

REPORT

DATE ISSUED: August 8, 2008 REPORT NO. HCR08-71

ATTENTION: Chair and Members of the Housing Commission
For the Agenda of August 15, 2008

SUBJECT: Loans for Townspeople 34th Street
(Council District 3)

REQUESTED ACTION:

Recommend approval of loans to finance acquisition and rehabilitation of a 34-unit rental housing development.

STAFF RECOMMENDATION:

Recommend to the Housing Authority a permanent loan of up to \$2,040,000, and a predevelopment loan of up to \$40,000, 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.

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 provide 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 12 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 8 one-bedroom and 13 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.

Unsecured until the developer acquires the property, a Housing Commission predevelopment loan of up to \$40,000 would not be funded until the developer receives funding commitments for the acquisition. The predevelopment loan proceeds would pay expenses of the developer directly related to the project including permit fees, design fees, and consultant reports. The predevelopment loan would be due and payable, including three percent simple interest, at the earlier of two years or conversion to permanent financing.

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.

In addition to the proposed permanent loan and predevelopment loan, the Housing Commission would make a \$10,000 Project Support Grant to Townspeople to help the nonprofit pay its direct labor costs for this development.

PREVIOUS ACTIONS:

On July 30, 2008, the Loan Committee recommended this Housing Commission financing with a vote of four in favor to none opposed.

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

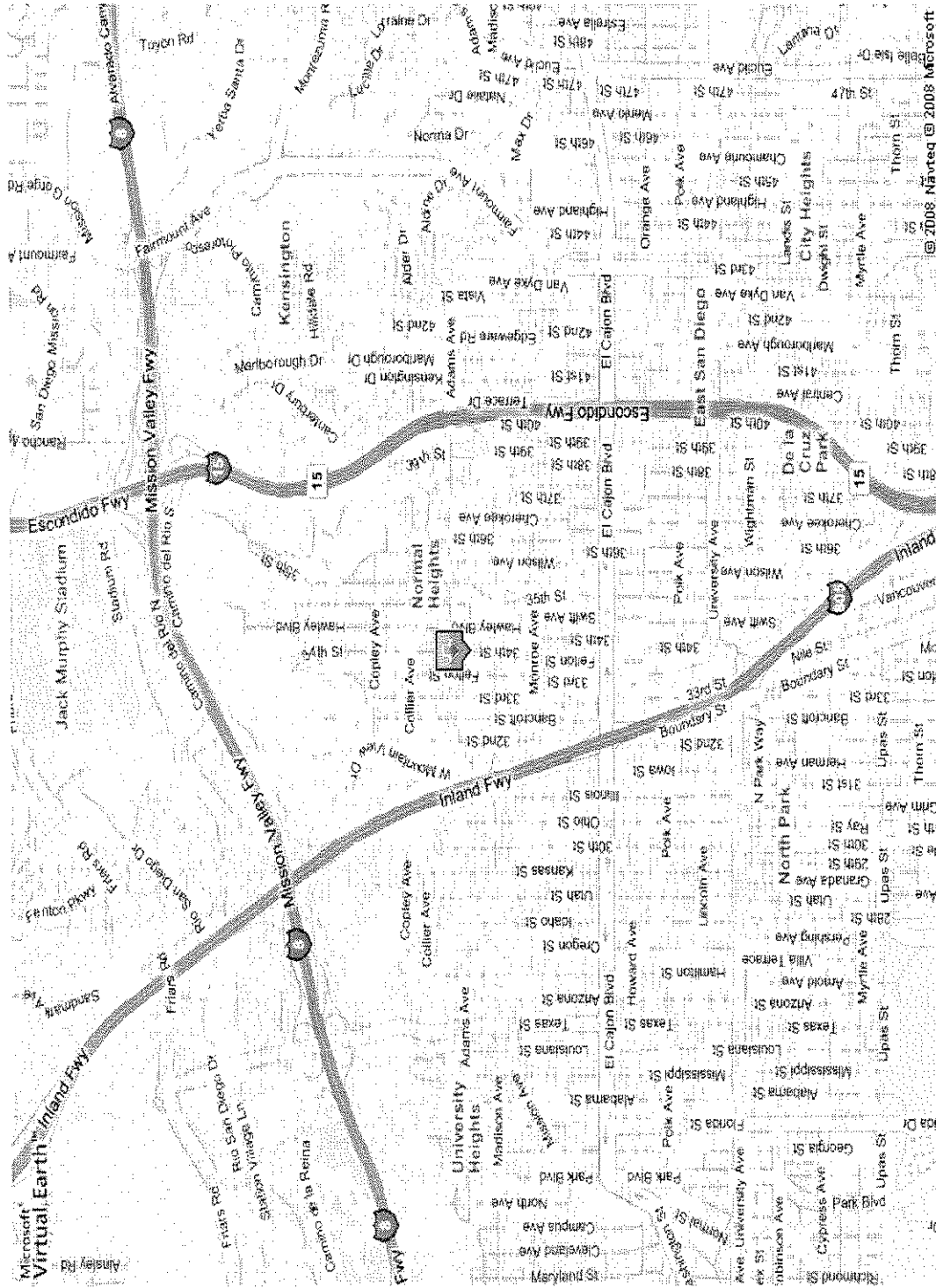
- Attachments:
1. Location Map
 2. Development Summary
 3. Development Timeline
 4. General Application
 5. Developer Disclosure Statement *
 6. Developer Financial Information *
 7. Housing Commission Loan Terms
 8. Commitment Letter

*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

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4637 34th Street



Location Map

ATTACHMENT - 2

**DEVELOPMENT SUMMARY
SPECIAL NEEDS RENTAL HOUSING
August 15, 2008**

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: 55 years

Development Cost

Total development cost: \$ 7,626,264
HC development cost (loan): \$ 2,040,000
Total development cost per unit: \$ 224,302 per unit / 34 units
HC cost per unit (loan): \$ 60,000 per unit / 34 units

Sources of Funds

CalHFA Loan \$ 1,380,351
MHP Loan \$ 1,727,483
Housing Commission Loan \$ 2,040,000
MHSA Loan \$ 370,000
HOPWA Loan \$ 1,200,000
AHP Grant \$ 120,000
SHP Grant \$ 400,000

Pro Forma Summary

Estimated annual income: \$ 315,144 (year 1)
Estimated annual expense: \$ 156,400 (year 1)
Annual debt service: \$ 96,066
Annual reserves: \$ 17,136

ATTACHMENT - 3

**TOWNSPEOPLE 34TH STREET
SPECIAL NEEDS RENTAL HOUSING
ESTIMATED TIMELINE**

September 9, 2008	Loan to the Housing Authority for approval
October 10, 2008	Housing Commission loan closing
January 5, 2009	Shelter Plus Care funding authorization
January 5, 2009	Start of rehabilitation
May 8, 2009	Completion of Rehabilitation

SAN DIEGO HOUSING COMMISSION GENERAL APPLICATION FORM - Project Overview

ATTACHMENT - 4

Page 1

Last revised: November 27, 2007

DATE: July 30, 2008

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

REQUEST FOR:	<input type="checkbox"/> EARLY ASSISTANCE	<input checked="" type="checkbox"/> PROJECT FUNDING	\$ <u>2,040,000</u>
	<input type="checkbox"/> TECHNICAL ASSISTANCE	<input checked="" type="checkbox"/> PREDEVELOPMENT LOAN	\$ <u>40,000</u>
	<input type="checkbox"/>	<input checked="" type="checkbox"/> PROJECT SUPPORT GRANT	\$ <u>10,000</u>

PROJECT TYPE:	<input type="checkbox"/> ACQUISITION	<input checked="" type="checkbox"/> ACQUISITION & REHABILITATION	<input checked="" type="checkbox"/> RENTAL
	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> REHABILITATION	<input type="checkbox"/> OWNERSHIP

PROJECT CONDITION:	<input type="checkbox"/> UNIMPROVED SITE	<input checked="" type="checkbox"/> RESIDENTIAL	<input type="checkbox"/> COMMERCIAL
YEAR BUILT: <u>1969</u>	<input checked="" type="checkbox"/> EXISTING STRUCTURE	<input type="checkbox"/> OTHER (DESCRIBE) _____	

PROJECT NAME: The 34th Street Project

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

LEGAL DESCRIPTION: 1048 3002 Norm. Heights R 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	<u>20</u>	<u>14</u>	<u>34</u>	<u>48</u>
<small>0-BEDROOM</small>	<small>1-BEDROOM</small>	<small>2-BEDROOM</small>	<small>TOTAL UNITS</small>	<small>BEDROOMS</small>

HC Assisted Units:	<u>20</u>	<u>14</u>	<u>34</u>	<u>48</u>
<small>0-BEDROOM</small>	<small>1-BEDROOM</small>	<small>2-BEDROOM</small>	<small>TOTAL UNITS</small>	<small>BEDROOMS</small>

EXISTING USES OF PROPERTY: Residential Multi-family

DESCRIPTION OF PROPOSED PROJECT: The proposed mixed-income project is an acquisition and rehabilitation of permanent multi-family rental housing for a very low-income special needs tenant population of persons with HIV or AIDS and other low-income households.

NO. OF BUILDINGS: 4

APPLICANT/BORROWER:

NAME: Townspople CONTACT PERSON: Jon P. Derryberry, Executive 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@townspople.org

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: P.O. 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	<u>Jon P. Derryberry</u> PRINT NAME	<u>Executive Director</u> TITLE	_____ DATE
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**SAN DIEGO HOUSING COMMISSION
APPLICANT INTEREST FORM - AI**

PLEASE PROVIDE ALL KNOWN INFORMATION AS REQUESTED

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

PROJECT NAME: The 34th Street Project
 ADDRESS: 4637 34th Street San Diego CA 92116
ADDRESS CITY STATE ZIP
 OWNERSHIP NAME: _____ DATE: July 30, 2008

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

2. Susan Snowbarger Secretary of the Townspeople Boa Board Member
NAME TITLE/POSITION NATURE OF INTEREST
3128 El Cajon Blvd. 619-640-7530
STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
CITY STATE ZIP

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

4. George Harb Townspeople Board Member at La Board Member
NAME TITLE/POSITION NATURE OF INTEREST
1096 North Mollison Ave. #4 619-977-4272
STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
El Cajon CA 92021
CITY STATE ZIP

5. Eddie Hunt Townspeople Board Member at La Board Member
NAME TITLE/POSITION NATURE OF INTEREST
4275 Arguello Street 619-299-2557
STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
San Diego CA 92102
CITY STATE ZIP

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

7. Phil Van Ostrand Townspeople Board Member at La Board Member
NAME TITLE/POSITION NATURE OF INTEREST
1900 31st Street (619) 501-1923
STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
San Diego CA 92102
CITY STATE ZIP

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

USE ADDITIONAL SHEETS AS NECESSARY

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

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

DATE: July 30, 2008

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

PROJECT NAME:	<u>The 34th Street Project</u>		
ADDRESS:	<u>4637 34th Street</u>	<u>San Diego</u>	<u>CA</u>
	STREET	CITY	STATE
			<u>92116</u>
			ZIP

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

Type (X) in ONE box	Gas (G) or Electricity (E) FILL IN ALL BOXES G or E	Paid by Tenant (T) or Owner/Landlord (L) FILL IN ALL BOXES T or L
<input checked="" type="checkbox"/> Apartment	Heat <u>E</u>	<u>T</u>
<input type="checkbox"/> Duplex, Townhouse	Cooking <u>E</u>	<u>T</u>
<input type="checkbox"/> House, Mobile Home	Water Heater <u>G</u>	<u>L</u>
	Water/Sewer <u>L</u>	<u>L</u>
	Basic Electric <u>T</u>	<u>T</u>

INCOME BY UNIT TYPE

COLUMN:													
A	B	C	D	E	F	G	H	I	J	K	L	M	
BASIS FOR RENT*	NO. OF UNITS	BED-ROOMS PER UNIT	BATH-ROOMS PER UNIT	SQ FT PER UNIT	CURRENT RENT	MONTHLY HOUSING COST PER UNIT	LESS: MONTHLY UTILITY ALLOW. PER UNIT	EQUALS: MONTHLY Tenant Paid RENT PER UNIT	COMPARE TO: MARKET RENT PER UNIT	AFFORDABILITY LEVEL: PERCENT MEDIAN INCOME**	YEARLY GROSS RENTS ALL UNITS	YEARLY MARKET RENTS	
MHP	7	1	1.00	650	\$ 856	\$ 444	\$ 14	\$ 430	\$ 850	32 %	\$ 36,120	\$ 71,400	
MHSA	5	1	1.00	650	\$ 856	\$ 242	\$ 14	\$ 228	\$ 850	17 %	\$ 13,680	\$ 51,000	
	8	1	1.00	650	\$ 856	\$ 779	\$ 14	\$ 765	\$ 850	56 %	\$ 73,440	\$ 81,600	
	13	2	1.00	900	\$ 908	\$ 964	\$ 19	\$ 945	\$ 1,050	62 %	\$ 147,420	\$ 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)	\$ 270,660	\$ 367,800
Comp. to 90% of Market:	\$ 270,660	\$ 331,020

OTHER INCOME	<u>Laundry/storage</u>	\$ 3,264
	<u>Shelter + Care</u>	\$ 41,220
		\$

TOTAL ANNUAL INCOME \$315,144

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: July 30, 2008

PLEASE PROVIDE ALL KNOWN INFORMATION AS REQUESTED - CHECK ALL BOXES THAT APPLY
Last revised: November 27, 2007

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

PROJECT NAME: The 34th Street Project
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	\$ 2,532	\$ 74	\$ 0.10
Telephone	\$ 1,600	\$ 47	\$ 0.06
Training & Travel	\$ 374	\$ 11	\$ 0.01
Payroll Services	\$ 9,571	\$ 282	\$ 0.37
Program Services	\$ 18,000	\$ 529	\$ 0.70
Other:	\$	\$	\$
Subtotal Percent of Total <u>21%</u>	\$ 32,077	\$ 943	\$ 1.25
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	\$ 26,373	\$ 776	\$ 1.03
Auditing Services	\$ 3,000	\$ 88	\$ 0.12
Legal Services	\$ 1,700	\$ 50	\$ 0.07
Other: Fees and Dues	\$ 750	\$ 22	\$ 0.03
Subtotal Percent of Total <u>20%</u>	\$ 31,823	\$ 936	\$ 1.24
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>20%</u>	\$ 31,600	\$ 929	\$ 1.23
Contract Services			
Exterminating	\$ 1,000	\$ 29	\$ 0.04
Trash Removal	\$ 6,000	\$ 176	\$ 0.23
Security Patrol	\$	\$	\$
Building/Grounds Maintenance	\$ 6,300	\$ 185	\$ 0.25
Janitorial Services	\$ 1,200	\$ 35	\$ 0.05
Repair Services	\$ 16,190	\$ 476	\$ 0.63
Elevator & Other Equipment	\$	\$	\$
Garage Operations/Maintenance	\$	\$	\$
Other: Site Manager	\$ 10,000	\$ 294	\$ 0.39
Subtotal Percent of Total <u>26%</u>	\$ 40,690	\$ 1,197	\$ 1.59
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	\$ 10,000	\$ 294	\$ 0.39
Director's & Officer's Insurance	\$ 2,200	\$ 65	\$ 0.09
Other:	\$	\$	\$
Subtotal Percent of Total <u>8%</u>	\$ 13,200	\$ 388	\$ 0.52
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	\$ 156,400	\$ 4,600	\$ 6.11

SAN DIEGO HOUSING COMMISSION
DEVELOPMENT FORM - DEVELOPMENT COST - DC

Last revised: November 27, 2007

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

DATE: July 30, 2008

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

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

DEVELOPMENT COST ITEM	PERCENT	AMOUNT
ACQUISITION / LAND COST		
LAND		\$ 1,466,500
BUILDINGS		\$ 2,723,500
SUBTOTAL		\$ 4,190,000
LEGAL/BROKER'S FEE/TITLE		\$ 8,000
OTHER		\$
TOTAL ACQUISITION / LAND COST		\$ 4,198,000
REHABILITATION / CONSTRUCTION		
SITE WORK		\$
DEMOLITION		\$
STRUCTURES		\$ 850,000
TOTAL HARD COSTS		\$ 850,000
GENERAL REQUIREMENTS	4.0 %	\$ 34,000
CONTRACTOR'S OVERHEAD	4.0 %	\$ 34,000
CONTRACTOR'S PROFIT	6.0 %	\$ 51,000
TOTAL REHABILITATION / CONSTRUCTION		\$ 969,000
CONSTRUCTION CONTINGENCY	18.3 %	\$ 177,571
BOND PREMIUM		\$
CONSTRUCTION LOAN		
CONSTRUCTION INTEREST COST		\$ 129,100
APPLICATION FEE		\$
LOAN ORIGINATION FEE		\$ 15,900
OTHER		\$
		\$ 145,000
PERMANENT LOAN		
APPLICATION FEE		\$
LOAN ORIGINATION FEE		\$ 6,900
OTHER		\$
		\$ 6,900
RELOCATION COST		\$ 247,500
ARCHITECTURAL FEES		
DESIGN		\$ 10,000
SUPERVISION		\$ 58,000
TOTAL ARCHITECTURAL FEES	0.1 %	\$ 68,000
SURVEYS, SOIL BORINGS, & ENGINEERING		\$

DEVELOPMENT COST ITEM	PERCENT	AMOUNT
LEGAL, PERMIT, & AUDIT		
SDHC'S LEGAL (not to exceed)		\$ 5,000
BORROWER'S LEGAL		\$ 32,500
LENDERS' LEGAL		\$ 35,000
PERMITS		\$ 5,000
TITLE & RECORDING		\$ 40,000
INSURANCE		\$ 17,609
AUDIT		\$ 15,000
TAXES DURING CONSTRUCTION		\$ 23,479
OTHER		\$
TOTAL LEGAL, PERMIT, & AUDIT		\$ 173,588
OTHER COSTS		
DEVELOPER'S FEE	9.5 %	\$ 724,000
CONSULTANT FEE	0.6 %	\$ 47,500
APPRAISAL COSTS		\$ 11,400
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	\$ 62,081
REHABILITATION PROJECTS:		\$
SDHC TECHNICAL SERVICES FEE (\$5,000)		\$
PNA		\$ 8,500
Cost of Issuance/Financing Fees (See proformas)		\$ 52,800
Prevailing Wage Monitor		\$ 5,950
Furnishings		\$ 15,000
LHF Interest & Expense Reserve		\$ 473,029
Bridge Loan Interest		\$ 23,355
Bridge Loan Fees/Expenses		\$ 8,000
		\$
		\$
		\$
		\$
		\$
		\$
		\$
		\$
		\$
		\$
		\$
TOTAL OTHER COSTS		\$ 1,486,615
SOFT COSTS CONTINGENCY	7.80 %	\$ 154,090
TOTAL DEVELOPMENT COST		\$ 7,626,264

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

NUMBER OF UNITS: 34

PROJECT NAME: The 34th Street Project

ADDRESS: 4637 34th Street San Diego CA 92116

STREET CITY STATE ZIP

SOURCES

POSITION	TERMS	COMMITMENT	AMORTIZED	DEFERRED	TAX CREDIT	GRANT	EQUITY
1ST CalHFA Special Needs	20 YRS. 3.50% RATE	<input type="checkbox"/> Y <input checked="" type="checkbox"/> N DATE OR EXPECTED	\$ 1,380,351				
2ND MHP	55 YRS. 3.00% RATE	<input type="checkbox"/> Y <input checked="" type="checkbox"/> N DATE OR EXPECTED	\$ 1,727,483				
(Select one) Residual Receipts or Amortized	<input checked="" type="checkbox"/> <input type="checkbox"/>	Subsidy/Assisted Unit \$ 60,000 Subsidy/Assisted Bdn \$ 42,500					
3RD SDHC	55 YRS. 3.00% RATE	<input type="checkbox"/> Y <input checked="" type="checkbox"/> N DATE OR EXPECTED	\$ 2,040,000				
other	55 YRS. 3.00% RATE	<input type="checkbox"/> Y <input checked="" type="checkbox"/> N DATE OR EXPECTED	\$ 2,478,430				
TAX CREDITS		<input type="checkbox"/> Y <input checked="" type="checkbox"/> N DATE OR EXPECTED					
EQUITY		<input type="checkbox"/> Y <input checked="" type="checkbox"/> N DATE OR EXPECTED					
TOTAL			\$ 7,626,264	\$ 1,380,351	\$ 6,245,913		

FUNDING SCHEDULE FOR SOURCES

	TOTAL	CLOSING	CONSTRUCTION PERIOD			COMPLETION 4TH QUARTER	RENT UP QTRS 5 & 6
			1ST QUARTER	2ND QUARTER	3RD QUARTER		
CalHFA Special Needs	\$ 1,380,351	\$ 1,380,351					
MHP	\$ 1,727,483	\$ 1,727,483	\$ 431,873	\$ 431,870	\$ 431,870	\$ 431,870	
SDHC	\$ 2,040,000	\$ 1,678,000				\$ 362,000	
other	\$ 2,478,430	\$ 2,478,430					
	\$ -	\$ -					
	\$ -	\$ -					
TOTAL	\$ 7,626,264	\$ 5,536,781	\$ 431,873	\$ 431,870	\$ 431,870	\$ 793,870	\$ -

INFORMATION ON CONSTRUCTION LOAN

CONSTRUCTION LENDER: CalHFA

CONSTRUCTION TIME: 12 (MONTHS)

CONSTRUCTION INTEREST: 4.330%

COMMITTED: YES NO

DATE OF COMMITMENT/EXPECTED: August 1, 2008

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

Last revised: November 27, 2007

PLEASE PROVIDE ALL KNOWN INFORMATION - CHECK ALL BOXES THAT APPLY

Date: July 30, 2008

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

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

Replacement Reserve	\$ 17,136	LP Asset Mgmt Fee	\$	Asset Management	\$ 12,000
Rental Income	\$ 270,660	Project Income Increase	2.50 %	Mortgage Amount	\$ 1,380,351
Other Income	\$ 44,484	Operating Exp. Increase	3.50 %	Mortgage Rate	3.500
Operating Expenses	\$ 156,400	Vacancy Loss	5.00 %	Mortgage Term(Years)	20
LP & GP Annual Increase	%	Deferred Dev. Fee	\$ 388,430	Interest on Deff. Dev. Fee	%

SDHC Participation	\$ 2,040,000	Residual Receipts	<input checked="" type="checkbox"/>	Interest Rate	3.000 %
Percent of Residual to HC	27%	or Amortize	<input type="checkbox"/>	Term (Years)	55

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Gross Project Income	\$ 315,144	\$ 323,023	\$ 331,098	\$ 339,376	\$ 347,860
Vacancy	\$ 15,757	\$ 16,151	\$ 16,555	\$ 16,969	\$ 17,393
Effective Gross Income	\$ 299,387	\$ 306,871	\$ 314,543	\$ 322,407	\$ 330,467
Operating Expense	\$ 156,400	\$ 161,874	\$ 167,540	\$ 173,403	\$ 179,473
Net Operating Income	\$ 142,987	\$ 144,997	\$ 147,004	\$ 149,003	\$ 150,994
Debt Service (1st)	\$ 96,066	\$ 96,066	\$ 96,066	\$ 96,066	\$ 96,066
Coverage (1st)	1.49	1.51	1.53	1.55	1.57
Replacement Reserve	\$ 17,136	\$ 17,136	\$ 17,136	\$ 17,136	\$ 17,136
Cash Flow	\$ 29,785	\$ 31,796	\$ 33,802	\$ 35,802	\$ 37,793
Required Payments	\$ 8,809	\$ 8,809	\$ 8,809	\$ 8,809	\$ 8,809
Asset Management	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
Deferred Dev. Fee Pmt.	\$ 8,976	\$ 10,987	\$ 12,993	\$ 14,993	\$ 16,984
SDHC Residual Receipts	\$	\$	\$	\$	\$
Net Cash Flow	\$	\$	\$	\$	\$

	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Gross Income	\$ 356,557	\$ 365,470	\$ 374,607	\$ 383,972	\$ 393,572
Vacancy	\$ 17,828	\$ 18,274	\$ 18,730	\$ 19,199	\$ 19,679
Effective Gross Income	\$ 338,729	\$ 347,197	\$ 355,877	\$ 364,774	\$ 373,893
Operating Expense	\$ 185,754	\$ 192,256	\$ 198,984	\$ 205,949	\$ 213,157
Net Operating Income	\$ 152,975	\$ 154,941	\$ 156,892	\$ 158,825	\$ 160,736
Debt Service (1st)	\$ 96,066	\$ 96,066	\$ 96,066	\$ 96,066	\$ 96,066
Coverage (1st)	1.59	1.61	1.63	1.65	1.67
Replacement Reserve	\$ 17,136	\$ 17,136	\$ 17,136	\$ 17,136	\$ 17,136
Cash Flow	\$ 39,773	\$ 41,740	\$ 43,691	\$ 45,623	\$ 47,534
Required Payments	\$ 8,809	\$ 8,809	\$ 8,809	\$ 8,809	\$ 8,809
Asset Management	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
Deferred Dev. Fee	\$ 18,964	\$ 20,931	\$ 22,882	\$ 24,814	\$ 26,725
SDHC Residual Receipts	\$	\$	\$	\$	\$
Net Cash Flow	\$	\$	\$	\$	\$

	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15
Gross Income	\$ 403,411	\$ 413,496	\$ 423,834	\$ 434,429	\$ 445,290
Vacancy	\$ 20,171	\$ 20,675	\$ 21,192	\$ 21,721	\$ 22,265
Effective Gross Income	\$ 383,240	\$ 392,821	\$ 402,642	\$ 412,708	\$ 423,026
Operating Expense	\$ 220,618	\$ 228,339	\$ 236,331	\$ 244,603	\$ 253,164
Net Operating Income	\$ 162,623	\$ 164,482	\$ 166,311	\$ 168,105	\$ 169,862
Debt Service (1st)	\$ 96,066	\$ 96,066	\$ 96,066	\$ 96,066	\$ 96,066
Coverage (1st)	1.69	1.71	1.73	1.75	1.77
Replacement Reserve	\$ 17,136	\$ 17,136	\$ 17,136	\$ 17,136	\$ 17,136
Cash Flow	\$ 49,421	\$ 51,280	\$ 53,109	\$ 54,904	\$ 56,660
Required Payments	\$ 8,809	\$ 8,809	\$ 8,809	\$ 8,809	\$ 8,809
Asset Management	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
Deferred Dev. Fee	\$ 28,612	\$ 30,471	\$ 32,300	\$ 34,095	\$ 35,851
SDHC Residual Receipts	\$	\$	\$	\$	\$
Net Cash Flow	\$	\$	\$	\$	\$

**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:
- a. If the CONTRACTOR is a corporation, the officers, directors or trustees, and each stockholder owning more than 10% of any class of stock.
 - b. If the CONTRACTOR is a nonprofit or charitable institution or corporation, the members who constitute the board of trustees or board of directors or similar governing body. **See below table.**
 - c. If the CONTRACTOR is a partnership, each partner, whether a general or limited, and either the percent of interest or a description of the character and extent of interest.
 - d. If the CONTRACTOR is a business association or a joint venture, each participant and either the percent of interest or a description of the character and extent of interest.
 - e. If the CONTRACTOR is some other entity, the officers, the members of the governing body, and each person having an interest of more than 10%.

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

George Harb	Townspeople Board Member at Large
NAME	TITLE/POSITION
1096 North Mollison Ave. #4	619-977-4272

STREET/PO	BUSINESS TELEPHONE NO.
El Cajon, CA 92021	Board Member
CITY	NATURE OF INTEREST

Edie 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

Phil Van Ostrand	Townspeople Board Member at Large
NAME	TITLE/POSITION
1900 31st Street	(619) 501-1923
STREET/PO	BUSINESS TELEPHONE NO.
San Diego, CA 92102	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 2006 and P/L 2007.

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: \$6,813.91

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

Amount: \$ 45,801.37

- 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:

Hassan Khan
Wells Fargo Bank
3299 El Cajon Blvd.
San Diego, CA 92104
Phone: (619) 238-6554

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

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.

Government Entity
Making Complaint

Date

Resolution

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

None.

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

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

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

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.

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

TBD.

CONSENT TO PUBLIC DISCLOSURE BY CONTRACTOR

By providing the "Personal Information", (if any) as defined in Section 1798.3(a) of the Civil Code of the State of California (to the extent that it is applicable, if at all), requested herein and by seeking a loan from, a grant from, a contract with, the sale of real estate to, the right to develop from, and/or any and all other entitlements from the SAN DIEGO HOUSING COMMISSION ("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 11th day of April, 2008, at San Diego, California.

CONTRACTOR

By:

Signature


Executive Director

Title

CERTIFICATION

The CONTRACTOR, TownsgPeople, 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]
Title: Executive Director

By:

Title:

Dated: 4-11-08

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 11 day of April, 20 08

by Jon paul 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

SEAL

See attached
Notarial Wording

CALIFORNIA JURAT WITH AFFIANT STATEMENT

- See Attached Document (Notary to cross out lines 1-6 below)
- See Statement Below (Lines 1-5 to be completed only by document signer[s], *not* Notary)

1 _____
2 _____
3 _____
4 _____
5 _____
6 _____

Jon Paul Derryberry
Signature of Document Signer No. 1

n/a
Signature of Document Signer No. 2 (if any)

State of California

County of San Diego

Subscribed and sworn to (or affirmed) before me on this

11 day of April, 2008, by
Date Month Year

(1) Jon Paul Derryberry
Name of Signer

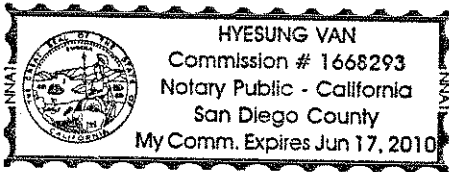
proved to me on the basis of satisfactory evidence to be the person who appeared before me (.) (.)

(and

(2) n/a
Name of Signer

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

Signature Hye Sung Van
Signature of Notary Public



Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Further Description of Any Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

RIGHT THUMBPRINT OF SIGNER #1
Top of thumb here

RIGHT THUMBPRINT OF SIGNER #2
Top of thumb here

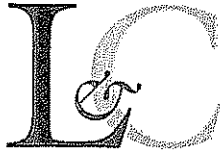
TOWNSPEOPLE
(A NONPROFIT CORPORATION)
FINANCIAL STATEMENTS
DECEMBER 31, 2007

DRAFT



**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
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DECEMBER 31, 2007**

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Members
American Institute of Certified Public Accountants
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, 2007, 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, 2007, 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 July 8, 2008, 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 15 and 16 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.

San Diego, California
July 8, 2008

Draft

**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007**

ASSETS

Current Assets: (Notes 1, 2 and 3)

Cash	\$ 29,919
Grants and contracts receivable	52,699
Accounts receivable, net	1,833
Prepaid expenses	10,919
Investments	<u>20</u>
Total Current Assets	<u>95,390</u>

Restricted Reserves: (Note 4)

Operating reserve	<u>37,127</u>
-------------------	---------------

Land, Building and Equipment,

net of accumulated depreciation (Notes 1, 5 and 7)	3,550,940
--	-----------

TOTAL ASSETS

\$3,683,457

LIABILITIES AND NET ASSETS

Current Liabilities: (Notes 1, 6 and 7)

Accounts payable	\$ 11,617
Payroll taxes payable	6,525
Accrued compensated absences	3,835
Accrued interest payable	1,589
Line-of-credit	15,626
Deferred revenue	26,850
Tenant security deposits	<u>14,875</u>
Total Current Liabilities	<u>80,917</u>

Long-Term Liabilities: (Note 7)

Notes payable	3,573,327
Accrued interest payable	<u>166,672</u>
Total Long-Term Liabilities	<u>3,739,999</u>

Total Liabilities	3,820,916
-------------------	-----------

Commitment (Note 9)

<u>Unrestricted Net Assets (Deficit)</u> (Notes 1 and 8)	<u>(137,459)</u>
---	------------------

TOTAL LIABILITIES AND NET ASSETS

\$3,683,457

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

**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

Revenue and Support:

Developer fee	\$307,615
Grants and contracts	195,874
Rental income	142,164
Contributions	8,158
Interest income	4,073
Miscellaneous income	<u>2,409</u>
Total Revenue and Support	<u>660,293</u>

Expenses:

Program Services:

51st Street Apartments	282,225
Housing services	109,161
Wilson Avenue Apartments	<u>65,970</u>
Total Program Services	<u>457,356</u>

Supporting Services:

General and administrative	186,328
Fundraising	<u>5,700</u>
Total Supporting Services	<u>192,028</u>

Total Program and Supporting Services Expenses	<u>649,384</u>
--	----------------

Change in Unrestricted Net Assets	10,909
-----------------------------------	--------

Unrestricted Net Assets (Deficit) at Beginning of Year	<u>(148,368)</u>
--	------------------

UNRESTRICTED NET ASSETS (DEFICIT) AT END OF YEAR	<u>\$(137,459)</u>
---	---------------------------

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, 2007**

	Program Services		Supporting Services		Total Expenses
	Housing Services	Wilson Avenue Apartments	51st Street Apartments	General and Administrative	
Salaries	\$ 76,468	\$19,439	\$ 25,141	\$133,752	\$254,800
Interest		7,710	117,705	2,939	128,354
Depreciation		9,022	73,064	4,097	86,183
Employee benefits	7,066	1,570	2,114	12,239	22,989
Rent/lease	7,534	1,884	5,899	7,534	22,851
Payroll taxes	6,477	1,581	2,347	10,328	20,733
Repairs and maintenance	819	5,227	11,951	1,097	19,094
Utilities	604	5,321	7,196	604	13,725
Legal/accounting fees	3,000	1,520	5,295	3,000	12,815
Insurance	872	3,449	7,115	872	12,308
Resident manager		2,496	6,405		8,901
Management fees		1,775	4,523		6,298
Development					-0-
Bad debts		2,195	2,025		5,700
Telephone	1,716	422	1,623	1,249	5,469
Fees and licenses	437	257	2,434	1,666	5,427
Supplies	1,225	309	925	965	4,093
Computer service	1,063	253	910	1,170	3,629
Printing	746	175	577	1,063	3,289
Advertising	336	51	1,639	749	2,247
Tenant engagement		773	895		2,026
Training	44	40	120	1,461	1,668
Postage	542	136	416	560	1,654
Security	190	280	436	189	1,095
Drug testing			1,058		1,058
Mileage		85	390	328	803
Miscellaneous	22		22	466	510
TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES	\$109,161	\$65,970	\$282,225	\$186,328	\$649,384
				\$5,700	\$192,028

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, 2007**

Cash Flows From Operating Activities:

Change in unrestricted net assets	\$ 10,909
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	86,183
(Increase) Decrease in:	
Grants and contracts receivable	(52,699)
Accounts receivable	1,410
Prepaid expenses	1,742
Increase (Decrease) in:	
Accounts payable	7,948
Payroll taxes payable	186
Accrued compensated absences	(1,078)
Accrued interest payable	52,694
Deferred revenue	1,850
Tenant security deposits	<u>5,375</u>
Net Cash Provided by Operating Activities	<u>114,520</u>

Cash Flows From Investing Activities:

Operating reserve deposits	(37,127)
Purchase of land, building and equipment	<u>(876,325)</u>
Net Cash Used by Investing Activities	<u>(913,452)</u>

Cash Flows From Financing Activities:

Line-of-credit	15,626
Proceeds from notes payable	2,068,225
Repayment of notes payable	<u>(1,511,598)</u>
Net Cash Provided From Financing Activities	<u>572,253</u>

Net Decrease in Cash	(226,679)
Cash, Beginning of Year	<u>256,598</u>
CASH, END OF YEAR	<u>\$ 29,919</u>

Supplementary Disclosure of Cash Flow Information:

Cash paid for interest, net of capitalized interest of \$23,149	\$ <u>98,809</u>
---	------------------

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

**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

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 San Diego Housing Commission note payable, the units are rent and occupancy restricted for twenty years.

**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

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.

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 \$2,572 at December 31, 2007.

TOWNSPEOPLE
(A NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

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.

Investments

The Agency follows Statement of Financial Accounting Standards No. 124 "Accounting for Certain Investments Held by Not-For-Profit Organizations" whereby investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position.

Land, Building 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

**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

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

Significant Accounting Policies (Continued)

Land, Building and Equipment (Continued)

Depreciation aggregated \$86,183 for the year ended December 31, 2007.

Compensated Absences

Accumulated unpaid vacation and other employee benefit amounts are accrued when incurred and included in accrued compensated absences.

Deferred Revenue

Income received in advance is deferred and recognized over the periods to which the income relates. Deferred revenue totalled \$26,850 at December 31, 2007.

Contributed Services and In-Kind Donations

During 2007, 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.

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.

**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

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

Significant Accounting Policies (Continued)

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.

Note 2 - Grants and Contracts Receivable:

Grants and contracts receivable consist of the following at December 31, 2007:

County of San Diego - HOPWA	\$35,541
County of San Diego - CDBG	<u>17,158</u>
Total Grant and Contracts Receivable	<u>\$52,699</u>

Note 3 - Investments:

Investments are stated at fair value. Fair value at December 31, 2007 are summarized as follows:

Corporate Stock	<u>\$20</u>
-----------------	-------------

Note 4 - Restricted Reserves:

According to the loan and regulatory agreements, the Agency is required to maintain the following reserves. The following shows the activity in such accounts during 2007.

**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 4 - Restricted Reserves: (Continued)

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, 2007:

Balance, Beginning of Year	\$ -0-
Add: Initial deposit	36,989
Interest income	<u>138</u>
Balance, End of Year	<u>\$37,127</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 required deposit of \$3,378, pro rated for the initial year of operations, has not been made for the year ended December 31, 2007.

Note 5 - Land, Building and Equipment:

Land, building and equipment consist of the following at December 31, 2007:

Wilson Avenue land	\$ 99,694
Wilson Avenue building	184,844
Wilson Avenue improvements	81,210
Equipment	34,177
Furniture	1,020
51st Street land	471,000
51st Street building	1,099,000
51st Street appliances and furniture	15,205
51st Street improvements	1,808,883
54th Street construction improvements	<u>3,000</u>
Total	3,798,033
Less: Accumulated depreciation	<u>(247,093)</u>
Land, Building and Equipment, Net	<u>\$3,550,940</u>

**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 6 - Line-of-Credit:

The Agency has a line-of-credit available in the amount of \$ _____. The line-of-credit provides for interest at the bank's prime rate (____% at December 31 2007) plus ____%. The line-of-credit is secured by substantially all of the Agency's assets. The line-of-credit expires _____. Outstanding advances under the line-of-credit totalled \$15,626 at December 31, 2007.

Note 7 - Notes Payable:

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 on the Wilson Avenue Apartments. The Agency had no residual receipts at December 31, 2007, therefore the accrued interest payable is included in long-term liabilities. Accrued interest totalled \$92,684 at December 31, 2007.

\$ 257,000

The Agency obtained a loan in the amount of \$1,570,000 from the San Diego Housing Commission in 2006 to purchase the 51st Street Apartments. 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 on the 51st Street Apartments. Accrued interest totalled \$64,179 at December 31, 2007.

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 on the 51st Street Apartments. Accrued interest totalled \$11,398 at December 31, 2007. The required interest payment was \$1,589 for the year ended December 31, 2007.

1,554,327

**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Note 7 - Notes Payable: (Continued)

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 on the 51st Street Apartments.

Total Notes Payable

\$ 192,000
\$3,573,327

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

Note 8 - Unrestricted Net Assets:

The unrestricted net assets as of December 31, 2007 are reported under the accrual basis of accounting and include significant noncash amounts for depreciation totalling \$247,093 and interest totalling \$166,672. These amounts are included as reductions of unrestricted net assets at December 31, 2007.

Note 9 - Commitment:

During the year ended December 31, 2007 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 \$22,851 for the year ended December 31, 2007.

**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
SUPPLEMENTARY SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS
DECEMBER 31, 2007**

ASSETS

	<u>General</u>	<u>51st Street</u>	<u>Wilson Avenue</u>	<u>Elimination</u>	<u>Total</u>
<u>Current Assets:</u>					
Cash	\$ 9,443	\$ 2,274	\$ 18,202	\$	\$ 29,919
Grants and contracts receivable	38,281	8,358	6,060		52,699
Accounts receivable, net		1,833			1,833
Prepaid expenses	4,423	4,332	2,164		10,919
Investments	<u>20</u>				<u>20</u>
Total Current Assets	<u>52,167</u>	<u>16,797</u>	<u>26,426</u>	<u>-0-</u>	<u>95,390</u>
<u>Restricted Reserves:</u>					
Operating reserve	<u>-0-</u>	<u>37,127</u>	<u>-0-</u>	<u>-0-</u>	<u>37,127</u>
<u>Noncurrent Assets:</u>					
Land, building and equipment, net	15,925	3,263,128	271,887		3,550,940
Deferred developer fee	<u>307,615</u>			<u>(307,615)</u>	<u>-0-</u>
Total Noncurrent Assets	<u>323,540</u>	<u>3,263,128</u>	<u>271,887</u>	<u>(307,615)</u>	<u>3,550,940</u>
TOTAL ASSETS	<u>\$375,707</u>	<u>\$3,317,052</u>	<u>\$298,313</u>	<u>\$(307,615)</u>	<u>\$3,683,457</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u>					
Accounts payable	\$ 11,617	\$	\$	\$	\$ 11,617
Payroll taxes payable	6,525				6,525
Accrued compensated absences	3,835				3,835
Accrued interest payable		1,589			1,589
Line-of-credit	15,626				15,626
Deferred revenue	25,000	1,736	114		26,850
Tenant security deposits	<u>275</u>	<u>11,000</u>	<u>3,600</u>		<u>14,875</u>
Total Current Liabilities	<u>62,878</u>	<u>14,325</u>	<u>3,714</u>	<u>-0-</u>	<u>80,917</u>
<u>Long-Term Liabilities:</u>					
Notes payable		3,316,327	257,000		3,573,327
Deferred developer fee payable		307,615		<u>(307,615)</u>	<u>-0-</u>
Accrued interest payable		<u>73,988</u>	<u>92,684</u>		<u>166,672</u>
Total Long-Term Liabilities	<u>-0-</u>	<u>3,697,930</u>	<u>349,684</u>	<u>(307,615)</u>	<u>3,739,999</u>
Total Liabilities	62,878	3,712,255	353,398	<u>(307,615)</u>	3,820,916
Unrestricted Net Assets (Deficit)	<u>312,829</u>	<u>(395,203)</u>	<u>(55,085)</u>	<u>-0-</u>	<u>(137,459)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$375,707</u>	<u>\$3,317,052</u>	<u>\$298,313</u>	<u>\$(307,615)</u>	<u>\$3,683,457</u>

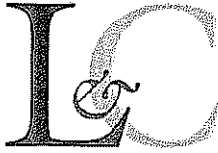
**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
SUPPLEMENTARY SCHEDULE OF REVENUE, SUPPORT AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>51st Street</u>	<u>Wilson Avenue</u>	<u>Elimination</u>	<u>Total</u>
<u>Revenue and Support:</u>					
Developer fee	\$307,615	\$	\$	\$	\$307,615
Grants and contracts	80,549	24,225	91,100		195,874
Rental income		112,289	29,875		142,164
Contributions	8,108	50			8,158
Interest income	1,397		2,676		4,073
Miscellaneous income		<u>2,117</u>	<u>292</u>		<u>2,409</u>
Total Revenue and Support	<u>397,669</u>	<u>138,681</u>	<u>123,943</u>	<u>-0-</u>	<u>660,293</u>
<u>Expenses:</u>					
Program Services:					
51st Street Apartments		282,225			282,225
Housing services	109,161				109,161
Wilson Avenue Apartments			<u>65,970</u>		<u>65,970</u>
Total Program Services	<u>109,161</u>	<u>282,225</u>	<u>65,970</u>	<u>-0-</u>	<u>457,356</u>
Supporting Services:					
General and administrative	186,328				186,328
Fundraising	<u>5,700</u>				<u>5,700</u>
Total Supporting Services	<u>192,028</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>192,028</u>
Total Program and Supporting Services	<u>301,189</u>	<u>282,225</u>	<u>65,970</u>	<u>-0-</u>	<u>649,384</u>
Excess (Deficit) of Revenue and Support Over (Under) Expenses	<u>\$ 96,480</u>	<u>\$(143,544)</u>	<u>\$57,973</u>	<u>\$-0-</u>	<u>\$ 10,909</u>

**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

<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
County of San Diego Department of Community Development:		
Housing Opportunities for Persons With AIDS	14.241	97,268
Housing Opportunities for Persons With AIDS	14.241	125,150
Community Development Block Grant	14.218	76,273
Local Initiatives Support Corporation:		
Community Development Block Grant	14.218	<u>7,333</u>
Total Pass-Through Programs		<u>1,616,024</u>
 Total U.S. Department of Housing and Urban Development		 <u>\$1,616,024</u>

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



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

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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
Townspople
(A Nonprofit Corporation)

We have audited the financial statements of Townspople (A Nonprofit Corporation) as of and for the year ended December 31, 2007, and have issued our report thereon dated July 8, 2008. 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 Townspople's internal control of 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 Townspople's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization'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 Organization'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.

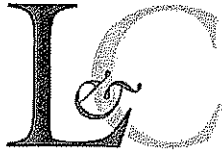
Compliance and Other Matters

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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 07-1.

Townspeople's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Townspeople's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, Board of Directors, 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.

San Diego, California
July 8, 2008



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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, 2007. 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, 2007.

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, board of directors, 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.

San Diego, California
July 8, 2008

**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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

CFDA Number(s) Name of Federal Program or Cluster

14.239 HOME Investment Partnerships Programs

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes No

**TOWNSPEOPLE
(A NONPROFIT CORPORATION)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2007**

Section II - Financial Statement Findings:

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.

Criteria

The replacement reserve is required to be funded in accordance with the MHP July 9, 2008 agreement.

Effect

Noncompliance with the requirements to fund the reserve account could lead to monies not being available for the replacement of property.

Cause

The Agency did not implement procedures to ensure that the replacement reserve was properly funded.

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.

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, 2007**

There were no prior audit findings for Townspeople relative to federal awards.

Draft

CORRECTIVE ACTION

Department of Housing and Urban Development:

Townpeople respectfully submits the following corrective action plan for the year ended December 31, 2007.

Name and address of independent public accounting firm: Leaf & Cole, LLP
1843 Hotel Circle South, Suite 300
San Diego, California 92108

Audit period: December 31, 2007

The findings from the December 31, 2007 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Audit Results, does not include findings and is not addressed.

Section II - Findings - Financial Statement Audit:

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.

Action Taken

The Agency will fund the replacement reserves for the year ended December 31, 2007 in the amount of \$3,378. In addition, the Agency will establish procedures to ensure that monthly deposits totalling \$1,126 are made to the replacement reserve.

Section III - Federal Award Findings and Questioned Costs:

No findings noted.

ATTACHMENT - 7

**HOUSING COMMISSION LOAN TERMS
AND
PAYMENT PROCEDURES**

Total Development Cost:	The estimated total development cost of \$7,626,264 includes repayment of a predevelopment loan, rehabilitation, interest costs, builder overhead and profit, and a developer's fee.
Housing Commission Loan Amount:	A \$2,040,000 loan leverages \$5,586,264 from other sources.
Security:	The Housing Commission loan would be secured by a third 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 55-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 \$1,380,351 from CalHFA at 3.5 percent interest with 20-year amortization and 55-year affordability restrictions.
Second Deed of Trust:	Up to \$1,727,483 from MHP at three percent simple interest per year with payments from residual receipts and 55-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 \$4,600 per unit for 34 units (\$383 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 may 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.



July 31, 2008

Mr. Jon Derryberry
Townspeople
3960 Park Boulevard, Suite B
San Diego, California 92103

Re: 4637 34th Street
Subject: Townspeople 34th Street

Dear Mr. Derryberry:

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

The parameters of this loan commitment are as follows:

- | | |
|-----------------------|--|
| Ownership: | Townspeople (Borrower) as the sole owner and operator of the project. |
| Use of Loan Proceeds: | The loan shall be used by Borrower to finance acquisition and rehabilitation, including predevelopment costs and an interest reserve, conditional upon the receipt of the other sources of financing. |
| Terms of the Loan: | A residual receipts loan of up to \$2,040,000. If an increase in the amount of the HUD rent subsidy increases the amount of alternate financing available, the Housing Commission loan may be reduced accordingly. The interest rate shall be three percent (3%) simple interest per year. With the approval of the senior lenders, Borrower will 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 lender's percentage of the financing provided by those sources after payment of any required minimum annual payments. Unpaid principal and interest on the Housing Commission loan would be due and payable upon the earlier of refinancing or the maturity of the senior loan. |

Acceleration Upon Default:	In the event of a default of the Housing Commission loan, the senior loan or any other sources of funds secured by the project or rental restrictions on the project the Housing Commission loan shall be due and payable in full including any applicable interest penalties.
Insurance:	Borrower shall at all times during the term of the loan maintain General Liability and Property Insurance in a form and in amounts acceptable to the Housing Commission and approved by the Housing Commission's General Counsel. The San Diego Housing Commission, the Housing Authority of the City of San Diego, and the City of San Diego shall be listed as an additional insured for General Liability Insurance and Property Insurance and the San Diego Housing Commission shall be endorsed as a loss payee of the Property Insurance.
Number of Units:	34 units. With one unit used as a manager's residence, there shall be a minimum of 33 units of permanent rental housing including 12 one-bedroom units reserved for households with HIV/AIDS.
Affordability Terms:	The Housing Commission will record 55-year rent restrictions against the property making 12 units affordable to tenants with annual incomes of 50 percent of Area Median Income (AMI) and 21 units affordable to tenants with incomes of 60 percent of AMI. The actual rents shall be the more restrictive of the Housing Commission rents, or rents imposed by the California Department of Housing and Community Development, the County of San Diego, CalHFA, HUD, or any other source of funds or rent restrictions on the project.
Loan Security:	The Housing Commission loan shall be evidenced by a deed of trust, in a form and format acceptable to the Housing Commission and its General Counsel in their sole discretions, made in favor of the Housing Commission and secured by the value of the property.
Senior Financing:	The Housing Commission loan will be subordinate to estimated senior loans of \$1,380,351 from CalHFA and \$1,727,483 from the State's MHP program.
Fees and Expenses	All fees and expenses of this project shall be approved by the Housing Commission in its sole discretion. An Asset Management Fee required by the State of California Department of Housing and Community Development shall

not increase at an inflation factor exceeding 3.5 percent per year. The developer's fee shall not exceed \$724,000 and shall be disbursed as outlined in the Housing Commission Loan Agreement.

Reserves

Subject to the approval of the senior lender and tax credit investor, Borrower shall deposit a minimum of \$17,136 per year into a dedicated replacement reserve account. Use of reserves shall be subject to the reasonable approval of the Housing Commission's President and Chief Executive Officer or designee.

Recourse:

The Housing Commission loan may be a recourse loan with the approval of the senior lenders.

Cure Rights:

The Housing Commission shall have the right, but not the obligation, to cure all senior encumbrances in all subordination agreements that it executes. All subordination agreements shall be subject to the sole approval of the Housing Commission's President and Chief Executive Officer and General Counsel.

Management Plan:

The Management Plan shall be subject to periodic approval by the Housing Commission, in its reasonable discretion.

Approval of Management:

The Housing Commission reserves the right to declare Borrower in default of the loan agreement after an uncured ninety (90) day written notice of malfeasance and/or misfeasance in management of the project.

Monitoring Fees:

The Housing Commission shall be entitled to its standard yearly monitoring fees calculated on a per-unit basis during the affordability period.

Loan Funding:

The Housing Commission will fund its loan upon satisfaction of all conditions set forth in the Housing Commission loan documents, including approval of a guaranteed maximum price contract for rehabilitation. All documentation, including any senior loan documents, construction loan documents, or documents of other lenders shall be subject to review and approval of the Housing Commission's President and Chief Executive Officer or designee and General Counsel, in their sole discretion.

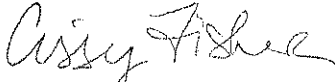
ALTA Lender's Policy:

The Borrower shall acquire, at its sole cost and expense, ALTA Lender's Policies for the loan with endorsements acceptable to the Housing Commission insuring the Housing Commission's lien position.

- Prevailing Wages: Borrower shall comply with any requirements to pay Federal and/or State Prevailing Wage Rates and shall pay the higher of the two in the event of a conflict on a trade-by-trade basis.
- Environmental Requirements: Notwithstanding any provision of this Letter, the parties agree and acknowledge that this Letter constitutes a conditional reservation and does not represent a final commitment of HOME funds or site approval under 24 CFR Part 58 of the National Environmental Policy Act (NEPA). Should HOME funds constitute a portion of the funding for the project, a final reservation of HOME funds shall occur only upon satisfactory completion of environmental review and receipt by the City of San Diego of a Release Of Funds from the U.S. Department of Housing and Urban Development under 24 CFR Part 58 of NEPA. The parties agree that the provision of any HOME funds to the project is conditioned on the City of San Diego's determination to proceed with, modify or cancel the project based on the results of subsequent environmental review under NEPA. By execution of this Letter, you acknowledge no legal claim to any amount of HOME funds to be used for the project or site unless and until the site has received environmental clearance under NEPA. You are also prohibited from undertaking or committing any funds to physical or choice-limiting actions, including property acquisition, demolition, movement, clearance, rehabilitation, conversion, repair or construction prior to environmental clearance under NEPA. Violation of this provision may result in denial of any HOME funds for this project.
- Other Terms: The Housing Commission reserves the right to impose any additional conditions in the Housing Commission Loan Documents that may be necessary, in its reasonable discretion, to protect the interests of the Housing Commission and fulfill the intent of this commitment. Such documentation shall be approved by the President and Chief Executive Officer, or designee, and the General Counsel of the Housing Commission.
- Acceptance: This commitment is conditional upon the Borrower receiving approval from its other lenders and investors for the financing of this development. Signing and delivering to the Housing Commission of this letter by August 8, 2008, shall evidence Borrower's acceptance of this commitment. Until receipt of such acceptance by the Housing Commission, the Housing Commission shall have no liability hereunder, and unless acceptance is made by that date, this commitment shall be null and void.

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

Sincerely,



Cissy Fisher
Director of Housing Finance
619.578.7585
619.578.7356 fax

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

Authorized Representative