

REPORT

DATE ISSUED: May 18, 2007 REPORT NO: HCR 07-37

ATTENTION: Chair and Members of the Housing Commission
For the Agenda of May 25, 2007

SUBJECT: Final Bond Authorization for 16th and Market Apartments

REFERENCE:

REQUESTED ACTION:

Take the final step to authorize the issuance of Housing Authority mortgage revenue bonds to fund the development of the 16th and Market Apartments.

STAFF RECOMMENDATION:

Recommend that the Housing Authority authorize the issuance of up to \$40 million in housing revenue bonds to fund the development of 136 multifamily affordable housing units, located at 640 16th Street, by 16th and Market L.P., a California limited partnership formed by S.V.D.P. Management Inc. (SVDP) and Chelsea Investment Corporation (Chelsea).

BACKGROUND:

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

The Project

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

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

Housing Affordability

16th and Market will accommodate a range of household sizes and income levels. There will be 40 one-bedroom units (29%), 52 two-bedroom units (38%) and 44 three-bedroom units (33%). The project will be restricted for occupancy by, and at rents affordable to, households earning between 30% Area Median Income (AMI) (\$21,050 for a household of four) and 60% AMI (\$42,120 for a household of four). Two

May 18, 2007

Final Bond Authorization for 16th and Market Apartments

Page 2

units will be reserved for on-site managers and will not be occupancy-restricted. Rent and income restrictions for the project are outlined in the chart below:

Type	AMI	Number of Units	Restricted Rent (net of utility allowance)	Market Rate	Monthly Savings per unit
One Bedroom	30% AMI	10	\$380	\$1,300	\$933
One Bedroom	40% AMI	6	\$512	\$1,300	\$804
One Bedroom	50% AMI	16	\$644	\$1,300	\$675
One Bedroom	60% AMI	8	\$775	\$1,300	\$545
Two Bedroom	30% AMI	13	\$455	\$1,750	\$1,312
Two Bedroom	40% AMI	8	\$613	\$1,750	\$1,156
Two Bedroom	50% AMI	20	\$771	\$1,750	\$1,001
Two Bedroom	60% AMI	11	\$929	\$1,750	\$846
Two Bedroom	MGR	1	N/A	\$1,750	N/A
Three Bedroom	30% AMI	11	\$505	\$2,200	\$1,695
Three Bedroom	40% AMI	7	\$681	\$2,200	\$1,516
Three Bedroom	50% AMI	18	\$856	\$2,200	\$1,370
Three Bedroom	60% AMI	8	\$1,322	\$2,200	\$1,198
Three Bedroom	MGR	1	N/A	\$2,200	N/A
Total		136			
Total Annual Savings					\$1,703,532

Development Team

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

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

May 18, 2007

Final Bond Authorization for 16th and Market Apartments

Page 3

Chelsea has been developing affordable housing in San Diego and Imperial Counties of southern California and Yuma County, Arizona for nineteen years. Chelsea has developed forty-two (42) properties totaling 4,744 units of affordable housing. The following table summarizes the projects that Chelsea has developed in the City of San Diego since 1999. Chelsea's developer disclosure statement is included as Attachment 3.

<u>Project Name</u>	<u>Number of Units</u>
Regency Centre	100
Torrey Highlands	76
Villa Andalucia	32
Villa Glen	26
Windwood Village	92
The Crossings	108
Rancho del Norte	119
Fairbanks Ridge	204
Total	757

Financing Structure

The project has a total development cost of approximately \$72.5 million; sources of funds include tax-exempt bonds, a loan from the State of California's Multifamily Housing Program (MHP), federal tax credits, a loan from the Federal Home Loan Bank's Affordable Housing Program (AHP), a deferred developer fee, and equity and a land donation from SVDP. Although approximately \$40,000,000 in bonds will be issued for the project, approximately \$37,000,000 of the bond amount will be paid off at conversion to permanent financing, resulting in a permanent bond amount of approximately \$3,000,000. Permanent financing sources are summarized in the following table.

Proposed Permanent Financing Sources	
MHP	\$10,000,000
Master Developer Contribution	21,000,000
Tax Credits	25,400,000
AHP	1,000,000
Deferred Developer Fee	1,200,000
Permanent Bond Amount	3,000,000
SVDP Land Contribution	8,000,000
SVDP Equity Contribution	2,900,000
Total	\$72,500,000

May 18, 2007

Final Bond Authorization for 16th and Market Apartments

Page 4

The bonds will be sold through a private placement with US Bank. When bonds are issued through a public offering, a third party trustee administers bond proceeds, collects project loan payments, makes bond debt service payments, and protects the interest of bondholders. Under the private placement structure for this transaction, US Bank will act as both trustee and bondowner/lender. If necessary, the Housing Authority has the right, at any time, to appoint an independent, third party as bond trustee.

As part of the proposed financing, US Bank will be required to sign an investor letter certifying that they are a sophisticated investor, understand the risks associated with the purchase of the bonds, and have completed all necessary due diligence in determining to purchase the bonds. The transfer of the bonds by US Bank or any subsequent bondholder will be restricted to transferees who would purchase all of the bonds (to maintain ownership by a single bondholder), and who would represent to the Authority that they are sophisticated investors who are buying the bonds for investment purposes and not for resale, and have made due investigation of the information they would deem material in connection with the purchase of the bonds. Finally, US Bank must agree that a mortgage loan default will not, in itself, constitute a bond default.

Public Disclosure and Bond Authorization

Because the bonds are being sold through a private placement, an Official Statement (public offering document) will not be used. In addition, the bonds will not be subject to SEC continuing disclosure requirements nor will they be credit enhanced or rated. However, it is necessary for members of the Housing Authority to disclose to staff any knowledge, not available to the general public, about the viability of the project, so that this information can be provided to US Bank.

As part of its authorizing resolution, the Housing Authority will be asked to approve a Bond Indenture, a Loan Agreement, a Regulatory Agreement and Declaration of Restrictive Covenants, an Assignment of Deed of Trust and Other Loan Documents, and other documents as may be necessary in consultation with the City Attorney's Office and Bond Counsel to document the transaction. At the time of docketing, all bond documents in substantially final form will be presented to members of the Housing Authority.

The Bond Indenture contains the basic financial terms of the bonds (maturity dates, interest rates, redemption provisions etc.) and is executed by the Housing Authority and US Bank (acting as bond trustee). The Loan Agreement is entered into by the Housing Authority, US Bank (as bondowner representative), and 16th and Market L.P. (the Borrower) and summarizes the terms under which US Bank is advancing bond proceeds to make a loan to the Borrower. The Loan Agreement also sets forth the project revenues pledged to repay the loan, and establishes events of default and remedies available to US Bank.

The Housing Authority, US Bank, and the Borrower are parties to the Regulatory Agreement and Declaration of Restrictive Covenants. The Regulatory Agreement contains all the affordable housing requirements and is recorded against the property to ensure the long-term use of the project as affordable housing. The Regulatory Agreement also includes covenants to ensure compliance with applicable federal tax and state laws. An Assignment of Deed of Trust and Other Loan Documents, which assigns the Housing Authority's rights and responsibilities as the bond issuer to US Bank, is signed by the Housing Authority and US Bank. Rights and responsibilities that are assigned to US Bank include the right to collect and enforce the collection of loan payments, monitor project construction and related

budgets, and enforce insurance and other requirements. These rights will be used by US Bank as trustee to protect its financial interests as the bondowner.

The issuance of bonds will not result in a financial liability of the Housing Authority, the City, or the Housing Commission. Neither the faith and credit nor the taxing power of the City or the Authority would be pledged to the payment of the bonds because security for bond payments is limited to the value of the property and its revenue sources. The project owner is responsible for the payment of all costs under the financing, including the Housing Commission's annual administrative fee.

Staff has been working with Ross Financial, the Housing Commission's financial advisor, to perform due diligence concerning the proposed financing and to formulate a recommendation for the Housing Authority. After evaluating the terms of the proposed financing and the public benefits to be achieved, it is Ross Financial's recommendation that the bond issuance for the project be authorized. Ross Financial's analysis and recommendation to proceed is included as Attachment 4. A description of the Housing Commission's Multifamily Bond Program and the actions that must be taken by the Housing Authority and by the City Council to initiate and finalize proposed bond financings are described in Attachment 5.

Staff is also working with the City's Disclosure Practices Working Group to assure that the issuance of the Housing Authority bonds is in conformance with the City's disclosure requirements.

FISCAL CONSIDERATIONS:

There are no fiscal impacts to the Housing Commission, City, or Housing Authority associated with the requested action. The bonds will not constitute a debt of the City of San Diego. Neither the faith and credit nor the taxing power of the City or the Housing Authority would be pledged to the payment of the bonds; security for repayment of the bonds will be limited to the value of the property and its revenue sources. All costs of the financing, including compensation for staff efforts in preparing the bonds, will be borne by the project owner. The Housing Commission's origination fee under the financing will be up to \$92,000 (0.23 percent of the bond amount). No local housing funds (Tax increment, Inclusionary, Housing Trust Fund, HOME, CDBG etc.) will be made available to develop the project.

PREVIOUS HOUSING AUTHORITY And/Or COMMITTEE ACTIONS:

On October 22, 2005, the Redevelopment Agency (Agency) approved an Owner Participation Agreement (OPA) for Ballpark Village with the Master Developer. On March 28, 2006, the Agency approved a development permit for 16th and Market. On November 14, 2006, the Housing Authority approved a bond inducement resolution of up to \$40,000,000 for the project and the City Council held a public hearing and approved a resolution in compliance with the Tax Equity and Fiscal Responsibility Act.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

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

ENVIRONMENTAL REVIEW:

This project is within the jurisdiction of the CCDC. CCDC completed an Environmental Secondary Study for the project in accordance with the Master and Supplemental Environmental Impact Reports for the Centre City Community Plan and Planned District Ordinance.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

Low and very-low income households are the intended residents of the project. SVDP and Chelsea compose the development team for the project. The SVDP board members and the owners of Chelsea are listed in Attachments 2 and 3. 16th and Market will partially satisfy the affordable housing obligations of Ballpark Village LLC (JMI Realty/Lennar Homes). US Bank and the Richmond Group have been selected to provide debt and equity for the project.

Respectfully submitted,



Cissy Fisher
Director of Housing Finance & Development

Approved by,


for Elizabeth C. Morris

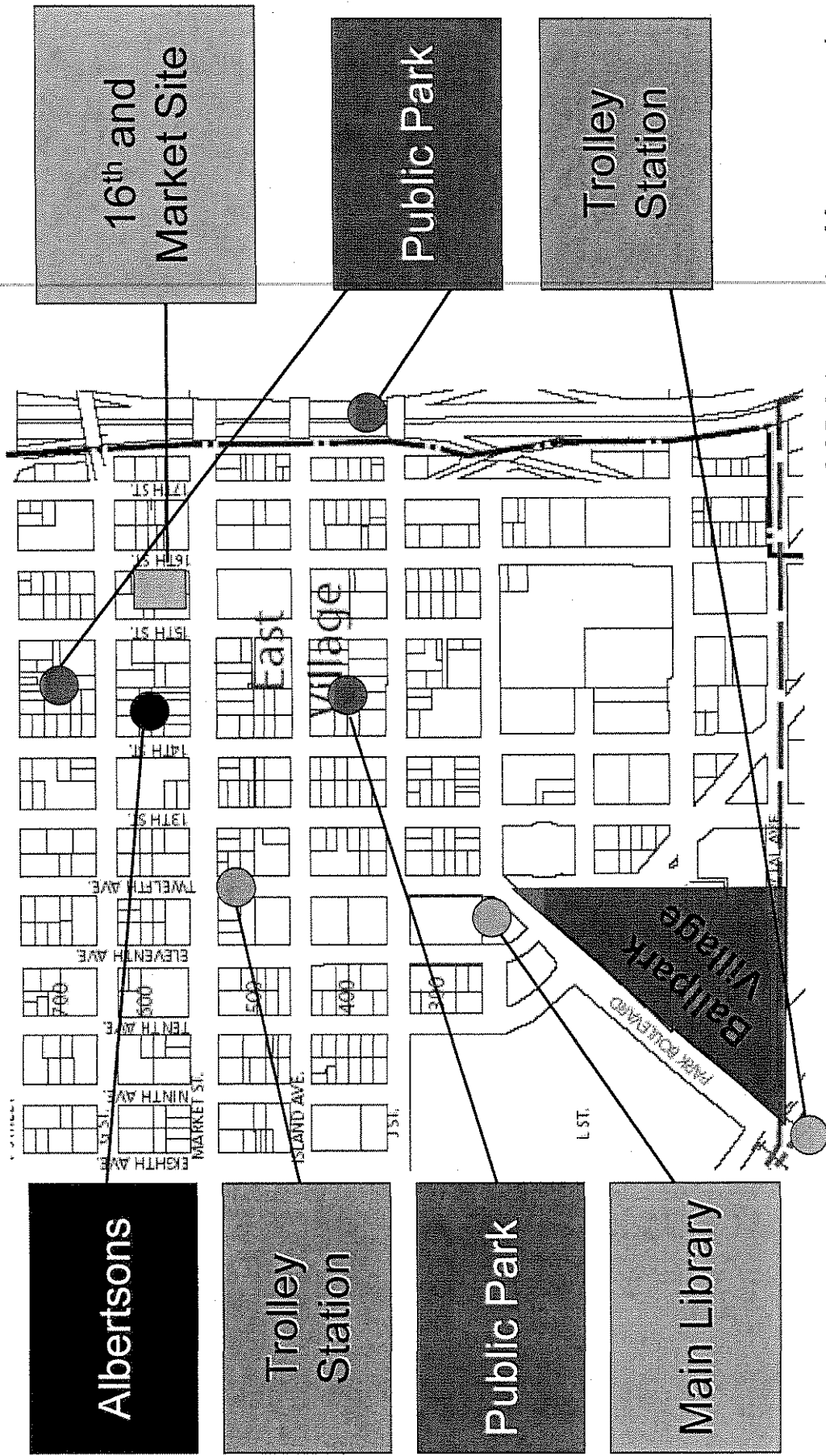
President & Chief Executive Officer

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- Attachments:
1. Site Map
 2. SVDP's Disclosure Statement*
 3. Chelsea's Developer's Disclosure Statement*
 4. Financial Advisor Letter
 5. Multifamily Bond Program Summary

*Distribution of these attachments may be limited. Copies available for review during business hours at the Housing Commission offices at 1122 Broadway, Main Lobby.

16th and Market



ATTACHMENT 2



Good Neighbors

San Diego
Housing Commission

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

DEVELOPER'S STATEMENT FOR PUBLIC DISCLOSURE

(add extra sheets if you need more space)

1. Name of developer:
S.V.D.P. Management, Inc.
2. Address, phone number and ZIP Code:
3350 E Street
San Diego, CA 92102
3. IRS Number of Developer:
33-0492304
4. If the developer is not an individual doing business under his own name, the developer has the status indicated below and is organized or operating under the laws of California as:

_____ A corporation
 A nonprofit or charitable institution or corporation
_____ A partnership known as: _____
_____ A business association or a joint venture known as _____
_____ A Federal, State or local government or instrumentality thereof.
_____ Other (explain)
5. If the developer is not an individual or a government agency or instrumentality, give date of organization:
N/A
6. Names, addresses, phone numbers, title of position (if any) and nature and extent of the interest of the officers and principal members, shareholders, and investors of the developer, other than a government agency or instrumentality, are set forth as follows:



DISCLOSURE STATEMENT: PAGE 2

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

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

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

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

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

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

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

<u>Name, Address & Zip Code</u>	<u>Phone Number</u>	<u>Position Title (if any) and percent of interest or description of character and extent of interest</u>
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DISCLOSURE STATEMENT: PAGE 3

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

N/A

Name, Address and

Description of character and

Zip Code

extent of interest

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

N/A

9. Is the developer a subsidiary of or affiliated with any other corporation or corporations or any other firm or firms? If yes, list each such corporation or firm by name and address, specify its relationship to the developer, and identify the officers and directors or trustees common to the developer and such other corporation or firm.

N/A

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

Please see attached.

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

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

- a. In banks:

Name, Address and ZIP Code of Bank

\$ Amount

Merrill Lynch
11181 Bernardo Plaza Ct.
San Diego, CA 92128

\$3,000,000

Union Bank of California
530 B St.
San Diego, CA 92101

\$1,000,000

DISCLOSURE STATEMENT: PAGE 4

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

Name, Address and ZIP Code of Source \$ Amount

c. By sale of readily salable assets:

Description Market Value Mortgages or Liens

13. Name and addresses of bank references:
 Union Bank of California, 530 B St. San Diego, CA 92101
 Wells Fargo 4365 Executive Dr, San Diego, CA 92121
 Merrill Lynch 11181 Bernardo Plaza Ct, San Diego, CA 92128

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

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

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

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

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

DISCLOSURE STATEMENT: PAGE 5

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

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

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

General description of such work:

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

<u>Identification of Contract or Development</u>	<u>Location</u>	<u>Amount</u>	<u>Date to be Completed</u>
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e. Outstanding construction-contract bids of such contractor or builder:

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

DISCLOSURE STATEMENT: PAGE 6

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

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

CERTIFICATION

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

Date: 9/28/06

Date: _____

Father Joe Carroll
Signature

Signature

Title: President

Title: _____

Address & ZIP Code

3350 E St.
San Diego Ca 92102

ATTACHMENT 3



Good Neighbors
**San Diego
Housing Commission**

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

DEVELOPER'S STATEMENT FOR PUBLIC DISCLOSURE

(add extra sheets if you need more space)

1. Name of developer:

Chelsea Investment Corporation, a California corporation

2. Address, phone number and ZIP Code:

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

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

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

A corporation

_____ A nonprofit or charitable institution or corporation

_____ A partnership known as: _____

_____ A business association or a joint venture known as _____

_____ A Federal, State or local government or instrumentality thereof.

_____ Other (explain)

5. If the developer is not an individual or a government agency or instrumentality, give date of organization: **July 30, 1986**

6. Names, addresses, phone numbers, title of position (if any) and nature and extent of the interest of the officers and principal members, shareholders, and investors of the developer, other than a government agency or instrumentality, are set forth as follows:



DISCLOSURE STATEMENT: PAGE 2

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

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

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

N/A

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

N/A

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

N/A

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

N/A

<u>Name, Address & Zip Code</u>	<u>Phone Number</u>	<u>Position Title (if any) and percent of interest or description of character and extent of interest</u>
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DISCLOSURE STATEMENT: PAGE 3

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

<u>Name, Address and Zip Code</u>	<u>Description of character and extent of interest</u>
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N/A

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

N/A

9. Is the developer a subsidiary of or affiliated with any other corporation or corporations or any other firm or firms? If yes, list each such corporation or firm by name and address, specify its relationship to the developer, and identify the officers and directors or trustees common to the developer and such other corporation or firm.

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

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

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

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

DISCLOSURE STATEMENT: PAGE 4

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

a. In banks:

<u>Name, Address and ZIP Code of Bank</u>	<u>\$ Amount</u>
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b. By loans from affiliated or associated corporations or firms:

<u>Name, Address and ZIP Code of Source</u>	<u>\$ Amount</u>
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c. By sale of readily salable assets:

<u>Description</u>	<u>Market Value</u>	<u>Mortgages or Liens</u>
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13. Name and addresses of bank references:

U.S. Bank	Southwest Community Bank
Katie Holden, Vice President	Harry Shank
980 9th Street, Suite 1100	5810 El Camino Real
Sacramento, CA 95814	Carlsbad, CA 92013
(916) 556-4424	

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

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

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

DISCLOSURE STATEMENT: PAGE 6

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

17. If the developer or a parent corporation, a subsidiary, an affiliate, or a principal of the developer is to participate in the development as a construction contractor or builder: **Not applicable.**

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

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

General description of such work:

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

<u>Identification of</u> <u>Contract or Development</u>	<u>Location</u>	<u>Amount</u>	<u>Date to be</u> <u>Completed</u>
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e. Outstanding construction-contract bids of such contractor or builder:

<u>Awarding Agency</u>	<u>Amount</u>	<u>Date Opened</u>
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DISCLOSURE STATEMENT: PAGE 7

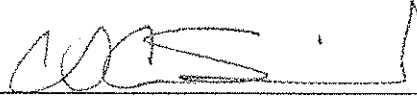
18. Brief statement respecting equipment, experience, financial capacity, and other resources available to such contractor or builder for the performance of the work involved in the proposed project, specifying particularly the qualifications of the personnel, the nature of the equipment, and the general experience of the contractor: **Not applicable.**
19. Does any member of the governing body of the San Diego Housing Commission, to which the accompanying proposal is being made, or any officer or employee of the San Diego Housing Commission who exercises any functions or responsibilities in connection with the carrying out of the project covered by the developer's proposal, have any direct or indirect personal financial interest in the developer or in the proposed contractor? Yes _____ No **X**
If yes, explain.
20. Statements and other evidence of the developer's qualifications and financial responsibility (other than the financial statement referred to in Item 10) are attached hereto and hereby made a part hereof as follows:
Project Information Sheets

DISCLOSURE STATEMENT: PAGE 8

CERTIFICATION

I, Charles A. Schmid, certify that this Developer's Statement for Public Disclosure and the attached evidence of the developer's qualifications and financial responsibility, including financial statements, are true and correct to the best of my knowledge and belief.

Date: 9/28/06

Signature: 
Charles Schmid
Authorized Agent

Address & ZIP Code

725 South Coast Highway 101
Encinitas, California 92024

ATTACHMENT 4

ROSS FINANCIAL

1736 Stockton Street, Suite One • San Francisco, CA 94133 • (415) 912-5612 • FAX (415) 912-5611

May 3, 2007

Mr. Peter Armstrong
San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101

Re: 16th and Market Apartments

Dear Mr. Armstrong:

The San Diego Housing Commission (the "Commission") has retained Ross Financial as its financial advisor to analyze the feasibility of issuing bonds for the 16th and Market Apartments (the "Project"). The feasibility analysis reviews the following items:

- Project Overview
- Proposed Financing
- Benefits and Risks to Commission
- Public Purpose
- Recommendations

Ross Financial has based its analysis of the Project's feasibility on materials provided by Chelsea Investment Corporation ("Chelsea"), the co-Developer and administrative general partner of 16th and Market, L.P. (the "Borrower"), U.S. Bank National Association (the "Lender") and Commission staff. The materials include: the application to the California Debt Limit Allocation Committee ("CDLAC"), the Lender's financing commitment and Chelsea's proposed financial schedules for the Project. Ross Financial has not visited the site of the proposed Project.

PROJECT OVERVIEW

Project Summary. The Project is a 12-story, 168,315 square foot new construction affordable multifamily residential development consisting of 136 one, two and three bedroom units. Two manager's units are included within this mix. The Project also includes ground level retail and residential common space over a two-story subterranean parking garage.

The affordable units will be restricted as follows:

- 34 units will be restricted to households with income levels up to 30% of area median income ("AMI");
- 21 units will be restricted to households with income levels of up to 40% AMI;
- 54 units will be restricted to households with income levels of up to 50% AMI;

- 25 units will be restricted to households with income levels of up to 60% AMI; and
- 2 units will be set aside for resident managers.

Description of Project Site. The proposed Project is located at 1550 Market Street/640 16th Street, San Diego 92101 on a 0.54 acre site at the northwest corner of 16th and Market Streets. The site is currently improved with an existing structure, which will be razed as part of the development process. The Project site is located within the East Village Neighborhood, in the City Centre redevelopment project area. Adjacent land uses consist of a mixture of office, social services centers, commercial, residential and warehouses. The site is located across the street from a bus stop and approximately 0.3 miles from the 12th Avenue and Market Street trolley station. The Project site is readily accessible to grocery shopping, health clinics, schools and public parks.

Project Ownership/Borrower/Developer. The ownership entity for the Project will be 16th and Market, L.P., a California limited partnership. This entity will consist of: (1) Chelsea Investment Corporation, a California corporation, as its Administrative General Partner ("Chelsea"), (2) S.V.D.P. Management, Inc., a California nonprofit public benefit corporation and affiliate of Father Joe's Villages, as its General Partner ("SVDP"), and (3) The Richman Group (or an affiliate) as the investor limited partner. Chelsea and SVDP are Co-Developers of the Project.

According to its application to CDLAC, Chelsea has 20 years experience in developing/rehabilitating multifamily rental housing. During this period, it has developed or rehabilitated 42 projects accounting for 4,744 units. It has developed 9 projects in the City of San Diego and 14 projects in San Diego County.

SVDP has collaborated with Chelsea to develop five affordable housing projects in the past 12 years. Through its St. Vincent de Paul Village, SVDP also provides housing and a range of social services for homeless individuals and families. SVDP currently owns and operates 42% of all available shelter beds in urban San Diego County.

CDLAC. In January 2007, the Housing Authority filed an application to CDLAC requesting \$40,000,000 of private activity bond allocation for the Project. At its March 21, 2007 meeting, CDLAC awarded the Project the requested allocation. The bond allocation will revert back to CDLAC if bonds are not issued for the Project by June 29, 2007.

In connection with the CDLAC application process, on October 10, 2006, the Housing Authority adopted a resolution of intent to issue bonds for the Project; the resolution also approved submittal of an application to CDLAC. On October 10, 2006, a TEFRA hearing was held before the City Council at which time the Project was approved for purposes of Section 147 of the Internal Revenue Code.

PROPOSED FINANCING

Project Costs and Funding. According to projections provided by Chelsea, the total Project costs, including construction and lease-up interest and other soft costs, will be approximately \$71,367,894 during construction and \$72,548,840 following construction and lease-up (“at permanent”). The estimated sources of funding for these costs will differ during construction and at permanent, as shown in the following table:

Sources	Construction	Permanent
Tax-Exempt Bond Proceeds	\$40,000,000	\$3,009,342
MHP Financing		10,000,000
BVP Contribution	1,207,500	21,033,222
Low Income Housing Tax Credit Equity	12,692,527	25,385,053
Taxable Bridge Financing	8,467,867	
AHP Funds	1,000,000	1,000,000
SVDP Deferred Developer Fee		1,250,000
SVDP Land Financing	8,000,000	8,000,000
SVDP Equity		2,871,223
Total	\$71,367,894	\$72,548,840
Uses		
Land	\$8,047,500	\$8,047,500
Construction Costs	50,814,739	50,450,533
Interest and Financing Costs	5,380,029	5,400,029
Soft Costs	7,125,626	8,625,778
Total	\$71,367,894	\$72,548,840

The Project partially fulfills the inclusionary housing requirements of Ballpark Village, the 1,500 unit market rate condominium development adjacent to Petco Park. As a result, Ballpark Village LLC (“BVP”), the developers of Ballpark Village, have committed funding to the Project in the amounts shown in the table above.

The Project funding sources do not include any contribution from the Housing Authority or Redevelopment Agency apart from the issuance of bonds.

Bond Amount and Bank Purchase Approach. The bonds will be issued by the Housing Authority in two series in the aggregate amount of \$40,000,000 (the “Bonds”): (a) 2007 Series B in the amount of \$3,009,342 and (b) 2007 Series C in the amount of \$36,990,658. The Bonds will finance a portion of the construction costs of the Project. At conversion of the financing to permanent (the “Conversion Date”), it is expected that the 2007 Series C Bonds will be retired in full from a combination of tax credit equity, General Partner equity, low income housing tax credits and the BVP contribution.

Mr. Peter Armstrong
Re: 16th and Market Apartments
May 3, 2007
Page 4 of 7

During the construction period, anticipated to be 20 months (subject to two three-month extensions), the Bonds will pay interest only. After the construction and lease-up period, following the repayment of the 2007 Series C Bonds, the Bonds will amortize over a 30-year period.

Each series of Bonds will be purchased directly by U.S. Bank National Association ("U.S. Bank"). The Bonds will not be rated.

U.S. Bank is a "qualified institutional buyer" within the meaning of the U.S. securities laws. At closing, it will sign an "Investor's Letter" certifying, among other things, that it is buying the Bonds for its own account and not for public distribution. U.S. Bank may not transfer the Bonds prior to the Conversion Date; thereafter, it may transfer the Bonds in full, in the outstanding amount, only to another "qualified institutional buyer" that signs an Investor's Letter.

The Bond issue is expected to close on June 13, 2007.

Housing Authority Financial Involvement. Besides acting as the Bond issuer, the Housing Authority will not be providing any financial assistance to the Project.

Affordability Restrictions. The Project will be subject to the following regulatory restrictions and terms:

- Tax-Exempt Bond Regulatory Agreement requirements (including voluntary elections made to CDLAC) for a 55-year term;
- Tax Credit Regulatory Agreement requirements under which all units must be affordable at 60% AMI for a 55-year term to remain eligible for tax credits; and
- Inclusionary Housing Agreement requirements under which all units must be affordable at 65% AMI for a 55-year term.

Project Cash Flow. According to the pro forma cash flows provided by the Borrower, Project income from rents and other income (e.g., laundry, commercial) is estimated at \$1,136,352 for the first year of stabilized occupancy (assuming a 5% vacancy factor). Project expenses are estimated at \$842,875 (including replacement reserves). As a result, first year net operating income (gross revenues less expenses) is estimated at \$293,477.

The Borrower has estimated debt service on the Bonds (following construction and lease-up) to be approximately \$216,510 per year (assuming an estimated interest rate of 6%). The Borrower has also estimated debt service on the MHP loan at approximately \$42,000 per year.

According to the Borrower's pro forma cash flow, in the first year of stabilized occupancy, net operating income is anticipated to cover annual debt service on the Bonds

by approximately 1.36 times and on aggregate Bond and MHP debt service by approximately 1.14 times. The forecast cash available after expenses (including reserves) and debt service is estimated by the Borrower to be \$34,967 in the first year of stabilized occupancy.

The Borrower has escalated projected revenues and operating expenses at the rate of 2.5% and 3.5% per year, respectively.

The table on the following page shows the Borrower's projected cash flow for the Project during first five years following stabilized occupancy:

	Trending Factor	Year 1	Year 2	Year 3	Year 4	Year 5
Rental Income	2.5%	\$1,125,840	\$1,153,986	\$1,182,836	\$1,212,407	\$1,242,717
Commercial Income	2.5%	\$54,000	\$55,350	\$56,734	\$58,152	\$59,606
Other Income (Laundry)	2.5%	\$16,320	\$16,728	\$17,146	\$17,575	\$18,014
Gross Scheduled Income		\$1,196,160	\$1,226,064	\$1,256,716	\$1,288,133	\$1,320,337
Vacancy Loss - residential	5.0%	(\$57,108)	(\$58,536)	(\$59,999)	(\$61,499)	(\$63,037)
Vacancy Loss - commercial	5.0%	(\$2,700)	(\$2,768)	(\$2,837)	(\$2,908)	(\$2,980)
Effective Gross Income		\$1,136,352	\$1,164,761	\$1,193,880	\$1,223,727	\$1,254,320
Total Operating Expenses and Reserves	3.5%	\$842,875	\$869,206	\$896,454	\$924,653	\$953,835
Net Operating Income		\$293,477	\$295,555	\$297,425	\$299,074	\$300,485
Debt Service						
Bonds		\$216,510	\$216,510	\$216,510	\$216,510	\$216,510
MHP Loan		\$42,000	\$42,000	\$42,000	\$42,000	\$42,000
Total Debt Service		\$258,510	\$258,510	\$258,510	\$258,510	\$258,510
AVAILABLE CASH FLOW		\$34,967	\$37,045	\$38,915	\$40,564	\$41,975
Debt Service Coverage - Bonds		1.36	1.37	1.37	1.38	1.39
Debt Service Coverage - Bonds + MHP		1.14	1.14	1.15	1.16	1.16

PUBLIC PURPOSE

The Bonds will result in the long-term affordability of 136 one, two and three-bedroom units in the City of San Diego: 34 units will be restricted and affordable to households earning 30% AMI; 21 units will be restricted and affordable to households earning 40% AMI; 54 units will be restricted and affordable to households earning 50% AMI; 25 units will be restricted and affordable to households earning 60% AMI; and 2 units will be occupied by resident managers.

The Bond and Tax Credit Regulatory Agreements will require that these affordability levels be maintained for a period of 55 years.

BENEFITS AND RISKS TO THE COMMISSION

The Bonds provide a vehicle for financing the construction of the Project. As proposed, the Bonds will result in the long-term affordability of 136 one, two and three-bedroom units in the City of San Diego with units restricted to income levels described in "Public Purpose" above.

The Bonds do not pose undue financial risk to the Housing Authority. The Bonds are not a direct obligation of the Housing Authority or the City of San Diego. The Bonds will be owned directly by U.S. Bank, which has indicated its intention to hold the Bonds for its own account and not for public distribution.

If the Housing Authority issues the Bonds, the Commission would receive a fee at Bond closing of \$92,000 equal to 0.23% times the par amount of the Bonds (\$40,000,000). The Commission would also receive an annual payment of \$92,000 during the construction period. Following the Conversion Date and the expected reduction of outstanding Bond principal to \$3,009,342, the Commission would receive an annual payment of \$6,921.

Costs of issuance will be funded by the Borrower from low income housing tax credit contributions. The Borrower has agreed to indemnify the Housing Authority and Commission as to matters relating to the Bond issue. However, the Borrower is a single purpose entity with no significant assets or sources of income other than the Project and is generally not required to make up any cash flow shortfalls.

RECOMMENDATIONS

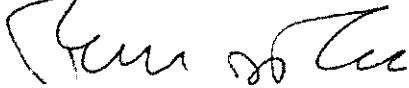
Ross Financial recommends that the Housing Authority proceed with the issuance of the Bonds based on the following findings:

- The Bonds would achieve a public purpose by providing 136 affordable units, with all units restricted to income levels at or below 60% of AMI.
- The Bonds will be purchased by a well-established, highly capitalized bank which is active in affordable housing lending and which will sign an Investor's Letter to the effect that is a "qualified institutional investor". The Bonds will also be subject to very restrictive transfer limitations.
- The Borrower has agreed to indemnify the Housing Authority and the Commission regarding matters relating to the financing. Issuance costs will be paid by the Borrower.
- Based on estimates provided by the Borrower, as reviewed and confirmed by U.S. Bank, there should be sufficient funds to complete the Project and the Project provides adequate cash flow to cover debt service.

Mr. Peter Armstrong
Re: 16th and Market Apartments
May 3, 2007
Page 7 of 7

If there is any additional information you require concerning the 16th and Market Apartments, Ross Financial will be pleased to provide a supplemental analysis.

Very truly yours,

A handwritten signature in black ink, appearing to read "Peter J. Ross". The signature is fluid and cursive, with the first name "Peter" being the most prominent.

Peter J. Ross
Principal

Attachment 5

HOUSING COMMISSION MULTIFAMILY HOUSING REVENUE BOND PROGRAM Summary

General Description: The multifamily housing bond program provides below-market financing (based on bond interest being exempt from income tax) for developers willing to set aside a percentage of project units as affordable housing. Multifamily housing revenue bonds are also known as “private activity bonds” bonds because the projects are owned by private entities, often including nonprofit sponsors and for-profit investors.

Bond Issuer: Housing Authority of the City of San Diego. There is no direct legal liability to the City, the Housing Authority or the Housing Commission in connection with the issuance or repayment of bonds; there is no pledge of the City’s or the Housing Authority’s faith, credit or taxing power. The bonds do not constitute a general obligation of the issuer because security for repayment of the bonds is limited to specific private revenue sources, such as project revenues. The developer is responsible for the payment of costs of issuance and all other costs under each financing.

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

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

Approval Process:

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

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

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

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