assets	<u>\$ 68,945,633</u>	<u>\$ 65,098,757</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,045,421	\$ 1,703,368
Current portion of long-term debt	31,462	252,868
Total current liabilities	<u>2,076,883</u>	<u>1,956,236</u>
Liability under charitable remainder trusts	290,186	
Long-term debt, net of current portion	14,274,436	12,558,482
Development fee payable to St. Vincent de Paul Village, Inc.	703,136	675,900
Due to St. Vincent de Paul Village, Inc.	3,274,272	4,869,193
Due to Martha's Village and Kitchen, Inc.	2,599,573	2,476,342
Total liabilities	<u>23,218,486</u>	<u>22,536,153</u>
Limited partners' interests in real estate limited partnerships	<u>9,365,543</u>	<u>9,559,905</u>
Commitment and contingencies		
Net assets:		
Unrestricted	33,750,678	29,985,412
Temporarily restricted	2,610,926	3,017,287
Total net assets	<u>36,361,604</u>	<u>33,002,699</u>
Total liabilities and net assets	<u>\$ 68,945,633</u>	<u>\$ 65,098,757</u>

See Notes to Consolidated Financial Statements.

**S.V.D.P. MANAGEMENT, INC. AND CONSOLIDATED ENTITIES**

**CONSOLIDATED STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
Changes in unrestricted net assets:		
Revenue, contributions and other:		
Contributions from organizations, foundations and individuals	\$ 362,126	\$ 531,296
Automotive division	12,845,525	
Contract charges for services to St. Vincent de Paul Village, Inc. Transitional Housing Centers	5,518,321	5,518,321
Rental income	4,052,282	3,819,821
Grants	785,725	832,827
Interest income	211,667	305,896
Miscellaneous income	242,636	433,103
Net assets transferred from St. Vincent de Paul Village, Inc.	2,081,462	
Net assets released from donor restrictions	477,925	51,114
Total revenue, contributions and other	<u>26,577,669</u>	<u>11,492,378</u>
Expenses and donations:		
Administration	<u>922,547</u>	<u>804,983</u>
Fundraising	<u>246,030</u>	<u>202,684</u>
Program expenses:		
Salaries and employee benefits	7,243,595	4,347,687
Food	2,254,479	2,215,597
Advertising	2,087,682	28,653
Preparation expense of donated vehicles	1,924,587	
Other	4,488,134	3,482,378
Interest	536,425	488,231
Depreciation and amortization	1,871,635	1,615,683
Total program expenses	<u>20,406,537</u>	<u>12,178,229</u>
Donation to Martha's Village and Kitchen, Inc.	<u>2,140,414</u>	<u>535,398</u>
Total expenses and donations	<u>23,715,528</u>	<u>13,721,294</u>
Change in unrestricted net assets before equity of limited partners in losses of limited partnerships	2,862,141	(2,228,916)
Equity of limited partners in operating results of real estate limited partnerships	<u>903,125</u>	<u>906,532</u>
Change in unrestricted net assets	<u>3,765,266</u>	<u>(1,322,384)</u>
Temporarily restricted assets:		
Contributions	71,564	392,662
Net assets released from donor restrictions	<u>(477,925)</u>	<u>(51,114)</u>
Change in temporarily restricted net assets	<u>(406,361)</u>	<u>341,548</u>
Change in net assets	3,358,905	(980,836)
Net assets at beginning of year	<u>33,002,699</u>	<u>33,983,535</u>
Net assets at end of year	<u>\$36,361,604</u>	<u>\$33,002,699</u>

See Notes to Consolidated Financial Statements.

**S.V.D.P. MANAGEMENT, INC. AND CONSOLIDATED ENTITIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
Increase (decrease) in cash and cash equivalents:		
Operating activities:		
Revenue, contributions and other:		
Contributions from organizations, foundations and individuals	\$ 365,715	\$ 1,714,864
Automotive division	12,277,778	
Contract charges for services to St. Vincent de Paul Village, Inc.		
Transitional Housing Centers	5,518,321	5,518,321
Rental income	4,052,282	3,819,821
Grants	662,362	826,358
Interest income	211,667	305,896
Miscellaneous income	246,347	410,048
	<u>23,334,472</u>	<u>12,595,308</u>
Expenses and donations:		
Administration	922,547	1,007,667
Fundraising	246,030	202,684
Program:		
Salaries and employee benefits	7,114,108	4,966,271
Other operating expenses	10,888,772	5,354,697
Interest	459,297	488,231
Donation to Martha's Village and Kitchen, Inc.	2,140,414	125,000
	<u>21,771,168</u>	<u>12,144,550</u>
Net cash provided by operating activities	<u>1,563,304</u>	<u>450,758</u>
Investing activities:		
Proceeds from sale of properties	660,000	1,003,383
Purchases of property and equipment	(3,545,659)	(4,955,783)
Purchase of investments	(4,734,412)	(3,500,447)
Proceeds from sale of investments	4,448,062	3,270,015
Advances to San Diego Health and Faith Alliance, Inc.	(220,205)	
Repayment of advance from Martha's Village and Kitchen, Inc.	481,219	
Net cash used in investing activities	<u>(2,910,995)</u>	<u>(4,182,832)</u>
Financing activities:		
Capital contributions to limited partnerships by outside limited partners	708,763	2,881,662
Repayments of Martha's Village, L.P. from Martha's Village and Kitchen, Inc. - net	(402,570)	(320,879)
Payment of accounts payable used to finance building construction		(1,116,315)
Advance from (to) St. Vincent de Paul Village, Inc.	(202,827)	166,046
Net proceeds from borrowings	1,950,935	2,130,050
Payments on long-term debt	(81,387)	(384,323)
Increase in designated cash fund and statutory reserves	(412,863)	(537,351)
Net cash provided by financing activities	<u>1,560,051</u>	<u>2,818,890</u>
Net increase (decrease) in cash and cash equivalents	212,360	(913,184)
Cash and cash equivalents at beginning of year	<u>314,759</u>	<u>1,227,943</u>
Cash and cash equivalents at end of year	<u>\$ 527,119</u>	<u>\$ 314,759</u>

See Notes to Consolidated Financial Statements.

**S.V.D.P. MANAGEMENT, INC. AND CONSOLIDATED ENTITIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONCLUDED)  
YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 3,358,905	\$ (980,836)
Net assets transferred from St. Vincent de Paul Village, Inc.	(2,081,462)	
Contributions to Martha's Village and Kitchen, Inc.		410,398
Bad debt expenses		183,976
Depreciation and amortization	1,871,635	1,615,683
Gain on sale of properties	(147,943)	(336,420)
Donation of land	(340,000)	(530,000)
Limited partners' equity in operating results of partnerships	(903,125)	(906,532)
Accretion of discount on investment in limited partnership	(145,367)	(145,367)
Realized and unrealized (gain) loss on investments	93,283	(23,055)
Interest financed through construction loan		69,708
Change in value of charitable remainder trusts	58,371	(54,899)
Changes in operating assets and liabilities:		
Contributions receivable	417,392	1,418,507
Grants receivable	(123,363)	(6,469)
Inventory	(567,747)	
Beneficial interest in charitable remainder trusts		(119,374)
Other assets	179,198	(147,655)
Accounts payable and accrued liabilities	(106,473)	3,093
Net cash provided by operating activities	<u>\$ 1,563,304</u>	<u>\$ 450,758</u>
Supplemental disclosure of noncash investing and financing activities:		
Increase in fixed assets of Villa Harvey Mandel, L.P. for developer fee, accrued construction costs, and accrued interest		<u>\$ 658,157</u>
Repayment of construction loan from capital contribution		<u>\$ 3,100,193</u>
Payment on bond by using designated cash fund	<u>\$ 375,000</u>	<u>\$ 1,800,000</u>
Accrued expenses for deferred charges		<u>\$ 36,900</u>
Distribution accrued in Mirabile Housing, L.P., not paid		<u>\$ 24,341</u>
Contribution to Martha's Village and Kitchen, Inc.		<u>\$ 410,398</u>

See Notes to Consolidated Financial Statements.

## S.V.D.P. MANAGEMENT, INC. AND CONSOLIDATED ENTITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### Note 1 - Organization and summary of significant accounting policies:

##### **Organization:**

S.V.D.P. Management, Inc. ("Management"), also known as Father Joe's Villages, develops, maintains and leases property, receives and sells donated automobiles and provides contract services for St. Vincent de Paul Village, Inc. ("Village"), which through its fundraising activities, provides charitable services for the homeless in San Diego and Indio. Management is also the general partner of Mirabile Housing, L.P., Village Place Apartments, L.P., Martha's Village, L.P., Toussaint Teen Center, L.P., Villa Harvey Mandel, L.P. and a limited partner in a family limited partnership. The automotive division was transferred from Village to Management at the beginning of 2004.

##### **Mirabile Housing, L.P.**

In 1995, Management formed Mirabile Housing, L.P., a California limited partnership ("Mirabile Housing") with Management as the general partner and Chevron U.S.A., Inc. as the Investor Limited Partner. The partnership was formed to develop and operate low-income housing, including housing that qualifies for low-income housing credits under Section 42 of the Internal Revenue Code. In connection with the formation of the partnership, Management transferred the land, buildings and equipment of the Paul Mirabile Center to the partnership in exchange for a \$8,447,740 note receivable which bears interest at 6¾%. The note is collateralized by the property. Interest and principal payments are due from cash flows (as defined). The Investor Limited Partner has contributed \$4,375,641 to the capital of the partnership. These capital contributions were used to repay partnership expenses and obligations to Management for developing and financing the project. Management's share of the partnership profits and losses is 1%. The Investor Limited Partner receives 99% of the profits and losses.

The partners have received \$749,821 annually of Federal low-income housing tax credits from the California Tax Credit Allocation Committee ("TCAC"). A partial credit was received for 2004.

##### **Village Place Apartments, L.P.**

Village Place Apartments, L.P. ("Village Place") is a California limited partnership formed to develop and operate affordable housing, including housing that qualifies for low-income housing credits under Section 42 of the Internal Revenue Code. At the date of formation of the Partnership, January 16, 1997, Management became the General Partner and on June 1, 1997, under the First Amendment to Limited Partnership Agreement dated July 1, 1997, Columbia Housing Partners Corporate Tax Credit V Limited Partnership was admitted as the sole Investor Limited Partner. The Investor Limited Partner has invested \$472,981. Partnership profits and losses are allocated 0.01% to the General Partner and 99.99% to the Investor Limited Partner.

The partners receive \$66,400 annually of Federal low-income housing tax credits for each year through 2007.

## S.V.D.P. MANAGEMENT, INC. AND CONSOLIDATED ENTITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### **Note 1 - Organization and summary of significant accounting policies (continued):**

##### **Organization (continued):**

Construction of the Village Place Apartments, a 47-unit apartment complex for low to moderate income tenants, was completed in June 1997 and was subsequently placed in service. The costs of the land and rehabilitation of the apartments were paid by Management and title to the property was transferred to the Partnership on February 26, 1997. Village Place issued a note payable to Management for \$1,173,633 in payment of such costs and has an obligation for the payment of a development fee to Management. This loan was repaid from permanent financing obtained from the California Housing Finance Agency ("CHFA"). The project is operated under a Regulatory Agreement that regulates rent charges, operating methods and other matters.

##### **Martha's Village, L.P.**

Martha's Village, L.P. ("Martha's Village") is a California limited partnership formed in 1999 to acquire, own, develop and operate low-income housing, including housing that will qualify for low-income housing credits, under Section 42 of the Internal Revenue Code.

Construction of the low-income transitional housing building was substantially completed in January 2001 and was subsequently placed in service, at which time Martha's Village commenced operations.

Under the first amendment to the first amended and restated Agreement of Limited Partnership effective on August 24, 2001, Martha's Village and Kitchen, Inc., transferred its general partnership interest of \$279,983 to Management. Banc of America Housing Fund III D Limited Partnership is the limited partner. The Partnership term expires December 31, 2050. Management has contributed land valued at \$280,000 to the Partnership. The limited partner has contributed \$2,615,387. Partnership profits and losses are allocated .01% to the general partner and 99.99% to the limited partner.

Martha's Village has received the approval from the TCAC to allocate annual federal tax credits of \$312,285 until 2009.

The building was leased to Management for 16 years beginning in 2001. Annual rent of \$220,000 is payable in monthly installments of \$18,333. Management in turn has leased the building to Martha's Village and Kitchen, Inc. until December 31, 2004 with a subsequent renewal through December 31, 2009 for an annual rent of \$240,000 payable \$20,000 per month. Management was awarded a grant from the Department of Housing and Urban Development to provide funding of \$1,947,500 for the operations of the building. Included in this amount was \$376,309 which was loaned to Martha's Village to purchase certain equipment. The grant was renewed annually through November 2005 with an additional funding of \$525,000 each year. The loan is secured by a trust deed on the property, bears interest at .5% and is due in 2055.

## S.V.D.P. MANAGEMENT, INC. AND CONSOLIDATED ENTITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### **Note 1 - Organization and summary of significant accounting policies (continued):**

##### **Organization (continued):**

Martha's Village has also engaged Management under a property management agreement, which is renewable every three years, to manage the property until December 31, 2006. Management will receive a fee of 10% of the monthly net rental income to the extent sufficient funds are available. Funds were not available in 2004 and 2003 for this fee.

##### **Toussaint Teen Center, L.P.**

In 1997, Management purchased land and a building in San Diego, California. Management rehabilitated the building for use as a center for homeless teenagers in transition. The cost of the property was \$1,051,075 and the rehabilitation costs were \$3,006,677. It was Management's intention to have the building qualify for low-income housing credits under Section 42 of the Internal Revenue Code.

In 1999, Management formed a California limited partnership, Toussaint Teen Center, L.P. ("Teen Center"), to acquire, develop, finance and operate the 21-unit building for rental to low-income individuals. Management became the General Partner and Reverend Joseph A. Carroll became the Limited Partner.

On May 30, 2002, Management entered into an amended and restated agreement of limited partnership wherein Management contributed its interest in the rehabilitated building and certain other costs to the Teen Center, Reverend Joseph A. Carroll withdrew, U.S.A. Institutional Tax Credit Fund XXVII, L.P. was admitted as the Investment Partner and the Richman Group Capital Corporation was admitted as the Special Limited Partner.

In accordance with the amended agreement, the limited partners contributed \$837,614 to the Teen Center of which \$708,763 was received in 2004. The \$708,763 contribution is to be held in a restricted account until 2015, but may be released earlier under certain conditions. Partnership profits and losses will be allocated .01% to both Management and the Special Limited Partner and 99.98% to the Investment Partner.

The partners will receive \$142,723 annually of Federal low-income housing tax credits from the TCAC until 2008. In the event all of the credit is recaptured or all of the reported credit becomes unavailable, the limited partners have the option to have the General Partner pay for certain amounts of the credits taken by the limited partners.

## S.V.D.P. MANAGEMENT, INC. AND CONSOLIDATED ENTITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### Note 1 - Organization and summary of significant accounting policies (continued):

##### Organization (concluded):

##### Villa Harvey Mandel, L.P.

Villa Harvey Mandel, L.P. ("Villa Harvey Mandel"), a California limited partnership, was formed for the purpose of developing, managing, and operating a 90-unit multi-family apartment complex that qualifies for low-income housing credits under Section 42 of the Internal Revenue Code to be known as Calexico Family Apartments (the "Project") located in San Diego, California.

From October 19, 2001 to February 12, 2002, the general partner of the Partnership was Management, and the limited partner was Reverend Joseph A. Carroll. On February 12, 2002, the initial limited partner, Reverend Joseph A. Carroll withdrew from the partnership and TRGHT, Inc., a Delaware corporation, and The Richman Group Capital Corporation, a Delaware corporation, were admitted to the partnership as the investor limited partner and special limited partner, respectively. On February 12, 2002, TRGHT, Inc. withdrew from the partnership as the investor limited partner, and U.S.A. Institutional Tax Credit Fund XXVIII, L.P., a Delaware limited partnership was admitted as the investor limited partner. Therefore, from February 12, 2002 to December 31, 2002, the investor limited partner was U.S.A. Institutional Tax Credit Fund XXVIII, L.P. (the "Investment Partner"), and the special limited partner was The Richman Group Capital Corporation (the "Special Limited Partner"). Under the amended and restated Agreement of Limited Partnership (the "Partnership Agreement"), the Investment Partner is scheduled to contribute \$7,223,250. The Investment Partner has contributed \$6,796,655 through December 31, 2004 and will contribute an additional \$426,595 under certain provisions of the Partnership Agreement. Partnership profits and losses will be allocated to .01% to both Management and the Special Limited Partner and 99.98% to the Investment Partner.

Villa Harvey Mandel expects to generate an aggregate of \$9,106,290 of low-income housing tax credits from the TCAC. Generally, such credits become available for use by its partners pro rata over a ten-year period beginning in June 2003. In order to qualify for these credits, the Project must comply with various federal and state requirements. These requirements include, but are not limited to, renting to low-income tenants at rental rates which do not exceed specified percentages of area median gross income for the first 15 years of operation. The partnership has also agreed to maintain and operate the Project as low-income housing for another 40 years after that period ends.

## S.V.D.P. MANAGEMENT, INC. AND CONSOLIDATED ENTITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### **Note 1 - Organization and summary of significant accounting policies (continued):**

##### **Principles of consolidation:**

Management, Mirabile Housing, Village Place, Martha's Village, Teen Center and Villa Harvey Mandel have been consolidated and all material intercompany transactions and accounts have been eliminated in the accompanying consolidated financial statements.

##### **Basis of accounting:**

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations". Accordingly, Management is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. All donations are considered to be available for unrestricted use unless specifically restricted by the donor. Management has no permanently restricted net assets.

##### **Investments:**

Management carries investments in equity securities with readily determinable fair values and all investments in debt securities at fair value with realized and unrealized gains and losses included in the statements of activities.

##### **Inventory:**

Inventory consists primarily of donated automobiles and property held for resale, and is stated at estimated fair value on the date of donation.

##### **Administration and fundraising expenses:**

Administration and fundraising expenses were \$1,168,577 and \$1,007,667 in 2004 and 2003, respectively.

Total administrative and fundraising expenses for the San Diego St. Vincent de Paul Organization were \$3,715,087 or 14% of total donations, grants and income from retail operations in 2004.

##### **Contributions:**

Management records promises to give and receive cash and other assets by both donees and donors at fair value in the period in which the promise is made. Conditional promises to give are recognized when the conditions are substantially met in accordance with SFAS No.116, "Accounting for Contributions Received and Contributions Made".

## S.V.D.P. MANAGEMENT, INC. AND CONSOLIDATED ENTITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### **Note 1 - Organization and summary of significant accounting policies (continued):**

##### **Contributions (concluded):**

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a current risk-free interest rate. Accretion of the discount is included in contribution revenue. Conditional promises to give are not included as contributions until such time as the conditions are substantially met.

##### **Expiration of donor restrictions:**

The expiration of a donor restriction on a contribution is recognized in the period in which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

##### **Long-lived assets:**

Management records impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount.

##### **Use of estimates:**

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

##### **Cash equivalents:**

Management considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents.

##### **Concentration of credit risk:**

Management maintains its cash balances in three financial institutions. As of December 31, 2004, the balances exceeded the Federal Deposit Insurance Corporation limitation coverage by approximately \$638,000. Management reduces its exposure to credit risk by maintaining such deposits with high credit quality financial institutions.

##### **Advertising:**

Management expenses advertising costs as incurred. Advertising costs were primarily for the automotive division for the year ended December 31, 2004.

**S.V.D.P. MANAGEMENT, INC. AND CONSOLIDATED ENTITIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 - Organization and summary of significant accounting policies (concluded):**

**Income taxes:**

Management is exempt from income taxes on the basis that it qualifies under Section 501(c)(3) of the Internal Revenue Code and Section 23701 (d) of the California Franchise Tax Code.

**Property and equipment:**

Property and equipment is stated at cost. Depreciation and amortization are provided using the straight-line method over estimated useful lives of the assets.

**Bond issuance costs:**

Bond issuance costs are capitalized and amortized over the term of the bond using the straight-line method.

**Reclassification:**

Certain reclassifications have been made to the 2003 consolidated financial statements to conform to the 2004 consolidated financial statements.

**Note 2 - Property and equipment:**

Property and equipment includes land, buildings and improvements, equipment, leasehold improvements and construction in progress for the following facilities operated by various entities of St. Vincent de Paul organizations:

	<u>2004</u>	<u>2003</u>
Joan Kroc Center	\$12,580,621	\$12,343,353
Martha's Village	9,135,739	9,135,739
Paul Mirabile Center	8,445,580	8,445,580
"E" Street headquarters	3,850,018	3,830,863
Bishop Maher Center	2,585,879	2,585,879
Thrift warehouses and stores	2,363,695	2,363,695
Toussaint Teen Center	4,057,752	4,057,752
Otay Mesa property	6,767,105	4,145,982
Josue AIDS Centers	487,101	487,101
El Cajon Boulevard property	486,274	396,164
Village Place Apartments	1,362,309	1,362,309
Flying "A" Ranch	1,430,252	908,742
Village residences	2,904,074	2,903,308
Villa Harvey Mandel	13,229,417	13,229,417
Campo Ranch	2,588,514	2,542,741
Single family residences	249,441	239,488
Pala land and improvement	340,000	
Automotive division	497,191	
Las Vegas Thrift Store		524,820
Totals	<u>\$73,360,962</u>	<u>\$69,502,933</u>

**S.V.D.P. MANAGEMENT, INC. AND CONSOLIDATED ENTITIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 3 - Related party transactions:**

Management has month-to-month contracts with the Village to provide administrative, security, food, building repairs and maintenance services. Charges under these contracts were \$5,518,321 in 2004 and 2003.

Management and Mirabile Housing lease property to the various operating activities of the Village under long-term operating leases expiring through 2009. Certain of these leases are adjusted annually for changes in the Consumer Price Index. Aggregate minimum lease payments expected to be received by Management and Mirabile Housing from Village operating activities after December 31, 2004 are as follows:

<u>Year Ending December 31,</u>	<u>Transitional Housing</u>
2005	\$ 2,603,081
2006	2,618,788
2007	2,634,967
2008	572,128
2009	<u>589,291</u>
 Total	 <u>\$ 9,018,255</u>

Included in rental income were amounts from related parties of \$2,950,857 and \$2,926,408 in 2004 and 2003, respectively.

Amounts receivable from and (payable to) St. Vincent de Paul Village, Inc. as of December 31, 2004 and 2003 were as follows:

	<u>2004</u>	<u>2003</u>
Transitional housing	\$ (2,074,411)	\$ (252,293)
Retail	(4,094,072)	(4,767,659)
Fundraising	<u>2,894,211</u>	<u>150,759</u>
 Totals	 <u>\$ (3,274,272)</u>	 <u>\$ (4,869,193)</u>

Management made donations to support the operation of Martha's Village and Kitchen, Inc., an affiliate, in the amount of \$2,140,414 in 2004 and \$535,398 in 2003.

Food purchases by Management from Village retail operations were \$759,659 and \$841,897 in 2004 and 2003, respectively.

**S.V.D.P. MANAGEMENT, INC. AND CONSOLIDATED ENTITIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 3 - Related party transactions (concluded):**

Martha's Village, L.P. has notes and advances payable to Martha's Village and Kitchen, Inc., an affiliate, in the amount of \$5,296,594. These obligations bear interest of .5% and \$5,190,472 is due in 2055. This amount is secured by a trust deed on the property. These amounts have been offset by Management's receivables of \$2,697,021 due from Martha's Village and Kitchen, Inc. in the consolidation.

On February 12, 2002, Village and Chelsea Investment Corporation ("CIC") (collectively the "Developers") entered into an agreement with Villa Harvey Mandel to supervise and oversee the development of the Project for a development fee of \$1,094,858. The development fee is to be earned as services are performed. The Village will receive 60% and CIC will receive 40% of the development fee. In the event that a portion of the fee is deferred, the cash portion of the development fee will be paid first to CIC. As of December 31, 2004 and 2003, \$651,605 and \$656,915, respectively, of the developer fee was due to the Village. The deferred portion of the developer fee not to exceed \$650,915 accrues interest at 5% per annum from the date of completion of the Project at June 2003. At December 31, 2004 and 2003, accrued interest payable to the Village amounted to \$51,531 and \$18,985, respectively.

Management made advances for the operation of San Diego Health and Faith Alliance, Inc. in the amount of \$220,205 in 2004.

**Note 4 - Long-term debt:**

Long-term debt consists of the following:

	<u>2004</u>	<u>2003</u>
4% Certificates of Participation (A)	\$ 5,310,000	\$ 5,685,000
Note payable to bank in monthly installments of \$18,559 due September 2012. Interest at LIBOR plus 1.75% secured by property.		1,671,458
Note payable to bank due November 1, 2005. Interest at prime rate plus .50% (5.75% at December 31, 2004), secured by property. (B)	3,576,716	
6% mortgage note payable to CHFA in monthly installments of \$7,195 through 2027 by Village Place, collateralized by property and equipment.	1,070,214	1,093,362

**S.V.D.P. MANAGEMENT, INC. AND CONSOLIDATED ENTITIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 4 - Long-term debt (continued):**

	<u>2004</u>	<u>2003</u>
\$2,000,000 note payable to San Diego Housing Commission by Villa Harvey Mandel in annual installments commencing April 1, 2004 of the greater of 50% of the project's residual receipts as defined in the loan agreement or \$27,034, applied first to unpaid interest and then to principal. The term is fifty-five years, due January 31, 2057 with interest at 5.6%, secured by a Deed of Trust.	<b>\$ 2,000,000</b>	\$ 1,999,000
AHP loan payable to a bank by Villa Harvey Mandel, due in 2020 and secured by a Deed of Trust, a Security Agreement, an assignment of rents, and a Fixture Filing. Interest accrues at 1%.	<b>900,000</b>	900,000
AHP loan payable to bank by Martha's Village due in 2031. Interest at FHLB rate (2.118% at December 31, 2004), secured by property.	<b>500,000</b>	500,000
CCDC loan payable to the Redevelopment Agency of the City of San Diego by Villa Harvey Mandel in annual installments commencing April 1, 2004 of the remaining balance of the residual receipts calculation under the Order of Priority as defined in Section 8(b) of the loan agreement. The term is fifty-five years, due September 30, 2057 with interest at 5%, secured by a subordinate Deed of Trust, a Security Agreement, an assignment of rent and leases, and an assignment of agreements.	<b>920,000</b>	920,000
Other	<b><u>28,968</u></b>	<u>42,530</u>
	<b>14,305,898</b>	12,811,350
Less current portion	<b><u>31,462</u></b>	<u>252,868</u>
Long-term debt	<b><u>\$14,274,436</u></b>	<b><u>\$12,558,482</u></b>

## S.V.D.P. MANAGEMENT, INC. AND CONSOLIDATED ENTITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### Note 4 - Long-term debt (continued):

- (A) In June 1998, Management issued \$7,485,000 of Certificates of Participation Bonds ("Bonds") to the California Statewide Communities Development Authority. Proceeds from the issuance of the Bonds were used to repay certain indebtedness and provide reserve funds for future properties. The Bonds are collateralized by certain real estate and bank standby letters of credit which expired on June 24, 2003 and which were extended to June 28, 2008. The agreement provided that no more than \$7,485,000 and \$110,737 may be drawn under the principal and interest portion, respectively, of these letters of credit. The letters of credit require that Management maintain certain debt service coverage and debt to equity covenants. The initial interest rate on the Bonds was 4% which is subject to periodic adjustments. Management is required to set aside in a designated sinking fund \$375,000 in years 2003 through 2007 and \$125,000 in 2008 as collateral for the letters of credit. Management repaid \$375,000 and \$1,800,000 of this loan in 2004 and 2003, respectively. The designated sinking fund amounted to \$246,947 at December 31, 2004. The Bonds are due February 1, 2028.
- (B) The construction loan is due within one year, but has been classified as long-term because Management has the ability through a bank commitment agreement to convert this obligation into a permanent loan with a ten year term. Management intends to refinance the construction loan by replacing it with long-term debt.

Maturities of long-term debt in each of the five years subsequent to December 31, 2004 and thereafter are as follows:

2005	\$ 31,462
2006	112,781
2007	135,022
2008	135,251
2009	143,593
Thereafter	<u>13,747,789</u>
Total	<u>\$14,305,898</u>

Management maintains certain reserves under the CHFA loan amounting to \$251,454 at December 31, 2004.

Management is also required to maintain an operating reserve of at least \$125,000 throughout the term of the Partnership for Martha's Village. In addition, Management is required to make an annual deposit of \$13,600 as a replacement reserve for any major repair, capital expenditures and replacement of capital items in the project. The replacement reserve amounted to \$40,800 at December 31, 2004. Interest earned on both reserves shall be added to the reserves. During 2003, a portion of the capital contribution from the investor limited partner was used to fund the reserves.

## S.V.D.P. MANAGEMENT, INC. AND CONSOLIDATED ENTITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### **Note 4 - Long-term debt (concluded):**

Management maintains restricted bank accounts for Village Place and Villa Harvey Mandel tenants' security deposits which amounted to \$39,000 at December 31, 2004.

The net book value of the land and buildings collateralizing the long-term debt was \$28,779,246 at December 31, 2004.

In July 2003, Management was awarded a loan of \$499,862 from the State of California for the rehabilitation of the Joan Kroc and Bishop Maher transitional housing centers, funding for which will expire in June 2005. The loan will be secured by a trust deed on the properties, bear interest at 3% and will be due in seven years. No amount has been drawn on this loan as of December 31, 2004. \$258,473 has been drawn subsequent to December 31, 2004 before the loan expired.

In September 2003, Paul Mirabile Center was awarded a loan of \$443,194 from the State of California for the rehabilitation of the center, funding for which was extended through January 2007. The loan will be secured by a trust deed on the properties, bear interest at 3% and will be due in seven years. No amount has been drawn on this loan as of December 31, 2004 or subsequent to December 31, 2004.

#### **Note 5 - Investment in limited partnership:**

A former Chairman of the Village contributed a 19.6% interest in a limited partnership to St. Vincent de Paul Village, Inc. The assets of the partnership were sold and the Chairman and the Village transferred their interest in the partnership to VJB Partners, L.P. The resulting Village interest was assigned to Management. As a result of these transactions, Management has a 97% limited partnership interest in VJB Partners, L.P., the assets of which include cash, investments and a note receivable from the general partner. Management also has an option exercisable on December 31, 2035 (or sooner under certain circumstances) to sell its interest back to the partnership for the greater of \$4,500,000 or the fair market value of its interest.

The future fair value of the partnership is collateralized by insurance policies on the lives of the former Chairman and his spouse.

Based upon life expectancy tables, the present value of Management's estimated minimum interest in the partnership has been recorded as an investment under temporarily restricted net assets. Periodic adjustments are being made to the carrying amount of the investment for the accretion of the discount over the life expectancy of the donor at date of donation.

**S.V.D.P. MANAGEMENT, INC. AND CONSOLIDATED ENTITIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 6 - Contributions receivable:**

Contributions receivable are summarized as follows at December 31:

	<u>2004</u>	<u>2003</u>
Contributions receivable	\$ 406,040	\$ 400,000
Capital campaign pledges expected to be collected in:		
Less than one year	261,000	448,000
One to five years	<u>241,000</u>	<u>462,000</u>
	908,040	1,310,000
Less discount	(31,678)	(61,122)
Less reserve	<u>(95,709)</u>	<u>(50,833)</u>
Net contributions receivable	780,653	1,198,045
Less current portion	<u>(606,790)</u>	<u>(824,000)</u>
Noncurrent contributions receivable	<u>\$ 173,863</u>	<u>\$ 374,045</u>

The discount rate used in determining the net present value of contributions receivable ranged from 4.25% to 4.75% at December 31, 2004.

**Note 7 - Charitable remainder trusts:**

Management is the beneficiary under several charitable remainder trusts that it administers or are administered by third parties.

The charitable remainder trust is an arrangement whereby a donor contributes assets in exchange for distributions to a designated beneficiary over the remainder of the beneficiary's life. At the end of that time, the remaining assets will be given to Management.

For charitable remainder trusts that Management administers, the assets to be received were recorded at fair value on the date the agreement was recognized, and a corresponding liability equal to the present value of the future distributions was recorded. The difference between the fair value of the assets to be received and the liability to the donors' beneficiaries were recognized as temporarily restricted contributions. On an annual basis, Management revalues the liabilities based on the applicable life expectancy table and a discount rate of 4.25%, the prime rate at the date of donation.

**S.V.D.P. MANAGEMENT, INC. AND CONSOLIDATED ENTITIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 7 - Charitable remainder trusts (concluded):**

For charitable remainder trusts that are administered by third parties, the beneficial interest in the trusts were recorded at fair value based on the present value of the future benefits expected to be received from the trust at the date the agreements were recorded. Discounts on the present value of expected benefits are amortized annually.

The total unamortized discount for the charitable remainder trusts was approximately \$273,000 as of December 31, 2004.

**Note 8 - Investments:**

The cost and fair value of investments as of December 31, 2004 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
Short-term:		
Mutual funds	\$ 750,799	\$ 756,253
U.S. government obligations	998,327	993,689
U.S. treasury bills	698,594	696,189
Money market funds	119,019	119,019
Taxable fixed income and preferred stock	200,000	208,560
Corporate stock	<u>624,776</u>	<u>554,686</u>
Totals	<u>\$ 3,391,515</u>	<u>\$ 3,328,396</u>
Long-term - U.S. government obligations	<u>\$ 592,768</u>	<u>\$ 592,768</u>

The cost and fair value of investments as of December 31, 2003 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
Short-term:		
Mutual funds	\$ 1,501,359	\$ 1,523,631
U.S. government obligations	1,915,962	1,923,656
U.S. treasury bills	99,566	99,765
Money market funds	<u>181,045</u>	<u>181,045</u>
Totals	<u>\$ 3,697,932</u>	<u>\$ 3,728,097</u>

Fair values have been determined by reference to the most recent market quotations for the respective investments.

**S.V.D.P. MANAGEMENT, INC. AND CONSOLIDATED ENTITIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 8 - Investments (concluded):**

Investment returns included in interest or miscellaneous income consists of the following:

	<u>2004</u>	<u>2003</u>
Investment income	\$ 119,219	\$ 118,223
Investment fees	(36,342)	(16,909)
Realized gains	10,704	32,799
Unrealized losses	<u>(93,283)</u>	<u>(9,745)</u>
 Totals	 <u>\$ 298</u>	 <u>\$ 124,368</u>

**Note 9 - 401(k) profit-sharing plan:**

Management participates in a 401(k) profit-sharing plan that covers all eligible employees of the Village and Management. Contributions are made by the Village and Management on a discretionary basis. Management made no contribution in 2004. Management made a contribution of \$98,372 in 2003.

**Note 10- Grant agreement:**

Management has entered into a grant agreement with the U.S. Department of Health and Human Services ("HHS") to serve as an "intermediary organization" providing technical assistance and sub-awards to help smaller organizations operate and manage their programs more effectively. Management was committed to matching funds of approximately \$165,000 for the Compassion Capital Fund Demonstration Program in 2004. Management earned \$785,725 and \$756,534 from this agreement in 2004 and 2003, respectively. From the amount earned, \$340,630 and \$252,231 was paid on sub-awards in 2004 and 2003, respectively. At December 31, 2004, \$467,320 remained under the current grant.

**Note 11- Temporarily restricted net assets:**

Temporarily restricted net assets are available for the following periods or purposes:

	<u>2004</u>	<u>2003</u>
Restricted for use in future periods:		
From charitable remainder trusts	\$ 778,482	\$ 836,853
From investment in VJB LP	1,457,831	1,352,389
 Restricted for specific projects:		
From capital campaign pledges for Campo Ranch and Flying A Ranch projects	374,613	798,045
Other		<u>30,000</u>
 Totals	 <u>\$ 2,610,926</u>	 <u>\$ 3,017,287</u>

S.V.D.P. MANAGEMENT, INC. AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

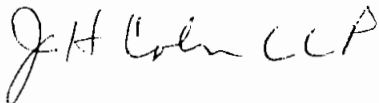
Note 12- Limited partners' interests in real estate limited partnerships:

	Mirabile Housing L.P.	Village Place Apartments L.P.	Martha's Village L.P.	Toussaint Teen Center L.P.	Villa Harvey Mandel L.P.	Total Limited Partners' Interest in Limited Partnerships
Balance, January 1, 2003	\$ 1,522,754	\$ 346,823	\$ 1,344,035	\$ (128,366)	\$ 1,423,677	\$ 4,508,923
Capital contributions			653,850		5,328,005	5,981,855
Distributions	(24,341)					(24,341)
Equity of limited partners in operating results of limited partnerships	<u>(247,372)</u>	<u>(31,639)</u>	<u>(110,547)</u>	<u>(147,346)</u>	<u>(369,628)</u>	<u>(906,532)</u>
Balance, December 31, 2003	1,251,041	315,184	1,887,338	(275,712)	6,382,054	9,559,905
Capital contributions				708,763		708,763
Equity of limited partners in operating results of limited partnerships	<u>(206,280)</u>	<u>(47,061)</u>	<u>(107,675)</u>	<u>(134,045)</u>	<u>(408,064)</u>	<u>(903,125)</u>
Balance, December 31, 2004	<u>\$ 1,044,761</u>	<u>\$ 268,123</u>	<u>\$ 1,779,663</u>	<u>\$ 299,006</u>	<u>\$ 5,973,990</u>	<u>\$ 9,365,543</u>

**Report on Independent Public Accountants  
on Supplementary Information**

To the Board of Directors  
S.V.D.P. Management, Inc.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements of S.V.D.P. Management, Inc. and Consolidated Entities taken as a whole. The supplementary information on pages 24 and 25 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.



San Diego, California  
September 23, 2005

**S.V.D.P. MANAGEMENT, INC.**

**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2004 AND 2003**

<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
Current assets:		
Cash and cash equivalents	\$ 26,377	\$ 3,610
Investments, at market	3,328,396	3,728,097
Current portion of contributions receivable	606,790	824,000
Grants receivable	206,855	83,493
Due from San Diego Health and Faith Alliance, Inc.	220,205	
Prepaid expenses and other current assets	<u>78,817</u>	<u>124,376</u>
Total current assets	<u>4,467,440</u>	<u>4,763,576</u>
Property and equipment:		
Land	8,986,697	9,227,613
Buildings and improvements	20,376,478	20,300,560
Construction in progress	5,471,503	2,006,286
Furniture and equipment	<u>1,798,296</u>	<u>1,737,677</u>
	36,632,974	33,272,136
Less accumulated depreciation and amortization	<u>(10,446,228)</u>	<u>(9,677,908)</u>
	<u>26,186,746</u>	<u>23,594,228</u>
Designated cash fund and statutory reserves	246,947	245,692
Investment in limited partnership	1,457,831	1,352,389
Charitable remainder trusts	1,068,668	836,853
Contributions receivable, net of current portion	173,863	374,045
Bond issuance costs, net	363,790	377,779
Due from Martha's Village and Kitchen, Inc.	2,697,021	3,196,870
Deposits and other assets	153,446	153,496
Due from real estate limited partnerships	9,478,787	9,525,394
Investments in real estate limited partnerships	<u>3,735,373</u>	<u>3,737,527</u>
Total assets	<u>\$ 50,029,912</u>	<u>\$ 48,157,849</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 759,455	\$ 1,113,102
Current portion of long-term debt	<u>10,668</u>	<u>204,520</u>
Total current liabilities	770,123	1,317,622
Liability under charitable remainder trusts	290,186	
Long-term debt, net of current portion	8,905,016	7,194,468
Due to St. Vincent de Paul Village, Inc.	7,886,418	4,869,193
Due to limited partnerships		<u>206,667</u>
Total liabilities	<u>17,851,743</u>	<u>13,587,950</u>
Net assets:		
Unrestricted	29,567,243	31,552,612
Temporarily restricted	<u>2,610,926</u>	<u>3,017,287</u>
Total net assets	<u>32,178,169</u>	<u>34,569,899</u>
Total liabilities and net assets	<u>\$ 50,029,912</u>	<u>\$ 48,157,849</u>

See Report of Independent Public Accountants on Supplementary Information.

**S.V.D.P. MANAGEMENT, INC.**

**STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<b>2004</b>	<b>2003</b>
Changes in unrestricted net assets:		
Revenue, contributions and other:		
Contributions from organizations, foundations and individuals	<b>\$ 362,126</b>	<b>\$ 531,296</b>
Contract charges for services to St. Vincent de Paul Village, Inc. Transitional Housing Centers	<b>5,518,321</b>	<b>5,518,321</b>
Rental income	<b>2,747,572</b>	<b>2,749,271</b>
Contract income from limited partnerships	<b>122,036</b>	<b>118,636</b>
Grants	<b>785,725</b>	<b>832,827</b>
Interest income	<b>739,439</b>	<b>800,396</b>
Miscellaneous income	<b>215,965</b>	<b>409,667</b>
Net assets released from donor restrictions	<b>477,925</b>	<b>51,114</b>
Total revenue, contributions and other	<b>10,969,109</b>	<b>11,011,528</b>
Expenses and donations:		
Administration	<b>922,547</b>	<b>804,983</b>
Fundraising	<b>246,030</b>	<b>202,684</b>
Program expenses:		
Salaries and employee benefits	<b>5,078,858</b>	<b>4,242,236</b>
Food	<b>2,254,479</b>	<b>2,215,597</b>
Advertising	<b>28,255</b>	<b>28,653</b>
Other	<b>3,353,992</b>	<b>3,331,965</b>
Interest	<b>236,069</b>	<b>203,819</b>
Depreciation and amortization	<b>795,073</b>	<b>768,577</b>
Total program expenses	<b>11,746,726</b>	<b>10,790,847</b>
Donation to Martha's Village and Kitchen, Inc.	<b>39,175</b>	<b>535,398</b>
Total expenses and donations	<b>12,954,478</b>	<b>12,333,912</b>
Change in unrestricted net assets	<b>(1,985,369)</b>	<b>(1,322,384)</b>
Temporarily restricted assets:		
Contributions	<b>71,564</b>	<b>392,662</b>
Net assets released from donor restrictions	<b>(477,925)</b>	<b>(51,114)</b>
Change in temporarily restricted net assets	<b>(406,361)</b>	<b>341,548</b>
Change in net assets	<b>(2,391,730)</b>	<b>(980,836)</b>
Net assets at beginning of year	<b>34,569,899</b>	<b>35,550,735</b>
Net assets at end of year	<b>\$32,178,169</b>	<b>\$34,569,899</b>

See Report of Independent Public Accountants on Supplementary Information.



Good Neighbors

# San Diego Housing Commission

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

## DEVELOPER'S STATEMENT FOR PUBLIC DISCLOSURE

(add extra sheets if you need more space)

1. Name of developer:

**Chelsea Investment Corporation, a California corporation**

2. Address, phone number and ZIP Code:

**725 South Coast Highway 101  
Encinitas, California 92024  
Phone: (760) 456-6000**

3. IRS Number of Developer: **33-0185328**

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: **July 30, 1986**

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.

<u>Name, Address &amp; Zip Code</u>	<u>Phone Number</u>	<u>Title &amp; % of Interest</u>
James J. Schmid 725 South Coast Highway 101 Encinitas, CA 92024	(760) 456-6000	President 100% Shareholder
Lynn Schmid 725 South Coast Highway 101 Encinitas, CA 92024	(760) 456-6000	Secretary

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

N/A

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

N/A

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

N/A

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

N/A

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

DISCLOSURE STATEMENT: PAGE 3

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

<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.

**None, by exclusion of affiliations of less than 1%.**

10. The financial condition of the developer, as of **December 31, 2005** is reflected in the attached financial statement.

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

**Project financing for 16<sup>th</sup> & Market includes \$10.0 Million of MHP financing already awarded to the project, an approximate \$19.2 million contribution from Ballpark Village, LLC as well as 4% tax credits and tax-exempt bond financing, via direct placement with US Bank. The Richman Group will serve as tax credit limited partner.**

DISCLOSURE STATEMENT: PAGE 4

12. Sources and amount of cash available to developer to meet equity requirements of the proposed undertaking: **Not applicable**

a. In banks:

<u>Name, Address and ZIP Code of Bank</u>	<u>\$ Amount</u>
---	------------------

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

<u>Name, Address and ZIP Code of Source</u>	<u>\$ Amount</u>
---	------------------

c. By sale of readily salable assets:

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

13. Name and addresses of bank references:

**U.S. Bank**  
**Katie Holden, Vice President**  
**980 9<sup>th</sup> Street, Suite 1100**  
**Sacramento, CA 95814**  
**(916) 556-4424**

**Southwest Community Bank**  
**Harry Shank**  
**5810 El Camino Real**  
**Carlsbad, CA 92013**

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.



DISCLOSURE STATEMENT: PAGE 6

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:

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: **Not applicable.**

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

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

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

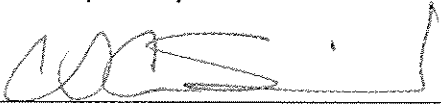
DISCLOSURE STATEMENT: PAGE 7

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: **Not applicable.**
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:  
**Project Information Sheets**

CERTIFICATION

I, Charles A. Schmid, 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 knowledge and belief.

Date: 9/28/06

Signature:   
Charles Schmid  
Authorized Agent

Address & ZIP Code

725 South Coast Highway 101  
Encinitas, California 92024

CHELSEA INVESTMENT CORPORATION  
(FORMERLY KNOWN AS  
CHELSEA SERVICE CORPORATION)

FINANCIAL STATEMENTS

DECEMBER 31, 2005

CHELSEA INVESTMENT CORPORATION  
(FORMERLY KNOWN AS CHELSEA SERVICE CORPORATION)

TABLE OF CONTENTS

	Page
ACCOUNTANT'S COMPILATION REPORT .....	1
FINANCIAL STATEMENTS	
Balance Sheet .....	2-3
Statement of Income .....	4
Statement of Stockholder's Deficit .....	5
SUPPLEMENTARY INFORMATION	
Schedule of Developer Fees Receivable .....	6

4520 Executive Drive Suite 350 San Diego, CA 92121-3018  
Phone (858) 587-1000 Fax (858) 587-0212

*Partners* David R. Brzezniak CPA  
Daniel P. Schreiber CPA  
William T. Borzum CPA



**JGD & Associates** LLP  
CERTIFIED PUBLIC ACCOUNTANTS

[www.JGDnet.com](http://www.JGDnet.com)

## ACCOUNTANT'S COMPILATION REPORT

To the Stockholder of  
Chelsea Investment Corporation (formerly known as Chelsea Service Corporation)  
Encinitas, California

We have compiled the accompanying balance sheet of Chelsea Investment Corporation (formerly known as Chelsea Service Corporation) (an S Corporation) as of December 31, 2005 and the related statements of income and stockholder's deficit 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 and the statement of cash flows required by generally accepted accounting principles. If the omitted disclosures and statement of cash flows were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

*JGD & Associates LLP*

March 24, 2006  
San Diego, California

Chelsea Investment Corporation  
(formerly known as Chelsea Service Corporation)  
BALANCE SHEET  
December 31, 2005

ASSETS

CURRENT ASSETS

Cash	\$ 45,931
Developer fees receivable	24,400
Developer fees receivable - related party	490,040
Project cost advances, net of reserve of \$45,433	426,355
Stockholder advance	73,564
Employee advances and other current assets	2,554
Deferred income tax benefit	<u>4,000</u>

Total current assets 1,066,844

PROPERTY AND EQUIPMENT

Office furniture and equipment	11,754
Accumulated depreciation	<u>(4,519)</u>
Net property and equipment	<u>7,235</u>

Total assets \$ 1,074,079

LIABILITIES AND STOCKHOLDER'S DEFICIT

CURRENT LIABILITIES

Accounts payable	\$ 182,703
Due to related party	<u>1,150,467</u>
Total current liabilities	<u>1,333,170</u>
Total liabilities	<u>1,333,170</u>

STOCKHOLDER'S DEFICIT

Common stock, no par value	
1,000 shares authorized	
100 shares issued and outstanding	100
Accumulated deficit	<u>(259,191)</u>
Total stockholder's deficit	<u>(259,091)</u>
Total liabilities and stockholder's deficit	<u>\$ 1,074,079</u>

Chelsea Investment Corporation  
(formerly known as Chelsea Service Corporation)  
STATEMENT OF INCOME  
Year ended December 31, 2005

REVENUE	\$ <u>2,728,708</u>
OPERATING EXPENSES	
Bad debt expense	45,433
Compensation	2,218,601
Consulting	99,035
Depreciation	4,519
Insurance	73,094
Meals and entertainment	3,429
Office expenses	50,757
Payroll taxes	112,350
Professional fees	21,513
Rent	301,893
Telephone	23,680
Travel	6,955
Utilities	25,954
Other	<u>48,886</u>
Total operating expenses	<u>3,036,099</u>
LOSS BEFORE BENEFIT FOR INCOME TAXES	(307,391)
BENEFIT FOR INCOME TAXES	<u>(3,200)</u>
NET LOSS	<u>\$ (304,191)</u>

See accompanying accountant's compilation report.

Chelsea Asset Corporation  
 (formerly known as Chelsea Service Corporation)  
 STATEMENT OF STOCKHOLDER'S DEFICIT  
 Year ended December 31, 2005

	Common Stock	Accumulated Deficit	Total Stockholder's Equity (Deficit)
BALANCE - DECEMBER 31, 2004	\$ 100	\$ 45,000	\$ 45,100
Net loss		(304,191)	(304,191)
BALANCE - DECEMBER 31, 2005	\$ 100	\$ (259,191)	\$ (259,091)

See accompanying accountant's compilation report.

SUPPLEMENTARY INFORMATION

Chelsea Investment Corporation  
 (formerly known as Chelsea Service Corporation)  
 SCHEDULE OF DEVELOPER FEES RECEIVABLE  
 Year ended December 31, 2005

	<u>Balance 2004</u>	<u>Additions</u>	<u>Payments Received</u>	<u>Balance 2005</u>
Non-related party				
Bienestar II, LLC	\$ <u>0</u>	\$ <u>24,400</u>	\$ <u>0</u>	\$ <u>24,400</u>
Total non-related party	\$ <u>0</u>	\$ <u>24,400</u>	\$ <u>0</u>	\$ <u>24,400</u>
Related party				
Sisyphus Development Systems, LLC (a related party)	\$ 0	\$ 325,000	\$ (325,000)	\$ 0
Daedalus Development Company, LLC (a related party)	<u>0</u>	<u>1,362,625</u>	<u>(872,585)</u>	<u>490,040</u>
Total related party	\$ <u>0</u>	\$ <u>1,687,625</u>	\$ <u>(1,197,585)</u>	\$ <u>490,040</u>

Since the developer fees receivable do not have a set payment plan marked by time, none are past due at year end.

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

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

#### **Approval Process:**

- **Inducement Resolution:** The bond process is initiated when the issuer (Housing Authority) adopts an “Inducement Resolution” to establish the date from which project costs may be reimbursable from bond proceeds (if bonds are later issued) and to authorize staff to work with financing team to perform a due diligence process. The Inducement Resolution does not represent any commitment by the Housing Commission, Housing Authority, or the developer to proceed with the financing.
- **TEFRA Hearing and Resolution (Tax Equity and Fiscal Responsibility Act of 1982):** To assure that projects making use of tax-exempt financing meet appropriate governmental purposes and provide reasonable public benefits, IRS Code requires that a public hearing be held and that the issuance of bonds be approved by representatives of the governmental unit with jurisdiction over the area in which the project is located (City Council). This process does not make the City financially or legally liable for the bonds or for the project.

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

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

**Bond Disclosure:** The offering document (typically a Preliminary Offering Statement or bond placement memorandum) discloses relevant information regarding the project, the developer, and the credit enhancement provider. Since the Housing Authority is not responsible, in any way, for bond repayment, there are no financial statements or summaries about the Housing Authority or the City that are included as part of the offering document. The offering document includes a paragraph that states that the Housing Authority is a legal entity with the authority to issue multifamily housing bonds and that the Housing Commission acts on the behalf of the Housing Authority to issue the bonds. The offering document also includes a paragraph that details that there is no pending or threatened litigation that would affect the validity of the bonds or curtail the ability of the Housing Authority to issue bonds. This is the extent of the disclosure required of the Housing Authority, Housing Commission, or the City. However, it is the obligation of members of the Housing Authority to disclose any material facts known about the project, not available to the general public, which might have an impact on the viability of the project.