

REPORT

DATE ISSUED: September 12, 2008 REPORT NO. HCR08-109

ATTENTION: Chair and Members of the Housing Commission
For the Agenda of September 19, 2008

SUBJECT: Dawson Avenue Senior Apartments
(Council District 7)

REQUESTED ACTION:

Recommend approval of changes to Housing Commission financing of Dawson Avenue Senior Apartments.

STAFF RECOMMENDATIONS:

Approve and recommend to the Housing Authority approval of an increase in the Housing Commission predevelopment loan from \$300,000 to up to \$750,000 and reduction of the interest rate on the Housing Commission \$6,000,000 permanent loan from the Applicable Federal Rate (AFR) to two percent (2%).

DISCUSSION:

In June 2008, HDP received a reservation of nine percent tax credits for this 88-unit rental housing development for seniors to be constructed on land owned by the Housing Commission. The Housing Commission and tax credit limited partnership (of which HDP will be one of the general partners) will enter into a ground lease prior to funding of the \$6,000,000 construction and permanent loan. With tax credit financing, the project is ready to move forward with construction financing and selection of a limited partner tax credit investor. The tax credit partnership and construction financing are expected to be in place in the fall of 2008 and construction can commence. The tax credit requirement for readiness to begin construction will be satisfied when building permits are in place.

A \$450,000 increase in the Housing Commission predevelopment loan would pay the costs of building permits, architectural drawings, building specifications, and other design documents necessary to secure the building permits so the developer can proceed with construction. Increasing the Housing Commission predevelopment loan from \$300,000 to up to \$750,000 would not increase the amount of Housing Commission financing or the total development cost because the predevelopment loan would be paid off with the proceeds of the Housing Commission \$6,000,000 construction and permanent loan. The development budget covers the costs of the architect's work and construction documents that would be paid for with additional predevelopment funding.

The predevelopment loan is not secured by the property because the land is owned by the Housing Commission. In the event of a default, the Housing Commission would obtain the architectural plans, building permits and other project entitlements paid for with predevelopment funds. However, default on the predevelopment loan is unlikely because tax credits have been awarded.

As part of the \$6,000,000 construction and permanent loan, the Housing Commission will obtain an option to acquire the improvements at the end of the fifteenth year by foregoing developer repayment of the Housing Commission loan and assuming the first position loan and limited partner exit taxes. A reduction in the interest rate for the Housing Commission's permanent loan to this project from AFR (currently approximately 4.6 percent) to two percent (2%) benefits the Housing Commission because it would lessen the amount of limited partner exit tax liability from an estimated \$1.9 million to approximately \$500,000 in the event that the Housing Commission exercises its option. Estimates also indicate that the lower interest rate insures that total project debt can be paid off in year-55.

Disclosure

Commissioners Mr. Sal Salas, Mr. Tony Yip, and Interim Chief Executive Officer of the Housing Commission, Ms. Carrol Vaughan, are each directors and officers of Housing Development Partners, a California nonprofit public benefit corporation qualified as an Internal Revenue Code Section 501(c)(3) corporation. Neither Commissioner Salas, Commissioner Yip, nor Ms. Vaughan receives compensation for their service on the Board of Directors of Housing Development Partners. Pursuant to the provisions of Government Code Section 1091.5(a)(7) and (8), Commissioner Salas, Commissioner Yip, and Ms. Vaughan each have a "non-interest" as described in Government Code Section 1091.5. As members of the Board of Commissioners of the Housing Commission, Mr. Salas and Mr. Yip are legally entitled to vote and be counted for quorum purposes. None of the board members of Housing Development Partners has a financial interest in the development that would legally preclude their participation under the provisions of Government Code Sections 1090 and/or 87100, et.seq., and/or the San Diego Housing Commission's Conflict of Interest Code. This disclosure shall be and is hereby documented in the official records of the San Diego Housing Commission.

AFFORDABLE HOUSING IMPACT:

This action would not affect the affordability of the units. The Housing Commission would record 55-year rent restrictions against the property making 87 units affordable to tenants with annual incomes of 50 percent or less of Area Median Income (AMI), which is currently \$27,650 for a one-person household. One unrestricted unit would be occupied by a resident manager.

FISCAL CONSIDERATIONS:

A \$450,000 increase in the predevelopment loan would not increase the Housing Commission's financial participation in the development.

The following table outlines the requested changes in the Housing Commission financing:

Source	Current Terms	Adjustment
Predevelopment	2 yrs. @ 3% simple interest per year	increase from \$300K to \$750K
Permanent	55 yrs. @ AFR interest compounded annually	no increase; change interest rate to 2% compounded annually

PREVIOUS ACTIONS:

On May 4, 2007, the Housing Authority approved an increase in the Housing Commission's permanent loan from \$2,372,000 to \$3,781,000 to cover increased costs of construction and pay off principal and interest of a \$50,000 Housing Commission predevelopment loan and a \$200,000 predevelopment from Local Initiatives Support Corporation (LISC). On March 11, 2008, the Housing Authority approved increasing the Housing Commission permanent loan for this development from \$3,781,000 to \$6,000,000 (Attachment 1) to cover a funding gap created by reduced tax credit financing and a smaller than expected loan from the Federal Home Loan Bank's Affordable Housing Program (AHP).

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

The proposed development was approved by the City Heights Area Planning Committee on June 5, 2006, by a vote of 16 to 1. The community group receives progress updates from the developer. The proposed \$450,000 predevelopment loan increase does not require community group approval.

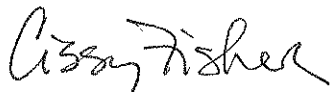
ENVIRONMENTAL REVIEW:

This development project is in compliance with the National Environmental Policy Act (NEPA); including environmental procedures, permit requirements, and statutory obligations of Federal Law cited in 24 CFR 58.5 and 24 CFR 58.6; and is not required to file an Environmental Impact Statement, and was authorized by the U.S. Department of Housing and Urban Development on July 7, 2007, to use Federal funds (HUD/State Identification Number M-03-MC-6-0533). This in-fill development project was reviewed under the California Environmental Quality Act (CEQA) Guidelines Section 15332 and was determined by the City of San Diego (Determination Of Environmental Exemption Project No.: 27958 dated December 23, 2004) to be exempt from further review under CEQA because the proposed project is consistent with the applicable zoning designation and regulations; the proposed development would occur within city limits on a project site of no more than five acres substantially surrounded by urban uses; the project site has no value as habitat for endangered, rare, or threatened species; approval of the project would not result in any significant effects relating to traffic, noise, air quality, or water quality and the site can be adequately served by all required utilities and public services.

KEY STAKEHOLDERS:

Stakeholders include Chelsea Investment Corporation as the for-profit administrative general partner, HDP as the nonprofit managing general partner, the Housing Authority and Housing Commission as a lender, owner of the land, and lessor of the land to the partnership, and the architects, Westberg & White, Inc., who are waiting for a payment that would be made from the proceeds of the proposed increased predevelopment loan.

Respectfully submitted,



Cissy Fisher
Director of Housing Finance

Approved by,



Terry Whitesides
Director of Business Services

Attachments: 1. Previous Report (HAR08-007) *

*Distribution of this attachment is limited. It is available for review at the Housing Commission offices at 1122 Broadway, Suite 300 and the office of the City Clerk at 202 C Street.

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



HOUSING AUTHORITY REPORT

EXECUTIVE SUMMARY SHEET

DATE REPORT ISSUED: February 15, 2008 REPORT NO.: HAR08-007
 ATTENTION: Members of the Housing Authority
 For the agenda of March 11, 2008
 ORIGINATING DEPARTMENT: San Diego Housing Commission
 SUBJECT: Loans For Low-Income Housing
 COUNCIL DISTRICT: District 7

REQUESTED ACTION:

Authorize a loan increase of up to \$2,219,000 for Dawson Avenue Senior Apartments and adjustment of the terms of the ground lease.

STAFF RECOMMENDATIONS:

1. Increase a \$3,781,000 Housing Commission loan to \$6,000,000 for development of an 88-unit affordable rental housing complex for very low-income seniors and disabled residents;
2. Allow for an increased first position loan to the development by adjusting the ground lease to make the lease payment of 4.5 percent of gross effective income to the extent of cash remaining from operations after debt service and expenses are paid; and,
3. Authorize the Interim President and Chief Executive Officer of the Housing Commission, or her designee, to execute the necessary documents.

EXECUTIVE SUMMARY:

An increased loan to fill a funding gap in the financing is desirable because current tax credit program rules favor higher ratios of local financing assistance to tax credit participation. To be competitive in the tax credit application process, the developer will request approximately \$2 million less in nine percent tax credits than it requested in its unsuccessful 2007 application. In return for the higher subsidy, the developer would give the Housing Commission the option to take possession of the property at the end of the fifteenth year. The opportunity to acquire the development aligns with the Housing Commission's goal of owning more housing.

AFFORDABLE HOUSING IMPACT:

The Housing Commission would record 55-year rent restrictions against the property making 87 units affordable to tenants with annual incomes of 50 percent or less of Area Median Income.

FISCAL CONSIDERATIONS:

The proposed loan increase would fill a funding gap created by the reduced tax credit and AHP participation. With an estimated development cost of \$24,260,257, increasing the Housing Commission's 55-year residual receipts loan to \$6 million would leverage \$18 million from other sources. Ten of the units may be designated for occupancy by mentally disabled residents to make the project eligible for funding under California's Mental Health Service Act. If an application for up to \$1,000,000 from MHSA is successful, the amount of the Commission loan will be reduced accordingly. Because the Housing Commission owns the land, there would be a ground lease requiring lease payments equal to 4.5 percent of project income (estimated at \$28,264 in the first year). It is proposed that the lease payment be made from cash flow after debt service and expenses are paid. This allows for an increased first position loan to the development, which

decreases the amount of gap financing necessary from the Housing Commission. Although there is the risk that cash flow would not be sufficient to make the lease payment after debt service and expenses, cash flow projections indicate that project income would be sufficient to make the lease payment and provide residual receipts for payments on the Housing Commission loan. Residual receipts after the lease payment, estimated to be \$6,386 in the first year, would be split equally between the Housing Commission and the partnership. The first position debt would be an estimated \$2,991,000, 30-year amortized loan from a lender not yet identified. The second lien would be the 55-year residual receipts Housing Commission loan with interest at the applicable Federal rate at the time of execution of the note. Approval of this proposal would increase the Housing Commission's loan to \$6 million; however, this is a relatively low-risk investment because the Housing Commission owns the land, the developer is experienced, and there would be significant owner equity in the form of tax credits.

The potential of bringing tax credits into this development makes this a desirable investment for the Housing Commission. As an alternative, the Housing Authority could deny authorization of this loan increase. Without the additional Housing Commission financing, the project would likely not move forward because project income would not support increased institutional debt. The City would lose an opportunity to have 87 units of much needed rental housing for low-income seniors and disabled residents.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

On May 22, 2007, the Housing Authority authorized a \$1,409,000 increase in the Housing Commission loan, use of \$2.1 million of Housing Commission funds to repay a Cal-HELP land acquisition loan, a \$300,000 Cal-HELP loan to repay Housing Commission and Local Initiatives Support Corporation predevelopment loans, and changes to the loan and land lease terms (HAR07-005). On March 1, 2005, the Housing Authority authorized purchase of the land, leasing the property to HDP, and loaning HDP \$2,372,000 (HAR05-002).

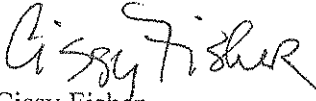
COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

This project was approved by the City Heights Area Planning Committee on June 5, 2006.

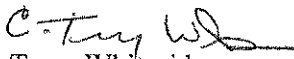
KEY STAKEHOLDERS & PROJECTED IMPACTS:

Chelsea Investment Corporation as the for-profit administrative general partner, Housing Development Partners as nonprofit managing general partner, the Housing Authority and Housing Commission as the owner of the land and a lender, the Redevelopment Agency, and the Community of City Heights.

Respectfully submitted,


Cissy Fisher
Director of Housing Finance and Development

Approved by,


Terry Whitesides
Director of Business Services

Attachments: 1. Commitment Letter

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

REPORT

DATE ISSUED: February 15, 2008 REPORT NO. HCR08-17

ATTENTION: Chair and Members of the Housing Commission
For the Agenda of February 22, 2008

SUBJECT: Loan Increase for Dawson Avenue Senior Apartments
(Council District 7)

REQUESTED ACTION:

Recommend an increase in the Housing Commission loan commitment to finance development of 88 units of low-income rental housing and adjust the terms of the proposed ground lease.

STAFF RECOMMENDATION:

Approve and forward to the Housing Authority for final authorization the following recommendations:

1. Contingent on the receipt of nine percent tax credits, increase a \$3,781,000 Housing Commission second position loan to \$6,000,000 to finance development of 87 units (one unrestricted unit would be occupied by a resident manager) of rental housing for very low-income seniors and disabled residents;
2. Allow for an increased permanent institutional loan to the development by adjusting the ground lease to make the lease payment of 4.5 percent of gross effective income to the extent of cash remaining from operations after debt service and expenses are paid; and,
3. Authorize the Interim President and Chief Executive Officer of the Housing Commission, or her designee, to execute the necessary documents.

DISCUSSION:

This request is for an increased Housing Commission loan to fill a larger funding gap in the permanent financing of Dawson Avenue Senior Apartments. To be competitive in the tax credit application process, the developer will request approximately \$2 million less in nine percent tax credits than it requested in its unsuccessful 2007 application because current tax credit rules favor higher ratios of local financial assistance to tax credit participation.

In 2007, this developer unsuccessfully applied for a \$660,000 loan (\$7,500 per unit) from the Federal Home Loan Bank's competitive Affordable Housing Program (AHP) for this development. Because the average amounts of AHP funding awards for 2007 were much lower than the per-unit amount requested, the project's 2008 submittal to AHP will be for \$440,000 (\$5,000 per unit). This reduction in the AHP loan amount also contributes to the funding gap.

The owner and operator of the proposed development would be a tax credit limited partnership formed by Housing Development Partners (HDP) as the managing general partner and Chelsea Investment Corporation (Chelsea) as the administrative general partner. The limited partner tax credit investor would be competitively selected by the general partners. If the proposed development receives an award of nine percent tax credits in March 2008, HDP and Chelsea will form the partnership as the legal ownership entity in conformance with standard tax credit requirements and practice.

Disclosure

Commissioners Mr. Sal Salas, Mr. Tony Yip, and Interim Chief Executive Officer of the Housing Commission, Ms. Carrol Vaughan, are each directors and officers of Housing Development Partners, a California nonprofit public benefit corporation qualified as an Internal Revenue Code Section 501(c)(3) corporation. Neither Commissioner Salas, Commissioner Yip, nor Ms. Vaughan receives compensation for their service on the Board of Directors of Housing Development Partners. Pursuant to the provisions of Government Code Section 1091.5(a)(7) and (8), Commissioner Salas, Commissioner Yip, and Ms. Vaughan each have a "non-interest" as described in Government Code Section 1091.5. As members of the Board of Commissioners of the Housing Commission, Mr. Salas and Mr. Yip are legally entitled to vote and be counted for quorum purposes.

None of the board members of Housing Development Partners has a financial interest in the development that would legally preclude their participation under the provisions of Government Code Sections 1090 and/or 87100, et.seq., and/or the San Diego Housing Commission's Conflict of Interest Code. This disclosure shall be and is hereby documented in the official records of the San Diego Housing Commission.

The following table outlines the development team:

ROLE/FIRM	CONTACT	OWNED BY
Owner- a California Limited Partnership to be formed later.	Ms. Wendy DeWitt	Housing Development Partners would be the managing general partner
Fee Developer- Chelsea Investment Corporation	Mr. James Schmid, President	James Schmid (privately owned)
General Contractor- to be determined	Mr. James Schmid	James Schmid (privately owned)
Architects- Westberg & White, Inc. (construction)	Mr. Frisco White	Mr. Frisco White (privately owned)
Tax Credit Investor- to be determined		Limited Partner

Located at 4310 Dawson Avenue between Dawson Avenue and 52nd Street, the approximately 36,000 square foot lot is one block south of the transportation, shopping, and other service amenities of the El Cajon Boulevard commercial corridor (see Attachment – 1, Location Map). This development would contribute to the continuing revitalization of the surrounding neighborhood. An adjacent shopping center was renovated and derelict buildings across El Cajon Boulevard were removed to provide land for the completed 91-unit Talmadge Senior Village development.

AFFORDABLE HOUSING IMPACT:

The Housing Commission would record 55-year rent restrictions against the property making 87 units affordable to tenants with annual incomes of 50 percent or less of Area Median Income (AMI), which is currently \$24,550 for a one-person household. To assure that the project is fully leased, the Housing Commission would record an occupancy restriction making the units eligible for occupancy by tenants with incomes of up to 60 percent of AMI, which is currently \$29,460 for a one-person household. The occupancy restriction at 60 percent of AMI would make the units available to residents with a wider range of incomes. The actual rents are subject to the more stringent restrictions of the California Tax Credit Allocation Committee (TCAC) and, as a result, would be affordable to tenants with incomes of between 30 percent and 50 percent of AMI. The proposed tax credit rents are outlined in the San Diego Housing Commission General Application Form (see Attachment – 4).

FISCAL CONSIDERATIONS:

The developer is requesting an additional \$2,219,000 from the Housing Commission to fill a funding gap created by the reduced tax credit and AHP participation. With an estimated total development cost of \$24,260,257, approval to increase the Housing Commission's 55-year residual receipts loan from \$3,781,000 (\$43,000 per unit) to \$6,000,000 (\$68,000 per unit) would leverage \$18,260,257 from other sources.

Ten of the units may be designated for occupancy by mentally disabled residents to make the project eligible for an application for funding under California's Mental Health Service Act (MHSA) in 2008. If an application for up to \$1,000,000 of funding under MHSA is successful, the amount of the Housing Commission loan will be reduced accordingly.

Because the Housing Commission owns the land, there would be a ground lease to the partnership with a provision for lease payments to the Housing Commission equal to 4.5 percent of effective gross income (estimated to be \$28,264 in the first year). It is proposed to accept a lease payment from cash flow only after debt service and expenses are paid to allow for an increased first position loan to the development, which decreases the amount of gap financing necessary from the Housing Commission. Although there is the risk that cash flow would not be sufficient to make the lease payment after debt service and expenses, cash flow projections indicate that project income would be sufficient to make the lease payment and a residual receipts payment on the Housing Commission loan. Residual receipts, estimated to be \$6,386 in the first year, would be split equally between the Housing Commission and the partnership.

Date Issued: February 15, 2008

Loan increase for Dawson Avenue Senior Apartments

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The first position debt may be an estimated \$2,991,000, seven percent interest, 30-year amortized loan from an institutional lender not yet identified. The second lien would be the 55-year residual receipts Housing Commission loan with interest at the applicable Federal rate at the time of execution of the note.

The following table outlines the estimated sources of financing:

Debt Position	Sources of Financing	Amount	Terms
1st	First Position Loan	\$ 2,991,000	30 yrs. @ 7% interest; amortized
2nd	Housing Commission Loan	\$ 6,000,000	55 yrs. @ AFR interest; residual receipts
3rd	Affordable Housing Program	\$ 440,000	15 yrs. @ AFR interest; deferred
	9% Tax Credits	\$14,829,257	
	Total Development Cost	\$24,260,257	

Approval of this proposal would increase the Housing Commission's loan from \$3,781,000 to \$6,000,000; however, this is a relatively low-risk investment because the Housing Commission owns the land, the developer is experienced, and there would be significant owner equity in the form of tax credits.

Upon expiration of the tax credits at the end of the fifteenth year, the Housing Commission would have a right of first refusal to acquire a limited partnership interest in the development. The Housing Commission would also have the option of taking sole title to the property at the end of year fifteen pursuant to the partnership agreement, foregoing developer repayment of the Housing Commission loan and accrued interest, and assuming the first position loan.

The proposed financing would not be funded until the project receives an award of nine percent tax credits. The potential of bringing tax credits into this development makes this a desirable investment for the Housing Commission. As an alternative, the Housing Commission could deny approval of these recommendations. Without the additional Housing Commission financing, the project would likely not move forward because project income would not support increased institutional debt. The City would lose an opportunity to have 87 units of much needed rental housing for low-income seniors and disabled residents with improvements to the property that would benefit the neighborhood.

PREVIOUS ACTIONS:

On May 4, 2007, the Housing Commission approved a \$300,000 Cal-HELP Program loan to this project as takeout financing for a Housing Commission predevelopment loan and a Local Initiatives Support Corporation predevelopment loan (HCR07-35). On March 2, 2007, the Housing Commission approved a recommendation to increase the development loan from \$2,372,000 to \$3,781,000 and the use of \$2,100,000 of Housing Commission funds to repay a Cal-HELP loan used for acquisition of the land (HCR07-19). On March 1, 2005, the Housing

Authority authorized the Housing Commission to acquire the property at a cost of \$1,825,000 and lease it to HDP for the purpose of developing affordable housing for seniors (HAR05-002).

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

The proposed development was approved by the City Heights Area Planning Committee on June 5, 2006, by a vote of 16 to 1. The community group receives progress updates from the developer.

ENVIRONMENTAL REVIEW:

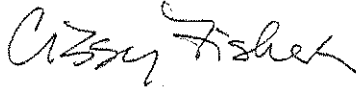
This development project is in compliance with the National Environmental Policy Act (NEPA); including environmental procedures, permit requirements, and statutory obligations of Federal Law cited in 24 CFR 58.5 and 24 CFR 58.6; and is not required to file an Environmental Impact Statement, and was authorized by the U.S. Department of Housing and Urban Development on July 7, 2007, to use Federal funds (HUD/State Identification Number M-03-MC-6-0533). This in-fill development project was reviewed under the California Environmental Quality Act (CEQA) Guidelines Section 15332 and was determined by the City of San Diego (Determination Of Environmental Exemption Project No.: 27958 dated December 23, 2004) to be exempt from further review under CEQA because the proposed project is consistent with the applicable zoning designation and regulations; the proposed development would occur within city limits on a project site of no more than five acres substantially surrounded by urban uses; the project site has no value as habitat for endangered, rare, or threatened species; approval of the project would not result in any significant effects relating to traffic, noise, air quality, or water quality and the site can be adequately served by all required utilities and public services.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

Stakeholders include Chelsea Investment Corporation as the for-profit administrative general partner, Housing Development Partners as the nonprofit managing general partner, the Housing Authority and Housing Commission as a lender, owner of the land, and lessor of the land to the partnership, the Redevelopment Agency of the City of San Diego because the project is in a redevelopment area, and the Community of City 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 affordable housing for low-income seniors and disabled residents.

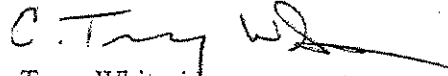
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Loan increase for Dawson Avenue Senior Apartments
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Respectfully submitted,



Cissy Fisher
Director of Housing Finance and Development

Approved by,



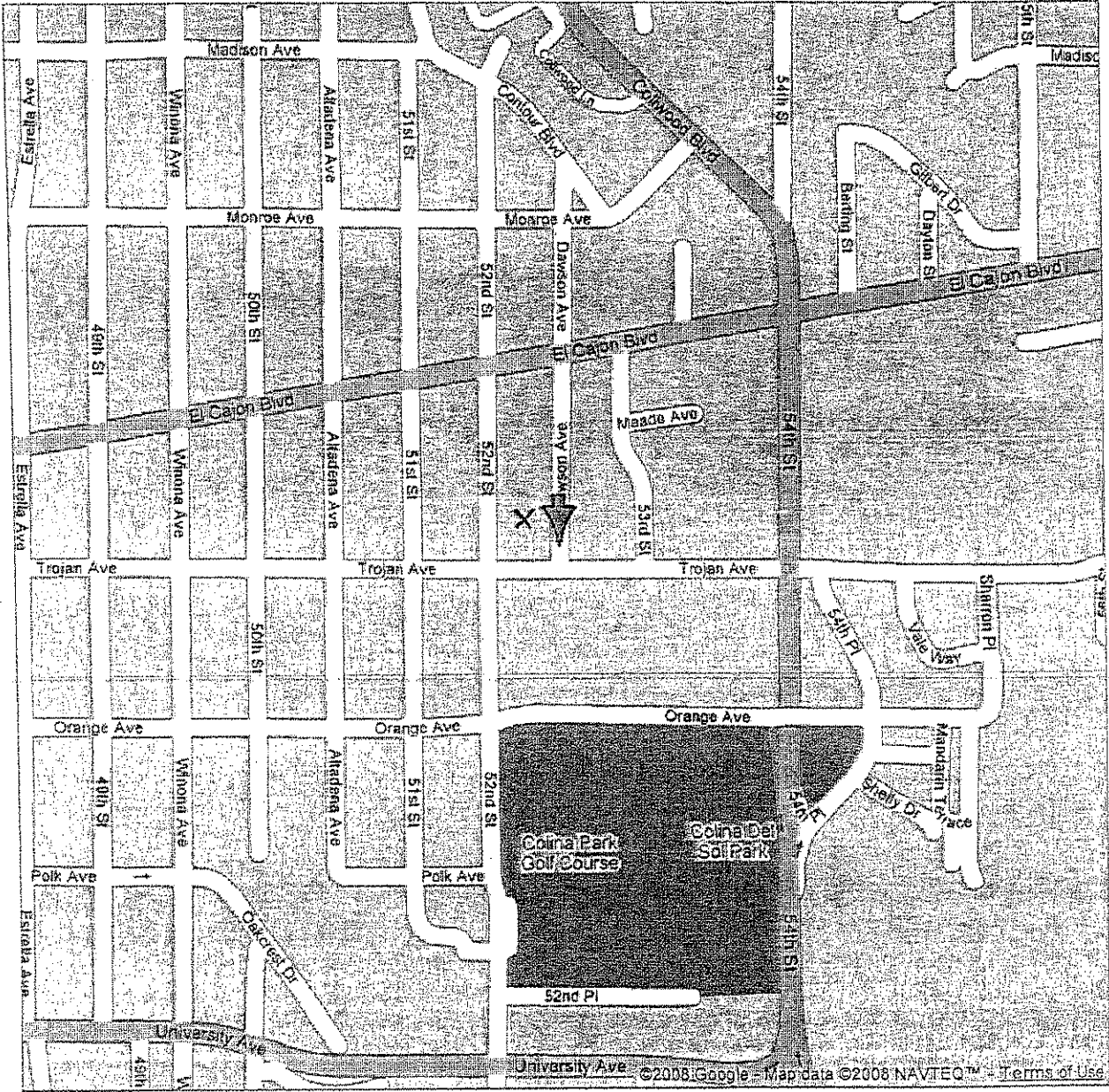
Terry Whitesides
Director of Business Services

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

*Distribution of this attachment is limited. A copy is available for review at the Housing Commission offices located at 1122 Broadway, Suite 300 and at the offices of the City Clerk located on the 2nd floor of 202 "C" Street.

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

4310 Dawson Ave
San Diego, CA 92115



ATTACHMENT - 2

DEVELOPMENT SUMMARY
LOW-INCOME RENTAL HOUSING FOR SENIORS
February 15, 2008

Name: Dawson Avenue Senior Apartments
Location: 4310 Dawson Avenue
Description: Loan Increase For Senior Housing
Sponsor: Housing Development Partners

Unit Affordability

Total # of units: 88
Assisted units: 87
Restricted rents: 30 percent to 50 percent of AMI as imposed by TCAC
Market rent: \$870 to \$1,065 per month
Percent of AMI: occupancy of 72 one-bedroom units restricted at 60 percent or less of AMI
occupancy of 15 two-bedroom units restricted at 60 percent or less of AMI

Affordability: 55 years

Development Cost

Total development cost: \$24,260,257
HC development cost (loan): \$ 6,000,000
Total development cost per unit: \$ 275,685 per unit / 88 units
HC cost per unit (loan): \$ 68,182 per unit / 88 units

Sources of Funds

Housing Commission Loan \$ 6,000,000
Institutional Loan \$ 2,991,000
9 percent Tax Credits \$14,829,257

Pro Forma Summary

Estimated annual income: \$ 661,138 (year 1)
Estimated annual expense: \$ 322,146 (year 1)
Annual debt service: \$ 236,985
Annual reserve deposit: \$ 30,800
Estimated residual cash flow: \$ 6,386 (year 1)

ATTACHMENT - 3

**DAWSON AVENUE SENIOR APARTMENTS
LOAN FOR LOW-INCOME SENIOR HOUSING
ESTIMATED TIMELINE**

March 11, 2008	Loan increase to the Housing Authority for final authorization
March 26, 2008	Tax credit application.
September 12, 2008	Tax credit award
October 31, 2008	Housing Commission loan closing
January 5, 2009	Start of construction

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

Last revised: November 27, 2007

DATE: February 13, 2008

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

REQUEST FOR: EARLY ASSISTANCE PROJECT FUNDING \$ 6,000,000
 TECHNICAL ASSISTANCE PREDEVELOPMENT LOAN \$ _____
 _____ PROJECT SUPPORT GRANT \$ _____

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

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

PROJECT NAME: Dawson Avenue Senior Apartments
ADDRESS: 4310 Dawson Avenue San Diego CA 92115
STREET CITY STATE ZIP
LEGAL DESCRIPTION: 470-040-2000 27.08
LOT NO. BLOCK NO. SUBDIVISION NAME ASSESSORS PARCEL NO. CENSUS TRACT

SITE CONTROL: DEED OPTION OTHER (DESCRIBE) _____
DWELLING UNITS: 72 16 88 104
0-BEDROOM 1-BEDROOM 2-BEDROOM 3-BEDROOM 4-BEDROOM 5-BEDROOM TOTAL UNITS BEDROOMS
HC Assisted Units: 72 15 87 102
0-BEDROOM 1-BEDROOM 2-BEDROOM 3-BEDROOM 4-BEDROOM 5-BEDROOM TOTAL UNITS BEDROOMS

EXISTING USES OF PROPERTY: vacant parcel

DESCRIPTION OF PROPOSED PROJECT: 88 rental units for seniors and disabled in a four-story building with manager's office, community room, laundry facilities, individual patios, common area courtyard, and 81 parking spaces (7 surface and 74 underground).
NO. OF BUILDINGS: 1

APPLICANT/BORROWER:
NAME: Housing Development Partners CONTACT PERSON: Ms. Wendy Dewitt
ADDRESS: 1122 Broadway, 5th floor San Diego CA 92101
STREET CITY STATE ZIP
TELEPHONE: (619) 578-7590 FAX NO. (619) 578-7356 E-mail address: wendydw@sdhc.org

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

TAXPAYER IDENTIFICATION NUMBER: 33-0427639

CURRENT OWNER/SELLER INFORMATION:
NAME: San Diego Housing Commission LEGAL DESCRIPTION: a fee
ADDRESS: 1122 Broadway, Suite 300 San Diego CA 92101
STREET CITY STATE ZIP
TELEPHONE: (619) 578-7594 FAX NO. (619) 578-7356

ZONING: CU-2-3 COMMUNITY PLAN AREA: City Heights East
COUNCIL DISTRICT: 7 SCHOOL DISTRICT: San Diego Unified

SIGNATURE _____ PRINT NAME _____ TITLE _____ DATE _____

**SAN DIEGO HOUSING COMMISSION
APPLICANT INTEREST FORM - AI**

PLEASE PROVIDE ALL KNOWN INFORMATION AS REQUESTED

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

PROJECT NAME: Dawson Avenue Senior Apartments
ADDRESS: 4310 Dawson Avenue San Diego CA 92115
ADDRESS CITY STATE ZIP
OWNERSHIP NAME: _____ DATE: #####

1. Housing Development Partners managing gen. partner
NAME TITLE/POSITION NATURE OF INTEREST
1122 Broadway, 5th Floor 619-578-7590 0.05
STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
San Diego CA 92101
CITY STATE ZIP

2. Chelsea Investment Corporation admin. Gen. partner
NAME TITLE/POSITION NATURE OF INTEREST
5993 Avenida Encinas 760-456-6000 0.05
STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
Carlsbad CA 92008
CITY STATE ZIP

3. TBD tax credit investor limited partner
NAME TITLE/POSITION NATURE OF INTEREST
STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
0.99
CITY STATE ZIP

4. _____
NAME TITLE/POSITION NATURE OF INTEREST
STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
CITY STATE ZIP

5. _____
NAME TITLE/POSITION NATURE OF INTEREST
STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
CITY STATE ZIP

6. _____
NAME TITLE/POSITION NATURE OF INTEREST
STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
CITY STATE ZIP

7. _____
NAME TITLE/POSITION NATURE OF INTEREST
STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
CITY STATE ZIP

8. _____
NAME TITLE/POSITION NATURE OF INTEREST
STREET/PO BUSINESS TELEPHONE NO. PERCENT INTEREST
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: February 13, 2008

PROJECT TYPE ACQUISITION ACQUISITION & REHABILITATION RENTAL
 NEW CONSTRUCTION REHABILITATION OWNERSHIP

PROJECT NAME: Dawson Avenue Senior Apartments
 ADDRESS: 4310 Dawson Avenue San Diego CA 92115
 STREET CITY STATE ZIP

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

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

INCOME BY UNIT TYPE

A	B	C	D	E	F	G	H	I	J	K	L	M
BASIS FOR RENT*	NO. OF UNITS	BED-ROOMS PER UNIT	BATH-ROOMS PER UNIT	SQ FT PER UNIT	CURRENT RENT	MONTHLY HOUSING COST PER UNIT	LESS: MONTHLY UTILITY ALLOW. PER UNIT	EQUALS: MONTHLY Tenant Paid RENT PER UNIT	COMPARE TO: MONTHLY MARKET RENT PER UNIT	AFFORDABILITY LEVEL: PERCENT MEDIAN INCOME**	YEARLY GROSS RENTS ALL UNITS	YEARLY MARKET RENTS
TC	51	1	1.00	610	\$	\$ 658	\$ 14	\$ 644	\$ 870	47 %	\$ 394,128	\$ 532,440
TC	14	1	1.00	610	\$	\$ 592	\$ 14	\$ 578	\$ 870	43 %	\$ 97,104	\$ 146,160
TC	7	1	1.00	610	\$	\$ 394	\$ 14	\$ 380	\$ 870	28 %	\$ 31,920	\$ 73,080
TC	9	2	1.00	796	\$	\$ 790	\$ 19	\$ 771	\$ 1,065	50 %	\$ 83,268	\$ 115,020
TC	4	2	1.00	796	\$	\$ 711	\$ 19	\$ 692	\$ 1,065	46 %	\$ 33,216	\$ 51,120
TC	2	2	1.00	796	\$	\$ 474	\$ 19	\$ 455	\$ 1,065	30 %	\$ 10,920	\$ 25,560
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
					\$	\$	\$	\$	\$	%	\$	\$
MGR	1	2	1.00	796	\$	\$	\$	\$	\$	%	\$	\$
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)	\$ 650,556	\$ 943,380
Comp. to 90% of Market:	\$ 650,556	\$ 849,042

OTHER INCOME	laundry, application fees, and late fees	\$ 10,582
		\$
		\$

TOTAL ANNUAL INCOME \$661,138

TOTAL UNITS 88

TOTAL UNIT SQ. FT. 56,656 + TOTAL COMMUNITY FACILITIES SQ. FT. 47,891

TOTAL SQ. FT. 104,547

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

DATE: February 13, 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: Dawson Avenue Senior Apartments
ADDRESS: 4310 Dawson Avenue San Diego CA 92115
STREET CITY STATE ZIP
TOTAL NUMBER OF UNIT 88

OPERATING EXPENSE ITEM	ANNUAL COST	COST PER UNIT	COST PER SQ. FT.
Administrative Expenses			
Office Supplies & Equipment	\$ 7,913	\$ 90	\$ 0.08
Telephone	\$ 2,354	\$ 27	\$ 0.02
Training & Travel	\$	\$	\$
Payroll Services	\$ 375	\$ 4	\$ 0.00
Program Services	\$	\$	\$
Other: general and administrative	\$ 62,205	\$ 707	\$ 0.59
Subtotal Percent of Total 23%	\$ 72,847	\$ 828	\$ 0.70
Marketing Expenses			
Advertising	\$ 1,117	\$ 13	\$ 0.01
Other:	\$	\$	\$
Subtotal Percent of Total 0%	\$ 1,117	\$ 13	\$ 0.01
Professional Fees			
Property Management	\$ 39,033	\$ 444	\$ 0.37
Auditing Services	\$ 8,500	\$ 97	\$ 0.08
Legal Services	\$ 5,585	\$ 63	\$ 0.05
Other: payroll	\$ 1,441	\$ 16	\$ 0.01
Subtotal Percent of Total 17%	\$ 54,559	\$ 620	\$ 0.52
Utilities			
Electric	\$ 16,454	\$ 187	\$ 0.16
Gas	\$ 7,820	\$ 89	\$ 0.07
Water/Sewer	\$ 30,161	\$ 343	\$ 0.29
Other:	\$ 30,000	\$ 341	\$ 0.29
Subtotal Percent of Total 26%	\$ 84,435	\$ 959	\$ 0.81
Contract Services			
Exterminating	\$ 3,351	\$ 38	\$ 0.03
Trash Removal	\$ 10,405	\$ 118	\$ 0.10
Security Patrol	\$ 9,630	\$ 109	\$ 0.09
Building/Grounds Maintenance	\$ 5,350	\$ 61	\$ 0.05
Janitorial Services	\$ 6,420	\$ 73	\$ 0.06
Repair Services	\$ 8,611	\$ 98	\$ 0.08
Elevator & Other Equipment	\$ 3,210	\$ 36	\$ 0.03
Garage Operations/Maintenance	\$ 6,516	\$ 74	\$ 0.06
Other:	\$	\$	\$
Subtotal Percent of Total 17%	\$ 53,493	\$ 608	\$ 0.51
Cleaning & Decorating			
Painting Supplies	\$ 2,140	\$ 24	\$ 0.02
Grounds Supplies	\$ 321	\$ 4	\$ 0.00
Other:	\$ 3,210	\$ 36	\$ 0.03
Subtotal Percent of Total 2%	\$ 5,671	\$ 64	\$ 0.05
Taxes & Insurance			
Real Property Tax Assessment	\$ 1,966	\$ 22	\$ 0.02
Property Insurance	\$ 26,000	\$ 295	\$ 0.25
Director's & Officer's Insurance	\$ 321	\$ 4	\$ 0.00
Other:	\$ 277	\$ 3	\$ 0.00
Subtotal Percent of Total 9%	\$ 28,564	\$ 325	\$ 0.27
Other			
SDHC Monitoring Fees	\$ 3,960	\$ 45	\$ 0.04
Other: tenant services	\$ 10,000	\$ 114	\$ 0.10
Other: GP management fee	\$ 7,500	\$ 85	\$ 0.07
Other:	\$	\$	\$
Subtotal Percent of Total 7%	\$ 21,460	\$ 244	\$ 0.21
Total Annual Operating Costs	\$ 322,146	\$ 3,661	\$ 3.08

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

PROJECT TYPE: ACQUISITION ACQUISITION & REHABILITATION RENTAL NUMBER OF UNITS 88
 NEW CONSTRUCTION REHABILITATION OWNERSHIP

PROJECT NAME: Dawson Avenue Senior Apartments
 ADDRESS: 4310 Dawson Avenue San Diego CA 92115
STREET CITY STATE ZIP

SOURCES

POSITION	TERMS	COMMITMENT	AMORTIZED	DEFERRED	TAX CREDIT	GRANT	EQUITY
1ST <u>TBD Perm Loan</u>	<u>30</u> YRS <u>6.93</u> RATE	<input checked="" type="checkbox"/> N <u>3/15/2008</u> DATE OR EXPECTED	\$ <u>2,991,000</u>				
2ND <u>SDHC</u>	<u>55</u> YRS <u>3.00</u> RATE	<input type="checkbox"/> N <u>3/15/2008</u> DATE OR EXPECTED	\$ <u>6,000,000</u>				
(Select one) <u>Residual Receipts</u> OR <u>Amortized</u>	<input checked="" type="checkbox"/> <input type="checkbox"/>	<u>Subsidy/Assisted Unit</u> \$ <u>68,966</u> <u>Subsidy/Assisted Bdr</u> \$ <u>58,824</u>					
3RD <u>AHP</u>	<u>15</u> YRS <u>APR</u> RATE	<input checked="" type="checkbox"/> N <u>6/15/2008</u> DATE OR EXPECTED	\$ <u>440,000</u>				
4TH _____	_____ YRS _____ RATE	_____ DATE OR EXPECTED	\$ _____	\$ _____			\$ _____
TAX CREDIT: <u>Tax Credit Investor</u>		<input checked="" type="checkbox"/> N <u>6/15/2008</u> DATE OR EXPECTED			\$ <u>14,829,257</u>		
EQUITY _____		<input type="checkbox"/> N _____ DATE OR EXPECTED					\$ _____
TOTAL :			\$ <u>24,260,257</u>	\$ <u>2,991,000</u>	\$ <u>6,440,000</u>	\$ <u>14,829,257</u>	\$ _____

FUNDING SCHEDULE FOR SOURCES

	TOTAL	CLOSING	CONSTRUCTION PERIOD			COMPLETION 4TH QUARTER	RENT UP QTRS 5 & 6
			1ST QUARTER	2ND QUARTER	3RD QUARTER		
TBD Perm Loan	\$ 2,991,000	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ 2,991,000
SDHC	\$ 6,000,000	\$ 250,000	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000	\$ 750,000
AHP	\$ 440,000	\$ 440,000	\$ _____	\$ _____	\$ _____	\$ _____	\$ 444,877
Tax Credit Investor	\$ 14,829,257	\$ 2,224,389	\$ _____	\$ 2,224,389	\$ 1,482,926	\$ 8,452,676	\$ _____
TOTAL	\$ 24,260,257	\$ 2,914,389	\$ 1,250,000	\$ 3,474,389	\$ 2,732,926	\$ 9,702,676	\$ 4,185,877

INFORMATION ON CONSTRUCTION LOAN

CONSTRUCTION LENDER: to be determined
 CONSTRUCTION TIME: 18 (MONTHS)
 CONSTRUCTION INTEREST: 6.650 %
 COMMITTED: YES NO
 DATE OF COMMITMENT/EXPECTED: March 15, 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: February 13, 2008

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

PROJECT NAME: Dawson Avenue Senior Apartments
 ADDRESS: 4310 Dawson Avenue San Diego CA 92115
STREET CITY STATE ZIP

Replacement Reserve	\$ 30,800	LP Asset Mgrmnt Fee	\$ 3,500	GP Management Fee	\$ expense item
Rental Income	\$ 650,556	Project Income Increase	2.50 %	Mortgage Amount	\$ 2,991,000 %
Other Income	\$ 10,582	Operating Exp. Increase	3.50 %	Mortgage Rate	6.925
Operating Expenses	\$ 322,146	Vacancy Loss	5.00 %	Mortgage Term(Years)	30
LP & GP Annual Increase	3.5 %	Deferred Dev. Fee	\$	Interest on Deff. Dev. Fee	%

SDHC Participation \$ 6,000,000 Residual Receipts Interest Rate 3.000 %
 Percent of Residual to HC 50% Amortize Term (Years) 55

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Gross Project Income	\$ 661,138	\$ 677,666	\$ 694,608	\$ 711,973	\$ 729,773
Vacancy	\$ 33,057	\$ 33,883	\$ 34,730	\$ 35,599	\$ 36,489
Effective Gross Income	\$ 628,081	\$ 643,783	\$ 659,878	\$ 676,375	\$ 693,284
Operating Expense	\$ 322,146	\$ 333,421	\$ 345,091	\$ 357,169	\$ 369,670
Net Operating Income	\$ 305,935	\$ 310,362	\$ 314,787	\$ 319,206	\$ 323,614
Debt Service (1st)	\$ 236,985	\$ 236,985	\$ 236,985	\$ 236,985	\$ 236,985
Coverage (1st)	1.29	1.31	1.33	1.35	1.37
Replacement Reserve	\$ 30,800	\$ 30,800	\$ 30,800	\$ 30,800	\$ 30,800
Cash Flow	\$ 38,150	\$ 42,577	\$ 47,002	\$ 51,420	\$ 55,829
LP Asset Management Fee	\$ 3,500	\$ 3,623	\$ 3,749	\$ 3,881	\$ 4,016
GP Management Fee	\$ expense item	\$	\$	\$	\$
Annual Lease Payment	\$ 28,264	\$ 28,970	\$ 29,694	\$ 30,437	\$ 31,198
SDHC Residual Receipts	\$ 3,193	\$ 4,992	\$ 6,779	\$ 8,552	\$ 10,307
Net Cash Flow	\$ 3,193	\$ 4,992	\$ 6,779	\$ 8,552	\$ 10,307

	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Gross Income	\$ 748,017	\$ 766,717	\$ 785,885	\$ 805,532	\$ 825,671
Vacancy	\$ 37,401	\$ 38,536	\$ 39,294	\$ 40,277	\$ 41,284
Effective Gross Income	\$ 710,616	\$ 728,382	\$ 746,591	\$ 765,256	\$ 784,387
Operating Expense	\$ 382,608	\$ 396,000	\$ 409,860	\$ 424,205	\$ 439,052
Net Operating Income	\$ 328,008	\$ 332,382	\$ 336,731	\$ 341,051	\$ 345,335
Debt Service (1st)	\$ 236,985	\$ 236,985	\$ 236,985	\$ 236,985	\$ 236,985
Coverage (1st)	1.38	1.40	1.42	1.44	1.46
Replacement Reserve	\$ 30,800	\$ 30,800	\$ 30,800	\$ 30,800	\$ 30,800
Cash Flow	\$ 60,222	\$ 64,597	\$ 68,946	\$ 73,266	\$ 77,550
LP Asset Management Fee	\$ 4,157	\$ 4,302	\$ 4,453	\$ 4,609	\$ 4,770
GP Management Fee	\$	\$	\$	\$	\$
Annual Lease Payment	\$ 31,978	\$ 32,777	\$ 33,597	\$ 34,437	\$ 35,297
SDHC Residual Receipts	\$ 12,044	\$ 13,759	\$ 15,448	\$ 17,110	\$ 18,741
Net Cash Flow	\$ 12,044	\$ 13,759	\$ 15,448	\$ 17,110	\$ 18,741

	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15
Gross Income	\$ 846,313	\$ 867,470	\$ 889,157	\$ 911,386	\$ 934,171
Vacancy	\$ 42,316	\$ 43,374	\$ 44,458	\$ 45,569	\$ 46,709
Effective Gross Income	\$ 803,997	\$ 824,097	\$ 844,699	\$ 865,817	\$ 887,462
Operating Expense	\$ 454,419	\$ 470,323	\$ 486,785	\$ 503,822	\$ 521,456
Net Operating Income	\$ 349,578	\$ 353,773	\$ 357,915	\$ 361,995	\$ 366,006
Debt Service (1st)	\$ 236,985	\$ 236,985	\$ 236,985	\$ 236,985	\$ 236,985
Coverage (1st)	1.48	1.49	1.51	1.53	1.54
Replacement Reserve	\$ 30,800	\$ 30,800	\$ 30,800	\$ 30,800	\$ 30,800
Cash Flow	\$ 81,793	\$ 85,988	\$ 90,129	\$ 94,209	\$ 98,221
LP Asset Management Fee	\$ 4,937	\$ 5,110	\$ 5,289	\$ 5,474	\$ 5,665
GP Management Fee	\$	\$	\$	\$	\$
Annual Lease Payment	\$ 36,180	\$ 37,084	\$ 38,011	\$ 38,962	\$ 39,936
SDHC Residual Receipts	\$ 20,338	\$ 21,897	\$ 23,415	\$ 24,887	\$ 26,310
Net Cash Flow	\$ 20,338	\$ 21,897	\$ 23,415	\$ 24,887	\$ 26,310

DISCLOSURE STATEMENT: PAGE 1



DEVELOPER'S STATEMENT FOR PUBLIC DISCLOSURE

(add extra sheets if you need more space)

1. Name of developer: **Dawson Street Seniors, LP**
Housing Development Partners of San Diego, Co-General Partner

2. Address, phone number and ZIP Code:

1122 Broadway, Suite 300
San Diego, CA 92101-5612

3. IRS Number of Developer: **33-0427639**

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

A corporation

A nonprofit or charitable institution or corporation

A partnership known as: _____

A business association or a joint venture known as _____

A Federal, State or local government or instrumentality thereof.

Other (explain)

5. If the developer is not an individual or a government agency or instrumentality, give date of organization: **April 17, 1990**

6. Names, addresses, phone numbers, title of position (if any) and nature and extent of the interest of the officers and principal members, shareholders, and investors of the developer, other than a government agency or instrumentality, are set forth as follows:

There are no shareholders of Housing Development Partners. All board members are volunteers.

The board of directors is as follows:

John Pedroarena Coldwell Banker Commercial 4305 University Ave., #600 San Diego, CA 92105	Chairman of the HDP board
Carrol Vaughan Interim Director and President/CEO San Diego Housing Commission 1122 Broadway, Suite 300 San Diego, CA 92101	President of the HDP board
Robert Henderson Wakeland Housing & Development Corporation 625 Broadway, Suite 1000 San Diego, CA 92101	Vice President of the HDP board
Sal Salas Olympic Village Financial 245 Davidson Street Chula Vista, CA 91910	Secretary of the HDP board
Tony Yip Brodshatzer, Wallace, Spoon & Yip 555 W. Beech St., Ste. 400 San Diego, CA 92101	Chief Financial Officer of the HDP board
Presently Vacant (1)	HDP board member
Presently Vacant (2)	HDP Board member

- a. If the developer is a corporation, the officers, directors or trustees, and each stockholder owning more than 10% of any class of stock. N/A
- b. If the developer is a nonprofit or charitable institution or corporation, the members who constitute the board of trustees or board of directors or similar governing body.

Same as members listed in No. 6 above.

- c. If the developer is a partnership, each partner, whether a general or limited partner, and either the percent of interest or a description of the character and extent of interest.

Developer will become the Managing General Partner of a tax credit limited partnership, with Chelsea Investment Corporation as the developer co-general partner. The tax credit limited partner is yet to be selected.

DISCLOSURE STATEMENT: PAGE 3

- d. If the developer 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. N/A
- e. If the developer is some other entity, the officers, the members of the governing body, and each person who has an interest of more than 10%. N/A

<u>Name, Address & Zip Code</u>	<u>Phone Number</u>	Position Title (if any) and percent of interest or description of character <u>and extent of interest</u>
-------------------------------------	---------------------	---

7. Name, address and nature and extent of interest of each person or entity (not named in response to Item 6) who has a beneficial interest in any of the shareholders or investors named in response to Item 6 which gives such person or entity more than a computed 10% interest in the developer (for example, more than 20% of the stock in a corporation which holds 50% of the stock of the developer; or more than 50% of the stock in a corporation which holds 20% of the stock of the developer):

<u>Name, Address and Zip Code</u>	<u>Description of character and extent of interest</u>
None.	N/A

- 8. Names (if not given above) of officers and directors or trustees of any corporation or firm listed under Item 6 or Item 7 above: N/A
- 9. Is the developer a subsidiary of or affiliated with any other corporation or corporations or any other firm or firms? If yes, list each such corporation or firm by name and address, specify its relationship to the developer, and identify the officers and directors or trustees common to the developer and such other corporation or firm.

Housing Development Partners of San Diego has two Housing Commissioners of the San Diego Housing Commission, and the Interim Chief Executive Officer of the San Diego Housing Commission, serving as three of its seven-member board of directors as follows:

Sal Salas, Housing Commissioner and also board member of Housing Development Partners,

Tony Yip, Housing Commissioner and also board member of Housing Development Partners, and

Carrol Vaughan, Interim Director and President/CEO of Housing Commission and board member of Housing Development Partners

DISCLOSURE STATEMENT: PAGE 4

10. The financial condition of the developer, as of 12/31/07 is reflected in the attached financial statement. (The attached are compilation statements for HDP).

11. If funds for the development are to be obtained from sources other than the developer's own funds, a statement of the developer's plan for financing the development:

Financial sources proposed include: a private bank loan, 9% tax credits equity from the California Tax Credit Allocation Committee, an AHP grant from the Federal Home Loan Bank, and a loan from the San Diego Housing Commission.

12. Sources and amount of cash available to developer to meet equity requirements of the proposed undertaking:

It is estimated that approximately \$14.8 million in tax credits will be obtained as equity for the project.

a. In banks:

<u>Name, Address and ZIP Code of Bank</u>	<u>\$ Amount</u>
---	------------------

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

<u>Name, Address and ZIP Code of Source</u>	<u>\$ Amount</u>
None proposed	

c. By sale of readily salable assets:

<u>Description</u>	<u>Market Value</u>	<u>Mortgages or Liens</u>
--------------------	---------------------	---------------------------

None proposed

13. Name and addresses of bank references:

Union Bank
530 B Street
San Diego, CA 92101
Randy Ungersma

Red Capital Markets, Inc.
655 West Broadway, Suite 800
San Diego, CA 92101
Richard Andrews

14. Has the developer or any of the developer'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 X
If yes, give date, place, and under what name.

DISCLOSURE STATEMENT: PAGE 5

15. Has the developer or anyone referred to above as "principals of the developer" been indicted for or convicted of any felony within the past 20 years? Yes _____ No X

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

16. Undertakings, comparable to the proposed project, which have been completed by the developer including identification and brief description of each project and date of completion:

Casa Colina del Sol, 5207 52nd Place, San Diego, CA: preservation of 75 units for seniors. The acquisition and rehabilitation was financed with: tax exempt bonds, 4% tax credits, and a loan from the Housing Commission. The rehabilitation was completed in December 2004. Housing Development Partners of San Diego is the developer/owner with NEF Assignment Corporation as the limited partner.

Island Village, 1245 Market Street, San Diego CA 92101: 280 studio units, new construction, financed with: a private bank (Deutsche Bank) loan, a Housing Commission loan; and 9% tax credits from the State of California Tax Credit Allocation Committee. The new construction was completed in September 2003. Housing Development Partners of San Diego is the managing general partner with Alliant Capital as the limited partner.

Knox Glen, 4720-4768 Logan Avenue, San Diego, CA: New construction of 54 family units financed with: a private bank (Washington Mutual) loan, a Federal Home Loan Bank AHP loan; a Housing Commission loan; a SEDC Redevelopment loan, and 9% tax credits from the State of California Tax Credit Allocation Committee. The new construction completed in December 1996. Housing Development Partners of San Diego is the developer/managing general partner with Related California Corporate Partners as the limited partner.

Studio 15, 1475 Imperial Avenue, San Diego, CA 92101: 275 studio units, new construction, financed with: private bank (Citibank) loan, 9% tax credits from the State of California Tax Credit Allocation Committee, Housing Commission loan, City Redevelopment Agency, and Federal Home Loan Bank AHP loan. The project is currently in construction with completion estimated for early 2009.

17. If the developer or a parent corporation, a subsidiary, an affiliate, or a principal of the developer is to participate in the development as a construction contractor or builder:

N/A

a. Name and address 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, explain:

DISCLOSURE STATEMENT: PAGE 6

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

General description of such work:

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

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

<u>Awarding Agency</u>	<u>Amount</u>	<u>Date Opened</u>
------------------------	---------------	--------------------

18. Brief statement respecting equipment, experience, financial capacity, and other resources available to such contractor or builder for the performance of the work involved in the proposed project, specifying particularly the qualifications of the personnel, the nature of the equipment, and the general experience of the contractor:

19. Does any member of the governing body of the San Diego Housing Commission, to which the accompanying proposal is being made, or any officer or employee of the San Diego Housing Commission who exercises any functions or responsibilities in connection with the carrying out of the project covered by the developer's proposal, have any direct or indirect personal financial interest in the developer or in the proposed contractor?

Yes _____ No X

If yes, explain.

20. Statements and other evidence of the developer's qualifications and financial responsibility (other than the financial statement referred to in Item 10) are attached hereto and hereby made a part hereof as follows:

Description of developments is attached.

CERTIFICATION

I (We) Wendy G. DeWitt certify that this Developer's Statement for Public Disclosure and the attached evidence of the developer's qualifications and financial responsibility, including financial statements, are true and correct to the best of my (our) knowledge and belief.

Date: February 1, 2008

Date: _____

Wendy G. DeWitt
Signature

Signature

Title: Authorized Representative

Title: _____

Address & ZIP Code

HOUSING DEVELOPMENT PARTNERS
OF SAN DIEGO

1122 Broadway, Suite 300
San Diego, CA 92101-5612

ACKNOWLEDGMENT

State of California
County of San Diego

On February 1, 2008 before me, Lisa J. Wolf, Notary Public, personally appeared Wendy G. DeWitt, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

Witness my hand and official seal.

Signature *Lisa J. Wolf*
Signature of Notary Public



(Seal)

HOUSING DEVELOPMENT PARTNERS of San Diego

A California Nonprofit Public Benefit Corporation

DEVELOPER'S STATEMENT FOR PUBLIC DISCLOSURE-ITEM #20 DESCRIPTION OF DEVELOPMENTS

Mission Statement

"The mission of Housing Development Partners of San Diego is to preserve and increase affordable housing opportunities for low- and moderate-income residents in the City of San Diego. The Corporation will pursue opportunities by either collaborating with other affordable housing providers in the community or by serving a unique niche not being met by other housing organizations."

Adopted April 23, 1998.

Background

On March 19, 1990, the Housing Commission authorized the establishment of a nonprofit housing corporation. Articles of Incorporation were filed with the Secretary of State on April 17, 1990, creating Housing Development Partners of San Diego (HDP), formerly the San Diego Housing Development Corporation, a California public benefit corporation.

The specific purposes of the corporation as expressed in the Articles of Incorporation are:

1. To provide low and moderate income persons, elderly persons and disabled persons with affordable housing by acquiring or developing publicly financed low and moderate income housing and renting such housing to these persons;
2. To provide facilities and services related to housing; and
3. To take such other actions, in cooperation with private and public persons or agencies, to promote the cause of low and moderate income housing.

The corporation has a seven-member board designated as follows:

- (1) Two Commissioners of the San Diego Housing Commission;
- (2) The Executive Director [President/CEO] of the Commission; and
- (3) Four at-large Directors.

The officers are a President, Vice-President, Secretary and a Chief Financial Officer. The Executive Director Board position serves as the President of the corporation with all other officers elected by the Board. The two Commissioner-Board members and the Executive Director-Board member hold office by virtue of their positions as Housing Commissioners and Executive Director. Their terms expire at the time they no longer hold their respective positions. The four at-large Directors serve staggered two-year terms and hold office until their successor is appointed and assumes office.

Housing Development Partners RRN

Balance Sheet

As of December 31, 2007

5 AM
16/08
Annual Basis

	Dec 31, 07
ASSETS	
Current Assets	
Checking/Savings	
1000 · Cash	
1010 · UB - Checking - HDP	17,498.00
1020 · UB - MM - HDP	498,133.14
1030 · UB- Checking - Hyder	79.52
1070 · Petty Cash - HDP	300.00
1080 · Petty Cash - Hyder	100.00
Total 1000 · Cash	<u>516,110.66</u>
Total Checking/Savings	516,110.66
Accounts Receivable	
1301 · Accounts Receivable	
1310 · A/R - Mason	178,024.84
1312 · A/R - Mason Ins	5,405.13
1315 · A/R - Logan/Knox Glen	84.61
1320 · A/R - 52nd & El Cajon	458,168.53
1325 · A/R - Casa Colina	31,495.00
1340 · A/R - Studio 15	112.50
Total 1301 · Accounts Receivable	<u>673,290.61</u>
Total Accounts Receivable	673,290.61
Other Current Assets	
1400 · Other Receivables	
1410 · Developer Fee Rec - Logan	761,397.51
1420 · Developer Fee Rec - Island	19,828.56
1430 · Developer Fee Rec - Casa Colina	214,342.00
1440 · Partnership Management Fee Rec	28,333.00
Total 1400 · Other Receivables	<u>1,023,901.07</u>
1500 · Other Current Assets	
1510 · Prepaid Insurance	23,948.00
Total 1500 · Other Current Assets	<u>23,948.00</u>
Total Other Current Assets	<u>1,047,849.07</u>
Total Current Assets	2,237,250.34
Fixed Assets	
1600 · Fixed Assets	
1610 · Land	503,278.25
1620 · Building	1,117,754.42
1690 · Accumulated Depreciation	-173,366.00
Total 1600 · Fixed Assets	<u>1,447,666.67</u>
Total Fixed Assets	1,447,666.67
Other Assets	
1800 · Other Assets	
1810 · Investment in Island Palms	-1,344.00
1820 · Investment in Logan Dev.	-25,823.00
1830 · Investment in Casa Colina	76.00
Total 1800 · Other Assets	<u>-27,091.00</u>
Total Other Assets	-27,091.00
TOTAL ASSETS	<u><u>3,657,826.01</u></u>

Affordable Housing Developments

In its early years, HDP was active in the preservation of HUD 236 and 221(d) developments with expiring regulatory restrictions, providing technical assistance to local developments during the enactment of "ELIPHRA" and other emergency legislation. In 1994, the corporation began seeking opportunities for the development of affordable housing, both on its own and in collaboration with other for-profit and non-profit organizations.

Housing Development Partners currently is the owner or managing general partner of five affordable housing properties with 710 rental units. An additional one project, with 88 rental units, is in the development/financing stage.

Knox Glen Townhomes, (4754 Logan Avenue, San Diego), is 54 units of new construction, owned and operated by the corporation. The development provides 54 two- three- and four-bedroom units affordable at 50% and 60% of median area income. It was completed in December of 1996. Once a dilapidated and abandoned construction site, this project was a tremendous success toward eliminating blight. It provides clean, safe and attractive affordable housing and has resulted in a revitalization of the surrounding community and the elimination of an eyesore in the neighborhood. The new construction activity stimulated other new residential development in the immediate vicinity. All units are affordable for 55 years.

Casa Colina del Sol Apartments, (5207 52nd Place, San Diego), is a 75-unit acquisition and rehabilitation senior housing project. The acquisition of the project ensured the affordability of 74 units in perpetuity. The project was acquired in February 2004 and rehabilitation was completed in December 2004. To assist the senior residents, a Resident Services Coordinator was placed on the site in 2005.

Island Village Apartments, (1245 Market Street, San Diego), is a 280-unit new construction development at. HDP is the managing co-general partner in a 9% tax-credit limited partnership. The development provides studio/"living units" designed to address the need for rental housing affordable to single low-income adults working downtown, along with 3,000 square feet of commercial lease space on the ground floor. Construction was completed September 2003.

Mason Hotel, (1337-45 Fifth Ave, San Diego), is 27 SRO units (as special purpose housing), acquisition and rehabilitation in June 2002. The building has approximately 1,800 square feet of ground floor commercial space. The corporation and its insurer are in discussions, after a cigarette-caused fire, for necessary rehabilitation.

Currently in the construction stage:

Studio 15, (1475 Imperial Avenue [at 15th Street], San Diego), is a 274 unit new construction rental apartment housing community that is currently in the construction stage. It will be 100% affordable. All 273 furnished studio rental units will have rents affordable (for 55 years) to low- and very-low income persons earning 40 percent to 60 percent of the Area Median Income, with two additional manager's units. It will be a five-story building with units ranging in size from 260 to 500 square feet. There is one level of subterranean parking (58 parking spaces). The building design is unique, contemporary and award-winning. On August 10, 2007, "Multi-Housing News" announced, at the Multi-Housing World Expo and Conference, that Studio 15 is the winner of the nationwide "Design Excellence Awards - Affordable Housing Category". Construction completion is estimated for late 2008 to early 2009.

Currently in the financing stage:

Dawson Avenue Seniors Apartments, (vacant site between Dawson Avenue and 52nd Street near El Cajon Boulevard), is a new-construction 88-unit senior housing development currently in the financing stage. The project will offer one- and two-bedroom units on an approximate one-acre site. Project financing is anticipated from low-income housing tax credits, making all units affordable to low-income seniors. Adjacent retail will be improved to serve the residents pursuant to an agreement with the owner. Located on a major transit corridor, residents will enjoy convenient access to goods, services and transportation all within walking distance. Completion is estimated for 2009.

1:15 AM
1/16/08
accrual Basis

Housing Development Partners RRN
Profit & Loss
January through December 2007

	Jan - Dec 07
Ordinary Income/Expense	
Income	
4200 · Interest Income	5,834.95
Total Income	5,834.95
Expense	
6110 · Administration Exp.	52,280.95
6120 · Bank Service Charges	63.54
6140 · Delivery/Postage	1,092.19
6160 · Dues & Subscriptions	2,500.00
6180 · Insurance	1,392.00
6210 · Meetings/Workshops	60.19
6230 · Licenses and Permits	110.00
6240 · Miscellaneous	3,369.01
6270 · Professional Fees	
6280 · Legal Fees	4,288.25
6285 · Accounting	11,210.00
6290 · Consultants	6,420.00
Total 6270 · Professional Fees	21,918.25
6390 · Utilities	
6400 · Gas and Electric	159.44
Total 6390 · Utilities	159.44
6680 · Training	974.00
6700 · Travel	
6712 · Parking	227.00
Total 6700 · Travel	227.00
Total Expense	84,146.57
Net Ordinary Income	-78,311.62
Net Income	-78,311.62

Housing Development Partners RKN
Balance Sheet
 As of December 31, 2007

	<u>Dec 31, 07</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2000 · Accounts Payable	
2010 · A/P	189.86
Total 2000 · Accounts Payable	<u>189.86</u>
Total Accounts Payable	189.86
Other Current Liabilities	
2150 · Deferred Revenue	324,543.57
2300 · Accrued Other	1,234.00
2400 · Interest Payable	284,826.75
Total Other Current Liabilities	<u>610,604.32</u>
Total Current Liabilities	610,794.18
Long Term Liabilities	
2500 · Notes Payable	
2510 · N/P - SDHC Jr. Loan	68,857.81
2515 · N/P - SDHC Grant	230,000.00
2520 · N/P - SDHC	520,690.52
2525 · N/P - SDHC-52nd & El Cajon	50,000.00
2530 · N/P - LISC-52nd & El Cajon	222,545.50
2560 · N/P - Redevelopment Agency	885,943.74
Total 2500 · Notes Payable	<u>1,977,937.57</u>
Total Long Term Liabilities	<u>1,977,937.57</u>
Total Liabilities	2,588,731.75
Equity	
3000 · Opening Bal Equity	1,242,001.41
3999 · Retained Earnings	-94,595.53
Net Income	-78,311.62
Total Equity	<u>1,069,094.26</u>
TOTAL LIABILITIES & EQUITY	<u><u>3,657,826.01</u></u>

HOUSING DEVELOPMENT PARTNERS OF SAN DIEGO

FINANCIAL STATEMENTS

DECEMBER 31, 2006

To the Trustees
Housing Development Partners of San Diego
1122 Broadway, Suite 300
San Diego, California 92101-5612

We have compiled the accompanying statement of financial position of Housing Development Partners of San Diego (A Nonprofit Organization) as of December 31, 2006, and the related statements of activities and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Organization's financial position, changes in net assets, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Leaf + Cole, LLP

San Diego, California
June 12, 2007

HOUSING DEVELOPMENT PARTNERS OF SAN DIEGO
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2006

ASSETS

Current Assets:

Cash	\$ 428,304
Accounts receivable	69,569
Insurance refund receivable	103,574
Partnership management fee receivable	28,333
Prepaid expenses	<u>23,948</u>
Total Current Assets	<u>653,728</u>

Noncurrent Assets:

Developer fee receivable - Island Palm Apartments, L.P.	19,829
Developer fee receivable - Casa Colina, L.P.	446,688
Note receivable - Logan Development, L.P.	834,453
Investment in Casa Colina, L.P.	76
Construction in progress	456,438
Land and building, net of accumulated depreciation	<u>1,447,667</u>
Total Noncurrent Assets	<u>3,205,151</u>

TOTAL ASSETS **\$3,858,879**

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and accrued expenses	\$ 96,998
Deferred revenue	<u>324,544</u>
Total Current Assets	<u>421,542</u>

Long-Term Liabilities:

Accrued interest payable	284,827
Share of deficiency in Logan Development, L.P.	25,823
Share of deficiency in Island Palm Apartments, L.P.	1,344
Notes payable	<u>1,977,937</u>
Total Long-Term Liabilities	<u>2,289,931</u>

Net Assets:

Unrestricted	<u>1,147,406</u>
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TOTAL LIABILITIES AND NET ASSETS **\$3,858,879**

See accountant's compilation report.

**HOUSING DEVELOPMENT PARTNERS OF SAN DIEGO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

Revenue:

Rental income	\$ 84,048
Developer fee	75,000
Interest income	53,918
Partnership management fee	10,000
Share of loss in partnerships	<u>(2,248)</u>
Total Revenue	<u>220,718</u>

Expenses:

Program Services:

Housing Services:

Mason Hotel:

Interest expense	63,302
Depreciation	40,642
Insurance	34,422
Property taxes	10,326
Management fee	4,536
Utilities	699
Other	<u>310</u>
Total Mason Hotel	<u>154,237</u>

Other Housing Services:

Outside services	99,868
Professional fees	<u>16,583</u>
Total Other Housing Services	<u>116,451</u>

Total Program Services 270,688

Supporting Services:

Outside services	24,967
Insurance	8,605
Consultant	4,690
Professional fees	4,146
Miscellaneous	1,139
Office	924
License and fees	<u>155</u>
Total Supporting Services	<u>44,626</u>

Total Program and Supporting Services 315,314

Change in Net Assets (94,596)

Net Assets at December 31, 2005 1,242,002

NET ASSETS AT DECEMBER 31, 2006 \$1,147,406

See accountant's compilation report.

HOUSING DEVELOPMENT PARTNERS OF SAN DIEGO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

Cash Flows From Operating Activities:

Change in net assets	\$ (94,596)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	40,642
Share of loss in partnerships	2,248
(Increase) Decrease in operating assets:	
Accounts receivable	81,341
Insurance refund receivable	(86,022)
Partnership management fee receivable	(10,000)
Prepaid expenses	(14,329)
Developer fee receivable	239,097
Increase (Decrease) in operating liabilities:	
Accounts payable and accrued expenses	(2,412)
Deferred revenue	324,544
Accrued interest payable	<u>63,302</u>
Net Cash Provided by Operating Activities	<u>543,815</u>

Cash Flows From Investing Activities:

Note receivable additions	(51,704)
Construction in progress	(137,696)
Net Cash Used by Investing Activities	<u>(189,400)</u>
 Net Increase in Cash	 354,415
 Cash at December 31, 2005	 <u>73,889</u>
 CASH AT DECEMBER 31, 2006	 <u>\$428,304</u>

Supplemental Disclosures:

Interest paid	\$ <u>14,020</u>
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See accountant's compilation report.

ATTACHMENT - 7

**HOUSING COMMISSION LOAN TERMS
AND
PAYMENT PROCEDURES**

Total Development Cost:	The total development cost of \$24,260,257 includes construction, interest costs, builder overhead and profit, and builder fees.
Developer Equity:	Nine percent tax credits.
Housing Commission Loan Amount:	A \$6,000,000 loan leverages \$18,260,257 from other sources.
Security:	The Housing Commission loan would be secured by the value of the ground lease during construction and by the value of the ground lease and the property improvements following completion of construction.
Recourse:	The Housing Commission loan would be recourse until completion of construction, after which it would become non-recourse because of tax credit rules.
Cure Rights:	The Housing Commission would maintain the right to cure defaults in accordance with the requirements of the tax credit investor and the institutional lender.
Housing Commission Loan Payments:	An annual payment equal to 50 percent of residual cash flow after expenses and debt service are paid and after a payment on the Housing Commission ground lease. Any unpaid principal and interest would be due as a balloon payment upon loan maturity.
Affordability Restrictions:	Tax credit rents would be between 30 percent and 50 percent of Area Median Income (AMI). A Housing Commission Declaration of Covenants, Conditions, and Restrictions with a 55-year term would be recorded against the property to restrict rents for 87 units at 50 percent or less of AMI and occupancy of 87 units to tenants with incomes of 60 percent or less of AMI.

First Deed of Trust: The Housing Commission loan would be subordinate to an estimated \$2,991,000, 7 percent interest, 30-year amortized loan from a lender not yet determined.

Second Deed of Trust: A \$6,000,000, 55-year residual receipts Housing Commission loan with interest at the Applicable Federal Rate.

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

Operating Expense: Monthly operating expenses are estimated at \$26,846 (\$305 per unit for 88 units).

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 will be funded from reserves with the permission of the Housing Commission.

Reserves: Subject to the approval of the tax credit investor and institutional lender, the borrower would make minimum annual payments of \$30,800 into a reserve account. Use of reserves would require the reasonable approval of the President and Chief Executive Officer of the Housing Commission.

ATTACHMENT 8



February 29, 2008

Ms. Wendy DeWitt
Housing Development Partners
1122 Broadway, 5th Floor
San Diego, California 92101

Re: 4310 Dawson Avenue
Subject: Dawson Avenue Senior Apartments

Dear Ms. DeWitt:

I am pleased to offer a partnership to be formed by Housing Development Partners a loan increase, under the terms and conditions outlined below, subject to the approval of the Housing Commission Board and the Housing Authority and subject to the receipt of an allocation of nine percent tax credits.

The parameters of this loan commitment are as follows:

- Ownership: Dawson Avenue Senior Apartments, LP (Borrower) as the sole owner and operator of the improvements. Subject to approval by the Housing Commission, the managing general partner would be Housing Development Partners and the administrative general partner would be Chelsea Investment Corporation. The Housing Commission is the owner of the land.
- Ground Lease: Borrower shall lease the land from the Housing Commission at a cost equal to 4.5 percent of gross effective annual income after expenses and debt service for 65 years.
- Use of Loan Proceeds: The loan shall be used by Borrower to finance the development conditional upon the receipt of nine percent tax credits.
- Terms of the Loan: A residual receipts loan will be increased from \$3,781,000 to \$6,000,000. The interest rate shall be equal to the Applicable Federal Rate (AFR) at the time of the execution of the note; interest compounded annually as required. Borrower shall make annual payments equal to 50 percent of the residual receipts. The residual receipts payment shall be made second after a payment on a Housing Commission ground lease to the extent that there is remaining cash from operations after the payment of expenses and debt service. Any unpaid principal

and accrued interest shall be due and payable in 31 years from the date Borrower executes the Promissory Note to the Housing Commission or upon refinancing of senior debt.

Acceleration Upon Default:

In the event of a default of the terms of the Housing Commission Loan Agreement, the loan would become 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 Damage Insurance in a form and in amounts acceptable to the Housing Commission and approved by the Housing Commission's General Counsel. The Housing Commission shall be listed as an additional insured for General Liability Insurance and shall be listed as a loss payee of the Property Insurance.

Number of Units:

88 units. With one unit used as a manager's unit, there will be a minimum of 87 units of permanent rental housing.

Affordability Terms:

The Housing Commission would record 55-year rent restrictions against the property making 87 units affordable to tenants with annual incomes of 50 percent or less of Area Median Income (AMI). To assure that the project is fully leased, the Housing Commission would record an occupancy restriction making the units eligible for occupancy by tenants with incomes of up to 60 percent of AMI. The actual rents are subject to the requirements, of the California Tax Credit Allocation Committee (TCAC), which are more restrictive, and would be affordable to tenants with incomes of between 30 percent and 50 percent of AMI.

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 leasehold.

Senior Financing:

The Housing Commission loan will be subordinate to a first position loan.

Fees and Expenses

All fees and expenses of this project shall be approved by the Housing Commission in its sole discretion. The partnership management fee shall not exceed \$7,500 in the first year and may increase at an inflation factor of not more than 3.5 percent per year. The developer fee shall not exceed \$700,000 and disbursements shall be made as specified in the Tax Credit Partnership Agreement.

Loan Increase for Dawson Avenue Senior Apartments

Page 3

- Reserves Subject to the approval of the senior lender, Borrower shall deposit a minimum of \$30,800 per year into a dedicated replacement reserve account. Use of reserves shall be subject to the reasonable approval of the Housing Commission's Interim Chief Executive Officer or designee.
- Recourse: The loan shall be a recourse loan prior to tax credit funding, after which it shall become a non-recourse loan.
- Cure Rights: The Housing Commission shall have the right, but not the obligation, to cure all senior encumbrances in all subordination agreements that it executes. All subordination agreements shall be subject to the sole approval of the Housing Commission's Interim 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 and lease documents, including approval of a guaranteed maximum price contract for construction. 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 Interim 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.
- Other Terms: The Housing Commission would have a first right of refusal to acquire limited partnership interest in the development at

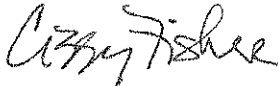
the end of the fifteenth year. The Housing Commission would have an option to acquire general partnership interest, in the accordance with the partnership agreement, provided it foregoes repayment of the Housing Commission loan and assumes the first position debt. The Housing Commission reserves the 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 Interim 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 for the restructured financing of this development. Signing and delivering to the Housing Commission of this letter by February 13, 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 and Development
619.578.7585
619.578.7356 fax

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



Authorized Representative

Authorized Representative