



REPORT TO THE CITY COUNCIL and HOUSING AUTHORITY

DATE ISSUED: September 5, 2008 REPORT NO.: HAR08-35
ATTENTION: Council President and City Council
Members of the Housing Authority
For the Agenda of September 23, 2008
SUBJECT: Loan and Bond Inducement For Arbor Village (District 4)

REQUESTED ACTION:

Approve a loan for acquisition and rehabilitation of a 112-unit rental housing development for low-income families and take the initial steps to issue multifamily housing revenue bonds to finance the project.

STAFF RECOMMENDATIONS:

1. Approve a Housing Commission permanent loan of up to \$6,676,000 to a single-asset tax credit limited partnership to be formed by LINC Housing Corporation (LINC) specifically for the acquisition and rehabilitation of Arbor Village;
2. Issue a bond inducement resolution (Declaration Of Official Intent) for up to \$15.6 million in Multifamily Housing Revenue Bonds for the project;
3. 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 of up to \$15.6 million for the project;
4. Hold a public hearing by the City Council (*known as a TEFRA hearing – Tax Equity and Fiscal Responsibility Act*) and adopt a resolution approving the issuance of tax-exempt bonds in an amount of up to \$15.6 million for the project by the Housing Authority; and,
5. Approve an annual General Partnership management fee in the amount of \$20,000; and,
6. Authorize the President and Chief Executive Officer of the Housing Commission, or a designee, to execute necessary documents.

SUMMARY:

LINC is a California 501(c)(3) nonprofit corporation established in 1984 with the mission of developing affordable housing in a service-enriched environment for low-income families. LINC provides tenants with access to educational activities including household financial training, health awareness seminars, job and computer skills training, and arts workshops. Having completed development of nearly 5,300 units of low-income housing since its inception, LINC currently owns and operates approximately 4,000 units in California. Arbor Village would be LINC's first development in San Diego. The following table outlines the development team:

ROLE/FIRM	CONTACT	OWNED BY
Owner- Arbor Village	Ms. Tori Clive	Arbor Village, a California limited partnership
Developer- LINC Housing Corporation	Ms. Tori Clive, Project Manager	LINC Housing Corp / a 501(c)(3) nonprofit corporation
Financial Consultant- California Housing Partnership Corporation	Mr. Jahi Akobundu	California Housing Partnership Corp.
Relocation Consultant- Overland, Pacific and Cutler	Mr. Vince McCaw	Overland, Pacific, and Cutler, Inc.
Construction Manager- Hollister Construction Company		

The proposed \$6,676,000 permanent loan would be gap financing for the proposed acquisition and rehabilitation project. LINC submitted an application for the loan and bond financing in response to the current Notice Of Funding Availability (NOFA) for Construction, Acquisition, and Operation of Affordable Rental Housing dated March 14, 2008. The owner and seller is DLG Arbor Village, LLC with Mr. Jon D. Williams as its representative.

Located at 4914 Logan Avenue in the southeastern San Diego community of Encanto, the thirteen-building complex, constructed in 1984, consists of 36 one-bedroom apartments, 66 two-bedroom apartments, 10 three-bedroom apartments, one two-bedroom manager's unit, a site office, laundry facilities, and a play area for children. Arbor Village has adequate surface parking; public transportation access adjacent to the site, and retail services, schools, and parks within a one-mile radius (Attachment 1). Property management would be provided by Pac-West Property Management with on-site management professionals.

Although the two-story buildings are structurally sound, deferred maintenance items include soiled carpet, broken window screens, chipped paint, cracked concrete, rotting wood surfaces, and substandard landscaping. The proposed renovation work would include accessibility improvements, improved security lighting, energy efficient appliances, water flow restrictors and low-flow toilets for water conservation, construction of a community room, and the reconfiguration of 41 of the two-bedroom apartments into three-bedroom units suitable for large families. Rehabilitation and improvements would cost approximately \$5.9 million including the contractor's overhead and profit.

The complex is fully-occupied and the units are rented at market rates. Initial studies by the relocation consultant indicate that the majority of the households have incomes that would qualify them to reside in the rent-restricted units. Up to 38 of 111 households would require relocation due to overcrowding or household incomes that do not comply with affordability restrictions. Pursuant to federal law, the relocation consultant would conduct tenant interviews and administer advisory services and monetary compensation to the displaced households. The developer budgeted \$905,000 in relocation costs based on the information in the consultant's preliminary relocation plan.

The housing component of the City's Consolidated Plan identifies a critical need for rental housing with three and four bedroom apartments suitable for large families. A key element of this proposal is the reconfiguration of two-bedroom apartments to provide an additional 41 three-bedroom units. It is believed that the creation of larger units during renovation of the property would allow approximately eleven tenants to remain following project completion.

Tenant services on the site would be administered by LINC Cares, LINC's affiliated resident services provider. The residents would have access to information and training to assist them in health awareness, household finances, personal development and other educational opportunities tailored specifically to meet their needs. Available activities would include after-school tutoring, first-time homebuyer workshops, nature and arts field trips, and computer training.

Arbor Village is located in a neighborhood with successful affordable housing developments nearby. The 268-unit Bay Vista low-income housing complex is located on the site adjoining the north property line. In 2007, the Housing Authority issued bonds as financing for the Amerland Group to acquire and rehabilitate Bay Vista. The Housing Commission's affiliated nonprofit developer, Housing Development Partners, owns and operates the 54-unit Knox Glen affordable housing complex located immediately west of Bay Vista at 4720 Logan Avenue.

AFFORDABLE HOUSING IMPACT:

The Housing Commission would record 55-year rent and occupancy restrictions against the property establishing affordability of 28 one-bedroom units, 24 two-bedroom units, and 33 three-bedroom units to tenants with annual incomes of 50 percent or less of Area Median Income (AMI) which is currently \$35,550 for a three-person household, and 8 one-bedroom units and 18 three-bedroom units to tenants with incomes at 60 percent of AMI (currently \$42,660 for a three-person household). One two-bedroom unit would be reserved for occupancy by a resident manager and would not be rent-restricted. Actual rents would be calculated to meet more stringent tax credit requirements and, as a result, would be affordable to tenants with incomes as low as 36 percent or less of AMI. The proposed rent structure is outlined in the San Diego Housing Commission General Application Form (Attachment 4).

FISCAL CONSIDERATIONS:

The sales price of \$13,700,000 is equal to the appraised market value. The proposed Housing Commission financing would fund acquisition of the property and rehabilitation costs. With an estimated total development cost of \$22,313,723 (\$199,230 per unit), the proposed \$6,676,000 Housing Commission permanent loan (\$59,607 per unit) would leverage \$15,637,723 from other sources. Possible funding sources include HOME, Housing Trust Fund, and Inclusionary In-lieu Fees. LINC acquired the property by closing the purchase transaction on August 7, 2008. The bridge loans would be repaid with the proceeds of construction financing. The following table outlines the sources of funds at acquisition:

Acquisition Sources	Amount	Terms
Washington Mutual Bank	\$ 8,220,000	12 months @ 5.51% interest
Low Income Investment Fund	\$ 3,480,000	12 months @ 6.50% interest
Housing Partnership Network	\$ 2,000,000	12 months @ 6.50% interest
Others	\$ 389,530	
Total	\$14,089,530	

Permanent financing would include a first position amortized loan, a second position residual receipts loan from the California Department of Housing and Community Development's Multifamily Housing Program (MHP), the proposed third position residual receipts Housing Commission loan, four percent tax credits, a deferred loan from the Federal Home Loan Bank's Affordable Housing Program (AHP), and a deferred developer fee.

The Housing Commission loan would have a zero percent (0%) interest rate during the 15-year tax credit period. Avoiding the tax implications of an interest-bearing Housing Commission loan would facilitate purchase of the property by LINC after 15 years. Provided that the Housing Commission receives favorable opinions from its General Counsel and Tax Counsel to indicate that an increase in the interest rate to three percent (3%) in year-16 would not adversely affect the financial viability of the development, LINC would begin paying three percent simple interest per year on the Housing Commission loan following expiration of the tax credit period.

The following table summarizes the proposed sources of permanent financing outlined in Attachment 4:

Permanent Sources	Amount	Terms
Tax Exempt Bonds	\$ 5,887,855	30 yrs. / 6.3% interest; amortized
MHP Loan	\$ 2,450,000	55 yrs. / 3% interest; residual receipts
Housing Commission Loan	\$ 6,676,000	55 yrs. / 0% interest to year-16; resid. receipts
Tax Credits	\$ 5,688,391	contributions per the partnership agreement
AHP Loan	\$ 850,000	55 yrs. / 1% interest; deferred
Deferred Developer Fee	\$ 700,000	
Developer Equity	\$ 61,477	
Total Development Cost	\$ 22,313,723	

In addition to debt service on the first position loan, there would be a required minimum annual payment to MHP of .42 percent of the MHP loan amount (\$10,290). Cash flow remaining after expenses and debt service would be used to make payments on a \$700,000 deferred developer fee to LINC. At the end of the first full year after payoff of the deferred developer fee (estimated at year-12) 50 percent (50%) of the residual receipts would be retained by the developer and 50 percent (50%) would be distributed to the Housing Commission and MHP in pro-rata shares based upon the percentage of each lender's participation in the public financing of the project (approximately 23% of the total residual receipts would be paid to the Housing Commission). However, there would be required annual minimum payments to the Housing Commission and

MHP based upon the estimated residual receipts after payoff of the deferred developer fee (\$25,596 to the Housing Commission). In the event that residual receipts are less than (fall below) the established required minimum annual payments, then the Housing Commission and MHP would take up to 100 percent of the residual receipts to satisfy their minimum payment requirements. Unpaid principal and interest on the Housing Commission loan would be due and payable upon refinancing or the maturity of the first position loan, whichever occurs first.

Proposed Bond Financing

The first position loan would be capitalized through the issuance of tax-exempt bonds by the Housing Authority. The Housing Commission utilizes the Housing Authority's tax-exempt borrowing status to pass on lower interest rate financing (and make federal tax credits available) to developers of affordable housing. The Housing Authority's ability to issue bonds is limited under the U.S. Internal Revenue Code. To issue bonds for a project, the Housing Authority must first submit an application to CDLAC for a bond allocation. Prior to submitting applications to CDLAC, projects 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.

It is anticipated that this development will receive a bond allocation at an April 2009 CDLAC meeting. If a bond allocation and funding from MHP are not approved by April 30, 2009, the Housing Commission's loan commitment will expire. A general description of the Multifamily 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 9.

The \$15.6 million allocation that will be sought from CDLAC is approximately 20% higher than the amount for which the project is currently being underwritten (\$13 million). The developer has requested this cushion to account for possible increases in the bond amount due to increases in construction costs or decreases in the assumed interest rate. The bond amount that is ultimately issued will be based upon project costs, revenues, and interest rates at the time of bond issuance.

The developer currently proposes to issue the bonds through a private placement. The bonds would meet all the requirements of the Housing Commission's Multifamily Housing Revenue Bond Program policy and would fully comply with the City's ordinance on bond disclosure.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

The Housing Commission voted on September 19, 2008, to recommend the Housing Commission loan and bond financing.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

The proposed development received the support of the Encanto Community Planning Group on September 15, 2008. The community will receive updates on project progress from the developer.

ENVIRONMENTAL REVIEW:

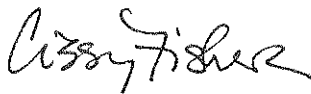
Should HOME funds constitute a portion of the funding for the project, a final reservation of HOME funds shall occur only upon satisfactory completion of environmental review and receipt by the City of San Diego of a release of funds from the U.S. Department of Housing and Urban Development under 24 CFR Part 58 of the National Environmental Policy Act (NEPA). The parties agree that the provision of any HOME funds to the project is conditioned on the City of San Diego's determination to proceed with, modify, or cancel the project based on the results of subsequent environmental review under NEPA. This project is exempt from the California Environmental Quality Act (CEQA) pursuant to State CEQA guidelines Section 15301 (existing facilities).

KEY STAKEHOLDERS:

Stakeholders include LINC as the nonprofit developer, residents of the Community of Encanto, and low-income families in San Diego in need of safe and sanitary affordable rental housing.

Respectfully submitted,

Approved by,



Cissy Fisher
Director of Housing Finance



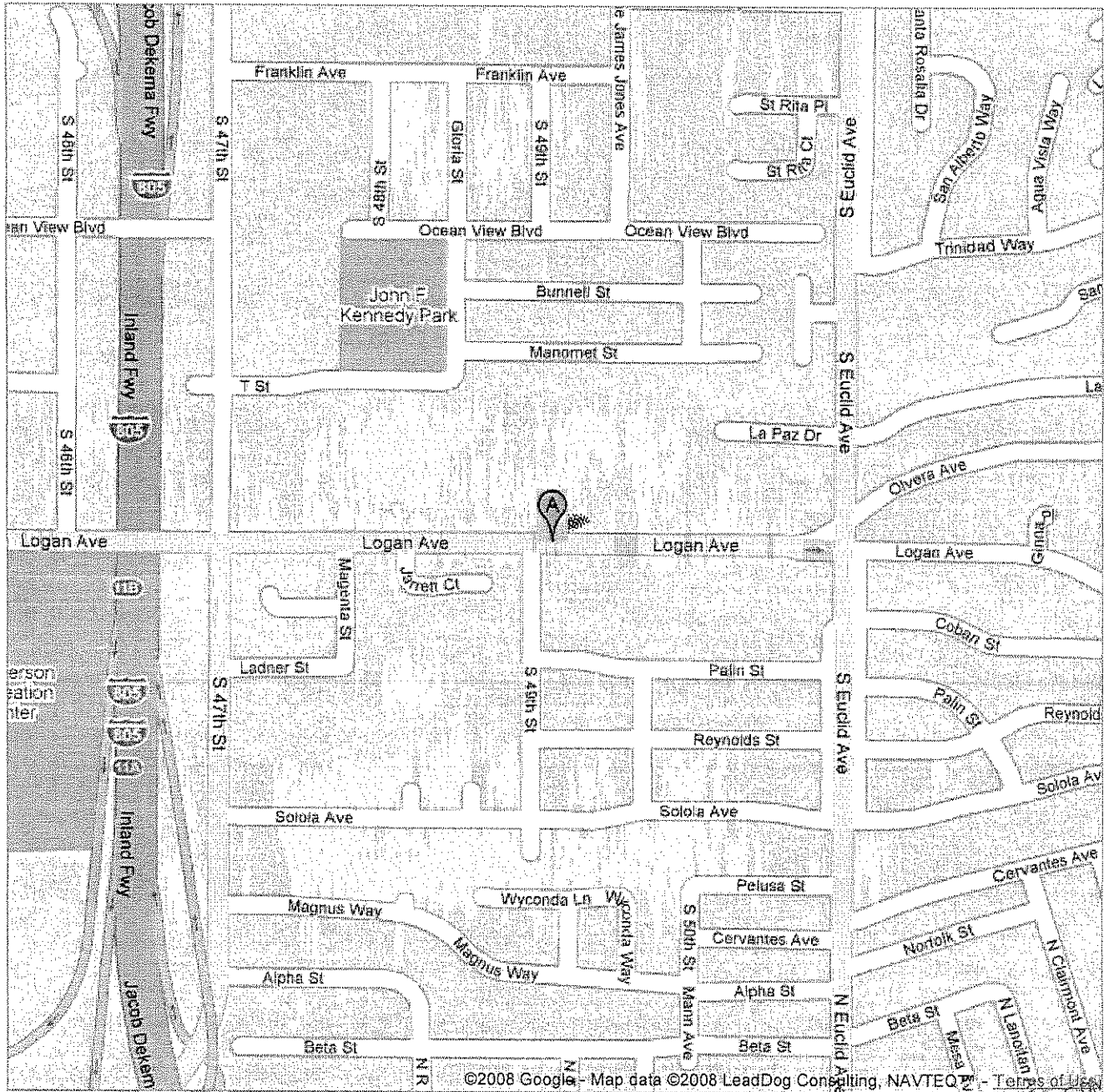
Carrol M. Vaughan
Interim President and Chief Executive Officer

- Attachments:
1. Location Map
 2. Development Summary
 3. Development Timeline
 4. General Application
 5. Developer Disclosure Statement *
 6. Developer Financial Information *
 7. Appraisal Summary
 8. Commitment Letter
 9. Multifamily Bond Program Summary

*Distribution of this attachment is limited. Copies are available for review during business hours at the Housing Commission offices at 1122 Broadway, San Diego, CA 92101, Main Lobby and at the Office of the City Clerk, 202 C Street, San Diego, CA 92101.

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

4914 Logan Ave
San Diego, CA 92113



ATTACHMENT - 2

DEVELOPMENT SUMMARY RENTAL HOUSING FOR LOW-INCOME FAMILIES September 12, 2008

Name: Arbor Village
Location: 4914 – 4998 Logan Avenue
Description: Rental housing for low-income and very low-income families
Sponsor: LINC Housing Corporation

Unit Affordability

Total # of units: 112
Assisted units: 111
Restricted rents: 50 percent to 60 percent of AMI
Market rent: \$930 to \$1,375 per month
Percent of AMI: occupancy of 85 units restricted at 50 percent or less of AMI
occupancy of 26 units restricted at 60 percent or less of AMI

Affordability: 55 years

Development Cost

Total development cost: \$22,313,723
HC development cost (loan): \$ 6,676,000
Total development cost per unit: \$ 199,230 per unit / 112 units
HC cost per unit (loan): \$ 59,607 per unit / 112 units

Sources of Funds

Bonds \$ 5,887,855
MHP Loan \$ 2,450,000
Housing Commission Loan \$ 6,676,000
4% Tax Credits \$ 5,688,391
AHP Loan \$ 850,000
Deferred Developer Fee \$ 700,000
Developer Equity \$ 61,477

Pro Forma Summary

Estimated annual income: \$ 1,023,127 (year 1)
Estimated annual expense: \$ 504,000 (year 1)
Annual debt service: \$ 407,035 (year 1)
Annual reserves: \$ 56,448

ATTACHMENT - 3

**ARBOR VILLAGE
RENTAL HOUSING FOR LOW-INCOME FAMILIES
ESTIMATED TIMELINE**

July 1, 2009	Housing Commission loan closing
July 8, 2009	Start of rehabilitation
September 30, 2010	Completion of Rehabilitation

<hr/>	<hr/>	<hr/>
SIGNATURE	PRINT NAME	TITLE
		DATE

SAN DIEGO HOUSING COMMISSION

APPLICANT INTEREST FORM - AI

PLEASE PROVIDE ALL KNOWN INFORMATION AS REQUESTED

NAME, ADDRESS, TITLE/POSITION, TELEPHONE, NATURE OF INTEREST AND PERCENT OF INTEREST
FOR PROPOSED OWNERS, OFFICERS AND GENERAL PARTNERS - LIST ALL
FOR SHAREHOLDERS, INVESTORS, LIMITED PARTNERS AND OTHERS - LIST ALL WITH A 10% OR HIGHER INTEREST

PROJECT NAME: Arbor Village
 ADDRESS: 4914- 4998 Logan Ave San Diego CA 92113
 ADDRESS CITY STATE ZIP
 OWNERSHIP NAME: _____ DATE: June 23, 2008

1. LINC Housing Corporation n/a Proposed Owner
 NAME TITLE/POSITION NATURE OF INTEREST
110 Pine Ave Ste. 500 (562) 684-1135 100
 STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
Long Beach CA 90802
 CITY STATE ZIP

2. Don McIntyre Urban Affairs Consultant LINC Board Member
 NAME TITLE/POSITION NATURE OF INTEREST
330 S. Arroyo Blvd 626-298-0947 _____
 STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
Pasadena CA 91105
 CITY STATE ZIP

3. James R. Walther Attorney - Mayer Brown LLP LINC Board Member
 NAME TITLE/POSITION NATURE OF INTEREST
350 S Grand Ave, 25th Floor 213-229-9597 _____
 STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
Los Angeles CA 90071
 CITY STATE ZIP

4. Robert J. Norris Jr. - Exec. Director Irvine Housing Opportunities, Inc LINC Board Member
 NAME TITLE/POSITION NATURE OF INTEREST
2192 Dupont Circle, Suite 105 949-863-9740 _____
 STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
Irvine CA 92612
 CITY STATE ZIP

5. James Heimler James Heimler, Architect, Inc. LINC Board Member
 NAME TITLE/POSITION NATURE OF INTEREST
19510 Ventura Blvd, #210 818-343-5393 _____
 STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
Tarzana CA 91356
 CITY STATE ZIP

6. Richard N. Berger - Daly City Asst. Dir. Econ & Comm Devel. LINC Board Member
 NAME TITLE/POSITION NATURE OF INTEREST
City Hall - 333 90th Street 650-991-8156 _____
 STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
Daly City CA 94015
 CITY STATE ZIP

7. Eileen Pollack-Erickson The Pollack Companies LINC Board Member
 NAME TITLE/POSITION NATURE OF INTEREST
11949 W. Jefferson Blvd, #101 310-305-3093 _____
 STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
Culver City CA 90230
 CITY STATE ZIP

8. Richard L. Garcia - President RJA Management Services, Inc. LINC Board Member
 NAME TITLE/POSITION NATURE OF INTEREST
550 W. Duarte Rd. Suite 6 626-447-1124 _____
 STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
Arcadia CA 91007
 CITY STATE ZIP

USE ADDITIONAL SHEETS AS NECESSARY

SAN DIEGO HOUSING COMMISSION

APPLICANT INTEREST FORM - AI

PLEASE PROVIDE ALL KNOWN INFORMATION AS REQUESTED

NAME, ADDRESS, TITLE/POSITION, TELEPHONE, NATURE OF INTEREST AND PERCENT OF INTEREST
FOR PROPOSED OWNERS, OFFICERS AND GENERAL PARTNERS - LIST ALL
FOR SHAREHOLDERS, INVESTORS, LIMITED PARTNERS AND OTHERS - LIST ALL WITH A 10% OR HIGHER INTEREST

PROJECT NAME: Arbor Village
 ADDRESS: 4914- 4998 Logan Ave San Diego CA 92113
 ADDRESS CITY STATE ZIP
 OWNERSHIP NAME: _____ DATE: June 23, 2008

9. Paul M. Nowatka VP - Nowatka & Associates LINC Board Member
 NAME TITLE/POSITION NATURE OF INTEREST
23020 Crenshaw Blvd 310-530-1365 _____
 STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
Torrance CA 90505
 CITY STATE ZIP

10. Mark Pisano - USC School of Policy Planning & Development LINC Board Member
 NAME TITLE/POSITION NATURE OF INTEREST
650 Childs Way, RGL 108 213-740-1280 _____
 STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
Los Angeles CA 90089
 CITY STATE ZIP

11. Kenneth J. Sofge - Wachovia Bank Senior VP - Risk Management LINC Board Member
 NAME TITLE/POSITION NATURE OF INTEREST
1800 Century Park East, #420 310-789-3086 _____
 STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
Los Angeles CA 90067
 CITY STATE ZIP

12. Elaine M. Winer HR Director - City of Torrance LINC Board Member
 NAME TITLE/POSITION NATURE OF INTEREST
3231 Torrance Blvd 310-618-2960 _____
 STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
Torrance CA 90503
 CITY STATE ZIP

13. Alta Duke _____ LINC Board Member
 NAME TITLE/POSITION NATURE OF INTEREST
110 Pine Avenue, Suite 500 562-684-1100 _____
 STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
Long Beach CA 90802
 CITY STATE ZIP

14. Dee Hardison _____ LINC Board Member
 NAME TITLE/POSITION NATURE OF INTEREST
110 Pine Avenue, Suite 500 562-684-1100 _____
 STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
Long Beach CA 90802
 CITY STATE ZIP

15. _____
 NAME TITLE/POSITION NATURE OF INTEREST
 _____ BUSINESS TELEPHONE NO. PERCENT INTEREST
 STREET/PO

 CITY STATE ZIP

16. _____
 NAME TITLE/POSITION NATURE OF INTEREST
 _____ BUSINESS TELEPHONE NO. PERCENT INTEREST
 STREET/PO

 CITY STATE ZIP

USE ADDITIONAL SHEETS AS NECESSARY

SAN DIEGO HOUSING COMMISSION

DEVELOPMENT FORM -RENTAL INCOME - RI

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

DATE: #####

PROJECT TYPE ☐ ACQUISITION ☒ ACQUISITION & REHABILITATION ☒ RENTAL
☐ NEW CONSTRUCTION ☐ REHABILITATION ☐ OWNERSHIP

PROJECT NAME: Arbor Village
 ADDRESS: 4914 - 4998 Logan Avenue San Diego CA 92113
 STREET CITY STATE ZIP

UTILITY INFORMATION (Input X, G, E, T, or L where indicated)

Type (X) in ONE box Gas (G) or Electricity (E) Paid by Tenant (T) or Owner/Landlord (L)
 FILL IN ALL BOXES G or E FILL IN ALL BOXES T or L

<input checked="" type="checkbox"/> Apartment	Heat	G	T
<input type="checkbox"/> Duplex, Townhouse	Cooking	E	T
<input type="checkbox"/> House, Mobile Home	Water Heater	G	T
	Water/Sewer		L
	Basic Electric		T

INCOME BY UNIT TYPE

COLUMN:

A	B	C	D	E	F	G	H	I	J	K	L	M
BASIS FOR RENT*	NO. OF UNITS	BED-ROOMS PER UNIT	BATH-ROOMS PER UNIT	SQ FT PER UNIT	CURRENT RENT	MONTHLY HOUSING COST PER UNIT	LESS: MONTHLY UTILITY ALLOW. PER UNIT	EQUALS: MONTHLY Tenant Paid RENT PER UNIT	COMPARE TO: MONTHLY MARKET RENT PER UNIT	AFFORDABILITY LEVEL: PERCENT MEDIAN INCOME**	YEARLY GROSS RENTS ALL UNITS	YEARLY MARKET RENTS
TC	13	1	1.00	706	\$ 930	\$ 518	\$ 33	\$ 485	\$ 930	36 %	\$ 75,660	\$ 145,080
TC	9	2	1.00	964	\$ 1030	\$ 622	\$ 43	\$ 579	\$ 1,030	38 %	\$ 62,532	\$ 111,240
TC	18	3	2.00	1,129	\$ 1375	\$ 691	\$ 51	\$ 640	\$ 1,375	38 %	\$ 138,240	\$ 297,000
TC	15	1	1.00	706	\$ 930	\$ 740	\$ 33	\$ 707	\$ 930	51 %	\$ 127,260	\$ 167,400
TC	15	2	1.00	964	\$ 1030	\$ 889	\$ 43	\$ 846	\$ 1,030	55 %	\$ 152,280	\$ 185,400
TC	15	3	2.00	1,129	\$ 1375	\$ 988	\$ 51	\$ 937	\$ 1,200	55 %	\$ 168,660	\$ 216,000
TC	8	1	1.00	706	\$ 930	\$ 817	\$ 33	\$ 784	\$ 1,375	57 %	\$ 75,264	\$ 132,000
TC	18	3	2.00	1,129	\$ 1375	\$ 1,185	\$ 51	\$ 1,134	\$ 930	66 %	\$ 244,944	\$ 200,880
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
MGR	1	2	1.00		\$	\$	\$	\$	\$	%	\$	\$
MGR					\$	\$	\$	\$	\$	%	\$	\$

* Indicate Tax Credit Rents with "TC", Housing Commission Rents with "SDHC", HOME rents with "HOME", and Resident Manager's unit(s) with "MGR (bottom two rows)."

** This calculation is based on a household size of one plus the bedroom type;
 Please note that using tax credit rents may produce a different AMI percentage.

TOTAL RENT (YEAR) \$ 1,044,840 \$ 1,455,000
 Comp. to 90% of Market: \$ 1,044,840 \$ 1,309,500

OTHER INCOME

laundry / vending machines \$ 21,792
 miscellaneous \$ 10,344
 \$

TOTAL ANNUAL INCOME \$1,076,976

TOTAL UNITS 112

TOTAL UNIT SQ. FT. 106,131 + TOTAL COMMUNITY FACILITIES SQ. FT. 600

TOTAL SQ. FT. 106,731

SAN DIEGO HOUSING COMMISSION DEVELOPMENT FORM - OPERATING EXPENSE - OE

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DATE: September 12, 2008

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

Last revised: November 27, 2007

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

PROJECT NAME: Arbor Village
ADDRESS: 4914 - 4998 Logan Avenue San Diego CA 92113
STREET CITY STATE ZIP
TOTAL NUMBER OF UNITS: ##

OPERATING EXPENSE ITEM	ANNUAL COST	COST PER UNIT	COST PER SQ. FT.
Administrative Expenses			
Office Supplies & Equipment	\$ 14,264	\$ 127	\$ 0.13
Telephone	\$ 4,395	\$ 39	\$ 0.04
Training & Travel	\$	\$	\$
Payroll Services	\$ 119,624	\$ 1,068	\$ 1.12
Program Services	\$	\$	\$
Other:	\$	\$	\$
Subtotal Percent of Total 27%	\$ 138,283	\$ 1,235	\$ 1.30
Marketing Expenses			
Advertising	\$ 12,000	\$ 107	\$ 0.11
Other:	\$	\$	\$
Subtotal Percent of Total 2%	\$ 12,000	\$ 107	\$ 0.11
Professional Fees			
Property Management	\$ 57,858	\$ 517	\$ 0.54
Auditing Services	\$	\$	\$
Legal Services	\$ 5,000	\$ 45	\$ 0.05
Other:	\$	\$	\$
Subtotal Percent of Total 12%	\$ 62,858	\$ 561	\$ 0.59
Utilities			
Electric	\$ 10,817	\$ 97	\$ 0.10
Gas	\$ 7,000	\$ 63	\$ 0.07
Water/Sewer	\$ 71,808	\$ 641	\$ 0.67
Other:	\$	\$	\$
Subtotal Percent of Total 18%	\$ 89,625	\$ 800	\$ 0.84
Contract Services			
Exterminating	\$ 6,500	\$ 58	\$ 0.06
Trash Removal	\$ 19,000	\$ 170	\$ 0.18
Security Patrol	\$ 6,000	\$ 54	\$ 0.06
Building/Grounds Maintenance	\$ 33,000	\$ 295	\$ 0.31
Janitorial Services	\$ 18,000	\$ 161	\$ 0.17
Repair Services	\$ 26,000	\$ 232	\$ 0.24
Elevator & Other Equipment	\$	\$	\$
Garage Operations/Maintenance	\$	\$	\$
Other: general turnover costs	\$ 36,950	\$ 330	\$ 0.35
Subtotal Percent of Total 29%	\$ 145,450	\$ 1,299	\$ 1.36
Cleaning & Decorating			
Painting Supplies	\$	\$	\$
Grounds Supplies	\$	\$	\$
Other:	\$	\$	\$
Subtotal Percent of Total	\$ -	\$ -	\$
Taxes & Insurance			
Real Property Tax Assessment	\$ 3,000	\$ 27	\$ 0.03
Property Insurance	\$ 25,344	\$ 226	\$ 0.24
Director's & Officer's Insurance	\$	\$	\$
Other:	\$	\$	\$
Subtotal Percent of Total 6%	\$ 28,344	\$ 253	\$ 0.27
Other			
SDHC Monitoring Fees	\$ 5,040	\$ 45	\$ 0.05
Other: tenant services	\$ 22,400	\$ 200	\$ 0.21
Other:	\$	\$	\$
Other:	\$	\$	\$
Subtotal Percent of Total 5%	\$ 27,440	\$ 245	\$ 0.26
Total Annual Operating Costs	\$ 504,000	\$ 4,500	\$ 4.72

SAN DIEGO HOUSING COMMISSION
DEVELOPMENT FORM - DEVELOPMENT COST - DC

Last revised: November 27, 2007

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

DATE: September 12, 2008

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

PROJECT NAME: Arbor Village
 ADDRESS: 4914 - 4998 Logan Avenue San Diego CA 92113
 STREET CITY STATE ZIP
 Number of Units 112

DEVELOPMENT COST ITEM	PERCENT	AMOUNT
ACQUISITION / LAND COST		
LAND		\$ 3,160,000
BUILDINGS		\$ 10,540,000
SUBTOTAL		\$ 13,700,000
LEGAL/BROKER'S FEE/TITLE		\$ 25,000
OTHER closing, partnership, and syndication		\$ 111,842
TOTAL ACQUISITION / LAND COST		\$ 13,836,842

REHABILITATION / CONSTRUCTION		
SITE WORK		\$ 100,000
DEMOLITION		\$
STRUCTURES		\$ 3,372,000
TOTAL HARD COSTS		\$ 3,472,000
GENERAL REQUIREMENTS	6.0 %	\$ 208,320
CONTRACTOR'S OVERHEAD	2.0 %	\$ 69,440
CONTRACTOR'S PROFIT	6.0 %	\$ 208,320
TOTAL REHABILITATION / CONSTRUCTION		\$ 3,958,080

CONSTRUCTION CONTINGENCY 8.8 % \$ 347,200

BOND PREMIUM \$ 34,720

CONSTRUCTION LOAN		
CONSTRUCTION INTEREST COST		\$ 292,900
APPLICATION FEE		\$ 32,000
LOAN ORIGINATION FEE		\$ 75,250
OTHER		\$ 400,150

PERMANENT LOAN		
APPLICATION FEE		\$ 10,000
LOAN ORIGINATION FEE		\$ 29,440
OTHER		\$ 39,440

RELOCATION COST \$ 855,000

ARCHITECTURAL FEES		
DESIGN		\$ 50,000
SUPERVISION		\$
TOTAL ARCHITECTURAL FEES	0.0 %	\$ 50,000

SURVEYS, SOIL BORINGS, & ENGINEERING \$ 25,000

DEVELOPMENT COST ITEM	PERCENT	AMOUNT
LEGAL, PERMIT, & AUDIT		
SDHC'S LEGAL (not to exceed)		\$ 5,000
BORROWER'S LEGAL		\$
LENDERS' LEGAL		\$ 35,000
PERMITS		\$ 15,000
TITLE & RECORDING		\$ 49,235
INSURANCE		\$ 10,000
AUDIT		\$ 15,000
TAXES DURING CONSTRUCTION		\$
OTHER		\$
TOTAL LEGAL, PERMIT, & AUDIT		\$ 129,235

OTHER COSTS		
DEVELOPER'S FEE	6.3 %	\$ 1,400,000
CONSULTANT FEE	0.2 %	\$ 52,500
APPRAISAL COSTS		\$ 10,000
ENVIRONMENTAL STUDY		\$ 15,000
MARKET STUDY		\$ 7,500
MARKETING & RENT-UP		\$ 56,000
SDHC MONITOR SET-UP		\$ 500
SDHC LOAN ORIGINATION FEE		\$ 2,000
REPLACEMENT RESERVES MONTHS		\$ 112,000
OPERATING RESERVES MONTHS		\$ 240,283

REHABILITATION PROJECTS:		
SDHC TECHNICAL SERVICES FEE (\$5,000)		\$
acquisition loan fees		\$ 389,530
acquisition loan interest		\$ 8,938
acquisition loan servicing		\$ 5,610
furnishings, fixtures, and equipment		\$ 22,400
acquisition lender counsel		\$ 35,000
lender expenses		\$ 20,000
bond counsel		\$ 50,000
bond issuer fee		\$ 29,937
CDLAC / CDIAC fees		\$ 6,508
construction management		\$ 55,350
TOTAL OTHER COSTS		\$ 2,519,056

SOFT COSTS CONTINGENCY 3.08 % \$ 119,000

TOTAL DEVELOPMENT COST \$ 22,313,723

DEVELOPMENT FORM - SOURCES AND USES OF FUNDS - SU

DATE: September 12, 2008

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

PROJECT TYPE	<input type="checkbox"/> ACQUISITION	<input checked="" type="checkbox"/> ACQUISITION & REHABILITATION	<input checked="" type="checkbox"/> RENTAL	NUMBER OF UNITS	112
	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> REHABILITATION	<input type="checkbox"/> OWNERSHIP		

PROJECT NAME:	Arbor Village				
ADDRESS:	4914 - 4998 Logan Avenue	San Diego	CA	92113	
	STREET	CITY	STATE	ZIP	

SOURCES

POSITION	TERMS	COMMITMENT	AMORTIZED	DEFERRED	TAX CREDIT	GRANT	EQUITY
1ST Tax Exempt Bonds	30 YRS. 6.30 %	<input checked="" type="checkbox"/> N 3/1/2009 DATE OR EXPECTED	\$ 5,887,855				
SDHC	55 YRS. 3.00 %	<input checked="" type="checkbox"/> N 9/23/2008 DATE OR EXPECTED	\$	6,676,000			
(Select one) Residual Receipts or Amortized	<input checked="" type="checkbox"/>	Subsidy/Assisted Unit \$ 60,144 Subsidy/Assisted Bdr \$ 32,135					
MHP	55 YRS. 0.42 %	<input checked="" type="checkbox"/> N 1/1/2009 DATE OR EXPECTED	\$ 2,450,000	\$			
def.dev fee / AHP loan		<input type="checkbox"/> N DATE OR EXPECTED	\$	700,000		\$ 850,000	
TAX CREDIT: LIHTC		<input checked="" type="checkbox"/> N DATE OR EXPECTED			\$ 5,688,391		
EQUITY Project Income		<input type="checkbox"/> N DATE OR EXPECTED					\$ 61,477
TOTAL \$ 22,313,723			\$ 8,337,855	\$ 7,376,000	\$ 5,688,391	\$ 850,000	\$ 61,477

FUNDING SCHEDULE FOR SOURCES

	TOTAL	CLOSING	CONSTRUCTION PERIOD			COMPLETION 4TH QUARTER	RENT UP QTRS 5 & 6
			1ST QUARTER	2ND QUARTER	3RD QUARTER		
Tax Exempt Bonds	\$ 5,887,855	\$ 4,000,000	\$ 471,964	\$ 471,964	\$ 471,964	\$ 471,963	
SDHC	\$ 6,676,000	\$ 6,666,000				\$ 10,000	
MHP	\$ 2,450,000	\$ 2,450,000					
def.dev fee / AHP loan	\$ 1,550,000		\$ 850,000				\$ 700,000
LIHTC	\$ 5,688,391	\$ 853,244	\$ 1,208,788	\$ 1,208,788	\$ 1,208,788	\$ 1,208,783	
Project Income	\$ 61,477					\$ 61,477	
	\$ 22,313,723	\$ 13,969,244	\$ 2,530,752	\$ 1,680,752	\$ 1,680,752	\$ 1,752,223	\$ 700,000

INFORMATION ON CONSTRUCTION LOAN

CONSTRUCTION LENDER	Washington Mutual
CONSTRUCTION TIME	18 (MONTHS)
CONSTRUCTION INTEREST	5.400 %
COMMITTED:	YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>
DATE OF COMMITMENT/EXPECTED	September 23, 2008

SAN DIEGO HOUSING COMMISSION DEVELOPMENT FORM - PRO FORMA - PF

Last revised: November 27, 2007

PLEASE PROVIDE ALL KNOWN INFORMATION - CHECK ALL BOXES THAT APPLY

Date: #####

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

PROJECT NAME: Arbor Village
 ADDRESS: 4914 - 4998 Logan Avenue San Diego CA 92113
 STREET CITY STATE ZIP

Replacement Reserve	\$ 56,448	LP Asset Mgmt Fee	\$ 3,000	GP Management Fee	\$ 20,000
Rental Income	\$ 1,044,840	Project Income Increase	2.50 %	Mortgage Amount	\$ 5,887,855 %
Other Income	\$ 32,136	Operating Exp. Increase	3.50 %	Mortgage Rate	5.400
Operating Expenses	\$ 504,000	Vacancy Loss	5.00 %	Mortgage Term(Years)	30
LP & GP Annual Increase	3 %	Deferred Dev. Fee	\$ 700,000	Interest on Deff. Dev. Fee	%

SDHC Participation	\$ 6,676,000	Residual Receipts	<input checked="" type="checkbox"/>	Interest Rate	%
Percent of Residual to HC	23%	Amortize	<input type="checkbox"/>	Term (Years)	55

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Gross Project Income	\$ 1,076,976	\$ 1,103,900	\$ 1,131,498	\$ 1,159,785	\$ 1,188,780
Vacancy	\$ 53,849	\$ 55,195	\$ 56,575	\$ 57,989	\$ 59,439
Effective Gross Income	\$ 1,023,127	\$ 1,048,705	\$ 1,074,923	\$ 1,101,796	\$ 1,129,341
Operating Expense	\$ 504,000	\$ 521,640	\$ 539,897	\$ 558,794	\$ 578,352
Net Operating Income	\$ 519,127	\$ 527,065	\$ 535,026	\$ 543,002	\$ 550,989
Debt Service	\$ 407,035	\$ 407,035	\$ 407,035	\$ 407,035	\$ 407,035
Coverage	1.28	1.29	1.31	1.33	1.35
Replacement Reserve	\$ 56,448	\$ 56,448	\$ 56,448	\$ 56,448	\$ 56,448
Cash Flow	\$ 55,644	\$ 63,582	\$ 71,542	\$ 79,519	\$ 87,506
LP Asset Management Fee	\$ 3,000	\$ 3,090	\$ 3,183	\$ 3,278	\$ 3,377
GP Management Fee	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510
Deferred Dev. Fee Pmt.	\$ 32,644	\$ 39,892	\$ 47,141	\$ 54,386	\$ 61,619
SDHC Residual Receipts	\$	\$	\$	\$	\$
Net Cash Flow	\$	\$	\$	\$	\$

	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Gross Income	\$ 1,218,499	\$ 1,248,962	\$ 1,280,186	\$ 1,312,191	\$ 1,344,995
Vacancy	\$ 60,925	\$ 62,448	\$ 64,009	\$ 65,610	\$ 67,250
Effective Gross Income	\$ 1,157,575	\$ 1,186,514	\$ 1,216,177	\$ 1,246,581	\$ 1,277,746
Operating Expense	\$ 598,594	\$ 619,545	\$ 641,229	\$ 663,672	\$ 686,900
Net Operating Income	\$ 558,981	\$ 566,969	\$ 574,948	\$ 582,909	\$ 590,845
Debt Service	\$ 407,035	\$ 407,035	\$ 407,035	\$ 407,035	\$ 407,035
Coverage	1.37	1.39	1.41	1.43	1.45
Replacement Reserve	\$ 56,448	\$ 56,448	\$ 56,448	\$ 56,448	\$ 56,448
Cash Flow	\$ 95,497	\$ 103,486	\$ 111,465	\$ 119,426	\$ 127,362
LP Asset Management Fee	\$ 3,478	\$ 3,582	\$ 3,690	\$ 3,800	\$ 3,914
GP Management Fee	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335	\$ 26,095
Deferred Dev. Fee	\$ 68,834	\$ 76,023	\$ 83,177	\$ 90,290	\$ 97,352
SDHC Residual Receipts	\$	\$	\$	\$	\$
Net Cash Flow	\$	\$	\$	\$	\$

	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15
Gross Income	\$ 1,378,620	\$ 1,413,086	\$ 1,448,413	\$ 1,484,623	\$ 1,521,739
Vacancy	\$ 68,931	\$ 70,654	\$ 72,421	\$ 74,231	\$ 76,087
Effective Gross Income	\$ 1,309,689	\$ 1,342,432	\$ 1,375,992	\$ 1,410,392	\$ 1,445,652
Operating Expense	\$ 710,942	\$ 735,825	\$ 761,579	\$ 788,234	\$ 815,822
Net Operating Income	\$ 598,748	\$ 606,607	\$ 614,414	\$ 622,158	\$ 629,830
Debt Service	\$ 407,035	\$ 407,035	\$ 407,035	\$ 407,035	\$ 407,035
Coverage	1.47	1.49	1.51	1.53	1.55
Replacement Reserve	\$ 56,448	\$ 56,448	\$ 56,448	\$ 56,448	\$ 56,448
Cash Flow	\$ 135,264	\$ 143,123	\$ 150,930	\$ 158,675	\$ 166,346
LP Asset Management Fee	\$ 4,032	\$ 4,153	\$ 4,277	\$ 4,406	\$ 4,538
GP Management Fee	\$ 26,878	\$ 27,685	\$ 28,515	\$ 29,371	\$ 30,252
Deferred Dev. Fee	\$ 48,641	\$	\$	\$	\$
SDHC Residual Receipts	\$ 12,814	\$ 25,596	\$ 27,172	\$ 28,727	\$ 30,258
Net Cash Flow	\$ 42,899	\$ 85,690	\$ 90,966	\$ 96,172	\$ 101,299

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

1. Name of CONTRACTOR: **LINC Housing Corporation**
2. Address and Zip Code: **110 Pine Avenue, Suite 500 Long Beach, CA 90802**
3. Telephone Number: **(562) 684-1135**
4. Name of Principal Contact for CONTRACTOR: **Tori Clive**
5. Federal Identification Number or Social Security Number of CONTRACTOR:
#330578620

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:
August 11, 1993

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.

Yes, see attached list of board member and senior staff

- 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%.

Name, Address and <u>Zip Code</u>	Position Title (if any) and percent of interest or description <u>of character and extent of interest</u>
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(Attach extra sheet if necessary)

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.

Yes, LINC Housing added a Senior Vice President/ COO to its staff on April 2, 2008, Kent Davis. Also Michael J. Greynald has left the Board of Directors and will not be replaced.

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

No

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

Name, Address and <u>Zip Code</u>	Position Title (if any and <u>extent of interest</u>
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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: For the purposes of this application the address and phone numbers of the officers and directors is

**110 Pine Avenue Suite 500
Long Beach CA, 90802
(562) 684-1135**

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.

Yes

LINC Full Board

Corporate Fund for Housing
Development Corporation
LINC- Redondo Beach Seniors, Inc.
Development, LLC
Seal Beach Affordable Housing Corporation

Partial Board Members

LINC	Community
LINC	Housing

For list of Board members see attached

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.

See attached

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

The following table illustrates Acquisition financing sources:

Sources	Amount	Status
Housing Partnership Network (HPN)	\$2,000,000	Approved – May 29 th
Low Income Investment Fund (LIIF)	\$3,480,000	Pending Loan Committee Meeting on June 26 th
Washington Mutual (WaMu)	\$8,220,000	Pending Loan approval in early July
Total	\$13,700,000	

The following table illustrates Construction and Permanent financing sources:

Sources	Const. Amount	Perm. Amount	Status
Tax-Exempt Permanent Loan (CDLAC – Bond)	\$16,436,299	\$4,822,242	Pending Application Submittal 1/09
Tax Credit Equity (TCAC – 4%)	\$1,312,871	\$6,563,955	Pending Application Submittal 2/09
Multifamily Housing Program (MHP)	\$0	\$6,100,000	Pending Application Submittal 10/08
San Diego Housing Commission	\$6,978,885	\$6,978,885	Pending Application Submittal 6/25/08
Deferred Developer Fee	\$0	\$1,299,900	n/a
Income from Operations	\$928,499	\$928,499	n/a

Accrued/Deferred Interest	\$187,144	\$187,144	n/a
Costs Deferred until Completion	\$1,036,927	\$0	n/a
Total	\$26,880,626	\$26,880,626	

California Debt Limit Allocation Committee (CDLAC)

The California Debt Limit Allocation Committee (CDLAC) sets and allocates California's annual debt ceiling, and administers the tax-exempt bond program to issue the debt. Allocation is distributed among six program areas and this project would apply under the Qualified Residential Rental Project Program, which assists developers of multifamily rental housing.

CDLAC funding application submittals are typically accepted six to seven times per year. Allocations are also awarded typically six to seven times per year. Once an application is submitted, allocations are awarded roughly two months after. The bonds are scheduled to close approximately 60-90 days after funds are allocated and construction can begin.

California Tax Credit Allocation Committee (CTCAC)

The California Tax Credit Allocation Committee (CTCAC) administers two Low Income Housing Tax Credit programs (federal and state). Both programs were created to encourage private investment in affordable rental housing for income qualified households.

This project will qualify for the 4% Federal & State Tax Credit programs. The 4% allocation will be tied to the bond financing. Application submittals typically occur seven times per year. Allocations are awarded roughly two months after an application submittal.

Multifamily Housing Program (MHP)

The California Department of Housing and Community Development administers the Multifamily Housing Program (MHP). This program provides deferred payment loans to assist in the new construction, rehabilitation and preservation of permanent and transitional rental housing for lower income households. MHP funds are provided for post-construction permanent financing only.

Loan terms are 55 years with 3% simple interest on unpaid principal balance. 0.42% payments are due annually, with the balance of principal and interest due and payable upon completion of loan term.

MHP funding competitions are held twice per year, typically in March and October. March applications are typically awarded in June, while October applications are typically awarded in December.

Deferred Developer Fee

The Deferred Developer Fee is a portion of cash equity contributed back into the project by the developer. The deferred fee is repaid to the developer over time from the revenue remaining after payment of operating expenses and prior to any payment of residual receipts.

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

- a. In banks/savings and loans:

Name, Address & Zip Code of Bank/Savings & Loan:

Amount: \$

As of 05/31/08 Bank Account Balance:

Wells Fargo Bank 707 Wilshire Blvd., 18th Flr. Los Angeles, CA 90017
\$1,013,916

Alliance Bank 3601 W. Olive Avenue, Suite 505, Burbank, CA 91505
\$1,491,371

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

Name, Address & Zip Code of Bank/Savings & Loan:

Amount: \$

N/A

- c. By sale of readily salable assets/including marketable securities:

<u>Description</u>	<u>Market Value</u>	<u>Mortgages or Liens</u>
N/A		
	\$	\$
17. Names and addresses of bank references, and name of contact at each reference:		
Alliance Bank		Ana Adam
3601 W. Olive Ave, Suite 505		Vice President
Burbank, CA 91505		(818) 972-1815
 Wells Fargo Bank		 Marisol Paguio
707 Wilshire Blvd., 18th Floor		(213) 614-3918
Los Angeles, CA 90017		
 Citibank, N.A.		 Audrey Simone
Long Beach World Trade Center #152		Operations Manager
1 World Trade Center, Suite 100		(562) 628-0362
Long Beach, CA 90831		

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:

N/A

Action on <u>Type Bond</u>	Project <u>Description</u>	Date of <u>Completion</u>	Amount of <u>Bond</u>	<u>Bond</u>
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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:

N/A

- b. Has such contractor or builder within the last 10 years ever failed to qualify as a responsible bidder, refused to enter into a contract after an award has been made, or failed to complete a construction or development contract? ___ Yes ___ No

If yes, please explain, in detail, each such instance:

N/A

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

General description of such work:

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

N/A

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

N/A

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

N/A

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

N/A

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

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:

Past activities/experience

Project Name: The SEASONS at Los Robles Senior Apartments

Project Narrative.

The SEASONS at Los Robles Senior Apartments is a rehabilitation of a 59-unit apartment complex that was originally constructed in 1978. In 2000, a drug raid at what was once the Anderson Oaks apartments led to the arrest of 21 suspects, many of whom were residents. Within one month, county and city officials declared the site uninhabitable. In 2002, LINC acquired the site and began rehabilitation of four buildings, and new construction of two buildings, including a new community center. This complex was rehabilitated by LINC Housing Corporation utilizing bond financing, 4% tax credits, Redevelopment, CDBG funds and HOME funds.

This project is a low-income, apartment housing to seniors age 55 years and older. The community consists of 38 renovated apartments and 20 new apartments. Specifically, there are 14 one bedroom units and 45 two bedroom units. Of the 49 units, 20 units are reserved for qualified tenants that are at 50% of the Average Median Income and 37 units are reserved for qualified tenants that are at 60% of the Average Median Income.

Project Name: The VILLAGE at Beechwood

Project Narrative.

In 2002, LINC purchased a 100-unit community in Lancaster, California, formerly called Beechwood Manor. This community was known by the neighborhood as "crack alley" because of drug and crime problems. Expiring HUD 236 restrictions had put the property in danger of being sold to for-profit developers who could have converted the complex to market-rate which might have doubled the rents paid by these 100 limited-income families.

The VILLAGE at Beechwood consists of 100 renovated apartments. The community is composed of 20 one bedroom units, 58 two bedroom units, 21 three bedroom units and 1 four bedroom unit. There are 68 units allocated to families that qualify at 35% Average Median Income (AMI); 22 units at 40% AMI; 2 units at 45% AMI; and 7 units at 60% AMI. There is also one unit allocated as the manager's unit.

Project Name: Pepperwood Apartments

Project Narrative.

Through the acquisition of the Pepperwood Apartments in 2006, LINC was able to make 230 previously market-rate homes affordable to Rancho Cucamonga families who were at risk of being priced out of their neighborhoods during the city's new wave of prosperity.

The Pepperwood Apartments is a community consisting of 230 renovated apartments. Of the 230 apartments, there are 50 studios, 128 one bedroom units, and 52 two bedroom units. These apartments are allocated such that 16 units are reserved for families that qualify at 35% Average Median Income (AMI); 86 units at 45% (AMI); and 128 units at 60% AMI.

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

Contractor has not been selected

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:

See attached summary of coverages

- 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)]

See attached summary of coverages

Check coverage(s) carried:

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

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

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

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

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

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

Yes, LINC Housing agrees to post inconspicuous places, available for all to see notices provided by the Commission stating the nondiscrimination clause.

28. The CONTRACTOR warrants and certifies that it will not without prior written consent of the COMMISSION, engage in any business pursuits that are adverse, hostile or take incompatible positions to the interests of the COMMISSION, during the term of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT and/or RENDITION OF SERVICES.

No, LINC Housing will not engage in any business that hinders the interest of the Commission during the term of the project, loan, development, grant, contract or rendition of services.

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

No, member, commissioner, councilperson, officer or employee of the commission, the authority or city has or will have any direct or indirect interest in this project.

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

None

Government Entity Making Complaint

Date

Resolution

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

None

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

N/A

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

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

N/A

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

LINC Housing Corporation builds, owns, and operates homes for families and seniors across all of California. We trace our roots to our 1984 founding by the Southern California Association of Governments. Through our collaboration with local governments and financial institutions, we have had a hand in creating more than 6,000 affordable homes in 45 thoughtfully designed communities that offer opportunity and a sense of belonging for our residents.

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

N/A

<u>Date</u>	<u>Entity Involved (i.e., CITY, COMMISSION, etc.)</u>	<u>Status (Current, delinquent repaid, etc.)</u>	<u>Dollar</u>
-------------	---	--	---------------

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 X 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 X No

If yes, explain:

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

Name: **MacFarlane Costa Housing Partners**

Address: **320 Goldenshore Suite 200 Long Beach, CA 90802**

Phone: **(562) 256-2036 – Moe Mohuana- Senior Vice President**

Project Name and Description: **Joint Venture Partner**
Ocean Breeze- Start construction in June of 2008
SEASONS II- Start construction in July of 2008

Name: **Global Premiere Development, Inc.**

Address: **2010 Main Srtreet Suite 1250 Irvine, CA 92614**

Phone: **(949) 222-9119**

Project Name and Description: **Joint Venture Partner**
Larkspur in Ridgecrest- In construction
Lorena, Monterey, Plumas, Oakland, San Francisco- All in pre-development

Name: **the city of San Jacinto**

Address: **595 South San Jacinto Ave San Jacinto, CA 92583**

Phone: **(951) 487-7320- Steve Pasarow**

Project Name and Description: **Terracina Apartments- Pre-development**

39. Give a brief statement respecting equipment, experience, financial capacity and other resources available to the Contractor for the performance of the work involved in the proposed project, specifying particularly the qualifications of the personnel, the nature of the equipment and the general experience of the Contractor.

LINC's mission is to provide housing for people underserved by the marketplace. Our communities are known for excellent design, outstanding management, and life-enhancing services.

LINC is committed to creating and preserving housing that is affordable, environmentally sustainable, and a catalyst for community improvement. LINC takes pride in our ability to use a wide variety of financing tools and is frequently the first to adapt a particular approach to the creation or preservation of affordable housing in our state.

Our strategy for California includes

- Develop and construct new affordable housing for seniors and families
- Protect California's affordable housing supply through purchase of existing rentals
- Develop urban in-fill, mixed-use, and transit-oriented properties
- Provide supportive services that enhance the lives of our residents
- Raise the design and environmental quality of all LINC communities
- Advocate strong public policy for affordable housing

40. Give the name and experience of the proposed Construction Superintendent.
N/A – Contractor has not been selected.

CONSENT TO PUBLIC DISCLOSURE BY CONTRACTOR

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

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

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

Executed this 25 day of June, 20 08, at San Diego, California.

CONTRACTOR

By:



Kent Davis
Senior Vice President / Chief Operating Officer
Title

CERTIFICATION

The CONTRACTOR, Kent Davis, 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: 

Title: Senior Vice President / Chief Operating Officer

Dated: June 25, 2008

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.

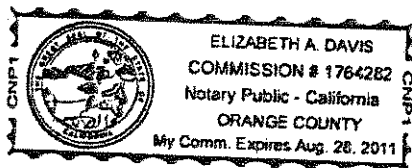
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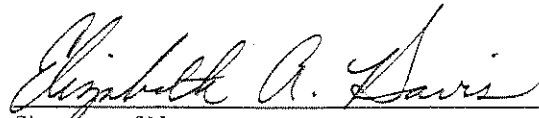
State of California

County of Orange

Subscribed and sworn to (or affirmed) before me on this 25th day of June, 2008

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




Signature of Notary

SEAL

**LINC HOUSING CORPORATION
AND SUBSIDIARY**
(A NONPROFIT CALIFORNIA CORPORATION)
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2006



HOLTHOUSE
CARLIN &
VAN TRIGT LLP

Independent Auditor's Report

To the Board of Directors of
LINC Housing Corporation:

We have audited the accompanying consolidated statement of financial position of LINC Housing Corporation (a nonprofit California Corporation) and subsidiary (collectively referred to as the Organization) as of June 30, 2006, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of June 30, 2006, and the changes in consolidated net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Holthouse Carlin & Van Trigt LLP

Westlake Village, California
July 27, 2006 (except for Note 8,
which date is December 28, 2006)

**LINC HOUSING CORPORATION
AND SUBSIDIARY**
(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2006

ASSETS

Current assets	
Cash and cash equivalents	\$ 2,229,770
Advances to projects and accounts receivable	660,136
Fees receivable, net	914,577
Note receivable - Pepperwood Apartments	3,550,000
Loan interest receivable	45,558
Prepaid expenses	23,633
Total current assets	<u>7,423,674</u>
Property	
Land held for development	374,000
Computers, furniture and equipment	141,005
Less: accumulated depreciation	(53,449)
Net property	<u>461,556</u>
Other assets	
Restricted cash:	
Pre-development funds	<u>49,286</u>
	49,286
Partnership fees receivable, net	1,040,573
Advances to projects and accounts receivable	114,448
Investment in partnerships	34,389
Investment in HPI Holding Company, Inc.	182,760
Investment in HP Securities	20,000
Developer costs	58,847
Intangible assets, net	2,199
Total other assets	<u>1,502,502</u>
Total assets	<u>\$ 9,387,732</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 696,328
Accrued interest payable	27,948
Notes payable	<u>335,285</u>
	<u>1,059,561</u>
Commitments and contingencies (Notes 1, 2, 3, 4, and 5)	
Net assets:	
Unrestricted	<u>8,328,171</u>
	<u>8,328,171</u>
Total liabilities and net assets	<u>\$ 9,387,732</u>

See notes to consolidated financial statements.

**LINC HOUSING CORPORATION
AND SUBSIDIARY**
(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

	Unrestricted Fund	Temporarily Restricted Fund	Total
Public support and revenue:			
Public support	\$ 4,000	\$ -	\$ 4,000
Revenue			
Asset management fees	316,020	-	316,020
Developer and disposition fees	674,393	-	674,393
Partnership management fees	208,527	-	208,527
Overhead allowance - 5 Seasons	75,000	-	75,000
Other fees	11,661	-	11,661
Interest income	177,508	-	177,508
Event income, net of \$67,894	78,443	-	78,443
Gain from bond redemption	3,428,433	-	3,428,433
Interest income from bonds	204,557	-	204,557
Grant income	463,000	-	463,000
Other income	1,515	-	1,515
Total revenue	<u>5,639,057</u>	<u>-</u>	<u>5,639,057</u>
Total public support and revenue	<u>5,643,057</u>	<u>-</u>	<u>5,643,057</u>
Expenses:			
Program services	1,709,877		1,709,877
Supporting services	831,808	-	831,808
Fundraising	151,123	-	151,123
Total expenses	<u>2,692,808</u>	<u>-</u>	<u>2,692,808</u>
Changes in net assets	<u>2,950,249</u>	<u>-</u>	<u>2,950,249</u>
Net assets, beginning of year	<u>5,377,922</u>	<u>-</u>	<u>5,377,922</u>
Net assets, end of year	<u>\$ 8,328,171</u>	<u>\$ -</u>	<u>\$ 8,328,171</u>

See notes to consolidated financial statements.

**LINC HOUSING CORPORATION
AND SUBSIDIARY**
(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2006

	Program	Supporting Services		
	Services	General and Administrative	Fund Raising	Total
Automobile allowances	\$ 13,679	\$ 3,225	\$ -	\$ 16,904
Abandoned project expense	-	52,903	-	52,903
Board meeting expenses	-	39,537	-	39,537
Bad debt expense	56,250	-	-	56,250
Computer expenses	48,212	20,768	5,192	74,172
Delivery and messenger	4,251	1,063	-	5,314
Depreciation and amortization	8,558	3,686	922	13,166
Donations	4,279	-	-	4,279
Dues and subscriptions	16,127	500	-	16,627
Education and seminars	15,076	6,494	1,623	23,193
Employee benefits	27,547	11,867	2,967	42,381
Equipment leases	14,026	6,042	1,511	21,579
Equipment maintenance	9,535	4,108	1,027	14,670
Insurance	13,773	5,933	1,483	21,189
Furniture	1,765	760	190	2,715
Hiring/training/manual	1,152	496	124	1,772
Interest expense	21,775	-	-	21,775
Marketing	-	85,508	-	85,508
Miscellaneous	-	3,017	-	3,017
Moving costs	1,862	803	201	2,866
Office supplies	21,614	9,310	2,328	33,252
Postage	2,165	935	234	3,334
Professional fees	91,849	36,946	-	128,795
Printing	677	80	40	797
Project costs	55,756	-	-	55,756
Rent	107,990	46,519	11,630	166,139
Salaries and bonuses	1,104,614	475,833	118,958	1,699,405
Telephone	25,005	10,771	2,693	38,469
Travel and entertainment	42,340	4,704	-	47,044
	<u>\$ 1,709,877</u>	<u>\$ 831,808</u>	<u>\$ 151,123</u>	<u>\$ 2,692,808</u>

See notes to consolidated financial statements.

**LINC HOUSING CORPORATION
AND SUBSIDIARY**
(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

Cash flows from operating activities:	
Changes in net assets	\$ 2,950,249
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation and amortization	13,166
Equity in partnership (income) losses	(100)
Gain on redemption of bonds	(3,428,433)
Reserve for doubtful accounts	56,250
Change in operating assets and liabilities:	
Partnership fees receivable	(848,587)
Bond interest income receivable	1,699,132
Loan interest receivable	(45,558)
Prepaid expenses	(11,585)
Accounts payable and accrued expenses	303,793
Accrued interest payable	14,994
Net cash provided by operating activities	<u>703,321</u>
Cash flows from investing activities:	
Proceeds from bond redemption	5,820,433
Advances to projects	(509,822)
Withdrawals of restricted cash	70,845
Expenditures for property and equipment	(65,155)
Land acquisition - East Street	(374,000)
Predevelopment cost - East Street	(58,847)
Purchase of intangibles	(2,199)
Note receivable - Pepperwood Apartments	(3,550,000)
Investment in HP Securities	(20,000)
Net cash provided by investing activities	<u>1,311,255</u>
Net change in cash and cash equivalents	2,014,576
Cash and cash equivalents, beginning of year	<u>215,194</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,229,770</u></u>

See notes to consolidated financial statements.

**LINC HOUSING CORPORATION
AND SUBSIDIARY**
(A NONPROFIT CALIFORNIA CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

LINC Housing Corporation (a nonprofit California corporation) and LINC Housing Development, its wholly-owned subsidiary, single member limited liability company (collectively referred to as LINC), were established to engage in the solicitation, administration, and disbursement of property to foster low-income housing. LINC, or its affiliates, also owns mobile home parks in order to lessen the burden of local governments to create and preserve housing affordable to families of low, very low and moderate incomes. LINC's activities are funded primarily from fees associated from managing and developing affordable housing projects (the Projects) throughout California. These financial statements do not include the accounts of the following affiliated nonprofit LINC entities:

Corporate Fund for Housing
LINC – Redondo Beach Seniors, Inc.
LINC – Community Development Corporation
Seal Beach Affordable Housing Corporation

Classification and Reporting of Funds

In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations," LINC presents its net assets under three separate classifications: Unrestricted, Temporarily Restricted, and Permanently Restricted. Temporarily restricted and permanently restricted funds are those funds that may be used only in accordance with the purposes established by the donor and are distinguished from unrestricted or Board designated funds in which LINC retains full control with respect to the use thereof. There were no temporary or permanently restricted assets as of and for the year ended June 30, 2006.

In addition, SFAS No. 117 requires that LINC report all of its expenses in the unrestricted fund, regardless of the source of the funds for the expenditures. A transfer of net assets from the restricted fund to the unrestricted fund is reported upon satisfaction of program restrictions to match the restricted revenue with the restricted expenses.

Public Support and Revenue Recognition

In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made", revenues from contributions are recognized pursuant to the terms specified by the donor. Contributions are recognized at the earlier of the date of receipt of funds or the date of a formal, unconditional pledge from known donors. Fees are recognized as services are performed and collection is reasonably assured.

**LINC HOUSING CORPORATION
AND SUBSIDIARY**
(A NONPROFIT CALIFORNIA CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Income Taxes

Under applicable law and regulations, LINC has been determined to be exempt from Federal income and California franchise taxes. In addition, LINC does not have any income, which it believes would subject it to unrelated business income taxes. Accordingly, there is no provision for income taxes in these financial statements.

Donated Services

The value of donated services has not been recorded in the accompanying financial statements since LINC does not believe these services are enhancing non-financial assets or would normally have to be purchased if volunteers were not available.

Project Cost for Future Development

In the normal course of business, LINC incurs various costs when determining the viability of a real estate development. LINC capitalizes these costs until the project is determined not to be foreseeable and therefore abandoned. As of June 30, 2006, no project costs for future development have been capitalized on the LINC financial statements.

Restricted Cash

During fiscal year 2004, LINC borrowed \$150,000 of funds from Wells Fargo (see Note 4) for development of affordable housing. As of June 30, 2006, approximately \$50,000 of these funds are still available to perform real estate development.

Investments in Partnerships

LINC accounts for its general partner interests in various partnerships under the equity method of accounting (See Note 3). If the investment account is reduced to zero, LINC suspends the application of the equity method, as management believes LINC will not be required to invest additional funds.

HPI Holding Company, Inc.

In March 2004, LINC purchased 173 shares of Class B stock and \$10,000 of Class A stock in HPI Holding Company, Inc. (HPI Company). LINC acquired these shares to enable them to participate in the Housing Partnership Insurance Program (the Insurance Program). It is anticipated that the Insurance Program will enable LINC's various Projects to acquire property insurance at more favorable rates.

The acquisition of the HPI Company stock was financed by a loan provided by Housing Partnership Ventures, Inc. (see Note 4).

**LINC HOUSING CORPORATION
AND SUBSIDIARY**
(A NONPROFIT CALIFORNIA CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Concentrations of Business and Credit Risk

LINC receives a significant amount of revenue from the Projects in which it is the general partner. These sources of funds are dependent upon the continued successful development and management of these Projects.

LINC, either as a direct owner, advisor or general partner, has an economic interest in the Projects that are subject to business risks associated with the economy and level of unemployment in California, which affects occupancy as well as the tenants' ability to make rental payments. In addition, these Projects operate in a heavily regulated environment. The operations of these Projects are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD and may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

LINC's cash and cash equivalents are maintained in various banks. LINC has exposure to credit risk to the extent that its cash and cash equivalents exceed amounts covered by federal deposit insurance. LINC believes that its credit risk is not significant.

Grants

LINC periodically receives grants from various institutions for the purpose of real estate development and tenant services. Included in the statement of activities for the year ended June 30, 2006 are \$463,000 of grant income for such services and \$20,000 of income has been deferred to be recognized in future periods for such services.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates.

Significant estimates include the collection of refinance and developer fees and the administrative and partnership management fees which are in some cases dependant on the underlying properties cash flow (see Note 2).

Statement of Cash Flows

For purposes of the statement of cash flows, LINC considers all highly liquid unrestricted investments with an original maturity of three months or less to be cash equivalents.

**LINC HOUSING CORPORATION
AND SUBSIDIARY**
(A NONPROFIT CALIFORNIA CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Cash paid for the following as of June 30, 2006:

Interest	\$	6,781
Income taxes	\$	800

Functional Expenses

The costs of providing LINC's programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated either to direct programs or supporting services. The functional classifications are defined as follows:

- Program service expenses consist of costs incurred in connection with providing services and conducting programs.
- General and administrative expenses consist of costs incurred in connection with the overall activities of the LINC, which are not allocable to another functional expense category.
- Fundraising expenses consist of costs incurred in connection with activities related to obtaining grants and activities designed to generate revenue.

Property

Depreciation of computers, and furniture and equipment are provided using the straight-line method over the following estimated useful lives:

Description	Life
Computers	5 years
Furniture and equipment	7 years

LINC capitalizes expenditures or betterments that materially increase asset lives and charges ordinary repairs and maintenance to operations as incurred. When assets are sold or otherwise disposed of, the costs and related reserves are removed from the accounts and any resulting gain or loss is included in the statement of activities.

Principles of Consolidation

In consolidating the accounts of the LINC Housing Corporation and its wholly-owned subsidiary, all significant intercompany accounts and transactions have been eliminated.

**LINC HOUSING CORPORATION
AND SUBSIDIARY**
(A NONPROFIT CALIFORNIA CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2. RELATED PARTY TRANSACTIONS

Partnership Management, Asset Management, Disposition and Developer Fees

In accordance with certain partnership and property management agreements, LINC is entitled to receive fees for partnership management, asset management, disposition consulting, and development services rendered on behalf of certain affiliates. In addition, LINC has entered into a revenue sharing agreement with Pacific West Management Company (referred to as the Property Manager).

In connection with this agreement, LINC receives management fees of approximately 10 to 25 percent of the property management fees charged, less reimbursement of certain costs, for affordable housing projects in which LINC is associated. During 2006, LINC received net fees from the Property Managers of approximately \$209,000 in connection with this agreement. Also, subject to the board of directors' approval, LINC has accrued a \$200,000 fee earned in connection with the disposition of the apartment projects known as the Five SEASONS, see below for further discussion.

A summary of these receivables as of June 30, 2006 is as follows:

Name	Disposition and Developer Fees	Administrative and Partnership Management Fees	Asset Management Fees	Total Receivables
LINC Beechwood L.P.	\$ 247,688	\$ 50,000	\$ -	\$ 297,688
Buena Park Affordable Housing, L.P.	-	23,200	-	23,200
Chino Housing Investors, L.P.	-	-	3,500	3,500
Coyote Creek Housing Partners, L.P.	101,491	-	17,908	119,399
LINC Franciscan, L.P.	-	-	35,730	35,730
El Centro Senior Villas, L.P.	-	31	-	31
Grande Garden Housing Investors, L.P.	20,000	-	-	20,000
Las Flores Housing Investors, L.P.	-	7,624	-	7,624
La Palma Apartments, L.P.	-	1,895	-	1,895
La Quinta Seniors, L.P.	72,384	196,667	-	269,051
Lakewood Housing Investors, L.P.	113,275	31,675	600	145,550
LINC - Bristol Associates I	-	14,000	-	14,000
Los Robles Senior Housing, L.P.	219,577	-	-	219,577
Ontario Seniors Housing, L.P.	-	56,250	-	56,250
Rory Lane Seniors, L.P.	-	44,487	-	44,487
San Juan Capistrano Housing Investors, L.P.	75,000	19,000	-	94,000
Seasons Uptown Whittier, L.P.	-	1,988	-	1,988
Five SEASONS Disposition fee	200,000	-	-	200,000
LINC-Pepperwood Housing Investors, L.P.	400,000	-	-	400,000
Corporate Fund for Housing	-	-	57,430	57,430
Allowance for doubtful accounts	-	(56,250)	-	(56,250)
	<u>\$ 1,449,415</u>	<u>\$ 390,567</u>	<u>\$ 115,168</u>	<u>\$ 1,955,150</u>

**LINC HOUSING CORPORATION
AND SUBSIDIARY**
(A NONPROFIT CALIFORNIA CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2. RELATED PARTY TRANSACTIONS (Continued)

Partnership Management, Asset Management, Disposition and Developer Fees (Continued)

As of June 30, 2006, \$1,014,577 has been classified as short-term based on managements' best estimate of the expected collection date.

Collection of certain of these receivables is dependent upon the individual Projects improving cash flow generated from operations. LINC's management has evaluated the individual Project performance and believes the receivables are presented at net realizable value.

Advances to Projects

Advances to Projects are costs that LINC pays on behalf of certain affordable housing projects for which each project is expected to reimburse LINC. These non-interest bearing short-term advances are for Projects in which LINC is a participating general partner.

Investments in Bonds

In November 1999, LINC was issued \$4,360,000 of Multifamily Housing Revenue Refunding Bonds, 1999 Series C-2 (Series C-2 Bonds) secured by a pledge and assignment of the revenues and Borrower, including certain revenues from The Corporate Fund for Housing (the Five SEASONS) and funds held under the indenture between the issuer and the trustee of the Series C-2 Bonds. Interest accrued at 10.00 percent compounded semi-annually and is payable from residual receipts, as defined. During the fiscal year ended June 30, 2006, the Five SEASONS was sold to a 3rd party and the Series C-2 Bonds were redeemed. Due to the original uncertainty of collectibility, LINC had not recorded the full face value of the Series C-2 Bonds and the associated accrued interest but in December 2005, LINC received repayment of the Series C-2 Bonds in full. A summary of the proceeds received and resultant gain is as follows:

Financial Statement Category	Total Proceeds	Original Amounts Recorded	Gain
Series C-2 Bonds receivable	\$ 4,360,000	\$ 2,392,000	\$ 1,968,000
Series C-2 Bonds interest receivable	3,364,122	1,903,689	1,460,433
Total	\$ <u>7,724,122</u>	\$ <u>4,295,689</u>	\$ <u>3,428,433</u>

**LINC HOUSING CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2. RELATED PARTY TRANSACTIONS (Continued)

Note Receivable – Pepperwood Housing

In May 2006, LINC loaned to LINC–Pepperwood Housing Investors, L.P. (Pepperwood Housing), an affiliated Partnership, \$3,550,000 to be used to acquire and develop an affordable housing apartment project in Rancho Cucamonga, California. The note receivable accrues simple interest at 7 percent per annum, is unsecured and matures December 31, 2006. LINC has a .01 general partnership interest in Pepperwood Housing and as of June 30, 2006, LINC has recorded \$45,558 of interest income in connection with this note receivable.

Corporation Fund for Housing Grant

During fiscal year 2006, Corporate Fund for Housing granted \$250,000 to LINC to be loaned to Tahquitz to be used for pre-development. In addition, LINC loaned an additional \$100,000 to Tahquitz for additional pre-development. This loan is non-interest-bearing, unsecured, and due on demand. Tahquitz is owned by Corporate Fund for Housing.

NOTE 3. INVESTMENTS IN PARTNERSHIPS

A summary of LINC's investments as a general partner in limited partnerships is as follows:

Name of Partnership	LINC Investment Balance	% of Ownership Profits/ Losses	Partnership's Capital (Deficit) Balance at December 31, 2005 (Unaudited)	Partnership 2005 Loss (Unaudited)
Anderson Senior Apartments, L.P.	\$ -	0.050%	\$ 6,907,728	\$ (102)
Bartlett Hill Associates, L.P.	-	1.000%	(3,407,760)	(4,560)
Buena Park Affordable Housing, L.P.	-	1.000%	683,643	(1,927)
Chino Housing Investors, L.P.	-	0.500%	(687,504)	(1,732)
Columbus Avenue Housing Partners, L.P.	-	0.005%	(800)	-
Compton Senior Housing, L.P.	-	0.005%	(800)	-
Coyote Creek Housing Partners, L.P.	-	0.001%	1,566,866	(23)
El Centro Senior Villas, L.P.	-	0.005%	6,717,481	(9)
El Palma Apartments, L.P.	-	0.050%	6,464,454	(149)
La Palma Apartments, L. P.	-	1.000%	(723,938)	(757)
La Quinta Seniors, L.P.	12,280	1.000%	189,639	(3,077)
Lakewood Housing Investors, L.P.	-	1.000%	(137,114)	(595)
Las Flores Housing Investors, L.P.	-	0.080%	8,280,276	(201)
LINC Beechwood, L.P.	180	0.010%	1,521,661	(28)
LINC Bristol Associates I	-	1.000%	2,749,067	1,607
LINC Franciscan, L.P. (Note 5)	-	99.00%	(3,585,755)	(11,719)

**LINC HOUSING CORPORATION
AND SUBSIDIARY**
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 3. INVESTMENTS IN PARTNERSHIPS (Continued)

Name of Partnership	LINC Investment Balance	% of Ownership Profits/ Losses	Partnership's Capital (Deficit) Balance at December 31, 2005 (Unaudited)	Partnership 2005 Loss (Unaudited)
LINC – Pepperwood Housing Investors, L.P.	-	0.010%	-	-
Los Robles Senior Housing, L.P.	100	0.010%	389,337	(21)
Miraflores, L.P.	-	0.050%	1,696,387	(449)
Monterey of Blythe, L.P.	-	0.050%	7,771,636	(232)
Ontario Senior Housing, L.P.	-	1.000%	(825,533)	(2,928)
Rory Lane Seniors, L.P.	-	0.500%	1,168,245	(471)
San Juan Capistrano Housing Investors, L.P.	-	1.000%	(421,422)	(2,617)
Santa Ana Housing Partners, L.P.	21,829	0.001%	82,220	(3)
Sunnyside of Merced, L.P.	-	0.100%	2,897,227	(1,163)
Tahquitz Court Housing Partners, L.P.	0	0.010%	-	-
Tuolumne Village Apartments, L.P.	-	0.100%	6,371,301	(589)
Total	<u>\$ 34,389</u>			<u>\$ (31,745)</u>

LINC has elected not to record their portion of the partnerships' losses (the Suspended Losses) if it causes their investment balance to be below zero. Management believes this is appropriate since the majority of the losses are due to depreciation and amortization (i.e., non-cash) and the Partnership debt is non-recourse. As of June 30, 2006 LINC has Suspended Losses of approximately \$638,000.

NOTE 4. NOTES PAYABLE

A summary of the notes payable at June 30, 2006 is as follows:

Note payable up to \$230,735 to Housing Partnership Ventures, Inc., that is secured by LINC's investment in HPI Company. Interest accrues at a rate equal to the greater of LIBOR (5.8% as of June 30, 2006) plus 300 basis points or 4%. Interest is payable quarterly and principal and interest is due in full on March 31, 2009. \$ 185,285

Note payable to Wells Fargo Bank Community Development Corporation (Wells Fargo), unsecured, and accrues interest at 2%. Interest is paid quarterly and the final interest and principal payments are due November 25, 2006, subject to approved extensions by Wells Fargo.

Total 150,000
\$ 335,285

**LINC HOUSING CORPORATION
AND SUBSIDIARY**
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 4. NOTES PAYABLE (Continued)

As of June 30, 2006, principal payments on notes payable are as follows:

Year Ending June 30,	Amount
2007	\$ 150,000
2008	-
2009	185,285
2010	-
2011	-
Thereafter	-
	<u>\$ 335,285</u>

NOTE 5. COMMITMENTS AND CONTINGENCIES

Investments

LINC's investment as a general partner in various unconsolidated limited partnerships (See Note 3) may result in contingent liabilities. For certain partnerships, LINC is responsible for cost overruns during a project's construction phase and for operating deficits, as well as certain other guarantees, as defined in the limited partnership agreements. In connection with projects under development, LINC is to be indemnified by the developer for cost overruns.

Office Lease

LINC has entered into an agreement to lease office space in Long Beach, California. LINC's lease obligation as of June 30, 2006 is as follows:

2007	\$ 135,904
2008	138,941
2009	141,978
2010	145,015
2011	148,052
Thereafter	138,265
Total	<u>\$ 848,155</u>

During fiscal 2006, office lease expense was approximately \$146,000.

**LINC HOUSING CORPORATION
AND SUBSIDIARY**
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 6. EMPLOYEE BENEFIT PLAN

During 2006, LINC's management proposed the creation of an incentive bonus plan and a 401k matching plan (the Plan) to replace the existing employee benefit plan. In connection with this Plan, LINC accrued an estimated liability of \$234,138 which is included in the accompanying financial statements based on the assumption of future Board of Directors approval.

NOTE 7. AFFILIATED NON PROFITS

The Organization's board of directors has significant influence on two unconsolidated non profits: Corporate Fund for Housing and LINC-Redondo Beach Seniors, Inc. Although the Organization has significant influence, they do not have the ability to determine who will be elected to the board of directors. In addition, the Organization has not guaranteed any of these entities obligations. A summary of these non profits financial position as of December 31, 2005 and operations for the year then ended are as follows:

	(UNAUDITED) (000's)	
	Corporate Fund for Housing	LINC- Redondo Beach Seniors, Inc.
Cash	\$ 527	\$ 16
Prepays and other	294	34
Reserves	65,618	1,133
Property, net	3,376	7,637
Intangibles, net	2,710	238
Total Assets	<u>\$ 72,525</u>	<u>\$ 9,058</u>
Accounts payable and accrued expenses	\$ 92	\$ 102
Due to affiliate	255	-
Accrued interest	3,820	454
Security deposits	30	70
Notes payable	60,087	9,300
Net assets	<u>\$ 8,241</u>	<u>(868)</u>
	<u>\$ 72,525</u>	<u>\$ 9,058</u>
Revenues	\$ 7,863	\$ 1,675
Operating expense	(3,366)	(581)
Interest and other financial expenses	(5,470)	(730)
Depreciation and amortization	(968)	(271)
Gain from sale	41,273	-
Net income	<u>\$ 39,332</u>	<u>\$ 93</u>

**LINC HOUSING CORPORATION
AND SUBSIDIARY**
(A NONPROFIT CALIFORNIA CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 8. SUBSEQUENT EVENT

In December 2006, LINC was named in a complaint by a tenant in a mobile home park (the Park) owed by Seal Beach Affordable Housing Corporation with regards to ownership of a parcel within the Park. LINC believes the claim is without merit and intends to defend their rights vigorously.

APPRAISAL REPORT OF ARBOR VILLAGE APARTMENTS

4914-4998 Logan Avenue
San Diego, CA 92113

Washington Mutual Bank File No. 04-08-00447-01
Froboese Realty Group, Inc. File No. 08-2673-SMM

PREPARED FOR:

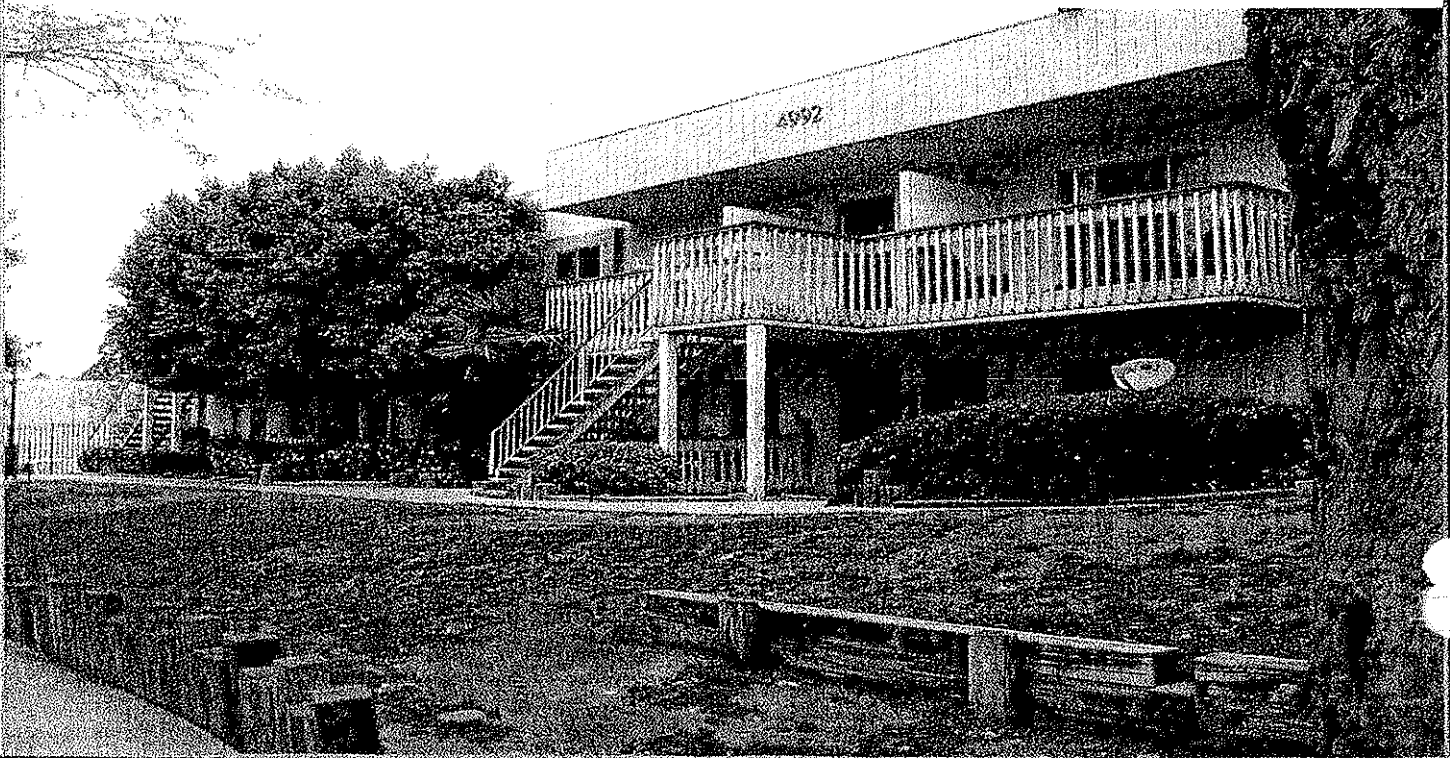
Washington Mutual Bank
c/o Ronald W. Bunn
1301 2nd Avenue, 38th Floor Mailstop: WMC3801
Seattle, WA 98101

PREPARED BY:

Froboese Realty Group, Inc.
Wayne S. Froboese, MAI
Matthew P. McClellan
1667 S. Mission Road, Suite H
Fallbrook, CA 92028-4114

APPRAISAL DATE:

May 14, 2008





APPRAISAL RELEASE LETTER

June 3, 2008
Ms. Suny Lay Chang
LINC Housing Corporation
110 Pine Ave, Suite 500
Long Beach, CA 90802-4422

Re: Property Address: 4914-4998 Logan Avenue, San Diego, CA 92113
Appraiser: Froboese Realty Group, Inc
Date of Appraisal: May 14, 2008

Dear Ms. Chang:

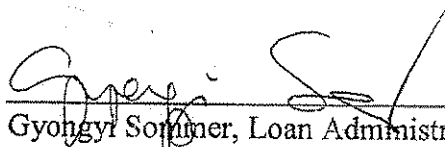
Washington Mutual bank has performed an appraisal on the above referenced property.

A copy of this report is provided to you with no representations or warranties by Washington Mutual Bank (and its subsidiaries) as to the validity of the information, opinions, content, or conclusions within that appraisal. This disclaimer includes any issues of environmental conditions or hazardous waste, as well as, qualifications of and certifications by the appraiser.

By accepting a copy of the appraisal, you agree to indemnify and hold harmless Washington Mutual Bank (and its subsidiaries) from any losses, liabilities, claims, or expenses incurred as a consequence of your use or dissemination of the report.

Upon receipt, we will send you a copy of the Appraisal.

Sincerely yours,


Gyongyi Sommer, Loan Administrator

Acknowledged and Agreed:

By: _____
Title: _____
Dated: _____



May 14, 2008

Ronald W. Bunn
Washington Mutual Bank
1301 2nd Avenue, 38th Floor Mailstop: WMC3801
Seattle, WA 98101

RE: Washington Mutual Bank File No. 04-08-00447-01
Arbor Village Apartments
4914-4998 Logan Avenue
San Diego, CA 92113

Dear Mr. Bunn,

Per your instructions contained in the engagement letter included as Addendum A of this report, I have conducted the investigation and analysis required to prepare an appraisal of the above referenced property in a Summary Report format. All analysis, conclusions and opinions have been rendered on the basis of a disinterested third party. The depth of the analysis was intended to be appropriate in relation to the significance of the appraisal problem. As such, the report sets forth detailed information regarding the property identification, regional and area economic trends, data regarding the subject and comparable data, documentation of the investigations and analyses performed, and the reasoning leading to the conclusions presented.

The purpose of this appraisal is to estimate the value of the subject under the following scenarios:

- Valuation Scenario 1 - As Is Market Value
- Valuation Scenario 2 - Land Value
- Valuation Scenario 3 - Insurable Cost

The subject consists of thirteen, 2-story apartment buildings of average quality, wood frame construction with stucco exterior. The complex has a total of 82,880 square feet of rentable area. The unit breakdown is as follows:

SUBJECT UNIT BREAKDOWN								
PLAN	ROOM COUNT			UNIT STYLE	UNIT MIX	SQ. FT. CALCULATIONS		TOTAL SQ. FT.
	TOTAL	BEDROOMS	BATHS			OWNER	APPRAISER	
A	3	1	1	Flat	36	N/A	593	21,348
B	4	2	1	Flat	20	N/A	593	11,860
C	4	2	2	Flat	46	N/A	887	40,802
D	5	3	2	Flat	10	N/A	887	8,870
APARTMENT TOTALS					112	0 Avg.	740 Avg.	82,880
LEASING OFFICE AND LAUNDRY FACILITY						N/A	829	829
LAUNDRY FACILITY						N/A	361	361
GROSS BUILDING AREA								84,070

The project also includes two, single-story buildings that includes a leasing office and two laundry facilities. The subject site consists of a rectangular shaped parcel of 3.85 acres. There are a total of 146 assigned open parking spaces, equating to a parking ratio of 1.30 spaces per unit.

The intended use of this appraisal is to assist Washington Mutual Bank in performing real estate asset monitoring.

Significant factors influencing value include:

- ♦ The subject area is experiencing apartment vacancy the in 0% to 5% range.
- ♦ The subject area's rent levels have increased roughly 3% to 5% in the last year.
- ♦ Capitalization Rates have increased roughly 25 basis points in the last year.

Extraordinary Assumptions

In addition to the standard assumptions and limiting conditions of this report, the appraisal is subject to the following extraordinary assumptions:

1. Our inspection included the subject's exterior, common areas, and a sampling of unit interiors. We have not inspected every unit. We requested to see at least one of each floor plan and a representation of units that reflected various unit conditions in the building. The units inspected were stated by the onsite manager as being representative of the entire project. We reserve the right to amend the appraisal should the overall unit mix or unit conditions be different than that represented.

Hypothetical Conditions

In addition to the standard assumptions and limiting conditions of this report, the appraisal is subject to the following hypothetical conditions:

1. None

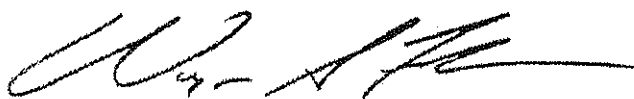
Based on the research and analyses presented in the following report, I have formed the opinion that, subject to the assumptions and limiting conditions contained in this report, the requested value estimates were:

SUMMARY OF VALUE CONCLUSIONS		
VALUATION PREMISE	DATE OF VALUE	VALUE ESTIMATE
As Is Market Value	5/5/2008	\$13,700,000
Land Value	5/5/2008	\$3,160,000
Insurable Cost	5/5/2008	\$9,400,000

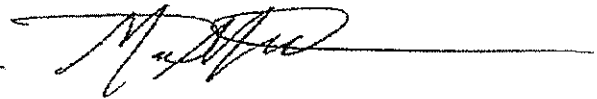
As discussed in the final reconciliation, the marketing and exposure times for the subject's valuation scenarios are summarized below.

I believe this report has been prepared in accordance with the current requirements of the Appraisal Foundation as set forth in the Uniform Standards of Professional Practice (USPAP), Title XI of the Federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the Fair Lending Act and Washington Mutual Bank's appraisal guidelines. I appreciate this opportunity to be of service and remain available if you have any questions regarding the appraisal content or my conclusions.

FROBOESE REALTY GROUP, INC.,



Wayne S. Froboese, MAI
California C.G.R.E.A. #AG009633
December 27, 2008



Matthew P. McClellan
California R.E.T.A. #AT040900
August 8, 2008



September 4, 2008

Mr. Kent Davis
LINC Housing Corporation
110 Pine Avenue, Suite 500
Long Beach, California 90802

Re: 4914 – 4998 Logan Avenue, San Diego
Subject: Arbor Village

Dear Mr. Davis:

I am pleased to offer your organization a loan for the above referenced development, under the terms and conditions outlined below, subject to the approval of the Housing Commission Board and the Housing Authority and subject to the project's receipt of the other proposed financing.

The parameters of this loan commitment are as follows:

Ownership:	An approved California Partnership formed by LINC Housing Corporation (Borrower) as the sole owner and operator.
Use of Loan Proceeds:	The loan shall be used by Borrower to finance acquisition and rehabilitation conditional upon the receipt of the other sources of financing.
Terms of the Loan:	A residual receipts loan of up to \$6,676,000. The interest rate shall be zero percent (0%) interest per year until the beginning of the sixteenth year of the project, after which it shall be three percent (3%) simple interest per year. With the approval of the senior lenders, fifty percent of the residual receipts of the project would be used annually to make payments on the Housing Commission and MHP loans proportional to each loan's percentage of participation in the public financing. There would be a required minimum annual payment to the Housing Commission of its pro-rata share of estimated residual receipts at the end of year-12 (estimated at \$25,596) after payoff of the deferred developer fee. Any unpaid principal and interest would be due and payable upon the earlier of first loan maturity or project refinancing.

Acceleration Upon Default:	In the event of a default of the Housing Commission loan, the senior loan or any other sources of funds secured by the project or rental restrictions on the project the Housing Commission loan shall be due and payable in full including any applicable interest penalties.
Insurance:	Borrower shall at all times during the term of the loan maintain General Liability and Property Insurance in a form and in amounts acceptable to the Housing Commission and approved by the Housing Commission's General Counsel. The San Diego Housing Commission, the Housing Authority of the City of San Diego, and the City of San Diego shall be listed as an additional insured for General Liability Insurance and Property Insurance and the San Diego Housing Commission shall be endorsed as a loss payee of the Property Insurance.
Number of Units:	112 units. With one unit used as a manager's residence, there shall be a minimum of 111 units of rent-restricted rental housing.
Affordability Terms:	The Housing Commission will record 55-year rent restrictions against the property making 28 one-bedroom units, 24 two-bedroom units, and 33 three-bedroom units to tenants with annual incomes of 50 percent or less of Area Median Income and 8 one-bedroom units, and 18 three-bedroom units to tenants with incomes at 60 percent of Area Median Income. One two-bedroom unit would be reserved for occupancy by a resident manager and would not be rent-restricted. The actual rents shall be the more restrictive of the Housing Commission rents, or rents imposed by the California Department of Housing and Community Development, the County of San Diego, HUD, or any other source of funds or rent restrictions on the project.
Loan Security:	The Housing Commission loan shall be evidenced by a deed of trust, in a form and format acceptable to the Housing Commission and its General Counsel in their sole discretions, made in favor of the Housing Commission and secured by the value of the property.
Senior Financing:	The Housing Commission loan will be subordinate to an estimated senior institutional loan of up to \$5,887,855 and a loan of up to \$2,450,000 from the State's MHP program.

Fees and Expenses	All fees and expenses of this project shall be approved by the Housing Commission in its sole discretion. Asset Management Fees required by the tax credit partners shall not increase by more than three percent per year. The developer's fee shall not exceed \$1,400,000 and shall be disbursed as outlined in the Housing Commission Loan Agreement.
Reserves	Subject to the approval of the senior lender and tax credit investor, Borrower shall deposit a minimum of \$56,448 per year into a dedicated replacement reserve account. Use of reserves shall be subject to the reasonable approval of the Housing Commission's President and Chief Executive Officer or designee.
Recourse:	The Housing Commission loan may be a recourse loan prior to the funding of tax credits, after which it will be a nonrecourse loan.
Cure Rights:	The Housing Commission shall have the right, but not the obligation, to cure all senior encumbrances in all subordination agreements that it executes. All subordination agreements shall be subject to the sole approval of the Housing Commission's President and Chief Executive Officer and General Counsel.
Management Plan:	The Management Plan shall be subject to periodic approval by the Housing Commission, in its reasonable discretion.
Approval of Management:	The Housing Commission reserves the right to declare Borrower in default of the loan agreement after an uncured ninety (90) day written notice of malfeasance and/or misfeasance in management of the project.
Monitoring Fees:	The Housing Commission shall be entitled to its standard yearly monitoring fees calculated on a per-unit basis during the affordability period.
Loan Funding:	The Housing Commission will fund its loan upon satisfaction of all conditions set forth in the Housing Commission loan documents, including approval of a guaranteed maximum price contract for rehabilitation. All documentation, including any senior loan documents, construction loan documents, or documents of other lenders shall be subject to review and approval of the Housing Commission's President and Chief Executive Officer or designee and General Counsel, in their sole discretion.

ALTA Lender's Policy:	The Borrower shall acquire, at its sole cost and expense, ALTA Lender's Policies for the loan with endorsements acceptable to the Housing Commission insuring the Housing Commission's lien position.
Prevailing Wages:	Borrower shall comply with any requirements to pay Federal and/or State Prevailing Wage Rates and shall pay the higher of the two in the event of a conflict on a trade-by-trade basis.
Environmental Requirements:	Notwithstanding any provision of this Letter, the parties agree and acknowledge that this Letter constitutes a conditional reservation and does not represent a final commitment of HOME funds or site approval under 24 CFR Part 58 of the National Environmental Policy Act (NEPA). Should HOME funds constitute a portion of the funding for the project, a final reservation of HOME funds shall occur only upon satisfactory completion of environmental review and receipt by the City of San Diego of a Release Of Funds from the U.S. Department of Housing and Urban Development under 24 CFR Part 58 of NEPA. The parties agree that the provision of any HOME funds to the project is conditioned on the City of San Diego's determination to proceed with, modify or cancel the project based on the results of subsequent environmental review under NEPA. By execution of this Letter, you acknowledge no legal claim to any amount of HOME funds to be used for the project or site unless and until the site has received environmental clearance under NEPA. You are also prohibited from undertaking or committing any funds to physical or choice-limiting actions, including property acquisition, demolition, movement, clearance, rehabilitation, conversion, repair or construction prior to environmental clearance under NEPA. Violation of this provision may result in denial of any HOME funds for this project.
Other Terms:	The Housing Commission reserves the right to impose any additional conditions in the Housing Commission Loan Documents that may be necessary, in its reasonable discretion, to protect the interests of the Housing Commission and fulfill the intent of this commitment. Such documentation shall be approved by the President and Chief Executive Officer, or designee, and the General Counsel of the Housing Commission.

Acceptance:

This commitment is conditional upon the Borrower receiving approval from its other lenders and investors, including bond financing and the Multifamily Housing Program (MHP) loan, on or before April 30, 2009. Signing and delivering to the Housing Commission of this letter by September 30, 2008, shall evidence Borrower's acceptance of this commitment. Until receipt of such acceptance by the Housing Commission, the Housing Commission shall have no liability hereunder, and unless acceptance is made by that date, this commitment shall be null and void.

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

Sincerely,

Cissy Fisher
Director of Housing Finance
619.578.7585
619.578.7356 fax

Agreed to and accepted this ____ day of _____, 2008 by:

Authorized Representative

ATTACHMENT 9

HOUSING COMMISSION MULTIFAMILY HOUSING REVENUE BOND PROGRAM

Summary

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

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

Affordability: The 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 the affordability restriction to be in place for a minimum of 15 years. In practice, projects financed by multifamily housing bonds are affordable for a minimum of 30 years. Bonds may also be combined with other financing sources to create deeper affordability and longer terms of restriction.

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

Approval Process:

- **Inducement Resolution:** The bond process is initiated when the issuer (Housing Authority) adopts the 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 a commitment by the Housing Commission, the 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 the project.

[Note: It is uncommon for 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.
- **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 the 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. Because the Housing Authority is not responsible for bond repayment, there are no financial statements or summaries about the Housing Authority or the City included as part of the offering document. The offering document includes a paragraph that states that the Housing Authority is a legal entity with the authority to issue multifamily housing bonds and that the Housing Commission acts on the behalf of the Housing Authority to issue the bonds. The offering document also includes a paragraph stating 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 the bonds. This is the extent of disclosure required of the Housing Authority, the 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 may have an impact on the viability of the project.