



SAN DIEGO
HOUSING
COMMISSION

HOUSING AUTHORITY REPORT

DATE ISSUED: March 14, 2011

REPORT NO: HAR 11-012

ATTENTION: Members of the Housing Authority of the City of San Diego
For the Agenda of April 19, 2011

SUBJECT: Final Bond Authorization for Sorrento Tower Apartments

COUNCIL DISTRICT: 6

REQUESTED ACTION:

Take the final step to authorize the issuance of Housing Authority of the City of San Diego ("Housing Authority") mortgage revenue bonds to fund the acquisition and rehabilitation of the Sorrento Tower Apartments.

STAFF RECOMMENDATION:

Recommend that the Housing Authority authorize the issuance of up to \$14,500,000 in multifamily housing revenue bonds to fund the acquisition and rehabilitation of the 198-unit Sorrento Tower Apartments, located at 2875 Cowley Way, by Sorrento Tower Housing Partners, L.P.

NOTE: This item received unanimous approval at the March 18, 2011 Housing Commission meeting.

SUMMARY:

The Project

Sorrento Tower is an existing 198-unit senior housing development located at 2875 Cowley Way in the Clairemont community of San Diego. The development was built in 1976 and consists of one 14-story building and 41 parking spaces on 1.3 acres. Sorrento Tower contains 130 studios (approximately 420 square feet) and 68 one-bedroom units (approximately 610 square feet). Amenities include two elevators, a recreation/library room, a bingo room, a billiard room, and a management office. See Attachment 1 for a location map.

The seller of Sorrento Tower is Anderson Foundation, a non-profit organization. The property was originally developed under the U.S. Department of Housing and Urban Development's (HUD) Section 236(j) and 202 programs. HUD's 236 program provided low-interest financing in exchange for Use Agreements that limited rents to affordable levels for 40 years. At year 20, the program permitted owners to prepay the remainder of the 40-year federally assisted mortgage after which the HUD restrictions no longer applied. These properties could then be converted to market rate rental housing, potentially displacing low-income tenants. These properties have been labeled "at-risk" because of the expiring federal assistance.

In 1997, the owner of Sorrento Tower, Sorrento Tower Housing Partner, could have pre-paid the HUD 236 loan and been released from the restrictions, but instead took advantage of incentives offered by HUD and have since been renewing the Section 8 contract with HUD on an annual basis. Sorrento Tower Housing Partner's participation will ensure that the Section 8 rents will be preserved and

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extended for an additional 20 years. The Bond and Tax Credit financing will provide affordability for fifty-five years.

Due to the age of the property (35 years old), it is in need of rehabilitation to extend its useful life. As part of the proposed transaction, approximately \$30,000 per unit will be invested in the property to achieve this goal. Improvements will include replacing unit and common area windows, plumbing and electrical repairs, roof replacement, exterior stucco repair, interior and exterior painting, new carpets and window coverings, replacing kitchen and bathroom cabinets and countertops, road and sidewalk improvements, and landscape upgrades.

Affordable Housing

Affordable housing developments that are at-risk of conversion in the City of San Diego have been identified in the City's Housing Element as a high priority for preservation, with the highest priority given to properties with restrictions expiring in five year or less. Sorrento Tower is one of those listed projects.

To minimize the loss of affordable housing, the City has developed a preservation program that encourages the collaboration of nonprofits, for-profits, and local government and identifies federal, state and local financial resources, including bonds and tax credits.

Currently, all 198 units are rented at \$335; 165 of the units are Section 8 units. Under the proposed bond financing, Sorrento Tower would restrict 30 percent of its units (60 units) at 50 percent Area Median Income ("AMI") (\$33,050 for a two-person household), and 70 percent of the units (137 units) restricted at 60 percent AMI (\$39,660 for a two-person household). As part of the proposed transaction, the applicant is requesting a budget based rent increase from HUD for the 165 Section 8 units; rents for these units will increase to 60 percent AMI; however the tenants will continue to pay no more than 30 percent of their income towards rent with the difference subsidized through the HUD Section 8 Housing Assistance Payment contract. Rents for the remaining 32 units will stay at \$335 and will be adjusted to 50 percent and 60 percent of AMI upon turnover. The minimum term of affordability under the bond program is 15 years; the four percent tax credit program requires affordable rents for a period of 30 years, and the HUD Section 8 Housing Assistance Payments ("HAP") Contract will apply to the project for 20 years. Sorrento Tower Housing Partners, LP proposes to provide affordability for fifty-five years.

The following are the proposed rents post rehabilitation and post turnover:

Unit Type	AMI	Number of Units	Restricted Rent (no tenant paid utilities)
Studio HAP	50% AMI	31	\$687
Studio	50% AMI	8	\$335
Studio HAP	60% AMI	91	\$810
One Bedroom 1 Bath	50% AMI	21	\$335
One Bedroom 1 Bath	60% AMI	3	\$335
One Bedroom 1 Bath HAP	60% AMI	43	\$883
Manager's Unit – 2 Br 1 Bath	NA	1	\$1,100
Total		198	

Development Team

The ownership entity for the project will be Sorrento Tower Housing Partners, LP, a California limited partnership consisting of 1) Sorrento Tower Development, LLC, serving as the administrative general partner, 2) Hearthstone Housing Foundation, a California non-profit, serving as the managing general partner, and 3) Boston Capital, the tax credit investor limited partner.

Sorrento Tower Development, LLC is comprised of C&C Development Group, LLC; DAL Development, LLC; and Cowley Partners, LLC.

- Principals at C&C Development Group are Casey Haeling and Colin Rice. Mr. Rice and Mr. Haeling, in combination, have worked on 15 affordable housing transactions. Their most recent transactions have included their work with The Amerland Group on four San Diego projects:
 1. In 2009, the acquisition and rehabilitation of the 76-unit Golden Age Apartments located at 740 South 36th Street;
 2. In 2009, the acquisition of the 60-unit Olivewood Apartments located at 2255 55th Street;
 3. In 2008, the acquisition and rehabilitation of Bay Vista, a 268-unit development located at 4888 Logan Avenue; and
 4. In 2001, the acquisition and rehabilitation of the 170-unit Bella Vista Apartments located at 4742 Solola Avenue.Mr. Haeling and Mr. Rice previously worked for the development division of The Amerland Group (“Amerland”) and held the titles of Director of Acquisitions and Vice President of Acquisitions, respectively. They no longer are employed by The Amerland Group and The Amerland Group is not a party to the Sorrento Tower transaction nor will they have an ownership interest in Sorrento Tower.
- Assisting in the acquisition and development of the project is DAL Development, LLC (“DAL”), a for-profit housing developer. DAL is a Carlsbad-based company founded in 2003 by David Beacham. Mr. Beacham has developed or consulted on over 90 projects including almost 7,000 affordable housing units since 2003. He is a general partner of ten affordable housing partnerships and owns interests in thirty properties totaling 1,184 units across the western United States. His expertise is with the acquisition and rehabilitation of existing low-income housing projects that are or will be financed by tax-exempt bonds, tax credits, USDA 515, 521 and 538 funds, HUD 221, 223 and 236 loans and HUD Section 8 HAP Contracts. Prior to 2003, Mr. Beacham worked for four years at the San Francisco office of Novogradac & Company LLP, a national certified public accounting and consulting firm. This will be the first project that DAL develops in San Diego.
- Greg Cartwright and Julius Paeske are members of Cowley Partners, LLC. Mr. Cartwright and Mr. Paeske are current principals of Commercial Facilities, Inc., the current property manager of Sorrento Tower Apartments. They will continue to provide property management services at the site.

Hearthstone Housing Foundation (“Hearthstone”) will serve as the managing general partner and will provide supportive services to the residents. Hearthstone is a nonprofit organization formed in 1991. Hearthstone currently provides services to Hillside Apartments in San Diego, Teresina Gardens in Chula Vista, and Spring Villa Apartments in Spring Valley. They also provide services to multiple properties throughout California, Washington, and Oregon.

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An organization chart and Developer Disclosure Statements for C&C Development Group, DAL Development, Cowley Partners, and Hearthstone Housing Foundation are included as Attachment 2.

Financing Structure

The total development cost of the project is estimated to be approximately \$19,285,800. Permanent financing sources include housing revenue bonds, tax credit equity, income from operations during rehabilitation, and a deferred developer fee.

Permanent financing sources are summarized in the following table:

Permanent Financing Sources	
Housing Revenue Bonds	\$13,600,000
4 % Tax Credits	\$5,105,600
Income from Operations	\$128,600
Deferred Developer Fee	\$451,600
Total	\$19,285,800

Public Disclosure and Bond Authorization

The bonds will be sold through a public offering with Citigroup Global Markets Inc. acting as the underwriter. The bonds will be credit enhanced by Freddie Mac and are expected to be rated AAA by Standard and Poor's.

The following documents will be executed on behalf of the Housing Authority: Official Statement, Trust Indenture, Financing Agreement, Regulatory Agreement, Intercreditor Agreement, and a Bond Purchase Agreement. At the time of docketing, all bond documents in substantially final form will be presented to members of the Housing Authority. Any changes to the documents following Housing Authority approval require the consent of the City Attorney's office and bond counsel.

An Official Statement in preliminary form will be used to market the bonds to investors. The official statement will contain limited information about the Housing Authority as the issuer. This information verifies that the Housing Authority is an appropriate issuer of the bonds and that there is no existing or threatened litigation that would jeopardize the validity of the bonds. Financial statements of the Housing Commission or Housing Authority are not included in the Official Statement. Furthermore, it is necessary for members of the Housing Authority to disclose any knowledge not available to the general public, about the feasibility of the project. Attachment 3 contains the language regarding the Housing Authority that will be used in the Official Statement.

The bonds will be issued pursuant to a Trust Indenture between the Housing Authority and the trustee (The Bank of New York Mellon). Based upon instructions contained in the Trust Indenture, the trustee will disburse bond proceeds for eligible costs, collect project revenues and make payments to bondholders, and hold collateral to secure payment of the bonds.

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Under the terms of the Financing Agreement, the Housing Authority will loan the proceeds of the bonds to the borrower in order to acquire and rehabilitate the project. The Financing Agreement sets out the terms of repayment and the security for the loan, and the Housing Authority assigns its rights to receive repayments under the loan to the trustee.

The Regulatory Agreement will be recorded against the property in order to ensure the long-term use of the project as affordable housing. The Regulatory Agreement will also ensure that the project complies with all applicable federal and state laws.

The Bond Purchase Agreement outlines the terms under which the Housing Authority will issue and the underwriter will purchase the bonds. The Bond Purchase Agreement is executed and delivered by the Housing Authority, the borrower, and the underwriter.

The Intercreditor Agreement outlines the respective rights of the trustee on behalf of the Housing Authority, Citibank N.A. as construction lender, and Freddie Mac in the event the Borrower defaults on any of its obligations associated with the bond financing. In the event of a default, Freddie Mac will have principal control and enforcement rights.

Since the bonds will not be repaid using any City or Housing Authority revenues, it is not appropriate to provide any information about the City's finances. For a summary of the Housing Commission's Multifamily Bond Program and actions that must be taken by the Housing Authority and by the City Council to initiate and finalize bond financings, please see Attachment 4.

Staff has been working with CSG Advisors, 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 the Financial Advisor's recommendation that the bond issuance for the project be authorized. The Financial Advisor's analysis and recommendation to proceed is included as Attachment 5.

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

FISCAL CONSIDERATIONS:

There are no fiscal impacts to the Housing Commission, City of San Diego, 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 issuer fee under the financing will be approximately \$33,350 (0.23 percent of the bond amount).

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

This item was heard by the Housing Commission Board at the Regular Meeting of March 18, 2011 and approved unanimously. On October 19, 2010, the Housing Authority and City Council approved preliminary bond items for the project.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

The Sorrento Tower project was presented to the Clairemont Community Planning Group on September 21, 2010. The Group was supportive of the development.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

The residents of Sorrento Tower are stakeholders. The seller of the property is the Anderson Foundation, a non-profit organization. DAL Development LLC will assist C&C Development with the acquisition and rehabilitation the project. Hearthstone Housing Foundation will be the managing general partner and Cowley Partners, LLC will be a member of the partnership and will perform property management services. Boston Capital is the tax credit investor, Citibank NA is the underwriter, and Freddie Mac will provide credit enhancement for the financing.

ENVIRONMENTAL REVIEW:

This project is categorically excluded from the requirements of the National Environmental Policy Act pursuant to the applicable provisions of 24 CFR Part 58.35(a)(3)(ii). The project is also categorically exempt from the provisions of the California Environment Quality Act (CEQA) pursuant to section 15301 (existing facilities) of the State CEQA guidelines.

Respectfully submitted,



Ann E. Kern
Bond Project Manager
Real Estate Department

Approved by,



Carol M. Vaughan
Executive Vice President &
Chief Operating Officer

Attachments:

1. Location Map
2. Disclosure Statements (C&C Development; DAL Development; Cowley Partners, and Hearthstone Housing Foundation)*
3. Housing Authority Disclosure Summary
4. Multifamily Bond Program Summary
5. Financial Advisor's Analysis

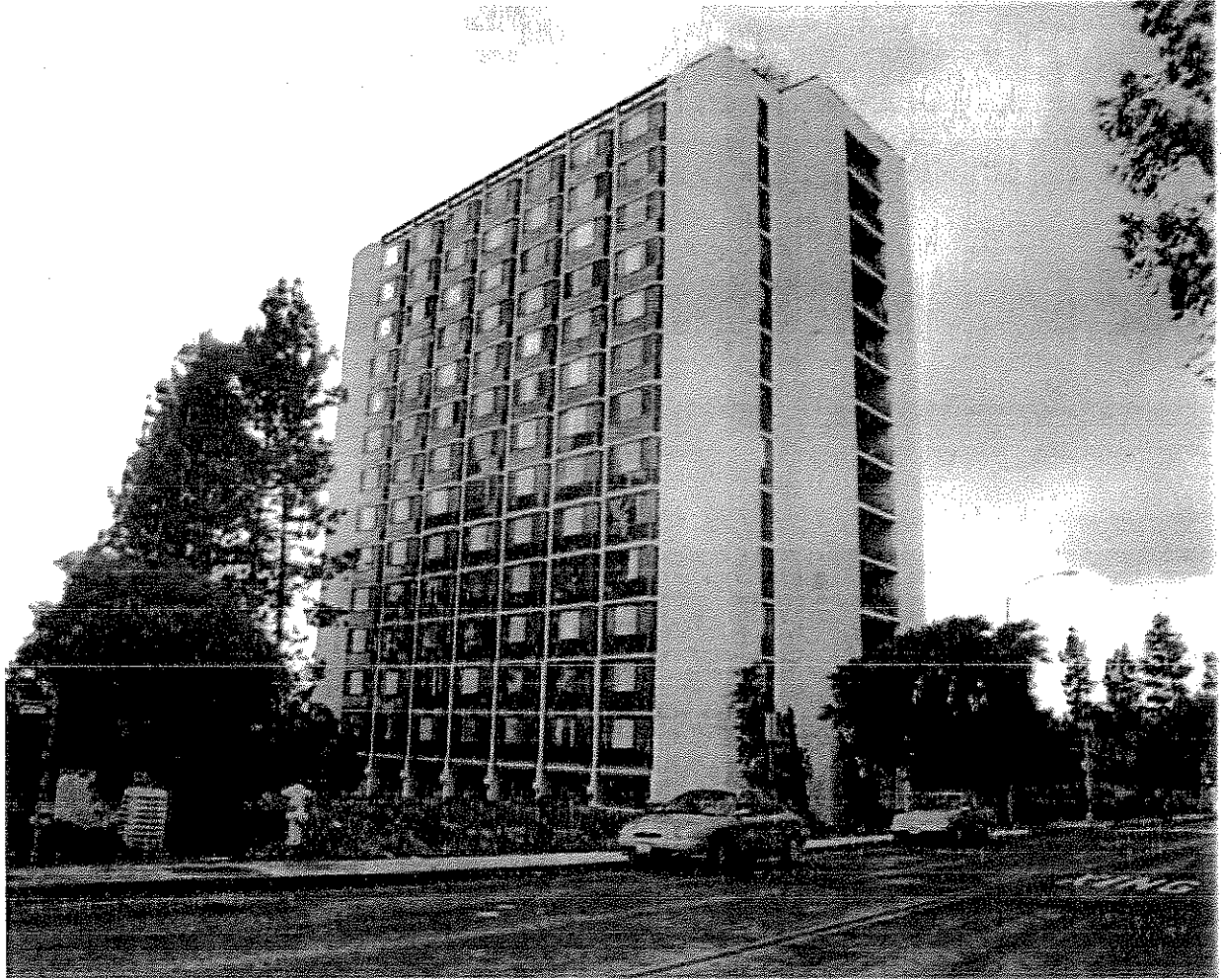
* Hard copies are available for review during business hours in the main lobby of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials on the San Diego Housing Commission website at www.sdhc.org.

ATTACHMENT 1

Address 2875 Cowley Way
San Diego, CA 92117

Google maps

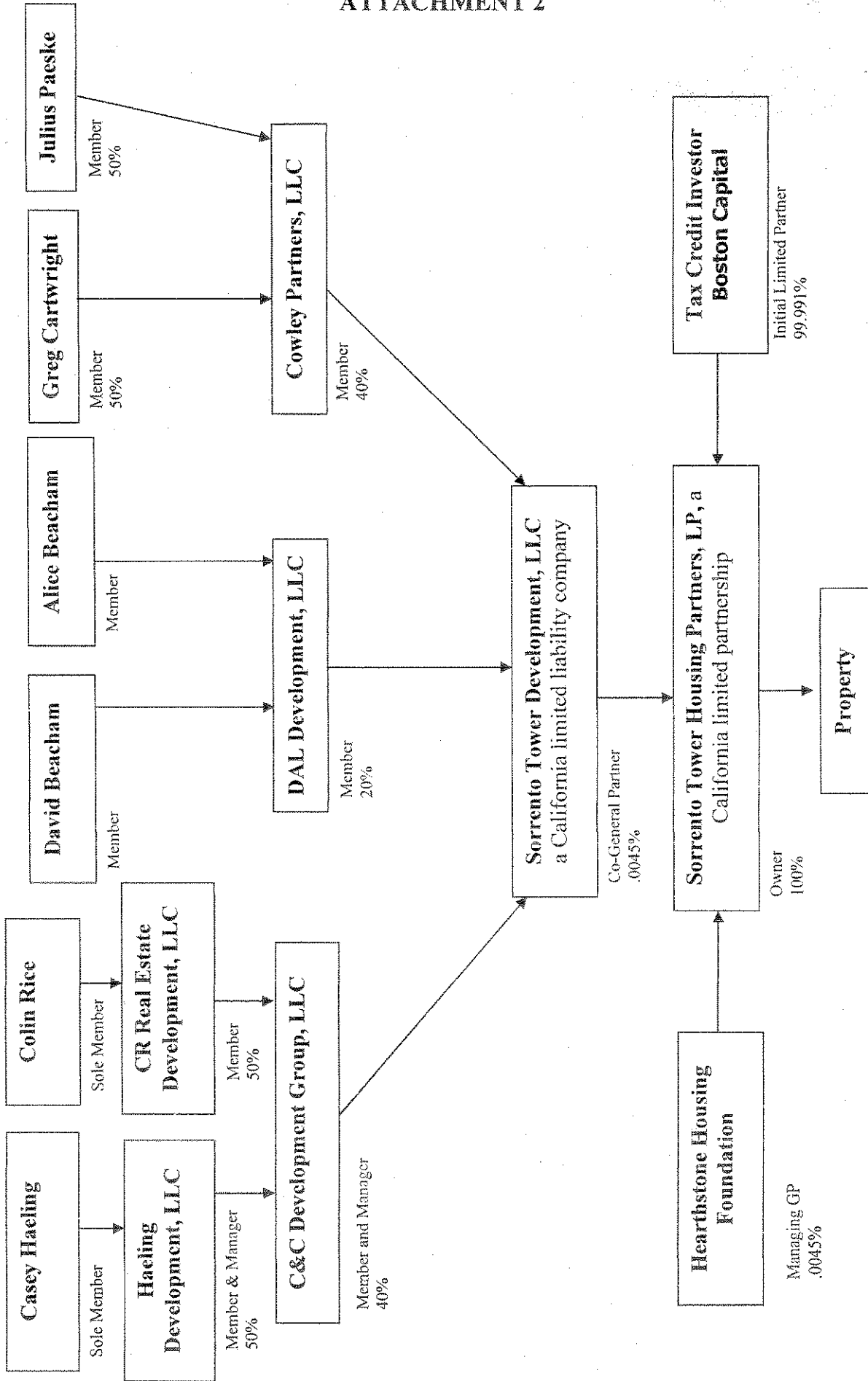




SORRENTO TOWER APARTMENTS
2875 Cowley Way

SORRENTO TOWER HOUSING PARTNERS, LP ORGANIZATIONAL CHART

ATTACHMENT 2





San Diego HOUSING COMMISSION

Real Estate Department

DEVELOPER'S STATEMENT FOR PUBLIC DISCLOSURE

(add extra sheets if you need more space)

1. Name of developer:
C&C Development Group, LLC
2. Address, phone number and ZIP Code:
610 Catalina Blvd
San Diego, CA 92106
3. IRS Number of Developer:
27-3480105
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:

X ☒ 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: June 15, 2010
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:
 - a. If the developer is a corporation, the officers, directors or trustees, and each stockholder owning more than 10% of any class of stock.

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- 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.
- 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.
Haeling Development, LLC (50%) as Member
CR Real Estate Development, LLC (50%) as Member
- 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%.

<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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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>
Casey Haeling 610 Catalina Blvd San Diego, CA 92106	Sole Member of Haeling Development, LLC
Colin Rice 610 Catalina Blvd San Diego, CA 92106	Sole Member of CR Real Estate, LLC

Developer Disclosure Statement Page 3

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:
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.
10. 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:
- We will be utilizing tax exempt bonds and 4% tax credits in order to acquire the property. The lender on the deal will be Citi Group and the tax credit investor is likely to be Boston Capital.
11. Sources and amount of cash available to developer to meet equity requirements of the proposed undertaking:

a. In banks:

<u>Name, Address and ZIP Code of Bank</u>	<u>\$ Amount</u>
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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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12. Name and addresses of bank references:

First Republic Bank
12626 High Bluff Drive
San Diego, CA 92130-2074

Developer Disclosure Statement Page 4

(858) 259-2795

13. Has the developer or any of the developer's officers or principal members, shareholders or investors, or other interested parties filed a bankruptcy or receivership case or had a bankruptcy or receivership action commenced against them, defaulted on a loan, or been foreclosed against within the past 10 years? Yes ____ No X____
If yes, give date, place, and under what name.

14. 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.

15. 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: See Attached

16. 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</u> <u>Contract or Development</u>	<u>Location</u>	<u>Date to be</u> <u>Amount</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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17. 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:


18. 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.

19. 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

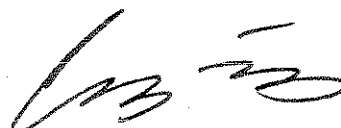
We Casey Haeling and Colin Rice certify that this Developer's Statement for Public Disclosure and the attached evidence of the developer's qualifications and financial responsibility, including financial statements, are true and correct to the best of my (our) knowledge and belief.

Date: 9-17-10



Signature

Date: 9-17-10



Signature

Title: Partner

Title: Partner

Address & ZIP Code

Colin Rice
C&C Development Group, LLC

Affordable Housing Experience

C&C Development Group, LLC

San Diego, CA

Partner

June 2010 - Present

Company formed with partner Casey Haeling to own and develop multi-family affordable housing.

CR Real Estate Development, LLC

San Diego, CA

Sole Member

January 2008 - Present

CR Real Estate Development was formed to own and develop affordable housing. CR Real Estate Development helped The Amerland Group develop the following properties and has partial interest in two of these properties.

Sea Breeze Gardens - 268 Units

Ownership Interest: 10%

Program: HUD & LIHTC

4802 Logan Avenue

San Diego, CA 92113

Olivewood Gardens Apartments - 60-unit

Ownership Interest: 20%

Program: Income and Age Restricted

2855 55th Street

San Diego, CA

Golden Age Garden - 76 Units

Program: Senior, HUD & LIHTC

740 South 36th Street

San Diego, CA 92110

**Casey Haeling
C&C Development Group, LLC**

Affordable Housing Experience

C&C Development Group, LLC

Managing Partner

Company formed with partner Colin Rice to own and develop multi-family affordable housing.

San Diego, CA

June 2010 - Present

Haeling Development, LLC

Sole Member

Haeling Development was formed to own and develop affordable housing. Under Haeling Development I own and helped develop the following properties.

San Diego, CA

April 2008 - Present

Golden Age Garden - 76 Units

Ownership Interest: 5%

Program: Senior, HUD & LIHTC

740 South 36th Street

San Diego, CA 92110

PRH Incorporated

Sole Member

Consultant to the Amerland Group in the development of the following deals.

San Diego, CA

August 2006 - March 2008

Sea Breeze Gardens - 268 Units

Program: HUD & LIHTC

4802 Logan Avenue

San Diego, CA 92113

Argonaut &

El Tovar Apartments - 84 Units

Program: Senior, HUD & LIHTC

233 E. Colfax Ave & 1515 Grant S

Denver, Colorado 80203

The Drehmoor - 75 Units

Program: Senior, HUD & LIHTC

215 East 19th Avenue

Denver, Colorado 80203

Hendricks & Partners

Associate Advisor

San Diego, CA

July 2001 – August 2006

While working at Hendricks & Partners as a multi-family housing broker, I helped the Amerland Group in the acquisition of 8 affordable housing transactions located in California and New Mexico.



San Diego HOUSING COMMISSION

Real Estate Department

DEVELOPER'S STATEMENT FOR PUBLIC DISCLOSURE

(add extra sheets if you need more space)

1. Name of developer: DAL Development, LLC
2. Address, phone number and ZIP Code: 8003 Sitio Caucho, Carlsbad, CA 92009
3. IRS Number of Developer: 20-1842367
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
X _____ A partnership known as: __DAL Development, LLC_____
_____ 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: 10/13/2004
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:
 - 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. 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. 49% David A. Beacham as manager and member and 51% Alice L. Blash-Beacham as member

Developer Disclosure Statement Page 2

- 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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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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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. 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:

We will be utilizing tax exempt bonds and 4% tax credits in order to acquire the property. The lender on the deal will be either PNC or Citibank the tax credit investor will be Red Capital.

Developer Disclosure Statement Page 3

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

Necessary amount of Developer Fee will be deferred into the deal. No other equity required.

- 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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12. Name and addresses of bank references:

Wells Fargo Bank
276 N El Camino Real
Encinitas CA
(760) 942-9796

Accounts for DAL Development Business Checking and Investing

13. Has the developer or any of the developer's officers or principal members, shareholders or investors, or other interested parties filed a bankruptcy or receivership case or had a bankruptcy or receivership action commenced against them, defaulted on a loan, or been foreclosed against within the past 10 years? Yes ____ No X

If yes, give date, place, and under what name.

14. 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.

15. 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:
See attached.

Developer Disclosure Statement Page 4

16. 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:
N/A

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

Awarding Agency	Amount	Date Opened
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17. 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:

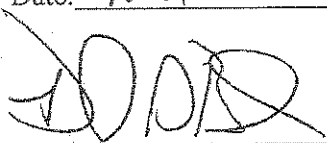
Resume of Contractor Attached

18. 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.
19. 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, David A. Beacham, 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: 7/15/2010



Signature

Title: MANAGER/MEMBER
DAC DEVELOPMENT, LLC

Address & ZIP Code

DAL Development, LLC
Project List -- Developed and Owned
June, 2010

PROJECT NAME	LOCATION	STATE	UNITS	TENANT POPULATION	EQUITY
Placer West	Rocklin, CA	CA	44	Family	ARRA
Moonlight	Dixon, CA	CA	56	Family	ARRA
Chaparral	Kingman, AZ	AZ	20	Senior	LHTC
Cimarron	Kingman, AZ	AZ	40	Family	LHTC
Lynx Creek	Prescott Valley, AZ	AZ	26	Family	LHTC
Navapai	Prescott Valley, AZ	AZ	26	Family	LHTC
Calexico	Calexico, CA	CA	36	Family	LHTC
Heber II	Heber, CA	CA	24	Family	LHTC
Niland Village	Niland, CA	CA	38	Family	LHTC
Meadow Park	Marysville, WA	WA	45	Senior	LHTC
Montclair	Granite Falls, WA	WA	20	Senior	LHTC
Whitehorse	Darrington, WA	WA	20	Senior	LHTC
Mountain View	Sequim, WA	WA	72	Family	LHTC
Hancock Terrace	Port Townsend, WA	WA	24	Family	LHTC
Bayview	Stanwood, WA	WA	30	Senior	LHTC
Claridge Court	Port Townsend, WA	WA	44	Senior	LHTC
Harborview	Anacortes, WA	WA	32	Family	LHTC
Parkview	Spokane, WA	WA	63	Family	LHTC
Sunset Street	Rocklin, CA	CA	104	Family	LHTC
Huron Plaza	Huron, CA	CA	64	Family	LHTC
Murdock Court	Sedro Wooley, WA	WA	24	Family	LHTC
La Venture Village	Mount Vernon, WA	WA	30	Family	LHTC
Saratoga Terrace	Langley, WA	WA	24	Family	LHTC
Madrona Valley	Coupeville, WA	WA	24	Family	LHTC
Brindlewood	Centralia, WA	WA	68	Family	LHTC
Pheasant Hill	Toppenish, WA	WA	50	Family	LHTC
Rivergrove	Battle Ground, WA	WA	36	Family	LHTC
Redondo I	Westmorland, CA	CA	36	Family	LHTC
Redondo II	Westmorland, CA	CA	32	Family	LHTC
Cottonwood Creek	Calipatria, CA	CA	32	Family	LHTC

All Projects

SUMMARY

	<u>Units</u>	<u>Projects</u>
All Projects Shown	1,184	30
All Closed Projects	1,184	30
Closed Bond Projects	1,184	30
Closed Preservation Projects	1,184	30

DAL Development, LLC

Consultant Project List

June, 2010

PROJECT NAME	LOCATION	UNITS	DATE CLOSED	TENANT POPULATION	EQUITY
Desert Oak	Mojave, CA	42	03/10	Family	ARRA
Hudson Park I	Shafter, CA	42	03/10	Family	ARRA
Hudson Park II	Shafter, CA	42	03/10	Family	ARRA
Desert View	Adelanto, CA	30	01/10	Family	ARRA
Creskside	Temecula, CA	49	01/10	Family	ARRA
San Jacinto Senior	San Jacinto, CA	46	01/10	Senior	ARRA
Casa Linda	Silver City, NM	40	12/09	Family	UHTC
Sage	Gallup, NM	44	12/09	Family	UHTC
Rio Abajo	Truth or Consequences, NM	42	12/09	Family	UHTC
La Villa Elena	Bernalillo, NM	54	12/09	Family	UHTC
Southview Place	Lovington, NM	46	12/09	Family	UHTC
Golden Age Garden	San Diego, CA	76	04/09	Senior	UHTC
Valley Commons	Grass Valley, CA	48	10/08	Family	UHTC
Crusader IV	Cambridge, MD	32	08/08	Family	UHTC
Crusader III	Cambridge, MD	32	08/08	Family	UHTC
Crusader II	Cambridge, MD	40	08/08	Family	UHTC
Clearlake	Clearlake, CA	91	07/08	Family	UHTC
Thunderbird	San Jacinto, CA	102	04/08	Family	UHTC
Bay Vista	San Diego, CA	268	02/08	Family	UHTC
Woodlake Manor	Woodlake, CA	44	02/08	Family	UHTC
Rosslyn Lofts	Los Angeles, CA	297	10/07	Family	UHTC
Alder	Porterville, CA	41	08/07	Family	UHTC
Evergreen	Porterville, CA	64	08/07	Family	UHTC
Tulare	Tulare, CA	97	08/07	Family	UHTC
Woodlake	Woodlake, CA	48	08/07	Family	UHTC
Murray	McKinleyville, CA	50	08/07	Family	UHTC
Huntlee House	Selma, CA	41	08/07	Family	UHTC
Riverwood	Riverdale, CA	42	08/07	Family	UHTC
Ruby Court	Fowler, CA	44	08/07	Family	UHTC
Leebar Village	Selma, CA	44	08/07	Family	UHTC
Argonaut/El Tovar	Denver, CO	184	06/07	Family	UHTC
Highlands of Oroville	Oroville, CA	88	05/07	Family	UHTC
Ukiah Terrace Apts	Ukiah, CA	41	05/07	Family	UHTC
Dos Palos Apts	Dos Palos, CA	40	03/07	Family	UHTC
Meredith Manor	Gustine, CA	40	03/07	Family	UHTC
Riverwood Village I	Laughlin, NV	108	12/06	Family	UHTC
Riverwood Village II	Laughlin, NV	100	12/06	Family	UHTC
Anderson Court Apts	Anderson, CA	36	10/06	Family	UHTC
Battle Creek Family	Anderson, CA	24	10/06	Family	UHTC
Battle Creek Senior	Anderson, CA	40	10/06	Family	UHTC
Alexandria Hotel	Los Angeles, CA	463	8/06	Family	UHTC
Oakbrook	Ft. Collins, CO	107	6/06	Family	UHTC
Mendota Gardens	Mendota, CA	60	12/05	Family	UHTC
Briarwood	Montclair, CA	100	10/05	Senior	UHTC
MacArthur	Los Banos, CA	50	9/05	Family	UHTC
Whitley Gardens I	Corcoran, CA	64	9/05	Family	UHTC
Whitley Gardens II	Corcoran, CA	24	9/05	Family	UHTC
Coachella Valley	Riverside County, CA	52	9/05	Family	UHTC
Casa Maria	Riverside County, CA	48	9/05	Family	UHTC
Garden Valley	Fresno County, CA	48	9/05	Family	UHTC

DAL Development, LLC

Consultant Project List

June, 2010

PROJECT NAME	LOCATION	UNITS	DATE CLOSED	TENANT POPULATION	EQUITY
Parlier Plaza	Fresno County, CA	40	9/05	Family	UHTC
Ridgeview	Kent, WA	171	4/05	Family	UHTC
Central Plaza (IRP)	Santa Maria, CA	112	3/05	Family	UHTC
Lafayette Square	Albuquerque, NM	188	12/04	Family	UHTC
Plaza Senior	El Centro, CA	172	9/04	Senior	UHTC
Rancho Niguel	Laguna Hills, CA	51	7/04	Family	UHTC
Hawaiian Gardens (IRP)	Los Angeles, CA	264	7/04	Family	UHTC
Hannon Seaview (IRP)	Seaside, CA	133	6/04	Family	UHTC
Roman Villas	Las Vegas, NV	196	3/04	Family	UHTC
Eastridge Estates (IRP)	Rochester, MN	126	12/03	Family	UHTC
L'Octaine Urban Apartments	Las Vegas, NV	51	12/03	Family	UHTC
Campus Gardens (IRP)	Sacramento, CA	126	11/03	Family	UHTC
Oak Woods	Peoria, IL	103	10/03	Family	UHTC
Carlton Country Club (IRP)	Santee, CA	130	9/03	Family	UHTC

All Projects

SUMMARY

	<u>Units</u>	<u>Projects</u>
All Projects Shown	5,558	64
All Closed Projects	5,558	64
Closed Bond Projects	5,558	64
Closed Preservation Projects	5,140	61

By State # Projects

CA	46
NM	6
NV	4
MD	3
CO	2
MN	1
IL	1
WA	1
8	64

	BAI Generated Property Name	City	State	Portfolio	Refused	Progress %	DTIC (Y/N)	1025 Ball	Construction Status	Occupancy	Purchase Price	Number Bids	NOI	Estimated Value	Cap Rate	Senior Mortgage Amount	Total Debt	Total Equity	TOTAL LTV
1	Imperial County RD Portfolio	Imperial County	CA	100	2	Family	Y	1868	Converted	98%	Feb-06	5,921,751	312,012	3,750,000	7.56%	2,800,000	2,800,000	2,882,000	48.4%
2	Imperial County RD Portfolio	Northwest WA	WA	102	4	Family	Y	2984/88	Converted	95%	Feb-07	4,406,671	272,435	3,750,000	7.25%	2,250,000	2,250,000	2,590,000	59.8%
3	Three County Portfolio	Tw/PE WA	WA	154	3	Family	Y	1979/80	Converted	96%	Feb-07	6,544,000	404,106	5,570,000	7.23%	4,200,000	4,200,000	4,370,000	75.4%
4	Huron Plaza	Huron	CA	64	1	Family	Y	1960	Converted	96%	Jun-07	4,750,000	300,190	5,780,000	6.23%	3,970,000	4,292,000	73,9%	
5	Sunset Street	Rocklin	CA	104	4	Family	Y	1976-78	Converted	97%	Jun-08	9,700,000	487,855	8,130,000	6.04%	5,590,000	6,472,000	72.6%	
6	WA RD 8 Portfolio	Northwest WA	WA	287	8	Senior/Family	Y	1988/89	Converted	95%	Jul-08	3,750,131	613,500	3,930,000	7.15%	5,980,000	5,980,000	75.5%	
7	Imperial County RD Portfolio 2	Imperial County	CA	98	2	Family	Y	1988, 1990	Completed 8/09	95%	Sep-08	3,644,449	234,449	2,780,000	7.95%	2,905,000	2,785,000	81.5%	
8	AZ RD Portfolio	Kingman, Prescott Valley	AZ	112	4	Senior/Family	Y	1985, 1991, 1988	Completed 8/09	96%	Nov-08	5,635,079	282,334	5,270,000	8.9%	2,900,000	2,900,000	370,840	88.7%
9	Monthlight Apartments	Green	CA	56	1	Family	Y	1977, 1978	Rebain underway	100%	Jun-09	4,000,000	283,518	4,260,000	6.50%	4,100,000	4,100,000	94.0%	
10	Placer West	Rocklin	CA	44	1	Family	N	1984	Rebain underway	100%	Dec-09	3,100,000	270,420	3,140,000	7.05%	3,000,000	3,100,000	50.0%	
												55,435,135	3,167,000	\$3,140,000		\$3,140,000	\$3,140,000	75.4%	

[illegible]

	DAL LLC	Boston Capital	UTTC Measure	Leader	Industry Date	Interests	GP (10%) Ownership Interest	GP (10%) Ownership Interest	DAL LLC Dividend Interest in GP (%)	UTTC Investor Interest in GP (%)	UTTC Investor Interest	Total Equity Interests	Annual Cash Flow	DAL LLC Annual Cash Flow
					(Year)	(Y/N)	%	%	%	%	\$	\$	\$	\$
1 Imperial County RE Portfolio	187,855	1.69 Boston Capital	WMA/MC/USDA	Cot-36	N	F	0.00%	90.0%	20.0%	536,400	286,000	1,580,000	330,157	23,428
2 Inland Empire RE Portfolio	164,663	1.55 Boston Capital	WMA/MC/USDA	Mar-37	Y	F	0.00%	90.0%	37.5%	237,825	10.0%	1,510,000	307,572	16,943
3 Three County Portfolio	295,961	1.37 Boston Capital	WMA/MC/USDA	Mar-37	Y	F	0.00%	90.0%	20.0%	1,233,000	10.0%	1,570,000	130,145	19,526
4 Huron Plaza	250,465	1.22 PNC	ColBank	Dec-25	Y	F	0.00%	90.0%	20.0%	972,000	20.0%	1,090,000	79,725	14,551
5 Sunset Street	398,740	1.22 Boston Capital	WMA/MC/USDA	Aug-38	N	F	0.00%	90.0%	22.0%	1,485,500	18.0%	1,655,000	89,115	18,447
6 WA RD 8 Portfolio	406,134	1.50 Boston Capital	WMA/MC/USDA	Jul-38	N	F	0.00%	90.0%	21.5%	375,390	18.0%	1,940,000	205,575	39,740
7 Wyndesor Community RE Portfolio 2	307,740	1.80 Boston Capital	WMA/MC/USDA	Sep-48	N	F	1.00-2.00%	90.0%	485,500	10.0%	51,500	370,000	86,792	17,949
8 AZ REB Portfolio	207,019	1.35 Boston Capital	US Bank/A/USDA	Nov-38	N	F	1.00-2.00%	90.0%	333,000	23.0%	76,530	0	54,515	11,458
9 McConlight Apartments	219,044	1.25 Nova	Somerville/A/USDA	Jun-49	N	F	100.0%	100.0%	250,000	39.0%	59,900	0	64,474	14,828
10 Placer West	165,048	1.34 Nova	Roseville/A/USDA	Dec-49	N	F	0.00%	100.0%	23.0%	11,500	0.0%	50,000	55,552	12,777
	\$7,317,777								\$M.	\$M.	\$	\$	\$	\$

	Net Periodic Cash Flow	OP (400)	DPA LLC Ownership Interest in GP (%)
11 Kellogg Elderly Apartments	136,307	95,672	2,508
12 South Elderly Apartments	135,001	74,314	2,506
13 Clark Manor Portfolio	44,683	26,804	7,576
14 Parkview Apartments	180,140	101,771	1,508
15 Island Apartments	264,344	166,104	1,508
16 Alaska RD Portfolio	72,762	38,777	1,508
17 Northwood Place	35,518	14,676	1,508
18 Washington Courts	577,040	275,567	1,508
19 Solihull Arms	161,961	206,474	1,508
TOTALS:			

DAI, LLC	Ownership	75,258
	Interest in GP	15,393
		24,300
		39,960
		17,145
		5,100
		28,755
		300
	\$	206,717
		2,382,912

DAL TIC	2,142
Antares Fish	1,858
Flax	665
	1,527
	2,492
	587
	223
	4,134
	1,597
\$	15,216
	192,075



**San Diego
HOUSING COMMISSION**

Real Estate Department

DEVELOPER'S STATEMENT FOR PUBLIC DISCLOSURE

(add extra **sheets** if you need more **space**)

1. Name of developer:
Cowley Partners, LLC
2. Address, phone number and ZIP Code:
**10951 Sorrento Valley Rd #2A
San Diego, CA 92121**
3. IRS Number of Developer:
90-0635895
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:

☒ X A corporation (LLC)
 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:

November 12, 2010

Developer Disclosure Statement Page 2

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:
- a. If the developer is a corporation, the officers, directors or trustees, and each stockholder owning more than 10% of any class of stock.
- Julius S. Paeske, Jr. (50%) as Member**
10951 Sorrento Valley Rd #2A, San Diego, CA 92121
(858) 452-1231
- Greg Cartwright (50%) as Member**
10951 Sorrento Valley Rd #2A, San Diego, CA 92121
(858) 452-1231
- 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.
- 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.
- 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%.

<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>
-------------------------------------	---------------------	---

Developer 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):

Name, Address and
Zip Code

Description of character and
extent of interest

8. Names (if not given above) of officers and directors or trustees of any corporation or firm listed under Item 6 or Item 7 above:
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.
10. 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:

We will be utilizing tax exempt and 4% tax credits in order to acquire the property. The lender on the deal will be Citi Group and the tax credit investor is likely to be Boston Capital.

11. 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

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:

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

12. Name and addresses of bank references:

Sunrise Bank
1350 Rosecrans St
San Diego, CA 92106
(619) 243-7900

13. Has the developer or any of the developer's officers or principal members, shareholders or investors, or other interested parties filed a bankruptcy or receivership case or had a bankruptcy or receivership action commenced against them, defaulted on a loan, or been foreclosed against within the past 10 years? Yes _____ No **X**
If yes, give date, place, and under what name.

14. 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.

15. 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:

16. 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:

Developer Disclosure Statement Page 5

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

17. 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:
18. 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

Developer Disclosure Statement Page 6

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.

19. 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) Julius S. Paeske, Jr. and Greg Cartwright 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: 2/16/2011



Julius S. Paeske, Jr.

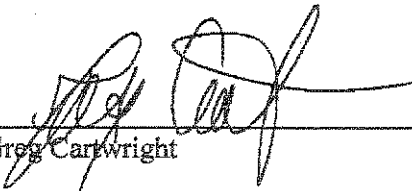
Title: Managing Member

Address & ZIP Code

10951 Sorrento Valley Rd #2A

San Diego, CA 92121

Date: 2/16/2011



Greg Cartwright

Title: Managing Member

10951 Sorrento Valley Rd #2A

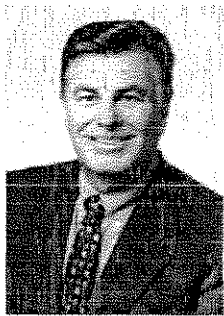
San Diego, CA 92121

CFI TEAM BIOS



commercial facilities incorporated

CFI, an Accredited Management Organization® (AMO®) and licensed California Real Estate Broker, was incorporated in 1964 as a California corporation and since its origin has evolved into a leader in the property management industry. Over the past 35 years CFI has been involved as a sponsor and/or consultant from the ground up development of office buildings, retail and multifamily/senior apartments including HUD Section 236, Section 221d(4) and Section 221d(3) with Section 8 and Housing Assistance Payments. Additional areas of expertise include commercial brokerage and tenant improvement and construction as CFI holds a California general contractors license, designation B-1. CFI presently manages approximately 425 multifamily units, including 376 units of HUD impacted Senior Housing as well as 1,215,000 square feet of commercial real estate with a value in excess of \$318,000,000 including multi-tenant office buildings, retail shopping centers, industrial buildings. CFI's clients include non-profit organizations, developers, trusts as well as private investors.



jpaeske@cfisandiego.com
(858) 452-1231 x212

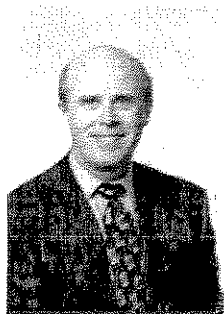
Julius S. Paeske, Jr., CCIM, CPM® - Principal / President

Julius joined CFI in 1973 and acquired ownership of CFI in 1977. He has since led the company to become one of San Diego's most trusted real estate firms. Overseeing the company's operations, he has been involved in the ground-up development of projects including office, retail, multifamily apartments and HUD impacted senior housing. His current activities include asset management, commercial brokerage, and investment consulting and finance placement including securitized loan programs. As a real estate investor and trustee of multiple trusts, Julius understands first hand the benefits and complexities of owning real estate.

Professional Organizations / Affiliations

- Institute of Real Estate Management (IREM)
- Certified Commercial Investment Member (CCIM Designee)
- Commercial Realtors Association San Diego
- National Association of Realtors
- Sunrise Bank (Director)
- Boys & Girls Club of San Diego

Julius is a native San Diegan growing up in Point Loma. He has lived with his wife Bonnie in Encinitas for the past 30 years and has two grown children and a granddaughter and grandson. He is an avid skier and traveler, having visited all seven continents.



gregc@cfisandiego.com
(858) 452-1231 x217

Greg Cartwright, CCIM, CPM® - Principal / Senior Vice-President

Greg joined the CFI team in 1991 and became a partner in 2002. Greg oversees the firm's property and asset management functions with specific emphasis on the multi family portfolio. He is an active broker representing clients in the acquisition of commercial investment properties. Greg's extensive background in tenant improvements and property renovations position him as an invaluable asset to CFI's clients and their construction projects. He has developed residential single family and condominium properties as well as commercial office properties. Greg is a Past President of the San Diego Chapter of the Institute of Real Estate Management (IREM). He is also a past Regional Vice President and continues to serve on IREM's National Governing Council.

Professional Organizations / Affiliations

- Institute of Real Estate Management (IREM)
- Certified Commercial Investment Member (CCIM Designee)
- Commercial Realtors Association San Diego
- National Association of Realtors

Greg is originally from Alaska and currently resides with his wife in Solana Beach. He has three children, three grandchildren and enjoys running, skiing and golf.



Real Estate Department

[Please note: The term "Managing General Partner" has been replaced by "Managing General Partner" throughout this document.]

MANAGING GENERAL PARTNER STATEMENT FOR PUBLIC DISCLOSURE

(add extra sheets if you need more space)

1. Name of Managing General Partner: **Hearthstone Housing Foundation**
2. Address, phone number and ZIP Code: **5031 Birch Street, Suite F
Newport Beach, CA 92660**
3. IRS Number of Managing General Partner: **33-0651131**
4. If the Managing General Partner is not an individual doing business under his own name, the Managing General Partner 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 Managing General Partner is not an individual or a government agency or instrumentality, give date of organization:

12/19/1991
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 Managing General Partner, other than a government agency or instrumentality, are set forth as follows:
 - a. If the Managing General Partner is a corporation, the officers, directors or trustees, and each stockholder owning more than 10% of any class of stock.

N/A

Managing General Partner Disclosure Statement Page 2

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

See attached.

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

<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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N/A

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 Managing General Partner (for example, more than 20% of the stock in a corporation which holds 50% of the stock of the Managing General Partner; or more than 50% of the stock in a corporation which holds 20% of the stock of the Managing General Partner);

N/A

Managing General Partner Disclosure Statement Page 3

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

None

9. Is the Managing General Partner 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 Managing General Partner, and identify the officers and directors or trustees common to the Managing General Partner and such other corporation or firm.

No

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

Provided by C&C Development & DAL

11. Sources and amount of cash available to Managing General Partner to meet equity requirements of the proposed undertaking:

- a. In banks:

<u>Name, Address and ZIP Code of Bank</u>	<u>\$ Amount</u>
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Provided by C&C Development & DAL

- 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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Provided by C&C Development & DAL

- c. By sale of readily salable assets:

Provided by C&C Development & DAL

- | <u>Description</u> | <u>Market Value</u> | <u>Mortgages or Liens</u> |
|--------------------|---------------------|---------------------------|
|--------------------|---------------------|---------------------------|
12. Name and addresses of bank references:
- First Republic Bank**
2800 East Coast Highway
Corona del Mar, CA 92625
13. Has the Managing General Partner or any of the Managing General Partner's officers or principal members, shareholders or investors, or other interested parties filed a bankruptcy or receivership case or had a bankruptcy or receivership action commenced against them, defaulted on a loan, or been foreclosed against within the past 10 years? Yes _____ No **X**
If yes, give date, place, and under what name.
14. Has the Managing General Partner or anyone referred to above as "principals of the Managing General Partner" 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.
15. Undertakings, comparable to the proposed project, which have been completed by the Managing General Partner including identification and brief description of each project and date of completion:
- See attached CTCAC Previous Participation List.**
16. If the Managing General Partner or a parent corporation, a subsidiary, an affiliate, or a principal of the Managing General Partner is to participate in the development as a construction contractor or builder:
- N/A
- 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>Awarding Agency</u>	<u>Amount</u>	<u>Date Opened</u>
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17. 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:

Provided by C&C Development and DAL

18. 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 Managing General Partner's proposal, have any direct or indirect personal financial interest in the Managing General Partner? Yes _____ No X
If yes, explain.

19. Statements and other evidence of the Managing General Partner'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:

No further statements of evidence provided.

CERTIFICATION

I ~~(We)~~ Velma de la Rosa, certify that this Managing General Partner's Statement for Public Disclosure and the attached evidence of the Managing General Partner's qualifications and financial responsibility, including financial statements, are true and correct to the best of my ~~(our)~~ knowledge and belief.

Date: 2/18/11

Date: _____


Signature

Signature

Title: Director

Title: _____

Address & ZIP Code

5031 Birch Street, Suite F

Newport Beach, CA 92660



OUR MISSION

Hearthstone Housing Foundation is dedicated to providing service-enriched affordable housing for families of low income, the elderly and the disabled. Hearthstone's charter also includes combating community deterioration to lessen the burdens of government.

Our mission is carried out by:

- Partnering with private developers to build quality housing in areas of need
- Coordinating property management and supportive services to promote self-sufficiency and independence for residents
- Leveraging funds to increase the availability of affordable housing
- Advocating on behalf of low income seniors, families and the disabled
- Providing support for programs which promote the development of affordable housing

OUR VISION

Our vision is for all people to enjoy quality affordable housing regardless of their age or income, and that all persons have access to necessary services in order to maintain a self-sufficient and independent lifestyle.

OUR STRATEGY FOR THE NEW MILLENNIUM

- To continue our mission of providing service-enriched affordable housing
- To staff each development with an on-site coordinator dedicated to securing services for residents of affordable housing
- To establish a financial base that will enable Hearthstone to develop housing independently



PROGRAM SERVICES

"We collaborate with other organizations to strengthen community capacity among our residents to improve their independence and self-sufficiency."

We provide service-enriched housing through:

Outreach

We will work with residents to 1) strengthen community capacity by developing existing assets among the residents 2) identify and address critical needs utilizing a community-based participatory model 3) maintain ongoing and active outreach efforts that empower residents as they engage in decision-making for their daily life and activities.

Information

We will provide relevant information to residents about services in the local community, while bringing programs to the residents on the property. Information on programs offered to residents range from eligibility screening for health promotion/disease prevention to financial literacy programs.

Advocacy & Community Partnership

We will advocate on behalf of the resident to coordinate critical services services, by providing the link between residents and the services they need to live independently.



CORPORATE GOVERNANCE

Officers

Socorro Vasquez

President

Hearthstone Housing Foundation

Juan Maldonado

CFO, Treasurer

Maldonado and Associates

Velma de la Rosa

Board Secretary

TELACU

Board of Directors

Socorro Vasquez

Chairman

Hearthstone Housing Foundation

Ronald Guyer

Member

Pension Investments

Robert W. Johnson

Member

CareMore

Juan Maldonado

Member

Maldonado and Associates

Velma de la Rosa

Member

TELACU

Advisory Board

Byron Rodriguez, Esq.

Virtual Law Partners, LLC

Timothy F. Kemper, CPA

Reznick Fedder & Silverman

Christopher M. Santoro

Candle Development

TCAC PREVIOUS PARTICIPATION CERTIFICATE
(Regulation Section 10325(f)(6)(B))

PURPOSE

- The Previous Participation Certificate, including Schedule A, must be completed in its entirety and signed by all applicants, and proposed general partners, and affiliates applying for a reservation of Low-Income Housing Tax Credits ("LIHTC") in the state of California. To the extent that the applicant is requesting points for the property management agent experience, and there is an executed property management agreement, the property management agency must also complete the Previous Participation Certificate and Schedule A. The purpose of this form is to provide the California Tax Credit Allocation Committee ("TCAC") with a certified report of all previous participation in all affordable multi-family rental housing projects.
- All other participants, or members of the development team, must provide a resume or complete Schedule A which details rental housing projects in which the team member previously participated.

Note that acceptance of your certification does not obligate TCAC to approve your project for a reservation, nor does it satisfy all other LIHTC program requirements.

INSTRUCTIONS FOR COMPLETING THE PREVIOUS PARTICIPATION CERTIFICATE

Complete the TCAC Previous Participation Certificate in its entirety.

If you need more space, attach extra sheets to the form. Be sure to type "Continued on Attachments" whenever appropriate. Also, sign each additional page that is attached and indicate if it refers to your participation.

1. Fill in the name and location of the affordable multi-family rental housing project.
2. Alphabetically list the full names, last name first, of all principals (including corporations) and affiliates and their addresses.
3. Beside the name of each principal, fill in the role that each party listed will perform. Beside the name of each affiliate, write the name of the person or firm of affiliation.
4. Fill in the percentage ownership in the proposed project that each principal is expected to have.
5. Fill in the social security or IRS employer number of every party listed, including affiliates.
6. In the box below the statement of certification, fill in the name of all principals and affiliates. Beside the name of each principal and affiliate, each party must sign the form. Beside each signature, fill in the role of each party. In addition, each person who signs the form should fill in the date that he or she signs.

INSTRUCTIONS FOR COMPLETING THE TCAC SCHEDULE "A"

1. **No Previous Participation - Even if you have never participated in an affordable multi-family rental housing project, you must complete the Previous Participation Certificate.** If you have no previous projects to list, fill in your name in Column 1 of Schedule A, and write across the form by your name *"No prior experience."*
2. The TCAC Schedule A must be filled out completely. The HUD Form 2530 Schedule A will not be accepted.
3. In column 2, list all (nationwide) of your previous rental housing projects. Identify all Low Income Housing Tax Credit (Column 2A) projects first, then other government-assisted projects (Column 2B), then nongovernment-assisted projects (Column 2C) last. Identify the location, number of units and the type of subsidy, if applicable.
4. In column 3, list your role in all previous projects. Give the month/day/year the principals' role began and ended and the month/day/year the project was placed in service. **For the General Partner and Management Company/Principal, to the extent that the type of information requested is the same between this attachment and Attachments 2(A) and 2(B), the information should match or requested points may not be awarded in these categories.**
5. In column 4, indicate all sales, foreclosures, instances of non-compliance and issuance of IRS Form 8823 and give the date of occurrence. Write "none" if there are no occurrences.

CERTIFICATION OF PREVIOUS PARTICIPATION

1. Proposed Project Name _____ Location (City) _____

2. List of Proposed Principal Participants (Alphabetically, last name first)	3. Role of Each Principal	4. Expected % Ownership	5. Social Security or IRS Employer Number
Hearthstone Housing Foundation Vasquez, Socorro	General Partner Executive Director	.005 N/A	33-0651131 555-17-5569

CERTIFICATION

I (meaning the individual who signs as well as the corporations, partnerships or other parties listed above who certify) hereby apply to TCAC for approval to participate in the Low-Income Housing Tax Credit program in the state of California based upon my following previous participation record and this Certificate. By executing this certificate, I hereby consent to the disclosure of information concerning my performance in the affordable multifamily rental housing developments by TCAC to third parties, including, but not limited to, LIHTC agencies in other states and b) by such third parties to TCAC. Neither TCAC nor such third parties are required to give me notice of such disclosure or receipt of information.

I certify that all the statements made by me are true, complete and correct to the best of my knowledge and belief and are made in good faith, including the data contained in the TCAC Schedule A and exhibits signed by me and attached to this form.

A. I further certify that

1. The TCAC Schedule A contains a listing of every rental project in which I have been or am now a principal.

2. Except as shown by me on the certificate:

- I/we have not sold any project listed;
- I/we have never been foreclosed upon for any project listed;
- I/we have not experienced instances of non-compliance nor been issued IRS form 8823 on any LIHTC project other than indicated on Schedule A;
- To the best of my knowledge, there are no unresolved findings raised as a result of agency audits, management reviews or other investigations concerning my/our projects;
- I/we have not been suspended, debarred or otherwise restricted by any state allocating agency from participating in the LIHTC program in that state;
- I/we have not failed to use LIHTCs allocated to me in any state.

3. All of the names of the parties, known to me to be principals in this project in which I/we propose to participate, are listed above.

B. (Applicable to General Partners or Project Owners Only) All the parties who are principals or who are proposed as principals here are listed above and no principals or identities of interest are concealed or omitted.

C. Statements above (if any) to which I cannot certify have been deleted by striking through the words with a pen. I have initialed each deletion (if any) and have attached a true and accurate signed statement (if applicable) to explain the facts and circumstances which I think helps to qualify me as a responsible principal for participation in this project.

6. Name of Principal	Signature of Principal	Title, Role or Capacity	Date
Socorro Vasquez		Executive Director, Hearthstone Housing Foundation, General Partner	1/22/08

SCHEDULE A - LIST OF PREVIOUS PROJECTS

By my name below is the complete list of my previous projects and my participation history as a principal in rental housing projects.

NOTE: Make full disclosure. Add extra sheets (signed) if needed. If you have no previous projects write by your name - "No prior experience".

If there have been no occurrences of sales, foreclosure or LIHTC noncompliance, write "none" in column 4.

1. List each Participant's/Principal's alphabetical order, last name first. Hearthstone Housing Foundation Vasquez, Socorro Signature(s):	2. List Previous Projects (Name, Location, Government Agency involved, and Number of units in the project) LIST ALL LIHTC PROJECTS FIRST, THEN OTHER GOVERNMENT ASSISTED RENTAL HOUSING PROJECTS, THEN NON-ASSISTED PROJECTS		3. Role and Interest: Month/Day/Year Participation - Began: Ended: Month/Day/Year Project Placed-in-Service (PIS) * See note at bottom of page	4. Sales, Foreclosures, Defaults, Instances of IRS Noncompliance , and Issuance of IRS Form 8823
	(A) LIHTC Projects	(B) Other Government- Assisted	(C) Nongovernment- Assisted Projects	
	Agave at El Grove Elk Grove, CA 188 Units CDLAC/CTCAC			Current
	Atrium Court Apartments Sacramento, CA 224 Units SHRA/CTCAC			Current
	Baldwin Hills Apartments Baldwin Hills, CA 58 Units CDLAC/CTCAC			Current
	Bay Street Apartments Emeryville, CA 284 Units CDLAC/CTCAC			Current
	Busch Garden Senior Pleasanton, CA 172 Units CDLAC/CTCAC	Benton Park Central Santa Clara, CA 172 Units CDLAC		Current
				Current

The Lofts at Natomas Natomas, CA - SOLD 188 Units CDLAC/CTCAC	MGP 0.05% Interest 2003 – 2009 PIS: 04/03/2003	Sale 7/10/2009
Miramar Apartments Foster City, CA 148 Units CDLAC/CTCAC	MGP 0.05% Interest 2000 – present PIS: 08/01/2000	Current
Oroville Apartments Oroville CA 62 Units CDLAC/USDA- RD/CTCAC	MGP 0.05% Interest 2003 – present PIS: 07/24/2003	Current
Vintage at Napa Napa, CA 115 Units CDLAC/CTCAC	MGP 0.05% Interest 2001 – present PIS: 10/01/2001	Current
Vista Sonoma Senior Santa Rosa, CA 115 Units CDLAC/CTCAC	MGP 0.05% Interest 1999 – present PIS: 06/07/1999	Current
Willow Oaks Apartments Willows, CA 60 Units CDLAC/USDA- RD/CTCAC	MGP 0.05% Interest 2003 – present PIS: 07/24/2003	Current
Wiltshire Vermont Apts Los Angeles, CA 90 Units CDLAC/CTCAC	MGP 0.05% Interest 2003 – present PIS: 10/09/2003	Current
Hamilton Place Sr Living Bellingham, WA 94 Units WSHFC	MGP 0.05% Interest 1996 – present PIS: 07/30/1996	Current

Holly Village Senior Everett, WA 149 Units WSHFC	MGP 0.05% Interest 1999 – present PIS: 01/31/2001	Current
Rosecreek Senior Arlington, WA 100 Units WSHFC	MGP 0.05% Interest 1997 – present PIS: 12/11/1998	Current
Vintage at Bend Bend, Oregon 206 Units OFA	MGP 0.05% Interest 2003 – present PIS: 01/18/2005	Current
Vintage at Bremerton Bremerton, WA 143 Units WSHFC	MGP 0.05% Interest 2001 – present PIS: 11/01/2001	Current
Vintage at Vancouver Vancouver, WA 154 Units WSHFC	MGP 0.05% Interest 2001 – present PIS: 11/12/2002	Current
Vintage at Mt. Vernon Mt. Vernon, WA 154 Units WSHFC	MGP 0.05% Interest 2003 – present PIS: 06/16/2004	Current
Spring Encino Brawley, CA 96 Units CDLAC/CTCAC	MGP 0.05% Interest 2004 – present PIS: 03/23/2004	Current
Silver Creek Apartments Pasco, WA 242 Units WSHFC Bonds/TC	MGP 0.05% Interest 2004 – present PIS: 04/21/2006	Current
Vintage at Everett Everett, WA 259 Units WSHFC Bonds/TC	MGP 0.05% Interest 2004 – present PIS: 06/04/2004	Current

	Vintage at Richland Richland, WA 150 Units WSHFC Bonds/TC		MGP 0.05% Interest 2004 – present PIS: 06/29/2004	Current
	Seasons at Winter Park Sacramento, CA 348 Units CDLAC		MGP 0.05% Interest 2004 – present PIS: 12/19/2003	Current
Oroville Manor Oroville, CA 72 Units CDLAC/CTCAC			MGP 0.05% Interest 2004 – present PIS: 08/28/2004	Current
Noble Creek Apartments Beaumont, CA 108 Units CDLAC/CTCAC			MGP 0.05% Interest 2004 – present PIS: 12/27/2004	Current
Wilshire Court Los Angeles, CA 201 Units CDLAC/CTCAC			MGP 0.05% Interest 2004 – present PIS: 11/24/2004	Current
Hillside Apartments San Diego, CA 380 Units CDLAC/CTCAC			MGP 0.05% Interest 2004 – present PIS: 08/07/2008	Current
	Crestview Apartments Federal Way, WA 222 Units WSHFC		MGP 0.05% Interest 2004 – present PIS: 12/03/2004	Current
	Vintage at Burien Burien, WA 101 Units WSHFC		MGP 0.05% Interest 2004 – present PIS: 12/23/2004	Current
	Ventana Apartments		MGP	Current

Hayward Senior Apts. Hayward, CA 82 Units ABAG /CTCAC	Kent, WA 171 Units WSHFC	0.05% Interest 2005 – present PIS: 04/29/2005	Current
		MGP 0.05% Interest 2005 – present PIS: 04/04/2005	
	Highland Park Apts. Tacoma, WA 288 Units WSHFC	MGP 0.05% Interest 2005 – present PIS: 06/30/2005	Current
	Autumn Chase Apts. Fort Worth, TX 184 Units TDHCA	MGP 0.05% Interest 2005 – present PIS: 08/08/2005	Current
	Creekstone Ranch Apt. Victoria, TX 184 Units TDHCA	MGP 0.05% Interest 2005 – present PIS: 08/08/2005	Current
	Vintage at Silverdale Silverdale, WA 240 Units WSHFC	MGP 0.05% Interest 2005 – present PIS: 05/27/2005	
	Alderbrook Apts. Kent, WA 207 Units WSHFC	MGP 0.05% Interest 2005 – present PIS: 09/01/2005	Current
	Vintage at Sequim Sequim, WA 120 Units WSHFC	MGP 0.05% Interest 2004 – present PIS: 01/27/2005	Current
	Summit Apts. Puallup, WA 171 Units WSHFC	MGP 0.05% Interest 2005 – present PIS: 09/01/2005	Current
Clearlake Clearlake, California		MGP 0.05% Interest	Current

72 Units CTCAC		2005 – present PIS: 11/28/2005	Current
Valley Terrace Corning, California 48 Units CTCAC		MGP 0.05% Interest 2005 – present PIS: 11/28/2005	Current
	Scenic Vista Senior Kent, Washington 100 Units WSHFC	MGP 0.05% Interest 2005 – present PIS: 11/22/2005	Current
	Bluffs at Evergreen Everett, Washington 217 Units WSHFC	MGP 0.05% Interest 2005 – present PIS: 12/07/2005	Current
	Rolling Hills Bremerton, Washington 172 Units WSHFC	MGP 0.05% Interest 2005 – present PIS: 05/27/2004	Current
	Summit Walk (Pare Vista) Ontario, CA 78 Units TCAC	MGP 0.05% Interest 2005 – present PIS: 01/11/2006	Current
	Sumit Place (Terrace View) Ontario, CA 76 Units TCAC	MGP 0.05% Interest 2005 – present PIS: 01/11/2006	Current
Terry Manor Apts. Los Angeles, CA 170 Units CTCAC		MGP 0.05% Interest 2005 – present PIS: 12/23/2005	Current
South Bay Villa Apts. Los Angeles, CA 80 Units CTCAC		MGP 0.05% Interest 2005 – present PIS: 12/27/2005	Current
Plummer Village Apts North Hills, CA 75 Units		MGP 0.05% Interest 2005 – present	Current

Larkin Place Apts Bellingham, WA 100 Units WSHFC	MGP 0.05% Interest 2006 – present PIS: 02/05/2007	Current
Northgate Village Apts Lakewood, WA 120 Units WSHFC	MGP 0.05% Interest 2006 – present PIS: 12/08/2006	Current
Hidden Hills Apts University Place, WA 216 Units WSHFC	MGP 0.05% Interest 2006 – present PIS: 01/26/2002	Current
Parkway Apts Federal Way, WA 208 Units WSHFC	MGP 0.05% Interest 2006 – present PIS: 06/19/2002	Current
Seaview Apts Des Moines, WA 72 Units WSHFC	MGP 0.05% Interest 2006 – present PIS: 12/29/1998	Current
Terrace Apts Des Moines, WA 27 Units WSHFC	MGP 0.05% Interest 2006 – present PIS: 08/08/2000	Current
Pinehurst Apts Spokane Valley, WA 288 Units WSHFC	MGP 0.05% Interest 2006 – present PIS: 09/22/2002	Current
Vintage at Everett Everett, WA 259 Units WSHFC	MGP 0.05% Interest 2004 – present PIS: 06/04/2004	Current
All Hallows San Francisco, CA 157 Units CDLAC/CTCAC	MGP 0.05% Interest 2006 – present PIS: 02/26/2007	Current

Bayview San Francisco, CA 146 Units CDLAC/CTCAC	Acton Berkeley, CA 71 Units CDLAC	MGP 0.05% Interest 2006 – present PIS: 02/26/2007	Current
La Salle San Francisco, CA 145 Units CDLAC/CTCAC	ARTech Berkeley, CA 21 Units CDLAC	MGP 0.05% Interest 2006 – present PIS: 04/11/2007	Current
Shoreview San Francisco, CA 156 Units CDLAC/CTCAC	Bachenheimer Berkeley, CA 44 Units CDLAC	MGP 0.05% Interest 2006 – present PIS: 04/11/2007	Current
	Berkeleyan Berkeley, CA 56 Units CDLAC	MGP 0.05% Interest 2007 – present PIS: 04/18/2007	Current
	Fine Arts Berkeley, CA 100 Units CDLAC	MGP 0.05% Interest 2007 – present PIS: 04/18/2007	Current
	Gaia Berkeley, CA 72 Units CDLAC	MGP 0.05% Interest 2007 – present PIS: 04/18/2007	Current

Touriel Berkeley, CA 28 Units CDLAC	MGP 0.05% Interest 2007 – present PIS: 04/18/2007	Current
Teresina Chula Vista, CA 440 Units CTCAC	MGP 0.05% Interest 2007 – present PIS: 04/25/2007	Current
Brindlewood Apartments Centralia, WA USDA-RD/WSHFC	MGP 0.05% Interest 2007-present PIS: 02/28/2007	Current
Pheasant Hill Toppenish and Granger, WA USDA-RD/WSHFC	MGP 0.05% Interest 2007-present PIS: 02/28/2007	Current
Hollywood Vine Los Angeles, CA 375 Units CDLAC/CTCAC	MGP 0.05% Interest 2007 – present PIS: 03/29/2007	Current
Meadow Park Kennewick, WA 152 Units WSHFC	MGP 0.05% Interest 2007 – present PIS: 06/28/2007	Current
Echo Lake Shoreline, WA 200 Units WSHFC	MGP 0.05% Interest 2007 – present PIS: 01/01/2006	Current
Vintage at Chehalis Chehalis, WA 150 Units WSHFC	MGP 0.05% Interest 2006 – present PIS: 11/01/2006	Current
Vintage at Spokane Spokane, WA 287 Units WSHFC	MGP 0.05% Interest 2006 – present PIS: 07/10/2006	Current

Alturas Alturas, California 48 Units CSCDA/CTCAC	Arbor Park Mt. Vernon, WA 179 Units WSHFC	MGP 0.05% Interest 2007 – present PIS: 09/17/2007	Current
Cedarwood Fall River Mills, CA 38 units CSCDA/CTCAC	La Madera Federal Way, WA 76 Units WSHFC	MGP 0.05% Interest 2007 – present PIS: 12/29/2004	Current
	Pineridge SeaTac, WA 103 Units WSHFC	MGP 0.05% Interest 2007 – present PIS: 08/24/2004	Current
	La Terrazza Colma, CA 152 Units CDLAC	MGP 0.05% Interest 2007 – present PIS: 08/14/2007	Current
		MGP 0.05% Interest 2007 – present PIS: 09/26/2007	Current
		MGP 0.05% Interest 2007 – present PIS: 10/12/2007	Current
	Clark Village Wachougal, WA 28 units WSHFC	MGP 0.05% Interest 2007 – present PIS: 11/30/2007	Current
	Fruit Valley Vancouver, WA 40 units WSHFC	MGP 0.05% Interest 2007 – present PIS: 11/30/2007	Current
	Harbor Village Oak Harbor, WA 28 units WSHFC	MGP 0.05% Interest 2007 – present PIS: 11/30/2007	Current

Covington Place Covington, WA 121 units WSHFC	MGP 0.05% Interest 2007 – present PIS: 02/28/2009	Current
Twin Ponds Arlington, WA 134 units WSHFC	MGP 0.05% Interest 2007 – present PIS: 11/30/2007	Current
Seasons at Elk Grove Elk Grove, CA 222 units CSCDA/CTCAC	MGP 0.05% Interest 2007-present PIS: 12/19/2007	Current
Huron Plaza Huron, CA 64 units CSCDA/CTCAC	MGP 0.05% Interest 2007 – present PIS: 12/19/2007	Current
Pioneer Village Moses Lake, WA 84 units WSHFC	MGP 0.05% Interest 2007 – present PIS: 12/26/2007	Current
Westgate Pasadena Pasadena, CA 96 units CSCDA/CTCAC	MGP 0.05% Interest 2007 – present PIS: 04/30/2007	Current
Twentynine Palms Twentynine Palms, CA 48 units CSCDA/CTCAC	MGP 0.05% Interest 2007 – present PIS: 12/31/2007	Current
Prairie View Vancouver, WA 284 units WSHFC	MGP 0.05% Interest 2007 – present PIS: 12/28/2007	Current
Greentree Seattle, WA 208 units WSHFC	MGP 0.05% Interest 2007 – present PIS: 01/30/2008	Current

Sunset Street Apartments Rocklin, CA 104 units CSCDA/CTCAC	Coronado Springs Seattle, WA 335 units WSHFC	MGP 0.05% Interest 2007 – present PIS: 12/11/2007	Current
	Parkview Apartments Spokane, WA 63 units WSHFC/USRD	MGP 0.05% Interest 2008 – present PIS: 06/30/2008	Current
	Bayview Gardens Stanwood, WA 30 units WSHFC	MGP 0.05% Interest 2008 – present PIS: 07/28/2008	Current
	Claridge Court Apartments Port Townsend, WA 44 units WSHFC/USRD	MGP 0.05% Interest 2008 – present PIS: 07/31/2008	Current
	Hancock Street Apartments Port Townsend, WA 24 units WSHFC/USRD	MGP 0.05% Interest 2008 – present PIS: 07/31/2009	Current
	Harborview Apartments Anacortes, WA 32 units WSHFC/USRD	MGP 0.05% Interest 2008 – present PIS: 07/31/2008	Current
	Meadow Park Apartments Marysville, WA 45 units WSHFC/USRD	MGP 0.05% Interest 2008 – present PIS: 07/31/2008	Current
	Montclair Apartments Granite Falls, WA 20 units WSHFC/USRD	MGP 0.05% Interest 2008 – present PIS: 07/31/2008	Current

	Mountain View Apartments Sequim, WA 72 units WSHFC/USRD	MGP 0.05% Interest 2008 – present PIS: 07/31/2008	Current
	Whitehorse Apartments Darrington, WA 20 units WSHFC/USRD	MGP 0.05% Interest 2008 – present PIS: 07/31/2008	Current
Calexico Village Apartments Calexico, CA 32 units CTCAC		MGP 0.05% Interest 2008 – present PIS: 09/26/2008	
Heber Village Apartments Heber, CA 24 units CTCAC		MGP 0.05% Interest 2008 – present PIS: 09/26/2008	
Niland Apartments Niland, CA 38 units CTCAC		MGP 0.05% Interest 2008 – present PIS: 09/26/2008	
	Elk Creek Sequim, WA 138 units WSHFC	Managing Member .0001% 2008-present PIS: 12/08/2008	Current
	Seattle Park Hill Seattle, WA 104 units WSHFC	Managing Member 0.004% 2008-present PIS: 03/05/2009	Current
	Whisperwood Apts. Seattle, WA 126 units WSHFC	MGP .02% 2009 – present PIS: 03/06/2009	Current

Forest Creek Spokane, WA 252 units WSHFC	Managing Member 0.001% 2009 – present PIS: 04/21/2006	Current
Windstone Apartments Everett, WA 133 units WSHFC	MGP .02% 2009 – present PIS: 05/01/2009	Current
Stadium Station Apts Portland, Oregon 115 units OCHS	Additional GP 00.1% 2009 – present PIS: 11/06/2008	Current
Westside Estates Tacoma, WA 448 units WSHFC	Nonprofit GP .002% 2009 – present PIS: 11/24/2009	Current
Moonlight Apartments Dixon, CA 56 units CSCDA/CTCAC	MGP 0.05% Interest 2008 – present PIS: 06/25/2009	Current
Placer West Rocklin, CA 44 units TBD	MGP .05% Interest 2009 – present PIS: 01/25/2010	Current
Artisan Court Santa Barbara, CA 56 units CTCAC	MGP .05% Interest 2009 – present PIS: 12/14/2009	Current
Meadow Square Chino, CA 250 units CSCDA	MGP .01% Interest 2009 – present PIS: 12/23/2009	Current
Oxford Square Lynnwood, WA 120 units WSHFC	MGP .01% 2009 – present PIS: 03/01/2010	Current

Broadway Studios Santa Monica, CA 97 Units CSCDA/CTCAC	Villas at Bridge Creek Vancouver, WA 103 units WSHFC	Charitable GP .005% 2009 – present PIS: 03/01/2010 MGP .01% 2009 – present PIS: 04/02/2010	Current
Bixel House Los Angeles, CA 75 Units LAHD/CTCAC		MGP .005% 2010 – present PIS: 09/09/2010	Current
Lincoln Walk Santa Monica, CA 97 Units CSCDA/CTCAC	Cedar Landing Marysville, WA 131 Units WSHFC	MGP .01% 2010 – present PIS: TBD	Current
		MGP .01% 2010 – present PIS: 10/05/2010	Current
Metropolitan Lofts Los Angeles, CA 264 Units CSCDA/CTCAC	Barkley Ridge Federal Way, WA 112 Units WSHFC	MGP .01% 2010 – present PIS: TBD	Current
		MGP .01% 2007 – Present PIS: 12/28/2006	Current

* For the General Partner and Management Company/Principal - to the extent that the type of information requested on this attachment is the same as requested on Attachments 2(A) and 2(B), the information should match or requested points may not be awarded.

ATTACHMENT 3
HOUSING AUTHORITY DISCLOSURE SUMMARY
THE ISSUER

The Issuer is the Housing Authority of the City of San Diego, a public body, corporate and politic duly organized and existing under the laws of the State of California. The Issuer is authorized to issue the Bonds and to loan the proceeds thereof to the Borrower for the purpose of financing the Project. The Issuer was created on October 3, 1968 by resolution of the City Council of the City of San Diego (the "Council"). Members of the Council serve as members of the Issuer.

In January 1979, a seven member commission (the "San Diego Housing Commission") took office to administer the functions of the Issuer. The San Diego Housing Commission is responsible for the development of low income rental projects, implementation of financing to promote low income housing production, management of many public housing projects, operation of rent subsidy programs and rehabilitation of existing housing stock. Unless the context otherwise requires, the San Diego Housing Commission will take all actions with respect to the program and the Indenture, the Financing Agreement, the Regulatory Agreement and related documents on behalf of the Issuer.

The seven members of the San Diego Housing Commission are appointed by the Mayor and approved by the Council. Gary Gramling currently serves as Chair of the San Diego Housing Commission. Oversight of the San Diego Housing Commission is provided by the Issuer.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE ISSUER. THE ISSUER IS NOT OBLIGATED TO PAY THE BONDS OR THE INTEREST THEREON EXCEPT FROM THE REVENUES OR ASSETS PLEDGED FOR SUCH PAYMENT. THE BONDS ARE NOT A DEBT OF THE STATE OF CALIFORNIA, THE CITY OF SAN DIEGO OR ANY OTHER SUBDIVISION OF THE STATE OF CALIFORNIA OTHER THAN THE ISSUER. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.

NO LITIGATION

The Issuer

At the time of issuance of the Bonds, the Issuer delivered certificates to the effect that, to the best knowledge of the Issuer, there is no action, suit or proceeding pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Bonds, the Indenture, the Financing Agreement or the Regulatory Agreement, or in any way contesting or affecting the validity of the foregoing.

ATTACHMENT 4
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. Due to the combined requirements of state, local, and federal funding sources, projects financed under the Bond Program are normally affordable for 30-55 years and often provide deeper affordability levels than the minimum levels required under the Bond Program.

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.

ATTACHMENT 5



February 17, 2011

Ms. Ann Kern
San Diego Housing Commission
1625 Newton Avenue
San Diego, California 92113-1038

RE: **Sorrento Tower Apartments**

Dear Ms. Kern:

The San Diego Housing Commission (the "Commission") has retained CSG Advisors, Inc. to analyze the feasibility of the proposed bond financing for Sorrento Tower Apartments (the "Project"). Our findings are organized as follows:

- Current Project Status and the Proposed Project.
- The Proposed Financing.
- Project's Projected Financial Status.
- Benefits and Risks to the Commission.
- Public Purpose.
- Negotiation of Additional Public Benefit.
- Recommendations.

CSG has based the analysis of the proposed financing on documents provided by C&C Development Group (the "Developer"), and on additional conversations and documents provided by representatives for the Developer, Citibank Community Capital (the "Lender"), and Commission staff. The documents examined included the Developer's proposed financial schedules. CSG has not visited the site of the proposed Project.

CURRENT PROJECT STATUS AND THE PROPOSED PROJECT

The proposed Project is located at 2875 Cowley Way, San Diego, CA 92110 (at the intersection of Cowley Way and Mt. Acadia Blvd) on a 1.37 acre site. The Project currently consists of a 14-story building containing 198 total units. Pursuant to the original financing of the Project under Section 236 of the National Housing Act and Section 202 of the Housing Act of 1959, 165 units are subject to project-based Section-8 assistance and restrictions under a Housing Assistance Payment (HAP) contract with HUD. 32 of the total units are non-Section-8 units. There is one manager's unit. Pursuant to the Regulatory Agreement for Nonprofit Mortgages entered into by the current project owner, occupancy of the units is restricted to families: the head of which (or spouse) is age 62 years or older, or a physically disabled person, or a single person age 62 years or older.

The Project is currently owned by the Anderson Foundation, Inc., a non-profit organization located at 10951 Sorrento Valley Road. The Developer has entered into an exclusive Residential Income Property Purchase Agreement and Joint Escrow Instructions to purchase the Project on or before May 31, 2011.

The Project's existing Section 236 financing includes a contract for interest reduction payments ("IRP") from HUD. The IRP payments were used to reduce the interest paid on the existing first

mortgage loan from 8.25% to 1%. The IRP payments are paid monthly, with the last payment scheduled for February 2017.

The Section 236 mortgage has been pre-payable beginning in 1995. Upon prepayment of the Section 236 mortgage, the Regulatory Agreement may be terminated and the units rented at market rates, with no occupancy restrictions. Because of this ability to prepay the mortgage and potential to convert the Project to market rents, the Project is considered an "at-risk" project. The current owner had elected not to prepay the mortgage, but instead chose to retain the mortgage and regulatory agreement, and extend the HAP contract on an annual basis.

The Developer proposes to acquire and rehabilitate the Project and, in the process, "de-couple" the IRP payments from the existing Section 236 note. This process will retain the balance of the IRP and require, by entering into a 236(e)(2) Use Agreement, that the existing regulatory restrictions associated with federal assistance remain in place. The Developer is also seeking an extension of the HAP contract for an additional 20 years.

The Housing Authority of the City of San Diego (the "Authority") has submitted a request for \$14,500,000 in bond allocation to the California Debt Limit Allocation Committee (CDLAC). CDLAC will be considering the allocation request at its scheduled meeting of March 16, 2011.

On October 19, 2010, the Authority approved a resolution of its official intent to issue bonds in the not-to-exceed amount of \$15,000,000 for the Project. The resolution also approved submittal of the application to CDLAC.

THE PROPOSED FINANCING

The Developer proposes to acquire and rehabilitate the 14-story building constituting the Project. According to projections provided by the Developer, the total development cost totals approximately \$19,285,800.

Permanent sources include:

Bond Proceeds:	\$13,600,000
Tax Credit Equity:	\$5,105,600
Income from Operations:	\$128,600
Deferred Developer Fee:	<u>\$451,600</u>
Total Permanent Sources	\$19,285,800

Total bond proceeds of \$13,600,000 will be available during the rehabilitation period to fund a portion of construction costs.

Ownership

The ownership entity for the Project will be Sorrento Tower Housing Partners, LP, a California limited partnership. The partners of the limited partnership are expected to be Hearthstone Housing Foundation, as the managing general partner, and C&C/Sorrento, LLC, as co-general

partner. The low-income housing tax credit investor limited partner is anticipated to be an affiliate of the Boston Capital Corporation.

Bond Structure and Credit Enhancement

The Developer proposes that the Authority issue approximately \$13,600,000 of tax-exempt bonds (the "Bonds") to finance the acquisition and rehabilitation of the Project.

The Bonds would be a mix of publicly-sold serial and term bonds that will be credit enhanced with a direct-pay Freddie Mac Credit facility. The payment of principal and interest to the bondholders will be secured by the Freddie Mac Credit facility. The expected rating on the bond, as a result of the Freddie Mac Credit facility, is "AAA."

The loan of bond proceeds will be in two parts: a portion secured by the real estate and rental income from the property (the "Real Estate Loan", approximately \$12,250,000) and a portion secured by the IRP payments (the "IRP Loan", approximately \$1,350,000). The Real Estate Loan and the associated Freddie Mac credit enhancement would have a term of 17 years. The amortization period for the Real Estate Loan would be 35 years. The IRP loan would have a loan term of approximately 6 years (i.e., for the remaining period of IRP payments) with Freddie Mac credit enhancement for the same period of time. The IPR Loan would fully amortize during its term.

The Freddie Mac credit enhancement program will underwrite the Section-8 rents for the full loan amortization period (35 yrs). Freddie Mac will not require a separate loan supported solely by Section-8 income, with an amortization period equal to the HAP contract term.

The loan of bond proceeds will be an "immediate funding," i.e., the loan would be funded as a permanent loan without a construction-to-permanent period conversion.

While the Developer anticipates the Bonds would be sold as fixed rate bonds, the Developer is also assessing a sale of "synthetic" fixed-rate bonds, i.e., variable rate bonds where the interest rate is "fixed" by entering into a swap agreement with a qualified counterparty. These variable rate bonds would be credit enhanced by a Freddie Mac Credit Facility. The swap would also be enhanced by Freddie Mac.

In order to retain the ability to choose between fixed rate or "synthetic" fixed rate bonds until market pricing is known, the Developer will submit for Authority approval bond documents that accommodate both variable rate and fixed rate modes. The decision of fixed versus variable must be made before the marketing period for the Bonds begins and the preliminary official statement is presented publicly to potential investors.

The Authority requires services of a Trustee for this transaction. BNY Mellon will act as Trustee via a competitive selection process.

Projected Issuance Date

The Commission anticipates that CDLAC will award an allocation of private activity bonds for the Project at its March 16th meeting. The Developer proposes that the Bonds be issued on or about May 1, 2011. As CDLAC has not awarded the allocation, it correspondingly has not posted the date by which the allocation must be used and the Bonds issued (usually 90-110 days after the allocation award).

Commission Financial Involvement

The Commission is not providing subordinate financing to the Project and has no other financial involvement.

Affordability Restrictions

Upon implementing the proposed financing, the Project will be subject to the following regulatory restrictions and regulatory terms:

The units will be restricted to 50% and 60% of AMI as follows:

- Tax-Exempt bond regulatory requirements: the Developer has elected to restrict 30% of the units at 50% AMI and 70% of the units at 60% AMI. This election reflects voluntary elections under CDLAC and is effective for a term of 55 years.
- Tax Credit regulatory requirements: all units must be affordable at 60% AMI to remain eligible for tax credits (30 yr term).
- Section 236(e)(2) Use Agreement: limits all units to the Section 236 income limits (generally, 80% of AMI) published by HUD, through the termination of the Use Agreement restrictions (February 1, 2022).

Additional Restrictions

By retaining the IRP payments, the Project will be subject to a 236(e)(2) Use Agreement that will continue the affordability restrictions of the existing Regulatory Agreement for Nonprofit Mortgagors from the existing Section 236 mortgage, including use restrictions such as the occupancy limitation to seniors and disabled. The 236(e)(2) Use Agreement will terminate on February 1, 2022, i.e., five years after the last IRP payment.

PROJECT'S PROJECTED FINANCIAL STATUS

Under the proposed financing – according to information provided by the Developer – annual debt service on the senior loans would total approximately \$846,000 and \$253,500 for the Real Estate and the IRP Loans, respectively. According to preliminary information provided by the Developer and analysis by CSG, stabilized annual cash flow (before reserves) after construction and lease-up (including Issuer and trustee fees) would total approximately \$215,000 at a debt coverage ratio (DCR) of 1.20. Cash flow after reserves would total approximately \$155,600 (DCR @ 1.14).

THE BENEFITS AND RISKS TO THE COMMISSION

The proposed financing provides a vehicle for financing the construction of the Project.

By approving a recommendation to the Housing Authority to move forward with the approval process for the proposed bond financing, the Commission will not obligate the Commission or the Housing Authority to issue the Bonds.

As proposed, the financing will result in the continued long-term affordability of 198 units in the City of San Diego.

If the Authority issues the bonds, the Commission would receive a fee at bond closing of 0.23% of the issue amount (\$31,280) and an annual fee equal to 0.23% of the permanent amount of the Bonds (i.e., \$31,280, annually).

PUBLIC PURPOSE

The proposed financing will result in 197 housing units affordable to low-income households: 60 units will be restricted to households earning 50% of AMI or less; 137 units will be restricted to households earning 60% of AMI or less.

The bond, tax credit, HUD regulatory agreements will require that:

- i) 197 units are affordable at the above affordability levels for 55 years.
- ii) Occupancy of all units will be restricted to families the head of which (or spouse) is age 62 years or older, or a physically disabled person, or a single person age 62 years or older.

NEGOTIATION OF ADDITIONAL PUBLIC BENEFIT

As noted above, the financing will result in long-term affordability restrictions on 197 units within the Project.

RECOMMENDATIONS

Based upon analysis of the available information, we recommend that the Commission approve moving forward with the proposed issuance. Our recommendation is based upon the following:

- The financing will assist in preserving 197 affordable units in the City of San Diego with long-term affordability covenants.
- The Commission is expected to receive a tax-exempt bond allocation of \$14,500,000 from CDLAC for the Project.
- Citibank is currently underwriting the Project on behalf of Freddie Mac.

- The Commission will not be responsible for costs of issuance. The Commission, assuming the maximum loan amount, will receive a long-term annual fee of approximately \$31,280.
- The bond financing and tax credit equity will provide approximately \$18,705,600 for acquisition and rehabilitation costs.

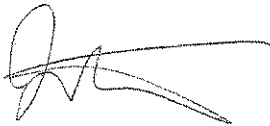
Contingent Items

The Commission may choose to move forward with the financing subject to the following contingencies:

- The Commission must receive a tax-exempt bond allocation from CDLAC (expected on March 16, 2011).
- As of this writing, Citibank had not yet issued the final Freddie Mac commitment for the Project. The Bonds cannot be issued without this commitment.
- Final bond documents and approving resolution must be approved by the Housing Authority before the Bonds can be issued.

Should you require any further information or would like to discuss the Project or the proposed financing in additional detail, please do not hesitate to contact me.

Sincerely,
CSG Advisors



John Hamilton

Exhibit A

Sorrento Towers

date of rev: 2/17/11

Long-Term Bond Loan (Fixed Rate Scenario)

Tax Exempt (Real Estate Loan)

Principal Amount ¹	\$ 12,250,000
Mortgage Rate ²	6.080%
Amortization Term	35
Underwriting Monthly Debt Service	\$ 70,508
Underwriting Annual Debt Service	\$ 846,091

¹ Source: Preliminary estimates from the Developer

Tax Exempt (IRP Loan)

Principal Amount ¹	\$ 1,350,000
Mortgage Rate ²	4.010%
Amortization Term	6
Underwriting Monthly Debt Service	\$ 21,127
Underwriting Annual Debt Service	\$ 253,526

¹ Source: Preliminary estimates from the Developer

² Citibank Commitment Letter Dated February 2, 2011, less Issuer and Trustee Fee

Post Financing Operations Analysis (during and after IRP and IRP Loan)¹

Income	2011	2017	Inflation Factor
Gross Rental Income			
Tenant Payment	\$ 1,737,552	\$ 2,015,027.62	2.5%
HAP Payment	\$ 280,308	\$ 325,071.34	2.5%
Total	\$ 2,017,860	\$ 2,340,099	
Interest Reduction Payment ²	\$ 263,357	\$ -	
Other Income	\$ 49,510	\$ 57,416.42	2.5%
Gross Potential Income	\$ 2,330,727	\$ 2,397,515	
Vacancy Collection Loss ³	5% (100,893)	(117,005)	na
Effective Gross Income	\$ 2,229,834	\$ 2,280,510	
Expenses			
Total Expenses	\$ (881,300)	\$ (1,083,343)	3.50%
Property Taxes	\$ (1,800)	\$ (2,213)	3.50%
Issuer Fee 0.23%	\$ (31,280)	\$ (31,280)	0%
Trustee Fee ⁴ 0.006%	\$ (850)	\$ (850)	0%
Total	\$ (915,230)	\$ (1,117,685)	
Net Operating Income	\$ 1,314,604	\$ 1,162,825	na
Required Debt Service			
Senior			
Real Estate Loan	\$ (846,091)	\$ (846,091)	
DCR	1.24	1.37	
IRP Loan	(253,526)	-	
DCR	(1.04)	na	
Total	(1,099,617)	(846,091)	
DCR	1.20	1.37	
Cash Flow before Reserves	\$ 214,987	\$ 316,734	
Debt Coverage Ratio Before Reserves	1.20	1.37	
Reserves ⁶	\$ (59,400)	\$ (59,400)	
Cash Flow After Reserves	\$ 155,587	\$ 257,334	
Overall Debt Coverage Ratio (DCR)	1.14	1.30	

¹ Source: Preliminary Developer Projections

² Average annual remaining payments, from May 2011 through January 2017. Total \$1,580,142 payments remaining.

³ Of Gross Rental Income

⁴ \$850 Annual minimum

⁵ Net of IRP Payments

Exhibit A

Sorrento Tower Sources and Uses of Funds ¹

Sources

Tax Exempt Bond Loan (Real Estate)	\$ 12,250,000
Tax Exempt Bond Loan (IRP)	\$ 1,350,000
Tax Credit Equity	\$ 5,105,611
Income from Operations	\$ 128,615
Deferred Developer Fee	\$ 451,604
Total Sources	\$ 19,285,830

Uses

Land and Acquisition Costs	\$ 7,500,000
Rehabilitation Costs	\$ 6,516,714
Rehabilitation Contingency	?
Developer Fee	\$ 2,105,129
Operating Reserve	\$ 786,000
Other Hard and Soft Costs	\$ 2,377,987
Total Uses	\$ 19,285,830

Surplus(Deficit) \$ -

¹Source: Information provided by the Developer