



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.: HCR06-88

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

SUBJECT: Loan for Veterans Village Of San Diego (Council District 2)

REQUESTED ACTION:

Approve a loan and grant for permanent financing of low-income transitional rental housing at Veterans Village, located at 4141 Pacific Highway, and forward to the Housing Authority for final approval.

STAFF RECOMMENDATIONS:

1. Approve and forward to the Housing Authority a recommendation to make a 65-year \$3,488,951 deferred loan, and utilize a \$745,575 revocable grant of Federal Economic Development Initiative (HUD-EDI) funds previously approved for 144 beds of permanent supportive housing at the site, to Veterans Village of San Diego (VVSD) as permanent financing for development of 112 beds of transitional rental housing in Phase II of Veterans Village.
2. Approve an amendment to the FY2007 Housing Commission budget to reflect the addition of \$325,000 of State Low Income Housing Trust Fund money.
3. Authorize the President and Chief Executive Officer to execute all necessary documents.

DISCUSSION:

VVSD is a 501(c)(3) nonprofit corporation organized in 1981 with the mission of providing housing, substance abuse recovery, mental health services, job training, and job placement assistance to homeless military veterans in San Diego County. Helping enrollees become self-sufficient through the recovery of life skills and employment is the primary mission of the Veterans Village program.

VVSD operates a total of 216 transitional housing beds for homeless veterans (170 beds at its Veterans Village campus) and eight apartment units in San Diego for homeless veterans with families. A recent independent study indicated that approximately 70 percent of the transitional housing graduates were sober and spent no nights homeless six months after leaving Veterans



Village. VVSD has received accolades from the U.S. Department of Veterans Affairs (VA) and veterans organizations for the success of its activities.

In June 2006, VVSD completed construction of a 112-bed transitional housing facility that was financed, in part, with an \$82,000 Housing Commission predevelopment grant and a \$675,000 Housing Commission forgivable loan. The loan for Phase I of Veterans Village is described in Housing Commission report number HCR05-94 (Attachment – 4). A HUD grant of \$745,575 in special purpose Economic Development Initiative (EDI) funds was previously approved by the Housing Commission for development of 144 beds of permanent supportive housing at the site (HCR06-06). Due to timing issues in the acquisition of adjoining parcels needed to expand their facility, VVSD would use the HUD-EDI grant to finance 112 beds of transitional housing in Phase II. VVSD will continue working to secure financing for the Phase III permanent housing component.

AFFORDABLE HOUSING IMPACT:

A Housing Commission loan to VVSD for Phase II would provide permanent gap financing to construct 112 beds of transitional rental housing for homeless military veterans. According to the City of San Diego's FY2005 – FY2009 Consolidated Plan, as much as 40 percent of San Diego's population of single homeless men are military veterans. The plan identifies the urban population of homeless male and female veterans as a group of residents in critical need of transitional housing with attending supportive services. As San Diego's largest provider of residential services for homeless veterans, VVSD helps the City meet its objective of reducing homelessness in San Diego.

Housing Commission rent and occupancy restrictions would be recorded against the property making 34 beds affordable to extremely low-income tenants with incomes at 30 percent or less of Area Median Income (currently \$14,500), 62 beds affordable to very low-income tenants with incomes at 50 percent or less of AMI (currently \$24,150) and 16 beds affordable to low-income tenants with incomes at 60 percent or less of AMI (currently \$29,000) for 65 years. However, average monthly rents paid by the tenants would be lower (approximately \$30 per bed).

Although the targeted tenant population is characteristically extremely low-income, beds would be made available for occupancy at higher income levels so tenants who are working may continue in the Veterans Village program for support in maintaining substance abuse recovery or to deal with other personal issues. Notwithstanding income level, tenants would pay no more than 30 percent of their income in rent and there would be no requirement for a minimum rent payment.

FISCAL CONSIDERATIONS:

Total Housing Commission participation in development of Phase I was \$757,000 (\$6,759 per bed for 112 beds). Approval of the proposed \$3,488,951 Housing Commission loan and use of the \$745,575 HUD-EDI grant for Phase II would increase the Housing Commission's participation in Veterans Village to \$4,991,526 (\$22,284 per bed for 224 transitional housing

beds). With a total development cost for Phase II estimated at \$9,104,526, the Housing Commission loan and grant would leverage \$4,870,000 from other sources.

Staff proposes to utilize funds from the State's Low Income Housing Trust Fund Program (LHTFP) for \$720,000 of the Housing Commission loan. The Housing Commission would meet LHTFP matching requirements with \$780,000 from the San Diego Housing Trust Fund and complete the loan funding with \$1,988,951 of HOME Program funds.

The original appraisal for Phase II with construction complete, submitted on December 29, 2004, was reaffirmed by the appraiser at \$7,060,000 on July 31, 2006. The entire Redevelopment Agency loan and 82 percent of the proposed subordinate Housing Commission loan would be secured by this value. Until Phase II completion, the first position Redevelopment Agency loan would be partially secured by the appraised \$3,490,000 value of the Phase II land; the Housing Commission loan would be unsecured. With loans of \$7,688,951, the loans-to-value ratio for Phase II at completion would be 109 percent.

Because operating costs of the housing, VVSD administrative expenses, and the cost of supportive services are expected to be paid by grants from the VA up to the actual costs of operation, negative cash flow is not expected. The VA grants to VVSD are monitored on an annual basis by the VA and have been renewed since the inception of the Veterans Village facility. With Housing Commission and Redevelopment Agency approval, VVSD would use project operating reserves to subsidize operations of the transitional housing in the event that operations subsidies provided by the VA become unavailable or insufficient to cover costs.

Because VVSD is building special purpose housing with extremely low rents, project income would not result in cash flow sufficient to fund both loan debt service and appropriate reserves. For this reason, it is recommended that principal and accrued interest on the \$2,768,951 in combined HOME and Housing Trust Fund funds be forgiven at the end of the 65-year loan term if VVSD is in compliance with its Housing Commission and Redevelopment Agency loan agreements. Because State rules require repayment of the principal of the LHTFP funds, a \$720,000 balloon payment to the Housing Commission would be due from VVSD in 65 years. VVSD's long term financial plan would include the use of a portion of the accumulated project reserves to retire this encumbrance on or before its maturity.

The following table outlines the various funding sources for the proposed Housing Commission participation in Phase II:

Proposed Sources of Housing Commission Funds	Amount
State Low Income Housing Trust Fund	\$ 720,000
San Diego Housing Trust Fund	\$ 780,000
HOME Program	\$1,988,951
HUD-EDI grant	\$ 745,575
Total	\$4,234,526

There would be no construction loan for Phase II; all financing would be permanent. The first position debt would be a \$4,200,000 zero-interest, 65-year loan from the Redevelopment Agency. HUD requires that the Redevelopment Agency loan be a first position debt as a condition of a \$1,000,000 HUD-108 loan to the Redevelopment Agency for purchase of the land. The Redevelopment Agency loan would be forgiven at the end of its term if VVSD is in compliance with the Redevelopment Agency and Housing Commission loan agreements. The second position debt would be a \$3,488,951 65-year loan from the Housing Commission at three percent simple interest. With the exception of a \$720,000 LHFP loan principal that must be repaid, principal and accrued interest of the Housing Commission loan would only be due upon default. The \$745,575 revocable grant of HUD-EDI funds from the Housing Commission would be recorded in third position. The HUD-EDI grant is specific to the development of affordable housing and has been designated by the Housing Commission for Veterans Village; no action by the Housing Commission is required to secure HUD approval to use these funds for Phase II.

Although it is customary for affordable housing developers to receive a developer fee from the proceeds of permanent financing to pay for corporate overhead and other operating costs, VVSD will forego a developer fee for this project. The following table outlines the proposed sources of financing for construction of Phase II of the Veterans Village development:

Debt Position	Proposed Sources of Financing	Amount	Terms
1st	Redevelopment Agency loan	\$4,200,000	65 yrs. @ 0% interest; deferred
2nd	San Diego Housing Commission loan	\$3,488,951	65 yrs. @ 3% interest; deferred
3rd	HUD-EDI revocable grant	\$ 745,575	65 yrs; repayment upon default
	Redevelopment Agency (NTC grant)	\$ 150,000	
	County of San Diego grant	\$ 200,000	
	VA grant	\$ 320,000	
	Total Development Cost	\$9,104,526	

Although the Housing Commission would make a loan to a development without rental income sufficient to support the operation in its entirety, risk to the Housing Commission would be mitigated by operations subsidies to the project from the VA. Risk due to a loss of the VA subsidies would be somewhat mitigated by operating reserves. Because the deferred loans to the project would have no debt service requirements, all net cash flow would be deposited into the reserve account. Risk is further reduced by Housing Commission recourse against VVSD in the event the organization fails to properly provide the housing component of its program. A Housing Commission loan for Phase II would be conditional upon VVSD securing its other financing.

Approval of this proposal would increase the Housing Commission's participation in Veterans Village from \$757,000 to \$4,991,526; however, this is a relatively low-risk investment for the Housing Commission because VVSD successfully operates transitional housing at the site, it has significant equity in the form of a VA grant, and there is a favorable loans-to-value ratio.

Housing Commission financing of \$4,234,526 for Phase II would increase Housing Commission participation in Veterans Village to 224 beds of transitional housing; a total investment of \$4,991,526 (\$22,284 per bed) that compares favorably to the Redevelopment Agency investment of \$7,025,000 (\$31,362 per bed) in the development.

As an alternative, the Housing Commission could approve a loan without a provision to make \$2,768,951 forgivable. The borrower could make residual receipts payments or periodic debt service payments; however, reserves would be minimal and a much larger balloon payment would be due at the end of the loan term. Because rents the tenants can afford to pay are minimal, there would be insufficient project income to pay both debt service and fund a reserve account. Without reserves, VVSD would risk defaulting on its loan agreements if it lost its VA operation subsidies.

The Housing Commission could deny loan approval of this loan. Without Housing Commission participation, VVSD would likely be unable to finance Phase II of the Veterans Village development. An opportunity to provide 112 beds of transitional housing to an underserved population of homeless veterans would be lost.

PREVIOUS ACTIONS:

On December 2, 2005, the Housing Commission approved a \$675,000 65-year, no-interest forgivable loan for Phase I of Veterans Village (HCR05-094). The Housing Commission approved a \$745,575 revocable grant of HUD-EDI funds for permanent supportive housing at Veterans Village on March 24, 2006 (HCR06-24). The Loan Committee voted to recommend this loan to the Housing Commission on October 24, 2006. It is possible that VVSD will present the Housing Commission with a proposal for funding of a Phase III permanent supportive housing component at a later date.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

A three-phase development was approved in 2001 by Midway Planning Group, Little Italy Association, and North Bay Redevelopment Agency. The Midway Planning Group approved the project on May 6, 2003, by a vote of 12 to 0.

ENVIRONMENTAL REVIEW:

In compliance with the National Environmental Policy Act (NEPA) and HUD Environmental Review Procedures, the California Environmental Quality Act (CEQA) and State CEQA Guidelines, the City of San Diego conducted a CEQA Initial Study and NEPA Environmental Assessment and determined that the project could have a significant environmental effect in the following areas: geology, water quality, hydrology, air quality, health and safety, and historical resources (archeology). Subsequent revisions in the project proposal created the specific measures as identified in Section V of the Mitigated Negative Declaration and Finding of No Significant Impact (FONSI) dated April 24, 2003. The project as revised avoids or mitigates the potentially significant environmental effects previously identified, and the preparation of an Environmental Impact Report (EIR) and Environmental Impact Statement (EIS) is not required.

A copy of the Mitigated Negative Declaration is on file at the offices of the San Diego Housing Commission.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

Stakeholders include Veterans Village and its clients, the Redevelopment Agency as a lender and development facilitator, and the City of San Diego as this project supports its efforts to end homelessness. Veterans Village is expected to significantly reduce the number of homeless military veterans living on the streets of San Diego.

Respectfully submitted,

**Signature on File
With Original Document**

Approved by,

Cissy Fisher
Director, Housing Finance and Development

Elizabeth C. Morris
President and Chief Executive Officer

- Attachments:
1. Location Map
 2. Development Summary
 3. Development Timeline
 4. Previous Report (HCR05-94)
 5. Disclosure Statement *
 6. Financial Statements *
 7. General Application Form
 8. Housing Commission Loan Terms
 9. Rental Housing Production Budget Summary
 10. Commitment Letter

*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 TRANSITIONAL HOUSING November 17, 2006

Name: Veterans Village of San Diego
Location: 4141 Pacific Highway
Description: Loan for Phase II of Veterans Village
Sponsor: Veterans Village of San Diego

Unit Affordability

Total # of units: 112 beds
Assisted units: 112 beds
Restricted rents: a maximum of 30 percent of tenant adjusted gross income
Market rent: not applicable
Percent of AMI: occupancy of 34 beds restricted at 30 percent or less of AMI
occupancy of 62 beds restricted at 50 percent or less of AMI
occupancy of 16 beds restricted at 60 percent or less of AMI
Affordability: 65 years

Development Cost

Total development cost: \$ 9,104,526
HC development cost: \$ 4,234,526
Total development cost per unit: \$ 81,290 per bed
HC cost per bed (112 beds): \$ 37,808 per bed

Sources of Funds

Housing Commission Loan \$ 3,488,951
Housing Commission EDI Grant \$ 745,575
Redevelopment Agency Loan \$ 4,200,000
Redevelopment NTC Grant \$ 150,000
County Grant \$ 200,000
VA Grant \$ 320,000

Pro Forma Summary

Estimated annual income: \$ 490,320 (year 1)
Estimated annual expense: \$ 391,420 (year 1)
Annual debt service: \$ not applicable
Estimated residual cash flow: \$ 62,384 (year 1)

ATTACHMENT 3

**VETERANS VILLAGE OF SAN DIEGO
LOAN FOR TRANSITIONAL HOUSING
ESTIMATED APPROVAL TIMELINE**

November 17, 2006	Loan to the Housing Commission for approval
December 5, 2006	Housing Authority / City Council approval
January 25, 2007	Housing Commission loan closing

SAN DIEGO HOUSING COMMISSION
GENERAL APPLICATION FORM - Project Overview

Last revised: March 16, 2005

DATE: November 17, 2006

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

REQUEST FOR: EARLY ASSISTANCE PROJECT FUNDING \$ 3,488,951
 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: _____ EXISTING STRUCTURE OTHER (DESCRIBE) redevelopment of existing parcel

PROJECT NAME: Veterans Village of San Diego
ADDRESS: 4141 Pacific Highway San Diego CA 92110
STREET CITY STATE ZIP
LEGAL DESCRIPTION: various 222 Middletown 450-570-18-00 65
LOT NO. BLOCK NO. SUBDIVISION NAME ASSESSORS PARCEL NO. CENSUS TRACT

SITE CONTROL: DEED OPTION OTHER (DESCRIBE) _____
DWELLING UNITS: _____ 28 _____ 28 112
0-BEDROOM 1-BEDROOM 2-BEDROOM 3-BEDROOM 4-BEDROOM 5-BEDROOM TOTAL UNITS BEDROOMS
HC Assisted Units: _____ 28 _____ 28 112
0-BEDROOM 1-BEDROOM 2-BEDROOM 3-BEDROOM 4-BEDROOM 5-BEDROOM TOTAL UNITS BEDROOMS

EXISTING USES OF PROPERTY: commercial industrial

DESCRIPTION OF PROPOSED PROJECT: transitional housing for homeless military veterans
NO. OF BUILDINGS: 2

APPLICANT/BORROWER:
NAME: Veterans Village of San Diego CONTACT PERSON: Mr. David Siegler, Vice President a
ADDRESS: 4141 Pacific Highway San Diego CA 92110
STREET CITY STATE ZIP
TELEPHONE: (619) 393-2077 FAX NO. (619) 497-0753

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

TAXPAYER IDENTIFICATION NUMBER: 95-3649525

CURRENT OWNER/SELLER INFORMATION:
NAME: Veterans Village of San Diego LEGAL DESCRIPTION: a fee
ADDRESS: 4141 Pacific Highway San Diego CA 92110
STREET CITY STATE ZIP
TELEPHONE: (619) 393-2077 FAX NO. (619) 497-0753

ZONING: IL3-1 COMMUNITY PLAN AREA: Midway
COUNCIL DISTRICT: 2 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: Veterans Village of San Diego
 ADDRESS: 4141 Pacific Highway San Diego CA 92110
ADDRESS CITY STATE ZIP
 OWNERSHIP NAME: Veterans Village of San Diego DATE: #####

1.	<u>Phil Landis</u> <small>NAME</small> <u>16730 Bernardo Center Drive</u> <small>STREET/PO</small> <u>San Diego</u> <u>CA</u> <u>92128</u> <small>CITY STATE ZIP</small>	<u>Chair</u> <small>TITLE/POSITION</small> <u>858-485-1700</u> <small>BUSINESS TELEPHONE NO.</small>	<u>Board Member</u> <small>NATURE OF INTEREST</small> <small>PERCENT INTEREST</small>
2.	<u>Mike Madigan</u> <small>NAME</small> <u>877 Island Avenue #508</u> <small>STREET/PO</small> <u>San Diego</u> <u>CA</u> <u>92101</u> <small>CITY STATE ZIP</small>	<u>Vice Chair</u> <small>TITLE/POSITION</small> <u>619-807-6857</u> <small>BUSINESS TELEPHONE NO.</small>	<u>Board Member</u> <small>NATURE OF INTEREST</small> <small>PERCENT INTEREST</small>
3.	<u>Will Hays</u> <small>NAME</small> <u>5883 Adobe Falls Road</u> <small>STREET/PO</small> <u>San Diego</u> <u>CA</u> <u>92120</u> <small>CITY STATE ZIP</small>	<u>Secretary</u> <small>TITLE/POSITION</small> <u>619-265-7377</u> <small>BUSINESS TELEPHONE NO.</small>	<u>Board Member</u> <small>NATURE OF INTEREST</small> <small>PERCENT INTEREST</small>
4.	<u>Anthony Moya</u> <small>NAME</small> <u>550 W. C Street, Suite 800</u> <small>STREET/PO</small> <u>San Diego</u> <u>CA</u> <u>92101</u> <small>CITY STATE ZIP</small>	<u>Director</u> <small>TITLE/POSITION</small> <u>619-699-4927</u> <small>BUSINESS TELEPHONE NO.</small>	<u>Board Member</u> <small>NATURE OF INTEREST</small> <small>PERCENT INTEREST</small>
5.	<u>Eugene Aurbach</u> <small>NAME</small> <u>4224 Campus Pointe Court, MS B-1</u> <small>STREET/PO</small> <u>San Diego</u> <u>CA</u> <u>92121</u> <small>CITY STATE ZIP</small>	<u>Director</u> <small>TITLE/POSITION</small> <u>858-735-7888</u> <small>BUSINESS TELEPHONE NO.</small>	<u>Board Member</u> <small>NATURE OF INTEREST</small> <small>PERCENT INTEREST</small>
6.	<u>David Bain</u> <small>NAME</small> <u>1625 Rigel Street</u> <small>STREET/PO</small> <u>San Diego</u> <u>CA</u> <u>92113</u> <small>CITY STATE ZIP</small>	<u>Director</u> <small>TITLE/POSITION</small> <u>619-255-7822</u> <small>BUSINESS TELEPHONE NO.</small>	<u>Board Member</u> <small>NATURE OF INTEREST</small> <small>PERCENT INTEREST</small>
7.	<u>Bruce Boland</u> <small>NAME</small> <u>5205 Lebaron Road</u> <small>STREET/PO</small> <u>San Diego</u> <u>CA</u> <u>92115</u> <small>CITY STATE ZIP</small>	<u>Director</u> <small>TITLE/POSITION</small> <u>619-286-7480</u> <small>BUSINESS TELEPHONE NO.</small>	<u>Board Member</u> <small>NATURE OF INTEREST</small> <small>PERCENT INTEREST</small>
8.	<u>Joe Ciokon</u> <small>NAME</small> <u>13768 Sycamore Tree Lane</u> <small>STREET/PO</small> <u>Poway</u> <u>CA</u> <u>92064</u> <small>CITY STATE ZIP</small>	<u>Director</u> <small>TITLE/POSITION</small> <u>858-486-2846</u> <small>BUSINESS TELEPHONE NO.</small>	<u>Board Member</u> <small>NATURE OF INTEREST</small> <small>PERCENT INTEREST</small>

USE ADDITIONAL SHEETS AS NECESSARY

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: Veterans Village of San Diego

ADDRESS: 4141 Pacific Highway San Diego CA 92110
ADDRESS CITY STATE ZIP

OWNERSHIP NAME: Veterans Village of San Diego DATE: #####

9 John Smith Director Board Member
NAME TITLE/POSITION NATURE OF INTEREST
10452 Moorpark Street 619-205-1406
STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
Spring Valley CA 91978
CITY STATE ZIP

10 John Tibbitts Director Board Member
NAME TITLE/POSITION NATURE OF INTEREST
4215 Ridgeway 619-298-9680
STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
San Diego CA 92116
CITY STATE ZIP

11 James Waters Director Board Member
NAME TITLE/POSITION NATURE OF INTEREST
300 West Broadway, Suite 700 619-531-4040
STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
San Diego CA 92101
CITY STATE ZIP

12 Al Pavich Director / VVSD Pres. & CEO Board Member
NAME TITLE/POSITION NATURE OF INTEREST
4141 Pacific Highway 619-393-2026
STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
San Diego CA 92110
CITY STATE ZIP

13
NAME TITLE/POSITION NATURE OF INTEREST

STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST

CITY STATE ZIP

14
NAME TITLE/POSITION NATURE OF INTEREST

STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST

CITY STATE ZIP

15
NAME TITLE/POSITION NATURE OF INTEREST

STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST

CITY STATE ZIP

16
NAME TITLE/POSITION NATURE OF INTEREST

STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST

CITY STATE ZIP

USE ADDITIONAL SHEETS AS NECESSARY

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

DATE: November 17, 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: Veterans Village of San Diego
ADDRESS: 4141 Pacific Highway San Diego CA 92110
STREET CITY STATE ZIP
TOTAL NUMBER OF UNITS: 28

OPERATING EXPENSE ITEM	ANNUAL COST	COST PER UNIT	COST PER SQ. FT.
Administrative Expenses			
Office Supplies & Equipment	\$ 2,000	\$ 71	\$ 0.12
Telephone	\$ 1,200	\$ 43	\$ 0.07
Training & Travel	\$	\$	\$
Payroll Services	\$	\$	\$
Program Services	\$	\$	\$
Other:	\$	\$	\$
Subtotal Percent of Total <u>1%</u>	\$ 3,200	\$ 114	\$ 0.20
Marketing Expenses			
Advertising	\$	\$	\$
Other:	\$	\$	\$
Subtotal Percent of Total	\$ -	\$ -	\$
Professional Fees			
Property Management	\$ 15,600	\$ 557	\$ 0.97
Auditing Services	\$ 10,000	\$ 357	\$ 0.62
Legal Services	\$ 10,000	\$ 357	\$ 0.62
Other:	\$	\$	\$
Subtotal Percent of Total <u>9%</u>	\$ 35,600	\$ 1,271	\$ 2.21
Utilities			
Electric	\$ 40,000	\$ 1,429	\$ 2.48
Gas	\$ 20,000	\$ 714	\$ 1.24
Water/Sewer	\$ 19,000	\$ 679	\$ 1.18
Other:	\$	\$	\$
Subtotal Percent of Total <u>20%</u>	\$ 79,000	\$ 2,821	\$ 4.90
Contract Services			
Exterminating	\$ 4,800	\$ 171	\$ 0.30
Trash Removal	\$ 9,000	\$ 321	\$ 0.56
Security Patrol	\$	\$	\$
Building/Grounds Maintenance	\$ 24,000	\$ 857	\$ 1.49
Janitorial Services	\$ 12,000	\$ 429	\$ 0.74
Repair Services	\$	\$	\$
Elevator & Other Equipment	\$	\$	\$
Garage Operations/Maintenance	\$	\$	\$
Other:	\$	\$	\$
Subtotal Percent of Total <u>13%</u>	\$ 49,800	\$ 1,779	\$ 3.09
Cleaning & Decorating			
Painting Supplies	\$	\$	\$
Grounds Supplies	\$	\$	\$
Other: <u>janitorial supplies</u>	\$	\$	\$
Subtotal Percent of Total	\$ -	\$ -	\$
Taxes & Insurance			
Real Property Tax Assessment	\$	\$	\$
Property Insurance	\$ 20,000	\$ 714	\$ 1.24
Director's & Officer's Insurance	\$ 2,000	\$ 71	\$ 0.12
Other:	\$	\$	\$
Subtotal Percent of Total <u>6%</u>	\$ 22,000	\$ 786	\$ 1.37
Other			
SDHC Monitoring Fees	\$ 1,820	\$ 65	\$ 0.11
Other: <u>food and miscellaneous</u>	\$ 200,000	\$ 7,143	\$ 12.42
Other:	\$	\$	\$
Other:	\$	\$	\$
Subtotal Percent of Total <u>52%</u>	\$ 201,820	\$ 7,208	\$ 12.53
Total Annual Operating Costs	\$ 391,420	\$ 13,979	\$ 24.30

DEVELOPMENT FORM - SOURCES AND USES OF FUNDS - SU

DATE: November 17, 2006

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

PROJECT TYPE: ACQUISITION ACQUISITION & REHABILITATION RENTAL NUMBER OF UNITS 28
 NEW CONSTRUCTION REHABILITATION OWNERSHIP

PROJECT NAME: Veterans Village of San Diego
 ADDRESS: 4141 Pacific Highway San Diego CA 92110
STREET CITY STATE ZIP

SOURCES

POSITION	TERMS	COMMITMENT	AMORTIZED	DEFERRED	TAX CREDIT	GRANT	EQUITY
1ST <u>Redevelopment Agency</u>	<u>65</u> YRS. <u>3.00</u> RATE % <input type="checkbox"/> Y/N <input checked="" type="checkbox"/> N	<u> </u> DATE OR EXPECTED	\$ <u> </u>	\$ <u>4,200,000</u>			
2ND <u>SDHC</u>	<u>65</u> YRS. <u>3.00</u> RATE % <input type="checkbox"/> Y/N <input checked="" type="checkbox"/> N	<u> </u> DATE OR EXPECTED	\$ <u> </u>	\$ <u>3,488,951</u>			
(Select one)							
Residual Receipts or Amortized		<u> </u>	Subsidy/Assisted Uni \$ <u> </u>	Subsidy/Assisted Bdr \$ <u>31,151</u>			
3RD <u>SDHC</u>	<u>65</u> YRS. <u> </u> RATE % <input type="checkbox"/> Y/N <input checked="" type="checkbox"/> Y	<u> </u> DATE OR EXPECTED	\$ <u> </u>	\$ <u> </u>		\$ <u>745,575</u>	
4TH <u> </u>	<u> </u> YRS. <u> </u> RATE % <input type="checkbox"/> Y/N <input checked="" type="checkbox"/> Y	<u> </u> DATE OR EXPECTED	\$ <u> </u>	\$ <u> </u>		\$ <u> </u>	
GRANTS <u>others</u>	<u> </u> YRS. <u> </u> RATE % <input type="checkbox"/> Y/N <input checked="" type="checkbox"/> N	<u> </u> DATE OR EXPECTED			\$ <u> </u>	\$ <u>670,000</u>	
EQUITY <u> </u>	<u> </u> YRS. <u> </u> RATE % <input type="checkbox"/> Y/N <input checked="" type="checkbox"/> Y	<u> </u> DATE OR EXPECTED					\$ <u> </u>
TOTAL \$ <u>9,104,526</u>			\$ <u> </u>	\$ <u>7,688,951</u>	\$ <u> </u>	\$ <u>1,415,575</u>	\$ <u> </u>

FUNDING SCHEDULE FOR SOURCES

	TOTAL	CLOSING	CONSTRUCTION PERIOD			COMPLETION 4TH QUARTER	RENT UP QTRS 5 & 6
			1ST QUARTER	2ND QUARTER	3RD QUARTER		
Redevelopment Agency *	\$ 4,200,000	\$ 2,200,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$
SDHC	\$ 3,488,951	\$ 1,988,951	\$ 500,000	\$ 500,000	\$ 500,000	\$	\$
SDHC	\$ 745,575	\$ 745,575	\$	\$	\$	\$	\$
	\$ -	\$	\$	\$	\$	\$	\$
others	\$ 670,000	\$ 670,000	\$	\$	\$	\$	\$
	\$ -	\$	\$	\$	\$	\$	\$
	\$ 9,104,526	\$ 5,604,526	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 500,000	\$ -

INFORMATION ON CONSTRUCTION LOAN

CONSTRUCTION LENDER: NONE
 CONSTRUCTION TIME: 12 (MONTHS)
 CONSTRUCTION INTEREST: %
 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: #####

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

PROJECT NAME: Veterans Village of San Diego
 ADDRESS: 4141 Pacific Highway San Diego CA 92110
STREET CITY STATE ZIP

Replacement Reserve	\$ 12,000	LP Asset Mgmt Fee	\$	GP Management Fee	\$
Rental Income	\$ 40,320	Project Income Increase	2.50 %	Mortgage Amount	\$
Other Income	\$ 450,000	Operating Exp. Increase	3.50 %	Mortgage Rate	
Operating Expenses	\$ 391,420	Vacancy Loss	5.00 %	Mortgage Term (Years)	65
LP & GP Annual Increase	%	Deferred Dev. Fee	\$	Interest on Deff. Dev. Fee	%

SDHC Participation	\$ 3,488,951	Residual Receipts	<input type="checkbox"/>	Interest Rate	3.000 %
Percent of Residual to HC		or	<input type="checkbox"/>	Term (Years)	65
		Amortize	<input type="checkbox"/>		

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Gross Project Income	\$ 490,320	\$ 502,578	\$ 515,142	\$ 528,021	\$ 541,222
Vacancy	\$ 24,516	\$ 25,129	\$ 25,757	\$ 26,401	\$ 27,061
Effective Gross Income	\$ 465,804	\$ 477,449	\$ 489,385	\$ 501,620	\$ 514,160
Operating Expense	\$ 391,420	\$ 405,120	\$ 419,299	\$ 433,974	\$ 449,163
Net Operating Income	\$ 74,384	\$ 72,329	\$ 70,086	\$ 67,646	\$ 64,997
Debt Service (1st)	\$	\$	\$	\$	\$
Coverage (1st)					
Replacement Reserve	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
Cash Flow	\$ 62,384	\$ 60,329	\$ 58,086	\$ 55,646	\$ 52,997
LP Asset Management Fee	\$ -	\$	\$	\$	\$
GP Management Fee	\$ -	\$	\$	\$	\$
Deffered Dev. Fee Pmt.	\$	\$	\$	\$	\$
SDHC Residual Receipts	\$	\$	\$	\$	\$
Net Cash Flow	\$ 62,384	\$ 60,329	\$ 58,086	\$ 55,646	\$ 52,997

	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Gross Income	\$ 554,752	\$ 568,621	\$ 582,836	\$ 597,407	\$ 612,342
Vacancy	\$ 27,738	\$ 28,431	\$ 29,142	\$ 29,870	\$ 30,617
Effective Gross Income	\$ 527,014	\$ 540,190	\$ 553,695	\$ 567,537	\$ 581,725
Operating Expense	\$ 464,884	\$ 481,155	\$ 497,996	\$ 515,425	\$ 533,465
Net Operating Income	\$ 62,130	\$ 59,035	\$ 55,699	\$ 52,112	\$ 48,260
Debt Service (1st)	\$	\$	\$	\$	\$
Coverage (1st)					
Replacement Reserve	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
Cash Flow	\$ 50,130	\$ 47,035	\$ 43,699	\$ 40,112	\$ 36,260
LP Asset Management Fee	\$	\$	\$	\$	\$
GP Management Fee	\$	\$	\$	\$	\$
Deffered Dev. Fee	\$	\$	\$	\$	\$
SDHC Residual Receipts	\$	\$	\$	\$	\$
Net Cash Flow	\$ 50,130	\$ 47,035	\$ 43,699	\$ 40,112	\$ 36,260

	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15
Gross Income	\$ 627,651	\$ 643,342	\$ 659,426	\$ 675,912	\$ 692,809
Vacancy	\$ 31,383	\$ 32,167	\$ 32,971	\$ 33,796	\$ 34,640
Effective Gross Income	\$ 596,269	\$ 611,175	\$ 626,455	\$ 642,116	\$ 658,169
Operating Expense	\$ 552,137	\$ 571,461	\$ 591,462	\$ 612,164	\$ 633,589
Net Operating Income	\$ 44,132	\$ 39,714	\$ 34,992	\$ 29,952	\$ 24,579
Debt Service (1st)	\$	\$	\$	\$	\$
Coverage (1st)					
Replacement Reserve	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
Cash Flow	\$ 32,132	\$ 27,714	\$ 22,992	\$ 17,952	\$ 12,579
LP Asset Management Fee	\$	\$	\$	\$	\$
GP Management Fee	\$	\$	\$	\$	\$
Deffered Dev. Fee	\$	\$	\$	\$	\$
SDHC Residual Receipts	\$	\$	\$	\$	\$
Net Cash Flow	\$ 32,132	\$ 27,714	\$ 22,992	\$ 17,952	\$ 12,579

ATTACHMENT 8

**HOUSING COMMISSION LOAN TERMS
AND
PAYMENT PROCEDURES**

Total Development Cost:	The total development cost of \$9,104,526 includes construction, interest costs, builder overhead and profit, and builder fees.
Developer Equity:	VVSD brings a \$320,000 VA grant to the project.
Housing Commission Loan Amount:	A \$3,488,951 loan leverages \$5,615,575 from other sources.
Security:	The Housing Commission loan would be recorded in second lien position subordinate to a \$4,200,000 loan from the Redevelopment Agency and would be unsecured until project completion; partial security would be provided by the value following completion, estimated at \$7,060,000.
Recourse:	The Housing Commission loan would be a recourse loan against the assets of VVSD.
Cure Rights:	The Housing Commission maintains the right to cure defaults in accordance with the requirements of the DDA.
Housing Commission Loan Payments:	A deferred loan at three percent simple interest. With the exception of a \$720,000 principal payment, principal and accrued interest would be forgiven at the end of 65 years upon compliance with loan terms; principal and accrued interest on \$3,488,951 would be due as a balloon payment upon default.
Affordability Restrictions:	A Housing Commission Declaration of Covenants, Conditions, and Restrictions with a 65-year term would be recorded against the property to restrict occupancy of 34 beds to tenants with incomes of 30 percent or less of AMI, 62 beds to tenant with incomes of 50 percent or less of AMI, and 16 beds to tenants with incomes of 60 percent or less of AMI.

Rents for 112 beds would be restricted to no more than 30 percent of tenant income; there would be no required minimum rent payment.

First Deed of Trust:	A \$4,200,000 65-year deferred loan from the Redevelopment Agency.
Second Deed of Trust:	A \$3,488,951 65-year deferred loan from the Housing Commission.
Third Deed of Trust:	A \$745,575 65-year revocable grant of HUD-EDI funds from the Housing Commission.
Management Plan:	The Management Plan for Veterans Village is subject to periodic review and approval by the Housing Commission in its reasonable discretion.
Operating Expense:	Monthly operating expenses are estimated at \$32,618 (\$291 per bed).
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 funded from reserves with the permission of the Housing Commission.
Reserves:	The borrower would make minimum annual payments of \$12,000 into a reserve account. All residual cash from operations would be deposited into the reserve account. Use of reserves would require the reasonable approval of the Chief Executive Officer of the San Diego Housing Commission.