



REPORT

DATE ISSUED: February 23, 2007 REPORT NO.:HCR07-19

ATTENTION: Chair and Members of the Housing Commission
For the Agenda of March 2, 2007

SUBJECT: Loan increase and HELP loan payoff for Dawson Avenue Senior
Apartments (Council District 7)

REQUESTED ACTION:

Approve a \$1,409,000 loan increase as permanent financing for construction of 88 units of low-income rental housing and approve the use of up to \$2,100,000 of Housing Commission funds to repay a State HELP Program loan used to acquire the land.

STAFF RECOMMENDATION:

Approve and forward to the Housing Authority for final authorization the following recommendations:

1. Contingent on the receipt of nine percent tax credits, increase a \$2,372,000 Housing Commission second position loan to \$3,781,000 as permanent financing for 87 units (one unrestricted unit would be occupied by a resident manager) of rental housing for very low-income seniors and disabled residents.
2. Use up to \$2,100,000 of Housing Commission funds to pay off a short term HELP loan from the California Housing Finance Agency and take all actions necessary to allocate HOME Program funds for this payment.
3. In accordance with this report, change the terms and conditions of the loan approved on March 1, 2005.
4. Authorize the Chief Executive Officer of the Housing Commission to execute the necessary documents.

DISCUSSION:

The owner and operator of the project would be a tax credit limited partnership formed by Housing Development Partners (HDP) and Chelsea Investment Corporation (Chelsea). Chelsea would be the developer and administrative general partner; HDP would be the managing general partner. If the proposed development receives an award of nine percent tax credits, HDP and Chelsea will form the partnership as the legal ownership entity in conformance with standard tax credit requirements and practice. If tax credits are not awarded in the March 2007 tax credit round, HDP would apply for a July 2007 allocation. The limited partner tax credit investor would be competitively selected by the general partners.

Founded in 1986 as a for-profit housing developer by its owner and president, Mr. James Schmid, Chelsea and its affiliates have developed over 4,000 units of multi-family housing in California and Arizona. HDP was established by the Housing Commission in 1990 as a nonprofit corporation to facilitate the development of affordable housing in San Diego. HDP operates under a Board of Directors that includes two members of the Housing Commission's Board of Commissioners, the Chief Executive Officer of the Housing Commission, and four at-large directors appointed by the Housing Commission. HDP has been involved in development of 436 housing units in four multi-family developments in San Diego, including the 75-unit Casa Colina Apartments complex for seniors.

HDP and Chelsea have each received loans from the Housing Commission to finance previous projects. The organizations are currently in compliance with the terms of their Housing Commission loans.

Disclosure

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

None of the board members of Housing Development Partners has a financial interest in the development that would legally preclude their participation under the provisions of Government Code Sections 1090 and/or 87100, et.seq., and/or the San Diego Housing Commission's Conflict of Interest Code. This disclosure shall be and is hereby documented in the official records of the San Diego Housing Commission.

The following table outlines the development team:

ROLE/FIRM	CONTACT	OWNED BY
Owner- a California Limited Partnership to be formed later.	Ms. Wendy DeWitt	Housing Development Partners would be the managing general partner
Fee Developer- Chelsea Investment Corporation	Mr. James Schmid, President	James Schmid (privately owned)
General Contractor- to be determined		

Architects- Westberg & White, Inc. (construction) Michael Jones Architect, Inc. (design)		Mr. Frisco White (privately owned) Michael Jones (privately owned)
Tax Credit Investor- to be determined		Limited Partner

Located at 4310 Dawson Avenue between Dawson Avenue and 52nd Street, the approximately 36,000 square foot lot is one block south of the transportation, shopping, and other service amenities of the El Cajon Boulevard commercial corridor (see Attachment – 1, Location Map). This development would contribute to revitalization of the neighborhood in concert with other redevelopment projects proposed for nearby parcels. An adjacent shopping center is undergoing renovation and derelict buildings across El Cajon Boulevard were removed for the construction of the 91-unit Talmadge Senior Village project on land owned by the Housing Commission.

The proposed improvements would consist of 88 rental units in a four-story building surrounding a courtyard and would include a community room, on-site laundry facilities, a manager’s office, underground parking, and individual patio areas. The apartments are designed specifically to meet the needs of seniors, with elevator stops on all four levels, and the building will exceed Title 24 energy conservation standards.

AFFORDABLE HOUSING IMPACT:

The Housing Commission would record 55-year rent restrictions against the property making 87 units affordable to tenants with annual incomes of 50 percent or less of Area Median Income (AMI), which is currently \$24,150 for a one-person household. To assure that the project is fully leased, the Housing Commission would record an occupancy restriction making the units eligible for occupancy by tenants with incomes of up to 60 percent of AMI, which is currently \$29,000 for a one-person household. The occupancy restriction at 60 percent of AMI would make the units available to residents with a wider range of incomes. The actual rents are subject to the more stringent restrictions of the California Tax Credit Allocation Committee (TCAC) and, as a result, would be affordable to tenants with incomes of between 30 percent and 50 percent of AMI. The proposed tax credit rents are outlined in the San Diego Housing Commission General Application Form (see Attachment – 7).

FISCAL CONSIDERATIONS:

The Housing Authority approved a \$2,372,000, 55-year residual receipts loan for this development, and a 65-year lease of the Housing Commission-owned land to HDP, on March 1, 2005. The previous Housing Commission financing is described in Housing Authority report number HAR05-002 (Attachment – 4). The proposed action would increase the Housing Commission’s loan to this development from \$2,372,000 (\$26,955 per unit for 88 units) to \$3,781,000 (\$42,966 per unit for 88 units). The Housing Commission loan would be a 55-year residual receipts loan with interest at the Applicable Federal Rate (AFR) which is currently approximately 4.5 percent. With a total estimated development cost of \$23,634,000 (\$268,568

per unit without the land) the Housing Commission loan would leverage \$19,853,000 from other sources. To meet tax credit requirements, the Housing Commission loan would be a recourse loan during construction and a non-recourse loan thereafter.

The Housing Commission purchased the land for this development in 2005 with a \$1,825,000 HELP Program loan from the California Housing Finance Agency (CalHFA). The ten-year, three percent deferred interest loan matures on August 13, 2013. To date, unpaid principal and interest of this loan has accumulated to approximately \$2,046,000. The Housing Commission would use up to \$2,100,000 of HOME funds and other Housing Commission funds to pay off the principal and accrued interest of the HELP loan. This would reduce the cost of the land because the Housing Commission funds do not bear interest. HOME rules precluded the use of HOME funds to acquire the land in 2005 because of a one-year limit on the amount of time allowed between HOME funding and the start of construction.

Approval of these recommendations would increase the Housing Commission's investment in the project to \$5,881,000. The \$1,409,000 increase in the Housing Commission loan would supplant institutional debt because project income would not be sufficient to pay the debt service for a larger first position loan. The larger Housing Commission loan would partially defray a \$3,065,443 increase in the estimated total cost of development.

Because the Housing Commission owns the land, there would be a ground lease to the partnership with a lease payment equal to 4.5 percent of annual gross rents of the project (estimated at \$26,482 per year). The Housing Commission affordability restrictions would be contained in the ground lease. The ground lease would not subordinate to the loans because the loans are secured by the leasehold interest in the property improvements and not the land.

The first position debt would be an estimated \$2,247,000, seven percent interest, 30-year amortized loan from an institutional lender not yet identified. The second lien would be a \$3,781,000, 55-year, three percent simple interest residual receipts loan from the Housing Commission.

The following table outlines the proposed sources of permanent financing:

Debt Position	Proposed Sources of Financing	Amount	Terms
1st	Institutional Lender	\$ 2,247,000	30 yrs. @ 7% interest; amortized
2nd	Housing Commission Loan	\$ 3,781,000	55 yrs. @ AFR; residual receipts
	9% Tax Credit Equity	\$17,606,000	
	Total Development Cost	\$23,634,000	

Approval of this proposal would increase the Housing Commission's loan to this development from \$2,372,000 to \$3,781,000; however, this is a relatively low-risk investment because the Housing Commission owns the land, the developer is experienced, and there would be significant

owner equity in the form of tax credits. The Housing Commission loan would be secured because the development's value at completion is expected to exceed the amount of debt placed against it.

The proposed financing would not be funded until the project receives an award of nine percent tax credits. The potential of bringing tax credits into this development makes this a desirable investment for the Housing Commission. As an alternative, the Housing Commission could deny the proposed loan increase. Without the additional Housing Commission financing, the project would likely not move forward because project income would not support increased institutional debt. The City would lose an opportunity to have 87 units of much needed rental housing for low-income seniors and disabled residents with improvements to the property that would benefit the neighborhood.

PREVIOUS ACTIONS:

On March 1, 2005, the Housing Authority authorized the Housing Commission to acquire the property at a cost of \$1,825,000, lease the property for 65 years to HDP for the purpose of developing senior housing, and loan HDP up to \$2,372,000 to construct the improvements (HAR05-002).

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

The development was approved by the City Heights Area Planning Committee on June 5, 2006, by a vote of 16 to 1. The community group will receive progress updates from the developer.

ENVIRONMENTAL REVIEW:

Review under the National Environmental Policy Act (NEPA) is in process because the development may be funded with Federal funds. No Federal funds may be committed nor expended except upon full NEPA compliance. This in-fill development project was reviewed under the California Environmental Quality Act (CEQA) Guidelines Section 15332 and was determined by the City of San Diego (Determination Of Environmental Exemption Project No.: 27958 dated December 23, 2004) to be exempt from further review under CEQA because the proposed project is consistent with the applicable zoning designation and regulations; the proposed development would occur within city limits on a project site of no more than five acres substantially surrounded by urban uses; the project site has no value as habitat for endangered, rare, or threatened species; approval of the project would not result in any significant effects relating to traffic, noise, air quality, or water quality and the site can be adequately served by all required utilities and public services.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

Stakeholders include Chelsea Investment Corporation as the for-profit administrative general partner, Housing Development Partners as the nonprofit managing general partner, the Housing Authority and Housing Commission as a lender, owner of the land, and lessor of the land to the partnership, the Redevelopment Agency of the City of San Diego because the project is in a redevelopment area, and the Community of City Heights. The project is expected to have a positive impact on the community because it will contribute to the quality of the surrounding

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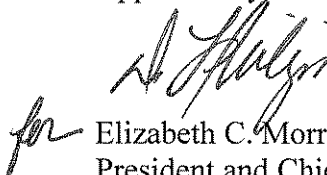
neighborhood and provide much-needed affordable housing for low-income seniors and disabled residents.

Respectfully submitted,



Cissy Fisher
Director, Housing Finance and Development

Approved by,



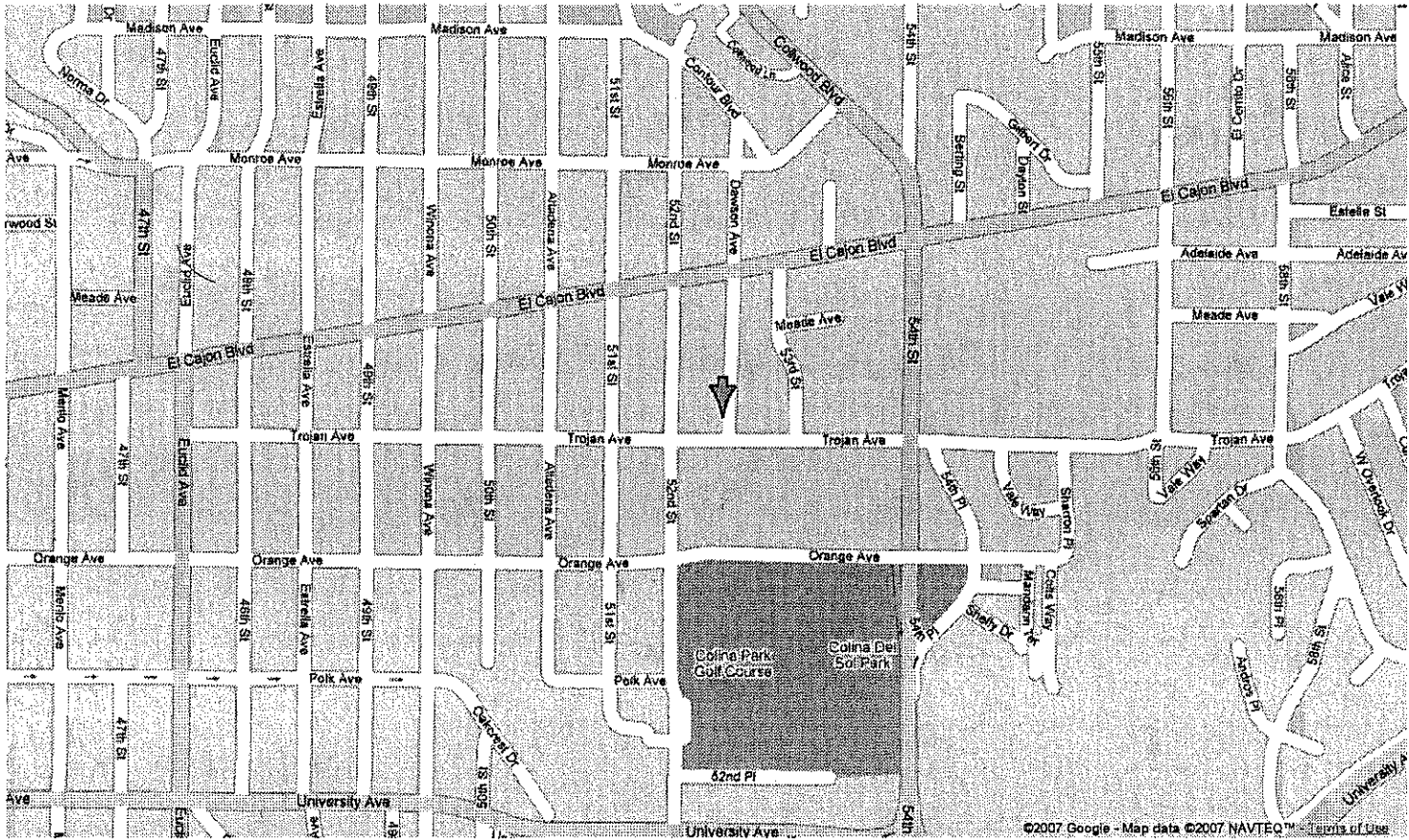
for Elizabeth C. Morris
President and Chief Executive Officer

- Attachments:
1. Location Map
 2. Development Summary
 3. Development Timeline
 4. Previous Report (HAR05-002)*
 5. Disclosure Statement *
 6. Financial Statement *
 7. General Application Form
 8. Housing Commission Loan Terms
 9. Commitment Letter

*Distribution of this attachment is limited. A copy is available for review at the Housing Commission offices located at 1122 Broadway, Suite 300 and at the offices of the City Clerk located on the 2nd floor of 202 "C" Street.

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

Address 4310 Dawson Ave
San Diego, CA 92115



ATTACHMENT 2

DEVELOPMENT SUMMARY
LOW-INCOME RENTAL HOUSING FOR SENIORS
February 23, 2007

Name: Dawson Avenue Senior Apartments
Location: 4310 Dawson Avenue
Description: Loan Increase For Senior Housing
Sponsor: Housing Development Partners

Unit Affordability

Total # of units: 88
Assisted units: 87
Restricted rents: 30 percent to 50 percent of AMI as imposed by TCAC
Market rent: \$423 to \$739 per month
Percent of AMI: occupancy of 72 one-bedroom units restricted at 60 percent or less of AMI
occupancy of 15 two-bedroom units restricted at 60 percent or less of AMI

Affordability: 55 years

Development Cost

Total development cost: \$23,634,000
HC development cost (loan): \$ 3,781,000
Total development cost per unit: \$ 268,568 per unit / 88 units
HC cost per unit (loan): \$ 42,966 per unit / 88 units

Sources of Funds

Housing Commission Loan \$ 3,781,000
Institutional Loan \$ 2,247,000
9 percent Tax Credits \$17,606,000

Pro Forma Summary

Estimated annual income: \$ 588,491 (year 1)
Estimated annual expense: \$ 380,091 (year 1)
Annual debt service: \$ 179,392
Annual replacement reserve deposit: \$ 26,400
Estimated residual cash flow: \$ 29,008 (year 1)

ATTACHMENT 3

**DAWSON AVENUE SENIOR APARTMENTS
LOAN FOR LOW-INCOME SENIOR HOUSING
ESTIMATED APPROVAL TIMELINE**

March 20, 2007	Loan increase and loan payoff to the Housing Authority for final authorization
September 21, 2007	Housing Commission loan closing
October 10, 2007	Start of construction



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: January 7, 2005

REPORT NO.: HAR 05-002 (Revised)
For the Agenda of March 1, 2005
(Continued from the February 15, 2005 Housing Authority Meeting and Revised)

SUBJECT: Proposed Loan, Sale-Leaseback Agreement and Predevelopment Loan Modification With Housing Development Partners of San Diego To Develop 52nd Street Senior Apartments
(Council District 7)

SUMMARY

Issue: Should the Housing Authority approve a plan to facilitate the site acquisition and new construction of an 88-unit rental housing development for seniors by taking the actions recommended?

Recommendation 1: That the Housing Authority take the following actions approving and authorizing the San Diego Housing Commission to:

- (a) Accept assignment of the Option to Purchase the land located at 4310 Dawson Avenue (the "property") from Housing Development Partners of San Diego;
- (b) Acquire the property for a total of \$1,825,000 (including \$25,000 closing costs) utilizing non-federal bridge financing sources initially on terms and conditions referenced in this Report;
- (c) Enter into a 65-year lease agreement whereby Housing Development Partners of San Diego will lease back the property from the San Diego Housing Commission contingent upon the Housing Development Partners' receipt of tax credits;
- (d) Approve a residual receipts loan to Housing Development Partners of San Diego of up to \$2,372,000 in order to develop a rental housing development for very-low income seniors and to be known as 52nd Street Senior Apartments as outlined in this report; and
- (e) Authorize the Chief Operating Officer of the Housing Commission, or designee, to execute all documents necessary to facilitate the financing.



Recommendation 2: Extend the term from June 30, 2004 to June 30, 2006 on the \$50,000 predevelopment loan to Housing Development Partners for the property located at 52nd and El Cajon Boulevard. All other terms and conditions will remain in full force and effect.

Fiscal Impact: This recommendation does not require issuance of housing bonds. An expenditure of \$1,825,000 to acquire land initially utilizing HELP funds and/or other non-federal bridge financing. If this project receives an allocation of approximately \$14,912,000 in federal tax credit financing during calendar year 2005, an Auditor's Certificate committing \$2,372,000 for the project will be issued, using HOME or other funds, pending approval of the Request for Release of Funds and compliance with National Environmental Protection Act (NEPA) requirements, for a total San Diego Housing Commission investment of \$4,197,000.

Certificate of Funding Availability:

Certificate No: 05-079
 Amount: \$1,825,000
 Revenue Source: Various
 Division: Housing Finance & Development
 Line Item: Loans & Grants

Affordable Housing Impact: This project will create 72 one-bedroom units and 16 two-bedroom units (including a two-bedroom resident manager unit). Nine units will be affordable at 30% or less of the AMI (\$16,450 for a family of two), nine will be affordable at 40% or less of AMI (\$21,900 for a family of two), 44 will be affordable at 50% or less of AMI (\$27,400 for a family of two), and 26 will be affordable at 60% or less of AMI (\$32,880 for a family of two). The precise number of units in the above identified affordability levels may change if required by the California Tax Credit Allocation Committee. Regardless of any changes, at least 62 of these units will be available to households at 50% or less of the Area Median Income (AMI). The proposed rents are at or below HOME Program guidelines.

Under the lease agreement, the restricted units will be affordable for a term of 65-years, with initial rents as follow:

Unit Type Bed/Bath	Unit Size (Sq. Ft.)	Number Of Units	Monthly Rent @ 30%	Monthly Rent @ 40%	Monthly Rent @ 50%	Monthly Rent @ 60%	Utility Allowance
1/1	610	72	7 @ \$353	7 @ \$482	36 @ \$610	22 @ \$739	\$32
2/1	796	15	2 @ \$423	2 @ \$577	8 @ \$731	3 @ \$885	\$40
Total		87	9	9	44	25	

Environmental Review: The City of San Diego Environmental Analysis staff has determined that the project is exempt from review under the California Environmental Quality Act (CEQA) pursuant to Section 15332 of the CEQA Guidelines and a Notice of Exemption was issued by the City of San Diego on December 23, 2004.

No HOME Program funding shall occur unless and until all necessary NEPA clearances have been received. The approval of HOME Program funding is specifically contingent upon the receipt of all NEPA clearances including a Finding Of No Significant Impact (FONSI) and HUD's approval of a Request For Release of Funds. If and when such approvals have been obtained, the non federal bridge loan(s) will be paid off using these HOME Program funds in accordance with applicable federal rules and regulations affecting the use of HOME Program funds.

Community Planning Group Review: The proposed development was presented at the October 6, 2003 meeting of the City Heights Area Planning Committee where it received unanimous project approval. The Developer has initiated discussions with the Area Planning Committee and will return to this Committee prior to the Planning Commission.

Previous Related Action: On May 10, 2002, the Housing Commission approved an unsecured predevelopment loan of up to \$50,000 to Housing Development Partners for 52nd and El Cajon Boulevard.

Future Related Action: This project does not require a bond issuance as recommended. In the event that 9% tax credits are not received and a bond issuance is to be considered as an alternative financing plan, this project will need to return to all approving bodies for consideration.

BACKGROUND

Housing Development Partners of San Diego (HDP) submitted an application for land acquisition and new construction financing under the Housing Commission's current Notice of Funding Availability (NOFA) for the Construction, Acquisition, and Operation of Affordable Rental Housing. HDP intends to apply for nine percent tax credit financing from the Tax Credit Allocation Committee during calendar year 2005. HDP has not yet contacted any tax credit investor.

The developers intend to acquire the subject site from its current owner based on an Option to Purchase. It is proposed that HDP would assign its Option to Purchase to the Housing Commission. The developers are seeking approval from the San Diego Housing Commission for the acquisition of the property for its current appraised value of \$1,800,000 and a leaseback of the land to the developers for an annual lease payment of 4.5% of annual gross rents (estimated at \$29,944).

Upon receipt of a nine percent tax credit allocation for the project, HDP is also seeking a \$2,372,000 permanent loan to pay off predevelopment and construction costs. The proposed residual receipts loan can be funded through state and/or local funds or HOME Program funds. If HOME funds are utilized, the loan would be further contingent upon the receipt of all NEPA clearances and HUD's approval of release of funds.

In June 2002, the Housing Commission funded a \$50,000 predevelopment loan to Housing Development Partners (HDP) to pay a portion of the predevelopment costs associated with the project. Subsequent to the funding of the Housing Commission's predevelopment loan, HDP received a \$550,000 predevelopment loan from the Local Initiatives Support Corporation for the 52nd and El Cajon Boulevard site. The combined loan funds were used to obtain all environmental and geotechnical reports, engineering studies, architectural and construction drawings, and permit processing fees.

DISCUSSION

The Borrower

Housing Development Partners of San Diego, is a qualified IRC 501(c)(3) California nonprofit public benefit corporation. It operates under a Board of Directors, which includes two members of the Board of Commissioners of the San Diego Housing Commission, the Chief Executive Officer of the San Diego Housing Commission, and four at-large directors designated by the San Diego Housing Commission. HDP's administrative staff includes the legal counsel of Sullivan Wertz Mc Dade and Wallace. HDP partners with the private sector for property management, development, and consulting expertise.

HDP developed and owns Knox Glen (54 affordable housing units for families in the Lincoln Park community). In May 2002, the nonprofit acquired the Mason Hotel (a 27 unit single room occupancy hotel located at 1345 Fifth Avenue). A recent fire has temporarily closed the Mason Hotel and its condition is being assessed. Housing Development Partners is also a general partner with Barone Galasso & Associates in the Island Village Apartments (a 280-unit rental-housing complex in downtown San Diego). In 2004, Housing Development Partners acquired and rehabilitated Casa Colina Apartments (75 senior rental units at 5207 52nd Place) that was at risk of losing its affordability restrictions. All of these projects are partially funded by the San Diego Housing Commission; the borrower is in compliance on all outstanding loans.

If this project receives an award of nine percent tax credits, HDP will form a limited partnership that will comprise the legal ownership entity in conformance with standard tax credit requirements and practice. The tax credit partner has not yet been selected.

The Development

The proposed project will have 88 rental apartment units for seniors in a four-story building surrounding an interior courtyard. The project will include: an on-site management office and community room; on-site laundry facilities; sun and patio decks; 81 parking spaces including seven surface spaces and 74 spaces in an underground garage. The project will have an aesthetically pleasing architectural style with private patios; each floor will be accessible by elevator. The unit mix is designed to appeal to the target population of seniors and the project

will be designed to meet the special needs of seniors. Total floor area will be 80,971 square feet and 23,576 square feet of garage area. The proposed project will be designed and built utilizing materials that will increase energy efficiency by at least 15% above Title 24 energy standards. Michael Jones Architect, Inc., a local architectural firm, is designing the project.

The proposed site is vacant and there will be no relocation of households for the proposed development. The site is rectangular shaped, approximately 36,000 square feet, and is currently used as the vacant rear portion of an existing mixed-use commercial shopping center on El Cajon Boulevard. Access to the commercial shopping center's rear portion (the proposed site) is from 52nd Street (on the west) and from Dawson Street (on the east). The site is near bus service on El Cajon Boulevard and near shopping, both in the adjacent commercial center and in the College area. The proposed residential development is intended to complement concurrent redevelopment efforts nearby. The adjacent shopping center is undergoing refurbishment and two obsolete hotels across EL Cajon Boulevard have been demolished to make way for new housing on a site owned by the San Diego Housing Commission.

The Funding Request

The Housing Commission's total contribution would be up to \$1,825,000 for land acquisition by the San Diego Housing Commission (including an estimated \$25,000 in acquisition costs) initially using HELP Funds or other local funds, and a \$2,372,000 loan to HDP for predevelopment and development costs. The estimated total Housing Commission funds contribution would be:

\$1,825,000	Land Acquisition (Initially this acquisition will be funded with the use of HELP funds or other local funds. Upon the approval of the FONSI being processed under the provisions of NEPA and HUD approval of the Request for the Release of Funds, HOME Program Funds in the form of a Grant from the City of San Diego to the San Diego Housing Commission will be utilized to pay off the HELP and/or other locally funded bridge loan.
+2,372,000	HDP Loan secured by leasehold deed of trust and improvements.
\$4,197,000	Total Housing Commission Funds Contribution (\$47,693 per unit)

It is recommended to utilize HELP funds as interim financing for the acquisition phase of the project. The state-funded HELP program provides loan financing at three percent interest. If HELP funds are utilized for acquisition financing, HOME funds can be used to reimburse this expenditure and to fund the HDP Loan upon receipt of tax credit financing. Any use of HOME funds would be contingent upon the receipt of all NEPA clearances and HUD's approval of Request for the Release of Funds, in accordance with the provisions of 24 CFR 92.206(g). An acquisition/new construction grant or loan is an eligible activity under the HOME Program. The proposed rents are at or below HOME guidelines. The HOME funds may also be used to pay off the two predevelopment loans. The use of HOME Program funds as discussed above is in

accordance with applicable federal regulations affecting the use of such HOME funds, including without limitation 24 CFR 92.206(g).

Sale-Leaseback Agreement:

HDP currently has an option to purchase the vacant land from the current owner for \$1,800,000 (the current appraised value). It is proposed that HDP assign its option to purchase to the Housing Commission. The Housing Commission would purchase the land and pay for acquisition, title, escrow, and closing costs. The Housing Commission would own the fee simple interest in the land and would hold title to the property in the Housing Commission's own name. The Housing Commission would then lease the land to HDP for 65 years.

The Housing Commission would receive an annual lease payment of 4.5% of annual gross rents (estimated to be \$29,944 yearly). The actual ground lease terms would be similar to other Housing Commission long-term leases as approved by the Housing Commission's General Counsel.

The Financial Plan (HELP funding for site acquisition)

- Total Acquisition Cost: The land acquisition cost is \$1,825,000.
- Appraised Value: The estimated "as-is" market value of the land only is \$1,800,000.
- Security: The Housing Commission will have title to the land. The mortgage leaseholder will require a lease term that is ten years beyond the 55-year affordability restrictions. A Memorandum of Ground Lease would memorialize the 65-year lease.
- Payments on the Lease: The Housing Commission would receive an annual lease payment of 4.5% of annual gross rents (estimated at \$29,944/year one). The Housing Commission's General Counsel shall approve the actual lease payment and lease terms.
- Rent Restrictions: Same as loan "Affordability Terms."
- Occupancy Restrictions: Under the San Diego Housing Commission occupancy requirements, a minimum of 20% of the units (18 units) would be restricted to residents earning no more than 50 percent of Area Median Income, and 80% of the units (69 units) would be restricted to residents earning no more than 60 percent of Area Median Income. The two-bedroom manager's unit is not included in the above. However, the occupancy requirements of the California Tax Credit Allocation Committee for the nine percent tax credit program are lower and would prevail.

Management Plan: A Management Plan has been submitted for approval.

Lease Provisions: Terms and conditions of the Lease shall be as approved by General Counsel of the San Diego Housing Commission and its Chief Operating Officer following the general form utilized in the Talmadge Senior Village Transaction.

Loan Financing:

The San Diego Housing Commission would loan up to \$2,372,000 to the proposed limited partnership entity if the San Diego Housing Commission's financial participation is approved by the Board of Commissioners and the Housing Authority, an allocation of nine percent tax credits is awarded to the project and NEPA review is satisfactorily completed. This proposed loan commitment would be for a period of one year from approval in order to allow for application in a minimum of two tax credit application rounds.

The Financial Plan (Loan Only)

Total Development Cost: The total development cost is estimated at \$20,568,557 (exclusive of land acquisition.)

Loan Amount: Not to exceed \$2,372,000.

Recourse: The loan will be a recourse loan during the construction period.

Term of Affordability: 65 years to comply with mortgage leaseholder requirements require a lease term that is ten years beyond the 55-year affordability restrictions.

Affordability Terms: Under the nine percent tax credit program, nine units affordable at 30 percent Area Median Income (AMI), nine units affordable at 40 percent AMI, 44 units affordable at 50 percent AMI, 25 units affordable at 60 percent AMI.

Occupancy Terms: Under the nine percent tax credit program occupancy requirements, nine units would be restricted to residents earning no more than 30 percent Area Median Income (AMI), nine units would be restricted to residents earning no more than 40 percent AMI, 44 units would be restricted to residents earning no more than 50 percent AMI, and 25 units would be restricted to residents earning no more than 60 percent AMI.

Deferred Developer Fee: 10% of developer fee (\$140,000) fee will be deferred and paid off from cash flow.

- Loan Payments: When the deferred developer fee has been repaid, annual debt service payments of 50 percent of residual receipts.
- Annual debt service payments will equal the greater of: 50% of residual receipts or \$11,445 (derived from half the estimated residual receipts at the end of year one). In the event that the \$11,445 amount exceeds the available Residual Receipts, the Housing Commission would waive the right to receive an amount in excess of the available Receipts and instead agree that the Annual Payment Amount shall be satisfied by the payment to the Housing Commission of 100% of the available Residual Receipts.
- Loan Interest Rate: Residual Receipts loan rate minimum of 3% - to be determined by program funding source and TCAC requirements.
- Loan Terms: All due one year after pay-off of first position loan.
- Cure Rights: The Housing Commission will have the right but not the obligation to cure any default of any senior loans.
- Debt Service Coverage: 1.20 (Year 1)
- Security: The security for the total \$2,372,000 loan will be a second lien position leasehold deed of trust, secured by the leasehold improvements, junior to a first position leasehold deed of trust in an amount not to exceed \$4 million. The land will be acquired by the Housing Commission free and clear of all encumbrances. A default under the loan or lease shall constitute a cross default.
- Loan to Value: Loan to value is to be determined upon receipt of an as-built appraisal. It is very likely that significant developer equity from the tax credits would result in a favorable loan-to-value ratio.
- Leasehold Trust Deed: The Housing Commission leasehold deed of trust would be in second lien position loan at permanent financing, with a first position loan of \$3,145,000 (but not to exceed \$4 million), both secured by leasehold deeds of trust. The Housing Commission's fee interest will not be encumbered by either deed of trust.
- Equity Investment: An estimated \$14,912,000 tax credit investment.
- Additional Financing: Private lender first position permanent loan of approximately \$3,145,000 for 30 years at 7 % interest.

- Operating Expense: Operating expenses for the development are estimated to be \$27,814 per month (\$316 per unit).
- Pro Forma Assumptions: Income increases are projected at 2.5 % per year; operating expenses at 3.5 % per year; vacancy rate at 5 % per year.
- Replacement Reserves: Replacement reserves of \$26,400 per year (\$300 per unit).

Predevelopment Loan Term Extension

The Housing Commission's \$50,000 predevelopment loan has a loan term of two years. According to the terms of the Promissory Note, all principal and accrued interest (3 %) was due and payable on the earlier of June 30, 2004 or upon funding of the permanent loan for the project, unless extended by the Housing Commission in writing. HDP requested and Housing Commission staff delayed official action on the request for extension in order to present the Board with a comprehensive development plan. An extension of the loan term through June 30, 2006 is recommended. All other terms and conditions of the predevelopment loan will remain in full force and effect.

Risks and Mitigations

The San Diego Housing Commission would take title to the property prior to the developer securing all financing. Because the development needs an allocation of tax credits, there is some chance that the project will not be able to proceed as envisioned. In such a scenario, the Housing Commission could hold the land or sell it. The land value will be enhanced by well-designed and constructed residential buildings. When the tax credit financing is received, the Housing Commission will fund a second position loan. The Housing Commission's \$2,372,000 second trust deed will be recorded as an encumbrance against the leasehold. The loan will be well secured by the value of the completed improvements. A default under the loan shall be a default under the leasehold.

It should be noted that the primary funding source for this project is the nine percent tax credit program which is very competitive and frequently oversubscribed. Should HDP not be successful in their pursuit of a tax credit allocation, it is to be expected that they will return to the Housing Commission with a new funding plan that could include a larger gap and different loan terms.

Summary

This project represents an opportunity to serve as a model for similar in-fill developments in City areas with little vacant land, by improving an under-utilized, vacant, asphalt-covered area, and converting it into much needed housing for seniors.

The proposed San Diego Housing Commission participation would help to develop 88 units of affordable senior housing, at a cost to the Housing Commission of \$47,693 per unit. The total development cost to the San Diego Housing Commission of the \$1,825,000 land purchase price plus the \$2,372,000 loan is \$4,197,000. This leverages \$16,371,557 from other sources under the proposed financing plan. In addition, the San Diego Housing Commission would receive lease payments and would own the land so that it could be used for affordable housing purposes in perpetuity.

Disclosure

Commissioners Salas and Yip and Chief Executive Officer of the Housing Commission, Elizabeth C. Morris, are each directors and officers of Housing Development Partners, a California nonprofit public benefit corporation qualified as an Internal Revenue Code Section 501(c)(3) corporation. Commissioner Salas, Commissioner Yip, and Ms. Morris do not receive compensation for their service on the Board of Directors of Housing Development Partners. Pursuant to the provisions of Government Code Section 1091.5(a)(7) and (8), Commissioner Salas, Commissioner Yip, and Ms. Morris each have a “non-interest” as described in Government Code Section 1091.5 and are therefore legally entitled to vote and be counted for quorum purposes.

It is the opinion of Charles B. Christensen, General Counsel for the Commission, that none of the Board members of Housing Development Partners has a financial interest in the development that would legally preclude their participation under the provisions of Government Code Sections 1090 and/or 87100, et.seq., and/or the San Diego Housing Commission’s Conflict of Interest Code. This disclosure shall be and is hereby documented in the official records of the San Diego Housing Commission. Further, under the provisions of Title 24 USC 92.356, none of the individuals involved has a financial interest in the project and/or loan being made and/or other actions being proposed.

ALTERNATIVES

1. Rather than the land purchase and leaseback, the investment could be made as a \$4,197,000 Housing Commission loan to the developer, in which case the developer would retain title to the land and the Housing Commission would pass up an opportunity to achieve greater control of the project and to receive annual lease payments.
2. Do not recommend funding the project. This would result in the loss of the ability to apply for tax credits, which would make this project infeasible for affordable housing development. If the Housing Commission declined to fund this loan, the City of San Diego would lose an opportunity to increase the affordable housing supply by guaranteeing the affordability of 88 units for seniors at 60% or less of the area median income for a period of 65 years.

Respectfully Submitted,

Approved by,

Cissy Fisher
Director of Housing Finance & Development

Carrol M. Vaughan
Executive Vice President
and Chief Operating Officer

- Attachments:
1. Location Map
 2. Development Timeline
 3. Development Summary
 4. SDHC Application Form
 5. Disclosure Statement*
 6. Financial Statements*
 7. Appraisal*

*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: Carlos C. de Baca/619.578.7586

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ATTACHMENT 5

DISCLOSURE STATEMENT: PAGE 1



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

1. Name of developer: **Dawson Street Seniors, LP**
Housing Development Partners of San Diego, Co-Managing Member

2. Address, phone number and ZIP Code:

1122 Broadway, Suite 300
San Diego, CA 92101-5612

3. IRS Number of Developer: **33-0427639**

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

_____ A corporation
 X A nonprofit or charitable institution or corporation
_____ A partnership known as: _____
_____ A business association or a joint venture known as _____
_____ A Federal, State or local government or instrumentality thereof.
_____ Other (explain)

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

6. Names, addresses, phone numbers, title of position (if any) and nature and extent of the interest of the officers and principal members, shareholders, and investors of the developer, other than a government agency or instrumentality, are set forth as follows:
There are no shareholders of Housing Development Partners. All board members are volunteers. The board of directors is as follows:

DISCLOSURE STATEMENT: PAGE 2

Lynda Buckner Asst. Vice President California Bank & Trust 11622 El Camino Real, Ste 200 San Diego, CA 92130	Board Member
Robert Henderson Wakeland Housing & Development Corporation 625 Broadway, Suite 1000 San Diego, CA 92101	Vice President
Elizabeth Morris President & Chief Executive Officer San Diego Housing Commission 1122 Broadway, Suite 300 San Diego, CA 92101	President
John Pedroarena Coldwell Banker Commercial 4305 University Ave., #600 San Diego, CA 92105	Chairman of the Board
Sal Salas Olympic Village Financial 245 Davidson Street Chula Vista CA 91910	Secretary
Tony Yip Brodshatzer, Wallace, Spoon & Yip 555 W. Beech St., Ste. 400 San Diego, CA 92101	Chief Financial Officer
Vacant	Board Member

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

N/A

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

Same as members listed in No. 6 above.

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

Developer will become the Managing General Partner of a tax credit limited partnership, with Chelsea Investment Corporation as the developer co-general partner. The tax credit limited partner is yet to be selected.

- 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**

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

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

None.

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

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

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

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

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

10. The financial condition of the developer, as of 12/31/05 is reflected in the attached financial statement.

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

Financial sources proposed include a bank loan, 9% tax credits, and a loan from the San Diego Housing Commission.

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

it is proposed that approximately \$18 million in tax credits will be available as equity for the project.

a. In banks:

Name, Address and ZIP Code of Bank

\$ Amount

DISCLOSURE STATEMENT: PAGE 5

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

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

c. By sale of readily salable assets:

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

13. Name and addresses of bank references:

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

Red Capital Markets, Inc.
655 West Broadway, Suite 800
San Diego, CA 92101

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

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

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

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

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

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

Knox Glen, 4720-4764 Logan Avenue, San Diego, CA: New construction, 75 family units financed with 9% tax credits, Housing Commission loan, SEDC Redevelopment and AHP loan, completed December 1996.

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

Construction Contractor not yet selected.

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

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

General description of such work:

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

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

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

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

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

Description of developments attached.

CERTIFICATION

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

Date: February 21, 2007

Date: _____

Signature

Signature

Title: Authorized Representative

Title: _____

Address & ZIP Code

HOUSING DEVELOPMENT PARTNERS
OF SAN DIEGO

1122 Broadway, Suite 300
San Diego, CA 92101-5612

ACKNOWLEDGMENT

State of California
County of San Diego

On February, 2007 before me, Lisa J. Wolf, Notary Public, personally appeared Wendy G. DeWitt, personally known to me (or proved on the basis of satisfactory evidence) to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal.

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

Last revised: September 26, 2006

DATE: February 23, 2007

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

REQUEST FOR: EARLY ASSISTANCE PROJECT FUNDING \$ 3,781,000
 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: _____ EXISTING STRUCTURE OTHER (DESCRIBE) vacant parcel

PROJECT NAME: Dawson Avenue Senior Apartments
 ADDRESS: 4310 Dawson Avenue San Diego CA 92115
STREET CITY STATE ZIP
 LEGAL DESCRIPTION: _____ 472-040-20 27.08
LOT NO. BLOCK NO. SUBDIVISION NAME ASSESSORS PARCEL NO. CENSUS TRACT

SITE CONTROL: DEED OPTION OTHER (DESCRIBE) _____

DWELLING UNITS:	<u>72</u>	<u>16</u>				<u>88</u>	<u>104</u>
	0-BEDROOM	1-BEDROOM	2-BEDROOM	3-BEDROOM	4-BEDROOM	5-BEDROOM	TOTAL UNITS BEDROOMS
HC Assisted Units:	<u>72</u>	<u>15</u>				<u>87</u>	<u>102</u>
	0-BEDROOM	1-BEDROOM	2-BEDROOM	3-BEDROOM	4-BEDROOM	5-BEDROOM	TOTAL UNITS BEDROOMS

EXISTING USES OF PROPERTY: vacant

DESCRIPTION OF PROPOSED PROJECT: 88 rental units for seniors in a 4-story building with manager's office, community room, laundry facilities, individual patios, common area courtyard, and 81 parking spaces (7 surface and 74 underground).

NO. OF BUILDINGS: 1

APPLICANT/BORROWER:
 NAME: Housing Development Partners CONTACT PERSON: Ms. Wendy DeWitt
 ADDRESS: 1122 Broadway, 5th floor San Diego CA 92101
STREET CITY STATE ZIP
 TELEPHONE: (619) 578-7590 FAX NO. (619) 578-7356

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

TAXPAYER IDENTIFICATION NUMBER: 33-0427639

CURRENT OWNER/SELLER INFORMATION:
 NAME: San Diego Housing Commission LEGAL DESCRIPTION: a fee
 ADDRESS: 1122 Broadway, Suite 300 San Diego CA 92101
STREET CITY STATE ZIP
 TELEPHONE: (619) 578-7594 FAX NO. (619) 578-7356

ZONING: CU-2-3 COMMUNITY PLAN AREA: City Heights East
 COUNCIL DISTRICT: 7 SCHOOL DISTRICT: San Diego Unified

SIGNATURE _____ PRINT NAME _____ TITLE _____ DATE _____

7-1

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: Dawson Avenue Senior Apartments
 ADDRESS: 4310 Dawson Avenue San Diego CA 92115
ADDRESS CITY STATE ZIP
 OWNERSHIP NAME: a California limited partnership to be formed DATE: #####

1.	Housing Development Partners <small>NAME</small> 1122 Broadway, 5th floor <small>STREET/PO</small> San Diego <u>CA</u> <u>92101</u> <small>CITY STATE ZIP</small>	<small>TITLE/POSITION</small> (619) 578-7590 <small>BUSINESS TELEPHONE NO.</small>	managing gen. partner <small>NATURE OF INTEREST</small> 0.05 <small>PERCENT INTEREST</small>
----	--	--	---

2.	Chelsea Investment Corporation <small>NAME</small> 5993 Avenida Encinas <small>STREET/PO</small> Carlsbad <u>CA</u> <u>92008</u> <small>CITY STATE ZIP</small>	<small>TITLE/POSITION</small> (760) 456-6000 <small>BUSINESS TELEPHONE NO.</small>	admin. gen. partner <small>NATURE OF INTEREST</small> 0.05 <small>PERCENT INTEREST</small>
----	---	--	---

3.	<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>
----	--	--	--

4.	<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>
----	--	--	--

5.	<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>
----	--	--	--

6.	<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>
----	--	--	--

7.	<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>
----	--	--	--

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>
----	--	--	--

7-2

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

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

DATE: February 23, 2007

PROJECT TYPE ACQUISITION ACQUISITION & REHABILITATION RENTAL
 NEW CONSTRUCTION REHABILITATION OWNERSHIP

PROJECT NAME: Dawson Avenue Senior Apartments
 ADDRESS: 4310 Dawson Avenue 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	<input checked="" type="checkbox"/> G	<input checked="" type="checkbox"/> T
<input type="checkbox"/> Duplex, Townhouse	Cooking	<input checked="" type="checkbox"/> G	<input checked="" type="checkbox"/> T
<input type="checkbox"/> House, Mobile Home	Water Heater	<input checked="" type="checkbox"/> G	<input checked="" type="checkbox"/> L
	Water/Sewer		<input checked="" type="checkbox"/> L
	Basic Electric		<input checked="" type="checkbox"/> T

INCOME BY UNIT TYPE

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
TC	51	1	1.00	610	\$	\$ 646	\$ 29	\$ 617	\$ 870	47 %	\$ 377,604	\$ 532,440
TC	7	1	1.00	610	\$	\$ 581	\$ 29	\$ 552	\$ 870	42 %	\$ 46,368	\$ 73,080
TC	7	1	1.00	610	\$	\$ 452	\$ 29	\$ 423	\$ 870	33 %	\$ 35,532	\$ 73,080
TC	7	1	1.00	610	\$	\$ 414	\$ 29	\$ 385	\$ 870	30 %	\$ 32,340	\$ 73,080
TC	9	2	1.00	796	\$	\$ 776	\$ 37	\$ 739	\$ 1,065	50 %	\$ 79,812	\$ 115,020
TC	2	2	1.00	796	\$	\$ 698	\$ 37	\$ 661	\$ 1,065	45 %	\$ 15,864	\$ 25,560
TC	2	2	1.00	796	\$	\$ 543	\$ 37	\$ 506	\$ 1,065	35 %	\$ 12,144	\$ 25,560
TC	2	2	1.00	796	\$	\$ 466	\$ 37	\$ 429	\$ 1,065	30 %	\$ 10,296	\$ 25,560
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
MGR	1	2	1.00	796	\$	\$	\$	\$	\$	%	\$	\$
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)	\$ 609,960	\$ 943,380
Comp. to 90% of Market:	\$ 609,960	\$ 849,042

OTHER INCOME

laundry	\$ 9,504
	\$
	\$
TOTAL ANNUAL INCOME	\$619,464

TOTAL UNITS 88

TOTAL UNIT SQ. FT. 56,656 + TOTAL COMMUNITY FACILITIES SQ. FT. 47,891

TOTAL SQ. FT. 104,547

7-3

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

DATE: February 23, 2007

PLEASE PROVIDE ALL KNOWN INFORMATION AS REQUESTED - CHECK ALL BOXES THAT APPLY
Last revised: September 26, 2006

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

PROJECT NAME: Dawson Avenue Senior Apartments
ADDRESS: 4310 Dawson Avenue San Diego CA 92115
STREET CITY STATE ZIP
TOTAL NUMBER OF UNITS: 88

OPERATING EXPENSE ITEM	ANNUAL COST	COST PER UNIT	COST PER SQ. FT.
Administrative Expenses			
Office Supplies & Equipment	\$ 7,913	\$ 90	\$ 0.08
Telephone	\$ 2,354	\$ 27	\$ 0.02
Training & Travel	\$	\$	\$
Payroll Services	\$ 375	\$ 4	\$ 0.00
Program Services	\$	\$	\$
Other: payroll / employee benefits	\$ 60,509	\$ 688	\$ 0.58
Subtotal Percent of Total 19%	\$ 71,151	\$ 809	\$ 0.68
Marketing Expenses			
Advertising	\$ 1,117	\$ 13	\$ 0.01
Other:	\$	\$	\$
Subtotal Percent of Total 0%	\$ 1,117	\$ 13	\$ 0.01
Professional Fees			
Property Management	\$ 36,598	\$ 416	\$ 0.35
Auditing Services	\$ 8,500	\$ 97	\$ 0.08
Legal Services	\$ 5,585	\$ 63	\$ 0.05
Other:	\$ 1,441	\$ 16	\$ 0.01
Subtotal Percent of Total 14%	\$ 52,124	\$ 592	\$ 0.50
Utilities			
Electric	\$ 10,054	\$ 114	\$ 0.10
Gas	\$ 7,820	\$ 89	\$ 0.07
Water/Sewer	\$ 30,161	\$ 343	\$ 0.29
Other:	\$ 30,000	\$ 341	\$ 0.29
Subtotal Percent of Total 21%	\$ 78,035	\$ 887	\$ 0.75
Contract Services			
Exterminating	\$ 3,351	\$ 38	\$ 0.03
Trash Removal	\$ 13,405	\$ 152	\$ 0.13
Security Patrol	\$ 9,630	\$ 109	\$ 0.09
Building/Grounds Maintenance	\$ 5,350	\$ 61	\$ 0.05
Janitorial Services	\$ 6,420	\$ 73	\$ 0.06
Repair Services	\$ 21,411	\$ 243	\$ 0.20
Elevator & Other Equipment	\$ 3,210	\$ 36	\$ 0.03
Garage Operations/Maintenance	\$ 6,516	\$ 74	\$ 0.06
Other:	\$	\$	\$
Subtotal Percent of Total 18%	\$ 69,293	\$ 787	\$ 0.66
Cleaning & Decorating			
Painting Supplies	\$ 2,140	\$ 24	\$ 0.02
Grounds Supplies	\$ 321	\$ 4	\$ 0.00
Other:	\$ 3,210	\$ 36	\$ 0.03
Subtotal Percent of Total 1%	\$ 5,671	\$ 64	\$ 0.05
Taxes & Insurance			
Real Property Tax Assessment	\$ 1,966	\$ 22	\$ 0.02
Property Insurance	\$ 23,231	\$ 264	\$ 0.22
Director's & Officer's Insurance	\$ 321	\$ 4	\$ 0.00
Other: ground lease payment	\$ 26,482	\$ 301	\$ 0.25
Subtotal Percent of Total 14%	\$ 52,000	\$ 591	\$ 0.50
Other			
SDHC Monitoring Fees	\$ 3,960	\$ 45	\$ 0.04
Other: tenant services	\$ 12,840	\$ 146	\$ 0.12
Other: replacement reserve	\$ 26,400	\$ 300	\$ 0.25
Other: Ltd Partner asset management fee	\$ 7,500	\$ 85	\$ 0.07
Subtotal Percent of Total 13%	\$ 50,700	\$ 576	\$ 0.48
Total Annual Operating Costs	\$ 380,091	\$ 4,319	\$ 3.64

7-4

PROJECT TYPE: ACQUISITION ACQUISITION & REHABILITATION RENTAL NUMBER OF UNITS 88
 NEW CONSTRUCTION REHABILITATION OWNERSHIP

PROJECT NAME: Dawson Avenue Senior Apartments
 ADDRESS: 4310 Dawson Avenue San Diego CA 92115
STREET CITY STATE ZIP

SOURCES

POSITION	TERMS	COMMITMENT	AMORTIZED	DEFERRED	TAX CREDIT	GRANT	EQUITY
1ST <u>to be determined</u>	<u>30</u> YRS. <u>7.00</u> % RATE	<input type="checkbox"/> Y/N <input checked="" type="checkbox"/> N DATE OR EXPECTED	\$ <u>2,247,000</u>				
2ND <u>SDHC</u>	<u>55</u> YRS. <u>3.00</u> % RATE	<input type="checkbox"/> Y/N <input type="checkbox"/> N DATE OR EXPECTED	\$	\$ <u>3,781,000</u>			
(Select one) Residual Receipts or Amortized	<input checked="" type="checkbox"/> <input type="checkbox"/>	Subsidy/Assisted Unit \$ <u>43,460</u> Subsidy/Assisted Bdr \$ <u>37,069</u>					
3RD		<input type="checkbox"/> Y/N <input type="checkbox"/> N DATE OR EXPECTED	\$	\$		\$	
4TH		<input type="checkbox"/> Y/N <input type="checkbox"/> N DATE OR EXPECTED	\$	\$		\$	
TAX CREDIT: <u>LITHC</u>		<input type="checkbox"/> Y/N <input checked="" type="checkbox"/> N DATE OR EXPECTED			\$ <u>17,606,000</u>		
EQUITY		<input type="checkbox"/> Y/N <input type="checkbox"/> N DATE OR EXPECTED					\$
TOTAL			\$ <u>23,634,000</u>	\$ <u>2,247,000</u>	\$ <u>3,781,000</u>	\$ <u>17,606,000</u>	\$

FUNDING SCHEDULE FOR SOURCES

	TOTAL	CLOSING	CONSTRUCTION PERIOD			COMPLETION 4TH QUARTER	RENT UP QTRS 5 & 6
			1ST QUARTER	2ND QUARTER	3RD QUARTER		
<u>to be determined</u>	\$ <u>2,247,000</u>	\$	\$	\$	\$	\$	\$ <u>2,247,000</u>
<u>SDHC</u>	\$ <u>3,781,000</u>	\$	\$	\$	\$	\$	\$ <u>3,781,000</u>
	\$ <u>-</u>	\$	\$	\$	\$	\$	\$
	\$ <u>-</u>	\$	\$	\$	\$	\$	\$
<u>LITHC</u>	\$ <u>17,606,000</u>	\$ <u>4,401,500</u>	\$	\$	\$ <u>5,281,800</u>	\$ <u>7,922,700</u>	\$
	\$ <u>-</u>	\$	\$	\$	\$	\$	\$
	\$ <u>23,634,000</u>	\$ <u>4,401,500</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>5,281,800</u>	\$ <u>7,922,700</u>	\$ <u>6,028,000</u>

INFORMATION ON CONSTRUCTION LOAN

CONSTRUCTION LENDER: to be determined
 CONSTRUCTION TIME: 12 (MONTHS)
 CONSTRUCTION INTEREST: 7.500 %
 COMMITTED: YES NO
 DATE OF COMMITMENT/EXPECTED: summer 2007

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

Last revised: September 26, 2006

PLEASE PROVIDE ALL KNOWN INFORMATION - CHECK ALL BOXES THAT APPLY

Date: February 23, 2007

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

PROJECT NAME: Dawson Avenue Senior Apartments
 ADDRESS: 4310 Dawson Avenue San Diego CA 92115
STREET CITY STATE ZIP

Replacement Reserve	\$ -	LP Asset Mgmt Fee	\$ -	GP Management Fee	\$ -
Rental Income	\$ 609,960	Project Income Increase	2.50 %	Mortgage Amount	\$ 2,247,000 %
Other Income	\$ 9,504	Operating Exp.Increase	3.50 %	Mortgage Rate	7.000
Operating Expenses	\$ 380,091	Vacancy Loss	5.00 %	Mortgage Term(Years)	30
LP & GP Annual Increase	%	Deferred Dev. Fee	\$ -	Interest on Deff. Dev. Fee	%

SDHC Participation \$ 3,781,000 Residual Receipts Interest Rate 3.000 %
 or
 Percent of Residual to HC Amortize Term (Years) 55

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Gross Project Income	\$ 619,464	\$ 634,951	\$ 650,824	\$ 667,095	\$ 683,772
Vacancy	\$ 30,973	\$ 31,748	\$ 32,541	\$ 33,355	\$ 34,189
Effective Gross Income	\$ 588,491	\$ 603,203	\$ 618,283	\$ 633,740	\$ 649,584
Operating Expense	\$ 380,091	\$ 393,394	\$ 407,163	\$ 421,414	\$ 436,163
Net Operating Income	\$ 208,400	\$ 209,809	\$ 211,120	\$ 212,327	\$ 213,421
Debt Service (1st)	\$ 179,392	\$ 179,392	\$ 179,392	\$ 179,392	\$ 179,392
Coverage (1st)	1.16	1.17	1.18	1.18	1.19
Replacement Reserve	\$ operating expens	\$ operating expense	\$ operating expense	\$ operating expense	\$ operating expense
Cash Flow	\$ 29,008	\$ 30,417	\$ 31,728	\$ 32,934	\$ 34,028
LP Asset Management Fee	\$ operating expens	\$ operating expense	\$ operating expense	\$ operating expense	\$ operating expense
GP Management Fee	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Dev. Fee Pmt.	\$ -	\$ -	\$ -	\$ -	\$ -
SDHC Residual Receipts	\$ -	\$ -	\$ -	\$ -	\$ -
Net Cash Flow	\$ 29,008	\$ 30,417	\$ 31,728	\$ 32,934	\$ 34,028

	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Gross Income	\$ 700,867	\$ 718,388	\$ 736,348	\$ 754,757	\$ 773,626
Vacancy	\$ 35,043	\$ 35,919	\$ 36,817	\$ 37,738	\$ 38,681
Effective Gross Income	\$ 665,823	\$ 682,469	\$ 699,531	\$ 717,019	\$ 734,944
Operating Expense	\$ 451,429	\$ 467,229	\$ 483,582	\$ 500,507	\$ 518,025
Net Operating Income	\$ 214,394	\$ 215,240	\$ 215,949	\$ 216,512	\$ 216,919
Debt Service (1st)	\$ 179,392	\$ 179,392	\$ 179,392	\$ 179,392	\$ 179,392
Coverage (1st)	1.20	1.20	1.20	1.21	1.21
Replacement Reserve	\$ operating expens	\$ operating expense	\$ operating expense	\$ operating expense	\$ operating expense
Cash Flow	\$ 35,002	\$ 35,848	\$ 36,557	\$ 37,119	\$ 37,527
LP Asset Management Fee	\$ operating expens	\$ operating expense	\$ operating expense	\$ operating expense	\$ operating expense
GP Management Fee	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Dev. Fee	\$ -	\$ -	\$ -	\$ -	\$ -
SDHC Residual Receipts	\$ -	\$ -	\$ -	\$ -	\$ -
Net Cash Flow	\$ 35,002	\$ 35,848	\$ 36,557	\$ 37,119	\$ 37,527

	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15
Gross Income	\$ 792,966	\$ 812,790	\$ 833,110	\$ 853,938	\$ 875,286
Vacancy	\$ 39,648	\$ 40,640	\$ 41,656	\$ 42,697	\$ 43,764
Effective Gross Income	\$ 753,318	\$ 772,151	\$ 791,455	\$ 811,241	\$ 831,522
Operating Expense	\$ 536,156	\$ 554,921	\$ 574,344	\$ 594,446	\$ 615,251
Net Operating Income	\$ 217,162	\$ 217,230	\$ 217,111	\$ 216,795	\$ 216,271
Debt Service (1st)	\$ 179,392	\$ 179,392	\$ 179,392	\$ 179,392	\$ 179,392
Coverage (1st)	1.21	1.21	1.21	1.21	1.21
Replacement Reserve	\$ operating expens	\$ operating expense	\$ operating expense	\$ operating expense	\$ operating expense
Cash Flow	\$ 37,770	\$ 37,837	\$ 37,719	\$ 37,403	\$ 36,879
LP Asset Management Fee	\$ operating expens	\$ operating expense	\$ operating expense	\$ operating expense	\$ operating expense
GP Management Fee	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Dev. Fee	\$ -	\$ -	\$ -	\$ -	\$ -
SDHC Residual Receipts	\$ -	\$ -	\$ -	\$ -	\$ -
Net Cash Flow	\$ 37,770	\$ 37,837	\$ 37,719	\$ 37,403	\$ 36,879

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ATTACHMENT 8

**HOUSING COMMISSION LOAN TERMS
AND
PAYMENT PROCEDURES**

Total Development Cost:	The total development cost of \$23,634,000 includes construction, interest costs, builder overhead and profit, and builder fees.
Developer Equity:	Nine percent tax credits.
Housing Commission Loan Amount:	A \$3,781,000 loan leverages \$19,853,000 from other sources.
Security:	The Housing Commission loan would be secured by the value of the ground lease during construction and by the value of the ground lease and the property improvements following completion of construction.
Recourse:	The Housing Commission loan would recourse until completion of construction, after which it would become non-recourse because of tax credit rules.
Cure Rights:	The Housing Commission would maintain the right to cure defaults in accordance with the requirements of the tax credit investor and the institutional lender.
Housing Commission Loan Payments:	An annual payment equal to 50 percent of the residual receipts. Any unpaid principal and interest would be due as a balloon payment upon loan maturity.
Affordability Restrictions:	Tax credit rents would be between 30 percent and 50 percent of Area Median Income (AMI). A Housing Commission Declaration of Covenants, Conditions, and Restrictions with a 55-year term would be recorded against the property to restrict rents for 87 units at 50 percent or less of AMI and occupancy of 87 units to tenants with incomes of 60 percent or less of AMI.
First Deed of Trust:	The Housing Commission loan would be subordinate to a \$2,247,000, estimated 7 percent interest, 30-year amortized loan from an institutional lender.

Second Deed of Trust: A \$3,781,000, 55-year residual receipts Housing Commission loan with interest at the Applicable Federal Rate.

Management Plan: The Management Plan is subject to periodic review and approval by the Housing Commission in its reasonable discretion.

Operating Expense: Monthly operating expenses are estimated at \$31,674 (\$360 per unit for 88 units).

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: Subject to the approval of the tax credit investor and institutional lender, the borrower would make minimum annual payments of \$26,400 into a reserve account. Use of reserves would require the reasonable approval of the Chief Executive Officer of the San Diego Housing Commission.

ATTACHMENT 9



February 26, 2007

Ms. Wendy DeWitt
Housing Development Partners
1122 Broadway, 5th Floor
San Diego, California 92101

Re: 4310 Dawson Avenue
Subject: Dawson Avenue Senior Apartments

Dear Ms. DeWitt:

I am pleased to offer a partnership to be formed by Housing Development Partners a loan increase, under the terms and conditions outlined below, subject to the approval of the Housing Commission Board and the Housing Authority and subject to the receipt of an allocation of nine percent tax credits.

The parameters of this loan commitment are as follows:

- Ownership:** Dawson Avenue Senior Apartments, LP (Borrower) as the sole owner and operator of the improvements. Subject to approval by the Housing Commission, the managing general partner would be Housing Development Partners and the administrative general partner would be Chelsea Investment Corporation. The Housing Commission is the owner of the land.
- Ground Lease:** Borrower shall lease the land from the Housing Commission at a cost equal to 4.5 percent of the gross annual rents for 65 years.
- Use of Loan Proceeds:** The loan shall be used by Borrower to permanently finance the development conditional upon the receipt of nine percent tax credits.
- Terms of the Loan:** A residual receipts loan will be increased from \$2,372,000 to \$3,781,000. The interest rate shall be equal to the Federal Rate at the time of the execution of the note; interest compounded annually as required. Borrower shall make annual payments equal to 50 percent of the residual receipts with any unpaid principal and accrued interest due and payable in full 55 years from the date Borrower executes the

Promissory Note secured by a Deed of Trust to the Housing Commission.

Acceleration Upon Default: In the event of a default of the terms of the Housing Commission Loan Agreement, the loan would become due and payable in full including any applicable interest penalties.

Insurance: Borrower shall at all times during the term of the loan maintain General Liability and Property Damage Insurance in a form and in amounts acceptable to the Housing Commission and approved by the Housing Commission's General Counsel. The Housing Commission shall be listed as an additional insured for General Liability Insurance and shall be listed as a loss payee of the Property Insurance.

Number of Units: 88 units. With one unit used as a manager's unit, there will be a minimum of 87 units of permanent rental housing.

Affordability Terms: The Housing Commission would record 55-year rent restrictions against the property making 87 units affordable to tenants with annual incomes of 50 percent or less of Area Median Income (AMI). To assure that the project is fully leased, the Housing Commission would record an occupancy restriction making the units eligible for occupancy by tenants with incomes of up to 60 percent of AMI. The actual rents are subject to the requirements, of the California Tax Credit Allocation Committee (TCAC), which are more restrictive, and would be affordable to tenants with incomes of between 30 percent and 50 percent of AMI.

Loan Security: The Housing Commission loan shall be evidenced by a deed of trust, in a form and format acceptable to the Housing Commission and its General Counsel in their sole discretions, made in favor of the Housing Commission and secured by the value of the leasehold.

Senior Financing: The Housing Commission loan will be subordinate to a first position institutional loan.

Fees and Expenses All fees and expenses of this project shall be approved by the Housing Commission in its sole discretion. The partnership management fee shall not exceed \$12,000 per year. The developer fee shall not exceed \$1,400,000 and disbursements shall be made as specified in the Tax Credit Partnership Agreement.

Reserves Subject to the approval of the senior lender, Borrower shall deposit a minimum of \$26,400 per year into a dedicated replacement reserve account. Use of reserves shall be subject

Loan Increase for Dawson Avenue Senior Apartments

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- to the reasonable approval of the Housing Commission's Chief Executive Officer or designee.
- Recourse: The loan shall be a recourse loan prior to tax credit funding, after which it shall become a non-recourse loan.
- Cure Rights: The Housing Commission shall have the right, but not the obligation, to cure all senior encumbrances in all subordination agreements that it executes. All subordination agreements shall be subject to the sole approval of the Housing Commission's President and Chief Executive Officer and General Counsel.
- Management Plan: The Management Plan shall be subject to periodic approval by the Housing Commission, in its reasonable discretion.
- Approval of Management: The Housing Commission reserves the right to declare Borrower in default of the loan agreement after an uncured ninety (90) day written notice of malfeasance and/or misfeasance in management of the project.
- Monitoring Fees: The Housing Commission shall be entitled to its standard yearly monitoring fees calculated on a per-unit basis during the affordability period.
- Loan Funding: The Housing Commission will fund its loan upon satisfaction of all conditions set forth in the Housing Commission loan and lease documents, including approval of a guaranteed maximum price contract for construction. All documentation, including any senior loan documents, construction loan documents, or documents of other lenders shall be subject to review and approval of the Housing Commission's President and Chief Executive Officer or designee and General Counsel, in their sole discretion.
- ALTA Lender's Policy: The Borrower shall acquire, at its sole cost and expense, ALTA Lender's Policies for the loan with endorsements acceptable to the Housing Commission insuring the Housing Commission's lien position.
- Prevailing Wages: Borrower shall comply with any requirements to pay Federal and/or State Prevailing Wage Rates and shall pay the higher of the two in the event of a conflict on a trade-by-trade basis.
- Other Terms: The Housing Commission reserves the right to impose any additional conditions in the Housing Commission Loan Documents that may be necessary, in its reasonable discretion, to protect the interests of the Housing Commission

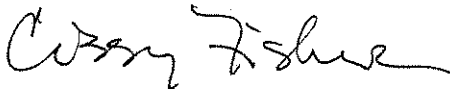
and fulfill the intent of this commitment. Such documentation shall be approved by the President and Chief Executive Officer, or designee, and the General Counsel of the Housing Commission.

Acceptance:

This commitment is conditional upon the Borrower receiving approval from its other lenders for the restructured financing of this development. Signing and delivering to the Housing Commission of this letter by February 26, 2007, shall evidence Borrower's acceptance of this commitment. Until receipt of such acceptance by the Housing Commission, the Housing Commission shall have no liability hereunder, and unless acceptance is made by that date, this commitment shall be null and void.

If Borrower wishes to obtain a Housing Commission loan under the terms described herein, please accept this commitment by signing below and returning this signed original to my office.

Sincerely,



Cissy Fisher
Director of Housing Finance and Development
619.578.7585
619.578.7356 fax

Agreed to and accepted this 26th day of FEBRUARY, 2007 by:
HOUSING DEVELOPMENT PARTNERS OF SAN DIEGO

By: 
Wendy G. DeWitt

Authorized Representative

Authorized Representative