



EXECUTIVE SUMMARY

HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

MEETING DATE: November 13, 2020

HCR20-110

SUBJECT: Preliminary Bond Authorization for The Junipers

COUNCIL DISTRICT(S): 5

ORIGINATING DEPARTMENT: Real Estate Division

CONTACT/PHONE NUMBER: Colin Miller / 619-578-7429

REQUESTED ACTION:

Take the initial steps to issue Housing Authority of the City of San Diego tax-exempt Multifamily Housing Revenue Bonds to facilitate the construction of a new three-story affordable senior housing development at the northwest corner of Interstate 15 and Carmel Mountain Road in the Rancho Peñasquitos neighborhood, which will consist of 80 units affordable for 55 years for seniors earning from 50 percent to 60 percent of the San Diego Area Median Income and one unrestricted manager's unit.

EXECUTIVE SUMMARY OF KEY FACTORS:

- The proposed development is an 81-unit, affordable senior rental housing, new construction project that will located at the northwest corner of Interstate 15 and Carmel Mountain Road in the Rancho Peñasquitos neighborhood of Council District 5.
- The development includes 65 one-bedroom and 16 two-bedroom apartments. All units (excluding the manager's unit) restrict rents to 50 – 60 percent of San Diego Area Median Income.
- Chelsea Investment Corporation is the developer, and is seeking preliminary approvals to issue up to \$19,500,000 in tax-exempt Multifamily Housing Revenue Bonds.
- No San Diego Housing Commission (Housing Commission) loan proceeds will be provided to this development.
- Total development cost of the development is \$29,166,405.
- Staff requests the Housing Commission Board recommend to the Housing Authority approval of the following steps:
 - Issue a bond inducement resolution for up to \$19,500,000 in Multifamily Revenue Bonds.
 - Authorize an application to the California Debt Limit Allocation Committee
 - Approve a financing team of Kutak Rock as Bond Counsel and CSG Advisors as Financial Advisor
 - Request the City Council hold a Tax Equity and Fiscal Responsibility Act public hearing to adopt a resolution approving the issuance of the tax-exempt bonds.
- If approved, the developer could commence construction in April 2022 and complete construction by August 2023.



REPORT

DATE ISSUED: November 6, 2020

REPORT NO: HCR20-110

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of November 13, 2020

SUBJECT: Preliminary Bond Authorization for The Junipers

COUNCIL DISTRICT: 5

REQUESTED ACTION

Take the initial steps to issue Housing Authority of the City of San Diego tax-exempt Multifamily Housing Revenue Bonds to facilitate the construction of a new three-story affordable senior housing development at the northwest corner of Interstate 15 and Carmel Mountain Road in the Rancho Peñasquitos neighborhood, which will consist of 80 units affordable for 55 years for seniors earning from 50 percent to 60 percent of the San Diego Area Median Income and one unrestricted manager's unit.

STAFF RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) recommend the Housing Authority of the City of San Diego (Housing Authority) and the San Diego City Council (City Council) take the following actions, as described in this report.

Housing Authority:

- 1) Approve the following preliminary steps to issue Housing Authority tax-exempt Multifamily Housing Revenue Bonds to facilitate the development of The Junipers at the northwest corner of Interstate 15 and Carmel Mountain Road in the Rancho Peñasquitos neighborhood, which will consist of 80 units affordable for 55 years for seniors aged 55 and older earning between 50 percent and 60 percent of the San Diego Area Median Income (AMI) and one unrestricted manager's unit:
 - a. Issue a bond inducement resolution (Declaration of Official Intent) for up to \$19,500,000 in Multifamily Housing Revenue Bonds supporting the development of The Junipers by a limited partnership formed by Chelsea Investment Corporation, Juniper CIC, LP ;
 - b. Authorize an application (and subsequent applications, if necessary) to the California Debt Limit Allocation Committee (CDLAC) for an allocation of authority to issue tax-exempt private activity bonds in an amount up to \$19,500,000 for The Junipers; and
 - c. Approve the financing team of Kutak Rock as Bond Counsel and CSG Advisors as Financial Advisor; and
- 2) Authorize the Housing Commission's President & Chief Executive Officer (President & CEO), or designee, to execute any and all documents that are necessary to effectuate the transaction and implement these approvals in a form approved by General Counsel and Bond Counsel, and to take such actions as are necessary, convenient, and/or appropriate to implement these approvals upon advice of General Counsel and/or the Bond Counsel.

City Council:

Hold a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing and adopt a resolution approving the issuance of tax-exempt Multifamily Housing Revenue Bonds in an amount up to \$19,500,000 to facilitate the development of The Junipers.

SUMMARY

A development summary is included as Attachment 1.

Table 1 – Development Details

Address	Northwest corner of Interstate 15 and Carmel Mountain Road
Council District	Council District 5
Community Plan Area	Rancho Peñasquitos Planning Committee
Developers	Chelsea Investment Corporation
Development Type	New Construction
Construction Type	Three Story Type V
Parking Type	Surface parking
Housing Type	Affordable Senior (55+)
Lot Size	2.1 Acres
Units	80 affordable and 1 unrestricted manager's unit
Density	40 units/acre
Unit Mix	65 one-bedroom, 16 two-bedroom
Gross Building Area	62,841 SF
Net Rentable Area	49,186 SF

The Development

The Junipers Apartments will be an 81-unit new construction development for seniors aged 55 and older, with 80 affordable units and one unrestricted manager's unit. This development will be located on a 2.1-acre parcel at the southern end of the Lennar Homes' master-planned 55+ community to be called The Junipers. Sixteen of the units will be rent restricted for very low-income seniors with income at or below 50 percent of AMI, and the remaining 64 affordable units will be rent restricted for seniors with income at or below 60 percent of AMI.

The Junipers Apartments will consist of 65 one-bedroom flat units (573 square feet) and 16 two-bedroom flat units (738 square feet) dispersed among a three-story rectangular building with an exterior courtyard in the center. The building will have stairwells and two elevators to the third floor, and the buildings will generally resemble modern ranch style architecture with white and grey tones for the color palate. The building will have pitched roofs with dark hue composition shingles.

Unit amenities include Energy Star-rated efficient appliances (stove/oven, microwave, dishwasher, garbage disposal and refrigerator), dual-glazed windows coated for limited solar heat gain, low-energy lighting,

HVAC systems that utilize energy-efficient heat pumps, use of Low Volatile Organic Compound (VOC) paints and stains for interior surfaces, private patio/balconies with storage closets blinds, and vinyl-plank flooring. All ground units will be accessible pursuant to the Americans with Disabilities Act (ADA). The required number of units will have built-out accessible bathrooms and wheelchair barrier-free shower stalls.

The Junipers master-planned community is envisioned as a new, age-qualified, active adult (aged 55 and older) residential neighborhood of primarily single-family homes that incorporates community benefits for the surrounding Glens neighborhood of Rancho Peñasquitos, including a new neighborhood park, bike paths and walking trails. The Junipers will have a total of 536 units (including the aforementioned affordable 80 affordable and one manager's unit) situated at the northwest corner of Peñasquitos Drive and Carmel Mountain Road, where the 2015 closure of the Doubletree Golf Resort opened up more than 100 acres of land. It meets all of the City's requirements for dense development and is near transit and shopping. The Junipers' developments must contribute development fees to cover expansions or renovations of community amenities, such as municipal pools, fire stations and library branches.

Project Sustainability

The development will be built as Green Point-Rated with an anticipated Gold Rating standard and comply with the California Tax Credit Allocation Committee (CTCAC) minimum energy efficiency construction standards for new construction. The roof design is focused on optimizing square footage to allow maximum area to install the Solar Photovoltaic system. The Solar Photovoltaic system will be intended to offset the house load, including all or part of domestic hot water. Water conservation will be promoted via low-water-use fixtures in kitchens and bathrooms, low-flow toilets, and low-water-use, native-plants landscaping with water-efficient irrigation controls.

The Junipers Apartments will have surface parking adequate for the residents and their guests. A community building will be located on-site and will include the leasing office as well as a community area with kitchenette and computer room. At acquisition, the site will have been rough-graded and will be generally level.

Development Team

The development team will be led by Chelsea Investment Corporation (Chelsea), an award-winning, for-profit corporation headquartered in Carlsbad, California. Since 1995, Chelsea and its affiliates have developed approximately 9,768 rental units under ownership in four states in 77 Chelsea-owned developments. Chelsea has substantial development experience in a wide range of housing developments. Along with its affiliates, Chelsea provides financial, engineering, development, asset management, construction and property management services. Chelsea has developed multiple affordable rental housing developments in San Diego using Housing Commission loan funds. Chelsea is in full compliance on its previous Housing Commission-funded loans.

Based upon the developer's past experience and performance, Housing Commission staff has determined that the co-developers have the capacity to successfully complete the proposed project.

The property will be managed by ConAm Management Corporation, a San Diego based multifamily real estate services company that operates more than 53,000 apartments across 11 states.

Other members of the development team – including the administrative general partner, the tax credit investor, any limited partners, the construction lender, etc. – will be determined prior to final bond approval and the close of construction finance as required.

Table 2 - Development Team Summary

<u>ROLE</u>	<u>FIRM/CONTACT</u>
Developers	Chelsea Investment Corporation
Owner/Borrower	Juniper CIC, LP
Managing General Partner	TBD
Administrative General Partner	TBD
Tax Credit Investor Limited Partner	TBD
Architect	The McKinley Associates
General Contractor	Emmerson
Property Management	ConAm Management Corporation
Construction and Permanent Lender	TBD
Tenant Services Provider	PSCDC

Financing Structure

The Junipers has an estimated total development cost of \$29,166,405 (\$360,079 per unit). Financing for the project will include Multifamily Housing Revenue Bonds, permanent loan, 4 percent federal low-income housing tax credits, a contribution from the Master Developer (Lennar), and Deferred developer fee.

No Housing Commission loan proceeds will be provided to this development.

Estimated permanent sources and uses of financing are provided in Table 3. The developer's project pro forma is provided as Attachment 4.

Table 3 – The Junipers Estimated Sources and Uses of Financing

Financing Sources	Amounts	Financing Uses	Amounts	Per Unit
Permanent Loan	\$11,090,000	Land acquisition:	\$2,835,001	\$35,000
4% Tax Credit Equity	\$10,081,138	Construction costs	17,905,262	
		\$16,277,511		
		Contingency		\$221,052
		±		
		<u>\$1,627,751</u>		
		Total construction		
		\$17,905,262		
Master Developer	\$2,688,360	Financing costs	\$1,321,903	\$16,320

Gap Financing				
Master Developer / Seller Offsite Allocation	\$2,835,000	Architecture and Engineering	\$756,900	\$9,344
Solar Tax Credit Equity	\$134,862	Legal	\$217,500	\$2,685
Residual Receipts Loan Interest	\$179,509	City permits and impact fees	\$1,925,728	23,774
Deferred Developer Fee	\$2,157,535	Developer's fee	\$3,657,535	\$45,154
		Reserves	\$271,000	\$3,345
		Other soft costs	\$275,576	\$3,402
Total Sources	\$29,166,405	Total Uses	\$29,166,405	\$360,079

Developer Fee

The planned net cash developer fee shall be \$3,657,535 in compliance with CTCAC and CDLAC regulations.

\$3,657,535 – Gross developer fee

-2,157,535 – Minus deferred developer fee

\$1,500,000 – Net cash developer fee

On April 25, 2017, the Housing Authority approved the “Request for Approval of Updated Developer Fees” (Report No. HAR17-011; Resolution No. HA-1727). That report approved certain developer fee guidelines for multifamily loans and bond issuances. Attachment 1 to that report stated: “Developer Fee [for] 4% tax credits, in project costs: 15% eligible basis....” The developer is proposing a \$3,657,535 preliminary developer fee associated with the residential portion of development, which complies with HAR17-011. The proposed fee is in conformance with the “Request for Approval of Updated Developer Fees” guidelines approved by the Housing Authority on April 25, 2017.

Prevailing Wages

The proposed project is not subject to payment of state or federal prevailing wages.

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 (\$29,166,405/81 units)	\$360,079
Housing Commission Subsidy Per Unit	\$0
Acquisition Cost Per Unit (\$2,835,001/81 units)	\$35,000
Gross Building Square Foot Hard Cost (\$17,905,262 / 62,841)	\$285
Net Rentable Square Foot Hard Cost (\$17,905,262 / 49,186)	\$364

Project Comparison Chart

Multiple factors and variables 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 a comparison of the subject property and other developments of the same construction type.

Table 5 – Comparable Development Projects

Development	Year	Construction Type	Unit	Prevailing Wage	Total Development Cost	Per Unit TDC	SDHC Subsidy	Gross Building Hard Cost per Square Foot
Subject – The Junipers	2020	V	81	No	\$29,166,405	\$360,079	\$0	\$285
East Block Family	2019	III	78	No	\$40,562,897	\$520,037	\$0	\$355
Keeler Court	2019	V	71	Yes	\$35,692,466	\$502,711	\$0	\$262
Ulric Street I	2019	V	96	Yes	\$46,427,114	\$483,616	\$72,917	\$264

The Juniper', the project's overall \$360,079 total development cost per unit is substantially lower than recent new construction projects. Two of the main cost drivers for the other developments were multi-level concrete podium style parking structures. Junipers will have surface parking, which is a less expensive parking option. The other is that Junipers is not an infill site with limited space for construction mobilization. Infill developments in dense urban areas require lane closures and have limited space for construction staging and material storage, which add to the cost of those projects.

Proposed Housing Bonds

The Housing Commission utilizes the Housing Authority's tax-exempt borrowing status to pass on lower interest rate financing (and make 4 percent low-income housing 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 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 TEFRA resolutions must be secured no later than 30 days after application submittal. These actions do not obligate the Housing Authority to issue bonds.

The developer plans to submit a bond allocation application to CDLAC in June 2021 (tentative date) for an August 2021 bond allocation meeting; however, if necessary, staff will submit additional applications to CDLAC to secure a bond allocation for the development.

The developer will be seeking a CDLAC bond allocation of approximately \$19,500,000. The developer proposes to have the Housing Authority issue the bonds through a tax-exempt private placement bond issuance. The bonds 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 developer proposes that the bonds will be used to provide construction and permanent financing for the project. Housing Commission staff will later return to both the Housing Commission and Housing Authority for approval of the final bonds and transaction documents. 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 5. Staff recommends assigning Kutak Rock as Bond Counsel and CSG Advisors as Financial Advisor to work on the development. The proposed financing team members have been selected in accordance with the existing policy for the issuance of bonds. Financial Advisors and Bond Counsels are selected in accordance with the Housing Commission's Bond Policy.

AFFORDABLE HOUSING IMPACT

Under the proposed bond financing, The Junipers would restrict 16 units to households with income at or below 50 percent of the San Diego Area Median Income (AMI), 64 at or below 60% AMI. The affordable units will be restricted for a 55-year term.

Table 6 – The Junipers Affordability & Monthly Estimated Rent Table

<u>Unit Type</u>	<u>AMI</u>	<u>Number of Units</u>	<u>Gross Rents</u>
One-Bedroom One-Bathroom	50%	13	\$1,082
One-Bedroom One-Bathroom	60%	52	\$1,299
Two-Bedroom One-Bathroom	50%	3	\$1,298
Two-Bedroom One-Bathroom	60%	12	\$1,558
Manager	NA	1	-
Total Units	-	81	-

Development Schedule

The estimated development timeline is as follows.

Milestone	
Housing Authority & City Council meeting for Preliminary Bond Inducement and TEFRA hearing	November 2020
TCAC/CDLAC application	June 2021
CDLAC Award	August 2021

SDHC Board Meeting Final Bond authorization	September 2021
Housing Authority & City Council meeting for Final Bond Authorization	September 2021
Close financing and start construction	April 2022
Complete Construction	June 2023
Lease Up Complete	August 2023

FISCAL CONSIDERATIONS

The proposed funding sources and uses approved by this action are not included in the Fiscal Year (FY) 2021 Housing Commission Budget. Approving this action will increase the FY 2021 total budget.

Funding sources approved by this action will be as follows:

Bond Issuance Fees - \$48,750 (.0025 bond issuer fee x \$19,500,000)

Funding uses approved by this action will be as follows:

Administration Costs - \$48,750

Approval of the bond inducement and TEFRA resolutions does not commit the Housing Authority to issue the bonds. The bonds would not constitute a debt of the City. If bonds are ultimately issued for the development, the bonds will not 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 annual administrative fee, as well as Housing Commission Bond Council and Financial Advisor fees.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

On July 1, 2021, the Junipers project will be presented before the Rancho Peñasquitos Area Planning Committee by the Developer.

KEY STAKEHOLDERS and PROJECTED IMPACTS

Stakeholders include Chelsea Investment Corporation, the future residents of the Junipers and the Rancho Peñasquitos community. The project is anticipated to have a positive impact on the community, as it will contribute to the quality of the surrounding neighborhood and create 80 new affordable rental homes for seniors with low income.

ENVIRONMENTAL REVIEW

This activity is not a “project” and is therefore not subject to the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15060(c)(3). This determination is predicated on Section 15004 of the Guidelines, which provides direction to lead agencies on the appropriate timing for environmental review. This action does not constitute approval of a project. Approval will occur once the environmental review has been completed in accordance with CEQA Section 15004. This action will not foreclose review of alternatives or mitigation measures by the public as part of the CEQA process. The proposed actions are approval of preliminary steps to issue bonds and do not constitute approval of the development activity or authorization for the issuance of bonds. Future actions to consider and approve development entitlement approvals related to the future development of the site will require

additional review under the provisions of CEQA by the lead agency. Processing under the National Environmental Policy Act (NEPA) is not required as no federal funds are involved in this action.

Respectfully submitted,



Colin Miller
Vice President
Multifamily Housing Finance
Real Estate Division

Approved by,



Jeff Davis
Deputy Chief Executive Officer
San Diego Housing Commission

Attachments: 1) Development Summary
2) Site Map
3) Developer Disclosure Statements
4) Developer's Project Sources and Uses Pro forma
5) Multifamily Housing Revenue Bond Program
6) Org Chart

Docket materials are available in the "Governance & Legislative Affairs" section of the San Diego Housing Commission website at www.sdhc.org

Development Summary – Union Bank Apartments

Table 1 – Development Details

Address	Northwest corner of Interstate 15 and Carmel Mountain Road
Council District	Council District 5
Community Plan Area	Rancho Peñasquitos Planning Committee
Developer	Chelsea Investment Corporation
Development Type	New Construction
Construction Type	Three Story Type V
Parking Type	81 spaces (surface)
Housing Type	Affordable Senior (55+)
Lot Size	2.1 Acres
Units	80 affordable and 1 unrestricted manager's unit
Density	40 units/acre
Unit Mix	65 one-bedroom, 15 two-bedroom
Gross Building Area	62,841 square feet
Net Rentable Area	49,186 square feet
Commercial/Retail Space	None
Project Based Housing Vouchers	None

Table 2 - Development Team Summary

ROLE	FIRM/CONTACT
Developers	Chelsea Investment Corporation
Owner/Borrower	Juniper CIC, LP
Managing General Partner	TBD
Administrative General Partner	TBD
Tax Credit Investor Limited Partner	TBD
Architect	The McKinley Associates
General Contractor	Emmerson Construction
Property Management	Con Am Management Company
Construction and Permanent Lender	TBD
Tenant Services Provider	PSCDC

Table 3 –Estimated Sources and Uses of Financing

Financing Sources	Amounts	Financing Uses	Amounts	Per Unit
Permanent Loan	\$11,090,000	Land acquisition:	\$2,835,001	\$35,000
4% Tax Credit Equity	\$10,081,138	Construction costs \$16,277,511		
		Contingency + \$1,627,751		\$221,052
		Total construction \$17,905,262		
Master Developer Gap Financing	\$2,688,360	Financing costs	\$1,321,903	\$16,320
Master Developer/ Seller Offsite Allocation	\$2,835,000	Architecture and Engineering	\$756,900	\$9,344
Solar Tax Credit Equity	\$179,509	City permits and impact fees	\$1,925,728	\$23,774
Deferred Developer Fee	\$2,157,535	Developer's fee	\$3,357,535	\$45,154
		Reserves	\$271,000	\$3,345
		Other soft costs	\$275,76	\$3,402
Total Sources	\$29,166,405	Total Uses	\$29,166,405	\$360,079

Table 4 – Key Performance Indicators

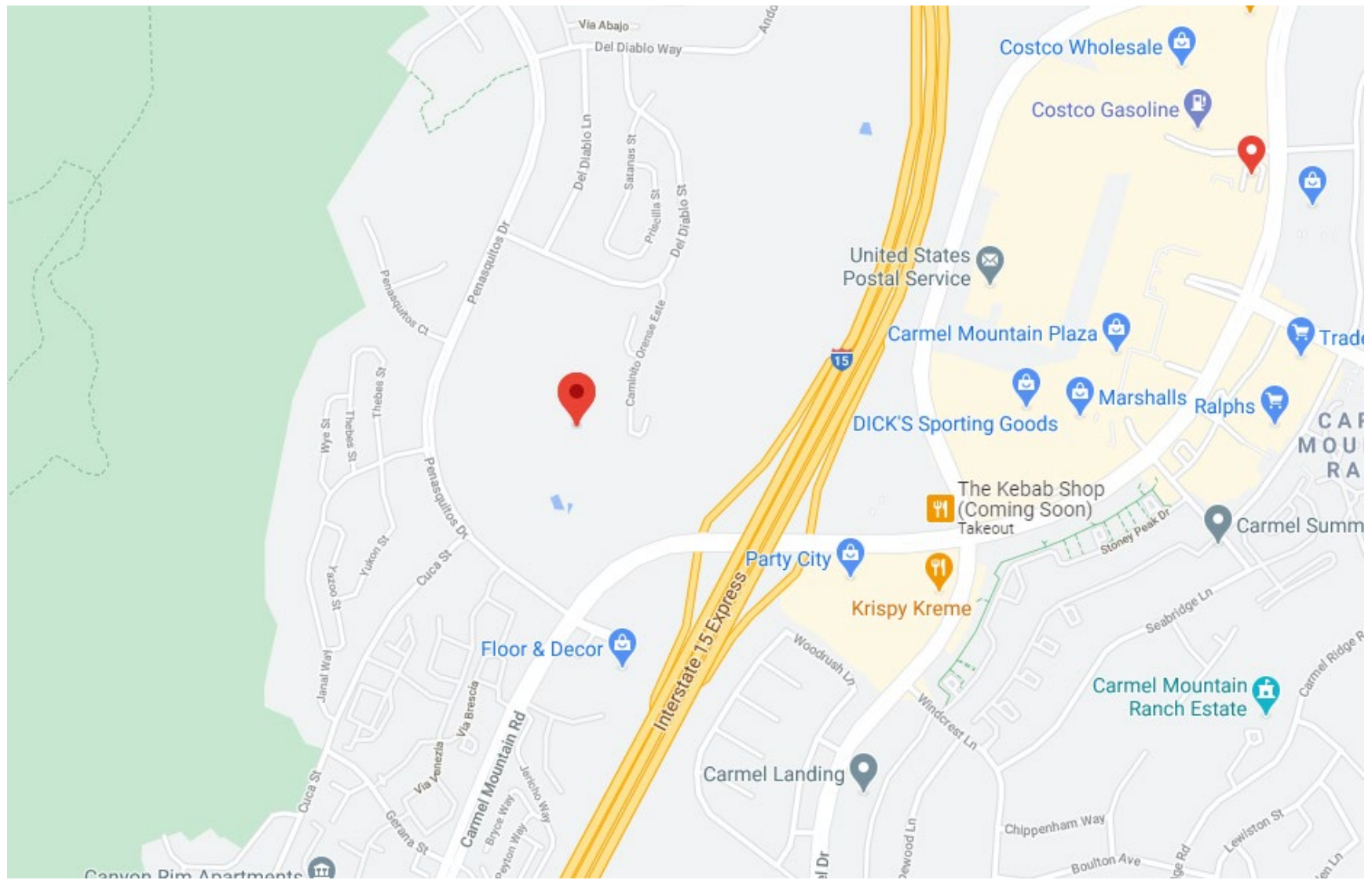
Development Cost Per Unit	$\$29,166,405 \div 810 \text{ units}$	\$360,079
Housing Commission Subsidy Per Unit	N/A	\$0
Acquisition Cost Per Unit	$\$2,835,001 \div 81 \text{ units}$	\$35,000
Gross Building Square Foot Hard Cost	$\$17,905,262 \div 62,841 \text{ square feet}$	\$285
Net Rentable Square Foot Hard Cost	$\$17,905,262 \div 49,186 \text{ square feet}$	\$364

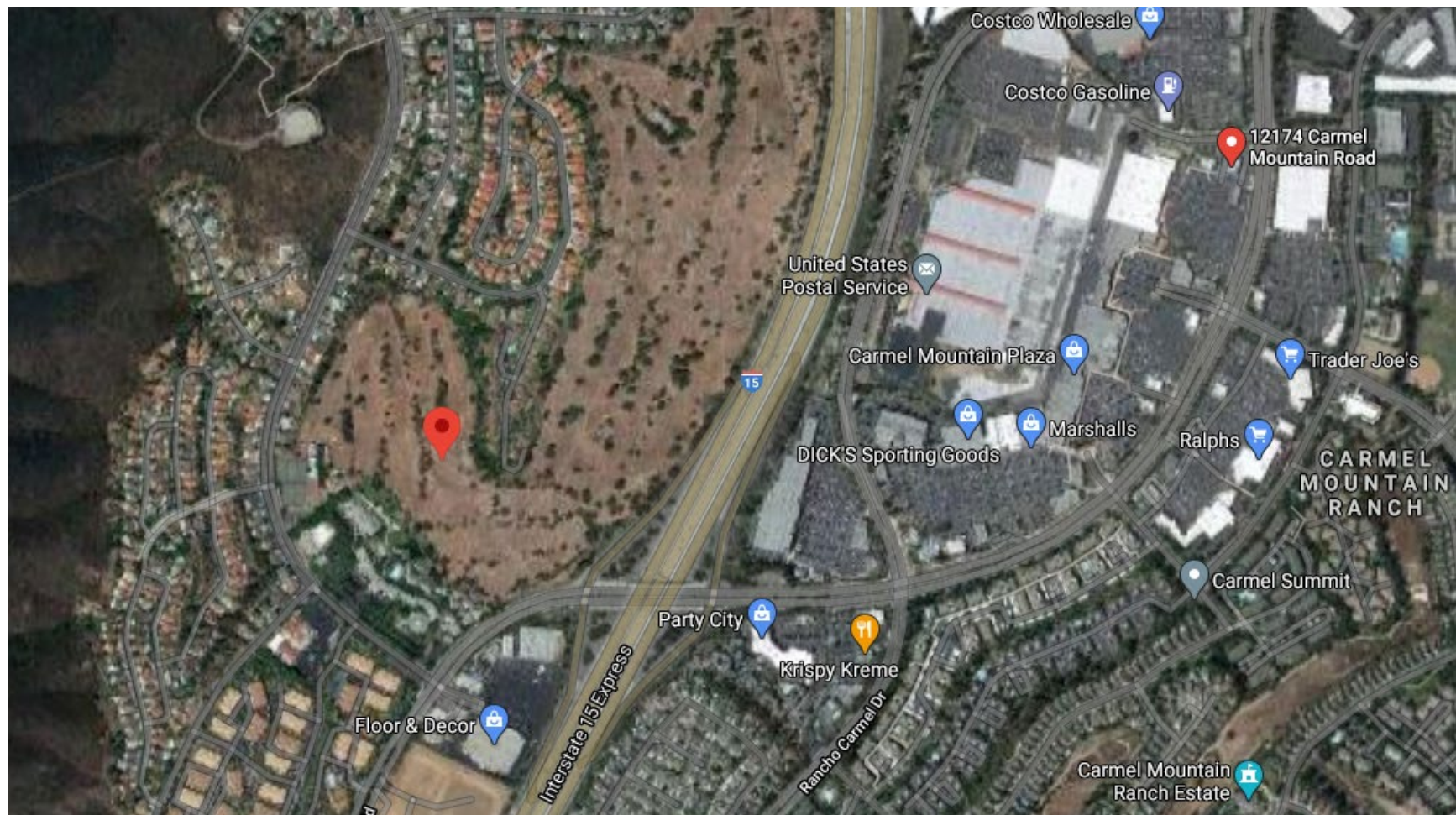
Table 5 – Comparable New Construction Projects

Project Name	Year	Contraction Type	Units	Prevailing Wage	Total Development Cost	TDC per unit	SDHC Subsidy per Unit	Gross Building Cost per Square Foot
Subject- The Junipers	2020	V	81	No	\$29,166,405	\$360,079	\$0	\$285
East Block Family	2019	III	78	Yes	\$41,579,692	\$533,073	\$0	\$214
Keeler Court	2019	V	71	Yes	\$35,692,466	\$575,941	\$0	\$304
Ulric Street II	2020	V	60	Yes	\$32,004,521	\$533,409	\$67,917	\$301

Table 6 – Affordability & Monthly Estimated Rent Table

Unit Type	AMI	Number of Units	Gross Rents
One-Bedroom One-Bathroom	50%	13	\$1,082
One-Bedroom One-Bathroom	60%	52	\$1,299
Two-Bedroom One-Bathroom	50%	3	\$1,298
Two-Bedroom One-Bathroom	60%	12	\$1,558
Manager	NA	1	-
Total Units	-	81	-







**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. Email: **tbaker@chelseainvestco.com**
2. Address and Zip Code: **6339 Paseo del Lago, Carlsbad, CA 92011**
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: **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, Restructure Date: 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.
 - 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.

- 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%. (Attach extra sheet if necessary)

Name and Address		Position Title (if any) and percent of interest or description of character and extent of interest
Name:	The Schmid Family Trust	Sole Shareholder
Address:	6339 Paseo del Lago	
	Carlsbad, CA 92011	
Name:	James J. Schmid	Co-Trustee
Address:	6339 Paseo del Lago	
	Carlsbad, CA 92011	
Name:	Lynn Harrington Schmid	Co-Trustee
Address:	6339 Paseo del Lago	
	Carlsbad, CA 92011	

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 and Address		Position Title (if any) and percent of interest or description of character and extent of interest
Name:	James J. Schmid	Sole Director/CEO/Treasurer/Co-Trustee of Schmid Family Trust, Sole Shareholder
Address:	6339 Paseo del Lago	
	Carlsbad, CA 92011	
Name:	Cheri Hoffman	President
Address:	6339 Paseo del Lago	
	Carlsbad, CA 92011	
Name:	Charles S. Schmid	Vice President (son of James J. Schmid)
Address:	6339 Paseo del Lago	
	Carlsbad, CA 92011	

Name:	Lynn Harrington Schmid	Secretary (Wife of James J. Schmid and Co-Trustee of the Schmid Family Trust, Sole Shareholder)
Address:	6339 Paseo del Lago	
	Carlsbad, CA 92011	

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:	
Address:	
Name:	
Address:	
Name:	
Address:	

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: Emmerson Construction, Inc.	General Contractor/Construction Management
Address: 6339 Paseo del Lago	
Carlsbad, CA 92011	
Name: CIC Management, Inc.	Property Management
Address: 6339 Paseo del Lago	
Carlsbad, CA 92011	
Name:	
Address:	

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 Exhibit B**

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:

SOURCES

Federal LIHTC Equity	\$10,081,138
Solar Equity	\$134,862
Permanent Loan	\$11,090,000
Offsite Cost Allocation Note	\$2,835,000
Deferred Developer Fee	\$2,157,535
Master Developer Loan	\$2,688,360
Residual Receipts Loan	\$179,509
TOTAL SOURCES	\$29,166,405

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.*

Name: **TBD**

Address:

Amount: \$

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

Name:

Address:

Amount:

Name:

Address:

Amount:

- c. By sale of readily salable assets/including marketable securities: **None**

Description	Market Value (\$)	Mortgages or Liens (\$)
N/A		

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

Name and Address	Contact Name
Name: Citi Community Capital	Sonia Rahm, Director
Address: 444 South Flower St. 29th Floor	
Los Angeles, CA 90071	
Name: Banner Bank	Waheed Karim, Vice President
Address: 5901 Priestly Drive, Suite 160	
Carlsbad, CA 92008	
Name:	
Address:	

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.

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: **See Exhibit C Experience Report**

Type of Bond	Project Description	Date of Completion	Amount of Bond	Action on Bond

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	Affiliate
Address: 6339 Paseo Del Lago	
Carlsbad, CA 92011	
Name:	
Address:	
Name:	
Address:	

- 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: **\$165,896,800**

General description of such work: construction of affordable family, senior and other affordable 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)

Project Name	See Exhibit C Resumes and List of Projects	
Project Owner Contact Information		
	Name	Address
Project Location		
Project Details		
Bonding Company Involved		
	Name	Amount of Contract
Change Order Details		

Change Order Cost		
Litigation Details		
	Location/Date	Outcome Details

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

Identification of Contract or Development	Location	Amount	Date to be Completed

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

Awarding Agency	Amount	Date Opened

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: **See Exhibit C Resumes and Lists of Projects**

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:

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:
See Exhibit D – Financials for Emmerson Construction

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:

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. Broker is Cavignac & Associates, 450 B Street, Suite 1800, San Diego, CA 92101.

- 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**

Government Complaint	Entity	Making	Date	Resolution
N/A				

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,

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)
State License Board	Contractor's License for Emmerson Construction, Inc.	775773	3/2/2000	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. **None.**

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
2014	Independence Point (SDHC)	Current	\$2,500,000
2015	Trolley Residential	Current	\$3,120,000
2016	Mesa Verde	Current	\$9,60,000
2017	Normal Heights	Current	\$5,200,000
2018	San Ysidro/Paseo La Paz	Current	\$925,000
2019	14th & Commercial	Current	\$11,500,000

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 that would be familiar with your previous construction project: **See Exhibit C References**

1. Name:
Address:
Phone:
Project Name and Description:

2. Name:
Address:
Phone:
Project Name and Description:

3. Name:
Address:
Phone:
Project Name and Description:

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.

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

Name	Experience
TBD	

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 8 day of October 2020, at San Diego, California.

CONTRACTOR

By: Cheri Hoffman
Signature

President, Chelsea Investment Corporation
Title

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

By: _____

Title: President

Title: _____

Dated: 10/08/2020

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.

JURAT

State of California

County of _____

Subscribed and sworn to (or affirmed) before me on this _____ day of _____, 20_

by _____ personally known to me or proved to me on the basis of

satisfactory evidence to be the person(s) who appeared before me.

** See attached CA Jurat for Notary
Signature and Seal.*

Signature of Notary

SEAL

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of San Diego

Subscribed and sworn to (or affirmed) before me on this 9th
day of October, 2020, by Cheri Hoffman

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



(Seal)

Signature Joanna Belding

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

FEB 23 2004

Kevin Shelley
KEVIN SHELLEY, Secretary of State

**ARTICLES OF INCORPORATION
OF
CHELSEA SERVICE CORPORATION**

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

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

CERTIFICATE OF RESTATED AND AMENDED

ARTICLES OF INCORPORATION

JAN 1 2006

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

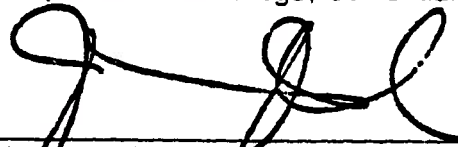
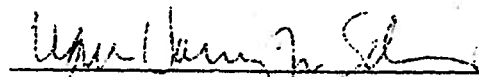
The Corporation is authorized to provide indemnification of agents (as the word "agents" is defined in Section 317 of the California Corporations Code) through bylaw provisions, agreements with the agents, vote of shareholders or disinterested directors, or otherwise, in excess of the indemnification 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

Chelsea Investment Corporation and Subsidiaries

**Consolidated Financial Statements with Report of Independent Auditors
December 31, 2019**

C O N T E N T S

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Report of Independent Auditors

To the Stockholder of
Chelsea Investment Corporation and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Chelsea Investment Corporation and Subsidiaries, which comprise the consolidated balance sheet as of December 31, 2019, and the related consolidated statements of operations, stockholder's equity, and cash flows for the year then ended, and related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Chelsea Investment Corporation and Subsidiaries as of December 31, 2019, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As discussed in Note 1 to the consolidated financial statements, Chelsea Investment Corporation and Subsidiaries adopted changes in accounting principles related to revenue recognition, presentation and disclosure of the statements of cash flows, and financial instruments. Our opinion is not modified with respect to those matters.

Novogrudac & Company LLP

Long Beach, California
April 7, 2020

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

December 31, 2019

ASSETS

Current assets:

Cash and cash equivalents	\$ 536,275
Marketable securities, net	2,281,624
Due from related parties	1,174,131
Prepaid expenses and deposits	204,239
Current portion of developer fees receivable - related parties	7,191,196
Current portion of project cost advances - related parties	2,966,650
Note receivable - related party	29,000
Total current assets	<u>14,383,115</u>

Fixed assets:

Property and equipment	646,040
Leasehold improvements	217,719
Accumulated depreciation	(609,626)
Fixed assets, net	<u>254,133</u>

Other assets:

Developer fees receivable - related parties, less current portion	5,176,522
Project cost advances - related parties, less current portion	1,845,863
Total other assets	<u>7,022,385</u>

Total assets	<u><u>\$ 21,659,633</u></u>
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LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities:

Accounts payable	\$ 292,916
Accrued expenses	343,725
Rent payable	134,906
Note payable - related party	1,950,000
Total current liabilities	<u>2,721,547</u>

Long-term liabilities:

Lease liability	34,144
Line of credit	2,000,000
Nonqualified deferred compensation plan liability	370,000
Total long-term liabilities	<u>2,404,144</u>

Total liabilities	5,125,691
-------------------	-----------

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	13,566,743

Total controlling interest	16,533,843
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Non-controlling interest	<u>99</u>
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Total stockholder's equity	<u>16,533,942</u>
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Total liabilities and stockholder's equity	<u><u>\$ 21,659,633</u></u>
--	-----------------------------

see accompanying notes

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF OPERATIONS**

For the year ended December 31, 2019

REVENUES

Developer fees	\$ 10,929,343
Management fees	198,403
Sublease income	<u>508,933</u>
Total revenues	11,636,679

OPERATING EXPENSES

Compensation and benefits	6,119,843
Insurance	767,726
Consulting and professional fees	766,756
General and administrative	490,560
Payroll taxes	429,570
Bad debt expense	391,160
Rent	293,357
Office expenses	143,216
Utilities	123,653
Deferred compensation	115,000
Depreciation expense	106,792
Advertising	104,469
Repairs and maintenance	51,306
Other expenses	49,859
Real estate taxes	41,806
Meals and entertainment	28,437
Travel	<u>22,455</u>
Total operating expenses	<u>10,045,965</u>

Operating income 1,590,714

OTHER INCOME (EXPENSES)

Investment and interest income	206,831
Gain on marketable securities	82,132
Interest expense	<u>(140,637)</u>
Net other income and (expenses)	<u>148,326</u>

INCOME BEFORE PROVISION FOR INCOME TAXES 1,739,040

Provision for income taxes (22,592)

NET INCOME \$ 1,716,448

see accompanying notes

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY
For the year ended December 31, 2019

	Controlling Interest						
	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Controlling Interest	Non-controlling Interest	Total Stockholder's Equity
	Shares	Amount					
BALANCE, JANUARY 1, 2019 (restated)	100	\$ 100	\$ 2,967,000	\$ 11,850,295	\$ 14,817,395	\$ 99	\$ 14,817,494
Stockholder contributions	-	-	247,200	-	247,200	-	247,200
Stockholder distributions	-	-	(247,200)	-	(247,200)	-	(247,200)
Net income	-	-	-	1,716,448	1,716,448	-	1,716,448
BALANCE, DECEMBER 31, 2019	100	\$ 100	\$ 2,967,000	\$ 13,566,743	\$ 16,533,843	\$ 99	\$ 16,533,942

see accompanying notes

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$ 1,716,448
Adjustments to reconcile net income to net cash used in operating activities:	
Gain on marketable securities	(82,132)
Depreciation expense	106,792
Bad debt expense	391,160
(Increase) decrease in operating assets	
Marketable securities	(64,032)
Due from related parties	400,670
Developer fees receivable - related parties	(4,334,680)
Management fees receivable	(117,036)
Interest receivable	4,646
Prepaid expenses and deposits	(24,683)
Increase (decrease) in operating liabilities	
Accounts payable	123,366
Accrued expenses	(136,787)
Nonqualified deferred compensation plan liability	115,000
Rent payable	18,752
Net cash used in operating activities	<u>(1,882,516)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Collection of notes receivable - related parties	164,579
Purchase of property and equipment	(27,163)
Purchase of leasehold improvements	(38,085)
Payment of project cost advances - related parties	<u>(1,399,095)</u>
Net cash used in investing activities	<u>(1,299,764)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Contributions from sole stockholder	247,200
Distributions to sole stockholder	(247,200)
Proceeds from line of credit	2,000,000
Payment of note payable - related party	(500,000)
Proceeds from note payable - related party	<u>1,950,000</u>
Net cash provided by financing activities	<u>3,450,000</u>

Net change in cash, cash equivalents and restricted cash	267,720
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Cash, cash equivalents and restricted cash at beginning of year	<u>268,555</u>
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Cash, cash equivalents and restricted cash at end of year	<u><u>\$ 536,275</u></u>
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Cash and cash equivalents	\$ 536,275
---------------------------	------------

Restricted cash	<u>-</u>
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Total cash, cash equivalents and restricted cash	<u><u>\$ 536,275</u></u>
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SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest during the year	<u><u>\$ 140,637</u></u>
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see accompanying notes

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and purpose

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 and New Mexico. 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 accounting

The Company prepares its consolidated financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

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 consolidation.

Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. 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 economic or other conditions in the Company’s geographical area or by changes in the demand for housing.

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition.

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.

Investments in securities

The Company’s investments in marketable securities are recorded at fair value measured at each reporting period. The fair value of the investments is based on quoted prices in active markets, and any gain or loss is reported on the statement of operations. The cost of securities sold is based on the specific identification method. Interest on marketable securities is included in investment and interest income on the accompanying consolidated statement of operations.

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurements

The Company applies the accounting provisions related to fair value measurements. Accounting Standards Codification (ASC) 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. As prescribed in ASC 820, fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This accounting guidance establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three levels of the fair value hierarchy: (1) the fair value is based on quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date; (2) the fair value is based on significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data; and (3) the fair value is based on significant unobservable inputs that reflect the Company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Accounts receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are generally written off through a charge to the valuation allowance and a credit to trade accounts receivable. As of December 31, 2019, the balance of the partnership management fees receivable and the allowance for doubtful accounts for partnership management fees receivable was \$1,155,243. Bad debt expense for the year ended December 31, 2019 was \$391,160.

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.

Loans receivable and allowance for loan losses

Loans receivable are stated at unpaid principal balances, less an allowance for loan losses.

The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loan loss experience, known and other risks inherent in the portfolio, specific impaired loans, and adverse situations. Although management uses available information to recognize losses on loans, because of uncertainties associated with local economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that a material change could occur in the allowance for loan losses in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans receivable and allowance for loan losses (continued)

The Company considers a loan impaired when based on current information or factors, it is probable that the Company will not collect the principal and interest payments according to the loan agreement. Management considers many factors in determining whether a loan is impaired, such as payment history and value of collateral. Loans that are contractually delinquent less than 90 days are generally not considered impaired, unless the borrower has claimed bankruptcy or the Company has received specific information concerning the loan impairment. The Company reviews delinquent loans to determine impaired accounts. The Company measures impairment on a loan-by-loan basis by either using the fair value of collateral or the present value of expected cash flows. Substantially all of the Company loans that are identified as impaired have been measured using the fair value of the collateral.

The Company's key credit quality indicator is a loan's performance status, defined as accruing or non-accruing. Performing loans are considered to have a lower risk of loss, while nonaccrual loans are those which the Company believes have a higher risk of loss. Loans that are 90 days or more past due, based on the contractual terms of the loan, are classified on nonaccrual status. Loans may also be placed on nonaccrual status when management believes, after considering economic conditions, business conditions, and collection efforts, that the loans are impaired or collection of interest is doubtful. Uncollectible interest previously accrued is charged off, or an allowance is established by a charge to interest income. Interest income on nonaccrual loans is recognized only to the extent cash payments are received and the principal balance is believed to be collectible.

A loan previously classified on nonaccrual status will resume accruing interest based on the contractual terms of the loan when payments on the loan become current. Loans may also resume accruing interest if management no longer believes a loan is impaired or the collection of principal and interest is no longer in doubt.

Partnership investments

The consolidated wholly-owned subsidiaries of the Company hold co-general partner interests in affiliated affordable housing limited partnerships. These co-general partner interests are recorded at cost pursuant to the measurement alternative provided by FASB ASC 321. The fair value of the investments is not estimated if there are no identified changes that may have a significant adverse effect on the fair value of the investments. As of December 31, 2019, 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.

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of long-lived assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flows expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. There were no impairment losses recognized during 2019.

Income taxes

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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America 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 has measured the Company's exposure to those tax positions. Management believes that the Company has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Company are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Lease expenses

Expenses resulting from leases are recognized when incurred. Lease expense from an operating lease is incurred on a straight-line basis over the lease term. Interest expense is incurred on a capital lease obligation to produce a constant periodic rate of interest on the remaining balance of the obligation.

Lease classifications

The Company considers multiple factors in determining the classification of leases as either capital or operating leases, such as ownership at the end of the lease term, bargain purchase options, lease term, present value of minimum lease payments, fair value and useful life of the underlying asset(s), and whether there is significant uncertainty regarding future costs or collectability of lease payments. See Notes 4 and 6 for further discussion of the Company's lease transactions.

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, 2019

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers

Revenue from contracts with customers consists of fees earned for construction and development services provided. The Company considers revenue from contracts with customers realized or realizable and earned when it has satisfied certain performance obligations pursuant to such contracts. Performance obligations are satisfied over time as services are rendered and revenue is recognized based on the estimated percentage of time incurred for each performance obligation. The Company records contract assets for revenue recognized in excess of the amount billed to and received from the customer, which are included in developer fees receivable on the accompanying consolidated balance sheet.

Deferred compensation expenses

The costs of deferred compensation arrangements are accrued over the period of employees' service to which they relate.

Advertising

Advertising costs are expensed as incurred. For the year ended December 31, 2019, the Company incurred \$104,469 in advertising costs.

Changes in accounting principles

On January 1, 2019, the Company adopted a new accounting standard that affects the accounting for revenue. The Company's revenue is mainly derived from fees earned for development and construction services provided, which is impacted by this standard. The accounting change increased the beginning balance of retained earnings and developer fees receivable by \$4,361,429.

On January 1, 2019, the Company adopted new accounting standards that affect the statement of cash flows. These new standards address how certain cash receipts and payments are presented and classified in the statement of cash flows, including that debt prepayments and other debt extinguishment related payments are required to be classified as financing activities, when previously these payments were classified as an operating activity. The new standards also require the statement of cash flows to explain the change in cash, cash equivalents and restricted cash. Previously, changes in restricted cash were presented in the statement of cash flows as operating, investing or financing activities depending upon the intended purpose of the restricted funds. Because none of the Company's cash is restricted, there were no quantitative impact on the consolidated statement of cash flows for the year ended December 31, 2019.

On January 1, 2019, the Company adopted a new accounting standard for financial instruments that affects the accounting for certain equity investments (formerly cost-method investments). The new standard requires such investments to be reported at fair value unless such investments do not have a readily determinable fair value and the Company elects a measurement alternative. Adopting the standard did not have a quantitative impact on the consolidated financial statements due to the nature of the Company's investments.

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting principles (continued)

On January 1, 2019, the Company adopted a new accounting standard for financial instruments that affects the accounting for investments in marketable securities. The new standard requires such investments to be reported at fair value, with changes reported in net income. Adopting the standard did not have a quantitative impact on the consolidated financial statements due to the nature of the Company's investments.

NOTE 2 – MARKETABLE SECURITIES

Marketable securities held by the Company consist of investments purchased at an aggregate cost of \$2,246,504. As of December 31, 2019, the fair market value of the marketable securities was \$2,281,624. Gains and losses are reported in net income on the accompanying consolidated statement of operations. During 2019, the gain on marketable securities was \$82,132.

NOTE 3 – FIXED ASSETS

Fixed assets consist of the following as of December 31, 2019:

Property and equipment, at cost	\$ 646,040
Leasehold improvements, at cost	217,719
Accumulated depreciation	<u>(609,626)</u>
Total fixed assets, net	<u>\$ 254,133</u>

Depreciation expense for the year ended December 31, 2019 was \$106,792.

NOTE 4 – RELATED PARTY TRANSACTIONS

Notes receivable

Notes receivable with related parties consist of the following as of December 31, 2019:

	<u>Amount</u>
The Company had a promissory note with a related party for \$175,000. This note bears interest at 1.00% per annum. The entire unpaid principal and interest accrued were due on December 31, 2019. During 2019, the entire balance of unpaid principal and interest accrued on this promissory note were paid in full.	\$ -
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. As of December 31, 2019, the balance on this promissory note was \$29,000.	<u>29,000</u>
Total notes receivable – related parties	<u>\$ 29,000</u>

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

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, 2019:

Total project cost advances – related parties	\$ 4,812,513
Less: current portion of project costs advances – related parties	<u>(2,966,650)</u>
Project cost advances – related parties, less current portion	<u>\$ 1,845,863</u>

Developer fees

Developer fees are fees the Company receives for providing development and construction services to associated projects, which are based on contracts with various project developer entities associated with the Company. Balances are recorded at amounts expected to be realized as performance obligations are satisfied under the contracts, as further discussed in Note 1. For the year ended December 31, 2019, developer fees earned were \$10,929,343.

The developer fees receivable balance is recorded at amounts expected to be realized in excess of the amount billed to and received from the customer. Payments for developer fees are due upon scheduled equity installments which correspond to certain milestones achieved for each project. These milestone payments typically begin upon the start of construction and end upon the receipt of IRS Form 8609s by each project. As of December 31, 2019, management estimated no allowance for uncollectible developer fees receivable.

As of December 31, 2019, the contract assets balance is as follows:

Beginning balance	\$ 8,033,037
Revenue recognized	10,929,343
Revenue received	<u>(6,594,662)</u>
Ending balance	<u>\$ 12,367,718</u>

Developer fees receivable consist of the following as of December 31, 2019:

Total developer fees receivable – related parties	\$ 12,367,718
Less: current portion of developer fees receivable – related parties	<u>(7,191,196)</u>
Developer fees receivable- related parties, less current portion	<u>\$ 5,176,522</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 available cash flow, if any, of the partnerships. For the year ended December 31, 2019, partnership management fees of \$117,036 were earned and are included in management fees revenue on the consolidated statement of operations. During 2019, an allowance of \$117,036 was reserved for the partnership management fees receivable which is included in bad debt expense on the accompanying consolidated statement of operations.

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2019

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)**Partnership management fees (continued)**

Partnership management fees receivable consist of the following as of December 31, 2019:

Total partnership management fees receivable – related parties	\$ 1,155,243
Less: reserve for allowance for doubtful accounts	<u>(1,155,243)</u>
Partnership management fees receivable – related parties, net	<u>\$ -</u>

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, 2019, a management fee of \$52,317 was earned and paid, and is included in management fees revenue on the accompanying consolidated statement of operations.

Pursuant to an incentive management fee agreement between the Company and CIC Villas II, LP (“Villa Glen”) dated June 1, 2002, an incentive management fee equal to 5.4% of gross revenues or 76.5% of remaining cash flow from Villa Glen, shall be earned by the Company for consultative services. For the year ended December 31, 2019, a management fee of \$29,050 was earned and paid, and is included in management fees revenue on the accompanying consolidated statement of operations.

Operating lease

The Company leases certain building space from a related party under a non-cancelable operating lease that will expire December 31, 2026. This agreement requires aggregate monthly payments of \$23,430 plus the proportionate share of common area maintenance expenses, with monthly payments increasing 3% annually every January. Rent expense, which includes common area expenses, for the year ended December 31, 2019 was \$293,357. As of December 31, 2019, accrued rent payable was \$134,906.

Future minimum lease payments, by year end and in the aggregate, under the non-cancelable lease, consist of the following as of December 31, 2019:

2020	\$ 307,231
2021	316,448
2022	325,941
2023	335,720
2024	345,791
Thereafter	<u>723,015</u>
Total	<u>\$ 2,354,146</u>

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

Operating lease – sublease

The Company subleases certain building space under non-cancelable operating leases with CIC Management Inc. (“CICM”) and Emmerson Construction, Inc. (“Emmerson”) that will expire December 31, 2028. Under the sub-lease with CICM, CICM subleases 10% of the office space for a monthly payment of \$2,486, with monthly payments increasing 3% annually every January. Under the sublease with Emmerson, Emmerson subleases 40% of the office space for a monthly payment of \$9,943, with monthly payments increasing 3% annually every January. Sublease income, which includes reimbursements for common area expenses, for the year ended December 31, 2019 was \$508,933. As of December 31, 2019, sublease rent receivable was \$121,306, which is included in due from related parties on the accompanying consolidated balance sheet.

Future minimum lease payments receivable, by year end and in the aggregate, under the non-cancelable lease, consist of the following as of December 31, 2019:

2020	\$ 153,616
2021	158,224
2022	162,971
2023	167,860
2024	172,896
Thereafter	<u>745,037</u>
Total	<u>\$ 1,560,604</u>

Advances due from related parties

The Company has advanced funds to certain related parties that it expects will be reimbursed. Such advances do not bear interest. As of December 31, 2019, the outstanding amount of advances due from related parties was \$1,052,825, which is included in due from related parties on the accompanying consolidated balance sheet.

Note payable

On December 28, 2018, the Company entered into a promissory note with a related party for \$500,000. The note bore interest at 5.00% per annum and interest payments were due in monthly installments commencing the month following the execution of the note through December 31, 2019 (the “Maturity Date”). During 2019, the entire unpaid principal balance and all interest accrued were paid in full.

On April 17, 2019, the Company entered into a promissory note with a related party for \$1,950,000. The note bears interest at 6.00% per annum and interest payments are due in monthly installments commencing the month following the execution of the note through April 17, 2020 (the “Maturity Date”). The entire unpaid principal balance and any interest accrued are due on the Maturity Date. As of December 31, 2019, the outstanding principal balance was \$1,950,000 and there was no accrued interest.

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

NOTE 5 – LINE OF CREDIT

The Company has a line of credit agreement with Banner Bank, with an available credit line of \$3,000,000, which is scheduled to mature on September 25, 2021. The line of credit bears interest at a variable interest rate. As of December 31, 2019, the interest rate was 5.00%. As of December 31, 2019, the outstanding balance on the line of credit was \$2,000,000.

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, 2019.

NOTE 6 – CAPITAL LEASE

The Company leases two copy machines under a non-cancelable capital lease that will expire July 12, 2020. This agreement requires monthly payments of \$4,424, plus applicable charges and taxes. As of December 31, 2019, the outstanding lease liability was \$34,144.

Future minimum lease payments under the non-cancelable capital lease consist of the following as of December 31, 2019:

2020	\$ 34,732
Less: Amount representing interest	(588)
Present value of minimum lease payments	<u>\$ 34,144</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 eleven projects as of December 31, 2019 in the aggregate amount of \$123,019,148. All eleven projects are currently on schedule and are expected to be completed in 2020 and 2021. As of December 31, 2019, the Company expects that it will not be liable for any amount under the guarantees for these eleven 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, 2019, 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 \$5,000,000 during the project construction period and a net worth of not less than \$5,000,000 and liquid assets of not less than \$2,500,000 thereafter until the end of the 15 year compliance period. As of December 31, 2019, the Company was in compliance with these covenants.

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

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 that pay a California annual minimum tax of \$800.

The provision for income taxes consisted of the following for the year ended December 31, 2019:

Current income tax provision – state	\$ <u>22,592</u>
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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 elect the salary deferral. For the year ended December 31, 2019, the matching contributions paid by the Company were \$155,937, which is included in general and administrative expense on the accompanying consolidated statement of operations.

NOTE 10 – NONQUALIFIED DEFERRED COMPENSATION PLAN

On December 1, 2014, the Company adopted an unfunded nonqualified deferred compensation plan (the “Plan”) for certain eligible employees of the Company. Pursuant to the Plan, a discretionary contribution is made each year for each active participant. The participant is fully vested in a contribution for a given year upon remaining continuously employed by the Company for a duration of five years following the end of the year for which the contribution is made while active in the Plan. A rate of return of 3% is earned on the beginning balance of active participant accounts at the end of each year. During 2019, the expense for deferred compensation was \$115,000. As of December 31, 2019, the outstanding Plan liability was \$370,000.

The Plan activity consisted of the following during 2019:

Beginning balance, January 1, 2019	\$ 523,773
Company contributions during 2019	100,000
Earnings accrued during 2019	<u>15,713</u>
Ending balance, December 31, 2019	\$ <u>639,486</u>

As of December 31, 2019, the balance fully vested to employees under the plan was \$5,000.

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 7, 2020, which is the date the consolidated financial statements were available to be issued. The following is a summary of significant transactions through April 7, 2020.

The spread of a novel strain of coronavirus (COVID-19) in the first quarter of 2020 has caused significant volatility in U.S. markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. economy. The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on customers, employees and vendors, all of which are uncertain and cannot be determined at this time.

EXHIBIT C



	Property Name	Partnership Name	Address	City	State	Zip	County	Units	Type	Historical Cost	Year Built/Rehabilitated	Year Acquired	LIHTC Investor	Lender	Compliance Period End	Loan Maturity	Recourse? (Y/N)
1	De Anza Hotel	De Anza Hotel, LP	233 East 4th Street	Calexico	CA	92231	Imperial	94	Senior/9%	\$ 5,825,000	1949/1998	1997	N/A	CHRP	2012	05/01/27	No
2	St. Regis Park	St. Regis Park, LP	1025 Broadway	Chula Vista	CA	91911	San Diego	119	Family	\$ 9,519,000	1979/2000	2000	N/A	Bank of America	2015	08/01/31	No
3	Villa Serena	Serena Sunbow, LP	1231 Medical Center Drive	Chula Vista	CA	91911	San Diego	132	Senior	\$ 8,486,000	2000	1999	N/A	Bank of America	2014	09/01/30	No
4	Regency Centre	Regency Centre CIC, LP	4765 Home Avenue	San Diego	CA	92105	San Diego	100	Family	\$ 14,710,000	1976/2001/2019	2018	Raymond James	Citibank	2033	TBD	Yes
5	Seabreeze Farms	Longacres at Seabreeze Farms, LP	12759 Seabreeze Farms Drive	San Diego	CA	92130	San Diego	38	Family/9%	\$ 5,169,000	2001	2000	N/A	Bank of America	2015	01/01/32	No
6	Villa de Las Flores	VDLF, LP	2201 Meadow Drive	Calexico	CA	92231	Imperial	80	Senior/9%	\$ 7,529,000	2001	2000	N/A	Formula Too	2015	12/31/30	No
7	Torrey Highlands	THA, LP	13370 Torrey Meadows Drive	San Diego	CA	92129	San Diego	76	Family	\$ 8,658,000	2002	2001	N/A	PNC	2016	12/01/23	No
8	Brawley Family	BFA, LP	1690 C Street	Brawley	CA	92227	Imperial	80	Family/9%	\$ 9,714,000	2002	2002	The Richman Group	Rabobank	2016	08/28/28	No
9	Calexico Family	CFA, LP	2301 Andrade Avenue	Calexico	CA	92231	Imperial	80	Family/9%	\$ 10,351,000	2003	2002	The Richman Group	Rabobank	2017	10/01/33	No
10	Market Square Manor	Market Square Manor Associates, LP	525 14th St	San Diego	CA	92101	San Diego	200	Senior/9%	\$ 19,209,000	2003	2002	Highridge Costa	Berkadia	2017	07/01/22	No
11	Villa Andalucia	CIC Villas, LP	6591 Rancho del Sol Way	San Diego	CA	92130	San Diego	32	Family	\$ 4,448,000	2003	2002	Boston Financial	Wells Fargo	2018	01/01/35	No
12	Villa Glen	CIC Villas II, LP	6984 Torrey Santa Fe Road	San Diego	CA	92129	San Diego	26	Family	\$ 4,211,000	2003	2002	Boston Financial	Wells Fargo	2017	01/01/35	No
13	Villa Lara	VLA, LP	2371 Myrtle Road	Imperial	CA	92251	Imperial	80	Family/9%	\$ 9,768,000	2002	2002	Boston Financial	Rabobank	2016	07/01/19	No
14	Windwood Village	CIC PHR, LP	12730 Briarcrest Place	San Diego	CA	92130	San Diego	92	Family	\$ 13,936,000	2003	2002	Boston Financial	US Bank	2017	10/01/34	No
15	Countryside	CIC Countryside, LP	1751 Adams Avenue	El Centro	CA	92243	Imperial	73	Family	\$ 9,571,000	2004	2003	The Richman Group	US Bank	2019	05/01/35	No
16	Holtville Gardens	Holtville Gardens, LP	950 Holt Avenue	Holtville	CA	92250	Imperial	81	Senior	\$ 9,309,000	2004	2003	Boston Financial	US Bank	2018	04/01/35	No
17	Imperial Gardens	IGA, LP	2385 Myrtle Road	Imperial	CA	92251	Imperial	81	Senior	\$ 8,840,000	2004	2003	Boston Financial	US Bank	2019	04/01/20	No
18	Mariposa	CIC Calavera, LP	4651 Red Bluff Place	Carlsbad	CA	92010	San Diego	106	Family	\$ 16,809,000	2004	2003	Wentwood	Red Capital	2018	06/01/35	No
19	Rancho Buena Vista	CIC Eastlake, LP	2155 Corte Vista	Chula Vista	CA	91915	San Diego	150	Family	\$ 23,615,000	2005	2003	Wentwood	Red Capital	2019	05/01/36	No
20	Rancho del Norte	Santaluz Family Apartments, LP	16775 Saintsbury Glen	San Diego	CA	92127	San Diego	119	Family	\$ 21,991,000	2005	2003	Boston Financial	Wells Fargo	2019	01/01/36	No
21	Westmorland Family	WFA, LP	181 South G Street	Westmorland	CA	92281	Imperial	65	Family	\$ 10,094,000	2004	2003	The Richman Group	US Bank	2018	05/01/35	No
22	Brawley Gardens	Brawley Gardens, LP	221 Best Road	Brawley	CA	92227	Imperial	81	Family	\$ 13,730,000	2005	2004	The Richman Group	US Bank	2019	01/01/36	No
23	Brawley Senior	BESA, LP	995 Willard Avenue	Brawley	CA	92227	Imperial	81	Senior	\$ 10,825,000	2005	2004	Boston Financial	Citibank	2019	12/01/41	No
24	Heber Woods	Heber Family, LP	1137 Dogwood Road	Heber	CA	92249	Imperial	81	Family	\$ 14,465,000	2005	2004	The Richman Group	US Bank	2019	01/01/36	No
25	Fairbanks Ridge	CIC Fairbanks, LP	16016 Babcock Street	San Diego	CA	92127	San Diego	204	Family	\$ 46,900,000	2006	2005	The Richman Group	US Bank	2020	06/01/37	No
26	The Crossings	CIC Crossings, LP	13533 Zinnia Hills Place	San Diego	CA	92130	San Diego	108	Family	\$ 20,846,000	2006	2005	Boston Financial	Berkadia	2020	11/01/36	No
27	City Heights Square	City Heights Square, LP	4065 43rd Street	San Diego	CA	92105	San Diego	150	Senior/9%	\$ 32,500,000	2007	2006	Wentwood	Red Capital	2021	09/01/26	No
28	Hunters Pointe	CIC La Costa, LP	7270 Calle Plata	Carlsbad	CA	92009	San Diego	168	Family	\$ 42,289,000	2007	2006	Boston Financial	Oak Grove Capital	2021	11/01/46	No
29	Villa Dorada	Calexico II, LP	1081 Meadow Drive	Calexico	CA	92231	Imperial	80	Family	\$ 15,465,000	2007	2006	Boston Financial	USDA	2021	07/01/40	No
30	Villa Paloma	Heber Family II, LP	15 West Hawk Street	Heber	CA	92249	Imperial	72	Family	\$ 15,738,000	2007	2006	The Richman Group	US Bank	2021	05/01/38	No
31	Glen Ridge	CIC Glen Ridge, LP	3555 Glen Avenue	Carlsbad	CA	92010	San Diego	78	Family	\$ 20,499,000	2008	2007	Boston Financial	US Bank	2023	12/01/52	No
32	The Landings	CIC Landings, LP	2122 Burdock Way	Chula Vista	CA	91915	San Diego	92	Family	\$ 27,800,000	2008	2007	Boston Financial	US Bank	2022	12/01/52	No
33	16th & Market	16th and Market, LP	640 16th Street	San Diego	CA	92101	San Diego	136	Special Needs	\$ 46,000,000	2008	2007	The Richman Group	US Bank	2022	12/01/44	No
34	Villa Esperanza	Calipatria Family Apts., LP	651 East Bonita Place	Calipatria	CA	92233	Imperial	72	Family	\$ 14,900,000	2008	2007	The Richman Group	CCRC	2022	11/01/39	No
35	Willow Glen	CIC Natomas, LP	1625 Scarlet Ash Avenue	Sacramento	CA	95834	Sacramento	135	Family	\$ 29,026,000	2009	2007	The Richman Group	MMA	2023	04/01/56	No
36	Beachwind Court	Beachwind Court, LP	624 12th Street	Imperial Beach	CA	91932	San Diego	15	Family	\$ 4,122,000	1986/2009	2008	The Richman Group	US Bank	2023	06/01/26	No
37	Courtyard Terraces	Dawson Ave. Senior Apts., LP	4321 52nd Street	San Diego	CA	92115	San Diego	88	Senior/9%	\$ 24,546,000	2010	2008	Bank of America	CCRC	2024	01/01/29	No
38	Cedar Creek	Fanita 48, LP	8616 Fanita Drive	Santee	CA	92071	San Diego	48	Family	\$ 13,707,000	2010	2009	Boston Financial	US Bank	2025	04/01/26	No
39	Silver Sage	Silver Sage CIC, LP	9757 Marilla Drive	Lakeside	CA	92040	San Diego	80	Family	\$ 24,084,000	2010	2009	Boston Financial	US Bank	2025	08/01/41	No
40	City Place	CIC South Mill Creek, LP	1401 South Street	Bakersfield	CA	93301	Kern	70	Family/9%	\$ 17,566,000	2011	2010	US Bank	US Bank	2025	04/01/27	No
41	Oakridge	CIC Oakridge Apts., LP	10 Willowood Drive	Oakdale	CA	95361	Stanislaus	41	Family	\$ 5,831,000	1984/2011	2010	Boston Financial	Bonneville	2024	07/05/49	No
42	The Landings II	Landings II, LP	1768 Java Way	Chula Vista	CA	91915	San Diego	143	Family	\$ 47,632,000	2012	2010	Raymond James	US Bank	2025	07/01/43	No
43	Verben	Verben San Ysidro, LP	3774 Beyer Blvd.	San Ysidro	CA	92173	San Diego	80	Family/9%	\$ 25,657,000	2011	2010	The Richman Group	Impact CIL LLC	2025	03/01/30	No
44	Estrella del Mercado	Mercado CIC, LP	1985 National Avenue	San Diego	CA	92113	San Diego	92	Family/9%	\$ 64,112,000	2012	2011	Raymond James	Citibank	2026	06/01/28	No
45	Las Brisas	CIC El Centro Family Apts., LP	2001 North 8th Street	El Centro	CA	92243	Imperial	72	Family	\$ 18,057,000	2012	2011	Boston Financial	Rabobank	2026	01/01/44	No
46	Park Terramar	Terramar CIC, LP	13481 Silver Ivy Lane	San Diego	CA	92123	San Diego	21	Family	\$ 7,630,000	2012	2011	US Bank	US Bank	2026	08/01/27	No
47	Villa Del Sol	Calexico Andrade, LP	1080 Meadow Drive	Calexico	CA	92231	Imperial	52	Family/9%	\$ 10,958,000	2012	2011	Boston Financial	USDA	2025	08/25/44	No
48	Villa Fortuna	Brawley Pioneers, LP	235 North Best Avenue	Brawley	CA	92227	Imperial	76	Family/9%	\$ 15,555,000	2012	2011	The Richman Group	USDA	2025	08/25/44	No
49	El Quintero	De Anza II CIC, LP	444 Rockwood Avenue	Calexico	CA	92231	Imperial	54	Senior	\$ 8,844,000	2012	2012	The Richman Group	Rabobank	2026	10/30/67	No
50	Emperor Estates	Dinuba Senior Apartments CIC, LP	350 North M Street	Dinuba	CA	93618	Tulare	62	Senior/9%	\$ 13,974,000	2013	2012	The Richman Group	Rabobank	2027	02/01/68	No
51	Iris	Iris Apartments CIC, LP	641 North Vulcan Avenue	Encinitas	CA	92024	San Diego	20	Family/9%	\$ 12,752,000	2012	2012	Raymond James	Citibank	2027	03/19/29	No
52	Fairbanks Commons	Fairbanks Commons CIC, LP	15870 Camino San Bernardo	San Diego	CA	92127	San Diego	165	Family	\$ 84,102,000	2014	2012	US Bank	Citibank	2028	06/01/45	No
53	Park Place	Michigan Drive CIC LLLP	920 East Michigan Drive	Hobbs	NM	88240	Lea	88	Family	\$ 11,623,000	1978/2014	2013	The Richman Group	US Bank	2027	01/01/29	No
54	Cesar Chavez	Vista Montana Coachella, LP	84851 Bagdad Avenue	Coachella	CA	92236	Riverside	56	Family	\$ 14,271,000	2013	2013	US Bank	US Bank	2028	01/27/47	No
55	Fairbanks Square	Fairbanks Square CIC, LP	16050 Potomac Ridge Road	San Diego	CA	92127	San Diego	100	Senior	\$ 42,951,000	2014	2013	US Bank	Citibank	2029	10/01/30	No
56	Versa	Versa CIC, LP	2355 Via Alta Drive	San Diego	CA	92108	San Diego	150	Senior/9%	\$ 84,275,000	2015	2013	Raymond James	Citibank	2029	04/01/31	No
57	Independence Point	WJJ CIC, LP	327 South Willie James Jones Ave	San Diego	CA	92113	San Diego	32	Special Needs	\$ 10,201,000	2015	2014	US Bank	N/A	2029	N/A	No
58	Mill Creek Courtyard	Mill Creek Courtyard CIC, LP	1303 South Street	Bakersfield	CA	93301	Kern	62	Senior	\$ 6,922,000	2015	2014	US Bank	N/A	2029	N/A	No
59	Las Palmeras	Las Palmeras Imperial, LP	470 West Wall Road	Imperial	CA	92251	Imperial	56	Family	\$ 8,969,000	2015	2014	Raymond James	USDA	2029	07/12/71	No
60	Villa Primavera	Villa Primavera CIC, LP	1060 Meadows Drive	Calexico	CA	92231	Imperial	48	Special Needs	\$ 9,317,000	2015	2014	CREA	N/A	2029	N/A	No
61	Westminster Manor	Westminster Manor, LP	1730 3rd Avenue	San Diego	CA	92101	San Diego	152	Senior	\$ 28,696,000	1972/2015	2014	The Richman Group	Union Bank	2029	07/27/31	No
62	Rancho Del Sol	Unit 24 CIC, LP	6711 Torenia Trail	San Diego	CA	92103	San Diego	96	Family	\$ 11,967,000	2016	2015	Raymond James	Union Bank	2030	10/01/31	No
63	Trolley Park Terrace	Trolley Residential CIC, LP	4981 Market Street	San Diego	CA	92102	San Diego	52	Family	\$ 13,568,000	2016	2015	Raymond James	Citibank	2031	01/01/48	No
64	Mill Creek Village	Mill Creek Village CIC, LP	508 18th Street	Bakersfield	CA	93301	Kern	63	Senior	\$ 23,008,000	2016	2015	The Richman Group	N/A	2031	N/A	No
65	Ouchi Courtyard	Ouchi CIC, LP	5003 Imperial Ave	San Diego	CA	92113	San Diego	45	Family/9%	\$ 20,561,000	2016	2015	Union Bank	Union Bank	2031	11/01/32	No
66	Torrey Vale	Torrey Vale CIC, LP	6595 Rancho Del Sol Way	San Diego	CA	92103	San Diego	28	Family	\$ 4,986,000	2016	2015	The Richman Group	Citibank	2031	04/15/32	No
67	Duetta	F Street Family CIC, LP	1715 Orion Avenue	Chula Vista	CA	91913	San Diego	87	Family	\$ 16,105,000	2017	2016	Raymond James	Citibank	2032	05/01/33	No
68	Volta	G Street Seniors CIC, LP	1734 Solstice Avenue	Chula Vista	CA	91913	San Diego	123	Senior	\$ 17,060,000	2017	2016	Raymond James	Citibank	2032	05/01/33	No
69	Mesa Verde	Mesa Verde CIC, LP	7811 Mission Gorge Road	San Diego	CA	92120	San Diego	90	Family	\$ 17,174,000	2018	2016	The Candeur Group	Citibank	2033	10/15/53	No
70	Fairbanks Terrace	Fairbanks Terrace CIC, LP	16325 Paseo Del Sur	San Diego	CA	92127	San Diego	83	Senior	\$ 10,204,000	2017	2016	US Bank	Citibank	2032	11/03/32	No
71	Roselawn Manor	Roselawn Manor CIC, LLLP	800 South Roselawn Manor	Artesia	NM	88210	Eddy	63	Family/9%	\$ 10,861,000	2017	2016	The Richman Group	US Bank	2032	06/01/58	No
72	Parkside Terrace	Parkside Terrace CIC, LLLP	300 East White Street	Hobbs	NM	88240	Lea	65	Family/9%	\$ 11,076,000	2017	2016	The Richman Group	Citibank	2032	12/01/36	No
73	Juniper at the Preserve	Quarry Creek CIC, LP	2965 Luiseno Way	Carlsbad	CA	92010	San Diego	64	Family	\$ 10,828,000	2017	2016	Raymond James	Citibank	2032	07/11/33	No
74	Villa Storia	Villa Storia CIC, LP	4250 Corte Sol	Oceanside	CA	92057	San Diego	38	Family	\$ 5,911,000	2017	2016	The Richman Group	Citibank	2032	12/01/34	No
75	Cesar Chavez II	Vista Montana Phase II, LP	84851 Bagdad Avenue	Coachella	CA	92236	Riverside	80	Family/9%	\$ 14,236,000	2018						



Finance
Development
Management

6339 Paseo del Lago
Carlsbad, CA 92011
Tel (760) 456-6000
Fax (760) 456-6001
www.chelseainvestco.com

Chelsea Investment Corporation ("Chelsea") is a real estate company focused on the financing and development of affordable housing. Incorporated in 1986 by James J. Schmid, who still serves as CEO, Chelsea is a vertically integrated company with asset management, construction, and community investment affiliates.

Having developed over 10,000 units throughout the western United States, at a total cost in excess of \$2 billion, Chelsea meets and exceeds the level of experience necessary to develop affordable housing in today's complex financing environment. Chelsea has developed infill, rural, inclusionary, senior, special needs, and mixed-use projects with a variety of non-profit partners, such as Father Joe's Villages, Serving Seniors, Housing Development Partners, Alpha Project, Weingart Center Associates, and Southern California Housing Collaborative.

Of the rental homes completed, approximately 2,500 are in urban infill sites, 4,000 are located in suburban locations, and 2,000 are in rural areas. Approximately 3,300 have satisfied inclusionary obligations, 2,000 units are senior housing and 1,100 units are supportive housing. Additionally, while Chelsea has primarily focused on new construction projects, the company has developed about 1,000 units through acquisition and rehabilitation. Virtually all projects have been developed with soft residual receipts loans through public-private partnerships with the federal, state or local government.

Chelsea has successfully integrated AHP, MHP, CDBG, HOME, IIG, TOD, MHSA and redevelopment housing set-aside funds into many projects, in addition to the 4% and 9% low income housing tax credits and tax-exempt bond financing. In one project alone, Chelsea utilized loan and grant subsidies from 14 different funding sources.

- To date, Chelsea has developed over 100 affordable communities throughout California, New Mexico and Arizona.
- Total tax credit equity of over \$652 million.
- Total permanent loan and tax-exempt bond proceeds of over \$329 million.
- Annually included among the Top 50 Affordable Housing Developers in the country by Affordable Housing Finance magazine.
- 2015 and 2018 Builder of the Year - Building Industry Association of San Diego
- Chelsea and its communities are consistently recognized in many categories, including awards for design excellence, preservation of affordable housing, housing for the developmentally disabled, and supportive housing.



6339 PASEO DEL LAGO
CARLSBAD, CA 92011
PHONE: (760) 456-6020
WWW.EMMERSONCONSTRUCTION.COM

HISTORY

Emmerson Construction, Inc. (ECI) was formed in 2000 to construct residential and mixed-use projects, with a specialization in affordable multifamily housing. ECI's team of experienced professionals work together to achieve the common goal of providing enhanced value, consistent quality, efficient scheduling, and risk mitigation.

EXPERIENCE

- 64 General Contractor contracts completed:
4,738 units;
\$578M
- 8 General Contractor ongoing projects:
747 units;
\$158M
- 6 Construction Management contracts completed:
585 units;
\$77M
- 81 Total developments:
6,543 units;
\$864M

AREAS OF EXPERTISE

General Contractor

ECI is committed to delivering products and services of exceptional quality while always focusing on schedule, safety, and budget. Building structures commonly consist of reinforced or post-tensioned concrete slabs with wood frame construction, stucco exteriors, and several completed projects feature podium decks. Since 2010, nineteen of ECI's developments have been LEED or GreenPoint certified.

Construction Management

ECI also offers construction management services. Under this arrangement, ECI provides owners with project oversight, budget and schedule review, quality assurance, and related services.

TEAM MEMBERS

PRESIDENT – Charles Schmid

Charles began his career in multifamily housing development in 1986, and applies experience with real estate finance, and management in his role as President of Emmerson. As a licensed general contractor, he has supervised the construction of more than 6,000 units. Charles has a degree from UC, San Diego, and a thorough understanding of the life cycle of apartment development, from feasibility analysis through lease-up. Recent projects range from rural development of 80 units to urban and suburban San Diego projects of more than 200 units.

CHIEF FINANCIAL OFFICER – Tim Gray

Tim has over 25 years of professional accounting experience with a primary focus on the construction industry. He obtained his CPA while working with Ernst & Young and PricewaterhouseCoopers and holds a CCIFP designation. Tim has managed accounting teams of up to 50 employees and has been involved in over 300 communities during all stages of development, construction and property management. He currently serves on several construction associations including CFMA-Treasurer, ABC-Director, and ICCIFP-Secretary.

(CONTINUED) ►

DIRECTOR OF CONSTRUCTION – Zion Patton

Zion has more than 25 years of experience constructing affordable and market rate multi-family housing. Contract values have ranged from \$10 to \$120 million and include projects in excess of 300 units. He has completed more than 2,500 new construction units and the rehabilitation of over 900 units. Zion also has expertise in developing and implementing renovation protocols that facilitate complete renovation on a highly expedited basis while maintaining quality and efficiency without displacing tenants.

SENIOR PROJECT MANAGER – Janice Patterson

Janice has worked in the construction industry for over 30 years and she has drawn on her extensive experience to deliver nearly 20 quality affordable communities for Emmerson, with a contract value of more than \$150 million. Prior to joining Emmerson, Janice's project experience included single-family and multifamily market rate homes, in subdivisions from 8 to 175 homes built in multiple phases.

PROJECT MANAGER – Theresa DeMarco

Theresa has been in the construction industry for over 20 years. In addition to multifamily construction, she has extensive renovation and tenant improvement experience. She was previously with Crown Acquisitions as a Project Manager, where she managed multifamily construction projects and was responsible for implementing project management software and establishing in-house protocols for construction operations. As a general contractor, Theresa has designed and completed extensive multifamily remodeling projects on complexes with 280-320 units.

PROJECT MANAGER – Martin Apicella

Martin joined the Emmerson team after working ten years as Project Manager at KBS, a top construction firm in Virginia. A veteran of the US Army, Martin holds a BS degree in Construction Management and Real Estate from Virginia Tech and studied Architecture at Technical University of Darmstadt in Germany. His wide-ranging experience includes construction of a 400-unit luxury residential building, transformation of a historic naval industrial facility into 45,000 sf mixed-use complex, and the adaptive reuse of a Lucky Strike tobacco factory into 131 luxury apartments. Martin is a LEED AP BD+C.

PROJECT MANAGER – Khalid Malik

Khalid has over 25 years of experience in construction management, including projects in Saudi Arabia and United Arab Emirates such as a theme park, shopping mall, 400-bed hospital, and 1400-unit master planned community, at costs from \$15 to \$226 million. He has a BS degree in Civil Engineering from University of Engineering and Technology, Lahore – Pakistan and a Master's degree in Project Management from Colorado Technical University, Colorado Springs. Khalid's accreditations include PMP, PSP, and LEED AP BD+C.

PROJECT MANAGER/ESTIMATOR – DONALD DICKSON

Donald has been in the multifamily construction industry for more than 20 years, including both affordable and market rate developments. His experience encompasses project management, preconstruction, and estimating for garden apartments, mid-rise, and high-rise developments throughout the western United States. Prior to joining Emmerson, Donald worked on the lender side as a Construction Manager, and prior to that, as Director of Preconstruction with Trammell Crow Residential.

PROJECT MANAGER – Haley Blair

Haley has worked in the construction industry since 2010. Her multifamily building experience includes on-grade construction, podium structures, and renovations. She received her Master's degree in Real Estate from the University of San Diego, and her undergraduate degree from UC Davis.

Emmerson Construction, Inc.
Project List
9/19/2018

	Project #	Project Name	City	State	Work	Resident Profile	Mixed Use?	Renovation/ New Const.	Status	Start	Complete	# Units	Contract Value	Architect	GC or CM
1	2-0989	Calexico Family Apartments	Calexico	CA	Slab on grade	Family	No	New	Completed	Feb-02	Jan-03	80	5,561,540	Hedenkamp	GC
2	2-0992	Brawley Family Apartments	Brawley	CA	Slab on grade	Family	No	New	Completed	Feb-02	Jan-03	81	6,452,208	Hedenkamp	GC
3	2-0991	Villa Lara	Imperial	CA	Slab on grade	Family	No	New	Completed	Mar-02	Dec-02	80	6,525,658	Hedenkamp	GC
4	3-1000	Holtville Gardens	Holtville	CA	Slab on grade	Senior	No	New	Completed	Oct-03	Sep-04	80	6,215,752	Hedenkamp	GC
5	3-1002	Countryside Family	El Centro	CA	Slab on grade	Family	No	New	Completed	Oct-03	Oct-04	80	7,155,000	Hedenkamp	GC
6	3-1001	Imperial Garden Senior	Imperial	CA	Slab on grade	Senior	No	New	Completed	Oct-03	Nov-04	80	6,443,020	Hedenkamp	GC
7	3-1004	Rancho Buena Vista	Chula Vista	CA	Slab on grade	Family	No	New	Completed	Nov-03	Aug-05	150	16,200,000	Hedenkamp	GC
8	3-1005	Rancho Del Norte	San Diego	CA	Slab on grade	Family	No	New	Completed	Dec-03	Apr-05	120	13,706,694	Hedenkamp	GC
9	3-1003	Westmorland Family	Westmorland	CA	Slab on grade	Family	No	New	Completed	Jan-04	Nov-04	64	6,900,000	Hedenkamp	GC
10	4-1006	Brawley Elks Senior	Brawley	CA	Slab on grade	Senior	No	New	Completed	Aug-04	May-05	80	6,994,322	Hedenkamp	GC
11	4-1006	Brawley Gardens	Brawley	CA	Slab on grade	Family	No	New	Completed	Aug-04	Jul-05	81	9,191,326	Hedenkamp	GC
12	4-1007	Heber Woods	Heber	CA	Slab on grade	Family	No	New	Completed	Oct-04	Jul-05	81	9,417,954	Hedenkamp	GC
13	5-1012	Meadow Village Road	Calexico	CA	Off-site work	Commercial	No	New	Completed	Feb-05	Feb-06	N/A	724,153	N/A	GC
14	4-1009	Fairbanks Ridge	San Diego	CA	Slab on grade	Family	No	New	Completed	Aug-05	Jul-06	204	29,254,314	Hedenkamp	GC
15	5-1018	City Heights Square	San Diego	CA	Slab on grade	Senior	No	New	Completed	Feb-06	Sep-07	150	21,468,768	Dominy	CM
16	4-1010	Hunter's Pointe	Carlsbad	CA	Slab on grade	Family	No	New	Completed	May-06	Jan-08	166	30,389,918	Hedenkamp	GC
17	5-1011	Villa Dorado	Calexico	CA	Slab on grade	Family	No	New	Completed	Oct-06	Jul-07	80	10,080,426	Hedenkamp	GC
18	5-1019	Villa Paloma	Heber	CA	Slab on grade	Family	No	New	Completed	Dec-06	Sep-07	72	9,864,435	Hedenkamp	GC
19	6-1024	DDE HQ - Office Building	El Centro	CA	Slab on grade	Commercial	No	New	Completed	Jan-07	Jul-07	N/A	1,130,219	Sanders	GC
20	5-1020	Villa Esperanza	Calipatria	CA	Slab on grade	Family	No	New	Completed	Jun-07	Jul-08	74	10,318,586	Hedenkamp	GC
21	5-1013	Tierra del Cielo	Somerton	AZ	Slab on grade	Family	No	New	Completed	Jul-08	May-09	34	3,913,810	Hedenkamp	GC
22	8-1038	Beachwind Court	Imperial Beach	CA	Slab on grade	Family	No	Renovation	Completed	Sep-08	Dec-08	16	891,747	Hedenkamp	GC
23	6-1021	Coutryard Terrace	San Diego	CA	Podium	Senior	No	New	Completed	Nov-08	Mar-10	88	17,700,000	Hedenkamp	GC
24	9-1040	Silver Sage	Lakeside	CA	Slab on grade	Family	No	New	Completed	Aug-09	Oct-10	80	12,794,227	Hedenkamp	GC
25	9-1041	St. Regis Park	Chula Vista	CA	Slab on grade	Family	No	Renovation	Completed	Sep-09	Aug-10	119	400,000	N/A	GC
26	9-1043	Cedar Creek	Santee	CA	Slab on grade	Family	No	New	Completed	Oct-09	Oct-10	48	7,332,286	Hedenkamp	GC

Emmerson Construction, Inc.
Project List
9/19/2018

	Project #	Project Name	City	State	Work	Resident Profile	Mixed Use?	Renovation/ New Const.	Status	Start	Complete	# Units	Contract Value	Architect	GC or CM
27	9-1044	Verbena	San Ysidro	CA	Slab on grade	Family	No	New	Completed	Mar-10	Jun-11	80	13,296,599	Hedenkamp	GC
28	10-1051	De Anza Hotel	Calexico	CA	Post & Beam	Senior	No	Renovation	Completed	Apr-10	Feb-11	94	598,402	Hedenkamp	GC
29	9-1045	Oakridge Apartments	Oakdale	CA	Slab on grade	Family	No	New	Completed	Jul-10	Dec-10	41	1,200,000	Basis	GC
30	10-1048	The Landings Phase II	Chula Vista	CA	Slab on grade	Family	No	New	Completed	Jul-10	Oct-11	143	23,610,280	McKinley	CM
31	6-1035	CityPlace	Bakersfield	CA	Slab on grade	Family	No	New	Completed	Sep-10	Dec-11	72	10,546,289	Hedenkamp	GC
32	6-1049	Villa Del Sol	San Diego	CA	Slab on grade	Farmworker	No	New	Completed	Dec-10	Sep-11	52	5,600,000	Hedenkamp	GC
33	6-1030	Villa Fortuna	Brawley	CA	Slab on grade	Farmworker	No	New	Completed	Jan-11	Sep-11	76	8,900,000	Hedenkamp	GC
34	10-1047	Estrella Del Mercado	San Diego	CA	Podium	Family	Yes	New	Completed	Feb-11	Oct-12	95	14,485,997	Safdie Rabines	GC
35	8-1039	Las Brisas	El Centro	CA	Slab on grade	Family	No	New	Completed	Jan-12	Aug-12	71	10,151,577	Hedenkamp	GC
36	6-1026	El Quintero	Calexico	CA	Slab on grade	Senior	No	New	Completed	Jan-12	Nov-12	54	4,669,035	Hedenkamp	GC
37	12-1056	Park Terramar	San Diego	CA	Landscape	Family	No	Renovation	Completed	Feb-12	Aug-12	21	342,631	N/A	GC
38	10-1052	Emperor Estates	Dinuba	CA	Slab on grade	Senior	No	New	Completed	Feb-12	Feb-13	62	8,862,257	Hedenkamp	GC
39	12-1065	Iris Apartments	Encinitas	CA	Landscape	Family	No	New	Completed	Apr-12	Feb-13	20	3,185,728	McKinley	GC
40	11-1055	Vista Terrace	Vista	CA	Landscape	Homeless Family	No	Renovation	Completed	Jul-12	Jul-13	48	3,218,327	Hedenkamp	GC
41	12-1058	St. Regis	Chula Vista	CA	Energy Upgrades	Family	No	Renovation	Completed	Aug-12	Jan-13	119	263,844	N/A	GC
42	12-1060	Park Place	Hobbs	NM	Slab on grade	Family	No	Renovation	Completed	Dec-12	Jan-14	88	7,055,677	Jeebs & Zuzu	CM
43	13-1067	CL Dellums Apartments	Oakland	CA	Slab on grade	Homeless	No	Renovation	Completed	Mar-13	May-13	76	4,354,469	John Stewart	CM
44	12-1061	Cesar Chavez Villas	Coachella	CA	Slab on grade	Farmworker	No	New	Completed	Mar-13	Mar-14	56	8,204,753	Hedenkamp	GC
45	12-1057	Fairbanks Commons	San Diego	CA	Slab on grade	Family	No	New	Completed	Nov-13	Nov-14	165	20,432,196	McKinley	GC
46	13-1068	Fairbanks Square	San Diego	CA	Slab on grade	Senior	No	New	Completed	Nov-13	Nov-14	100	9,200,000	McKinley	GC
47	13-1069	Versa at Civita	San Diego	CA	Slab on grade	Senior	No	New	Completed	Nov-13	May-15	150	17,109,905	McKinley	GC
48	13-1070	Alpha Square	San Diego	CA	Podium	Homeless	Yes	New	Completed	Apr-14	Sep-15	203	27,147,147	JWDA	GC
49	13-1071	Mill Creek Courtyard	Bakersfield	CA	Slab on grade	Family	No	New	Completed	Jul-14	Jul-15	62	6,600,950	Hedenkamp	GC
50	14-1075	Independence Point	San Diego	CA	Tuck Under	Family/ Disabled	No	New	Completed	Aug-14	Jul-15	32	7,380,985	OBR	GC
51	13-1066	Westminster Manor	San Diego	CA	Slab on grade	Senior	No	Renovation	Completed	Aug-14	Nov-15	156	12,570,976	Basis	GC
52	14-1077	Villa Primavera	Calexico	CA	Slab on grade	Family/ Disabled	No	New	Completed	Oct-14	Jul-15	48	8,097,520	Hedenkamp	GC

Emmerson Construction, Inc.
Project List
9/19/2018

	Project #	Project Name	City	State	Work	Resident Profile	Mixed Use?	Renovation/ New Const.	Status	Start	Complete	# Units	Contract Value	Architect	GC or CM
53	14-1078	Las Palmeras	Imperial	CA	Slab on grade	Farmworker	No	New	Completed	Nov-14	Dec-15	56	8,719,000	Hedenkamp	GC
54	14-1081	Rancho Del Sol	San Diego	CA	On grade w/garage	Family	No	New	Completed	Jan-15	Feb-16	94	11,967,088	Humphreys	GC
55	14-1079	Trolley Park Terrace	San Diego	CA	Podium	Family	No	New	Completed	Apr-15	Sep-16	52	13,568,298	McKinley	GC
56	15-1082	Mill Creek Village	Bakersfield	CA	Wrap	Family	No	New	Completed	Nov-15	Oct-16	63	12,444,783	Hedenkamp	GC
57	15-1085	Ouchi Courtyards	San Diego	CA	Podium	Family/ Disabled	Yes	New	Completed	Nov-15	May-17	45	11,616,272	Hedenkamp	GC
58	16-1096	Nelms Community Garden	Oceanside	CA	Community Garden	Commercial	No	New	Completed	Dec-15	Mar-16	N/A	117,364	N/A	GC
59	15-1087	Torrey Vale	San Diego	CA	On grade w/garage	Family	No	New	Completed	Jan-16	Oct-16	28	4,985,553	Bassenian Lagoni	GC
60	15-1083	Duetta at Millenia	Chula Vista	CA	Wrap	Family	No	New	Completed	Mar-16	Oct-17	87	14,452,135	JWDA	GC
61	15-1092	Volta at Millenia	Chula Vista	CA	Wrap	Senior	No	New	Completed	Mar-16	Oct-17	123	18,772,332	JWDA	GC
62	15-1091	Fairbanks Terrace	San Diego	CA	Slab on grade	Senior	No	New	Completed	Apr-16	Mar-17	83	10,228,891	McKinley	GC
63	15-1084	Mesa Verde	San Diego	CA	Podium	Family	No	New	Completed	Apr-16	Apr-18	90	17,174,144	McKinley	GC
64	15-1088	Roselawn Manor	Artesia	NM	Slab on grade	Family	No	New	Completed	Jun-16	Nov-17	63	10,250,000	Autotroph	CM
65	15-1089	Parkside Terrace	Hobbs	NM	Slab on grade	Family	No	New	Completed	Jun-16	Nov-17	65	9,860,000	Jeebs & Zuzu/ JV De Sousa	CM
66	15-1090	Juniper at The Preserve	Carlsbad	CA	Slab on grade	Family	No	New	Completed	Nov-16	Nov-17	64	10,312,118	McKinley	GC
67	16-1094	Villa Stora	Oceanside	CA	Slab on grade	Family	No	New	Completed	Mar-17	Dec-17	38	5,630,056	SummA	GC
68	16-1093	North Coast Terrace	Oceanside	CA	Podium	Homeless Family	No	New	Completed	Apr-17	Aug-18	32	10,386,340	Hedenkamp	GC
69	17-1101	Pedestrian Corridors Millenia	Chula Vista	CA	Off-site work	Commercial	No	New	Completed	Jun-17	Oct-17	N/A	537,028	JWDA	GC
70	16-1097	Cesar Chavez Villas Phase II	Coachella	CA	Slab on grade	Farmworker	No	New	Completed	Jun-17	Jun-18	80	13,244,171	Hedenkamp	GC
71	17-1100	Town & Country Village	San Diego	CA	Slab on grade	Family	No	Renovation	In Progress	Dec-17	Sep-18	145	12,230,429	Basis	GC
72	17-1102	Lofts at Normal Heights	El Cajon	CA	Slab on grade	Homeless Veteran	Yes	New	In Progress	Jan-18	Mar-19	53	10,999,708	McKinley	GC
73	17-1104	Schmale Family Senior Residence	Ramona	CA	Slab on grade	Senior	No	New	In Progress	Mar-18	Mar-19	62	12,337,933	Hedenkamp	GC
74	16-1095	Siena at Civita	San Diego	CA	Podium	Senior	Yes	New	In Progress	Apr-18	Aug-20	103	17,497,995	KTGY	GC
75	16-1095	Stylus at Civita	San Diego	CA	Podium	Family	Yes	New	In Progress	Apr-18	Aug-20	203	67,377,138	KTGY	GC
76	16-1095	Civita Retail	San Diego	CA	Podium	Commercial	No	New	In Progress	Apr-18	Aug-20	N/A	6,640,951	KTGY	GC
77	17-1103	Paseo La Paz	San Ysidro	CA	Slab on grade	Family	No	New	In Progress	May-18	Nov-19	139	22,412,161	JWDA	GC
78	17-1105	Pacifica at Playa Del Sol	San Diego	CA	Podium	Family/ Disabled	No	New	In Progress	Aug-18	Sep-19	42	9,317,486	Bassenian Lagoni	GC

Emmerson Construction, Inc.
Project List
9/19/2018

	Project #	Project Name	City	State	Work	Resident Profile	Mixed Use?	Renovation/ New Const.	Status	Start	Complete	# Units	Contract Value	Architect	GC or CM
79	18-1109	Villa Serena	San Diego	CA	Slab on grade	Senior	No	Renovation	Pending	Sep-18	3Q 2019	132	6,500,000	Basis	GC
80	18-1110	St. Regis Park	San Diego	CA	Slab on grade	Family	No	Renovation	Pending	Sep-18	3Q 2019	129	10,550,000	Basis	GC
81	18-1111	Regency Centre	San Diego	CA	Slab on grade	Family	No	Renovation	Pending	Sep-18	3Q 2019	100	9,780,000	Basis	GC
		Total # of Units & Total Contract Values										6,543	864,021,281		

Emmerson Construction, Inc.

Financial Statements with Supplemental Information

Year Ended December 31, 2019

See Independent Accountants' Compilation Report



EMMERSON CONSTRUCTION, INC.**Financial Statements with Supplemental Information**

Year Ended December 31, 2019

See Independent Accountants' Compilation Report

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Aldrich CPAs + Advisors LLP
5946 Priestly Drive, Suite 200
Carlsbad, California 92008

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

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

Management is responsible for the accompanying financial statements of Emmerson Construction, Inc. (an S corporation), which comprise the balance sheet as of December 31, 2019, and the related statements of income and retained earnings, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted 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.

Supplemental Information

The supplemental information contained in Schedules I - VI is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplemental information was subject to our compilation engagement. We have not audited or reviewed the supplemental information and do not express an opinion, a conclusion, nor provide any assurance on such information.

Aldrich CPAs + Advisors LLP

Carlsbad, California
January 31, 2020

EMMERSON CONSTRUCTION, INC.**Balance Sheet**

December 31, 2019

See Independent Accountants' Compilation Report

ASSETS

Current Assets:

Cash	\$ 2,034,046
Contract receivables	11,849,137
Prepaid expenses	375,049
Contract assets:	
Contract retention	6,720,733
Costs and estimated earnings in excess of billings on contracts in progress	<u>1,996,178</u>
Total Current Assets	22,975,143

Property and Equipment:

Computer equipment	111,079
Office equipment	31,955
Tenant improvements	<u>173,711</u>
	316,745
Less accumulated depreciation	<u>(184,099)</u>

Property and Equipment, net of accumulated depreciation 132,646

Deposits	<u>2,500</u>
	<u><u>\$ 23,110,289</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Accounts payable	\$ 16,971,921
Income tax payable	48,112
Accrued insurance and other	320,214
Contract liability:	
Billings in excess of costs and estimated earnings on contracts in progress	<u>1,659,023</u>

Total Current Liabilities 18,999,270

Deferred Income Taxes	<u>15,100</u>
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Total Liabilities 19,014,370

Stockholders' Equity:

Common stock, no par value, 1,000,000 shares authorized, 20,000 issued and outstanding	10,000
Additional paid-in capital	500,000
Retained earnings	<u>3,585,919</u>

Total Stockholders' Equity 4,095,919

\$ 23,110,289

EMMERSON CONSTRUCTION, INC.
Statement of Income and Retained Earnings
Year Ended December 31, 2019
See Independent Accountants' Compilation Report

Contract Revenues	\$ 103,011,785
Contract Costs	<u>94,979,127</u>
Gross Profit	8,032,658
Operating Expenses	<u>1,688,246</u>
Income From Operations	6,344,412
Other Income	<u>(283,691)</u>
Income Before Income Taxes	6,628,103
Income Tax Expense	<u>72,000</u>
Net Income	6,556,103
Retained Earnings, beginning	2,029,816
Stockholder Distributions	<u>(5,000,000)</u>
Retained Earnings, ending	<u><u>\$ 3,585,919</u></u>

EMMERSON CONSTRUCTION, INC.**Statement of Cash Flows**

Year Ended December 31, 2019

See Independent Accountants' Compilation Report

Cash Flows from Operating Activities:

Net income	\$ 6,556,103
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	29,467
Changes in operating assets and liabilities:	
Contract receivables	(5,400,961)
Prepaid expenses	(82,549)
Contract retention	(3,822,622)
Costs and estimated earnings in excess of billings on contracts in progress	(156,612)
Accounts payable	7,634,848
Income tax payable	48,112
Accrued insurance and other	(1,624)
Billings in excess of costs and estimated earnings on contracts in progress	94,380
Net Cash Provided by Operating Activities	4,898,542

Cash Flows Used by Investing Activities:

Purchases of property and equipment	(32,336)
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Cash Flows Used by Financing Activities:

Stockholder distributions	(5,000,000)
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Net Decrease in Cash	(133,794)
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Cash, beginning	2,167,840
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Cash, ending	\$ 2,034,046
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Supplemental Disclosures of Cash Flow Information:

Cash paid during the year for interest	\$ -
Cash paid during the year for income taxes	\$ 23,888

SUPPLEMENTAL INFORMATION

EMMERSON CONSTRUCTION, INC.**Schedule I - Earnings from Contracts**

Year Ended December 31, 2019

See Independent Accountants' Compilation Report

	<u>Contract Revenues</u>	<u>Contract Costs</u>	<u>Gross Profit (Loss)</u>	<u>Gross Profit %</u>
Completed contracts	\$ 34,108,694	\$ 30,927,517	\$ 3,181,177	9.33%
Contracts in progress	68,903,091	64,035,897	4,867,194	7.06%
Indirect costs	<u>-</u>	<u>15,713</u>	<u>(15,713)</u>	-
	<u>\$ 103,011,785</u>	<u>\$ 94,979,127</u>	<u>\$ 8,032,658</u>	<u>7.80%</u>

EMMERSON CONSTRUCTION, INC.**Schedule II - Completed Contracts**

Year Ended December 31, 2019

See Independent Accountants' Compilation Report

Contract Number	Contract Name	Contract Totals				Prior To January 1, 2019				Year Ended December 31, 2019			
		Contract Amount	Contract Costs	Gross Profit	Gross Profit %	Contract Revenues	Contract Costs	Gross Profit	Gross Profit %	Contract Revenues	Contract Costs	Gross Profit	Gross Profit %
17-1102	Normal Heights	\$ 11,423,656	\$ 10,493,129	\$ 930,527	8.15%	\$ 8,825,660	\$ 8,051,479	\$ 774,181	8.77%	\$ 2,597,996	\$ 2,441,650	\$ 156,346	6.02%
17-1103	San Ysidro	23,271,512	20,977,982	2,293,530	9.86%	3,763,639	3,433,495	330,144	8.77%	19,507,873	17,544,487	1,963,386	10.06%
17-1104	Ramona	12,303,465	11,287,383	1,016,082	8.26%	6,681,967	6,095,829	586,138	8.77%	5,621,498	5,191,554	429,944	7.65%
17-1105	Playa Del Sol	8,819,391	8,117,343	702,048	7.96%	2,821,169	2,573,698	247,471	8.77%	5,998,222	5,543,645	454,577	7.58%
18-1112	Mission La Posada (NM)	238,500	85,034	153,466	64.35%	36,305	33,038	3,267	9.00%	202,195	51,996	150,199	74.28%
18-1118	Imperial Properties Repair	183,991	161,395	22,596	12.28%	10,390	9,455	935	9.00%	173,601	151,940	21,661	12.48%
	Small Jobs < \$50,000	28,000	21,074	6,926	24.74%	20,691	18,829	1,862	9.00%	7,309	2,245	5,064	69.28%
		<u>\$ 56,268,515</u>	<u>\$ 51,143,340</u>	<u>\$ 5,125,175</u>	<u>9.11%</u>	<u>\$ 22,159,821</u>	<u>\$ 20,215,823</u>	<u>\$ 1,943,998</u>	<u>8.77%</u>	<u>\$ 34,108,694</u>	<u>\$ 30,927,517</u>	<u>\$ 3,181,177</u>	<u>9.33%</u>

EMMERSON CONSTRUCTION, INC.

Schedule III - Contracts in Progress

Year Ended December 31, 2019

See Independent Accountants' Compilation Report

Contract Number	Contract Name	Contract Totals				From Inception To December 31, 2019				At December 31, 2019				Year Ended December 31, 2019			
		Revised Contract Amount	Estimated Costs	Gross Profit	Gross Profit %	Contract Revenues	Contract Costs	Gross Profit	Percent Complete	Estimated Costs To Complete	Billings To Date	Under Billings	(Over) Billings	Contract Revenues	Contract Costs	Gross Profit	Gross Profit %
16-1095	Civita II	\$ 94,208,857	\$ 90,708,479	\$ 3,500,378	3.72%	\$ 44,132,799	\$ 42,493,004	\$ 1,639,795	46.85%	\$ 48,215,475	\$ 45,410,232	\$ -	\$ (1,277,433)	\$ 33,205,728	\$ 31,970,642	\$ 1,235,086	3.72%
17-1106	FJV 14th and Commercial (CM)	3,708,000	1,112,400	2,595,600	70.00%	1,087,809	326,343	761,466	29.34%	786,057	1,457,999	-	(370,190)	914,983	174,740	740,243	80.90%
17-1107	Weingart (CM)	4,624,639	3,977,190	647,449	14.00%	334,176	287,393	46,783	7.23%	3,689,797	-	334,176	-	180,744	155,441	25,303	14.00%
17-1108	Cypress Village	25,832,551	23,566,537	2,266,014	8.77%	5,925,806	5,405,990	519,816	22.94%	18,160,547	5,728,329	197,477	-	5,440,734	4,952,797	487,937	8.97%
18-1110	St Regis	7,276,751	6,726,648	550,103	7.56%	6,758,603	6,247,671	510,932	92.88%	478,977	6,758,990	-	(387)	6,542,851	6,051,337	491,514	7.51%
18-1111	Regency	7,343,427	6,795,806	547,621	7.46%	7,337,134	6,789,983	547,151	99.91%	5,823	7,343,426	-	(6,292)	6,854,548	6,348,386	506,162	7.38%
18-1114	Brawley Adams Park	10,931,851	9,972,917	958,934	8.77%	8,079,589	7,370,852	708,737	73.91%	2,602,065	8,082,809	-	(3,220)	7,850,511	7,162,391	688,120	8.77%
18-1115	Calexico Ramin	10,715,704	9,775,730	939,974	8.77%	6,647,551	6,064,432	583,119	62.04%	3,711,298	6,649,052	-	(1,501)	6,442,025	5,877,404	564,621	8.76%
18-1116	13th and Broadway	1,834,000	1,668,941	165,059	9.00%	105,983	96,445	9,538	5.78%	1,572,496	-	105,983	-	51,937	47,263	4,674	9.00%
18-1117	Benson Place	8,820,704	8,046,958	773,746	8.77%	90,500	82,562	7,938	1.03%	7,964,396	65,722	24,778	-	85,266	77,799	7,467	8.76%
19-1120	Price Charities	55,000,000	50,050,000	4,950,000	9.00%	165,385	150,514	14,871	0.30%	49,899,486	-	165,385	-	165,385	150,514	14,871	8.99%
19-1121	Countryside II	12,000,000	10,920,000	1,080,000	9.00%	32,532	29,608	2,924	0.27%	10,890,392	-	32,532	-	32,532	29,608	2,924	8.99%
19-1122	Normal Heights TI	65,975	60,188	5,787	8.77%	53,633	48,929	4,704	81.29%	11,259	-	53,633	-	53,633	48,929	4,704	8.77%
19-1123	Coachella Harrison	24,843,606	22,607,681	2,235,925	9.00%	415,807	378,391	37,416	1.67%	22,229,290	-	415,807	-	415,807	378,391	37,416	9.00%
19-1124	BMR 31 - Fairbanks Terrace II	5,600,000	5,096,000	504,000	9.00%	261,923	238,348	23,575	4.68%	4,857,652	-	261,923	-	261,923	238,348	23,575	9.00%
19-1125	Sun Ray in Lobo Canyon (CM)	240,000	218,400	21,600	9.00%	30,507	27,761	2,746	12.71%	190,639	-	30,507	-	30,507	27,761	2,746	9.00%
19-1127	Ruidoso NM (CM)	238,000	219,211	18,789	7.89%	-	-	-	-	219,211	-	-	-	-	-	-	-
19-1128	Portola	438,000	403,421	34,579	7.89%	-	-	-	-	403,421	-	-	-	-	-	-	-
19-1129	Juniper/Lennar	15,151,311	13,955,155	1,196,156	7.89%	-	-	-	-	13,955,155	-	-	-	-	-	-	-
19-1130	Millenia II	44,072,975	40,593,530	3,479,445	7.89%	29,397	27,080	2,317	0.07%	40,566,450	-	29,397	-	29,397	27,080	2,317	7.88%
19-1131	3 Roots	33,421,297	30,782,774	2,638,523	7.89%	265,800	244,815	20,985	0.80%	30,537,959	-	265,800	-	265,800	244,815	20,985	7.90%
19-1132	Poway	9,300,000	8,565,789	734,211	7.89%	43,282	39,867	3,415	0.47%	8,525,922	-	43,282	-	43,282	39,867	3,415	7.89%
19-1134	Regency Pool	239,851	218,812	21,039	8.77%	35,498	32,384	3,114	14.80%	186,428	-	35,498	-	35,498	32,384	3,114	8.77%
		\$ 375,907,499	\$ 346,042,567	\$ 29,864,932	7.94%	\$ 81,833,714	\$ 76,382,372	\$ 5,451,342		\$ 269,660,195	\$ 81,496,559	\$ 1,996,178	\$ (1,659,023)	\$ 68,903,091	\$ 64,035,897	\$ 4,867,194	7.06%

EMMERSON CONSTRUCTION, INC.**Schedule IV - Contract Costs**

Year Ended December 31, 2019

See Independent Accountants' Compilation Report

		<u>% of Contract Revenues</u>
Direct Costs:		
Subcontractors	\$ 88,283,956	85.70
Labor	3,658,300	3.55
Other direct costs	2,415,171	2.34
Equipment rental	<u>605,987</u>	<u>0.59</u>
Total Direct Costs	94,963,414	92.18
Indirect Costs:		
Warranty	<u>15,713</u>	<u>0.02</u>
	<u>\$ 94,979,127</u>	<u>92.20</u>

EMMERSON CONSTRUCTION, INC.**Schedule V - Operating Expenses**

Year Ended December 31, 2019

See Independent Accountants' Compilation Report

		<u>% of Contract Revenues</u>
Salaries, payroll taxes and benefits	\$ 884,357	0.86
Rent	346,012	0.34
Insurance	164,449	0.16
Professional fees	127,148	0.12
Other	95,896	0.09
Depreciation	29,467	0.03
Contributions	17,975	0.02
Reimbursements	8,197	0.01
Telephone	7,289	0.01
Permits and licenses	2,896	0.00
Office supplies	2,892	0.00
Property tax	918	0.00
Advertising	750	0.00
	<u>\$ 1,688,246</u>	<u>1.64</u>

EMMERSON CONSTRUCTION, INC.**Schedule VI - Contract Receivables and Contract Retention**

December 31, 2019

See Independent Accountants' Compilation Report

Contract Number	Customer	Current	31 to 60 Days	61 to 90 Days	Over 90 Days	Total Contract Receivables	Contract Retention
Completed Contracts:							
17-1103	San Ysidro	\$ 2,809,612	\$ -	\$ -	\$ -	\$ 2,809,612	\$ -
	Accounts under \$5,000	3,688	-	-	-	3,688	-
	Total Completed Contracts	2,813,300	-	-	-	2,813,300	-
Contracts in Progress:							
16-1095	Civita II	3,727,110	-	-	-	3,727,110	4,190,153
18-1110	St. Regis Park, LP	1,227,951	-	-	-	1,227,951	628,141
18-1114	Brawley Adams CIC, LP	835,281	-	-	-	835,281	777,023
18-1115	Las Praderas CIC, LP	920,309	-	-	-	920,309	633,458
17-1106	14th & Commercial CIC, LP	-	1,458,000	-	-	1,458,000	-
17-1108	Cypress Village	867,186	-	-	-	867,186	485,386
18-1117	Benson Place, LP	-	-	-	-	-	6,572
	Total Contracts in Progress	7,577,837	1,458,000	-	-	9,035,837	6,720,733
		<u>\$ 10,391,137</u>	<u>\$ 1,458,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,849,137</u>	<u>\$ 6,720,733</u>

PROJECT SUMMARY

Lennar 81 Unit Senior- Junipers

Revision Date: 8/07/20
Modified by: CH



4% Tax Credits
81 Units

SOURCES AND USES SUMMARY			FINANCING ASSUMPTIONS					PRELIM DEVELOPMENT PROGRAMMING SUMMARY				
Development Costs			Equity					City: San Diego				
Acquisition			ClosingCompletionConversion8,609					MSA: San Diego				
Land Cost - \$0/unit \$ 1.00			Equity Pay In 10%0%89%1%					4 Person 50% AMI: \$57,700 2020 AMI/Rents				
Acquisition of existing off-site work \$35,000/unit 2,835,000			Federal Tax Credit Price \$ 0.9100					Census Tract 170.34 Highest Resource (verify tract #)				
Closing costs \$0/unit 0			State Tax Credit Price \$ -					Site (acres): 0.000				
Subtotal Acquisition \$35,000/unit 2,835,001			Solar Tax Credit Price \$ 0.9100					Construction Type:				
Hard Costs			9% Credit Rate N/A					No. of Stories: 3-story with elevator service				
Design Built - Architect \$0/unit 0			4% Credit Rate Oct-20 3.07%					Parking Type: on grade				
Offsites \$0/unit 0			LP Interest 98.99%					No. of Stalls:				
Sitework #DIV/0! 1,498,589			10 Yr Federal Tax Credits 11,191,205					Extraorindary Cond:				
Solar \$6,173/unit 500,000			3 Yr State Credits 0					Impact Fees per Unit:				
Vertical Construction Costs \$143,210/unit 11,600,000			Solar Credits 148,200					Financing Sources: 4% Credits/Bonds				
GC Contingecy \$8,394/unit 679,929												
Overhead, Profit, General Conditions \$24,679/unit 1,998,993												
Owner Hard Costs Contingency \$20,096/unit 1,627,751												
Subtotal Hard Costs \$221,053/unit 17,905,262												
Soft Costs												
Engineering \$9,344/unit 756,900												
Financing Fees and Interest \$16,320/unit 1,321,903												
Legal Fees \$2,685/unit 217,500												
Reserves \$3,346/unit 271,000												
Development Impact and Permit Fees (Yr 2021 FBA = SFDU x 40%) \$23,774/unit 1,925,728												
Developer Fee \$45,155/unit 3,657,535												
Remaining Development Soft costs \$2,007/unit 162,597												
Owner Soft Costs Contingency \$1,395/unit 112,978												
Subtotal Soft Costs \$104,026/unit 8,426,142												
Total Development Costs \$360,079/unit 29,166,405												
Cash Developer Fee 1,500,000												
Sources												
Federal LIHTC Equity 35% 10,081,138												
State LIHTC Equity 0% 0												
Developer Fee Contribution 0% 0												
Perm Loan (Tranche A) 38% 11,090,000												
Junior C Bond 0% 0												
Deferred Developer Fee 7% 2,157,535												
Master Developer/Seller Offsite Allocation Note \$35,000/unit 2,835,000												
Solar Equity 0% 134,862												
Master Developer Gap Financing \$33,190/unit 2,688,360												
Residual Receipt Loans Accrued Interest 1% 179,509												
Total Development Sources 100% 29,166,405												

Debt

Opr. Exp./Unit/Year

4,829

Services Exp./Unit/Year

0

Replacement Reserves/Unit/Year

250

Vacancy Rate

5.00%

DCR

1.15

Perm Loan Amort

35

Interest Rate - Permanent Loan

4.15%

Interest Rate - Construction Loan

4.25%

Construction - to-Perm Loan

11,090,000

Construction Loan

7,884,086

Tax- Exempt Bonds - C Bond

N/A

Total Construction/Perm Loans

18,974,086

Bond Request for Application

15,430,000

Bond Inducement Amount

19,000,000

Tax Credit Considerations

DDA/QCT Boost

130%

Rural Designation

No

50% Test

15,430,000

\$190,494/unit

55.03%

CLDAC Amenity Score

CA 9% Tiebreaker

N/A

Housing Set Aside

Senior

Prevailing Wage (State, Federal, Both):

No

2023

Solar

State

Fed

1st Yr Credit Delivery

0

0

2,215,635

2nd Yr Credit Delivery

0

0

1,107,817

3rd Yr Credit Delivery

0

0

1,107,817

PROJECTED SOURCES AND USES OF FUNDS
Lennar 81 Unit Senior- Junipers

				Construction Period						Construction	Stabilization	Conversion	8609	Total
		Pre-Dev	Close	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 5	Subtotal	6mos				
				18%	34%	30%	18%	0%						
SOURCES OF FUNDS														
1	Federal LIHTC Equity		1,008,114	-	-	-	-	-	1,008,114	-	-	8,972,213	100,811	10,081,138
2	State LIHTC Equity		-	-	-	-	-	-	-	-	-	-	-	-
3	Developer Fee Contribution		-	-	-	-	-	-	-	-	-	-	-	-
4	Solar Equity		-	-	-	-	-	-	-	-	134,862	-	-	134,862
5	Construction Loan		-	2,145,095	5,892,680	5,421,404	5,016,754	7,500	18,531,625	442,462	(18,974,086)	-	-	-
6	Perm Loan (Tranche A)		-	-	-	-	-	-	-	-	11,090,000	-	-	11,090,000
7	Junior C Bond		-	-	-	-	-	-	-	-	-	-	-	-
8	Deferred Developer Fee		-	-	-	-	-	-	-	-	2,157,535	-	-	2,157,535
9	Master Developer Gap Financing		2,688,360	-	-	-	-	-	2,688,360	-	-	-	-	2,688,360
14	Residual Receipt Loans Accrued Interest		-	41,425	41,425	41,425	41,425	13,808	179,509	-	-	-	-	179,509
15	BMR Off-Site Improvements Note		2,835,000	-	-	-	-	-	2,835,000	-	-	-	-	2,835,000
16	Total Sources of Funds		48,191	6,531,474	2,186,520	5,934,105	5,462,830	5,058,179	21,308	25,242,608	442,462	3,380,524	100,811	29,166,405
17														
18														
19	USES OF FUNDS													
20	ACQUISITION													
21	Land Cost	\$	0	1	-	-	-	-	1	-	-	-	-	1
23	Legal & Carrying Costs		5,000	-	-	-	-	-	5,000	-	-	-	-	5,000
	Acquisition of existing off-site work		35,000	2,835,000	-	-	-	-	2,835,000	-	-	-	-	2,835,000
28	Total Land / Acquisiton			2,840,001	-	-	-	-	2,840,001	-	-	-	-	2,840,001
29														
42	RELOCATION													
43	Relocation Admin		-	-	-	-	-	-	-	-	-	-	-	-
44	Permanent Relocation Expense		-	-	-	-	-	-	-	-	-	-	-	-
45	Total Relocation		-	-	-	-	-	-	-	-	-	-	-	-
46														
47	NEW CONSTRUCTION													
48	Design Built - Architect	\$	-	-	-	-	-	-	-	-	-	-	-	-
49	Off-site Improvements - none per Lennar	\$	-	-	-	-	-	-	-	-	-	-	-	-
50	Solar - placeholder: Allegra to verify scope	500,000		-	-	500,000.0	-	-	500,000	-	-	-	-	500,000
51	Site Work	1,498,589	\$0/acre	-	599,436	449,577	449,577	-	1,498,589	-	-	-	-	1,498,589
52	Parking Garage		\$0/stall	-	-	-	-	-	-	-	-	-	-	-
53	Vertical	11,600,000	\$0.00/sq ft	-	2,088,000	3,944,000	3,480,000	2,088,000	11,600,000	-	-	-	-	11,600,000
54	GC Contingency		5.00%	-	134,372	219,679	199,000	126,879	679,929	-	-	-	-	679,929
55	General Requirements		4%	-	112,872	184,530	167,160	106,578	571,141	-	-	-	-	571,141
56	Contractor Overhead		6%	-	169,308	276,795	250,740	159,867	856,711	-	-	-	-	856,711
57	Contractor Profit		4%	-	112,872	184,530	167,160	106,578	571,141	-	-	-	-	571,141
58	Contractor General Liability Insurance			-	-	-	-	-	-	-	-	-	-	-
59	Other:			-	-	-	-	-	-	-	-	-	-	-
60	Total New Construction	\$200,957/unit		-	3,216,860	5,259,111	4,764,060	3,037,479	16,277,511	-	-	-	-	16,277,511
61														
62	ARCHITECTURAL													
63	Building			263,000	3,000	3,000	3,000	3,000	275,000	-	-	-	-	275,000
64	Landscape			53,000	3,000	3,000	3,000	3,000	65,000	-	-	-	-	65,000
65	Energy Consultant			35,000	-	-	-	-	35,000	-	-	-	-	35,000
66	Other: Acoustic Study		0	-	-	-	-	-	-	-	-	-	-	-
67	Other: Traffic Study		0	-	-	-	-	-	-	-	-	-	-	-
68	Other;		0	-	-	-	-	-	-	-	-	-	-	-
69	Total Architectural			-	351,000	6,000	6,000	6,000	375,000	-	-	-	-	375,000
70														
71	SURVEY & ENGINEERING													
72	Civil			115,000	25,000	20,000	-	-	160,000	-	-	-	-	160,000
73	ALTA		0	7,500	-	-	-	7,500	15,000	-	-	-	-	15,000
74	Staking			-	55,000	-	-	-	55,000	-	-	-	-	55,000
75	Structural Testing			-	21,667	21,667	21,667	-	65,000	-	-	-	-	65,000
76	Soils		0	15,000	35,000	-	-	-	50,000	-	-	-	-	50,000
77	Other: Environmental reports			-	-	-	-	-	-	-	-	-	-	-
78	Other: Phase I		0	-	-	-	-	-	-	-	-	-	-	-
79	Other: Dry Utilities		0	35,000	-	-	-	-	35,000	-	-	-	-	35,000
80	Other: Phase 1 & misc reports		0	1,900	-	-	-	-	1,900	-	-	-	-	1,900
81	Total Survey & Engineering			-	174,400	136,667	41,667	21,667	381,900	-	-	-	-	381,900
82														
83	CONTINGENCY COSTS													
84	Hard Cost Contingency		10.00%	-	321,686	525,911	476,406	303,748	1,627,751	-	-	-	-	1,627,751
85	Soft Cost Contingency		3%	53,322	6,110	4,342	6,477	42,727	112,978	-	-	-	-	112,978
86	Total Contingency			-	53,322	327,796	530,253	482,883	346,475	-	-	-	-	1,740,729
87														
88	CONSTRUCTION PERIOD EXPENSES													
89	Construction Loan Interest	4.25%		-	8,109	44,174	105,114	161,283	318,681	393,744	-	-	-	712,424
90	Soft Loan Interest	3.00%		-	41,425	41,425	41,425	41,425	179,509	-	-	-	-	179,509
91	C Bond Interest			-	-	-	-	-	-	-	-	-	-	-
92	Origination Fee	1.00%		185,316	-	-	-	-	185,316	-	-	-	-	185,316
93	Credit Enhancement & Application Fee			-	-	-	-	-	-	-	-	-	-	-
94	Owner Paid Bonds			-	-	-	-	-	-	-	-	-	-	-
95	Lender Inspection Fees			-	4,875	4,875	4,875	4,875	19,500	-	-	-	-	19,500
96	Taxes During Construction			10,000	-	-	-	-	10,000	-	-	-	-	10,000
97	Other: Application fee			-	-	-	-	-	-	-	-	-	-	-
98	Insurance During Construction			75,000	-	-	-	7,500	82,500	-	-	-	-	82,500
99	Title and Recording Fees			25,000	-	-	-	-	25,000	-	-	-	-	25,000
100	Construction Mgmt. and Monitoring		0	-	-	-	-	-	-	-	-	-	-	-
101	Predevelopment Loan Interest			15,000	-	-	-	-	15,000	-	-	-	-	15,000

PROJECTED SOURCES AND USES OF FUNDS
Lennar 81 Unit Senior- Junipers

		Pre-Dev	Close	Construction Period					Construction Subtotal	Stabilization 6mos	Conversion	8609	Total
				Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 5					
				18%	34%	30%	18%	0%					
102	Other: Accounting & Admin		-	-	-	-	-	-	-	-	-	-	-
103	Other: _		-	-	-	-	-	-	-	-	-	-	-
104	Total Construction Period Expense												
105													
106	PERMANENT FINANCING EXPENSES												
107	Loan Origination Fees	0.00%	-	-	-	-	-	-	-	-	10,000	-	10,000
108	Credit Enhancement & Application Fee		1,500	-	-	-	-	-	1,500	-	-	-	1,500
109	Title and Recording Fees		-	-	-	-	-	-	-	-	5,000	-	5,000
110	Property Taxes		-	-	-	-	-	-	-	-	-	-	-
111	Insurance		-	-	-	-	-	-	-	-	-	-	-
112	Other: Issuer Fee	0.250%	47,435	-	-	-	-	-	47,435	23,718	-	-	71,153
113	Other: Bank DD	0.000%	-	-	-	-	-	-	-	-	5,000	-	5,000
114	Total Permanent Financing		48,935	-	-	-	-	-	48,935	23,718	20,000	-	92,653
115													
116	LEGAL FEES												
117	Construction Lender Legal		60,000	-	-	-	-	-	60,000	-	-	-	60,000
118	Permanent Lender Legal		-	-	-	-	-	-	-	-	-	-	-
119	Sponsor Legal	0	40,000	-	-	-	-	-	40,000	-	-	-	40,000
120	Organizational Legal		20,000	-	-	-	-	-	20,000	-	-	-	20,000
121	Other Legal (Issuer Legal, Bond Counsel)		60,000	-	-	-	-	-	60,000	-	-	-	60,000
122	SDHC Ap, Orig, Servicing, Legal, Const Review		25,000	-	-	-	-	-	25,000	-	-	-	25,000
123	Other: GP Legal	0	12,500	-	-	-	-	-	12,500	-	-	-	12,500
124	Total Legal Fees	-	217,500	-	-	-	-	-	217,500	-	-	-	217,500
125													
126	CAPITALIZED RESERVES												
127	Operating Reserve	3 months	-	-	-	-	-	-	-	-	271,000	-	271,000
128	Replacement Reserve		-	-	-	-	-	-	-	-	-	-	-
129	Rent-up Reserve		-	-	-	-	-	-	-	-	-	-	-
130	Transition Reserve (2 years)		-	-	-	-	-	-	-	-	-	-	-
131	Other: Prepaid HOA		-	-	-	-	-	-	-	-	-	-	-
132	Other: Capitalized LP Fee		-	-	-	-	-	-	-	-	-	-	-
133	Total Reserves	-	-	-	-	-	-	-	-	-	271,000	-	271,000
134													
135	REPORTS & STUDIES												
136	Market Study	10,000	-	-	-	-	-	-	10,000	-	-	-	10,000
138	Appraisal	0	-	-	-	-	-	-	-	-	-	-	-
139	Environmental	0	-	-	-	-	-	-	-	-	-	-	-
140	Other: Lender Deposit	25,000	(25,000)	-	-	-	-	-	-	-	-	-	-
141	Other: PNA	0	-	-	-	-	-	-	-	-	-	-	-
142	Other:		-	-	-	-	-	-	-	-	-	-	-
143	Other	0	-	-	-	-	-	-	-	-	-	-	-
144	Total Reports & Studies	35,000	(25,000)	-	-	-	-	-	10,000	-	-	-	10,000
145													
146	OTHER												
147	TCAC App./Alloc/Monitoring Fees	13,191	-	-	-	-	-	-	13,191	-	32,800	-	45,991
148	CDLAC/CDIAC Fees	0.00%	0	-	-	-	-	-	-	-	-	-	-
149	Local Permit Fees	\$2,654/unit	215,000	-	-	-	-	-	215,000	-	-	-	215,000
150	Water/Sewer Fee/DIF, inc School Fees	\$6,471/unit	524,187	-	-	-	-	-	524,187	-	-	-	524,187
151	FBA Fees - assumes Yr 202 Rate for SFDU x 40% for Seniors	\$ 14,648.66	-	-	-	-	1,186,541	-	1,186,541	-	-	-	1,186,541
152	Syndicator/Investor Fees & Expenses		-	-	-	-	-	-	-	-	-	-	-
153	Furnishings - included in ECI SOV		-	-	-	-	-	-	-	-	-	-	-
154	Final Cost Audit Expense		-	-	-	-	-	-	-	15,000	-	-	15,000
155	Marketing		-	-	-	30,206	10,000	-	40,206	-	-	-	40,206
156	MGP Services Fee		-	-	-	-	-	-	-	-	-	-	-
157	SDHC Ap, Orig, Servicing, Legal, Const Review	0	-	-	-	-	-	-	-	-	-	-	-
158	Accounting/Finance/Admin	0	10,000	6,600	6,600	6,600	6,600	-	36,400	10,000	-	-	46,400
159	Other: CPA Opinion	0	-	-	-	-	-	-	-	-	-	-	-
160	Bond Performance Deposit		-	-	-	-	-	-	-	-	-	-	-
161	Total Other Costs	13,191	749,187	6,600	6,600	36,806	1,203,141	-	2,015,526	25,000	32,800	-	2,073,326
162													
163	DEVELOPER COSTS												
164	Developer Fee		250,000	-	-	-	250,000	-	500,000	-	3,056,724	100,811	3,657,535
165	Consultant/Processing Agent		-	-	-	-	-	-	-	-	-	-	-
166	Project Administration		-	-	-	-	-	-	-	-	-	-	-
167	Syndication Consultant		-	-	-	-	-	-	-	-	-	-	-
168	Guarantee Fees		-	-	-	-	-	-	-	-	-	-	-
169	Broker Fees Paid to Related Party		-	-	-	-	-	-	-	-	-	-	-
170	Construction Oversight & Mgmt		-	-	-	-	-	-	-	-	-	-	-
171	Total Developer Costs	-	250,000	-	-	-	250,000	-	500,000	-	3,056,724	100,811	3,657,535
172													
173													
174	Total Uses of Funds	48,191	4,969,662	3,748,333	5,934,105	5,462,830	5,058,179	21,308	25,242,608	442,462	3,380,524	100,811	29,166,405
175	Net Source & Use		1,561,812	(1,561,812)	-	-	-	-	-	-	-	-	(0)
176	Distributions		-	-	-	-	-	-	-	-	-	-	-
177	Balance of Funds		1,561,812	(0)	(0)	(0)	(0)	(0)	-	(0)	(0)	(0)	(0)

OPERATING BUDGET & INCOME ANALYSIS

Lennar 81 Unit Senior- Junipers

2020 Rents									
				Square	Total	Gross	Utility	Monthly	Annual
Rent:	Restriction	%AMI	Units	Feet/Unit	Sq. Ft.	Rents	Allowance	Net Rent	Rent
1BR/1BA	LIHTC	60%	52	562	29,224	\$ 1,299	\$ 62	\$ 1,237	\$ 771,888
1BR/1BA	LIHTC		0	562	0		\$ 62	\$ -	\$ -
1BR/1BA	LIHTC	50%	13	562	7,306	\$ 1,082	\$ 62	\$ 1,020	\$ 159,120
2BR/1BA	LIHTC	60%	12	791	9,492	\$ 1,558	\$ 82	\$ 1,476	\$ 212,544
2BR/1BA	LIHTC		0	791	0		\$ 82	\$ -	\$ -
2BR/1BA	LIHTC	50%	3	791	2,373	\$ 1,298	\$ 82	\$ 1,216	\$ 43,776
2BR/1BA		MGR	1	791	791	\$ -	\$ -	\$ -	\$ -
					0	\$ -			
Total Rents			81		49,186				1,187,328
Community Center					1,400				
					0				
% Loss to Efficiency				19.51%	12,258				
Construction Square Feet					62,844				
Income from Operations				PUPM					
Laundry				\$ 8.00					7,776
Other Income (App. Fees, Late, etc.)				\$ 4.00					3,888
Garage				\$ -		0	Garages		0
Cable & Highspeed Data Income				\$ -					0
Telephone Income				\$ -					0
Sub-Total				\$ 12.00					1,198,992
Less: Vacancies @				5.0%					59,950
RENTAL SUBSIDY									0
Less: Vacancies @				5%					0
Total Income									1,139,042
Operating Expenses				PUPA					
Admin				\$ 500					40,500
Management Fee				\$ 624					50,544
Utilities				\$ 1,138					92,178
Payroll				\$ 1,538					124,578
Repair & Maintenance				\$ 675					54,675
Insruance				\$ 250					20,250
Taxes (HOA, CFD)				\$ -					0
Internet for CDLAC points				\$ 104					8,400
Total Expenses				\$ 4,829					391,125
				\$ 4,725	minimum 4700				
Net Operating Income									747,917
Reserves				\$250.00/unit					20,250
Issuer and Monitoring Fee				0.125%		(Min \$10k or 0.125% + \$150/unit for SDHC)			26,013
Services- required CDLAC				0.000%					10,000
Net Income Available for Debt Service									691,655

DSC TEST 1.15

Loan Sizing	Perm Loan	Tranche B
Loan Amount	11,090,000	0
Interest	4.15%	4.15%
Term	15	15
Amortization	35	30
Debt Service Coverage	1.15	1.15
Monthly Payment	50,106	0
Annual Payment	601,278	0
Cash Flow After D/S	90,377	90,377

TAX CREDITS & BASIS CALCULATION
Lennar 81 Unit Senior- Junipers

DESCRIPTION OF COSTS	ACTUAL OR EST. OF COSTS	70% ELIGIBLE BASIS	30% ELIGIBLE BASIS
<i>ACQUISITION</i>			
Land Cost	\$ 1	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Demolition	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Legal & Carrying Costs	\$ 5,000	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Land Lease Rent Prepayment	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Verifiable Carrying Costs	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Existing Improvement Costs	\$ 2,835,000	XXXXXXXXXXXXXX	\$ 2,835,000
Other: Basis Eligible Acquisition Costs	\$ -	\$ -	XXXXXXXXXXXXXX
TOTAL LAND/AQUISITION COSTS	\$ 2,840,001	\$ -	\$ 2,835,000
<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	\$ -		\$ -
Temporary Relocation	\$ -		\$ -
TOTAL RELOCATION COSTS	\$ -	\$ -	\$ -
<i>NEW CONSTRUCTION</i>			
<i>Design Built - Architect</i>	\$ -		\$ -
Off-site Improvements - none per Lennar	\$ -		\$ -
Solar - placeholder: Allegra to verify scope	\$ 500,000		\$ 425,900
Site Work	\$ 1,498,589		\$ 1,498,589
Parking Garage	\$ -		\$ -
Vertical	\$ 11,600,000		\$ 11,600,000
GC Contingency	\$ 679,929		\$ 679,929
General Requirements	\$ 571,141		\$ 571,141
Contractor Overhead	\$ 856,711		\$ 856,711
Contractor Profit	\$ 571,141		\$ 571,141
Contractor General Liability Insurance	\$ -		\$ -
Other:	\$ -		\$ -
TOTAL CONSTRUCTION	\$ 16,277,511	\$ -	\$ 16,203,411
<i>ARCHITECTURAL FEES</i>			
Building	\$ 275,000		\$ 275,000
Landscape	\$ 65,000		\$ 65,000
Energy Consultant	\$ 35,000		\$ 35,000
Other: Acoustic Study	\$ -		\$ -
Other: Traffic Study	\$ -		\$ -
Other:	\$ -		\$ -
TOTAL ARCHITECTURAL COSTS	\$ 375,000	\$ -	\$ 375,000
<i>SURVEY & ENGINEERING</i>			
Civil	\$ 160,000		\$ 160,000
ALTA	\$ 15,000		\$ 15,000
Staking	\$ 55,000		\$ 55,000
Structural Testing	\$ 65,000		\$ 65,000
Soils	\$ 50,000		\$ 50,000
Other: Phase I	\$ -		\$ -
Other: Dry Utilities	\$ 35,000		\$ 35,000
Other: Engineering/Easement	\$ -		\$ -
Other: Phase 1 & misc reports	\$ 1,900		\$ 1,900
TOTAL SURVEY & ENGINEERING	\$ 381,900	\$ -	\$ 381,900
<i>CONTINGENCY COSTS</i>			
Hard Cost Contingency	\$ 1,627,751		\$ 1,627,751
Soft Cost Contingency	\$ 112,978		\$ 112,978
TOTAL CONTINGENCY COSTS	\$ 1,740,729	\$ -	\$ 1,740,729
<i>CONSTRUCTION PERIOD EXPENSES</i>			
Construction Loan Interest	\$ 712,424		\$ 318,681
Soft Loan Interest	\$ 179,509		\$ 179,509
C Bond Interest	\$ -		\$ -
Origination Fee	\$ 185,316		\$ 123,544
Credit Enhancement & Application Fee	\$ -		\$ -
Owner Paid Bonds	\$ -		\$ -
Lender Inspection Fees	\$ 19,500		\$ 19,500
Taxes During Construction	\$ 10,000		\$ 10,000
Prevailing Wage Monitoring	\$ -		\$ -
Insurance During Construction	\$ 82,500		\$ 55,000
Title and Recording Fees	\$ 25,000		\$ 16,667
Construction Management & Testing	\$ -		\$ -
Predevelopment Loan Interest	\$ 15,000		\$ 15,000
Other: Accounting & Admin	\$ -		\$ -
0	\$ -		XXXXXXXXXXXXXX
TOTAL CONSTRUCTION PERIOD EXPENSE	\$ 1,229,250	\$ -	\$ 737,901

PERMANENT FINANCING EXPENSES			
Loan Origination Fee	\$ 10,000	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Credit Enhancement & Application Fee	\$ 1,500	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Title and Recording Fees	\$ 5,000	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Property Taxes	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Insurance	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Other: Issuer Fee	\$ 71,153	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Other: Bank DD	\$ 5,000	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
TOTAL PERMANENT FINANCING COSTS	\$ 92,653	\$ -	\$ -
LEGAL FEES			
Construction Lender Legal	\$ 60,000		\$ 60,000
Permanent Lender Legal	\$ -		XXXXXXXXXXXXXX
Sponsor Legal	\$ 40,000		\$ 40,000
Organizational Legal	\$ 20,000		XXXXXXXXXXXXXX
Bond Legal	\$ 60,000		XXXXXXXXXXXXXX
SDHC	\$ 25,000		XXXXXXXXXXXXXX
Other: GP Legal	\$ 12,500		\$ 12,500
TOTAL LEGAL	\$ 217,500	\$ -	\$ 112,500
CAPITALIZED RESERVES			
Operating Reserve	\$ 271,000	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	\$ 271,000	\$ -	XXXXXXXXXXXXXX
REPORTS & STUDIES			
Appraisal	\$ 10,000		\$ 10,000
Market Study			\$ -
Physical Needs Assessment	\$ -		\$ -
Environmental Studies	\$ -		\$ -
Other: Lender Deposit	\$ -		\$ -
Other: PNA	\$ -		\$ -
Other:	\$ -		\$ -
Other	\$ -		\$ -
TOTAL REPORTS & STUDIES	\$ 10,000	\$ -	\$ 10,000
OTHER EXPENSES			
TCAC App./Alloc/Monitoring Fees	\$ 45,991	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
CDLAC/CDIAC Fees	\$ -		XXXXXXXXXXXXXX
Local Permit Fees	\$ 215,000		\$ 215,000
Water/Sewer Fee/DIF, inc School Fees	\$ 524,187		\$ 524,187
FBA Fees - assumes Yr 202 Rate for SFDU x 40% for Seniors	\$ 1,186,541		\$ 1,186,541
Syndicator/Investor Fees & Expenses	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Furnishings - included in ECI SOV	\$ -		\$ -
Final Cost Audit Expense	\$ 15,000		\$ 15,000
Marketing	\$ 40,206	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
MGP Services Fee	\$ -		XXXXXXXXXXXXXX
SDHC Ap, Orig, Servicing, Legal, Const Review	\$ -		\$ -
Accounting/Finance/Admin	\$ 46,400		\$ 46,400
Other: CPA Opinion	\$ -		\$ -
Other:	\$ -		\$ -
TOTAL OTHER COSTS	\$ 2,073,326	\$ -	\$ 1,987,128
DEVELOPER COSTS			
Developer Fee Limit - Per Application			
Developer Fee Calculation	\$ 3,657,535	\$ -	\$ 3,657,535
Developer Fee	\$ 3,657,535	\$ -	\$ 3,657,535
Consultants/Processing Agent	\$ -		\$ -
Project Administration	\$ -		\$ -
Syndication Consultant	\$ -		\$ -
Guarantee Fees	\$ -		\$ -
Broker Fees Paid to Related Party	\$ -		\$ -
Construction Oversight & Mgmt	\$ -		\$ -
TOTAL DEVELOPER FEE	\$ 3,657,535	\$ -	\$ 3,657,535
TOTAL RESIDENTIAL COSTS			
	\$ 29,166,405	\$ -	\$ 28,041,104

TOTAL COMMERCIAL COSTS	\$ -		\$ -
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TOTAL PROJECT AND BASIS COSTS	\$ 29,166,405	\$ -	\$ 28,041,104
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Adjustment for Excess Basis			\$ -
Additional Amount Voluntarily Excluded From Basis			
Requested Undadjusted Eligible Basis	\$ -	\$ 28,041,104	

130% DIFFICULT DEVELOPMENT FACTOR?	Tract #: Not Avail.	Y	\$ 36,453,436
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Credit Reduction		\$ -	
Total Adjusted Qualified Basis		\$ 36,453,436	

TX CREDITS @ % LI Eligible@ Tx Credit Rt	100.00%	3.07%	3.07%
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TX CREDITS @ % LI Eligible	\$ -	\$ 1,119,120	
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TX CREDITS OVER TEN YEARS	\$ -	\$ 11,191,205	
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TX CREDIT EQ'Y @\$/Credit@% Investment	\$ 0.9100	98.99%	\$ 10,081,138
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OPERATIONAL CASH FLOW
Lennar 81 Unit Senior- Junipers

			2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
			1	2	3	4	5	6	7	8	9	10	11	12	13	14
Gross Revenue	Inflation @	2.00%	1,198,992	1,222,972	1,247,431	1,272,380	1,297,828	1,323,784	1,350,260	1,377,265	1,404,810	1,432,906	1,461,565	1,490,796	1,520,612	1,551,024
Vacancy		5%	(59,950)	(61,149)	(62,372)	(63,619)	(64,891)	(66,189)	(67,513)	(68,863)	(70,241)	(71,645)	(73,078)	(74,540)	(76,031)	(77,551)
Net Revenue			1,139,042	1,161,823	1,185,060	1,208,761	1,232,936	1,257,595	1,282,747	1,308,402	1,334,570	1,361,261	1,388,486	1,416,256	1,444,581	1,473,473
Operating Expenses	Inflation @	3.00%	391,125	402,859	414,945	427,393	440,215	453,421	467,024	481,034	495,465	510,329	525,639	541,408	557,651	574,380
Net Operating Income			747,917	758,964	770,115	781,368	792,721	804,174	815,723	827,367	839,104	850,932	862,847	874,848	886,930	899,093
Replacement Reserves		3.00%	20,250	20,858	21,483	22,128	22,792	23,475	24,180	24,905	25,652	26,422	27,214	28,031	28,872	29,738
Services	Inflation @	3.00%	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Available to Debt Service			727,667	738,107	748,632	759,240	769,930	780,698	791,543	802,462	813,452	824,510	835,633	846,817	858,059	869,355
Principal and Interest	0	4.15%	601,278	601,278	601,278	601,278	601,278	601,278	601,278	601,278	601,278	601,278	601,278	601,278	601,278	601,278
Issuer and Monitoring Fee		0.00%	26,013	26,013	26,013	26,013	26,013	26,013	26,013	26,013	26,013	26,013	26,013	26,013	26,013	26,013
Mandatory Soft Loan Payments		0.00%	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
LP Asset Management	5,000	3.00%	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524	6,720	6,921	7,129	7,343
Managing GP Fee/LP Fees	5,000	3.00%	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524	6,720	6,921	7,129	7,343
Net Project Cash Flow			80,377	90,517	100,733	111,023	121,385	131,816	142,313	152,873	163,494	174,172	184,903	195,684	206,511	217,379
Partnership Cash Flow			0	0	0	0	0	0	0	0	0	0	0	0	0	0
	DSCR		1.15	1.17	1.19	1.20	1.22	1.24	1.26	1.27	1.29	1.31	1.33	1.35	1.37	1.39
TCAC Gross Revenue Test	8%		7.12%	7.82%	8.50%	9.16%	9.79%	10.40%	10.98%	11.55%	12.09%	12.61%	13.11%	13.59%	14.05%	14.49%
TCAC Debt Service Test	125%															
UMR Operating Expense Test	12%		20.55%	22.47%	24.28%	25.98%	27.57%	29.07%	30.47%	31.78%	33.00%	34.13%	35.18%	36.14%	37.03%	37.85%
LP Fee		-	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Developer Fee	100.0% of Avail Cashflow	1.00%	80,377	90,517	100,733	111,023	121,385	131,816	142,313	152,873	163,494	174,172	184,903	195,684	206,511	217,379
Cash Available After Deferred Fee Payment			0	(0)	0	0	(0)	0	0	(0)	0	0	(0)	0	0	(1)

OPERATIONAL CASH FLOW

Lennar 81 Unit Senior- Junipers

			2037	2038														
			15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Gross Revenue	Inflation @	2.00%	1,582,044	1,613,685	1,645,959	1,678,878	1,712,456	1,746,705	1,781,639	1,817,272	1,853,617	1,890,690	1,928,503	1,967,073	2,006,415	2,046,543	2,087,474	2,129,224
Vacancy		5%	(79,102)	(80,684)	(82,298)	(83,944)	(85,623)	(87,335)	(89,082)	(90,864)	(92,681)	(94,534)	(96,425)	(98,354)	(100,321)	(102,327)	(104,374)	(106,461)
Net Revenue			1,502,942	1,533,001	1,563,661	1,594,934	1,626,833	1,659,370	1,692,557	1,726,408	1,760,936	1,796,155	1,832,078	1,868,720	1,906,094	1,944,216	1,983,100	2,022,762
Operating Expenses	Inflation @	3.00%	591,612	609,360	627,641	646,470	665,864	685,840	706,415	727,608	749,436	771,919	795,077	818,929	843,497	868,802	894,866	921,712
Net Operating Income			911,331	923,641	936,020	948,464	960,969	973,530	986,142	998,801	1,011,500	1,024,236	1,037,002	1,049,791	1,062,597	1,075,414	1,088,235	1,101,051
Replacement Reserves		3.00%	30,630	31,549	32,495	33,470	34,474	35,508	36,574	37,671	38,801	39,965	41,164	42,399	43,671	44,981	46,331	47,720
Services	Inflation @	3.00%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Available to Debt Service			880,701	892,092	903,525	914,994	926,495	938,021	949,568	961,130	972,699	984,271	995,838	1,007,392	1,018,926	1,030,433	1,041,904	1,053,330
Principal and Interest	0	4.15%	601,278	601,278	601,278	601,278	601,278	601,278	601,278	601,278	601,278	601,278	601,278	601,278	601,278	601,278	601,278	601,278
Issuer and Monitoring Fee		0.00%	26,013	26,013	26,013	26,013	26,013	26,013	26,013	26,013	26,013	26,013	26,013	26,013	26,013	26,013	26,013	26,013
Mandatory Soft Loan Payments		0.00%	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
LP Asset Management	5,000	3.00%	7,563	7,790														
Managing GP Fee/LP Fees	5,000	3.00%	7,563	7,790	8,024	8,264	8,512	8,768	9,031	9,301	9,581	9,868	10,164	10,469	10,783	11,106	11,440	11,783
Net Project Cash Flow			228,285	239,222	258,211	269,440	280,692	291,963	303,247	314,538	325,829	337,113	348,383	359,633	370,853	382,037	393,174	404,257
Partnership Cash Flow			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	DSCR		1.40	1.42	1.44	1.46	1.48	1.50	1.52	1.54	1.56	1.58	1.60	1.62	1.63	1.65	1.67	1.69
TCAC Gross Revenue Test	8%		14.91%	15.31%	16.18%	16.54%	16.89%	17.22%	17.53%	17.82%	18.09%	18.35%	18.59%	18.81%	19.02%	19.21%	19.38%	19.54%
TCAC Debt Service Test	125%																	
UMR Operating Expense Test	12%		38.59%	39.26%	41.14%	41.68%	42.15%	42.57%	42.93%	43.23%	43.48%	43.67%	43.82%	43.92%	43.97%	43.97%	43.94%	43.86%
LP Fee	-	0.00%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Developer Fee	100.0%of Avail Cashflow	1.00%	228,285	26,525	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Available After Deferred Fee Payment			0	212,698	258,209	269,440	280,692	291,960	303,247	314,538	325,821	337,113	348,383	359,617	370,853	382,037	393,144	404,257

LEASE UP SCHEDULE
Lennar 81 Unit Senior- Junipers

Closing Date	4/1/2022
Construction Start	4/1/2022
Est'd placed-in-service - first bldg:	4/1/2023
Est'd placed-in-service - last bldg:	4/1/2023
Est'd full completion	4/1/2023
Est'd 100% lease-up date:	5/2/2023

Number of buildings:	2
# of units to be leased:	81
Lease-up Period (mths):	1
Avg units leased per mth:	81.0

2023								
Month #	Month	New Units Leased/mo	Unit Months	Cumm Units Leased	% Leased	Unit Mths by Qtr	% Leased	LIHTCs by Qtr
1	Jan-23	0	0	0	0%			
2	Feb-23	0	0	0	0%			
3	Mar-23	0	0	0	0%	0	0.00%	0
4	Apr-23	81	729	81	100%			
5	May-23	81	648	162	200%			
6	Jun-23	0	0	162	200%	405	29.41%	461,591
7	Jul-23	0	0	162	200%			
8	Aug-23	0	0	162	200%			
9	Sep-23	0	0	162	200%	486	35.29%	553,909
10	Oct-23	0	0	162	200%			
11	Nov-23	0	0	162	200%			
12	Dec-23	0	0	162	200%	486	35.29%	553,909
		-	-	-		-	-	-
its Placed In Service		162				1377	100.00%	1,569,408
Unit Months in Year		972					Ck---->	0
Unit Months - Projected		1377						
Units Placed In Service		141.67%						

2024								
Month #	Month	New Units Leased/mo	Unit Months	Cumm Units Leased	% Leased	Unit Mths by Qtr	% Leased	LIHTCs by Qtr
13	Jan-24	162	1,944	162	200%			
14	Feb-24	0	0	162	200%			
15	Mar-24	0	0	162	200%	486	25.00%	553,909
16	Apr-24	0	0	162	200%			
17	May-24	0	0	162	200%			
18	Jun-24	0	0	162	200%	486	25.00%	553,909
19	Jul-24	0	0	162	200%			
20	Aug-24	0	0	162	200%			
21	Sep-24	0	0	162	200%	486	25.00%	553,909
22	Oct-24	0	0	162	200%			
23	Nov-24	0	0	162	200%			
24	Dec-24	0	0	162	200%	486	25.00%	553,909
		-	-	-		-	-	-
		162				1944	100.00%	2,215,635
		972					Ck----->	2,215,635
		1944						
		200.00%						

2025								
Month #	Month	New Units Leased/mo	Unit Months	Cumm Units Leased	% Leased	Unit Mths by Qtr	% Leased	LIHTCs by Qtr
25	Jan-25	162	1,944	162	200%			
26	Feb-25	0	0	162	200%			
27	Mar-25	0	0	162	200%	486	25.00%	276,954
28	Apr-25	0	0	162	200%			
29	May-25	0	0	162	200%			
30	Jun-25	0	0	162	200%	486	25.00%	276,954
31	Jul-25	0	0	162	200%			
32	Aug-25	0	0	162	200%			
33	Sep-25	0	0	162	200%	486	25.00%	276,954
34	Oct-25	0	0	162	200%			
35	Nov-25	0	0	162	200%			
36	Dec-25	0	0	162	200%	486	25.00%	276,954

Total Units Placed In Se		162				1944	100.00%	1,107,817
Total Unit Months in Year		1,944					Ck----->	0
Total Unit Months - Proj		1944						
Units Placed In Service		100.00%						

2026								
Month #	Month	New Units Leased/mo	Unit Months	Cumm Units Leased	% Leased	Unit Mths by Qtr	% Leased	LIHTCs by Qtr
37	Jan-26	162	1,944	162	200%			
38	Feb-26	0	0	162	200%			
39	Mar-26	0	0	162	200%	486	25.00%	276,954
40	Apr-26	0	0	162	200%			
41	May-26	0	0	162	200%			
42	Jun-26	0	0	162	200%	486	25.00%	276,954
43	Jul-26	0	0	162	200%			
44	Aug-26	0	0	162	200%			
45	Sep-26	0	0	162	200%	486	25.00%	276,954
46	Oct-26	0	0	162	200%			
47	Nov-26	0	0	162	200%			
48	Dec-26	0	0	162	200%	486	25.00%	276,954
		-	-	-		-	-	-
		162				1944	100.00%	1,107,817
		1,944					Ck----->	0
		1944						
		100.00%						

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.

PROJECT: JUNIPERS

