



HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

MEETING DATE: July 9, 2021

HCR21-074

SUBJECT: Loan Recommendation, Preliminary Bond Authorization, and Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing for Levant Senior Cottages Affordable Housing

COUNCIL DISTRICT(S): 7

ORIGINATING DEPARTMENT: Real Estate Division

CONTACT/PHONE NUMBER: Colin Miller (619) 578-7429

REQUESTED ACTION:

Approve a proposed residual receipts loan, in an amount not to exceed \$6,000,000, to Levant Senior Cottages L.P., a California limited partnership, and take the initial steps to issue up to \$35,000,000 in Housing Authority of the City of San Diego tax-exempt Multifamily Housing Revenue Bonds plus up to \$5,697,296 of taxable Multifamily Housing Revenue Bonds to facilitate the acquisition and new construction of Levant Senior Cottages at 6950 Levant Street, San Diego, which will consist of 126 affordable rental housing units that will remain affordable for 55 years for very-low income seniors age 55 and older and one unrestricted manager's unit.

EXECUTIVE SUMMARY OF KEY FACTORS:

- Levant Senior is a proposed 127-unit new construction affordable rental housing development on vacant land that is long-term (70 years) leased from the County of San Diego.
- Units will remain affordable for households with income from 25 percent to 50 percent of San Diego's Area Median Income.
- The developer is Wakeland Housing and Development Corporation (Wakeland), an award-winning, experienced, nonprofit. Wakeland has developed many affordable developments utilizing Housing Commission loans, including tax-exempt bonds.
- In response to the Housing Commission's Fiscal Year 2021 Notice of Funding Availability, Wakeland applied for a loan and project-based housing vouchers (PBVs) for the Levant Senior development.
- On January 8, 2021, Housing Commission staff provided a preliminary recommendation of award for a residual receipts loan of up to \$6,000,000 and 70 PBVs.
- The total development cost is estimated at \$51,642,254 (\$406,632 per unit).
- The Housing Commission's proposed \$6,000,000 loan subsidy would be \$47,244 per unit.
- Staff recommends that the Housing Commission:
 - Approve a residual receipts of up to \$6,000,000 to Levant Senior Cottages L.P.
 - Issue a bond inducement resolution for up to \$35,000,000 of tax-exempt Multifamily Housing Revenue Bonds (Bonds).
 - Hold an IRS-required Tax Equity and Fiscal Responsibility Act hearing.
 - Authorize an application to the California Debt Limit Allocation Committee.
 - Approve Jones Hall as Bond Counsel and Ross Financial as Bond Financial Advisor.



REPORT

DATE ISSUED: July 1, 2021

REPORT NO: HCR21-074

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of July 9, 2021

SUBJECT: Loan Recommendation, Preliminary Bond Authorization, and Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing for Levant Senior Cottages Affordable Housing

COUNCIL DISTRICT: 7

REQUESTED ACTION

Seven-day advance notice of San Diego Housing Commission hearing of the following matter has been provided to the Housing Authority Members pursuant to the provisions of San Diego Municipal Code Section 98.0301(e)(4)(a)(b) for Staff Recommendation No. 1.

Preliminary Bond Authorization and Tax Equity and Fiscal Responsibility Act (TEFRA) hearings are scheduled to be heard by the San Diego Housing Commission (Housing Commission) Board of Commissioners on July 9, 2021, at 9 a.m. Any two members of the Housing Authority of the City of San Diego (Housing Authority) or San Diego City Council (City Council) may request that these hearings not take place and instead be heard by the Housing Authority and City Council by giving notice to the Housing Commission's President & Chief Executive Officer, or designee, within seven days of the date of this notice.

Approve a proposed residual receipts loan in an amount not to exceed \$6,000,000 to Levant Senior Cottages L.P., a California limited partnership, and take the initial steps to issue up to \$35,000,000 in Housing Authority of the City of San Diego tax-exempt Multifamily Housing Revenue Bonds plus up to \$5,697,296 of taxable Multifamily Housing Revenue Bonds to facilitate the acquisition and new construction of Levant Senior Cottages at 6950 Levant Street, San Diego, which will consist of 126 affordable rental housing units that will remain affordable for 55 years for very-low income seniors age 55 and older and one unrestricted manager's unit.

STAFF RECOMMENDATIONS

That the San Diego Housing Commission (Housing Commission) take the following actions as described in this report:

- 1) Approve a Housing Commission residual receipts loan in an amount not to exceed \$6,000,000 to Levant Senior Cottages L.P., a California limited partnership formed by Wakeland Housing and Development Corporation (Wakeland), to finance the proposed acquisition and new construction of Levant Senior Cottages (Levant Senior) at 6950 Levant Street, San Diego, with 126 affordable rental housing units that will remain affordable for 55 years for seniors age 55 and older with income of 25 percent to 50 percent of San Diego's Area Median Income (AMI) and one unrestricted manager's unit.

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The Housing Commission's proposed loan will be contingent upon the developer receiving all necessary third-party funding commitments as described in this report. Such third-party funding commitments will be subject to the Housing Commission's General Counsel's approval.

- 2) Authorize the Housing Commission's President and Chief Executive Officer (President & CEO), or designee, to:
 - a. Execute all necessary documents and instruments to effectuate the transaction and implement the project, in a form approved by the General Counsel, and to take such actions as are necessary, convenient, and/or appropriate to implement the approvals upon advice of the General Counsel;
 - b. Adjust financing terms/conditions, as necessary, for consistency with requirements of other funding sources or to accommodate market changes that may occur, provided that the proposed \$6,000,000 maximum Housing Commission loan amount may not increase; and
 - c. Substitute approved funding sources with any other available funds as deemed appropriate, contingent upon budget availability, and further authorize the President & CEO, or designee, to take such actions as are necessary, convenient, and/or appropriate to implement this approval and delegation of authority by the Housing Commission upon advice of the General Counsel.
- 3) Approve the following steps to issue up to \$35,000,000 of Housing Authority of the City of San Diego tax-exempt Multifamily Housing Revenue Bonds and \$5,697,296 of taxable bonds Levant Senior:
 - a. Issue a bond inducement resolution (Declaration of Official Intent) for up to \$35,000,000 in tax-exempt Multifamily Housing Revenue Bonds for the acquisition and new construction of Levant Senior by Levant Senior Cottages L.P;
 - b. Authorize an application (and subsequent applications if necessary) to the California Debt Limit Allocation Committee (CDLAC) for an allocation of authority to issue tax-exempt private activity bonds in an amount up to \$35,000,000 for Levant Senior;
 - c. Approve the bond financing team of Jones Hall as Bond Counsel and Ross Financial as Bond Financial Advisor; and
- 4) Authorize the Housing Commission President & CEO, or designee, to execute any and all documents that are necessary to effectuate the transaction and implement these approvals in a form approved by the General Counsel and the Bond Counsel, and to take such actions as are necessary, convenient, and/or appropriate to implement these approvals upon advice of the General Counsel and/or the Bond Counsel.
- 5) Hold a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing, and adopt a resolution approving the issuance of tax-exempt Multifamily Housing Revenue Bonds in an amount up to \$35,000,000 to facilitate acquisition and new construction of Levant Senior.

SUMMARY

A Development Summary is at Attachment 1.

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Table 1 - Development Details

Address	6950 Levant Street, San Diego
Council District	7
Community Plan Area	Linda Vista Community Planning Area
Developer	Wakeland Housing and Development
Development Type	New construction (for seniors)
Construction Type	Type V (stucco with wood frame)
Parking Type	45 parking spaces (surface)
Transit Information	Bus service is available within one quarter of a mile of the property. Trolley service is available 2.4 miles from the property at the Hazard Center Station.
Housing Type	Multifamily, 18 one-story buildings and two two-story buildings
Lot Size	One parcel totaling 4.49 acres, 195,584 square feet
Units	127 (126 affordable units)
Density	28.22 dwelling units per acre (127 units ÷ 4.5 acres)
Unit Mix	126 affordable units: 108 studios, 18 one-bedrooms. Plus one unrestricted two-bedroom manager's unit.
Gross Building Area	51,850 square feet
Net Rentable Area	46,800 square feet
Project-Based Housing Vouchers	70 Non-Permanent Supportive Housing Project-Based Housing Vouchers (PBVs) for low-income seniors (age 55+) selected from the Housing Commission's PBV waiting list.

The Development

Levant Senior is a proposed 127-unit new construction, affordable rental housing development with 18 one-story buildings and two two-story buildings. The 20-buildings design concept was primarily due to requirements in the County of San Diego's long-term land lease. The development will be located at 6950 Levant Street in San Diego's Linda Vista neighborhood (Attachment 2 – Site Map). The Levant Senior apartments will provide 126 affordable rental units and one unrestricted manager's unit. It will include 108 studios, 18 one-bedroom units, and one two-bedroom manager's unit. Unit amenities will include: central heat and air conditioning, blinds, storage closet, patio/balcony, refrigerator, stove/oven, dishwasher, and garbage disposal. Site amenities will include: outdoor patio, walking trail, and a large community room with features such as a computer lab, kitchen, and space for workshops, classes, community and social events.

Developer's Request

In response to the Housing Commission's Fiscal Year (FY) 2021 Notice of Funding Availability (NOFA), Wakeland applied for a loan and PBVs for the Levant Senior development. On January 8, 2021, Housing Commission staff provided a preliminary recommendation of award for a residual receipts loan of up to \$6,000,000 and 70 PBVs for the Levant Senior development.

The developer proposes to apply for and obtain: a CDLAC allocation of authority to issue tax-exempt private equity bonds, a California Tax Credit Allocation Committee (CTCAC) approval for 4 percent tax credits, and third-party financing, as described in this report.

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The Property

The property is 4.49 acres owned by the County of San Diego. It is vacant. A 70-year ground lease agreement between the County of San Diego (Lessor) and Levant Senior Cottages L.P. (Lessee), commenced January 1, 2019, with a \$1 per year lease prepaid rent. The lease restricts the use of the land to no less than 99 senior households, age 55 and older, with income at 50 percent and 60 percent of AMI. The site was previously occupied by San Diego County Adoptions. On-site structures have been demolished, and no relocation is necessary. The property is located between Genesee Avenue to the north and Levant Street to the south. Neighboring to the west is the Linda Vista Community Park, which includes a community center as well as other park amenities. To the east is the San Diego Cooperative Charter School. To the south is residential housing. The site is accessible to public transportation, areas of employment, food shopping and medical services. Bus service is available within a quarter of a mile of the property.

Prevailing Wages

The developer proposes to use 70 U.S. Department of Housing and Urban Development (HUD) PBVs, administered by the Housing Commission, which will require the payment of federal Davis-Bacon prevailing wages. The proposed use of State of California Multifamily Housing Program (MHP) loan funds will require payment of State of California prevailing wages. The higher of the federal or State of California prevailing wages will apply.

Relocation

The property is vacant. No relocation is necessary.

Accessibility

Levant Senior will comply with CTCAC requirements for wheelchair accessibility in 10 percent of the units, with 4 percent of the units accessible to residents with visual and/or hearing impairment. The same units can satisfy both of these accessibility requirements. The completed development will be 100 percent accessible for visitors. The development will include Universal Design features.

Project Sustainability

The development will comply with the CTCAC minimum energy efficiency standards. Its features will include Energy Star-rated efficient appliances and a solar component. It will be designed to achieve a Green Point certification. Green Point is a program of Build It Green, a non-profit organization promoting healthy, energy- and resource-efficient buildings in California. Green Point scores and rates housing in five categories, including energy and water conservation, indoor air quality, sustainable building materials, and community benefits such as proximity to public transportation. The development will include a solar component. Water conservation will be promoted via low-water-use fixtures in kitchens and bathrooms, low-flow toilets, and low-water-use native-plants landscaping with water-efficient irrigation controls. Development Team

During the tax credit compliance period, Levant Senior will be owned by a California limited partnership (a single-asset limited partnership) consisting of: Levant Senior Cottages L.P. as the owner/borrower, Wakeland Levant LLC (for which Wakeland Housing and Development is the manager and sole member) will be the Managing General Partner, San Diego Kind Corporation will be the Administrative General Partner, plus a to-be-selected tax credit limited partner (Attachment 3 – Organization Chart).

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Wakeland is an award-winning nonprofit located in San Diego that is a leader in the creation and operation of affordable housing. Founded in 1998, Wakeland focuses on building and operating cost-efficient housing communities with superior on-site programs and services for residents. Wakeland's portfolio currently includes 7,300 units of affordable housing. The Housing Commission has worked with Wakeland on multiple successful projects, including: the 44-unit new construction Beacon apartments, the 205-unit new construction Atmosphere apartments, the 132-unit scattered sites City Heights Ten rehabilitation project, the 40-unit Juniper Gardens Apartments in City Heights, the 92-unit Village Green Apartments in the Rolando neighborhood; Vista Grande, a 48-unit rehabilitation project located in the southeastern part of San Diego, and the 60-unit Talmadge Gateway Apartments, a permanent supportive housing development serving seniors who experienced homelessness, in the Kensington-Talmadge Community. Wakeland is in full compliance on its previous Housing Commission-funded loans. Based upon the developer's past experience and past development performance, staff has determined that the developer has the requisite capacity to successfully complete the proposed Levant Senior project.

Table 2 Development Team Summary

ROLE	FIRM/CONTACT
Developer	Wakeland Housing and Development Corporation
Owner/Borrower	Levant Senior Cottages L.P.
Managing General Partner	Wakeland Levant LLC
Administrative General Partner	San Diego Kind Corporation
Tax Credit Investor Limited Partner	To be selected
Architect	Roesling, Nakamura, Terada Architects
General Contractor	Allgire General Contractors
Prevailing Wage Monitoring	To be selected
Property Management	ConAm Management Corporation
Tenant Services Providers	Wakeland Housing and Development and St. Paul's PACE Program
Construction/Permanent Lender	To be selected

Tenant Services

Wakeland and St. Paul's Program of All-Inclusive Care for the Elderly (PACE) will provide on-site resident services. Levant Senior residents will have access to an array of medical and social services provided by St. Paul's PACE, including but not limited to: transportation assistance, adult day care services, primary medical and specialty care, acute hospitalizations, rehabilitation services, prescription drug coverage and management, nutritious meals and dietary counseling, physical, occupational and speech therapies, case management, educational, health and wellness, and skill building classes, in-home services (bathing, cleaning, shopping and meal preparation), plus dental, podiatry, and optometry services.

Property Management

Levant Senior will be managed by ConAm Management Corporation (ConAm). ConAm is a nationwide management company with a management portfolio of approximately 53,000 units in more than 26 metropolitan areas. It was established in 1975. It is experienced in property management, marketing, leasing, maintenance, renovations, and tax credit developments. Wakeland's Asset Management Department will oversee ConAm.

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FINANCING STRUCTURE

Levant Senior proposes to finance the development with the use of 4 percent tax credits, tax-exempt Multifamily Housing Revenue Bond financing, a State of California Department of Housing and Community Development Multifamily Housing Program loan, a land lease from the County of San Diego, contributed and deferred developer fee funds, and a Housing Commission proposed residual receipts loan. The Housing Commission requires affordable housing developers to pursue all viable sources of funding to reduce the financing gap and amount of Housing Commission subsidy required. If other funding is secured, then proceeds will first be used to make an adjustment to reduce the Housing Commission's loan. The developer's current pro forma is included as Attachment 4 and is summarized below.

Table 3 – Levant Senior Estimated Permanent Sources and Uses

Financing Sources	Amounts	Financing Uses	Amounts	Per Unit
Bond financed permanent loan	\$462,810	Land (title & insurance)	\$50,000	\$394
State of California Department of Housing & Community Development Multifamily Housing Program loan	19,080,000	On site work costs \$ 3,200,000 Construction costs 33,296,359 Contingency + 1,824,818 Total construction \$38,321,177	\$38,321,177	\$301,742
Section 8 increment loan	4,674,163	Financing costs	\$4,020,750	\$31,659
Housing Commission proposed loan	6,000,000	Other soft costs	\$2,790,483	\$21,972
Deferred loan interest	122,012	Permits and fees	\$2,364,000	\$18,614
Deferred developer's fee	1,020,000	Developer's fee	\$3,220,000	\$25,354
Four percent tax credit equity	20,283,270	Reserves	\$3,131,960	\$24,661
Total Development Cost	\$51,642,254	Total Development Cost (TDC)	\$51,642,254	\$406,632

The Housing Commission's proposed \$6,000,000 residual receipts loan will be partly funded with the City of San Diego Affordable Housing Fund (Inclusionary Housing funds) and partly funded with U.S. Department of Housing and Urban Development (HUD) HOME Investment Partnerships Program (HOME) funds, which the Housing Commission administers. The total amount of Housing Commission funding sources shall not exceed \$6,000,000. A final determination of Housing Commission funding sources will be made by the Housing Commission's President & CEO, or designee, contingent upon budget availability. The proposed loan terms are summarized in Attachment 5.

Developers' Fee

\$3,220,000 – Gross developer's fee

-1,020,000 – Minus deferred developer's fee

\$2,200,000 – Net cash developer's fee

The net cash developer fee shall be \$2,200,000 provided, however, that in the event financing terms or construction costs change and result in a financing gap, the developer may defer additional developer fee. On April 25, 2017, the Housing Authority approved the "Request for Approval of Updated Developer Fees" (Report No. HAR17-011; Resolution No. HA-1727). That report approved certain developer fee guidelines for multifamily loans and bonds issuances. Attachment 1 to that report stated: "Developer Fee [for] 4% tax credits, in project costs: 15% eligible basis...." For the Levant Senior development, the developer is proposing a \$3,020,000 total developer fee, which complies with HAR17-

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011. The fee proposed is consistent with the “Request for Approval of Updated Developer Fees” (HAR17-011) approved by the Housing Authority on April 25, 2017.

Option to Purchase

The developer has received points in the Notice of Funding Availability application for committing to provide the Housing Commission with the option to purchase the development at the end of the 15-year tax-credit compliance period.

Development Cost Key Performance Indicators

Housing Commission staff has identified development cost performance indicators, which were used to evaluate the proposed development and make a funding recommendation. The key performance indicators listed in Table 4 are commonly used by real estate industry professionals and affordable housing developers.

Table 4 – Levant Key Performance Indicators

Development Cost Per Unit	$\$51,642,254 \div 127 \text{ units} =$	\$406,632
Housing Commission Subsidy Per Unit	$\$6,000,000 \div 127 \text{ units} =$	\$47,244
Land Cost Per Unit	$\$50,000 \div 127 \text{ units} =$	\$394
Gross Building Square Foot Hard Cost	$\$38,321,177 \div 51,850 \text{ sq. ft.} =$	\$739
Net Rentable Square Foot Hard Cost	$\$38,321,177 \div 46,800 \text{ sq. ft.} =$	\$819

Project Comparison Chart

Multiple factors and variables influence the cost of developing multifamily affordable housing, including but not limited to project location, site conditions, environmental factors, land use approval process, community involvement, construction type, design requirements/constraints, economies of scale, City fees, developer experience and capacity, and the mission and goals of the organization developing the project. Similar construction-type developments (completed or approved) over previous years are listed in Table 5. These developments are similar in terms of new construction, target population and construction type, and are provided as a comparison to Levant Senior.

Table 5 – Levant Comparable Development Projects

Project Name	Year	Unit Mix	Units	Prevailing Wages	Total Development Cost	Cost Per Unit	HC Subsidy Per Unit	Gross Hard Cost Sq. Ft.
Subject – Levant Senior Cottages	2021	108 studios, 18 ones, + 1 mgr. 127	127	Yes	\$51,642,254	\$406,632	\$47,244	\$739
Nestor Senior Village	2021	73 studios, +1 mgr.	74	Yes	\$31,510,305	\$425,815	\$45,000	\$363
West Park	2019	91 studios, + 1 mgr.	92	Yes	\$15,593,274	\$331,772	\$76,453	\$457
Keeler Court Apartments	2019	10 studios, 20 ones, 18 twos, 22 threes, + 1 mgr.	71	Yes	\$40,891,780	\$575,941	\$0	\$374
Trinity Apts.	2019	73 living units, + 1 mgr.	74	Yes	\$30,563,070	\$413,014	\$9,460	\$410

Levant Senior’s hard costs per square foot are higher than is typical of multifamily rental housing because of various factors including: this is a large 4.49-acre vacant site that will generate high costs for

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needed site work and to meet City of San Diego's storm water requirements; the County of San Diego approved this project and required under the project's land lease that most of the units must be one-story structures on multiple foundation pads, which is a more expensive construction type than is typical of multifamily rental housing; necessary construction labor is becoming scarce; the required payment of prevailing wages, and higher inflation costs are significantly increasing the cost of lumber, steel, copper and other construction building materials. It should be noted that the project's \$405,032 total development cost per unit is lower than some new construction projects.

TAX-EXEMPT MULTIFAMILY HOUSING REVENUE BONDS

Proposed Housing Bonds

The Housing Commission utilizes the Housing Authority's tax-exempt borrowing status to pass on lower interest rate financing (and make 4 percent low-income housing tax credits available) to developers of affordable rental housing. The Housing Authority's ability to issue bonds is limited under the U.S. Internal Revenue Code.

On December 8, 2020, the Housing Authority approved "Multifamily Mortgage Revenue Bond Program Policy Amendments" (Report No, HAR20-043). That report approved a bond issuance process whereby the Housing Commission will be considering and approving the necessary bond Inducement Resolution and the necessary TEFRA Resolution.

To issue bonds for a development, the Housing Authority must first submit an application to CDLAC for a bond allocation. Prior to submitting applications to CDLAC, developments are brought before the Housing Commission. Housing Commission bond inducement resolutions must be obtained prior to CDLAC application submittal, and a Housing Commission Tax Equity and Fiscal Responsibility Act (TEFRA) resolution must be secured prior to bond issuance. These actions do not obligate the Housing Authority to issue bonds.

The developer plans to submit a bond application to CDLAC on September 9, 2021, for a December 8, 2021, bond allocation meeting. If necessary, staff will submit additional applications to CDLAC to secure a bond allocation for the development. However, the loan closing must occur within 24 months of the Housing Commission's proposed loan approval.

The developer will be seeking a CDLAC tax-exempt bond allocation of up to \$35,000,000. The developer proposes to structure the bonds as a tax-exempt private placement bond issuance. The bonds will meet all requirements of the Housing Commission's Multifamily Mortgage Revenue Bond Program (Bond Program) policy and will fully comply with the City's ordinance on bond disclosure. The bond amount that is ultimately issued will be based upon development costs, revenues and interest rates prevailing at the time of bond issuance.

The developer proposes that the bonds will be used for acquisition, construction, and permanent financing. If approved by third-party financing sources, Housing Commission staff will return to both the Housing Commission and Housing Authority for approval of the final bond amount. A general description of the Multifamily Housing Revenue Bond Program and the actions that must be taken by the Housing Authority and by the City Council to initiate and finalize proposed financings are described in Attachment 6.

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Staff recommends assigning Jones Hall as Bond Counsel and Ross Financial as Bond Financial Advisor to work on the development. The proposed bond financing team members have been selected in accordance with the existing policy for the issuance of bonds. Financial Advisors and Bond Counsels are selected in accordance with the Housing Commission's Bond Program Policy.

AFFORDABLE HOUSING IMPACT

Project-Based Vouchers

Housing Commission staff has provided a preliminary award recommendation of 70 PBVs for Levant Senior. The preliminary recommendation for these vouchers is contingent upon completion of a subsidy layering review and execution of an Agreement to Enter into Housing Assistance Payment. Under this vouchers program, the tenants' rent portion is determined by using the applicable minimum rent or a calculated amount based on their income level, whichever is higher, with the remainder being federally subsidized up to a gross rent level approved by the Housing Commission. The Housing Assistance Payment provides a rental subsidy for residents in Levant Senior's 70 voucher-assisted units.

The PBV units include 52 studios and 18 one-bedroom units. The population served through these PBVs are seniors age 55 and older with income of 25 percent to 40 percent of AMI. These tenants will be selected from the Housing Commission's PBV Wait List.

Under the proposed loan, the Levant Senior development will be subject to a Housing Commission Declaration of Covenants and Restrictions, in addition to the applicable tax credit and bonds regulatory agreements that will restrict affordability of 126 units for 55 years.

The development's 126 units will be affordable to tenants with income levels ranging from 25 percent of AMI (\$21,250/year for a studio, one-person household) to 50 percent of AMI (\$46,200/year for a one-bedroom two-person household). Table 6 summarizes the affordability:

Table 6 – Levant Senior Affordability and Monthly Estimated Rent Table

Unit Type	AMI	Number of Units	Maximum Gross Rents
Studio (with PBV) units/one bath (350 square feet)	25% AMI	14	\$530
Studio (with PBV) units/one bath (350 square feet)	30% AMI	13	\$636
Studio (with PBV) units/one bath (350 square feet)	40% AMI	25	\$849
One bedroom (with PBV) /one bath (500 square feet)	25% AMI	18	\$568
Subtotal PBV Units	--	70	--
Studio units/one bath (350 square feet)	40% AMI	7	\$849
Studio units/one bath (350 square feet)	50% AMI	49	\$1,061
Subtotal non-PBV units	--	56	--
Subtotal residential units	--	126	--
Manager's unit (two bedrooms)	--	1	--
Total Units	--	127	--

The rent and occupancy restrictions required by the Housing Commission, CTCAC and other lenders and investors will apply. The same units may be counted as the tax credit restricted units and the Housing Commission loan's restricted units. The more stringent of the funding sources' affordability/rent restrictions will take precedence during the term of their applicability.

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FISCAL CONSIDERATIONS

The funding sources and uses proposed in this action are included in the Housing Authority-approved Fiscal Year (FY) 2022 Housing Commission Budget.

Estimated funding sources approved by this action will be as follows:

- Housing Commission loan funds – up to \$6,000,000
- Bond Issuance Fees - \$101,743 (\$35,000,000 tax-exempt bond amount X .0025 = \$87,500 and \$5,697,296 taxable bond amount X .0025 = \$14,243)
- Total Funding Sources – up to \$6,101,743

Estimated funding uses approved by this action will be as follows:

- Loans – up to \$6,000,000
- Administrative Cost – up to \$101,743
- Total Funding Uses – up to \$6,101,743

Approving this action will further grant the President & CEO, or designee, the authority to substitute the above funding sources with other available funding sources so long as the total Housing Commission loan amount does not exceed the approved total loan amount, should the operational need arise or should such actions be to the benefit of the Housing Commission.

Approval of the bond inducement and TEFRA resolutions does not commit the Housing Authority to issue the bonds. The bonds would not constitute a debt of the City. If bonds are ultimately issued for the development, the bonds will not financially obligate the City, the Housing Authority, nor the Housing Commission because security for the repayment of the bonds will be limited to specific private revenue sources of the development. Neither the faith and credit nor the taxing power of the City, nor the Housing Authority, would be pledged to the payment of the bonds. The developer is responsible for the payment of all costs under the financing, including the Housing Commission's annual administrative fee, as well as the Housing Commission's Bond Counsel and Financial Advisor fees.

Estimated Development Schedule

The estimated development timeline is as follows:

Milestones	Estimated Dates
• CDLAC bond application & CTCAC tax credit application	• September 9, 2021
• CDLAC allocation meeting & CTCAC allocation meeting	• December 8, 2021
• Housing Commission consideration of final bond authorization	• January 2022
• Housing Authority proposed final bond authorization	• January 2022
• Estimated bond issuance and escrow closing	• February 2022
• Estimated start of construction work	• February 2022
• Estimated completion of construction work	• August 2023

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COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

The proposed development is in the Linda Vista neighborhood. On October 26, 2020, the Levant Senior development was presented to and unanimously (9-0 0) approved by the Linda Vista Planning Group.

KEY STAKEHOLDERS & PROJECTED IMPACTS

Stakeholders include Wakeland as the developer, the Housing Commission as a proposed lender, the State of California Department of Housing and Community Development as a proposed lender, the County of San Diego as the property's lessor, and the Linda Vista neighborhood. The development is anticipated to have a positive impact on the community as it will contribute to the quality of the surrounding neighborhood, contribute to a better quality of life for the tenants, and create 126 affordable rental homes for low-income seniors.

STATEMENT for PUBLIC DISCLOSURE

The developer's Disclosure Statement is at Attachment 7.

ENVIRONMENTAL REVIEW

California Environmental Quality Act

This activity is covered under the Linda Vista Community Plan Update Environmental Impact Report (EIR No. 96-0114), which was certified by the San Diego City Council on December 1, 1998 (Resolution R-291024). The activity is adequately addressed in the PEIR and there is no change in circumstance, additional information, nor project changes to warrant additional environmental review. Because the prior environmental document adequately covered this activity as a part of the previously approved project, the activity is not a separate project for purposes of CEQA review pursuant to CEQA Guidelines Section 15378(c) and Section 15060(c)(3).

National Environmental Policy Act

Federal funds will constitute a portion of this project's funding. A final reservation of federal funds shall occur only upon satisfactory completion of the environmental review and receipt by the City of San Diego of a release of funds from HUD under 24 CFR Part 58 of the National Environmental Policy Act (NEPA). The parties agree that the provision of any federal funds to the project is conditioned upon the City of San Diego's determination to proceed with, modify, or cancel the project based upon the results of a subsequent environmental review under NEPA. HUD authorized final NEPA clearance and use of grant funds for this project on August 27, 2020.

Respectfully submitted,

Colin Miller

Colin Miller
Vice President, Multifamily Housing Finance
Real Estate Division

Approved by,

Jeff Davis

Jeff Davis
Deputy Chief Executive Officer
San Diego Housing Commission

Attachments: 1. Development Summary
2. Site Map
3. Organization Chart

July 1, 2021

Levant Senior Cottages Affordable Housing Loan Recommendation, Preliminary Bond Authorization,
and Tax Equity and Fiscal Responsibility Act Hearing

Page 12

4. Developer's Project Pro Forma
5. Proposed Loan Terms
6. Multifamily Housing Revenue Bond Program
7. Developer's Disclosure Statement

Docket materials are available in the "Governance & Legislative Affairs section of the San Diego Housing Commission website at www.sdhc.org.

ATTACHMENT 1 - DEVELOPMENT SUMMARY

Table 1 - Development Details

Address	6950 Levant Street, San Diego
Council District	7
Community Plan Area	Linda Vista Community Planning Area
Developer	Wakeland Housing and Development
Development Type	New construction (for seniors)
Construction Type	Type V (stucco with wood frame)
Parking Type	45 parking spaces (surface)
Transit Information	Bus service is available within one quarter mile of the property.
Housing Type	Multifamily, 18 one-story buildings and two two-story buildings
Lot Size	One parcel totaling 4.49 acres, 195,584 square feet
Units	127 (126 affordable units)
Density	28.22 dwelling units per acre (127 units ÷ 4.5 acres)
Unit Mix	126 affordable units: 108 studios, 18 one-bedrooms. Plus one unrestricted two-bedroom manager's unit.
Gross Building Area	51,850 square feet
Net Rentable Area	46,800 square feet
Project Based Vouchers	70 Non-PSH Project-Based Vouchers (PBVs) for low-income seniors (age 55+) selected from the Housing Commission's PBV waiting list.

Table 2 Development Team Summary

ROLE	FIRM/CONTACT
Developer	Wakeland
Owner/Borrower	Levant Senior Cottages L.P.
Managing General Partner	Wakeland Levant LLC
Administrative General Partner	San Diego Kind Corporation
Tax Credit Investor Limited Partner	To be selected
Architect	Roesling, Nakamura, Terada Architects
General Contractor	Allgire General Contractors
Prevailing Wage Monitoring	To be selected
Property Management	ConAm Management Corporation
Tenant Services Providers	Wakeland Housing and Development and St. Paul's PACE Program
Construction/Permanent Lender	To be selected

Table 3 – Levant Senior Estimated Permanent Sources and Uses

Financing Sources	Amounts	Financing Uses	Amounts	Per Unit
Bond financed permanent loan	\$462,810	Land (title & insurance)	\$50,000	\$394
State of California Department of Housing & Community Development Multifamily Housing Program loan	19,080,000	On site work costs \$ 3,200,000 Construction costs 33,296,359 Contingency <u>+ 1,824,818</u> Total construction \$38,321,177	\$38,321,177	\$301,742
Section 8 increment loan	4,674,163	Financing costs	\$4,020,750	\$31,659
Housing Commission proposed loan	6,000,000	Other soft costs	\$2,790,483	\$21,972
Deferred loan interest	122,012	Permits and fees	\$2,364,000	\$18,614
Deferred developer's fee	1,020,000	Developer's fee	\$3,220,000	\$25,354
Four percent tax credit equity	20,283,270	Reserves	\$3,131,960	\$24,661
Total Development Cost	\$51,642,254	Total Development Cost (TDC)	\$51,642,254	\$406,632

Table 4 – Levant Key Performance Indicators

Development Cost Per Unit	\$51,642,254 ÷ 127 units =	\$406,632
Housing Commission Subsidy Per Unit	\$6,000,000 ÷ 127 units =	\$47,244
Land Cost Per Unit	\$50,000 ÷ 127 units =	\$394
Gross Building Square Foot Hard Cost	\$38,321,177 ÷ 51,850 sq. ft. =	\$739
Net Rentable Square Foot Hard Cost	\$38,321,177 ÷ 46,800 sq. ft. =	\$819

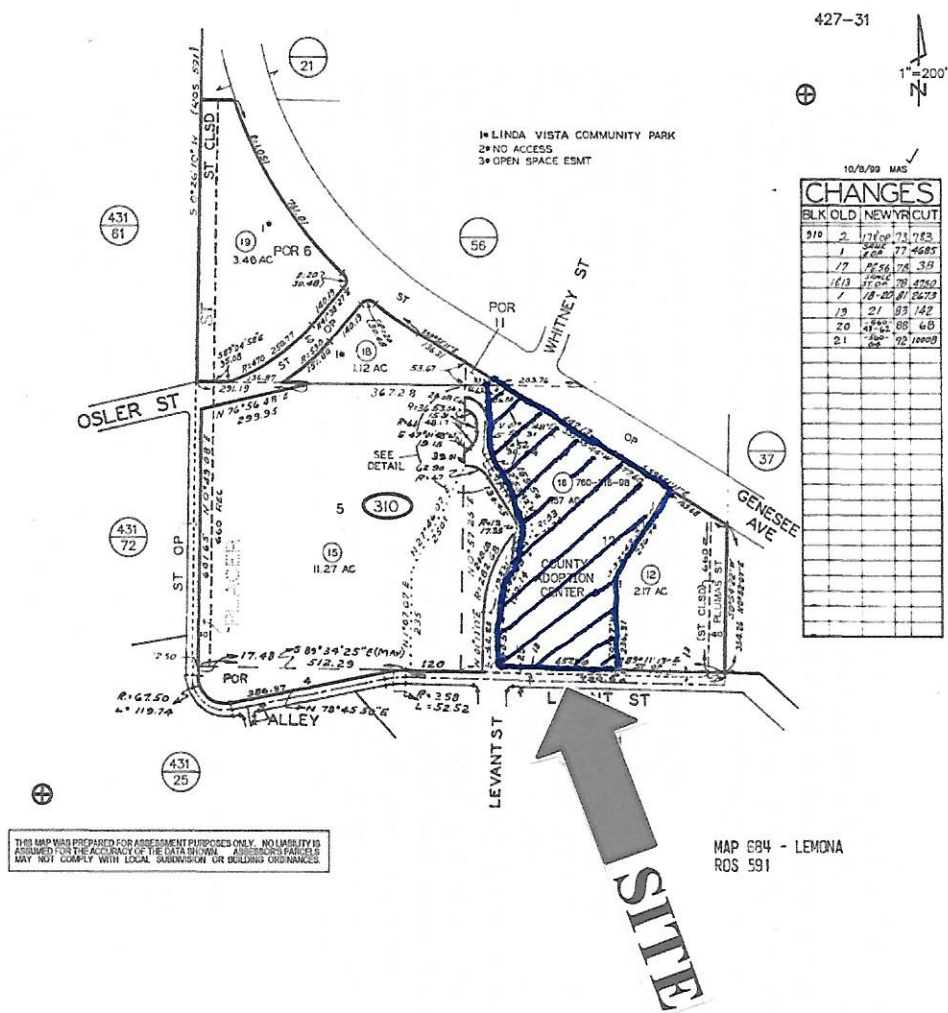
Table 5 – Levant Comparable Development Projects

Project Name	Year	Unit Mix	Units	Prevailing Wages	Total Development Cost	Cost Per Unit	HC Subsidy Per Unit	Gross Hard Cost Sq. Ft.
Subject – Levant Senior Cottages	2021	108 studios, 18 ones, + 1 mgr. 127	127	Yes	\$51,642,254	\$406,632	\$47,244	\$739
Nestor Senior Village	2021	73 studios, +1 mgr.	74	Yes	\$31,510,305	\$425,815	\$45,000	\$363
West Park	2019	91 studios, + 1 mgr.	92	Yes	\$15,593,274	\$331,772	\$76,453	\$457
Keeler Court Apartments	2019	10 studios, 20 ones, 18 twos, 22 threes, + 1 mgr.	71	Yes	\$40,891,780	\$575,941	\$0	\$374
Trinity Apts	2019	73 living units, + 1 mgr.	74	Yes	\$30,563,070	\$413,014	\$9,460	\$410

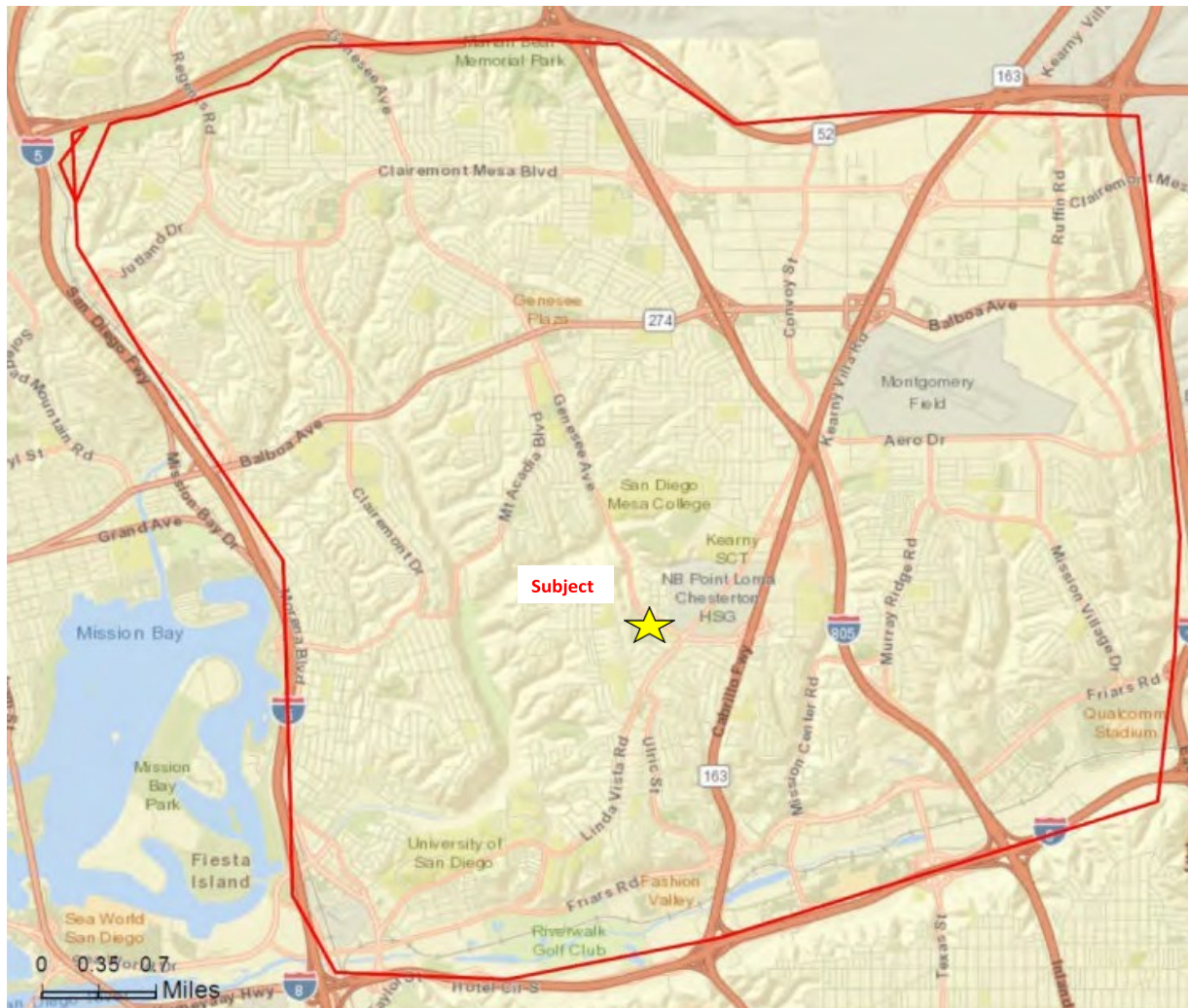
Table 6 – Levant Senior Affordability and Monthly Estimated Rent Table

Unit Type	AMI	Number of Units	Maximum Gross Rents
Studio (with PBV) units/one bath (350 square feet)	25% AMI	14	\$530
Studio (with PBV) units/one bath (350 square feet)	30% AMI	13	\$636
Studio (with PBV) units/one bath (350 square feet)	40% AMI	25	\$849
One bedroom (with PBV) /one bath (500 square feet)	25% AMI	18	\$568
Subtotal PBV Units	--	70	--
Studio units/one bath (350 square feet)	40% AMI	7	\$849
Studio units/one bath (350 square feet)	50% AMI	49	\$1,061
Subtotal non-PBV units	--	56	--
Subtotal residential units	--	126	--
Manager's unit (two bedrooms)	--	1	--
Total Units	--	127	--

ATTACHMENT 2A – SITE MAP

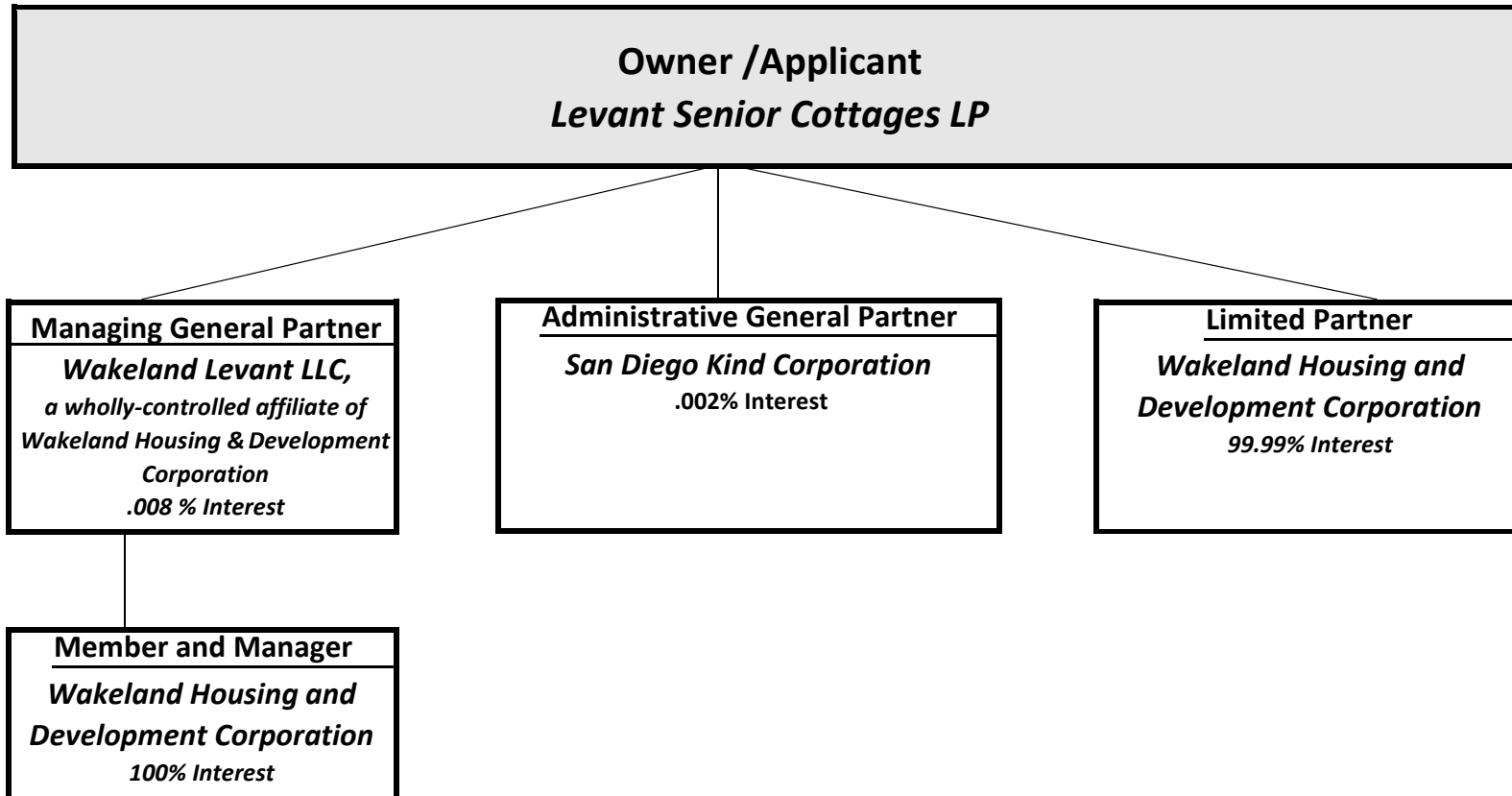


ATTACHMENT 2 – SITE MAP



ATTACHMENT 3 - ORGANIZATION CHART

LEVANT SENIOR COTTAGES LP Organizational Chart



ATTACHMENT 4 - DEVELOPER'S PRO FORMA

Levant Street Cottages

126 Units

Sources and Uses of Financing

Uses of Funding	Per Unit	Construction	Permanent
Land Acquisition	\$ 394	\$ 50,000	\$ 50,000
Design & Engineering	11,496	1,460,000	1,460,000
Legal/Financial/Other Consultants	2,244	285,000	285,000
Permits & Fees	20,661	2,624,000	2,624,000
Direct Construction Costs	287,373	36,496,359	36,496,359
Financing Costs	37,728	3,797,708	4,791,415
Marketing/G & A/Security	3,228	410,000	410,000
Developer Fees	25,354	966,000	3,220,000
Construction Contingency	14,369	1,824,818	1,824,818
Indirect Cost Contingency	3,785	480,662	480,662
Total Project Uses	\$ 406,632	\$ 48,394,547	\$ 51,642,254

Sources of Funding	Per Unit	Construction	Permanent
4% Tax Credit Equity	\$ 159,711	\$ 3,042,490	\$ 20,283,270
Permanent Loan	40,449	-	5,136,972
GP Contribution	-	-	-
Construction Loan	-	40,730,044	-
Deferred Developer Fee	8,031	-	1,020,000
NPLH	47,244	4,500,000	6,000,000
City Loan	-	-	-
City deferred interest	961	122,012	122,012
MHP	150,236	-	19,080,000
Total Project Sources	\$ 406,632	\$ 48,394,547	\$ 51,642,254

DEVELOPMENT SCHEDULE				
Units for Rent				126
Manager's Units				1
Total Number of Units				127
Density Per Acre	4.50	Acres		28.22
Construction Start				
Completion/Certificate of Occupancy				
Construction Period (Months)				
Start of Leasing				
Units Leased per Month				
Stabilized Occupancy				
Lease-Up Period (Months)				
Permanent Loan Takeout				
Total Months - Const Start to Takeout				

SOURCES AND USES OF FUNDS				
	per unit	Construction	Permanent	Final Perm.
Land/Acquisition	\$394	\$50,000	\$50,000	\$50,000
Design & Engineering	\$11,496	1,460,000	1,460,000	1,460,000
Legal/Financial/Other Consultants	\$2,244	285,000	285,000	285,000
Permits & Fees	\$20,661	2,624,000	2,624,000	2,624,000
Bridge Loan Interest	\$0	0	0	0
Direct Building Construction	\$287,373	36,496,359	36,496,359	36,496,359
Financing Costs	\$37,728	3,797,708	4,791,415	4,791,415
Marketing/General & Administrative/security	\$3,228	410,000	410,000	410,000
Developer Fees	\$25,354	966,000	3,220,000	3,220,000
Hard Cost Contingency	\$14,369	1,824,818	1,824,818	1,824,818
Soft Cost Contingency	\$3,785	480,662	480,662	480,662
Total Project Uses	\$406,632	\$48,394,547	\$51,642,254	\$51,642,254

USES:				
Land/Acquisition	\$394	\$50,000	\$50,000	\$50,000
Design & Engineering	\$11,496	1,460,000	1,460,000	1,460,000
Legal/Financial/Other Consultants	\$2,244	285,000	285,000	285,000
Permits & Fees	\$20,661	2,624,000	2,624,000	2,624,000
Bridge Loan Interest	\$0	0	0	0
Direct Building Construction	\$287,373	36,496,359	36,496,359	36,496,359
Financing Costs	\$37,728	3,797,708	4,791,415	4,791,415
Marketing/General & Administrative/security	\$3,228	410,000	410,000	410,000
Developer Fees	\$25,354	966,000	3,220,000	3,220,000
Hard Cost Contingency	\$14,369	1,824,818	1,824,818	1,824,818
Soft Cost Contingency	\$3,785	480,662	480,662	480,662
Total Project Uses	\$406,632	\$48,394,547	\$51,642,254	\$51,642,254

SOURCES:				
Tax Credit Equity	*	159,711	\$3,042,490	\$20,283,270
Perm. Loan		3,644	0	462,810
Section 8 Increment Loan		36,804	0	4,674,163
GP Capital Contribution		0	0	0
Construction Loan		0	40,730,044	0
Deferred Developer Fees		8,031	0	1,020,000
SDHC Accrued/Deferred Interest		961	122,012	122,012
Lease County of San Diego		0	0	0
SDHC		47,244	4,500,000	6,000,000
NPLH COSR		0	0	0
MHP (Perm only)		150,236	0	19,080,000
Gap		(0)	0	(0)
Proportionate Reduction for Offsites	0.145%			
Total Project Sources		\$406,632	\$48,394,547	\$51,642,254
Public Funds	57.85%			
Basis Reduction:	0.0%		Tiebreaker	83.91%

RESIDENTIAL UNIT MIX/AFFORDABILITY ANALYSIS									
		Mgrs. Units							
		BR2/BA2	0BR/1BA	1BR/1BA	2BR/2BA	3BR/2BA	4BR/2BA	Total Units	% of TC
Income	25.00%	0	14	18	0	0	0	32	25.4%
	30.00%	0	13	0	0	0	0	13	10.3%
	40.00%	0	32	0	0	0	0	32	25.4%
	45.00%	0	0	0	0	0	0	0	0.0%
	50.00%	0	49	0	0	0	0	49	38.9%
	60.00%	0	0	0	0	0	0	0	0.0%
	60.00%	0	0	0	0	0	0	0	0.0%
	* 70.00%	0	0	0	0	0	0	0	0.0%
	Market	1	0	0	0	0	0	1	0.0%
Total Bedrooms		2	108	18	0	0	0		39.05%
Total Units		0	108	18	1	0	0	127	units
%	0.0%		85.7%	14.3%	0.8%	0.0%	0.0%		
Sq. Ft./Unit Flat	775		350	500	780	950	0		\$ psf
Sq. Ft/ Unit Townhome*					0	0			
Total Resid Sq Ft	0		37,800	9,000	780	0	0	47,580	
Related Residential Sq. Ft.									
Community Center								2,500	
Leasing Office								866	
Laundry (1 per every 10 units)								900	\$3
Corridors, Utility space, other common area space						15%		0	
Decks								0	
Total Square Feet								51,846	sq. ft.
Residential Parking-Podium									
Total Residential Uses Square Feet								0	
								51,846	

DEBT FINANCING ASSUMPTIONS		
CONSTRUCTION LOAN:		
Construction Loan Interest Rate		5.50%
Credit Loan Fee		1.00%
PERMANENT LOAN:		
Permanent Loan Rate		4.50%
Permanent Loan Constant		5.73%
Loan Points and Fees		1.00%
Debt Service Coverage Ratio		1.20
Loan Underwriting Term (Years)		35
Construction Loan to Value Ratio		88.49%
Capitalization Rate		4.75%
Project Value (NOI/Cap Rate)		664,000
Maximum Loan to Cost Ratio		100.00%
Cash Available for Debt Service after MHP		31,540
Loan to Value Ratio (restricted)		80.00%
Permanent Loan		462,810
Annual Payment		26,283
Actual DSC		1.200
OTHER DEBT/LOANS:		
Interest Rate		Other Loan 0.00%
Loan Points and Fees		0.000%
Loan Term (Years)		0

TAX CREDIT FINANCING ASSUMPTIONS		
Credit Year		2021
Federal Tax Credit Rate		3.09%
State Tax Credit Rate		0.00%
Difficult to Develop %		130.00%
Applicable Fraction		100.00%
Adjusted Eligible Basis		59,065,043
Annual Tax Credits		2,362,602
Investor Yield on 99% of Total Credit Allocation		99.00%
Gross Investor Contribution to Lower Tier		20,283,270
Deferred Pay-In on Tax Credit Equity		0
TCAC Actual Points		
TCAC Possible Points		
Tiebreaker: Tax Credits per Bedroom		
25,821,127 50% test		
35,345,493 60% allowed		
29,525,493 60% w/o land		

OTHER ASSUMPTIONS		
Property Taxes:		
Tax Rate		1.18%
Existing Property Basis (per unit)		0
New Unit Basis (per unit)		
Ground Lease:		
Return on Ground Lease		0.00%
Inflation Indexes:		
Income Inflation		2.50%
Expense Inflation		3.50%
Real Estate Tax Inflation		2.00%
Replacement Reserve		
		3.50%

Levant Street Cottages
DEVELOPMENT COST BUDGET

DESCRIPTION	Amort Per.	11/15/20 Predev	Permanent Budget	Construction BUDGET
Land Market Value			0	0
Environmental Remediation and Rough grade			0	0
Site Clean up		21,344	25,000	25,000
Holding Costs During Predevelopment			0	0
Title & Insurance			25,000	25,000
LAND ACQUISITION & CLOSING			50,000	50,000
Architect/Mechanical/Structural/Electrical		\$ 131,770	650,000	650,000
Design/Landscape Arch-Const Observation			175,000	175,000
Civil Engineer + Utilities (w. their reimbursables)		\$ 43,848	180,000	180,000
Energy			75,000	75,000
Soils Engineering			10,000	10,000
Surveying			15,000	15,000
Environmental Consultants (Phase 1 & 2; air, noise)		\$ 8,690	15,000	15,000
Entitlement Costs		\$ 5,385	10,000	10,000
Other Consultants (includes SDKIND)			300,000	300,000
Reimbursable Exp's-Pre-Dev't			15,000	15,000
Reimbursable Exp's-Construction			15,000	15,000
Contingency			146,000	146,000
DESIGN & ENGINEERING			1,606,000	1,606,000
Legal-Project Development		\$ 52,124	75,000	75,000
Perm lender			30,000	30,000
Legal-Bond Counsel			60,000	60,000
Legal-Tax Credit			30,000	30,000
Legal - Construction Lender			60,000	60,000
City Cost Review & Legal			0	0
Legal - Bond Issuer SDHC			0	0
Accounting & Auditing		\$ 3,500	30,000	30,000
Contingency			28,500	28,500
LEGAL/FINANCIAL/OTHER			313,500	313,500
Permits & Fees (City & Utilities)		\$ 7,189	2,309,000	2,309,000
Utilities, Testing & Inspections			40,000	40,000
Developer Performance Bonds			15,000	15,000
Prevailing Wage Monitoring Consultant			100,000	100,000
Construction Manager		\$ 10,100	160,000	160,000
Contingency	5.00%		131,200	131,200
PERMITS/BONDS/FEES			2,755,200	2,755,200
Off-Site Imp's/Infrastructure			0	0
On-Site Imp's/Infrastructure			3,200,000	3,200,000
Transportation Related Infrastructure (AHSC) (Specific Items TBD)			0	0
Contingency	5.00%		160,000	160,000
SITE IMP'S/INFRASTRUCTURE	\$64.81		3,360,000	3,360,000
Building Costs	51846	\$523.00 pgsf	27,965,458	27,965,458
Solar Fixtures/Green Infrastructure		\$0	900,000	900,000
General Conditions		7.00%	2,183,076	2,183,076
Contractor Overhead		2.00%	667,398	667,398
Contractor's Fee		3.00%	1,021,118	1,021,118
Contractor Bond & Liability Insurance		2.00%	559,309	559,309
Prevailing Wages			0	0
Contingency	35,596,359	5.00%	1,664,818	1,664,818
Residential Construction Subtotal			34,961,177	34,961,177
Commercial Construction Subtotal			0	0
TOTAL DIRECT CONSTRUCTION	674	35,596,359	34,961,177	34,961,177
Construction Interest			2,235,593	2,235,593
Interest on SDHC Loan			122,012	122,012
Acquisition Loan Interest + Fees			0	0
Predevelopment Interest - Wakeland loan	642	\$ 11,020	150,000	150,000
Constr.Lender & Predev. Appraisals & Cost Review		\$ 8,200	20,000	20,000
Construction Lender Inspections			20,000	20,000
Constr. Period Lender fee		1.00%	407,300	407,300
Escrow/Title Fees-Construction Loan			10,000	10,000
Permanent Loan Points			51,370	51,370
Permanent Loan Conversion Fees + Legal			70,363	0
Permanent Loan Appraisal, Environ. Review, ALTA, etc.			20,000	0
SDHC Underwriting fee	115,000		60,000	60,000
SDHC Legal fee			27,500	27,500
SDHC Asset Management fee			15,000	15,000
SDHC Construction Review Fee			12,500	12,500
Relocation			0	0
Escrow/Title Fees-Permanent Loan			15,000	0
Construction Period Insurance			250,000	250,000
CDLAC			0	0
SDHC Issuer fees/legal			125,000	125,000
3-month Operating Reserve	3 months		375,844	0
Transition Reserve			500,000	0
Property Taxes & Organizational Fees		\$ 40,554	100,000	100,000
Insurance		\$ 15	12,500	0
TCAC Application and Allocation Fees			96,504	96,504
TCAC Performance Deposit			8,269	8,269
TCAC Monitoring Fees	\$410		51,660	51,660
Contingency	10.00%		152,712	152,712
FINANCING COSTS			4,909,126	3,915,420
Furnishings & Signage			75,000	75,000
Lease-Up/Advertising Expenses (includes PACE lease up of 21			100,000	100,000
Security			210,000	210,000
Market Study		\$ 5,500	25,000	25,000
Syndicator/Syndication Consultant		\$ 4,500	35,000	35,000
Contingency	5.00%		22,250	22,250
MARKETING/GEN & ADMIN			467,250	467,250
			0	0
DEVELOPER FEES	7.04%		3,220,000	966,000
TOTAL PROJECT COSTS	406,632	353,739	51,642,254	48,394,547

Levant Street Cottages**TAX CREDIT CALCULATIONS**

	Federal Tax Credits	State Tax Credits
Preliminary Eligible Basis	45,434,648	45,434,648
Deductions from Eligible Basis:		
Grant Proceeds Used to Finance Costs in Eligible Basis	0	0
Federal Loans Used to Finance Costs in 9% Eligible Basis	0	0
Non-Qualified Non-Recourse Financing	0	0
Non-Qualifying Portion of Higher Quality Units	0	0
Historic Credit (Residential Portion Only)	0	0
Total Deductions from Eligible Basis	0	0
Total Eligible Basis	45,434,648	45,434,648
High Cost Area Adjustment	130.00%	100.00%
Total Adjusted Eligible Basis	59,065,043	45,434,648
Applicable Fraction	100.00%	100.00%
Total Qualified Basis	59,065,043	45,434,648
Tax Credit %	jan 21 4.00%	30.00%
Total Annual Tax Credits	2,362,602	0
LP Share of Credits	99.99%	99.99%
Credits Available to Equity Provider	2,362,365	0
Credit Period	10	1
Total Credit Allocation	23,623,655	0
Investor Yield	0.858600	0.650000
Gross Investor Contribution	20,283,270	0
Less Lower Tier Syndication Expenses:		
Legal - Syndication	0	0
Syndication Consulting	0	0
Syndication Accounting	0	0
Total Syndication Expenses	0	0
Total Investor Contribution	20,283,270	0

Levant Street Cottages
PROJECT CASH FLOW

			YEAR	1	2	3	4	5	6	7	8	9		
RENTAL REVENUES:														
2.5%/ann. increase														
Gross Potential Rent (Affordable Units)				1,138,356	1,166,815	1,195,985	1,225,885	1,256,532	1,287,945	1,320,144	1,353,148	1,386,977		
Gross Potential Rent (section 8)				622,788	638,358	654,317	670,675	687,442	704,628	722,244	740,300	758,808		
Laundry/Other				\$12.00	18,288	18,745	19,214	19,694	20,186	20,691	21,208	21,738	22,281	
COSR					0	0	0	0	0	0	0	0	0	
Vacancy Allowance				5.00%	(57,832)	(59,278)	(60,760)	(62,279)	(63,836)	(65,432)	(67,068)	(68,744)	(70,463)	
Vacancy Allowance Section 8				5.00%	(31,139)	(31,918)	(32,716)	(33,534)	(34,372)	(35,231)	(36,112)	(37,015)	(37,940)	
Net Rental Income					1,690,461	1,732,722	1,776,040	1,820,441	1,865,952	1,912,601	1,960,416	2,009,427	2,059,663	
PROPERTY OPERATING COSTS:														
3%/ann. increase														
Administrative Expenses:														
Office Supplies & Equipment				\$200 /mo.	2,400	2,484	2,571	2,661	2,754	2,850	2,950	3,053	3,160	
Payroll Services				\$40 /mo.	480	497	514	532	551	570	590	611	632	
Office Salaries				\$200 /mo.	2,400	2,484	2,571	2,661	2,754	2,850	2,950	3,053	3,160	
Telephone/Answering Service/Internet				\$800 /mo.	9,600	9,936	10,284	10,644	11,017	11,403	11,802	12,215	12,643	
Auto Expense				\$100 /mo.	1,200	1,242	1,285	1,330	1,377	1,425	1,475	1,527	1,580	
Training & Travel				\$100 /mo.	1,200	1,242	1,285	1,330	1,377	1,425	1,475	1,527	1,580	
Misc. Administrative Expense				\$200 /mo.	2,400	2,484	2,571	2,661	2,754	2,850	2,950	3,053	3,160	
Resident Services (Wakeland + ICS)				236	\$0 /mo	30,000	31,050	32,137	33,262	34,426	35,631	36,878	38,168	39,504
SDHC Compliance Monitoring				\$150 /pu/py	18,900	19,089	19,280	19,473	19,667	19,864	20,063	20,263	20,466	
Bond Issuer Fee					10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	
Marketing Expense:														
Advertising					1,800	1,863	1,928	1,995	2,065	2,137	2,212	2,289	2,369	
Professional Fees:														
Property Management Fees				\$50.00 pu/py	76,200	78,867	81,627	84,484	87,441	90,501	93,669	96,947	100,340	
Accounting				\$0 /mo.	0	0	0	0	0	0	0	0	0	
Legal Fees				\$100 /mo.	1,800	1,863	1,928	1,995	2,065	2,137	2,212	2,289	2,369	
Auditing Expense				\$800 /mo.	9,600	9,936	10,284	10,644	11,017	11,403	11,802	12,215	12,643	
Utilities:														
Electricity				\$100.00 u/mo	90,000	93,150	96,410	99,784	103,276	106,891	110,632	114,504	118,512	
Gas (community center and laundry)				\$20.00 u/mo	30,480	31,547	32,651	33,794	34,977	36,201	37,468	38,779	40,136	
Water and Sewer				\$80.00 /u/mo	121,920	126,187	130,604	135,175	139,906	144,803	149,871	155,116	160,545	
Payroll/Payroll Taxes:														
Salaries-Manager				\$5,200 /mo.	62,400	64,584	66,844	69,184	71,605	74,111	76,705	79,390	82,169	
Salaries-Assistant Manager				\$1,500 /mo.	18,000	18,630	19,282	19,957	20,655	21,378	22,126	22,900	23,702	
Salaries-Security				\$0 /mo.	0	0	0	0	0	0	0	0	0	
Salaries-Maintenance Supervisor				\$4,700 /mo.	56,400	58,374	60,417	62,532	64,721	66,986	69,331	71,758	74,270	
Salaries-Maintenance Personnel				\$2,600 /mo.	31,200	32,292	33,422	34,592	35,803	37,056	38,353	39,695	41,084	
Wellness Coordinator				0	\$0 /mo.	0	0	0	0	0	0	0	0	
Payroll Taxes				10.000%	16,800	17,388	17,997	18,627	19,278	19,953	20,652	21,374	22,123	
Workers Compensation				5.000%	8,400	8,694	8,998	9,313	9,639	9,976	10,325	10,686	11,060	
Health Insurance/Other Benefits				\$1,700 /mo.	20,400	21,114	21,853	22,618	23,410	24,229	25,077	25,955	26,863	
Contract Services:														
Exterminating				\$20 /unit/mo	30,480	31,547	32,651	33,794	34,977	36,201	37,468	38,779	40,136	
Trash Removal				\$16.00 /u/mo	38,100	39,434	40,814	42,242	43,720	45,250	46,834	48,473	50,170	
Other maintenance				\$0 /mo.	4,000	4,140	4,285	4,435	4,590	4,751	4,917	5,089	5,267	
Building/Grounds Maintenance				\$2,000.00 mo	24,000	24,840	25,709	26,609	27,540	28,504	29,502	30,535	31,604	
Janitorial				\$10.00 /u/mo	15,240	15,773	16,325	16,896	17,487	18,099	18,732	19,388	20,067	
Repair				\$300.00 /mo	3,600	3,726	3,856	3,991	4,131	4,276	4,426	4,581	4,741	
Security				\$1,000 u	75,000	77,625	80,342	83,154	86,064	89,076	92,194	95,421	98,761	
Cleaning & Decorating:														
Painting Supplies				\$4.00 /u/mo	6,096	6,309	6,530	6,759	6,996	7,241	7,494	7,756	8,027	
Turnover				\$100.00 /u/yr	12,700	13,145	13,605	14,081	14,574	15,084	15,612	16,158	16,724	
Repairs & Maintenance:														
Repairs & Maintenance General				\$1,200.00 /mo	14,400	14,904	15,426	15,966	16,525	17,103	17,702	18,322	18,963	
Elevator				127,616	\$250.00 /mo	3,000	3,105	3,214	3,326	3,442	3,562	3,687	3,816	3,950
TOTAL VARIABLE COSTS				\$6,698 /unit	850,596	879,545	909,499	940,500	972,582	1,005,777	1,040,135	1,075,686	1,112,480	
Taxes & Insurance:														
Real Property Tax Assessment				\$57 /unit	7,200	7,344	7,491	7,641	7,794	7,950	8,109	8,271	8,436	
Director's & Officer's Insurance				\$0 /mo.	0	0	0	0	0	0	0	0	0	
Misc Taxes/Licenses/Permits				\$70 /mo.	840	869	899	930	963	997	1,032	1,068	1,105	
Insurance				\$400 /unit	65,000	67,275	69,630	72,067	74,589	77,200	79,902	82,699	85,593	
Fidelity Bond Insurance				\$0 /mo.	0	0	0	0	0	0	0	0	0	
Ground Lease Payment				1,003,772	0	0	0	0	0	0	0	0	0	
TOTAL FIXED COSTS					73,040	75,488	78,020	80,638	83,346	86,147	89,043	92,038	95,134	
TOTAL OPERATING COSTS				\$7,273 /unit	923,636	955,033	987,519	1,021,138	1,055,928	1,091,924	1,129,178	1,167,724	1,207,614	
NET OPERATING INCOME:				0	766,825	777,689	788,521	799,303	810,024	820,677	831,238	841,703	852,049	
CASH FLOW FROM OPERATIONS:														
Net Operating Income					766,825	777,689	788,521	799,303	810,024	820,677	831,238	841,703	852,049	
Replacement Reserve				7,773	\$500 pupy	63,500	65,723	68,023	70,404	72,868	75,418	78,058	80,790	83,618
Solar Inverter Reserve					\$0 per mo.	0	0	0	0	0	0	0	0	0
CASH FLOW AVAILABLE FOR DEBT SERVICE					703,325	711,966	720,498	728,899	737,156	745,259	753,180	760,913	768,431	
Cash Flow w/o Section 8					111,676	105,526	98,897	91,758	84,086	75,862	67,048	57,628	47,563	
MPH Debt service				19,080,000	0.42%	(80,136)	(80,136)	(80,136)	(80,136)	(80,136)	(80,136)	(80,136)	(80,136)	
Cash Flow after MHP					31,540	25,390	18,761	11,622	3,950	(4,274)	(13,088)	(22,508)	(32,573)	
Debt Service - First Trust Deed				462,810	1.20	(26,283)	(26,283)	(26,283)	(26,283)	(26,283)	(26,283)	(26,283)	(26,283)	
Cash Flow After Debt Service					5,257	(893)	(7,522)	(14,661)	(22,333)	(30,557)	(39,371)	(48,791)	(58,856)	
Section 8 Increment					591,649	606,440	621,601	637,141	653,070	669,397	686,132	703,285	720,868	
Section 8 Debt Service				4,674,163	1.25	(473,319)	(473,319)	(473,319)	(473,319)	(473,319)	(473,319)	(473,319)	(473,319)	
Cash Flow After Debt Service					118,330	133,121	148,282	163,822	179,751	196,078	212,813	229,966	247,549	
Total Cash Flow After Debt Service					123,586	132,227	140,759	149,161	157,418	165,521	173,442	181,174	188,693	
General Partner Asset Mgt Fee					(20,000)	(20,600)	(21,218)	(21,855)	(22,510)	(23,185)	(23,881)	(24,597)	(25,335)	
Limited Partner Asset Mgmt. Fee					(8,500)	(8,755)	(9,018)	(9,288)	(9,567)	(9,854)	(10,149)	(10,454)	(10,768)	
CASH FLOW AVAILABLE FOR RESIDUAL RECEIPTS PAYMENTS					95,086	102,872	110,524	118,018	125,341	132,481	139,411	146,123	152,590	

Levant Street Cottages							
PROJECT CASH FLOW							
		10	11	12	13	14	15
RENTAL REVENUES:		2.5%/ann. increa					
Gross Potential Rent (Affordable Units)		1,421,651	1,457,192	1,493,622	1,530,963	1,569,237	1,608,468
Gross Potential Rent (section 8)		777,778	797,222	817,153	837,582	858,522	879,985
Laundry/Other		22,838	23,409	23,994	24,594	25,209	25,839
COSR		0	0	0	0	0	0
Vacancy Allowance		(72,224)	(74,030)	(75,881)	(77,778)	(79,722)	(81,715)
Vacancy Allowance Section 8		(38,889)	(39,861)	(40,858)	(41,879)	(42,926)	(43,999)
Net Rental Income		2,111,154	2,163,932	2,218,030	2,273,482	2,330,320	2,388,578
PROPERTY OPERATING COSTS:		3.%/ann. increas					
Administrative Expenses:							
Office Supplies & Equipment		3,271	3,385	3,503	3,626	3,753	3,884
Payroll Services		654	677	701	726	751	777
Office Salaries		3,271	3,385	3,503	3,626	3,753	3,884
Telephone/Answering Service/Internet		13,086	13,544	14,018	14,509	15,017	15,543
Auto Expense		1,635	1,692	1,751	1,812	1,875	1,941
Training & Travel		1,635	1,692	1,751	1,812	1,875	1,941
Misc. Administrative Expense		3,271	3,385	3,503	3,626	3,753	3,884
Resident Services (Wakeland + ICS)		40,887	42,318	43,799	45,332	46,919	48,561
SDHC Compliance Monitoring		20,671	20,877	21,086	21,297	21,510	21,725
Bond Issuer Fee		10,000	10,000	10,000	10,000	10,000	10,000
Marketing Expense:							
Advertising		2,452	2,538	2,627	2,719	2,814	2,912
Professional Fees:							
Property Management Fees		103,852	107,487	111,249	115,143	119,173	123,344
Accounting		0	0	0	0	0	0
Legal Fees		2,452	2,538	2,627	2,719	2,814	2,912
Auditing Expense		13,086	13,544	14,018	14,509	15,017	15,543
Utilities:							
Electricity		122,660	126,953	131,396	135,995	140,755	145,681
Gas (community center and laundry)		41,541	42,995	44,500	46,058	47,670	49,338
Water and Sewer		166,164	171,980	177,999	184,229	190,677	197,351
Payroll/Payroll Taxes:							
Salaries-Manager		85,045	88,022	91,103	94,292	97,592	101,008
Salaries-Assistant Manager		24,532	25,391	26,280	27,200	28,152	29,137
Salaries-Security		0	0	0	0	0	0
Salaries-Maintenance Supervisor		76,869	79,559	82,344	85,226	88,209	91,296
Salaries-Maintenance Personnel		42,522	44,010	45,550	47,144	48,794	50,502
Wellness Coordinator		0	0	0	0	0	0
Payroll Taxes		22,897	23,698	24,528	25,386	26,275	27,194
Workers Compensation		11,447	11,848	12,263	12,692	13,136	13,596
Health Insurance/Other Benefits		27,803	28,776	29,783	30,825	31,904	33,021
Contract Services:							
Exterminating		41,541	42,995	44,500	46,058	47,670	49,338
Trash Removal		51,926	53,743	55,624	57,571	59,586	61,672
Other maintenance		5,451	5,642	5,839	6,043	6,255	6,474
Building/Grounds Maintenance		32,710	33,855	35,040	36,266	37,535	38,849
Janitorial		20,769	21,496	22,248	23,027	23,833	24,667
Repair		4,907	5,079	5,257	5,441	5,631	5,828
Security		102,218	105,796	109,499	113,331	117,298	121,403
Cleaning & Decorating:							
Painting Supplies		8,308	8,599	8,900	9,212	9,534	9,868
Turnover		17,309	17,915	18,542	19,191	19,863	20,558
Repairs & Maintenance:							
Repairs & Maintenance General		19,627	20,314	21,025	21,761	22,523	23,311
Elevator		4,088	4,231	4,379	4,532	4,691	4,855
TOTAL VARIABLE COSTS		1,150,556	1,189,960	1,230,735	1,272,936	1,316,606	1,361,798
Taxes & Insurance:							
Real Property Tax Assessment		8,605	8,777	8,953	9,132	9,315	9,501
Director's & Officer's Insurance		0	0	0	0	0	0
Misc Taxes/Licenses/Permits		1,144	1,184	1,225	1,268	1,312	1,358
Insurance		88,589	91,690	94,899	98,220	101,658	105,216
Fidelity Bond Insurance		0	0	0	0	0	0
Ground Lease Payment		0	0	0	0	0	0
TOTAL FIXED COSTS		98,338	101,651	105,077	108,620	112,285	116,075
TOTAL OPERATING COSTS		1,248,894	1,291,611	1,335,812	1,381,556	1,428,891	1,477,873
NET OPERATING INCOME:		862,260	872,321	882,218	891,926	901,429	910,705
CASH FLOW FROM OPERATIONS:							
Net Operating Income		862,260	872,321	882,218	891,926	901,429	910,705
Replacement Reserve		0	0	0	0		
Solar Inverter Reserve		86,545	89,574	92,709	95,954	99,312	102,788
CASH FLOW AVAILABLE FOR DEBT SERVICE		775,715	782,747	789,509	795,972	802,117	807,917
Cash Flow w/o Section 8		36,826	25,386	13,214	269	(13,479)	(28,069)
MPH Debt service		(80,136)	(80,136)	(80,136)	(80,136)	(80,136)	(80,136)
Cash Flow after MHP		(43,310)	(54,750)	(66,922)	(79,867)	(93,615)	(108,205)
Debt Service - First Trust Deed		(26,283)	(26,283)	(26,283)	(26,283)	(26,283)	(26,283)
Cash Flow After Debt Service		(69,594)	(81,033)	(93,205)	(106,151)	(119,899)	(134,489)
Section 8 Increment		738,889	757,361	776,295	795,703	815,596	835,986
Section 8 Debt Service		(473,319)	(473,319)	(473,319)	(473,319)	(473,319)	(473,319)
Cash Flow After Debt Service		265,570	284,042	302,976	322,384	342,277	362,667
Total Cash Flow After Debt Service		195,976	203,009	209,771	216,233	222,378	228,178
General Partner Asset Mgt Fee		(26,095)	(26,878)	(27,685)	(28,515)	(29,371)	(30,252)
Limited Partner Asset Mgmt. Fee		(11,091)	(11,423)	(11,766)	(12,119)	(12,483)	(12,857)
CASH FLOW AVAILABLE FOR RESIDUAL RECEIPTS PA		158,790	164,707	170,320	175,599	180,525	185,069

Levant Street Cottages
RUN DATE: 06/29/21
1.00

2,021

Family Size	Unit Type	Number of Units	Monthly Rent	Utility Allowance	Net Monthly Rent	Net Annual Rent	Unit Sq. Ft.	Total Sq. Ft.	Rent/ Sq. Ft.
% of Median									
	<u>NPLH Units</u>								
25.00%	1BR/1BA	0	0	0	0	0	500	0	\$0.00
30.00%	2BR/2BA	0	0	0	0	0	780	0	\$0.00
Total NPLH Units		0				0		0	
25.00%	0BD/1BA	14	530	79	451	75,768	350	4,900	\$1.29
25.00%	1BR/1BA	18	568	93	475	102,600	500	9,000	\$0.95
30.00%	0BD/1BA	13	636	79	557	86,892	350	4,550	\$1.59
40.00%	0BD/1BA	32	849	79	770	295,680	350	11,200	\$2.20
50.00%	0BD/1BA	49	1,061	79	982	577,416	350	17,150	\$2.81
Mgr.	BR2/BA2	1	0	0	0	0	780	780	\$0.00
		127				1,138,356		47,580	
TOTAL PROJECT		127			747	1,138,356	375	47,580	\$1.99

RELATED RESIDENTIAL SPACE:

TC Units

47,580

Community Center

2,500

Leasing Office

866

Laundry (1 per every 10 units)

900

Corridors, Utility space, other common area space

0

Unit Storage/Utility Alcoves

Total Related Residential Space

4,266

TOTAL PROJECT SQUARE FOOTAGE

51,846

<u>County Utility Allowances:</u>	<u>0 Br</u>	<u>1 Br</u>	<u>2 Br</u>	<u>3 Br</u>
Heating: electric	18	22	27	30
Cooking: electric	9	10	15	22
Water Heating: Electric	19	23	34	45
Air Conditioning	0	0	0	0
Other Electric	33	38	53	68
Total	79	93	129	165

Section 8 Vouchers Increment

Unit Type	Number	TCAC Income Tier	Rent (net of UA)	HA Contract Rent-Utility	Incremental S8 Income	Monthly S8 Increment	Annual S8 Increment
0 bedroom	14	25% AMI	451	1,298	847	11,858	142,296
1 bedroom	18	25% AMI	475	1,431	956	17,208	206,496
1 bedroom	13	30% AMI	557	1,298	741	9,633	115,596
1 bedroom	25	40% AMI	770	1,298	528	13,200	158,400
2 bedroom	0	30% AMI	0	0	0	0	0
2 bedroom	0	45% AMI	0	0	0	0	0
2 bedroom	0	50% AMI	0	0	0	0	0
2 bedroom	0	60% AMI	0	0	0	0	0
Total	70					51,899	622,788

ATTACHMENT 5
PROPOSED LOAN NON-BINDING COMMITMENT TERMS
SUMMARY

Levant Senior Cottages (Project)
6950 Levant Street
June 28, 2021

The San Diego Housing Commission ("Housing Commission") is pleased to submit this non-binding commitment term summary. The commitment terms summary is not a binding contract and is subject to the approval by the San Diego Housing Commission Board of Commissioners ("Board of Commissioners") and, if necessary, the Housing Authority of the City of San Diego. The purpose of this commitment terms summary is to set forth the general terms and conditions under which the Housing Commission is interested in making a loan ("Housing Commission Loan") to Levant Senior Cottages L.P., a California limited partnership ("Borrower") with respect to the proposed new construction and permanent financing of a 127-unit development (with 126 affordable units and one unrestricted manager's unit) to be located at 6950 Levant Street, San Diego. Closing must occur within twenty-four (24) months from receipt of NOFA award letter, unless an extension is granted by the President & CEO of the Housing Commission (or by his designee) in his sole discretion.

In the event of a conflict between any term or provision (or absence of any term or provision) of this commitment terms summary and any term or provision of any approval of any applicable board or governing body, the term or provision of such board or governing body shall apply and shall prevail. Provided that the Housing Commission loan is approved by the Board of Commissioners, and if necessary by Housing Authority of the City of San Diego, the following terms shall apply to the Housing Commission loan. In addition, Exhibit A includes the Borrower's pro forma which models financial projections of the Project.

The terms of the Housing Commission's proposed financing shall be as follows:

1. **Maximum loan amount (not to exceed)** - Up to \$6,000,000 as a residual receipts loan. Loan funds to be used for the construction and permanent financing of the Project.
2. **Interest Rate**- 4 percent simple interest.
3. **Loan Term** - The loan will be due, and payable in full, in 55 years from completion of the Project.
4. **Loan Payments** - Annual payments on the loan shall equal 50 percent of the project's residual cash. In addition to the 50 percent residual cash payment the Borrower shall also pay a fixed \$10,000 annual payment to the Housing Commission. Provided, however, if the Housing Commission approves other lenders whose loans will be paid from residual receipts, then the Housing Commission and such other approved lenders shall share the 50% percent of the project's residual receipts, in proportion to the original principal balances of their respective loans. The following items, in addition to other operating expenses, shall be payable by the Borrower prior to the calculation of residual receipts:

- (i) The year 1 "Limited Partnership Fees" shall be capped at \$25,000 per year. "Limited Partnership Fees" shall be defined to include any and all partnership-related fees including but not limited to: Investor Partnership fees, Asset Management fees, Other Limited Partnership oversight fees, and General Partner Fees. Partnership fee increases will be capped at three (3) percent annually. Unpaid partnership fees shall not accrue and the Housing Commission will require the Limited Partnership Agreement to explicitly state that requirement.
- (ii) Eligible deferred developer fee, and
- (iii) Repayment of eligible development deficit and operating deficit loans. The Housing Commission Loan will be due and payable in full in 55 years.

5. Affordability-

- a. Restricted units must remain affordable for at least 55 years. At escrow closing the Borrower and the Housing Commission shall cause a Declaration of Covenants, Conditions, and Restrictions (CC&R), restricting the rent and occupancy of the affordable units for 55 years, to be recorded against the Project. Such CC&R shall be in a form and format acceptable to the Housing Commission and its General Counsel in their sole discretions.
- b. The affordability shall be as follows:

Unit Type	AMI	Units
Studios	25% AMI	14
Studios	30% AMI	13
Studios	40% AMI	32
Studios	50% AMI	49
Subtotal Studio Units	--	108
One Bedrooms	25% AMI	18
Subtotal	--	126
Manager's Unit (Two Bedrooms)	--	1
TOTAL UNITS	--	127

- 6. **Purchase Option** – The developer has received additional points in the Notice of Funding Availability application for committing to provide the Housing Commission with the option to purchase the property at the end of the 15-year tax-credit compliance period.
- 7. **Alternate Funding-** Borrower shall also seek alternative funding, including but not limited to: an allocation of 4 percent tax-exempt Multifamily Housing Revenue Bonds, loan funds from the State of California Department of Housing and Community Development Multifamily Housing Program, plus up to \$5,697,296 of taxable Multifamily Housing Revenue Bonds, along with 4 percent tax credits, and other necessary funding. Housing Commission legal counsel will determine if subsequent approvals for alternative financing structures are required by the San Diego Housing Commission Board of Commissioners and the Housing Authority of the City of San Diego.

8. **Site Value** – There is a 70-year ground lease, between the County of San Diego and Levant Senior Cottages L.P. that commenced on January 1, 2019 with a one dollar (\$1) per year prepaid rent. In the event that the developer, Levant Senior Cottages L.P., or its affiliate, acquires the land prior to Housing Commission loan closing, 100% of any net sales proceeds resulting from a subsequent sale to the tax credit limited partnership shall be structured as a Seller Carryback Loan. Borrower will submit an updated appraisal report with an effective date. In lieu of providing the updated appraisal: 1) the developer must submit the third-party lender's Letter of Intent for the Housing Commission's review and approval, and 2) the Borrower's financing must not have a seller carryback loan.
9. **Closing Costs** - The Borrower shall pay all escrow, title and closing costs, including, without limitation, paying for an American Land Title Association (ALTA) Lenders Policy for the Housing Commission loan with endorsements, as acceptable to the Housing Commission's legal counsel.
10. **Construction Costs Third-Party Review** -Prior to loan approval a costs review will be obtained by the Housing Commission with a third-party consultant. Borrower will reimburse the Housing Commission at escrow closing for all reasonable third-party review costs.
11. **Contractor** – Allgire General Contractors is the proposed General Contractor. The General Contractor shall competitively bid the construction work of the Project to at least three qualified and responsive subcontractors for each major trade involved in the construction of the Project. Contracts shall be awarded to the lowest qualified and responsive bidder. Evidence of the three bids shall be provided to the Housing Commission at their request.
 - a. Borrower will submit copies of three qualified bids received from subcontractors for each trade.
 - b. Construction Agreement - Borrower shall submit the proposed Construction Agreement to the Housing Commission for its review and prior approval. The Housing Commission shall have a minimum of two weeks for its review of the proposed Construction agreement.
 - c. Subcontractors - the Borrower shall require the General Contractor to solicit and obtain competitive bids from at least three qualified subcontractors for each major trade involved in the construction of the project. Those bids will be reviewed and approved by the Borrower. The Borrower and General Contractor shall submit the subcontractors' competitive bids to the Housing Commission for prior review and reasonable approval.
 - d. Change orders at or in excess of \$50,000 shall have Housing Commission prior written approval. For proposed change orders over \$50,000, the Borrower and General Contractor shall submit to the Housing Commission a detailed explanation of why the change order work is necessary, why the issue was not included in the original scope of work, and why the change is not being charged against the General Contractor's contingency.
 - e. Agreement Changes - a Construction Agreement with a Guaranteed Maximum Price (GMP) may not be revised to a Lump Sum or other form of Construction Agreement without the prior written approval of the Housing Commission.

- f. Insurance - prior to close of escrow, evidence of the General Contractor's insurance acceptable to the Housing Commission's legal counsel shall be provided. The Housing Commission, the Housing Authority of the City of San Diego, and the City of San Diego, shall be named as additional insureds on the General Contractor's insurance policies.
12. **Tax Credit Equity-** Borrower will provide the Letter Of Intent with equity pricing from the low-income housing tax credit (LIHTC) investor within 90 days of closing.
13. **First Mortgage-** Borrower will provide the term sheet from the first mortgage provider that was used at time of application as well as an update within 90 days of closing.
14. **Cost Certification -** The Borrower shall submit the final tax credit cost certification to the Housing Commission for its review and approval before the cost Certifications completed/finalized.
15. **Cost Savings and/or Additional Proceeds at Escrow Closing-** In the event that the Borrower obtains funds in excess of those shown as sources in Exhibit A Proforma, then upon the construction loan closing, the excess funds shall be used as follows:
- First, such excess funds shall be used to fund development cost overruns reasonably approved by the Housing Commission.
 - Second, upon Construction Loan Closing and subject to lender and investor approval, any excess funds shall be used to pay the Housing Commission Loan as set forth in Section 16 below.
 - Other Public Lenders - If the project financing includes other public lenders who may require cost savings sharing then the cost savings shall be split proportionately based upon the public lenders loan amounts and in conformance with the other public lenders' agreements.
 - Excess funds will be applied first to pay down the accrued interest, and the remaining amount shall pay down the principal.
16. **Cost Savings and/or Additional Proceeds at Conversion to Permanent Financing-** In the event that the Borrower obtains funds in excess of those shown as sources in Exhibit A Proforma, (including but not limited to cost savings, improved debt, improved tax credit equity pricing, deferred developer fee if any, and any other sources), then upon conversion to permanent loan, the excess funds shall be used as follows :
- First, to pay for development cost overruns reasonably approved by the Housing Commission.
 - Second, used to make any necessary adjustment to the total tax credit allocation as may be required by CTCAC.
 - Third, payment towards the Borrower's deferred developer fee. A deferred developer fee is currently modeled in the attached pro forma (Attachment A).

- d. Fourth, cost savings shall be shared fifty percent (50%) to the Borrower and the other fifty percent (50%) will be paid to the Housing Commission and other soft lenders in proportion to the original principal balance of their loans.
- e. Excess funds will be applied first to pay down the accrued interest, and the remaining amount shall pay down the principal.

17. Fee-

- a. Maximum Gross Developer's Fee of \$3,220,000 to be paid from Development Sources.
 - There will be a \$1,020,000 Deferred Developer Fee to be paid from the gross developer fee amount of \$3,220,000.
 - There will be a Maximum Net Cash Developer Fee of \$2,200,000 to be paid from the gross developer fee amount of \$3,220,000.
- b. Additional developer fee provisions:
 - 1. If for any reason the Borrower does not collect the entire developer fee through the last equity installment, with the exception of negative tax credit adjusters, uncollected fee up to \$2,200,000 must comply with the following:
 - a. Borrower must receive Housing Commission prior written approval of any amount of Deferred Developer Fee;
 - b. Any Housing Commission-approved Deferred Developer Fee amount must be calculated as per TCAC and SDHC guidelines
 - c. Housing Commission-approved Deferred Developer Fee shall be given priority over Housing Commission residual receipt payments.
 - 2. If any amount of the developer fee is deferred, then such amount shall be repaid during the 15-year tax credit compliance period. Amounts outstanding after the expiration of the 15-year tax credit compliance period shall be contributed to the Project in the form of a capital contribution.
- c. Developer fee payments shall be paid out incrementally. Because this is a tax credit project, the developer fee payments shall be in accordance with lender and investor requirements.

18. **Due Diligence** - The Borrower, at Borrower's expense, shall provide the following: a current appraisal, an environmental review, a lead paint and asbestos review.

19. **Environmental Requirements** - Currently HOME funds are planned for this project. 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). HOME funds constitute a portion of the funding for the Project, and 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.

20. **Fees/Payments to Housing Commission** - Borrower will pay to the Housing Commission:
- a) **Underwriting Fee** - a flat underwriting fee in the amount of **\$60,000** will be charged for each project as reimbursement of Housing Commission costs related to underwriting and issuing the loan. This must be included in the total development cost of a proposed project and is to be paid at close of escrow.
 - b) **Legal Fee**- the Housing Commission charges a legal costs fee for document preparation and review that must be included in the total development cost. Current Housing Commission legal fees are **\$25,000**, and are to be paid at the close of escrow.
 - c) **Compliance Affordability Monitoring Fee** - compliance monitoring fees must be incorporated into the operating proforma. Borrower will pay the fee in accordance with the then-existing Housing Commission fee schedule. Current annual affordability monitoring are as follows: \$150 X 126 (Project units to be affordability monitored) = **\$18,900** per year. Additional training and assistance is currently at \$100 per hour.
 - d) **Asset Management Fee**- the Housing Commission charges a 15-year capitalized asset management fee of **\$15,000** and is paid at close of escrow.
 - e) **Environmental Noticing Fee**- publishing/filing costs are to be paid at close of escrow.
21. **Fees for Asset Management** (amounts not to exceed)-
- a. As detailed in paragraph 4 (above), the year 1 "Limited Partnership Fees" shall be capped at \$25,000 per year and shall not increase more than 3.0% annually. "Limited Partnership Fees" include Asset management fees (21(d)) related to the investor and general partner's management of the Project.
 - b. Unpaid General Partner fees shall not accrue. The Housing Commission will require the Limited Partnership Agreement to explicitly state this requirement.
 - c. Any changes to the asset management partnership fees will require the prior written approval of the Housing Commission's President and CEO or his designee.
22. **Financing: Gap** - The Borrower will cover any financing gap that arises after Housing Commission underwriting, with its equity, its developer fee, and/or other non-Housing Commission sources, all of which shall be subject to the approval of the Housing Commission in its sole discretion and will not be unreasonably withheld. No additional Housing Commission funds, beyond this Letter of Intent's \$6,000,000, will be provided for this project in any Housing Commission future Notices of Funds Available.

23. **Funding Sources** - The Housing Commission may fund the Housing Commission Loan from various sources including local, State, and/or federal funds including HOME Investment Partnership Program funds. The Housing Commission reserves the right to allocate available program funds in the best interest of the Housing Commission. In the event that the Housing Commission ultimately determines to fund (all or any part) of the Housing Commission Loan using any HOME funds, then Borrower should be familiar with the HOME program's rules and regulations, Federal Davis Bacon law and Section 3.
24. **HOME Investment Partnerships (HOME) Funds** -
HOME funds may be utilized for this project. In the event that HOME funds are utilized, it is estimated that the project would have up to 13 HOME restricted units, including three units at Low HOME rents.
- a. HOME program regulations will be applicable.
 - b. HOME funds may not be used to fund any of the following:
 - i) Any reserves are not eligible for HOME funds (including but not limited to operating reserves).
 - ii) Offsite improvements are not eligible for funding with HOME funds.
 - iii) Furnishings costs are not eligible for funding with HOME funds.
 - iv) Commercial space improvements are not eligible for funding with HOME funds.
 - c. The HOME IDIS funding system requires at least one HOME draw in a 12 month period and at least a small portion of the HOME funds must remain in the IDIS system until the project is ready for occupancy.
25. **Insurance** - Borrower shall at all times during the term of the loan maintain General Liability and Property Insurance (fire and extended coverage), workers compensation, builder's completed value risk insurance against "all risks of physical loss" (during construction) and, if required by the Housing Commission, flood and earthquake insurance, in forms 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 additional insureds: for General Liability Insurance, for Property Insurance, and in the General Contractor's Insurance policy. The San Diego Housing Commission shall be endorsed as a loss payee of the private insurance policies. Evidence of borrower's insurance coverage shall be provided to the Housing Commission prior to close of escrow.
26. **Loan Disbursement Schedule** - Upon submittal and approval of eligible costs, the Housing Commission Loan (up to **\$6,000,000**) will be disbursed as follows:
- Up to 75 percent (**\$4,500,000**) at escrow closing.
 - Up to 10 percent (**\$600,000**) to be distributed at 50 percent construction completion.
 - Up to 10 percent (**\$600,000**) to be withheld until the issuance of a Certificate of Occupancy and all unconditional lien releases are forwarded to the Housing Commission.
 - Up to 5 percent (**\$300,000**) upon conversion to permanent financing.
- a. The Housing Commission's President and Chief Executive Officer, or his designee, is authorized to modify the Housing Commission loan disbursement schedule in their sole reasonable discretion.

- b. In the event that the Housing Commission ultimately determines to fund (all or any part) of the Housing Commission loan using any HOME funds, then a portion of the HOME program funds must be withheld until final inspection approval and all unconditional lien releases are forwarded to the Housing Commission.
 - c. Loan proceeds are disbursed for work completed upon Housing Commission approval of payment requests in a form approved by the Housing Commission. Verifiable documentation of expenses must be submitted with all payment requests.
27. **Loan Payments** - Annual fixed debt payments of \$10,000 to San Diego Housing Commission is required. Also, annual residual receipts payments at 50 percent of cash flow is required.
- a. Starting at the end of the first year after project completion, the Housing Commission will split its share of residual cash flow with Housing Commission-approved public lenders loans, in proportion to their respective loan amounts. Residual payments will begin on May 1, in the year immediately following the calendar year in which construction is completed.
 - b. The Housing Commission defines residual receipts as the net cash flow of the development after specified expenses and other debt service are paid.
28. **Management of the Development** -
- a. **Management Plan** - Prior to occupancy the Borrower shall submit a Management Plan to the Housing Commission for its review and approval. The Management Plan shall be subject to initial and periodic approval by the Housing Commission, at its reasonable discretion.
 - b. **Approval of Management Fee** - The Borrower's proposed property manager's fee must be approved by the Housing Commission.
 - c. 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.
 - d. **Manager's Units** -Experienced on-site management is required. There shall be one manager's unit.
 - e. **Marketing Plan** – In the event the Housing Commission ultimately determines to fund (all or part) of the Housing Commission Loan using any HOME funds, then to ensure compliance with HOME regulations and with federal fair housing requirements prior to occupancy the Borrower shall submit a proposed marketing plan for review and approval by the Housing Commission's Civil Rights Analyst in the Procurement and Compliance Division.
29. **Maximum Resident Service Expenses & Case Management-**
- For the calculation of Housing Commission's residual receipts the attached pro forma's operating expense budget models an annual \$30,000 Resident Services expenditure with a 3 1/2 percent annual escalator). Increasing this amount will require prior Housing Commission written approval.

30. **Annual Budget Submittal** - three months prior to the end of each calendar year, the borrower shall submit an annual budget for Housing Commission review and prior approval.
31. **Permanent Supportive Housing** – The Housing Commission’s Notice of Funds Available Applications Evaluation Selection Committee has provided a preliminary award recommendation for Seventy (70) federal Project Based Vouchers (PBV) from the Housing Commission. The Project Based Voucher Units include 52 studios and 18 one-bedrooms. The population served through these PBVs are low income seniors, aged 55+, at 25-40 percent AML. These tenants will be selected from the Housing Commission’s Project Based Voucher Waiting List.
32. **Prevailing Wage**- It is anticipated that the Project will be subject to Federal Davis-Bacon prevailing wage rates because the federal Project Based Vouchers are being utilized for this Project.
33. **Recourse** - The Housing Commission's loan will be recourse until the timely completion of the construction, after which it will become non-recourse.
34. **Reserves**: Replacement reserves and operating reserves must be consistent with lender and equity investor requirements. The Housing Commission reserves the right to require higher operating or replacement reserves.
- a. **Transition Reserve** – The attached pro forma models a capitalized transition reserve amount of \$500,000.
- b. **Operating Reserve** - The attached proforma models a three month operating reserve at **\$375,844** at conversion to permanent financing. The operating reserve is to be maintained for the entire term of the Housing Commission's Loan.
- c. Disbursements from Reserves: Housing Commission prior written approval shall be required for any and all disbursements from either the Project's operating reserve funds and/or from the project's replacement reserve funds.
35. **Section 3**- In the event that the Housing Commission ultimately determines to fund (all or part) of the Housing Commission Loan using any HOME funds, then Section 3 of the HUD Act of 1968 will be applicable and Borrower should be familiar with, and remain in compliance with, all Section 3 requirements.
36. **Security** -The Housing Commission Loan will be secured by a Declaration of Covenants, Conditions and Restrictions (CC&R), a Loan Agreement, and a Deed of Trust which will be senior to the deeds of trust and security instruments securing all other sources of funds secured by the Property, except that the Housing Commission's CC&R and Deed of Trust shall be subordinated to:
- a) The deed of trust and security instruments securing the construction and permanent loan.
- b) **Lien position** - The lien positions will be approved by the Housing Commission's President and CEO and the Housing Commission's General Counsel. It is intended that the lien positions will be conformance with the public lenders' program requirements, and the requirements of private lenders which may require Housing Commission subordination.

- c) Cure Rights - The Housing Commission shall have the right, but not the obligation, to cure all senior encumbrances in all subordinating 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.
37. **Tenant Service Delivery Plan** - Borrower shall submit a draft tenant service delivery plan 90-days prior to occupancy for Housing Commission staff review and comment. Borrower shall submit a revised draft incorporating Housing Commission comment prior to occupancy of the first tenant. A final tenant service deliver plan shall be subject to the approval of the Housing Commission in its reasonable discretion and will not be unreasonably withheld prior to project lease up.
38. **Title (ALTA Lender's Policy)** -The Borrower shall acquire, at its sole cost and expense, an ALTA Lender's Policy for the Housing Commission Loan with endorsements acceptable to the Housing Commission.
39. **Miscellaneous Additional Conditions** - The Housing Commission reserves the right to impose such additional conditions in the final documentation of the transaction as are reasonably necessary to protect the interests of the Housing Commission and fulfill the intent of this letter.
40. **Exhibit A - Proforma** - is attached hereto and is hereby incorporated.

If the Borrower is willing to proceed on the terms and conditions referenced herein, please execute this letter of intent and return it to the undersigned by **June 24, 2021**, so that this letter of intent may be attached to the Housing Commission Board report.

The Remainder of this page intentionally left blank

ACKNOWLEDGED AND AGREED TO BY:

Wakeland Housing and Development

By: Peter Armstrong

Print Name: Peter Armstrong

Title: Vice President of Real Estate Development

San Diego Housing Commission

By: E.

Print Name: Emily S Jacobs

Title: Executive Vice President, Real Estate

Loan Terms Attachment: Exhibit A – Developer’s Pro forma Dated May 11, 2021

ATTACHMENT 6

HOUSING COMMISSION MULTIFAMILY HOUSING REVENUE BOND PROGRAM SUMMARY

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

Bond Issuer: Housing Authority of the City of San Diego. There is no direct legal liability to the City, the Housing Authority or the Housing Commission in connection with the issuance or repayment of bonds. There is no pledge of the City's faith, credit or taxing power nor of the Housing Authority's faith and credit. The bonds do not constitute a general obligation of the issuer because security for repayment of the bonds is limited to specific private revenue sources, such as project revenues. The developer is responsible for the payment of costs of issuance and all other costs under each financing.

Affordability: Minimum requirement is that at least 20% of the units are affordable at 50% of Area Median Income (AMI). Alternatively, a minimum of the units may be affordable at 50% AMI with an additional 30% of the units affordable at 60% AML. The Housing Commission requires that the affordability restriction be in place for a minimum of 15 years. Due to the combined requirements of state, local, and federal funding sources, projects financed under the Bond Program are normally affordable for 30-55 years and often provide deeper affordability levels than the minimum levels required under the Bond Program.

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

Approval Process:

- **Inducement Resolution:** The bond process is initiated when the San Diego Housing Commission (Housing Commission) adopts an "Inducement Resolution" to establish the date from which project costs may be reimbursable from bond proceeds (if bonds are later issued) and to authorize staff to work with the financing team to perform a due diligence process. The Inducement Resolution does not represent any commitment by the Housing Commission, or the Housing Authority, or the developer to proceed with the financing.

- TEFRA Hearing and Resolution (Tax Equity and Fiscal Responsibility Act of 1982): to assure that projects making use of tax-exempt financing meet appropriate governmental purposes and provide reasonable public benefits, the IRS Code requires that a public hearing be held and that the issuance of bonds be approved by representatives of the governmental unit with jurisdiction over the area in which the project is located. This process does not make the Housing Commission, the Housing Authority, or the City of San Diego financially or legally liable for the bonds or for the project.

[Note: Members of the Housing Commission or the San Diego City Council may be asked to take two actions at this stage in the bond process -- one in their capacity as approving the TEFRA hearing resolution and another as approving the bond inducement.]

- Application for Bond Allocation: The issuance of these "private activity bonds" (bonds for projects owned by private developers, including projects with nonprofit sponsors and for-profit investors) requires an allocation of bond issuing authority from the State of California. To apply for an allocation, an application approved by the Housing Commission and supported by an adopted inducement resolution and by proof of credit enhancement (or bond rating) must be filed with the California Debt Limit Allocation Committee (CDLAC). In addition, evidence of a TEFRA hearing and approval must be submitted prior to the CDLAC meeting.
- Final Bond Approval: The Housing Authority retains absolute discretion over the issuance of bonds through adoption of a final resolution authorizing the issuance. Prior to final consideration of the proposed bond issuance, the project must comply with all applicable financing, affordability, and legal requirements and undergo all required planning procedures/reviews by local planning groups, etc.
- Funding and Bond Administration: All monies are held and accounted for by a third party trustee. The trustee disburses proceeds from bond sales to the developer in order to acquire and/or construct the housing project. Rental income used to make bond payments is collected from the developer by the trustee and disbursed to bond holders, if rents are insufficient to make bond payments, the trustee obtains funds from the credit enhancement provider. No monies are transferred through the Housing Commission or Housing Authority, and the trustee has no standing to ask the issuer for funds.

Bond Disclosure: The offering document (typically a Preliminary Offering Statement or bond placement memorandum) discloses relevant information regarding the project, the developer, and the credit enhancement provider. Since the Housing Authority is not responsible in any way for bond repayment, there are no financial statements or

summaries about the Housing Authority or the City that are included as part of the offering document. The offering document includes a paragraph that states that the Housing Authority is a legal entity with the authority to issue multifamily housing bonds and that the Housing Commission acts on behalf of the Housing Authority to issue the bonds. The offering document also includes a paragraph that details that there is no pending or threatened litigation that would affect the validity of the bonds or curtail the ability of the Housing Authority to issue bonds. This is the extent of the disclosure required of the Housing Authority, Housing Commission, or the City. However, it is the obligation of members of the Housing Authority to disclose any material facts known about the project, not available to the general public, which might have an impact on the viability of the project.



**DEVELOPERS/CONSULTANTS/SELLERS/CONTRACTORS/
ENTITY SEEKING GRANT/BORROWERS**
(Collectively referred to as "CONTRACTOR" herein)

Statement for Public Disclosure

1. Name of CONTRACTOR: Wakeland Housing and Development Corporation
2. Email: parmstrong@wakelandhdc.com
3. Address and Zip Code: 1230 Columbia Street, Suite 950, San Diego, CA 92101
4. Telephone Number: (619) 677-2325
5. Name of Principal Contact for CONTRACTOR: Peter Armstrong
6. Federal Identification Number or Social Security Number of CONTRACTOR: 33-0833640
7. 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 (*select and upload requested documents*):

☐ A corporation (*Upload Articles of Incorporation*)

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

☐ A partnership known as (Name): _____

Check one:

☐ General Partnership (*Upload statement of General Partnership*)

☐ Limited Partnership (*Upload Certificate of Limited Partnership*)

☐ A business association or a joint venture known as: _____
(*Upload joint venture or business association agreement*)

☐ A Federal, State or local government or instrumentality thereof.

☐ Other (*Please explain*): _____

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

Wakeland Housing & Development Corporation – December 23, 1998



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.
 - 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%. (Attach extra sheet if necessary)

Name and Address	Position Title (if any) and percent of interest or description of character and extent of interest
Name: Please see attached list of Board of Directors	
Address:	
Name:	
Address:	
Name:	
Address:	

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. NO
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):

Name and Address	Position Title (if any) and percent of interest or description of character and extent of interest
Name: N/A	
Address:	
Name: N/A	
Address:	
Name: N/A	
Address:	

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:

Name and Address	Position Title (if any) and percent of interest or description of character and extent of interest
Name: Please see attached list of Board of Directors	
Address:	
Name:	
Address:	
Name:	
Address:	



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.

Name and Address	Relationship to CONTRACTOR
Name: N/A	
Address:	
Name: N/A	
Address:	
Name: N/A	
Address:	

14. Provide description of 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 financial statements that was requested (attached) as part of the Application, including, but not necessarily limited to, profit and loss statements and statements of financial position: **Please see Audited Financial Statements attached.**
15. If funds for the development/project are to be obtained from sources other than the CONTRACTOR's own funds, provide a statement of the CONTRACTOR's plan for financing the development/project: **Sources of capital will include Capital funding from the SDHC, California Dept. of Housing and Community Development MHP program funds, 4% Tax Credit equity and Tax Exempt/Taxable Bonds.**
16. Provide sources and amount of cash available to CONTRACTOR to meet equity requirements of the proposed undertaking:
- a. In banks/savings and loans: **N/A**
Name:
Address:
Amount: \$
 - b. By loans from affiliated or associated corporations or firms: **N/A**
Name:
Address:
Amount: \$



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

Description	Market Value (\$)	Mortgages or Liens (\$)

Additional Information, as needed:

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

Name and Address	Contact Name
Name: Wells Fargo Community Lending	Paul Shipstead, Vice President Community Lending
Address: 401 B Street, Suite 304	(619) 699-3135
San Diego, CA 92101	Paul.shipstead@wellsfargo.com
Name: California Community Reinvestment Corp	Mary Kaiser, President
Address: 225 West Broadway, Suite 120	(818) 550-9801
Glendale, CA 91204	Mary.keiser@e-ccrc.org
Name: US Bank	Lancy Kim, Vice President
Address: 4747 Executive Drive, 3 rd Floor	(858) 334-0709
San Diego, CA 92121	Lancy.kim@usbank.com

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, provide 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, for each case, provide (1) date, (2) charge, (3) place, (4) court, and (5) action taken. *Upload* any explanation deemed necessary:



Case 1

Case 2:

Case 3:

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:

Type of Bond	Project Description	Date of Completion	Amount of Bond	Action on Bond
Improvement/Warranty Bond (Forester Square)	44 Unit new construction, affordable housing project located in the City of Santee. All units to have rents affordable to households earning 50% and 60% AMI	2/28/2014	\$131,647	
Bond for Faithful Performance (Lofts on Landis)	Mixed-use project with 33 residential affordable units in Chula Vista, office space for Family Health Center San Diego, community space and leasing office	10/22/2015	\$54,990	

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

a. Name and addresses of such contractor or builder:

Name and Address	Affiliation
Name: N/A	Third party construction contractor will be selected and will not be affiliated with the CONTRACTOR
Address:	
Name:	
Address:	



- 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:

Complete one table for each project:

Project Name	N/A	
Project Owner Contact Information		
	Name	Address
Project Location		
Project Details		
Bonding Company Involved		
	Name	Amount of Contract
Change Order Details		
Change Order Cost		
Litigation Details		
	Location/Date	Outcome Details



Project Name	N/A	
Project Owner Contact Information		
	Name	Address
Project Location		
Project Details		
Bonding Company Involved		
	Name	Amount of Contract
Change Order Details		
Change Order Cost		
Litigation Details		
	Location/Date	Outcome Details

Project Name	N/A	
Project Owner Contact Information		
	Name	Address
Project Location		
Project Details		
Bonding Company Involved		
	Name	Amount of Contract
Change Order Details		
Change Order Cost		
Litigation Details		
	Location/Date	Outcome Details



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

Identification of Contract or Development	Location	Amount	Date to be Completed

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

Awarding Agency	Amount	Date Opened

22. Provide a detailed and complete statement regarding equipment, experience, financial capacity, and other resources available to such contractor or builder for the performance of the work involved in the proposed project, specifying particularly the qualifications of the personnel, the nature of the equipment, and the general experience of the contractor: **N/A**

23. Does any member of the governing body of the San Diego Housing Commission ("SDHC"), 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 SDHC, 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

☒ 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: N/A

25. Is the proposed CONTRACTOR, and/or are any of the proposed subcontractors, currently involved in any construction-related litigation?

☐ Yes

☒ No

If yes, please explain:

26. State the name, address and telephone numbers of CONTRACTOR's insurance agent(s) and/or companies for the following coverage's. List the amount of coverage (limits) currently existing in each category. **Cavignac & Associates at 450 B Street, Suite 1800, San Diego, CA 92101. CONTACT: Matt Slakoff at (619) 744-0549.**

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

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)]:

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)]: **See attached Certificate of Insurance**
 - d. Professional Liability (Errors and Omissions) [*Attach* certificate of insurance showing the amount of coverage and coverage period(s)]:
 - e. Excess Liability [*Attach* certificate(s) of insurance showing the amount of coverage and coverage period(s)]: **See attached Certificate of Insurance**
 - f. Other (Specify) [*Attach* certificate(s) of insurance showing the amount of coverage and coverage period(s)]:
27. CONTRACTOR warrants and certifies that it will not during the term of the PROJECT, GRANT, LOAN, CONTRACT, DEVELOPMENT and/or RENDITIONS OF SERVICES discriminate against any employee, person, or applicant for employment because of race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. The CONTRACTOR will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The CONTRACTOR agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the SDHC setting forth the provisions of this nondiscrimination clause.
28. The CONTRACTOR warrants and certifies that it will not without prior written consent of the SDHC, engage in any business pursuits that are adverse, hostile or take incompatible positions to the interests of the SDHC, 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 SDHC, 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 SDHC 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 state:

Government Complaint	Entity	Making	Date	Resolution
NONE				

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?

☐ Yes

☒ No

If yes, please explain in detail:

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:

Government Agency	License Description	License Number	Date Issued (Original)	Status (Current)	Revocation (Yes/No)
N/A					
N/A					
N/A					
N/A					
N/A					
N/A					



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 SDHC. **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 SDHC.

The Wakeland Team has considerable experience and capacity in all stages of affordable housing development and management for projects that help build stronger communities and spur revitalization of blighted neighborhoods.

Wakeland's Land Acquisition and Development staff have extensive experience managing the development of affordable housing projects with federal and state funding sources. Wakeland Project Manager will work closely with public and private sector partners to secure financing, oversee the planning and design process, administer the selection and execution of construction and other contractors and ensure compliance with various project requirements. The Wakeland Project manager will be supported by the Director of Development and the Vice President of Real Estate to execute these functions.

Wakeland's Accounting Department will help the Project Manager and project team to administer funding for the project according to industry best practices and the fiscal/procurement requirements. The Chief Financial Officer, Controller, Staff Accountant within the Account Department will be responsible for the financial reporting in compliance with the rules and regulations.



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

Date	Entity Involved (i.e. City SDHC, etc)	Status (Current, delinquent, repaid, etc.)	Dollar Amount
3/9/2018	SDHC - Beacon	Current	3,563,310.13
2/6/2019	SDHC-Ivey	Partially drawn	\$6,500,000
5/3/2019	SDHC-Trinity	Partially drawn	\$700,000
3/8/2019	City of San Diego	Purchase/Sale Completed	\$2,105,000
8/30/2019	City of San Diego	Purchase/Sale Completed	\$2,879,000
6/25/2015	SDHC-Talmadge	Current	\$4,800,000

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, please 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, please explain:



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

1. Name: **Ms. Ann Kern**

Address: **1122 Broadway, Suite 300, San Diego, CA 92101**

Phone: **(619) 578-7582**

Project Name and Description: **Village Green, 94 low-income units and Talmadge, 60-unit project**

2. Name: **Ms. Margery Pierce**

Address: **321 N. Nevada Street, Oceanside, CA 92054**

Phone: **(760) 435-3377**

Project Name and Description: **Country Club Apartments, 91 low-income units**

3. Name: **Stacy Kurz**

Address: **276 Fourth Avenue, Chula Vista, CA 91910**

Phone: **(619) 585-5698**

Project Name and Description: **Los Vecinos, 42 low-income units**

39. Provide a brief statement regarding 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.

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

Name	Experience
N/A at this time	General Contractor has not been selected at this time.



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 ("SDHC"), 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 SDHC, 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 SDHC, 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 SDHC, 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 19 day of October, 2020, at San Diego, California.

CONTRACTOR

By: _____

Signature

Renee L. L. L.

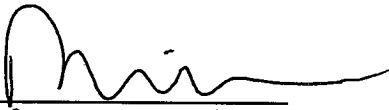
Vice President/Chief Operating Officer

Title



CERTIFICATION

The CONTRACTOR, Wakeland Housing and Development Corporation, 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: 
Rebecca Louie

Title: Vice President/Chief Operating officer

Dated: 10-19-20

By: _____

Title: _____

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

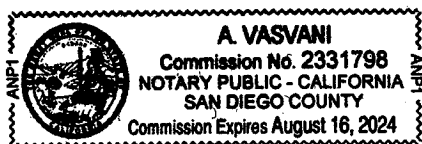
State of California

County of SAN DIEGO

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document, to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

Subscribed and sworn to (or affirmed) before me on this 19th day of October, 2020

by Rebecca Louie personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.





Signature of Notary

SEAL

Wakeland Housing and Development Corporation
Articles of Incorporation and Non-Profit Status

MAY 08 2001

BILL JONES, Secretary of State

CERTIFICATE OF AMENDMENT AND RESTATEMENT OF
ARTICLES OF INCORPORATION OF
WAKELAND HOUSING AND DEVELOPMENT CORPORATION

Stephen L. Kuptz and M. Scott Orrantia certify that:

1. They are the president and the secretary, respectively, of Wakeland Housing and Development Corporation, a California nonprofit corporation.
2. The Articles of Incorporation of this corporation are amended and restated to read as follows:

ARTICLES OF INCORPORATION
OF
WAKELAND HOUSING AND DEVELOPMENT CORPORATION

I. NAME OF CORPORATION

The name of the corporation is Wakeland Housing and Development Corporation.

II. PURPOSES

A. This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for public and charitable purposes.

B. The specific purpose of this corporation is to provide low and moderate income persons, elderly persons and disabled persons with affordable housing by acquiring and/or developing low and moderate income housing and providing ancillary economic development activities.

III. DEDICATION

This corporation is organized and operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal

Revenue law). The property of this corporation is irrevocably dedicated to charitable purposes. No part of the net earnings of this corporation shall inure to the benefit of any of its directors, trustees, officers or members or to individuals, except that this corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of its purpose.

IV. LIMITATIONS ON CORPORATE ACTIVITIES

No substantial part of the activities of this corporation shall consist of lobbying or propaganda, or otherwise attempting to influence legislation except as otherwise provided in Section 501(h) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue law), and this corporation shall not participate in, or intervene in (including publishing or distributing statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of these articles, this corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of its purposes and this corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue law), or (b) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue law).

V. DISSOLUTION

Upon the winding up and dissolution of this corporation, after paying or adequately providing for the debts, obligations and liabilities of this corporation, the remaining assets shall be distributed to such one or more nonprofit funds,

foundations or corporations which are organized and operated exclusively for charitable purposes and which have established their tax-exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue law).

3. The foregoing amendment and restatement of Articles of Incorporation has been duly approved by the Board of Directors.

4. The corporation has no members.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Dated: 5/4/, 2001


Stephen L. Kuptz, President


M. Scott Orrantia, Secretary



ARTICLES OF INCORPORATION

DEC 23 1998

OF

WAKELAND HOUSING AND DEVELOPMENT CORPORATION

BILL JONES, Secretary of State

I. NAME OF CORPORATION

The name of the corporation is Wakeland Housing and Development Corporation

II. PURPOSES

A. This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for public and charitable purposes.

B. The specific purpose of this corporation is to provide low and moderate income persons, elderly persons and disabled persons with affordable housing by acquiring and/or developing low and moderate income housing and providing ancillary economic development activities.

III. INITIAL AGENT FOR SERVICE OF PROCESS

The name and address of the initial agent of the corporation for service of process is:

Stephen L. Kuptz
5881 Copley Drive
San Diego, California 92111

IV. DEDICATION

This corporation is organized and operated exclusively for charitable, religious, educational, hospital and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue law). The property of this corporation is irrevocably dedicated to the purposes set forth above. No part of the net earnings of this corporation shall inure to the benefit of any

of its directors, trustees, officers or members or to individuals, except that this corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of its purpose.

V. LIMITATIONS ON CORPORATE ACTIVITIES

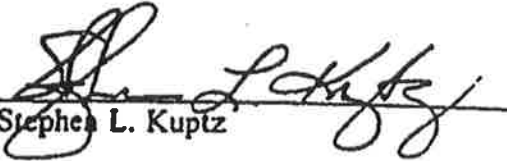
No substantial part of the activities of this corporation shall consist of lobbying or propaganda, or otherwise attempting to influence legislation except as otherwise provided in Section 501(h) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue law), and this corporation shall not participate in, or intervene in (including publishing or distributing statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of these articles, this corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of its purposes and this corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue law), or (b) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue law).

VI. DISSOLUTION

Upon the winding up and dissolution of this corporation, after paying or adequately providing for the debts, obligations and liabilities of this corporation, the remaining assets shall be distributed to such one or more nonprofit funds, foundations, or corporations which are organized and operated for charitable, religious, educational, hospital or scientific purposes, meeting the requirements for exemption provided by Section 214 of the California Revenue and Taxation Code and which have established their tax-exempt status under Section 501(c)(3) of the

Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue law).

IN WITNESS WHEREOF, the undersigned, being the incorporator of the corporation, has executed these Articles of Incorporation on December 23, 1998.


Stephen L. Kuptz





STATE OF CALIFORNIA
FRANCHISE TAX BOARD
PO BOX 1286
RANCHO CORDOVA CA 95741-1286

In reply refer to
755:G :JCA

July 30, 1999

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
225 BROADWAY STE 1700
SAN DIEGO CA 92101-5015

Purpose : CHARITABLE
Code Section : 23701d
Form of Organization : Corporation
Accounting Period Ending: June 30
Organization Number : 2041532

THIS EXEMPTION IS GRANTED ON THE EXPRESS CONDITION THAT THE ORGANIZATION WILL SECURE FEDERAL EXEMPT STATUS WITH THE INTERNAL REVENUE SERVICE. THE ORGANIZATION IS REQUIRED TO FURNISH A COPY OF THE FINAL DETERMINATION LETTER TO THE FRANCHISE TAX BOARD WITHIN 9 MONTHS FROM THE DATE OF THIS LETTER.

You are exempt from state franchise or income tax under the section of the Revenue and Taxation Code indicated above.

This decision is based on information you submitted and assumes that your present operations continue unchanged or conform to those proposed in your application. Any change in operation, character, or purpose of the organization must be reported immediately to this office so that we may determine the effect on your exempt status. Any change of name or address must also be reported.

In the event of a change in relevant statutory, administrative, judicial case law, a change in federal interpretation of federal law in cases where our opinion is based upon such an interpretation, or a change in the material facts or circumstances relating to your application upon which this opinion is based, this opinion may no longer be applicable. It is your responsibility to be aware of these changes should they occur. This paragraph constitutes written advice, other than a chief counsel ruling, within the meaning of Revenue and Taxation Code Section 21012(a)(2).

You may be required to file Form 199 (Exempt Organization Annual Information Return) on or before the 15th day of the 5th month (4 1/2

July 30, 1999

WAKELAND HOUSING AND DEVELOPMENT CORPORATION

ENTITY ID : 2041532

Page 2

months) after the close of your accounting period. Please see annual instructions with forms for requirements.

You are not required to file state franchise or income tax returns unless you have income subject to the unrelated business income tax under Section 23731 of the Code. In this event, you are required to file Form 109 (Exempt Organization Business Income Tax Return) by the 15th day of the 5th month (4 1/2 months) after the close of your annual accounting period.

Please note that an exemption from federal income or other taxes and other state taxes requires separate applications.

A copy of this letter has been sent to the Registry of Charitable Trusts.

J AMAYA
EXEMPT ORGANIZATION SECTION
PROCESSING SERVICES BUREAU
Telephone (916) 845-6644

EO :

CC :ELAINE A ROGERS

INTERNAL REVENUE SERVICE
P. O. BOX 2508
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: **NOV 05 2003**

WAKELAND HOUSING AND DEVELOPMENT
CORPORATION
625 BROADWAY STE 611
SAN DIEGO, CA 92101-0000

Employer Identification Number:
33-0833640
DLN:
17053263751073
Contact Person:
JANINE L ESTES ID# 31126
Contact Telephone Number:
(877) 829-5500
Public Charity Status:
170(b)(1)(A)(vi)

Dear Applicant:

Our letter dated August 20, 1999, stated you would be exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code, and you would be treated as a public charity during an advance ruling period.

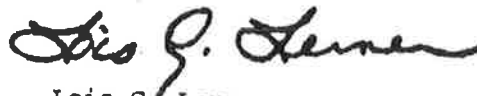
Based on our records and on the information you submitted, we are pleased to confirm that you are exempt under section 501(c)(3) of the Code, and you are classified as a public charity under the Code section listed in the heading of this letter.

Publication 557, Tax-Exempt Status for Your Organization, provides detailed information about your rights and responsibilities as an exempt organization. You may request a copy by calling the toll-free number for forms, (800) 829-3676. Information is also available on our Internet Web Site at www.irs.gov.

If you have general questions about exempt organizations, please call our toll-free number shown in the heading between 8:00 a.m. - 6:30 p.m. Eastern time.

Please keep this letter in your permanent records.

Sincerely yours,



Lois G. Lerner
Director, Exempt Organizations
Rulings and Agreements

Letter 1050 (DO/CG)

AUG 30 1999

INTERNAL REVENUE SERVICE
DISTRICT DIRECTOR
P. O. BOX 2508
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: **AUG 24 1999**

WAKELAND HOUSING AND DEVELOPMENT
CORPORATION
C/O ELAINE A ROGERS
SULLIVAN WERTZ MCDADE & WALLACE
945 FOURTH AVE
SAN DIEGO, CA 92101

Employer Identification Number:
33-0833640
DLN:
17053138014049
Contact Person:
ANGELA WRIGHT ID# 95328
Contact Telephone Number:
(877) 829-5500
Accounting Period Ending:
June 30
Foundation Status Classification:
2
Advance Ruling Period Begins:
December 23, 1998
Advance Ruling Period Ends:
June 30, 2003
Addendum Applies:
NO

Dear Applicant:

Based on information you supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3).

Because you are a newly created organization, we are not now making a final determination of your foundation status under section 509(a) of the Code. However, we have determined that you can reasonably expect to be a publicly supported organization described in sections 509(a)(1) and 170(b)(1)(A)(vi).

Accordingly, during an advance ruling period you will be treated as a publicly supported organization, and not as a private foundation. This advance ruling period begins and ends on the dates shown above.

Within 90 days after the end of your advance ruling period, you must send us the information needed to determine whether you have met the requirements of the applicable support test during the advance ruling period. If you establish that you have been a publicly supported organization, we will classify you as a section 509(a)(1) or 509(a)(2) organization as long as you continue to meet the requirements of the applicable support test. If you do not meet the public support requirements during the advance ruling period, we will classify you as a private foundation for future periods. Also, if we classify you as a private foundation, we will treat you as a private foundation from your beginning date for purposes of section 507(d) and 4940.

Grantors and contributors may rely on our determination that you are not a private foundation until 90 days after the end of your advance ruling period. If you send us the required information within the 90 days, grantors and contributors may continue to rely on the advance determination until we make a final determination of your foundation status.

Letter 1045 (DO/CG)

WAKELAND HOUSING AND DEVELOPMENT

If we publish a notice in the Internal Revenue Bulletin stating that we will no longer treat you as a publicly supported organization, grantors and contributors may not rely on this determination after the date we publish the notice. In addition, if you lose your status as a publicly supported organization, and a grantor or contributor was responsible for, or was aware of, the act or failure to act, that resulted in your loss of such status, that person may not rely on this determination from the date of the act or failure to act. Also, if a grantor or contributor learned that we had given notice that you would be removed from classification as a publicly supported organization, then that person may not rely on this determination as of the date he or she acquired such knowledge.

If you change your sources of support, your purposes, character, or method of operation, please let us know so we can consider the effect of the change on your exempt status and foundation status. If you amend your organizational document or bylaws, please send us a copy of the amended document or bylaws. Also, let us know all changes in your name or address.

As of January 1, 1984, you are liable for social security taxes under the Federal Insurance Contributions Act on amounts of \$100 or more you pay to each of your employees during a calendar year. You are not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

Organizations that are not private foundations are not subject to the private foundation excise taxes under Chapter 42 of the Internal Revenue Code. However, you are not automatically exempt from other federal excise taxes. If you have any questions about excise, employment, or other federal taxes, please let us know.

Donors may deduct contributions to you as provided in section 170 of the Internal Revenue Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

Donors may deduct contributions to you only to the extent that their contributions are gifts, with no consideration received. Ticket purchases and similar payments in conjunction with fundraising events may not necessarily qualify as deductible contributions, depending on the circumstances. Revenue Ruling 67-246, published in Cumulative Bulletin 1967-2, on page 104, gives guidelines regarding when taxpayers may deduct payments for admission to, or other participation in, fundraising activities for charity.

Contributions to you are deductible by donors beginning December 23, 1998.

You are not required to file Form 990, Return of Organization Exempt From Income Tax, if your gross receipts each year are normally \$25,000 or less. If you receive a Form 990 package in the mail, simply attach the label provided, check the box in the heading to indicate that your annual gross receipts are normally \$25,000 or less, and sign the return. Because you will be treated as

WAKELAND HOUSING AND DEVELOPMENT

a public charity for return filing purposes during your entire advance ruling period, you should file Form 990 for each year in your advance ruling period that you exceed the \$25,000 filing threshold even if your sources of support do not satisfy the public support test specified in the heading of this letter.

If a return is required, it must be filed by the 15th day of the fifth month after the end of your annual accounting period. A penalty of \$20 a day is charged when a return is filed late, unless there is reasonable cause for the delay. However, the maximum penalty charged cannot exceed \$10,000 or 5 percent of your gross receipts for the year, whichever is less. For organizations with gross receipts exceeding \$1,000,000 in any year, the penalty is \$100 per day per return, unless there is reasonable cause for the delay. The maximum penalty for an organization with gross receipts exceeding \$1,000,000 shall not exceed \$50,000. This penalty may also be charged if a return is not complete. So, please be sure your return is complete before you file it.

You are not required to file federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you are subject to this tax, you must file an income tax return on Form 990-T, Exempt Organization Business Income Tax Return. In this letter we are not determining whether any of your present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

The law requires you to make your annual return available for public inspection without charge for three years after the due date of the return. You are also required to make available for public inspection a copy of your exemption application, any supporting documents and this exemption letter to any individual who requests such documents in person or in writing. You can charge only a reasonable fee for reproduction and actual postage costs for the copied materials. The law does not require you to provide copies of public inspection documents that are made widely available, such as by posting them on the Internet (World Wide Web). You may be liable for a penalty of \$20 a day for each day you do not make these documents available for public inspection (up to a maximum of \$10,000 in the case of an annual return).

You need an employer identification number even if you have no employees. If an employer identification number was not entered on your application, we will assign a number to you and advise you of it. Please use that number on all returns you file and in all correspondence with the Internal Revenue Service.

This ruling is based on the understanding that the majority of your Board of Directors will be non-salaried and will not be related to salaried personnel or to parties providing services. It is also based on the understanding that salaried individuals cannot vote on their own compensation and that compensation decisions will be made by the board.

In accordance with section 508(a) of the Code, the effective date of this determination letter is December 23, 1998.

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WAKELAND HOUSING AND DEVELOPMENT

This determination is based on evidence that your funds are dedicated to the purposes listed in section 501(c)(3) of the Code. To assure your continued exemption, you should keep records to show that funds are spent only for those purposes. If you distribute funds to other organizations, your records should show whether they are exempt under section 501(c)(3). In cases where the recipient organization is not exempt under section 501(c)(3), you must have evidence that the funds will remain dedicated to the required purposes and that the recipient will use the funds for those purposes.

If you distribute funds to individuals, you should keep case histories showing the recipients' names, addresses, purposes of awards, manner of selection, and relationship (if any) to members, officers, trustees or donors of funds to you, so that you can substantiate upon request by the Internal Revenue Service any and all distributions you made to individuals. (Revenue Ruling 56-304, C.B. 1956-2, page 306.)

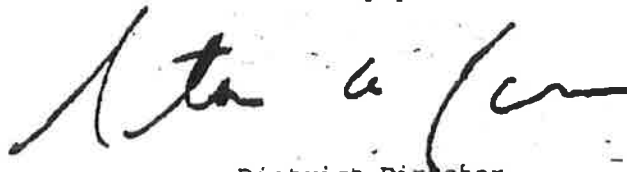
If we said in the heading of this letter that an addendum applies, the addendum enclosed is an integral part of this letter.

Because this letter could help us resolve any questions about your exempt status and foundation status, you should keep it in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "A. T. A. / cm", is written over the typed name "District Director".

District Director

Wakeland Housing and Development Corp.
List of Board of Directors

<p style="text-align: center;">WAKELAND HOUSING AND DEVELOPMENT BOARD OF DIRECTORS (ALL HAVE VOTING STATUS)</p>

Jeff Brazel
Board Member
JVB Real Estate Advisors
PO Box 502135
San Diego, CA 92150
Ph. # (619) 507-8800
jbrazel@jvbrealestateadvisors.com

Kay DiFrancesca
Board Member
1539 9th Avenue
San Diego, CA 92101
Ph. # (619) 233-6169
difrankay@gmail.com

Julie Dillon
Board Treasurer
767 Rosecrans Street
San Diego, CA 92106
Ph. # (619) 985-5100
Email: juliedillon@me.com

Lina Ericsson
Board Secretary
Vice President & General Counsel
Senior Resource Group, LLC
500 Stevens Avenue
Solana Beach, CA 92075
Ph. # (858) 337-2266
Email: lina.ericsson@srg-llc.com

Jonathan Hunter
Board Chair
JC Hunter Consulting
5715 Baltimore Drive, #83
La Mesa, CA 91942
Ph. # (619) 251-3393
Email: jonathanh480@gmail.com

James Lawson
Board Member
President
Presidio PAG, Inc.
427 C Street, Suite 210
San Diego, CA 92101
Ph. # (619) 535-1865
james@presidiopag.com

Barry Schultz
Board Member
Partner
Devaney Pate Morris & Cameron
402 W. Broadway, Suite #1300
San Diego, CA 92101
(619) 354-5028
bschultz@dpmclaw.com

Lee Winslett
Board Member
Senior Vice President
Wells Fargo Community Lending
401 B Street, Suite 304-A
San Diego, CA 92101
Ph. # (619) 699-3037
Fax # (877) 786-4003
Email: Lee.Winslett@WellsFargo.com

Wakeland Housing and Development Corp
Financial Statements

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019
with
Report of Independent Auditors



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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Wakeland Housing and Development Corporation:

We have audited the accompanying consolidated financial statements of Wakeland Housing and Development Corporation, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wakeland Housing and Development Corporation as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 2 to the financial statements, the Entity recorded prior period adjustments to land, prepaid lease obligation and net assets. The 2019 financial statements have been restated to correct this misstatement. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. Supplementary information (pages 37-46) is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Changes in Accounting Principles

As discussed in Note 2 to the financial statements, Wakeland Housing and Development Corporation adopted changes in accounting principles related to revenue recognition, presentation and disclosure of the statements of cash flows, financial instruments and real estate sales. Our opinion is not modified with respect to those matters.

Norogmdac & Company LLP

Portland, Oregon
September 12, 2020

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS	2020	2019 (Restated)
Current Assets		
Cash and cash equivalents	\$ 7,526,135	\$ 6,527,927
Current portion of reserves	709,298	558,063
Tenant security deposits	516,322	545,666
Accounts receivable	588,255	541,155
Prepaid expenses	88,033	99,517
Notes receivable	406,749	731,932
Deposit	1,000,000	1,000,000
Due from related party	242,551	201,538
Accrued interest receivable	358,405	171,463
Total Current Assets	<u>11,435,748</u>	<u>10,377,261</u>
Noncurrent Assets		
Investment in securities	5,640,634	7,716,001
Reserves, less current portion	8,893,932	8,518,289
Due from related party	-	13,610
Notes receivable, net of allowance, less current portion	-	1,712,940
Prepaid lease obligation	3,624,542	3,693,187
Fixed assets, net	272,162,923	265,272,966
Deferred charges, net	444,714	369,082
Construction in progress	39,908,993	24,924,033
Total Noncurrent Assets	<u>330,675,738</u>	<u>312,220,108</u>
Total Assets	<u>\$ 342,111,486</u>	<u>\$ 322,597,369</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 4,947,378	\$ 4,565,120
Accrued interest payable	29,160,808	25,159,630
Tenant security deposits payable	491,936	497,552
Deferred revenue	79,779	102,397
Deficiencies in limited partnerships	848,881	1,138,503
Current portion of notes payable, net of debt issuance costs	22,788,441	15,893,196
Total Current Liabilities	<u>58,317,223</u>	<u>47,356,398</u>
Noncurrent Liabilities		
Notes payable, less current portion and net of debt issuance costs	<u>222,985,424</u>	<u>203,278,257</u>
Total Liabilities	281,302,647	250,634,655
Net Assets		
Without donor restrictions		
Controlling interest	4,936,396	7,458,438
Non-controlling interest	55,872,443	64,504,276
Total Net Assets	<u>60,808,839</u>	<u>71,962,714</u>
Total Liabilities and Net Assets	<u>\$ 342,111,486</u>	<u>\$ 322,597,369</u>

see accompanying notes

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NET ASSETS WITHOUT DONOR RESTRICTIONS	2020	2019 (Restated)
REVENUE AND OTHER SUPPORT		
Asset management fees	\$ 775,427	\$ 1,188,268
Contributions	157,700	167,623
Rental income	17,177,375	17,351,557
Development fees	302,613	851,334
Resident services	205,166	174,583
Interest income	398,221	397,065
Other income	506,388	176,049
Share of income from partnerships	242,591	12,163
Unrealized gain on securities	46,814	177,635
Gain on disposal of fixed assets	315,579	228,499
Total Revenue and Support	20,127,874	20,724,776
EXPENSES		
Program Services		
Rental operations		
Operating	11,224,665	10,435,369
Depreciation	10,158,226	10,188,403
Amortization	157,981	182,702
Interest	7,559,297	7,301,425
Development		
Development expenses	2,775,317	2,279,201
Bad debt expense	1,663,426	18,194
Resident services	966,205	866,737
Asset management	412,712	382,575
Total program services	34,917,829	31,654,606
Supporting Services		
Management and general		
Operational expenses	479,903	559,820
Donations	23,964	60,665
Depreciation	65,806	64,714
Interest	-	45,000
Total management and general	569,673	730,199
Fundraising	47,948	58,083
Total supporting services	617,621	788,282
Total Expenses	35,535,450	32,442,888
CHANGE IN NET ASSETS	(15,407,576)	(11,718,112)
Net assets at beginning of year	71,962,714	81,017,916
Limited partner contributions, net of distributions	4,253,701	2,662,910
NET ASSETS AT END OF YEAR	\$ 60,808,839	\$ 71,962,714

see accompanying notes

WAKELAND HOUSING AND DEVELOPMENT SERVICES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND JUNE 30, 2019

		2020			
			Supporting Services		
	Program Services	Management and General	Fundraising	Total Expenses	
EXPENSES					
General and administrative	\$ 1,758,277	\$ 60,405	\$ 2,438	\$ 1,821,120	
Payroll	6,509,997	327,352	39,509	6,876,858	
Utilities	2,299,902	4,185	220	2,304,307	
Taxes and insurance	671,854	23,903	1,258	697,015	
Repairs and maintenance	1,985,491	872	46	1,986,409	
Marketing and advertising	92,438	3,049	160	95,647	
Legal and professional	371,241	25,445	1,234	397,920	
Rent expense	222,882	34,692	1,826	259,400	
Asset management fee	858,768	-	-	858,768	
Miscellaneous expense	607,907			607,907	
Interest expense	7,559,297	-	-	7,559,297	
Depreciation expense	10,158,226	65,806	-	10,224,032	
Amortization	157,981	-	-	157,981	
Bad debt expenses	1,663,426	-	-	1,663,426	
Donations	142	23,964	1,257	25,363	
Total Expenses	\$ 34,917,829	\$ 569,673	\$ 47,948	\$ 35,535,450	

	2019 (restated)				
		Supporting Services			
	Program Services	Management and General	Fundraising		Total Expenses
EXPENSES					
General and administrative	\$ 1,617,248	\$ 109,716	\$ 3,401	\$	1,730,365
Payroll	5,846,440	341,386	39,040		6,226,866
Utilities	2,250,376	4,459	811		2,255,646
Taxes and insurance	817,526	4,521	2,204		824,251
Repairs and maintenance	2,041,762	31	724		2,042,517
Marketing and advertising	38,517	3,516	923		42,956
Legal and professional	345,787	67,809	6,294		419,890
Rent expense	203,004	31,415	1,653		236,072
Asset management fee	803,222	-	-		803,222
Interest expense	7,301,425	45,000	-		7,346,425
Depreciation expense	10,188,403	64,714	-		10,253,117
Amortization	182,702	-	-		182,702
Bad debt expenses	18,194	-	-		18,194
Donations	-	57,632	3,033		60,665
Total Expenses	\$ 31,654,606	\$ 730,199	\$ 58,083	\$	32,442,888

see accompanying notes

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (15,407,576)	\$ (11,718,112)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	10,224,032	10,253,117
Amortization	157,981	182,702
Interest expense - debt issuance costs	133,708	131,322
Gain on disposal of fixed assets	(315,579)	(228,499)
Share of income from partnerships	(242,591)	(12,163)
Unrealized (gain) loss on securities	(46,814)	(177,635)
Bad debt expense	1,663,426	18,194
Change in accounts receivable	(47,100)	258,155
Change in prepaid expenses	11,484	(65,993)
Change in due from related party	(27,403)	(209,920)
Change in accrued interest receivable	(186,942)	(96,032)
Change in accounts payable and accrued expenses	600,277	165,163
Change in accrued interest payable	4,001,178	3,151,195
Change in tenant security deposits payable	(5,616)	39,850
Change in deferred revenue	(22,618)	39,045
Net cash provided by operating activities	<u>489,847</u>	<u>1,730,389</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from investment securities	2,122,181	1,373,682
(Funding of) proceeds from notes receivable	374,697	(2,190,313)
Cash paid for deferred charges	(164,968)	(153,911)
Cash contributions to limited partnerships	(49,123)	(272,749)
Cash distributions from limited partnerships	2,092	1,164,092
Cash paid for prepaid lease obligation	-	(3,693,187)
Cash paid for fixed assets and construction in progress	(32,001,389)	(21,844,659)
Net cash used in investing activities	<u>(29,716,510)</u>	<u>(25,617,045)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	34,140,924	23,261,519
Payments on notes payable	(7,095,343)	(3,633,723)
Cash paid for debt issuance costs	(576,877)	(205,873)
Non-controlling contribution	4,253,701	2,662,910
Net cash provided by financing activities	<u>30,722,405</u>	<u>22,084,833</u>
Net change in cash, cash equivalents and restricted cash	1,495,742	(1,801,823)
Cash, cash equivalents and restricted cash at beginning of year	<u>16,149,945</u>	<u>17,951,768</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 17,645,687</u>	<u>\$ 16,149,945</u>
Cash and cash equivalents	\$ 7,526,135	\$ 6,527,927
Tenant security deposits	516,322	545,666
Reserves	9,603,230	9,076,352
Total cash, cash equivalents and restricted cash	<u>\$ 17,645,687</u>	<u>\$ 16,149,945</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest - expensed	<u>\$ 3,424,411</u>	<u>\$ 4,063,908</u>

see accompanying notes

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

1. Organization

Wakeland Housing and Development Corporation (“Wakeland”) is a California Not-For-Profit Corporation. Its mission is to develop quality, affordable housing projects with resident education programs for low-income families by leveraging innovative financing and public-private partnerships. Through various ownerships, Wakeland has control over certain entities that provide services and housing for benefit of family services and those with special needs. The consolidated financial statements include the entities discussed below (collectively, the “Corporation”).

100% Owned Entities

The following entities are 100% owned or controlled by Wakeland (collectively, the “100% Owned Entities”):

Poinsettia Parks, LLC

Poinsettia Parks, LLC was established in November 2005 to acquire, own and operate a mobile home park located in Poway, California. Wakeland is the sole member of Poinsettia Parks, LLC.

Wakeland Opportunities for Affordable Housing

Wakeland Opportunities for Affordable Housing, a California Not-For-Profit Corporation (“WOAH”), was established in November 2014 to support Wakeland by providing affordable housing and related services for low-income and moderate-income persons who are in need of affordable, decent, safe and sanitary housing and related services.

Wakeland Entrada LP

Wakeland Entrada LP, a California limited partnership, was established in May 2017 to acquire, own, construct and operate a low income housing project located in Riverside, California. Wakeland is a 99.99% limited partner and Wakeland Entrada, LLC is a 0.01% managing general partner.

Via Tijeras LP

Via Tijeras LP, a California limited partnership, was established in January 2018 to acquire, own, construct and operate a low income housing project located in Albuquerque, New Mexico. Wakeland is a 99.99% limited partner and Wakeland Via Tijeras, LLC is a 0.01% managing general partner. On July 5, 2019 Wakeland sold the property and dissolved the Partnership.

Wakeland Anita LP

Wakeland Anita LP, a California limited partnership, was established in November 2017 to acquire, own, construct and operate a low income housing project located in Chula Vista, California. Wakeland is a 99.99% limited partner and Wakeland Anita, LLC is a 0.01% managing general partner.

Amani Apartments LP

Amani Apartments LP, a California limited partnership, was established in December 2018 to acquire, own, construct and operate a low income housing project located in Los Angeles, California. Wakeland is a 99.99% limited partner and Wakeland Amani, LLC is a 0.01% managing general partner.

Chesterfield Apartments LP

Chesterfield Apartments LP, a California limited partnership, was established in December 2018 to acquire, own, construct and operate a low income housing project located in Los Angeles, California. Wakeland is a 99.99% limited partner and Wakeland Chesterfield, LLC is a 0.01% managing general partner.

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

1. Organization (continued)

100% Owned Entities (continued)

Cuatro at City Heights LP

Cuatro at City Heights LP, a California limited partnership, was established in July 2018 to acquire, own, construct and operate a low income housing project located in San Diego, California. Wakeland is a 99.99% limited partner and Cuatro at City Heights, LLC is a 0.01% managing general partner.

Wakeland Wilcox LP

Wakeland Wilcox LP, a California limited partnership, was established in August 2019 to acquire, own, construct and operate a low income housing project located in Los Angeles, California. Wakeland is a 99.99% limited partner and Wakeland Wilcox, LLC is a 0.01% managing general partner.

Wakeland Quincy LP

Wakeland Quincy LP, a California limited partnership, was established in August 2019 to acquire, own, construct and operate a low income housing project located in Los Angeles, California. Wakeland is a 99.99% limited partner and Wakeland Quincy, LLC is a 0.01% managing general partner. For the year ended June 30, 2020 there was no activity.

Consolidated Partnerships

Wakeland controls, through LLCs, the following consolidated lower-tier partnerships (collectively the “Consolidated Partnerships”) in which Wakeland is the controlling general partner:

Consolidated Partnerships

	<u>GP % Ownership</u>
Beyer Boulevard Apartments, L.P.	0.01%
Camp Anza, L.P.	0.0051%
City Heights Ten, L.P.	0.009%
Country Club Apartments, L.P.	0.01%
Del Sol Apartments, L.P.	0.01%
Forester Square, L.P.	0.01%
Juniper Gardens, L.P.	0.01%
Levant Senior Cottages, L.P.*	0.008%
Lofts on Landis, L.P.	0.01%
Los Vecinos, L.P.	0.01%
Mission Heritage, L.P.*	0.005%
Mt Alifan Apartments, L.P.	0.0%
Parkside Terrace, L.P.	0.005%
Talmadge Gateway, L.P.	0.01%
Wakeland Atmosphere, L.P.	0.01%
Wakeland Atmosphere II, L.P.	0.01%
Wakeland Beacon Apartments, L.P.	0.01%
Wakeland Grove, L.P.	0.01%
Wakeland Trinity Place, L.P.	0.01%
Wakeland Village Green Apartments, L.P.	0.01%
Wakeland Vista Grande Apartments, L.P.	0.01%

*Wakeland is also the 99.99% limited partner

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

1. Organization (continued)

Other consolidated companies - LLCs

Wakeland establishes limited liability companies (collectively the “LLCs”) to serve as the managing general partner of limited partnerships to acquire, finance, build and operate a multifamily apartment complex intended for rental to residents of low income and to engage in any activities reasonably related thereto. Wakeland is the sole member of the below LLCs with the exception of Vista Las Flores, LLC which is owned 79% by WOA and 21% by San Diego Community Housing Corporation.

The LLCs and their respective ownership percentages in limited partnerships are as follows:

<u>LLC</u>	<u>Date Established</u>	<u>Ownership %</u>	<u>Limited Partnerships</u>
Wakeland Del Sol, LLC	December 2005	0.01%	Del Sol Apartments, L.P.
Wakeland Parkside, LLC	March 2006	0.01%	Parkside Terrace, L.P.
Wakeland Los Vecinos, LLC	January 2007	0.01%	Los Vecinos, L.P.
Wakeland Country Club, LLC	November 2007	0.01%	Country Club Apartments, L.P.
Wakeland Village Green Apartments, LLC	May 2008	0.01%	Wakeland Village Green Apartments, L.P.
Wakeland Vista Grande Apartments, LLC	June 2008	0.01%	Wakeland Vista Grande Apartments, L.P.
Wakeland Atmosphere, LLC	August 2010	0.01%	Wakeland Atmosphere, L.P.
Wakeland Forester Square, LLC	March 2011	0.01%	Forester Square, L.P.
Wakeland Juniper Gardens, LLC	November 2011	0.01%	Juniper Gardens, L.P.
Wakeland Atmosphere II, LLC	April 2013	0.01%	Wakeland Atmosphere II, L.P.
Wakeland Camp Anza, LLC	May 2013	0.0051%	Camp Anza, L.P.
Wakeland Landis, LLC	June 2013	0.01%	Lofts on Landis, L.P.
Wakeland City Heights Ten, LLC	October 2013	0.01%	City Heights Ten, L.P.
Wakeland Mobley, LLC	March 2014	0.0005%	Mobley Lane Partners, L.P.
Wakeland Talmadge Gateway, LLC	May 2015	0.0055%	Talmadge Gateway, L.P.
Wakeland Grove, LLC	January 2016	0.01%	Wakeland Grove, L.P.
Wakeland Beacon, LLC	July 2016	0.01%	Wakeland Beacon Apartments, L.P.
Wakeland Casa Panorama, LLC	August 2016	0.005%	RAHF IV Casa Panorama, L.P.
Wakeland La Mesa, LLC	August 2016	0.05%	La Mesa Springs Assoc., a CA LP
Wakeland Miramar, LLC	August 2016	0.05%	Miramar Tower, a CA LP
Wakeland Grove LA, LLC	August 2016	0.005%	RAHF IV Grove, L.P.
Wakeland Entrada, LLC	April 2017	100%	Wakeland Entrada LP
Wakeland Creekside Village, LLC	September 2017	0.05%	BRE MG Creekside Village LP
Wakeland Poinsettia, LLC	October 2017	-	N/A
Wakeland Vista Las Flores, LLC	October 2017	0.0039%	Vista Las Flores LP
Wakeland Warm Springs Affordable, LLC	October 2017	0.004%	Fairfield Warm Springs Affordable LP
Wakeland Anita, LLC	November 2017	0.005%	Wakeland Anita LP
Wakeland Reverend Glenn Allison, LLC	December 2017	0.0046%	Reverend Glenn Allison LP
Wakeland Mission Heritage, LLC	January 2018	0.005%	Mission Heritage, L.P.
Wakeland Trinity Place, LLC	January 2018	0.01%	Wakeland Trinity Place LP
Wakeland Via Tijeras, LLC	January 2018	0.01%	Via Tijeras LP
Wakeland Mt. Alifan, LLC	April 2018	0.01%	Mt. Alifan Apartments LP
Cuatro at City Heights, LLC	July 2018	0.01%	Cuatro at City Heights LP
Wakeland Amani, LLC	December 2018	0.01%	Amani Apartments LP
Wakeland Chesterfield, LLC	December 2018	0.01%	Chesterfield Apartments LP
Wakeland Levant, LLC	December 2018	0.01%	Levant Senior Cottages, L.P.
Wakeland Quincy, LLC	August 2019	0.01%	Wakeland Quincy, L.P.
Wakeland Wilcox, LLC	August 2019	0.01%	Wakeland Wilcox, L.P.

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

1. Organization (continued)

The following is a brief description of the Corporation's programs:

Rental operations

The Corporation owns and operates a mobile home park, and affordable housing projects to provide affordable housing to low and moderate income families, individuals, and resident education programs to the tenants. These expenses are composed of operational expenses such as utilities, operations and maintenance, taxes and insurance, depreciation, amortization, and interest.

Development

The Corporation's mission is to develop affordable housing using two methods: (1) acquisition and rehabilitation of existing multifamily residential housing; and (2) acquisition and entitlement of land and construction of new buildings.

Resident services

The resident services department is responsible for all onsite day-to-day resident services program implementation. The department provides initial set up, conducts ongoing assessments of community's program needs, and develops community partners while facilitating comprehensive programs for youth, adults and seniors. Wakeland supplements this department through its general fund.

Asset management

The asset management department administers all placed in service real estate in the Corporation's portfolio, which consists of 5,218 housing units. The department oversees all property tax abatement activities, monitors regulatory mandates, hires property management companies, provides property management oversight and develops operating budgets and capital improvement plans.

2. Summary of significant accounting policies

Basis of accounting

The Corporation prepares its consolidated financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Basis of presentation

The Corporation is required to report information regarding its consolidated financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Corporation. These net assets may be used at the discretion of the Corporation's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, which will be met by actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. As of June 30, 2020 and 2019, the Corporation has no net assets or contributions with donor restrictions.

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

2. Summary of significant accounting policies (continued)

Principles of consolidation

The consolidated financial statements include the accounts of Wakeland Housing and Development Corporation, 100% owned entities, the LLCs, and the Consolidated Partnerships. All material intercompany transactions have been eliminated in consolidation.

Investment in partnerships – equity method

The Corporation uses the equity method of accounting for its investments in 24 limited partnerships in which the Corporation serves as a co-general partner, as the Corporation does not control the major operating and financial policies of the limited partnerships. Under this method, the Corporation's share of income, losses, and distributions incurred by the limited partnerships is recognized as an increase or reduction of the carrying value of the investments.

The following investments in partnerships are recorded under the equity method:

<u>Partnership</u>	<u>Ownership %</u>
Vista Las Flores LP	0.05%
Westgate Courtyards, L.P.	0.005%
Westchester Park, L.P.	0.10%
BRE MG Creekside Village LP	0.10%
Trinity Escondido 1, L.P.	0.005%
Walden Glen L.P.	0.02%
The Stratton, L.P.	0.02%
Fairfield Bristol, L.P.	0.02%
Canyon Rim, L.P.	0.02%
Fairfield Trestles L.P.	0.02%
Lillian Place, L.P.	0.005%
FF Hills, L.P.	0.02%
Fairfield Wyndover L.P.	0.02%
Mobley Lane Partners, L.P.	0.005%
Fairfield Belmont, L.P.	0.02%
Fairfield Creekview, L.P.	0.02%
Fairfield Turnleaf, L.P.	0.02%
La Mesa Springs Assoc., a CA LP	0.05%
Miramar Towers, a CA LP	0.05%
RAHF IV Casa Panorama, L.P.	0.05%
Reverend Glenn Allison LP	0.0066%
RAHF IV Grove, L.P.	0.005%
Fairfield Warm Springs Affordable LP	0.004%
Mission Terrace MGP, LLC	21.0%

Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents includes all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or fewer at the date of acquisition.

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

2. Summary of significant accounting policies (continued)

Cash and cash equivalents (continued)

Restricted cash is not considered cash and cash equivalents, and includes cash held with financial institutions for funding of operating deficits, repairs or improvements to the buildings that extend their useful lives, annual payments of tax and insurance, debt service payments, payments of tenant service fees, payments of asset management fees, and refunds of tenant security deposits. Restricted cash does not fall under the criteria for donor restricted net assets as these funds are held for operational purposes rather than donor imposed restrictions.

Concentration of credit risk

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

Accounts receivable

Management considers receivables to be fully collectible. If amounts become uncollectible, they are charged to operations in the period in which that determination is made. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Fair value measurements

The Corporation applies the accounting provisions related to fair value measurements. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity's own data. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

- Level 1:* Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2:* Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3:* Unobservable inputs that reflect the Organization's own assumptions.

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

2. Summary of significant accounting policies (continued)

Fair value measurements (continued)

The following tables present the Corporation's assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of June 30, 2020 and 2019:

	Fair value at June 30, 2020	Fair value at June 30, 2019
	Level 1	Level 1
Investment in securities	\$ 5,640,634	\$ 7,716,001

Fair value of financial instruments

The Corporation's financial instruments are cash and cash equivalents, cash reserves, accounts payable and accrued liabilities. The recorded values of cash and cash equivalents, cash reserves, accounts payable and accrued liabilities approximate fair value values based on their short-term nature.

Investments

Investment purchases and sales are accounted for on a trade-date basis. Realized gains and losses are calculated based upon the underlying cost of individual lots. Interest income is recorded when earned and dividends are recorded on the ex-dividend date.

Investments are made according to the finance policy adopted by the Corporation's Board of Directors. The guidelines provide for investment in equities, fixed income, and other securities with performance measured against appropriate indices. Outside advisors are utilized by the Corporation for the purpose of providing investment and consulting advice.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

As of June 30, 2020 and 2019, the investments in securities including municipal and corporate bonds and floating rate debt instruments were \$5,640,634 and \$7,716,001, respectively.

Notes receivable

Amounts due from entities are recorded based on the total funds advanced to the consolidated entities, less an allowance for loan losses. Management assesses the collectability of loans or notes receivable to entities on a periodic basis, which assessment consists primarily of an evaluation of cash flow projections of the borrower to determine whether estimated cash flows are sufficient to repay principal and interest in accordance with the contractual terms of the arrangement. The adequacy of the allowance for loan losses is based on the likelihood of collection and the consolidated entities' compliance with the terms of repayment. Amounts outstanding that are contractually delinquent less than 90 days are generally not considered impaired, unless the borrower has claimed bankruptcy or the Corporation has received specific information concerning nonpayment.

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

2. Summary of significant accounting policies (continued)

Notes receivable (continued)

The Corporation recognizes impairment on these instruments when it is probable that principal and interest will not be received in accordance with the contractual terms of the arrangement. The amount of the impairment to be recognized generally is based on the fair value of the underlying collateral, which represents the primary source of loan repayment. The fair value of the collateral, which is generally comprised of real estate, other equipment and certain cash flows, is estimated through income and market valuation approaches using information such as broker estimates, purchase prices for recent transactions on comparable assets and net operating income capitalization analyses using observable and unobservable inputs such as capitalization rates, asset quality grading, geographic location analysis, and local supply and demand observations.

The Corporation's key credit quality indicator is a loan's performance status, defined as accruing or nonaccruing. Performing loans are considered to have a lower risk of loss. Amounts due from consolidated entities are placed on nonaccrual status when management believes, after considering economic conditions, business conditions, and collection efforts, that these instruments are impaired or collection of interest is doubtful. Uncollectible interest previously accrued is charged off, or an allowance is established by a charge to interest income. Interest income on nonaccrual loans is recognized only to the extent cash payments are received and the principal balance is believed to be collectible. There were no loans on nonaccrual status and still accruing interest at June 30, 2020 and 2019. As of June 30, 2020 and 2019, the allowance for loan losses was \$574,839 for both years.

Fixed assets and depreciation

The Corporation capitalizes all expenditures in excess of \$1,000 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as without donor restrictions 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 having donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Corporation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

Building	27.5 - 40 years
Improvements	15 - 40 years
Computer equipment	5 years
Office equipment	5 - 7 years
Vehicles	5 years

For the years ended June 30, 2020 and 2019, depreciation for rental operations was \$10,158,226 and \$10,188,403, respectively, and for financial expenses was \$65,806 and \$64,714, respectively. Total depreciation expense for the years ended June 30, 2020 and 2019 was \$10,224,032 and \$10,253,117, respectively.

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

2. Summary of significant accounting policies (continued)

Fixed assets and depreciation (continued)

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property or equipment, the asset account is reduced by the cost and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

Construction in progress

In the normal course of business, the Corporation incurs costs when determining the viability of a real estate development. The Corporation capitalizes these costs until the project is transferred to a separate entity or it is determined not to be feasible and thereafter written off. Construction in progress consists of the following for the years ended June 30, 2020 and 2019:

	2020	2019
Construction in progress - Amani	\$ 1,871,834	\$ 413,791
Construction in progress - Anita	1,327,900	791,511
Construction in progress - Beacon	-	12,629,858
Construction in progress - Chesterfield	1,571,582	348,704
Construction in progress - Cuatro	772,395	381,376
Construction in progress - Entrada	1,109,857	762,558
Construction in progress - Grove	18,735,910	5,256,890
Construction in progress - Levant	200,246	45,043
Construction in progress - Mission Heritage	2,737,046	1,500,771
Construction in progress - Mt. Alifan	3,831,925	632,450
Construction in progress - Trinity	5,151,761	973,663
Construction in progress - Via Tijeras	-	74,190
Construction in progress - Wilcox	735,245	-
Project development - Wakeland	1,863,292	1,113,228
Total construction in progress	<u>\$ 39,908,993</u>	<u>\$ 24,924,033</u>

Deferred charges and amortization

Tax credit fees are amortized on a straight-line basis over the 15-year tax credit compliance period. As of June 30, 2020 and 2019, the tax credit fees were \$831,540 and \$707,856, respectively. As of June 30, 2020 and 2019, accumulated amortization was \$386,826 and \$338,774, respectively. Amortization expense for the years ended June 30, 2020 and 2019 was \$157,981 and \$182,702, respectively.

Impairment of long-lived assets

The Corporation reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. There were no impairment losses recognized as of June 30, 2020 and 2019.

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

2. Summary of significant accounting policies (continued)

Leases

Wakeland Grove, LP (“Lessee”) entered into a lease agreement with Community Development Commission of the City of Vista (the “Commission”) whereby the Lessee has agreed to lease land from the Commission (Note 12). Pursuant to the guidance for accounting for leases, the Lessee accounts for the lease of land as an operating lease.

Compensated absences

Accumulated unpaid vacation and other employee benefit amounts totaling \$302,297 and \$222,769 at June 30, 2020 and 2019, respectively, are accrued when incurred and included in accounts payable and accrued expenses.

Income taxes

Wakeland and WOA are public charities and are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Wakeland and WOA believe that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the financial statements.

Income taxes on partnership and LLC income are levied on the partners and members in their individual capacity. Accordingly, all profits and losses of the 100% Owned Entities and Consolidated Partnerships are recognized by each partner and member on its respective tax return.

The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires the Corporation to report information regarding its exposure to various tax positions taken by the Corporation. The Corporation has determined whether any tax positions have met the recognition threshold and has measured the Corporation's exposure to those tax positions. Management believes that the Corporation has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Corporation are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying consolidated financial statements.

Property tax exemption

The Corporation's real estate holdings are exempt from real property taxes. In the event such exemption is not renewed annually or no longer available, the Corporation's cash flow would be negatively impacted.

Donated services

The Corporation utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the consolidated financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the years ended June 30, 2020 and 2019, did not meet the requirements above, therefore no amounts were recognized in the consolidated financial statements.

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

2. Summary of significant accounting policies (continued)

Revenue recognition

Rental revenue attributable to residential leases is recorded when due from residents, generally upon the first day of each month. Leases are for periods of up to one year, with rental payments due monthly. Other income includes fees for late payments, cleaning, damages, laundry facilities and other charges and is recorded when earned. Developer fee income, asset management fee income, resident services fee income, and interest income are recognized when earned.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Deferred revenue is defined as income received prior to the income being earned and is recorded as a liability. Deferred income is reduced and recorded as income as the income is earned. Advance receipts of rental income are deferred or classified as liabilities until earned and totaled \$79,779 and \$102,397 for the years ended June 30, 2020 and 2019, respectively.

Economic concentrations

The Corporation receives a significant amount of revenue from the projects in which it is the general partner. These sources of funds are dependent upon the continued successful development and management of these projects. The operations of these projects are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies.

The Corporation, either as a direct owner, advisor or general partner, has an economic interest in real estate projects that are subject to business risks associated with the economy and level of unemployment in California, which affects occupancy, as well as the tenants' ability to make rental payments. In addition, these projects operate in a heavily regulated environment.

Functional expenses

The costs of providing program services and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services. Such allocations are determined by management on an equitable basis.

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

2. Summary of significant accounting policies (continued)

Functional expenses (continued)

The expenses that are allocated include the following:

Type of Expense	Base of Allocation
<u>Functional</u>	
General and administrative	Direct Allocation
Payroll	Direct Allocation
Utilities	Direct Allocation
Taxes and insurance	Direct Allocation
Repairs and maintenance	Direct Allocation
Marketing and advertising	Direct Allocation
Legal and professional	Direct Allocation
Rent expense	Direct Allocation
Interest expense	Direct Allocation
Depreciation expense	Time and effort
Miscellaneous expenses	Direct Allocation

Reclassification

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

Changes in accounting principles

On July 1, 2019, the Corporation adopted a new accounting standard that affects the accounting for revenue. The Corporation's revenue is mainly derived from leases held by subsidiaries, and allocated to the Corporation. This revenue is not impacted by the new standard. Adopting the new standard did not have a significant impact on the financial statements.

The new revenue standard also introduced new guidance for accounting for other income, including the accounting for sales of real estate. Adopting this standard did not have a significant impact on the financial statements.

On July 1, 2019, the Entity adopted new accounting standards that affect the statement of cash flows. These new standards address how certain cash receipts and payments are presented and classified in the statement of cash flows, including that debt prepayments and other debt extinguishment related payments are required to be classified as financing activities, when previously these payments were classified as an operating activity. The new standards also require the statement of cash flows to explain the change in cash, cash equivalents and restricted cash. Previously, changes in restricted cash were presented in the statement of cash flows as operating, investing or financing activities depending upon the intended purpose of the restricted funds. The effect of the revisions to the statements of cash flows for the year ended June 30, 2019 is as follows:

	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Revised</u>
Net cash flows from investing activities	<u>\$ (25,557,488)</u>	<u>\$ (59,557)</u>	<u>\$ (25,617,045)</u>

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

2. Summary of significant accounting policies (continued)

Prior period adjustments

In 2020, the Corporation determined land donated to Wakeland Beacon Apartments, LP in 2016 was recorded incorrectly. The land was previously valued at cost, and would need to be restated to account for gain recognized at the time of the donation. As a result, it was determined that a prior period adjustment would be required. As of June 30, 2019, land and net assets were understated by \$1,916,569. The net asset balance as of July 1, 2018 has been restated to reflect this adjustment.

In 2020, the Corporation determined land leased by Wakeland Grove, LP in 2019 was recorded incorrectly. The land was previously valued at cost, and the lease was previously unaccounted for. The land would need to be removed and a prepaid lease obligation would need to be recorded (note 12). As a result, it was determined that a prior period adjustment would be required. As of June 30, 2019, land was overstated by \$681,631, prepaid lease obligation was understated by \$3,693,187, and net assets was understated by \$1,833,187. The net asset balance as of June 30, 2019 has been restated to reflect this adjustment.

Subsequent events

Subsequent events have been evaluated through September 12, 2020, which is the date the consolidated financial statements were available to be issued. Subsequent events are disclosed in Note 15 to the consolidated financial statements.

3. Liquidity and availability of financial assets

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 7,526,135
Due from related party	242,551
Accounts receivable	588,255
Total	<u>\$ 8,356,941</u>

The Corporation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Corporation considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. The Corporation has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities. In addition, the Corporation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

4. Restricted cash

Funded reserves are held by a financial institution to be used for reserves, including money market fund and short-term investment. All other entities funded reserves are held by a financial institution to be used for debt service, repairs and replacement, and tax and insurance escrow.

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

4. Restricted cash (continued)

	2020	2019
Restricted reserves - Consolidated Partnerships	\$ 8,893,932	\$ 8,518,289
Tenant security deposits - Consolidated Partnerships	516,322	545,666
Restricted reserves - Wakeland Poway development fund - Poinsettia Parks, LLC	709,298	558,063
Total restricted reserves	<u>10,119,552</u>	<u>9,622,018</u>
Current		
Tenant security deposits	\$ 516,322	\$ 545,666
Wakeland Poway development fund - Poinsettia Parks, LLC	709,298	558,063
Total current restricted reserves	<u>\$ 1,225,620</u>	<u>\$ 1,103,729</u>
Noncurrent		
Other reserves - consolidated partnerships	<u>\$ 8,893,932</u>	<u>\$ 8,518,289</u>

5. Deposit

In January 2017, Wakeland made a deposit for an option to purchase Trinity Housing Investments 1, LLC's limited partner interest in Trinity Escondido 1, L.P in the amount of \$1,000,000. The option to purchase the limited partner interest was extended to June, 2021. If the option was exercised, Wakeland would own 100% of Trinity Escondido 1, L.P. As of June 30, 2020, the option was not exercised.

6. Transaction with related parties

The Corporation provides advances to cover certain predevelopment and operating expenses to limited partnerships of which the Corporation is the General Partner. As of June 30, 2020 and 2019, the Corporation was owed \$242,551 and \$215,148, respectively.

7. Notes receivable

The Corporation has advanced funds to certain limited partnerships in which the Corporation is the general partner. The Corporation also earns developer fees from services performed in connection with the development and construction of the low income housing tax credit projects. Notes receivable consist of the following for the years ended June 30, 2020 and 2019:

	2020	2019
Lillian Place, L.P. - note receivable	\$ 574,839	\$ 574,839
Reverend Glenn Allison LP - note receivable	570,000	570,000
Reverend Glenn Allison LP - developer fee receivable	129,136	731,932
Vista Las Flores LP - note receivable	1,093,656	1,142,940
Vista Las Flores LP - developer fee receivable	277,613	-0-
Allowance	(2,238,495)	(574,839)
Total notes receivable	<u>\$ 406,749</u>	<u>\$ 2,444,872</u>

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

7. Notes receivable (continued)

Accrued interest receivable on notes receivable totaled \$358,405 and \$171,463 at June 30, 2020 and 2019, respectively, and is included in accrued interest receivable on the statements of financial position. For the years ended June 30, 2020 and 2019, bad debt expense was \$1,663,426 and \$18,194, respectively.

8. Fixed assets

Fixed assets consisted of the following for the years ended June 30, 2020 and 2019:

	2020	2019
Land	\$ 68,576,304	\$ 60,283,282
Building	255,981,337	248,822,843
Improvements	16,247,670	15,892,615
Furniture Fixtures and Equipment	5,931,800	4,934,232
Vehicles	7,000	7,000
Subtotal	346,744,111	329,939,972
Less: accumulated depreciation	(74,581,188)	(64,667,006)
Fixed assets, net	<u>\$ 272,162,923</u>	<u>\$ 265,272,966</u>

9. Deficiency in limited partnerships

The Corporation owns a general partner interest in limited partnerships accounted for on the equity method. The following are the share of deficiencies in the Corporation's partnership capital accounts at June 30, 2020 and 2019:

	2020	2019
Wakeland's Share of Deficiency (Investment) in Partnership		
Canyon Rim, L.P.	\$ 3,961	\$ 3,174
Fairfield Belmont, L.P.	(668)	(173)
Fairfield Bristol, L.P.	(101)	(138)
Fairfield Creekview, L.P.	364	67
Fairfield Trestles L.P.	34	44
Fairfield Turnleaf, L.P.	82	80
Fairfield Wyndover L.P.	109	(79)
FF Hills, L.P.	192	99
Lillian Place, L.P.	(272,225)	(272,225)
Mission Terrace MGP, LLC	(21)	-0-
The Stratton, L.P.	305	1,897
Trinity Escondido 1, L.P.	3,882	3,868
Vista Las Flores LP - Wakeland	1,093,656	1,690,996
Vista Las Flores LP - WOA	-0-	(379,423)
Walden Glen L.P.	53	86
Westchester Park, L.P.	(1,850)	(1,529)
Westgate Courtyards, L.P.	59,809	59,809
Subtotal	<u>887,582</u>	<u>1,106,553</u>

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

9. Deficiency in limited partnerships (continued)

	2020	2019
LLC's Share of Deficiency (Investment) in Partnership		
BRE MG Creekside Village LP	-0-	(3,352)
La Mesa Spring Assoc., a CA LP	2,457	2,457
Miramar Towers, a CA LP	7,644	7,654
Mobley Lane Partners, L.P.	149	149
RAHF IV Casa Panorama, L.P.	448	424
RAHF IV Grove, L.P.	(6)	6
Reverend Glenn Allison, L.P.	(30)	(30)
Wakeland Opportunities for Affordable Housing	-0-	24,642
Vista Las Flores, L.P.	(49,363)	-0-
Subtotal	(38,701)	31,950
Total Share of Deficiency in Partnerships	\$ 848,881	\$ 1,138,503

10. Investment partnerships – revenue earned

The Corporation provided development, asset management and resident services to partnerships for which it earned the following amounts for the year ended June 30, 2020:

	Developer Fees	Asset Management Fees	Resident Services
BRE MG Creekside Village LP	\$ -	\$ 30,972	\$ 25,189
Canyon Rim, L.P.	-	105,125	38,713
Fairfield Belmont L.P.	-	41,687	-
Fairfield Bristol, L.P.	-	13,371	-
Fairfield Creekview L.P.	-	64,092	-
Fairfield Trestles L.P.	-	14,984	-
Fairfield Turnleaf L.P.	-	31,897	-
Fairfield Wyndover, L.P.	-	32,969	19,383
FF Hills LP	-	55,332	-
La Mesa Springs Assoc., a CA LP	-	-	29,618
Lillian Place, L.P.	-	10,492	-
Miramar Towers, a CA LP	25,000	-	-
Mobley Lane Partners, L.P.	-	-	4,738
Reverend Glenn Allison LP	-	21,395	-
The Stratton LP	-	63,237	23,965
Trinity Escondido 1, L.P.	-	41,063	34,963
Vista Las Flores LP	277,613	59,512	2,789
Wakeland Casa Panorama, LLC	-	58,869	-
Wakeland Creekside Village, LLC	-	8,155	-
Wakeland Grove LA, LLC	-	12,617	-
Wakeland Miramar, LLC	-	11,044	-
Walden Glen LP	-	31,767	14,286
Westgate Courtyards, L.P.	-	36,403	-
Westchester Park, L.P.	-	30,444	11,522
Total	\$ 302,613	\$ 775,427	\$ 205,166

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

10. Investment partnerships – revenue earned (continued)

The Corporation provided development, asset management and resident services to partnerships for which it earned the following amounts for the year ended June 30, 2019:

	Developer Fees	Asset Management Fees	Resident Services
Canyon Rim LP	\$ -	\$ 99,518	\$ 37,585
Fairfield Belmont L.P.	-	39,250	-
Fairfield Bristol, L.P.	-	13,411	-
Fairfield Creekview L.P.	-	556,008	-
Fairfield Trestles L.P.	-	14,334	-
Fairfield Turnleaf L.P.	-	30,014	-
Fairfield Wyndover, L.P.	-	28,768	17,430
FF Hills LP	-	56,209	-
La Mesa Springs Assoc., a CA LP	50,000	34,707	-
Lillian Place, L.P.	-	10,187	-
BRE MG Creekside Village LP	-	39,139	24,455
Miramar Towers, a CA LP	-	35,963	-
Mobley Lane Partners, L.P.	-	-	4,600
RAHF IV Grove, L.P.	-	14,000	-
Reverend Glenn Allison LP	731,931	19,442	-
The Stratton LP	-	59,560	23,267
Trinity Escondido 1, L.P.	-	40,026	33,944
Vista Las Flores LP	69,403	7,470	8,246
Vista Terrace Hills Preservation, L.P.	-	-	-
Walden Glen LP	-	30,204	13,870
Westgate Courtyards, L.P.	-	31,525	-
Westchester Park, L.P.	-	28,533	11,186
Total	<u>\$ 851,334</u>	<u>\$ 1,188,268</u>	<u>\$ 174,583</u>

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
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11. Notes payable

Notes payable consisted of the following at June 30, 2020 and 2019:

<u>Wakeland Housing and Development Corporation</u>	<u>2020</u>	<u>2019</u>
<u>Union Bank, N.A.</u>		
On April 1, 2014, Wakeland obtained a loan (the “Union Bank Note”) from Union Bank, N.A. The Union Bank Note is in the amount of \$400,000, has a fixed interest rate of 2.5% per annum, and matures on April 1, 2021 and may be extended up to two years. The Union Bank Note is secured by Wakeland. Interest is payable quarterly, in arrears, on the first day of the first month of each quarter beginning July 1, 2014. The outstanding principal balance of the note and accrued but unpaid interest shall be due and payable on the maturity date. As of June 30, 2020 and 2019, the outstanding principal balance on the Union Bank Loan was \$400,000 for both years. As of June 30, 2020 and 2019, accrued interest was \$-0- for both years. For the years ended June 30, 2020 and 2019, interest expense was \$10,000 for each year.	\$ 400,000	\$ 400,000
<u>Wells Fargo Community Investment Holdings</u>		
On May 26, 2017, Wakeland obtained a loan from Wells Fargo Community Investment Holdings (the “Wells Fargo Note”). The Wells Fargo Note is in the amount of \$750,000, fixed interest rate of 2.0% per annum, and matures on January 1, 2023. The Wells Fargo Note is secured by Wakeland. Interest is payable quarterly, in arrears, on the first day of the first month of each quarter beginning July 1, 2017. The outstanding principal balance of the note and accrued but unpaid interest shall be due and payable on January 1, 2023. As of June 30, 2020 and 2019, the outstanding principal balance on the Wells Fargo Note was \$750,000 for both years. As of June 30, 2020 and 2019, accrued interest was \$-0- for both years. For the years ended June 30, 2020 and 2019, interest expense was \$15,000 for each year.	\$ 750,000	\$ 750,000

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

11. Notes payable (continued)

<u>Wakeland Housing and Development Corporation</u> <u>(continued)</u>	<u>2020</u>	<u>2019</u>
<u>Wells Fargo AHP Federal Home Loan</u>		
On January 9, 2017, Wakeland obtained a loan (the “Wells Fargo AHP Loan”) from Wells Fargo Financial National Bank. The Wells Fargo AHP Federal Home Loan was in the amount of \$350,000, has no interest, and matures on October 1, 2071. The Wells Fargo AHP Loan is secured by Wakeland. All unpaid principal is due and payable on October 1, 2071. The proceeds of the Wells Fargo AHP Loan are designated for Talmadge Gateway, L.P. As of June 30, 2020 and 2019, the outstanding principal balance on the Wells Fargo AHP Federal Home Loan was \$350,000 for both years. As of June 30, 2020 and 2019, accrued interest was \$-0- for both years. For the years ended June 30, 2020 and 2019, interest expense was \$-0- for each year.	\$ 350,000	\$ 350,000
<u>U.S. Bancorp Community Development Corporation</u>		
On November 1, 2007, Wakeland obtained a loan (the “U.S. Bank EQ2 Funds Note”) from U.S. Bancorp Community Development Corporation. The U.S. Bancorp Note is in the amount \$500,000, has a fixed interest rate of 4.0% per annum, and matures on November 1, 2022. The U.S. Bank EQ2 Funds Note is secured by Wakeland. Interest is payable quarterly. All unpaid principal and interest is due and payable on November 1, 2022. As of June 30, 2020 and 2019, the outstanding principal balance on the U.S. Bank EQ2 Funds Note was \$500,000 for both years. As of June 30, 2020 and 2019, accrued interest was \$-0- for both years. For the years ended June 30, 2020 and 2019, interest expense was \$20,000 for each year.	\$ 500,000	\$ 500,000

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

11. Notes payable (continued)

<u>Wakeland Housing and Development Corporation</u> <u>(continued)</u>	<u>2020</u>	<u>2019</u>
<u>Wells Fargo AHP RGA Home Loan</u>		
On December 1, 2017, Wakeland obtained a loan (the “Wells Fargo AHP RGA Loan”) from Wells Fargo Financial National Bank. The Wells Fargo AHP RGA Home Loan is in the amount of \$570,000, has no interest, and matures on October 1, 2034. The Wells Fargo AHP RGA Loan is secured by Wakeland. All unpaid principal is due and payable on December 1, 2034. The proceeds of the Wells Fargo AHP RGA Loan are designated for Reverend Glenn Allison LP. As of June 30, 2020 and 2019, the outstanding principal balance on the Wells Fargo AHP RGA Home Loan was \$570,000 for both years. As of June 30, 2020 and 2019, accrued interest was \$-0- for both years. For the years ended June 30, 2020 and 2019, interest expense was \$-0- for each year.	\$ 570,000	\$ 570,000
<u>Wells Fargo AHP Grove Home Loan</u>		
On March 13, 2019, Wakeland obtained a loan (the “Wells Fargo AHP Grove Loan”) from Wells Fargo Financial National Bank. The Wells Fargo AHP Grove Home Loan is in the amount of \$800,000, has no interest, and matures on March 13, 2034. The Wells Fargo AHP Grove Loan is secured by Wakeland. All unpaid principal is due and payable on March 13, 2034. The proceeds of the Wells Fargo AHP Grove Loan are designated for Wakeland Grove, LP. As of June 30, 2020 and 2019, the outstanding principal balance on the Wells Fargo AHP Grove Home Loan was \$800,000 and \$-0-, respectively. As of June 30, 2020 and 2019, accrued interest was \$-0- for both years. For the years ended June 30, 2020 and 2019, interest expense was \$-0- for each year.	\$ 800,000	\$ -0-

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

11. Notes payable (continued)

	<u>2020</u>	<u>2019</u>
<u>Wakeland Housing and Development Corporation</u> <u>(continued)</u>		
<u>US Small Business Administration PPP Loan</u>		
On April 22, 2020, Wakeland obtained a loan from the US Small Business Administration under the Paycheck Protection Program ("PPP") in the amount of \$431,100 (the "PPP Loan"). The application for the PPP Loan requires the Corporation to, in good faith, certify that the current economic uncertainty resulting from the COVID-19 pandemic made the loan request necessary to support the ongoing operation of the Corporation. This certification further requires the Corporation to take into account its current business activity and its ability to access other sources of liquidity sufficient to support the ongoing operations in a manner that is not significantly detrimental to the business. The receipt of funds from the PPP Loan is dependent on the initial qualification of the Corporation for the PPP Loan. Forgiveness of the PPP Loan is dependent on the use of such funds for certain expenditures such as payroll costs and rent, as required by the terms of the PPP Loan. There is no assurance that the Corporation's obligation under the PPP Loans will be forgiven. If the PPP Loans are not forgiven, the Corporation will need to repay the PPP Loans over a two-year period, commencing six months after the funding of the PPP Loans, at an interest rate of 1% per annum. The PPP Loan is unsecured and matures on April 22, 2022 at which time all unpaid principal and accrued interest is due and payable. As of June 30, 2020 and 2019, the outstanding principal balance on the PPP Loan was \$431,100 and \$-0-, respectively. As of June 30, 2020 and 2019, accrued interest was \$-0- for both years. For the years ended June 30, 2020 and 2019, interest expense was \$-0- for each year.		
	\$ 431,100	\$ -0-

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

11. Notes payable (continued)

	<u>2020</u>	<u>2019</u>
<u>Poinsettia Parks, LLC</u>		
<u>NorthMarq Capital Loan</u>		
On September 12, 2017, the Company obtained a loan (the “NorthMarq Capital Loan”) from NorthMarq Capital Finance, LLC. The NorthMarq Capital Loan was in the amount of \$24,250,000, has an interest rate of 3.89% per annum, and matures on October 1, 2027. Payments on the loan began on November 1, 2017. Monthly payments of \$114,241 of principal and interest are due the first day of each month. The NorthMarq Capital Loan is secured by a first position Deed of Trust on the Park. As of June 30, 2020 and 2019, the outstanding principal balance on the NorthMarq Capital Loan was \$23,088,263 and \$23,536,379, respectively. As of June 30, 2020 and 2019, accrued interest was \$-0- for both years. For the years ended June 30, 2020 and 2019, interest expense was \$923,021 and \$937,635, respectively. As of June 30, 2020 and 2019, the effective interest rate was 4.08% and 4.07%, respectively.	\$ 23,088,263	\$ 23,536,379
<u>Wakeland Entrada LP</u>		
<u>City of Riverside</u>		
On February 8, 2018, Wakeland Entrada LP obtained a loan (the “City of Riverside Loan”) held by Housing Authority of the City of Riverside in an amount not to exceed \$4,000,000. The City of Riverside Loan has an interest rate of 3.0% per annum and matures on December 31, 2075. The outstanding principal balance of the grant and accrued but unpaid interest is due and payable on the maturity date. The City of Riverside Loan is secured by a first position Deed of Trust. As of June 30, 2020 and 2019, the outstanding principal balance on the City of Riverside Loan was \$3,645,789 and \$3,265,193, respectively. As of June 30, 2020 and 2019, accrued interest was \$172,718 and \$-0-, respectively. For the years ended June 30, 2020 and 2019, capitalized interest was \$172,718 and \$8,199, respectively.	\$ 3,645,789	\$ 3,265,193

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

11. Notes payable (continued)

	<u>2020</u>	<u>2019</u>
<u>Via Tijeras LP</u>		
<u>Local Initiatives Support Corporation</u>		
On January 31, 2018, Via Tijeras LP obtained a loan (the “Local Initiatives Support Corporation Loan”) held by Local Initiatives Support Corporation in the amount of \$5,607,000 and accrues interest at a fixed rate of 5.0% per annum. No interest is paid or accrued during construction. Payments of interest are due monthly. The outstanding principal balance of the note and accrued interest were repaid in full on July 5, 2019. The Local Initiatives Support Corporation Loan is secured by a first position Deed of Trust. As of June 30, 2020 and 2019, the outstanding principal balance on the Local Initiatives Support Corporation Loan was \$-0- and \$5,402,691, respectively. As of June 30, 2020 and 2019, accrued interest was \$-0- for both years. For the years ended June 30, 2020 and 2019, interest expense was \$50,275 and \$292,646, respectively. For the years ended June 30, 2020 and 2019, capitalized interest was \$-0- and \$66,975, respectively.	\$ -0-	\$ 5,402,691
<u>Wakeland Anita LP</u>		
<u>Chula Vista Housing Authority</u>		
On October 31, 2017, the Wakeland Anita LP obtained a loan (the “Chula Vista Housing Authority Loan”) held by Chula Vista Housing Authority up to the amount of \$4,158,740 and accrues interest at a fixed rate of 3.0% per annum. Payments of principal and interest are due and payable from residual receipts. The outstanding principal balance of the note and accrued interest are due and payable on October 31, 2072. The Chula Vista Housing Authority Loan is secured by a Deed of Trust. As of June 30, 2020 and 2019, the outstanding principal balance on the Chula Vista Housing Authority Loan was \$3,841,741 for both years. As of June 30, 2020 and 2019, accrued interest was \$290,497 and \$-0-, respectively. For the years ended June 30, 2020 and 2019, capitalized interest was \$290,497 and \$-0-, respectively.	\$ 3,841,741	\$ 3,841,741

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

11. Notes payable (continued)

	<u>2020</u>	<u>2019</u>
<u>Amani Apartments LP</u>		
<u>Low Income Investment Fund</u>		
On January 14, 2019, Amani Apartments LP obtained a note (the "Low Income Investment Fund Note") held by Low Income Investment Fund in the amount of \$3,500,000 and accrues interest at a fixed rate of 5.57% per annum. Starting March 1, 2019, payments of interest are due and payable monthly. The outstanding principal balance of the note and accrued interest is due and payable on January 14, 2021. The Low Income Investment Fund Note is secured by a Deed of Trust. As of June 30, 2020 and 2019, the outstanding principal balance on the Low Income Investment Fund Note was \$3,377,482 and \$3,192,031, respectively. As of June 30, 2020 and 2019, accrued interest was \$-0- for both years. For the years ended June 30, 2020 and 2019, interest capitalized was \$185,451 and \$81,686, respectively.	\$ 3,377,482	\$ 3,192,031
On June 27, 2019, Amani Apartments LP obtained a note (the "Low Income Investment Fund Predevelopment Note") held by Low Income Investment Fund in the amount of \$750,000 and accrues interest at a fixed rate of 5.23% per annum. Starting August 1, 2019, payments of interest are due and payable monthly. The outstanding principal balance of the note and accrued interest is due and payable on June 27, 2021. The Low Income Investment Fund Predevelopment Note is secured by a Deed of Trust. As of June 30, 2020 and 2019, the outstanding principal balance on the Low Income Investment Fund Predevelopment Note was \$723,188 and \$346,501, respectively. As of June 30, 2020 and 2019, accrued interest was \$-0- for both years. For the years ended June 30, 2020 and 2019, interest capitalized was \$30,188 and \$-0-, respectively.	\$ 723,188	\$ 346,501

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

11. Notes payable (continued)

	<u>2020</u>	<u>2019</u>
<u>Chesterfield Apartments LP</u>		
<u>Low Income Investment Fund</u>		
On February 7, 2019, Chesterfield Apartments L.P. obtained a note (the "Low Income Investment Fund Note") held by Low Income Investment Fund in the amount of \$1,850,000 and accrues interest at a fixed rate of 5.61% per annum. Starting April 1, 2019, payments of interest are due and payable monthly. The outstanding principal balance of the note and accrued interest are due and payable on February 7, 2021. The Low Income Investment Fund Note is secured by a first position Deed of Trust. As of June 30, 2020 and 2019, the outstanding principal balance on the Low Income Investment Fund Note was \$1,777,753 and \$1,679,461, respectively. As of June 30, 2020 and 2019, accrued interest was \$-0- for both years. For the years ended June 30, 2020 and 2019, interest capitalized was \$98,292 and \$37,157, respectively.	\$ 1,777,753	\$ 1,679,461
On June 27, 2019, Chesterfield Apartments LP obtained a note (the "Low Income Investment Fund Predevelopment Note") held by Low Income Investment Fund in the amount of \$750,000 and accrues interest at a fixed rate of 5.23% per annum. Starting August 1, 2019, payments of interest are due and payable monthly. The outstanding principal balance of the note and accrued interest are due and payable on June 27, 2021. The Low Income Investment Fund Predevelopment Note is secured by a first position Deed of Trust. As of June 30, 2020 and 2019, the outstanding principal balance on the Low Income Investment Fund Predevelopment Note was \$721,762 and \$320,474, respectively. As of June 30, 2020 and 2019, accrued interest was \$-0- for both years. For the years ended June 30, 2020 and 2019, interest capitalized was \$28,762 and \$-0-, respectively.	\$ 721,762	\$ 320,474

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

11. Notes payable (continued)

	<u>2020</u>	<u>2019</u>
<u>Cuatro at City Heights LP</u>		
<u>Local Initiatives Support Corporation</u>		
On March 8, 2019, Cuatro City Heights LP obtained a loan (the "Local Initiatives Support Corporation Loan") held by Local Initiatives Support Corporation in an amount not to exceed \$5,000,000. The note accrues interest at a fixed rate of 5.00% per annum. Payments of interest are due monthly. The outstanding principal balance of the note and accrued, but unpaid interest and principal is due and payable on March 8, 2023. The Local Initiatives Support Corporation Loan is secured by a first position Deed of Trust. As of June 30, 2020 and 2019, the outstanding principal balance on the Local Initiatives Support Corporation Loan was \$5,224,809 and \$2,073,557, respectively. As of June 30, 2020 and 2019, accrued interest was \$-0- for both years. For the years ended June 30, 2020 and 2019, interest capitalized was \$254,520 and \$38,557, respectively.	\$ 5,224,809	\$ 2,073,557
<u>Other consolidated Partnerships</u>		
<u>Notes payable with regular payments</u>		
Permanent loans, bearing interest from 4.74% to 6.03%, generally with principal and interest due monthly, to be repaid in full through 2063. As of June 30, 2020 and 2019, accrued interest was \$4,693,432 and \$6,448,394 respectively. For the years ended June 30, 2020 and 2019, interest expense was \$3,344,961 and \$1,738,093, respectively.	\$ 67,908,646	\$ 48,274,578
<u>Notes payable with annual payments from cash flow</u>		
Permanent loans and construction loans, bearing interest from 0% to 5.25%, generally with principal and interest payable from surplus cash, to be repaid in full through 2076. As of June 30, 2020 and 2019 accrued interest was \$23,848,128 and \$16,860,802, respectively. For the years ended June 30, 2020 and 2019, interest expense was \$3,062,332 and \$3,920,714, respectively.	\$ 120,244,887	\$ 111,391,279

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

11. Notes payable (continued)

	<u>2020</u>	<u>2019</u>
<u>Other consolidated Partnerships (continued)</u>		
<u>Notes payable with repayments due at maturity</u>		
Permanent loans, bearing interest from 3.00% to 4.19%, generally with principal and interest due not due until maturity, to be repaid in full through 2074. As of June 30, 2020 and 2019, accrued interest was \$156,032 and \$1,669,254, respectively. For the years ended June 30, 2020 and 2019, interest expense was \$-0- and \$229,529, respectively.		
	\$ 14,171,876	\$ 15,587,830

Notes payable consisted of the following as of June 30, 2020 and 2019:

Notes payable	\$ 248,527,296	\$ 221,481,715
Less: debt issuance costs	(2,753,431)	(2,310,262)
Total notes payable	245,773,865	219,171,453
Less: current portion, net debt issuance cost	(22,788,441)	(15,893,196)
Notes payable, noncurrent	<u>\$ 222,985,424</u>	<u>\$ 203,278,257</u>

Debt issuance costs are being amortized to interest expense over the term of the respective loans. During 2020 and 2019, interest expense from amortization of debt issuance costs was \$133,708 and \$131,322, respectively.

Future minimum principal payment requirements over the next five years and thereafter are as follows:

Year ending June 30,

2021	\$ 22,788,441
2022	15,568,777
2023	9,628,636
2024	1,871,732
2025	4,491,020
Thereafter	194,178,690
Total	<u>\$ 248,527,296</u>

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

12. Change in consolidated net assets without donor restrictions

The change in the Corporation's consolidated net assets without donor restrictions is reconciled as follows:

	Total	Controlling Interest	Non-Controlling Interest
Balance, July 1, 2018 (restated)	\$ 81,017,916	\$ 7,588,868	\$ 73,429,048
Change in net assets without donor restrictions	(11,718,112)	(130,430)	(11,587,682)
Contributions, net of distributions	2,662,910	-	2,662,910
Balance, June 30, 2019 (restated)	<u>\$ 71,962,714</u>	<u>\$ 7,458,438</u>	<u>\$ 64,504,276</u>
	Total	Controlling Interest	Non-Controlling Interest
Balance, July 1, 2019 (restated)	\$ 71,962,714	\$ 7,458,438	\$ 64,504,276
Change in net assets without donor restrictions	(15,407,576)	(2,522,042)	(12,885,534)
Contributions, net of distributions	4,253,701	-	4,253,701
Balance, June 30, 2020	<u>\$ 60,808,839</u>	<u>\$ 4,936,396</u>	<u>\$ 55,872,443</u>

13. Commitments and contingencies

Wakeland lease

The Corporation leases office space at 1230 Columbia Street through September 30, 2023. Lease expense included in the operating account in the consolidated statements of activities totaled \$229,274 and \$220,455 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease payments under the lease are as follows:

Year ending June 30,

2021	\$ 238,444
2022	247,982
2023	257,901
2024	66,610
Total	<u>\$ 810,937</u>

Ground lease

On March 13, 2019 Wakeland Grove, LP ("Lessee") entered into a lease agreement with the Community Development Commission of the City of Vista (the "Commission") whereby the Lessee leases land from the Commission (the "Ground Lease"). The term of the Ground Lease commenced on March 13, 2019 and continues for 90 years, composed of a 70 year base period, and a 20 year extension period. During the base period, annual rent of \$1 is due and payable on each anniversary of the lease commencement. During the extension period, rent in an amount equal to 1/12 of 10% of yearly Gross Revenues, as defined in the Ground Lease, is due and payable on the first day of each month which occurs during the year.

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

13. Commitments and contingencies (continued)

Ground lease (continued)

In conjunction with entering into the lease agreement, Wakeland Grove, LP sold the land to the city for \$3,693,187, the proceeds of which are to be treated as an upfront lease payment and amortized over the 70 year base period of the lease. As of June 30, 2020 and 2019, prepaid lease obligation was \$3,624,542 and \$3,693,187, respectively. For the years ended June 30, 2020 and 2019, lease expense was \$68,649 and \$-0-, respectively.

Employee benefit plan

The Corporation has established a 401(k) plan covering employees who have completed 90 days of service and have attained age 18. Employees may defer a percentage of their annual compensation, not to exceed the annual amount allowed by law. The Corporation made a safe harbor matching contribution equal to 100% of employee salary deferrals that did not exceed 4% of employee compensation through June 30, 2020. The Corporation contributed \$115,170 and \$96,277 for the years ending June 30, 2020 and 2019, respectively.

Litigation

The Corporation is, from time to time, involved in lawsuits arising in the ordinary course of its business that, in the opinion of management, will not have a material effect on the Corporation's consolidated results of operations.

Guarantees

Wakeland is subject to certain guarantees in connection with its partnership interests in the Consolidated Partnerships. As of June 30, 2020 and 2019, Wakeland has operating deficit guarantees from several of the Consolidated Partnerships that total \$6,571,184 and \$5,268,717, respectively. For the years ended June 30, 2020 and 2019, no advances have been required. In addition, Wakeland has completion and repayment guarantees pursuant to specific agreements.

14. Low-income housing tax credits

The Consolidated Partnerships expect to generate federal low-income housing tax credits ("Tax Credits"). Generally, such credits become available for use by its partners pro-rata over a ten-year period. The year in which the credit period begins is determined on a building-by-building basis within the respected partnerships. In order to qualify for these credits, projects must comply with various federal and state requirements. These requirements include, but are not limited to, renting to low-income tenants at rental rates which do not exceed specified percentages of area median gross income for the first 15 years of operation. As required by state and federal regulations and by loan covenants, the Consolidated Partnerships have also agreed to maintain and operate projects as low-income housing for an additional 15 years to 40 years beyond the initial 15 year compliance period. Because the Tax Credits are subject to compliance with certain requirements, there can be no assurance that the aggregate amount of Tax Credits will be realized, and failure to meet all such requirements or to correct noncompliance within a specified time period may result in generating a lesser amount of Tax Credits than expected in future years, and/or recapture of Tax Credits previously allocated. A reduction of future credits or recapture would require credit deficit payments to the limited partner under the terms of the partnership agreement.

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

15. Subsequent Events

In September 2020, the Board of Directors of the Corporation approved an additional \$250,000 to be placed on deposit for an option to purchase Trinity Housing Investments 1, LLC's limited partner interest in Trinity Escondido 1, L.P. (Note 5). With the additional deposit, the deadline for accepting the offer was extended to June 2021.

Supplementary Schedules - Consolidating

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
SUPPLEMENTARY CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

	Wakeland Housing and Development Corporation	Poinsettia Parks, LLC	WOAH	Wakeland Entrada LP	Via Tijeras LP	Wakeland Anita LP	Amani Apartments LP
<u>Current Assets:</u>							
Cash and cash equivalents	\$ 1,882,904	\$ 280,855	\$ -	\$ -	\$ -	\$ -	\$ -
Current portion of reserves	-	709,298	-	-	-	-	-
Tenant security deposits	22,203	18,339	-	-	-	-	-
Accounts receivable	732,422	764	7,654	-	-	-	-
Prepaid expenses	51,755	-	-	-	-	-	-
Notes receivable	1,129,136	-	-	-	-	-	-
Deposits	1,000,000	-	-	-	-	-	-
Due from related party	4,776,651	-	-	-	-	-	-
Accrued interest receivable	596,740	-	-	-	-	-	-
Total Current Assets	<u>10,191,811</u>	<u>1,009,256</u>	<u>7,654</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Noncurrent Assets:</u>							
Investment in securities	5,349,531	291,103	-	-	-	-	-
Reserves, less current portion	-	1,034,145	-	-	-	-	-
Due from related party	2,403,296	-	277,613	-	-	-	-
Notes receivable, net of allowance, less current portion	4,935,415	-	-	-	-	-	-
Prepaid lease obligation	-	-	-	-	-	-	-
Fixed assets, net	97,915	14,929,006	-	2,581,382	-	3,904,000	3,500,000
Deferred charges, net	-	-	-	-	-	-	-
Construction in progress	1,863,292	-	-	1,274,456	-	1,404,053	1,936,065
Total Noncurrent Assets	<u>14,649,449</u>	<u>16,254,254</u>	<u>277,613</u>	<u>3,855,838</u>	<u>-</u>	<u>5,308,053</u>	<u>5,436,065</u>
TOTAL ASSETS	<u><u>\$ 24,841,260</u></u>	<u><u>\$ 17,263,510</u></u>	<u><u>\$ 285,267</u></u>	<u><u>\$ 3,855,838</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,308,053</u></u>	<u><u>\$ 5,436,065</u></u>

See accompanying notes and report of independent auditors

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
SUPPLEMENTARY CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2020

	Chesterfield Apartments LP	Cuatro at City Heights LP	Wakeland Wilcox LP	Wakeland LLCs	Wakeland Partnerships	Elimination	Consolidated Total
<u>Current Assets:</u>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 13,729	\$ 5,348,647	\$ -	\$ 7,526,135
Current portion of reserves	-	-	-	-	-	-	709,298
Tenant security deposits	-	-	-	7,891	467,889	-	516,322
Accounts receivable	-	-	-	2,610,894	402,615	(3,166,094)	588,255
Prepaid expenses	-	-	-	-	36,278	-	88,033
Notes receivable	-	-	-	-	-	(722,387)	406,749
Deposits	-	-	-	-	-	-	1,000,000
Due from related party	-	-	-	-	-	(4,534,100)	242,551
Accrued interest receivable	-	-	-	-	-	(238,335)	358,405
Total Current Assets	-	-	-	2,632,514	6,255,429	(8,660,916)	11,435,748
<u>Noncurrent Assets:</u>							
Investment in securities	-	-	-	-	-	-	5,640,634
Reserves, less current portion	-	-	-	-	7,859,787	-	8,893,932
Due from related party	-	-	-	-	-	(2,680,909)	-
Notes receivable, net of allowance, less current portion	-	-	-	-	-	(4,935,415)	-
Prepaid lease obligation	-	-	-	-	3,624,542	-	3,624,542
Fixed assets, net	1,850,000	4,984,000	6,400,000	669,350	248,046,708	(14,799,438)	272,162,923
Deferred charges, net	-	-	-	-	444,714	-	444,714
Construction in progress	1,611,303	822,856	788,731	-	32,750,145	(2,541,908)	39,908,993
Total Noncurrent Assets	3,461,303	5,806,856	7,188,731	669,350	292,725,896	(24,957,670)	330,675,738
TOTAL ASSETS	\$ 3,461,303	\$ 5,806,856	\$ 7,188,731	\$ 3,301,864	\$ 298,981,325	\$ (33,618,586)	\$ 342,111,486

See accompanying notes and report of independent auditors

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
SUPPLEMENTARY CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2020

	Wakeland Housing and Development Corporation	Poinsettia Parks, LLC	WOAH	Wakeland Entrada LP	Via Tijeras LP	Wakeland Anita LP	Amani Apartments LP
<u>Current Liabilities:</u>							
Accounts payable and accrued expenses	\$ 1,311,903	\$ 65,818	\$ -	\$ -	\$ -	\$ -	\$ -
Development fee payable	-	-	-	-	-	-	-
Due to related party	-	-	10,525	132,991	-	1,173,944	1,398,914
Accrued interest payable	-	-	2,669	172,718	-	290,497	-
Tenant security deposits payable	-	16,463	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Deficiencies (investments) in partnerships	1,184,976	-	158	-	-	-	-
Current portion of notes payable, net of debt issuance costs	400,000	468,650	-	-	-	-	4,037,151
Total Current Liabilities	2,896,879	550,931	13,352	305,709	-	1,464,441	5,436,065
<u>Noncurrent Liabilities:</u>							
Notes Payable, less current portion and net of unamortized debt issuance costs	3,401,100	22,365,673	-	3,610,576	-	3,841,741	-
Total Liabilities	6,297,979	22,916,604	13,352	3,916,285	-	5,306,182	5,436,065
<u>Net Assets</u>							
Controlling interest	18,543,281	(5,653,094)	271,915	(60,447)	-	1,871	-
Non-controlling interest	-	-	-	-	-	-	-
Total Net Assets	18,543,281	(5,653,094)	271,915	(60,447)	-	1,871	-
TOTAL LIABILITIES AND NET ASSETS	\$ 24,841,260	\$ 17,263,510	\$ 285,267	\$ 3,855,838	\$ -	\$ 5,308,053	\$ 5,436,065

See accompanying notes and report of independent auditors

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
SUPPLEMENTARY CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2020

	Chesterfield Apartments LP	Cuatro at City Heights LP	Wakeland Wilcox LP	Wakeland LLCs	Wakeland Partnerships	Elimination	Consolidated Total
<u>Current Liabilities:</u>							
Accounts payable and accrued expenses	\$ -	\$ 2,000	\$ -	\$ 122,836	\$ 6,374,417	\$ (2,929,596)	\$ 4,947,378
Development fee payable	-	-	-	-	2,799,479	(2,799,479)	-
Due to related party	1,001,888	676,818	1,435,540	533,751	897,452	(7,261,823)	-
Accrued interest payable	-	-	-	135,958	28,797,301	(238,335)	29,160,808
Tenant security deposits payable	-	-	-	7,891	467,582	-	491,936
Deferred revenue	-	-	-	2,588	77,191	-	79,779
Deficiencies (investments) in partnerships	-	-	-	(965,460)	-	629,207	848,881
Current portion of notes payable, net of debt issuance costs	2,469,442	-	-	-	15,413,198	-	22,788,441
Total Current Liabilities	3,471,330	678,818	1,435,540	(162,436)	54,826,620	(12,600,026)	58,317,223
<u>Noncurrent Liabilities:</u>							
Notes Payable, less current portion and net of unamortized debt issuance costs	-	5,128,038	5,753,191	1,311,500	183,826,920	(6,253,315)	222,985,424
Total Liabilities	3,471,330	5,806,856	7,188,731	1,149,064	238,653,540	(18,853,341)	281,302,647
<u>Net Assets</u>							
Controlling interest	(10,027)	-	-	2,152,800	4,455,342	(14,765,245)	4,936,396
Non-controlling interest	-	-	-	-	55,872,443	-	55,872,443
Total Net Assets	(10,027)	-	-	2,152,800	60,327,785	(14,765,245)	60,808,839
TOTAL LIABILITIES AND NET ASSETS	\$ 3,461,303	\$ 5,806,856	\$ 7,188,731	\$ 3,301,864	\$ 298,981,325	\$ (33,618,586)	\$ 342,111,486

See accompanying notes and report of independent auditors

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
SUPPLEMENTARY CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020

	Wakeland Housing and Development Corporation	Poinsettia Parks, LLC	WOAH	Wakeland Entrada LP	Via Tijeras LP	Wakeland Anita LP	Amani Apartments LP
<u>Revenues and Support:</u>							
Asset management fees	\$ 916,187	\$ -	\$ 2,419	\$ -	\$ -	\$ -	\$ -
Contributions	157,700	-	-	-	-	-	-
Rental income	-	3,040,972	-	5,889	18,840	-	-
Developer fees	2,075,000	-	277,613	-	-	-	-
Resident services	610,671	-	-	-	-	-	-
Interest income	788,460	14,604	-	-	6	-	-
Other income	1,985	35	10	-	12,040	200	-
Share of income from partnerships	597,648	-	(374,392)	-	-	-	-
Unrealized gain on securities	38,620	8,194	-	-	-	-	-
Gain on disposal of assets	(3)	-	-	-	315,582	-	-
Total Revenues and Support	5,186,268	3,063,805	(94,350)	5,889	346,468	200	-
<u>Expenses:</u>							
Program Services:							
Rental operations							
Operating	-	1,411,252	-	11,239	63,332	1	-
Depreciation	-	293,828	-	(10,913)	16,062	-	-
Amortization	-	-	-	-	1,917	-	(14,684)
Interest	45,000	930,908	-	-	51,043	-	-
Development							
Development expenses	2,624,609	-	-	-	-	-	-
Bad debt expense (recovery)	945,644	-	-	-	(230)	-	-
Resident services	1,419,725	-	-	-	148	-	-
Asset management	953,658	-	-	-	-	-	-
Total program services	5,988,636	2,635,988	-	326	132,272	1	(14,684)
Supporting Services							
Management and general:							
Operational expenses	472,088	-	7,738	77	-	-	-
Donations	23,964	-	-	-	-	-	-
Depreciation	23,802	-	-	-	-	-	-
Interest	-	-	653	-	-	-	-
Total management and general	519,854	-	8,391	77	-	-	-
Fundraising	47,948	-	-	-	-	-	-
Total supporting services	567,802	-	8,391	77	-	-	-
Total Expenses	6,556,438	2,635,988	8,391	403	132,272	1	(14,684)
Change In Net Assets	(1,370,170)	427,817	(102,741)	5,486	214,196	199	14,684
Net Assets at Beginning of Year (Restated)	19,913,451	(5,934,172)	374,656	(65,933)	(214,196)	1,672	(14,684)
Contributions (distributions), net	-	(146,739)	-	-	-	-	-
NET ASSETS AT END OF YEAR	\$ 18,543,281	\$ (5,653,094)	\$ 271,915	\$ (60,447)	\$ -	\$ 1,871	\$ -

See accompanying notes and report of independent auditors

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
SUPPLEMENTARY CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020

	Chesterfield Apartments LP	Cuatro at City Heights LP	Wakeland Wilcox LP	Wakeland LLCs	Wakeland Partnerships	Elimination	Consolidated Total
<u>Revenues and Support:</u>							
Asset management fees	\$ -	\$ -	\$ -	\$ 611,715	\$ -	\$ (754,894)	\$ 775,427
Contributions	-	-	-	-	-	-	157,700
Rental income	-	-	-	61,742	14,049,932	-	17,177,375
Developer fees	-	-	-	-	-	(2,050,000)	302,613
Resident services	-	-	-	-	-	(405,505)	205,166
Interest income	-	-	-	-	6,864	(411,713)	398,221
Other income	-	-	-	54,016	505,608	(67,506)	506,388
Share of income from partnerships	-	-	-	18,970	-	365	242,591
Unrealized gain on securities	-	-	-	-	-	-	46,814
Gain on disposal of assets	-	-	-	-	-	-	315,579
Total Revenues and Support	-	-	-	746,443	14,562,404	(3,689,253)	20,127,874
<u>Expenses:</u>							
Program Services:							
Rental operations							
Operating	2	-	-	9,200	9,717,166	12,473	11,224,665
Depreciation	-	-	-	-	10,522,157	(662,908)	10,158,226
Amortization	2,005	(6,193)	-	-	174,936	-	157,981
Interest	-	-	-	-	6,563,712	(31,366)	7,559,297
Development							
Development expenses	-	-	-	150,708	-	-	2,775,317
Bad debt expense (recovery)	-	-	-	-	-	718,012	1,663,426
Resident services	-	-	-	-	-	(453,668)	966,205
Asset management	-	-	-	99,425	-	(640,371)	412,712
Total program services	2,007	(6,193)	-	259,333	26,977,971	(1,057,828)	34,917,829
Supporting Services							
Management and general:							
Operational expenses	-	-	-	-	-	-	479,903
Donations	-	-	-	-	-	-	23,964
Depreciation	-	-	-	42,004	-	-	65,806
Interest	-	-	-	11,942	-	(12,595)	-
Total management and general	-	-	-	53,946	-	(12,595)	569,673
Fundraising	-	-	-	-	-	-	47,948
Total supporting services	-	-	-	53,946	-	(12,595)	617,621
Total Expenses	2,007	(6,193)	-	313,279	26,977,971	(1,070,423)	35,535,450
Change In Net Assets	(2,007)	6,193	-	433,164	(12,415,567)	(2,618,830)	(15,407,576)
Net Assets at Beginning of Year	(8,020)	(6,193)	-	1,917,420	68,545,719	(12,547,006)	71,962,714
Contributions (distributions), net	-	-	-	(197,784)	4,197,633	400,591	4,253,701
NET ASSETS AT END OF YEAR	\$ (10,027)	\$ -	\$ -	\$ 2,152,800	\$ 60,327,785	\$ (14,765,245)	\$ 60,808,839

See accompanying notes and report of independent auditors

Supplementary Schedules - Nonconsolidated

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
SUPPLEMENTARY STATEMENT OF CASH FLOWS - WAKELAND
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,370,170)	\$ (2,001,927)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	23,802	23,912
(Gain) loss on disposal of fixed assets	(3)	2,874
Share of gain from partnership	(597,648)	(28,768)
Unrealized gain on securities	(46,814)	(177,635)
Bad debt expense	945,644	1,499,714
Change in accounts receivable	18,638	(240,651)
Change in prepaid expenses	9,860	(12,329)
Change in accrued interest receivable	(209,317)	(189,848)
Change in accounts payable and accrued expenses	616,424	135,784
Change in accrued interest payable	(6,250)	2,500
Change in due from related party	632,591	820,587
Net cash provided by (used in) operating activities	<u>16,757</u>	<u>(165,787)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investment securities	1,853,284	1,933,682
Contributions made to investments in limited partnerships	(49,123)	(272,749)
Distributions received - investments in limited partnerships	261,616	1,188,254
Cash paid for notes receivable	(520,363)	(2,056,527)
Cash paid for fixed assets	(2,232,533)	(2,225,246)
Net cash used in investing activities	<u>(687,119)</u>	<u>(1,432,586)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	<u>1,231,100</u>	<u>570,000</u>
Net change in cash, cash equivalents and restricted cash	560,738	(1,028,373)
Cash, cash equivalents and restricted cash at beginning of year	<u>1,344,369</u>	<u>2,372,742</u>
Cash, cash equivalents and restricted cash at end of year	<u><u>\$ 1,905,107</u></u>	<u><u>\$ 1,344,369</u></u>
Cash and cash equivalents	\$ 1,882,904	\$ 1,322,166
Restricted Cash	22,203	22,203
Total cash, cash equivalents and restricted cash	<u><u>\$ 1,905,107</u></u>	<u><u>\$ 1,344,369</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest - expensed	<u><u>\$ 51,250</u></u>	<u><u>\$ 42,500</u></u>

See accompanying notes and report of independent auditors

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
SUPPLEMENTARY SCHEDULE OF DUE FROM RELATED PARTY - WAKELAND
FOR THE YEAR ENDED JUNE 30, 2020

Current

Amani Apartments, L.P.	\$ 1,398,914
Chesterfield Apartments, L.P.	1,001,888
Mission Heritage LP	715,366
Mt. Alifan Apartments LP	11,756
Wakeland Anita, LLC	7,835
Wakeland Creekside Village, LLC	1,829
Wakeland Entrada, L.P.	132,991
Wakeland Entrada, LLC	8,831
Wakeland Mission Heritage, LLC	8,195
Wakeland Poinsettia, LLC	10,071
Wakeland Reverend Glenn Allison, LLC	7,432
Wakeland Trinity Place, L.P.	17,922
Wakeland Trinity Place, LLC	6,358
Wakeland Vista Las Flores, LLC	4,199
Wakeland Warm Springs Affordable, LLC	7,524
Wakeland Wilcox, L.P.	1,435,540
Total current	<u>4,776,651</u>

Noncurrent

Cuatro at City Heights, L.P.	676,818
Cuatro at City Heights, LLC	4,400
Del Sol Apartments, L.P.	30,258
Levant Senior Cottages, L.P.	206,085
Parkside Terrace, L.P.	48,849
Wakeland Amani, LLC	4,900
Wakeland Anita, L.P.	1,173,944
Wakeland Atmosphere II, LLC	21,439
Wakeland Atmosphere, LLC	25,253
Wakeland Beacon, LLC	10,535
Wakeland Camp Anza, LLC	1,175
Wakeland Chesterfield, LLC	4,900
Wakeland City Heights Ten, LLC	8,961
Wakeland Country Club LLC	1,570
Wakeland Del Sol, LLC	1,195
Wakeland Forester Square, LLC	11,755
Wakeland Grove, L.P.	6,362
Wakeland Grove, LLC	10,565
Wakeland Juniper Gardens, LLC	2,495
Wakeland La Mesa, LLC	2,329
Wakeland Landis, LLC	9,290
Wakeland Levant, LLC	4,900
Wakeland Los Vecinos, LLC	4,740
Wakeland Miramar, LLC	1,851
Wakeland Mobley LLC	11,485
Wakeland Mt. Alifan LLC	4,705
Wakeland Parkside, LLC	49,724
Wakeland Quincy, LLC	2,655
Wakeland Village Green Apartments, LLC	15,693
Wakeland Vista Grande Apartments, L.P.	26,234
Wakeland Vista Grande Apartments, LLC	15,631
Wakeland Wilcox, LLC	2,600
Total noncurrent	<u>2,403,296</u>

TOTAL	\$ <u>7,179,947</u>
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See accompanying notes and report of independent auditors

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
SUPPLEMENTARY SCHEDULE OF NOTES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2020

	Developer Fee Receivable	Notes Receivable	Allowance	Total
Wakeland Opportunities for Affordable Housing	\$ -	\$ 10,525	\$ -	\$ 10,525
Wakeland LLCs				
Wakeland Atmosphere, LLC	-	200,000	(200,000)	-
Wakeland Atmosphere II, LLC	-	900,000	(490,612)	409,388
Wakeland City Height Ten LLC	-	211,500	(211,500)	-
Wakeland Partnerships				
Camp Anza, L.P	-	453,150	(453,150)	-
Forester Square, L.P.	236,846	-	-	236,846
Lillian Place, L.P.	-	397,125	(397,125)	-
Lofts on Landis, LP	717,369	-	-	717,369
Reverend Glenn Allison LP	129,136	570,000	(570,000)	129,136
Talmadge Gateway, L.P.	-	350,000	(350,000)	-
Wakeland Atmosphere, L.P.	-	3,127,165	(1,211,142)	1,916,023
Wakeland Atmosphere II, L.P.	559,290	-	-	559,290
Wakeland Beacon Apartments, L.P.	850,000	-	-	850,000
Wakeland Grove, LP	-	800,000	-	800,000
Wakeland Village Green Apartments, L.P.	37,734	77,003	(77,003)	37,734
Wakeland Vista Grande Apartments, LP	398,240	-	-	398,240
Wakeland Vista Las Flores LLC	-	1,093,656	(1,093,656)	-
TOTAL NOTES RECEIVABLE	\$ 2,928,615	\$ 8,190,124	\$ (5,054,188)	\$ 6,064,551

See accompanying notes and report of independent auditors

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
SUPPLEMENTARY SCHEDULE OF REVENUE - WAKELAND
FOR THE YEAR ENDED JUNE 30, 2020

	Asset Management Fees	Development Fees	Resident Services Fees
Beyer Blvd Apartments, L.P.	\$ 17,887	\$ -	\$ 35,777
BRE MG Creekside Village LP	-	-	25,189
Canyon Rim, L.P.	105,125	-	38,713
City Heights Ten, L.P.	29,417	-	-
Country Club Apartments LP	-	-	70,200
Del Sol Apartments LP	-	-	21,981
Fairfield Belmont L.P.	41,687	-	-
Fairfield Bristol, L.P.	13,371	-	-
Fairfield Creekview L.P.	64,092	-	-
Fairfield Trestles L.P.	14,984	-	-
Fairfield Turnleaf L.P.	31,897	-	-
Fairfield Wyndover, L.P.	32,969	-	19,383
FF Hills LP	55,332	-	-
Forester Square, L.P.	-	-	29,087
Juniper Gardens, L.P.	-	-	29,087
Lillian Place, L.P.	10,492	-	-
La Mesa Springs Association, a CA L.P.	-	-	29,618
Lofts on Landis, L.P.	-	-	19,964
Los Vecinos, L.P.	-	-	19,383
Mobley Lane Partners, L.P.	-	-	4,738
Mt. Alifan Apartments LP		600,000	
Parkside Terrace, L.P.	-	-	35,777
Poinsettia Parks, LLC	146,740	-	-
Poinsettia Parks, LLC	39,660	-	32,696
Talmadge Gateway, L.P.	26,920	-	7,751
The Stratton LP	63,237	-	23,965
Trinity Escondido 1, L.P.	41,063	-	34,963
Vista Las Flores, L.P.	50,000	-	2,789
Wakeland Atmosphere II, L.P.	10,900	-	21,536
Wakeland Atmosphere, L.P.	21,800	-	19,252
Wakeland Beacon Apartments , L.P.	-	850,000	-
Wakeland Miramar, L.L.C.	-	25,000	-
Wakeland Trinity Place, L.P.		600,000	
Wakeland Village Green Apartments, L.P.	-	-	43,631
Wakeland Vista Grande Apartments, L.P.	-	-	19,383
Walden Glen LP	31,767	-	14,286
Westchester Park, L.P.	30,444	-	11,522
Westgate Courtyards, L.P.	36,403	-	-
TOTAL	\$ 916,187	\$ 2,075,000	\$ 610,671

See accompanying notes and report of independent auditors