



REPORT

DATE ISSUED: March 3, 2016

REPORT NO: HCR16-025

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of March 11, 2016

SUBJECT: Final Bond Authorization for Mesa Verde (formerly known as Mission Gorge)
Apartments

COUNCIL DISTRICT: 7

REQUESTED ACTION

Authorize the issuance of Housing Authority of the City of San Diego multifamily housing revenue bonds to fund the land acquisition and development of Mesa Verde (formerly known as Mission Gorge) Apartments, a 90-unit multifamily affordable housing development located in the Navajo Community.

STAFF RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) recommend the Housing Authority of the City of San Diego (Housing Authority) authorize the issuance of up to \$22,400,000 in tax-exempt multifamily housing revenue bonds/note to fund the construction of Mesa Verde (formerly known as Mission Gorge) Apartments, a 90-unit affordable housing development for families, to be located in the Navajo community at 7785 Mission Gorge Road.

SUMMARY

A development summary is included as Attachment 1.

Table 1 – Development Details

Address	7785 Mission Gorge Road
Council District	7
Community Plan Area	Navajo Community
Development Type	New Construction
Construction Type	Type V over Podium
Parking Type	Subterranean Parking
Housing Type	Multifamily
Lot Size	Approximately 2.3 acres (100,188 square feet)
Units	90
Density	39 dwelling units per acre
Affordable Unit Mix	<ul style="list-style-type: none"> • 3 studio units • 24 one-bedroom units • 36 two-bedroom units • 26 three-bedroom units, • 1 three-bedroom manager's unit
Gross Building Area	87,888 square feet
Net Rentable Area	73,240 square feet

The Development

Mesa Verde Apartments is a proposed 90-unit new construction multifamily affordable housing development located at 7785 Mission Gorge Road in the Navajo Community Planning area (Attachment 2). The development site currently encompasses approximately 2.3 acres of developed commercial land. Surrounding land uses to the site include low-density (5-9 dwelling units per acre) single-family residential development to the north, low-density (5-9 dwelling units per acre) single-family residential development to the east, medium-density (15-29 dwelling units per acre) multifamily residential to the south, low-medium density (10-14 dwelling units per acre) and multifamily residential to the west across Mission Gorge Road.

Mesa Verde Apartments is designed as three stories of housing over subterranean parking. The unit mix for the development is composed of three studio units, 24 one-bedroom units, 36 two-bedroom units and 27 three-bedroom units. Project amenities include a multipurpose recreational room, leasing office, laundry facilities, a courtyard and an outdoor recreation area. The development will provide free service amenities, which may include adult education, health and wellness, skill building or after-school programs for children.

Mesa Verde Apartments will incorporate sustainable design features to meet Housing Commission Sustainability Guidelines and will include Energy Star appliances, energy- and water-efficient fixtures, low Volatile Organic Compounds (VOC) paints, native drought-tolerant landscaping and high-efficiency irrigation.

Development Team

During the 15-year tax credit compliance period, Mesa Verde Apartments will be owned by a California limited partnership (a single-asset limited partnership) that will include: a California limited liability company with Chelsea Investment Corporation (Chelsea) as the administrative general partner, Southern California Housing Collaborative as managing general partner, and Candeur Group LLC as tax-credit investor. Emmerson Construction Inc., an affiliate of Chelsea, will construct the development.

Chelsea will be responsible for the development of Mesa Verde Apartments. Chelsea is an award-winning, for-profit corporation headquartered in Carlsbad and focused on the financing and development of affordable housing. Chelsea has substantial development experience in a wide range of housing projects. Along with its affiliates, it provides financial, engineering, development, asset management, construction, and property management services.

The Managing General Partner, Southern California Housing Collaborative is a nonprofit 501(c)(3) organization, established in 2008 with a mission to find affordable housing opportunities for persons with developmental disabilities. Since its inception, Southern California Housing Collaborative has assisted in placing more than 100 households with individuals who have developmental disabilities into permanent affordable housing.

Statements for public disclosure for Chelsea and Southern California Housing Collaborative are included as Attachment 3.

Table 2 - Development Team Summary

ROLE	FIRM/CONTRACT
Owner Managing General Partner Administrative General partner	Mesa Verde CIC, LP Southern California Housing Collaborative CIC Mesa Verde, LLC
Developer	Chelsea Investment Corporation
Architect	McKinley Associates
Civil Engineering	Rick Engineering
General Contractor	Emmerson Construction Inc., an affiliate of Chelsea
Property Management	ConAm Management Corporation
Tax Credit Investor	Candeur Group, LLC
Construction Lender and Permanent Lender	Citi Community Capital

Property Management

Mesa Verde Apartments will be managed by Chelsea's affiliate CIC Management (CICM). CICM is highly qualified, having managed more than 4,000 units located in San Diego County, Imperial County, Sacramento, and Yuma, Arizona. Daily management activities will be subcontracted to ConAm Management Corporation. ConAm was founded in 1975. It is based in San Diego and has substantial experience, managing approximately 50,000 apartment homes nationwide.

Financing Structure

Mesa Verde has an estimated total development cost of \$33,972,534 and will be financed through a combination of 4 percent tax credits, multifamily housing revenue bonds, and a \$9.6 million Housing Commission residual receipts loan.

Proposed Housing Bonds

The Housing Commission utilizes the Housing Authority's tax-exempt borrowing status to pass on lower interest rate financing (and make Federal 4 percent tax credits available) to developers of affordable rental housing. The Housing Authority's ability to issue bonds is limited under the U.S. Internal Revenue Code. To issue bonds for a development, the Housing Authority must first submit an application to the California Debt Limit Allocation Committee (CDLAC) for a bond allocation. Prior to submitting applications to CDLAC, developments are brought before the Housing Commission, Housing Authority and City Council. Housing Authority bond inducement resolutions must be obtained prior to application submittal, and City Council Tax Equity and Fiscal Responsibility Act (TEFRA) resolutions must be secured no later than 30 days after application submittal.

A general description of the Multifamily Housing Revenue Bond Program and the actions that must be taken by the Housing Authority and by the City Council to initiate and finalize proposed financings are described in Attachment 4.

On January 16, 2016, the developer for Mesa Verde Apartments applied for a bond allocation of up to \$21,400,000. The application was later revised to increase the bond allocation to \$22,400,000. It is anticipated the California Tax-Credit Allocation Committee (TCAC) and CDLAC will approve an allocation of 4 percent tax credits and tax-exempt bonds on March 16, 2016. The developer proposes to issue the bonds through a tax-exempt private placement bond issuance. The bonds/note will meet all requirements of the Housing Commission's Multifamily Housing Revenue Bond Program policy and will

fully comply with the City of San Diego's (City) ordinance on bond disclosure. The bond amount that is ultimately issued will be based upon development costs, revenues and interest rates prevailing at the time of bond issuance. The developer proposes that the bonds/note will be used for construction financing and permanent financing.

Public Disclosure and Authorization for Issuance of Tax-Exempt Debt

Description of the Proposed Issuance Documents

The tax-exempt debt, in the form of a Note, will be sold through a private placement, purchased directly by Citi. Citi is a "qualified institutional buyer" within the meaning of the U.S. securities laws. At closing, Citi will sign an "Investor's Letter" certifying, among other things, that it is buying the Note for its own account and not for public distribution. Because the Note is being sold through a private placement, an Official Statement will not be used. In addition, the Note will be neither subject to continuing disclosure requirements nor credit enhanced or rated. Under the private placement structure for this transaction, Citi will make a loan to the Housing Authority pursuant to the terms of a Funding Loan Agreement among Citi, the Housing Authority, and US Bancorp as Fiscal Agent. The loan made by Citi to the Housing Authority (Funding Loan) will be evidenced by the Note, which will obligate the Housing Authority to pay Citi the amounts it receives from the Borrower, as described below.

The Housing Authority and the Borrower will enter into a Borrower Loan Agreement pursuant to which the proceeds of the Funding Loan will be advanced to the Borrower. In return, the Borrower agrees to pay the Fiscal Agent amounts sufficient for the Fiscal Agent to make payments on the Note. The Housing Authority's obligation to make payments on the Note is limited to amounts the Fiscal Agent receives from the Borrower under the Borrower Loan Agreement, and no other funds of the Housing Authority are pledged to make payments on the Note. The transfer of the Note to any subsequent purchaser will comply with Housing Commission policy number PO300.301. Moreover, any subsequent Note holder would be required to represent to the Housing Authority that it is a qualified institutional buyer or accredited investor who is buying the Note for investment purposes and not for resale, and it has made due investigation of any material information necessary in connection with the purchase of the Note. The following documents will be executed on behalf of the Housing Authority with respect to the Note: Funding Loan Agreement, Borrower Loan Agreement, Assignment of Deed of Trust, Regulatory Agreement, and other ancillary loan documents. At the time of docketing, 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.

The Note will be issued pursuant to the Funding Loan Agreement. Based upon instructions contained in the Funding Loan Agreement and the Borrower Loan Agreement, Citi will disburse Note proceeds for eligible costs and will, pursuant to an assignment from the Housing Authority, receive payments from the Borrower via a Fiscal Agent. Rights that are assigned to Citi include the right to collect and enforce the collection of loan payments, monitor project construction and related budgets, and enforce insurance and other requirements. These rights will be used by Citi to protect its financial interests as the holder of the Note.

The Borrower Loan Agreement sets out the terms of repayment and the security for the loan made by the Housing Authority to the Borrower, and the Housing Authority assigns its rights to receive repayments under the loan to Citi.

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.

An Assignment of Deed of Trust and other Loan Documents, assigns the Housing Authority's rights and responsibilities as the issuer to Citi, is signed by the Housing Authority for the benefit of Citi.

Financial Advisor's Recommendation

As previously approved by the Housing Commission (on November 21, 2014, HCR14-100) and by the Housing Authority (on December 9, 2014, HAR14-039), Ross Financial is the bond financial advisor and Orrick, Herrington, & Sutcliffe LLC is the bond counsel working on the development. After evaluating the terms of the proposed financing and the public benefits to be achieved, it is the financial advisor's recommendation that the Housing Authority proceed with the issuance of the bonds. The financial advisor's analysis and recommendation is included as Attachment 5.

Sources and Uses of Financing

The developer's complete project pro forma is included as Attachment 6. The project's sources and uses of financing are as follows.

Table 3 – Mesa Verde Estimated Permanent Sources and Uses of Financing

Sources of Funding		Uses of Funding	
4% Tax Credit Equity	\$ 11,938,453	Land Acquisition	\$ 6,575,000
Solar LIHTC Equity	118,491	Hard Cost (with 5% Hard Cost Contingency)	18,207,852
Conventional Loan	7,820,000	Soft Costs	2,385,130
Citi Subordinate Loan	2,200,000	Financing Costs	1,787,815
Housing Commission Loan (HOME, Inclusionary, HTF Linkage)	9,600,000	City Development Fees & Permits	1,756,305
Subordinate Deferred Developer Fee	1,860,432	Developer Fee	3,260,432
Deferred Developer Fee	185,678		
Soft Loan Interest	249,480		
Total Project Sources	\$ 33,972,534	Total Project Uses	\$ 33,972,534

Developer Fee

Mesa Verde received funding from the Housing Commission's 2014 Notice of Funding Availability. The NOFA included a provision which allowed borrowers to be paid up to \$1,400,000 in an up-front developer fee. TCAC allows for developers to collect a fee in excess of \$1,400,000. The Housing Commission allows borrowers to collect a developer fee in excess of \$1,400,000; however, the fee must be subordinate to residual receipts payments to the Housing Commission and is payable out of the borrower's share of residual cash flow. Housing Commission staff is supportive of allowing a developer fee in excess of \$1,400,000 for two primary reasons: 1) additional developer fee does not impact the residual receipts payments to the Housing Commission; and; 2) the development can obtain additional low-income housing tax credits, which would reduce the amount of the Housing Commission's loan. The current \$3,260,432 developer fee reflects a fee structure permitted by TCAC.

Development Cost Key Performance Indicators

Housing Commission staff has identified development cost performance indicators, which were used to evaluate the proposed development. The key performance indicators listed in Table 4 are commonly used by real estate industry professionals and affordable housing developers.

Table 4 – Key Performance Indicators

Development Cost Per Unit	$\$33,972,534 \div 90 \text{ units} =$	\$377,473
Housing Commission Subsidy Per Unit	$\$9,600,000 \div 90 \text{ units} =$	\$106,667
Land Cost Per Unit	$\$6,575,000 \div 90 \text{ units} =$	\$73,056
Gross Building Square Foot Hard Cost	$\$18,207,852 \div 87,888 \text{ sq. ft.} =$	\$207
Net Rentable Square Foot Hard Cost	$\$18,207,852 \div 73,240 \text{ sq. ft.} =$	\$249

Project Comparison Chart

There are multiple factors and variables that influence the cost of developing multifamily affordable housing, including but not limited to project location, site conditions, site improvements needed, environmental factors, land use approval process, community involvement, construction type, design requirements/constraints, economies of scale, City impact fees, developer experience and capacity, and amenities necessary to gain tax credit approval. Table 5 shows that costs for the proposed development are in line with other projects of similar construction type.

Table 5 – Comparable Development Projects with Tax-Exempt Bonds

Project Name	Type	Units	Total Development Cost	Cost Per Unit	HC/*Civic Subsidy Per Unit	Gross Hard Cost/ Sq.Ft.	Prevailing Wages Apply
Mesa Verde	V Over I	90	\$33,972,534	\$377,473	\$106,667	\$207	No
Villa Encantada	V Over I	67	\$26,197,366	\$391,005	\$111,940	\$190	Yes- Garage
Trolley Residential	V Over I	52	\$22,963,066	\$441,597	\$60,000	\$225	Yes
Ouchi Courtyard	V Over I	45	\$19,514,793	\$433,662	*\$111,111	\$217	No

Prevailing Wages

The funding sources for the development do not require the payment of prevailing wages.

AFFORDABLE HOUSING IMPACT

Under the proposed financing, Mesa Verde Apartments will restrict units to households with incomes at or below 50 to 60 percent of the San Diego Area Median Income (AMI). Units will be restricted for a 55-year term.

The following are the proposed rents:

Table 6 – Affordability and Monthly Estimated Rents

Unit Type	Square Footage	Restrictions	Area Median Income (AMI)	Units	Estimated Monthly Net Rents *
Studio	350	Tax Credits	60 Percent	2	\$809
Studio	350	Tax Credits	50 Percent	1	671
1 Bedroom / 1 Bath	560	Tax Credits	60 Percent	22	865
1 Bedroom / 1 Bath	560	Tax Credits	50 Percent	2	717
2 Bedroom / 1 Bath	800	Tax Credits	60 Percent	32	1,036
2 Bedroom / 1 Bath	800	Tax Credits	50 Percent	4	858
3 Bedroom / 2 Bath	1,050	Bonds	60 Percent	24	1,143
3 Bedroom / 2 Bath	1,050	Bonds	50 Percent	2	946
3 Bdrm Manager's Unit	1,050	--	--	1	--
Total Units				90	

* estimated net rents after utilities allowance deduction.

The same specific units count toward fulfilling both the tax credit restrictions and the HOME Investment Partnerships Program (HOME) restrictions.

The more stringent of the funding sources' affordability/rent restrictions will take precedence during the term of their applicability. TCAC's AMI formula calculations will differ from the U.S. Department of Housing and Urban Development (HUD) AMI formula calculations.

Development Schedule

The estimated development timeline is as follows.

Milestones	Estimated Dates
<ul style="list-style-type: none"> • TCAC and CDLAC allocation meetings • Housing Authority proposed final bond/note authorization • Estimated bond/note issuance and escrow closing • Estimated start of construction work • Estimated completion of construction work 	<ul style="list-style-type: none"> • March 16, 2016 • April 5, 2016 • April 2016 • May 2016 • August 2017

FISCAL CONSIDERATIONS

The proposed funding sources and uses approved by this action are included in the Housing Authority-approved Fiscal Year (FY) 2016 Housing Commission Budget. Approving this action will not change the FY 2016 total budget.

Funding sources approved by this action will be as follows:

Bond Issuance Fees - \$56,000

Funding uses approved by this action will be as follows:

Rental Housing Finance Program Administration Costs - \$56,000

There are no fiscal impacts to the Housing Commission, the City, or the Housing Authority associated with the requested bonds/note actions. The bonds would not constitute a debt of the City or financially obligate the City, the Housing Authority or the Housing Commission because security for the repayment of the bonds will be limited to specific private revenue sources of the development. 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. The developer is responsible for the payment of all costs under the financing, including the Housing Commission's annual administrative fee, as well as Housing Commission Bond Counsel and Financial Advisor fees.

PREVIOUS COUNCIL and COMMITTEE ACTIONS:

The Housing Commission on November 21, 2014, (HCR14-100) and the Housing Authority on December 9, 2014, (HAR14-039) approved three actions: (A) a residual receipts loan of \$9,600,000; (B) entry into an option agreement to purchase the adjacent land, approximately 1.75 undeveloped acres legally known as assessor parcel number 456-400-17-00; and (C) initial steps to issue up to \$19,000,000 in tax-exempt multifamily housing revenue bonds. Additionally, the Housing Commission (on November 20, 2015, HCR15-092) and Housing Authority (on December 15, 2015, HAR15-031) re-approved taking the initial steps to issue tax-exempt multifamily housing revenue bonds for the development at an increased bond issuance amount of \$22,400,000.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

Mesa Verde Apartments is located within the Navajo community. Chelsea presented an informational item to the Navajo Neighborhood Community Planning Group, known as Navajo Community Planners, on October 20, 2014.

KEY STAKEHOLDERS and PROJECTED IMPACTS

Stakeholders include Chelsea, Southern California Housing Collaborative, the Navajo neighborhood and Navajo Community Plan Area. Development of the property is expected to have a positive impact on the community because it will provide affordable rental units, serving low- and very low-income families.

ENVIRONMENTAL REVIEW

The development activity supported by the proposed actions is covered under the Final Program Environmental Impact Report (Final EIR) for the Grantville Redevelopment Project Area, which was certified by the City Council of the City of San Diego on May 3, 2005, and prepared in accordance with California Environmental Quality Act (CEQA) guidelines. The Development Services Department conducted a Consistency Review for the project, including preparation of an Initial Study Checklist in accordance with State CEQA Guidelines Section 15162 in November 2014. Additionally, requirements of the adopted Final Mitigation, Monitoring and Reporting Program (MMRP) for the Final EIR will be applied at the time of project review and permitting. HOME funds constitute a portion of the funding for the project. A final reservation of HOME funds shall occur only upon satisfactory completion of environmental review and receipt by the City of San Diego of a release of funds from the HUD under 24 CFR Part 58 of the National Environmental Policy Act (NEPA). The parties agree that the provision of any HOME funds to the project is conditioned on the City of San Diego's determination to proceed with, modify or cancel the project based on the results of subsequent environmental review under NEPA.

March 3, 2016

Final Bond Authorization for Mesa Verde (formerly known as Mission Gorge) Apartments

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Respectfully submitted,

Cameron Shariati

Cameron Shariati
Assistant Real Estate Manager
Real Estate Division

Approved by,

Deborah N. Ruane

Deborah N. Ruane
Senior Vice President
Real Estate Division

Attachments: 1) Development Summary
2) Site Map
3) Developer Disclosure Statements
4) Multifamily Housing Revenue Bond Program
5) Financial Advisor's Feasibility Analysis
6) Developer's Project Pro forma

Hard copies are available for review during business hours at the security information desk 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 – DEVELOPMENT SUMMARY

Table 1 – Development Details

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Development Type	New Construction
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Table 2 - Development Team Summary

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Managing General Partner	Southern California Housing Collaborative
Administrative General partner	CIC Mesa Verde, LLC
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General Contractor	Emmerson Construction Inc., an affiliate of Chelsea
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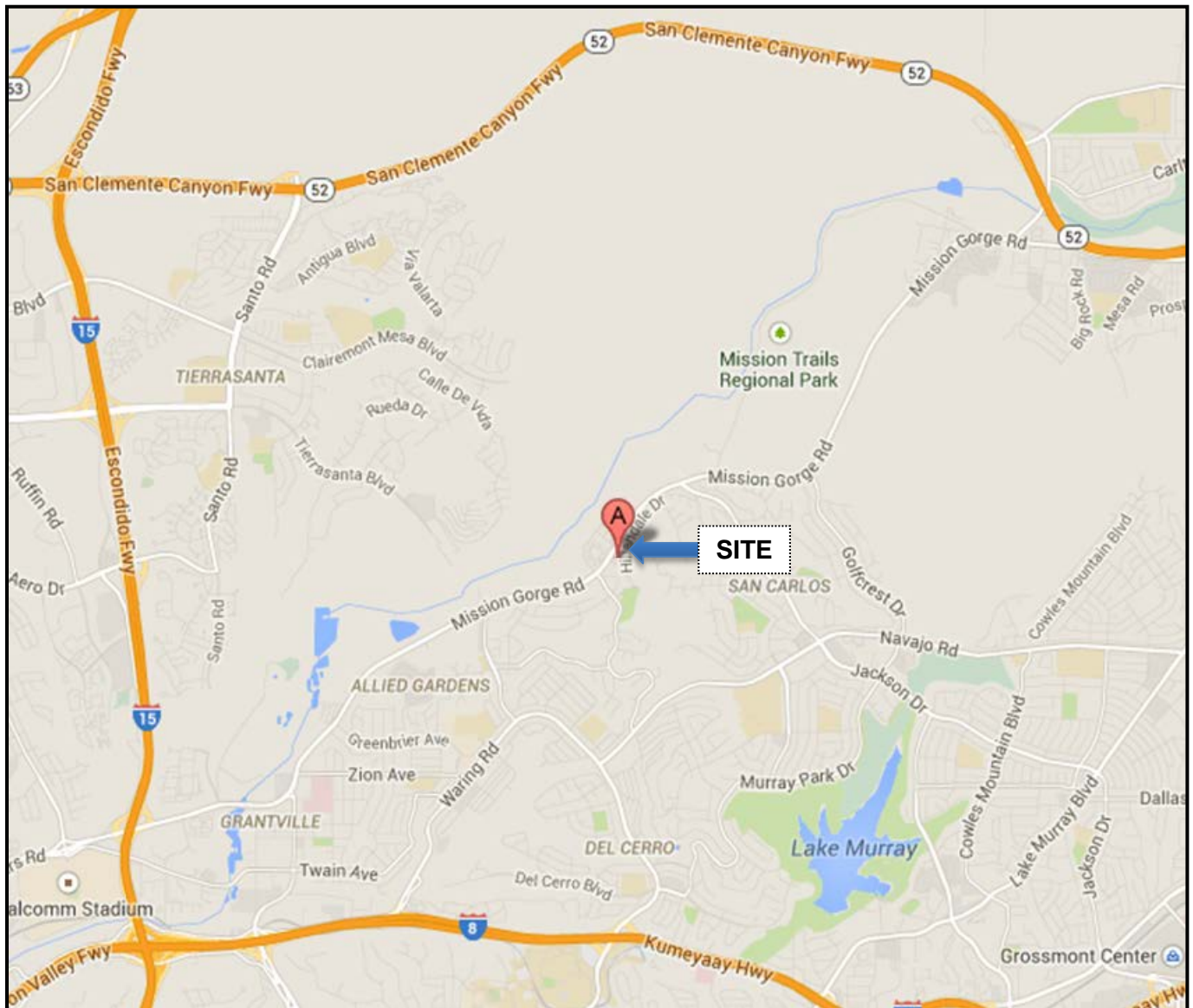
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Table 6 – PHR Unit 24 Affordability & Monthly Estimated Rent Table

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3 Bedroom / 2 Bath	1,050	Bonds	50 Percent	2	946
3 Bdrm Manager's Unit	1,050	--	--	1	--
Total Units				90	

ATTACHMENT 2 – SITE MAP



ATTACHMENT 3

**DEVELOPERS/CONSULTANTS/SELLERS/CONTRACTORS/
ENTITY SEEKING GRANT/BORROWERS
(Collectively referred to as "CONTRACTOR" herein)
Statement for Public Disclosure**

1. Name of CONTRACTOR: **Chelsea Investment Corporation**
2. Address and Zip Code: **5993 Avenida Encinas, Suite 101
Carlsbad, CA 92008**
3. Telephone Number: **(760) 456-6000**
4. Name of Principal Contact for CONTRACTOR: **Cheri Hoffman, President**
5. Federal Identification Number or Social Security Number of CONTRACTOR: **EIN No. 90-0151442**
6. If the CONTRACTOR is not an individual doing business under his own name, the CONTRACTOR has the status indicated below and is organized or operating under the laws of California as:

- ☒ A corporation (Attach Articles of Incorporation)
- ☐ A nonprofit or charitable institution or corporation. (Attach copy of Articles of Incorporation and documentary evidence verifying current valid nonprofit or charitable status)
- ☐ A partnership known as: _____
(Name)

Check one:

- ☐ General Partnership (Attach statement of General Partnership)
- ☐ Limited Partnership (Attach Certificate of Limited Partnership)
- ☐ A business association or a joint venture known as: _____
(Attach joint venture or business association agreement)
- ☐ A Federal, State or local government or instrumentality thereof.
- ☐ Other (explain)

7. If the CONTRACTOR is not an individual or a government agency or instrumentality, give date of organization:
Original formation date: July 30, 1986
Restructured: February 23, 2004

8. Provide names, addresses, telephone numbers, title of position (if any) and nature and extent of the interest of the current officers, principal members, shareholders, and investors of the CONTRACTOR, other than a government agency or instrumentality, as set forth below:

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

<u>Name, Address & Zip Code</u>	<u>Phone Number</u>	<u>Title and Percentage of Interest</u>
The Schmid Family Trust dated as of July 22, 1996	N/A	100% interest
James J. Schmid 5993 Avenida Encinas, Suite 101 Carlsbad, CA 92008	(760) 456-6000 x104	Co-Trustee
Lynn Harrington Schmid 5993 Avenida Encinas, Suite 101 Carlsbad, CA 92008	(760) 456-6000 x133	Co-Trustee

- b. If the CONTRACTOR is a nonprofit or charitable institution or corporation, the members who constitute the board of trustees or board of directors or similar governing body. If the CONTRACTOR is a partnership, each partner, whether a general or limited, and either the percent of interest or a description of the character and extent of interest. N/A
- c. If the CONTRACTOR 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
- d. If the CONTRACTOR is some other entity, the officers, the members of the governing body, and each person having an interest of more than 10%. (Attach extra sheet if necessary) N/A

9. Has the makeup as set forth in Item 8(a) through 8(e) changed within the last twelve (12) months? If yes, please explain in detail. No.
10. Is it *anticipated* that the makeup as set forth in Item 8(a) through 8(e) will change within the next twelve (12) months? If yes, please explain in detail. No.
11. Provide name, address, telephone number, and nature and extent of interest of each person or entity (not named in response to Item 8) who has a beneficial interest in any of the shareholders or investors named in response to Item 8 which gives such person or entity more than a computed 10% interest in the CONTRACTOR (for example, more than 20% of the stock in a corporation which holds 50% of the stock of the CONTRACTOR or more than 50% of the stock in the corporation which holds 20% of the stock of the CONTRACTOR): N/A

Name and Address	Position Title (if any) and percent of interest or description of character and extent of interest
Name:	
Address:	
Name:	
Address:	

12. Names, addresses and telephone numbers (if not given above) of officers and directors or trustees of any corporation or firm listed under Item 8 or Item 11 above:

Name and Address	Position Title (if any) and percent of interest or description of character and extent of interest
Name: James J. Schmid	Sole Director / Chief Executive Officer (and Co-Trustee of Schmid Family Trust, which has 100% interest)
Address: 5993 Avenida Encinas, Suite 101	
Carlsbad, CA 92008	
Name: Cheri Hoffman	President
Address: 5993 Avenida Encinas, Suite 101	
Carlsbad, CA 92008	
Name: Charles A. Schmid	Vice President (son of James J. Schmid)
Address: 5993 Avenida Encinas, Suite 101	
Carlsbad, CA 92008	
Name: Lynn Harrington Schmid	Secretary (wife of James J. Schmid and Co-Trustee of Schmid Family Trust, which has 100% interest)
Address: 5993 Avenida Encinas, Suite 101	
Carlsbad, CA 92008	

13. Is the CONTRACTOR a subsidiary of or affiliated with any other corporation or corporations, any other firm or any other business entity or entities of whatever nature? If yes, list each such corporation, firm or business entity by name and address, specify its relationship to the CONTRACTOR, and identify the officers and directors or trustees common to the CONTRACTOR and such other corporation, firm or business entity.

Name and Address	Relationship to CONTRACTOR
Name: CIC Management, Inc. ("CICM")	Property Management Company for Chelsea-affiliated properties
Address: 5993 Avenida Encinas, Suite 101	
Carlsbad, CA 92008	
Name: James J. Schmid	Sole Director and Treasurer of CICM
Address: 5993 Avenida Encinas, Suite 101	
Carlsbad, CA 92008	
Name: William R. Peavey	President of CICM
Address: 5993 Avenida Encinas, Suite 101	
Carlsbad, CA 92008	
Name: Lynn Harrington Schmid	Secretary of CICM
Address: 5993 Avenida Encinas, Suite 101	
Carlsbad, CA 92008	
Name: Emmerson Construction, Inc. ("Emmerson")	General Contractor for Chelsea-affiliated properties located in San Diego County
Address: 5993 Avenida Encinas, Suite 101	
Carlsbad, CA 92008	
Name: Charles A. Schmid	Director and President of Emmerson
Address: 5993 Avenida Encinas, Suite 101	
Carlsbad, CA 92008	

Name: James J. Schmid	Director and Secretary of Emmerson
Address: 5993 Avenida Encinas, Suite 101	
Carlsbad, CA 92008	
Name: Finish Tech Corporation ("Finish Tech")	Affiliate of Emmerson (General Contractor for Chelsea-affiliated properties located outside of San Diego County)
Address: 5993 Avenida Encinas, Suite 101	
Carlsbad, CA 92008	
Name: Charles A. Schmid	Director and President of Finish Tech
Address: 5993 Avenida Encinas, Suite 101	
Carlsbad, CA 92008	
Name: James J. Schmid	Director and President of Finish Tech
Address: 5993 Avenida Encinas, Suite 101	
Carlsbad, CA 92008	
Name: Frontera Construction Corporation ("Frontera")	Sub-Contractor for Emmerson and Finish Tech (landscaping, etc.)
Address: 5993 Avenida Encinas, Suite 101	
Carlsbad, CA 92008	
Name: Charles A. Schmid	Director and President of Frontera
Address: 5993 Avenida Encinas, Suite 101	
Carlsbad, CA 92008	
Name: James J. Schmid	Director and Secretary of Frontera
Address: 5993 Avenida Encinas, Suite 101	
Carlsbad, CA 92008	

14. Provide the financial condition of the CONTRACTOR as of the date of the statement and for a period of twenty-four (24) months prior to the date of its statement as reflected in the **attached** financial statements, including, but not necessarily limited to, profit and loss statements and statements of financial position.
Pls. see attached financial statements through year end 2012 and 2013.
15. If funds for the development/project are to be obtained from sources other than the CONTRACTOR's own funds, provide a statement of the CONTRACTOR's plan for financing the development/project: **The project will be developed with funds from a Housing Commission loan, 4% tax credits and a tax-exempt bond.**
16. Provide sources and amount of cash available to CONTRACTOR to meet equity requirements of the proposed undertaking:
 - a. In banks/savings and loans: **Equity will be funded by tax credit investor**
 - b. By loans from affiliated or associated corporations or firms: **N/A**
 - c. By sale of readily salable assets/including marketable securities: **None proposed**

17. Names and addresses of bank references, and name of contact at each reference:

Name and Address	Contact Name
Name: US Bank National Association	Mr. Paul Shipstead, Vice President
Address: 4747 Executive Drive, 3 rd Floor	Phone: (858) 334-0704
San Diego, CA 92121	E-Mail: paul.shipstead@usbank.com
Name: AmericanWest Bank (f/k/a Security Business Bank)	Ms. Maria Kraus, Treasury Management Sales Analyst
Address: 5901 Priestly Drive, Suite 160	Phone: (760) 929-9863
Carlsbad, CA 92008	E-Mail: maria.kraus@awbank.net

18. Has the CONTRACTOR or any of the CONTRACTOR's officers or principal members, shareholders or investors, or other interested parties been adjudged bankrupt, either voluntary or involuntary, within the past 10 years?

☐ Yes ☒ No

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

19. Has the CONTRACTOR or anyone referred to above as "principals of the CONTRACTOR" been convicted of any felony within the past 10 years?

☐ Yes ☒ No

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

20. List undertakings (including, but not limited to, bid bonds, performance bonds, payment bonds and/or improvement bonds) comparable to size of the proposed project which have been completed by the CONTRACTOR including identification and brief description of each project, date of completion, and amount of bond, whether any legal action

Please refer to Project Sponsor Experience report.

21. If the CONTRACTOR, or a parent corporation, a subsidiary, an affiliate, or a principal of the CONTRACTOR is to participate in the development as a construction contractor or builder, provide the following information:

- a. Name and addresses of such contractor or builder:

Name and Address	Affiliation
Name: Emmerson Construction, Inc.	General Contractor for Chelsea-affiliated projects
Address: 5993 Avenida Encinas, Suite 101	
Carlsbad, CA 92008	

- 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, please explain, in detail, each such instance: N/A

- c. Total amount of construction or development work performed by such contractor or builder during the last three (3) years: **\$85,372,441**

General description of such work:

Construction of affordable multifamily and seniors housing projects.

List each project, including location, nature of work performed, name, address of the owner of the project, bonding companies involved, amount of contract, date of commencement of project, date of completion, state whether any change orders were sought, amount of change orders, was litigation commenced concerning the project, including a designation of where, when and the outcome of the litigation. (Attach extra sheet if necessary). **Please see attached resume.**

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

Identification of Contract or Development	Location	Amount	Date to be Completed
Fairbanks Commons	11251 Rancho Carmel San Diego, CA 92199	\$20,432,000	3/01/14
Cesar Chavez Villas	84851 Bagdad Avenue Coachella, CA 92236	\$8,204,753	12/01/13

- e. Outstanding construction-contract bids of such contractor or builder: N/A

22. Provide a detailed and complete statement regarding 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: **(Please see attached resume)**

Emmerson Construction, Inc. (ECI) is an affiliate of Chelsea Investment Corporation (CIC). ECI serves as general contractor and/or construction manager only on projects where CIC is an owner. ECI employs a full-time Construction Project Manager and an Office Manager/Contract Administrator, each of whom have several years and many millions of dollars worth of experience. All work is sub-contracted, enabling ECI staff to effectively manage multiple jobs. Depending on workload, some management and administrative functions are occasionally out-sourced to construction management firms.

ECI has served as construction manager on 4 rehabilitation projects and 26 new construction projects that were completed on time and under budget. ECI is currently constructing a project known as Fairbanks Commons in San Diego, CA. Fairbanks Commons is approximately 20% complete and is on schedule and under budget. The contract value of this project is \$20,432,000. The construction financing for Cesar Chavez Villas in Coachella, CA closed in April of 2013 and is currently underway. The contract value of this project is \$8,204,753. Vista Terrace Apartments in Vista, CA recently received its Certificate of Occupancy and was on schedule and under budget. The contract value of Vista Terrace was \$2,847,000. ECI also benefits from the experience of CIC, which has overseen the construction on most projects listed in the Project Sponsor Experience summary.

23. Does any member of the governing body of the San Diego Housing Commission ("SDHC"), Housing Authority of the City of San Diego ("AUTHORITY") or City of San Diego ("CITY"), to which the accompanying proposal is being made or any officer or employee of the SDHC, the AUTHORITY or the CITY who exercises any functions or responsibilities in connection with the carrying out of the project covered by the CONTRACTOR's proposal, have any direct or indirect personal financial interest in the CONTRACTOR or in the proposed contractor?

☐ Yes ☒ No

If yes, explain: N/A

24. Statements and other evidence of the CONTRACTOR's qualifications and financial responsibility (other than the financial statement referred to in Item 8) are attached hereto and hereby made a part hereof as follows:
Please see attached financials for Emmerson Construction, Inc.

25. Is the proposed CONTRACTOR, and/or are any of the proposed subcontractors, currently involved in any construction-related litigation?

☐ Yes ☒ No

If yes, explain:

N/A

26. State the name, address and telephone numbers of CONTRACTOR's insurance agent(s) and/or companies for the following coverage's: List the amount of coverage (limits) currently existing in each category:

The project will have adequate insurance coverage at commencement of construction.

- a. General Liability, including Bodily Injury and Property Damage Insurance [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

Check coverage(s) carried:

- ☐ Comprehensive Form
- ☐ Premises - Operations
- ☐ Explosion and Collapse Hazard
- ☐ Underground Hazard
- ☐ Products/Completed Operations Hazard
- ☐ Contractual Insurance
- ☐ Broad Form Property Damage
- ☐ Independent Contractors
- ☐ Personal Injury

- b. Automobile Public Liability/Property Damage [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

Check coverage(s) carried:

- ☐ Comprehensive Form
☐ Owned
☐ Hired
☐ Non-Owned

- c. Workers Compensation [Attach certificate of insurance showing the amount of coverage and coverage period(s)]
- d. Professional Liability (Errors and Omissions) [Attach certificate of insurance showing the amount of coverage and coverage period(s)]
- e. Excess Liability [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]
- f. Other (Specify) [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]

27. CONTRACTOR warrants and certifies that it will not during the term of the PROJECT, GRANT, LOAN, CONTRACT, DEVELOPMENT and/or RENDITIONS OF SERVICES discriminate against any employee, person, or applicant for employment because of race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. The CONTRACTOR will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The CONTRACTOR agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the SDHC setting forth the provisions of this nondiscrimination clause.
28. The CONTRACTOR warrants and certifies that it will not without prior written consent of the SDHC, engage in any business pursuits that are adverse, hostile or take incompatible positions to the interests of the SDHC, during the term of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT and/or RENDITION OF SERVICES.
29. CONTRACTOR warrants and certifies that no member, commissioner, councilperson, officer, or employee of the SDHC, the AUTHORITY and/or the CITY, no member of the governing body of the locality in which the PROJECT is situated, no member of the government body in which the SDHC was activated, and no other public official of such locality or localities who exercises any functions or responsibilities with respect to the assignment of work, has during his or her tenure, or will for one (1) year thereafter, have any interest, direct or indirect, in this PROJECT or the proceeds thereof.
30. List all citations, orders to cease and desist, stop work orders, complaints, judgments, fines, and penalties received by or imposed upon CONTRACTOR for safety violations from any and all government entities including but not limited to, the City of San Diego, County of San Diego, the State of California, the United States of America and any and all divisions and departments of said government entities for a period of five (5) years prior to the date of this statement. If none, please state: **None**

31. Has the CONTRACTOR ever been disqualified, removed from or otherwise prevented from bidding on or completing a federal, state, or local government project because of a violation of law or a safety regulation?

☐ Yes

☒ No

If yes, please explain, in detail,
N/A

32. Please list all licenses obtained by the CONTRACTOR through the State of California and/or the United States of America which are required and/or will be utilized by the CONTRACTOR and/or are convenient to the performance of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT, or RENDITION OF SERVICES. State the name of the governmental agency granting the license, type of license, date of grant, and the status of the license, together with a statement as to whether the License has ever been revoked:

Government Agency	License Description	License Number	Date Issued (Original)	Status (Current)	Revocation (Yes/No)
California State License Board	Contractor's License	775773	3/02/2000	Current	No

33. Describe in detail any and all other facts, factors or conditions that may adversely affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, SALES of Real Property to, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with the SDHC.

N/A

34. Describe in detail, any and all other facts, factors or conditions that may favorably affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with the SDHC.

None.

35. List all CONTRACTS with, DEVELOPMENTS for or with, LOANS with, PROJECTS with, GRANTS from, SALES of Real Property to, the SDHC, AUTHORITY and/or the CITY within the last five (5) years:

Date	Entity Involved (i.e. City SDHC, etc)	Status (Current, delinquent, repaid, etc.)	Dollar Amount
3/14/14	Alpha 4%/SDHC	Current	\$6,483,313
3/14/14	Alpha 9%/SDHC	Current	\$10,721,687
7/25/11	Terramar/SDHC	Current	\$2,035,000
3/16/11	Estrella del Mercado/SDHC Estrella del Mercado/RDA	Current	\$7,000,000 \$9,104,000
2/03/10	Verbena/RDA	Current	\$6,801,000

36. Within the last five years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, been the subject of a complaint filed with the Contractor's State License Board (CSLB)?

☐ Yes

☒ No

If yes, explain:

N/A

37. Within the last five years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, had a revocation or suspension of a CONTRACTOR's License?

☐ Yes

☒ No

If yes, explain:

N/A

38. List three local references that would be familiar with your previous construction project:

Bob McElroy, The Alpha Project, 619-542-1877

Kevin McCook, Shea Properties, 858-526-6655

Bill Ostrem, Black Mountain Ranch, 619-421-0127

39. Give a brief statement regarding equipment, experience, financial capacity and other resources available to the Contractor 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.

Please see attached resume.

40. Give the name and experience of the proposed Construction Superintendent.

Name	Experience
Mike Adkins	Experienced in all facets of the construction field. Worked on heavy commercial, industrial, and multifamily projects for owner clients such as Disneyland, Nordstrom, Lennar, and multiple municipalities around Southern California. Formerly with Bayley Construction, participated in or managed a wide variety of projects with contract values ranging from \$1 million to over \$100 million. Other past experience includes project managing for a large commercial concrete contractor, and superintending for a multifamily home builder on projects across the country.

CONSENT TO PUBLIC DISCLOSURE BY CONTRACTOR

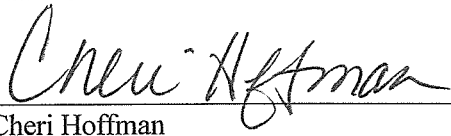
By providing the "Personal Information", (if any) as defined in Section 1798.3(a) of the Civil Code of the State of California (to the extent that it is applicable, if at all), requested herein and by seeking a loan from, a grant from, a contract with, the sale of real estate to, the right to develop from, and/or any and all other entitlements from the SAN DIEGO HOUSING COMMISSION ("SDHC"), the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO ("AUTHORITY") and/or the CITY OF SAN DIEGO ("CITY"), the CONTRACTOR consents to the disclosure of any and all "Personal Information" and of any and all other information contained in this Public Disclosure Statement. CONTRACTOR specifically, knowingly and intentionally waives any and all privileges and rights that may exist under State and/or Federal Law relating to the public disclosure of the information contained herein. With respect to "Personal Information", if any, contained herein, the CONTRACTOR, by executing this disclosure statement and providing the information requested, consents to its disclosure pursuant to the provisions of the Information Practices Act of 1977, Civil Code Section 1798.24(b). CONTRACTOR is aware that a disclosure of information contained herein will be made at a public meeting or meetings of the SDHC, the AUTHORITY, and/or the CITY at such times as the meetings may be scheduled. CONTRACTOR hereby consents to the disclosure of said "Personal Information", if any, more than thirty (30) days from the date of this statement at the duly scheduled meeting(s) of the SDHC, the AUTHORITY and/or the CITY. CONTRACTOR acknowledges that public disclosure of the information contained herein may be made pursuant to the provisions of Civil Code Section 1798.24(d).

CONTRACTOR represents and warrants to the SDHC, the AUTHORITY and the CITY that by providing the information requested herein and waiving any and all privileges available under the Evidence Code of the State of California, State and Federal Law, (to the extent of this disclosure that the information being submitted herein), the information constitutes a "Public Record" subject to disclosure to members of the public in accordance with the provisions of California Government Section 6250 et seq.

CONTRACTOR specifically waives, by the production of the information disclosed herein, any and all rights that CONTRACTOR may have with respect to the information under the provisions of Government Code Section 6254 including its applicable subparagraphs, to the extent of the disclosure herein, as well as all rights of privacy, if any, under the State and Federal Law.

Executed this 10th day of September, 2014 at San Diego, California.

CONTRACTOR

By: 
Cheri Hoffman
President of Chelsea Investment Corporation

CERTIFICATION

The CONTRACTOR, Chelsea Investment Corporation, hereby certifies that this CONTRACTOR's Statement for Public Disclosure and the attached information/evidence of the CONTRACTOR's qualifications and financial responsibility, including financial statements, are true and correct to the best of CONTRACTOR's knowledge and belief.

By: Cheri Hoffman
Cheri Hoffman, President

Dated: September 10, 2014

WARNING: 18 U.S.C. 1001 provides, among other things, that whoever knowingly and willingly makes or uses a document or writing containing any false, fictitious or fraudulent statement or entry, in any matter within the jurisdiction or any department or agency of the United States, shall be fined not more than \$10,000 or imprisoned for not more than five years, or both.

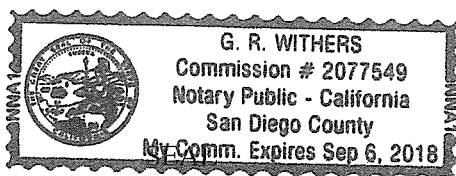
JURAT

State of California

County of ~~California~~ San Diego

Subscribed and sworn to (or affirmed) before me on this 10th day of September, 2014

by Cheri Hoffman, proved to me on the basis of satisfactory evidence to be the person who appeared before me.



G. R. Withers
Signature of Notary

25789111

ARTICLES OF INCORPORATION
OF
CHELSEA SERVICE CORPORATION

FILED
in the office of the Secretary of State
of the State of California

FEB 23 2004

Kevin Shelley
KEVIN SHELLEY, Secretary of State

I

The name of this corporation is Chelsea Service Corporation.

II

The purpose of the corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

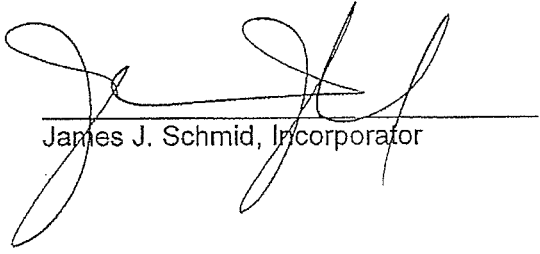
III

The name and address in the State of California of this corporation's initial agent for service of process is James J. Schmid, 215 South Highway 101, Suite 200, Solana Beach, California 92075.

IV

This corporation is authorized to issue only one class of shares of stock; and the total number of shares this corporation is authorized to issue is 1,000.

Dated: February 18, 2004


James J. Schmid, Incorporator

2578911

10638595

NOV

FILED
in the office of the Secretary of State
of the State of California

JAN 1 2006

**CERTIFICATE OF RESTATED AND AMENDED
ARTICLES OF INCORPORATION
OF CHELSEA SERVICE CORPORATION**

James J. Schmid and Lynn Harrington- Schmid certify that:

1. They are the President and the Secretary, respectively, of Chelsea Service Corporation, a California corporation.
2. The articles of incorporation of the corporation are amended and restated to read in their entirety as follows:

I

The name of this corporation is Chelsea Investment Corporation.

II

The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

III

This corporation is authorized to issue only one class of shares of stock; and the total number of shares, which this corporation is authorized to issue, is 1,000.

IV


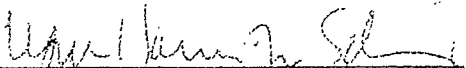
The Corporation is authorized to provide indemnification of agents (as the word "agents" is defined in Section 317 of the California Corporations Code) through bylaw provisions, agreements with the agents, vote of shareholders or disinterested directors, or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the California Corporations Code, subject only to the limits set forth in Section 204 of the California Corporations Code with respect to actions for breach of duty to the Corporation or its shareholders.

3. This Certificate, restating and amending the articles of incorporation, has been approved by the Board of Directors.
4. The amendment was approved by the required vote of the shareholders in accordance with Section 902 of the Corporations Code. The corporation has only one class of shares and the number of outstanding shares is 100. The number of shares

voting in favor of the amendment equaled or exceeded the vote required. The percentage vote required was more than 50%.

We declare under penalty of perjury under the laws of the State of California that the statements set forth in this certificate are true and correct of our own knowledge and that this declaration was executed on December 27, 2005 at San Diego, California.

Dated: December 27, 2005


James J. Schmid, President
Lynn Harrington-Schmid, Secretary



I hereby certify that the foregoing
transcript of 2 page(s)
is a full, true and correct copy of the
original record in the custody of the
California Secretary of State's office.

AUG 16 2014

Date:

Debra Bowen

DEBRA BOWEN, Secretary of State

Chelsea Investment Corporation
And Subsidiaries
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013
with
Independent Accountants' Review Report

C O N T E N T S

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Independent Accountants' Review Report

To the Stockholder of
Chelsea Investment Corporation and Subsidiaries
Carlsbad, California

We have reviewed the accompanying consolidated balance sheet of Chelsea Investment Corporation, an S Corporation (the "Company") and Subsidiaries as of December 31, 2013, and the related consolidated statements of operations, stockholder's equity, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the consolidated financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Novogradac & Company LLP

San Francisco, California
March 24, 2014

Chelsea Investment Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEET

December 31, 2013

ASSETS

Current assets:

Cash and cash equivalents	\$ 317,987
Marketable securities	1,932,904
Accounts receivable	48,679
Current portion of developer fees receivable - related parties	2,484,037
Current portion of project cost advances - related parties	671,357
Current portion of notes receivable - related party	241,025
Current portion of note receivable - third party	85,079
Interest receivable	12,673
Total current assets	<u>5,793,741</u>

Fixed assets:

Property and equipment	350,661
Leasehold improvements	75,633
Accumulated depreciation	<u>(176,792)</u>
Fixed assets, net	249,502

Other assets:

Developer fees receivable - related parties, less current portion	763,977
Management fees receivable	502,216
Project cost advances - related parties, less current portion	202,969
Notes receivable - related parties, less current portion	114,918
Deposit and other assets	23,900
Deferred income tax benefit	21,000
Total other assets	<u>1,628,980</u>

Total assets	<u><u>\$ 7,672,223</u></u>
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See accompanying notes and independent accountants' review report.

Chelsea Investment Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEET (Continued)

December 31, 2013

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities:	
Accounts payable	\$ 568
Accrued expenses	621,196
Total current liabilities	<u>621,764</u>
Long-term liabilities:	
Security deposits	14,310
Other long-term liabilities	4,346
Total long-term liabilities	<u>18,656</u>
Total liabilities	640,420
Stockholder's equity:	
Controlling interest	
Common stock, no par value	
1,000 shares authorized	
100 shares issued and outstanding	100
Additional paid in capital	2,967,000
Retained earnings	<u>4,064,604</u>
Total controlling interest	7,031,704
Non-controlling interest	<u>99</u>
Total stockholder's equity	<u>7,031,803</u>
Total liabilities and stockholder's equity	<u>\$ 7,672,223</u>

See accompanying notes and independent accountants' review report.

Chelsea Investment Corporation and Subsidiaries
CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31, 2013

Revenue:	
Developer fees	\$ 3,677,407
Management fees	219,155
Loan fee income	170,563
Reimbursed expenses	5,518
Other revenue	332
Total revenue	<u>4,072,975</u>
Operating expenses:	
Compensation and benefits	2,244,584
Insurance	300,581
Consulting and professional fees	282,526
Rent	159,521
Payroll taxes	158,742
General and administrative	94,422
Bad debt expense	77,644
Other expenses	64,206
Travel	47,645
Office expenses	29,756
Repairs and maintenance	19,586
Meals and entertainment	18,222
Utilities	13,260
Depreciation expense	47,171
Total operating expenses	<u>3,557,866</u>
Operating income	515,109
Other income (expenses):	
Investment and interest income	77,000
Interest expense	<u>(25,536)</u>
Total other income	<u>51,464</u>
Income before provision for income taxes	566,573
Provision for income taxes	<u>(12,721)</u>
Net income	<u><u>\$ 553,852</u></u>

See accompanying notes and independent accountants' review report.

Chelsea Investment Corporation and Subsidiaries
CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY

For the year ended December 31, 2013

Controlling Interest								
Common Stock			Additional		Retained Earnings	Total Controlling Interest	Total Non-controlling Interest	Total Stockholder's Equity
Shares	Amount		Paid-in Capital					
100	\$	100	\$ 2,967,000	\$ 5,459,365	\$ 8,426,465	\$ 99	\$ 8,426,564	
BALANCE, JANUARY 1, 2013								
-	-	-	-	1,675,573	1,675,573	-	1,675,573	
Stockholder contributions								
-	-	-	-	(3,614,286)	(3,614,286)	(9,900)	(3,624,186)	
Stockholder distributions								
-	-	-	-	543,952	543,952	9,900	553,852	
Net income								
100	\$	100	\$ 2,967,000	\$ 4,064,604	\$ 7,031,704	\$ 99	\$ 7,031,803	
BALANCE, DECEMBER 31, 2013								

See accompanying notes and independent accountants' review report.

Chelsea Investment Corporation and Subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2013

Cash flows from operating activities:	
Net income	\$ 553,852
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation expense	47,171
(Increase) decrease in operating assets	
Marketable securities	1,110,275
Accounts receivable	(33,774)
Project cost advances - related parties	1,384,373
Developer fees receivable - related parties	(1,246,865)
Management fees receivable	(98,015)
Deposits and other assets	(3,050)
Interest receivable	(4,478)
Increase (decrease) in operating liabilities	
Accounts payable	106
Accrued expenses	539,337
Security deposits	3,510
Other long-term liabilities	(180,401)
Unearned revenue - related parties	(303,918)
Net cash provided by operating activities	<u>1,768,123</u>
Cash flows from investing activities:	
Repayment of notes receivable - related parties	83,053
Repayment of notes receivable - third party	8,918
Purchase of property and equipment	(59,743)
Purchase of leasehold improvements	(48,220)
Net cash used in investing activities	<u>\$ (15,992)</u>

See accompanying notes and independent accountants' review report.

Chelsea Investment Corporation and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended December 31, 2013

Cash flows from financing activities:	
Net repayment of line of credit	\$ (530,000)
Contributions from sole stockholder	1,675,573
Distributions to sole stockholder	(3,614,286)
Distributions to non-controlling interest	(9,900)
Net cash used in financing activities	<u>(2,478,613)</u>
 Net decrease in cash and cash equivalents	(726,482)
 Cash and cash equivalents, beginning of year	<u>1,044,469</u>
 Cash and cash equivalents, end of year	<u><u>\$ 317,987</u></u>
 Supplemental disclosure cash flow information:	
Cash paid for interest during the year	<u><u>\$ 25,536</u></u>

See accompanying notes and independent accountants' review report.

Chelsea Investment Corporation and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Chelsea Investment Corporation (the “Company”) was established in February 2004, as a real estate company focusing on the financing and development of affordable housing in Arizona, California, New Mexico, and Texas. The Company provides financial engineering, development, asset management, and property management services, as well as legal and labor services to its development and investment partners and clients.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

Principles of Consolidation

The accompanying consolidated financial statements include the assets, liabilities, and financial activities of the Company and its wholly-owned subsidiaries CIC Calipatria, LLC, CIC Heber, LLC, CIC Beachwind, LLC, and Ajax-Natomas, LLC. In addition, the Company is required to consolidate the financial statements of 15th Investment CIC, LLC, as the Company is deemed to have control. All inter-company accounts and transactions have been eliminated in the consolidation.

Use of Estimates

The preparation of consolidated financial statements using the accrual basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Economic Concentrations

The Company develops property for the affordable rental housing market. Future operations could be affected by changes in the economic conditions or other conditions in those geographical areas or the demand for housing.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of demand deposit accounts and highly liquid instruments with original maturities of three months or less.

Concentration of Credit Risk

The Company maintains its cash in bank deposit accounts which at times may exceed the federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Revenue Recognition

The Company recognizes revenue when it is realized or realizable and earned. Revenue consists of the income from various partnerships, including developer fees, incentive management fees, partnership administration fees, and consulting fees. The Company considers revenue realized or realizable and earned when it has persuasive evidence of an arrangement, the services have been provided and collectability is reasonably assured.

Chelsea Investment Corporation and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Deferred income tax assets and liabilities result from temporary differences. Temporary differences are differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years.

By consent of the stockholder, the Company elected to be taxed as an S corporation beginning with the year ended December 31, 2004. Federal and state income taxes on the earnings of an S corporation are payable by the sole stockholder. However, California assesses an additional tax of 1.50% on the taxable income, net of certain credits.

The preparation of the financial statements in accordance with US GAAP requires the Company to report information regarding its exposure to various tax positions taken by the Company. Management has determined whether any tax positions have met the recognition threshold and have measured the Company's exposure to these tax positions. Management believes that the Company has adequately addressed all relevant tax positions and that there are no unrecorded liabilities. Any interest or penalties assessed to the Company are recorded as an operating expense. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Partnership Investments

The consolidated wholly-owned subsidiaries of the Company hold general partner interests in affiliated affordable housing limited partnerships. These general partner interests are recorded using the cost method, under which the original contributions are only adjusted for any distributions in excess of prior gains. The investments cannot be reduced below zero. Any distributions in excess of gains are recorded as investment income. As of December 31, 2013, the investment of the subsidiaries in the affiliated affordable housing limited partnerships was \$0.

Non-Controlling Interest in Subsidiary

The non-controlling interest represents the aggregate positive balance of the other members' interest in 15th Investment CIC, LLC, and is reported in the aggregate on the consolidated balance sheet within equity and on the consolidated statement of stockholder's equity, separately from the Company's equity.

Fixed Assets

The Company records all depreciable assets at cost. Property and equipment are depreciated on a straight-line method over their estimated useful lives of five to seven years. Leasehold improvements are depreciated on a straight-line method over their estimated useful lives of fifteen years.

Subsequent Events

Subsequent events have been evaluated through March 24, 2014, which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

Chelsea Investment Corporation and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013

NOTE 2 – FIXED ASSETS

Fixed assets consist of the following as of December 31, 2013:

Property and equipment, at cost	\$ 350,661
Leasehold improvements, at cost	75,633
Accumulated depreciation	<u>(176,792)</u>
Total fixed assets, net	<u>\$ 249,502</u>

Depreciation expense for the year ended December 31, 2013 was \$47,171.

NOTE 3 – NOTE RECEIVABLE

The Company has a note receivable in amount of \$100,000, due from a third party bearing 5.00% interest per annum; with monthly installments of \$1,061, together with interest on the unpaid principal starting February 1, 2012. The entire unpaid principal and interest shall be due and payable on December 31, 2014. The note is secured by all rights, title and interest in properties of borrower. The outstanding balance of the note receivable as of December 31, 2013 was \$85,079 and accrued interest receivable was \$0.

NOTE 4 – RELATED PARTY TRANSACTIONS

Notes Receivable

Notes receivable with related parties consist of the following as December 31, 2013:

	<u>Amount</u>
The Company has a promissory note with a related party for \$90,000. This note bears interest at 5.00% per annum and is due on December 31, 2014 with all unpaid interest in full. As of December 31, 2013, the balance on this promissory note was \$90,000 and accrued interest receivable was \$12,292.	\$ 90,000
The Company has a promissory note with a related party for \$190,000. This note bears interest at 1.00% per annum and is due on December 31, 2016. Principal payment installments of \$2,500 are payable monthly to the Company. As of December 31, 2013, the balance on this promissory note was \$85,918 and accrued interest receivable was \$0.	85,918
The Company has a promissory note with a related entity for \$151,025. This note bears interest at 1.00% per annum and is due on December 31, 2014. As of December 31, 2013, the balance on this promissory note was \$151,025 and accrued interest receivable was \$381.	151,025

Chelsea Investment Corporation and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013

NOTE 4 – RELATED PARTY TRANSACTIONS (continued)

Notes Receivable (continued)

	<u>Amount</u>
The Company has a promissory note with a related entity for \$72,774. This note bears no interest and is payable in whole or in part any time with no penalty and matures on October 30, 2015. As of December 31, 2013, the balance on this promissory note was \$29,000.	<u>29,000</u>
Total notes receivable – related parties	355,943
Less: current portion of notes receivable - related party	<u>(241,025)</u>
Notes receivable – related parties, less current portion	<u>\$ 114,918</u>

Project Cost Advances

The Company and its affiliates have expended certain amounts for projects that it expects will be funded and completed in the future. These amounts are capitalized as the Company expects they will be reimbursed in the future. Any costs associated with projects that cease being feasible for future development are expensed, when the determination is made that feasibility is no longer assured. The Company will also charge loan fees on certain project advances. For the year ended December 31, 2013, loan fees earned on project advances were \$170,563.

Project costs advances consist of the following as of December 31, 2013:

Total project cost advances – related parties	\$ 874,326
Less: current portion of project costs advances – related parties	<u>(671,357)</u>
Project cost advances – related parties, less current portion	<u>\$ 202,969</u>

Developer Fees

Developer fees are fees the Company receives for providing development and construction services to associated projects, which are based on fee sharing agreements with various project developer entities associated with the Company. Balances are recorded at amounts expected to be realized and any amounts received and deemed unearned by the Company are classified as unearned revenue. For the year ended December 31, 2013, developer fees earned were \$3,677,407.

The developer fees receivable balance is recorded at amounts expected to be realized. As of December 31, 2013, management estimated no allowance for uncollectible developer fees receivable.

Developer fees receivable consist of the following as of December 31, 2013:

Total developer fees receivable – related parties	\$ 3,248,014
Less: current portion of developer fees receivable – related party	<u>(2,484,037)</u>
Developer fees receivable- related parties, less current portion	<u>\$ 763,977</u>

Chelsea Investment Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013

NOTE 4 – RELATED PARTY TRANSACTIONS (continued)

Partnership Management Fees

The Company receives partnership management fees from associated properties after they have been completed. The management fees are accrued on the Company's books as services are rendered and are paid out of the available cash flow, if any, of the partnerships. For the year ended December 31, 2013, partnership management fees of \$108,016 were earned and are included in management fees revenue on the consolidated statement of operations. As of December 31, 2013, partnership management fees receivable were \$502,216.

Incentive Management Fee

Pursuant to an incentive management fee agreement between the Company and CIC PHR, LP ("PHR") dated September 1, 2002, an incentive management fee equal to 5.4% of gross revenues or 76.5% of remaining cash flow from PHR, shall be earned by the Company for consultative services. For the year ended December 31, 2013, a management fee of \$46,139 was earned and paid, and is included in management fees revenue on the consolidated statement of operations.

Management Fee

Pursuant to a services agreement between the Company and Chelsea Asset Corporation ("CAC") dated January 1, 2013, a management fee of \$65,000 shall be earned by the Company for services provided. For the year ended December 31, 2013, a management fee of \$65,000 was earned and paid, and is included in management fees revenue on the consolidated statement of operations.

NOTE 5 – LINE OF CREDIT

The Company has a line of credit agreement with the American West Bank, with an available credit line of \$2,500,000, which is scheduled to mature on June 25, 2014. The line of credit bears interest at a variable interest rate with a floor of 3.25%, which was the interest rate as of December 31, 2013. The outstanding balance on the line of credit as of December 31, 2013 was \$0.

The line of credit agreement contains certain financial covenants, which if not met, could make the debt callable. The Company is in compliance with all covenants at December 31, 2013.

NOTE 6 – OPERATING LEASE

The Company leases certain building space under a non-cancelable operating lease that will expire October 31, 2016. This agreement requires aggregate monthly payments of \$17,496 plus the proportionate share of common area maintenance expenses, with monthly payments increasing 3% annually every September. On March 12, 2013, the agreement was amended to include 5,000 feet of warehouse space to the existing premises in an adjacent building. After an initial 6 month grace period, the amendment requires aggregate monthly payments of \$3,900 plus electricity used in the warehouse space, with monthly payments increasing 3% every September. Rent expense, which includes common area expenses, for the year ended December 31, 2013 was \$159,521 (net of sublease income).

Chelsea Investment Corporation and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013

NOTE 6 – OPERATING LEASE (continued)

Future minimum lease payments, by year end and in the aggregate, under the non-cancelable lease, consist of the following as of December 31:

2014	\$	260,536
2015		280,400
2016		<u>239,730</u>
Total	\$	<u>780,666</u>

NOTE 7 – COMMITMENT AND CONTINGENCIES

The Company is a party to certain payment and completion guarantees in connection with bank construction loans made for eight projects as of December 31, 2013 in the aggregate amount of \$61,494,214. Five of the eight projects with construction loans in the aggregate amount of \$25,897,544 as of December 31, 2013 have been completed and are expected to be paid off in 2014. The other projects are currently on schedule and are expected to be completed in 2014 or 2015. As of December 31, 2013, the Company expects that it will not be liable for any amount under the guarantees for these eight projects.

The Company is liable for guarantees of funding at various operating projects in the event that operating deficits occur. These guarantees, if required, are satisfied by making loans to such projects. The obligations to fund the operating deficits expire between 3 and 5 years after the projects convert to permanent financing. As of December 31, 2013, the Company has made an operating deficit loan in the amount of \$29,000, as shown in Note 4.

The Company has committed to third party Investor Limited Partners, in connection with their investment made in various projects, to maintain a net worth and liquid assets of not less than \$3,750,000 during the project construction period and a net worth of not less than \$3,750,000 and liquid assets of not less than \$1,850,000 thereafter until the end of the 10 year tax credit period. As of December 31, 2013, the Company was in compliance with these covenants.

NOTE 8 – PROVISION FOR INCOME TAXES

The Company is a California S Corporation and pays California a tax of 1.5%, a minimum of \$800 each year, on its apportioned taxable income, net of credits. The consolidated subsidiaries are primarily California limited liability companies (LLC's) that pay a California annual minimum tax of \$800.

The provision for income taxes consisted of the following at December 31, 2013:

Current income tax provision – state	\$	<u>12,721</u>
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At December 31, 2013, the Company had a net long term deferred tax asset of \$21,000. No valuation allowance has been recorded as of December 31, 2013.

Chelsea Investment Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013

NOTE 9 – EMPLOYEE RETIREMENT PLAN

On August 16, 2006, the Company adopted a 401(k) plan and profit sharing plan covering substantially all employees of the Company. Annual discretionary employer matching contributions, if any, are equal to a safe harbor matching contribution provided by the Company to employees who elects the salary deferral. The Company did not make any matching contributions during 2013.

NOTE 10 – MARKETABLE SECURITIES – SHORT-TERM

Marketable securities held by the Company consist of accounts at Vanguard Inc. in the aggregate amount of \$932,904 and assignment of \$1,000,000 from an undivided interest in a marketable securities account held at Vanguard in the name of the Company's sole stockholder. As of December 31, 2013, the total amount of marketable securities held by the Company was \$1,932,904.

Chelsea Investment Corporation
And Subsidiaries
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012
with
Independent Accountants' Review Report

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NOVOGRADAC
& COMPANY LLP®

CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountants' Review Report

To the Stockholder of
Chelsea Investment Corporation and Subsidiaries
Carlsbad, California

We have reviewed the accompanying consolidated balance sheet of Chelsea Investment Corporation, an S Corporation (the "Company") and Subsidiaries as of December 31, 2012, and the related consolidated statements of operations, stockholder's equity, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the consolidated financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Novogradac & Company LLP

San Francisco, California
March 26, 2013

Chelsea Investment Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEET

December 31, 2012

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,044,469
Marketable securities	3,043,179
Accounts receivable	14,905
Current portion of notes receivable - related party	215,197
Current portion of note receivable - third party	93,997
Current portion of developer fees receivable - related parties	1,424,681
Project cost advances - related parties	2,258,699
Management fees receivable	404,201
Interest receivable	8,195
Total current assets	<u>8,507,523</u>

Fixed assets:

Property and equipment	318,331
Accumulated depreciation	<u>(129,621)</u>
Fixed assets, net	188,710

Other assets:

Developer fees receivable - related parties, less current portion	576,468
Notes receivable - related parties, less current portion	223,799
Deposit and other assets	21,070
Deferred income tax benefit	21,000
Total other assets	<u>842,337</u>

Total assets	<u><u>\$ 9,538,570</u></u>
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See accompanying notes and independent accountants' review report.

Chelsea Investment Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEET (Continued)

December 31, 2012

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities:		
Accounts payable	\$	462
Accrued expenses		277,406
Due to related parties		220
Line of credit		530,000
Unearned revenue - related parties		303,918
Total current liabilities		<u>1,112,006</u>
 Total liabilities		 1,112,006
Stockholder's equity:		
Controlling interest		
Common stock, no par value		
1,000 shares authorized		
100 shares issued and outstanding		100
Additional paid in capital		2,967,000
Retained earnings		<u>5,459,365</u>
 Total controlling interest		 8,426,465
 Non-controlling interest		 <u>99</u>
 Total stockholder's equity		 <u>8,426,564</u>
 Total liabilities and stockholder's equity	\$	 <u><u>9,538,570</u></u>

See accompanying notes and independent accountants' review report.

Chelsea Investment Corporation and Subsidiaries

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31, 2012

Revenue:	
Developer fees	\$ 7,436,660
Management fees	150,533
Reimbursed expenses	5,700
Other revenue	6,539
Total revenue	<u>7,599,432</u>
Operating expenses:	
Compensation and benefits	2,607,533
Bad debt expense	302,995
Consulting and professional fees	291,714
Insurance	263,896
Payroll taxes	166,316
Rent	155,902
General and administrative	99,737
Office expenses	36,539
Travel	28,959
Other expenses	24,650
Meals and entertainment	16,292
Utilities	15,038
Repairs and maintenance	14,253
Depreciation	10,895
Total operating expenses	<u>4,034,719</u>
Operating income	3,564,713
Other income (expenses):	
Interest income	122,275
Interest expense	(8,278)
Total other income	<u>113,997</u>
Income before provision for income taxes	3,678,710
Provision for income taxes	<u>(52,248)</u>
Net income	<u><u>\$ 3,626,462</u></u>

See accompanying notes and independent accountants' review report.

Chelsea Investment Corporation and Subsidiaries
CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY

For the year ended December 31, 2012

		Controlling Interest						
	Common Stock Shares	Amount	Additional Paid-in Capital		Retained Earnings	Total Controlling Interest	Total Non-controlling Interest	Total Stockholder's Equity
BALANCE, JANUARY 1, 2012	100	\$	100	\$ 2,967,000	\$ 1,535,156	\$ 4,502,256	\$ 99	\$ 4,502,355
Stockholder contributions	-		-	-	2,128,754	2,128,754	-	2,128,754
Stockholder distributions	-		-	-	(1,831,007)	(1,831,007)	-	(1,831,007)
Net income	-		-	-	3,626,462	3,626,462	-	3,626,462
BALANCE, DECEMBER 31, 2012	100	\$	100	\$ 2,967,000	\$ 5,459,365	\$ 8,426,465	\$ 99	\$ 8,426,564

See accompanying notes and independent accountants' review report.

Chelsea Investment Corporation and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2012

Cash flows from operating activities:

Net income	\$ 3,626,462
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation of property and equipment	10,895
Bad debt expense on notes receivable - related parties	11,266
Bad debt expense on interest receivable	61,340
(Increase) decrease in operating assets	
Marketable securities	(22,771)
Accounts receivable	11,993
Project cost advances - related parties	(1,855,925)
Developer fees receivable - related parties	(649,013)
Management fees receivable	(95,162)
Deposits and other assets	(850)
Interest receivable	(4,597)
Other current assets	1,612
Increase (decrease) in operating liabilities	
Accounts payable	(1,809)
Accrued expenses	22,311
Due to related parties	(225,336)
Unearned revenue - related parties	(44,385)
Net cash provided by operating activities	<u>846,031</u>

Cash flows from investing activities:

Issuance of notes receivable - related parties	(265,932)
Issuance of notes receivable - third party	(24,287)
Purchase of property and equipment	(191,615)
Net cash used in investing activities	<u>\$ (481,834)</u>

See accompanying notes and independent accountants' review report.

Chelsea Investment Corporation and Subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended December 31, 2012

Cash flows from financing activities:	
Net proceeds from line of credit	\$ 130,000
Contributions from sole stockholder	2,128,754
Distributions to sole stockholder	<u>(1,831,007)</u>
Net cash provided by financing activities	<u>427,747</u>
 Net increase in cash and cash equivalents	 791,944
 Cash and cash equivalents, beginning of year	 <u>252,525</u>
 Cash and cash equivalents, end of year	 <u><u>\$ 1,044,469</u></u>
 Supplemental disclosure cash flow information:	
Cash paid for interest during the year	<u><u>\$ 8,278</u></u>

See accompanying notes and independent accountants' review report.

Chelsea Investment Corporation and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Chelsea Investment Corporation (the "Company") was established in February 2004, as a real estate company focusing on the financing and development of affordable housing in Arizona, California, New Mexico, and Texas. The Company provides financial engineering, development, asset management, and property management services, as well as legal and labor services to its development and investment partners and clients.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Principles of Consolidation

The accompanying consolidated financial statements include the assets, liabilities, and financial activities of the Company and its wholly-owned subsidiaries CIC Calipatria, LLC, CIC Heber, LLC, CIC Beachwind, LLC, and Ajax-Natomas, LLC. In addition, the Company is required to consolidate the financial statements of 15th Investment CIC, LLC, as the Company is deemed to have control. All inter-company accounts and transactions have been eliminated in the consolidation.

Use of Estimates

The preparation of consolidated financial statements using the accrual basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Economic Concentrations

The Company develops property for the affordable rental housing market. Future operations could be affected by changes in the economic conditions or other conditions in those geographical areas or the demand for housing.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of demand deposit accounts and highly liquid instruments with original maturities of three months or less.

Concentration of Credit Risk

The Company maintains its cash in bank deposit accounts which at times may exceed the federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Revenue Recognition

The Company recognizes revenue when it is realized or realizable and earned. Revenue consists of the income from various partnerships, including incentive management fees, partnership administration fees, and consulting fees. The Company considers revenue realized or realizable and earned when it has persuasive evidence of an arrangement, the services have been provided and collectability is reasonably assured.

Chelsea Investment Corporation and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Deferred income tax assets and liabilities result from temporary differences. Temporary differences are differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years.

By consent of the stockholder, the Company elected to be taxed as an S corporation beginning with the year ended December 31, 2004. Federal and state income taxes on the earnings of an S corporation are payable by the sole stockholder. However, California assesses an additional tax of 1.50% on the taxable income, net of certain credits.

The preparation of the financial statements in accordance with US GAAP requires the Company to report information regarding its exposure to various tax positions taken by the Company. The Company has determined whether any tax positions have met the recognition threshold and have measured the Company's exposure to these tax positions. Management believes that the Company has adequately addressed all relevant tax positions and that there are no unrecorded liabilities. Any interest or penalties assessed to the Company are recorded as an operating expense. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Fair Value Measurements

The Company applies the accounting provisions related to fair value measurements. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting Company's own data. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

- Level 1:* Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2:* Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3:* Unobservable inputs that reflect the Company's own assumptions.

Chelsea Investment Corporation and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

The following table presents certain Company assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of December 31, 2012.

	December 31, 2012			Fair Value Measurements
	Level 1	Level 2	Level 3	
Marketable securities	\$ 3,043,179	\$ -	\$ -	\$ 3,043,179
	<u>\$ 3,043,179</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,043,179</u>

Non-Controlling Interest in Subsidiary

The non-controlling interest represents the aggregate positive balance of the other members' interest in 15th Investment CIC, LLC, and is reported in the aggregate on the consolidated balance sheet within equity and on the consolidated statement of stockholder's equity, separately from the Company's equity.

Fixed Assets

The Company records all depreciable assets at cost. Property and equipment are depreciated on a straight-line method over their estimated useful lives of five years.

Subsequent Events

Subsequent events have been evaluated through March 26, 2013, which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

NOTE 2 - FIXED ASSETS

Fixed assets consist of the following as of December 31, 2012:

Property and equipment, at cost	\$ 318,331
Accumulated depreciation	<u>(129,621)</u>
Total fixed assets, net	<u>\$ 188,710</u>

Depreciation expense for the years ended December 31, 2012 was \$10,895.

NOTE 3 - NOTE RECEIVABLE

The Company has a note receivable in amount of \$100,000, due from a third party bearing 5.00% interest per annum; with monthly installments of \$1,061, together with interest on the unpaid principal starting February 1, 2012. The entire unpaid principal and interest shall be due and payable on November 18, 2013. The note is secured by all rights, title and interest in properties of borrower. The outstanding balance of the note receivable as of December 31, 2012 was \$93,997 and accrued interest receivable was \$391.

Chelsea Investment Corporation and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

NOTE 4 – RELATED PARTY TRANSACTIONS

Notes Receivable

Notes receivable with related parties consist of the following as December 31, 2012:

	<u>Amount</u>
The Company had a promissory note with a related entity for \$198,615. This note had an interest rate of 5.34% per annum and was to mature on November 31, 2021 with all unpaid interest in full. During 2012, the note, along with interest receivable, net of an allowance of \$187,347, was assigned by the Company to an affiliate of the development company who will attempt to collect the remaining balance. As of December 31, 2012, the balance on this promissory note was \$0 and accrued interest receivable was \$0.	\$ 0
The Company has a promissory note with a related entity for \$90,000. This note bears interest at 5.00% per annum and is due on December 31, 2013 with all unpaid interest in full. As of December 31, 2012, the balance on this promissory note was \$90,000 and accrued interest receivable was \$7,804.	90,000
The Company has a promissory note with a related entity for \$190,000. This note bears interest at 5.00% per annum and is due on December 31, 2013. Principal payment installments of \$9,999 are payable monthly to the Company. As of December 31, 2012, the balance on this promissory note was \$114,907 and accrued interest receivable was \$0.	114,907
The Company has a promissory note with a related entity for \$151,025. This note bears interest at 1.00% per annum and is due on December 31, 2014. As of December 31, 2012, the balance on this promissory note was \$151,025 and accrued interest receivable was \$0.	151,025
The Company has a promissory note with a related entity for \$21,684. This note bears interest at 5.00% per annum and is due on July 31, 2013. As of December 31, 2012, the balance on this promissory note was \$10,290 and accrued interest receivable was \$0.	10,290
The Company has a promissory note with a related party for \$72,774. This note bears no interest and is payable in whole or in part any time with no penalty and matures on October 30, 2015.	<u>72,774</u>
Total notes receivable – related parties	438,996
Less: current portion of notes receivable - related party	<u>(215,197)</u>
Notes receivable – related parties, less current portion	<u>\$ 223,799</u>

Chelsea Investment Corporation and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

NOTE 4 – RELATED PARTY TRANSACTIONS (continued)

Project Cost Advances

The Company and its affiliates have expended certain amounts for projects that it expects will be funded and completed in the future. These amounts are capitalized as the Company expects they will be reimbursed in the future. Any costs associated with projects that cease being feasible for future development are expensed, when the determination is made that feasibility is no longer assured.

Project costs advances consist of the following as of December 31, 2012:

Total project cost advances – related parties	\$ <u>2,258,699</u>
---	---------------------

Developer Fees

Developer fees are fees the Company receives for providing development and construction services to associated projects, which are based on fee sharing agreements with various project developer entities associated with the Company. Balances are recorded at amounts expected to be realized and any amounts received and deemed unearned by the Company are classified as unearned revenue. For the year ended December 31, 2012, developer fees earned were \$7,436,660 and unearned revenue as of December 31, 2012 was \$303,918.

The developer fees receivable balance is recorded at amounts expected to be realized. As of December 31, 2012, management estimated no allowance for uncollectible developer fees receivable.

Developer fees receivable consist of the following as of December 31, 2012:

Total developer fees receivable – related parties	\$ 2,001,149
Less: current portion of developer fees receivable – related party	<u>(1,424,681)</u>
Developer fees receivable- related parties, less current portion	\$ <u>576,468</u>

Partnership Management Fees

The Company receives partnership management fees from associated properties after they have been completed. The management fees are accrued on the Company's books as services are rendered and are paid out of the available cash flow, if any, of the partnerships. For the year ended December 31, 2012, partnership management fees of \$95,161 were earned and are included in management fees revenue on the consolidated statement of operations. As of December 31, 2012, partnership management fees receivable were \$404,201.

Incentive Management Fee

Pursuant to an incentive management fee agreement between the Company and CIC PHR, LP ("PHR") dated September 1, 2002, an incentive management fee equal to 5.4% of gross revenues or 76.5% of remaining cash flow from PHR, shall be earned by the Company for consultative services. For the year ended December 31, 2012, a management fee of \$45,372 was earned and paid, and is included in management fees revenue on the consolidated statement of operations.

Chelsea Investment Corporation and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

NOTE 4 – RELATED PARTY TRANSACTIONS (continued)

Management Fee

Pursuant to a services agreement between the Company and Chelsea Asset Corporation (“CAC”) dated January 1, 2012, a management fee of \$10,000 shall be earned by the Company for services provided. For the year ended December 31, 2012, a management fee of \$10,000 was earned and paid, and is included in management fees revenue on the consolidated statement of operations.

NOTE 5 – LINE OF CREDIT

The Company has a line of credit agreement with the Security Business Bank of San Diego, with an available credit line of \$1,000,000, which is scheduled to mature on June 25, 2014. The line of credit bears interest at a variable interest rate with a floor of 5.00%, which was the interest rate as of December 31, 2012. The outstanding balance on the line of credit as of December 31, 2012 was \$530,000.

The line of credit agreement contains certain financial covenants, which if not met, could make the debt callable. The Company is in compliance with all covenants at December 31, 2012.

NOTE 6 – OPERATING LEASE

The Company leases certain building space under a non-cancelable operating lease that will expire October 31, 2016. This agreement requires aggregate monthly payments of \$17,496 plus the proportionate share of common area maintenance expenses, with monthly payments increasing 3% annually every September. Rent expense, which includes common area expenses, for the years ended December 31, 2012 was \$155,902 (net of sublease income).

Future minimum lease payments, by year end and in the aggregate, under the non-cancelable lease, consist of the following as of December 31:

2013	\$ 218,416
2014	224,968
2015	231,712
2016	<u>198,102</u>
Total	<u>\$ 873,198</u>

NOTE 7 – COMMITMENT AND CONTINGENCIES

The Company is a party to certain payment and completion guarantees in connection with bank construction loans made for seven projects as of December 31, 2012 in the aggregate amount of \$53,505,076. Five of the seven projects with construction loans in the aggregate amount of \$39,239,918 as of December 31, 2012 have been completed and are expected to be paid off in 2013. The other projects are currently on schedule and are expected to be completed in 2013. As of December 31, 2012, the Company expects that it will not be liable for any amount under the guarantees for these seven projects.

Chelsea Investment Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

NOTE 7 – COMMITMENT AND CONTINGENCIES (continued)

The Company is liable for guarantees of funding at various operating projects in the event that operating deficits occur. These guarantees, if required, are satisfied by making loans to such projects. The obligations to fund the operating deficits expire between 3 and 5 years after the projects convert to permanent financing. As of December 31, 2012, the Company has made an operating deficit loan in the amount of \$72,774, which is represented as the note receivable above.

The Company has committed to third party Investor Limited Partners, in connection with their investment made in various projects, to maintain a net worth and liquid assets of not less than \$3,000,000 during the project construction period and a net worth of not less than \$3,000,000 and liquid assets of not less than \$1,500,000 thereafter until the end of the 10 year tax credit period. As of December 31, 2012, the Company was in compliance with these covenants.

NOTE 8 – PROVISION FOR INCOME TAXES

The Company is a California S Corporation and pays California a tax of 1.5%, a minimum of \$800 each year, on its apportioned taxable income, net of credits. The consolidated subsidiaries are primarily California limited liability companies (LLC's) that pay a California annual minimum tax of \$800.

The provision for income taxes consisted of the following at December 31, 2012:

Current income tax provision – state	\$ <u>52,248</u>
--------------------------------------	------------------

At December 31, 2012, the Company had a net long term deferred tax asset of \$21,000. No valuation allowance has been recorded as of December 31, 2012.

NOTE 9 – EMPLOYEE RETIREMENT PLAN

On August 16, 2006, the Company adopted a 401(k) plan and profit sharing plan covering substantially all employees of the Company. Annual discretionary employer matching contributions, if any, are equal to a safe harbor matching contribution provided by the Company to employees who elects the salary deferral. The Company did not make any matching contributions during 2012.

NOTE 10 – MARKETABLE SECURITIES – SHORT-TERM

Marketable securities held by the Company consist of accounts at Vanguard Inc. in the aggregate amount of \$953,179 and assignment of \$2,090,000 from an undivided interest in a marketable securities account held at Vanguard in the name of the Schmid Family Trust. As of December 31, 2012, the total amount of marketable securities held by the Company was \$3,043,179.



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Phone: (760) 456 - 6020

Affiliates: Finish Tech Corporation & Frontera Construction Corporation

Corporate Resume

Purpose

Emmerson Construction, Inc. (ECI) was formed in 2000 with a principal purpose of business to construct affordable multifamily and seniors housing projects for Chelsea Investment Corporation and its affiliates. With a focused attention to providing a complete and dedicated construction service, Emmerson Construction, Inc. has assembled a team of experienced professionals who share a common goal of providing competitive market pricing, consistent quality, time sensitivity and risk exposure mitigation. These are all necessary components for the security of partners, lenders, and investors.

Experience

General Contractor

Emmerson is committed to delivering products and services of exceptional quality while always focusing on schedule, safety, and budgets. The building structures normally consist of reinforced or post-tensioned concrete slabs with wood frame construction and stucco exteriors. A number of projects feature podium decks. The buildings typically exceed Title 24 standard energy efficient standards with features such as dual pane windows with low E glass, fully insulated roofs (R38) and walls (R19), 2x6 framing, and energy efficient appliances. Completed jobs include multiple LEED certified projects up to the prestigious LEED Platinum level.

Construction Management

Emmerson also offers construction management services where there is a different firm acting as the general contractor. Under this arrangement, Emmerson provides owners project oversight, budget and schedule review, quality assurance and related services.

Facility Maintenance

Emmerson Construction, Inc. provides ongoing facilities maintenance services for all projects operated by Chelsea Investment Corporation and its affiliates. These services consist of scheduled and emergency building repairs and common area maintenance.

Key Team Members

President & Chief Operating Officer - Charles Schmid

Chief Financial Officer - Gerri Jones

Formerly with Brehm Communities, Lennar Communities, and Catellus Residential. Experience includes managing accounting departments for the various companies in the role as Controller or Assistant Controller. Projects included intimate subdivisions of 20 single family homes to large mixed-use developments with 600+ apartment or single family homes, over 2 million square feet of commercial space and 180+ acres of open space.

Project Manager - Janice Patterson

Previously with Barratt American as Project Manager; project experience included subdivisions from 8 to 175 home tracks built in phases including model homes and marketing/community centers in master plan neighborhoods. Affordable entry-level and luxury high-end product ranging from 1,500 to 6,200 sf; and two-story apartment buildings three-story townhome projects. Completed 8 family and senior, 2- and 3-story apartment projects (multiple LEED accredited), worth over \$73 million during 4-year tenure for Emmerson & Finish Tech Corporation.

Project Manager – Mike Adkins

Experienced in all facets of the construction field. Worked on heavy commercial, industrial, and multifamily projects for owner clients such as Disneyland, Nordstrom, Lennar, and multiple Municipalities around Southern California. Formerly with Bayley Construction, participated in or managed a wide variety of projects with contract values ranging from \$1 million to over \$100 million. Other past experience includes project managing for a large commercial concrete contractor, and superintending for a multifamily home builder on projects across the country.

Estimator – Todd Gipson

Pre-Construction Manager with core competencies in Cost Estimation, Supply Chain Management and Project Management. Skills include development and implementation of companies estimating processes, collaborating with Design team to ensure cost effective means and methods are applied and generating Scope of Work documents. Todd is a LEED AP in New Construction and has successfully managed multiple LEED Platinum projects.

Project Coordinators – Patty Bevil, Lynn Morgan, Matt Gevergiz, Crystal Gillotti, Susan Hamm, Renee Barnes

Project Engineers – Lorena Jaramillo, Theresa Johnson

Accounting Manager – Jackie Barrett

Accounting Staff – Joann Marlette, Mimi Chrisman, Tim McConnaughay, Debora Williams

Superintendents - Rick Suarez, Caesar Oliver, Ralph Cox, Sam Evans, Bill Holley, Tony White

Assistant Superintendents – Steve Stewart, Rafael Larios, Rich Welby

Field Managers – Ken Mead, Mark Lopez

List of Projects & Status
By Emmerson Construction and Affiliates

As of June 2, 2014

Completed Projects				
	Status	Completion Date	Units	Contract
Holtville Senior Apartments	Completed	2004	80	6,215,752
Imperial Garden Senior Apartments	Completed	2004	80	6,443,020
Brawley Elks Senior Apartments	Completed	2005	81	6,994,322
Villa Lara Apartments	Completed	2003	80	6,525,658
Brawley Family Apartments	Completed	2003	81	6,452,208
Calexico Family Apartments	Completed	2003	80	5,561,540
Countryside Family Apartments	Completed	2005	80	7,155,000
Westmorland Family Apartments	Completed	2004	64	6,900,000
Rancho Buena Vista	Completed	2005	150	16,200,000
Rancho Del Norte	Completed	2005	120	13,706,694
Brawley Garden	Completed	2005	81	9,191,326
Heber Wood	Completed	2005	81	9,417,954
Fairbanks Ridge	Completed	2006	204	29,254,314
Calexico II Family Apartments	Completed	2007	80	10,080,426
Hunters Pointe	Completed	2007	166	30,389,918
Heber Wood II	Completed	2007	72	9,864,435
Calipatria Family Apartments	Completed	2008	74	10,318,586
Tierra del Cielo - Arizona	Completed	2009	34	3,913,810
Dawson Avenue Senior	Completed	2010	88	17,700,000
Beachwind Court	Completed	2009	16	891,747
Lakeside Silver Sage	Completed	2010	80	12,794,227
St. Regis Park- Remodel	Completed	2010	0	400,000
Glen Ridge - Solar and Landscape	Completed	2010	0	473,937
Cedar Creek	Completed	2010	48	7,332,286
Oakridge - Rehab - Oakdale, CA	Completed	2011	41	1,336,266
Verbena	Completed	2011	80	13,296,599
DeAnza Hotel Earthquake Repairs	Completed	2011	94	688,402
South Mill Creek Apts	Completed	2011	72	11,463,750
Villa Fortuna	Completed	2011	76	9,569,612
Villa de Sol	Completed	2011	52	6,094,330
Estrella De Mercado	Completed	2012	95	14,485,997
Las Brisas	Completed	2012	71	10,375,713
St Regis Energy Upgrades & renov	Completed	2012	0	412,471
El Quintero	Completed	2012	54	5,051,346
Emperor Estates	Completed	2012	62	10,559,939
Terramar	Completed	2012	21	460,377
Iris	Completed	2013	0	265,560
Vista Terrace	Completed	2013	48	3,218,327
Fairbanks Commons	Completed	2014	165	20,432,196
Vista Montana	Completed	2013	56	8,489,988
Subtotal Completed			2,907	350,378,033
In Progress				
Versa	Started Q4 2013			17,109,905
Fairbank Square	Started Q4 2013			9,200,000
Alpha Square	Started Q1 2014			27,147,147
Subtotal In Progress			-	53,457,052
Pipeline Projects				
Westminster	Start Q3 2014			11,622,000
Willie James Jones	Start Q3 2014			7,600,000
Mill Creek Courtyards Sr	Start Q3 2014			6,500,000
Calexico Primavera	Start Q3 2014			6,600,000
Las Palmeras	Start Q4 2014			9,100,000
Subtotal Immediate Pipeline			-	41,422,000
Commercial/Other Construction				
Meadow Village Road	Completed	2005		724,153
DDE HQ - Office Building - El Centro	Completed	2007	-	1,130,219
Subtotal Commercial/Other			-	1,854,372
Construction Management				
City Heights	Completed		150	600,000
Landings II	Completed		143	100,000
Casa Hermosa Apartments	Completed		88	154,270
Subtotal Construction Management			293	700,000
TOTALS			3,200	447,811,457

EMMERSON CONSTRUCTION, INC.

Financial Statements

Year Ended December 31, 2013

See Independent Accountants' Compilation Report

EMMERSON CONSTRUCTION, INC.

Financial Statements

Year Ended December 31, 2013

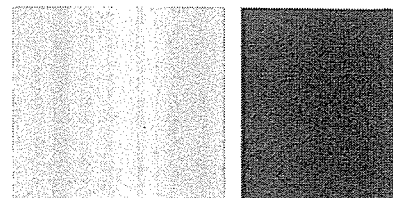
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CPAS AND BUSINESS CONSULTANTS



INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To The Board of Directors
Emmerson Construction, Inc.
Carlsbad, California

We have compiled the accompanying balance sheet of Emmerson Construction, Inc. (an S corporation) as of December 31, 2013, and the related statements of income and retained earnings, and cash flows for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about Emmerson Construction, Inc.'s financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

AKT LLP
Carlsbad, California
March 15, 2014

5946 PRIESTLY DRIVE, SUITE 200. CARLSBAD, CA 92008

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PORTLAND, OR | SALEM, OR | CARLSBAD, CA | ESCONDIDO, CA | SAN DIEGO, CA | ANCHORAGE, AK

AKT LLP

EMMERSON CONSTRUCTION, INC.**Balance Sheet**

December 31, 2013

See Independent Accountants' Compilation Report

ASSETS

Current Assets:

Cash	\$	1,859,706
Receivables:		
Contracts - trade		1,549,607
Contracts - related party		40,495
Retention - trade		1,697,575
Miscellaneous		709
Prepaid expenses		109,607
Costs in excess of billings and estimated earnings on uncompleted contracts		<u>68,567</u>

Total Current Assets 5,326,266

Property and Equipment, net of accumulated depreciation 31,734

Deposits 3,400

\$ 5,361,400

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Payables:		
Accounts - trade	\$	1,708,468
Accounts - related party		274,144
Retention - trade		1,339,120
Retention - related party		111,346
Income tax payable		11,500
Accrued expense		39,893
Billings in excess of costs and estimated earnings on uncompleted contracts		234,431
Deferred income taxes		<u>11,000</u>

Total Current Liabilities 3,729,902

Stockholders' Equity:

Common stock, no par value, 1,000,000 shares authorized, 20,000 shares issued and outstanding	10,000
Additional paid in capital	500,000
Retained earnings	<u>1,121,498</u>

Total Stockholders' Equity 1,631,498

\$ 5,361,400

EMMERSON CONSTRUCTION, INC.**Statement of Income and Retained Earnings**

Year Ended December 31, 2013

See Independent Accountants' Compilation Report

		<u>% of Contract Revenues</u>
Contract Revenues	\$ 21,032,127	100.00
Contract Costs:		
Subcontractors	17,859,998	84.92
Other direct costs	581,555	2.77
Labor	452,349	2.15
Equipment rental	10,578	0.04
Materials	1,044	0.01
	<u>18,905,524</u>	<u>89.89</u>
Gross Profit	2,126,603	10.11
Operating Expenses	<u>609,904</u>	<u>2.90</u>
Income From Operations	1,516,699	7.21
Other Income (Expense):		
Interest income	5,208	0.02
Other income	17,580	0.08
Interest expense	<u>(5,208)</u>	<u>(0.02)</u>
	<u>17,580</u>	<u>0.08</u>
Income Before Income Taxes	1,534,279	7.29
Income Tax Expense (Benefit):		
Current	31,363	0.15
Deferred	<u>(22,000)</u>	<u>(0.10)</u>
	<u>9,363</u>	<u>0.05</u>
Net Income	1,524,916	<u>7.24</u>
Retained Earnings, beginning	962,832	
Stockholder Distributions	<u>(1,366,250)</u>	
Retained Earnings, ending	<u>\$ 1,121,498</u>	

EMMERSON CONSTRUCTION, INC.

Statement of Cash Flows

Year Ended December 31, 2013

See Independent Accountants' Compilation Report

Cash Flows from Operating Activities:

Net Income	\$ 1,524,916
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	8,099
Deferred income tax benefit	(22,000)
Changes in operating assets and liabilities:	
Contract receivables	73,067
Contract receivables - related party	(5,066)
Retention receivable	(1,651,713)
Miscellaneous receivable	(709)
Prepaid expenses	(52,552)
Prepaid income taxes	5,460
Costs in excess of billings and estimated earnings on uncompleted contracts	(49,745)
Accounts payable - trade	1,381,437
Accounts payable - related party	274,144
Retention payable - trade	164,367
Retention payable - related party	111,346
Income tax payable	11,500
Accrued expenses	(59,792)
Accrued subcontractor payable	(30,781)
Billings in excess of costs and estimated earnings on uncompleted jobs	163,404
Net Cash Provided by Operating Activities	1,845,382

Cash Flows Used by Investing Activities:

Purchase of property and equipment	(6,276)
------------------------------------	---------

Cash Flows Used by Financing Activities:

Stockholder distributions	(1,366,250)
---------------------------	-------------

Net Increase in Cash 472,856

Cash, beginning 1,386,850

Cash, ending \$ 1,859,706

Supplemental Disclosures of Cash Flow Information:

Interest paid	\$ 5,208
Income taxes paid	\$ 14,403

EMMERSON CONSTRUCTION, INC.

Financial Statements

Year Ended December 31, 2012

See Independent Accountants' Compilation Report

EMMERSON CONSTRUCTION, INC.

Financial Statements

Year Ended December 31, 2012

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AKT

CPAS AND BUSINESS CONSULTANTS

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

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Carlsbad, California

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AKT LLP

Carlsbad, California
May 10, 2013

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PORTLAND, OR | SALEM, OR | CARLSBAD, CA | ESCONDIDO, CA | SAN DIEGO, CA | ANCHORAGE, AK

AKT LLP

EMMERSON CONSTRUCTION, INC.

Balance Sheet

December 31, 2012

See Independent Accountants' Compilation Report

ASSETS

Current Assets:

Cash	\$	1,386,850
Receivables:		
Contracts - trade		1,622,674
Contracts - related party		35,429
Retention - trade		45,862
Prepaid expenses		57,055
Prepaid income taxes		5,460
Costs in excess of billings and estimated earnings on uncompleted contracts		<u>18,822</u>
Total Current Assets		3,172,152

Property and Equipment, net of accumulated depreciation 33,557

Deposits 3,400

\$ 3,209,109

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Payables:

Accounts - trade	\$	327,031
Accounts - related party		8,794
Retention - trade		1,165,959
Accrued expense		99,685
Accrued subcontractor payable		30,781
Billings in excess of costs and estimated earnings on uncompleted contracts		<u>71,027</u>
Deferred income taxes		<u>33,000</u>
Total Current Liabilities		1,736,277

Stockholders' Equity:

Common stock, no par value, 1,000,000 shares authorized, 20,000 shares issued and outstanding		10,000
Additional paid in capital		500,000
Retained earnings		<u>962,832</u>
Total Stockholders' Equity		<u>1,472,832</u>
	\$	<u><u>3,209,109</u></u>

EMMERSON CONSTRUCTION, INC.**Statement of Income and Retained Earnings**

Year Ended December 31, 2012

See Independent Accountants' Compilation Report

		<u>% of Contract Revenues</u>
Contract Revenues	\$ 16,563,145	100.00
Cost of Contract Revenues:		
Subcontractors	14,507,959	87.59
Labor	233,805	1.41
Other direct costs	214,925	1.30
Equipment rental	24,897	0.15
Materials	24,234	0.15
Preconstruction costs	145	0.00
	<u>15,005,965</u>	<u>90.60</u>
Gross Profit	1,557,180	9.40
Operating Expenses	<u>357,377</u>	<u>2.16</u>
Income From Operations	1,199,803	7.24
Other Income (Expense):		
Interest income	2,060	0.01
Other income	4,490	0.03
Interest expense	<u>(2,154)</u>	<u>(0.01)</u>
	<u>4,396</u>	<u>0.03</u>
Income Before Income Taxes	1,204,199	7.27
Income Tax Expense		
Current	12,333	0.07
Deferred	6,000	0.04
	<u>18,333</u>	<u>0.11</u>
Net Income	1,185,866	<u>7.16</u>
Retained Deficit, beginning	<u>(223,034)</u>	
Retained Earnings, ending	\$ <u>962,832</u>	

EMMERSON CONSTRUCTION, INC.

Statement of Cash Flows

Year Ended December 31, 2012

See Independent Accountants' Compilation Report

Cash Flows from Operating Activities:

Net Income	\$ 1,185,866
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	4,851
Deferred income tax expense	6,000
Changes in operating assets and liabilities:	
Contracts receivable	(1,203,105)
Contracts receivable - related party	31,572
Retention receivable	51,066
Prepaid expenses	(16,418)
Prepaid income taxes	27,335
Costs in excess of billings and estimated earnings on uncompleted contracts	(18,822)
Accounts payable - trade	(127,294)
Accounts payable - related party	8,794
Retention payable - trade	1,102,594
Accrued expenses	68,196
Accrued subcontractor payable	30,781
Billings in excess of costs and estimated earnings on uncompleted jobs	(146,730)
Net Cash Provided by Operating Activities	1,004,686

Cash Flows Used by Investing Activities:

Purchase of property and equipment	(38,408)
Net Increase in Cash	966,278

Cash, beginning	420,572
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Cash, ending	\$ 1,386,850
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Supplemental Disclosures of Cash Flow Information:

Interest	\$ 2,154
Income taxes	\$ -

**DEVELOPERS/CONSULTANTS/SELLERS/CONTRACTORS/
ENTITY SEEKING GRANT/BORROWERS
(Collectively referred to as "CONTRACTOR" herein)
STATEMENT FOR PUBLIC DISCLOSURE**

1. Name of CONTRACTOR: **Southern California Housing Collaborative**
2. Address and Zip Code: **9201 Spectrum Center Blvd., Suite 110
San Diego, CA 92123**
3. Telephone Number: **858-514-7009**
4. Name of Principal Contact for CONTRACTOR: **Nathan Schmid**
5. Federal Identification Number or Social Security Number of CONTRACTOR:
EIN #26-2583215
6. If the CONTRACTOR is not an individual doing business under his own name, the CONTRACTOR has the status indicated below and is organized or operating under the laws of California as:

☐ A corporation (Attach Articles of Incorporation)

☒ A nonprofit or charitable institution or corporation. (Attach copy of Articles of Incorporation and documentary evidence verifying current valid nonprofit or charitable status).

☐ A partnership known as: _____
(Name)

Check one
☐ General Partnership (Attach statement of General Partnership)
☐ Limited Partnership (Attach Certificate of Limited Partnership)

☐ A business association or a joint venture known as: _____
(Attach joint venture or business association agreement)

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

☐ Other (explain)

7. If the CONTRACTOR is not an individual or a government agency or instrumentality, give date of organization:

Original formation date: February 26, 2008

8. Provide names, addresses, telephone numbers, title of position (if any) and nature and extent of the interest of the current officers, principal members, shareholders, and investors of the CONTRACTOR, other than a government agency or instrumentality, as set forth below:

- a. If the CONTRACTOR is a corporation, the officers, directors or trustees, and each stockholder owning more than 10% of any class of stock.
- b. If the CONTRACTOR is a nonprofit or charitable institution or corporation, the members who constitute the board of trustees or board of directors or similar governing body.

President - Michael McSweeney

Secretary - Jim Neil

Executive Director - Nathan Schmid

Board Member - Robert McMahon

Board Member - George Brewster

Board Member - Linda Hermanson

Board Member - Robert Laing

- c. If the CONTRACTOR is a partnership, each partner, whether a general or limited, and either the percent of interest or a description of the character and extent of interest.
 - d. If the CONTRACTOR 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 CONTRACTOR is some other entity, the officers, the members of the governing body, and each person having an interest of more than 10%.
9. Has the makeup as set forth in Item 8(a) through 8(e) changed within the last twelve (12) months? If yes, please explain in detail.

No.

10. Is it anticipated that the makeup as set forth in Item 8(a) through 8(e) will change within the next twelve (12) months? If yes, please explain in detail.

No

11. Provide name, address, telephone number, and nature and extent of interest of each person or entity (not named in response to Item 8) who has a beneficial interest in any of the shareholders or investors named in response to Item 8 which gives such person or entity more than a computed 10% interest in the CONTRACTOR (for example, more than 20% of the stock in a corporation which holds 50% of the stock of the CONTRACTOR or more than 50% of the stock in the corporation which holds 20% of the stock of the CONTRACTOR):

Name, Address and
Zip Code

Position Title (if any) and
extent of interest

N/A

12. Names, addresses and telephone numbers (if not given above) of officers and directors or trustees of any corporation or firm listed under Item 8 or Item 11 above:

See attached.

13. Is the CONTRACTOR a subsidiary of or affiliated with any other corporation or corporations, any other firm or any other business entity or entities of whatever nature. If yes, list each such corporation, firm or business entity by name and address, specify its relationship to the CONTRACTOR, and identify the officers and directors or trustees common to the CONTRACTOR and such other corporation, firm or business entity.

Nathan Schmid is the son of James Schmid, CEO of Chelsea Investment Corporation (Developer), and brother of Charles Schmid, President of Emmerson Construction, Inc. (General Contractor). Aside from the familial relationship between the Schmid's, Southern California Housing Collaborative is not affiliated with any other entities.

14. Provide the financial condition of the CONTRACTOR as of the date of the statement and for a period of twenty-four (24) months prior to the date of its statement as reflected in the attached financial statements, including, but not necessarily limited to, profit and loss statements and statements of financial position.

Please see the attached financial statements.

15. If funds for the development/project are to be obtained from sources other than the CONTRACTOR's own funds, provide a statement of the CONTRACTOR's plan for financing the development/project:

The project will be developed with funds from a Housing Commission loan, 4% tax credits, and a tax-exempt bond.

16. Provide sources and amount of cash available to CONTRACTOR to meet equity requirements of the proposed undertaking:

- a. Name, Address & Zip Code of Bank/Savings & Loan: **Equity will be funded by tax credit investor**
- b. By loans from affiliated or associated corporations or firms: **N/A**
- c. By sale of readily salable assets/including marketable securities: **N/A**

17. Names and addresses of bank references, and name of contact at each reference:

Name and Address	Contact Name
Name: US Bank National Association	Mr. Paul Shipstead, Vice President
Address: 4747 Executive Drive, 3rd Floor San Diego, CA 92121	Phone: (858) 334-0704
	E-Mail: paul.shipstead@usbank.com
Name: AmericanWest Bank (f/k/a Security Business Bank)	Ms. Catherine Niemann, Operations Manager, Specialty Business Lines
Address: 5901 Priestly Drive, Suite 160 Carlsbad, CA 92008	Phone: (760) 448-8307
	E-Mail: cniemann@awbank.net

18. Has the CONTRACTOR or any of the CONTRACTOR's officers or principal members, shareholders or investors, or other interested parties been adjudged bankrupt, either voluntary or involuntary, within the past 10 years?

___ Yes X No

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

19. Has the CONTRACTOR or anyone referred to above as "principals of the CONTRACTOR" been convicted of any felony within the past 10 years?
___ Yes X No

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

20. List undertakings (including, but not limited to, bid bonds, performance bonds, payment bonds and/or improvement bonds) comparable to size of the proposed project which have been completed by the CONTRACTOR including identification and brief description of each project, date of completion, and amount of bond, whether any legal action has been taken on the bond:

Please refer to Project Sponsor Experience report.

21. If the CONTRACTOR, or a parent corporation, a subsidiary, an affiliate, or a principal of the CONTRACTOR is to participate in the development as a construction contractor or builder, provide the following information:

Not Applicable.

a. Name and addresses 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, please explain, in detail, each such instance:

- c. Total amount of construction or development work performed by such contractor or builder during the last three (3) years: \$_____

General description of such work:

List each project, including location, nature of work performed, name, address of the owner of the project, bonding companies involved, amount of contract, date of commencement of project, date of completion, state whether any change orders were sought, amount of change orders, was litigation commenced concerning the project, including a designation of where, when and the outcome of the litigation.

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

- e. Outstanding construction-contract bids of such contractor or builder:

<u>Awarding Agency</u>	<u>Amount</u>	<u>Date Opened</u>
------------------------	---------------	--------------------

22. Provide a detailed and complete 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:

Since 2009, Southern California Housing Collaborative ("SCHC") has assisted over 130 developmentally disabled households locate and secure affordable housing throughout San Diego and Imperial Counties. SCHC is currently the nonprofit entity in the ownership structure of 4 new construction affordable apartment communities.

23. Does any member of the governing body of the San Diego Housing Commission ("COMMISSION"), Housing Authority of the City of San Diego ("AUTHORITY") or City of San Diego ("CITY"), to which the accompanying proposal is being made or any officer or employee of the COMMISSION, the AUTHORITY or the CITY who exercises any functions or responsibilities in connection with the carrying out of the project covered by the CONTRACTOR's proposal, have any direct or indirect personal financial interest in the CONTRACTOR or in the proposed contractor?

☐ Yes ☒ No

If yes, explain.

24. Statements and other evidence of the CONTRACTOR's qualifications and financial responsibility (other than the financial statement referred to in Item 8) are attached hereto and hereby made a part hereof as follows:

25. Is the proposed CONTRACTOR, and/or are any of the proposed subcontractors, currently involved in any construction-related litigation?
___ Yes X No

If yes, explain:

26. State the name, address and telephone numbers of CONTRACTOR's insurance agent(s) and/or companies for the following coverages: List the amount of coverage (limits) currently existing in each category: **Evidence of insurance will be provided before close of escrow.**

- a. General Liability, including Bodily Injury and Property Damage Insurance [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

Check coverage(s) carried:

- ☐ Comprehensive Form
- ☐ Premises - Operations
- ☐ Explosion and Collapse Hazard
- ☐ Underground Hazard
- ☐ Products/Completed Operations Hazard
- ☐ Contractual Insurance
- ☐ Broad Form Property Damage
- ☐ Independent Contractors
- ☐ Personal Injury

- b. Automobile Public Liability/Property Damage [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

Check coverage(s) carried:

- ☐ Comprehensive Form
- ☐ Owned
- ☐ Hired
- ☐ Non-Owned

- c. Workers Compensation [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

- d. Professional Liability (Errors and Omissions) [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

- e. Excess Liability [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]

- f. Other (Specify). [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]

27. CONTRACTOR warrants and certifies that it will not during the term of the PROJECT, GRANT, LOAN, CONTRACT, DEVELOPMENT and/or RENDITIONS OF SERVICES discriminate against any employee, person, or applicant for employment because of race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. The CONTRACTOR will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The CONTRACTOR agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the COMMISSION setting forth the provisions of this nondiscrimination clause.
28. The CONTRACTOR warrants and certifies that it will not without prior written consent of the COMMISSION, engage in any business pursuits that are adverse, hostile or take incompatible positions to the interests of the COMMISSION, during the term of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT and/or RENDITION OF SERVICES.

29. CONTRACTOR warrants and certifies that no member, commissioner, councilperson, officer, or employee of the COMMISSION, the AUTHORITY and/or the CITY, no member of the governing body of the locality in which the PROJECT is situated, no member of the government body in which the Commission was activated, and no other public official of such locality or localities who exercises any functions or responsibilities with respect to the assignment of work, has during his or her tenure, or will for one (1) year thereafter, have any interest, direct or indirect, in this PROJECT or the proceeds thereof.

30. List all citations, orders to cease and desist, stop work orders, complaints, judgments, fines, and penalties received by or imposed upon CONTRACTOR for safety violations from any and all government entities including but not limited to, the City of San Diego, County of San Diego, the State of California, the United States of America and any and all divisions and departments of said government entities for a period of five (5) years prior to the date of this statement. If none, please so state:

Government Entity
Making Complaint

Date

Resolution

None - not applicable.

31. Has the CONTRACTOR ever been disqualified, removed from or otherwise prevented from bidding on or completing a federal, state, or local government project because of a violation of law or a safety regulation. If so, please explain the circumstances in detail. If none, please so state:

None.

32. Please list all licenses obtained by the CONTRACTOR through the State of California and/or the United States of America which are required and/or will be utilized by the CONTRACTOR and/or are convenient to the performance of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT, or RENDITION OF SERVICES. State the name of the governmental agency granting the license, type of license, date of grant, and the status of the license, together with a statement as to whether the License has ever been revoked:

<u>Governmental Agency</u>	<u>Description License</u>	<u>License Number</u>	<u>Date Issued (original)</u>	<u>Status (current)</u>	<u>Revocation (yes/no)</u>
----------------------------	----------------------------	-----------------------	-------------------------------	-------------------------	----------------------------

Not applicable.

33. Describe in detail any and all other facts, factors or conditions that may adversely affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, SALES of Real Property to, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with the COMMISSION.

None - not applicable.

34. Describe in detail, any and all other facts, factors or conditions that may favorably affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with the COMMISSION.

See experience under #22.

35. List all CONTRACTS with, DEVELOPMENTS for or with, LOANS with, PROJECTS with, GRANTS from, SALES of Real Property to, the COMMISSION, AUTHORITY and/or the CITY within the last five (5) years:

<u>Date</u>	<u>Entity Involved (i.e., CITY COMMISSION, etc.)</u>	<u>Status (Current, delinquent repaid, etc.)</u>	<u>Dollar Amount</u>
2014	SDHC - WJJ Apartments aka Independence Point	Current	\$2,500,000

36. Within the last five years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, been the subject of a complaint filed with the Contractor's State License Board (CSLB)? ☐ Yes ☒ No

If yes, explain:

37. Within the last five years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, had a revocation or suspension of a CONTRACTOR's License?
☐ Yes ☒ No

If yes, explain:

38. List three local references who would be familiar with your previous construction project: **N/A**

Name: _____

Address: _____

Phone: _____

Project Name and Description: _____

Name: _____

Address: _____

Phone: _____

Project Name and Description: _____

Name: _____

Address: _____

Phone: _____

Project Name and Description: _____

39. Give a brief statement respecting equipment, experience, financial capacity and other resources available to the Contractor 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.

See #22.

40. Give the name and experience of the proposed Construction Superintendent.
N/A

CONSENT TO PUBLIC DISCLOSURE BY CONTRACTOR

By providing the "Personal Information", (if any) as defined in Section 1798.3(a) of the Civil Code of the State of California (to the extent that it is applicable, if at all), requested herein and by seeking a loan from, a grant from, a contract with, the sale of real estate to, the right to develop from, and/or any and all other entitlements from the SAN DIEGO HOUSING COMMISSION ("COMMISSION"), the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO ("AUTHORITY") and/or the CITY OF SAN DIEGO ("CITY"), the CONTRACTOR consents to the disclosure of any and all "Personal Information" and of any and all other information contained in this Public Disclosure Statement. CONTRACTOR specifically, knowingly and intentionally waives any and all privileges and rights that may exist under State and/or Federal Law relating to the public disclosure of the information contained herein. With respect to "Personal Information", if any, contained herein, the CONTRACTOR, by executing this disclosure statement and providing the information requested, consents to its disclosure pursuant to the provisions of the Information Practices Act of 1977, Civil Code Section 1798.24(b). CONTRACTOR is aware that a disclosure of information contained herein will be made at a public meeting or meetings of the COMMISSION, the AUTHORITY, and/or the CITY at such times as the meetings may be scheduled. CONTRACTOR hereby consents to the disclosure of said "Personal Information", if any, more than thirty (30) days from the date of this statement at the duly scheduled meeting(s) of the COMMISSION, the AUTHORITY and/or the CITY. CONTRACTOR acknowledges that public disclosure of the information contained herein may be made pursuant to the provisions of Civil Code Section 1798.24(d).

CONTRACTOR represents and warrants to the COMMISSION, the AUTHORITY and the CITY that by providing the information requested herein and waiving any and all privileges available under the Evidence Code of the State of California, State and Federal Law, (to the extent of this disclosure that the information being submitted herein), the information constitutes a "Public Record" subject to disclosure to members of the public in accordance with the provisions of California Government Section 6250 et seq.

CONTRACTOR specifically waives, by the production of the information disclosed herein, any and all rights that CONTRACTOR may have with respect to the information under the provisions of Government Code Section 6254 including its applicable subparagraphs, to the extent of the disclosure herein, as well as all rights of privacy, if any, under the State and Federal Law.

Executed this 27th day of October, 2014, at San Diego, California.

CONTRACTOR

By:



Signature

Executive Director

Title

CERTIFICATION

The CONTRACTOR, Southern California Housing Collaborative, hereby certifies that this CONTRACTOR's Statement for Public Disclosure and the attached information/evidence of the CONTRACTOR's qualifications and financial responsibility, including financial statements, are true and correct to the best of CONTRACTOR's knowledge and belief.

By: 

By: _____

Title: Executive Director

Title: _____

Dated: ~~10/29/14~~
10/30/14

Dated: _____

WARNING: 18 U.S.C. 1001 provides, among other things, that whoever knowingly and willingly makes or uses a document or writing containing any false, fictitious or fraudulent statement or entry, in any matter within the jurisdiction or any department or agency of the United States, shall be fined not more than \$10,000 or imprisoned for not more than five years, or both.

ATTEST:

State of California

County of _____

Subscribed and sworn to before me this _____ day of _____, 20____.

**SEE CA JURAT ATTACHED*

Signature of Notary

Name of Notary

SEAL

CALIFORNIA JURAT CERTIFICATE

State of California

County of San Diego

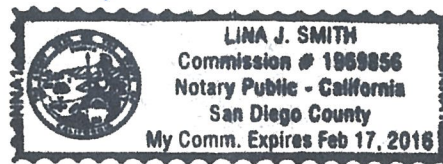
Subscribed and sworn to (or affirmed) before me on this 30 day of October,
2014, by Nathan E. Schmid

proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

WITNESS MY HAND AND OFFICIAL SEAL.

Lina J. Smith

Signature of Notary Public



(Notary Seal)

OPTIONAL INFORMATION

The jurat contained within this document is in accordance with California law. Any affidavit subscribed and sworn to before a notary shall use the preceding wording or substantially similar wording pursuant to Civil Code sections 1189 and 8202. A jurat certificate cannot be affixed to a document sent by mail or otherwise delivered to a notary public, including electronic means, whereby the signer did not personally appear before the notary public, even if the signer is known by the notary public. The seal and signature cannot be affixed to a document without the correct notarial wording. As an additional option an affiant can produce an affidavit on the same document as the notarial certificate wording to eliminate the use of additional documentation.

DESCRIPTION OF ATTACHED DOCUMENT

Certification

(Title of document)

Number of Pages 1 (Including jurat)

Document Date 10/30/14

(Additional Information)

CAPACITY CLAIMED BY THE SIGNER

☒ Individual
☐ Corporate Officer
☐ Partner
☐ Attorney-In-Fact
☐ Trustee
☐ Other: _____

2994277



State of California
Secretary of State

I, DEBRA BOWEN, Secretary of State of the State of California, hereby certify:

That the attached transcript of 2 page(s) has been compared with the record on file in this office, of which it purports to be a copy, and that it is full, true and correct.



IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of

MAR 03 2008

Debra Bowen

DEBRA BOWEN
Secretary of State

2994277

ARTICLES OF INCORPORATION
OF
SOUTHERN CALIFORNIA HOUSING COLLABORATIVE

ENDORSED - FILED
In the office of the Secretary of State
of the State of California

FEB 26 2008

I. NAME OF CORPORATION

The name of the corporation is Southern California Housing Collaborative.

II. PURPOSES

A. This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for public ~~or~~ charitable purposes.
and

B. The corporation is organized for and its specific purpose is to address the needs of housing for individuals with developmental disabilities and their families by identifying, enhancing, preserving, developing, funding and administering decent housing that is affordable to low and moderate income individuals with developmental disabilities.

III. INITIAL AGENT FOR SERVICE OF PROCESS

The name and address of the initial agent of the corporation for service of process is:

Elaine A. Rogers
945 Fourth Avenue
San Diego, California 92101

IV. DEDICATION

This corporation is organized and operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue law). The property of this corporation is irrevocably dedicated to charitable purposes meeting the requirements for exemption provided by Section 214 of the California Revenue and Taxation Code. No part of the net income or assets of this corporation shall inure to the benefit of any of its founders, directors, trustees, officers, members, contributors or to any private persons, except that this corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of its purpose.

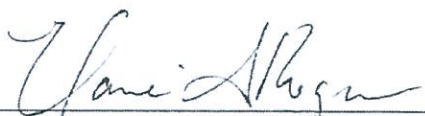
V. LIMITATIONS ON CORPORATE ACTIVITIES

No substantial part of the activities of this corporation shall consist of lobbying or propaganda, or otherwise attempting to influence legislation except as otherwise provided in Section 501(h) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue law), and this corporation shall not participate in, or intervene in (including publishing or distributing statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of these articles, this corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of its purposes and this corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue law), or (b) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue law).

VI. DISSOLUTION

Upon the winding up and dissolution of this corporation, after paying or adequately providing for the debts, obligations and liabilities of this corporation, the remaining assets shall be distributed to such one or more nonprofit funds, foundations, or corporations which are organized and operated exclusively for charitable purposes meeting the requirements for exemption provided by Section 214 of the California Revenue and Taxation Code and which have established their tax exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue law).

IN WITNESS WHEREOF, the undersigned, being the incorporator of the corporation, has executed these Articles of Incorporation on February 14, 2008.


Elaine A. Rogers, Incorporator



INTERNAL REVENUE SERVICE
P. O. BOX 2508
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: **NOV 10 2009**

SOUTHERN CALIFORNIA HOUSING
COLLABORATIVE
C/O ELAINE A ROGERS
945 FOURTH AVE
SAN DIEGO, CA 92101-0000

Employer Identification Number:
26-2583215
DLN:
17053100038039
Contact Person:
SCOTT P BANTLY ID# 31398
Contact Telephone Number:
(677) 829-5500
Accounting Period Ending:
June 30
Public Charity Status:
170(b)(1)(A)(vi)
Form 990 Required:
Yes
Effective Date of Exemption:
February 26, 2008
Contribution Deductibility:
Yes
Addendum Applies:
No

Dear Applicant:

We are pleased to inform you that upon review of your application for tax exempt status we have determined that you are exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code. Contributions to you are deductible under section 170 of the Code. You are also qualified to receive tax deductible bequests, devises, transfers or gifts under section 2055, 2106 or 2522 of the Code. Because this letter could help resolve any questions regarding your exempt status, you should keep it in your permanent records.

Organizations exempt under section 501(c)(3) of the Code are further classified as either public charities or private foundations. We determined that you are a public charity under the Code section(s) listed in the heading of this letter.

Please see enclosed Publication 4221-PC, Compliance Guide for 501(c)(3) Public Charities, for some helpful information about your responsibilities as an exempt organization.

Letter 347 (DO/CG)

SOUTHERN CALIFORNIA HOUSING

We have sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Choi". The signature is fluid and cursive, with the first name "Robert" and last name "Choi" clearly distinguishable.

Robert Choi
Director, Exempt Organizations
Rulings and Agreements

Enclosure: Publication 4221-PC

RECEIVED MAY 18 2009

EDMUND G. BROWN JR.
Attorney General

State of California
DEPARTMENT OF JUSTICE



1300 I Street
P. O. Box 903447
Sacramento, CA 94203-4470
Telephone: (916) 445-2021 Ext. 4
Fax: (916) 444-3651
E-Mail Address: Registration@doj.ca.gov

May 13, 2009

SOUTHERN CALIFORNIA HOUSING
COLLABORATIVE
9201 SPECTRUM CENTER BLVD, SUITE 110
SAN DIEGO CA 92123

CT FILE NUMBER: CT0151498

RE: CONFIRMATION OF REGISTRATION WITH THE ATTORNEY GENERAL'S REGISTRY OF
CHARITABLE TRUSTS

The captioned entity is now registered with the Registry of Charitable Trusts and has been assigned the registration ("CT") number set forth above. In order to complete the Registry file, please submit the following, together with a copy of this letter:

1. A copy of the Internal Revenue Service determination letter.

The RRF-1 must be filed annually four months and 15 days after the end of the organization's accounting period. If an extension was requested from IRS, please file the RRF-1 with the completed IRS informational return together with a copy of all extension requests.

The organization's address of record is used to mail reporting forms at the end of each accounting period. Please advise us, in writing, of any address change.

If the captioned organization contracts with a commercial fundraiser for charitable purposes or fundraising counsel, that entity must also register and file annual reports with the Registry.

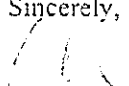
All forms and instructions are available on our website at <http://ag.ca.gov/charities>.

Directors of nonprofit corporations are required to adhere to the provisions of the California Nonprofit Corporation Law (Corporations Code section 5000, et seq.).

Trustees for charitable purposes are required to adhere to the provisions of California Probate Code (commencing with section 15000).

Please respond within 30 days from the date of this letter. Thank you for your attention to this correspondence.

Sincerely,


For Staff Services Analyst
Registry of Charitable Trusts

For

EDMUND G. BROWN JR.
Attorney General

CC: Wertz, McDade, Wallace, Moot & Brower; attn: Elaine A. Rogers
Doc CT-470 Confirmation of Registration(notification)

Southern California Housing Collaborative

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c/o CB Richard Ellis

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Jennifer@socalhc.org

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Southern California Housing Collaborative

Profit & Loss Detail

January 1 through October 30, 2014

8:44 AM
10/30/14
Accrual Basis

Type	Date	Num	Name	Memo	Class	Clr	Split	Amount	Balance
Ordinary Income/Expense									
Income									
43400 · Direct Public Support									
43411 · Managing GP Fee									
Deposit	07/31/2014		Verbena San Ysidro	Deposit-Wat...			1002 · Wells F...	10,000.00	10,000.00
Total 43411 · Managing GP Fee								10,000.00	10,000.00
43430 · Grant Income									
Deposit	01/06/2014		Wells Fargo	Deposit			1004 · Wells F...	18,000.00	18,000.00
Deposit	07/09/2014		FDD	Deposit			1003 · Wells F...	100,000.00	118,000.00
Check	07/11/2014		Cash				1003 · Wells F...	-50,000.00	68,000.00
Total 43430 · Grant Income								68,000.00	68,000.00
Total 43400 · Direct Public Support								78,000.00	78,000.00
45000 · Investments									
45030 · Interest-Savings, Short-term CD									
Deposit	02/28/2014			Interest			1003 · Wells F...	5.76	5.76
Deposit	03/31/2014			Interest			1003 · Wells F...	0.18	5.94
Deposit	04/30/2014			Interest			1003 · Wells F...	0.17	6.11
Deposit	05/31/2014			Interest			1003 · Wells F...	0.37	6.48
Deposit	07/31/2014			Interest			1003 · Wells F...	5.20	11.68
Total 45030 · Interest-Savings, Short-term CD								11.68	11.68
Total 45000 · Investments								11.68	11.68
46400 · Other Types of Income									
46430 · Miscellaneous Revenue									
Deposit	06/23/2014		Atm Deposit Check	Deposit			1002 · Wells F...	214.80	214.80
Total 46430 · Miscellaneous Revenue								214.80	214.80
Total 46400 · Other Types of Income								214.80	214.80
47200 · Program Income									
Deposit	02/05/2014		Regional Center	Deposit			1002 · Wells F...	24,600.00	24,600.00
Deposit	04/02/2014		Regional Center	Deposit			1002 · Wells F...	28,200.00	52,800.00
Deposit	07/02/2014		San Diego Regional...	Deposit			1002 · Wells F...	39,600.00	92,400.00
Total 47200 · Program Income								92,400.00	92,400.00
Total Income								170,626.48	170,626.48

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Accrual Basis

Southern California Housing Collaborative

Profit & Loss Detail

January 1 through October 30, 2014

Type	Date	Num	Name	Memo	Class	Clr	Split	Amount	Balance
62100 · Contract Services									
62130 · Bookkeeper									
Check	01/02/2014	1765	Justin Felien	Accounting 1...			1002 · Wells F...	225.00	225.00
Check	02/24/2014	1775	Justin Felien				1002 · Wells F...	100.00	325.00
Check	03/14/2014	1781	Justin Felien				1002 · Wells F...	343.50	668.50
Check	04/14/2014	1787	Justin Felien	4/1/14-4/30/14			1002 · Wells F...	75.00	743.50
Check	05/12/2014	1790	Justin Felien				1002 · Wells F...	25.00	768.50
Check	07/11/2014	1799	Justin Felien				1002 · Wells F...	199.00	967.50
Check	07/16/2014	1802	Justin Felien				1002 · Wells F...	100.00	1,067.50
Check	08/08/2014	1806	Justin Felien				1002 · Wells F...	37.50	1,105.00
Total 62130 · Bookkeeper									1,105.00
Total 62100 · Contract Services									
62800 · Facilities and Equipment									
62890 · Rent, Parking, Utilities									
Check	01/13/2014	1767	BIA San Diego	Rent-Jan 14			1002 · Wells F...	993.27	993.27
Check	02/13/2014	1772	BIA San Diego	Rent 2/14 po...			1002 · Wells F...	1,340.40	2,333.67
Check	03/06/2014	1776	BIA San Diego	Rent-March 2...			1002 · Wells F...	1,016.00	3,349.67
Check	04/09/2014	1786	BIA San Diego	Rent			1002 · Wells F...	1,014.36	4,364.03
Check	05/22/2014	1792	BIA San Diego				1002 · Wells F...	1,044.82	5,408.85
Check	06/11/2014	1795	BIA San Diego				1002 · Wells F...	1,163.78	6,572.63
Check	07/16/2014	1801	BIA San Diego	Rent 8/14			1002 · Wells F...	992.11	7,564.74
Check	08/08/2014	1805	BIA San Diego				1002 · Wells F...	1,010.53	8,575.27
Total 62890 · Rent, Parking, Utilities									8,575.27
Total 62800 · Facilities and Equipment									
65000 · Operations									
65011 · Membership Renewals									
Check	05/22/2014	1791	BIA San Diego	Membership ...			1002 · Wells F...	595.00	595.00
Total 65011 · Membership Renewals									595.00
65020 · Postage, Mailing Service									
Check	02/25/2014		UPS				1002 · Wells F...	29.56	29.56
Total 65020 · Postage, Mailing Service									29.56
65040 · Supplies									
Check	06/10/2014		Staples				1002 · Wells F...	60.47	60.47
Check	06/23/2014		Staples				1002 · Wells F...	39.95	100.42
Total 65040 · Supplies									100.42

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Accrual Basis

Southern California Housing Collaborative

Profit & Loss Detail

January 1 through October 30, 2014

Type	Date	Num	Name	Memo	Class	Cir	Split	Amount	Balance
65050 · Telephone-Cell Phone									
Check	01/13/2014		Verizon				1002 · Wells F...	300.00	300.00
Check	01/21/2014		Go Wireless CA				1002 · Wells F...	268.00	568.00
Check	01/22/2014		Grip Phone Protecti...				1002 · Wells F...	7.99	575.99
Check	01/29/2014		Verizon				1002 · Wells F...	161.01	737.00
Check	02/24/2014		Grip Phone Protecti...				1002 · Wells F...	7.99	744.99
Check	02/27/2014		Verizon				1002 · Wells F...	169.84	914.83
Check	03/24/2014		Grip Phone Protecti...				1002 · Wells F...	7.99	922.82
Check	03/26/2014		Verizon				1002 · Wells F...	168.85	1,091.67
Check	04/22/2014		Grip Phone Protecti...				1002 · Wells F...	7.99	1,099.66
Check	04/25/2014		Verizon				1002 · Wells F...	164.55	1,264.21
Check	05/22/2014		Grip Phone Protecti...				1002 · Wells F...	7.99	1,272.20
Check	06/02/2014		Verizon				1002 · Wells F...	202.52	1,474.72
Check	06/23/2014		Grip Phone Protecti...				1002 · Wells F...	7.99	1,482.71
Check	06/27/2014		Verizon				1002 · Wells F...	166.85	1,649.56
Check	07/22/2014		Grip Phone Protecti...				1002 · Wells F...	7.99	1,657.55
Check	07/29/2014		Verizon				1002 · Wells F...	168.28	1,825.83
Total 65050 · Telephone-Cell Phone								1,825.83	1,825.83
65060 · Computer Maintenance									
Check	01/17/2014		Network Solutions				1002 · Wells F...	164.90	164.90
Check	05/27/2014		Adobe Systems Inc,				1002 · Wells F...	89.99	254.89
Total 65060 · Computer Maintenance								254.89	254.89
65070 · Cable									
Check	01/23/2014		Time Warner Cable				1002 · Wells F...	59.90	59.90
Total 65070 · Cable								59.90	59.90
Total 65000 · Operations								2,865.60	2,865.60
65100 · Other Types of Expenses									
65120 · Insurance - Liability, D and O									
Check	03/19/2014	1780	State Fund Insurance				1002 · Wells F...	49.11	49.11
Check	03/25/2014	1779	Philadelphia Insura...				1002 · Wells F...	1,207.00	1,256.11
Check	03/31/2014	1783	State Fund Insurance				1002 · Wells F...	189.91	1,446.02
Check	04/25/2014		State Fund Insurance				1002 · Wells F...	290.65	1,736.67
Check	06/16/2014	1797	State Fund Insurance				1002 · Wells F...	290.75	2,027.42
Total 65120 · Insurance - Liability, D and O								2,027.42	2,027.42
65130 · Medical Insurance									
Check	01/16/2014	1768	Sharp	Feb 14 Dues			1002 · Wells F...	1,232.83	1,232.83
Check	02/18/2014	1773	Sharp				1002 · Wells F...	1,232.83	2,465.66
Check	03/20/2014	1778	Sharp				1002 · Wells F...	1,232.83	3,698.49
Check	04/07/2014	1784	Sharp				1002 · Wells F...	1,232.82	4,931.31
Check	05/12/2014	1788	Sharp				1002 · Wells F...	1,232.83	6,164.14
Check	06/16/2014	1796	Sharp				1002 · Wells F...	1,232.84	7,396.98
Check	08/08/2014	1804	Sharp	August and s...			1002 · Wells F...	2,527.30	9,924.28
Total 65130 · Medical Insurance								9,924.28	9,924.28

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Accrual Basis

Southern California Housing Collaborative

Profit & Loss Detail

January 1 through October 30, 2014

Type	Date	Num	Name	Memo	Class	Ctr	Split	Amount	Balance
65131 - Dental Insurance									
Check	01/16/2014	1769	Anthem Blue Cross				1002 - Wells F...	418.00	418.00
Check	02/19/2014	1774	Anthem Blue Cross				1002 - Wells F...	418.00	836.00
Check	03/24/2014	1777	Anthem Blue Cross	2 months of i...			1002 - Wells F...	836.00	1,672.00
Check	05/12/2014	1789	Anthem Blue Cross				1002 - Wells F...	418.00	2,090.00
Check	06/16/2014	1798	Anthem Blue Cross				1002 - Wells F...	836.00	2,926.00
Check	08/20/2014	1807	Anthem Blue Cross				1002 - Wells F...	874.00	3,800.00
Total 65131 - Dental Insurance								3,800.00	3,800.00
65135 - Marketing									
Check	04/16/2014	1785	IEP	IEP Day			1002 - Wells F...	375.00	375.00
Total 65135 - Marketing								375.00	375.00
65140 - Meetings-Business									
Check	01/10/2014	1766	SDICDSI	Board of Dire...			1002 - Wells F...	90.00	90.00
Check	01/15/2014		Chickadelli				1002 - Wells F...	38.21	128.21
Check	01/23/2014		Vons				1002 - Wells F...	13.17	141.38
Check	02/05/2014		Elbowroom				1002 - Wells F...	21.17	162.55
Check	02/13/2014		POS Purchase				1002 - Wells F...	61.98	224.53
Check	02/20/2014		Elbowroom				1002 - Wells F...	23.33	247.86
Check	03/06/2014		Chickadelli				1002 - Wells F...	34.27	282.13
Check	03/10/2014		POS Purchase				1002 - Wells F...	21.59	303.72
Check	03/26/2014		POS Purchase	Fry's Electro...			1004 - Wells F...	300.00	603.72
Check	03/28/2014		Chickadelli	Vons			1002 - Wells F...	36.21	639.93
Check	03/31/2014		POS Purchase				1002 - Wells F...	94.56	734.49
Check	04/07/2014		Souplantation	Staples Inc.			1002 - Wells F...	22.00	756.49
Check	04/09/2014		Grab & Go Subs				1002 - Wells F...	18.98	775.47
Check	04/16/2014		Chickadelli				1002 - Wells F...	31.24	806.71
Check	06/03/2014		POS Purchase				1002 - Wells F...	20.03	826.74
Check	06/04/2014		Chickadelli				1002 - Wells F...	25.14	851.88
Check	06/17/2014		Grab & Go Subs				1002 - Wells F...	19.50	871.38
Check	07/14/2014		POS Purchase				1002 - Wells F...	99.87	971.25
Check	07/15/2014		POS Purchase				1002 - Wells F...	10.00	981.25
Check	07/16/2014		Elbowroom				1002 - Wells F...	21.90	1,003.15
Check	07/16/2014		POS Purchase				1002 - Wells F...	38.81	1,041.96
Check	07/17/2014		POS Purchase				1002 - Wells F...	20.22	1,062.18
Check	07/17/2014		POS Purchase				1002 - Wells F...	80.97	1,143.15
Check	07/18/2014		POS Purchase				1002 - Wells F...	146.87	1,290.02
Check	07/21/2014		Chickadelli				1002 - Wells F...	25.14	1,315.16
Check	07/21/2014		claim jumper				1002 - Wells F...	88.57	1,403.73
Check	07/24/2014		Elbowroom				1002 - Wells F...	23.20	1,426.93
Total 65140 - Meetings-Business								1,426.93	1,426.93

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Accrual Basis

Southern California Housing Collaborative

Profit & Loss Detail

January 1 through October 30, 2014

Type	Date	Num	Name	Memo	Class	Clr	Split	Amount	Balance
65150 · Payroll Fees									
Check	01/17/2014		Wells Fargo	Payroll Invoice			1002 · Wells F...	92.95	92.95
Check	01/23/2014		Wells Fargo	Payroll Invoice			1002 · Wells F...	69.35	162.30
Check	02/24/2014		Wells Fargo	Payroll Invoice			1002 · Wells F...	69.35	231.65
Check	03/24/2014		Wells Fargo	Payroll Invoice			1002 · Wells F...	69.35	301.00
Check	04/18/2014		Wells Fargo	Payroll Invoice			1002 · Wells F...	36.95	337.95
Check	04/24/2014		Wells Fargo	Payroll Invoice			1002 · Wells F...	69.35	407.30
Check	05/22/2014		Wells Fargo				1002 · Wells F...	76.05	483.35
Check	06/24/2014		Wells Fargo	Payroll Invoice			1002 · Wells F...	77.85	561.20
Check	07/21/2014		Wells Fargo	Payroll Invoice			1002 · Wells F...	40.95	602.15
Check	07/24/2014		Wells Fargo	Payroll Invoice			1002 · Wells F...	77.85	680.00
Total 65150 · Payroll Fees									680.00
65155 · Bank Analysis Fees									
Check	01/04/2014		Online Dep Detail &...				1002 · Wells F...	3.00	3.00
Check	02/28/2014			Service Charge			1003 · Wells F...	24.00	27.00
Check	03/10/2014		Online Dep Detail &...				1002 · Wells F...	3.00	30.00
Check	03/10/2014		Online Dep Detail &...				1004 · Wells F...	3.00	33.00
Check	05/08/2014		Online Dep Detail &...				1002 · Wells F...	3.00	36.00
Check	07/14/2014		Cash	fee for atm wi...			1002 · Wells F...	2.50	38.50
Total 65155 · Bank Analysis Fees									38.50
65160 · Other Costs									
Check	03/17/2014	1782	Michael McSweeney	parking/lunch			1002 · Wells F...	13.63	13.63
Check	05/28/2014	1794	Michael McSweeney				1002 · Wells F...	105.51	119.14
Check	07/16/2014	1803	Wilton Ponce	Bonus-Doing ...			1002 · Wells F...	500.00	619.14
Total 65160 · Other Costs									619.14
65190 · Bathroom Renovation									
Check	02/07/2014	1002	Harmony Home Ac...	Enderman			1004 · Wells F...	8,000.00	8,000.00
Check	02/24/2014	1001	Harmony Home Ac...	Alyssa Alfred...			1004 · Wells F...	1,059.80	9,059.80
Check	03/14/2014	1003	Harmony Home Ac...	Ramirez			1004 · Wells F...	6,000.00	15,059.80
Check	03/31/2014		Best Bath Systems				1004 · Wells F...	2,350.39	17,410.19
Check	06/26/2014	1004	Harmony Home Ac...				1004 · Wells F...	30,000.00	47,410.19
Total 65190 · Bathroom Renovation									47,410.19
Total 65100 · Other Types of Expenses									66,301.46
68300 · Travel and Meetings									
68310 · Conference, Convention, Meeting									
Check	01/13/2014	1770	BIA San Diego	1 Ticket Insta...			1002 · Wells F...	250.00	250.00
Check	02/05/2014	1771	TCAC				1002 · Wells F...	70.00	320.00
Total 68310 · Conference, Convention, Meeting									320.00
68325 · Mileage Reimbursement									
Check	06/25/2014	1800	Michael McSweeney				1002 · Wells F...	407.55	407.55
Total 68325 · Mileage Reimbursement									407.55

Southern California Housing Collaborative

Profit & Loss Detail

January 1 through October 30, 2014

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Accrual Basis

Type	Date	Num	Name	Memo	Class	Clr	Split	Amount	Balance
68326 · Parking/Tolls									
Check	07/14/2014		Ace Parking	atm withdraw...			1002 · Wells F...	23.00	23.00
Total 68326 · Parking/Tolls								23.00	23.00
Total 68300 · Travel and Meetings								750.55	750.55
Total Expense								154,537.85	154,537.85
Net Ordinary Income								16,088.63	16,088.63
Net Income								16,088.63	16,088.63

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Accrual Basis

Southern California Housing Collaborative

Statement of Financial Income and Expense

January 1 through October 30, 2014

	Unclassified	TOTAL
Ordinary Income/Expense		
Income		
43400 · Direct Public Support		
43411 · Managing GP Fee	10,000.00	10,000.00
43430 · Grant Income	68,000.00	68,000.00
Total 43400 · Direct Public Support	78,000.00	78,000.00
45000 · Investments		
45030 · Interest-Savings, Short-term CD	11.68	11.68
Total 45000 · Investments	11.68	11.68
46400 · Other Types of Income		
46430 · Miscellaneous Revenue	214.80	214.80
Total 46400 · Other Types of Income	214.80	214.80
47200 · Program Income	92,400.00	92,400.00
Total Income	170,626.48	170,626.48
Expense		
60900 · Business Expenses		
60920 · Business Registration Fees	70.00	70.00
Total 60900 · Business Expenses	70.00	70.00
61000 · Payroll	52,746.90	52,746.90
61100 · Payroll Taxes	20,928.07	20,928.07
61200 · Payroll-Cafeteria Plan	1,195.00	1,195.00
62100 · Contract Services		
62130 · Bookkeeper	1,105.00	1,105.00
Total 62100 · Contract Services	1,105.00	1,105.00
62800 · Facilities and Equipment		
62890 · Rent, Parking, Utilities	8,575.27	8,575.27
Total 62800 · Facilities and Equipment	8,575.27	8,575.27
65000 · Operations		
65011 · Membership Renewals	595.00	595.00
65020 · Postage, Mailing Service	29.56	29.56
65040 · Supplies	100.42	100.42
65050 · Telephone-Cell Phone	1,825.83	1,825.83
65060 · Computer Maintenance	254.89	254.89
65070 · Cable	59.90	59.90
Total 65000 · Operations	2,865.60	2,865.60
65100 · Other Types of Expenses		
65120 · Insurance - Liability, D and O	2,027.42	2,027.42
65130 · Medical Insurance	9,924.28	9,924.28
65131 · Dental Insurance	3,800.00	3,800.00
65135 · Marketing	375.00	375.00
65140 · Meetings-Business	1,426.93	1,426.93
65150 · Payroll Fees	680.00	680.00
65155 · Bank Analysis Fees	38.50	38.50
65160 · Other Costs	619.14	619.14
65190 · Bathroom Renovation	47,410.19	47,410.19
Total 65100 · Other Types of Expenses	66,301.46	66,301.46

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Accrual Basis

Southern California Housing Collaborative
Statement of Financial Income and Expense
January 1 through October 30, 2014

	Unclassified	TOTAL
68300 · Travel and Meetings		
68310 · Conference, Convention, Meeting	320.00	320.00
68325 · Mileage Reimbursement	407.55	407.55
68326 · Parking/Tolls	23.00	23.00
Total 68300 · Travel and Meetings	750.55	750.55
Total Expense	154,537.85	154,537.85
Net Ordinary Income	16,088.63	16,088.63
Net Income	<u>16,088.63</u>	<u>16,088.63</u>

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 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 faith, credit or taxing power nor of the Housing Authority’s faith or credit. 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 the 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, the 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 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.

ROSS FINANCIAL

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

March 2, 2016

Mr. Cameron Shariati
Assistant Real Estate Manager
San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101

Re: Mesa Verde Apartments

Dear Mr. Shariati:

The San Diego Housing Commission (the “Commission”) has retained Ross Financial as its financial advisor to analyze the feasibility of issuing tax-exempt obligations for the Mesa Verde Apartments (the “Development”). The Development is formerly known as Mission Gorge Apartments.

This feasibility analysis reviews the following items:

- Overview of the Development
- Proposed financing approach
- Benefits and risks to Commission
- Public purpose
- Recommendations

Ross Financial has based its analysis of the Development’s financial feasibility on materials provided by Chelsea Investment Corporation (“Chelsea”), which has created the development and borrower entities for the Development. The materials include: (1) the application to the California Debt Limit Allocation Committee (“CDLAC”), (2) the financing commitment from Citibank, N.A., as construction and permanent lender (the “Lender”), (3) the market study performed by Lea & Company in support of the application to CDLAC, and (4) Chelsea’s pro forma financial schedules for the Development. Ross Financial has not visited the site of the proposed Development and had no role in the selection of the Lender.

OVERVIEW OF DEVELOPMENT

Development Summary. The Development is a Type V, new construction project totaling 89 affordable apartments and one unrestricted manager's unit. The Development will consist of a single three-story building above a subterranean parking garage. The units will be parked at a ratio of 1.62 spaces/unit in accordance with the City of San Diego Affordable Housing Parking Ordinance. Site amenities include a community room, laundry facility, multipurpose room, computer lab, half-sized basketball court and a management office. Unit amenities include: central heat and air conditioning, energy star-rated appliances, built-in shelving, garbage disposals, walk-in closets, hard surface flooring and window blinds.

The unit mix and affordability restrictions for the Development are shown in the following table:

Mesa Verde	Unit Mix	50% AMI**	60% AMI**
Studio	3	1	2
1 Bedroom	24	2	22
2 Bedroom	36	4	32
3 Bedroom	27*	2	24
Total Units	90	9	80

*Includes one manager's unit

** AMI = Area median income; Manager's unit is not subject to affordability restrictions

Description of Project Site. The Development is to be located at 7811 Mission Gorge Road in San Diego (the "Site"). The Site contains 4.31 acres on two parcels in the San Carlos neighborhood within the Navajo community plan area in the eastern central portion of San Diego, northwest of the City of La Mesa, west of the cities of El Cajon and Santee and southeast of the San Diego River. The Site is current improved with a 16,800 square foot commercial building and a parking lot, which improvements will be razed during site preparation.

The Site will have access from Mission Gorge Road, which runs northeast/southwest, starting at its junction with Interstate 15 and culminating in Santee, past Highways 52 and 125. Adjacent land uses consist of medium density multifamily residential to the south, large multifamily residential to the west and low density single family residential to the east. The Development is in close proximity to various neighborhood community amenities, including recreation (Rancho Mission Canyon Park and Mission Trails Regional Park, each less than 0.5 miles away), libraries (Benjamin and San Carlos Libraries, each approximately 1.6 miles away) and grocery and drug stores (Keils Food Stores and CVS Pharmacy, each 1.4 miles away). The Development is located in the San Diego Unified School District, with students living in the Development eligible to attend Marvin Elementary School (located approximately 1.16 miles away), Lewis Middle School (located 1.36 miles away) and Patrick Henry High School (located 1.35 miles away). The Development is approximately equidistant to two hospitals: San Diego

Medical Center/Kaiser Foundation Hospital (located approximately 2.10 miles away) and Alvarado Medical Center (located approximately 2.46 miles away). The San Diego Metropolitan Transit System provides public transportation service for the Site. The nearest bus stop is located at the corner of Navajo Road and Margerum Avenue (approximately 1.06 miles away).

The Borrower (defined below) will acquire the Site pursuant to an Option and Agreement for Purchase and Sale of Real Property and Escrow Instructions at closing.

Project Ownership/Borrower. The ownership entity for the Development will be Mesa Verde CIC, L.P., (the “Borrower”), a single asset California limited partnership consisting of: (1) CIC Mesa Verde, LLC, an entity created by Chelsea, which will act as the administrative general partner; (2) Southern California Housing Collaborative, a 501(c)(3) nonprofit public benefit corporation, which will act as the managing general partner; and (3) Mission Gorge Investor 2016, LLC, created by the Candeur Group, which will be the investor limited partner. According to its application to CDLAC, Chelsea has 30 years of experience in financing, developing and/or rehabilitating multifamily rental housing. This experience encompasses 7,520 units in California, including more than 2,100 affordable housing units in San Diego, Chula Vista and Carlsbad. Chelsea’s most recent activity with the Housing Commission includes:

- Torrey Vale Apartments, a 28-unit new construction project in the Pacific Highlands Ranch, construction of which commenced in January 2016;
- Westminster Manor, a 158-unit acquisition-rehabilitation project in Centre City, completed in September 2015;
- Fairbanks Square a 100-unit construction project in Black Mountain Ranch, completed in December 2014;
- Fairbanks Commons, a 165-unit new construction project in Black Mountain Ranch, completed in December 2013; and
- Park Terramar, a 21-unit new construction project in Carmel Valley, completed in March 2012.

CDLAC. On January 15, 2016, the Housing Authority filed an application to CDLAC requesting a private activity bond allocation of \$21,400,000 for the Development. On March 2, 2016, the Housing Authority, at the request of the Borrower, increased the CDLAC allocation request to \$22,400,000. CDLAC is expected to award an allocation of \$22,400,000 at its meeting of March 16, 2016. CDLAC will require the issuance of Note within 180 days after the allocation award (around September 12, 2016) under its revised policies and procedures.

In connection with the CDLAC application process, on December 15, 2015, the Housing Authority adopted a resolution of intent to issue the Note for the Development and authorized the submission of an application to CDLAC. On the same date, a TEFRA hearing, duly noticed, was held before the City Council at which time the Development

was approved for purposes of Section 147 of the Internal Revenue Code. The TEFRA approval was signed January 4, 2016.

PROPOSED FINANCING

Project Costs and Funding. According to projections provided by Chelsea, the total cost of the Development, including construction and all soft costs, is estimated at \$33,972,534. The estimated sources and uses of funds will differ during construction and following construction and lease-up (“at permanent”). The following table allocates these sources and uses during construction and at permanent based on the most recent projections:

Sources of Funds	Construction	Permanent
Tax-Exempt Note Proceeds	\$21,950,140	\$7,820,000
San Diego Housing Commission Loan	7,200,000	9,600,000
Low Income Housing Tax Credit Equity*	1,337,000	11,938,453
Solar Equity and Rebate		118,491
Accrued Soft Loan Interest/Deferred Fee	249,480	2,295,590
Citi Subordinate Loan		2,200,000
Total	\$30,736,620	\$33,972,534
Uses of Funds		
Acquisition	\$6,575,000	\$6,575,000
Relocation	595,500	595,500
Construction	17,174,145	17,174,145
Architectural & Engineering	477,136	477,136
Contingency (Hard and Soft Cost)	1,236,910	1,236,910
Construction Period Expenses/Interest	1,438,021	1,787,815
Other Soft Costs*	2,739,908	2,865,596
Developer Fee**	500,000	3,260,432
Total	\$30,736,620	\$33,972,534

*Includes upper tier LP funded lower tier expenses of \$337,000.

**Maximum fee allowed by SDHC is \$2,500,000; higher fee is the maximum allowed by CTCAC and is used for determining basis.

Note Amount and Bank Funding Approach. The Housing Authority will issue the Note to finance a portion of the costs of the Development. The Note will have the following features:

- The Note will be funded by Citibank, N.A. (the “Lender”);
- During construction and lease up, the Note will bear interest at a floating rate of 30 Day LIBOR plus a spread of 1.80%;
- Following construction and lease up (at “conversion”), the Note will be
 - Be repaid, in part, from tax credit investor funds and other sources, with an estimated \$7,820,000 remaining after conversion (subject to final underwriting) and

- Bear a fixed rate (to be set at closing) through approximately April 1, 2034. The rate is based on the 18-year LIBOR index plus 1.90%. The Borrower has assumed a permanent loan rate of 4.55% in its projections – more than 0.50% over current market rates.
- The Note will amortize on a 35-year basis and have a stated final maturity of approximately April 1, 2054. The Lender will have, and expects to exercise, the option to require the Borrower to repay the Note on or about April 1, 2034 at which point the Borrower will need to refinance or otherwise repay the outstanding principal balance.
- The Note is expected to close on or about April 5, 2016.

The Lender will execute a document with certain required representations to the effect that it has sufficient knowledge and experience to evaluate the risks and merits associated with making the loan evidenced by the Note and has indicated its intention to hold the Note for its account. The Lender may transfer all or a portion of the Note only to transferees that execute a document with similar representations.

Housing Commission Financial Involvement. The Housing Commission is providing subordinate financing in an amount up to \$9,600,000 to fund a portion of the Development's construction costs. The sources of funding for the Housing Commission's loan are Home Investment Partnerships Program Funds (\$2,000,000), Inclusionary Housing Fund (\$7,100,000) and Housing Trust Fund Linkage Revenues (\$500,000). The Housing Commission's subordinate financing will be in the form of a residual receipts loan with the following basic terms:

- Interest Rate: 4% simple interest
- Payments: Residual receipts payments beginning at the end of the first full year after payoff of the deferred developer fee
- Term: 55 years
- Affordability: 9 units @ 50% AMI; 80 units @ 60% AMI

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

- Tax-Exempt Note Regulatory Agreement requirements (including voluntary elections made to CDLAC) for a 55-year term;
- Tax Credit Regulatory Agreement requirements under which all units must be affordable at 60% AMI for a 55-year term to remain eligible for tax credits; and
- Housing Commission's Construction and Permanent Financing Loan Agreement under which the units will be restricted for 55 years.

Development Cash Flow. The Borrower provided pro forma cash flows for the Development. The following table summarizes key elements:

Assumptions	
Vacancy	5%
Revenue Escalation	2%
Expense Escalation	3%
Cash Flow and Coverage	
Stabilized Net Income – First Full Year ¹	\$1,087,722
Expenses ²	(539,735)
Estimated Net Operating Income	547,987
Note Debt Service ³	(447,014)
Debt Service Coverage	1.23x
Available Cash Flow	\$100,973
Limited Partner Fees	(5,150)
General Partner Fees	(20,600)
Excess cash flow	\$75,223
Deferred Developer Fee (100% of excess flow until paid) ⁴	(75,223)
Net Cash Flow after Deferred Dev. Fee	\$0
Subordinate Developer Fee (50%)	(0)
Housing Commission Loan (~40.7%)	(0)
Citibank Subordinate Loan (~9.3%)	(0)
Net Cash Flow for LP and GP	\$0

¹ Net income consists of gross rent + laundry income (less 5% vacancy factor) + cell tower income

² Expenses include replacement reserves and the Commission's Note monitoring fee

³ Assumes an initial permanent loan par of \$7,820,000

⁴ Deferred developer fee is projected to be paid in full in the third full year of stabilized cash flow – freeing up excess cash flow to pay the subordinate developer fee, the Housing Commission loan and the Citibank subordinate loan

The following table shows the Borrower's projected cash flow for the Development during first full five years following stabilized occupancy:

Escalation	Revenues	Year				
		1	2	3	4	5
2.00%	Gross Scheduled Rent	1,093,974	1,115,854	1,138,171	1,160,934	1,184,153
2.00%	Laundry Income	22,032	22,473	22,922	23,381	23,848
2.00%	Cell Tower Income	27,516	28,066	28,627	29,200	0
	less 5% vacancy	(55,800)	(56,916)	(58,055)	(59,216)	(60,400)
	Total Net Income	1,087,722	1,109,476	1,131,666	1,154,299	1,147,601
	Expenses					
3.00%	Operating Expenses	(493,885)	(508,701)	(523,962)	(539,681)	(555,871)
	Bond Monitoring Fee	(23,350)	(23,350)	(23,350)	(23,350)	(23,350)
3.00%	Replacement Reserve	(22,500)	(23,175)	(23,870)	(24,586)	(25,324)
	Total Expenses + Reserves	(539,735)	(555,226)	(571,182)	(587,617)	(604,545)
	Net Operating Income	547,987	554,250	560,483	566,682	543,056
	Bond Debt Service	(447,014)	(447,014)	(447,014)	(447,014)	(447,014)
	Debt Service Coverage	1.23x	1.24x	1.25x	1.27x	1.21x
	Cash Flow after Debt Service	100,973	107,236	113,469	119,668	96,042
3.00%	Limited Partner Fee	(5,150)	(5,305)	(5,464)	(5,628)	(5,797)
3.00%	Managing General Partner Fee	(20,600)	(21,218)	(21,855)	(22,510)	(23,185)
	Cash Flow after LP and GP Fees	75,223	80,713	86,151	91,529	67,059
	Deferred Developer Fee (100% of excess cash flow)	(75,223)	(80,713)	(29,123)	0	0
	Cash Flow after Deferred Developer Fee	0	0	57,028	91,529	67,059
1.00%	Subordinate Developer Fee (50% of available cash flow)	0	0	(28,514)	(45,765)	(33,530)
	Net Cash Flow Available for Soft Loans	0	0	28,514	45,765	33,530
	Housing Commission Loan Repayment (40.7% of avail cash flow)	0	0	(23,198)	(37,232)	(27,278)
	Citibank Subordinate Loan (9.3% of avail cash flow)	0	0	(5,316)	(8,532)	(6,252)
	Net Cash Flow Available after Soft Loans	0	0	0	0	0

PUBLIC PURPOSE

The Note will result in the long-term affordability of 89 studio, one, two and three-bedroom units in the City of San Diego: 9 units will be restricted and affordable to households earning 50% AMI; 80 units will be restricted and affordable to households earning 60% AMI; 1 unit will be occupied by a resident manager.

The Note and Tax Credit Regulatory Agreements, as well as the Housing Commission's Construction and Permanent Financing Loan Agreement, will require that these affordability levels be maintained for a period of 55 years.

BENEFITS AND RISKS TO THE COMMISSION

The Note provides a vehicle for financing a portion of the construction costs of the Development. As proposed, the Note will result in the long-term affordability of 89 studio, one, two and three-bedroom units in the City of San Diego with units restricted to income levels described in "Public Purpose" above.

The Note does not pose undue financial risk to the Housing Authority. The Note is not a direct obligation of the Housing Authority or the City of San Diego. The Note will evidence a loan to be funded by the Lender, which has indicated its intention to hold the Note for its own account. Approximately 64% of the initial principal amount of the Note is expected to be repaid after construction and lease-up, with an estimated \$7,820,000 remaining thereafter.

If the Housing Authority issues the Note, the Commission would receive a total issuer fee at Note closing of \$54,875, equal to 0.25% times the initial aggregate par amount of the Note (\$21,950,140 based on current projections). The Commission also would receive an annual Note and unit monitoring fee of \$54,875 during the construction period and \$23,350 following conversion (based on a minimum fee of \$10,000 plus \$150/unit).

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

RECOMMENDATIONS

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

- The Note will achieve a public purpose by providing 89 affordable units, with all units restricted to income levels at 50% and 60% of AMI.
- The Note will evidence a tax-exempt loan funded by a well-established, highly capitalized bank that is active in affordable housing lending. The Note will be subject to very restrictive transfer limitations at all times.
- The Borrower has agreed to indemnify the Housing Authority and the Commission regarding matters relating to the financing. The Borrower will pay issuance costs from sources other than Note proceeds.
- Based on estimates provided by the Borrower, there should be sufficient funds to complete the Development and the Development provides adequate cash flow to cover permanent Note debt service.

If there is any additional information you require concerning the Development, Ross Financial will be pleased to provide a supplemental analysis.

Very truly yours,



Peter J. Ross
Principal

7785 Mission Gorge

SOURCES AND USES SUMMARY

Development Costs				
Acquisition				
Land	\$2,864,924/acre	\$73,056/unit	6,575,000	
Existing Improvements		\$0/unit	0	
Basis Eligible Entitlement Costs		\$0/unit	0	
Subtotal Acquisition		\$73,056/unit	6,575,000	
Hard Costs				
Architecture (Design Build)		\$5,978/unit	538,000	
Sitework		\$1,029,139/acre	2,361,875	
Parking	121 stalls	\$15,909/stall	1,925,000	
Vertical and Solar	\$106.53/gsf	\$104,305/unit	9,387,426	
GCS		\$23,435/unit	2,109,105	
Contractor Contingency		\$9,475/unit	852,738	
Subtotal Hard Costs	\$194.89/gsf	\$190,824/unit	17,174,145	
Soft Costs				
A&E	2.78% of GC	\$5,302/unit	477,136	
Financing Fees and Interest		\$20,615/unit	1,855,315	
Legal Fees		\$3,083/unit	277,500	
Reserves		\$0/unit	0	
Reports and Studies		\$1,372/unit	123,500	
Development Impact and Permit Fees		\$19,474/unit	1,752,672	
Developer Fee		\$36,227/unit	3,260,432	
Misc (App Fees, Acctg, Marketing, Other)		\$25,263/unit	2,273,632	
Contingency		\$2,258/unit	203,203	
Subtotal Soft Costs		\$113,593/unit	10,223,389	
Total Development Costs		\$377,473/unit	33,972,534	
Sources				
Federal LIHTC Equity		34%	11,601,453	
Other: Citibank Sub Loan		6%	2,200,000	
Solar LIHTC Equity		0%	118,491	
Permanent Loan		23%	7,820,000	
Deferred Developer Fee - CIC		1%	185,678	
Subordinate Deferred Developer Fee - CIC		5%	1,860,432	
SDHC Loan		28%	9,600,000	
Soft Loan Interest		1%	249,480	
Other: Upper Tier LP Funded Lower Tier Exp		1%	337,000	
Total Development Sources		100%	33,972,534	

FINANCING

Equity				
9% Credit Rate	Mar-16			N/A
4% Credit Rate	Mar-16			3.19%
10 Yr Federal Tax Credits				10,801,680
3 Yr State Credits			\$	-
Solar Credits			\$	-
Federal Tax Credit Price			\$	1,0850
State Tax Credit Price			\$	-
Solar Tax Credit Price			\$	-
Debt				
Opr. Exp./Unit/Year				5,328
Replacement Reserves/Unit/Year				250
Vacancy Rate				5.00%
DCR				1.15
Perm Loan Amort				35
Interest Rate - Permanent Loan				4.55%
Interest Rate - Construction Loan				3.15%
Tax- Exempt Bonds - Construction/Perm				7,820,000
Tax- Exempt Bonds - Construction				14,130,140
Tax- Exempt Bonds - C Bond				0
Total Bonds				21,950,140
Tax Credit Considerations				
DDA/QCT Boost				130%
Rural Designation				No
50% Test				67.29%
CA 9% Site Amenity Score				15
CA 9% Tiebreaker				N/A
Housing Set Aside				Family
Prevailing Wage (State, Federal, Both):				None
	2017	Solar	State	Fed
1st Yr Credit Delivery		119,700	0	44,552
2nd Yr Credit Delivery		0	0	1,069,258
3rd Yr Credit Delivery		0	0	1,069,258

15 YEAR CASH FLOW

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>	<u>Year 11</u>	<u>Year 12</u>	<u>Year 13</u>	<u>Year 14</u>	<u>Year 15</u>
Net Income	44,689	1,093,974	1,115,854	1,138,171	1,160,934	1,184,153	1,207,836	1,231,993	1,256,633	1,281,765	1,307,401	1,333,549	1,360,220	1,387,424	1,415,173
Operating Exp	19,979	493,885	508,701	523,962	539,681	555,872	607,416	607,416	625,638	644,408	663,740	683,652	704,162	725,286	747,045
NOI	24,709	600,090	607,153	614,209	621,253	628,282	1,207,836	624,577	630,994	637,358	643,661	649,897	656,058	662,138	668,128
Debt Service	37,251	447,014	447,014	447,014	447,014	447,014	447,014	447,014	447,014	447,014	447,014	447,014	447,014	447,014	447,014
Reserves	938	22,500	23,175	23,870	24,586	25,324	26,084	26,866	27,672	28,502	29,357	30,238	31,145	32,080	33,042
DCR	0.00	1.23	1.24	1.25	1.27	1.21	1.19	1.20	1.21	1.22	1.23	1.24	1.25	1.26	1.27

Sign Offs

Task	Development Model		Operating Budget		Predev Budget		Impact Fees		Construction Period A&E		SOV		Notes	
Name	MG		AG		RB/MG		RB		RB		TG			
Date	Jul-15		Feb-15		Dec-14		Dec-14		Dec-14		Jul-15			

PRELIM DEVELOPMENT PROGRAMMING SUMMARY

Location:	San Diego (Mission Gorge)
Site (acres):	2,295
Construction Type:	Type V
No. of Stories:	3
Parking Type:	Subterranean 1 level + surface parking
No. of Stalls:	121
Extraorindary Cond:	None known
Impact Fees per Unit:	17,196
Total No. of Units:	90
Proposed Unit Mix:	See below
Financing Sources:	SDHC (HOME), Bonds and 4% Credits

PROJECT UNIT & INCOME MIX

AMI	Studio	1BR	2BR	3BR	Totals
Sq. Ft.	350	560	800	1,050	71,640
60%	2	22	32	24	80
55%	0	0	0	0	0
50%	1	2	4	2	9
45%	0	0	0	0	0
40%	0	0	0	0	0
35%	0	0	0	0	0
30%	0	0	0	0	0
Mgr.	0	0	0	1	1
Totals	3	24	36	27	90
Common	1,600	Net SF	73,240	Cost psf	\$ 234.49
Eff Loss	17%	Gross SF	87,888	Cost psf	\$ 195.41

PROJECT TIMING

Tax Credit Allocation	12/1/15
Construction Begin	5/1/16
Construction Complete	12/1/17
Lease Up Complete	2/1/18
Conversion/Stabilization	6/1/18
8609	12/1/18

PROJECTED SOURCES AND USES OF FUNDS

7785 Mission Gorge

90 units

	Construction Period 18 months										Total
	0%	15%	15%	20%	20%	30%	Construction	Completion/BE	Conversion	8609	
SOURCES OF FUNDS											
1 Federal LIHTC Equity		-	-	-	-	-	1,000,000	4,500,000	5,851,453	250,000	11,801,453
2 State LIHTC Equity		-	-	-	-	-	-	-	-	-	-
3 Solar Equity		-	-	-	-	-	-	-	118,491	-	118,491
4 Construction Loan - Citibank	741,012	3,429,405	4,558,667	1,901,121	94,441	2,541,383	21,950,140	(6,085,206)	(15,884,933)	-	7,820,000
5 Permanent Loan - Citibank		-	-	-	-	-	-	-	7,820,000	-	-
6 Deferred Developer Fee - CIC		-	-	-	-	-	-	-	185,678	-	-
7 Subordinate Deferred Developer Fee - CIC		-	-	-	-	-	-	-	1,860,432	-	-
8 C Bond		-	-	-	-	-	-	-	-	-	-
9 SDHC Loan		-	-	-	-	-	7,200,000	1,920,000	480,000	-	9,600,000
10 Other Construction		-	-	-	-	-	-	-	-	-	-
11 Other Construction		-	-	-	-	-	-	-	-	-	-
12 Other Construction		-	-	-	-	-	-	-	-	-	-
13 Sdt Loan Interest	337,000	37,800	37,800	37,800	37,800	49,140	337,000	-	2,200,000	-	337,000
14 Income From Operations During Stabilization		-	-	-	-	-	249,480	-	-	-	249,480
15 Total Sources of Funds	741,012	3,466,205	4,596,467	1,938,921	2,532,241	2,590,523	30,736,620	354,794	2,631,120	250,000	33,972,534
USES OF FUNDS											
16 ACQUISITION											
17 Land Cost	150,000	-	-	-	-	-	6,575,000	-	-	-	6,575,000
18 Existing Improvement Costs		-	-	-	-	-	-	-	-	-	-
19 Other Entitlements and Plans		-	-	-	-	-	-	-	-	-	-
20 Total Land / Acquisition	150,000	6,425,000	-	-	-	-	6,575,000	-	-	-	6,575,000
RELOCATION											
39 Relocation Admin.	89,500	-	-	-	-	-	89,500	-	-	-	89,500
40 Permanent Relocation Expense	595,000	-	-	-	-	-	595,000	-	-	-	595,000
41 Total Relocation	-	-	-	-	-	-	-	-	-	-	-
NEW CONSTRUCTION											
42 Architecture Design Build (w/mark up)		-	-	-	-	-	538,000	-	-	-	538,000
43 Off Site Work		-	-	-	-	-	-	-	-	-	-
44 Site Work		-	-	-	-	-	-	-	-	-	-
45 Parking Garage		-	-	-	-	-	-	-	-	-	-
46 Vertical		-	-	-	-	-	-	-	-	-	-
47 Solar		-	-	-	-	-	-	-	-	-	-
48 Contractor Contingency		-	-	-	-	-	-	-	-	-	-
49 General Requirements		-	-	-	-	-	-	-	-	-	-
50 Contractor Overhead		-	-	-	-	-	-	-	-	-	-
51 Contractor Profit		-	-	-	-	-	-	-	-	-	-
52 Contractor General Liability Insurance		-	-	-	-	-	-	-	-	-	-
53 Other		-	-	-	-	-	-	-	-	-	-
54 Total New Construction	-	3,270,459	4,198,044	1,638,124	2,184,165	2,184,165	17,774,145	-	-	-	17,774,145
ARCHITECTURAL											
55 Building	0	-	-	-	-	-	-	-	-	-	-
56 Landscape	34,440	7,380	1,107	1,107	1,476	2,214	49,200	-	-	-	49,200
57 Energy Consultant	35,000	7,500	1,125	1,125	1,500	2,250	50,000	-	-	-	50,000
58 Other Acoustic Study	3,500	-	-	-	-	-	3,500	-	-	-	3,500
59 Other Traffic Study	3,900	-	-	-	-	-	3,900	-	-	-	3,900
60 Total Architectural	76,840	14,880	2,232	2,232	2,976	4,464	106,600	-	-	-	106,600
SURVEY & ENGINEERING											
61 Civil (includes ALTAs)	134,400	28,800	4,320	4,320	5,760	8,640	192,000	-	-	-	192,000
62 ALTA	0	-	-	-	-	-	-	-	-	-	-
63 Sinking	0	-	-	-	-	-	-	-	-	-	-
64 Structural Testing	0	-	-	-	-	-	-	-	-	-	-
65 Soil Testing	0	-	-	-	-	-	-	-	-	-	-
66 Other Phase I & II	7,500	7,500	10,000	10,000	15,000	15,000	50,000	-	-	-	50,000
67 Other Phase I & II	12,000	12,000	15,000	15,000	20,000	20,000	35,000	-	-	-	35,000
68 Other Survey (Utilities)	12,000	12,000	15,000	15,000	20,000	20,000	35,000	-	-	-	35,000
69 Other Survey (Utilities)	32,000	32,000	40,000	40,000	50,000	50,000	120,000	-	-	-	120,000
70 Total Survey & Engineering	185,936	28,800	23,370	23,370	31,160	46,740	370,536	-	-	-	370,536
CONTINGENCY COSTS											
71 Hard Cost Contingency (Includes \$175K allowance for cell tc		-	192,690	239,069	111,073	138,375	1,033,707	-	-	-	1,033,707
72 Soft Cost Contingency		147,428	146	7,588	9,034	12,761	16,280	-	-	-	203,203
73 Total Contingency	-	147,428	192,835	246,657	120,107	151,136	1,236,910	-	-	-	1,236,910
CONSTRUCTION PERIOD EXPENSES											
74 Construction Loan Interest		-	50,111	80,077	109,000	126,396	635,590	329,794	-	-	965,383
75 C Bond Loan Interest		-	37,800	37,800	37,800	49,140	249,480	-	-	-	249,480
76 Origination Fee		219,501	-	-	-	-	219,501	-	-	-	219,501
77 Credit Enhancement & Application Fee		-	-	-	-	-	-	-	-	-	-
78 Owner Paid Bonds		-	7,500	7,500	7,500	7,500	45,000	-	-	-	45,000
79 Tender Inspection Fees		2,500	-	-	-	-	2,500	-	-	-	2,500
80 Tendering Contingency		-	-	-	-	-	-	-	-	-	-
81 Other Application Fees		65,000	-	-	-	-	65,000	-	-	-	65,000
82 Insurance During Construction		40,000	-	-	-	-	40,000	-	-	-	40,000
83 Title and Recording Fees		-	-	-	-	-	-	-	20,000	-	20,000
84 Construction Mgmt. and Monitoring		-	-	-	-	-	-	-	-	-	-
85 Predevelopment Loan Interest	0	-	-	-	-	-	-	-	-	-	-
86 Other: SDHC Ap. Orig. Servicing, Legal, Const Review	13,000	137,950	-	-	-	-	150,950	-	-	-	150,950
87 Other: Bond Performance Deposit	100,000	-	-	-	-	-	-	-	-	-	-
88 Total Construction Period Expense	113,000	494,951	125,377	154,300	164,529	183,036	1,438,021	329,794	20,000	-	1,787,815

PROJECTED SOURCES AND USES OF FUNDS

7785 Mission Gorge

90 units

		Construction Period 18 months						Completion/BE	Conversion	8609	Total
		0%	15%	15%	20%	20%	30%				
101	PERMANENT FINANCING EXPENSES										
102	Loan Origination Fees	-	-	-	-	-	-	-	17,500	-	17,500
104	Credit Enhancement & Application Fee	-	-	-	-	-	-	-	-	-	-
105	Title and Recording Fees	-	-	-	-	-	-	-	15,000	-	15,000
106	Property Taxes	-	-	-	-	-	-	-	-	-	-
107	Insurance	-	-	-	-	-	-	-	35,000	-	35,000
108	Other:	-	-	-	-	-	-	-	-	-	-
109	Other:	-	-	-	-	-	-	-	-	-	-
110	Total Permanent Financing	-	-	-	-	-	-	-	67,500	-	67,500
111	LEGAL FEES										
112	Construction Lender Legal	65,000	-	-	-	-	-	-	-	-	65,000
114	Permanent Lender Legal (Citi sub loan)	-	-	-	-	-	-	-	7,500	-	7,500
115	Sponsored Legal	0	-	-	-	-	-	-	-	-	-
116	Organizational Legal	50,000	-	-	-	-	-	-	-	-	50,000
117	Other Legal (Trustee/Issuer Legal, Bond Legal)	75,000	-	-	-	-	-	-	-	-	75,000
118	CPA, Opinion	10,000	-	-	-	-	-	-	-	-	10,000
119	Other: GP Legal	20,000	-	-	-	-	-	-	-	-	20,000
120	Total Legal Fees	270,000	-	-	-	-	-	-	7,500	-	277,500
121	CAPITALIZED RESERVES										
122	Operating Reserve (LOC to upper tier provided by syndicator)	-	-	-	-	-	-	-	-	-	-
123	Replacement Reserve	-	-	-	-	-	-	-	-	-	-
124	Rent-up Reserve	-	-	-	-	-	-	-	-	-	-
125	Transition Reserve	-	-	-	-	-	-	-	-	-	-
126	Other: Prepaid HOA	-	-	-	-	-	-	-	-	-	-
127	Other: Capitalized LP Fee	-	-	-	-	-	-	-	-	-	-
128	Total Reserves	-	-	-	-	-	-	-	-	-	-
129	REPORTS & STUDIES										
131	Market Study	5,000	-	-	-	-	-	-	-	-	5,000
132	Relocation Plan & consulting	46,000	-	-	-	-	-	-	-	-	46,000
134	Appraisal	12,500	-	-	-	-	-	-	-	-	12,500
135	Other: Lender Deposit	35,000	-	-	-	-	-	-	-	-	35,000
136	Other: Investor Deposit	25,000	-	-	-	-	-	-	-	-	25,000
137	Other: SDHC Fees	0	-	-	-	-	-	-	-	-	-
138	Other:	0	-	-	-	-	-	-	-	-	-
139	Other:	0	-	-	-	-	-	-	-	-	-
140	Total Reports & Studies	123,500	-	-	-	-	-	-	-	-	123,500
141	OTHER										
142	TCAC App./Alco/Monitoring Fees	23,603	-	-	-	-	-	-	25,688	-	49,292
143	CDL/CDL/C Fees	3,653	-	-	-	-	-	-	-	-	3,653
144	Local Development Impact Fees	48,500	-	-	-	-	-	-	205,832	-	254,332
145	CFD Preparation	150,250	-	-	1,050	1,050	1,575	-	-	-	1,547,672
146	Local Development Impact Fees	1,547,672	-	-	-	-	-	-	-	-	-
147	CFD Preparation	-	-	-	-	-	-	-	-	-	-
148	Syndicator/Investor Fees & Expenses	-	-	-	-	-	50,000	-	-	-	50,000
149	Furnishings	-	-	-	-	-	-	-	-	-	-
150	Final Cost Audit Expense	-	-	-	-	-	-	10,000	-	-	10,000
151	Marketing	-	7,500	-	-	37,000	15,000	15,000	-	-	74,500
152	Financial Consulting	-	-	-	-	-	-	-	-	-	-
153	Other: Upper Tier LP Funded Lower Tier Expenses	0	-	-	-	-	-	-	-	-	-
154	Other: Accounting/Finance/Admin	337,000	-	-	-	-	-	-	-	-	337,000
155	Other: Trustee/Trustee Legal/FA Fees	15,000	-	-	-	-	-	-	-	-	15,000
156	Other: Service Fee	65,000	-	-	-	-	-	-	-	-	65,000
157	Total Other Costs	91,736	2,139,922	7,500	788	1,050	38,050	66,575	25,688	-	2,397,096
158	DEVELOPER COSTS										
159	Developer Fee	-	-	-	-	-	-	-	-	-	-
160	Construction/Processing Agent	500,000	-	-	-	-	-	-	2,510,432	250,000	3,260,432
161	Production Consultant	-	-	-	-	-	-	-	-	-	-
162	Production Consultant	-	-	-	-	-	-	-	-	-	-
163	Guarantee Fees	-	-	-	-	-	-	-	-	-	-
164	Guarantee Fees	-	-	-	-	-	-	-	-	-	-
165	Broker Fees Paid to Related Party	-	-	-	-	-	-	-	-	-	-
166	Construction Oversight & Mgmt	-	-	-	-	-	-	-	-	-	-
167	Total Developer Costs	-	-	-	-	-	-	-	2,510,432	250,000	3,260,432
168		500,000	-	-	-	-	-	-	-	-	-
169		-	-	-	-	-	-	-	-	-	-
170	Total Uses of Funds	741,012	10,616,481	3,466,205	4,596,467	1,939,921	2,532,241	2,590,523	4,254,770	30,736,620	33,372,534
171	Net Source & Use	-	-	-	-	-	-	-	2,631,120	250,000	-
172	Distributions	-	-	-	-	-	-	-	0	-	0
173	Balance of Funds	-	-	-	-	-	-	-	0	0	0

0.00%

0.06%
\$227,680
\$171,680

EXHIBIT E: OPERATING BUDGET & INCOME ANALYSIS

7785 Mission Gorge

2015 TCAC Rents

|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

Perm Loan :

Loan Amount	7,820,000
Interest	4.55%
Term	17
Amortization	35
Debt Service Coverage	1.15
Monthly Payment	37,251
Annual Payment	447,014
Cash Flow After D/S	67,054

EXHIBIT D: TAX CREDITS & BASIS CALCULATION

7785 Mission Gorge

DESCRIPTION OF COSTS	ACTUAL OR EST. OF COSTS	30% ELIGIBLE BASIS	70% ELIGIBLE BASIS
<i>ACQUISITION</i>			
Demolition	\$ -	XXXXXXXXXXXX	XXXXXXXXXXXX
Legal & Carrying Costs	\$ -	XXXXXXXXXXXX	XXXXXXXXXXXX
Land Lease Rent Prepayment	\$ -	XXXXXXXXXXXX	XXXXXXXXXXXX
Verifiable Carrying Costs	\$ -	XXXXXXXXXXXX	XXXXXXXXXXXX
Existing Improvement Costs	\$ -	\$ -	XXXXXXXXXXXX
Other: Entitlements and Plans	\$ -	\$ -	\$ -
TOTAL LAND/AQUISITION COSTS	\$ 6,575,000	\$ -	\$ -
<i>REHABILITATION</i>			
Off-Site Improvements	\$ -		\$ -
Environmental Remediation	\$ -		\$ -
Site Work	\$ -		\$ -
Structures	\$ -		\$ -
General Requirements	\$ -		\$ -
Contractor Overhead	\$ -		\$ -
Contractor Profit	\$ -		\$ -
Contractor General Liability Insurance	\$ -		\$ -
Other:	\$ -		\$ -
TOTAL REHABILITATION COSTS	\$ -	\$ -	\$ -
<i>RELOCATION</i>			
Temporary Relocation	\$ 89,500		\$ 89,500
Permanent Relocation	\$ 506,000		XXXXXXXXXXXX
TOTAL RELOCATION COSTS	\$ 595,500	\$ -	\$ 89,500
<i>NEW CONSTRUCTION</i>			
Architecture Design Build (w/ mark up)	\$ 538,000		\$ 538,000
Off Site Work	\$ 50,000		\$ 50,000
Site Work	\$ 2,311,875		\$ 2,311,875
Parking Garage	\$ 1,925,000		\$ 1,925,000
Structures	\$ 9,037,426		\$ 9,037,426
Solar	\$ 350,000		\$ 290,150
Contractor Contingency	\$ 852,738		\$ 852,738
General Requirements	\$ 903,902		\$ 903,902
Contractor Overhead	\$ 301,301		\$ 301,301
Contractor Profit	\$ 903,902		\$ 903,902
Contractor General Liability Insurance	\$ -		\$ -
Other:	\$ -		\$ -
TOTAL CONSTRUCTION	\$ 17,174,145	\$ -	\$ 17,114,295
<i>ARCHITECTURAL FEES</i>			
Building	\$ -		\$ -
Landscape	\$ 49,200		\$ 49,200
Energy Consultant	\$ 50,000		\$ 50,000
Other: Acoustic Study	\$ 3,500		\$ 3,500
Other: Traffic Study	\$ 3,900		\$ 3,900
Other:	\$ -		\$ -
TOTAL ARCHITECTURAL COSTS	\$ 106,600	\$ -	\$ 106,600
<i>SURVEY & ENGINEERING</i>			
Civil (inlcudes ALTAs)	\$ 192,000		\$ 192,000
ALTA	\$ -		\$ -
Staking	\$ 42,000		\$ 42,000
Structural Testing	\$ 50,000		\$ 50,000
Soils Testing	\$ 35,000		\$ 35,000
Other: Phase I & II	\$ 7,500		\$ 7,500
Other: soils report (borings)	\$ 12,036		\$ 12,036
Other: Solar/Cell Tower/Utility Consultants	\$ 32,000		\$ 32,000
TOTAL SURVEY & ENGINEERING	\$ 370,536	\$ -	\$ 370,536
<i>CONTINGENCY COSTS</i>			
Hard Cost Contingency	\$ 1,033,707		\$ 1,033,707
Soft Cost Contingency	\$ 203,203		\$ 203,203
TOTAL CONTINGENCY COSTS	\$ 1,236,910	\$ -	\$ 1,236,910
<i>CONSTRUCTION PERIOD EXPENSES</i>			
Construction Loan Interest	\$ 965,383		\$ 635,590
C Bond Loan Interest	\$ -		\$ -
Soft Loan Interest	\$ 249,480		\$ 249,480
Origination Fee	\$ 219,501		\$ 144,516
Credit Enhancement & Application Fee	\$ -		\$ -
Owner Paid Bonds	\$ -		\$ -
Lender Inspection Fees	\$ 45,000		\$ 45,000
Taxes During Construction	\$ 2,500		\$ 2,500
Prevailing Wage Monitoring	\$ -		\$ -
Insurance During Construction	\$ 65,000		\$ 65,000
Title and Recording Fees	\$ 60,000		\$ 60,000
Construction Management & Testing	\$ -		\$ -
Predevelopment Loan Interest	\$ 30,000		\$ 30,000
Other: SDHC Ap, Orig, Servicing, Legal, Const Review	\$ 150,950		\$ 150,950
Other: Bond Performance Deposit	\$ -		\$ -
TOTAL CONSTRUCTION PERIOD EXPENSE	\$ 1,787,815	\$ -	\$ 1,383,035
<i>PERMANENT FINANCING EXPENSES</i>			
Loan Origination Fee	\$ 17,500	XXXXXXXXXXXX	XXXXXXXXXXXX
Credit Enhancement & Application Fee	\$ -	XXXXXXXXXXXX	XXXXXXXXXXXX
Title and Recording Fees	\$ 15,000	XXXXXXXXXXXX	XXXXXXXXXXXX
Property Taxes	\$ -	XXXXXXXXXXXX	XXXXXXXXXXXX
Insurance	\$ 35,000	XXXXXXXXXXXX	XXXXXXXXXXXX
Other:	\$ -	XXXXXXXXXXXX	XXXXXXXXXXXX
Other:	\$ -	XXXXXXXXXXXX	XXXXXXXXXXXX
TOTAL PERMANENT FINANCING COSTS	\$ 67,500	\$ -	\$ -

EXHIBIT D: TAX CREDITS & BASIS CALCULATION

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DESCRIPTION OF COSTS	ACTUAL OR EST. OF COSTS	30% ELIGIBLE BASIS	70% ELIGIBLE BASIS
LEGAL FEES			
Construction Lender Legal	\$ 65,000		\$ 65,000
Permanent Lender Legal	\$ 7,500		XXXXXXXXXXXXXX
Sponsor Legal	\$ 50,000		\$ 50,000
Organizational Legal	\$ 50,000		\$ 50,000
Bond Legal	\$ 75,000		XXXXXXXXXXXXXX
CPA, Opinion	\$ 10,000		\$ 10,000
Other: GP Legal	\$ 20,000		\$ 20,000
TOTAL LEGAL	\$ 277,500	\$ -	\$ 195,000
CAPITALIZED RESERVES			
Operating Reserve	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Replacement Reserve	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Rent-up Reserve	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Transition Reserve	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Other: Prepaid HOA	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Other: Capitalized LP Fee	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
TOTAL RESERVE COSTS	\$ -	\$ -	XXXXXXXXXXXXXX
REPORTS & STUDIES			
Appraisal	\$ 5,000		\$ 5,000
Market Study	\$ 46,000		\$ 46,000
Physical Needs Assessment	\$ 12,500		\$ -
Environmental Studies	\$ 35,000		\$ 35,000
Other: Investor Deposit	\$ 25,000		\$ 25,000
Other: SDHC Fees	\$ -		\$ -
Other:	\$ -		\$ -
Other:	\$ -		\$ -
TOTAL REPORTS & STUDIES	\$ 123,500	\$ -	\$ 111,000
OTHER EXPENSES			
TCAC Application/Allocation/Monitoring Fees	\$ 49,292	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
CDLAC/CDIAC Fees	\$ 3,633		\$ -
Local Permit Fees	\$ 205,000		\$ 205,000
Local Development Impact Fees	\$ 1,547,672		\$ 1,547,672
Other Costs of Bond Issuance	\$ -		\$ -
Syndicator/Investor Fees & Expenses	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Furnishings	\$ 50,000		\$ 50,000
Final Cost Audit Expense	\$ 10,000		\$ 10,000
Marketing	\$ 74,500	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Financial Consultant	\$ -		\$ -
Other: Upper Tier LP Funded Lower Tier Expenses	\$ 337,000		\$ 337,000
Other: Accounting/Finance/Admin	\$ 30,000		\$ 30,000
Other: Trustee/Trustee Legal/FA Fees	\$ 65,000		XXXXXXXXXXXXXX
Other: Service Fee	\$ 25,000		XXXXXXXXXXXXXX
TOTAL OTHER COSTS	\$ 2,397,096	\$ -	\$ 2,179,672
DEVELOPER COSTS			
Developer Fee Calculation (Per TCAC Application,	\$ 3,260,432	\$ -	\$ 3,260,432
Developer Fee	\$ 3,260,432	\$ -	\$ 3,260,432
Consultants/Processing Agent	\$ -		\$ -
Project Administration	\$ -		\$ -
Syndication Consultant	\$ -		\$ -
Guarantee Fees	\$ -		\$ -
Broker Fees Paid to Related Party	\$ -		\$ -
Construction Oversight & Mgmt	\$ -		\$ -
TOTAL DEVELOPER FEE	\$ 3,260,432	\$ -	\$ 3,260,432
TOTAL RESIDENTIAL COSTS	\$ 33,972,534	\$ -	\$ 26,046,980
TOTAL COMMERCIAL COSTS	\$ -		\$ -
TOTAL PROJECT AND BASIS COSTS	\$ 33,972,534	\$ -	\$ 26,046,980
Adjustment for Excess Basis			\$ -
Additional Amount Voluntarily Excluded From Basis			\$ -
Requested Undadjusted Eligible Basis	\$	-	\$ 26,046,980
130% DIFFICULT DEVELOPMENT FACTOR?	Tract #: Not Avail.	y	\$ 33,861,074
Credit Reduction		0.00%	\$ -
Total Adjusted Qualified Basis			\$ 33,861,074
TX CREDITS @ % LI Eligible @ Tx Credit Rt	100.00%	3.19%	3.19%
		3/1/2016	
TX CREDITS @ % LI Eligible	\$	-	\$ 1,080,168
TX CREDITS OVER TEN YEARS	\$	-	\$ 10,801,680
State Tax Credits - 13% of Eligible Basis & Over 4 Yrs	0.00%		\$ -
State Tax Credits Equity	\$ -		\$ -
TX CREDIT EQ'Y @\$/Credit @% Investment	\$ 1,0850	98.99%	\$ 11,601,453
	Reduced equity price from LOI		

[illegible]

2029	2030	2031	2032
13	14	15	16

Operating Expenses	Inflation @	3.00%	683,652	704,162	725,286	747,045
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609,244	614,592	619,842	624,986
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Principal and Interest	4.55%	7,820,000	447,014	447,014	447,014	447,014
SDHC Issuer and Monitoring Fee	0.00%		23,350	23,350	23,350	23,350
Replacement Reserves	3.00%		30,238	31,145	32,080	33,042
LP Fee	3.00%		6,921	7,129	7,343	7,563
GP Fee	3.00%		27,685	28,515	29,371	30,252
Net Project Cash Flow			74,035	77,438	80,685	83,765

ADJUSTMENTS:

Deferred Developer Fee	100% of Avail Cashflow	3.00%	0	0	0

Cash Available After Deferred Fee Payment	74,035	77,438	80,685	83,765
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Cash Available for Subordinate Deferred Developer Fee	74,035	77,438	80,685	83,765
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Subordinate	Deferred Developer Fee - CI	50.0% of Avail Cashflow	1.00%	37,018	38,719	40,343	41,883
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Cash Available to Pay Soft Loans	<u>37,018</u>	<u>38,719</u>	<u>40,343</u>	<u>41,883</u>
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SDHC Loan	40.7% of Avail Cashflow	4.00%	30,116	31,500	32,821	34,074
Other: Citibank Sub Loan	9.3% of Avail Cashflow	3.00%	6,902	7,219	7,521	7,809

Cash Flow Available after Soft Loans

Partnership Admin Fee (90% of Cash Flow)	90.00%	0	0	0
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Cash Flow Available after Partnership Admin Fee	0	0	0
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LP Distribution	0	0
GP Distribution	0	0

Remaining Cash Flow After Partnership Distribution