



Good Neighbors

San Diego
Housing Commission

- ◆ 1625 Newton Avenue
- ◆ San Diego, California 92113-1038
- ◆ 619/231 9400
- ◆ FAX: 619/544 9193
- ◆ www.sdhc.net

REPORT

DATE ISSUED: November 10, 2006

REPORT NO.: HCR06-83

ATTENTION: Chair and Members of the Housing Commission
For the Agenda of November 17, 2006

SUBJECT: Loan Increase For Townspeople (Council District 7)

REQUESTED ACTION:

Approve a loan increase of \$260,000 to Townspeople for permanent financing of a 24-unit low-income rental housing complex and forward to the Housing Authority for final approval.

STAFF RECOMMENDATION:

Approve an increase in the loan to Townspeople from \$1,310,000 to \$1,570,000 to finance acquisition and rehabilitation of 23 units (one unrestricted unit is occupied by a resident manager) as permanent rental housing for persons with HIV or AIDS and authorize the President and Chief Executive Officer to execute all necessary documents.

DISCUSSION:

Townspeople is a California 501(c)(3) nonprofit corporation established in 1994 with the mission of developing affordable housing for persons living with HIV and AIDS. In April 2006, Townspeople acquired a 24-unit rental housing development located at 4242 – 4260 51st Street and started rehabilitation of the property. The project was financed, in part, with a \$1,310,000 acquisition and rehabilitation loan from the Housing Commission. The Housing Commission loan is a 55-year residual receipts loan at three percent simple interest per year as described in Housing Commission report number HCR05-75 (Attachment – 4). Rehabilitation of the property is approximately 80 percent complete.

Although damage to the concrete slab foundations caused by differential settlement in two of the three buildings was identified in an initial inspection report, the cracking of the concrete has worsened and become a greater concern since the start of renovation work. Building movement caused by expansive soils makes concrete foundation repairs and remediation of soil moisture advisable. It is expected that \$260,000 in repairs and remediation work must be completed in order to maintain the long term habitability of the buildings. Townspeople exhausted a \$42,000 contingency and will use a \$45,000 Community Development Block Grant (CDBG) to pay for rehabilitation work unrelated to the foundation problems.



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Loan Increase For Townspeople

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Staff proposes to increase the amount of the Housing Commission's loan from \$1,310,000 to up to \$1,570,000 to fund engineering studies, concrete foundation repairs, soil moisture remediation, and landscaping restoration. The proposed \$260,000 loan increase requires approval by the Housing Authority and the senior lender.

AFFORDABLE HOUSING IMPACT:

In exchange for the proposed \$260,000 loan increase, Townspeople would provide an additional ten years of affordability by agreeing to extend the term of the Housing Commission loan from 55 to 65 years. As part of the original Housing Commission loan agreement, 55-year rent and occupancy restrictions were recorded against the property making 9 studio apartments affordable to extremely low-income tenants earning 30 percent of Area Median Income (currently \$14,500) and 14 studio apartments affordable to extremely low-income tenants earning 45 percent of AMI (currently \$21,750).

FISCAL CONSIDERATIONS:

Approval of this recommendation would allow Townspeople to borrow an additional \$260,000 of HOME and Housing Trust Fund funds to perform repair work on the foundations and install site drainage systems. A contractor estimate indicates that the additional rehabilitation work will cost \$260,000. A final contractor's price would not be submitted until conditions that are difficult to inspect or are otherwise concealed are examined following excavation and demolition in the effected areas. If costs for this work are in excess of \$260,000, Townspeople would pay the overage by deducting funds from the developer fee. The total development cost would increase from \$2,909,327 to up to \$3,169,327.

An appraisal submitted on April 28, 2005, estimates the value of the rehabilitated property at \$1,980,000. Based on this "after-rehab" value, the proposed increase in the Housing Commission loan would increase the loans-to-value ratio from 139 percent to 158 percent. The Housing Commission loan would be partially secured by the \$425,673 difference between the appraised value and \$1,554,327 in senior debt to the State of California's Department of Housing and Community Development's (HCD) Multi-family Housing Program (MHP). The Housing Commission loan would remain in second position subordinate to the MHP loan because MHP regulations prohibit subordination to a local jurisdiction unless the local funding is 200 percent or more of the MHP participation. A loan increase would be conditional upon Townspeople receiving approval from HCD to increase the debt load on the development.

It is expected that Townspeople will refinance the property to pay off the MHP loan at the end of its 55-year term. There is a risk to the Housing Commission that Townspeople will be unable to raise sufficient revenue from equity in the rent-restricted property to retire the first position debt. Townspeople applied in the Fall 2006 round of the competitive Federal Affordable Housing Program (AHP) for funding to pay off part of the Housing Commission loan. If Townspeople secures an award through AHP for this project, that funding would lessen the Housing Commission's financial risk in this development.

Because the damage to the buildings was not disclosed during escrow, Townspeople intends to recover all or part of the cost of foundation repairs and has demanded mediation from the seller.

If mediation concludes in Townspeople's favor, all or part of these additional funds for the Housing Commission loan will not be needed.

It is important to note that Townspeople's corporate cash financial position will be weak until this project is completed and leased. This condition is somewhat alleviated by Townspeople's corporate reserves and the pending \$45,000 CDBG grant for this project.

If Townspeople is unable to finance repairs to the foundations of the buildings and remediate the soil conditions causing the damage, there is a risk that the units could become uninhabitable. This would result in the loss of the affordable units and financial failure of the project. The following table outlines proposed final sources of funding for the 23-unit development:

Debt Position	Proposed Sources of Financing	Amount
1st	HCD-MHP loan	\$1,554,327
2nd	San Diego Housing Commission loan	\$1,570,000
	CDBG Grant	\$ 45,000
	Total Development Cost	\$3,169,327

PREVIOUS ACTION:

On August 26, 2005, the Housing Authority authorized a \$1,310,000 Housing Commission loan to Townspeople for this development (HCR05-75). On September 26, 2006, the Loan Committee voted to recommended this loan increase to the Housing Commission.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

The proposed development was presented to the City Heights Planning Group for review and comments on February 9, 2005. The project was favorably received; no vote was taken because a planning group vote to approve the project was not required. Community group review of this proposed loan increase is not required.

ENVIRONMENTAL REVIEW:

The City of San Diego, as the responsible entity, on July 20, 2005, issued a certification of categorical exclusion pursuant to the applicable provisions of the National Environmental Policy Act (NEPA) 24CFR Part 58, Section 58.35(A)(3). Further, in accordance with the Statutory Worksheet, the responsible entity determined that the project is exempt per 24CFR 58.34(A)(12) and funds may be drawn down for an exempt project without the processing of a Request For Release Of Funds (RROF). Further, the acquisition and rehabilitation of existing facilities is categorically exempt from the provisions of CEQA under the provisions of 14 California Code Of Regulations Sections 15301, 15302, and 15332 among others.

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Loan Increase For Townspeople

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KEY STAKEHOLDERS & PROJECTED IMPACTS:

Stakeholders include Townspeople and its clients, HCD as a lender, and the City of San Diego as this project supports its efforts to house residents living with HIV or AIDS who are at risk of homelessness.

Respectfully submitted,

**Signature on File
With Original Document**

Cissy Fisher
Director, Housing Finance and Development

Approved by,

Elizabeth C. Morris
President and Chief Executive Officer

- Attachments:
1. Location Map
 2. Development Summary
 3. Development Timeline
 4. Previous Report (HCR05-75)
 5. Disclosure Statement *
 6. Financial Statements *
 7. General Application Form
 8. Housing Commission Loan Terms

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

Information: Mr. Dan Cady (619) 578-7594

ATTACHMENT 2

DEVELOPMENT SUMMARY AFFORDABLE RENTAL HOUSING November 10, 2006

Name: Townspeople; HIV/AIDS Housing
Location: 4242 – 4260 51st Street
Description: Increased loan for rehabilitation
Sponsor: Townspeople

Unit Affordability

Total # of units: 24 studio apartments
Assisted units: 23 studio apartments
Restricted rents: Restricted rents: 9 studios @ \$362
14 studios @ \$495
Market rent: studio units rent for approximately \$550 per month.
Percent of AMI: 9 units at 30 percent of Area Median Income and 14 units at 45 percent or less of Area Median Income.
Affordability: 65 years

Development Cost

Total development cost: \$3,169,327
HC development cost: \$1,570,000
Total development cost per unit: \$ 132,055 (24 units)
HC cost per unit: \$ 65,417 (24 units)

Sources of Funds

HCD-MHP Loan \$ 1,554,327
Housing Commission Loan \$ 1,570,000

Pro Forma Summary

Estimated annual income: \$ 118,332 (year 1)
Estimated annual expense: \$ 89,862 (year 1)
Annual debt service: \$ 6,072 (total annual payment)
Estimated residual receipts: \$ 11,791 (year 1)

ATTACHMENT 3

**TOWNSPEOPLE
LOAN INCREASE FOR AFFORDABLE RENTAL HOUSING
ESTIMATED APPROVAL TIMELINE**

December 5, 2006	Loan Increase to the Housing Authority for authorization
January 10, 2006	Funding of loan increase
February 28, 2007	Completion of rehabilitation



REPORT

DATE ISSUED: August 19, 2005

ITEM 105

REPORT NO.: HCR05-75
For the Agenda of August 26, 2005

SUBJECT: Loan to Townspeople for HIV/AIDS Housing (Council District 7)

SUMMARY

Issue: Should the Housing Commission approve a loan to Townspeople for acquisition and rehabilitation of a 24-unit apartment complex to be used as rental housing for persons with HIV or AIDS?

Recommendation: That the Housing Commission recommend Housing Authority approval of a \$1,310,000 residual receipts loan to fund acquisition and rehabilitation of 4242 51st Street and authorize the President and Chief Executive Officer (CEO) to execute any and all documents necessary to make the loan.

Fiscal Impact: Approval of this recommendation would result in the expenditure of up to \$1,310,000 in Housing Commission funds.

Certificate of Funding Availability:

Certificate No.:	FY06-024
Amount:	\$1,310,000
Revenue Source:	HOME-CHDO / HTF
Division:	Housing Finance and Development
Line Item:	Loans

Affordable Housing Impact: The Housing Commission would restrict rents and occupancy of 14 studio units to households with incomes of 45 percent or less of Area Median Income (\$21,750 for one person living in a studio apartment), and 9 studio units to households with incomes of 30 percent or less of Area Median Income (\$14,500 for one person living in a studio apartment). Initially, Townspeople proposes to set rents at a maximum of 41 percent of Area Median Income (AMI). One unrestricted apartment would be reserved for occupancy by



a resident manager. The following table shows a breakdown of the proposed rents by unit size and affordability level. Townspeople would pay for all utilities.

Unit Type	No. of Units	Unit Size (sq. ft)	Restricted Rent	Proposed Initial Monthly Rent	Monthly Market Rent	Maximum Rent Levels @ Percent of AMI	Annual Rent Savings Over Market Rate
Studio	9	300	\$362	\$362	\$550	30%	\$20,304
Studio	14	300	\$543	\$495	\$550	45%	\$9,240
Mgr.	1	300					
Total	24						\$29,544

Environmental Review: The City of San Diego, as the responsible entity, on July 20, 2005, issued a certification of categorical exclusion pursuant to the applicable provisions of the National Environmental Policy Act (NEPA) 24CFR Part 58, Section 58.35(A)(3). Further, in accordance with the Statutory Worksheet, the responsible entity determined that the project is exempt per 24CFR 58.34(A)(12) and funds may be drawn down for an exempt project without the processing of a Request For Release Of Funds (RROF). Further, the acquisition and rehabilitation of existing facilities is categorically exempt from the provisions of CEQA under the provisions of 14 California Code Of Regulations Sections 15301, 15302, and 15332 among others.

Previous Related Actions: On June 29, 2005, the Loan Committee recommended a \$1,310,000 loan for this project.

Future Related Action: The recommended loan exceeds the Housing Commission's approval limit of \$250,000 and requires Housing Authority approval.

Community Planning Group Review: The proposed development was presented to the City Heights Planning Group for review and comments on February 9, 2005. The project was favorably received; no vote was taken because a planning group vote to approve the project is not required.

Home Program Compliance: The proposed development is an allowable activity under HOME Program rules. The proposed rents are at or below HOME guidelines.

BACKGROUND

Townspeople submitted an application for funding under the Housing Commission's current Notice of Funding Availability (NOFA) for the Construction, Acquisition, and Operation of Affordable Rental Housing.

DISCUSSION

The Borrower

Townspeople is a California 501(c)(3) nonprofit corporation certified as a Community Housing Development Organization (CHDO). The organization was established in 1994 with the mission of developing affordable housing for persons living with HIV and AIDS. Townspeople would be the sole owner and the operator of the proposed development; property management would be provided by an on-staff management professional.

This would be the second affordable housing project for Townspeople. In 1995, the Housing Commission loaned the nonprofit \$257,000 for acquisition and rehabilitation of an eight-unit apartment building located at 3845 Wilson Avenue in City Heights. Townspeople successfully operates the Wilson Avenue property as permanent supportive housing for very low-income persons living with HIV or AIDS and is in compliance with Housing Commission loan requirements.

The development team for this proposed project is the staff of Townspeople; the financial consultant is California Housing Partnership Corporation; the relocation consultant is Cutler-Pacific. Townspeople's executive director and project manager is Mr. Jon Derryberry. Townspeople's financial statements were reviewed by Housing Commission staff and found to be satisfactory (see Attachment 5 – Financial Statements).

The Development

The proposed project is in an older established neighborhood consisting of single family residences and low-density multi-family housing. The site is approximately two blocks south and within walking distance of the bus stops and the retail and service establishments of the El Cajon Boulevard business corridor (see Attachment 1 – Location Map). The three-building, two-story complex is in generally sound condition; however, it will benefit from planned interior and exterior renovation and corrections to structural defects and deferred maintenance.

The complex is currently overcrowded; families living in the 300 square foot studio units are without the living space, security, and other amenities appropriate for households with children. The renovated units would be restricted to two occupants per apartment. Under Federal Law, the relocation consultant, Overland Pacific & Cutler, Inc., will conduct interviews with tenants and provide relocation advisory assistance and monetary compensation

to households that will be displaced. The developer budgeted \$6,626 per unit in relocation costs based on the information in the preliminary relocation plan.

Upon completion of the project, Townspeople would utilize its own resources to assist the new HIV/AIDS symptomatic residents in accessing an array of available service programs to help them obtain proper nutrition, medical care, life skills counseling, case management, and other services.

The Funding Request

The total development cost for 24 units is estimated to be \$2,755,627 (\$114,818 per unit). The Housing Commission's loan for this project would be \$1,310,000 (\$54,583 per unit). Permanent financing would consist of the proposed 55-year residual receipts loan of \$1,310,000 from the Housing Commission and a 55-year residual receipts loan of \$1,445,627 from the California Department of Housing and Community Development's Multifamily Housing Program (MHP).

During the predevelopment and acquisition phase, the project will be funded with a \$1,690,000 bridge loan from the Low Income Investment Fund (LIIF), a \$150,000 bridge loan from the Corporation For Supportive Housing (CSH), and a \$10,000 Early Assistance Loan from the Housing Commission. These loans will be taken out with the proceeds of the permanent financing.

A Housing Commission Declaration of Covenants, Conditions, and Restrictions would be recorded against the property requiring the use of 23 units as housing for extremely low-income HIV/AIDS symptomatic households for 55 years. A significant portion of the HIV/AIDS population is extremely low-income because their medical conditions severely inhibit or preclude employment. To restrict rents at levels this targeted tenant population can afford to pay, rents for 14 units would be restricted at 45 percent or less of AMI and rents for nine units would be restricted at 30 percent or less of AMI. To comply with a Housing Commission requirement (Housing Commission Policy Number PO600.301 Section 2.5) that rents be at least ten percent below market rates, Townspeople would initially cap rents at 41 percent of AMI. Rents for the 14 units would be allowed to increase to a maximum of 45 percent of AMI if market rents increase to at least 55 percent of AMI.

After a required minimum annual payment to MHP of .42 percent of the MHP loan amount (\$6,072) Townspeople would retain 50 percent of the residual receipts and the remaining 50 percent would be split equally between the Housing Commission and MHP. All remaining principal and accrued interest of the MHP loan and the Housing Commission loan would be due and payable at the end of the 55-year loan terms.

Because the rents would be restricted at rates affordable to extremely low-income residents, project income would be very limited. This is expected to result in residual receipts payments to the Housing Commission that would not significantly reduce the Housing Commission debt prior to the end of the 55-year loan term. Residual receipts payments would likely increase if Townspeople is able to secure a Federal grant to subsidize operation of the project. (The Housing Commission loan agreement would require Townspeople to make good faith efforts to obtain an operating subsidy and report those efforts in its yearly financial report to the Housing Commission.) Townspeople could sell or refinance the property in 55 years and use its equity to pay off the MHP and Housing Commission loans.

The Financial Plan

Total Development Cost:	The estimated total development cost is \$2,755,627 including relocation, acquisition, rehabilitation, bridge loan interest, contractor overhead and profit, contractor fees, and a developer fee.
Total Cost per Unit:	The estimated total development cost per unit of \$114,818 includes relocation and significant building upgrades such as bathroom fixture replacement, window replacement, structural improvements, and landscaping.
Housing Commission Cost Per Unit:	Estimated per-unit cost of \$54,583 for 24 units.
Appraised Value:	On March 25, 2005, the property was appraised at \$1,600,000 in its "as-is" condition. The "after-rehab" value was appraised at \$1,980,000. The acquisition price of \$1,570,000 is less than the appraised as-is valuation.
First Trust Deed:	A 55-year permanent loan of \$1,445,627 from MHP would be in first position at three percent simple interest per year.
Housing Commission Loan Amount:	The proposed loan would leverage \$1,310,000 of Housing Commission funds against \$1,445,627 from MHP.
Total Loans-to-Value:	Loans-to-value is estimated to be 139 percent.

Housing Commission Loan Terms:	A 55-year residual receipts loan at three percent simple interest per year.
Housing Commission Security:	The Housing Commission loan would be subordinate to the MHP loan and secured by a second trust deed recorded against the property.
Housing Commission Recourse:	The loan would be a recourse loan to Townspeople.
Housing Commission Loan Payments:	Townspeople would receive 50 percent of residual receipts after a minimum annual payment of \$6,072 to MHP. The remaining 50 percent would be split between MHP and the Housing Commission. Remaining principal and interest of the Housing Commission loan would be due and payable at the end of the 55-year loan term. Townspeople would be required to seek an operations subsidy.
Minimum Debt Service:	Debt service consists of a minimum annual payment of .42 percent on the MHP loan (\$6,072).
Affordability Restrictions:	A Housing Commission Declaration of Covenants, Conditions, and Restrictions with a 55-year term recorded against the property.
Management Plan:	A Management plan was reviewed and approved by Housing Commission staff. The management plan is subject to periodic review and approval by the Housing Commission in its reasonable discretion.
Operating Expense:	Operating expenses are estimated to be \$7,489 per month (\$312 per unit).
Pro Forma Assumptions:	Income increases are projected at 2.5 percent per year; operating expenses at 3.5 percent per year; vacancy rate at 5 percent per year.

Reserves: An annual replacement reserve of \$10,608 is included in the operating expenses. Use of reserves would be subject to the reasonable approval of the Chief Executive Officer of the San Diego Housing Commission.

Risks and Mitigations

The appraisal indicates that there would be insufficient value to secure the Housing Commission loan. It is also important to note that the deep affordability would result in highly restricted residual cash flow, which makes it unlikely that residual receipts payments would significantly reduce the Housing Commission debt. Although the value of the property is expected to increase, it is possible that Townspeople's equity would not be sufficient to retire the loan in 55 years. Because the Housing Commission loan would be subordinate to an MHP loan that would not be forgiven, any proceeds of sale or refinancing would go first to pay off the senior debt. The Housing Commission would be reimbursed only to the extent of equity remaining after the MHP loan is paid off.

The risk of insufficient cash flow would be somewhat mitigated if Townspeople is able to secure project-based rental assistance from the Federal Shelter Plus Care program. (Shelter Plus Care provides financial support for long-term housing of homeless persons with disabilities, including AIDS.) Although the Housing Commission would require Townspeople to pursue Shelter Plus Care participation in this project, it is not certain that Townspeople would be successful in obtaining a grant because the awards are made by HUD on a competitive basis. In the event of a monetary default by Townspeople, the Housing Commission would have cure rights to step in and assume or retire the MHP debt and locate a successor nonprofit to acquire and operate the project.

A release of Housing Commission funds for this project would be conditional upon the borrower receiving the MHP loan.

Conclusion

In its Housing Needs Assessment of the rental housing market, the City's 2005 Consolidated Plan identifies persons with disabilities related to HIV or AIDS as a special needs population and concludes that providing rental housing for these and other extremely low-income households should be a high priority. In San Diego, high building costs and other factors prohibit for-profit and most nonprofit affordable housing providers from developing housing to meet the requirements of these extremely low-income residents. This proposed acquisition and rehabilitation of 24 units would help reduce a shortage of permanent supportive housing for persons with HIV or AIDS who are at risk of becoming homeless.

ALTERNATIVE

The Housing Commission could deny this proposed loan. Because the other lender's commitment is contingent upon the developer securing gap financing from the Housing Commission, a decision to not approve the loan could result in the withdrawal of a proposal to provide 24 units of permanent supportive housing to a special needs tenant population at risk of homelessness.

Submitted by,

**Signature on File
With Original Document**

Approved by,

Cissy Fisher
Director of Housing Finance and Development

Elizabeth C. Morris
President and Chief Executive Officer

- Attachments:
1. Location Map
 2. Development Summary
 3. Development Timeline
 4. Disclosure Statement *
 5. Financial Statements *
 6. General Application Forms

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

Information: Mr. Dan Cady (619) 578-7594

SAN DIEGO HOUSING COMMISSION
GENERAL APPLICATION FORM - Project Overview

Last revised: March 16, 2005

DATE: October 27, 2006

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

REQUEST FOR: EARLY ASSISTANCE PROJECT FUNDING \$ 1,570,000
 TECHNICAL ASSISTANCE PREDEVELOPMENT LOAN \$ _____
 _____ PROJECT SUPPORT GRANT \$ _____

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

PROJECT CONDITION: UNIMPROVED SITE RESIDENTIAL COMMERCIAL
YEAR BUILT: 1958 EXISTING STRUCTURE OTHER (DESCRIBE) _____

PROJECT NAME: HIV/AIDS Housing
ADDRESS: 4242 51st Street San Diego CA 92115
STREET CITY STATE ZIP
LEGAL DESCRIPTION: 35-39 39 Fairmont 472-161-1900 27.081035
LOT NO. BLOCK NO. SUBDIVISION NAME ASSESSORS PARCEL NO. CENSUS TRACT

SITE CONTROL: DEED OPTION OTHER (DESCRIBE) Purchase Agreement

DWELLING UNITS: 24 24
0-BEDROOM 1-BEDROOM 2-BEDROOM 3-BEDROOM 4-BEDROOM 5-BEDROOM TOTAL UNITS BEDROOMS

HC Assisted Units: 24 24
0-BEDROOM 1-BEDROOM 2-BEDROOM 3-BEDROOM 4-BEDROOM 5-BEDROOM TOTAL UNITS BEDROOMS

EXISTING USES OF PROPERTY: multi-family residential

DESCRIPTION OF PROPOSED PROJECT: Permanent supportive rental housing for adults living with HIV/AIDS.
NO. OF BUILDINGS: 3

APPLICANT/BORROWER:

NAME: Townpeople CONTACT PERSON: Mr. Jon P. Derryberry
ADDRESS: 3960 Park Boulevard, Suite B San Diego CA 92103
STREET CITY STATE ZIP
TELEPHONE: (619) 295-8802 FAX NO. (619) 295-4203

LEGAL DESCRIPTION OF APPLICANT:

FOR PROFIT CORPORATION NONPROFIT CORPORATION PARTNERSHIP INDIVIDUAL OWNER
 CHDO OTHER _____
DESCRIBE

TAXPAYER IDENTIFICATION NUMBER: 33-0623634

CURRENT OWNER/SELLER INFORMATION:

NAME: Walz Properties LEGAL DESCRIPTION: _____
ADDRESS: 7851 University Avenue, Suite 103 La Mesa CA 91941
STREET CITY STATE ZIP
TELEPHONE: (619) 667-2755 FAX NO. (_____) _____

ZONING: RM1-3 COMMUNITY PLAN AREA: City Heights
COUNCIL DISTRICT: 3 SCHOOL DISTRICT: San Diego Unified

SIGNATURE PRINT NAME TITLE DATE

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

PLEASE PROVIDE ALL KNOWN INFORMATION AS REQUESTED

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

PROJECT NAME: HIV/AIDS Housing
 ADDRESS: 4242 51st Street San Diego CA 92115
ADDRESS CITY STATE ZIP
 OWNERSHIP NAME: Townspople DATE: October 27, 2006

1.	<u>Jon P. Derryberry</u> <small>NAME</small> <u>10851 Higos Way</u> <small>STREET/PO</small> <u>San Diego</u> <u>CA</u> <u>92124</u> <small>CITY STATE ZIP</small>	<u>Executive Director</u> <small>TITLE/POSITION</small> <u>(858) 715-1783</u> <small>BUSINESS TELEPHONE NO.</small>	<u>board member</u> <small>NATURE OF INTEREST</small> <small>PERCENT INTEREST</small>
2.	<u>Michael Sprague</u> <small>NAME</small> <u>4341 Manzanita Drive</u> <small>STREET/PO</small> <u>San Diego</u> <u>CA</u> <u>92105</u> <small>CITY STATE ZIP</small>	<u>President</u> <small>TITLE/POSITION</small> <u>(619) 563-0671</u> <small>BUSINESS TELEPHONE NO.</small>	<u>board member</u> <small>NATURE OF INTEREST</small> <small>PERCENT INTEREST</small>
3.	<u>Christopher Dunda</u> <small>NAME</small> <u>33262 Felton Street</u> <small>STREET/PO</small> <u>San Diego</u> <u>CA</u> <u>92104</u> <small>CITY STATE ZIP</small>	<u>Board Member-at-Large</u> <small>TITLE/POSITION</small> <u>(619) 985-1580</u> <small>BUSINESS TELEPHONE NO.</small>	<u>board member</u> <small>NATURE OF INTEREST</small> <small>PERCENT INTEREST</small>
4.	<u>Jose Sanchez</u> <small>NAME</small> <u>3851 1/2 Wilson Avenue</u> <small>STREET/PO</small> <u>San Diego</u> <u>CA</u> <u>92104</u> <small>CITY STATE ZIP</small>	<u>Vice-President</u> <small>TITLE/POSITION</small> <u>(619) 281-2776</u> <small>BUSINESS TELEPHONE NO.</small>	<u>board member</u> <small>NATURE OF INTEREST</small> <small>PERCENT INTEREST</small>
5.	<u>Grey Nishio</u> <small>NAME</small> <u>2044 Robinson Avenue, Unit H</u> <small>STREET/PO</small> <u>San Diego</u> <u>CA</u> <u>92104</u> <small>CITY STATE ZIP</small>	<u>Treasurer</u> <small>TITLE/POSITION</small> <u>(619) 723-7905</u> <small>BUSINESS TELEPHONE NO.</small>	<u>board member</u> <small>NATURE OF INTEREST</small> <small>PERCENT INTEREST</small>
6.	<u>Jeff Wallin</u> <small>NAME</small> <u>11392 Winding Ridge Drive</u> <small>STREET/PO</small> <u>San Diego</u> <u>CA</u> <u>92131</u> <small>CITY STATE ZIP</small>	<u>Member-at-Large Candidate</u> <small>TITLE/POSITION</small> <u>(619) 674-5010</u> <small>BUSINESS TELEPHONE NO.</small>	<u>board member</u> <small>NATURE OF INTEREST</small> <small>PERCENT INTEREST</small>
7.	<u>Kent Smith</u> <small>NAME</small> <u>1342 Sutter</u> <small>STREET/PO</small> <u>San Diego</u> <u>CA</u> <u>92103</u> <small>CITY STATE ZIP</small>	<u>Founder</u> <small>TITLE/POSITION</small> <u>(619) 244-4335</u> <small>BUSINESS TELEPHONE NO.</small>	<u>board member</u> <small>NATURE OF INTEREST</small> <small>PERCENT INTEREST</small>
8.	 <small>NAME</small> <small>STREET/PO</small> <small>CITY STATE ZIP</small>	 <small>TITLE/POSITION</small> <small>BUSINESS TELEPHONE NO.</small>	 <small>NATURE OF INTEREST</small> <small>PERCENT INTEREST</small>

USE ADDITIONAL SHEETS AS NECESSARY

**SAN DIEGO HOUSING COMMISSION
DEVELOPMENT FORM -RENTAL INCOME - RI**

PLEASE PROVIDE ALL KNOWN INFORMATION AS REQUESTED - CHECK ALL BOXES THAT APPLY

DATE: October 27, 2006

PROJECT TYPE ACQUISITION ACQUISITION & REHABILITATION RENTAL
 NEW CONSTRUCTION REHABILITATION OWNERSHIP

PROJECT NAME: HIV/AIDS Housing
 ADDRESS: 4242 51st Street San Diego CA 92115
 STREET CITY STATE ZIP

UTILITY INFORMATION [Input X, G, E, T, or L where indicated]

Type (X) in ONE box _____ Gas (G) or Electricity (E) _____ Paid by Tenant (T) or Owner/Landlord (L) _____
 FILL IN ALL BOXES G or E FILL IN ALL BOXES T or L

<input checked="" type="checkbox"/> Apartment	Heat	G	L
<input type="checkbox"/> Duplex, Townhouse	Cooking	G	L
<input type="checkbox"/> House, Mobile Home	Water Heater	G	L
	Water/Sewer		L
	Basic Electric		L

INCOME BY UNIT TYPE

COLUMN:

A	B	C	D	E	F	G	H	I	J	K	L	M
BASIS FOR RENT*	NO. OF UNITS	BED-ROOMS PER UNIT	BATH-ROOMS PER UNIT	SQ FT PER UNIT	CURRENT RENT	MONTHLY HOUSING COST PER UNIT	LESS: MONTHLY UTILITY ALLOW. PER UNIT	EQUALS: MONTHLY Tenant Paid RENT PER UNIT	COMPARE TO: MONTHLY MARKET RENT PER UNIT	AFFORDABILITY LEVEL: PERCENT MEDIAN INCOME**	YEARLY GROSS RENTS ALL UNITS	YEARLY MARKET RENTS
SDHC	9		1.00	300	\$ 550	\$ 362	\$	\$ 362	\$ 550	30 %	\$ 39,096	\$ 59,400
SDHC	14		1.00	300	\$ 550	\$ 495	\$	\$ 495	\$ 550	41 %	\$ 83,160	\$ 92,400
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
MGR	1		1.00	300	\$	\$	\$	\$	\$	%	\$	\$
MGR					\$	\$	\$	\$	\$	%	\$	\$

* Indicate Tax Credit Rents with "TC", Housing Commission Rents with "SDHC", HOME rents with "HOME", and Resident Manager's unit(s) with "MGR (bottom two rows)."
 ** This calculation is based on a household size of one plus the bedroom type; Please note that using tax credit rents may produce a different AMI percentage.

TOTAL RENT (YEAR)	\$ 122,256	\$ 151,800
Comp. to 90% of Market:	\$ 122,256	\$ 136,620

OTHER INCOME Laundry \$ 2,304

TOTAL ANNUAL INCOME \$124,560

TOTAL UNITS 24

TOTAL UNIT SQ. FT. 7,200 + OTAL COMMUNITY FACILITIES SQ. FT.

TOTAL SQ. FT. 7,200

**SAN DIEGO HOUSING COMMISSION
DEVELOPMENT FORM - OPERATING EXPENSE - OE**

DATE: October 27, 2006

PLEASE PROVIDE ALL KNOWN INFORMATION AS REQUESTED - CHECK ALL BOXES THAT APPLY
Last revised: March 16, 2005

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

PROJECT NAME: HIV/AIDS Housing
ADDRESS: 4242 51st Street San Diego CA 92115
STREET CITY STATE ZIP
TOTAL NUMBER OF UNITS: 24

OPERATING EXPENSE ITEM	ANNUAL COST	COST PER UNIT	COST PER SQ. FT.
Administrative Expenses			
Office Supplies & Equipment	\$ 1,000	\$ 42	\$ 0.14
Telephone	\$ 1,600	\$ 67	\$ 0.22
Training & Travel	\$ 1,400	\$ 58	\$ 0.19
Payroll Services	\$ 6,682	\$ 278	\$ 0.93
Program Services	\$ 16,620	\$ 693	\$ 2.31
Other: <u>miscellaneous office</u>	\$ 2,650	\$ 110	\$ 0.37
Subtotal Percent of Total <u>33%</u>	\$ 29,952	\$ 1,248	\$ 4.16
Marketing Expenses			
Advertising	\$ 1,000	\$ 42	\$ 0.14
Other: _____	\$ _____	\$ _____	\$ _____
Subtotal Percent of Total <u>1%</u>	\$ 1,000	\$ 42	\$ 0.14
Professional Fees			
Property Management	\$ <u>see site mgrs.</u>	\$ _____	\$ _____
Auditing Services	\$ 1,000	\$ 42	\$ 0.14
Legal Services	\$ 1,000	\$ 42	\$ 0.14
Other: _____	\$ 750	\$ 31	\$ 0.10
Subtotal Percent of Total <u>3%</u>	\$ 2,750	\$ 115	\$ 0.38
Utilities			
Electric	\$ 3,000	\$ 125	\$ 0.42
Gas	\$ _____	\$ _____	\$ _____
Water/Sewer	\$ 2,100	\$ 88	\$ 0.29
Other: _____	\$ 650	\$ 27	\$ 0.09
Subtotal Percent of Total <u>6%</u>	\$ 5,750	\$ 240	\$ 0.80
Contract Services			
Exterminating	\$ 1,150	\$ 48	\$ 0.16
Trash Removal	\$ 2,800	\$ 117	\$ 0.39
Security Patrol	\$ _____	\$ _____	\$ _____
Building/Grounds Maintenance	\$ 500	\$ 21	\$ 0.07
Janitorial Services	\$ 3,000	\$ 125	\$ 0.42
Repair Services	\$ 1,000	\$ 42	\$ 0.14
Elevator & Other Equipment	\$ _____	\$ _____	\$ _____
Garage Operations/Maintenance	\$ _____	\$ _____	\$ _____
Other: <u>site managers</u>	\$ 32,900	\$ 1,371	\$ 4.57
Subtotal Percent of Total <u>46%</u>	\$ 41,350	\$ 1,723	\$ 5.74
Cleaning & Decorating			
Painting Supplies	\$ 1,500	\$ 63	\$ 0.21
Grounds Supplies	\$ 1,300	\$ 54	\$ 0.18
Other: _____	\$ _____	\$ _____	\$ _____
Subtotal Percent of Total <u>3%</u>	\$ 2,800	\$ 117	\$ 0.39
Taxes & Insurance			
Real Property Tax Assessment	\$ _____	\$ _____	\$ _____
Property Insurance	\$ 2,500	\$ 104	\$ 0.35
Director's & Officer's Insurance	\$ 2,200	\$ 92	\$ 0.31
Other: _____	\$ _____	\$ _____	\$ _____
Subtotal Percent of Total <u>5%</u>	\$ 4,700	\$ 196	\$ 0.65
Other			
SDHC Monitoring Fees	\$ 1,560	\$ 65	\$ 0.22
Other: _____	\$ _____	\$ _____	\$ _____
Other: _____	\$ _____	\$ _____	\$ _____
Other: _____	\$ _____	\$ _____	\$ _____
Subtotal Percent of Total <u>2%</u>	\$ 1,560	\$ 65	\$ 0.22
Total Annual Operating Costs	\$ 89,862	\$ 3,744	\$ 12.48

DEVELOPMENT FORM - SOURCES AND USES OF FUNDS - SU

DATE: October 27, 2006

PLEASE PROVIDE ALL KNOWN INFORMATION AS REQUESTED - CHECK ALL BOXES THAT APPLY

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

NUMBER OF UNITS: 24

PROJECT NAME: HIV/AIDS Housing

ADDRESS: 4242 51st Street San Diego CA 92115
STREET CITY STATE ZIP

SOURCES

POSITION	TERMS	COMMITMENT	AMORTIZED	DEFERRED	TAX CREDIT	GRANT	EQUITY
1ST <u>MHP</u>	<u>55</u> YRS. <u>3.00</u> % RATE	<input type="checkbox"/> Y/N <input checked="" type="checkbox"/> N DATE OR EXPECTED	\$	\$ <u>1,554,327</u>			
2ND <u>SDHC</u>	<u>55</u> YRS. <u>3.00</u> % RATE	<input type="checkbox"/> Y/N <input checked="" type="checkbox"/> N DATE OR EXPECTED	\$	\$ <u>1,570,000</u>			
(Select one) Residual Receipts or Amortized		<input checked="" type="checkbox"/> Subsidy/Assisted Uni \$ <u>65,417</u> <input type="checkbox"/> Subsidy/Assisted Bdr \$ <u>#DIV/0!</u>					
3RD <u>CDBG</u>	<input type="checkbox"/> YRS. <input type="checkbox"/> % RATE	<input type="checkbox"/> Y/N DATE OR EXPECTED	\$	\$	\$ <u>45,000</u>		
4TH	<input type="checkbox"/> YRS. <input type="checkbox"/> % RATE	<input type="checkbox"/> Y/N DATE OR EXPECTED	\$	\$	\$		
TAX CREDIT:	<input type="checkbox"/> Y/N	<input type="checkbox"/> DATE OR EXPECTED		\$			
EQUITY	<input type="checkbox"/> Y/N	<input type="checkbox"/> DATE OR EXPECTED					\$
TOTAL \$ <u>3,169,327</u>			\$	\$ <u>3,124,327</u>	\$	\$ <u>45,000</u>	\$

FUNDING SCHEDULE FOR SOURCES

	TOTAL	CLOSING	CONSTRUCTION PERIOD			COMPLETION 4TH QUARTER	RENT UP QTRS 5 & 6
			1ST QUARTER	2ND QUARTER	3RD QUARTER		
MHP	\$ <u>1,554,327</u>	\$ <u>1,554,327</u>	\$	\$	\$	\$	\$
SDHC	\$ <u>1,570,000</u>	\$ <u>1,570,000</u>	\$	\$	\$	\$	\$
CDBG	\$ <u>45,000</u>	\$ <u>45,000</u>	\$	\$	\$	\$	\$
	\$ -	\$	\$	\$	\$	\$	\$
	\$ -	\$	\$	\$	\$	\$	\$
	\$ -	\$	\$	\$	\$	\$	\$
	\$ <u>3,169,327</u>	\$ <u>3,169,327</u>	\$ -	\$ -	\$ -	\$ -	\$ -

INFORMATION ON CONSTRUCTION LOAN

CONSTRUCTION LENDER: MHP construction bridge loan

CONSTRUCTION TIME: 12 (MONTHS)

CONSTRUCTION INTEREST: 8.000 %

COMMITTED: YES NO

DATE OF COMMITMENT/EXPECTE:

**SAN DIEGO HOUSING COMMISSION
DEVELOPMENT FORM - PRO FORMA - PF**

Last revised: March 16, 2005

PLEASE PROVIDE ALL KNOWN INFORMATION - CHECK ALL BOXES THAT APPLY

Date: October 27, 2006

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

PROJECT NAME: HIV/AIDS Housing
 ADDRESS: 4242 51st Street San Diego CA 92115
STREET CITY STATE ZIP

Replacement Reserve	\$ 10,608	LP Management Fee	\$ -	MHP Minimum Paym	\$ 6,072
Rental Income	\$ 122,256	Project Income Increase	2.50 %	Mortgage Amount	\$ %
Other Income	\$ 2,304	Operating Exp. Increase	3.50 %	Mortgage Rate	3.000
Operating Expenses	\$ 89,862	Vacancy Loss	5.00 %	Mortgage Term(Years)	55
	%	Deferred Dev. Fee	\$	Interest on Deff. Dev. Fee	%

SDHC Participation \$ 1,570,000 Residual Receipts Interest Rate 3.000 %
 Percent of Residual to HC 25% Amortize Term (Years) 55

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Gross Project Income	\$ 124,560	\$ 127,674	\$ 130,866	\$ 134,137	\$ 137,491
Vacancy	\$ 6,228	\$ 6,384	\$ 6,543	\$ 6,707	\$ 6,875
Effective Gross Income	\$ 118,332	\$ 121,290	\$ 124,323	\$ 127,431	\$ 130,616
Operating Expense	\$ 89,862	\$ 93,007	\$ 96,262	\$ 99,632	\$ 103,119
Net Operating Income	\$ 28,470	\$ 28,283	\$ 28,060	\$ 27,799	\$ 27,498
Debt Service (1st)	\$	\$	\$	\$	\$
Coverage (1st)					
Replacement Reserve	\$ 10,608	\$ 10,608	\$ 10,608	\$ 10,608	\$ 10,608
Cash Flow	\$ 17,862	\$ 17,675	\$ 17,452	\$ 17,191	\$ 16,890
LP Management Fee	\$ -	\$	\$	\$	\$
MHP Minimum Payment	\$ 6,072	\$ 6,072	\$ 6,072	\$ 6,072	\$ 6,072
Deffered Dev. Fee Pmt.	\$	\$	\$	\$	\$
SDHC Residual Receipts	\$ 2,948	\$ 2,901	\$ 2,845	\$ 2,780	\$ 2,704
Net Cash Flow	\$ 8,843	\$ 8,702	\$ 8,535	\$ 8,339	\$ 8,113

	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Gross Income	\$ 140,928	\$ 144,451	\$ 148,063	\$ 151,764	\$ 155,558
Vacancy	\$ 7,046	\$ 7,223	\$ 7,403	\$ 7,588	\$ 7,778
Effective Gross Income	\$ 133,882	\$ 137,229	\$ 140,660	\$ 144,176	\$ 147,780
Operating Expense	\$ 106,728	\$ 110,463	\$ 114,330	\$ 118,331	\$ 122,473
Net Operating Income	\$ 27,154	\$ 26,765	\$ 26,330	\$ 25,845	\$ 25,308
Debt Service (1st)	\$	\$	\$	\$	\$
Coverage (1st)					
Replacement Reserve	\$ 10,608	\$ 10,608	\$ 10,608	\$ 10,608	\$ 10,608
Cash Flow	\$ 16,546	\$ 16,157	\$ 15,722	\$ 15,237	\$ 14,700
LP Asset Management Fet	\$	\$	\$	\$	\$
MHP Minimum Payment	\$ 6,072	\$ 6,072	\$ 6,072	\$ 6,072	\$ 6,072
Deffered Dev. Fee	\$	\$	\$	\$	\$
SDHC Residual Receipts	\$ 2,618	\$ 2,521	\$ 2,413	\$ 2,291	\$ 2,157
Net Cash Flow	\$ 7,855	\$ 7,564	\$ 7,238	\$ 6,874	\$ 6,471

	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15
Gross Income	\$ 159,447	\$ 163,434	\$ 167,519	\$ 171,707	\$ 176,000
Vacancy	\$ 7,972	\$ 8,172	\$ 8,376	\$ 8,585	\$ 8,800
Effective Gross Income	\$ 151,475	\$ 155,262	\$ 159,143	\$ 163,122	\$ 167,200
Operating Expense	\$ 126,759	\$ 131,196	\$ 135,788	\$ 140,540	\$ 145,459
Net Operating Income	\$ 24,716	\$ 24,066	\$ 23,356	\$ 22,582	\$ 21,741
Debt Service (1st)	\$	\$	\$	\$	\$
Coverage (1st)					
Replacement Reserve	\$ 10,608	\$ 10,608	\$ 10,608	\$ 10,608	\$ 10,608
Cash Flow	\$ 14,108	\$ 13,458	\$ 12,748	\$ 11,974	\$ 11,133
LP Asset Management Fet	\$	\$	\$	\$	\$
MHP Minimum Payment	\$ 6,072	\$ 6,072	\$ 6,072	\$ 6,072	\$ 6,072
Deffered Dev. Fee	\$	\$	\$	\$	\$
SDHC Residual Receipts	\$ 2,009	\$ 1,847	\$ 1,669	\$ 1,475	\$ 1,265
Net Cash Flow	\$ 6,027	\$ 5,540	\$ 5,007	\$ 4,426	\$ 3,796

ATTACHMENT 8

**HOUSING COMMISSION LOAN TERMS
AND
PAYMENT PROCEDURES**

Total Development Cost:	A total development cost of \$3,169,327 includes foundation repairs, permit fees, interest costs, builder overhead and profit, builder fees, and a developer fee.
Housing Commission Loan Amount:	A \$1,570,000 residual receipts loan at three percent simple interest per year. The Housing Commission loan leverages \$1,599,327 from other sources.
Security:	The Housing Commission loan would remain in second lien position. Partial security, estimated at \$425,673, would be provided by the value of the completed development less the amount of the first position debt.
Recourse:	The Housing Commission loan is a recourse loan against the assets of Townspeople.
Cure Rights:	The Housing Commission maintains the right to cure defaults in accordance with the requirements of the senior lender.
Housing Commission Loan Payments:	Unpaid principal and accrued interest is due in a balloon payment at the end of the 65-year loan term. Townspeople would receive 50 percent of residual receipts after a minimum annual payment of \$6,072 to MHP. The remaining 50 percent would be split between MHP and the Housing Commission. The Housing Commission requires Townspeople to seek operations subsidies.
Affordability Restrictions:	A Housing Commission Declaration of Covenants, Conditions, and Restrictions with a 65-year term recorded against the property with rent and occupancy restrictions making 14 studio apartments affordable to tenants with incomes at 45 percent or less of AMI and 9 studio apartments affordable to tenants with incomes at 30 percent or less of AMI. Tenants will pay no more than 30 percent of their incomes in rent.

First Deed of Trust:	A 55-year permanent loan of \$1,554,327 from MHP is in first position at three percent simple interest per year.
Second Deed of Trust:	A \$1,570,000 65-year residual receipts loan from the Housing Commission.
Management Plan:	The Management Plan for the development is subject to periodic review and approval by the Housing Commission in its reasonable discretion.
Operating Expense:	Operating expenses are estimated to be \$3,744 per month (\$156 per unit).
Pro Forma Assumptions:	Income increases are projected at 2.5 percent per year; operating expenses at 3.5 percent per year; the vacancy rate at 5 percent per year. Any shortfall in project income available for operating expenses will be paid by Townspeople.
Reserves:	There is a capitalized operating reserve of \$37,000. Townspeople has a general replacement reserve account of approximately \$29,000 that can be used for this project. The borrower will make minimum annual payments of \$10,608 into a project-specific replacement reserve account for the 51 st Street apartments. Use of reserves is subject to the reasonable approval of the Chief Executive Officer of the San Diego Housing Commission.