SAN DIEGO HOUSING COMMISSION

SDHC

ITEM 100

EXECUTIVE SUMMARY

HOUSING COMMISSION
EXECUTIVE SUMMARY SHEET

DATE: October 5, 2018 HCR18-083

SUBJECT: Final Bond Authorization for Hillside Views Apartments

COUNCIL DISTRICT: 4

ORIGINATING DEPARTMENT: Real Estate Division

CONTACT/PHONE NUMBER: J.P. Correia (619)578-7575

REQUESTED ACTION:

That the San Diego Housing Commission (Housing Commission) recommend the Housing Authority of the City of San Diego (Housing Authority) authorize the issuance of up to $41,000,000 in tax-exempt Multifamily Housing Revenue Bonds, in two separate series, to facilitate the acquisition and rehabilitation of Hillside Views Apartments, a 300-unit existing rental development, located at 5471 Bayview Heights Place, San Diego, including 297 rental units that will remain affordable for 55 years.

EXECUTIVE SUMMARY OF KEY FACTORS:

- Hillside Views Apartments (formerly known as President John Adams Manor) was constructed in 1977, and was previously rehabilitated in 1999. There are 38 two-story residential buildings.
- The complex consists of 300 units, including 44 one-bedroom units, 208 two-bedroom units, 45 three-bedroom units, and 3 three-bedroom managers' units. There is a management office.
- The developers are the nonprofit Metropolitan Area Advisory Committee on Anti-Poverty and the nonprofit Kingdom Development Inc. The developers are experienced.
- The developers propose that the buildings will undergo substantial rehabilitation to interiors and exteriors, including: painting, new flooring, new kitchens, new bathrooms, new windows, new HVAC, new roofs, 16 units to be compliant with the Americans With Disabilities Act, a new community building, playground improvements, addition of an estimated $1,000,000 of solar improvements, and improving the buildings' exterior aesthetics.
- The total development cost is $82,469,150. The total development cost per unit is $274,897.
- The California Debt Limit Allocation Committee has approved a $41,000,000 bond allocation. The California Tax Credit Allocation Committee is expected to approve $22,772,529 of 4% tax credits.
- There will be no Housing Commission cash loan funds provided for this transaction. The Housing Commission is only recommending approval of the necessary Multifamily Housing Revenue Bonds.
- As described in this report, the $41,000,000 Bonds financing structure is composed of two separate Bonds series including: Series 1 - up to $29,000,000 of tax-exempt short-term publicly offered Bonds, and Series 2 - up to $12,000,000 of tax-exempt short-term privately placed Bonds.
- The Bonds will not constitute a financial obligation of the Housing Commission, nor of the Housing Authority, nor of the City of San Diego. The developers will pay all Bonds' financing costs.
- If approved by all parties, rehabilitation will start in November 2018 and complete by late 2019.

SAN DIEGO HOUSING COMMISSION

SDHC

ITEM 100

REPORT

DATE ISSUED: September 26, 2018 **REPORT NO**: HCR18-083

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of October 5, 2018

SUBJECT: Final Bond Authorization for Hillside Views Apartments

COUNCIL DISTRICT: 4

REQUESTED ACTION

Authorize the issuance of Housing Authority of the City of San Diego tax-exempt Multifamily Housing Revenue Bonds, in two separate series, to facilitate the acquisition and rehabilitation of Hillside Views Apartments, a 300-unit existing development, located at 5471 Bayview Heights Place, San Diego 92105, which will include 297 units that will remain affordable for 55 years.

STAFF RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) recommend that the Housing Authority of the City of San Diego (Housing Authority) authorize the issuance of up to $41,000,000 in tax-exempt Multifamily Housing Revenue Bonds, in two separate series, for 5471 Bayview Heights, L.P. a California limited partnership formed by the Metropolitan Area Advisory Committee on Anti-Poverty (MAAC), to facilitate the acquisition and rehabilitation of Hillside Views (Hillside), a 300 unit multifamily rental housing development, located at 5471 Bayview Heights Place, San Diego 92105, that will include 297 units that will remain affordable for 55 years, with a financing structure as described in the attached report.

SUMMARY

A Development Summary is included as Attachment 1.

Table 1 – Development Details

Address	5471 Bayview Heights Place, San Diego 92105
Council District	4
Community Plan Area	Eastern Area Community
Development Type	Acquisition with rehabilitation
Construction Type	Type-V
Buildings	39 two-story buildings, wood frame with stucco exterior and flat roofs
Parking Type	300 parking spaces
Housing Type	Multifamily
Lot Size	16.07 acres (700,009 square feet)
Units	300
Density	18.67 dwelling units per acre
Affordable Unit Mix	44 one-bedroom units, 208 two-bedroom units, 45 three-bedroom units, and 3 three-bedroom managers' units
Gross Building Area	279,624 square feet
Net Rentable Area	260,700 square feet

On June 15, 2018, and on June 26, 2018, the Housing Commission (HCR 18-062) and the Housing Authority (HAR 18-062) respectively, approved taking certain preliminary authorization steps to issue up to $41,000,000 of tax-exempt Multifamily Housing Revenue Bonds (Bonds), with non-competitive four percent tax credits, to finance the acquisition and rehabilitation of Hillside (formerly called the President John Adams Manor).

The Development
Constructed in 1977, Hillside is an existing 300-unit apartment complex located at 5471 Bayview Heights Place in San Diego's Oak Park neighborhood (Attachment 2 – Site Map). In 1999, President John Adams Manor Apartments L.P. (MAAC's affiliate) financed acquisition and rehabilitation with a Housing Authority tax-exempt Multifamily Housing Revenue Bond issue of $9,180,000, along with California Tax Credit Allocation Committee (TCAC) equity. This development is subject to the previous TCAC Regulatory Agreement. The Bonds from the previous bond issuance have been paid off.

The complex is composed of 38 two-story residential buildings and a two-story management office with a community room. Site amenities include a playground, a barbecue area, and laundry facilities. MAAC plans to remove an existing basketball court and, in its place, construct a community center. Bus service is available nearby at the northeast corner and southeast corner of the development. Nearby uses include a single-family housing to the north and east, commercial uses to the west, and the Reverend Martin Luther King Jr. Freeway to the south.

Building Conditions/Proposed Rehabilitation Work
MAAC intends to complete a comprehensive renovation to Hillside. The current estimate of rehabilitation cost (including contingency) is $16,736,053 ($55,787/unit). The scope of work will include: new flooring, new kitchens, Energy Star appliances, new bathrooms, new windows, new HVAC, new roofs, provision of 15 units that will be compliant with the Americans with Disabilities Act (ADA), construction of a new community building, addition of an estimated $1,000,000 of solar improvements, and improving the buildings' exterior aesthetics. MAAC intends to enter into a construction contract with Sun Country Builders with the contractor's solicitation of at least three bids from subcontractors to ensure competitive pricing.

Sustainability Features
Hillside will comply with the TCAC minimum energy efficiency standards for rehabilitation projects that require at least a 10 percent post-rehabilitation improvement in energy efficiency over existing conditions.

Prevailing Wages
The developers have confirmed prevailing wages are not applicable to the proposed financing structure. Rehabilitation will not require prevailing wages because no Federal nor State funds will be used.

Accessibility
TCAC has approved the developers' waiver request to revise the wheelchair accessibility requirement from ten percent (30) units to 16 units. Four percent (12) units must be accessible to residents with visual and/or hearing impairment.

Relocation
The developers do not anticipate permanent relocation of tenants. The rehabilitation budget will include $600,000 ($2,000/unit) for temporary relocation. It is estimated that tenants will be temporarily relocated to on-site hospitality units for approximately a five to ten days period. To prepare for unforeseen circumstances, the project pro forma is budgeting $300,000 ($1,000/unit) for possible permanent relocation.

Development Team

The developers are the nonprofit MAAC and the nonprofit Kingdom Development Inc. (Kingdom). MAAC offers a variety of services for low-income persons, including operating comprehensive housing communities that offer supportive services. As one of the region's largest nonprofit social services providers, MAAC's various programs assist more than 35,000 people each year. Founded in 1965, MAAC has developed nearly 1,000 units of affordable housing in San Diego County. Kingdom is a 501(c) (3) nonprofit. It is acting as MAAC's financial consultant and will be a member of MAAC Bayview Heights L.L.C., the proposed new Managing General Partner. Founded in 2015, Kingdom's founder has assisted property owners to develop 29 affordable housing communities. MAAC will continue to be the property manager. An organization chart is at Attachment 3. The developers' statements for public disclosure are included at Attachment 4.

Table 2 - Development Team Summary

ROLE	FIRM/CONTACT
Owner Managing General Partner (.01 percent) Tax Credit Investor/Limited Partner (99.99 percent)	5471 Bayview Heights L.P. MAAC Bayview Heights, L.L.C. Redstone Capital L.L.C. (Redstone)
Architect	Foundation for Form
General Contractor	Sun Country Builders
Property Management	MAAC
Bond Issuance Underwriter	RBC Capital Markets
Tax Credit Investor	Red Stone Equity Partners
Permanent Lender	Fannie Mae (loan originated by Red Mortgage Capital) (Red Capital)

Financing Structure

Hillside has an estimated total development cost of $82,469,150 ($274,897/unit). Financing will include a combination of sources as described in Table 3. No Housing Commission cash loan proceeds will be provided to this development. The developers' current pro forma is included as Attachment 5.

Table 3 – Hillside Revised Estimated Sources and Uses of Financing

Permanent Financing Sources	Amounts	Permanent Financing Uses	Amounts	Per Unit
Taxable Permanent Loan	$27,556,962	Acquisition Costs	$48,400,000	$161,333
Seller Carry Back Loan	23,300,000	Construction (with solar)- $13,018,791 Contingency - 1,488,309 Overhead/Profit/Ins - + 2,228,953 Total Construction Costs - $16,736,053	16,736,053	55,787
Seller Replacement Reserves	50,000	Financing Costs	3,067,884	10,226
Seller Credit (for Short Term Work)	1,500,619	Other Soft Costs	2,605,000	8,603
Interest Income	48,750	Reserves	1,255,725	4,186
Operating Income	1,974,809	Soft Costs Contingency	900,000	3,000
Deferred Developer Fee	5,265,481	Developer Fee	9,504,489	31,682
4 Percent Tax Credit Equity	22,772,529			
Total Development Cost	**$82,469,150**	**Total Development Cost**	**$82,469,150**	**$274,897**

Developer Fee

On April 25, 2017, the Housing Authority approved the "*Request for Approval of Updated Developer Fees*" (HAR 17-011). That report approved certain developer fee guidelines for multifamily loans and bonds issuances. That report states: *"Multifamily housing revenue bond issuances that do not include Housing Commission gap financing shall not be restricted to Housing Commission developer fee limits."* Hillside's financing does not include Housing Commission cash gap financing. Thus, this development's proposed developer fee is calculated pursuant to TCAC regulations. For four percent tax credit transactions the TCAC developer fee is a calculation of 15 percent of eligible basis and 15 percent of acquisition basis (not including the developer fee). Hillside's proposed developer fee is as follows:

$9,504,489 - gross developer fee
- 5,265,481 - minus deferred developer's fee
$4,239,008 - net cash developer fee

Development Cost Key Performance Indicators

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

Table 4 – Revised Key Performance Indicators

Development Cost Per Unit	$82,469,150 ÷ 300 units =	$274,897
Acquisition Cost Per Unit	$48,400,000 ÷ 300 units =	$161,333
Gross Building Square Foot Hard Cost	$16,736,053 ÷ 279,624 sq. ft. =	$59.85
Net Rentable Square Foot Hard Cost	$16,736,053 ÷ 260,700 sq. ft. =	$64.20

Project Comparison Chart

There are multiple factors and variables that influence the cost of developing multifamily affordable housing, including but not limited to project location, site conditions, site improvements needed, environmental factors, land use approval process, community involvement, construction type, design requirements/constraints, economies of scale, City of San Diego (City) impact fees, developer experience and capacity, and amenities necessary to gain tax credit approval. Table 5 shows a comparison of the subject property and other developments of the same construction type.

Table 5 – Revised Comparable Rehabilitation Projects with Tax-Exempt Bonds

Project Name	Year	Construction Type	Units	Total Development Cost	Cost Per Unit	SDHC Subsidy Per Unit *	Rehab Cost	Rehab Cost Per Unit
Subject-Hillside	**2018**	**V**	**300**	**$82,469,150**	**$274,897**	**$0**	**$16,736,053**	**$55,787**
Mountain View	2017	V	145	$48,166,994	$332,186	$91,358	$13,286,361	$91,630
Coronado Terrace	2017	V	312	$125,721,978	$402,952	$0	$25,548,297	$81,886
Vista Terrace Hills	2016	V	262	$114,207,265	$435,906	$0	$20,130,000	$76,832
Bella Vista	2016	V	170	$46,003,150	$270,607	$0	$8,770,116	$51,589
Vista La Rosa	2016	V	240	$78,954,250	$328,976	$0	$11,384,928	$47,437

*The Housing Commission "subsidy per unit" amount is the extended loan; it does not include the project's bonds amount.

Proposed Housing Bonds

Multifamily housing financing often involves the issuance of tax-exempt Multifamily Housing Revenue Bonds (Bonds) on behalf of private developers of qualifying affordable rental apartment projects. The advantages of tax-exempt financing to developers include below-market interest rates and access to Low Income Housing Tax Credits (Tax Credits) – features that are not available with typical conventional multifamily housing mortgage loans.

The Housing Commission utilizes the Housing Authority's tax-exempt borrowing status to pass on lower tax-exempt interest rate financing (and make Federal four percent Tax Credits available) to developers of affordable rental housing. The Housing Authority's ability to issue tax-exempt bonds is limited under the U.S. Internal Revenue Code. To issue tax-exempt bonds for a development, the Housing Authority must first submit an application to the California Debt Limit Allocation Committee (CDLAC) for a bond allocation. Prior to submitting applications to CDLAC, developments are brought before the Housing Commission, the Housing Authority, and the City Council. Housing Authority bond inducement resolutions must be obtained prior to a CDLAC application submittal. A Tax Equity and Fiscal Responsibility Act (TEFRA) City Council resolution must be secured by approximately 30 days before the CDLAC allocation meeting. These Housing Commission, Housing Authority and City Council actions were completed for Hillside as of June 26, 2018. On July 20, 2018, the Hillside Developer applied to CDLAC for a $41,000,000 bond allocation and applied to TCAC for a Tax Credits allocation. CDLAC and TCAC allocations approvals are expected on September 19, 2018 and October 17, 2018 respectively. Final authorization of the Bonds issuance will require Housing Authority approval on October 30, 2018.

The Bonds will be used for acquisition and rehabilitation financing. The Bonds will meet all requirements of the Housing Commission's Multifamily Housing Revenue Bond Program policy and will fully comply with the City's ordinance on bond disclosure and credit enhancement. A general description of the Multifamily Housing Revenue Bond Program and the actions required by the Housing Authority and by the City Council to initiate and finalize proposed financings are described in Attachment 6.

<u>Bonds Structure</u>
The Developer is proposing an up to $41,000,000 bond financing structure composed of Housing Authority issuance of two separate Bonds series:

(i) Series 1 – issuance in an amount up to $29,000,000 of tax-exempt short-term publicly-offered Bonds, that will be backed by cash and cash equivalents, are expected to be AA+ rated, and

(ii) Series 2 – a separate issuance in an amount up to $12,000,000 of tax-exempt short-term Bonds privately-placed with California Bank & Trust Company and backed solely by cash and cash equivalents.

It is unusual for a Housing Authority bond structure to utilize both a publicly offered bond issue, and a privately placed bond issue for a single development. However, the Housing Authority has financed affordable housing projects in the past that have utilized multiple credit structures.

<u>The Series 1 Bonds - Up to $29,000,000 Bonds Issue</u>:
<u>Public Offering</u> - The Developer proposes that the Housing Authority will issue up to $29,000,000 of Bonds that will be structured as rated, non-credit-enhanced, 100% cash collateralized, short term, and publicly offered Bonds that will be marketed and underwritten by RBC Capital Markets (RBC). RBC is part of the Royal Bank of Canada, one of the largest worldwide banks.

<u>Financing</u> - Three separate financing sources will close simultaneously at Bonds issuance:

Source 1) short-term tax-exempt Series 1 Bonds underwritten in a public offering by RBC. The Series 1 Bonds are expected to receive a rating of AA+ from Standard & Poors.

Source 2) short-term tax-exempt Series 2 Bonds to be purchased, in a private placement, by California Bank and Trust (a division of Zions Bank corporation).

Source 3) a long-term taxable conventional permanent loan from the Federal National Mortgage Association (Fannie Mae), (a United States government-sponsored enterprise).

Both series of the short-term Bonds will be issued as tax-exempt in an amount sufficient to qualify the project for four percent Tax Credits. Proceeds of the Series 1 and Series 2 Bonds will be loaned to the

Borrower, 5471 Bayview Heights L.P., a California single-asset limited partnership created by the developers (MAAC and Kingdom). The Bond proceeds, together with other funds, will be used by the Borrower to finance Hillside's acquisition and rehabilitation.

Security - Bond repayment will be secured by deposits in a Collateral Fund, and a Capitalized Interest Account. The Bonds will be 100% cash collateralized. The Trustee (to-be-selected) will hold deposited funds in cash or they will be invested in permitted investments that are expected to include U.S. Treasury obligations. The Trustee may release the Bond proceeds to the Borrower for acquiring and rehabilitating the development only if it receives a like amount of funds into a Collateral Fund. The deposits in the Collateral Fund must be bankruptcy-proof. There will be no additional credit enhancement. Red Capital, (a Delegated Underwriting and Servicing lender) will originate the Fannie Mae permanent loan. The loan is expected to be secured by a first lien position on the property.

Interest – Interest on the Bonds will be pre-funded from Bond issuance proceeds or will be paid from investment earnings on Bonds proceeds. The Series 1 Bonds will have a fixed interest rate payable semi-annually. Based on current market conditions, the parties estimate a Series 1 Bond interest rate at approximately two percent.

Principal Amount and Maturity Term - The short term Series 1 Bonds are expected to be issued in the amount of approximately $29,000,000. They will have a three-year final maturity date (after issuance), subject to a mandatory prior redemption in approximately two years. The Series 1 Bond amount that is ultimately issued will be based upon development costs, revenues and interest rates prevailing at the time of Bond issuance. After the rehabilitation is completed, the Series 1 Bonds will be redeemed in full from cash collateral held by the Trustee, the proceeds of the Fannie Mae permanent mortgage loan, and/or tax credit equity funds.

Financing Documents for Series 1 Bonds:

Trust Indenture – The Series 1 Bonds will be issued pursuant to an Indenture between the Housing Authority and a to-be-selected Trustee. The Indenture sets forth the terms of the Series 1 Bonds, including interest rate, final maturity, and redemption provisions. The Indenture establishes accounts for deposit of Bond proceeds and repayment sources. Based upon instructions contained in the Indenture, the Trustee will disburse bond proceeds for eligible costs, collect project revenues, and make payments to the Bondholders.

Loan Agreement – Under the terms of the Loan Agreement, the Housing Authority will loan the proceeds of the Bonds to the borrower in order to develop the project. The loan is evidenced by a note in an amount corresponding to the principal amount of the Series 1 Bonds. With the Loan Agreement, the Housing Authority assigns its rights to receive note payments to the Trustee.

Regulatory Agreement and Declaration of Restrictive Covenants – A Regulatory Agreement will be recorded against the property to ensure the long-term use of the project as affordable housing. The Regulatory Agreement will also ensure that the project complies with all applicable Federal and State laws. The Regulatory Agreement restricts the rental of the 297 affordable apartments (the three managers' units are exempted) to low-income residents for at least 55 years.

Bond Purchase Agreement – This Agreement is among the Housing Authority, the Borrower and the Underwriter of the Series 1 Bonds. It sets forth the conditions under which the Underwriter will purchase the Series 1 Bonds.

Official Statement - During the Series 1 Bonds' marketing period, an Underwriter-prepared Official Statement, in preliminary form, will be used. After the Series 1 Bonds are sold, final pricing information will be included and the Official Statement will become final. The Official Statement, in preliminary form, will be used to market the Bonds to investors. It describes the terms, financing structure, flow of funds, the development, and the security for the Bonds. The Official Statement, which will be executed by the Borrower, will contain limited information about the Housing Authority as issuer. This information verifies that the Housing Authority is an appropriate issuer of the Bonds and that there is not existing or threatened litigation that would jeopardize the validity of the Bonds. Financial statements of the Housing Commission or Housing Authority are not included in the Official Statement.

The Series 2 Bonds - Up to $12,000,000 Bonds:

Private Placement - The developers propose that the Housing Authority issue up to $12,000,000 of Bonds that will be structured as privately placed short-term Bonds. The Series 2 Bonds will be sold through a private placement initially to California Bank & Trust (California Bank). California Bank is considered a "qualified institutional buyer" within the meaning of U.S. securities laws. At closing, California Bank will sign an "Investor's Letter" certifying, among other things, that it is buying the Bonds for its own account and not for public distribution. Because the Bonds are being sold through a private placement, an Official Statement will not be necessary. In addition, the Bonds will not be subject to continuing disclosure requirements, nor will they be credit enhanced nor rated. California Bank will hold the Bonds for its own account. If there is an unexpected proposed transfer of the Series 2 Bonds, then any subsequent proposed Bondholder must comply with Housing Commission policy number PO300.301. Moreover, any subsequent Bondholder of Series 2 Bonds would be required to represent to the Housing Authority that they are a qualified institutional buyer or accredited investor who is buying the Series 2 Bonds for investment purposes and not for resale, and that they have made due investigation of any material information necessary in connection with a decision to purchase the Bonds.

Financing - The Series 2 Bonds will only be outstanding during the acquisition and rehabilitation of this development. The Series 2 Bonds amount that is ultimately issued will be based upon development costs, revenues, and interest rates prevailing at the time of Bond issuance and final sizing of the Series 1 Bonds.

Term – The Series 2 Bonds will mature in approximately 24 months, subject to prior redemption in 18 months.

Interest – The Bonds' interest rate will be based on the London Interbank Offered Rate (LIBOR) plus 1.5 percent adjusted monthly.

Security – Series 2 Bonds will be 100 percent cash secured. The Trustee will hold the cash security. There will not be a Deed of Trust securing the repayment of the Bonds.

Repayment – Interest only payments are due monthly. The principal payment is all due at maturity of the Series 2 Bonds or their prior redemption date.

Financing Documents for Series 2 Bonds:

For Bonds Series 2, the following major documents will be executed on behalf of the Housing Authority:

Trust Indenture – The Series 2 Trust Indenture will be structured as described for the Series 1 Bonds above. However, the Series 1 Bonds and the Series 2 Bonds will be issued under different Trust Indentures.

Loan Agreement – The Series 2 Loan Agreement will be structured as described for the Series 1 Bonds above. However, the Series 1 Bonds and the Series 2 Bonds will use different Loan Agreements.

Regulatory Agreement – The Series 2 Regulatory Agreement will be structured as described for the Series 1 Bonds above. However, both the Series 1 Bonds and the Series 2 Bonds will use a common Regulatory Agreement.

Assignment of Loan Documents – The Series 2 Assignment of Loan Documents will assign to the Trustee, the Housing Authority's rights and responsibilities as the Bonds issuer. Rights and responsibilities that are assigned to the Trustee include the right to collect and enforce the collection of loan payments, monitor project rehabilitation, and enforce insurance plus other requirements. These rights will be used by the Trustee to protect the financial interest of the Bond owners. At the time of docketing, the Bonds documents, in substantially final form, will be presented to the Housing Authority. Any changes to the documents following Housing Authority approval require the consent of the City Attorney's Office and Bond Counsel. Staff is working with the City Attorney, and the City's Disclosure Practices Working Group, to ensure that the issuance of Housing Authority Bonds is in conformance with the City's disclosure requirements.

Financial Advisor's Feasibility Analysis
Ross Financial is the Bonds Financial Advisor, and Quint & Thimmig LLP is the Bond Counsel. After evaluating the terms of the proposed financing and the public benefits to be achieved, it is the Financial Advisor's recommendation that the Housing Authority proceed with issuance of the Bonds. The Financial Advisor's analysis and recommendation is included as Attachment 7.

AFFORDABLE HOUSING IMPACT

Under the proposed Bonds financing, Hillside would restrict 212 of the units to households with incomes at or below 50 percent of San Diego Area Median Income (AMI), and 85 of the units to household with incomes at or below 60 percent of AMI. The remaining three units will be unrestricted managers' units. The original 1999 TCAC Regulatory Agreement currently restricts affordability on 120 units at 60 percent of AMI until 2029. This current proposal will make 297 units affordable/restricted for a 55-year term to 2073 (which includes a 44-year extension from the current requirement on 120 of the units). Table 6 summarizes the affordability:

Table 6 – Hillside Affordability & Monthly Estimated Rent Table

Unit Type	Restrictions	AMI	Units	TCAC Gross Rents
1-bedroom	Tax Credit & Bonds	50% AMI	38	$862
2-bedroom	Tax Credit & Bonds	50% AMI	164	$1,028
3-bedroom	Tax Credit & Bonds	50% AMI	10	$1,181
Subtotal 50% AMI Units	--	--	212	--
1-bedroom	Tax Credit & Bonds	60% AMI	6	$1,045
2-bedroom	Tax Credit & Bonds	60% AMI	44	$1,247
3-bedroom	Tax Credit & Bonds	60% AMI	35	$1,434
Subtotal 60% AMI Units	--	--	85	--
3-bedroom Managers	Unrestricted	-	3	-
Total Units			300	

Development Schedule
The estimated development timeline is as follows:

Milestones	Revised Estimated Dates
• Housing Authority proposed final bond authorization	• October 30, 2018
• Estimated close of escrow and bond issuance	• November 2018
• Estimated start of rehabilitation	• November 2018
• Estimated completion of rehabilitation	• December 2019

FISCAL CONSIDERATIONS

Certain bond issuance fee elements resulting from this proposed action are included in the Housing Authority-approved Fiscal Year (FY) 2019 Housing Commission Budget. Approving this action will not change the FY 2019 total budget.

- Estimated Funding sources approved by this action will be as follows:
  Bond Issuance Fees - $102,500 ($41,000,000 X .0025).
- Estimated Funding uses approved by this action will be as follows:
  Rental Housing Finance Program Administration Costs - $102,500.

The Bonds will 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, or the Housing Commission because security for the repayment of the Bonds will be limited to cash collateral. Neither the faith and credit nor the taxing power of the City nor the Housing Authority will 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 .0025 bond amount issuer fee (estimated at $102,500 with a $41,000,000 bond issue), the Housing Commission's ongoing annual Bonds administrative fee (estimated at $10,000 at permanent loan conversion), and the Housing Commission's Bond Counsel and Financial Advisor fees. Commencing upon rehabilitation completion, the developers shall pay to the Housing Commission an annual occupancy-monitoring fee, in an amount as determined by the Housing Commission in schedules promulgated by the Housing Commission from time to time.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

On May 8, 2018, the developers presented their Hillside proposal, as an information item, to the Eastern Area Communities Planning Committee.

KEY STAKEHOLDERS and PROJECTED IMPACTS

Stakeholders include the residents of Hillside, MAAC, Kingdom, the City of San Diego, and the Oak Park neighborhood. Development of the property is expected to have a positive impact on the community because it will improve and preserve existing affordable housing for low-income tenants.

ENVIRONMENTAL REVIEW

This project's proposed rehabilitation is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Section 15301 of the State CEQA Guidelines because the Project is an existing facility and the proposed actions do not involve expansion of the existing use. Processing under the National Environmental Policy Act is not required as no Federal funds are involved in this action.

Respectfully submitted,	Approved by,
J.P. Correia	*Jeff Davis*
J.P. Correia Sr. Real Estate Project Manager Real Estate Division	Jeff Davis Executive Vice President & Chief Of Staff San Diego Housing Commission

Attachments: 1) Development Summary
2) Site Map
3) Organization Chart
4) Developers' Disclosure Statements
a. MAAC
b. Kingdom Development Inc.
5) Developer's Project Pro forma
6) Multifamily Housing Revenue Bond Program
7) Financial Advisor's Feasibility Analysis

Hard copies are available for review during business hours at the security information desk in the main lobby and the fifth floor reception desk of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials in the "Governance and Legislative Affairs" section of the San Diego Housing Commission website at www.sdhc.org

ATTACHMENT 1 – DEVELOPMENT SUMMARY

Table 1 – Development Details

Address	5471 Bayview Heights Place, San Diego 92105
Council District	4
Community Plan Area	Eastern Area Community
Development Type	Acquisition with rehabilitation
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Architect	Foundation for Form
General Contractor	Sun Country Builders
Property Management	MAAC
Bond Issuance Underwriter	RBC Capital Markets
Construction and Permanent Lender	Red Capital Group LLC (Red Capital)

Table 3 – Hillside Revised Estimated Sources and Uses of Financing

Permanent Financing Sources	Amounts	Permanent Financing Uses	Amounts	Per Unit
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Seller Replacement Reserves	50,000	Financing Fees and Interest	2,403,707	8,012
Seller Credit (for Short Term Work)	1,500,619	Other Soft Costs	3,394,176	11,314
Operating and Interest Income	2,376,416	Reserves	1,130,725	3,769
4 Percent Tax Credit Equity	22,772,529	Soft Costs Contingency	900,000	3,000
Deferred Developer Fee	5,062,624	Developer Fee	9,504,489	31,682
Total Development Cost	**$82,469,150**	**Total Development Cost**	**$82,469,150**	**$274,897**

Table 4 – Revised Key Performance Indicators

Development Cost Per Unit	$82,469,150 ÷ 300 units =	$274,897
Acquisition Cost Per Unit	$48,400,000 ÷ 300 units =	$161,333
Gross Building Square Foot Hard Cost	$16,736,053 ÷ 279,624 sq. ft. =	$59.85
Net Rentable Square Foot Hard Cost	$16,736,053 ÷ 260,700 sq. ft. =	$64.20

Table 5 – Revised Comparable Rehabilitation Projects with Tax-Exempt Bonds

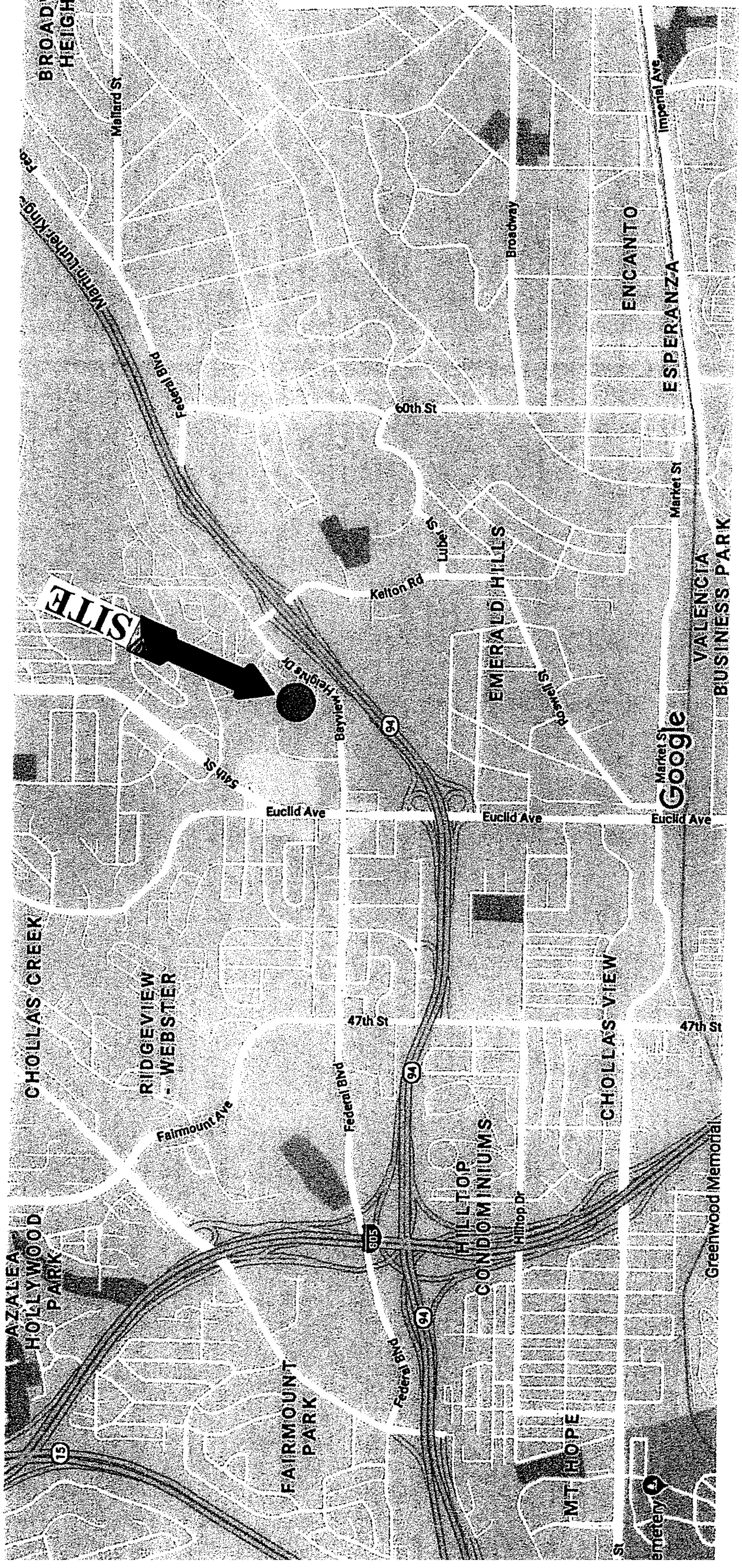
Project Name	Year	Construction Type	Units	Total Development Cost	Cost Per Unit	SDHC Subsidy Per Unit *	Rehab Cost	Rehab Cost Per Unit
Subject-Hillside	**2018**	**V**	**300**	**$82,469,150**	**$274,897**	**$0**	**$16,736,053**	**$55,787**
Mountain View	2017	V	145	$48,166,994	$332,186	$91,358	$13,286,361	$91,630
Coronado Terrace	2017	V	312	$125,721,978	$402,952	$0	$25,548,297	$81,886
Vista Terrace Hills	2016	V	262	$114,207,265	$435,906	$0	$20,130,000	$76,832
Bella Vista	2016	V	170	$46,003,150	$270,607	$0	$8,770,116	$51,589
Vista La Rosa	2016	V	240	$78,954,250	$328,976	$0	$11,384,928	$47,437

* The Housing Commission "subsidy per unit" amount is the extended loan; it does not include the project's bonds amount.

Table 6 – Hillside Affordability & Monthly Estimated Rent Table

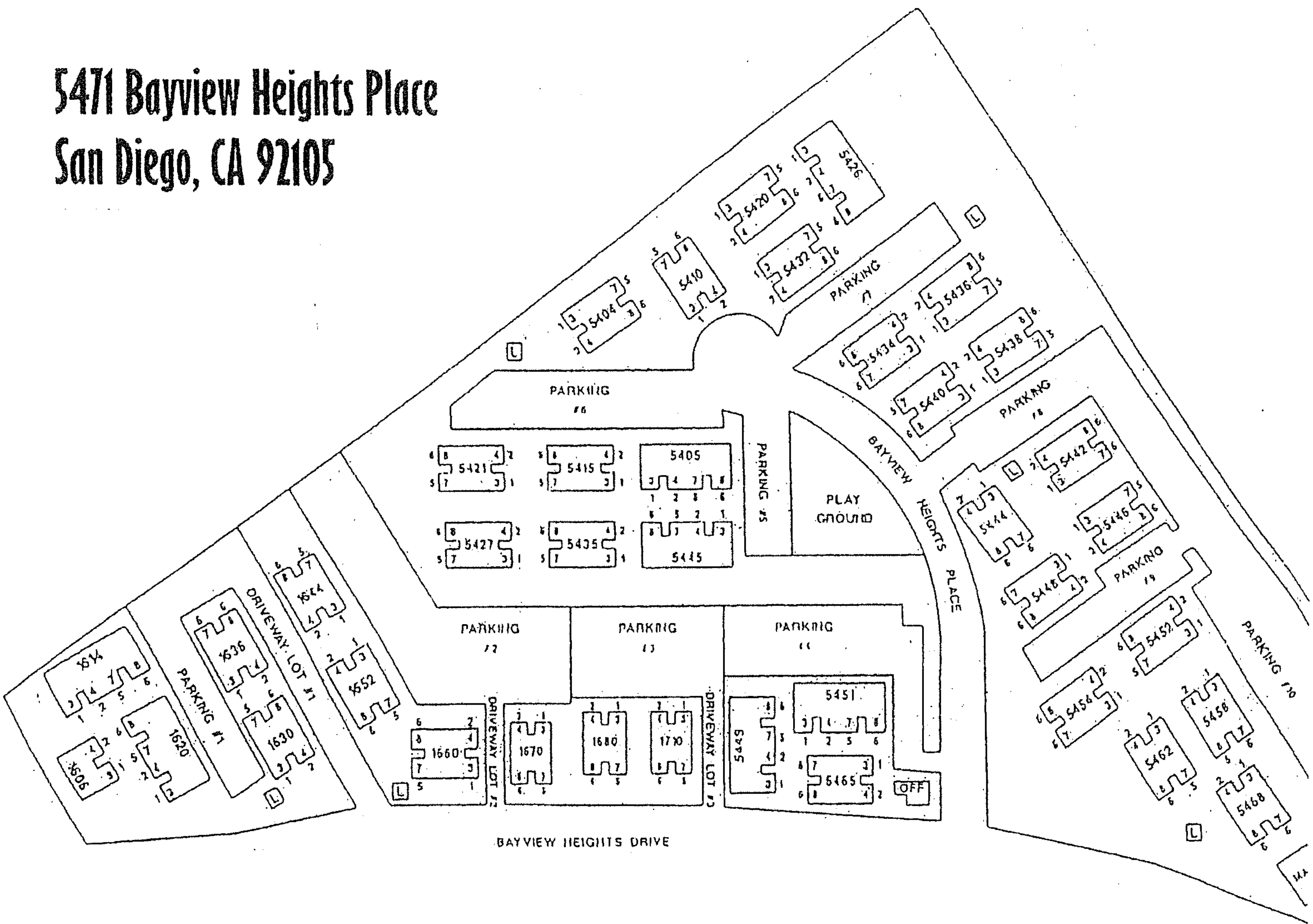
Unit Type	Restrictions	AMI	Units	TCAC Estd. Rents
1-bedroom	Tax Credit & Bonds	50% AMI	5	$862
2-bedroom	Tax Credit & Bonds	50% AMI	21	$1,028
3-bedroom	Tax Credit & Bonds	50% AMI	4	$1,181
Subtotal 50% AMI Units	--	--	30	--
1-bedroom	Tax Credit & Bonds	60% AMI	39	$1,045
2-bedroom	Tax Credit & Bonds	60% AMI	193	$1,247
3-bedroom	Tax Credit & Bonds	60% AMI	35	$1,434
Subtotal 60% AMI Units	--	--	267	--
3-bedroom Managers	Unrestricted	-	3	-
Total Units			300	

ATTACHMENT 2 - SITE MAP

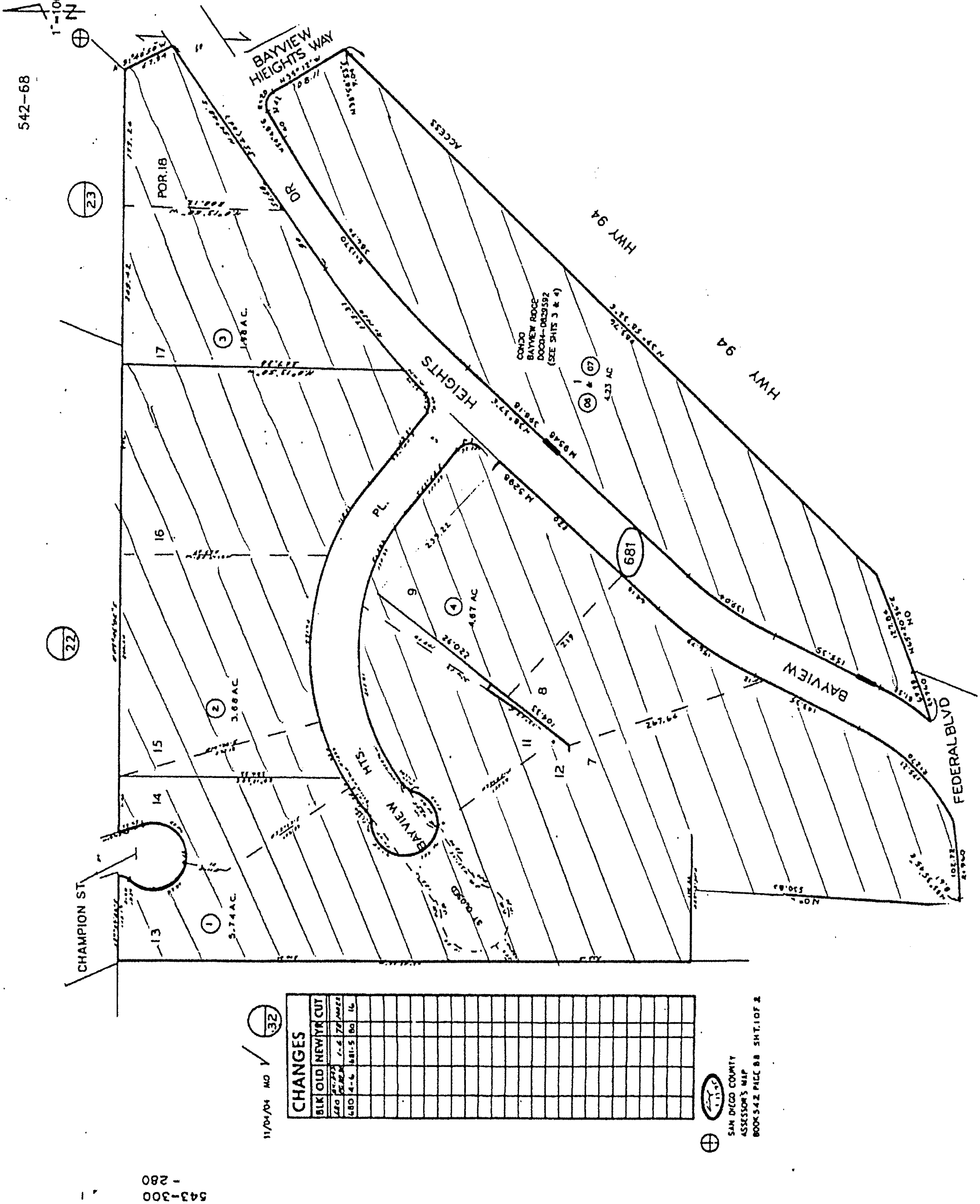


ATTACHMENT 2B - SITE MAP

5471 Bayview Heights Place
San Diego, CA 92105



ATTACHMENT 2B - SITE MAP



ATTACHMENT 3 – ORGANIZATION CHART

Hillside Views - Organizational Chart - 5/9/2018

Seller
MAAC President John Adams Manor, LLC.

Buyer / Partnership
5471 Bayview Heights, L.P.
a California limited Partnership

0.01%
Managing General Partner / MGP
MAAC Bayview Heights, LLC.
a California limited liability company

99.99%
Investor / Limited Partner
TBD, L.P.
Tax Credit Investor

90.00%
Managing Member
MAAC, Inc.
a California nonprofit PBC
501(c)(3)

Board Members

C	Jesse Allen
VP	Tony Valladolid
B	Rodrigo Guevara
T	Viviana Ochoa
B	Teresa Acosta
B	Brian Epperson
B	Darjene Graham
B	Francisco Medrano
B	John Munoz
B	Jesica Avila

Officers

CEO	Arnulfo Manriquez
CFO	Austin Foye

10.00%
Member
Kingdom Development, Inc.
a California nonprofit PBC
501(c)(3)

Board Members

C	William Leach
B	James Leach
B	Keven Petty
B	Ryan Roland
B	Jerry Martin

Officers

P	William Leach
VP	Rusty Leach
S	Mallory Drohan

Developer
MAAC, Inc.

Property Manager
MAAC, Inc.

MAAC, Inc. stands for:
Metropolitan Area Advisory Committee on Anti-Poverty of San Diego County, Inc.

Key

LLC.	Limited Liability Company
L.P.	Limited Partnership
TBD	To be determined
TBF	To be formed
PBC	Public Benefit Corporation
C	Chairperson
VC	Vice Chairperson
B	Board Member
P	President
VP	Vice President
EVP	Executive Vice President
CSO	Chief Strategy Officer
CFO	Chief Financial Officer
CDO	Chief Development Officer
D	Director
S	Secretary
T	Treasurer
GC	General Counsel

SAN DIEGO HOUSING COMMISSION
SDHC

ATTACHMENT 4A
DEVELOPER DISCLOSURE STATEMENT (MAAC)

Real Estate Department

DEVELOPERS/CONSULTANTS/SELLERS/CONTRACTORS/ ENTITY SEEKING GRANT/BORROWERS (Collectively referred to as "CONTRACTOR" herein) Statement for Public Disclosure

1. Name of CONTRACTOR: *MAAC, Inc.*
2. Address and Zip Code: *1355 Third Avenue, Chula Vista, CA 91911*
3. Telephone Number: *619-426-3595 x1254*
4. Name of Principal Contact for CONTRACTOR: *Isabel St. Germain*
5. Federal Identification Number or Social Security Number of CONTRACTOR: *95-2457354*
6. If the CONTRACTOR is not an individual doing business under his own name, the CONTRACTOR has the status indicated below and is organized or operating under the laws of California as:

☐ A corporation (Attach Articles of Incorporation)

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

☐ A partnership known as: ______
(Name)

Check one:

☐ General Partnership (Attach statement of General Partnership)

☐ Limited Partnership (Attach Certificate of Limited Partnership)

☐ A business association or a joint venture known as: ______
(Attach joint venture or business association agreement)

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

☐ Other (explain)

7. If the CONTRACTOR is not an individual or a government agency or instrumentality, give date of organization: *July 1965*
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: *Jesse Allen*	*Chairman*
Name: *Tony Valladolid*	*Vice President*
Name: *Rodrigo Guavara*	*Board Member*
Name: *Viviana Ochoa*	*Treasurer*
Name: *Teresa Acosta*	*Board Member*
Name: *Brian Epperson*	*Board Member*
Name: *Darjene Graham*	*Board Member*
Name: *Francisco Medrano*	*Board Member*
Name: *John Munoz*	*Board Member*
Address: *5471 Bayview Heights, San Diego, CA*	

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:	
Address:	
Name:	
Address:	
Name:	
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: *Arnulfo Manriquez*	*Chief Executive Officer*
Name: *Austin Foye*	*Chief Financial Officer*
Address: *5471 Bayview Heights, San Diego, CA*	

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:	
Address:	

14. Provide the financial condition of the CONTRACTOR as of the date of the statement and for a period of twenty-four (24) months prior to the date of its statement as reflected in the **attached** financial statements, including, but not necessarily limited to, profit and loss statements and statements of financial position. *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:
Perm bond proceeds, tax credit proceeds, seller carry back loan, seller replacement reserves, operating income, and deferred developer fee.

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

    a. In banks/savings and loans: Perm bond proceeds
    Name: *TBD*
    Address: *TBD*
    Amount: $ *24,577,047*

    b. By loans from affiliated or associated corporations or firms:
    Name: *Tax credit investor*
    Address: *TBD*
    Amount: $ *16,231,512*

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

Description	Market Value ($)	Mortgages or Liens ($)
Seller carryback note	*11,750,000*	
Replacement reserves	*750,000*	
Operating Income	*2,743,468*	
Deferred developer fee	*1,560,348*	

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

Name and Address	Contact Name
Name: *California Bank & Trust*	*Jacob Richards*
Address: *4320 La Jolla Village Drive Ste 130*	*Relationship Manager/1st Vice-President*
San Diego, CA 92122	
Name: *Bank of the West*	*Emily Brayfield*
Address: *4180 La Jolla Village Drive Ste 405*	*Commercial Banking Relationship Manager, VP*
La Jolla, CA 92037	
Name: *East West Bank*	*Maureen Finn*
Address: *19540 Jamboree Rd Ste 150*	*Senior Vice President/ Regional Manager*
Irvine, CA 92612	

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

☐ Yes ☒ No

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

19. Has the CONTRACTOR or anyone referred to above as "principals of the CONTRACTOR" been convicted of any felony within the past 10 years?

☐ Yes ☒ No

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

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
Variable Rate Demand Revenue Bond (CSCDA)				
Qualified Zone Academy Bond (CSCDA)				
Variable Rate Demand Multifamily Housing Revenue Bonds (CSCDA)				

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: *3rd party building being used (TBD)*

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: $ *TBD*

General description of such work:
Affordable housing residential new construction and rehabilitation and other work.

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

Project Name	President John Adams Manor Apartments (PJAM)	
Project Owner Contact Information	*MAAC Inc.*	*1355 Third Avenue, Chula Vista, CA 91911*
	Name	Address
Project Location	*5471 Bayview Heights Place, San Diego, CA 92105*	
Project Details	*300 unit resyndication*	
Bonding Company Involved	*TBD*	*TBD*
	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: *TBD*

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:

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

☐ Yes ☒ No

If yes, 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:

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

   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)]

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)]

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 Entity Making Complaint	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)
None					

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.

Contractor is the owner of the property and is resyndicating the project.

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**
None			

36. Within the last five years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, been the subject of a complaint filed with the Contractor's State License Board (CSLB)?

☐ Yes ☒ No

If yes, explain:

37. Within the last five years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, had a revocation or suspension of a CONTRACTOR's License?

☐ Yes ☒ No

If yes, explain:

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

1. Name:
   Address:
   Phone:
   Project Name and Description:
2. Name:
   Address:
   Phone:
   Project Name and Description:
3. Name:
   Address:
   Phone:
   Project Name and Description:

39. Give 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.

MAAC Inc. is the owner/manager of 6 properties approximating 700 units in San Diego and will be resyndicating one of their properties with the help of the SDHC as the issuer. MAAC Inc. intends on building and has begun coordinating, a development team with decades of experience in their respective fields.

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

Name	**Experience**
TBD	

CONSENT TO PUBLIC DISCLOSURE BY CONTRACTOR

By providing the "Personal Information", (if any) as defined in Section 1798.3(a) of the Civil Code of the State of California (to the extent that it is applicable, if at all), requested herein and by seeking a loan from, a grant from, a contract with, the sale of real estate to, the right to develop from, and/or any and all other entitlements from the SAN DIEGO HOUSING COMMISSION ("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 06 day of February, 20 18, at San Diego, California.

CONTRACTOR

By: [signature]
Signature

President/CEO
Title

CERTIFICATION

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

By: [signature] By: ____________

Title: President/CEO Title: ____________

Dated: 02/06/18 Dated: ____________

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

JURAT

State of California

County of San Diego

Subscribed and sworn to (or affirmed) before me on this 06 day of February, 20 18

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

[signature]
Signature of Notary

SEAL

MARIA L. SEGURA
Notary Public - California
San Diego County
Commission # 2222099
My Comm. Expires Nov 17, 2021

METROPOLITAN AREA ADVISORY COMMITTEE ON ANTI-POVERTY OF SAN DIEGO, INC. AND AFFILIATES

(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2017 AND 2016

HCVT

HOLTHOUSE | CARLIN | VAN TRIGT LLP

METROPOLITAN AREA ADVISORY COMMITTEE
ON ANTI-POVERTY OF SAN DIEGO, INC. AND AFFILIATES
(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2017 AND 2016
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Metropolitan Area Advisory Committee on
Anti-Poverty of San Diego, Inc. and Affiliates:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Metropolitan Area Advisory Committee on Anti-Poverty of San Diego, Inc. (a nonprofit organization) and Affiliates (limited partnerships), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, changes in net assets, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated 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 auditor's 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 auditor considers 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 consolidated financial position of Metropolitan Area Advisory Committee on Anti-Poverty of San Diego, Inc. and Affiliates as of December 31, 2017 and 2016, and the changes in their consolidated net assets and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Schedules I and II is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual properties, and it is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards (Schedule III) is required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is also not a required part of the consolidated financial statements. The accompanying supplementary information presented on pages 25-41 is presented for purposes of additional analysis as required by the California Department of Community Services and Development Programs, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2018, on our consideration of Metropolitan Area Advisory Committee on Anti-Poverty of San Diego, Inc. and Affiliates' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metropolitan Area Advisory Committee on Anti-Poverty of San Diego, Inc. and Affiliates' internal control over financial reporting and compliance.

HoltHouse Carlin & Van Trigt LLP

Westlake Village, California
June 14, 2018

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES
(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,	2017	2016
Assets		
Current assets:		
Cash	$ 3,185,601	$ 3,339,886
Accounts receivable, net of allowance for doubtful accounts of $101,521 and $76,164	2,826,256	2,784,680
Other receivables	78,340	148,813
Prepaid expenses	648,183	454,406
Other current assets	185,309	222,022
Total current assets	6,923,689	6,949,807
Other assets:		
Rental property, net of accumulated depreciation	46,380,074	47,901,662
Property and equipment, net of accumulated depreciation	2,116,838	2,219,386
Investment in joint ventures and other entities	378,177	216,214
Other long-term receivables	62,774	62,774
Restricted cash	3,377,719	3,840,088
Deferred costs, net	2,067	7,214
Deposits and other assets	220,475	264,112
Total assets	$ 59,461,813	$ 61,461,257
Liabilities and Net Assets (Deficit)		
Current liabilities:		
Accounts payable	$ 2,587,750	$ 1,667,346
Accrued expenses	1,404,315	1,167,547
Lines of credit	-	130,964
Current portion of accrued interest payable	106,095	128,267
Current portion of notes payable (Note 18)	508,487	3,351,560
Deferred revenues	167,077	325,084
Total current liabilities	4,773,724	6,770,768
Deferred ground lease payable	1,205,663	1,077,790
Accrued interest payable, net of current portion	6,671,355	6,282,894
Notes payable, net of current portion and debt issuance costs	33,119,459	30,708,311
Due to related parties	-	14,053
Other liabilities	490,112	490,166
Total liabilities	46,260,313	45,343,982
Commitments and contingencies		
Net assets:		
Unrestricted:		
General	12,525,075	8,865,107
Controlling interests in Affiliates	(490)	202,416
Total unrestricted	12,524,585	9,067,523
Temporarily restricted	25,657	97,359
Noncontrolling interest in Affiliates	651,258	6,952,393
Total net assets	13,201,500	16,117,275
Total liabilities and net assets (deficit)	$ 59,461,813	$ 61,461,257

See accompanying notes to consolidated financial statements.

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES

(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31,			2017
	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Contract revenue	$ 27,582,015	$ -	$ 27,582,015
Contributions	61,430	195,135	256,565
Program service fees	1,743,079	-	1,743,079
Contractual services	3,098,045	-	3,098,045
Charter school apportionments	1,892,113	-	1,892,113
Rents and tenants fees - real estate	8,600,440	-	8,600,440
Equity in earnings of joint ventures and other	161,963	-	161,963
Other revenue	276,441	-	276,441
Gain on reconveyance of note payable	350,000	-	350,000
Interest income	20,143	-	20,143
Tenant fees	6,254	-	6,254
Net assets realeased from restrictions, satisfaction of program restrictions	266,837	(266,837)	-
Total revenue and support	44,058,760	(71,702)	43,987,058
Expenses:			
Program services:			
Metropolitan Area Advisory Committee	42,157,021	-	42,157,021
Limited Partnerships	814,465	-	814,465
Total program services	42,971,486	-	42,971,486
Supporting services			
Management and general	3,351,442	-	3,351,442
Fundraising and development	222,965	-	222,965
Total supporting services	3,574,407	-	3,574,407
Total expenses	46,545,893	-	46,545,893
Total change in net assets	$ (2,487,133)	$ (71,702)	$ (2,558,835)

See accompanying notes to consolidated financial statements.

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES
(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31,			2016
	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Contract revenue	$ 28,252,697	$ -	$ 28,252,697
Contributions	18,608	253,222	271,830
Program service fees	1,775,426	-	1,775,426
Contractual services	2,973,452	-	2,973,452
Charter school apportionments	3,038,772	-	3,038,772
Rents and tenants fees - real estate	8,270,610	-	8,270,610
Equity in earnings on investment	161,926	-	161,926
Other revenue	595,082	-	595,082
Interest income	11,684	-	11,684
Tenant fees	104,363	-	104,363
Net assets realeased from restrictions, satisfaction of program restrictions	266,837	(266,837)	-
Total revenue and support	45,469,457	(13,615)	45,455,842
Expenses:			
Program services:			
Metropolitan Area Advisory Committee	40,619,413	-	40,619,413
Limited Partnerships	1,834,075	-	1,834,075
Total program services	42,453,488	-	42,453,488
Supporting services			
Management and general	3,002,547	-	3,002,547
Fundraising and development	372,380	-	372,380
Total supporting services	3,374,927	-	3,374,927
Total expenses	45,828,415	-	45,828,415
Total change in net assets	$ (358,958)	$ (13,615)	$ (372,573)

See accompanying notes to consolidated financial statements.

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES
(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	Unrestricted					
	General	Controlling Interests in Affiliates	Total	Temporarily Restricted	Noncontrolling Interests in Affiliates	Total
Balance, December 31, 2015	$ 8,137,923	$ 259,567	$ 8,397,490	$ 110,974	$ 8,970,325	$ 17,478,789
Change in net assets	504,411	(260)	504,151	(13,615)	(863,109)	(372,573)
Transfer in ownership	222,773	(56,891)	165,882	-	(165,882)	-
Distributions	-	-	-	-	(988,941)	(988,941)
Balance, December 31, 2016	8,865,107	202,416	9,067,523	97,359	6,952,393	16,117,275
Change in net assets	(2,165,679)	(52)	(2,165,731)	(71,702)	(321,402)	(2,558,835)
Transfer in ownership	5,825,647	(202,854)	5,622,793	-	(5,622,793)	-
Distributions	-	-	-	-	(356,940)	(356,940)
Balance, December 31, 2017	$ 12,525,075	$ (490)	$ 12,524,585	$ 25,657	$ 651,258	$ 13,201,500

See accompanying notes to consolidated financial statements.

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES
(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2017	2016
Cash flows from operating activities:		
Change in net assets	$ (2,558,835)	$ (372,573)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	2,775,570	2,818,502
Amortization	5,147	5,147
Amortization of deferred ground lease payable	67,873	32,873
Amortization debt issuance costs	223,699	386,590
Equity in earnings of joint ventures and other	(161,963)	(161,926)
Gain from loan reconveyance	(350,000)	-
Changes in operating assets and liabilities:		
Restricted cash	462,369	377,150
Accounts receivable	(41,576)	107,424
Other receivables	70,473	357,281
Prepaid expenses	(193,777)	16,840
Other current assets	80,350	96,938
Accounts payable	920,404	(1,105,485)
Accrued expenses	236,768	(184,394)
Accrued interest payable	366,289	181,276
Deferred revenues	(158,007)	(8,601)
Deferred ground lease payable	60,000	-
Due to related parties	(14,053)	(886,810)
Other liabilities	(54)	2,192
Net cash provided by operating activities	1,790,677	1,662,424
Cash flows from investing activities:		
Expenditures for rental property, property and equipment	(1,151,434)	(1,250,720)
Net cash used in investing activities	(1,151,434)	(1,250,720)
Cash flows from financing activities:		
Expenditures for debt issuance costs	-	(158,600)
Payments of lines of credit	(130,964)	(654,114)
Payments of notes payable	(3,405,624)	(8,303,894)
Proceeds from note payable	3,100,000	9,642,000
Distributions to noncontrolling interests	(356,940)	(988,941)
Net cash used in financing activities	(793,528)	(463,549)
Net change in cash	(154,285)	(51,845)
Cash, beginning of year	3,339,886	3,391,731
Cash, end of year	$ 3,185,601	$ 3,339,886

See accompanying notes to consolidated financial statements.

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES
(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,		2017		2016
Supplemental disclosure of cash flow information:				
Cash paid for interest	$	1,195,905	$	1,339,586
Cash paid for taxes	$	4,000	$	4,000

See accompanying notes to consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Nature of Activities The Metropolitan Area Advisory Committee on Anti-Poverty of San Diego County, Incorporated (Metropolitan Area Advisory Committee or MAAC) is a California nonprofit corporation organized to provide an extensive network of services to the residents of San Diego County. MAAC offers various programs to meet a variety of social, economic, and health needs for low income people, and is supported primarily through federal, state and county award programs.

MAAC wholly owns or controls and operates:

- Villa Lakeshore – a 34 unit apartment complex located in Lakeside, California, which provides housing for families with low income
- Mercado Apartments – a 144 unit apartment complex located in San Diego, California, which provides housing for families with low income
- Carlsbad Laurel Tree Apartments – a 138 unit apartment complex located in Carlsbad, California, which provides housing for families with low income
- MAAC Community Center – a 73,000 square foot property located in Chula Vista, California, which is used for a charter school and various programs
- MAAC Mercado Apartments, LLC – a single member California LLC established to be the limited partner for Mercado Apartments.
- PJAM, Inc. – a California nonprofit corporation established to be the general partner of President John Adams Manor Apartments, L.P.
- MAAC President John Adams Manor LLC – a California nonprofit corporation established to be the owner of President John Adams Manor Apartments.
- MAAC Housing Corporation – a California nonprofit corporation established to be the limited partner of Carlsbad Laurel Tree Apartments, L.P., and sole member of MAAC President John Adams Manor LLC and San Martin De Porres, LLC.
- San Martin De Porres, LLC- a California limited liability company that was established to be the owner of San Martin de Porres Apartments, see below.

MAAC is the general partner of three limited partnerships (the Affiliates) that are invested in residential apartment complexes that qualify for low income housing tax credits (LIHTC) under Section 42 of the Internal Revenue Code and rent to qualified low income tenants. MAAC's ownership interest in each limited partnership is 0.1% or less. A description of the Affiliates is as follows:

- Seniors on Broadway Limited Partnership, a California limited partnership (Seniors on Broadway), owns and manages a 42 unit apartment project in the City of Chula Vista, County of San Diego, California, consisting of affordable rental housing.
- San Martin De Porres, L.P., a California limited partnership (San Martin) owns and manages a 116 unit apartment project in the City of Spring Valley, San Diego County, California, consisting of affordable rental housing, which was transferred to San Martin de Porres LLC during 2017.

- President John Adams Manor Apartments, L.P., a California limited partnership (PJAM) owns and manages a 300 unit apartment project in the City of San Diego, San Diego County, California, consisting of affordable rental housing, which was transferred to President John Adams Manor LLC during 2016.

Description of Programs MAAC Head Start, Early Head Start and State Preschool programs are family-centered and community-based, delivering comprehensive child development services which include education, health, nutrition, mental health and social services. In addition, MAAC receives funding through the Child Care Food Program which provides daily meals and snacks for the children enrolled in the education programs.

MAAC provides support to residents of San Diego County in the form of energy subsidies and home repairs through its weatherization programs.

The real estate program develops new permanent affordable housing units through new construction, acquisition/rehabilitation or through partnerships with third party developers. The program develops permanent affordable housing for individuals and families with annual median incomes ranging from very-low to moderate income.

Basis of Presentation The accompanying consolidated financial statements have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America and include the accounts of MAAC and its Affiliates (the Organization) in which MAAC has a controlling interest. These Affiliates are included in the consolidation in accordance with generally accepted accounting principles which require the Affiliates accounts to be consolidated for all limited partnerships which are deemed to be controlled by MAAC. All significant intercompany balances and transactions have been eliminated in consolidation. Non-controlling interests in limited partnerships represent the limited partners' equity interest in the non-wholly owned limited partnerships and are shown separately in the components of net assets.

Revenues, expenses, gains, losses and net assets are classified in the consolidated financial statements based on the existence or absence of donor-imposed restrictions. Revenue from grants/contracts is recognized to the extent of eligible costs incurred up to an amount not to exceed the total grant/contract authorized. Deferred revenue results from grant awards received that are applicable to the subsequent period. Accordingly, the net assets of MAAC and changes therein are classified and reported as follows:

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds. As of December 31, 2017 and 2016, there were temporarily restricted net assets of $25,657 and $97,359, respectively, related to private grants.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations. MAAC had no permanently restricted net assets as of December 31, 2017 and 2016.

Functional Allocation of Expenses The costs of providing MAAC's programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, expenses identified with a specific program or supporting service are allocated directly to the related program or supporting service. Expenses associated with more than one program or supporting service are allocated by management based on an evaluation of MAAC's activities.

The functional classifications are defined as follows:

- Program service expenses consist of costs incurred in connection with providing services and conducting programs.
- Management and general expenses consist of costs incurred in connection with the overall activities of MAAC which are not allocable to another functional expense category.
- Fundraising and development expenses consist of costs incurred in connection with activities related to obtaining grants and activities designed to generate revenue.

Public Support and Private Revenue Recognition MAAC receives contract and grant funding from federal, state and local agencies for providing educational, nutritional, weatherization and supportive services. Revenues from such grants are recognized as they are earned through expenditure in accordance with the applicable agreement.

Revenues from program service fees are recognized as services are performed and collection is reasonably assured.

Revenues from rental properties, primarily from short-term leases, are reflected as gross potential rents, net of vacancies, as the rents become due.

Contributions are recognized at the earlier of the date of receipt of funds or the date of a formal, unconditional pledge from known donors. Contributions or unconditional promises to give with payments due in future periods are discounted to present value and reported as temporarily restricted revenue. Any funds received in advance of a condition being met are recorded as a liability under deferred revenues.

Accounting Investments in Joint Ventures Under the equity method of accounting, MAAC records its initial investment at cost and thereafter, records its portion of the entities income or loss on an annual basis. In the event its investment goes negative, based on management's assessments, the recording of further loss may be suspended until profitability returns.

Statements of Cash Flows For purposes of the consolidated statements of cash flows, MAAC considers all highly liquid unrestricted investments with an original maturity of three months or less to be cash equivalents.

Use of Estimates The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include in-kind contributions of goods and services, the treatment of loans and related contingent interest owed on loans to be forgiven if the properties comply with loan requirements, and the gross profit margin on developer fees charged to properties developed. Actual results may differ from those estimates.

Accounts Receivable Accounts receivable consist of grants, contracts, and other receivables that arise in the normal course of operations. It is the policy of management to review the outstanding receivables at year end, as well as the bad debts experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts.

Property and Equipment and Rental Property Acquisitions of property and equipment of $5,000 or more are capitalized by MAAC. Property and equipment are stated at cost, or if donated, at the approximate fair market value at the date of donation. Expenditures for maintenance and repairs are charged against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets of three to forty years. Amortization of leasehold improvements is included in depreciation expense. Land, buildings and equipment acquired with grant funds are considered to be owned by the Organization while used in the programs or in future authorized programs. However, the funding source may have a reversionary interest in the property as well as the right to determine the use of any proceeds from the sale of assets purchased with their respective funds.

MAAC reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. When evaluating recoverability, management considers future undiscounted cash flows estimated to be generated by the property, including low income tax credits, and any estimated proceeds from the eventual disposition. In the event these accumulated cash flows are less than the carrying amount of the property, MAAC recognizes an impairment loss equal to the excess of the carrying amount over the estimated fair value of the property. No impairment losses were recognized in 2017 or 2016.

Contributed Materials and Services Contributed materials are recorded at their fair market value when an objective basis is available to measure their value. Such items are capitalized or charged to operations as appropriate. The Organization received a substantial amount of services donated by volunteers in carrying out the Organization's program services. No amounts have been recorded for those services as they do not meet the requirements for recognition as contributions in the accompanying consolidated financial statements. However, the fair market value of contributed professional services is reported as support and expense in the period in which the services are performed.

Concentration of Business and Credit Risk The Organizations maintain its cash in bank deposit accounts that are either insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000 per depositor. At December 31, 2017 and 2016, MAAC had certain accounts which were above the FDIC insured limit. MAAC has not experienced any losses in its bank deposit accounts and does not believe they are exposed to any significant credit risk related to cash.

MAAC receives a significant amount of revenue from government grants, as well as from affordable housing projects in which it is the general partner. These sources of funds are dependent upon the availability of funds from federal and state programs, as well as the continued success of the affordable housing projects.

MAAC, either as a direct owner or general partner, has an economic interest in various rental properties. These properties are subject to business risks associated with the economy and level of unemployment in San Diego County, which affect occupancy as well as the tenants' ability to make rental payments. The operations of properties receiving grant funding are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress, local government or an administrative change mandated by HUD and may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

For the years ended December 31, 2017 and 2016, MAAC had one federal grant which accounted for 89% and 85%, respectively, of its public support and revenues (Schedule III). During the years ended December 31, 2017 and 2016, four programs, accounted for approximately 76% and 80%, respectively, of total accounts receivable.

Income Tax Status The nonprofit entities consolidated in these financial statements have been granted an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. In addition, these nonprofits do not have any income, which they believe would subject them to unrelated business income taxes. Accordingly, these consolidated financial statements do not reflect a provision for income taxes. The consolidated nonprofit entities are required to file tax returns with the Internal Revenue Service (IRS) and other taxing authorities.

MAAC has adopted the accounting topic generally accepted in the United States of America for income taxes, which provides guidance for how uncertain income tax positions should be recognized, measured, presented and disclosed in the consolidated financial statements. MAAC is required to evaluate the income tax positions taken or expected to be taken to determine whether positions are "more-likely-than-not" to be sustained upon examination by the applicable tax authority. Management has determined that the application of the accounting topic for income taxes does not impact its operations.

No provision for income taxes has been made for the consolidated Partnerships or limited liability companies (LLC) as any income or loss is included in the tax returns of the partners or members. The federal tax status as a pass-through entity is based on its legal status as a partnership or LLC. The Partnerships and LLC's are required to file tax returns with the IRS and other taxing authorities. Accordingly, these consolidated financial statements do not reflect a provision for income taxes and the Partnerships and LLC's have no other tax positions which must be considered for disclosure. With few exceptions, the Partnerships and LLC's are no longer subject to income tax examinations by tax authorities for years before 2010. The Partnerships and LLC's are required to pay an $800 fee to the California Franchise Tax Board. No examinations are currently pending.

Property Tax Exemption MAAC's rental properties are generally exempt from real property taxes. In the event such exemption is not renewed annually or no longer available, MAAC's cash flow would be negatively impacted.

Debt Issuance Costs Costs incurred to obtain financing, included in notes payable in the accompanying consolidated statements of position are amortized using a method that approximates the effective interest method, over the terms of the related debt agreements, as applicable.

Recently Issued Accounting Pronouncements In August 2016, the FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958) ("ASU 2016-14"). These amendments change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users.

These include qualitative and quantitative requirements in the following areas:

- Net Asset Classes;
- Investment Return;
- Expenses;
- Liquidity and Availability of Resources; and
- Presentation of Operating Cash Flows

The guidance in ASU 2016-14 is effective for the Organization beginning on January 1, 2018, with early adoption permitted. The Organization has not yet determined the impact the adoption of ASU 2016-14 will have on its consolidated financial statements.

2. Restricted Cash

Cash balances are held in restricted cash accounts to comply with the terms of certain loan and other regulatory agreements. Withdrawals from these accounts are allowed only for specific purposes.

The financial institutions maintain a security interest in the cash account balances. Restricted cash consists of the following:

	2017	2016
Replacement reserves	$ 658,926	$ 1,006,813
Operating reserves	2,069,634	2,134,070
Impound escrows	178,919	101,856
Tenant security deposits	470,240	464,182
Other	-	133,167
Total restricted cash	$ 3,377,719	$ 3,840,088

3. Accounts Receivable

Accounts receivable consists of the following:

	2017	2016
Weatherization and Low Income Home Energy	$ 354,709	$ 869,132
Head Start	1,145,109	1,171,550
Charter school (Note 15)	517,289	302,561
Childcare food program	117,299	124,652
Pre-school	46,473	113,966
Recovery homes	130,277	90,945
Affiliates	289,183	46,661
Other receivables	327,438	141,377
Total accounts receivable	2,927,777	2,860,844
Less: allowance for doubtful accounts	(101,521)	(76,164)
Accounts receivable, net	$ 2,826,256	$ 2,784,680

4. Rental Property

MAAC and the Affiliates own and operate low income housing projects. Rental property consists of the following as of December 31, 2017:

	MAAC	Affiliates	Total
Buildings and improvements	$ 56,918,116	$ 11,307,667	$ 68,225,783
Land	9,638,073	-	9,638,073
Land improvements	4,988,717	245,779	5,234,496
Equipment	3,411,272	208,596	3,619,868
Total rental property	74,956,178	11,762,042	86,718,220
Less: accumulated depreciation	(37,218,496)	(3,119,650)	(40,338,146)
Rental property, net	$ 37,737,682	$ 8,642,392	$ 46,380,074

Rental property consists of the following as of December 31, 2016:

	MAAC	Affiliates	Total
Buildings and improvements	$ 43,713,671	$ 23,718,607	$ 67,432,278
Land	8,893,450	744,623	9,638,073
Land improvements	3,808,644	1,425,852	5,234,496
Equipment	3,045,116	639,642	3,684,758
Total rental property	59,460,881	26,528,724	85,989,605
Less: accumulated depreciation	(29,168,254)	(8,919,689)	(38,087,943)
Rental property, net	$ 30,292,627	$ 17,609,035	$ 47,901,662

A substantial portion of the Organization's rental property is identified as collateral for the related notes payable.

5. Property and Equipment

Property and equipment consist of the following as of December 31, 2017 and 2016:

	2017	2016
Buildings and improvements	$ 2,504,636	$ 2,275,246
Land	94,988	94,988
Leasehold improvements	2,166,869	2,178,145
Vehicles	1,569,779	1,563,737
Furniture and equipment	1,190,731	1,205,623
Total property and equipment	7,527,003	7,317,739
Less: accumulated depreciation	(5,410,165)	(5,098,353)
Property and equipment, net	$ 2,116,838	$ 2,219,386

6. Lines of Credit

MAAC has an unsecured $250,000 line of credit with Raza Development Fund with interest only payments due monthly at 7.5%. The funds were used in connection with predevelopment costs associated with the COMM 22 LLC project. All outstanding principal and accrued interest were fully paid as of August 1, 2016.

MAAC also has a $1,000,000 line of credit with East West Bank with interest only payments due monthly at the greater of 4.25% or Prime (4.50% and 3.75% as of December 31, 2017 and 2016, respectively) plus 1.00%. The line of credit had a balance of $0 and $130,964 as of December 31, 2017 and 2016, respectively. All outstanding principal and accrued interest were due and paid on August 9, 2017.

7. Ground Lease

One of the affiliates, Seniors on Broadway Limited Partnership, entered into a ground lease agreement on March 1, 2005 (Ground Lease) with the Chula Vista Elementary School District (District). The lease expires on March 1, 2080. Ground lease payments are due on the last day of each year, subject to Available Cash Flow, as defined, for the first 15 years. To the extent the full lease payment is not paid in a given year from year 1 through 15, the unpaid balance shall accrue interest at an annual rate of 6 percent. All accrued or unpaid amounts that were not paid are due and payable to the District no later than the end of the 15 year period. Initial annual lease payments are $5,000 with each subsequent annual lease payment increasing by $5,000 until the annual payment reaches $60,000 in year 12. Beginning in year thirteen through the remaining term of the lease, the annual payment shall increase by 2.5 percent. As of December 31, 2017 and 2016, Seniors on Broadway Limited Partnership owes $55,000 and $0 of ground lease payments, respectively.

Seniors on Broadway Limited Partnership has normalized the lease increases over the life of the ground lease. As of December 31, 2017 and 2016, the deferred ground lease payable was $1,205,663 and $1,077,790, respectively. The annual expense of $127,873 was recorded to reflect the expense on a straight-line basis over the life of the lease. The difference between the scheduled payment (depending on cash flow) and the accrual is shown as deferred ground lease for financial statement purposes.

Scheduled ground lease payments as of December 31, 2017 are required as follows:

Year Ending December 31,	Payments Scheduled	Ground Lease Expense	Deferred Ground Lease
2018	$ 115,000	$ 127,873	$ (12,873)
2019	61,500	127,873	(66,373)
2020	63,038	127,873	(64,835)
2021	64,614	127,873	(63,259)
2022	66,229	127,873	(61,644)
Thereafter	9,083,086	7,608,439	1,474,647
	$ 9,453,467	$ 8,247,804	$ 1,205,663

8. Notes Payable

Notes Payable consist of the following:

MAAC and MAAC Wholly Owned Real Estate (MAAC Real Estate)

	2017	2016
Note payable to California Statewide Communities Development Authority (CSCDA) to repay funds acquired through issuance of variable rate demand revenue bonds. The loan proceeds were used to acquire and rehabilitate the MAAC main campus building in Chula Vista, California. The note is secured by a deed of trust covering the land, improvements and other property. The note requires monthly payments of $19,703, including interest at a variable rate (1.71% and 0.72% as of December 31, 2017 and 2016, respectively), subject to an interest rate cap of 2.00% and it matures April 2032. The principal portion of monthly payments is deposited into a restricted account and will be applied to the principal balance of the note at certain times, as set forth in the loan and reimbursement agreements. The note is also secured by an irrevocable letter of credit for $4,263,000 which is secured by the MAAC main campus building. MAAC is required to pay quarterly letter of credit fees of $10,247. During 2017, this loan was repaid.	$ -	$ 3,000,000
Note payable to CSCDA to repay funds acquired through issuance of Qualified Zone Academy Bonds. The loan proceeds were used to renovate and rehabilitate a qualified zone academy facility. The loan does not accrue interest and bi-monthly payments of $27,546 are required until the remaining principal is due in January 2016. Payments are deposited into a restricted account and will be applied to the principal of the note at the maturity date. The note is secured by a lease agreement between MAAC and the Sweetwater Union High School District. During 2016, the loan was repaid.	-	-
Note payable to California Bank & Trust, secured by deed of trust, including assignment of rents and fixture filing and commercial security agreement. Monthly principal and interest payments of $16,144 for 24 months. The note bears variable interest at LIBOR plus 2.25% (3.816% as of December 31, 2017) through April 25, 2019. Thereafter, the interest rate is fixed for one year periods based on one year LIBOR (2.106% as of December 31, 2017) plus 2.25%. Any unpaid principal and interest are due and payable on April 25, 2022.	3,047,439	-

Note payable to the County of San Diego Redevelopment Agency (SDRA) with interest at 3.00% and principal payments beginning June 2035 in an amount equal to the lesser of interest accrued over the past twelve months or the amount determined by SDRA to be necessary to cover the costs of monitoring MAAC's compliance with the loan agreement. If residual revenues are generated from the property's operations, SDRA will receive 25.00% of the residual revenues each fiscal year. In the event that MAAC has repaid the $356,000 note payable to the County of San Diego Department of Housing and Community Development, SDRA will receive 50.00% of the residual revenues each fiscal year. In accordance with the loan agreement, all payments received shall first be applied toward any costs or charges incurred in connection with the loan, next to the payment of accrued interest, then to the reduction of the principal balance. The outstanding balance including any unpaid interest is due in June 2063. The note is secured by a deed of trust covering the land, any improvements and certain other property located in Lakeside, California.	1,000,000	1,000,000
Note payable to Wells Fargo Bank, unsecured, with a fixed interest rate of 3.00% requiring quarterly principal payments of $10,000 plus interest. The principal balance including any unpaid interest is due at the earlier of closing of normal business operations or the maturity date in December 2017. This loan was repaid in 2017.	-	164,547
Note payable to the County of San Diego Department of Housing and Community Development (HCD) requiring annual payments of $32,000, including interest at 3.00%, beginning in June 2034. The note is secured by a deed of trust covering the land, improvements and other property located at the Lakeshore property in Lakeside, California. In the event that the operations of the property generate residual revenue, HCD will receive 25.00% of the residual revenue each fiscal year to be applied toward accrued interest. The principal balance and all unpaid interest are due in June 2062.	356,000	356,000
Note payable to Impact Funding LLC, which is serviced by Pacific Life Insurance Company, secured by a first deed of trust covering the Mercado Apartments land and improvements located in San Diego, California. Monthly installments of principal and interest of $22,641 are based on a 30-year amortization period. Any unpaid principal and interest are due and payable on July 1, 2025. The note bears interest at 8.25% annually.	1,527,828	1,667,171

Note payable to Bank of America Community Development Bank, secured by a second deed of trust covering the Mercado Apartments land and improvements located in San Diego, California. The note does not bear interest and no payments are due unless Mercado Apartments, L.P. is not in compliance with the terms of the deed of trust.	920,000	920,000
Note payable to the City of San Diego, secured by a third deed of trust covering the Mercado Apartments land and improvements located in San Diego, California. The note accrues simple interest at 6.00% annually. The principal and any unpaid interest are due and payable in full on December 3, 2047.	1,425,000	1,425,000
Note payable to the City of San Diego, secured by a fourth deed of trust covering the Mercado Apartments land and improvements located in San Diego, California. The note accrues simple interest at 6.00% annually. The principal and any unpaid interest are due and payable in full on December 3, 2047.	1,998,440	1,998,440
Note payable to Pacific Life (the Pacific Life Loan), secured by a Carlsbad Laurel Tree Apartments first deed of trust, monthly installments of principal and interest of $29,427, accrues interest at 6.83%, and all unpaid principal and interest are due October 1, 2030.	3,012,809	3,154,843
Note payable to Bank of America Community Development Bank, secured by a Carlsbad Laurel Tree Apartments second deed of trust. The note does not bear interest and no payments are due unless the Partnership is not in compliance with the terms of the deed of trust.	552,000	552,000
Note payable to HCD under the Home Investment Partnership Program (the HOME Loan), secured by a Carlsbad Laurel Tree Apartments third deed of trust, accrues simple interest at 3.00% beginning on the date of initial occupancy. Accrued interest is due and payable to the extent of Surplus Cash, as defined. All unpaid principal and interest are due on November 25, 2038.	521,587	521,587
Note payable to East West Bank, secured by a deed of trust covering the Villa Lakeshore land and improvements. Monthly installments of principal and interest of $11,585. Any unpaid principal and interest are due and payable on February 23, 2022. The note bears annual interest at 4.5%.	2,165,428	2,204,678

Note payable to Citibank N.A., in the amount of $9,642,000, secured by the PJAM Apartments and assignments of rents. Interest accrues at 3.37% with interest only payments due monthly. The entire unpaid principal balance and interest are due and payable on June 1, 2019.	9,642,000	9,642,000
Note payable to Bank of America Community Development Bank (the B of A Loan) in the amount of $2,096,860, accrues interest at 8.73% and secured by a first deed of trust. Monthly principal and interest payments of $16,466 are based on a 30-year amortization period. Unpaid principal and interest are due on October 1, 2031.	1,579,783	1,636,731
Note payable to Federal Home Loan Bank, secured by a deed of trust. The note does not bear interest and no payments are due unless the partnership is not in compliance with the terms of the deed of trust. During 2017, the loan was reconveyed to MAAC.	-	350,000
Note payable to the County of San Diego, Department of Housing and Community Development (the SD County Loan), secured by a deed of trust. The note accrues simple interest at 3.00% beginning on the date of initial occupancy of the housing units. Payments to be made on an annual basis from Residual Receipts, as defined, and all principal and unpaid interest are due on November 2, 2054.	1,181,164	1,181,164
Total MAAC and MAAC Real Estate	$ 28,929,478	$ 29,774,161
Affiliates		
Note payable to U.S. Bank National Association (Note A) dated February 28, 2005 in the amount of $225,000, secured by a deed of trust. Interest accrues at 7.22 percent and monthly payments of principal and interest of $1,555 are due. Unpaid principal and interest are due on September 1, 2036.	$ 191,390	$ 195,992
Note payable to U.S. Bank National Association (Note B) dated February 28, 2005 in the amount of $1,000,000, secured by a deed of trust. Interest accrues at 7.22 percent and monthly payments of principal and interest of $6,910 are due. Unpaid principal and interest are due September 1, 2036.	856,282	876,333
Note payable to the City of Chula Vista dated February 22, 2005, secured by a deed of trust. Simple interest accrues at 3.00 percent. Interest only payments are to be made annually from Residual Receipts, as defined. Unpaid principal and interest are due January 2063.	3,511,194	3,511,194

	2017	2016
AHP note payable to the Mississippi Valley Life Insurance Company in the amount of $252,000 dated September 21, 2005. The note is non-interest bearing and will be forgiven after the 15-year compliance period.	339,339	339,339
Total Affiliates	4,898,205	4,922,858
Total notes payable	33,827,683	34,697,019
Less: amounts held in bond repayment reserve account	-	(213,713)
Less: current portion	(508,487)	(3,351,560)
Less: debt issuance costs	(199,737)	(423,435)
Total notes payable, net of current portion	$ 33,119,459	$ 30,708,311

The Affiliates' notes payable are secured by real estate with a net book value of approximately $9,000,000.

Future principal payments of notes payable as of December 31, 2017 are due as follows:

Year Ending December 31,	MAAC	Affiliates	Total
2018	$ 482,820	$ 25,667	$ 508,487
2019	10,157,639	27,582	10,185,221
2020	551,228	29,471	580,699
2021	591,489	31,840	623,329
2022	5,212,431	34,216	5,246,647
Thereafter	11,933,871	4,749,429	16,683,300
	$ 28,929,478	$ 4,898,205	$ 33,827,683

For the years ended December 31, 2017 and 2016, the Organization incurred interest expense of $1,785,893 and $1,601,926, respectively. Amortization of the debt issuance costs of $223,699 and $75,692 has been included in interest expense for 2017 and 2016, respectively.

9. Operating Leases

MAAC occupies facilities and leases vehicles and equipment under operating lease agreements which expire through May 2021. Rent expense was $1,999,122 and $1,966,375 for the years ended December 31, 2017 and 2016, respectively. Future minimum payments under non-cancelable operating leases as of December 31, 2017 are as follows:

Year Ending December 31,	Amount
2018	$ 974,907
2019	$ 459,547
2020	$ 230,788
2021	$ 42,300
2022	$ -
Thereafter	$ -

10. Indirect Costs

MAAC was granted an indirect cost rate of 9.7% and 10.1% by the U.S. Department of Health and Human Services, MAAC's federal cognizant agency for the years ended December 31, 2017 and 2016, respectively.

11. Commitments and Contingencies

Commitments In connection with the development and operations of the properties owned by the Affiliates, MAAC has made certain guaranties regarding the Affiliates' operations and tax benefits.

Grants and Contracts MAAC has grants and contracts with government agencies which are subject to audit. No provision has been made for any liability that may result from such audits since the amounts, if any, cannot be determined. Management believes that any such liability will not be material.

Contingencies The Organization may periodically be involved in litigation cases incidental to its business activities. While any litigation or investigation has an element of uncertainty, management believes that the outcome of any of these matters will not have a materially adverse effect on its consolidated financial position, results of operations or liquidity.

12. Related Party Transactions

Asset Management Fees In accordance with the PJAM Partnership Agreement, the limited partner (non-controlling interest) is to receive an annual LP Asset Management Fee (the Asset Management Fee) equal to $50,000, increasing by 4.00% annually. The Asset Management Fee shall be payable only from Excess Cash, as defined. During 2017 and 2016, the Partnership was charged $0 and $42,205 as an Asset Management Fee, respectively. As of December 31, 2017 and 2016, all Asset Management Fees were paid in full.

In accordance with the Partnership Agreement for San Martin De Porres, L.P., the limited partner (non-controlling interest) is entitled to an annual Asset Management Fee of $7,500, increasing by 4.00% annually and payable (in arrears) 60 days after year end from Distributable Cash, as defined. The Asset Management Fee for the years ended December 31, 2017 and 2016 was $5,458 and $14,046, respectively. As of December 31, 2017 and 2016, $0 and $14,046 remains unpaid and is included in due to related parties in the accompanying consolidated statements of financial position.

13. Acquisition of Non-Controlling Partnership Interest

President John Adams Manor Apartments Effective May 27, 2016, President John Adams Manor Apartments, L.P. sold the project to MAAC President John Adams Manor LLC, a wholly owned subsidiary of MAAC Housing Corporation. The sale was accounted for as a transfer of selected accounts at historical carrying amounts as a result of the transaction occurring between entities under common control. In connection with the sale, the limited partner was paid $1,905,849 ($929,561 paid the outstanding LP Asset Management Fee and $976,288 was treated as a capital distribution) and its remaining capital of $165,882 was transferred from non-controlling interest in affiliates to MAAC's unrestricted general net assets.

San Martin de Porres Apartments Effective June 1, 2017, San Martin de Porres, L.P. sold the project to San Martin de Porres, LLC, a wholly owned subsidiary of MAAC Housing Corporation. The sale was accounted for as a transfer of selected accounts at historical carrying amounts as a result of the transaction occurring between entities under common control. In connection with the sale, the limited partner was paid $376,445 ($19,505 paid the outstanding LP Asset Management Fee and $356,940 was treated as a capital distribution) and its remaining capital of $5,622,793 was transferred from non-controlling interest in affiliates to MAAC's unrestricted general net assets.

14. Investment in Joint Ventures and other Entities

In 2013, MAAC entered into three joint venture agreements with Bridge Housing (the Comm 22 LLCs) to develop affordable housing projects (130 and 70 units) in San Diego, California (the Comm 22 Partnerships). In connection with these agreements, MAAC has 25.0% and 30.6% interests in the Comm 22 LLCs. Two of the Comm 22 LLCs have 0.01% general partner interests in the Comm 22 Partnerships and are entitled to developer and partnership management fees. MAAC records its investments under the equity method of accounting due to shared control with Bridge Housing.

For the years ended December 31, 2017 and 2016, MAAC recognized $0 and $149,313 in developer fees, respectively. As of December 31, 2017 and 2016, total unpaid developer fees were $76,124 and $145,813, respectively.

The Comm 22 LLCs received approximately $18,000,000 in grant funds that were used for infrastructure to develop the affordable housing projects. MAAC determined that the grant revenue received by the Comm 22 Partnerships should be deferred and recognized over the life of the infrastructure (20 years). During 2017 and 2016, MAAC recognized $162,079 in grant revenue and losses of $116 and $153, respectively, in its share of Comm 22 LLCs' net loss. As of December 31, 2017 and 2016, MAAC has an investment balance of $378,177 and $216,214, respectively, in the Comm 22 LLCs.

15. Subsequent Events

MAAC has evaluated subsequent events that have occurred through June 14, 2018, which is the date that the consolidated financial statements were available to be issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the consolidated financial statements, except as noted below.

During 2017, the California Department of Education's disallowed MAAC's funding requests related to the Charter School's independent study program. As a result, MAAC appealed the disallowance and in February 2018, MAAC received notification that the disallowed funding would be eligible for payment in the future periods. For financial reporting purposes, the recognition of the retroactive funding, estimated to be approximately $400,000, will be reported as revenue when received in future periods.

SUPPLEMENTARY INFORMATION

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES **SCHEDULE I**
(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

	MAAC	MAAC Real Estate	Eliminations	Sub-Total	Affiliates	Eliminations	2017 Consolidated Balance	2016 Consolidated Balance
Assets								
Current assets:								
Cash	$ 1,147,710	$ 2,024,361	$ -	$ 3,172,071	$ 13,530	$ -	$ 3,185,601	$ 3,339,886
Accounts receivable, net of allowance for doubtful accounts of $101,521 and $76,164	5,536,350	1,999,038	(4,601,199)	2,934,189	-	(107,933)	2,826,256	2,784,680
Other receivables	541,506	2,216	-	543,722	-	(465,382)	78,340	148,813
Prepaid expenses	493,678	154,505	-	648,183	-	-	648,183	454,406
Other current assets	185,309	-	-	185,309	-	-	185,309	222,022
Total current assets	7,904,553	4,180,120	(4,601,199)	7,483,474	13,530	(573,315)	6,923,689	6,949,807
Other assets:								
Rental property, net of accumulated depreciation	-	37,737,682	-	37,737,682	8,642,392	-	46,380,074	47,901,662
Property and equipment, net of accumulated depreciation	2,116,838	-	-	2,116,838	-	-	2,116,838	2,219,386
Investment in joint ventures and other entities	10,038,077	-	(9,660,390)	377,687	-	490	378,177	216,214
Other long-term receivables	62,774	-	-	62,774	-	-	62,774	62,774
Restricted cash	-	3,238,618	-	3,238,618	139,101	-	3,377,719	3,840,088
Deferred costs, net	-	-	-	-	2,067	-	2,067	7,214
Deposits and other assets	201,765	4,725	-	206,490	13,985	-	220,475	264,112
Total assets	$ 20,324,007	$ 45,161,145	$ (14,261,589)	$ 51,223,563	$ 8,811,075	$ (572,825)	$ 59,461,813	$ 61,461,257
Liabilities and Net Assets								
Current liabilities:								
Accounts payable	$ 2,204,370	$ 363,590	$ -	$ 2,567,960	$ 73,776	$ (53,986)	$ 2,587,750	$ 1,667,346
Accrued expenses	1,383,349	20,966	-	1,404,315	-	-	1,404,315	1,167,547
Lines of credit	-	-	-	-	-	-	-	130,964
Current portion of accrued interest payable	-	99,286	-	99,286	6,809	-	106,095	128,267
Current portion of notes payable	-	482,820	-	482,820	25,667	-	508,487	3,351,560
Deferred revenues	147,775	19,302	-	167,077	-	-	167,077	325,084
Total current liabilities	3,735,494	985,964	-	4,721,458	106,252	(53,986)	4,773,724	6,770,768
Deferred ground lease payable	-	-	-	-	1,205,663	-	1,205,663	1,077,790
Accrued interest payable, net of current portion	-	5,437,690	-	5,437,690	1,233,665	-	6,671,355	6,282,894
Notes payable, net of current portion and debt issuance costs	-	28,291,059	-	28,291,059	4,828,400	-	33,119,459	30,708,311
Due to related parties	1,966,699	2,634,775	(4,601,474)	-	762,302	(762,302)	-	14,053
Other liabilities	12,678	453,409	-	466,087	24,025	-	490,112	490,166
Total liabilities	5,714,871	37,802,897	(4,601,474)	38,916,294	8,160,307	(816,288)	46,260,313	45,343,982

See independent auditor's report.

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES

(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

(Continued)

	MAAC	MAAC Real Estate	Eliminations	Sub-Total	Affiliates	Eliminations	2017 Consolidated Balance	2016 Consolidated Balance
Net assets:								
Unrestricted:								
General	$ 14,583,479	$ 7,358,248	$ (9,660,115)	$ 12,281,612	$ -	$ 243,463	$ 12,525,075	$ 8,865,107
Controlling interest in Affiliates	-	-	-	-	(490)	-	(490)	202,416
Temporarily restricted	25,657	-	-	25,657	-	-	25,657	97,359
Noncontrolling interest in Affiliates	-	-	-	-	651,258	-	651,258	6,952,393
Total net assets	14,609,136	7,358,248	(9,660,115)	12,307,269	650,768	243,463	13,201,500	16,117,275
Total liabilities and net assets (deficit)	$ 20,324,007	$ 45,161,145	$ (14,261,589)	$ 51,223,563	$ 8,811,075	$ (572,825)	$ 59,461,813	$ 61,461,257

See independent auditor's report.

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES

(A NONPROFIT CALIFORNIA CORPORATION)
CONSOLIDATING STATEMENT OF ACTIVITIES

	MAAC	MAAC Real Estate	Eliminations	Sub-Total	Affiliates	Eliminations	2017 Consolidated Balance	2016 Consolidated Balance
Revenue and support:								
Contract revenue	$ 27,582,015	$ -	$ -	$ 27,582,015	$ -	$ -	$ 27,582,015	$ 28,252,697
Contributions	256,565	-	-	256,565	-	-	256,565	271,830
Program service fees	1,743,079	-	-	1,743,079	-	-	1,743,079	1,775,426
Contractual services	4,900,365	-	(1,666,836)	3,233,529	-	(135,484)	3,098,045	2,973,452
Charter school apportionments	1,892,113	-	-	1,892,113	-	-	1,892,113	3,038,772
Rents and tenants fees - real estate	100	8,837,840	(621,103)	8,216,837	383,603	-	8,600,440	8,270,610
Equity in earnings of joint ventures and other	338,680	-	(176,717)	161,963	-	-	161,963	161,926
Other revenue	151,059	1,045,448	(920,066)	276,441	-	-	276,441	595,082
Gain on reconveyance of note payable	-	350,000	-	350,000	-	-	350,000	-
Interest income	4,626	15,517	-	20,143	-	-	20,143	11,684
Tenant fees	-	-	-	-	6,254	-	6,254	104,363
Total revenue and support	36,868,602	10,248,805	(3,384,722)	43,732,685	389,857	(135,484)	43,987,058	45,455,842
Expenses:								
Program services:								
Metropolitan Area Advisory Committee	36,286,815	9,792,628	(3,922,370)	42,157,073	-	(52)	42,157,021	40,619,413
Limited Partnerships	-	-	-	-	910,751	(96,286)	814,465	1,834,075
Total program services	36,286,815	9,792,628	(3,922,370)	42,157,073	910,751	(96,338)	42,971,486	42,453,488
Supporting services								
Management and general	3,351,442	-	-	3,351,442	-	-	3,351,442	3,002,547
Fundraising and development	222,965	-	-	222,965	-	-	222,965	372,380
Total supporting services	3,574,407	-	-	3,574,407	-	-	3,574,407	3,374,927
Total expenses	39,861,222	9,792,628	(3,922,370)	45,731,480	910,751	(96,338)	46,545,893	45,828,415
Total change in net assets	$ (2,992,620)	$ 456,177	$ 537,648	$ (1,998,795)	$ (520,894)	$ (39,146)	$ (2,558,835)	$ (372,573)

See independent auditor's report.

METROPOLITAN AREA ADVISORY COMMITTEE AND AFFILIATES **SCHEDULE III**
(A NONPROFIT CALIFORNIA CORPORATION)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2017

Federal/Pass-Through Grantor and Program Title	Federal CFDA Number	Agency or Pass-Through Grantor No.	Total Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Health and Human Services				
Direct Program:				
Head Start/Early Head Start	93.600	09CH 913304	$ 20,893,096	$ -
EHS CCP	93.600	09HP001701	909,364	-
EHS CCP	93.600	09HP001702	580,460	-
Pass-through the State of California Department of Community Services and Development - Low Income Home Energy Assistance Program				
LIWP Weatherization	93.568	15K-6018	32,289	-
LIHEAP 2016 Weatherization	93.568	16B-4032	10,609	-
LIHEAP 2016 ECIP, HEAP & Assurance 16	93.568	16B-4032	37,070	-
LIHEAP 2017 Weatherization	93.568	17B-3032	510,950	-
LIHEAP 2017 ECIP, HEAP & Assurance 16	93.568	17B-3032	824,602	-
Pass-through County of San Diego Health and Human Services Drug and Alcohol Programs				
Nosotros & Casa de Milagros	93.959	553460	289,913	-
				-
			24,088,353	-
US Department of Energy				
Pass-through the State of California Department of Community Services and Development				
Weatherization	81.042	16C-6029	120,085	-
U.S. Department of Agriculture				
Pass-through California Department of Education				
Child and Adult Care Food Program	10.558	37-1807-OJ	779,732	-
Corporation for National and Community Service				
Pass-through Local Initiatives Support Corporation				-
Social Innovations Fund	94.019	40786-0045	15,909	
Social Innovations Fund	94.019	40786-0046	102,145	
Social Innovations Fund	94.019	40786-0049	3,565	
			121,619	-
Total expenditures of federal awards			$ 25,109,789	$ -

See independent auditor's report and notes to schedule of expenditures of federal awards.

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Metropolitan Area Advisory Committee on Anti-Poverty of San Diego, Inc. (MAAC) under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of MAAC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of MAAC.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the presentation of, the basic consolidated financial statements.

Indirect Cost Rate MAAC has been assigned an indirect cost allocation rate of 9.7% by the Department of Health and Human Services for the year ended December 31, 2017.

2. AMOUNTS PROVIDED TO SUBRECIPIENTS

MAAC did not provide grant funds to subrecipients during 2017.

METROPOLITAN AREA ADVISORY COMMITTEE
State of California DCSD Contract Reconciliation

FOR THE YEAR ENDED DECEMBER 31, 2017

	Yr	Contract 15B-3033 LIHEAP-WX	Contract 15B-3033 LIHEAP-ECIP HEAP Assurance 16	Contract 15B-3033 Total	Contract 15K-6018 LIWP	Contract 16C-6029 DOE Wx
DCSD Contract Amount		$ 712,634	$ 853,000	$ 1,565,634	$ 766,322	$ 140,568
DCSD Payments 15B-3033, 15K-6018, 16C-6029	2015	567,821	727,993	1,295,814	129,181	-
	2016	144,812	125,007	269,819	338,193	15,917
	2017	-	-	-	298,948	124,651
		$ 712,633	$ 853,000	$ 1,565,633	$ 766,322	$ 140,568
Grant Revenue Earned Per Contract	2015	707,848	851,252	1,559,100	163,127	-
	2016	4,785	1,748	6,533	570,906	20,483
	2017	-	-	-	32,289	120,085
Total Grant Revenue		712,633	853,000	1,565,633	766,322	140,568
Expenditures	2015	708,070	850,836	1,558,906	168,081	-
	2016	3,865	-	3,865	567,443	20,484
	2017	1,009	2,725	3,734	31,572	122,475
Total Expenditures		712,944	853,561	1,566,505	767,096	142,959
Expenditures in Excess of Revenues		$ 311	$ 561	$ 872	$ 774	$ 2,391

See independent auditor's report.

METROPOLITAN ADVISORY COMMITTEE
Supplemental Statement of Expenditures
Contract # 15B-3033 LIHEAP 2015

	Year 2015 Audited Costs	Year 2016 Audited Costs	Year 2017 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES					
Grant Revenue	$ 707,848	$ 4,785	$ -	$ 712,633	$ 712,634
EXPENDITURES					
Program Costs					
Intake	34,981	-	-	34,981	40,547
Outreach	28,621	-	-	28,621	29,353
Training & Technical Assistance	4,564	-	-	4,564	4,564
Direct Program Activities	521,478	3,865	1,009	526,352	523,884
Liability Insurance	12,142	-	-	12,142	11,947
Minor Vehicle and Field Equipment (less than $5000)	9,524	-	-	9,524	11,276
Worker's Compensation	56,013	-	-	56,013	54,223
General Operating Expenses	40,747	-	-	40,747	36,840
Total Program Costs	708,070	3,865	1,009	712,944	712,634
Total Expenditures	$ 708,070	$ 3,865	$ 1,009	$ 712,944	$ 712,634

See independent auditor's report.

METROPOLITAN ADVISORY COMMITTEE

Supplemental Statement of Expenditures

Contract # 15B-3033 LIHEAP 2015 ECIP, HEAP 2015, Assurance 16

	Year 2015 Audited Costs	Year 2016 Audited Costs	Year 2017 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES					
Grant Revenue	$ 851,252	$ 1,748	$ -	$ 853,000	$ 853,000
EXPENDITURES					
Assurance 16 Activities	91,111	-	-	91,111	94,123
Administrative Costs	137,991	-	907	138,898	138,898
Program Costs					
Intake	123,381	-	-	123,381	123,304
Outreach	77,239	-	-	77,239	78,157
Training & Technical Assistance	7,773	-	-	7,773	6,089
ECIP HEAP Program Costs					
ECIP EHCS Diagnostics	4,862	-	-	4,862	4,200
ECIP EHCS Cooling Service Rep/Replacement	19,146	-	-	19,146	19,312
ECIP EHCS Heating Service Repairs/Replacement	150,948	-	-	150,948	154,006
Water Heater Repair/Replacement	38,046	-	-	38,046	35,879
ECIP EHS Other Program Costs	89,044	-	-	89,044	91,044
Liability Insurance	18,724	-	892	19,616	18,724
Minor Vehicle and Equipment(less than $5000)	6,787	-	-	6,787	6,787
Worker's Compensation	20,393	-	-	20,393	19,715
General & Operating Expenses	65,391	-	926	66,317	62,762
Total ECIP HEAP Program Costs	413,341	-	1,818	415,159	412,429
Total Expenditures	$ 850,836	$ -	$ 2,725	$ 853,561	$ 853,000

See independent auditor's report.

METROPOLITAN ADVISORY COMMITTEE
Supplemental Statement of Expenditures
Contract 15K-6018 LIWP 2015

	Year 2015 Audited Costs	Year 2016 Audited Costs	Year 2017 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES					
Grant Revenue	$ 163,127	$ 570,906	$ 32,289	$ 766,322	$ 766,322
EXPENDITURES					
Ramp-Up Costs					
Ramp-up Administrative Costs	1,133	-	-	1,133	1,134
Ramp-up Activities	22,664	-	-	22,664	22,663
Total Ramp-Up Costs	23,797	-	-	23,797	23,797
Production Costs					
Administrative Costs	7,023	21,448	7,024	35,495	35,495
Program Costs					
Intake	13,486	16,358	-	29,844	32,042
Outreach	13,399	8,525	-	21,924	20,059
Training and Technical Assistance	2,939	3,238	400	6,577	6,890
General Overhead Costs	51,945	39,688	-	91,633	110,896
Single-Family Weatherization	49,535	441,607	24,148	515,290	500,564
Small Multi-Family Weatherization	5,957	36,579	-	42,536	36,579
Solar Water Heating	-	-	-	-	-
Total Program Costs	137,261	545,995	24,548	707,804	707,030
Total Expenditures	$ 168,081	$ 567,443	$ 31,572	$ 767,096	$ 766,322

See independent auditor's report.

METROPOLITAN ADVISORY COMMITTEE

Supplemental Statement of Expenditures
Contract 16C-6029 DOE 2016

	Year 2016 Audited Costs	Year 2017 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES				
Grant Revenue	$ 20,483	$ 120,085	$ 140,568	$ 140,568
EXPENDITURES				
Administrative Costs	1,184	10,027	11,211	11,211
Training & Technical Assistance	3,799	31	3,830	3,878
Program Costs				
Liability Insurance	1,288	319	1,607	2,600
Intake	1,432	1,851	3,283	3,100
Outreach	1,125	1,010	2,135	2,000
Direct Program Activities	-	68,278	68,278	68,779
Client Education	-	1,723	1,723	2,500
Minor Vehicle & Field Equipment	535	1,261	1,796	1,500
General/Operating Expeditures	11,121	22,909	34,030	30,000
Health & Safety	-	15,066	15,066	15,000
Total Program Costs	15,501	112,417	127,918	125,479
Total Expenditures	$ 20,484	$ 122,475	$ 142,959	$ 140,568

See independent auditor's report.

METROPOLITAN AREA ADVISORY COMMITTEE
State of California DCSD Contract Reconciliation

FOR THE YEAR ENDED DECEMBER 31, 2017

		Contract 16B-4032			Contract 17B-3032			Contract 18B-4031		
	Yr	LIHEAP-WX	LIHEAP-ECIP HEAP Assurance 16	Total	LIHEAP-WX	LIHEAP-ECIP HEAP Assurance 16	Total	LIHEAP-WX	LIHEAP-ECIP HEAP Assurance 16	Total
DCSD Contract Amount		$ 658,336	$ 950,852	$ 1,609,188	$ 779,031	$ 1,124,009	$ 1,903,040	$ -	$ -	$ -
DCSD Payments 16B-4032, 17B-3032, 18B-4031										
	2016	488,241	862,730	1,350,971	85,470	72,975	158,445	-	-	-
	2017	170,095	88,122	258,217	281,919	541,038	822,957	-	-	-
		658,336	950,852	1,609,188	367,389	614,013	981,402	-	-	-
Grant Revenue Earned Per Contract										
	2016	647,728	913,782	1,561,510	230,573	271,179	501,752	-	-	-
	2017	10,608	37,070	47,678	510,950	824,602	1,335,552	-	-	-
Total Grant Revenue		658,336	950,852	1,609,188	741,523	1,095,781	1,837,304	-	-	-
Expenditures										
	2016	647,776	913,851	1,561,627	230,573	271,180	501,753	-	-	-
	2017	11,781	38,818	50,599	532,805	824,705	1,357,510	-	-	-
Total Expenditures		659,557	952,669	1,612,226	763,378	1,095,885	1,859,263	-	-	-
Expenditures in Excess of Revenues		$ 1,221	$ 1,817	$ 3,038	$ 21,855	$ 104	$ 21,959	$ -	$ -	$ -

See independent auditor's report.

METROPOLITAN ADVISORY COMMITTEE
Supplemental Statement of Expenditures
Contract # 16B-4032 LIHEAP 2016

	Year 2016 Audited Costs	Year 2017 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES				
Grant Revenue	$ 647,728	$ 10,608	$ 658,336	$ 658,336
EXPENDITURES				
Program Costs				
Intake	23,563	-	23,563	23,367
Outreach	14,751	-	14,751	14,629
Training & Technical Assistance	1,522	-	1,522	1,523
Direct Program Activities	403,623	10,825	414,448	420,281
Minor Vehicle and Field Equipment (less than $5000)	4,633	-	4,633	4,633
General Overhead Costs	199,684	956	200,640	193,903
Total Program Costs	647,776	11,781	659,557	658,336
Total Expenditures	$ 647,776	$ 11,781	$ 659,557	$ 658,336

See independent auditor's report.

METROPOLITAN ADVISORY COMMITTEE
Supplemental Statement of Expenditures
Contract # 16B-4032 ECIP, HEAP 2016, Assurance 16

	Year 2016 Audited Costs	Year 2017 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES				
Grant Revenue	$ 913,782	$ 37,070	$ 950,852	$ 950,852
EXPENDITURES				
Assurance 16 Activities	98,375	-	98,375	96,669
Administrative Costs	119,226	2,680	121,906	121,906
Program Support Costs				
Intake	100,487	-	100,487	100,488
Outreach	62,907	-	62,907	62,907
Training & Technical Assistance	2,618	99	2,717	2,618
Out of state travel	5,865	-	5,865	5,867
Minor Vehicle and Equipment (Less than $5,000)	4,627	-	4,627	4,627
General Overhead Costs	132,990	3,654	136,644	142,883
Total Program Support Costs	309,494	3,753	313,247	319,390
Program Services Costs				
ECIP Emergency Heating & Cooling Services (EHCS)	386,756	32,385	419,141	412,887
Total Program Services Costs	386,756	32,385	419,141	412,887
Total Expenditures	$ 913,851	$ 38,818	$ 952,669	$ 950,852

See independent auditor's report.

METROPOLITAN ADVISORY COMMITTEE
Supplemental Statement of Expenditures
Contract # 17B-3032 LIHEAP 2017 Weatherization

	Year 2016 Audited Costs	Year 2017 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES				
Grant Revenue	$ 230,573	$ 510,950	$ 741,523	$ 779,031
Other Revenue	-	21,799	21,799	-
Total Revenues	230,573	532,749	763,322	779,031
EXPENDITURES				
Program Support Costs				
Intake	14,888	17,612	32,500	32,500
Outreach	9,320	10,680	20,000	20,000
Training & Technical Assistance	370	-	370	370
Major Vehicle and Field Equipment (more than $5000)	-	8,114	8,114	7,600
Minor Vehicle and Field Equipment (less than $5000)	2,304	2,541	4,845	4,845
Liability Insurance	649	4,432	5,081	5,900
General Operating Costs	12,106	43,735	55,841	55,500
Total Program Support Costs	39,637	87,114	126,751	126,715
Direct Program Costs				
Direct Program Activities	123,075	313,960	437,035	447,316
Other Program Costs	67,861	131,731	199,592	205,000
Total Direct Program Costs	190,936	445,691	636,627	652,316
Total Expenditures	$ 230,573	$ 532,805	$ 763,378	$ 779,031

See independent auditor's report.

METROPOLITAN ADVISORY COMMITTEE
Supplemental Statement of Expenditures
Contract # 17B-3032 ECIP, HEAP 2017, Assurance 16

	Year 2016 Audited Costs	Year 2017 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES				
Grant Revenue	$ 271,179	$ 824,602	$ 1,095,781	$ 1,124,009
EXPENDITURES				
Assurance 16 Activities	20,326	105,432	125,758	128,000
Administrative Costs	43,285	105,757	149,042	150,218
Program Support Costs				
Intake	18,111	86,212	104,323	119,000
Outreach	11,338	59,982	71,320	75,000
Training & Technical Assistance	259	-	259	259
Out of state travel	-	2,430	2,430	2,430
Major Vehicle and Equipment (More than $5,000)	-	8,114	8,114	7,600
Minor Vehicle and Equipment (Less than $5,000)	2,304	2,749	5,053	5,053
Liability Insurance	853	3,147	4,000	4,400
General Operating Costs	15,509	71,592	87,101	81,500
Total Program Support Costs	48,374	234,226	282,600	295,242
Program Services Costs				
ECIP Emergency Heating & Cooling Services (EHCS)	131,660	232,570	364,230	375,549
Other Program Costs	27,535	146,720	174,255	175,000
Total Program Services Costs	159,195	379,290	538,485	550,549
Total Expenditures	$ 271,180	$ 824,705	$ 1,095,885	$ 1,124,009

See independent auditor's report.

METROPOLITAN ADVISORY COMMITTEE

Supplemental Statement of Expenditures

Contract # 18B-4031 LIHEAP 2018 Weatherization

	Year 2017 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES			
Grant Revenue	$ -	$ -	$ 290,319
EXPENDITURES			
Wx Program Costs			
Intake	-	-	23,226
Outreach	-	-	14,516
Training and Technical Assistance	-	-	14,516
Total Wx Program Costs	-	-	52,258
Wx Program Activities & Program Support Costs	-	-	238,061
Total Expenditures	$ -	$ -	$ 290,319

See independent auditor's report.

METROPOLITAN ADVISORY COMMITTEE

Supplemental Statement of Expenditures
Contract # 18B-4031 ECIP, HEAP 2018, Assurance 16

	Year 2017 Audited Costs	Total Audited Costs	Approved Contract Budget
REVENUES			
Grant Revenue	$ -	$ -	$ 738,479
EXPENDITURES			
Assurance 16 Activities	-	-	84,766
Administrative Costs	-	-	84,766
Program Support Costs			
Intake	-	-	79,674
Outreach	-	-	49,796
Training & Technical Assistance	-	-	19,919
Total Program Support Costs	-	-	149,389
Program Services And Program Costs	-	-	419,558
Total Expenditures	$ -	$ -	$ 738,479

See independent auditor's report.

HOLTHOUSE | CARLIN | VAN TRIGT LLP

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Metropolitan Area Advisory Committee on
Anti-Poverty of San Diego, Inc. and Affiliates:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Metropolitan Area Advisory Committee on Anti-Poverty of San Diego, Inc. and Affiliates (collectively, the Organization) which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, change in net assets, and cash flows for the year then ended and the related notes to the consolidated financial statements and have issued our report thereon dated June 14, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Holthouse Carlin & Van Trigt LLP

Westlake Village, California
June 14, 2018

HCVT

HOLTHOUSE | CARLIN | VAN TRIGT LLP

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Metropolitan Area Advisory Committee on
Anti-Poverty of San Diego, Inc. and Affiliates:

Report on Compliance for Each Major Federal Program

We have audited Metropolitan Area Advisory Committee on Anti-Poverty of San Diego, Inc. and Affiliates (collectively, the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2017. The Organization's major federal program are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Holthouse Carlin & Van Trigt LLP

Westlake Village, California
June 14, 2018

Section I – Summary of Auditors' Results

Financial statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	___yes	_x_no
Significant deficiency(ies) identified?	___yes	_x_none reported
Noncompliance material to the financial statements noted?	___yes	_x_no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	___yes	_x_no
Significant deficiency(ies) identified?	___yes	_x_none reported
Type of auditors' report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	___yes	_x_no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
93.600	Head Start/Early Head Start
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between Type A and Type B programs:	$753,294	
Auditee qualified as a low-risk auditee?	x_yes	___no

Section II – Findings - Financial Statement Audit

None

Section III – Findings – Major Federal Award Program Audit

None

Finding - Financial Statement Audit

None

Finding – Major Federal Award Program Audit

None

ATTACHMENT 3 – ORGANIZATION CHART

Hillside Views - Organizational Chart - 5/9/2018

Seller
MAAC President John Adams Manor, LLC.

Buyer / Partnership
5471 Bayview Heights, L.P.
a California limited Partnership

0.01%
Managing General Partner / MGP
MAAC Bayview Heights, LLC.
a California limited liability company

99.99%
Investor / Limited Partner
TBD, L.P.
Tax Credit Investor

90.00%
Managing Member
MAAC, Inc.
a California nonprofit PBC
501(c)(3)

10.00%
Member
Kingdom Development, Inc.
a California nonprofit PBC
501(c)(3)

Board Members

C	Jesse Allen
VP	Tony Valladolid
B	Rodrigo Guevara
T	Viviana Ochoa
B	Teresa Acosta
B	Brian Epperson
B	Darjene Graham
B	Francisco Medrano
B	John Munoz
B	Jesica Avila

Officers

CEO	Arnulfo Manriquez
CFO	Austin Foye

Developer
MAAC, Inc.

Property Manager
MAAC, Inc.

MAAC, Inc. stands for:
Metropolitan Area Advisory Committee on Anti-Poverty of San Diego County, Inc.

Board Members

C	William Leach
B	James Leach
B	Keven Petty
B	Ryan Roland
B	Jerry Martin

Officers

P	William Leach
VP	Rusty Leach
S	Mallory Drohan

Key

LLC.	Limited Liability Company
L.P.	Limited Partnership
TBD	To be determined
TBF	To be formed
PBC	Public Benefit Corporation
C	Chairperson
VC	Vice Chairperson
B	Board Member
P	President
VP	Vice President
EVP	Executive Vice President
CSO	Chief Strategy Officer
CFO	Chief Financial Officer
CDO	Chief Development Officer
D	Director
S	Secretary
T	Treasurer
GC	General Counsel

ATTACHMENT 4B
DEVELOPER DISCLOSURE STATEMENT (KINGDOM)

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

1. Name of CONTRACTOR: Kingdom Development Inc.

2. Address and Zip Code: 8140 Northpark Dr., Riverside, CA 92508

3. Telephone Number: 951-538-6244

4. Name of Principal Contact for CONTRACTOR: William Leach

5. Federal Identification Number or Social Security Number of CONTRACTOR: 32-0483333

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

   ___ A corporation (Attach Articles of Incorporation)

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

   ___ A partnership known as: ______________________
   (Name)
   Check one
   ( ) General Partnership (Attach statement of General Partnership)
   ( ) Limited Partnership (Attach Certificate of Limited Partnership)

   ___ A business association or a joint venture known as:
   ____
   (Attach joint venture or business association agreement)

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

   ___ Other (explain)

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

   4/20/2016

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. Attached

   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%.

Name, Address and Zip Code	Position Title (if any) and percent of interest or description of character and extent of interest

   (Attach extra sheet if necessary)

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):**
N/A

Name, Address and Zip Code	Position Title (if any) and extent of interest

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: Attached**

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.**
No

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

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:**

    We anticipate the following sources: Perm bond proceeds, Tax credit proceeds, Seller carryback loan, Seller replacement reserves, Operating income, Deferred developer fee.

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

    a. **Name, Address & Zip Code of Bank/Savings & Loan: TBD**

       Amount: $14,557,052 Equity

    b. **By loans from affiliated or associated corporations or**

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

       Amount: $42,379,098

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

Description	Market Value	Mortgages or Liens
	$	$

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

    Mike Hemmens – CitiBank

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 __X_ No

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

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

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

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

Bond Type	Project Description	Date of Completion	Amount of Bond	Action on Bond
N/A				

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:
Not Applicable.
a. Name and addresses of such contractor or builder:
N/A

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:

Completed Construction on the following:
a. New construction homeless project in Escondido
    a. Solutions Escondido Apartments
    b. 32 Units

b. Historic Rehab project in Tacoma, WA
   a. The Winthrop
   b. 190 Units
c. Rehabilitation project in Anaheim
   a. Pebble Cove
   b. 111 Units
d. Rehabilitation project in Garden Grove
   a. Sycamore Court
   b. 78
e. Highrise rehab in Long Beach
   a. City View
   b. 296 Units

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

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

Identification of Contract or Development	Location	Amount	Date to be Completed

N/A

e. Outstanding construction-contract bids of such contractor or

builder: <u>Awarding Agency</u> <u>AmountDate Opened</u>

N/A

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

N/A

23. Does any member of the governing body of the San Diego Housing Commission ("COMMISSION"), Housing Authority of the City of San Diego ("AUTHORITY") or City of San Diego ("CITY"), to which the accompanying proposal is being made or any officer or employee of the COMMISSION, the AUTHORITY or the CITY who exercises any functions or responsibilities in connection with the carrying out of the project covered by the CONTRACTOR's proposal, have any direct or indirect personal financial interest in the CONTRACTOR or in the proposed contractor?

___ Yes X No

If yes, explain.

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

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

___ Yes X No

If yes, explain:

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

See Certificates Attached.

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

Check coverage(s) carried: Certifications Attached.

Comprehensive Form

- ☐ 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)]

Certificates attached

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)]

____

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 COMMISSION setting forth the provisions of this nondiscrimination clause.

28. The CONTRACTOR warrants and certifies that it will not without prior written consent of the COMMISSION, engage in any business pursuits that are adverse, hostile or take incompatible positions to the interests of the COMMISSION, during the term of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT and/or RENDITION OF SERVICES.

29. CONTRACTOR warrants and certifies that no member, commissioner, councilperson, officer, or employee of the COMMISSION, the AUTHORITY and/or the CITY, no member of the governing body of the locality in which the PROJECT is situated, no member of the government body in which the Commission was activated, and no other public official of such locality or localities who exercises any functions or responsibilities with respect to the assignment of work, has during his or her tenure, or will for one (1) year thereafter, have any interest, direct or indirect, in this PROJECT or the proceeds thereof.

____

____

____

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

Government Entity Making Complaint	Date	Resolution
N/A		

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

__ Yes X No

If yes, explain:

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:

Governmental Agency	Description License	License Number	Date Issued (original)	Status (current)	Revocation (yes/no)

None

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

None

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

One of the GP's is the owner of the property and is resyndicating the project

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

Date	Entity Involved (i.e., CITY COMMISSION, etc.)	Status (Current, delinquent repaid, etc.)	Dollar Amount
None			

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 X No

If yes, explain:

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

If yes, explain:

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

Name: Karen Youel – Housing Manager

Address: 201 N Broadway, Escondido, CA 92025

Phone: 760-839-4518

Project Name and Description: Solutions Escondido – 32 Homeless units in Escondido

Name: Margery Pierce – Neighborhood Services

Address: 321 N Nevada St, Oceanside, CA 92054

Phone: 760-435-3360

Project Name and Description: North Coast Terrace – 31 homeless units in Oceanside

Name: Andy Nogal____

Address: 201 S Anaheim Blvd, Anaheim, CA 92805

Phone: 714-765-4368

Project Name and Description: Pebble Cove – 86 rehabilitation units in Anaheim

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

    William Leach, President of Kingdom Development, has over 12 years experience in the industry.

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

CERTIFICATION

The CONTRACTOR, Kingdom Development, Inc.______, 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: William Leach_____ By: ____________________

Title: President & CEO_____ Title: ____________________

Dated: ~~2/16/2018~~ 2/21/18_____ 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.

ATTEST:

State of California

County of ____________________

Subscribed and sworn to before me this _____ day of ______________, 20____.

____
Signature of Notary

____
Name of Notary

SEAL

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT **CIVIL CODE § 1189**

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.

State of California)
County of Riverside)

On February 21, 2018 before me, Mallory Drohan,
Date *Here Insert Name and Title of the Officer*

personally appeared William Leach
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

MALLORY DROHAN
Notary Public - California
Riverside County
Commission # 2208000
My Comm. Expires Jul 30, 2021

Signature Mal
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: ______
Document Date: ______ Number of Pages: ______
Signer(s) Other Than Named Above: ______

Capacity(ies) Claimed by Signer(s)

Signer's Name: ______
☐ Corporate Officer — Title(s): ______
☐ Partner — ☐ Limited ☐ General
☐ Individual ☐ Attorney in Fact
☐ Trustee ☐ Guardian or Conservator
☐ Other: ______
Signer Is Representing: ______

Signer's Name: ______
☐ Corporate Officer — Title(s): ______
☐ Partner — ☐ Limited ☐ General
☐ Individual ☐ Attorney in Fact
☐ Trustee ☐ Guardian or Conservator
☐ Other: ______
Signer Is Representing: ______

CONSENT TO PUBLIC DISCLOSURE BY CONTRACTOR

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

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

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

Executed this ~~16~~ 21 day of February, 20 18, at San Diego, California.

CONTRACTOR

By: [signature] William Leach

Signature

President & CEO

Title

ATTACHMENT 5
DEVELOPERS' PROJECT PRO FORMA

PROJECT SUMMARY	KINGDOM DEVELOPMENT INC.	HILLSIDE VIEWS
297 units plus 3 mgr. units		TE Bonds + 4% Credits
Rehabilitation		Non-Rural
Non-PW Family project		QCT-No DDA-No

Permanent Sources

Source	Amount	Rate	Amm.	/ Unit
Taxable Perm Loan Proceeds	$27,556,962	4.45%	35	$91,857
Tax Credit Proceeds	22,772,529	NA	NA	75,908
Seller Carry Back Loan	23,150,000	2.50%	RR	77,167
Redstone Bridge	12,000,000	2.50%	0	40,000
Redstone Bridge Repay	-12,000,000	0.00%	0	-40,000
Seller Replacement Reserves	50,000	0.00%	0	167
Seller Credit for STW	1,500,619	0.00%	0	5,002
Interest Income	48,750	NA	NA	163
Operating Income	2,327,667	NA	NA	7,759
Deferred Developer Fee	5,062,624	2.50%	NA	16,875
	$82,469,150			$274,897

Permanent Uses

Uses	Amount	Per Unit
Land Costs	$48,400,000	$161,333
Financing Costs	3,167,884	10,560
Permits, Fees, & Studies	475,000	1,583
Direct Construction Costs	14,883,087	49,610
Con. Contingency	1,488,309	4,961
Developer Fee	9,504,489	31,682
Indirect Construction Costs	1,769,657	5,899
Rent-Up Costs	750,000	2,500
Soft Contingency	900,000	3,000
Reserves	1,130,725	3,769
	$82,469,150	$274,897

Source Pay In Schedule

Source	Amount	Date	Notes
Taxable Perm Loan Proceeds	$27,556,962	Nov-18	Close
Tax Credit Proceeds	4,100,000	Nov-18	Close
Tax Credit Proceeds	4,100,000	Feb-19	
Tax Credit Proceeds	6,000,000	Apr-20	Convert
Tax Credit Proceeds	6,000,000	Apr-20	Convert
Tax Credit Proceeds	1,000,000	Dec-19	Lease up
Tax Credit Proceeds	1,422,529	Apr-20	Convert
Tax Credit Proceeds	150,000	Jun-20	8609s
Redstone Bridge	6,000,000	Apr-19	
Redstone Bridge	6,000,000	Jul-19	
Redstone Bridge Repay	-12,000,000	Apr-20	Convert
Seller Replacement Reserves	$50,000	Nov-18	Close
Seller Credit for STW	$1,500,619	Nov-18	Close
Seller Carry Back Loan	$23,150,000	Nov-18	Close

Construction Sources

Source	Amount	Per Unit
Taxable Perm Loan Proceeds	27,556,962	$91,856.54
Tax Credit Proceeds	8,200,000	27,333.33
Seller Carry Back Loan	23,150,000	77,166.67
Redstone Bridge	12,000,000	40,000.00
Seller Replacement Reserves	50,000	166.67
Seller Credit for STW	1,500,619	5,002.06
Income & Deferred Costs	10,011,569	33,371.90
Totals	82,469,150	$274,897.17

Bedroom Mix/Average Rent

Bedrooms	Quantity	% of Units	Avg. Rent
0			
1	44	15%	1,023.85
2	214	72%	1,225.51
3	39	13%	1,408.05
4+			

Rent Schedule

Calculation	Quantity	Bedrooms	AMI	Rent	Util.
TCAC	5	1	50%	$862	$51
TCAC	39	1	60%	1,045	51
TCAC	21	2	50%	1,028	67
TCAC	193	2	60%	1,247	67
TCAC	4	3	50%	1,181	84
TCAC	35	3	60%	1,434	84
Emp-Unit	1	3	0%	0	0
Emp-Unit	2	3	0%	0	0

Developer Fee Schedule

Expenses	Amount	Per Unit
Close	11/1/2018	$1,000,000
50% Comp.	5/1/2019	0
CofO	11/1/2019	0
Lease up	12/1/2019	1,500,000
Stabilize	3/1/2020	0
Convert	4/1/2020	1,791,865
8609s	6/1/2020	0
Final	6/1/2020	150,000
Deferred		5,062,624
Total		9,504,489

Assumptions		Assumptions	
TCAC Tiebreaker	NA	Con. Length	12
Site (acres)	16.07	CL Closing:	11/1/18
Debt Cov. Ratio	1.15	Est. Completion	11/1/19
Vacancy Factor	5.0%	Con. Loan	0
		Con. Int. Rate	5.00%

Printed on 9/20/18 at 11:18 AM

Version: 7.5.1

Updated by: William Leach on 9/20/18

USES, EXPENSES AND CREDITS	KINGDOM DEVELOPMENT INC.	HILLSIDE VIEWS
297 units plus 3 mgr. units		TE Bonds + 4% Credits
Rehabilitation		Non-Rural
Non-PW Family project		QCT-No DDA-No

Development Uses

Description	Amount	NC. Basis	Acq. Basis	Per Unit
Acquisition Building Cost	$42,800,000	$0	$42,800,000	$142,667
Acquisition Land Value	5,600,000	0	0	18,667
Appraisals	20,000	0	0	67
Building Fees & Permits	100,000	100,000	0	333
Impact Fees	25,000	25,000	0	83
Architectural & Engineering	350,000	350,000	0	1,167
Solar Upgrade	1,000,000	1,000,000	0	3,333
Residential Construction	12,018,791	12,018,791	0	40,063
General Conditions	633,771	633,771	0	2,113
Contractor's Overhead & Profit	933,730	933,730	0	3,112
Bonding and Insurance	661,452	661,452	0	2,205
Construction Contingency	1,488,309	1,488,309	0	4,961
Developer Fee	9,504,489	3,084,489	6,420,000	31,682
Kingdom FA Fees	250,000	200,000	0	833
Construction Management	240,000	240,000	0	800
Accounting	80,000	60,000	0	267
Legal Fees	220,000	150,000	0	733
Temp Relocation	600,000	600,000	0	2,000
Perm Relocation	300,000	0	0	1,000
Market Study	15,000	15,000	0	50
Project Contingency	900,000	647,026	0	3,000
Marketing & Advertising	50,000	0	0	167
Lease-up Reserve	250,000	0	0	833
Capitalized Operating Reserve	880,725	0	0	2,936
Common Area Furnishings	400,000	400,000	0	1,333
Mortgage Interest	1,737,237	482,933	0	5,791
Bridge Interest	250,200	250,200	0	834
Permanent Loan Fees	416,270	0	0	1,388
TCAC Fees	147,743	0	0	492
CDLAC Fees	109,645	0	0	365
Bond Issuance Costs	406,789	277,048	0	1,356
Title and Recording	80,000	30,000	0	267
Totals	$82,469,150	$23,647,748	$49,220,000	$274,897

Operating Expenses

Description	Amount	Per Unit
Property Management	$201,600	$672
Office Expenses	89,037	297
On-site Manager	442,135	1,474
Insurance	96,229	321
Supplies	66,000	220
Repairs Contract	423,080	1,410
Electricity	463,260	1,544
Business Taxes & License	6,800	23
Social Services	60,000	200
Replacement Reserves	120,000	400
Total	$1,968,141	$6,560

Tax Credit Calculation

	4% Federal	Acq. Fed.	State
Eligible Basis	23,647,748	49,220,000	
Excluded	0	0	
Unadjusted	23,647,748	49,220,000	0
Basis Limit	103,635,593		
Boost	100%	100%	
Adjusted	23,647,748	49,220,000	
Applicable	100.0%	100.0%	100.0%
Qualified	23,647,748	49,220,000	0
Reduction	0	0	
Adj. Qualified	23,647,748	49,220,000	
Rate Factor	3.29%	3.29%	13.00%
Annual Credits	778,011	1,619,338	
Federal Credits	23,973,480	State Credits	0
Credit Price	0.950		0.80
Proceeds	22,772,529		0
Total	$22,772,529		

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CASH FLOW YR 1-10 | **KINGDOM DEVELOPMENT INC.** | **HILLSIDE VIEWS**

297 units plus 3 mgr. units	TE Bonds + 4% Credits
Rehabilitation	Non-Rural
Non-PW Family project	QCT-No DDA-No

Development Uses

Year	1	2	3	4	5	6	7	8	9	10
Rental Income	4,346,669	4,455,336	4,566,719	4,680,887	4,797,909	4,917,857	5,040,803	5,166,823	5,295,994	5,428,394
Other Income	60,000	61,500	63,038	64,613	66,229	67,884	69,582	71,321	73,104	74,932
Vacancy Loss	220,333	225,842	231,488	237,275	243,207	249,287	255,519	261,907	268,455	275,166
Adjusted Gross Income	4,186,335	4,290,994	4,398,269	4,508,225	4,620,931	4,736,454	4,854,866	4,976,237	5,100,643	5,228,159
Standard Expenses	1,841,341	1,905,788	1,972,491	2,041,528	2,112,981	2,186,935	2,263,478	2,342,700	2,424,694	2,509,559
Property Taxes	6,800	6,936	7,075	7,216	7,361	7,508	7,658	7,811	7,967	8,127
Replacement Reserves	120,000	121,200	122,412	123,636	124,872	126,121	127,382	128,656	129,943	131,242
Total Expenses	1,968,141	2,033,924	2,101,977	2,172,380	2,245,214	2,320,564	2,398,519	2,479,167	2,562,605	2,648,928
Perm Debt Service	1,554,758	1,554,758	1,554,758	1,554,758	1,554,758	1,554,758	1,554,758	1,554,758	1,554,758	1,554,758
Net Operating Income	2,218,194	2,257,070	2,296,291	2,335,845	2,375,717	2,415,890	2,456,347	2,497,070	2,538,039	2,579,232
Debt Service Coverage	1.43	1.45	1.48	1.50	1.53	1.55	1.58	1.61	1.63	1.66
Cash after Exp & DS	663,436	702,312	741,533	781,087	820,958	861,131	901,589	942,312	983,280	1,024,473
TB Section 8 Income	20,000	20,400	20,808	21,224	21,649	22,082	22,523	22,974	23,433	23,902
Vacancy addback to 3.6%	61,693	63,236	64,817	66,437	68,098	69,800	71,545	73,334	75,167	77,047
Cash after Adjustments	745,129	785,947	827,158	868,748	910,705	953,013	995,657	1,038,619	1,081,881	1,125,422
LP Fee	7,000	7,210	7,426	7,649	7,879	8,115	8,358	8,609	8,867	9,133
GP Fee	20,000	20,600	21,218	21,855	22,510	23,185	23,881	24,597	25,335	26,095
Cash after Partnership Fees	718,129	758,137	798,513	839,245	880,316	921,713	963,418	1,005,413	1,047,678	1,090,193
Deferred Developer Fee	5,062,624	4,344,494	3,586,357	2,787,844	1,948,599	1,068,283	146,570	0	0	0
Developer Fee	718,129	758,137	798,513	839,245	880,316	921,713	146,570	0	0	0
Cash after Dev. Fee	0	0	0	0	0	0	816,848	1,005,413	1,047,678	1,090,193
Seller Carryback Balance	23.15 M	23.73 M	24.32 M	24.93 M	25.55 M	26.19 M	26.85 M	26.91 M	26.82 M	26.71 M
SCB Interest Charge	578,750	593,219	608,049	623,250	638,832	654,803	671,173	672,636	670,600	667,721
SCB Payment @ 75%	0	0	0	0	0	0	612,636	754,060	785,759	817,645
SCB Ending Balance	23.73 M	24.32 M	24.93 M	25.55 M	26.19 M	26.85 M	26.91 M	26.82 M	26.71 M	26.56 M
Cash after SCB	0	0	0	0	0	0	204,212	251,353	261,920	272,548
Incentive Fee @ 4%	173,867	178,213	182,669	187,235	191,916	196,714	201,632	206,673	211,840	217,136
Incentive Fee Payment	0	0	0	0	0	0	201,632	206,673	211,840	217,136
Cash Flow	0	0	0	0	0	0	2,580	44,680	50,080	55,412
Distributions										
MGP MAAC @ 49%	0	0	0	0	0	0	0	0	0	0
MGP Kingdom @ 41%	0	0	0	0	0	0	0	0	0	0
Limited Partner @ 10%	0	0	0	0	0	0	0	0	0	0

Year	1	2	3	4	5	6	7	8	9	10

CASH FLOW YR 11-20	KINGDOM DEVELOPMENT INC.	HILLSIDE VIEWS
297 units plus 3 mgr. units		TE Bonds + 4% Credits
Rehabilitation		Non-Rural
Non-PW Family project		QCT-No DDA-No

Development Uses										
Year	11	12	13	14	15	16	17	18	19	20
Rental Income	5,564,104	5,703,206	5,845,786	5,991,931	6,141,729	6,295,272	6,452,654	6,613,971	6,779,320	6,948,803
Other Income	76,805	78,725	80,693	82,711	84,778	86,898	89,070	91,297	93,580	95,919
Vacancy Loss	282,045	289,097	296,324	303,732	311,325	319,109	327,086	335,263	343,645	352,236
Adjusted Gross Income	5,358,863	5,492,835	5,630,156	5,770,910	5,915,182	6,063,062	6,214,638	6,370,004	6,529,254	6,692,486
Standard Expenses	2,597,393	2,688,302	2,782,393	2,879,776	2,980,569	3,084,888	3,192,860	3,304,610	3,420,271	3,539,980
Property Taxes	8,289	8,455	8,624	8,797	8,972	9,152	9,335	9,522	9,712	9,906
Replacement Reserves	132,555	133,880	135,219	136,571	137,937	139,316	140,709	142,117	143,538	144,973
Total Expenses	2,738,237	2,830,637	2,926,236	3,025,144	3,127,478	3,233,357	3,342,904	3,456,248	3,573,521	3,694,860
Perm Debt Service	1,554,758	1,554,758	1,554,758	1,554,758	1,554,758	1,554,758	1,554,758	1,554,758	1,554,758	1,554,758
Net Operating Income	2,620,626	2,662,198	2,703,920	2,745,765	2,787,704	2,829,705	2,871,734	2,913,756	2,955,734	2,997,626
Debt Service Coverage	1.69	1.71	1.74	1.77	1.79	1.82	1.85	1.87	1.90	1.93
Cash after Exp & DS	1,065,868	1,107,439	1,149,162	1,191,007	1,232,946	1,274,947	1,316,976	1,358,998	1,400,975	1,442,868
TB Section 8 Income	24,380	24,867	25,365	25,872	26,390	26,917	27,456	28,005	28,565	29,136
Vacancy addback to 3.6%	78,973	80,947	82,971	85,045	87,171	89,350	91,584	93,874	96,221	98,626
Cash after Adjustments	1,169,220	1,213,254	1,257,497	1,301,924	1,346,507	1,391,215	1,436,016	1,480,877	1,525,761	1,570,630
LP Fee	9,407	9,690	9,980	10,280	10,588	10,906	11,233	11,570	0	0
GP Fee	26,878	27,685	28,515	29,371	30,252	31,159	32,094	33,057	34,049	35,070
Cash after Partnership Fees	1,132,935	1,175,879	1,219,002	1,262,274	1,305,667	1,349,149	1,392,689	1,436,250	1,491,712	1,535,560
Deferred Developer Fee	0	0	0	0	0	0	0	0	0	0
Developer Fee	0	0	0	0	0	0	0	0	0	0
Cash after Dev. Fee	1,132,935	1,175,879	1,219,002	1,262,274	1,305,667	1,349,149	1,392,689	1,436,250	1,491,712	1,535,560
Seller Carryback Balance	26.56 M	26.37 M	26.15 M	25.89 M	25.59 M	25.25 M	24.87 M	24.45 M	23.98 M	23.46 M
SCB Interest Charge	663,973	659,330	653,766	647,254	639,767	631,280	621,766	611,197	599,547	586,566
SCB Payment @ 75%	849,701	881,910	914,251	946,705	979,250	1,011,862	1,044,517	1,077,187	1,118,784	1,151,670
SCB Ending Balance	26.37 M	26.15 M	25.89 M	25.59 M	25.25 M	24.87 M	24.45 M	23.98 M	23.46 M	22.9 M
Cash after SCB	283,234	293,970	304,750	315,568	326,417	337,287	348,172	359,062	372,928	383,890
Incentive Fee @ 4%	222,564	228,128	233,831	239,677	245,669	251,811	258,106	264,559	271,173	277,952
Incentive Fee Payment	222,564	228,128	233,831	239,677	245,669	251,811	258,106	264,559	271,173	277,952
Cash Flow	60,670	65,842	70,919	75,891	80,748	85,476	90,066	94,504	101,755	105,938
Distributions										
MGP MAAC @ 49%	0	0	0	0	0	0	0	0	0	0
MGP Kingdom @ 41%	0	0	0	0	0	0	0	0	0	0
Limited Partner @ 10%	0	0	0	0	0	0	0	0	0	0

CASH FLOW YR 21-30	KINGDOM DEVELOPMENT INC.	HILLSIDE VIEWS
297 units plus 3 mgr. units		TE Bonds + 4% Credits
Rehabilitation		Non-Rural
Non-PW Family project		QCT-No DDA-No

	Development Uses									
Year	21	22	23	24	25	26	27	28	29	30
Rental Income	7,122,523	7,300,586	7,483,101	7,670,178	7,861,933	8,058,481	8,259,943	8,466,442	8,678,103	8,895,055
Other Income	98,317	100,775	103,294	105,877	108,524	111,237	114,018	116,868	119,790	122,784
Vacancy Loss	361,042	370,068	379,320	388,803	398,523	408,486	418,698	429,165	439,895	450,892
Adjusted Gross Income	6,859,798	7,031,293	7,207,075	7,387,252	7,571,933	7,761,232	7,955,263	8,154,144	8,357,998	8,566,948
Standard Expenses	3,663,880	3,792,116	3,924,840	4,062,209	4,204,386	4,351,540	4,503,844	4,661,478	4,824,630	4,993,492
Property Taxes	10,104	10,307	10,513	10,723	10,937	11,156	11,379	11,607	11,839	12,076
Replacement Reserves	146,423	147,887	149,366	150,860	152,368	153,892	155,431	156,985	158,555	160,140
Total Expenses	3,820,407	3,950,309	4,084,718	4,223,792	4,367,692	4,516,588	4,670,654	4,830,070	4,995,024	5,165,708
Perm Debt Service	1,554,758	1,554,758	1,554,758	1,554,758	1,554,758	1,554,758	1,554,758	1,554,758	1,554,758	1,554,758
Net Operating Income	3,039,391	3,080,984	3,122,357	3,163,461	3,204,242	3,244,644	3,284,609	3,324,074	3,362,974	3,401,239
Debt Service Coverage	1.95	1.98	2.01	2.03	2.06	2.09	2.11	2.14	2.16	2.19
Cash after Exp & DS	1,484,633	1,526,225	1,567,599	1,608,702	1,649,483	1,689,886	1,729,850	1,769,316	1,808,215	1,846,481
TB Section 8 Income	29,719	30,313	30,920	31,538	32,169	32,812	33,468	34,138	34,820	35,517
Vacancy addback to 3.6%	101,092	103,619	106,210	108,865	111,586	114,376	117,235	120,166	123,170	126,250
Cash after Adjustments	1,615,443	1,660,158	1,704,728	1,749,105	1,793,238	1,837,074	1,880,554	1,923,620	1,966,206	2,008,248
LP Fee	0	0	0	0	0	0	0	0	0	0
GP Fee	36,122	37,206	38,322	39,472	40,656	41,876	43,132	44,426	45,759	47,131
Cash after Partnership Fees	1,579,321	1,622,952	1,666,406	1,709,633	1,752,582	1,795,198	1,837,422	1,879,194	1,920,448	1,961,116
Deferred Developer Fee	0	0	0	0	0	0	0	0	0	0
Developer Fee	0	0	0	0	0	0	0	0	0	0
Cash after Dev. Fee	1,579,321	1,622,952	1,666,406	1,709,633	1,752,582	1,795,198	1,837,422	1,879,194	1,920,448	1,961,116
Seller Carryback Balance	22.9 M	22.29 M	21.63 M	20.92 M	20.16 M	19.35 M	18.48 M	17.57 M	16.6 M	15.57 M
SCB Interest Charge	572,439	557,137	540,635	522,906	503,923	483,660	462,092	439,192	414,937	389,302
SCB Payment @ 75%	1,184,491	1,217,214	1,249,804	1,282,225	1,314,437	1,346,399	1,378,067	1,409,395	1,440,336	1,470,837
SCB Ending Balance	22.29 M	21.63 M	20.92 M	20.16 M	19.35 M	18.48 M	17.57 M	16.6 M	15.57 M	14.49 M
Cash after SCB	394,830	405,738	416,601	427,408	438,146	448,800	459,356	469,798	480,112	490,279
Incentive Fee @ 4%	284,901	292,023	299,324	306,807	314,477	322,339	330,398	338,658	347,124	355,802
Incentive Fee Payment	284,901	292,023	299,324	306,807	314,477	322,339	330,398	338,658	347,124	355,802
Cash Flow	109,929	113,715	117,277	120,601	123,668	126,460	128,958	131,141	132,988	134,477
Distributions										
MGP MAAC @ 49%	0	0	0	0	0	0	0	0	0	0
MGP Kingdom @ 41%	0	0	0	0	0	0	0	0	0	0
Limited Partner @ 10%	0	0	0	0	0	0	0	0	0	0

Year	21	22	23	24	25	26	27	28	29	30

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 10% of the units may be affordable at 50% AMI with an additional 30% of the units affordable at 60% AMI. 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 issuer (Housing Authority) 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, 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 (City Council). This process does not make the City financially or legally liable for the bonds or for the project.

  [Note: Members of the City Council may be asked to take two actions at this stage in the bond process---one in their capacity as the City Council (TEFRA hearing and resolution) and another as the Housing Authority (bond inducement). Were the issuer (Housing Authority) a more remote entity, the TEFRA hearing and resolution would be the only opportunity for local elected officials to weigh in on the project.]

- 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 Authority 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.

ATTACHMENT 7
FINANCIAL ADVISOR'S FEASIBILITY ANALYSIS

ROSS FINANCIAL

1736 Stockton Street, Suite One • San Francisco, CA 94133 • (415) 912-5612 • FAX (415) 912-5611

September 19, 2018

Mr. Joe Correia
Sr. Real Estate Project Manager
Housing Finance Real Estate Division
San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101

Re: Hillside Views Apartments

Dear Mr. Correia:

The San Diego Housing Commission (the "Commission") has retained Ross Financial as its municipal advisor to analyze the feasibility of issuing tax-exempt bonds for the Hillside Views Apartments (the "Development").

This feasibility analysis reviews the following items:

- Overview of the Development
- Proposed financing approach
- Benefits and risks to Commission
- Public purpose
- Recommendations

Ross Financial has based its analysis of the Development's financial feasibility on materials provided by Kingdom Development Inc. ("Kingdom"), who, with the Metropolitan Area Advisory Committee on Anti-Poverty ("MAAC"), forms the development team for the Development. The materials include: (1) the joint application to the California Debt Limit Allocation Committee ("CDLAC") and California Tax Credit Allocation Committee ("CTCAC"), (2) the financing commitments from RBC Capital Markets and California Bank & Trust as purchasers of the Bonds (hereinafter defined) and Red Mortgage Capital, LLC, as permanent Fannie Mae lender, (3) the market study performed by Novogradic and Company in support of the application to CDLAC, and (4) Kingdom's pro forma financial schedules for the Development. Ross Financial has not visited the site of the Development, and has had no role in the formulation of the financing approach or in the selection of the financing participants.

OVERVIEW OF DEVELOPMENT

Development Summary. The transaction involves the acquisition-rehabilitation of an existing multifamily housing rental development originally constructed in 1977 and most recently rehabilitated in 1999. The Development consists of 300 one, two- and three-bedroom units located in 38 two-story residential buildings plus one two-story management office. The buildings that comprise the Development are Type V construction, with wood frames, stucco exteriors and flat roofs. The Development contains 300 surface parking spaces. Site amenities include: a playground, community center, barbecue area and laundry facilities. Unit amenities include: central air conditioning, blinds, carpeting, storage closets, stoves/ovens, refrigerators and garbage disposals. Rehabilitation work includes: new flooring, new kitchens and bathrooms, Energy Star appliances, new windows, new HVAC, new roofs, provision of 16 units to be compliant with the Americans with Disabilities Act ("ADA"), upgraded ADA parking and path of travel, a new community building, solar improvements and improved exterior aesthetics.

The unit mix and CDLAC/CTCAC affordability restrictions for the Development as a percentage of Area Median Income ("AMI") are as follows:

Hillside Views	Unit Mix	50% AMI**	60% AMI**
1 Bedroom/1 Bath	44	5	39
2 Bedroom/1 Bath	208	21	187
3 Bedroom/2 Bath	48*	4	41
Total Units	**300**	**30**	**267**

*Includes three manager's units
** Manager's units are not subject to affordability restrictions

However, consistent with the existing rents being charged at the Development, the Borrower intends to charge rents that are based on the following percentages of AMI:

Hillside Views	Unit Mix	50% AMI**	60% AMI**
1 Bedroom/1 Bath	44	38	6
2 Bedroom/1 Bath	208	164	44
3 Bedroom/2 Bath	48*	10	35
Total Units	**300**	**212**	**85**

*Includes three manager's units
** Does not include manager's units

Description of Project Site. The Development is located on a 16.07 acre site in the Eastern Area Community Plan Area, at the intersection of Bayview Heights Drive and Bayview Heights Place.

Adjoining property consists of single family housing to the north, east and west, commercial uses to the south.

The Development is located 1.3 miles from Interstate 805 and 0.1 miles from a bus stop. Nearby services and amenities include: Johnson Elementary School (0.3 miles); Emerald Hills Park (0.4 miles); Millenial Tach Middle School (0.6 miles); Malcolm X Library (0.8

miles); Fire Station (0.9 miles); Police Department (1.9 miles); Bel Air Market (2.0 miles); and Paradise Valley Hospital (2.6 miles).

Project Ownership/Borrower. The ownership entity for the Development will be 5471 Bayview Heights, L.P., (the "Borrower"), a single asset California limited partnership consisting of: (1) MAAC Bayview Heights, LLC, a limited liability corporation, comprised of MAAC and Kingdom as members, which will act as the managing general partner; and (2) a tax credit limited partner to be created by Red Stone Equity Partners. Both Kingdom and MAAC are nonprofit organizations. According to its joint application to CDLAC/CTCAC, MAAC, founded in 1965, has developed nearly 1,000 affordable housing units in San Diego County; Kingdom, founded in 2015, has assisted in the development of 29 affordable housing communities in California. MAAC's experience in the area includes:

- Seniors on Broadway, a 42 unit new construction project in Chula Vista that was placed in service in November 2007;
- Villa Lakeshore Apartments, a 34 unit acquisition-rehabilitation project in Lakeshore that was placed in service in July 2003;
- San Martin de Porres Apartments, a 116 unit acquisition-rehabilitation project that was placed in service in December 2000;
- Laurel Tree Apartments a 138 unit acquisition-rehabilitation project in Carlsbad that was completed in June 2000.
- President John Adams Manor, a 300-unit acquisition-rehabilitation project in San Diego that was place in service in 1999, and which is the subject of the current transaction; and
- Mercado Apartments, a 144-unit acquisition-rehabilitation project in San Diego that was placed in service in June 1994.

CDLAC/CTCAC. On July 19, 2018, the Housing Authority filed a joint application to CDLAC and CTCAC with respect to the Development. The CDLAC component requested a private activity bond allocation of $41,000,000, which was awarded by CDLAC at its meeting of September 19, 2018. The allocation will expire in 180 days after the allocation award under CDLAC's policies and procedures – on or about March 15, 2019.

CTCAC is expected to reserve the requested 4% tax credits at its meeting of October 17, 2018.

In connection with the CDLAC/CTCAC application process, on April 24, 2018 and June 26, 2018, the Housing Authority adopted resolutions of intent to issue tax-exempt obligations for the Development and authorized the submission of an application to CDLAC. On June 26, 2018, a TEFRA hearing, duly noticed, was held before the City Council at which time the Development was approved for purposes of Section 147 of the Internal Revenue Code. The TEFRA approval was signed June 29, 2018.

PROPOSED FINANCING

Project Costs and Funding. According to Kingdom's most recent projections, the total cost of the Development, including acquisition, rehabilitation and all soft costs, is estimated at $82,469,150. The estimated sources of funds will differ during the rehabilitation period and following completion of rehabilitation. The table on the following page allocates these sources and uses during and after rehabilitation based on the most recent projections, which are subject to change based on final costs and loan underwriting:

Sources of Funds	Rehabilitation	Permanent
Tax-Exempt Bond Proceeds	$39,556,962*	0
Taxable Permanent Loan	0	$27,556,962
Low Income Housing Tax Credit Equity	8,200,000	22,772,529
Seller Carry Back Loan	23,150,000	23,150,000
Seller Credit for Short-Term Work	1,500,619	1,500,619
Seller Replacement Reserves	50,000	50,000
Operating and Interest Income	2,327,667	2,376,416
Deferred Developer Fee and Costs	7,683,902	5,062,624
Total	**$82,469,150**	**$82,469,150**
Uses of Funds		
Acquisition (Building)	$42,800,000	$42,800,000
Acquisition (Land)	5,600,000	5,600,000
Rehabilitation	12,018,791	12,018,791
General Conditions and Contractor Overhead/Profit	1,567,501	1,567,501
Solar Improvements	1,000,000	1,000,000
Hard Cost and Project Contingencies	2,388,308	2,388,308
Architectural & Engineering	350,000	350,000
Temporary/Permanent Relocation	900,000	900,000
Financing fees and interest	2,403,707	2,403,707
Building and Impact Fees	125,000	125,000
Reserves	1,130,725	1,130,725
Misc. Soft Costs, Legal, Furnishings	2,680,629	2,680,629
Developer Fee**	9,504,489	9,504,489
Total	**$82,469,150**	**$82,469,150**

* Not to exceed $41,000,000
**Cash developer fee is $4,441,865, with remainder deferred

The Bonds. To finance a portion of the cost of acquisition and rehabilitation, the Housing Authority will issue two series of Bonds in an aggregate amount not to exceed $41,000,000. The 2018 Series G-1 Bonds is expected to be issued in the amount of $29,000,000 and the 2018 Series G-2 Bonds (collectively with the 2018 Series G-1 Bonds, the "Bonds") is expected to be issued in the amount of $12,000,000. Both series of Bonds will be short-term and 100% cash-collateralized.

2018 Series G-1 Bonds

- The 2018 Series G-1 Bonds will be publicly offered obligations to be purchased by RBC Capital Markets as bond underwriter;
- The expected rating on the 2018 Series G-1 Bonds is "AA+" from Standard & Poor's – in excess of the Commission's minimum requirement of "A" for publicly offered bonds;
- The maturity of the 2018 Series G-1 Bonds is expected to be approximately 3 years, subject to prior redemption in approximately 2 years;
- The 2018 Series G-1 Bonds will bear a fixed rate currently estimated at 2.00%
- The 2018 Series G-1 Bonds will be 100% cash collateralized. 2018 Series G-1 Bond proceeds will be held by BNY Mellon Trust Company, as trustee (the "Trustee"), under a trust indenture (the "Series G-1 Indenture"). The Trustee may release those proceeds only if and to the extent it receives a like amount of funds on behalf of the Borrower for deposit into a Collateral Fund also held by it under the Series G-1 Indenture (the "Series G-1 Collateral Fund");
- The source of funding into the Series G-1 Collateral Fund will be draws under a conventional Fannie Mae-insured loan to be originated by Red Mortgage Capital at closing; the Borrower expects to draw approximately $25 million from the Fannie Mae loan immediately following 2018 Series G-1 Bond issuance, thereby freeing up a like amount of 2018 Series G-1 Bond proceeds for acquisition and rehabilitation costs;
- Interest on the 2018 Series G-1 Bonds will be repaid from investment earnings on such Bonds and, to the extent needed, other sources of funds deposited into the Series G1 Indenture; principal of the 2018 Series G-1 Bonds will be repaid at maturity or prior redemption from the amounts in the Series G-1 Collateral Fund and any unspent 2018 Series G-1 Bond proceeds remaining in the Project Fund;
- Following completion of rehabilitation, the 2018 Series G-1 Bonds will be repaid in full from the sources identified above; the Fannie Mae-insured mortgage will remain as the permanent loan;
- The 2018 Series G-1 Bonds are expected to close on or about November 20, 2018.

2018 Series G-2 Bonds

- The 2018 Series G-2 Bonds will be unrated and privately placed with California Bank & Trust;
- The maturity of the 2018 Series G-2 Bonds is expected to be approximately 2 years, subject to prior redemption;
- The 2018 Series G-2 Bonds will bear a variable rate equal to One Month LIBOR + 1.50%;
- The 2018 Series G-2 Bonds also will be 100% cash collateralized. Proceeds from the 2018 Series G-2 Bonds will be held by the Trustee under a separate trust indenture (the "Series G-2 Indenture"). The Trustee may release those proceeds only if receives a like amount of cash collateral on behalf of the Borrower for

deposit into a Collateral Fund also held by it under the 2018 Series G-2 indenture (the "Series G-2 Collateral Fund");

- The source of funding into the Series G-2 Collateral Fund will be low income tax credit proceeds from the tax credit investor; those proceeds are expected to funded in two installments of approximately $6 million apiece, in addition to the minimum amount needed to be funded at closing to comply with Federal tax law;
- Interest on the 2018 Series G-2 Bonds will be repaid from investment earnings on such Bonds and, to the extent needed, from an amount to be funded from other sources; principal of the 2018 Series G-2 Bonds will be repaid from amounts in the Series G-2 Collateral Fund and any unspent 2018 Series G-2 Bond proceeds remaining in the Project Fund;
- The 2018 Series G-2 Bonds are expected to close on or about November 20, 2018, simultaneously with the 2018 Series G-1 Bonds.

California Bank & Trust will execute a document with certain required representations to the effect that it has sufficient knowledge and experience to evaluate the risks and merits associated with the purchase of the 2018 Series G-2 Bonds and has indicated its intention to hold the 2018 Series G-2 Bonds for its account. California Bank & Trust may transfer the 2018 Series G-2 Bonds in whole and only to accredited investors that execute a document with similar representations.

The aggregate par of the 2018 Series G-1 and 2018 Series G-2 Bonds will satisfy the "50% test" needed to qualify the Development for low income housing tax credits. The 2018 Series G-2 Bonds, in effect, represent tax-exempt bridge financing for the receipt of those tax credits, whereas the 2018 Series G-1 Bonds will be repaid from and replaced by a Fannie Mae-insured mortgage loan. Combining both series of Bonds in a single transaction would have been challenging.

Housing Commission Financial Involvement. The Housing Commission has no financial involvement with the Development.

Affordability Restrictions. The Development will be subject to the following regulatory restrictions and terms:

- Tax-Exempt Bond Regulatory Agreement requirements (including voluntary elections made to CDLAC) for a 55-year term; and

- Tax Credit Regulatory Agreement requirements under which all units must be affordable at 60% AMI for a 55-year term to remain eligible for tax credits.

Under those restrictions, except for the 3 manager's units, 10% of the units (30 units) in the Development will be restricted to households with incomes that do not exceed 50% AMI and 90% of the units (267 units) will be restricted to households with incomes that do not exceed 60% of AMI. By contrast, according to the Borrower, the existing Tax Credit Regulatory Agreement restricts 285 units to households with incomes that do not exceed 60% AMI. The new CDLAC/CTCAC Regulatory Agreements, thus, will increase the restrictions applicable to the Development and for a longer period.

Development Cash Flow. The Borrower provided pro forma cash flows for the Development, which is based on the rents underwritten in the conventional Fannie Mae permanent loan. Those rents are based on the more restrictive assumption that 212 of the units in the Development will be rented to households with incomes that do not exceed 50% of AMI and that 85 units will be rented to households with incomes that do not exceed 60% of AMI. The following table summarizes key elements of the most recent pro forma utilized in the Fannie Mae permanent loan underwriting:

Assumptions	
Vacancy	5%
Revenue Escalation	2.5%
Expense Escalation	3.5%
Cash Flow and Coverage	
Stabilized Net Income – First Full Year	$3,756,113
Expenses[1]	(1,968,141)
Estimated Net Operating Income	$1,787,972
Bond Debt Service[2]	(1,554,758)
Debt Service Coverage[4]	1.15x
Section 8 Income/Vacancy Add Back to 3.5%	75,353
General and Limited Partner Fees	(27,000)
Available Cash Flow	$281,567
Deferred Developer Fee (100% of excess flow)	(281,567)
Available Cash Flow after Deferred Developer Fee	$0

[1] Expenses include replacement reserves and Commission's fee at permanent ($10,000 plus monitoring fee of $150/unit for 120 units, or $28,000)
[2] Assumes a 17 year permanent conventional loan par of $27,556,900 at 4.45%, amortized on the basis of 35 years
[3] Net operating income divided by sum of Bond Debt Service

The following table shows the Borrower's most recent projected cash flow for the Development during first full five years following stabilized occupancy (based on the Fannie Mae underwritten rents):

Escalation		Year 1	2	3	4	5
	Revenues					
2.50%	Gross Scheduled Rent	3,893,803	3,991,148	4,090,927	4,193,200	4,298,030
2.50%	Other Income	60,000	61,500	63,038	64,613	66,229
	less 5% vacancy	(197,690)	(202,632)	(207,698)	(212,891)	(218,213)
	Total Net Income	3,756,113	3,850,016	3,946,266	4,044,923	4,146,046
	Expenses					
3.50%	Operating Expenses*	(1,841,341)	(1,905,788)	(1,972,491)	(2,041,528)	(2,112,981)
2.00%	Property Taxes	(6,800)	(6,936)	(7,075)	(7,216)	(7,361)
1.00%	Replacement Reserve	(120,000)	(121,200)	(122,412)	(123,636)	(124,872)
	Total Expenses + Reserves	(1,968,141)	(2,033,924)	(2,101,977)	(2,172,380)	(2,245,214)
	Net Operating Income	1,787,972	1,816,092	1,844,289	1,872,543	1,900,832
	Permanent Loan Service	(1,554,758)	(1,554,758)	(1,554,758)	(1,554,758)	(1,554,758)
	Debt Service Coverage	1.15x	1.17x	1.19x	1.20x	1.22x
	Available Cash Flow after Permanent Loan Debt Service	233,214	261,334	289,531	317,785	346,074
2.00%	Section 8 Income	20,000	20,400	20,808	21,224	21,649
2.50%	Vacancy Add Back to 3.5%	55,353	56,737	58,155	59,609	61,099
3.00%	General and Limited Partner Fees	(27,000)	(27,810)	(28,644)	(29,504)	(30,389)
	Project Cash Flow after GP and LP Fees	281,567	310,661	339,850	369,114	398,433
	Deferred Developer Fee (100% of excess cash flow)	(281,567)	(310,661)	(339,850)	(369,114)	(398,433)
	Project Cash Flow after Deferred Developer Fee	0	0	0	0	0
	Seller Carry Back Loan	0	0	0	0	0
	Incentive Fee @ 4%	0	0	0	0	0
	Distributions	0	0	0	0	0

*Includes Commission's bond and monitoring fee of $28,000 ($10,000 +$150/unit over 120 units)

The Borrower also prepared a pro forma cash flow that assumed rents that are based on the new CDLAC/CTCAC restrictions. This approach results in an increase in projected net operating income of $430,222 ($2,218,194 vs. $1,787,972). The increased net operating income, in turn, could lead to:

(a) Higher permanent loan amount/reduced seller carryback loan;
(b) Greater available cash flow after payment of permanent loan debt service, thereby enable faster repayment of the deferred portion of the developer fee and the seller carryback loan; or
(c) Some combination of (a) and (b)

PUBLIC PURPOSE

The issuance of the Bonds is expected to result in the long-term affordability of 297 one, two and three-bedroom units in the City of San Diego: 30 units will be restricted and affordable to households earning 50% AMI; 267 units will be restricted and affordable to households earning 60% AMI; 3 units will be occupied by resident managers.

The Bond and Tax Credit Regulatory Agreements will require that these affordability levels be maintained for a period of 55 years.

The Bond and Tax Credit Regulatory Agreements are more restrictive than the current Tax Credit Regulatory Agreement, which, according to the Borrower, requires that 285 units be restricted to households with incomes at 60% of AMI.

Notwithstanding the restrictions in the Bond and Tax Credit Regulatory Agreements, the Borrower intends to charge rents based on 212 units being rented to households with incomes of no more than 50% AMI and 85 units being rented to households with incomes of no more than 60% of AMI.

BENEFITS AND RISKS TO THE COMMISSION

The Bonds provide a vehicle for financing a portion of the acquisition and construction costs of the Development. The Bonds will result in the long-term affordability (55 years) of 297 one, two and three-bedroom units in the City of San Diego with units restricted to the income levels described in "Public Purpose" above.

The Bonds do not pose undue financial risk to the Housing Authority. The Bonds are not direct obligations of the Housing Authority or the City of San Diego. The Bonds are short-term obligations that will be 100% cash collateralized at all times. The 2018 Series G-1 Bonds will be publicly offered and rated "AA+" by Standard & Poor's – in excess of the Commission's minimum rating of "A". The 2018 Series G-2 Bonds will be purchased by California Bank & Trust, which has indicated its intention to hold the 2018 Series G-2 Bonds for its own account. Both series of Bonds are expected be repaid in full no later than the completion of the Development's rehabilitation and lease-up.

If the Housing Authority issues the Bonds, the Commission would receive an issuer fee at closing of $102,500 equal to 0.25% times the initial aggregate par amount of the Bonds ($41,000,000 based on current projections). The Commission also would receive an annual Bond monitoring fee of $51,250 during the rehabilitation period and $28,000 following conversion (based on an annual fee equal to: (a) a minimum fee of $10,000 plus (b) a per unit monitor fee of $150/unit over 120 units that the Commission will be monitoring).

Costs of issuance will be funded by the Borrower from low income housing tax credit contributions and/or other funds of the Borrower. The Borrower, and potentially MAAC, will agree to indemnify the Housing Authority and Commission as to matters relating to the Bonds.

RECOMMENDATIONS

Ross Financial recommends that the Housing Authority proceed with the issuance of the Bonds based on the following findings:

- The Bonds will achieve a public purpose by providing 297 affordable units, with all units restricted to income levels at 50% and 60% of AMI – for a period of 55 years.

- The 2018 Series G-1 Bonds will be highly rated at "AA+", in excess of the Commission's minimum rating requirement of "A" under its bond issuance policy; the 2018 Series G-2 Bonds will be purchased by a well-established, highly capitalized bank that is active in affordable housing lending and will be subject to restrictive transfer limitations at all times. Both series of Bonds will be 100% cash collateralized at all times.

- The Borrower, and potentially MAAC, has agreed to indemnify the Housing Authority and the Commission regarding matters relating to the financing. The Borrower will pay issuance costs from sources other than Bond proceeds.

- Based on estimates provided by the Borrower, there should be sufficient funds to complete the Development and the Development provides adequate cash flow to cover debt service on the Fannie Mae loan that will represent the permanent financing after the Bonds are repaid following completion of the rehabilitation.

If there is any additional information you require concerning the Development, Ross Financial will be pleased to provide a supplemental analysis.

Very truly yours,

Peter J. Ross
Principal