



HOUSING AUTHORITY REPORT

DATE ISSUED: September 1, 2009

REPORT NO: HAR09-030

ATTENTION: Members of the Housing Authority
For the Agenda of October 13, 2009

SUBJECT: Finance Plan for Acquisition of New Affordable Housing Units

REQUESTED ACTION:

Approve a financing plan for the production of a minimum of 350 units of affordable housing and authorize the procurement of financing for the acquisition, rehabilitation and/or new construction of the affordable housing by the San Diego Housing Commission and authorizing all necessary and appropriate actions to implement such procurement of financing.

STAFF RECOMMENDATIONS:

1. Approve a financing plan that would utilize up to \$200 million of loan proceeds generated by placing debt on the San Diego Housing Commission's real estate portfolio (formerly public housing) and new acquisitions, utilizing the following financing mechanisms:
 - a. Fannie Mae conventional mortgage,
 - b. FHA 221(d)(4) program (new construction and substantial rehabilitation), or FHA 223(f) program (minor rehabilitation), allowing the financing to qualify for an American Recovery and Reinvestment Act of 2009 stimulus program "Build America Bonds ('BABs')," which financing is only available to governmental entities for a limited period of time and provides a direct federal subsidy equal to 35% of the interest cost of such financing thereby reducing the cost of debt, as further detailed in this report.
2. Authorize the San Diego Housing Commission to refinance the affordable housing that is acquired, rehabilitated or constructed and that have been acquired as 100% cash acquisitions, thereby allowing the San Diego Housing Commission to place mortgages on these new affordable units to further leverage the cash purchases and utilize the BABs program on these further refinancings secured by such new units (an eligible use of the program) before the sunset of the program on December 31, 2010.
3. Approve the parameters for financing as referenced within the financing plan as coordinated by NorthMarq Realty Services, Inc. (SDHC's financial advisor) and analyzed by Keyser Marston Associates ("KMA") as referenced within this report.

4. Authorize the San Diego Housing Commission to form wholly owned Limited Liability Companies (LLCs) and/or 501 (c)(3) non profit corporations or similar “special purpose entities” as and when required by Fannie Mae and/or FHA as a condition of financing and as required for financing.
5. Authorize a three-year capital expenditure budget of up to \$200 million to include the financing proceeds for the purposes outlined in this report, with the resulting debt service and operating costs associated with the capital expenditure activity to be reflected in the San Diego Housing Commission’s annual budget which is presented to the Housing Authority for approval.
6. Authorize the San Diego Housing Commission to reimburse all third parties either directly or through the selected underwriters associated with the financing of the acquisitions, including compensation for the finance team as referenced within this report.
7. As detailed in this report:
 - a. Confirm the retention of NorthMarq Realty Services, Inc. (“NorthMarq”) as a financial advisor and authorize payment of fees to NorthMarq upon the closing of financings as referenced within the report;
 - b. Authorize the retention of PNC and Greystone as underwriters and/or lenders and authorize payment of compensation to such entities upon the closing of the financings;
 - c. Authorize retention of Orrick Herrington & Sutcliffe as attorneys to be involved in the issuance of bonds and/or financing on behalf of the Housing Commission; and,
 - d. Authorize retention of Wade Norris of Eichner & Norris as a financing attorney to be involved in the FHA and BABs financings.
8. Authorize the President and CEO, or designee, of the San Diego Housing Commission and the Executive Director of the Housing Authority of the City of San Diego to execute any and all documents and to perform any and all acts reasonably necessary to implement the financing plan, provided, however, that each acquisition project shall be approved by the Board of Commissioners of the San Diego Housing Commission under the terms of the Acquisition Policy previously approved by the Housing Authority of the City of San Diego.

BACKGROUND:

In September 2007 the San Diego Housing Commission (“SDHC”) received HUD approval to transition out of the Public Housing Program and to own and operate those same 1,371 units. The approval included the allocation of Housing Choice Vouchers to each resident. The units now owned by the Housing Commission must continue to be rented to low income households at rent levels affordable to either 50% AMI (\$41,300 for a family of four), or 80% AMI (\$66,100 for a family of four) or market rate rents, whichever is less. The Housing Commission is also obligated to leverage the equity in the 1,371 housing units to create a minimum of 350 additional affordable units to be rented at 80% AMI or below. The 1,371 units located on 150 sites were transferred to

Housing Commission ownership November 19, 2007. HUD further defined requirements for the production of additional affordable housing on October 17, 2008. The Housing Commission has been operating the housing on cash flow generated by the units since the transfer of ownership. There are no mortgages on any of the properties. All net operating cash flow has been deposited into an account and a portion of these funds are to be used to fulfill the obligation to create a minimum of 350 additional affordable units as required by HUD and as previously approved by the Housing Authority.

On March 24, 2009, the San Diego Housing Authority adopted the SDHC Real Estate Acquisitions Policy 300.103 (Attachment 1) which delegates authority to SDHC to acquire units to achieve the goal of producing a minimum of 350 units as required by HUD. In addition, under the new policy, the Housing Authority may ask to review the action within seven (7) days. Importantly, this policy also authorized SDHC to obtain the financing necessary to carry out the acquisition and production.

SDHC's purchase of future properties, as described in this Board Report, are intended to be an acquisition of units by SDHC pursuant to Policy 300.103 and to partially satisfy the Housing Commission's obligation to acquire and/or produce a minimum of 350 units as required by HUD.

FINANCE PLAN:

To finance the existing portfolio for the purpose of acquiring more affordable housing, SDHC proposes to use tax-exempt financing when advantageous and conventional (taxable) financing in other circumstances. The financing will encumber all of the larger properties in two separate groups (FHA on 37 properties and Fannie Mae on 35 properties).

One group would be leveraged [mortgaged] with loans from FHA under the 223(f) program. Attachment 2 summarizes this lending program. This portion of the financing would be structured so that it is eligible for Build America Bonds (except possibly for a small portion to cover transaction costs or other non-BABs eligible expenditures). The American Recovery and Reinvestment Act of 2009 provides for a taxable financing structure to benefit municipal issuers known as "Build America Bonds" (BABs). The BABs interest rebate program currently offered by the Federal government provides for a 35% interest rebate of the interest paid on debt used by a municipality to acquire affordable housing projects. Loans from FHA under the 223(f) programs (Attachment 3 summarizes this program) are the most attractive for use of the BABs program due to the 35 year loan term offered by FHA (because the interest rebates continue for the full loan term). Proceeds from this BABs-qualified FHA financing will be used to acquire additional affordable housing properties which have two essential characteristics:

- they are owned solely by SDHC or SDHC-controlled entities or in partnership with other public entities
- they qualify for tax exempt financing

The second group will be leveraged utilizing the Fannie Mae conventional multifamily loan program. The Fannie Mae conventional financing will be utilized to acquire properties which do not qualify for BABs or tax-exempt bonds such as public/private partnerships and ground lease deals.

Fannie Mae is selected for this component for faster and less expensive processing. Fannie Mae financing is typically structured as 10 year term fixed rate financing with payments based on a 30 year amortization schedule.

SDHC has accumulated a “pipeline” of proposed acquisition projects that include a) acquisition of existing multifamily units, b) acquisition and rehabilitation of multifamily units, c) acquisition of new construction projects that have been stalled for various reasons and d) land. SDHC is currently reviewing these opportunities to ascertain their viability and upon underwriting them, will select and prioritize these properties based on key criteria that will augment the existing SDHC portfolio (unit type, location, affordability level, etc.) so that the properties brought forward for acquisition approval will meet SDHC’s stated affordable housing goals, the HUD production goals and the commitment to a real estate portfolio that offers a balance of housing. All new acquisitions will provide housing at or below 80% AMI at initial occupancy as required by the terms of the HUD disposition approval.

The pipeline properties are also being divided into BABs eligible and non-BABs eligible financing categories. In the “first wave” of acquisitions, SDHC’s use of the BABs eligible proceeds will be to acquire properties to be solely owned by the Housing Commission and or in partnership with other public entities (i.e., no private benefit) and those that can be acquired and completed within the shortest timeframe. The properties will be acquired as an “all-cash” purchase. This will “qualify” the use of the original loan proceeds for BABs treatment and as a cash purchase, will eliminate the need for an expensive construction loan during the short time it will take to stabilize the properties. At stabilization after lease up, each acquisition asset will be leveraged with an appropriate new long term loan which may also qualify for BABs if it can be financed by the BABs eligibility “sunset” date of December 31, 2010. Again this is will be done to take advantage of the 35% interest rebate available for BABs. Alternatively, some of the acquisitions will be immediately financed with “construction/permanent” debt which will also qualify for the BABs rebate (FHA 221(d)(4) construction/substantial rehabilitation financing, see Attachment 3 for program summary), but because of an extended development timeline, cannot be leveraged again with a BABs qualified mortgage by the December 31, 2010 program deadline.

This leveraging of the first wave acquisitions then creates additional funds for a “second wave” of acquisitions. Future acquisitions in the second wave and beyond may include undeveloped land to be developed by SDHC and in those cases SDHC will endeavor to use the FHA 221(d)(4) program as noted above, which is advantageous because it provides non-recourse construction loans which convert to long term permanent loans upon completion of construction and cost certification. These loans can be executed as taxable or tax-exempt depending on whether the “acquisition” asset qualifies and if there is benefit to incurring the additional execution cost of tax-exempt bonds.

Approval of the Financing Plan described in this report will authorize the CEO of the San Diego Housing Commission and Executive Director of the Housing Authority of the City of San Diego to execute documents, that include but are not limited to subordination agreements, title insurance indemnity agreements, notes, loan agreements, regulatory agreements, declarations of covenants, conditions and restrictions, deeds of trust, and any and all other agreements and documents reasonably necessary to implement the Financing Plan as required by lenders,

underwriters, title insurers and others and to perform such other acts as are reasonably necessary to effectuate the Financing Plan.

Timing:

On June 29, 2009, the SDHC approved a \$20,000,000 line of credit from US Bank to facilitate the initial acquisition of properties. SDHC intends to use this line to acquire properties up to the time of closing the financing of the existing portfolio is approved, at which time the line of credit will be repaid with proceeds from the Fannie Mae and FHA financing. The Fannie Mae loans will be closed by the end of this year to fund certain 9% tax credit developments with private partners that SDHC has previously agreed to do. The FHA BABs loans will be closed in 3 groups beginning in January 2010. The second installment of BABs loans (leveraging of the first wave of BABs acquisitions) must be funded by the end of December 2010 after the first wave acquisition assets are completed and stabilized to be able to utilize the 35% interest rebate for a second time. It is anticipated that the proceeds from this second installment of BABs loans will be deployed as equity in a new series of acquisitions which will be leveraged immediately upon acquisition as appropriate. The proceeds must be deployed in BABs qualified investments within 36 months.

Please refer to Attachment 5 for the Finance Plan Timeline.

Requested Approval Parameters:

To underwrite the portfolio, SDHC has worked with NorthMarq and Keyser Marston Associates (“KMA”). KMA has provided economic consulting services related to the proposed Finance Plan which includes the following analyses:

1. Cash Flow Analysis. KMA has modeled SDHC’s cash flow and fund balance experience over a five-year period, itemizing sources of funds (net operating income from existing portfolio and new units, loan proceeds and interest rebates) and uses of funds (debt service, loan fees, acquisition costs and other SDHC costs).
2. Balanced Portfolio Analysis. The KMA cash flow analysis is used to test various financing terms and operating income and expense assumptions in determining the leverage [mortgage] capacity of the existing portfolio as well as evaluating alternative investment opportunities that fulfill SDHC’s goal of creating a minimum of 350 additional new affordable units.

The SDHC former-public housing portfolio consists of 1,371 units; however, only 1,254 are to be leveraged. There are 117 units in properties with fewer than 5 units that will remain unleveraged and will generate approximately \$913,000 in annual net operating income to SDHC.

The 1,254 units have a total estimated value of approximately \$141,000,000 after netting out all costs associated with the management and operations of the SDHC. Working with our financial consultants to leverage these properties, at LTV ratios 10 basis points below allowable FHA and Fannie Mae ratios, SDHC can extract approximately \$102,628,000 in equity to use for new acquisitions, as shown below.

This is an illustration based on today's interest rates and is subject to change as interest rate changes occur.

| | FHA/Fannie Mae Program Limits | SDHC Proposal |
|------------------------------------|-------------------------------|---------------|
| Total Estimated Value | \$140,751,000 | \$140,751,000 |
| Maximum Loan to Value | 80% - 85% | 70% - 75% |
| Interest | 6.0% - 6.25% | 6.0% - 6.25% |
| Term (years) | 30 - 35 | 30 - 35 |
| Actual Debt Coverage Ratio | 1.27 | 1.37 |
| Maximum Loan Amount | \$116,705,000 | \$102,628,000 |
| Annual Debt Service | \$8,292,000 | \$7,682,000 |
| Cash Flow | \$2,792,000 | \$3,402,789 |
| BABs Interest Rebate | \$1,512,000 | \$1,339,000 |
| 1-4 Cash Flow | \$913,000 | \$913,000 |
| New DSC | 1.57 | 1.67 |
| Estimated Number of Units Acquired | 1,200 | 1,035 |

As evidenced above with a 1.37 DSCR, the underwriting of the existing portfolio will be done very conservatively. When combined with the cash flow from the unleveraged 1-4 units, the DSCR is 1.67. While Fannie Mae allows up to 80% LTV [Loan To Value], SDHC's underwriting will not exceed 70%. Similarly, FHA allows up to 85% LTV and SDHC will not exceed 75% LTV.

SDHC currently has \$10,700,000 in funds which were generated from the former public housing units. Of this amount, we are setting aside \$5MM which will not be incorporated into our financing and will be held in unobligated reserves. The remaining \$5,700,000 will be added to the leveraged funds of \$102,628,000 and used for future acquisitions.

All future financing of new affordable housing opportunities will conform to Fannie Mae and FHA guidelines (see Attachments 2 & 3) and each new acquisition opportunity will be brought before the SDHC Board for individual approval. Also, as previously mentioned, the Housing Authority has seven (7) days to request further discussion including a presentation to the Housing Authority for final approval.

The KMA analysis concludes that by leveraging the former-public housing portfolio, SDHC can add approximately 1,000 new affordable housing units within the City over the next 3-5 year period. This will be done in partnership with other developers as well as on its own or with other public entities (to take advantage of the BABs financing). At the end of five years, it is anticipated that the

SDHC will have a cash balance of approximately \$4,000,000 (excluding the \$5,000,000 reserve) with net cash flow of approximately \$100,000 per month.

It is important to note that the underwriting contains the following conservative assumptions:

- Debt placed on the existing portfolio will not exceed 75% LTV
- Reserves for future acquisitions are calculated with \$1,000/unit per year in reserves (\$700/unit/year in excess of standard reserve accounts)
- Recognizing that land valuations are currently depressed, the model assumes increases in acquisition costs of 5%, 7.5%, 7.5% and 10% for years 2 – 5.
- Rental income is included at:
 - \$950-\$1,000/unit/month for family 2-bedroom versus \$1,478 that would be allowed at 80% AMI
 - \$600-\$650/unit/month for senior 1-bedrooms versus \$820 that would be allowed at 50% AMI
- Operating expenses are assumed at \$4,500/unit for family and \$3,700 for senior units
- Income increases at 2.5%/year and expenses increase at 3.5%/year

Also, SDHC will not acquire properties in excess of appraised value, as required by the Housing Authority approved Acquisition Policy. Each newly acquired property will be presented to the SDHC for approval.

Lastly, SDHC will perform a formal annual review of the Finance Plan which will be presented to the SDHC Board. Any of the underwriting assumptions that need correction or any other necessary adjustments to the model will be made no less frequently than annually.

Finance Costs: Please see the Keyser Marston Analysis (Attachment 5) for estimated costs for the Fannie Mae and FHA financing of the existing portfolio. The combination of lender Financing Fee and NorthMarq Origination Fee (0.75% for Fannie Mae and 2.5% for FHA) is relatively low given the significant commitment of lender resources required to process loans on a large number of very small multifamily properties (the existing portfolio of 138 properties averages about 10 units per property). The SDHC financial consultant, NorthMarq, who has organized the Finance Plan and will coordinate the efforts of the lenders, will receive an origination fee of 0.5% of the total amount of financing direct from SDHC, plus up to 0.25% of the amount of the financing paid by the lenders. An RFP for the Fannie Mae and FHA lenders was issued and the selected financial institutions are Greystone (Fannie Mae loans) and PNC (FHA loans). Each financial institution has special expertise within their respective areas.

SDHC will be responsible for reimbursing the lenders for all of the lenders' expenses associated with processing and closing the financing. SDHC will be required to make deposits to the lenders totaling approximately \$800,000 for third party consultant reports, plus 0.30% HUD application fees for the FHA financing (approximately \$170,000). SDHC will also need to post refundable good faith deposits at rate lock (within 30 days of closing) of 2% of the loan amounts for Fannie Mae (approximately \$822,000) and 0.5% for FHA (approximately \$283,000). Rate lock deposits are refunded at closing or shortly thereafter. All other financing costs can be paid from loan proceeds at

closing. Third party consultants must be engaged directly by the lenders as required by Fannie Mae and FHA guidelines. SDHC is not and cannot be a party to those engagements. Additionally SDHC will be responsible for reimbursing for the lenders' legal, title, and miscellaneous closing costs, and in the case of FHA, the required HUD fees.

Upon the approval of the Financing Plan by the Commission Board, the CEO, or designee, is intending to and will pay a non-refundable application fee in the sum of \$25,000 to PNC (FHA lender) to begin the preparation of the paperwork for delivery to HUD so that the applications may be submitted to HUD at the earliest possible time to maximize the utilization of the BAB interest rebate. However, no other action with respect to the PNC financing will be taken and the SDHC will not be obligated to proceed further, unless and until the Housing Authority of the City of San Diego approves the financing plan.

Legal costs are estimated at \$200,000 for Eichner & Norris (\$100,000 for fiscal year 2010 and \$50,000 for fiscal year 2011 and 2012) and \$250,000 for Orrick Herrington & Sutcliffe for the same three year period.

FISCAL CONSIDERATIONS:

The Fannie Mae execution is the baseline for comparison and will be used for all acquisitions which do not qualify for BABs rebates. The FHA financing is more expensive to process than the Fannie Mae financing. The motivation to use FHA is in connection with the BABs interest reimbursement opportunity. While the Fannie Mae financing typically only has a term of 10 years (limit of 10 years' BABs benefit), the FHA financing has a term of 35 years (at approximately the same interest rate as the 10 year Fannie Mae financing) with the BABs interest rebate benefit available for the entire 35 years. The extended term of the BABs benefit on the FHA financing more than offsets the additional financing cost of the FHA financing versus the Fannie Mae execution in the early term of the FHA financing.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

In September 2007, the Housing Commission received HUD approval to transition its public housing stock. On March 24, 2009, the Housing Authority adopted the Housing Commission Real Estate Acquisitions Policy 300.103 (HAR09-016) (Attachment 1). In addition, the Housing Commission is authorized to finance properties pursuant to the powers delegated to the Housing Commission pursuant to Real Estate Acquisition Policy 300.103, which grants the Housing Commission the power to obtain dwelling units, pursuant to the procedures set forth therein. Section 3 of Policy 300.103 provides the Housing Commission "is authorized to review, approve, and execute any and all documents necessary and/or appropriate to effectuate the acquisition(s) referenced in this policy."

Section 14 of Policy 300.103 delegates the authority and power to the Housing Commission to acquire other units and projects, to achieve the goal of acquiring and/or producing a minimum of 350 units required by HUD in its approval of the public housing disposition, without further action by the Housing Authority. The Housing Commission's purchase of future properties, as described

in this Board Report, are intended to be an acquisition of units by the Housing Commission pursuant to Policy 300.103 and to partially satisfy the Housing Commission's obligation to acquire and/or produce a minimum of 350 units as required by HUD.

On June 29, 2009, SDHC approved an interim revolving line-of-credit from US Bank in the amount of up to \$20,000,000 supported by \$15,000,000 in AAA rated government bonds pledged to Bank with a 90% advance rate and a 1st Trust Deed in favor of Bank on the Belden apartment project (HCR09-059). This line of credit may be repaid at any time either as a partial pay down or in full. The Belden property may be released early if loan is paid down to a level that can be supported solely by the Pledged Bonds held as collateral (in which case the maximum loan amount will be capped at the Pledged Bonds' advance rate). Loan may be prepaid without cost or penalty provided 30 days advance written notice is given to the Bank in writing.

On June 21, 2009, SDHC received approval from the Housing Authority to take the initial steps to issue Housing Authority mortgage revenue bonds payable from and secured in whole or in part by some or all of the 1,366 rental housing units located throughout the City and previously transferred to the Housing Commission by the Housing Authority, with the approval of HUD (HAR09-028).

On September 11, 2009 the SDHC Board of Commissioners approved the Finance Plan (HCR09-085) as presented herewith.

On September 23, 2009 the Land Use and Housing Committee approved the Finance Plan (LUH09-005) as presented herewith.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

In an effort to ensure this Finance Plan is reviewed by all interested parties, the San Diego Housing Commission has scheduled reviews with the Office of the Independent Budget Analyst of the City of San Diego, the San Diego Land Use and Housing Committee and the San Diego Housing Federation prior to the presentation to the San Diego Housing Authority. In addition, the Housing Commission held a Financing Plan Workshop on August 21, 2009 which was attended by members of the public.

All properties acquired under this Financing Plan will include community participation and outreach efforts. The Acquisition Policy also requires that a balancing of units among communities be observed by the Commission.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

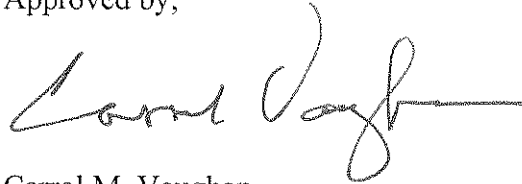
Key stakeholders include the non-profit and for profit development community which will produce affordable housing in partnership with SDHC, other public entities which provide funds for residential development (such as CCDC, SEDC and the Redevelopment Agency) and land and apartment owners whose properties are acquired to create or maintain affordable housing.

Respectfully submitted,



D. Lawrence Clemens
Senior Vice President

Approved by,



Carrol M. Vaughan
Executive Vice President
and Chief Operating Officer

Attachments:

1. Housing Authority Report HAR09-016 dated March 19, 2009 with Real Estate Acquisitions Policy 300.103
2. Underwriting Guidelines - FHA Section 223(f) and FHA Sections 221(d)(3) and 221(d)(4)
3. Underwriting Guidelines - Fannie Mae Standard Mortgage (Greater than \$5MM) and Fannie Mae 3Max Express Mortgage (Less than \$5MM)
4. Finance Plan - Timeline
5. Keyser Marston Analysis dated August 31, 2009

Hard copies are available for review during business hours at the Housing Commission offices at 1122 Broadway, Suite 300, San Diego and at the City Clerk's office, 2nd floor, 202 "C" Street, San Diego. You may review docket materials on the San Diego Housing Commission website at www.sdhc.org



HOUSING AUTHORITY REPORT

DATE ISSUED: March 19, 2009

REPORT NO: HAR09-016

ATTENTION: Members of the Housing Authority
For the Agenda of March 24, 2009

SUBJECT: Housing Commission Approach to the Foreclosure Problem (Citywide)

REQUESTED ACTION:

Approve the Housing Commission's approach to mitigate effects of foreclosures in the City of San Diego.

STAFF RECOMMENDATION:

Approve a broad-based approach to minimize and mitigate future foreclosures by:

1. Providing web-based technical support and resources to homeowners facing foreclosure and by monitoring and reviewing proposed foreclosure prevention legislation;
2. Implementing steps to reuse foreclosed properties, and;
3. Updating the Housing Commission's real estate acquisition policy (Attachment) by delegating, under specific conditions, to the President and Chief Executive Officer (CEO) and the Board of Commissioners, authority to acquire single-family properties and multifamily projects for the purpose of providing additional affordable housing. The Housing Authority would retain the right to review any approval within seven days of any Housing Commission action. Updating this policy requires City Council approval to modify the Housing Commission's advisory role in acquisition matters, in accordance with San Diego Municipal Code Section 98.0301(d)(8). A companion report to this item is on today's City Council docket.

SUMMARY:

At its meeting of November 18, 2008, the Housing Authority directed the Housing Commission to report on its strategy to respond to the foreclosure problems that exist and are anticipated in the City. An approach was presented to the Housing Authority in a January 30, 2009, memorandum from the President and CEO. This report incorporates actions needed to begin implementing the foreclosure approach including updating the Housing Commission's acquisition policy.

I. Foreclosure Prevention

Working with local community and business groups, the Housing Commission has developed a web-based resource guide for financial counseling, communicating with lenders, and identifying other resources for homeowners faced with potential foreclosure. This resource will be expanded with related information and technical assistance as these become available.

March 19, 2009

Housing Commission Approach to the Foreclosure Problem

Page 2

Legislation contained within the Housing and Economic Recovery Act of 2008 (HERA), enacted in July 2008, provided resources for foreclosure activities. The activities include modernizing and expanding the reach of the Federal Housing Administration; tax credits for homebuyers; providing funds for pre-foreclosure counseling; simplifying disclosures on mortgage documents; using mortgage revenue bonds to refinance subprime loans, and; funding for property re-use initiatives.

Additional federal funding to address the foreclosure crisis is provided in the American Recovery and Reinvestment Act of 2009 (the "economic stimulus" bill), signed into law on February 17, 2009. The bill includes approximately \$5.5 billion in supplementary funding for the Neighborhood Stabilization Program (NSP), and the HOME and Community Development Block Grant (CDBG) programs. The Housing Commission will continue to monitor this new legislation and advocate for greater attention to foreclosure prevention activities through its membership in national housing and professional organizations.

On February 18, 2009, a proposal was announced by the federal government directing \$75 billion in government funds for relief to homeowners. The Homeowner Affordability and Stability plan will provide access to low-cost refinancing, clear guidelines for loan modifications, incentives to help borrowers stay current, and legislation to allow bankruptcy judges to restructure mortgage payments.

Also, in recent months, lenders are more interested in canceling foreclosures and providing "work outs," however, modifying the loans by involving unsustainably low interest rates may merely postpone rather than avoid foreclosures. Lastly, the Federal National Mortgage Association's (Fannie Mae) Real Estate Owned rental policy allows renters in Fannie Mae-owned, single-family foreclosed properties the opportunity to stay in their homes by signing a new month-to-month lease with Fannie Mae.

II. Reuse of Foreclosed Properties

The Housing Commission's foreclosure response activities have been fueled by HERA and the NSP. The City will receive approximately \$9.4 million for a range of actions primarily benefiting buyers of foreclosed homes. Preliminary plans call for financial assistance to homebuyers under the Housing Commission's ongoing homebuyer programs and for issuance of a Notice of Funding Availability (NOFA) inviting affordable housing providers, community organizations, and social service agencies to submit proposals for acquisition, rehabilitation, rental uses and property management using NSP funds to provide housing for households earning 50 percent or less of Area Median Income (currently \$39,500 for a family of four). This NOFA will be issued within 30 days of fund availability and will require respondents to present proposals which meet the strict criteria of the NSP program while addressing the greatest number of properties within reasonable costs.

To enhance available funding and maximize potential results, the Housing Commission will seek additional funds dedicated to foreclosure activities. Recently, the Housing Commission was awarded approximately \$16 million in mortgage credit certificates for purchasers of foreclosed homes; this represents significant additional help for homebuyers of these properties.

March 19, 2009

Housing Commission Approach to the Foreclosure Problem

Page 3

Also, discussions have been held with the City's Redevelopment Agency to assure that a coordinated effort can be made to use Redevelopment funding that is dedicated for housing rehabilitation and leverage Housing Commission funds from the Lead Hazard Mitigation grants to improve and "right size" obsolete or deteriorated homes. In the 2010 Fiscal Year Budget, the Housing Commission will include recommendations to dedicate funding to activities that alleviate foreclosure impacts.

Additional relief activities are being explored. Funding for short term rental assistance, housing relocation, and stabilization services may become available to the City through the American Recovery and Reinvestment Act discussed above. It should be noted that there is some concern about restrictions imposed on these funding sources and many in the affordable housing community are working with advocacy groups to identify and correct unintended programmatic barriers.

Locally, the Housing Commission is recommending that the City Council consider focusing funds from the CDBG program for the next two years on eligible activities that address the foreclosure issue.

III. Acquisition of Property

The Housing Commission has reviewed its internal policies and processes to identify those which could expedite and expand foreclosure strategies. In this regard, Policy 300.103, which has governed Housing Commission acquisition policy since 1978, has been updated to 1) reflect a greater need for flexibility in efforts to minimize the destabilizing impacts on neighborhoods by foreclosures; and, 2) allow for more vigorous implementation of the Public Housing Disposition program, which commits the Housing Commission to acquire and/or produce 350 housing units.

The updated Policy seeks Housing Authority approval to delegate to the President and CEO and the Board of Commissioners authority to acquire foreclosed properties without waiting for Housing Authority review and approval of each proposed purchase. If approved, the updated Policy would significantly expedite development efforts with regard to the Public Housing Disposition program and provide for accelerated reuse of vacant or blighted properties. The revised policy includes the following requirements:

- The Housing Commission will only acquire properties at or below the appraised value;
- Properties acquired by the Housing Commission will be used for low or moderate income housing, either as rental properties or for resale to qualified purchasers;
- The Housing Commission will comply with state relocation law;
- The Housing Commission will endeavor to balance acquisitions of properties among neighborhoods so as to not overly concentrate the acquisitions;
- The Housing Commission will submit a report to the Housing Authority twice a year on the acquisitions completed in the prior six month period.

As always, the Housing Authority has the right to review any action taken by the Housing Commission within seven days of the action. To ensure complete disclosure of actions of the CEO and/or the Board of Commissioners, the following process will be implemented:

- Each Council office will receive a copy of every Housing Commission meeting agenda one week in advance of the scheduled meeting;
- Should acquisition of property be recommended for approval, the appropriate Council office will be contacted regarding the property under consideration;
- Following each Housing Commission meeting, each Council office will receive an email synopsis of actions taken at the meeting so that if a Housing Authority member wants to review an action, it will have ample opportunity to do so.

FISCAL CONSIDERATIONS:

There is no net fiscal impact from this action.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

The Public Housing Disposition program was approved on October 31 and November 18, 2008 by the Housing Commission and the Housing Authority, respectively. The NSP Plan was approved by the Land Use and Housing Committee on October 29, 2008, the Housing Commission on October 31, 2008, and by the City Council on November 18, 2008.

The Housing Commission Board approved the foreclosure approach at its meeting of February 20, 2009, and this item was approved unanimously by the Committee on Land Use and Housing on March 11, 2009. Discussions and recommendations from those meetings will be summarized during today's Housing Authority meeting.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

Public hearings on the NSP program, including discussions on the foreclosure problem, were held in October and November 2008. To ensure that the Housing Commission's foreclosure efforts address a broad spectrum of interests and concerns, a Stakeholder Advisory Committee has been convened from people who have expressed interest in the foreclosure issue. This group will provide valuable feedback on community needs and resources; it will also allow the Housing Commission to disseminate information to interested parties as federal programs evolve and other proposals and resources are identified.

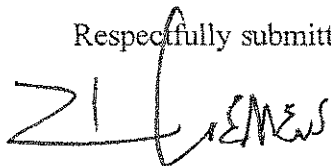
ENVIRONMENTAL REVIEW:

This proposed approach to the foreclosure problem is not a project pursuant to the California Environmental Quality Act (CEQA); therefore, no CEQA environmental review is required. This activity is also exempt from the National Environmental Policy Act pursuant to 24 CFR 58.34(a)(1 and 3).

KEY STAKEHOLDERS & PROJECTED IMPACTS:

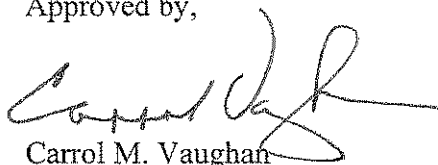
Residents of low and moderate income neighborhoods, particularly those areas most affected by foreclosures (focused in Council Districts 3, 4, 7 and 8), community based organizations, planning groups, and community based service providers.

Respectfully submitted by,



D. Lawrence Clemens
Senior Vice President
Housing Development and Finance

Approved by,



Carrol M. Vaughan
Executive Vice and President &
Chief Operating Officer

Attachment: Updated Policy PO300.103 – Real Estate Acquisition

San Diego Housing Commission
POLICY

Subject: Real Estate Acquisition Policy

Number: P 300.103

Effective Date: _____

Page 1

Purpose

To obtain dwelling units through acquisition of existing dwelling units/homes and/or projects.

Goal

To procure existing dwelling units/projects as expeditiously as possible to alleviate the foreclosure crisis and/or to meet the goal of acquiring a minimum of 350 units as mandated by HUD in its approval of the San Diego Housing Commission's application for the disposition of public housing.

Implementation of Acquisition

- 1) In order to allow the San Diego Housing Commission to acquire, homes, units and/or multifamily projects, and any and all other types and kinds of residential real property that are foreclosed or are in jeopardy of being foreclosed, with or without the use of real estate brokers, the Housing Authority of the City of San Diego delegates to the San Diego Housing Commission, the right, power and authority to purchase units/homes and/or projects as set forth in this policy and the resolution approving this policy.
- 2) In addition to utilizing brokers and/or dealing directly with individual developers and owners, the San Diego Housing Commission is encouraged to deal directly with lenders, to the extent feasible, including, without limitation, FNMA and FHLMC, to purchase properties acquired by such lender(s) through foreclosure, or by deeds in lieu of foreclosure, and/or to acquire properties which are the subject of a Notice of Default during the foreclosure procedure, but prior to actual foreclosure. In addition, the San Diego Housing Commission is encouraged and authorized to deal directly with lenders, to the extent feasible, to meet the goal of acquiring and/or producing a minimum of an additional 350 units.
- 3) The San Diego Housing Commission is authorized to review, approve, and execute any and all documents necessary and/or appropriate to effectuate the acquisition(s) referenced in this policy.

| | | |
|---|-----------------------|--------|
| San Diego Housing Commission POLICY | | |
| Subject: Real Estate Acquisition Policy | | |
| Number: P 300.103 | Effective Date: _____ | Page 2 |

- 4) The San Diego Housing Commission is authorized to contract directly with brokers and/or to cooperate with brokers to effectuate the acquisitions.
- 5) Any acquisitions of single family homes/ condominium units may be accomplished by the President and Chief Executive Officer (CEO) of the San Diego Housing Commission, or designee, without further action from or by the Board of Commissioners of the San Diego Housing Commission, provided that the acquisition(s) is/are based upon a purchase price(s) at or below an appraised value and provided further the clear fee simple title may be acquired by the San Diego Housing Commission at the close of escrow. The CEO is authorized to execute any and all documents necessary and/or appropriate to allow for the acquisition of the single family homes and/or condominium units, as approved by the General Counsel of the San Diego Housing Commission.
- 6) Acquisitions of multifamily projects and multiple units shall be approved by the Board of Commissioners of the San Diego Housing Commission.
- 7) Any action taken by the Board of Commissioners of the San Diego Housing Commission, as authorized in this policy, may be reviewed by the Housing Authority of the City of San Diego within seven (7) days of the date of any San Diego Housing Commission approval of an acquisition, by notice from any Housing Authority Commissioner (City Councilmember) and/or the Executive Director of the Housing Authority, in accordance with the applicable provisions of San Diego Municipal Code Section 98.0301(e).
- 8) Any action of the San Diego Housing Commission concerning any acquisition shall become final if no request for review by the Housing Authority is received with such seven (7) days period, in accordance with the provisions of San Diego Municipal Code Section 98.0301(e).
- 9) The San Diego Housing Commission is delegated the power and authority to acquire lending necessary and appropriate, if any, for any acquisition approved by it.

San Diego Housing Commission
POLICY

Subject: Real Estate Acquisition Policy

Number: P 300.103

Effective Date: _____

Page 3

- 10) The property acquired shall be utilized by the San Diego Housing Commission, either as rental properties for low or moderate income housing, and/or the homes and/or units may be resold to qualified low and/or moderate income purchasers. Any property to be resold shall be in safe, decent and sanitary condition.
- 11) No property may be acquired unless and until a certified appraisal of value has been obtained for each property to be acquired. The purchase price for the property to be acquired must be at or below the appraised value.
- 12) The San Diego Housing Commission shall comply with state relocation law, as required in connection with any acquisition.
- 13) The San Diego Housing Commission shall adopt Administrative Regulations to further implement this policy.
- 14) In addition to acquiring units that have been foreclosed and/or are in jeopardy of being foreclosed, the San Diego Housing Commission is delegated authority and power to and may acquire other units/homes and projects, to achieve the goal of acquiring and/or producing a minimum of 350 units required by HUD in its approval of the public housing disposition, without further action by the Housing Authority, but subject to review by the Housing Authority as referenced in Paragraph 7 of this policy. These acquisitions may be accomplished with or without brokers, through lenders and/or directly from private owners and developers, or any combination of the foregoing.
- 15) The San Diego Housing Commission shall report to the Housing Authority and the City Council not less frequently than twice a year on the status of the acquisition(s) by written informational report(s).
- 16) The San Diego Housing Commission shall endeavor to balance the acquisitions of housing among neighborhoods so as to not overly concentrate the areas of acquisition.



Multifamily Rental Housing
 Permanent Financing / Acquisition, Refinancing
 FHA Section 223(f)

| | |
|----------------------------|---|
| Purpose: | Permanent Financing / Acquisition, Refinancing for existing: <ul style="list-style-type: none"> * Market Rate Family Apartments * Affordable Housing Apartments * Senior Independent Apartments * Urban Renewal Area Apartments |
| Eligible Borrowers: | Single asset borrower may be comprised of: <ul style="list-style-type: none"> * For-Profit Sponsor * Nonprofit Sponsor * Public Entity Sponsor |
| Qualifications: | The property must contain at least 5 residential units with complete kitchens and baths and have been completed or substantially rehabilitated for at least 3 years: <ul style="list-style-type: none"> * Projects requiring substantial rehabilitation are not eligible. |
| Commercial Space: | Commercial space is permitted, limited to: <ul style="list-style-type: none"> * 20% of gross floor area of the project, and * 20% of effective gross income of the project. |
| Maximum Loan: | Purchase Transaction – the lesser of: <ul style="list-style-type: none"> * 85% of value as repaired, * 85% of acquisition cost, including transaction costs, capitalization of replacement reserve and repair costs, * Loan supportable by 85% of net income, * FHA’s statutory per unit limits, adjusted by jurisdiction. Refinance Transaction – the lesser of: <ul style="list-style-type: none"> * 85% of value as repaired, * Greater of cost to refinance existing debt, including transaction costs, capitalization of replacement reserve and repair costs, or 80% of value, * Loan supportable by 85% of net income, * FHA’s statutory per unit limits, adjusted by jurisdiction. |
| Loan Features: | <ul style="list-style-type: none"> * Market Rate Family, Senior Independent (<i>age 62+</i>), and Urban Renewal Apartments – no rent restrictions or tenant income limits. * Affordable Housing Apartments – rent and income limits apply pursuant to IRS Code. * Loan Term – up to 35 years. * Fully amortizing loan, no balloon payment. * Non-recourse permanent loan. * Loan is fully assumable by new owner. * Rate is fixed for entire loan term prior to loan closing. |



AMERISPHERE

- Program may be used to credit enhance taxable and tax exempt bonds in conjunction with the 4% LIHTC program, or as a direct loan in conjunction with the 9% LIHTC program.
- Secondary financing, including grants and tax credits, is permitted in conjunction with the FHA-insured loan to cover certified project costs in excess of 100% of value or replacement cost if provided by a Federal, State or local governmental authority or instrumentality; otherwise if provided by a private source, up to 92.5% of value.
- Davis-Bacon prevailing wage requirements do not apply.
- Non-critical repairs may be deferred but must be completed within 12 months of loan closing.

Information Request:

Please provide the following information for a preliminary loan quote:

- Brief description of property including year built, number of units, unit mix and square footages, and site acreage.
- Last three years, and year-to-date income and expense statements and balance sheets.
- Current rent roll.
- Copy of restricted use agreement, if applicable.
- Any available market studies, appraisals or environmental reports.
- Copy of most recent mortgage statement, with escrow balances, for property owned, or copy of purchase contract for property to be acquired.
- List of and estimated costs of desired repairs to be financed.
- Names of owner, principals, management agent, etc.; resumes if available.



Multifamily Rental Housing
 New Construction / Substantial Rehabilitation
 FHA Sections 221(d)(3) and 221(d)(4)

| | |
|----------------------------|--|
| Purpose: | New Construction / Substantial Rehabilitation financing for: <ul style="list-style-type: none"> • Market Rate Family Apartments • Affordable Housing Apartments • Senior Independent Apartments |
| <hr/> | |
| Eligible Borrowers: | Single asset borrower may be comprised of: <ul style="list-style-type: none"> • For-Profit Sponsor • Nonprofit Sponsor • Public Entity Sponsor |
| <hr/> | |
| Qualifications: | <p>New Construction of proposed multifamily housing including detached, semi-detached, row, walkup or elevator-type rental or cooperative housing containing 5 or more units, where:</p> <ul style="list-style-type: none"> • No work has been done to the site prior to initial loan closing (<i>unless early start has been approved</i>). <p>Substantial Rehabilitation - must meet one of the following criteria:</p> <ul style="list-style-type: none"> • Cost of repairs, replacements and improvements exceeds the greater of 15% of estimated replacement cost after completion, or \$6,500 per unit adjusted by jurisdiction, or • Two or more major building components are being substantially replaced. |
| <hr/> | |
| Commercial Space: | Permitted to serve the needs of the project's residents, limited to: <ul style="list-style-type: none"> • 10% of gross floor area of the project, and • 15% of gross income of the project. |
| <hr/> | |
| Maximum Loan: | <p>New Construction – the lesser of:</p> <ul style="list-style-type: none"> • 90% (<i>100% for nonprofits</i>) of replacement costs, • Loan supportable by 90% (<i>95% for nonprofits</i>) of net income, • FHA's statutory per unit limits, adjusted by jurisdiction. <p>Substantial Rehabilitation – the lesser of:</p> <ul style="list-style-type: none"> • 90% (<i>100% for nonprofits</i>) of sum of rehabilitation costs and existing value of land and improvements, • Loan supportable by 90% (<i>95% for nonprofits</i>) of net income, • FHA's statutory per unit limits, adjusted by jurisdiction. |
| <hr/> | |
| Loan Features: | <ul style="list-style-type: none"> • Market Rate Family and Senior Independent (<i>age 62+</i>) Apartments – no rent restrictions or tenant income limits. • Affordable Housing Apartments – rent and income limits apply |
| pursuant to IRS Code. | <ul style="list-style-type: none"> • Loan Term – construction period plus up to 40 years. • Fully amortizing loan, no balloon payment. • Non-recourse during both construction and permanent loan phases. • Loan is fully assumable by new owner. • Rate is fixed for entire loan term prior to initial loan closing. |



- * No lease-up hurdle is required for conversion to permanent loan.
- * Program may be used to credit enhance taxable and tax exempt bonds in conjunction with the 4% LIHTC program, or as a direct loan in conjunction with the 9% LIHTC program.
- * Secondary financing, including grants and tax credits, is permitted in conjunction with the FHA-insured loan to cover certified project costs in excess of 100% of value or replacement cost if provided by a Federal, State or local governmental authority or instrumentality.
- * Developer fee (*Builder's and Sponsor's Profit & Risk Allowance "BSPRA"*) equal to 10% of all costs other than land may be included in replacement costs.
- * Davis-Bacon prevailing wage requirements apply to costs of new construction or rehabilitation.

Information Request:

- Please provide the following information for a preliminary loan quote:
- * Brief description of proposed improvements including number of units with breakdown of rents by unit type.
 - * Development or rehabilitation budget.
 - * Pro forma income and expenses for completed project.
 - * Estimate of value of site; copy of purchase contract.
 - * Any available market studies, appraisals or environmental reports.
 - * Names of sponsor, developer, management agent, general contractor, architect, etc.; resumes if available.
 - * Site plan, unit floor plans, elevations, survey, architectural drawings, etc. to the extent available.



Standard DUS Mortgage

Lenders in Fannie Mae's Delegated Underwriting and Servicing (DUS™) program offer a wide variety of innovative solutions to meet borrowers' needs. For financing conventional market-rate apartment properties, a Standard DUS Mortgage is usually the best choice.

Benefits of Standard DUS

Borrowers want:

Standard DUS delivers:

| | |
|----------------------------------|---|
| Flexible terms | Choose fixed-rate or ARM, balloon or fully amortizing, with a wide choice of terms and prepayment options. |
| Certainty of execution | DUS lenders have delegated authority to underwrite, commit and rate lock loans without prior review by Fannie Mae. Fannie Mae and the DUS lenders are in every market, every day. |
| Fast processing and underwriting | Every DUS lender's organization is staffed with experienced real estate professionals who use their delegated authority to close deals quickly and smoothly. |
| Competitive pricing | DUS lenders have access to both cash and securitization executions and offer competitive tiered pricing based on the risk attributes of the loan. |

Eligible Properties

A Standard DUS Mortgage can be used for the acquisition or refinance of multifamily properties (minimum of 5 units).

Eligible Borrowers

Any creditworthy single-asset U.S. borrower with all U.S. principals is eligible. Foreign borrowers may also have ownership interests, subject to proper structuring of the borrowing entity.

Eligible Lenders

A list of approved DUS lenders can be found on www.fanniemae.com.

Loan Amount

No minimum or maximum. Some single-asset DUS loans exceed \$150 million.

Loan Term

Terms ranging from 5 to 30 years are available. Terms of 5, 7, 10, 15, 18, 20, 25 or 30 years are standard.

Amortization

Up to 30 years.

Maximum LTV

80%. There are exceptions to this rule for income-restricted Multifamily Affordable Housing transactions.

Minimum DSCR

1.25x. There are exceptions to this rule for income-restricted Multifamily Affordable Housing transactions.

Recourse Requirements

Non-recourse execution is available for most loans greater than \$1.5 million. Standard carve-outs to non-recourse for "bad acts" such as fraud are required.

Property Seasoning

New properties must have stabilized (typically 90% occupancy) for 90 days prior to funding. Loan commitments for pre-stabilized properties will be considered on a case-by-case basis.

Minimum Vacancy and Collection Loss

5%

Escrows

Replacement reserve, tax and insurance escrows are typically required for higher leverage transactions.

Third-party Reports

Standard third-party reports—Appraisal, Phase I Environmental Assessment, and a Physical Needs Assessment—are required.

Executions Available

Cash, MBS, or DMBS.

Interest Rates

Fixed and variable rates are available.

Accrual Basis

30/360 and Actual/360

Rate Lock

30- to 90-day commitments are available. Extended Rate Lock feature is also available, allowing the borrower to lock a rate 45 to 365 days in advance of closing.

Pricing

Pricing is tiered and based on the risk attributes of the loan.

Assumption

DUS Loans are typically assumable, subject to lender's review and approval of the new borrower's financial capacity.

Prepayment Provisions

Fannie Mae offers borrowers three prepayment premium options: Yield Maintenance, Defeasance, and Graduated Prepayment Premium (example: 5-4-3-2-1 on 5-year term). Fannie Mae has the most borrower-friendly Defeasance product in the marketplace; a single Fannie Mae debt instrument can be purchased to defease your loan.

Supplemental Financing

Fannie Mae offers the best, most flexible Supplemental Loan product in the business. As NOI continues to grow, the DUS lender can provide Supplemental Loans on multiple occasions.

Additional Resources

For more detailed information about the DUS product line, see the Fannie Mae Multifamily Delegated Underwriting and Servicing Guide found on AllRegs® Online.

Contact

To learn more about the DUS product line, lenders should contact their Fannie Mae National Account Manager. Borrowers should contact a DUS lender.

3MaxExpress®

Fannie Mae's 3MaxExpress product offers flexible loan terms and streamlined processing for loans of up to \$3 million (up to \$5 million in certain MSAs).

Borrowers Want

3MaxExpress Delivers

| | |
|---|--|
| Flexible terms for small loans | Fixed-rate or ARM, Balloon or Fully Amortizing loans, with a wide choice of terms and prepayment options, including Yield Maintenance, Defeasance and Graduated Prepayment Premiums. |
| Streamlined processing and underwriting | Lenders have delegated authority to underwrite 3MaxExpress loans. Streamlined third party reports and data requirements shorten the loan processing time. |
| Low cost execution | Streamlined process reduces transaction costs and may allow financing of some of these costs. |
| Competitive pricing | Fannie Mae Cash and MBS (securitization) executions allow lenders to offer consistent and competitive pricing, nationwide. |

Eligible Properties

Acquisition or refinance of multifamily properties (minimum of 5 units).

Ineligible properties: Multifamily Affordable Housing, Manufactured Housing Communities, properties requiring substantial rehabilitation, and Seniors Independent and Assisted Living.

Eligible Borrowers

Any creditworthy U.S. borrower or U.S. citizen.

Eligible Lenders

Approved Fannie Mae Small Loan lenders.

Loan Amount

Up to and including \$3 million, or up to and including \$5 million in the following Metropolitan Statistical Areas ("MSAs"): Boston, New York, Washington (DC), Chicago, Los Angeles, Orange County (CA), Sacramento, San Diego, San Francisco and Seattle.

Loan Term

From 5 to 30 years.

Amortization

Up to 30 years.

Maximum LTV

80%

Minimum DSCR

1.20x

Recourse Requirements

Non-recourse permitted in certain markets and for lower leverage transactions, with standard carve-outs to non-recourse for "bad acts" such as fraud. Recourse required for loans less than or equal to \$750,000 with individual Key Principal/Principal executing a state specific Payment Guaranty document.

Property Stabilization

90% occupancy for 90 days required prior to funding.

Minimum Vacancy and Collection Loss

Greater of market, actual, or 5%.

Taxes and Insurance Escrows

Required for all loans where Key Principal/Principal FICO Score is less than 680. With FICO Score greater than or equal to 680, lender's discretion to waive Escrows.

Replacement Reserves

Not required.

Third-party Reports

Short form appraisal and streamlined physical needs and environmental reports required.

Executions Available

Cash and MBS

Interest Accrual Basis

Actual/360 or 30/360

Rate Lock

30- to 90-day Commitments. Extended Rate Lock available for 45 to 365 days in advance of closing on a limited basis.

Assumption

Non-recourse loans are typically assumable, subject to Lender/Fannie Mae review, approval, and payment of a 1% Transfer fee. Recourse loans have reduced assumability features.

Prepayment Provisions

Yield Maintenance, Defeasance, and Graduated Prepayment Premium (example: 5-4-3-2-1 on 5 year term).

Additional Resources

For detailed information about 3MaxExpress, see the 3MaxExpress Guide under Fannie Mae Multifamily on AllRegs[®] Online.

Contact

Lenders interested in participating, contact Mark Lacey at Fannie Mae (202) 752-3427. Borrowers may find contact information for Fannie Mae Small Loan Lenders at eFannieMae.com: <https://www.efanniemae.com/mf/refmaterials/lenderinfo/smloanlenders.jsp>.

San Diego Housing Commission Finance Plan Timeline

I. Finance Plan Approval

| | |
|--------------|--|
| August 21 | Staff presentation of Finance Plan to HC Board – Workshop |
| September 9 | Staff presentation of Finance Plan to San Diego Housing Federation |
| September 11 | Staff presentation of Finance Plan to HC Board – Approval |
| September 23 | Staff presentation to Land Use & Housing Board |
| October 6 | Staff presentation of Finance Plan to HA for approval |

II. Leveraging of Existing Portfolio

Lender Due Diligence and Underwriting Phase

| | |
|---------------------|---|
| October 7 | HC signs loan applications with FHA and Fannie Mae lenders to start the due diligence and underwriting process |
| Through November | SDHC delivers reports and documentation needed by Lenders for underwriting. Lenders conduct third party consultant due diligence studies (appraisal, environmental, engineering, seismic, survey, etc.) |
| December | FHA lender submits applications for mortgage insurance to HUD. Fannie Mae lender completes approval process and schedules closings. |
| February-April 2010 | FHA approves applications. FHA Lender schedules closings. |

Closing Phase

| | |
|------------------|-------------------------------|
| December/January | Fannie Mae closings occur. |
| February 2010 | Initial FHA closings occur. |
| March/April 2010 | Remaining FHA closings occur. |

III. New Additions to Portfolio

Acquisitions with non-government partners (**not qualified for BABs interest rebate**)

| | |
|------------------|---|
| 3Q2009-4Q2009 | HC completes acquisitions up to \$20 million using the US Bank interim financing loan proceeds |
| December/January | HC pays off US Bank interim loan with proceeds of the Fannie Mae permanent financing |
| December-1Q2010 | HC continues targeted acquisitions with non-government partners up to the limit of the amount of available proceeds from the Fannie Mae financing, leveraging HC equity with new permanent debt if applicable |

Acquisitions to be wholly owned by HC (qualified for BABs interest rebate)

| | |
|---------------|--|
| 1Q2010-4Q2010 | HC executes acquisitions to be wholly owned by HC up to the limit of the amount of available proceeds from the FHA financing <ol style="list-style-type: none">Acquire with immediate permanent debt if stabilized, otherwise acquire on an “all-cash” basis to quickly re-deploy the BABs qualified loan proceeds and avoid the cost and delay of a third party construction loan. It is likely that several of these acquisition properties will not have achieved stabilized occupancy (partially completed new construction condos, rehabilitation properties, etc.).Leverage the “pre-stabilized” acquisition properties upon achievement of stabilized occupancy, generating additional “equity” to use to acquire additional assets. |
|---------------|--|

12/31/2010 deadline Any debt financing that is closed by this deadline for properties wholly owned by HC can also qualify for the BABs interest rebate provided that those loan proceeds are used within 3 years to acquire additional affordable housing properties wholly owned by HC

BABs Interest Rebate HC receives an interest rebate of 35% of interest paid on debt for all BABs qualified investments, materially increasing HC’s annual net cash flow after debt service for these assets.

- After 12/31/2010 HC executes a second round of acquisitions utilizing the proceeds of leveraging the first round wholly owned acquisitions as noted above.
- a. These acquisitions need to be wholly owned by HC to preserve the BABs interest rebate on the debt created in leveraging the first wave acquisitions.
 - b. HC can leverage these acquisitions immediately to achieve the maximum number of new affordable housing units.
 - c. All BABs qualified proceeds from the leveraging of the first round acquisitions need to be re-invested in wholly owned acquisitions within 3 years after that first round leveraging occurs.

IV. On-Going Expansion of HC Portfolio

- 2011 and Beyond HC will have the opportunity to accumulate and reserve growing cash flow after debt service on a growing portfolio of affordable housing assets. HC can use this accumulated equity going forward to continually acquire more affordable housing properties, with or without the use of leverage.

ATTACHMENT 5

BALANCED PORTFOLIO ANALYSIS

San Diego Housing Commission

September 2, 2009

TABLE 1

PORTFOLIO CASH FLOW - SOURCES OF FUNDS
BALANCED PORTFOLIO ANALYSIS, 5-YEAR PROJECTION
SAN DIEGO HOUSING COMMISSION

| | 1 July 2009 | 1 August 2009 | 1 September 2009 | 1 October 2009 | 1 November 2009 | 1 December 2009 | 1 January 2010 | 1 February 2010 | 1 March 2010 | 1 April 2010 | 1 May 2010 | 1 June 2010 | Total FY 09-10 |
|--|-------------------|---------------------|------------------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------|--------------------|--------------------|------------------|-------------------|-------------------|
| Sources of Funds | | | | | | | | | | | | | |
| I. Net Operating Income | | | | | | | | | | | | | |
| Existing Portfolio - Fannie Mae Pool - 600 Units | \$366,682 | \$366,682 | \$366,682 | \$366,682 | \$366,682 | \$366,682 | \$366,682 | \$366,682 | \$366,682 | \$366,682 | \$366,682 | \$366,682 | \$4,400,180 |
| Existing Portfolio - FHA Pool - 654 Units | \$470,983 | \$470,983 | \$470,983 | \$470,983 | \$470,983 | \$470,983 | \$470,983 | \$470,983 | \$470,983 | \$470,983 | \$470,983 | \$470,983 | \$5,651,800 |
| Existing Portfolio - 1-4 Unit Projects - 117 Units | \$76,062 | \$76,062 | \$76,062 | \$76,062 | \$76,062 | \$76,062 | \$76,062 | \$76,062 | \$76,062 | \$76,062 | \$76,062 | \$76,062 | \$912,747 |
| Total Existing Portfolio | \$913,727 | \$913,727 | \$913,727 | \$913,727 | \$913,727 | \$913,727 | \$913,727 | \$913,727 | \$913,727 | \$913,727 | \$913,727 | \$913,727 | \$10,964,727 |
| Add: NOI from Additional New Units | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Net Operating Income | \$913,727 | \$913,727 | \$913,727 | \$913,727 | \$913,727 | \$913,727 | \$913,727 | \$913,727 | \$913,727 | \$913,727 | \$913,727 | \$913,727 | \$10,964,727 |
| II. Loan Proceeds | | | | | | | | | | | | | |
| US Bank Line of Credit | \$0 | \$0 | \$20,000,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$20,000,000 |
| Permanent Loan Proceeds - Fannie Mae | \$0 | \$0 | \$0 | \$0 | \$0 | \$41,067,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$41,067,000 |
| Permanent Loan Proceeds - FHA | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$18,839,333 | \$18,839,333 | \$18,839,333 | \$0 | \$0 | \$36,678,666 |
| Permanent Loan Proceeds - Additional New Units | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Loan Proceeds | \$0 | \$0 | \$20,000,000 | \$0 | \$0 | \$41,067,000 | \$0 | \$18,839,333 | \$18,839,333 | \$18,839,333 | \$0 | \$0 | \$117,565,000 |
| III. BABs Interest Rebate | | | | | | | | | | | | | |
| Existing Portfolio | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$34,343 | \$68,682 | \$102,959 | \$102,891 | \$308,855 |
| Additional New Units | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total BABs Interest Rebate | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$34,343 | \$68,682 | \$102,959 | \$102,891 | \$308,855 |
| IV. Total Sources of Funds | \$913,727 | \$913,727 | \$20,913,727 | \$913,727 | \$913,727 | \$41,980,727 | \$913,727 | \$19,753,061 | \$19,787,403 | \$19,821,723 | \$1,016,687 | \$1,016,618 | \$128,858,583 |

TABLE 1

PORTFOLIO CASH FLOW - SOURCES OF FUNDS
 BALANCED PORTFOLIO ANALYSIS, 5-YEAR PROJECTION
 SAN DIEGO HOUSING COMMISSION

| | 2 July 2010 | 2 August 2010 | 2 September 2010 | 2 October 2010 | 2 November 2010 | 2 December 2010 | 2 January 2011 | 2 February 2011 | 2 March 2011 | 2 April 2011 | 2 May 2011 | 2 June 2011 | Total FY 10-11 |
|--|-------------------|---------------------|------------------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------|--------------------|--------------------|------------------|-------------------|-------------------|
| Sources of Funds | | | | | | | | | | | | | |
| I. Net Operating Income | | | | | | | | | | | | | |
| Existing Portfolio - Fannie Mae Pool - 600 Units | \$389,397 | \$389,397 | \$389,397 | \$389,397 | \$389,397 | \$389,397 | \$389,397 | \$389,397 | \$389,397 | \$389,397 | \$389,397 | \$389,397 | \$4,672,763 |
| Existing Portfolio - FHA Pool - 654 Units | \$492,310 | \$492,310 | \$492,310 | \$492,310 | \$492,310 | \$492,310 | \$492,310 | \$492,310 | \$492,310 | \$492,310 | \$492,310 | \$492,310 | \$5,907,726 |
| Existing Portfolio - 1-4 Unit Projects - 117 Units | \$77,586 | \$77,586 | \$77,586 | \$77,586 | \$77,586 | \$77,586 | \$77,586 | \$77,586 | \$77,586 | \$77,586 | \$77,586 | \$77,586 | \$931,038 |
| Total Existing Portfolio | \$959,294 | \$959,294 | \$959,294 | \$959,294 | \$959,294 | \$959,294 | \$959,294 | \$959,294 | \$959,294 | \$959,294 | \$959,294 | \$959,294 | \$11,511,527 |
| Add: NOI from Additional New Units | \$0 | \$0 | \$0 | \$0 | \$0 | \$42,025 | \$42,025 | \$42,025 | \$84,050 | \$84,050 | \$84,050 | \$84,050 | \$84,050 |
| Total Net Operating Income | \$959,294 | \$959,294 | \$959,294 | \$959,294 | \$959,294 | \$1,001,319 | \$1,001,319 | \$1,001,319 | \$1,043,344 | \$1,043,344 | \$1,043,344 | \$1,043,344 | \$11,973,802 |
| II. Loan Proceeds | | | | | | | | | | | | | |
| US Bank Line of Credit | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Permanent Loan Proceeds - Fannie Mae | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Permanent Loan Proceeds - FHA | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Permanent Loan Proceeds - Additional New Units | \$0 | \$0 | \$0 | \$0 | \$0 | \$5,043,200 | \$0 | \$0 | \$5,043,200 | \$0 | \$0 | \$0 | \$10,086,400 |
| Total Loan Proceeds | \$0 | \$0 | \$0 | \$0 | \$0 | \$5,043,200 | \$0 | \$0 | \$5,043,200 | \$0 | \$0 | \$0 | \$10,086,400 |
| III. BABs Interest Rebate | | | | | | | | | | | | | |
| Existing Portfolio | \$102,823 | \$102,754 | \$102,684 | \$102,615 | \$102,545 | \$102,474 | \$102,404 | \$102,333 | \$102,261 | \$102,189 | \$102,117 | \$102,044 | \$1,229,243 |
| Additional New Units | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$9,193 | \$9,167 | \$9,141 | \$9,115 | \$9,089 | \$9,063 | \$95,066 |
| Total BABs Interest Rebate | \$102,823 | \$102,754 | \$102,684 | \$102,615 | \$102,545 | \$102,474 | \$111,597 | \$111,519 | \$111,442 | \$111,364 | \$111,285 | \$111,207 | \$1,284,309 |
| IV. Total Sources of Funds | \$1,062,116 | \$1,062,048 | \$1,061,978 | \$1,061,909 | \$1,061,839 | \$6,146,993 | \$1,112,916 | \$1,112,838 | \$6,197,986 | \$1,154,798 | \$1,154,629 | \$1,154,651 | \$23,344,510 |

TABLE 1
PORTFOLIO CASH FLOW - SOURCES OF FUNDS
BALANCED PORTFOLIO ANALYSIS, 5-YEAR PROJECTION
SAN DIEGO HOUSING COMMISSION

| | 3 July 2011 | 3 August 2011 | 3 September 2011 | 3 October 2011 | 3 November 2011 | 3 December 2011 | 3 January 2012 | 3 February 2012 | 3 March 2012 | 3 April 2012 | 3 May 2012 | 3 June 2012 | Total FY 11-12 |
|--|-------------------|---------------------|------------------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------|--------------------|--------------------|------------------|-------------------|-------------------|
| Sources of Funds | | | | | | | | | | | | | |
| I. Net Operating Income | | | | | | | | | | | | | |
| Existing Portfolio - Fannie Mae Pool - 600 Units | \$411,887 | \$411,887 | \$411,887 | \$411,887 | \$411,887 | \$411,887 | \$411,887 | \$411,887 | \$411,887 | \$411,887 | \$411,887 | \$411,887 | \$4,942,639 |
| Existing Portfolio - FHA Pool - 654 Units | \$503,624 | \$503,624 | \$503,624 | \$503,624 | \$503,624 | \$503,624 | \$503,624 | \$503,624 | \$503,624 | \$503,624 | \$503,624 | \$503,624 | \$6,043,489 |
| Existing Portfolio - 1-4 Unit Projects - 117 Units | \$79,137 | \$79,137 | \$79,137 | \$79,137 | \$79,137 | \$79,137 | \$79,137 | \$79,137 | \$79,137 | \$79,137 | \$79,137 | \$79,137 | \$949,649 |
| Total Existing Portfolio | \$994,648 | \$994,648 | \$994,648 | \$994,648 | \$994,648 | \$994,648 | \$994,648 | \$994,648 | \$994,648 | \$994,648 | \$994,648 | \$994,648 | \$11,935,777 |
| Add: NOI from Additional New Units | \$129,227 | \$129,227 | \$142,202 | \$142,202 | \$142,202 | \$142,202 | \$142,202 | \$142,202 | \$155,177 | \$155,177 | \$155,177 | \$155,177 | \$1,732,375 |
| Total Net Operating Income | \$1,123,875 | \$1,123,875 | \$1,136,850 | \$1,136,850 | \$1,136,850 | \$1,136,850 | \$1,136,850 | \$1,136,850 | \$1,149,825 | \$1,149,825 | \$1,149,825 | \$1,149,825 | \$13,668,153 |
| II. Loan Proceeds | | | | | | | | | | | | | |
| US Bank Line of Credit | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Permanent Loan Proceeds - Fannie Mae | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Permanent Loan Proceeds - FHA | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Permanent Loan Proceeds - Additional New Units | \$5,168,800 | \$0 | \$1,557,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,557,000 | \$0 | \$0 | \$0 | \$8,282,800 |
| Total Loan Proceeds | \$5,168,800 | \$0 | \$1,557,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,557,000 | \$0 | \$0 | \$0 | \$8,282,800 |
| III. BABS Interest/Rebate | | | | | | | | | | | | | |
| Existing Portfolio | \$101,972 | \$101,898 | \$101,824 | \$101,750 | \$101,676 | \$101,601 | \$101,526 | \$101,450 | \$101,374 | \$101,297 | \$101,221 | \$101,143 | \$1,218,732 |
| Additional New Units | \$9,156 | \$9,150 | \$9,143 | \$9,137 | \$9,131 | \$9,124 | \$9,118 | \$9,111 | \$9,105 | \$9,098 | \$9,092 | \$9,085 | \$109,449 |
| Total BABS Interest Rebate | \$111,127 | \$111,048 | \$110,968 | \$110,887 | \$110,806 | \$110,725 | \$110,643 | \$110,561 | \$110,479 | \$110,396 | \$110,312 | \$110,228 | \$1,328,182 |
| IV. Total Sources of Funds | \$6,403,802 | \$1,234,923 | \$2,804,818 | \$1,247,738 | \$1,247,657 | \$1,247,575 | \$1,247,494 | \$1,247,411 | \$2,817,304 | \$1,260,221 | \$1,260,138 | \$1,260,054 | \$23,279,134 |

TABLE 1
 PORTFOLIO CASH FLOW - SOURCES OF FUNDS
 BALANCED PORTFOLIO ANALYSIS, 5-YEAR PROJECTION
 SAN DIEGO HOUSING COMMISSION

| Sources of Funds | 4 July 2012 | 4 August 2012 | 4 September 2012 | 4 October 2012 | 4 November 2012 | 4 December 2012 | 4 January 2013 | 4 February 2013 | 4 March 2013 | 4 April 2013 | 4 May 2013 | 4 June 2013 | Total FY 12-13 |
|--|-------------------|---------------------|------------------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------|--------------------|--------------------|------------------|-------------------|-------------------|
| I. Net Operating Income | | | | | | | | | | | | | |
| Existing Portfolio - Fannie Mae Pool - 600 Units | \$421,514 | \$421,514 | \$421,514 | \$421,514 | \$421,514 | \$421,514 | \$421,514 | \$421,514 | \$421,514 | \$421,514 | \$421,514 | \$421,514 | \$5,058,169 |
| Existing Portfolio - FHA Pool - 654 Units | \$515,178 | \$515,178 | \$515,178 | \$515,178 | \$515,178 | \$515,178 | \$515,178 | \$515,178 | \$515,178 | \$515,178 | \$515,178 | \$515,178 | \$6,182,141 |
| Existing Portfolio - 1-4 Unit Projects - 117 Units | \$80,716 | \$80,716 | \$80,716 | \$80,716 | \$80,716 | \$80,716 | \$80,716 | \$80,716 | \$80,716 | \$80,716 | \$80,716 | \$80,716 | \$968,565 |
| Total Existing Portfolio | \$1,017,408 | \$1,017,408 | \$1,017,408 | \$1,017,408 | \$1,017,408 | \$1,017,408 | \$1,017,408 | \$1,017,408 | \$1,017,408 | \$1,017,408 | \$1,017,408 | \$1,017,408 | \$12,208,897 |
| Add: NOI from Additional New Units | \$159,057 | \$159,057 | \$159,057 | \$159,057 | \$178,053 | \$178,053 | \$178,053 | \$178,053 | \$178,053 | \$178,053 | \$178,053 | \$178,053 | \$2,050,552 |
| Total Net Operating Income | \$1,176,465 | \$1,176,465 | \$1,176,465 | \$1,176,465 | \$1,195,461 | \$1,195,461 | \$1,195,461 | \$1,195,461 | \$1,195,461 | \$1,195,461 | \$1,195,461 | \$1,195,461 | \$14,269,548 |
| II. Loan Proceeds | | | | | | | | | | | | | |
| US Bank Line of Credit | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Permanent Loan Proceeds - Fannie Mae | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Permanent Loan Proceeds - FHA | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Permanent Loan Proceeds - Additional New Units | \$0 | \$0 | \$0 | \$0 | \$2,280,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$2,280,000 |
| Total Loan Proceeds | \$0 | \$0 | \$0 | \$0 | \$2,280,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$2,280,000 |
| III. BABs Interest Rebate | | | | | | | | | | | | | |
| Existing Portfolio | \$101,066 | \$100,988 | \$100,909 | \$100,830 | \$100,751 | \$100,671 | \$100,591 | \$100,511 | \$100,430 | \$100,346 | \$100,266 | \$100,184 | \$1,207,545 |
| Additional New Units | \$9,072 | \$9,072 | \$9,065 | \$9,058 | \$9,051 | \$9,045 | \$9,038 | \$9,031 | \$9,024 | \$9,017 | \$9,010 | \$9,003 | \$108,491 |
| Total BABs Interest Rebate | \$110,144 | \$110,059 | \$109,974 | \$109,888 | \$109,802 | \$109,716 | \$109,629 | \$109,541 | \$109,454 | \$109,365 | \$109,276 | \$109,187 | \$1,316,036 |
| IV. Total Sources of Funds | \$1,286,609 | \$1,286,524 | \$1,286,439 | \$1,286,353 | \$3,585,264 | \$1,305,177 | \$1,305,090 | \$1,305,003 | \$1,304,915 | \$1,304,826 | \$1,304,738 | \$1,304,648 | \$17,865,585 |

TABLE 1

PORTFOLIO CASH FLOW - SOURCES OF FUNDS
BALANCED PORTFOLIO ANALYSIS, 5-YEAR PROJECTION
SAN DIEGO HOUSING COMMISSION

| Sources of Funds | July 2013 | August 2013 | September 2013 | October 2013 | November 2013 | December 2013 | January 2014 | February 2014 | March 2014 | April 2014 | May 2014 | June 2014 | Total FY 13-14 |
|--|-------------|-------------|----------------|--------------|---------------|---------------|--------------|---------------|-------------|-------------|-------------|-------------|----------------|
| I. Net Operating Income | | | | | | | | | | | | | |
| Existing Portfolio - Fannie Mae Pool - 600 Units | \$431,351 | \$431,351 | \$431,351 | \$431,351 | \$431,351 | \$431,351 | \$431,351 | \$431,351 | \$431,351 | \$431,351 | \$431,351 | \$431,351 | \$5,176,211 |
| Existing Portfolio - FHA Pool - 654 Units | \$526,978 | \$526,978 | \$526,978 | \$526,978 | \$526,978 | \$526,978 | \$526,978 | \$526,978 | \$526,978 | \$526,978 | \$526,978 | \$526,978 | \$6,323,739 |
| Existing Portfolio - 1-4 Unit Projects - 117 Units | \$82,321 | \$82,321 | \$82,321 | \$82,321 | \$82,321 | \$82,321 | \$82,321 | \$82,321 | \$82,321 | \$82,321 | \$82,321 | \$82,321 | \$987,853 |
| Total Existing Portfolio | \$1,040,650 | \$1,040,650 | \$1,040,650 | \$1,040,650 | \$1,040,650 | \$1,040,650 | \$1,040,650 | \$1,040,650 | \$1,040,650 | \$1,040,650 | \$1,040,650 | \$1,040,650 | \$12,487,803 |
| Add: NOI from Additional New Units | \$182,504 | \$182,504 | \$182,504 | \$182,504 | \$182,504 | \$238,137 | \$238,137 | \$238,137 | \$238,137 | \$238,137 | \$238,137 | \$238,137 | \$2,579,478 |
| Total Net Operating Income | \$1,223,155 | \$1,223,155 | \$1,223,155 | \$1,223,155 | \$1,223,155 | \$1,278,787 | \$1,278,787 | \$1,278,787 | \$1,278,787 | \$1,278,787 | \$1,278,787 | \$1,278,787 | \$15,067,282 |
| II. Loan Proceeds | | | | | | | | | | | | | |
| US Bank Line of Credit | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Permanent Loan Proceeds - Fannie Mae | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Permanent Loan Proceeds - FHA | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Permanent Loan Proceeds - Additional New Units | \$0 | \$0 | \$0 | \$0 | \$0 | \$5,676,200 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$5,676,200 |
| Total Loan Proceeds | \$0 | \$0 | \$0 | \$0 | \$0 | \$5,676,200 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$5,676,200 |
| III. BABs Interest Rebate | | | | | | | | | | | | | |
| Existing Portfolio | \$100,102 | \$100,018 | \$99,935 | \$99,851 | \$99,767 | \$99,682 | \$99,597 | \$99,511 | \$99,425 | \$99,338 | \$99,251 | \$99,163 | \$1,196,639 |
| Additional New Units | \$8,996 | \$8,989 | \$8,982 | \$8,974 | \$8,967 | \$8,960 | \$8,953 | \$8,945 | \$8,938 | \$8,930 | \$8,923 | \$8,915 | \$107,471 |
| Total BABs Interest Rebate | \$109,097 | \$109,007 | \$108,916 | \$108,825 | \$108,734 | \$108,642 | \$108,549 | \$108,456 | \$108,362 | \$108,268 | \$108,174 | \$108,079 | \$1,303,110 |
| IV. Total Sources of Funds | \$1,332,252 | \$1,332,162 | \$1,332,071 | \$1,331,980 | \$1,331,888 | \$6,063,628 | \$1,387,336 | \$1,387,243 | \$1,387,149 | \$1,387,055 | \$1,386,961 | \$1,386,866 | \$23,046,592 |

TABLE 2

PORTFOLIO CASH FLOW - USES OF FUNDS
BALANCED PORTFOLIO ANALYSIS, 5-YEAR PROJECTIO:
SAN DIEGO HOUSING COMMISSION

| Uses of Funds | July 2009 | August 2009 | September 2009 | October 2009 | November 2009 | December 2009 | January 2010 | February 2010 | March 2010 | April 2010 | May 2010 | June 2010 | Total FY 09-10 |
|--|--------------|----------------|-------------------|-----------------|------------------|------------------|-----------------|------------------|----------------|---------------|---------------|---------------|-------------------|
| I. Debt Service | | | | | | | | | | | | | |
| US Bank Line of Credit | \$0 | \$0 | (\$56,250) | (\$56,250) | (\$56,250) | (\$56,250) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | (\$225,000) |
| Permanent Loan - Fannie Mae | \$0 | \$0 | \$0 | \$0 | \$0 | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$1,793,522) |
| Permanent Loan - FHA | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | (\$110,601) | (\$221,203) | (\$331,804) | (\$331,804) | (\$331,804) | (\$1,327,216) |
| Permanent Loan - Additional New Units | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Debt Service | \$0 | \$0 | (\$56,250) | (\$56,250) | (\$56,250) | (\$302,467) | (\$246,217) | (\$356,819) | (\$467,420) | (\$578,021) | (\$578,021) | (\$578,021) | (\$3,275,737) |
| II. Repayment of US Bank Line of Credit | \$0 | \$0 | \$0 | \$0 | \$0 | (\$20,000,000) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | (\$20,000,000) |
| III. Loan Fees | | | | | | | | | | | | | |
| US Bank Line of Credit | \$0 | \$0 | (\$50,000) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | (\$50,000) |
| NorthMarq Permanent Loan - Fannie Mae | \$0 | \$0 | \$0 | \$0 | \$0 | (\$1,302,000) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | (\$1,302,000) |
| NorthMarq Permanent Loan - FHA | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | (\$1,074,000) | (\$1,074,000) | (\$1,074,000) | \$0 | \$0 | (\$3,222,000) |
| Additional New Units Loans | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Loan Fees | \$0 | \$0 | (\$50,000) | \$0 | \$0 | (\$1,302,000) | \$0 | (\$1,074,000) | (\$1,074,000) | (\$1,074,000) | \$0 | \$0 | (\$4,574,000) |
| IV. Operating Reserve Fund Deposits | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| V. Acquisition and Legal Costs for Additional New Units | | | | | | | | | | | | | |
| Acquisition Costs | \$0 | \$0 | \$0 | (\$6,300,000) | \$0 | (\$17,600,000) | \$0 | (\$4,945,000) | (\$12,800,000) | \$0 | \$0 | \$0 | (\$41,645,000) |
| Legal/Closing Costs | \$0 | \$0 | \$0 | (\$50,000) | \$0 | (\$100,000) | \$0 | (\$50,000) | (\$50,000) | \$0 | \$0 | \$0 | (\$250,000) |
| Total Acquisition Costs for Additional New Units | \$0 | \$0 | \$0 | (\$6,350,000) | \$0 | (\$17,700,000) | \$0 | (\$4,995,000) | (\$12,850,000) | \$0 | \$0 | \$0 | (\$41,895,000) |
| VI. Other SDHC Costs | (\$530,578) | (\$530,578) | (\$530,578) | (\$530,578) | (\$530,578) | (\$530,578) | (\$530,578) | (\$530,578) | (\$530,578) | (\$530,578) | (\$530,578) | (\$530,578) | (\$6,366,833) |
| VII. Total Uses of Funds | (\$530,578) | (\$530,578) | (\$636,828) | (\$6,936,828) | (\$586,828) | (\$39,835,045) | (\$776,795) | (\$6,966,396) | (\$14,927,998) | (\$2,182,599) | (\$1,108,599) | (\$1,108,599) | (\$76,111,870) |

TABLE 2
 PORTFOLIO CASH FLOW - USES OF FUNDS
 BALANCED PORTFOLIO ANALYSIS, 5-YEAR PROJECTIO
 SAN DIEGO HOUSING COMMISSION

| Uses of Funds | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | Total FY.10-11 |
|--|----------------|----------------|-------------------|-----------------|------------------|------------------|-----------------|------------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------------|
| | July 2010 | August 2010 | September 2010 | October 2010 | November 2010 | December 2010 | January 2011 | February 2011 | March 2011 | April 2011 | May 2011 | June 2011 | | | |
| I. Debt Service | | | | | | | | | | | | | | | |
| US Bank Line of Credit | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Permanent Loan - Fannie Mae | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$2,954,609) |
| Permanent Loan - FHA | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$3,981,647) |
| Permanent Loan - Additional New Units | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Debt Service | (\$578,021) | (\$578,021) | (\$578,021) | (\$578,021) | (\$578,021) | (\$578,021) | (\$578,021) | (\$578,021) | (\$578,021) | (\$578,021) | (\$578,021) | (\$578,021) | (\$578,021) | (\$578,021) | (\$6,936,256) |
| II. Repayment of US Bank Line of Credit | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| III. Loan Fees | | | | | | | | | | | | | | | |
| US Bank Line of Credit | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| NorthMarq Permanent Loan - Fannie Mae | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| NorthMarq Permanent Loan - FHA | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Additional New Units Loans | \$0 | \$0 | \$0 | \$0 | \$0 | (\$410,000) | \$0 | \$0 | (\$410,000) | \$0 | \$0 | \$0 | \$0 | \$0 | (\$820,000) |
| Total Loan Fees | \$0 | \$0 | \$0 | \$0 | \$0 | (\$410,000) | \$0 | \$0 | (\$410,000) | \$0 | \$0 | \$0 | \$0 | \$0 | (\$820,000) |
| IV. Operating Reserve Fund Deposits | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| V. Acquisition and Legal Costs for Additional New Units | | | | | | | | | | | | | | | |
| Acquisition Costs | (\$13,440,000) | \$0 | (\$6,562,500) | \$0 | (\$9,765,000) | (\$6,615,000) | \$0 | \$0 | (\$6,562,500) | \$0 | \$0 | \$0 | \$0 | \$0 | (\$42,945,000) |
| Legal/Closing Costs | (\$50,000) | \$0 | (\$50,000) | \$0 | (\$50,000) | (\$50,000) | \$0 | \$0 | (\$50,000) | \$0 | \$0 | \$0 | \$0 | \$0 | (\$250,000) |
| Total Acquisition Costs for Additional New Units | (\$13,490,000) | \$0 | (\$6,612,500) | \$0 | (\$9,815,000) | (\$6,665,000) | \$0 | \$0 | (\$6,612,500) | \$0 | \$0 | \$0 | \$0 | \$0 | (\$43,195,000) |
| VI. Other SDHC Costs | (\$539,231) | (\$539,231) | (\$539,231) | (\$539,231) | (\$539,231) | (\$544,172) | (\$544,172) | (\$544,172) | (\$549,112) | (\$549,112) | (\$549,112) | (\$549,112) | (\$549,112) | (\$549,112) | (\$6,625,120) |
| VII. Total Uses of Funds | (\$14,607,253) | (\$1,117,253) | (\$7,729,753) | (\$1,117,253) | (\$10,932,253) | (\$8,226,800) | (\$1,151,800) | (\$1,151,800) | (\$8,208,348) | (\$1,186,348) | (\$1,186,348) | (\$1,186,348) | (\$1,186,348) | (\$1,186,348) | (\$57,802,057) |

TABLE 2

PORTFOLIO CASH FLOW - USES OF FUNDS
BALANCED PORTFOLIO ANALYSIS, 6-YEAR PROJECTIO
SAN DIEGO HOUSING COMMISSION

| Uses of Funds | July 2011 | August 2011 | September 2011 | October 2011 | November 2011 | December 2011 | January 2012 | February 2012 | March 2012 | April 2012 | May 2012 | June 2012 | Total FY 11-12 |
|--|---------------|---------------|----------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| I. Debt Service | | | | | | | | | | | | | |
| US Bank Line of Credit | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Permanent Loan - Fannie Mae | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$2,954,609) |
| Permanent Loan - FHA | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$3,981,647) |
| Permanent Loan - Additional New Units | (\$89,560) | (\$89,560) | (\$89,560) | (\$89,560) | (\$89,560) | (\$89,560) | (\$89,560) | (\$89,560) | (\$89,560) | (\$89,560) | (\$89,560) | (\$89,560) | (\$1,072,841) |
| Total Debt Service | (\$667,581) | (\$667,581) | (\$667,581) | (\$667,581) | (\$667,581) | (\$667,581) | (\$667,581) | (\$667,581) | (\$667,581) | (\$667,581) | (\$667,581) | (\$667,581) | (\$8,100,943) |
| II. Repayment of US Bank Line of Credit | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| III. Loan Fees | | | | | | | | | | | | | |
| US Bank Line of Credit | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| NorthMarq Permanent Loan - Fannie Mae | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| NorthMarq Permanent Loan - FHA | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Additional New Units Loans | (\$420,250) | (\$420,250) | (\$420,250) | (\$420,250) | (\$420,250) | (\$420,250) | (\$420,250) | (\$420,250) | (\$420,250) | (\$420,250) | (\$420,250) | (\$420,250) | (\$5,067,000) |
| Total Loan Fees | (\$420,250) | (\$420,250) | (\$420,250) | (\$420,250) | (\$420,250) | (\$420,250) | (\$420,250) | (\$420,250) | (\$420,250) | (\$420,250) | (\$420,250) | (\$420,250) | (\$5,067,000) |
| IV. Operating Reserve Fund Deposits | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| V. Acquisition and Legal Costs for Additional New Units | | | | | | | | | | | | | |
| Acquisition Costs | \$0 | \$0 | (\$7,111,125) | \$0 | \$0 | (\$19,301,625) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | (\$26,412,750) |
| Legal/Closing Costs | \$0 | \$0 | (\$50,000) | \$0 | \$0 | (\$50,000) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | (\$100,000) |
| Total Acquisition Costs for Additional New Units | \$0 | \$0 | (\$7,161,125) | \$0 | \$0 | (\$19,351,625) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | (\$26,512,750) |
| VI. Other SDHC Costs | (\$571,075) | (\$571,075) | (\$574,270) | (\$574,270) | (\$574,270) | (\$574,270) | (\$574,270) | (\$574,270) | (\$577,466) | (\$577,466) | (\$577,466) | (\$577,466) | (\$6,897,636) |
| VII. Total Uses of Funds | (\$1,658,906) | (\$1,238,856) | (\$8,595,977) | (\$1,250,992) | (\$1,250,992) | (\$20,602,617) | (\$1,250,992) | (\$1,250,992) | (\$1,447,188) | (\$1,263,329) | (\$1,263,329) | (\$1,263,329) | (\$42,337,298) |

TABLE 2

PORTFOLIO CASH FLOW - USES OF FUNDS
BALANCED PORTFOLIO ANALYSIS, 5-YEAR PROJECTIO
SAN DIEGO HOUSING COMMISSION

| Uses of Funds | July 2012 | August 2012 | September 2012 | October 2012 | November 2012 | December 2012 | January 2013 | February 2013 | March 2013 | April 2013 | May 2013 | June 2013 | Total FY 12-13 |
|--|---------------|----------------|-------------------|-----------------|------------------|------------------|-----------------|------------------|---------------|---------------|---------------|---------------|-------------------|
| I. Debt Service | | | | | | | | | | | | | |
| US Bank Line of Credit | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Permanent Loan - Fannie Mae | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$2,564,609) |
| Permanent Loan - FHA | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$3,981,647) |
| Permanent Loan - Additional New Units | (\$107,841) | (\$107,841) | (\$107,841) | (\$107,841) | (\$107,841) | (\$107,841) | (\$107,841) | (\$107,841) | (\$107,841) | (\$107,841) | (\$107,841) | (\$107,841) | (\$1,294,095) |
| Total Debt Service | (\$685,863) | (\$685,863) | (\$685,863) | (\$685,863) | (\$685,863) | (\$685,863) | (\$685,863) | (\$685,863) | (\$685,863) | (\$685,863) | (\$685,863) | (\$685,863) | (\$8,230,351) |
| II. Repayment of US Bank Line of Credit | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| III. Loan Fees | | | | | | | | | | | | | |
| US Bank Line of Credit | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| NorthMarq Permanent Loan - Fannie Mae | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| NorthMarq Permanent Loan - FHA | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Additional New Units Loans | \$0 | \$0 | \$0 | \$0 | (\$226,147) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | (\$226,147) |
| Total Loan Fees | \$0 | \$0 | \$0 | \$0 | (\$226,147) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | (\$226,147) |
| IV. Operating Reserve Fund Deposits | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| V. Acquisition and Legal Costs for Additional New Units | | | | | | | | | | | | | |
| Acquisition Costs | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Legal/Closing Costs | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Acquisition Costs for Additional New Units | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| VI. Other SDHC Costs | (\$595,308) | (\$595,308) | (\$595,308) | (\$595,308) | (\$599,277) | (\$599,277) | (\$599,277) | (\$599,277) | (\$599,277) | (\$599,277) | (\$599,277) | (\$599,277) | (\$7,175,446) |
| VII. Total Uses of Funds | (\$1,281,170) | (\$1,281,170) | (\$1,281,170) | (\$1,281,170) | (\$1,511,287) | (\$1,285,139) | (\$1,285,139) | (\$1,285,139) | (\$1,285,139) | (\$1,285,139) | (\$1,285,139) | (\$1,285,139) | (\$15,631,944) |

TABLE 2

PORTFOLIO CASH FLOW - USES OF FUNDS
BALANCED PORTFOLIO ANALYSIS, 5-YEAR PROJECTIO:
SAN DIEGO HOUSING COMMISSION

| Uses of Funds | July 2013 | August 2013 | September 2013 | October 2013 | November 2013 | December 2013 | January 2014 | February 2014 | March 2014 | April 2014 | May 2014 | June 2014 | Total FY 13-14 |
|--|---------------|---------------|----------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| I. Debt Service | | | | | | | | | | | | | |
| US Bank Line of Credit | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Permanent Loan - Fannie Mae | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$246,217) | (\$2,954,609) |
| Permanent Loan - FHA | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$331,804) | (\$3,981,647) |
| Permanent Loan - Additional New Units | (\$107,841) | (\$107,841) | (\$107,841) | (\$107,841) | (\$107,841) | (\$107,841) | (\$107,841) | (\$107,841) | (\$107,841) | (\$107,841) | (\$107,841) | (\$107,841) | (\$1,294,095) |
| Total Debt Service | (\$685,863) | (\$685,863) | (\$685,863) | (\$685,863) | (\$685,863) | (\$685,863) | (\$685,863) | (\$685,863) | (\$685,863) | (\$685,863) | (\$685,863) | (\$685,863) | (\$8,230,351) |
| II. Repayment of US Bank Line of Credit | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| III. Loan Fees | | | | | | | | | | | | | |
| US Bank Line of Credit | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| NorthMarq Permanent Loan - Fannie Mae | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| NorthMarq Permanent Loan - FHA | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Additional New Units Loans | \$0 | \$0 | \$0 | \$0 | \$0 | (\$496,716) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | (\$496,716) |
| Total Loan Fees | \$0 | \$0 | \$0 | \$0 | \$0 | (\$496,716) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | (\$496,716) |
| IV. Operating Reserve Fund Deposits | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| V. Acquisition and Legal Costs for Additional New Units | | | | | | | | | | | | | |
| Acquisition Costs | \$0 | \$0 | \$0 | \$0 | \$0 | (\$12,413,146) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | (\$12,413,146) |
| Legal/Closing Costs | \$0 | \$0 | \$0 | \$0 | \$0 | (\$50,000) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | (\$50,000) |
| Total Acquisition Costs for Additional New Units | \$0 | \$0 | \$0 | \$0 | \$0 | (\$12,463,146) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | (\$12,463,146) |
| VI. Other SDHC Costs | (\$617,882) | (\$617,882) | (\$617,882) | (\$617,882) | (\$617,882) | (\$624,044) | (\$624,044) | (\$624,044) | (\$624,044) | (\$624,044) | (\$624,044) | (\$624,044) | (\$7,457,717) |
| VII. Total Uses of Funds | (\$1,303,744) | (\$1,303,744) | (\$1,303,744) | (\$1,303,744) | (\$1,303,744) | (\$14,269,768) | (\$1,309,907) | (\$1,309,907) | (\$1,309,907) | (\$1,309,907) | (\$1,309,907) | (\$1,309,907) | (\$28,647,930) |

TABLE 3

MONTHLY CASH FLOW AND FUND BALANCE
BALANCED PORTFOLIO ANALYSIS, 5-YEAR PROJECTION
SAN DIEGO HOUSING COMMISSION

| | 1 July 2009 | 1 August 2009 | 1 September 2009 | 1 October 2009 | 1 November 2009 | 1 December 2009 | 1 January 2010 | 1 February 2010 | 1 March 2010 | 1 April 2010 | 1 May 2010 | 1 June 2010 |
|--|-------------------|---------------------|------------------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------|--------------------|--------------------|------------------|-------------------|
| I. Beginning Balance (Less) Reserve | \$10,470,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 |
| Net Beginning Balance | (\$5,000,000) | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 |
| II. Interest on Reserve | | | | | | | | | | | | |
| Reserve Balance | \$5,470,000 | \$5,874,962 | \$6,280,768 | \$25,581,169 | \$20,623,862 | \$21,004,145 | \$23,204,002 | \$23,399,693 | \$36,255,523 | \$41,206,878 | \$58,942,266 | \$58,983,566 |
| Interest @ 2.5% | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 |
| III. Net Balance (excluding Reserve) | \$5,470,000 | \$5,874,962 | \$6,280,768 | \$25,581,169 | \$20,623,862 | \$21,004,145 | \$23,204,002 | \$23,399,693 | \$36,255,523 | \$41,206,878 | \$58,942,266 | \$58,983,566 |
| IV. Monthly Cash Flow | | | | | | | | | | | | |
| Sources of Funds | \$913,727 | \$913,727 | \$20,913,727 | \$913,727 | \$913,727 | \$41,980,727 | \$913,727 | \$19,753,061 | \$19,787,403 | \$19,824,723 | \$1,016,687 | \$1,016,618 |
| Uses of Funds | (\$530,578) | (\$530,578) | (\$636,828) | (\$6,936,828) | (\$586,828) | (\$39,835,045) | (\$776,795) | (\$6,956,396) | (\$14,921,998) | (\$2,182,599) | (\$1,108,599) | (\$1,108,599) |
| Monthly Cash Flow | \$383,150 | \$383,150 | \$20,276,900 | (\$6,023,100) | \$326,900 | \$2,145,682 | \$136,932 | \$12,796,664 | \$4,865,405 | \$17,639,124 | (\$81,912) | (\$81,981) |
| Add: Interest on Outstanding Balance @ 2.5% | \$11,396 | \$12,240 | \$13,085 | \$55,377 | \$42,966 | \$43,759 | \$48,342 | \$48,749 | \$75,532 | \$85,846 | \$122,796 | \$122,882 |
| Add: Interest on Reserve | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 |
| Net Monthly Cash Flow | \$404,962 | \$405,806 | \$20,300,401 | (\$5,957,306) | \$380,283 | \$2,199,857 | \$195,690 | \$12,855,830 | \$4,951,354 | \$17,735,388 | \$41,301 | \$41,318 |
| III. Ending Balance (excluding Reserve) | \$5,470,000 | \$6,280,768 | \$26,581,169 | \$20,623,862 | \$21,004,145 | \$23,204,002 | \$23,399,693 | \$36,255,523 | \$41,206,878 | \$58,942,266 | \$58,983,566 | \$59,024,885 |

TABLE 3

MONTHLY CASH FLOW AND FUND BALANCE
BALANCED PORTFOLIO ANALYSIS, 5-YEAR PROJEC
SAN DIEGO HOUSING COMMISSION

| | 2 July 2010 | 2 August 2010 | 2 September 2010 | 2 October 2010 | 2 November 2010 | 2 December 2010 | 2 January 2011 | 2 February 2011 | 2 March 2011 | 2 April 2011 | 2 May 2011 | 2 June 2011 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| I. Beginning Balance (Less) Reserve Net Beginning Balance | \$5,000,000 \$10,417 | \$5,000,000 \$10,417 | \$5,000,000 \$10,417 | \$5,000,000 \$10,417 | \$5,000,000 \$10,417 | \$5,000,000 \$10,417 | \$5,000,000 \$10,417 | \$5,000,000 \$10,417 | \$5,000,000 \$10,417 | \$5,000,000 \$10,417 | \$5,000,000 \$10,417 | \$5,000,000 \$10,417 |
| II. Interest on Reserve Reserve Balance Interest @ | \$59,024,885 | \$45,613,134 | \$45,663,373 | \$39,101,147 | \$39,137,681 | \$29,359,220 | \$27,379,508 | \$27,408,003 | \$25,464,657 | \$25,496,485 | \$25,528,300 | \$25,560,103 |
| III. Net Balance (excluding Reserve) | \$64,024,885 | \$90,626,268 | \$91,326,746 | \$78,202,294 | \$78,275,362 | \$58,718,440 | \$54,759,016 | \$54,816,011 | \$50,931,314 | \$50,961,114 | \$51,024,785 | \$51,120,503 |
| IV. Monthly Cash Flow | | | | | | | | | | | | |
| Sources of Funds | \$1,062,116 | \$1,062,048 | \$1,061,978 | \$1,061,908 | \$1,061,839 | \$6,146,893 | \$1,112,838 | \$1,112,838 | \$6,197,986 | \$1,154,708 | \$1,154,629 | \$1,154,551 |
| Uses of Funds | (\$14,607,253) | (\$1,117,253) | (\$7,729,753) | (\$1,117,253) | (\$10,932,253) | (\$8,226,800) | (\$1,151,800) | (\$1,151,800) | (\$8,238,848) | (\$1,186,348) | (\$1,186,348) | (\$1,186,348) |
| Monthly Cash Flow | (\$13,545,136) | (\$55,205) | (\$6,667,774) | (\$55,344) | (\$9,870,414) | (\$2,079,807) | (\$38,885) | (\$38,962) | (\$2,010,863) | (\$31,641) | (\$31,719) | (\$31,798) |
| Add: Interest on Outstanding Balance @ | \$122,969 | \$95,027 | \$95,132 | \$81,461 | \$81,537 | \$61,165 | \$56,981 | \$57,041 | \$7,100 | \$53,051 | \$53,118 | \$53,184 |
| Add: Interest on Reserve | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 |
| Net Monthly Cash Flow | (\$13,411,751) | (\$50,239) | (\$6,562,226) | (\$36,533) | (\$9,778,460) | (\$2,008,225) | \$28,513 | \$28,495 | (\$1,943,346) | \$31,828 | \$31,815 | \$31,803 |
| III. Ending Balance (excluding Reserve) | \$45,613,134 | \$45,663,373 | \$39,101,147 | \$39,137,681 | \$29,359,220 | \$27,350,995 | \$27,379,508 | \$27,408,003 | \$25,464,657 | \$25,496,485 | \$25,528,300 | \$25,560,103 |

TABLE 3

MONTHLY CASH FLOW AND FUND BALANCE
BALANCED PORTFOLIO ANALYSIS, 5-YEAR PROJEC
SAN DIEGO HOUSING COMMISSION

| | July 2011 | August 2011 | September 2011 | October 2011 | November 2011 | December 2011 | January 2012 | February 2012 | March 2012 | April 2012 | May 2012 | June 2012 |
|--|---------------|----------------|-------------------|-----------------|------------------|------------------|-----------------|------------------|---------------|---------------|---------------|---------------|
| I. Beginning Balance (Less) Reserve Net Beginning Balance | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 |
| II. Interest on Reserve Reserve Balance Interest @ | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 |
| III. Net Balance (excluding Reserve) | \$25,560,103 | \$30,368,667 | \$30,438,619 | \$24,721,291 | \$24,779,956 | \$24,838,662 | \$5,545,784 | \$5,564,256 | \$5,582,684 | \$6,974,847 | \$6,996,687 | \$7,018,489 |
| IV. Monthly Cash Flow | | | | | | | | | | | | |
| Sources of Funds | \$6,403,802 | \$1,284,923 | \$2,804,818 | \$1,247,738 | \$1,247,657 | \$1,247,575 | \$1,247,494 | \$1,247,411 | \$2,817,304 | \$1,260,221 | \$1,260,138 | \$1,260,054 |
| Uses of Funds | (\$1,638,906) | (\$1,238,656) | (\$5,595,977) | (\$1,250,992) | (\$1,250,992) | (\$20,602,617) | (\$1,250,992) | (\$1,250,992) | (\$1,447,188) | (\$1,263,329) | (\$1,263,329) | (\$1,263,329) |
| Monthly Cash Flow | \$4,744,897 | (\$3,733) | (\$5,791,159) | (\$3,255) | (\$3,336) | (\$19,355,042) | (\$3,499) | (\$3,581) | \$1,370,116 | (\$3,108) | (\$3,191) | (\$3,275) |
| Add: Interest on Outstanding Balance @ | \$3,250 | \$63,268 | \$63,414 | \$51,503 | \$51,625 | \$51,747 | \$11,554 | \$11,592 | \$11,631 | \$14,531 | \$14,576 | \$14,622 |
| Add: Interest on Reserve | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 |
| Net Monthly Cash Flow | \$4,808,564 | \$69,952 | (\$5,717,328) | \$58,665 | \$58,706 | (\$19,292,878) | \$18,472 | \$18,428 | \$1,392,163 | \$21,840 | \$21,802 | \$21,764 |
| III. Ending Balance (excluding Reserve) | \$30,368,667 | \$30,438,619 | \$24,721,291 | \$24,779,956 | \$24,838,662 | \$5,545,784 | \$5,564,256 | \$5,582,684 | \$6,974,847 | \$6,996,687 | \$7,018,489 | \$7,040,252 |

TABLE 3

MONTHLY CASH FLOW AND FUND BALANCE
BALANCED PORTFOLIO ANALYSIS, 5-YEAR PROJEC
SAN DIEGO HOUSING COMMISSION

| | 4 July 2012 | 4 August 2012 | 4 September 2012 | 4 October 2012 | 4 November 2012 | 4 December 2012 | 4 January 2013 | 4 February 2013 | 4 March 2013 | 4 April 2013 | 4 May 2013 | 4 June 2013 |
|--|-------------------|---------------------|------------------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------|--------------------|--------------------|------------------|-------------------|
| I. Beginning Balance | | | | | | | | | | | | |
| (Less) Reserve | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 |
| Net Beginning Balance | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 |
| II. Interest on Reserve | | | | | | | | | | | | |
| Reserve Balance | \$7,040,252 | \$7,070,775 | \$7,101,276 | \$7,131,756 | \$7,162,213 | \$9,261,528 | \$9,311,277 | \$9,361,043 | \$9,410,825 | \$9,460,623 | \$9,510,436 | \$9,560,264 |
| Interest @ | | | | | | | | | | | | |
| III. Net Balance (excluding Reserve) | | | | | | | | | | | | |
| | \$1,286,609 | \$1,286,524 | \$1,286,439 | \$1,286,353 | \$3,585,264 | \$1,305,177 | \$1,305,090 | \$1,305,003 | \$1,304,915 | \$1,304,826 | \$1,304,738 | \$1,304,648 |
| | (\$1,281,170) | (\$1,281,170) | (\$1,281,170) | (\$1,281,170) | (\$1,511,297) | (\$1,285,139) | (\$1,285,139) | (\$1,285,139) | (\$1,285,139) | (\$1,285,139) | (\$1,285,139) | (\$1,285,139) |
| IV. Monthly Cash Flow | | | | | | | | | | | | |
| Sources of Funds | \$5,439 | \$5,354 | \$5,269 | \$5,183 | \$2,073,977 | \$20,038 | \$19,951 | \$19,863 | \$19,775 | \$19,687 | \$19,598 | \$19,509 |
| Uses of Funds | \$14,667 | \$14,731 | \$14,794 | \$14,858 | \$14,921 | \$19,295 | \$19,398 | \$19,502 | \$19,606 | \$19,710 | \$19,813 | \$19,917 |
| Monthly Cash Flow | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 |
| Add: Interest on Outstanding Balance @ | | | | | | | | | | | | |
| Add: Interest on Reserve | \$30,522 | \$30,501 | \$30,480 | \$30,457 | \$2,099,315 | \$49,749 | \$49,766 | \$49,782 | \$49,798 | \$49,813 | \$49,828 | \$49,843 |
| Net Monthly Cash Flow | \$7,070,775 | \$7,101,276 | \$7,131,756 | \$7,162,213 | \$9,261,528 | \$9,311,277 | \$9,361,043 | \$9,410,825 | \$9,460,623 | \$9,510,436 | \$9,560,264 | \$9,610,107 |
| III. Ending Balance (excluding Reserve) | | | | | | | | | | | | |

TABLE 3
 MONTHLY CASH FLOW AND FUND BALANCE
 BALANCED PORTFOLIO ANALYSIS, 5-YEAR PROJE
 SAN DIEGO HOUSING COMMISSION

| | 5 July 2013 | 5 August 2013 | 5 September 2013 | 5 October 2013 | 5 November 2013 | 5 December 2013 | 5 January 2014 | 5 February 2014 | 5 March 2014 | 5 April 2014 | 5 May 2014 | 5 June 2014 |
|--|-------------------|---------------------|------------------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------|--------------------|--------------------|------------------|-------------------|
| I. Beginning Balance (Less) Reserve | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 |
| Net Beginning Balance | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 |
| II. Interest on Reserve | | | | | | | | | | | | |
| Reserve Balance | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 | \$5,000,000 |
| Interest @ | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 |
| III. Net Balance (excluding Reserve) | \$9,610,107 | \$9,669,052 | \$9,728,030 | \$9,787,040 | \$9,846,082 | \$9,905,156 | \$3,730,068 | \$3,825,685 | \$3,921,408 | \$4,017,237 | \$4,113,172 | \$4,209,212 |
| IV. Monthly Cash Flow | | | | | | | | | | | | |
| Sources of Funds | \$1,332,252 | \$1,332,162 | \$1,332,071 | \$1,331,980 | \$1,331,888 | \$8,063,628 | \$1,387,336 | \$1,387,243 | \$1,387,149 | \$1,387,055 | \$1,386,961 | \$1,386,866 |
| Uses of Funds | (\$1,303,744) | (\$1,303,744) | (\$1,303,744) | (\$1,303,744) | (\$1,303,744) | (\$14,269,768) | (\$1,309,907) | (\$1,309,907) | (\$1,309,907) | (\$1,309,907) | (\$1,309,907) | (\$1,309,907) |
| Monthly Cash Flow | \$28,508 | \$28,417 | \$28,327 | \$28,236 | \$28,144 | (\$6,206,140) | \$77,429 | \$77,336 | \$77,243 | \$77,149 | \$77,054 | \$76,959 |
| Add: Interest on Outstanding Balance @ | \$20,021 | \$20,144 | \$20,267 | \$20,390 | \$20,513 | \$20,636 | \$7,771 | \$7,970 | \$8,170 | \$8,369 | \$8,569 | \$8,769 |
| Add: Interest on Reserve | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 | \$10,417 |
| Net Monthly Cash Flow | \$58,945 | \$58,978 | \$59,010 | \$59,042 | \$59,073 | (\$6,175,087) | \$95,617 | \$95,723 | \$95,829 | \$95,935 | \$96,040 | \$96,145 |
| III. Ending Balance (excluding Reserve) | \$9,669,052 | \$9,728,030 | \$9,787,040 | \$9,846,082 | \$9,905,156 | \$3,730,068 | \$3,825,685 | \$3,921,408 | \$4,017,237 | \$4,113,172 | \$4,209,212 | \$4,305,357 |