



HOUSING AUTHORITY REPORT

DATE ISSUED: November 19, 2009 **REPORT NO:** HAR 09-035

ATTENTION: Chair and Members of the Housing Authority
For the Agenda of November 24, 2009

SUBJECT: Townspeople 34th Street Apartments (Council District 3)

REQUESTED ACTION:

Authorize a loan increase of up to \$880,000 for permanent financing and a not-to-exceed construction loan of \$2,128,189 for the Townspeople 34th Street Apartments.

STAFF RECOMMENDATION:

1. Increase the Housing Commission’s permanent financing from \$2,040,000 to \$2,920,000 and approve a construction loan of up to \$2,128,189 for the acquisition and rehabilitation of 34 units of mixed-income housing with 12 units reserved as permanent rental housing for very low-income persons living with HIV/AIDS.
2. Authorize the President and Chief Executive Officer to execute necessary documents, as drafted and approved by the General Counsel.

BACKGROUND:

Townspeople is a California 501(c)(3) nonprofit corporation established in 1994 with the mission of developing affordable housing for persons living with HIV/AIDS. Because their medical conditions inhibit or preclude full employment, this targeted tenant population is characteristically very low-income and has difficulty accessing decent rental housing at market-rate rents.

Completion of this development would make 20 one-bedroom apartments and 13 two-bedroom apartments affordable to low-income and very-low income families. Twelve units would be reserved for households affected by HIV/AIDS, including women with children.

The following table outlines the development team:

ROLE	CONTACT	FIRM
Owner, Developer and Property Manager	Jon Derryberry, Executive Director	Townspeople, a 501(c)(3) nonprofit corporation
Financial Consultant	Jahi Akobundu	CA Housing Partnership Corporation
Architect	Caryn Bailey, AIA	rAd Architects
Relocation Consultant	Vince McCaw	Overland, Pacific, and Cutler, Inc.

November 19, 2009

Loan Increase for Townspeople 34th Street Apartments

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This would be the third affordable housing project for Townspeople. In 1995, the Housing Commission loaned the nonprofit \$257,000 for acquisition and rehabilitation of an eight-unit apartment building located at 3845 Wilson Avenue in City Heights. In 2005, Townspeople obtained a \$1,570,000 Housing Commission loan as permanent gap financing to purchase and renovate a 24-unit complex on 51st Street in City Heights. The previous developments are successfully operated as HIV/AIDS permanent rental housing in compliance with Housing Commission loan requirements.

Original Financing Plan

As approved in September 2008, the permanent financing consisted of a first position, amortized loan of Special Needs funds from California Housing Finance Agency (CalHFA); a second position residual receipts loan from the California Department of Housing and Community Development's Multifamily Housing Program (MHP); the proposed third position residual receipts Housing Commission loan; a residual receipts loan of Mental Health Services Act (MHSA) funds; a residual receipts loan of Federal Housing Opportunities For Persons With Aids (HOPWA) funds; a grant from the Federal Home Loan Bank Affordable Housing Program (AHP), and; a grant of Federal Supportive Housing Program (SHP) funds.

Loan Increase

Due to the recent credit crisis and resulting economic downturn, Townspeople is unable to secure tax-exempt bond financing that was previously proposed to fund the costs of renovating the complex. The proposed permanent loan increase of \$880,000 and the \$2,128,189 construction loan would provide financing to pay costs of development until the rehabilitation is complete. Following completion of rehabilitation, permanent financing from the State MHP would supplant the Housing Commission construction loan making the Housing Commission funds available for other affordable housing development activities. The terms of the previously approved \$2,040,000 residual receipts Housing Commission permanent loan for this project would not be affected.

Approval of staff recommendations would temporarily more than double the Housing Commission's original commitment in the project (from \$2,040,000 to \$5,048,189) and provide the gap necessary to fund the project's total development cost of \$6,663,093 (\$198,914 per unit).

In exchange for the proposed loan increase, Townspeople will provide an additional ten years of affordability by agreeing to extend the term of the Housing Commission loan from 55 to 65 years. Under the Housing Commission loan agreement, 65-year rent and occupancy restrictions will be recorded against the property establishing affordability of 12 one-bedroom units to tenants with annual incomes of 50 percent or less of Area Median Income (currently \$33,050 for a two-person household) and eight one-bedroom and 13 two-bedroom units to tenants with incomes at 60 percent of Area Median Income (currently \$44,580 for a three-person household). One two-bedroom unit would be reserved for occupancy by a resident manager and would not be rent-restricted.

FISCAL CONSIDERATIONS:

The sales price of the property was adjusted to the new appraised value (September 4, 2009) of \$3,520,000, which is a reduction from the original sales price of \$4,190,000, and the owner and buyer agreed to extend close of escrow to November 30, 2009. The following table summarizes the proposed sources of financing for the project:

November 19, 2009

Loan Increase for Townspeople 34th Street Apartments

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Debt Position	Acquisition/Construction Sources	Amount	Terms
1 st	SDHC Loan – HOME Funds	\$ 4,168,189*	4% amortized, 12 months
3 rd	HOPWA Loan	\$ 1,200,000	3% amortized, 12 months
3 rd	SHP Capital Grant	\$ 400,000	0%, revocable grant
4 th	MHSA Loan	\$ 370,610	3% amortized, 12 months
	Costs Deferred Until Conversion	\$ 524,294	
	Total Development Costs	\$ 6,663,093	

* \$2,040,000 of this loan will be 3 percent, residual receipts

Debt Position	Permanent Sources	Amount	Terms
1 st	MHP Loan	\$ 1,772,483	3%, 55 years, residual receipts
2 nd	SDHC Loan – HOME Funds	\$ 2,920,000	3%, 65 years, residual receipts
3 rd	HOPWA Loan	\$ 1,200,000	3%, 55 years, residual receipts
4 th	SHP Capital Grant	\$ 400,000	0%, revocable grant
5 th	MHSA Loan	\$ 370,610	3%, 55 years, residual receipts
	Total Development Costs	\$ 6,663,093	

Project income will produce net cash flow sufficient to fund residual receipts payments at the end of the first year of the project. When residual receipts payments commence, Townspeople would retain 50 percent of the residual cash flow and the remaining 50 percent would be used to make payments on the MHP, Housing Commission, HOPWA and MHSA loans commensurate with each loan's percentage of participation in the financing. Unpaid principal and interest on the Housing Commission loan would be due and payable upon sale, refinancing, or the maturity of the first position loan, whichever occurs first. In addition, there would be a required minimum annual payment to MHP of .42 percent of the MHP loan amount (\$7,444) and a required minimum annual payment to MHSA of .42 percent of the MHSA loan amount (\$1,557).

The Housing Commission permanent loans would be senior to the HOPWA financial participation; however, the Housing Commission's Declaration of Covenants, Conditions, and Restrictions would be subordinate to the HOPWA regulatory agreement. Because the HOPWA rent and affordability restrictions would meet or exceed the level of Housing Commission requirements, this would have no effect on the Housing Commission's ability to restrict occupancy and rents for the development.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

On August 15, 2008, and September 9, 2008, the Housing Commission and the Housing Authority authorized a residual receipts loan of up to \$2,040,000 for the acquisition and rehabilitation of this project (HAR 08-029 – Attachment 8). On November 4 and November 13, 2009, the Loan Committee and the Housing Commission, respectively, will consider this item. Results from these meetings will be brought to the attention of the Housing Authority.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

The proposed development was reviewed by the Normal Heights Community Planning Group at its regular meeting on April 1, 2008. The group voted unanimously to support the project and issued a memorandum confirming its support on April 8, 2008.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

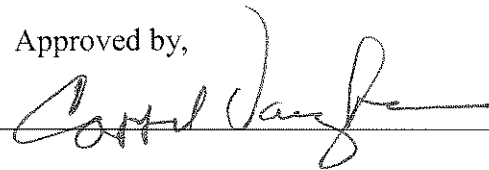
Stakeholders include Townspeople as the nonprofit developer and its clients. The project is expected to have a positive impact on the community because it will contribute to the quality of the surrounding neighborhood and provide much-needed rental housing affordable to extremely low-income individuals and families affected by HIV/AIDS.

Respectfully submitted,



Cissy Fisher
Vice President
Special Housing Initiatives

Approved by,



Carrol M. Vaughan
Executive Vice President &
Chief Operating Officer

- Attachments:
1. Location Map
 2. Development Summary
 3. Development Timeline
 4. General Application Form
 5. Developer Disclosure Statement
 6. Developer Financial Information
 7. Housing Commission Loan Terms
 8. HAR 08-029

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

ATTACHMENT 1

Address 4637 34th St
San Diego, CA 92116



ATTACHMENT 2

Development Summary

Name: Townspeople
Location: 4637 34th Street
Description: Rental housing for very low-income residents with HIV/AIDS
Sponsor: Townspeople

Unit Affordability

Total # of units: 34
Assisted units: 33
Restricted rents: 50 percent to 60 percent of AMI
Market rent: \$850 to \$1,050 per month
Percent of AMI: occupancy of 12 units restricted at 50 percent or less of AMI
occupancy of 21 units restricted at 60 percent or less of AMI

Affordability: 65 years

Development Cost

Total development cost: \$ 6,663,093
HC development cost (loan): \$ 2,920,000 (permanent financing) and \$2,128,189
(construction financing)
Total development cost per unit: \$ 198,914 per unit
HC cost per unit (loan): \$ 85,882 per unit

Sources of Permanent Funds

MHP Loan \$ 1,772,483
Housing Commission Loan \$ 2,920,000
HOPWA Loan \$ 1,200,000
SHP Capital Grant \$ 400,000
MHSA Loan \$ 370,610

Sources of Construction Funds

Housing Commission Loan \$ 4,168,189
MHSA Loan \$ 370,610
SHP Capital Grant \$ 400,000
HOPWA Loan \$ 1,200,000
Deferred Costs \$ 524,294

Pro Forma Summary

Estimated annual income: \$ 288,348 (year 1)
Estimated annual expense: \$ 151,665 (year 1)
Annual debt service: \$ 9,001 (mandatory MHP and MHSA payments)
Annual reserves: \$ 17,136 (\$504 per unit)

ATTACHMENT 3

Townpeople 34th Street Apartments Estimate Timeline

November 13, 2009	Housing Commission review of proposed loan
November 24, 2009	Housing Authority review of proposed loan
November 30, 2009	Housing Commission loan closing
January 15, 2010	Estimated start of rehabilitation
June 15, 2010	Estimated completion of rehabilitation

**SAN DIEGO HOUSING COMMISSION
GENERAL APPLICATION FORM - Project Overview**

ATTACHMENT 4

DATE: October 22, 2009

PLEASE PROVIDE ALL KNOWN INFORMATION AS REQUESTED IN SHADED CELLS (Check all boxes that apply)

REQUEST FOR: EARLY ASSISTANCE PROJECT FUNDING \$ 2,920,000
 TECHNICAL ASSISTANCE PREDEVELOPMENT LOAN \$ _____
CONSTRUCTION LOAN \$2,128,189 PROJECT SUPPORT GRANT \$ _____

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

PROJECT CONDITION: UNIMPROVED SITE RESIDENTIAL COMMERCIAL
YEAR BUILT: 1969 EXISTING STRUCTURE OTHER (DESCRIBE) _____

PROJECT NAME: 34th Street Apartments
ADDRESS: 4637 34th Street San Diego CA 92116
STREET CITY STATE ZIP
LEGAL DESCRIPTION: 1048 3002 Normal Hghts 439-450-37-00 18
LOT NO. BLOCK NO. SUBDIVISION NAME ASSESSORS PARCEL NO. CENSUS TRACT
SITE CONTROL: DEED OPTION OTHER (DESCRIBE) Purchase Agreement
DWELLING UNITS: 20 14 34
0-BEDROOM 1-BEDROOM 2-BEDROOM 3-BEDROOM 4-BEDROOM 5-BEDROOM TOTAL UNITS # of stories

HC Assisted Units: 20 14 34
0-BEDROOM 1-BEDROOM 2-BEDROOM 3-BEDROOM 4-BEDROOM 5-BEDROOM TOTAL UNITS

EXISTING USES OF PROPERTY: Residential multi-family No. of Building: 4

DESCRIPTION OF PROPOSED PROJECT: The proposed mixed-income projects is an acquisition and rehabilitation of permanent multi-family rental housing for a very low-income special needs tenant population of persons with HIV/AIDS and other low-income households.
Appraised Value \$3,520,000.00

APPLICANT/BORROWER:
NAME: Townspeop CONTACT PERSON: Jon P. Derryberry, Exec. Dir.
ADDRESS: 3960 Park Blvd., Suite B San Diego CA 92103
STREET CITY STATE ZIP
TELEPHONE: (619) 295-8802 FAX NO. (619) 295-4203 E-mail address: jon@townspeop

LEGAL DESCRIPTION OF APPLICANT:
 FOR PROFIT CORPORATION NONPROFIT CORPORATION PARTNERSHIP INDIVIDUAL OWNER
 CHDO OTHER _____
DESCRIBE

TAXPAYER IDENTIFICATION NUMBER: 33-0623634

CURRENT OWNER/SELLER INFORMATION:
NAME: Betty Ma LEGAL DESCRIPTION: Family Trust
ADDRESS: PO Box 1023 La Jolla CA 92038
STREET CITY STATE ZIP
TELEPHONE: (858) 663-7478 FAX NO. () _____

ZONING: RM-1-2 COMMUNITY PLAN AREA: Normal Heights Community Planning Group
COUNCIL DISTRICT: 3 SCHOOL DISTRICT: San Diego Unified

SIGNATURE Jon P. Derryberry PRINT NAME Exec. Dir. TITLE _____ DATE _____

**SAN DIEGO HOUSING COMMISSION
DEVELOPMENT FORM - RENTAL INCOME - RI**

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

DATE: October 22, 2009

PROJECT TYPE ACQUISITION ACQUISITION & REHABILITATION RENTAL
 NEW CONSTRUCTION REHABILITATION OWNERSHIP

PROJECT NAME: 34th Street Apartments
 ADDRESS: 4637 34th Street San Diego CA 92116
 STREET CITY STATE ZIP

UTILITY INFORMATION [Input X, G, E, T, or L where indicated]

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

Apartment
 Duplex, Townhouse
 House, Mobile Home

Heat	E	
Cooking	E	
Water Heater	G	
Water/Sewer		
Other Electric		

INCOME BY UNIT TYPE

COLUMN:													A	B	C	D	E	F	G	H	I	J	K	L	M
BASIS FOR RENT*	NO. OF UNITS	BED-ROOMS PER UNIT	BATH-ROOMS PER UNIT	SQ FT PER UNIT	CURRENT RENT	MONTHLY HOUSING COST PER UNIT	MONTHLY UTILITY ALLOW. PER UNIT	MONTHLY Tenant Paid RENT PER UNIT	MONTHLY MARKET RENT PER UNIT	AFFORDABILITY LEVEL: PERCENT MEDIAN INCOME**	YEARLY GROSS RENTS ALL UNITS	YEARLY MARKET RENTS													
													LESS	EQUALS	COMPARE TO:										
S+C	5	1	1.00	650	\$ 856	\$ 258	\$ 14	\$ 244	\$ 850	17 %	\$ 14,640	\$ 51,000													
MHSA	5	1	1.00	650	\$ 856	\$ 258	\$ 14	\$ 244	\$ 850	17 %	\$ 14,640	\$ 51,000													
SDHC	2	1	1.00	650	\$ 856	\$ 461	\$ 14	\$ 447	\$ 850	31 %	\$ 10,728	\$ 20,400													
SDHC	8	1	1.00	650	\$ 856	\$ 737	\$ 14	\$ 723	\$ 850	49 %	\$ 69,408	\$ 81,600													
SDHC	13	2	1.00	900	\$ 908	\$ 912	\$ 19	\$ 893	\$ 1,050	54 %	\$ 139,308	\$ 163,800													
					\$	\$	\$	\$	\$	%	\$	\$													
					\$	\$	\$	\$	\$	%	\$	\$													
					\$	\$	\$	\$	\$	%	\$	\$													
					\$	\$	\$	\$	\$	%	\$	\$													
					\$	\$	\$	\$	\$	%	\$	\$													
					\$	\$	\$	\$	\$	%	\$	\$													
					\$	\$	\$	\$	\$	%	\$	\$													
MGR	1	2	1.00	900	\$	\$	\$	\$	\$	%	\$	\$													
MGR					\$	\$	\$	\$	\$	%	\$	\$													

* Indicate Tax Credit Rents with "TC", Housing Commission Rents with "SDHC", HOME rents with "HOME", and Resident Manager's unit(s) with "MGR (bottom two rows)."
 ** This calculation is based on a household size of one plus the bedroom type; Please note that using tax credit rents may produce a different AMI percentage.

TOTAL RENT (YEAR)	\$ 248,724	\$ 367,800
Comp. to 90% of Market:	\$ 248,724	\$ 331,020

OTHER INCOME	Laundry/storage	\$ 3,264
	Shelter + Care	\$ 36,360
		\$

TOTAL ANNUAL INCOME \$288,348

TOTAL UNITS 34

TOTAL UNIT SQ. FT. 25,600 + TOTAL COMMUNITY FACILITIES SQ. FT. _____

TOTAL SQ. FT. 25,600

**SAN DIEGO HOUSING COMMISSION
DEVELOPMENT FORM - OPERATING EXPENSE - OE**

DATE: October 22, 2009

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

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

PROJECT NAME: 34th Street Apartments
 ADDRESS: 4637 34th Street San Diego CA 92116
STREET CITY STATE ZIP

TOTAL NUMBER OF UNITS 34

OPERATING EXPENSE ITEM	ANNUAL COST	COST PER UNIT	COST PER SQ. FT.
Administrative Expenses			
Office Supplies & Equipment	\$ 5,000	\$ 147	\$ 0.20
Telephone	\$ 1,600	\$ 47	\$ 0.06
Training & Travel	\$ 374	\$ 11	\$ 0.01
Payroll Services	\$ 9,571	\$ 282	\$ 0.37
Program Services	\$ 12,000	\$ 353	\$ 0.47
Other: _____	\$ _____	\$ _____	\$ _____
Subtotal Percent of Total <u>19%</u>	\$ 28,545	\$ 840	\$ 1.12
Marketing Expenses			
Advertising	\$ 3,000	\$ 88	\$ 0.12
Other: _____	\$ _____	\$ _____	\$ _____
Subtotal Percent of Total <u>2%</u>	\$ 3,000	\$ 88	\$ 0.12
Professional Fees			
Property Management	\$ 18,360	\$ 540	\$ 0.72
Auditing Services	\$ 4,000	\$ 118	\$ 0.16
Legal Services	\$ 2,000	\$ 59	\$ 0.08
Other: Fees and Dues	\$ 750	\$ 22	\$ 0.03
Subtotal Percent of Total <u>17%</u>	\$ 25,110	\$ 739	\$ 0.98
Utilities			
Electric	\$ 12,000	\$ 353	\$ 0.47
Gas	\$ _____	\$ _____	\$ _____
Water/Sewer	\$ 18,400	\$ 541	\$ 0.72
Other: Office Utilities	\$ 1,200	\$ 35	\$ 0.05
Subtotal Percent of Total <u>21%</u>	\$ 31,600	\$ 929	\$ 1.23
Contract Services			
Exterminating	\$ 3,000	\$ 88	\$ 0.12
Trash Removal	\$ 9,000	\$ 265	\$ 0.35
Security Patrol	\$ _____	\$ _____	\$ _____
Building/Grounds Maintenance	\$ 6,300	\$ 185	\$ 0.25
Janitorial Services	\$ 1,200	\$ 35	\$ 0.05
Repair Services	\$ 18,700	\$ 550	\$ 0.73
Elevator & Other Equipment	\$ _____	\$ _____	\$ _____
Garage Operations/Maintenance	\$ _____	\$ _____	\$ _____
Other: Site Manager	\$ 6,000	\$ 176	\$ 0.23
Subtotal Percent of Total <u>29%</u>	\$ 44,200	\$ 1,300	\$ 1.73
Cleaning & Decorating			
Painting Supplies	\$ 1,300	\$ 38	\$ 0.05
Grounds Supplies	\$ 500	\$ 15	\$ 0.02
Other: _____	\$ _____	\$ _____	\$ _____
Subtotal Percent of Total <u>1%</u>	\$ 1,800	\$ 53	\$ 0.07
Taxes & Insurance			
Real Property Tax Assessment	\$ 1,000	\$ 29	\$ 0.04
Property Insurance	\$ 12,000	\$ 353	\$ 0.47
Director's & Officer's Insurance	\$ 2,200	\$ 65	\$ 0.09
Other: _____	\$ _____	\$ _____	\$ _____
Subtotal Percent of Total <u>10%</u>	\$ 15,200	\$ 447	\$ 0.59
Other			
SDHC Monitoring Fees	\$ 2,210	\$ 65	\$ 0.09
Other: _____	\$ _____	\$ _____	\$ _____
Other: _____	\$ _____	\$ _____	\$ _____
Other: _____	\$ _____	\$ _____	\$ _____
Subtotal Percent of Total <u>1%</u>	\$ 2,210	\$ 65	\$ 0.09
Total Annual Operating Costs	\$ 151,665	\$ 4,461	\$ 5.92

**SAN DIEGO HOUSING COMMISSION
DEVELOPMENT FORM - DEVELOPMENT COST - DC**

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

DATE: October 22, 2009

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

PROJECT NAME:	34th Street Apartments		
ADDRESS:	4637 34th Street	San Diego	CA
	STREET	CITY	STATE
Number of Units	34		92116
			ZIP

DEVELOPMENT COST ITEM	PERCENT	AMOUNT
ACQUISITION / LAND COST		
LAND		\$ 1,232,000
BUILDINGS		\$ 2,288,000
SUBTOTAL		\$ 3,520,000
LEGAL/BROKER'S FEE/TITLE		\$ 14,000
OTHER 0.35		\$
TOTAL ACQUISITION / LAND COST		\$ 3,534,000

REHABILITATION / CONSTRUCTION	PERCENT	AMOUNT
SITE WORK		\$
DEMOLITION		\$
STRUCTURES		\$ 1,314,833
TOTAL HARD COSTS		\$ 1,314,833
GENERAL REQUIREMENTS	4.0 %	\$ 52,593
CONTRACTOR'S OVERHEAD	4.0 %	\$ 52,593
CONTRACTOR'S PROFIT	6.0 %	\$ 78,890
TOTAL REHABILITATION / CONSTRUCTION		\$ 1,498,909

CONSTRUCTION CONTINGENCY 8.8 % \$ 131,500

BOND PREMIUM \$ 15,778

CONSTRUCTION LOAN	AMOUNT
CONSTRUCTION INTEREST COST	\$ 87,800
APPLICATION FEE	\$
LOAN ORIGINATION FEE	\$
OTHER	\$
TOTAL	\$ 87,800

PERMANENT LOAN	AMOUNT
APPLICATION FEE	\$
LOAN ORIGINATION FEE	\$
OTHER	\$
TOTAL	\$

RELOCATION COST \$ 300,000

ARCHITECTURAL FEES	PERCENT	AMOUNT
DESIGN		\$
SUPERVISION		\$ 64,320
TOTAL ARCHITECTURAL FEES	0.0 %	\$ 64,320

SURVEYS, SOIL BORINGS, & ENGINEERING \$ 9,000

DEVELOPMENT COST ITEM	PERCENT	AMOUNT
LEGAL, PERMIT, & AUDIT		
SDHC'S LEGAL (not to exceed)		\$ 5,000
BORROWER'S LEGAL		\$ 32,500
LENDERS' LEGAL		\$
PERMITS		\$ 5,000
TITLE & RECORDING		\$ 40,000
INSURANCE		\$ 17,609
AUDIT		\$ 15,000
TAXES DURING CONSTRUCTION		\$ 23,479
OTHER		\$
TOTAL LEGAL, PERMIT, & AUDIT		\$ 138,588

OTHER COSTS	PERCENT	AMOUNT
DEVELOPER'S FEE	9.4 %	\$ 624,000
CONSULTANT FEE	0.5 %	\$ 30,000
APPRAISAL COSTS		\$ 14,900
ENVIRONMENTAL STUDY		\$ 8,500
MARKET STUDY		\$ 5,000
MARKETING & RENT-UP		\$ 5,000
SDHC MONITOR SET-UP		\$ 500
SDHC LOAN ORIGINATION FEE		\$ 2,000
REPLACEMENT RESERVES MONTHS		\$ 34,000
OPERATING RESERVES MONTHS		\$ 59,694
REHABILITATION PROJECTS:		\$
SDHC TECHNICAL SERVICES FEE (\$5,000)		\$
Physical Needs Assessment		\$ 8,500
Prevailing Wage Monitor		\$ 9,304
Furnishings		\$ 15,000
Predevelopment Loan Interest		\$ 6,800
		\$
		\$
		\$
		\$
		\$
		\$
		\$
		\$
		\$
TOTAL OTHER COSTS		\$ 823,198
SOFT COSTS CONTINGENCY	4.49 %	\$ 60,000

TOTAL DEVELOPMENT COST \$ 6,663,093

**SAN DIEGO HOUSING COMMISSION
DEVELOPMENT FORM - SOURCES AND USES OF FUNDS - SU**

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

PROJECT TYPE: ACQUISITION ACQUISITION & REHABILITATION RENTAL NUMBER OF UNITS 34
 NEW CONSTRUCTION REHABILITATION OWNERSHIP

PROJECT NAME: 34th Street Apartments
 ADDRESS: 4637 34th Street San Diego CA 92116
STREET CITY STATE ZIP

PERMANENT SOURCES

POSITION	TERMS	COMMITMENT	AMORTIZED	DEFERRED	TAX CREDIT	GRANT	EQUITY
1ST MHP	55 YRS. 3.00% RATE	<input type="checkbox"/> Y/N DATE OR EXPECTED	\$	1,772,483			
2ND SDHC	55 YRS. 3.00% RATE	<input type="checkbox"/> Y/N DATE OR EXPECTED	\$	2,920,000			
(Select one) Residual Receipts or Amortized	<input checked="" type="checkbox"/> <input type="checkbox"/>	Subsidy/Assisted Unit Subsidy/Assisted Bdrm	\$ #DIV/0! \$ #DIV/0!				
3RD HOPWA	55 YRS. 3.00% RATE	<input type="checkbox"/> Y/N DATE OR EXPECTED	\$	1,200,000			
4TH SHP		<input type="checkbox"/> Y/N DATE OR EXPECTED	\$	\$		400,000	
5th MHSA	55 YRS. 3.00% RATE	<input type="checkbox"/> Y/N DATE OR EXPECTED	\$	370,610			
EQUITY		<input type="checkbox"/> Y/N DATE OR EXPECTED					\$
TOTAL			\$ 6,663,093	\$ 6,263,093	\$	\$ 400,000	\$

FUNDING SCHEDULE FOR CONSTRUCTION SOURCE

	TOTAL	CLOSING	CONSTRUCTION PERIOD			COMPLETION 4TH QUARTER	RENT UP QTRS 5 & 6
			1ST QUARTER	2ND QUARTER	3RD QUARTER		
SDHC	* \$ 4,168,189	\$ 2,128,189	\$ 510,000	\$ 510,000	\$ 510,000	\$ 510,000	\$
HOPWA	* \$ 1,200,000	\$ 1,200,000	\$	\$	\$	\$	\$
SHP	* \$ 400,000	\$ 400,000	\$	\$	\$	\$	\$
MHSA	* \$ 370,610	\$ 370,610	\$	\$	\$	\$	\$
Deferred Costs	* \$ 524,924	\$	\$	\$	\$	\$	\$ 524,294
	\$ -	\$	\$	\$	\$	\$	\$
	\$ 6,663,093	\$ 4,098,799	\$ 510,000	\$ 510,000	\$ 510,000	\$ 510,000	\$ 524,294

INFORMATION ON CONSTRUCTION LOAN

CONSTRUCTION LENDER: San Diego Housing Commission
 CONSTRUCTION TIME: 12 (MONTHS)
 CONSTRUCTION INTEREST: 4.000 %
 COMMITTED: YES NO
 DATE OF COMMITMENT/EXPECTED: November 24, 2009

**SAN DIEGO HOUSING COMMISSION
DEVELOPMENT FORM - PRO FORMA - PF**

PLEASE PROVIDE ALL KNOWN INFORMATION - CHECK ALL BOXES THAT APPLY

Date: October 22, 2009

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

PROJECT NAME: 34th Street Apartments
 ADDRESS: 4637 34th Street San Diego CA 92116
STREET CITY STATE ZIP

Replacement Reserve	\$ 17,136	LP Asset Mgmt Fee	\$	GP Management Fee	\$
Rental Income	\$ 248,724	Project Income Increase	2.50 %	Mortgage Amount	\$ %
Other Income	\$ 39,624	Operating Exp. Increase	3.50 %	Mortgage Rate	
Operating Expenses	\$ 151,665	Vacancy Loss	5.00 %	Mortgage Term(Years)	
LP & GP Annual Increase	%	Deferred Dev. Fee	\$	Interest on Def. Dev. Fee	%

SDHC Participation \$ 2,920,000 Residual Receipts Interest Rate 3.000 %
 or
 Percent of Residual to HC 21% Amortize Term (Years) 55

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Gross Project Income	\$ 288,348	\$ 295,557	\$ 302,946	\$ 310,519	\$ 318,282
Vacancy	\$ 14,417	\$ 14,778	\$ 15,147	\$ 15,526	\$ 15,914
Effective Gross Income	\$ 273,931	\$ 280,779	\$ 287,798	\$ 294,993	\$ 302,368
Operating Expense	\$ 151,665	\$ 156,973	\$ 162,467	\$ 168,154	\$ 174,039
Net Operating Income	\$ 122,266	\$ 123,806	\$ 125,331	\$ 126,840	\$ 128,329
Debt Service (1st)	\$	\$	\$	\$	\$
Coverage (1st)					
Replacement Reserve	\$ 17,136	\$ 17,136	\$ 17,136	\$ 17,136	\$ 17,136
Cash Flow	\$ 105,130	\$ 106,670	\$ 108,195	\$ 109,704	\$ 111,193
LP Asset Management Fee	\$ -	\$ -	\$ -	\$ -	\$ -
Mandatory Interest Paymen	\$ 9,001	\$ 9,001	\$ 9,001	\$ 9,001	\$ 9,001
Asset Management Fee	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
SDHC Residual Receipts	\$ 17,667	\$ 17,990	\$ 18,311	\$ 18,628	\$ 18,940
Net Cash Flow	\$ 66,462	\$ 67,678	\$ 68,883	\$ 70,075	\$ 71,252

	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Gross Income	\$ 326,239	\$ 334,395	\$ 342,755	\$ 351,324	\$ 360,107
Vacancy	\$ 16,312	\$ 16,720	\$ 17,138	\$ 17,566	\$ 18,005
Effective Gross Income	\$ 309,927	\$ 317,676	\$ 325,617	\$ 333,758	\$ 342,102
Operating Expense	\$ 180,130	\$ 186,435	\$ 192,960	\$ 199,714	\$ 206,704
Net Operating Income	\$ 129,797	\$ 131,241	\$ 132,657	\$ 134,044	\$ 135,398
Debt Service (1st)	\$	\$	\$	\$	\$
Coverage (1st)					
Replacement Reserve	\$ 17,136	\$ 17,136	\$ 17,136	\$ 17,136	\$ 17,136
Cash Flow	\$ 112,661	\$ 114,105	\$ 115,521	\$ 116,908	\$ 118,262
LP Asset Management Fee	\$	\$	\$	\$	\$
Mandatory Interest Paymen	\$ 9,001	\$ 9,001	\$ 9,001	\$ 9,001	\$ 9,001
Asset Management Fee	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
SDHC Residual Receipts	\$ 19,249	\$ 19,552	\$ 19,849	\$ 20,140	\$ 20,425
Net Cash Flow	\$ 72,411	\$ 73,552	\$ 74,671	\$ 75,767	\$ 76,836

	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15
Gross Income	\$ 369,110	\$ 378,338	\$ 387,796	\$ 397,491	\$ 407,428
Vacancy	\$ 18,455	\$ 18,917	\$ 19,390	\$ 19,875	\$ 20,371
Effective Gross Income	\$ 350,654	\$ 359,421	\$ 368,406	\$ 377,616	\$ 387,057
Operating Expense	\$ 213,938	\$ 221,426	\$ 229,176	\$ 237,197	\$ 245,499
Net Operating Income	\$ 136,716	\$ 137,994	\$ 139,230	\$ 140,419	\$ 141,557
Debt Service (1st)	\$	\$	\$	\$	\$
Coverage (1st)					
Replacement Reserve	\$ 17,136	\$ 17,136	\$ 17,136	\$ 17,136	\$ 17,136
Cash Flow	\$ 119,580	\$ 120,858	\$ 122,094	\$ 123,283	\$ 124,421
LP Asset Management Fee	\$	\$	\$	\$	\$
Mandatory Interest Paymen	\$ 9,001	\$ 9,001	\$ 9,001	\$ 9,001	\$ 9,001
Asset Management Fee	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
SDHC Residual Receipts	\$ 20,702	\$ 20,970	\$ 21,230	\$ 21,479	\$ 21,718
Net Cash Flow	\$ 77,877	\$ 78,887	\$ 79,863	\$ 80,803	\$ 81,702

ATTACHMENT E

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

1. Name of CONTRACTOR:

Townspople

2. Address and Zip Code:

3960 Park Blvd., Ste. B, San Diego, CA 92103

3. Telephone Number:

619-295-8802

-
4. Name of Principal Contact for CONTRACTOR:

Jon P. Derryberry, Executive Director (OR) Jasmine Fox, Project Manager

5. Federal Identification Number or Social Security Number of CONTRACTOR:

33-0623634

6. If the CONTRACTOR is not an individual doing business under his own name, the CONTRACTOR has the status indicated below and is organized or operating under the laws of California as:

A corporation (Attach Articles of Incorporation)

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

A partnership known as:

(Name)

Check one

General Partnership (Attach statement of General Partnership)

Limited Partnership (Attach Certificate of Limited Partnership)

A business association or a joint venture known as:

_____ (Attach joint venture or business association agreement)

A Federal, State or local government or instrumentality thereof.

Other (explain)

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

We began in 1984 and incorporated in 1994.

8. Provide names, addresses, telephone numbers, title of position (if any) and nature and extent of the interest of the current officers, principal members, shareholders, and investors of the CONTRACTOR, other than a government agency or instrumentality, as set forth below:
- If the CONTRACTOR is a corporation, the officers, directors or trustees, and each stockholder owning more than 10% of any class of stock.
 - If the CONTRACTOR is a nonprofit or charitable institution or corporation, the members who constitute the board of trustees or board of directors or similar governing body. **See below table.**
 - If the CONTRACTOR is a partnership, each partner, whether a general or limited, and either the percent of interest or a description of the character and extent of interest.
 - If the CONTRACTOR is a business association or a joint venture, each participant and either the percent of interest or a description of the character and extent of interest.
 - If the CONTRACTOR is some other entity, the officers, the members of the governing body, and each person having an interest of more than 10%.

Jeff Wallin	VP of the Townspeople Board
NAME	TITLE/POSITION
11392 Winding Ridge Dr.	858-549-4232
STREET/PO	BUSINESS TELEPHONE NO.
San Diego, CA 92131	Board Member
CITY	NATURE OF INTEREST

Susan Snowbarger	Secretary of the Townspeople Board
NAME	TITLE/POSITION
3128 El Cajon Blvd.	619-640-7530
STREET/PO	BUSINESS TELEPHONE NO.
San Diego, CA 92104	Board Member
CITY	NATURE OF INTEREST

Jack Gunther	President of the Townspeople Board
NAME	TITLE/POSITION
475 Redwood #805	858-792-3383
STREET/PO	BUSINESS TELEPHONE NO.
San Diego, CA 92103	Board Member
CITY	NATURE OF INTEREST

David Newson	Townspeople Board Member at Large
NAME	TITLE/POSITION
1948 Cobalt Drive	858-210-0598
STREET/PO	BUSINESS TELEPHONE NO.

Carlsbad, CA 92009	Board Member
CITY	NATURE OF INTEREST

Eddie Hunt	Townspeople Board Member at Large
NAME	TITLE/POSITION
4275 Arguello Street	619-299-2557
STREET/PO	BUSINESS TELEPHONE NO.
San Diego, CA 92103	Board Member
CITY	NATURE OF INTEREST

Terry Darton	Treasurer of the Townspeople Board
NAME	TITLE/POSITION
5853 Haber Street	858-945-5853
STREET/PO	BUSINESS TELEPHONE NO.
San Diego, CA 92122	Board Member
CITY	NATURE OF INTEREST

Richard Velasquez	Townspeople Board Member at Large
NAME	TITLE/POSITION
4690 63 rd Street	61-583-2744
STREET/PO	BUSINESS TELEPHONE NO.
San Diego, CA 92115	Board Member
CITY	NATURE OF INTEREST

Jon P. Derryberry	Townspeople Executive Dir., Ex Officio
NAME	TITLE/POSITION
3960 Park Boulevard, Suite B	619-295-8802
STREET/PO	BUSINESS TELEPHONE NO.
San Diego, CA 92103	Townspeople Exec. Dir., Ex Officio
CITY	NATURE OF INTEREST

9. Has the makeup as set forth in Item 8(a) through 8(e) changed within the last twelve (12) months. If yes, please explain in detail.

Yes, it has. We have gained 2 members and lost 1 member.

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

No

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

N/A

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

N/A

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

N/A

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

Please see attached Audit 2008 and P/L 2009.

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

Please refer to Sources and Uses table in proformas.

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

- a. In banks/savings and loans:

1) Vanguard, P.O. Box 7800, Philadelphia, PA 19101-9892:

Amount: \$375.03

2) Wells Fargo Bank, P.O. Box 6495, Portland, OR 97228-6995:

Amount: \$ 35,556.72

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

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

Amount: \$

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

<u>Description</u>	<u>Market Value</u>	<u>Mortgages or Liens</u>
	\$	\$

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

Louis Lopez
Wells Fargo Bank
1220 Cleveland Ave, STE M113.
San Diego, CA 92103
Phone: (619) 543-0096

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

Yes No

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

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

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

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

N/A

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

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

N/A

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

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

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

General description of such work:

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

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

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

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

N/A

23. Does any member of the governing body of the San Diego Housing Commission ("COMMISSION"), Housing Authority of the City of San Diego ("AUTHORITY") or City of San Diego ("CITY"), to which the accompanying proposal is being made or any officer or employee of the COMMISSION, the AUTHORITY or the CITY who exercises any functions or responsibilities in connection with the

carrying out of the project covered by the CONTRACTOR's proposal, have any direct or indirect personal financial interest in the CONTRACTOR or in the proposed contractor? ___ Yes X No

If yes, explain.

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

Townspeople's First Completed Permanent Affordable Supportive Housing Project: The Wilson Avenue Apartments, 3845 - 3851 ¼ Wilson Avenue, San Diego, CA 92104.

Project Description: In December of 1995, Townspeople created San Diego's first independent apartment complex for low-income persons living with HIV/AIDS, which consists of 8 one-bedroom units. The Wilson Avenue Apartments are located in the City Heights neighborhood of San Diego within walking distance to key bus routes, so that residents without cars can effectively commute to needed services. Each of the complex's 8 units includes a living room, bedroom, bathroom, and kitchen with new appliances. Shared amenities include a patio area with a colorful wall mural and a barbeque. The complex is protected by a 24-hour gated security system as well as an on-site manager.

The project is an example of the Supportive Housing model, in which residents with special needs or disabilities live independently, following all of the provisions of a lease, and receive supportive services from local service providers, which help them maintain housing on a permanent basis.

Financing: Townspeople obtained project funding for the Wilson Avenue Apartments from the San Diego Housing Commission (SDHC), and Housing Opportunities for Persons with AIDS (HOPWA). Townspeople also recently rehabilitated the property with funding from Community Development Block Grant (CDBG) from City Council Member Toni Atkins and funding from San Diego County Supervisor Ron Roberts.

Townspeople's Second Completed Permanent Affordable Supportive Housing Project: The 51st Street Project, 4242, 4252, & 4260 51st Street, San Diego, CA 92115

Project Description: Townspeople announced the Grand Opening of the 51st Street Project in October 2007. The project is a 24-unit apartment complex rehabbed specifically for the low-low income, homeless special needs population in San Diego. The 51st Street Project is located in the City Heights neighborhood of San Diego within walking distance to key bus routes, so that residents without cars can effectively commute to needed services. Each of the complex's 24 studio units includes a living room, bathroom, and kitchen with new appliances. Shared amenities include a barbeque area and landscaped yard, and the complex is protected by a 24-hour gated security system as well as an on-site manager.

The project is an example of the Supportive Housing model, in which residents with special needs or disabilities live independently, following all of the provisions of a lease, and receive supportive services from local service providers, which help them maintain housing on a permanent basis.

Financing: Townspeople obtained predevelopment, acquisition, and construction funds for this project from a variety of sources including the San Diego Housing Commission (SDHC), the Corporation for Supportive Housing (CSH), the Low Income Investment Fund (LIIF), Federal Home Loan Bank, Community Development Block Grant (CDBG), Mission Federal Credit Union, and California Department of Housing and Community Development MHP Fund.

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

If yes, explain:

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

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

Wateridge Insurance Services

10717 Sorrento Valley Rd.

San Diego, CA 92121

Ph: (858) 452-2200

See attached Certificate, Endorsement, and Special Form Endorsement for detailed information.

Check coverage(s) carried:

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

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

Wateridge Insurance Services

10717 Sorrento Valley Rd.

San Diego, CA 92121

Ph: (858) 452-2200

See attached Certificate for detailed information.

Check coverage(s) carried:

- Comprehensive Form
- Owned
- Hired
- Non-Owned

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

State Compensation Insurance Fund

1275 Market Street

San Francisco, CA 94103-0807

Ph: (877) 405-4545

See attached Certificate for detailed information.

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

Great American Insurance Companies (via Wateridge Insurance Services)
10717 Sorrento Valley Rd.
San Diego, CA 92121
Ph: (858) 452-2200

See attached Wateridge cover letter with Great American Insurance Co. Certificate for detailed information.

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

Type: Property Insurance for two Townspeople-owned and operated affordable apartment projects.

Trip Wilson Insurance Company (Farmer's Insurance)
5959 Mission Gorge Rd., #201
San Diego, CA 92120
Ph: (619) 858-2081

See attached Certificate for detailed information.

27. CONTRACTOR warrants and certifies that it will not during the term of the PROJECT, GRANT, LOAN, CONTRACT, DEVELOPMENT and/or RENDITIONS OF SERVICES discriminate against any employee, person, or applicant for employment because of race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. The CONTRACTOR will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The CONTRACTOR agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the COMMISSION setting forth the provisions of this nondiscrimination clause.
28. The CONTRACTOR warrants and certifies that it will not without prior written consent of the COMMISSION, engage in any business pursuits that are adverse, hostile or take incompatible positions to the interests of the COMMISSION, during the term of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT and/or RENDITION OF SERVICES.
29. CONTRACTOR warrants and certifies that no member, commissioner, councilperson, officer, or employee of the COMMISSION, the AUTHORITY and/or the CITY, no member of the governing body of the locality in which the PROJECT is situated, no member of the government body in which the Commission was activated, and no other public official of such locality or localities who exercises any functions or responsibilities with respect to the assignment of work, has during his or her tenure, or will for one (1) year thereafter, have any interest, direct or indirect, in this PROJECT or the proceeds thereof.

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

None.

<u>Government Entity</u> <u>Making Complaint</u>	<u>Date</u>	<u>Resolution</u>
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31. Has the CONTRACTOR ever been disqualified, removed from or otherwise prevented from bidding on or completing a federal, state, or local government project because of a violation of law or a safety regulation. If so, please explain the circumstances in detail. If none, please so state:

None.

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

None.

<u>Governmental Agency</u>	<u>Description License</u>	<u>License Number</u>	<u>Date Issued (original)</u>	<u>Status (current)</u>	<u>Revocation (yes/no)</u>
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33. Describe in detail any and all other facts, factors or conditions that may adversely affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, SALES of Real Property to, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with the COMMISSION.

None.

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

None.

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

<u>Date</u>	<u>Entity Involved (i.e., CITY, COMMISSION, etc.)</u>	<u>Status (Current, delinquent repaid, etc.)</u>	<u>Dollar Amount</u>
1995	SD Housing Commission	Current	\$131,850
2006	SD Housing Commission	Current	\$1,570,000

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

If yes, explain:

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

If yes, explain:

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

Name: Murray Builders

Address: 9715 Carroll Center Road, Ste. 102, San Diego, CA 92126

Phone: (858) 695-8353

Project Name and Description:

- The 51st Street Project, 2007: Acquisition rehabilitation of a 24 unit apartment building in City Heights for an affordable supportive housing project dedicated to low low individuals diagnosed with HIV/AIDS.

Name: McFarland Construction

Address: 1119 South Mission Avenue, #322, Fallbrook, CA 92028

Phone: (760) 622-6217

Project Name and Description:

- The 51st Street Project, 2007: Acquisition rehabilitation of a 24 unit apartment building in City Heights for an affordable supportive housing project dedicated to low low individuals diagnosed with HIV/AIDS.
- Wilson Ave. Apartments Renovation, 2007: Major renovation of 6 units at the Wilson Ave. Apartments, a Townspeople owned and operated affordable supportive housing project dedicated to low low individuals diagnosed with HIV/AIDS.

Name: Corporation for Supportive Housing

Address: 328 Maple Street, 4th Floor, San Diego, CA 92103

Phone: (619) 234-4102

Project Name and Description:

- The 51st Street Project, 2007: Acquisition rehabilitation of a 24 unit apartment building in City Heights for an affordable supportive housing project dedicated to low low individuals diagnosed with HIV/AIDS.

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

Townspeople's First Completed Permanent Affordable Supportive Housing Project: The Wilson Avenue Apartments, 3845 – 3851 ¼ Wilson Avenue, San Diego, CA 92104.

Project Description: In December of 1995, Townspeople created San Diego's first independent apartment complex for low-income persons living with HIV/AIDS, which consists of 8 one-bedroom units. The Wilson Avenue Apartments are located in the City Heights neighborhood of San Diego within walking distance to key bus routes, so that residents without cars can effectively commute to needed services. Each of the complex's 8 units includes a living room, bedroom, bathroom, and kitchen with new appliances. Shared amenities include a patio area with a colorful wall mural and a barbeque. The complex is protected by a 24-hour gated security system as well as an on-site manager.

The project is an example of the Supportive Housing model, in which residents with special needs or disabilities live independently, following all of the provisions of a lease, and receive supportive services from local service providers, which help them maintain housing on a permanent basis.

Financing: Townspeople obtained project funding for the Wilson Avenue Apartments from the San Diego Housing Commission (SDHC), and Housing Opportunities for Persons with AIDS (HOPWA). Townspeople also recently rehabilitated the property with funding from Community Development Block Grant (CDBG) from City Council Member Toni Atkins and funding from San Diego County Supervisor Ron Roberts.

Townspeople's Second Completed Permanent Affordable Supportive Housing Project: The 51st Street Project, 4242, 4252, & 4260 51st Street, San Diego, CA 92115

Project Description: Townspeople announced the Grand Opening of the 51st Street Project in October 2007. The project is a 24-unit apartment complex rehabbed specifically for the low-low income, homeless special needs population in San Diego. The 51st Street Project is located in the City Heights neighborhood of San Diego within walking distance to key bus routes, so that residents without cars can effectively commute to needed services. Each of the complex's 24 studio units includes a living room,

bathroom, and kitchen with new appliances. Shared amenities include a barbeque area and landscaped yard, and the complex is protected by a 24-hour gated security system as well as an on-site manager.

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

Mike Hovsepian
2235 Chicago Street
San Diego, CA 92110

CONSENT TO PUBLIC DISCLOSURE BY CONTRACTOR

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

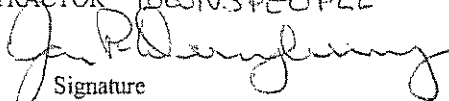
CONTRACTOR represents and warrants to the COMMISSION, the AUTHORITY and the CITY that by providing the information requested herein and waiving any and all privileges available under the Evidence Code of the State of California, State and Federal Law, (to the extent of this disclosure that the information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

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

Executed this 26 day of October, 2009, at San Diego, California.

CONTRACTOR TOWNSPEOPLE

By:



Signature

Executive Director

Title

CERTIFICATION

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

By: [Signature] By:
Title: Executive Director Title:

Dated: 10/26/09 Dated:

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

JURAT

State of California

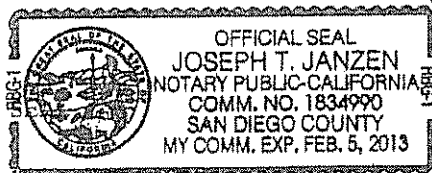
County of San Diego

Subscribed and sworn to (or affirmed) before me on this 26th day of October, 2009

by Jon P. Derryberry personally known to me or proved to me on the basis of satisfactory

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

[Signature]
Signature of Notary
Joseph T. Janzen,
Notary Public

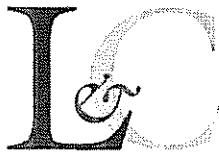


TOWNSPEOPLE
(A NONPROFIT CORPORATION)
FINANCIAL STATEMENTS
DECEMBER 31, 2008



**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
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DECEMBER 31, 2008**

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California Society of Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Townspeople
(A Nonprofit Corporation)
3960 Park Blvd., Suite B
San Diego, California 92103

We have audited the accompanying statement of financial position of Townspeople (A Nonprofit Corporation), as of December 31, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Townspeople's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respect, the financial position of Townspeople as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 26, 2009, on our consideration of Townspeople's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information on pages 17 and 18 are presented for purposes of additional analysis and are not a required part of the financial statements of Townspeople. The accompanying schedule of expenditures of federal awards for Townspeople is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations, and is also not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Leaf & Cole LLP

San Diego, California
May 26, 2009

**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008**

ASSETS

Current Assets: (Notes 1 and 2)

Cash	\$ 4,628
Grants and contracts receivable	17,366
Accounts receivable, net	5,009
Prepaid expenses and other assets	<u>9,439</u>
Total Current Assets	<u>36,442</u>

Restricted Reserves: (Note 3)

Operating reserve	37,339
Replacement reserve	<u>13,766</u>
Total Restricted Reserves	<u>51,105</u>

Land, Buildings and Equipment, Net (Notes 1, 4 and 6) 3,672,719

TOTAL ASSETS \$3,760,266

LIABILITIES AND NET ASSETS

Current Liabilities: (Notes 1, 5 and 6)

Accounts payable and accrued expenses	\$ 25,616
Accrued interest payable	6,528
Accrued compensated absences	9,590
Line-of-credit	41,284
Deferred revenue	31,550
Tenant security deposits	<u>14,750</u>
Total Current Liabilities	<u>129,318</u>

Long-Term Liabilities: (Note 6)

Notes payable	3,655,736
Accrued interest payable	<u>262,063</u>
Total Long-Term Liabilities	<u>3,917,799</u>

Total Liabilities 4,047,117

Commitment (Note 8)

Unrestricted Net Assets (Deficit) (Notes 1 and 7) (286,851)

TOTAL LIABILITIES AND NET ASSETS \$3,760,266

The accompanying notes are an integral part of the financial statements.

TOWNSPEOPLE
(A NONPROFIT CORPORATION)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Revenue and Support:

Grants and contracts	\$236,929
Rental income	165,821
Miscellaneous income	22,602
Contributions	13,955
Interest income	<u>477</u>
Total Revenue and Support	<u>439,784</u>

Expenses:

Program Services:

51st Street Apartments	376,421
Wilson Avenue Apartments	109,384
Housing services	<u>12,270</u>
Total Program Services	<u>498,075</u>

Supporting Services:

General and administrative	76,676
Fundraising	<u>39,425</u>
Total Supporting Services	<u>116,101</u>

Total Program and Supporting Services Expenses 614,176

Change in Unrestricted Net Assets (174,392)

Unrestricted Net Assets (Deficit) at Beginning of Year (112,459)

UNRESTRICTED NET ASSETS (DEFICIT) AT END OF YEAR \$(286,851)

The accompanying notes are an integral part of the financial statements.

**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Program Services			Supporting Services			Total Expenses
	Housing Services	Wilson Avenue Apartments	51st Street Apartments	Total	General and Administrative	Fundraising	
Direct Expenses:							
Salaries	\$ 96,644	\$ 21,194	\$ 21,330	\$139,168	\$29,240	\$	\$ 29,240
Depreciation		14,615	108,782	123,397	4,390		4,390
Interest		8,416	92,141	100,557	6,079		6,079
Development				-		39,425	39,425
Rent/lease	6,998	2,009	993	10,000	14,079		14,079
Employee benefits	13,766	2,431	2,194	18,391	2,962		2,962
Utilities	905	6,500	8,389	15,794	905		905
Insurance	724	4,558	7,558	12,840	724		724
Payroll taxes	8,276	1,715	596	10,587	2,511		2,511
Legal/accounting fees	2,667	1,333	5,075	9,075	4,000		4,000
Repairs and maintenance	1,072	1,679	8,469	11,220	1,126		1,126
Management fees			12,000	12,000			-
Interns	8,529	1,721		10,250			-
Telephone	1,621	460	1,155	3,236	2,156		2,156
Printing	1,752	625		2,377	2,419		2,419
Fees and licenses	547	162	1,922	2,631	932		932
Mileage		297	1,327	1,624	1,839		1,839
Miscellaneous	481	42	1,589	2,112	978		978
Bad debt expense		2,780	30	2,810			-
Computer service	1,852	79		1,931	547		547
Tenant engagement		511	1,886	2,397			-
Security	233	272	1,306	1,811	233		233
Consulting	1,975			1,975			-
Postage	255	59		314	840		840
Drug testing			1,093	1,093			-
Training	304	7		311	627		627
Advertising	163	2	9	174	89		89
Total Direct Expenses	148,764	71,467	277,844	498,075	76,676	39,425	116,101
Indirect Expenses	(136,494)	37,917	98,577	-			
TOTAL EXPENSES	<u>\$ 12,270</u>	<u>\$109,384</u>	<u>\$376,421</u>	<u>\$498,075</u>	<u>\$76,676</u>	<u>\$39,425</u>	<u>\$614,176</u>

The accompanying notes are an integral part of the financial statements.

**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Cash Flows From Operating Activities:

Change in unrestricted net assets	\$(174,392)
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	127,787
(Increase) Decrease in:	
Grants and contracts receivable	35,333
Accounts receivable	(3,176)
Prepaid expenses and other assets	1,500
Increase (Decrease) in:	
Accounts payable and accrued expenses	7,474
Accrued interest payable	100,330
Accrued compensated absences	5,755
Deferred revenue	29,700
Tenant security deposits	<u>(125)</u>
Net Cash Provided by Operating Activities	<u>130,186</u>

Cash Flows From Investing Activities:

Operating reserve deposits	(212)
Replacement reserve deposits	(13,766)
Purchase of land, buildings and equipment	<u>(249,566)</u>
Net Cash Used in Investing Activities	<u>(263,544)</u>

Cash Flows From Financing Activities:

Line-of-credit, net	25,658
Proceeds from notes payable	<u>82,409</u>
Net Cash Provided by Financing Activities	<u>108,067</u>

Net Decrease in Cash (25,291)

Cash, Beginning of Year 29,919

CASH, END OF YEAR **\$ 4,628**

Supplementary Disclosure of Cash Flow Information:

Cash paid for interest, net of capitalized (Note 4) \$ 6,734

The accompanying notes are an integral part of the financial statements.

TOWNSPEOPLE
(A NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

Note 1 - Organization and Nature of Activities and Significant Accounting Policies:

Organization and Nature of Activities

Townspeople (the "Agency") was established in 1984 and was incorporated as a nonprofit corporation in July, 1994. The Agency's purpose is to effect the provision of decent housing that is affordable to low-income and moderate-income persons, especially those who are HIV infected or disabled. The Agency is funded in part through private donations as well as corporate, foundation and government grants. The Agency provides housing information, referral services, affordable rental housing and other services throughout San Diego County. The Agency operates the following programs:

Housing Services

Townspeople is a Community Housing Development Organization (CHDO) and a community-based HIV/AIDS service provider agency. The Agency is considered San Diego's premier information and referral agency assisting homeless and at risk individuals and families living with HIV/AIDS secure, clean, safe, affordable housing and other vital human services and entitlements. Annually, Townspeople responds to more than 10,000 requests for information and services for men, woman and children living with HIV/AIDS.

The Agency's Community Outreach Program complements the foregoing services and is designated to further develop the agency's information and referral services to consumers living in North County, East County, South East, South Bay and Central San Diego. The objectives of this activity is to extend information and referral services to the incorporated and unincorporated communities in these five areas of the county.

Townspeople publishes a biweekly list of affordable rentals offered by sympathetic landlords, HIV friendly roommates, group homes in San Diego County, and HOPWA funded housing units.

51st Street Apartments

In August of 2005, the Agency acquired the 51st Street Apartments and completed renovation of the units in 2007. The 51st Street Apartments consist of 24 units available for low-income persons living with HIV/AIDS. In addition, under the terms of the regulatory agreements the units are rent and occupancy restricted for 55 years.

TOWNSPEOPLE
(A NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

Note 1 - Organization and Nature of Activities and Significant Accounting Policies: (Continued)

Organization and Nature of Activities (Continued)

Wilson Avenue Apartments

In December of 1995, the Agency opened San Diego's first independent apartment complex for low-income persons living with HIV/AIDS. The Wilson Avenue Apartments consist of 8 units available for low-income persons living with HIV/AIDS.

Significant Accounting Policies

Method of Accounting

The financial statements of the Agency have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

The financial statements are presented in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations", which requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

Note 1 - Organization and Nature of Activities and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 157, Fair Value Measurements ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, outlines a fair value hierarchy based on inputs used to measure fair value and enhances disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). SFAS 157 does not change existing guidance as to whether or not an instrument is carried at fair value. The Agency adopted SFAS 157 effective January 1, 2008. As of January 1, 2008, the Agency determined that SFAS 157 did not have a significant impact on the financial assets and liabilities in the financial statements.

The Agency's statement of financial position includes the following financial instruments: cash, receivables, accounts payable and accrued expenses, line-of-credit and notes payable. The Agency considers the carrying values of cash, receivables, accounts payable and accrued expenses and line-of-credit to approximate fair value for these financial instruments because of the short period of time between origination of the instruments and their expected payment or realization. The notes payable are reported at fair value based on the borrowing rates available to the Agency at December 31, 2008, for notes with similar terms and maturities, the fair value of the notes payable approximated their carrying costs at December 31, 2008.

Accounts Receivable

Bad debts are recognized on the allowance method based on management's evaluation of outstanding accounts receivable. The allowance for doubtful accounts totalled \$2,780 at December 31, 2008.

TOWNSPEOPLE
(A NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

Note 1 - Organization and Nature of Activities and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Contributions

Contributions are recognized when the donor makes a promise to give to the Agency that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Land, Buildings and Equipment

Land, building and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Agency reclassifies temporarily restricted net assets to unrestricted net assets at that time. Maintenance, repairs and minor renewals are charged to operations as incurred. Property and equipment is depreciated using the straight-line method over the estimated useful lives as follows:

Buildings and improvements	3 - 27.5 years
Equipment	5 years
Furniture	5 years
Appliances	5 years

Depreciation aggregated \$127,787 for the year ended December 31, 2008.

**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

Note 1 - Organization and Nature of Activities and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Land, Building and Equipment (Continued)

The Agency reviews its investment in real estate for impairment whenever events and changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted net cash flows expected to be generated by the rental property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There are no impairment losses recognized in 2008.

Compensated Absences

Accumulated unpaid vacation totalling \$9,590 at December 31, 2008 is accrued when incurred and included as a liability in accrued compensated absences.

Deferred Revenue

Rental income is recognized for apartment rentals as it accrues. Advance receipts of rental income are deferred or classified as liabilities until earned. Deferred rental income totalled \$31,550 at December 31, 2008.

Donated Services and In-Kind Donations

During 2008, valuable assistance was given by several HIV/AIDS community volunteers whose donated hours helped the Agency respond to more than 10,000 requests for assistance from individuals and families living with HIV/AIDS in San Diego County. The valuation of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

Note 1 - Organization and Nature of Activities and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Allocated Expenses

Expenses by function have been allocated among program and supporting services classifications on the basis of internal records and estimates made by the Agency's management.

Income Tax Status

The Agency is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Agency is not a private foundation.

The Agency has elected to defer the provisions of Financial Accounting Standards Board Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" under the provisions of a FASB Staff Position issued in December, 2008. The Corporation uses a Financial Accounting Standards Board Statement No. 5 "Loss Contingencies" approach for evaluating uncertain tax positions and continually evaluates changes in tax law and new authoritative rulings.

Concentration of Credit Risk

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all investment instruments purchased with a maturity of three months or less to be cash and cash equivalents.

**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

Note 2 - Grants and Contracts Receivable:

Grants and contracts receivable consist of the following at December 31, 2008:

County of San Diego - HOPWA	<u>\$17,366</u>
-----------------------------	-----------------

Management believes that all grants and contracts receivable were fully collectible, therefore, no allowance for doubtful accounts was recorded as of December 31, 2008.

Note 3 - Restricted Reserves:

According to the loan and regulatory agreements, the Agency is required to maintain certain reserves. The following shows the activity in such accounts during 2008.

Operating Reserve

The Agency is required to fund an operating reserve for the 51st Street Apartments in an initial amount of \$36,283. The following is the activity in the operating reserve for the year ended December 31, 2008:

Balance, Beginning of Year	\$37,127
Add: Interest income	<u>212</u>
Balance, End of Year	<u>\$37,339</u>

Replacement Reserve

The Agency is required to fund a replacement reserve for the 51st Street Apartments in an annual amount of \$13,512. The following is the activity in the operating reserve for the year ended December 31, 2008:

Balance, Beginning of Year	\$ -0-
Add: Deposit	13,512
Interest income	<u>254</u>
Balance, End of Year	<u>\$13,766</u>

**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

Note 4 - Land, Buildings and Equipment:

Land, buildings and equipment consist of the following at December 31, 2008:

Wilson Avenue land	\$ 99,694
Wilson Avenue building	184,844
Wilson Avenue improvements	97,905
Wilson Avenue appliances	375
Equipment	36,299
Furniture	1,268
51st Street land	471,000
51st Street building	1,099,000
<hr/>	
51st Street appliances and furniture	15,205
51st Street improvements	1,808,883
34th Street construction in progress	<u>233,126</u>
Total	4,047,599
Less: Accumulated depreciation	<u>(374,880)</u>
Land, Buildings and Equipment, Net	<u>\$3,672,719</u>

Interest totalling \$428 for the year ended December 31, 2008 was capitalized and is included in 34th Street construction in progress.

Note 5 - Line-of-Credit:

The Agency has a line-of-credit available in the amount of \$41,000. The line-of-credit provides for interest at the bank's prime rate plus 6.75% (10% at December 31 2008). The line-of-credit is secured by substantially all of the Agency's assets. The line-of-credit is renewable annually. Outstanding advances under the line-of-credit totalled \$41,284 at December 31, 2008.

Note 6 - Notes Payable:

Wilson Avenue Apartments

The Agency obtained a loan in the amount of \$257,000 from the San Diego Housing Commission in 1995 to purchase the Wilson Avenue Apartments. The loan bears interest at 3%. The interest payments are deferred until December, 2050, when the principal and accrued interest are payable, except to the extent that the Agency has annual residual receipts as defined in the loan agreement. Any residual receipts required to be paid each year are first applied to accrued interest and then to the principal balance of the loan. Secured by a deed of trust. The Agency had no residual receipts at December 31, 2008, therefore the accrued interest payable is included in long-term liabilities. Accrued interest totalled \$100,444 at December 31, 2008.

\$ 257,000

**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

Note 6 - Notes Payable: (Continued)

51st Street Apartments

The loan payable which was originated in 2006 is held by the San Diego Housing Commission in the original amount of \$1,570,000. The loan bears interest at 3%. Interest is payable annually from residual receipts. Loan and accrued interest are due and payable on May 1, 2071. Secured by a deed of trust. The Agency had no residual receipts at December 31, 2008, therefore the accrued interest payable is included in long-term liabilities. Accrued interest totalled \$111,280 at December 31, 2008.

\$1,570,000

The mortgage note which was originated in 2007 from the California Department of Housing and Community Development (MHP) in the original amount of \$1,554,327. The note bears interest at 3%. Payments in the amount of forty-two hundredths of one percent (.42%) per annum on the unpaid principal balance of the loan are payable beginning December 31, 2007 and continuing annually thereafter up to the twenty-ninth anniversary of the interest payment date. Commencing on the thirtieth (30th) anniversary of the interest payment date and continuing annually thereafter, payments shall equal the lesser of (1) the full amount of interest accruing on the unpaid principal balance during the year, or (2) the amount determined by the lender as to be necessary to cover the costs of continued monitoring of the compliance requirements under the loan. In addition, the loan may require additional payments from net cash flow under the terms of the Regulatory Agreement. The note is due September, 2062. Secured by a deed of trust. Accrued interest totalled \$56,439 at December 31, 2008. The required interest payment was \$6,528 for the year ended December 31, 2008.

1,554,327

The mortgage note which was originated in 2006 from the Mission Federal Credit Union for the Affordable Housing Program (AHP) in the original amount of \$192,000. The note is noninterest bearing as long as all compliance requirements of the loan are met. Principal is due at the expiration of the retention period (15 years from date of completion). Secured by a deed of trust.

192,000

34th Street Development

Loan payable to a Board of Director in the amount of \$50,000 to open escrow on the 34th Street Apartments. The loan bears interest at 8%, except that no interest was charged in 2008. Interest and unpaid principal will be repaid upon financing of the permanent loan. Unsecured.

50,000

**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

Note 6 - Notes Payable: (Continued)

34th Street Development (Continued)

The loan payable which was originated in 2008 is held by the San Diego Housing Commission in the original amount of \$50,000 (\$32,409 advanced as of December 31, 2008). The loan bears interest at 3%. The loan is due the earlier of (i) August 19, 2010 or (ii) the funding of the permanent financing. Secured by substantially all assets of the Agency. The funds are dispersed to pay expenses incurred during pre-development of 34th Street Apartments. Accrued interest totalled \$428 at December 31, 2008.

Total Notes Payable

\$ 32,409
\$3,655,736

There are no required maturities of notes payable for the next five years.

Note 7 - Unrestricted Net Assets:

The unrestricted net assets as of December 31, 2008 are reported under the accrual basis of accounting and include significant noncash amounts for depreciation totalling \$374,880 and interest totalling \$262,063. These amounts are included as reductions of unrestricted net assets at December 31, 2008.

Note 8 - Commitment:

During the year ended December 31, 2008 the Agency leased office space at 3960 Park Avenue and storage space. The lease term is on a month-to-month basis. The lease may be terminated by either party with a minimum of 30 days written notice. Rent expense totalled \$24,079 for the year ended December 31, 2008.

TOWNSPEOPLE
(A NONPROFIT CORPORATION)
SUPPLEMENTARY SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS
DECEMBER 31, 2008

ASSETS

	<u>General</u>	<u>51st Street</u>	<u>Wilson Avenue</u>	<u>Elimination</u>	<u>Total</u>
<u>Current Assets:</u>					
Cash	\$ (33)	\$ 685	\$ 3,976	\$	\$ 4,628
Grants and contracts receivable	7,153	4,153	6,060		17,366
Accounts receivable, net	307,615	373	4,636	(307,615)	5,009
Prepaid expenses and other assets	<u>4,901</u>	<u>2,374</u>	<u>2,164</u>		<u>9,439</u>
Total Current Assets	<u>319,636</u>	<u>7,585</u>	<u>16,836</u>	<u>(307,615)</u>	<u>36,442</u>
<u>Restricted Reserves:</u>					
Operating reserve		37,339			37,339
Replacement reserve		<u>13,766</u>			<u>13,766</u>
Total Restricted Reserves	<u>-0-</u>	<u>51,105</u>	<u>-0-</u>	<u>-0-</u>	<u>51,105</u>
<hr/>					
<u>Noncurrent Assets:</u>					
Land, building and equipment, net	<u>244,031</u>	<u>3,154,346</u>	<u>274,342</u>	<u>-0-</u>	<u>3,672,719</u>
Total Noncurrent Assets	<u>244,031</u>	<u>3,154,346</u>	<u>274,342</u>	<u>-0-</u>	<u>3,672,719</u>
TOTAL ASSETS	<u>\$563,667</u>	<u>\$3,213,036</u>	<u>\$291,178</u>	<u>\$(307,615)</u>	<u>\$3,760,266</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u>					
Accounts payable	\$ 25,616	\$	\$	\$	\$ 25,616
Accrued interest payable		6,528			6,528
Accrued compensated absences	9,590				9,590
Line-of-credit	41,284				41,284
Deferred revenue		16,917	14,633		31,550
Tenant security deposits		<u>11,450</u>	<u>3,300</u>		<u>14,750</u>
Total Current Liabilities	<u>76,490</u>	<u>34,895</u>	<u>17,933</u>	<u>-0-</u>	<u>129,318</u>
<u>Long-Term Liabilities:</u>					
Notes payable	82,409	3,316,327	257,000		3,655,736
Deferred developer fee payable		307,615		(307,615)	-0-
Accrued interest payable	<u>428</u>	<u>161,191</u>	<u>100,444</u>		<u>262,063</u>
Total Long-Term Liabilities	<u>82,837</u>	<u>3,785,133</u>	<u>357,444</u>	<u>(307,615)</u>	<u>3,917,799</u>
Total Liabilities	159,327	3,820,028	375,377	(307,615)	4,047,117
<u>Unrestricted Net Assets (Deficit)</u>	<u>404,340</u>	<u>(606,992)</u>	<u>(84,199)</u>	<u>-0-</u>	<u>(286,851)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$563,667</u>	<u>\$3,213,036</u>	<u>\$291,178</u>	<u>\$(307,615)</u>	<u>\$3,760,266</u>

TOWNSPEOPLE
(A NONPROFIT CORPORATION)
SUPPLEMENTARY SCHEDULE OF REVENUE, SUPPORT AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>General</u>	<u>51st Street</u>	<u>Wilson Avenue</u>	<u>Elimination</u>	<u>Total</u>
<u>Revenue and Support:</u>					
Grants and contracts	\$169,382	\$ 23,334	\$44,213	\$	\$236,929
Rental income		131,026	34,795		165,821
Miscellaneous income	12,090	10,210	302		22,602
Contributions	13,080	62	813		13,955
Interest income	<u>330</u>		<u>147</u>		<u>477</u>
Total Revenue and Support	<u>194,882</u>	<u>164,632</u>	<u>80,270</u>	<u>-0-</u>	<u>439,784</u>
<u>Expenses:</u>					
Program Services:					
51st Street Apartments		376,421			376,421
Wilson Avenue Apartments			109,384		109,384
Housing services	<u>12,270</u>				<u>12,270</u>
Total Program Services	<u>12,270</u>	<u>376,421</u>	<u>109,384</u>	<u>-0-</u>	<u>498,075</u>
<hr/>					
Supporting Services:					
General and administrative	76,676				76,676
Fundraising	<u>39,425</u>				<u>39,425</u>
Total Supporting Services	<u>116,101</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>116,101</u>
Total Program and Supporting Services	<u>128,371</u>	<u>376,421</u>	<u>109,384</u>	<u>-0-</u>	<u>614,176</u>
Excess (Deficit) of Revenue and Support Over (Under) Expenses	<u>\$ 66,511</u>	<u>\$(211,789)</u>	<u>\$(29,114)</u>	<u>\$-0-</u>	<u>\$(174,392)</u>

**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:		
Pass-Through Programs From:		
San Diego Housing Commission:		
HOME Investment Partnerships Programs	14.239	\$1,310,000
Housing Opportunities for Persons With AIDS	14.241	125,150
County of San Diego Department of Community Development:		
Housing Opportunities for Persons With AIDS	14.241	<u>175,116</u>
Total Pass-Through Programs		<u>1,610,266</u>
Total U.S. Department of Housing and Urban Development		<u>\$1,610,266</u>

Note: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.



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**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed
in Accordance With Government Auditing Standards**

To the Board of Directors
Townspeople
(A Nonprofit Corporation)

We have audited the financial statements of Townspeople (A Nonprofit Organization) as of and for the year ended December 31, 2008, and have issued our report thereon dated May 26, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Townspeople's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Townspeople's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

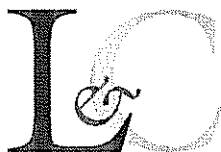
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Townspeople's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the audit committee, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Leaf & Cole LLP

San Diego, California
May 26, 2009



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**Independent Auditor's Report on
Compliance With Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the Board of Directors
Townspeople
(A Nonprofit Corporation)

Compliance

We have audited the compliance of Townspeople with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2008. Townspeople's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Townspeople's management. Our responsibility is to express an opinion on Townspeople's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Townspeople's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Townspeople's compliance with those requirements.

In our opinion, Townspeople complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of Townspeople is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Townspeople's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Townspeople's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the audit committee, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Leaf & Cole LLP

San Diego, California
May 26, 2009

**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unqualified

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weakness(es)? Yes No

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? Yes No

Identification of major programs: U.S. Department of Housing and Urban Development

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.239	HOME Investment Partnerships Programs
Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>300,000</u>
Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Section II - Financial Statement Findings:

None

Section III - Federal Award Findings and Questioned Costs:

None

**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Finding 07-01 - Replacement Reserve Deposits:

Statement of Condition

In accordance with the California Department of Housing and Community Development (MHP) regulatory agreement, the Agency is required to fund the replacement reserve account in the amount of \$13,512 annually, pro rated for the initial year of operations. The Agency did not fund the required replacement reserves totalling \$3,378 for the year ended December 31, 2007.

Recommendation

We recommend that the Agency fund the replacement reserve with \$3,378 for the year ended December 31, 2007 and implement procedures to ensure that the replacement reserve is funded on a monthly basis in the amount of \$1,126.

Current Status

As of December 31, 2008, the Agency has properly funded the replacement reserve.

ATTACHMENT 7

Housing Commission Loan Terms

Total Development Cost:	The estimated total development cost of \$6,663,093 includes repayment of a predevelopment loan, rehabilitation, interest costs, builder overhead and profit, and a \$624,000 developer's fee.
Permanent Loan Amount:	A \$2,920,000 total permanent loan leverages \$3,743,093 from other sources.
Construction Loan Amount:	A \$2,128,189 construction loan will be converted to permanent financing within 12 months.
Security:	The Housing Commission loans would be secured by a second trust deed recorded against the property.
Recourse:	With the approval of the other lenders, the Housing Commission loan may be a recourse loan.
Cure Rights:	The Housing Commission would maintain the right to cure defaults in accordance with the requirements of the senior lenders.
Housing Commission Loan Payments:	Subject to the approval of the other lenders, annual payments from 50 percent of the residual receipts of the project commensurate with participation in the loan financing. Any unpaid principal and interest would be due and payable upon the earlier of first loan maturity or project refinancing.
Affordability Restrictions:	A Housing Commission Declaration of Covenants, Conditions, and Restrictions with a 65-year term would be recorded against the property to restrict rents and occupancy for 12 units at 50 percent of AMI and rents and occupancy of 21 units at 60 percent of AMI.
First Deed of Trust:	Up to \$1,772,483 from MHP at three percent simple interest per year with payments from residual receipts and 55-year affordability restrictions.
Second Deed of Trust:	Up to \$2,920,000 from the Housing Commission at three percent simple interest per year with payments from residual receipts and 65-year affordability restrictions.

from residual receipts and 65-year affordability restrictions.

Management Plan:

The Management Plan is subject to periodic review and approval by the Housing Commission in its reasonable discretion.

Operating Expense:

Annual operating expenses are estimated at \$4,461 per unit for 34 units (\$372 per month).

Pro Forma Assumptions:

Income increases are projected at 2.5 percent per year; operating expenses at 3.5 percent per year; the vacancy rate at 5 percent per year. Any shortfall in project income available for operating expenses would be funded from reserves with the permission of the President and Chief Executive Officer of the Housing Commission.

Reserves:

Subject to the approval of the senior lenders, annual replacement reserves would be \$17,136. Use of reserves would require the reasonable approval of the President and Chief Executive Officer of the Housing Commission.



HOUSING AUTHORITY REPORT

DATE ISSUED:	August 6, 2008	REPORT NO.:	HAR08-29
ATTENTION:	Members of the Housing Authority For the Agenda of September 9, 2008		
ORIGINATING DEPARTMENT:	San Diego Housing Commission		
SUBJECT:	Loan for Townspeople 34 th Street		
COUNCIL DISTRICT:	District 3		

REQUESTED ACTION:

Approve a loan to finance acquisition and rehabilitation of a 34-unit rental housing development.

STAFF RECOMMENDATION:

Approve a permanent loan of up to \$2,040,000 for the acquisition and rehabilitation of a 34-unit mixed-income housing complex with twelve units reserved as permanent rental housing for very low-income persons living with HIV/AIDS and authorize the President and Chief Executive Officer of the Housing Commission, or a designee, to execute necessary documents.

DISCUSSION:

Townspeople is a California 501(c)(3) nonprofit corporation certified as a Community Housing Development Organization (CHDO). The organization was established in 1994 with the mission of developing affordable housing for persons living with HIV/AIDS. Because their medical conditions inhibit or preclude employment, this targeted tenant population is characteristically very low-income and has difficulty accessing decent rental housing at market-rate rents.

The proposed \$2,040,000 permanent loan would be gap financing for Townspeople's proposed 34th Street development. Townspeople submitted a loan application in response to the current Notice Of Funding Availability (NOFA) for Construction, Acquisition, and Operation of Affordable Rental Housing dated March 14, 2008.

Located at 4637 34th Street in Normal Heights, the two-story complex, constructed in 1969, has twenty one-bedroom apartments, thirteen two-bedroom apartments, and one two-bedroom manager's unit. It is conveniently located less than one block south of public transportation access and retail services on Adams Avenue and less than four blocks north of the major business and transportation corridor of El Cajon Boulevard. (see Attachment 1, Location Map) The owner and seller is a family trust with Ms. Betty Ma as trustee and representative.

Although the buildings are structurally sound, major mechanical systems are obsolete and there is substantial deferred maintenance. The proposed major renovation would cost approximately \$1.3 million including bridge loan interest, architect fees, engineering fees, and contingencies. The scope of work includes improvements to unit interiors, interior and exterior painting, window replacement, heating system replacement, water supply plumbing replacement, electrical upgrades, security system, and landscaping. Improvements would be made to convert two apartments into units fully accessible to tenants with physical disabilities.

This would be the third affordable housing project for Townspeople. In 1995, the Housing Commission loaned the nonprofit \$257,000 for acquisition and rehabilitation of an eight-unit apartment building located at 3845 Wilson Avenue in City Heights. In 2005, Townspeople obtained a \$1,570,000 Housing Commission loan as permanent gap financing to purchase and renovate a 24-unit complex on 51st Street in City Heights. The previous developments are successfully operated as HIV/AIDS permanent rental housing in compliance with Housing Commission loan requirements.

Townspeople's previous developments consist solely of studio apartments suitable for occupancy by single persons. Because of the increasing incidence of women and children living with HIV/AIDS, the proposed project would reserve twelve one-bedroom units restricted to two occupants to accommodate these families. Larger two-bedroom units would be made available when necessary.

The project would be a mixed-use housing development for low-income residents and very low-income residents living with HIV/AIDS. It is estimated that approximately twelve households would require permanent relocation to make units available for the targeted special needs tenant population. A number of current tenants who will qualify under the proposed affordability restrictions would not require relocation. Pursuant to Federal Law, the relocation consultant, Overland Pacific & Cutler, Inc., would conduct tenant interviews and administer advisory services and monetary compensation to the displaced households. The developer budgeted \$247,500 in relocation costs based on the information in the consultant's preliminary relocation plan.

Townspeople would utilize a portion of project income to assist the HIV/AIDS symptomatic residents in accessing an array of available service programs to help them obtain proper nutrition, medical care, life skills counseling, case management, and other services. Townspeople would be the sole owner and the operator of the proposed development; property management would be provided by an on-staff management professional.

The following table outlines the development team:

ROLE/FIRM	CONTACT	OWNED BY
Owner- Townspeople	Mr. Jon Derryberry, Executive Director	Townspeople, a 501(c)(3) nonprofit corporation
Developer- Townspeople	Mr. Jon Derryberry, Executive Director	Townspeople / a 501(c)(3) nonprofit corporation
Financial Consultant	Mr. Jahi Akobundu	California Housing Partnership Corp.
Architect	Ms. Caryn Bailey, AIA	rAd Architects (private)
Relocation Consultant		Overland, Pacific, and Cutler, Inc.

AFFORDABLE HOUSING IMPACT:

The Housing Commission would record 55-year rent and occupancy restrictions against the property establishing affordability of twelve one-bedroom units to tenants with annual incomes of 50 percent or less of Area Median Income (currently \$31,600 for a two-person household) and eight one-bedroom and thirteen two-bedroom units to tenants with incomes at 60 percent of Area Median Income (currently \$42,660 for a three-person household). One two-bedroom unit would be reserved for occupancy by a resident manager and would not be rent-restricted. The actual rents for the twelve units reserved for HIV/AIDS tenants are calculated to meet the more stringent requirements of state and county housing programs and, as a result, would be affordable to tenants with incomes at 30 percent or less of AMI (currently \$18,950 for a two-person household) with no special needs tenant paying more than 30 percent of their income in rent.

The developer applied for rent subsidies through the Federal Shelter Plus Care Program (S+C). S+C participation is obtained through a competitive application for renewable annual grants to provide housing for homeless individuals with disabilities. If it is secured in January of 2009 as anticipated, a S+C grant to this project will enhance annual project income by approximately \$41,000. The proposed rent structure is outlined in the San Diego Housing Commission General Application Form (see Attachment 4).

FISCAL CONSIDERATIONS:

The sales price of \$4,190,000 is less than the appraised value of \$4,200,000. The proposed Housing Commission participation would fund predevelopment activities, acquisition of the property, and rehabilitation costs. With an estimated total development cost of \$7,626,264 (\$224,302 per unit), the proposed \$2,040,000 Housing Commission permanent loan (\$60,000 per unit) would leverage \$5,586,264 from other sources.

Permanent financing would consist of a first position, amortized loan of Special Needs funds from California Housing Finance Agency (CalHFA), a second position residual receipts loan from the California Department of Housing and Community Development's Multifamily Housing Program (MHP), the proposed third position residual receipts Housing Commission loan, a residual receipts loan of Mental Health Services Act (MHSA) funds (the project would qualify for MHSA funds with five units rented to persons dually diagnosed with HIV/AIDS and

mental illness), a residual receipts loan of Federal Housing Opportunities For Persons With Aids (HOPWA) funds, a grant from the Federal Home Loan Bank Affordable Housing Program (AHP), and a grant of Federal Supportive Housing Program (SHP) funds. The following table summarizes the proposed sources of permanent financing outlined in Attachment 4:

Permanent Sources	Amount	Terms
CalHFA Loan	\$ 1,380,351	20 yrs. / 3.5% interest; amortized
MHP Loan	\$ 1,727,483	55 yrs. / 3% interest; residual receipts
Housing Commission Loan	\$ 2,040,000	55 yrs. / 3% interest; residual receipts
MHSA Loan	\$ 370,000	55 yrs. / 3% interest; residual receipts
HOPWA Loan	\$ 1,200,000	55 yrs. / 3% interest; residual receipts
SHP	\$ 400,000	55 yrs. / 0% interest; revocable grant
AHP	\$ 120,000	55 yrs. / 0% interest; revocable grant
Deferred Developer Fee	\$ 388,430	0% interest; annual payments from cash flow
Total Development Cost	\$ 7,626,264	

The CalHFA loan would be capitalized through the issuance of tax-exempt bonds by CalHFA. In addition to debt service on the CalHFA loan, there would be a required minimum annual payment to MHP of .42 percent of the MHP loan amount (\$7,255) and a required minimum annual payment to MHSA of .42 percent of the MHSA loan amount (\$1,554).

Project income would not produce net cash flow sufficient to fund residual receipts payments until the deferred developer fee is repaid at the end of the eighteenth year of the project. When residual receipts payments commence, Townspeople would retain 50 percent of the residual cash flow and the remaining 50 percent would be used to make payments on the Housing Commission, MHP, MHSA, and HOPWA loans commensurate with each loan's percentage of participation in the financing. Unpaid principal and interest on the Housing Commission loan would be due and payable upon refinancing or the maturity of the first position loan, whichever occurs first.

Because the MHP loan will not fund until conversion to permanent financing after the acquisition and rehabilitation are complete, bridge financing would be necessary. Up to \$400,000 of the Housing Commission loan would fund at acquisition as an interest reserve required by Low Income Investment Fund (LIIF). The bridge loans would be repaid with the proceeds of permanent financing. The following table outlines the sources of funds at acquisition:

Acquisition Sources	Amount	Terms
Low Income Investment Fund	\$ 2,933,000	18 months @ 7.25% interest
Local Initiatives Support Corp	\$ 838,000	18 months @ 7.00% interest
Corp For Supportive Housing	\$ 678,500	18 months @ 6.00% interest
San Diego Housing Commission	\$ 400,000	55 years @ 3.00% interest; residual receipts
Total	\$ 4,849,500	

The Housing Commission permanent loan would be senior to the HOPWA financial participation; however, the Housing Commission's Declaration of Covenants, Conditions, and Restrictions would be subordinate to the HOPWA regulatory agreement. Because the HOPWA rent and affordability restrictions would meet or exceed the level of Housing Commission requirements, this would have no effect on the Housing Commission's ability to restrict occupancy and rents for the development.

The Housing Commission made a \$40,000 predevelopment loan for this project that will be repaid with proceeds of the permanent financing. The predevelopment loan proceeds are paying expenses of the developer directly related to the project including permit fees, design fees, and consultant reports. The Housing Commission would also make a \$10,000 Project Support Grant to help Townspeople pay its direct labor costs for this development.

PREVIOUS ACTIONS:

~~On August 15, 2008, the Housing Commission voted to recommend this loan.~~

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

The proposed development was reviewed by the Normal Heights Community Planning Group at its regular meeting on April 1, 2008. The group voted unanimously to support the project and issued a memorandum confirming its support on April 8, 2008.

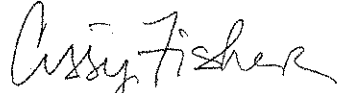
ENVIRONMENTAL REVIEW:

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

KEY STAKEHOLDERS & PROJECTED IMPACTS:

Stakeholders include Townspeople as the nonprofit developer and the Community of Normal Heights. The project is expected to have a positive impact on the community because it will contribute to the quality of the surrounding neighborhood and provide much-needed rental housing affordable to extremely low-income individuals and families affected by HIV/AIDS.

Respectfully submitted,



Cissy Fisher
Director of Housing Finance

Approved by,



Carrol M. Vaughan
Interim President and Chief Executive Officer

- Attachments:
1. Location Map
 2. Development Summary
 3. Development Timeline
 4. General Application
 5. Developer Disclosure Statement *
 6. Developer Financial Information *
 7. Housing Commission Loan Terms
 8. Commitment Letter
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*Distribution of these attachments may be limited. Copies available for review during business hours at the Housing Commission offices at 1122 Broadway, San Diego, CA 92101, Main Lobby and at the Office of the City Clerk, 202 C Street, San Diego, CA 92101.

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