



EXECUTIVE SUMMARY

HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

MEETING DATE: February 8, 2019

HCR19-017

COUNCIL DISTRICT(S): 6

ORIGINATING DEPARTMENT: Real Estate Division

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

REQUESTED ACTION:

A request to approve a Housing Commission proposed residual receipts loan, not to exceed \$6,500,000, to facilitate the new construction of the Ivy Senior Apartments, a 52-units affordable rental housing development to be located at 5858 Mt. Alifan Drive, San Diego, 92111.

EXECUTIVE SUMMARY OF KEY FACTORS:

- The proposed affordable rental housing development will be a three-story, 30,512 square-foot building, composed of 53 units, located on 1.25 acres that is currently improved with a 20,000 square foot occupied office building. The proposed unit mix will consist of 52 studio units and a single two-bedroom manager's unit.
- This is part of the HOUSING FIRST – SAN DIEGO program to support the Housing Commission's Homelessness Action Plan, and will provide housing for 52 homeless seniors. The developer has requested that the Housing Commission also provide 52 Federal Project Based Vouchers.
- The developer is seeking a residual receipts loan of up to \$6,500,000, competitive nine percent Federal tax credits of approximately \$11,403,863, and a County of San Diego Mental Health Services Act (MHSA) loan of approximately \$1,059,968.
- The developer is Wakeland Housing and Development, a highly experienced non-profit developer. It has an excellent development history on Housing Commission prior loans.
- Total development cost of the development is estimated at \$18,963,831.
- Total development cost per residential unit is estimated at \$357,898.
- The Housing Commission's proposed subsidy per unit will be \$122,642.
- Prevailing wages – the proposed use of Federal Home Investment Partnership funds and Project-Based Housing Vouchers require payment of Davis-Bacon prevailing wages.
- The existing office building has 20 business tenants who will be entitled to Federal Business Relocation benefits.
- If the proposed loan and vouchers are approved, then the developer could apply for nine percent tax credits from the California Tax Credit Allocation Committee (CTCAC) in March 2019, for a June 12, 2019 CTCAC allocation meeting.
- It is estimated that by approximately December 2019 building permits and construction start could be achieved. Construction completion is estimated for September 2021.



REPORT

DATE ISSUED: January 31, 2019

REPORT NO: HCR19-017

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of February 8, 2019

SUBJECT: The Ivy Senior Apartments - Loan Recommendation

COUNCIL DISTRICT: 6

REQUESTED ACTION

The seven day advance notice of San Diego Housing Commission's hearing of this matter is being provided to the Housing Authority Members pursuant to the provisions of the San Diego Municipal Code Section 98.0301(e)(4)(A)(B)

Approve a proposed residual receipts loan in an amount not to exceed \$6,500,000 to facilitate the new construction of the Ivy Senior Apartments, a 53-unit affordable rental housing development to be located at 5858 Mt. Alifan Drive, San Diego, 92111, which will include 52 units, for homeless seniors, that will remain affordable for 55 years.

STAFF RECOMMENDATION

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

1. Approve a Housing Commission residual receipts loans in an amount not to exceed \$6,500,000 to Mt. Alifan Apartments L.P. a California limited partnership formed by Wakeland Housing & Development (Wakeland), and a tax credit investor to finance the development of the Ivy Senior Apartments, a 53-unit affordable rental housing development to be located at 5858 Mt. Alifan Drive, San Diego, 92111, which will include 52 units that will remain affordable for 55 years.. The proposed loan would be contingent upon the developer receiving all necessary third-party funding commitments as referenced in this report. Third party funding commitments would be subject to the Housing Commission's General Counsel's approval.
2. Authorize the President and Chief Executive Officer (President & CEO) of the Housing Commission, or designee:
 - a. to execute all necessary documents and instruments to effectuate the transaction and implement the project, in a form approved by General Counsel, and to take such actions as are necessary, convenient and/or appropriate to implement the approvals upon advice of General Counsel;
 - b. to adjust financing terms/conditions as necessary for consistency with requirements of other funding sources or to accommodate market changes that may occur, provided that the proposed \$6,500,000 maximum Housing Commission loan amount may not increase; and

- c. to substitute approved funding sources with any other available funds as deemed appropriate, contingent upon budget availability, and further authorize the President & CEO, or designee, to take such actions as are necessary, convenient and/or appropriate to implement this approval and delegation of authority by the Housing Commission upon advice of General Counsel.

SUMMARY

A development summary is included as Attachment 1.

Table 1 - Development Details

Address	5858 Mt. Alifan Drive, San Diego, 92111
Council District	3
Community Plan Area	Clairemont
Development Type	New construction
Construction Type	Type V
Parking Type	37 surface parking spaces
Housing Type	Permanent supportive housing
Lot Size	1.2 Acres, 52,272 square feet
Units	53 (52 affordable, plus one manager's unit)
Density	44.17 dwelling units per acre (53 units ÷ 1.2 acres)
Unit Mix	52 studio units and 1 two-bedroom manager unit
Gross Building Area	33,512 square feet
Net Rentable Area	30,962 square feet
Developer	Wakeland
Prevailing Wages	Subject to Davis-Bacon Prevailing Wages
Rental Subsidy	52 Project Based Vouchers have been requested

The Development

The Ivy Senior Apartments (the Ivy) is a proposed new construction affordable housing development that will be located at 5858 Mt. Alifan Drive in the Clairemont neighborhood (Attachment 2 - Site Map). The proposed new development will be three stories with 52 affordable studio rental units and one unrestricted manager's unit. Site amenities will include: gated access, entry with a security desk and sign-in, interior recreation areas, office space for case management plus management staff, a large community room, a computer lab, a community kitchen, community space for classes, events, and social activities. Unit amenities will include: refrigerator, stove, microwave oven and garbage disposal.

Housing First

The proposed Ivy development will provide 52 affordable units of permanent supportive housing for seniors age 55 and older who previously experienced homelessness. The development is supported by HOUSING FIRST – SAN DIEGO, the Housing Commission's homelessness action plan. This action plan is rooted in the national "Housing First" model of addressing homelessness – to provide housing as quickly as possible, with supportive services as needed. The current phase of HOUSING FIRST – SAN DIEGO, launched on July 1, 2017, and included \$30 million over three years to support the development of affordable rental housing with supportive services for individuals experiencing homelessness.

The Housing Commission has partnered with the Regional Task Force on the Homeless to enable homeless service providers in the City to participate in a Coordinated Entry System (CES), and utilize a single regional data management repository, the Homeless Management Information System (HMIS). Organizations serving individuals and families experiencing homelessness in the region share this single system, which enables the more efficient delivery of housing and critical services to San Diegans experiencing homelessness. The database allows homeless housing providers to screen homeless individuals for the most appropriate housing options based on who is most in need. The developer and service provider will participate in the CES and maintain client data in the HMIS as required by the Housing Commission.

Developer's Request

The developer, Wakeland, submitted a request for development funds and federal rental housing vouchers in response to the Housing Commission's FY2018 Permanent Supportive Housing Notice of Funding Availability (NOFA), released on September 4, 2018. Housing Commission staff is recommending an award for up to \$6,500,000 as a residual receipts loan and 52 federal Project-Based Housing Vouchers.

Wakeland proposes to obtain a competitive California Tax Credit Allocation Committee (CTCAC) 9 percent tax credits allocation, obtain County of San Diego loan funds, relocate the existing business occupant tenants, demolish the existing office building, and construct 53 new rental apartment units.

The Property

The property consists of one parcel, on 1.25 acres, that is currently improved with an existing 20,000-square-foot occupied office building that was constructed in approximately 1972. The site is owned by Mt. Alifan Apartment L.P., a California limited partnership. Located to the site's north are commercial and retail uses. Located to the east are multifamily rental housing and a church. To the south is multifamily rental housing. To the west are commercial and retail uses, including a Vons grocery store. Bus service is approximately 1/10 of a mile away.

Prevailing Wages

The Ivy proposes to use HUD federal Project-Based Housing Vouchers, which will require project payment of Davis-Bacon prevailing wages.

Relocation

The subject property's existing office building is currently occupied with 20 business tenants that will need to be permanently relocated. The current tenants will be eligible for federal benefits for business relocation. The Ivy's pro forma budgets an estimated \$940,000 for relocation costs. Wakeland will engage a consultant to assist tenants with applicable relocation benefits.

Accessibility

CTCAC will require wheelchair accessibility in 10 percent of the units, with an additional 4 percent of the units accessible to residents with visual and/or hearing impairment. The project will be 100 percent accessible for visitors. The same units can satisfy both of these accessibility requirements. In addition, these accessible units will satisfy the federal HOME Investment Partnerships Program (HOME) and Project-Based Housing Voucher accessibility requirement of wheelchair accessibility in 5 percent of the units, plus an additional 2 percent of the units accessible to residents with visual and/or hearing impairment. The development will include Universal Design features.

Project Sustainability

The development will be designed to achieve either a Green Point or LEED level certification. The Ivy will also comply with the CTCAC minimum energy efficiency construction standards for new construction. The development's features will include: Energy Star-rated efficient appliances and possible solar hot water heating. Water conservation will be promoted via low-flow water fixtures and drought-tolerant landscaping.

Development Team

During the 15-year tax credit compliance period, the Ivy will be owned by a California limited partnership (a single-asset limited partnership) consisting of: Mt. Alifan Apartments L.P. as the owner/borrower, Wakeland Mt. Alifan LLC (a Wakeland affiliate) as the Managing General Partner, Wakeland as the Limited Partner; and a to-be-selected tax credit limited partner (Attachment 3 – Organization Chart). Wakeland is an award-winning nonprofit located in San Diego that is a leader in the creation and operation of affordable housing. Founded in 1998, Wakeland focuses on building and operating cost-efficient housing communities with superior on-site programs and services for residents. Wakeland's portfolio currently has 35 affordable housing developments with 4,863 units of affordable housing. The Housing Commission has worked with Wakeland on multiple successful projects. Currently in construction is the 44-unit Beacon apartments at 1435 C Street. Recently completed developments include the 205-unit Atmosphere apartments; the 132-unit scattered sites City Heights Ten rehabilitation project; the 40-unit Juniper Gardens Apartments in City Heights; the 92-unit Village Green Apartments in the Rolando neighborhood; Vista Grande, a 48-unit rehabilitation project located in the southeastern part of San Diego; and the 60-unit Talmadge Gateway development, a permanent supportive housing development serving seniors who experienced homelessness, in the Kensington-Talmadge Community.

Wakeland is in compliance with all previous Housing Commission loans. A Developer Disclosure Statement for Wakeland is provided as Attachment 4. Based upon the developer's past experience and past development performance, staff has determined that the developer has the requisite capacity to successfully complete the proposed Ivy project.

Supportive Services

Tenant supportive services will be provided by St. Paul's Program of All-Inclusive Care for the Elderly (PACE) and People Assisting the Homeless (PATH) San Diego. The developer's stated goal is to connect the senior residents to comprehensive wraparound medical, health, and supportive services to help prevent the cycle of homelessness for the vulnerable population of homeless seniors. Comprehensive supportive services for tenants may include in-home assistance with daily activities, transportation assistance to medical plus other appointments, on-site case management services to assess tenants' needs, to identify their goals, and to provide goal action plans.

Table 2 - Development Team Summary

Developer	Wakeland
Limited Partnership	General Partner: Mt. Alifan LLC, Limited Partner: Wakeland, and Tax Credit Limited Partner: To-be-selected
Architect	BNIM, San Diego
Service Provider	St. Paul's PACE, and PATH San Diego

Property Management

The property manager will be ConAm Management. It was established in 1975. It has extensive experience that includes managing permanent supportive housing. ConAm manages approximately 51,467 multifamily housing units located in 12 states.

FINANCING STRUCTURE

The Ivy has an estimated total development cost of \$18,963,831. Wakeland proposes to finance the project through the use of 9 percent tax credits, conventional financing, County of San Diego Mental Health Services Act capital funds, and the Housing Commission proposed residual receipts loan. Total development costs and sources and uses of funds are detailed in the pro forma attached to this report (Attachment 5) and summarized below.

Table 3 – The Ivy Estimated Permanent Sources & Uses

Permanent Financing Sources		Permanent Financing Uses	
Amounts		Amounts	
Tax Credit equity	\$11,403,863	Property Acquisition	\$ 4,255,000
Housing Commission proposed loan	6,500,000	Construction costs	\$7,738,319
		Contingency	+571,264
		Total cost	8,309,583
County of San Diego Special Needs Housing Program (SNHP) funds	1,059,968	Financing costs	1,376,057
		Other soft costs	1,563,191
		Relocation costs	940,000
		Developer fee	1,400,000
		Permits and fees	1,120,000
Estimated Total Development Cost	\$18,963,831	Estimated Total Uses	\$18,963,831

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 at Attachment 1 states: “Developer fee [for] “9% tax credits, in project costs: 15% eligible basis up to \$2.2 million (new construction).” Thus, this development’s proposed developer fee is calculated pursuant to CTCAC regulations. The Ivy’s proposed net cash developer fee is \$1,400,000.

Table 4 – Key Performance Indicators

Development Cost Per Unit	$\$18,963,831 \div 53 \text{ units} =$	\$357,808
Housing Commission Subsidy Per Unit	$\$6,500,000 \div 53 \text{ units} =$	\$122,642
Land Cost Per Unit	$\$4,255,000 \div 53 \text{ units} =$	\$80,283
Gross Building Square Foot Hard Cost	$\$8,309,583 \div 33,512 \text{ sq. ft.} =$	\$248
Net Rentable Square Foot Hard Cost	$\$8,309,583 \div 30,962 \text{ sq. ft.} =$	\$268

Proposed Funding Sources

The proposed Housing Commission loan will be funded with up to \$2,000,000 in U.S. Department of Housing and Urban Development (HUD) HOME Investment Partnerships Program funds granted to the City of San Diego and administered by the Housing Commission; up to \$4,400,000 from the City Affordable Housing Fund (Inclusionary Housing) administered by the Housing Commission, and up to \$100,000 from the City Affordable Housing Trust Fund administered by the Housing Commission. A final determination of Housing Commission funding sources will be made by the Housing

Commission's President & CEO, or designee, contingent upon budget availability. The Housing Commission's loan will be a residual receipts loan. Loan terms are provided as Attachment 6.

Development Cost Key Performance Indicators

Housing Commission staff has identified development cost performance indicators which were used to evaluate the proposed development and make a funding recommendation.

Table 5 - Comparable Development Projects

Project Name	Year	Unit Mix (Construction Type V)	Units	Total Development Cost	Cost Per Unit	HC Subsidy Per Unit	Gross Hard Cost Per Sq. Ft.
Subject – The Ivy	2019	52 studios, + 1 mang.	53	\$18,963,831	\$357,808	\$122,642	\$248
San Ysidro Senior	2018	50 studios, + 1 mang.	51	\$16,939,132	\$332,140	\$121,568	\$282
Beacon	2017	43 living units, + 1 mang.	44	\$18,275,881	\$415,361	\$74,419	\$385
Lofts at Normal Hts	2017	32 studios, 20 ones, +1 mang.	53	\$18,842,009	\$355,510	\$98,113	\$260

AFFORDABLE HOUSING IMPACT

The development is proposed to serve 52 San Diego seniors (age 55+) experiencing homelessness. Housing Commission staff has committed 52 federal Project-Based Housing Vouchers (PBV) for the Ivy. That approval will be contingent upon National Environmental Policy Act clearance, a subsidy layering review, and execution of an Agreement to Enter into Housing Assistance Payment. Under this PBV program, the tenant's rent portion is determined by using the applicable minimum rent or a calculated amount based on their income level, whichever is higher, with the remainder federally subsidized up to a gross rent level approved by the Housing Commission. The Housing Assistance Payment provides a rental subsidy for the development's residents.

Under the proposed loan, the development will be subject to a Housing Commission Declaration of Covenants and Restrictions in addition to an applicable tax credit regulatory agreement that will restrict affordability of 52 units for 55 years. Also, the HOME program's funds will restrict 20 of the units with affordability and rent restrictions for 20 years. The development's 52 units will be affordable to tenants with income levels ranging from 30 percent of Area Median Income (AMI) (\$20,450/year for a studio, one-person household), to 50 percent of AMI (\$34,100/year for a studio, one-person household).

Table 6 –The Ivy Affordability & Monthly Estimated Rent Table

Unit Type	Restrictions *	AMI	Units	Gross Rents
Studios	HC & Tax Credit	30% AMI	26	\$511
Studios	HC & Tax Credit	50% AMI	26	\$852
Subtotal affordable units	--	--	52	--
2-bedroom Manager's	Unrestricted	-	1	-
Total Units			53	

*Housing Commission, PBV, and CTCAC rent and occupancy restrictions will be applicable.
There will be 20 HOME restricted units.

FISCAL CONSIDERATIONS

The proposed funding sources and uses approved by this action are included in the proposed Fiscal Year (FY) 2019 Housing Authority Approved Budget. Approving this action will authorize the Housing Commission to expend an amount up to \$6,500,000 in the FY2019 budget as approved by the Housing Authority.

Funding sources approved by this action will be as follows:

HUD HOME Investment Partnership Program – 2,000,000
City of San Diego Inclusionary Housing funds - \$4,400,000
City of San Diego Affordable Housing Trust Fund - \$100,000
Total Funding Sources - Up to \$6,500,000

Fiscal Year 2019 funding uses approved by this action will be as follows:

Loans - up to \$6,500,000
Total funding uses - \$6,500,000

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

Development Schedule

The estimated development timeline is as follows:

<u>Milestones</u>	<u>Estimated Dates</u>
<ul style="list-style-type: none">• Estimated County of San Diego’s consideration of loan funds proposal.• CTCAC 9 percent tax credit application.• CTCAC allocation meeting.• Building permit• Estimated escrow closing.• Estimated start of construction work.• Estimated completion of construction work.	<ul style="list-style-type: none">• February 2019• March 4, 2019• June 12, 2019• November 2019• December 2019• December 2019• September 2021

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

In March 2018, the development was presented as an informational item to the Clairemont Community Planning Group. The developer received positive feedback from planning group members. On July 18, 2018, the Ivy Senior Apartments team convened an informational community meeting with neighbors, business owners, and other Clairemont stakeholders. The purpose of the meeting was to: provide an overview of the Ivy’s team members, program and physical design; explain the types of services and resident demographics/requirements that would be part of the development; hear and respond to community members’ comments and questions; and outline next steps in the development process.

KEY STAKEHOLDERS and PROJECTED IMPACTS

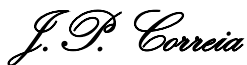
Stakeholders include Wakeland, the Clairemont neighborhood/community, and future senior residents at Ivy. Development of the property is expected to have a positive impact on the community because it will develop a site into affordable rental units serving seniors experiencing homelessness.

ENVIRONMENTAL REVIEW

This activity is not a "project" and is therefore not subject to the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15060(c)(3). This determination is predicated on Section 15004 of the Guidelines, which provides direction to lead agencies on the appropriate timing for environmental review. This action does not constitute approval of a project. Approval will occur once the environmental review has been completed in accordance with CEQA Section 15004. This action will not foreclose review of alternatives or mitigation measures by the public as part of the CEQA process. The proposed actions are approval of a loan and do not constitute approval of the development activity. Future actions to consider and approve development entitlement approvals related to the future development of the site will require additional review under the provisions of CEQA by the lead agency.

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

Respectfully submitted,



J.P. Correia
Senior Real Estate Project Manager
Real Estate Division

Approved by,



Jeff Davis
Executive Vice President & Chief of Staff
San Diego Housing Commission

- Attachments:
- 1) Development Summary
 - 2) Location Map
 - 3) Organization Chart
 - 4) Developer Disclosure Statement
 - 5) Developer's Pro Forma
 - 6) Proposed Loan Terms

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 & Legislative Affairs" section of the San Diego Housing Commission website at www.sdhc.org

ATTACHMENT 1 – DEVELOPMENT SUMMARY

Table 1 - Development Details

Address	5858 Mt. Alifan Drive, San Diego
Council District	3
Community Plan Area	Clairemont
Development Type	New construction
Construction Type	Type V
Parking Type	37 surface parking spaces
Housing Type	Permanent supportive housing
Lot Size	1.2 Acres, 52,272 square feet
Units	53 (inclusive of one manager's unit)
Density	44.17 dwelling units per acre (53 units ÷ 1.2 acres)
Unit Mix	52 studio units and 1 two-bedroom manager unit
Gross Building Area	33,512 square feet
Net Rentable Area	30,962 square feet
Developer	Wakeland
Prevailing Wages	Subject to Davis-Bacon Prevailing Wages
Rental Subsidy	52 Project Based Vouchers have been requested

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County of San Diego MHSA funds	1,059,968			8,309,583
			Financing costs	1,376,057
			Other soft costs	1,563,191
			Relocation costs	940,000
			Developer fee	1,400,000
			Permits and fees	1,120,000
Estimated Total Development Cost		\$18,963,831	Estimated Total Uses	\$18,963,831

Table 4 – Key Performance Indicators

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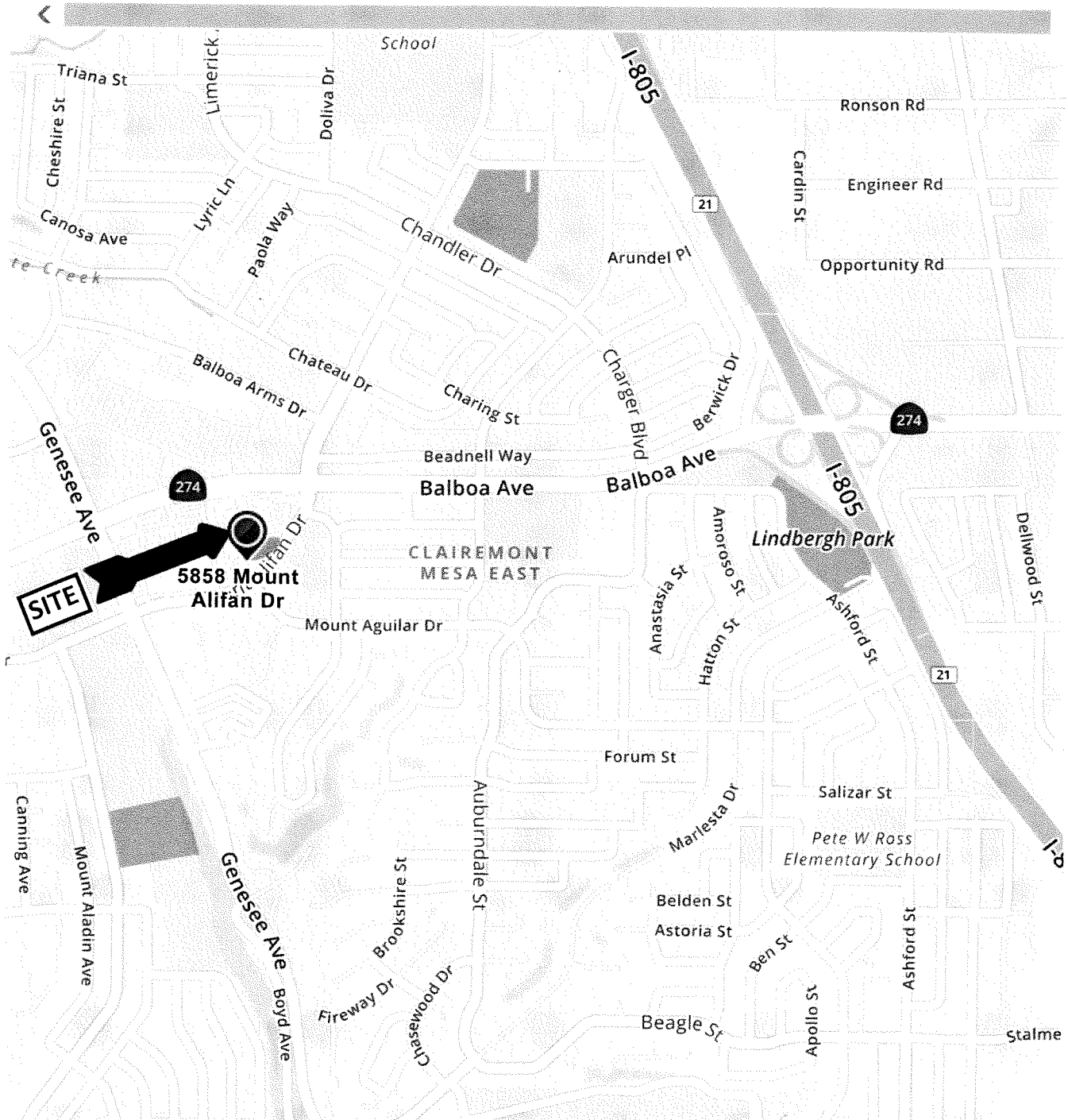
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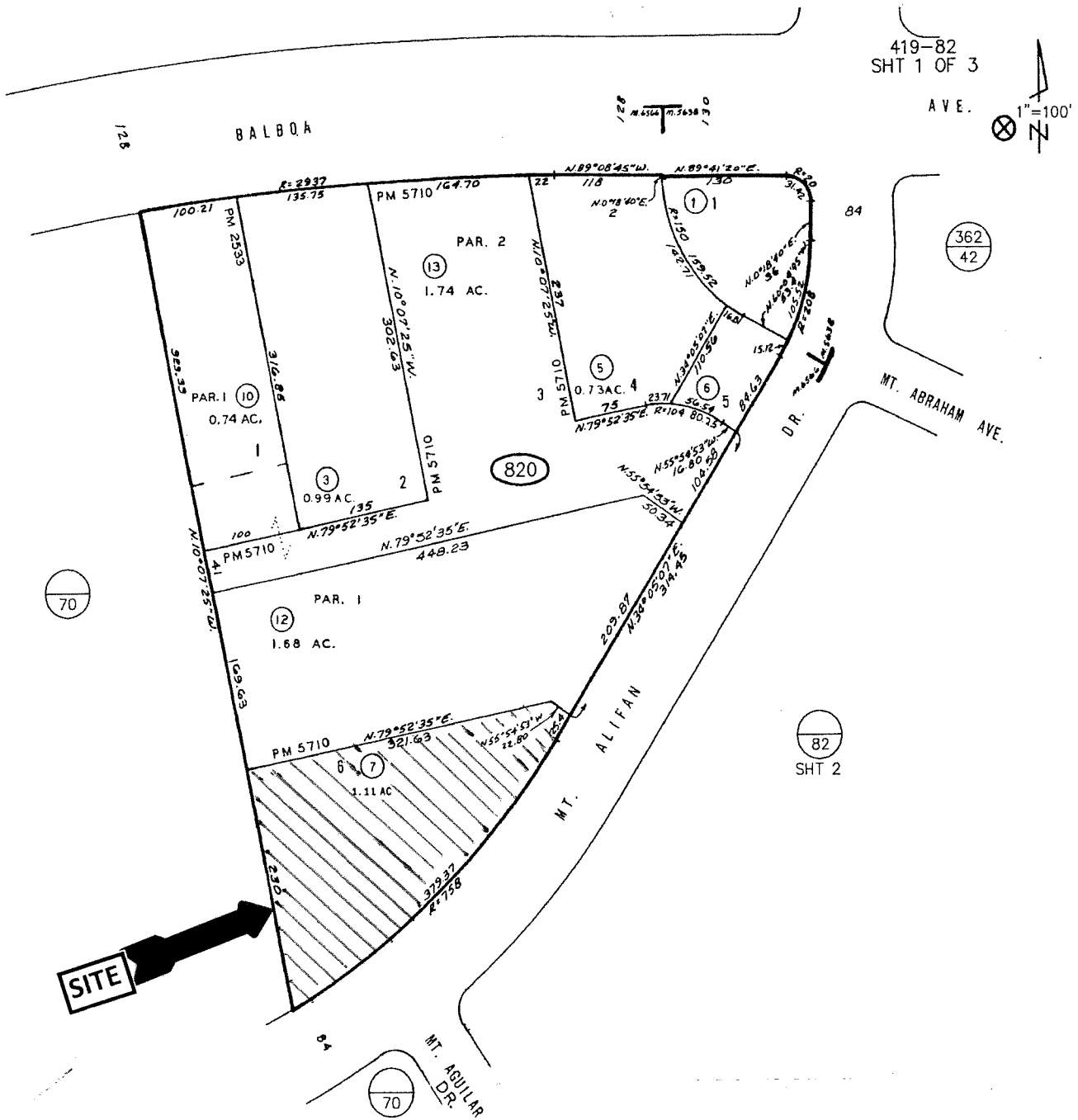
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Beacon	2017	V	44	\$18,275,881	\$415,361	\$74,419	\$385
Vista Del Puente	2017	V	52	\$21,217,147	\$408,022	\$76,923	\$211
Encanto Village	2017	V	66	\$23,418,404	\$354,824	\$109,848	\$216
Lofts at Normal Hts	2017	V	53	\$18,842,009	\$355,510	\$98,113	\$260

Table 6 –The Ivy Affordability & Monthly Estimated Rent Table

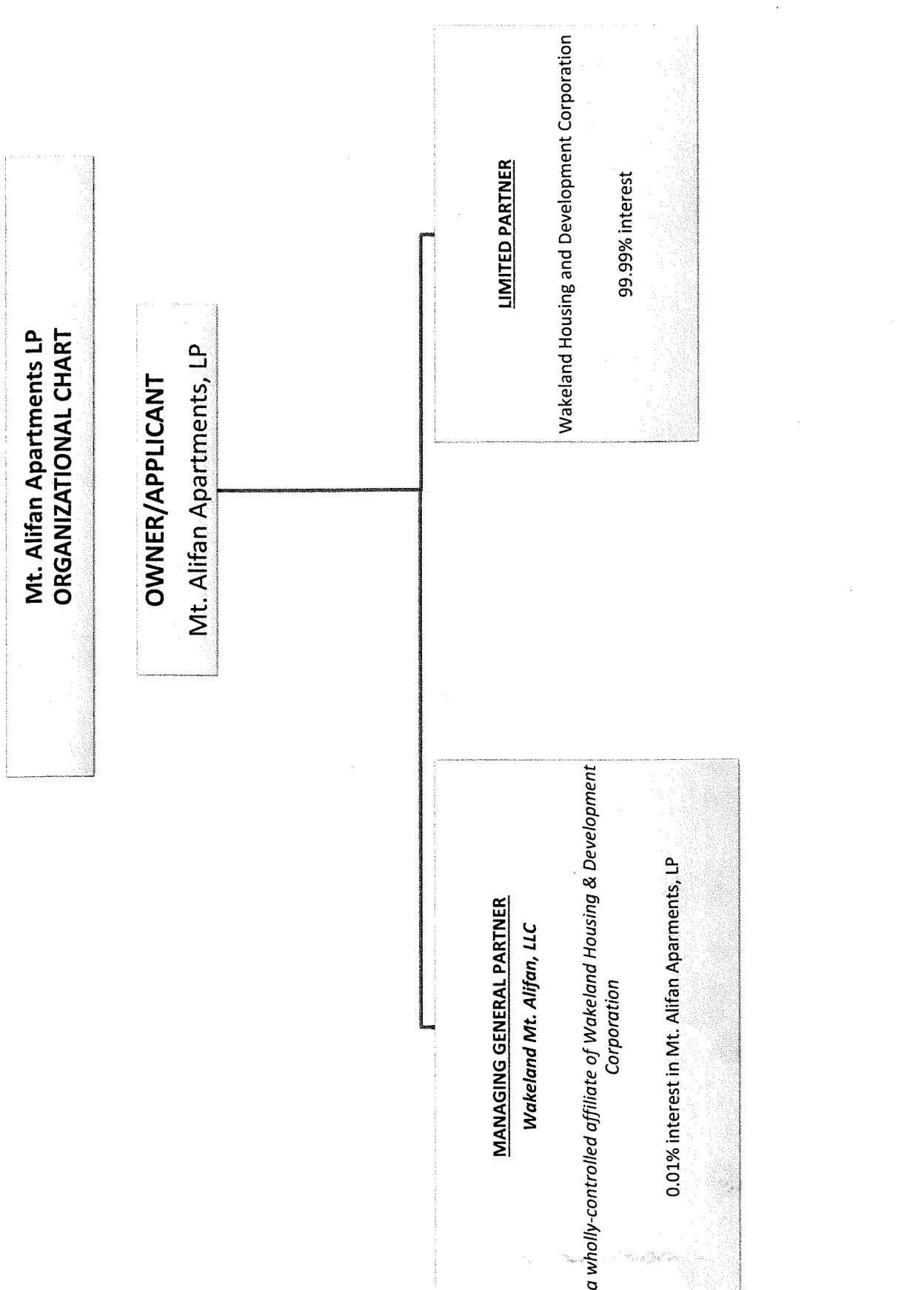
Unit Type	Restrictions	AMI	Units	Gross Rents
Studios	HC & Tax Credit	30% AMI	26	\$511
Studios	HC & Tax Credit	50% AMI	26	\$852
Subtotal affordable units	--	--	52	--
2-bedroom Managers	Unrestricted	-	1	-
Total Units			53	

ATTACHMENT 2A – SITE MAP





ATTACHMENT 3 – ORGANIZATION CHART



ATTACHMENT 4 – DEVELOPER'S DISCLOSURE STATEMENT

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

1. Name of CONTRACTOR: Wakeland Housing and Development Corporation
2. Address and ZIP Code: 1230 Columbia Street, Suite 950, San Diego, CA 92101
3. Telephone Number: (619) 677-2325
4. Name of Principal Contact for CONTRACTOR: Ms. Rebecca Louie
5. Federal Identification Number or Social Security Number of CONTRACTOR: 33-0833640
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: Wakeland Trinity Place LP
(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:
Wakeland Housing & Development Corporation - December 23, 1998;
Wakeland Trinity Place LP – January 19, 2018
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 percent 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.

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

D. Lawrence Clemens
Board Member
PO Box 676324
Rancho Santa Fe, CA 92067
Ph. # (858) 775-4746
dlarryclemens@yahoo.com

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

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

Craig Fukuyama
Board Member
The Fukuyama Company
2926 E. Brandon Lane
Fresno, CA 93720
Ph. # (559) 779-3217
craig.fukuyama@gmail.com

Jeff W. Graham
Board Member
UNIVERSITY OF CALIFORNIA, SAN DIEGO
Department of Real Estate
10280 North Torrey Pines Road, Suite 340
La Jolla, California 92037
Cell # (619) 867-6713
jgraham@AD.UCSD.EDU

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

Steve Kuptz
Board Treasurer
16629 Cimarron Crest Drive
San Diego, CA 92127
Ph.# (858) 673-0522
Ph2. (858) 668-4547
Cell # (619) 980-8977
steve@trinitysd.com

Deanna O'Brien
Board Member
Senior Director Real Estate
Greystar
17885 Von Karman, Suite 450
Irvine, CA 92614
Ph. # (949) 242-8028
dobrien@greystar.com

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

- 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 percent.(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:	
Address:	
Name:	
Address:	

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

The Board of Directors for Wakeland Housing and Development Corporation has changed within the last 12 months. The addition and subtraction of members was due to normal rotation of the Board Members.

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.

At this time no changes to the Board Members staff for Wakeland Housing and Development Corporation are anticipated.

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 percent interest in the CONTRACTOR (for example, more than 20 percent of the stock in a corporation that holds 50 percent of the stock of the CONTRACTOR, or more than 50 percent of the stock in the corporation that holds 20 percent of the stock of the CONTRACTOR):

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

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

Name and Address	Position Title (if any) and percent of interest or description of character and extent of interest
Name: Please refer to Item 8(b)	
Address:	
Name:	
Address:	
Name:	
Address:	

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

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

Please see Audited Financial Statements under Tab 7.

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

Sources of capital will include Tax Credit Equity, Construction and Permanent loan

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

- a. In banks/savings and loans:

Name: N/A

Address:

Amount: \$

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

Name: N/A

Address:

Amount: \$

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

Description	Market Value (\$)	Mortgages or Liens (\$)
N/A		
N/A		
N/A		

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

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

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

☐ Yes ☒ No

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

N/A

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.

N/A

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

Type of Bond	Project Description	Date of Completion	Amount of Bond	Action on Bond
Improvement/Warranty Bond (Forester Square)	44 unit new construction, affordable housing project located in the City of Santee. All units to have rents affordable to households earning 50% and 60% of the area median income.	02/28/2013	\$131,647	
Bond for Faithful Performance (Lofts on Landis)	mixed-use project with 33 residential affordable units in Chula Vista, office space for Family Health Center San Diego, community space, and leasing office.	10/22/2015	\$54,990	

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

- a. Name and addresses of such contractor or builder:

Name and Address	Affiliation
Name: N/A at this time	Construction Contractor will be selected on a competitive basis and will not be affiliated with the CONTRACTOR.
Address:	
Name:	
Address: N/A at this time	
Name: N/A at this time	
Address:	

- b. Has such contractor or builder within the last 10 years ever failed to qualify as a responsible bidder, refused to enter into a contract after an award has been made, or failed to complete a construction or development contract?

☐ Yes ☒ No

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

N/A

- 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:

N/A at this time

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

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

Identification of Contract or Development	Location	Amount	Date to be Completed
N/A at this time			
N/A at this time			
N/A at this time			

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

Awarding Agency	Amount	Date Opened
N/A at this time		

N/A at this time		
N/A at this time		

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

N/A at this time

23. Does any member of the governing body of 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 SDHC, the AUTHORITY or the CITY who exercises any functions or responsibilities in connection with the carrying out of the project covered by the CONTRACTOR's proposal, have any direct or indirect personal financial interest in the CONTRACTOR or in the proposed contractor?

☐ Yes ☒ No

If yes, explain:

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

N/A

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

☐ Yes ☒ No

If yes, explain:

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

Cavignac & Associates at 450 B Street, Suite 1800, San Diego, CA 92101 CONTACT: Matt Slakoff at (619) 744-0549

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

Check coverage(s) carried:

- ☒ Comprehensive Form
- ☒ Premises - Operations
- ☐ Explosion and Collapse Hazard
- ☐ Underground Hazard
- ☐ Products/Completed Operations Hazard

- ☐ Contractual Insurance
- ☐ Broad Form Property Damage
- ☐ Independent Contractors
- ☐ Personal Injury

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

Check coverage(s) carried:

- ☐ Comprehensive Form
- ☐ Owned
- ☒ Hired
- ☒ Non-Owned

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

See attached.

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

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

See attached.

- f. Other (Specify) [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]
N/A

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 SDHC setting forth the provisions of this nondiscrimination clause.
28. The CONTRACTOR warrants and certifies that it will not, without prior written consent of SDHC, engage in any business pursuits that are adverse, hostile or take incompatible positions to the interests of 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 SDHC, the AUTHORITY and/or the CITY, and no member of the governing body of the locality in which the PROJECT is situated, no member of the governing body in which SDHC was activated, and no other public official of such locality or localities who exercises any functions or responsibilities with respect to the assignment of work, has, during his or

her tenure, or will for one (1) year thereafter, have any interest, direct or indirect, in this PROJECT or the proceeds thereof.

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

Government Complaint	Entity	Making	Date	Resolution
N/A				
N/A				
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?

☐ Yes ☒ No

If yes, please explain, in detail,

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

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

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 SDHC.
N/A

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 SDHC.

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

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

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

35. List all CONTRACTS with, DEVELOPMENTS for or with, LOANS with, PROJECTS with, GRANTS from, and SALES of Real Property to 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
2013	City Heights, Authority	Current	\$8,000,000
2012	Juniper Gardens, SDHC	Current	\$2,844,132
2011	Vista Grande, SDHC, SEDC	Current	\$2,197,000/\$781,073

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 projects:

1. Name: Ms. Ann Kern
Address: 1122 Broadway, Suite 300, San Diego, CA 92101
Phone: (619) 578-7582
Project Name and Description: Village Green, 94 low - income units and Talmadge, 60-unit project
2. Name: Ms. Margery Pierce
Address: 321 N. Nevada Street, Oceanside, CA 92054

Phone: (760) 435 - 3377

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

3. Name: Stacy Kurz

Address: 276 Fourth Avenue, Chula Vista, CA 91910

Phone: (619) 585-5698

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

39. 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.

N/A

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

Name	Experience
N/A	

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 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 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 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 11th day of September, 2018, at San Diego, California.

CONTRACTOR

By: 

Signature

Kenneth L. Sauder, President/CEO

Title

CERTIFICATION

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

By:  By: _____

Title: President/CEO Title: _____

Dated: September 11, 2018 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

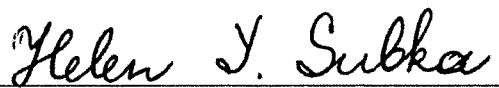
A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

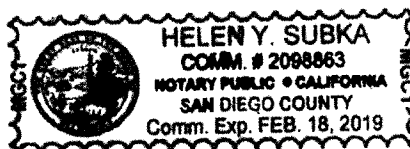
County of San Diego

Subscribed and sworn to (or affirmed) before me on this 11th day of September, 2018

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


Signature of Notary

SEAL



WAKELAND HOUSING AND DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017
with
Report of Independent Auditors



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**NOVOGRADAC
& COMPANY** LLP®

CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated financial statements of Wakeland Housing and Development Corporation, which comprise the consolidated statement of financial position as of June 30, 2018 and 2017 and the related consolidated statements of activities and 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wakeland Housing and Development Corporation as of June 30, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. Supplementary information (pages 32-38) is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Wakeland Housing and Development Corporation understated the fixed assets and net equity of the Consolidated Partnerships as of June 30, 2017. Our opinion is not modified with respect to this matter.

Novogrudac & Company LLP

Portland, Oregon
September 25, 2018

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS	2018	2017 (Restated)
Current Assets		
Cash and cash equivalents	\$ 8,298,646	\$ 7,502,940
Current portion of reserves	599,906	1,017,243
Current portion of deposits	-	510,000
Tenant security deposits	517,213	585,197
Accounts receivable	799,310	887,877
Prepaid expenses	33,524	159,140
Due from related party	5,228	-
Accrued interest receivable	75,431	20,312
Total Current Assets	<u>10,329,258</u>	<u>10,682,709</u>
Noncurrent Assets		
Investment in securities	8,912,048	-
Reserves, less current portion	8,536,003	5,086,543
Deposits, less current portion	1,000,000	1,000,000
Notes receivable and related party advances, net of allowance	272,753	981,265
Fixed assets, net	267,616,867	255,291,170
Deferred charges, net	397,873	320,356
Construction in progress	6,147,949	2,113,564
Total Noncurrent Assets	<u>292,883,493</u>	<u>264,792,898</u>
Total Assets	<u>\$ 303,212,751</u>	<u>\$ 275,475,607</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,614,384	\$ 3,084,119
Development fee payable	90,000	79,300
Accrued interest payable	22,008,435	18,928,773
Tenant security deposits payable	457,702	424,391
Deferred revenue	63,352	18,052
Deficiencies in limited partnerships	259,323	585,966
Current portion of notes payable, net of debt issuance costs	5,233,592	79,716,524
Total Current Liabilities	<u>29,726,788</u>	<u>102,837,125</u>
Noncurrent Liabilities		
Notes payable, less current portion and net of debt issuance costs	<u>194,384,616</u>	<u>133,852,320</u>
Total Liabilities	<u>224,111,404</u>	<u>236,689,445</u>
Net Assets		
Unrestricted		
Controlling interest	3,839,295	2,822,295
Non-controlling interest	75,262,052	35,963,867
Total Net Assets	<u>79,101,347</u>	<u>38,786,162</u>
Total Liabilities and Net Assets	<u>\$ 303,212,751</u>	<u>\$ 275,475,607</u>

see accompanying notes

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

UNRESTRICTED NET ASSETS

	2018	2017
REVENUE AND OTHER SUPPORT		
Asset management fees	\$ 625,926	\$ 558,803
Contributions	351,931	75,625
Rental income	15,579,079	12,101,262
Development fees	644,117	75,000
Resident services	205,458	311,216
Interest income	304,712	91,384
Other income	224,063	88,010
Share of income (loss) from partnerships	354,016	(7,689)
Total Revenue and Support	<u>18,289,302</u>	<u>13,293,611</u>
EXPENSES		
Program Services		
Rental operations		
Operating	9,182,017	7,636,436
Depreciation	9,594,860	7,387,029
Amortization	74,592	85,664
Interest	8,021,482	6,193,683
Development		
Development expenses	2,242,089	2,032,769
Bad debt expense	605,072	-
Resident services	842,127	820,255
Asset management	436,011	443,677
Total program services	<u>30,998,250</u>	<u>24,599,513</u>
Supporting Services		
Management and general	559,097	746,414
Donations	127,419	-
Financial Expenses		
Depreciation	36,374	22,039
Interest	45,498	45,000
Unrealized loss on securities	273,539	-
Total Expenses	<u>32,040,177</u>	<u>25,412,966</u>
CHANGE IN NET ASSETS	<u>(13,750,875)</u>	<u>(12,119,355)</u>
Net Assets at Beginning of Year as Originally Stated	38,786,162	38,536,183
Prior Period Adjustment	-	2,350,000
Net Assets at Beginning of Year (restated)	<u>38,786,162</u>	<u>40,886,183</u>
Limited Partner Contributions	54,066,060	10,019,334
NET ASSETS AT END OF YEAR (restated)	<u>\$ 79,101,347</u>	<u>\$ 38,786,162</u>

see accompanying notes

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (13,750,875)	\$ (12,119,355)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	9,631,234	7,409,068
Amortization	74,592	85,664
Interest expense - debt issuance costs	840,834	82,741
Loss on disposal of fixed assets	8,020	-
Share of (income) loss from partnerships	(354,016)	7,689
Unrealized loss on securities	273,539	-
Bad debt expense	605,072	-
Change in tenant security deposits	67,984	(202,980)
Change in accounts receivable	88,567	(314,758)
Change in prepaid expenses	125,616	(5,241)
Change in accrued interest receivable	(55,119)	52,986
Change in accounts payable and accrued expenses	(3,159,419)	(132,526)
Change in accrued interest payable	3,079,662	3,959,898
Change in due from related party	(5,228)	-
Change in tenant security deposits payable	33,311	42,174
Change in deferred revenue	45,300	3,928
Net cash used in operating activities	(2,450,926)	(1,130,712)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for deposits	510,000	(1,510,000)
Cash paid for investment securities	(9,185,587)	-
Change in reserves	(3,032,123)	5,600,337
Proceeds from notes receivable and advances	103,440	158,691
Cash paid for intangible assets	(152,109)	-
Cash distributions from investment partnerships	27,373	-
Cash paid for fixed assets	(24,298,952)	(45,729,524)
Net cash used in investing activities	(36,027,958)	(41,480,496)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	58,374,325	37,758,961
Cash paid for debt issuance costs	(1,142,824)	-
Payments on notes payable	(72,022,971)	(1,460,588)
Non-controlling contribution	54,066,060	10,019,334
Net cash provided by financing activities	39,274,590	46,317,707
Net change in cash and cash equivalents	795,706	3,706,499
Cash and cash equivalents at beginning of year	7,502,940	3,796,441
Cash and cash equivalents at end of year	<u>\$ 8,298,646</u>	<u>\$ 7,502,940</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest - expensed	<u>\$ 4,987,318</u>	<u>\$ 2,314,559</u>

see accompanying notes

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

1. Organization

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

The consolidated financial statements include the entities discussed below (collectively, the “Corporation”).

100% Owned Entities

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

Poinsettia Parks, LLC

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

Wakeland Opportunities for Affordable Housing

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

Wakeland Entrada, L.P.

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

Wakeland Grove, L.P.

Wakeland Grove, L.P. was established in January 2016 to acquire, own, construct and operate a low income housing project located in Vista, California. Wakeland is a 99.99% limited partner and Wakeland Grove, LLC is a 0.01% managing general partner.

Wakeland Trinity Place, L.P.

Wakeland Trinity Place, L.P., a California limited partnership, was established in January 2018 to acquire, own, construct and operate a low income housing project located in San Diego, California. Wakeland is a 99.99% limited partner and Wakeland Trinity Place, LLC is a 0.01% managing general partner.

Wakeland Via Tijeras, L.P.

Wakeland Via Tijeras, L.P., a California limited partnership, was established in January 2018 to acquire, own, construct and operate a low income housing project located in Albuquerque, New Mexico. Wakeland is a 99.99% limited partner and Wakeland Via Tijeras, LLC is a 0.01% managing general partner.

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

1. Organization (continued)

100% Owned Entities (continued)

Wakeland Mt. Alifan, L.P.

Wakeland Mt. Alifan, L.P, a California limited partnership, was established in April 2017 to acquire, own, construct and operate a low income housing project located in San Diego, California. Wakeland is a 99.99% limited partner and Wakeland Mt. Alifan, LLC is a 0.01% managing general partner.

Wakeland Anita, L.P.

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

Consolidated Partnerships

In addition, Wakeland, directly or through LLCs, controls the following consolidated lower-tier partnerships (collectively the "Consolidated Partnerships") in which Wakeland is the controlling general partner:

<u>Consolidated Partnerships</u>	<u>Ownership %</u>
Beyer Boulevard Apartments, L.P.	0.01%
Camp Anza, L.P.	0.0051%
City Heights Ten, L.P.	0.009%
Country Club Apartments, L.P.	0.01%
Del Sol Apartments, L.P.	0.01%
Forester Square, L.P.	0.01%
Juniper Gardens, L.P.	0.01%
Lofts on Landis, L.P.	0.01%
Los Vecinos, L.P.	0.01%
Mission Heritage, L.P.	0.005%
Parkside Terrace, L.P.	0.005%
Talmadge Gateway, L.P.	0.01%
Wakeland Atmosphere, L.P.	0.01%
Wakeland Atmosphere II, L.P.	0.01%
Wakeland Beacon Apartments, L.P.	0.01%
Wakeland Village Green Apartments, L.P.	0.01%
Wakeland Vista Grande Apartments, L.P.	0.01%

Other consolidated companies - LLC's

Wakeland establishes limited liability companies (collectively the "LLC's") to serve as the managing general partner of limited partnerships to acquire, finance, build and operate a multifamily apartment complex intended for rental to residents of low income and to engage in any activities reasonably related thereto. Wakeland is the sole member of the below LLC's.

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

1. Organization (continued)

The LLC's and their respective ownership percentages in limited partnerships are as follows:

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

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

Rental operations

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

Development

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

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

1. Organization (continued)

Resident services

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

Asset management

The asset management department administers all placed in service real estate in the Corporation's portfolio, which consists of 4,451 housing units. The department oversees all property tax abatement activities, monitors regulatory mandates, hires property management companies, provides property management oversight and develops operating budgets and capital improvement plans.

2. Summary of significant accounting policies

Basis of accounting

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

Basis of presentation

The Corporation is required to report information regarding its consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations that may or will be expendable by the board for any purpose in performing the Corporation's primary objectives.

Temporarily Restricted Net Assets: Net assets that are subject to donor-imposed stipulations that may or will be met either by the Corporation's actions and/or the passage of time. Temporarily restricted net assets are recorded as unrestricted net assets when the funds are disbursed in the same period as received.

Permanently Restricted Net Assets: Net assets that are subject to donor-imposed stipulations whereby the resources are to be preserved in perpetuity.

Principles of consolidation

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

Investment in partnerships – equity method

The Corporation uses the equity method of accounting for its investments in 22 limited partnerships in which the Corporation serves as a co-general partner, as the Corporation does not control the major operating and financial policies of the limited partnerships. Under this method, the Corporation's share of income, losses, and distributions incurred by the limited partnerships is recognized as an increase or reduction of the carrying value of the investments.

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

2. Summary of significant accounting policies (continued)

Investment in partnerships – equity method (continued)

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

<u>Partnership</u>	<u>Ownership %</u>
Pacific Vista Las Flores, L.P.	0.05%
Westgate Courtyards, L.P.	0.005%
Westchester Park, L.P.	0.10%
BRE MG Creekside Village, L.P.	0.10%
Trinity Escondido I, L.P.	0.005%
Walden Glen L.P.	0.02%
The Stratton, L.P.	0.02%
Fairfield Bristol, L.P.	0.02%
Canyon Rim, L.P.	0.02%
Fairfield Trestles L.P.	0.02%
Lillian Place, L.P.	0.005%
FF Hills, L.P.	0.02%
Fairfield Wyndover L.P.	0.02%
Mobley Lane Partners, L.P.	0.005%
Fairfield Belmont, L.P.	0.02%
Fairfield Creekview, L.P.	0.02%
Fairfield Turnleaf, L.P.	0.02%
La Mesa Springs Associates	0.05%
Miramar Tower	0.05%
RAHF IV Casa Panorama, L.P.	0.05%
Reverend Glenn Allison, L.P.	0.0066%
RAHF IV Grove, L.P.	0.005%

For the years ended June 30, 2018 and 2017, the corporation was no longer a partner of the following:

Fairfield Raintree, L.P.	0.02%
Fairfield Sagewood, L.P.	0.02%
Fairfield Thornbridge, L.P.	0.10%
Sienna Vista, L.P.	0.10%

Estimates

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

Cash and cash equivalents

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

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

2. Summary of significant accounting policies (continued)

Cash and cash equivalents (continued)

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

Concentration of credit risk

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

Accounts receivable

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

Fair value measurements

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

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

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

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

2. Summary of significant accounting policies (continued)

Fair value measurements (continued)

The following tables present the Corporation's assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of June 30, 2018 and 2017:

	Fair value at June 30, 2018 Level 1	Fair value at June 30, 2017 Level 1
Bonds Fund Assets	\$ 8,912,048	\$ -0-

Fair value of financial instruments

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

Investments

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

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

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

As of June 30, 2018 and 2017, the investments was \$8,912,048 and \$-0-, respectively.

Notes receivable

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

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

2. Summary of significant accounting policies (continued)

Notes receivable (continued)

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

The Corporation's key credit quality indicator is a loan's performance status, defined as accruing or nonaccruing. Performing loans are considered to have a lower risk of loss. Amounts due from consolidated entities are placed on nonaccrual status when management believes, after considering economic conditions, business conditions, and collection efforts, that these instruments are impaired or collection of interest is doubtful. Uncollectible interest previously accrued is charged off, or an allowance is established by a charge to interest income. Interest income on nonaccrual loans is recognized only to the extent cash payments are received and the principal balance is believed to be collectible. There were no loans on nonaccrual status and still accruing interest at June 30, 2018 and 2017. As of June 30, 2018 and 2017, the allowance for loan losses was \$574,839 and \$-0-, respectively.

Fixed assets and depreciation

The Corporation capitalizes all expenditures in excess of \$1,000 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as unrestricted unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted. Absent donor stipulations regarding how long those donated assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Corporation reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

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

For the years ended June 30, 2018 and 2017, depreciation for rental operations was \$9,594,860 and \$7,387,029, respectively, and for financial expenses was \$36,374 and \$22,039, respectively. Total depreciation expense for the years ended June 30, 2018 and 2017 was \$9,631,234 and \$7,409,068, respectively.

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

2. Summary of significant accounting policies (continued)

Fixed assets and depreciation (continued)

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

Construction in progress

In the normal course of business, the Corporation incurs costs when determining the viability of a real estate development. The Corporation capitalizes these costs until the project is transferred to a separate entity or it is determined not to be feasible and thereafter written off. Construction in progress consists of the following for the years ended June 30, 2018 and 2017:

	2018	2017
Project development - Wakeland	\$ 384,234	\$ 1,150,688
Construction in progress - Beacon	4,023,085	680,776
Construction in progress - Entrada	268,956	3,004
Construction in progress - Grove	331,866	312,246
Construction in progress - Trinity	267,480	-
Construction in progress - Via Tijeras	179,373	-
Construction in progress - Mt Alifan	117,408	-
Construction in progress - Anita	105,407	-
Construction in progress - Mission Heritage	470,140	-
Construction in progress Rebate - Camp Anza, L.P.	-	(33,150)
Total construction in progress	<u>\$ 6,147,949</u>	<u>\$ 2,113,564</u>

Deferred charges and amortization

Tax credit fees are amortized on a straight-line basis over the 15-year tax credit period. As of June 30, 2018 and 2017, the tax credit fees were \$678,071 and \$649,339, respectively. As of June 30, 2018 and 2017, accumulated amortization was \$280,198 and \$328,983, respectively. Amortization expense for the years ended June 30, 2018 and 2017 was \$74,592 and \$85,664, respectively.

Impairment of long-lived assets

The Corporation reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. There were no impairment losses recognized as of June 30, 2018 and 2017.

Compensated absences

Accumulated unpaid vacation and other employee benefit amounts totaling \$211,595 and \$192,765 at June 30, 2018 and 2017, respectively, are accrued when incurred and included in accounts payable and accrued expenses.

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

2. Summary of significant accounting policies (continued)

Income taxes

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

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

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

Property tax exemption

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

Donated services

The Corporation utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the consolidated financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the years ended June 30, 2018 and 2017, did not meet the requirements above, therefore no amounts were recognized in the consolidated financial statements.

Revenue recognition

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

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

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

Deferred revenue is defined as income received prior to the income being earned and is recorded as a liability. Deferred income is reduced and recorded as income as the income is earned. Advance receipts of developer fees and rental income are deferred or classified as liabilities until earned and totaled \$63,352 and \$18,052 for the years ended June 30, 2018 and 2017, respectively.

Economic concentrations

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

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

Functional allocation of expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by the Corporation's management.

Subsequent events

Subsequent events have been evaluated through September 25, 2018, which is the date the consolidated financial statements were available to be issued. There are no subsequent events requiring disclosure.

Prior period adjustment

In 2018, it was determined that fixed assets and equity of the Consolidated Partnerships was understated in the prior year by \$2,350,000 on the consolidated financial statements. Fixed assets and net assets as of June 30, 2017 were increased by this amount. The prior year consolidated financial statements have been restated with the correct values.

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June 30, 2018 and 2017

3. Restricted reserves

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

	2018	2017
Restricted reserves - Consolidated Partnerships	\$ 8,368,246	\$ 5,781,100
Tenant security deposits - Consolidated Partnerships	517,213	585,197
Restricted reserves - Wakeland Poway development fund - Poinsettia Parks, LLC	767,663	322,686
Total restricted reserves	<u>\$ 9,653,122</u>	<u>\$ 6,688,983</u>
	2018	2017
Current		
Wakeland Poway development fund - Poinsettia Parks, LLC	\$ 599,906	\$ 150,000
Other reserves - Poinsettia Parks, LLC	-	867,243
Total current restricted reserves	<u>\$ 599,906</u>	<u>\$ 1,017,243</u>
Noncurrent		
Wakeland Poway development fund - Poinsettia	\$ 167,757	\$ 172,686
Other reserves - consolidated partnerships	8,368,246	4,913,857
Total noncurrent restricted reserves	<u>\$ 8,536,003</u>	<u>\$ 5,086,543</u>

4. Deposit

In January 2017, Wakeland made a deposit for an option to purchase Trinity Housing Investments 1, LLC's limited partner interest in Trinity Escondido 1, L.P in the amount of \$1,000,000. The option to purchase the limited partner interest can be exercised on March 25, 2020. If the option is exercised, Wakeland will own 100% of Trinity Escondido 1, L.P.

Poinsettia Parks, LLC made a deposit for a loan commitment fee in the amount of \$510,000 in 2017. As of June 30, 2018, loan was refinanced and the deposit was released.

The following are the deposits as of June 30, 2018 and 2017:

	2018	2017
Current		
Loan commitment fee - Poinsettia Parks, LLC	\$ -	\$ 510,000
Noncurrent		
Option deposit - Wakeland	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

5. Notes receivable and related party advances

The Corporation has advanced funds to certain limited partnerships in which the Corporation is the general partner. The Corporation also earns developer fees from services performed in connection with the development and construction of the low income housing tax credit projects. Related party advances and developer fees receivable consist of the following for the years ended June 30, 2018 and 2017:

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5. Notes receivable and related party advances (continued)

	2018	2017
Lillian Place, L.P. - related party advances	\$ 574,839	\$ 574,839
Lillian Place, L.P. - developer fee receivable	272,753	282,526
City Heights CDC	-	123,900
Allowance	(574,839)	-
Total related parties receivable	<u>\$ 272,753</u>	<u>\$ 981,265</u>

Accrued interest receivable on the related party advances totaled \$75,431 and \$11,757 at June 30, 2018 and 2017, respectively, and is included in accrued interest receivable on the statements of financial position. For the years ended June 30, 2018 and 2017, bad debt expenses was \$605,072 and \$-0-, respectively.

6. Fixed assets

Fixed assets consisted of the following for the years ended June 30, 2018 and 2017:

	2018	2017
Land	\$ 60,155,651	\$ 38,041,613
Building	244,579,450	240,735,181
Improvements	15,737,317	15,623,888
Computer equipment	120,723	112,005
Office equipment	1,594,897	6,303,834
Vehicles	7,000	7,000
Subtotal	<u>322,195,038</u>	<u>298,473,521</u>
Less: accumulated depreciation	<u>(54,578,171)</u>	<u>(45,532,351)</u>
Fixed assets, net	<u>\$ 267,616,867</u>	<u>\$ 255,291,170</u>

7. Development fee payable

The Corporation pays development fees from services performed in connection with the development and construction of the low income housing tax credit projects. Development fee payable consists of the following for the years ended June 30, 2018 and 2017:

	2018	2017
Talmadge, L.P.	\$ 90,000	\$ -
Camp Anza, L.P.	-	40,000
City Heights Ten, L.P.	-	39,300
Total development fee payable	<u>\$ 90,000</u>	<u>\$ 79,300</u>

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
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8. Deficiency in limited partnerships

The Corporation owns a general partner interest in limited partnerships accounted for on the equity method. The following are the share of deficiencies in the Corporation's partnership capital accounts at June 30, 2018 and 2017:

	2018	2017
Share of deficiency (investment) in Partnerships:		
Pacific Vista Las Flores, L.P. - Wakeland	\$ (592,015)	\$ 491,267
Pacific Vista Las Flores, L.P. - WOA	419,199	-
Westgate Courtyards, L.P.	59,550	59,925
Westchester Park, L.P.	13,274	12,970
BRE MG Creekside Village L.P.	12,300	10,045
La Mesa Springs Associates	(4,463)	-
Trinity Escondido 1, L.P.	3,847	3,833
Walden Glen L.P.	87	3,276
The Stratton, L.P.	237	1,622
Fairfield Bristol, L.P.	30	1,101
Canyon Rim, L.P.	474	881
Fairfield Trestles L.P.	41	562
Lillian Place, L.P.	431	394
Miramar L.P.	121	-
FF Hills, L.P.	117	43
Fairfield Wyndover L.P.	150	43
Mobley Lane Partners, L.P.	-	4
Fairfield Belmont, L.P.	129	-
Fairfield Creekview, L.P.	150	-
Fairfield Turnleaf, L.P.	33	-
RAHF IV Casa Panorama, L.P.	2	-
RAHF IV Grove, L.P.	(3)	-
Total Share of Deficiency in Partnerships	<u>\$ 259,323</u>	<u>\$ 585,966</u>

9. Investment partnerships – revenue earned

The Corporation provided development, asset management and resident services to partnerships for which it earned the following amounts for the year ended June 30, 2018:

	Developer Fees	Asset Management Fees	Resident Services
Canyon Rim, L.P.	\$ -	\$ 94,713	\$ 36,491
Coronado Terrace Preservation, L.P.	-	-	17,255
Fairfield Belmont L.P.	-	32,495	-
Fairfield Bristol, L.P.	-	13,127	-
Fairfield Creekview L.P.	-	52,441	-
Fairfield Trestles L.P.	-	12,757	-
Fairfield Turnleaf L.P.	-	101,507	-
Fairfield Wyndover, L.P.	-	25,907	18,116
FF Hills LP	-	52,090	-

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

9. Investment partnerships – revenue earned (continued)

	Developer Fees	Asset Management Fees	Resident Services
Lillian Place, L.P.	-	9,890	-
BRE MG Creekside Village, L.P.	-	30,819	23,743
Mobley Lane Partners, L.P.	-	-	4,466
Pacific Vista Las Flores, L.P.	-	14,538	8,006
The Stratton LP	-	57,308	22,590
Trinity Escondido 1, L.P.	-	33,830	32,956
Vista Terrace Hills Preservation, L.P.	-	-	17,508
Walden Glen LP	-	28,499	13,466
Westgate Courtyards, L.P.	-	28,481	-
Westchester Park, L.P.	-	27,524	10,861
Fairfield Warm Springs Affordable, L.P.	250,000	-	-
Reverend Glenn Allison, L.P.	394,117	-	-
RAHF IV Casa Panorama, L.P.	-	10,000	-
Total	<u>\$ 644,117</u>	<u>\$ 625,926</u>	<u>\$ 205,458</u>

The Corporation provided development, asset management and resident services to partnerships for which it earned the following amounts for the year ended June 30, 2017:

	Developer Fees	Asset Management Fees	Resident Services
Canyon Rim LP	\$ -	\$ 91,239	\$ 35,428
Coronado Terrace Preservation, L.P.	-	-	34,007
Fairfield Belmont L.P.	-	30,803	7,756
Fairfield Bristol, L.P.	-	12,639	7,170
Fairfield Creekview L.P.	-	49,813	12,119
Fairfield Raintree L.P.	-	22,454	9,341
Fairfield Sagewood L.P.	-	13,167	7,709
Fairfield Trestles L.P.	-	11,938	4,147
Fairfield Turnleaf L.P.	-	24,279	8,878
Fairfield Wyndover, L.P.	-	24,114	9,560
FF Hills LP	-	47,014	24,041
Lillian Place, L.P.	-	9,603	-
MG Creekside Village, L.P.	-	34,885	23,052
Mobley Lane Partners, L.P.	75,000	-	1,833
Pacific Vista Las Flores, L.P.	-	9,596	7,773
The Stratton LP	-	57,572	21,932
Trinity Escondido 1, L.P.	-	10,022	31,996
Vista Terrace Hills Preservation, L.P.	-	-	34,506
RAHF IV Casa Panorama, L.P.	-	10,000	-
La Mesa Springs Associates	-	10,000	-
Miramar Tower	-	10,000	-
Walden Glen LP	-	26,896	13,074
Westgate Courtyards, L.P.	-	26,918	6,350
Westchester Park, L.P.	-	25,851	10,544
Total	<u>\$ 75,000</u>	<u>\$ 558,803</u>	<u>\$ 311,216</u>

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

10. Notes payable

Notes payable consisted of the following at June 30, 2018 and 2017:

	2018	2017
<u>Wakeland Housing and Development Corporation</u>		
<u>Wells Fargo Community Investment Holdings</u>		
On January 1, 2013, Wakeland obtained a loan (the "Wells Fargo Note 1") from Wells Fargo Community Investment Holdings. The Wells Fargo Note 1 was in the amount of \$750,000, a fixed interest rate of 2.0% per annum, and matured on January 1, 2017. The Wells Fargo Note 1 was paid from proceeds from a Wells Fargo note (the "Wells Fargo Note 2"). On May 26, 2017, Wakeland obtained the Wells Fargo Note 2 from Wells Fargo Community Investment Holdings. The Wells Fargo Note 2 is in the amount of \$750,000, fixed interest rate of 2.0% per annum, and matures on January 1, 2023. The Wells Fargo Note is secured by Wakeland. Interest is payable quarterly, in arrears, on the first day of the first month of each quarter beginning July 1, 2017. The outstanding principal balance of the note and accrued but unpaid interest shall be due and payable on January 1, 2023. As of June 30, 2018 and 2017, the outstanding principal balance on the Wells Fargo Note was \$750,000 for both years. As of June 30, 2018 and 2017, accrued interest was \$-0- for both years. For the years ended June 30, 2018 and 2017, interest expense was \$15,000 for each year.	\$ 750,000	\$ 750,000
<u>Union Bank, N.A.</u>		
On April 1, 2014, Wakeland obtained a loan (the "Union Bank Note") from Union Bank, N.A. The Union Bank Note is in the amount of \$400,000, has a fixed interest rate of 2.5% per annum, and matures on April 1, 2019 and may be extended up to two years. Union Bank Note is secured by Wakeland. Interest is payable quarterly, in arrears, on the first day of the first month of each quarter beginning July 1, 2014. The outstanding principal balance of the note and accrued but unpaid interest shall be due and payable on the maturity date. As of June 30, 2018 and 2017, the outstanding principal balance on the Union Bank Loan was \$400,000 for both years. As of June 30, 2018 and 2017, accrued interest was \$-0- for both years. For the years ended June 30, 2018 and 2017, interest expense was \$10,000 for each year.	\$ 400,000	\$ 400,000

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

10. Notes payable (continued)

	2018	2017
<u>Wakeland Housing and Development Corporation</u> <u>(continued)</u>		
<u>U.S. Bancorp Community Development Corporation</u>		
On November 1, 2007, Wakeland obtained a loan (the "U.S. Bank EQ2 Funds Note") from U.S. Bancorp Community Development Corporation. The U.S. Bancorp Note is in the amount \$500,000, has a fixed interest rate of 4.0% per annum, and matures on November 1, 2022. The U.S. Bank EQ2 Funds Note is secured by Wakeland. Interest is payable quarterly. All unpaid principal and interest is due and payable on November 1, 2022. As of June 30, 2018 and 2017, the outstanding principal balance on the U.S. Bank EQ2 Funds Note was \$500,000 for both years. As of June 30, 2018 and 2017, accrued interest was \$-0- for both years. For the years ended June 30, 2018 and 2017, interest expense was \$20,000 for each year.	\$ 500,000	\$ 500,000
<u>Wells Fargo AHP Federal Home Loan</u>		
On November 1, 2007, Wakeland obtained a loan (the "Wells Fargo AHP Loan") from Wells Fargo Financial National Bank. The Wells Fargo AHP Federal Home Loan is in the amount \$350,000, has no interest, and matures on October 1, 2071. The Wells Fargo AHP Loan is secured by Wakeland. All unpaid principal is due and payable on October 1, 2071. The proceeds of the Wells Fargo AHP Loan are designated for Talmadge Gateway, L.P. As of June 30, 2018, the outstanding principal balance on the Wells Fargo AHP Federal Home Loan was \$350,000 and \$-0-, respectively. As of June 30, 2018 and 2017, accrued interest was \$-0- for both years. For the years ended June 30, 2018, interest expense was \$-0- for each year.	\$ 350,000	\$ -0-

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

10. Notes payable (continued)

	<u>2018</u>	<u>2017</u>
<u>Poinsettia Parks, LLC</u>		
<u>City of Poway Loan</u>		
On May 8, 2003, Poinsettia Parks, LLC obtained a loan (the "City Note") from City of Poway. The City Note was in the amount of \$10,615,000, had an interest rate of 1.8-5.5% per annum. Interest rates were schedule included in the loan documents. Payments on the note began on May 1, 2004 and to ensure payment, the Corporation agreed to pay to the Trustee commencing on July 15, 2003, all net operating revenues received on or prior to the 13th of the month and not otherwise remitted in the prior month. The City Note was secured by a first position Deed of Trust on the Poinsettia Mobile Home Park. On September 12, 2017, the Company paid off the balance of the City of Poway loan. As of June 30, 2018 and 2017, the outstanding principal balance on the City Note was \$-0- and \$8,285,000, respectively. As of June 30, 2018 and 2017, accrued interest was \$-0- and \$8,618, respectively. For the years ended June 30, 2018 and 2017, interest expense was \$94,991 and \$451,898, respectively. As of June 30, 2018 and 2017, the effective interest rate was 2.71% and 3.75%, respectively.	\$	-0-
		\$ 8,285,000

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

10. Notes payable (continued)

	<u>2018</u>	<u>2017</u>
<u>Poinsettia Parks, LLC (continued)</u>		
<u>Poway Redevelopment Agency</u>		
On May 8, 2003, the Company obtained a Promissory Note (the "Agency Note") held by the Poway Redevelopment Agency, a public body, corporate and politic, in the amount of \$5,112,231 and accrued interest at rates between 1.5% - 7% per annum. Interest rates were based on the schedule included in the loan documents. Payments on the note began on June 10, 2009, provided that the required payment shall not exceed net cash flow from the Park during the previous year. All unpaid principal and interest were due and payable on June 10, 2038. This note was secured by a deed of trust on the Poinsettia Mobile Home Park. On September 12, 2017, the Company paid off the balance of the Agency Note. As of June 30, 2018 and 2017, the outstanding principal balance on the Agency Note was \$-0- and \$4,992,769, respectively. As of June 30, 2018 and 2017, accrued interest was \$-0- and \$75,316, respectively. For the years ended June 30, 2018 and 2017, interest expense was \$29,957 and \$153,243, respectively.	\$ -0-	\$ 4,992,769
<u>NorthMarq Capital Loan</u>		
On September 12, 2017, the Company obtained a loan (the "NorthMarq Capital Loan") from NorthMarq Capital Finance, LLC. The NorthMarq Capital Loan is in the amount of \$24,250,000, has an interest rate of 3.89% per annum, and matures on October 1, 2027. Payments on the loan began on November 1, 2017. Monthly payments of \$114,241 of principal and interest are due the first day of each month. The NorthMarq Capital Loan is secured by a first position Deed of Trust on the Park. As of June 30, 2018 and 2017, the outstanding principal balance on the NorthMarq Capital Loan was \$23,969,632 and \$-0-, respectively. As of June 30, 2018 and 2017, accrued interest was \$-0- for both years. For the years ended June 30, 2018 and 2017, interest expense was \$685,964 and \$-0-, respectively. As of June 30, 2018 and 2017, the effective interest rate was 3.97% and 0%, respectively.	\$ 23,969,632	\$ -0-

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

10. Notes payable (continued)

	2018	2017
<u>Wakeland Entrada, L.P.</u>		
<u>Chicago Linden Single Family Home Note</u>		
On April 26, 2017, Wakeland Entrada, L.P. obtained a Promissory Note (the "Chicago Linden Single Family Home Note") held by IHO Chicago Linden LLC. The Chicago Linden Single Family Home Note is in the amount of \$200,000, has an interest rate of 3.0% per annum, and matures on April 1, 2020. The outstanding principal balance of the grant and accrued but unpaid interest is due and payable on the maturity date. As of June 30, 2018 and 2017, the outstanding principal balance on the Union Bank Loan was \$200,000 for both years. As of June 30, 2018 and 2017, no accrued interest was recorded.	\$ 200,000	\$ 200,000
<u>City of Riverside</u>		
On February 8, 2018, Wakeland Entrada, L.P. obtained a loan (the "City of Riverside Loan") held by Housing Authority of the City of Riverside. The City of Riverside Loan is in the amount of \$4,000,000, has an interest rate of 3.0% per annum, and matures on December 31, 2075. The outstanding principal balance of the grant and accrued but unpaid interest is due and payable on the maturity date. As of June 30, 2018 and 2017, the outstanding principal balance on the City of Riverside Loan was \$425,000 and \$-0-, respectively. As of June 30, 2018 and 2017, no accrued interest was recorded.	\$ 425,000	\$ -0-

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

10. Notes payable (continued)

	2018	2017
<u>Wakeland Grove, L.P.</u>		
<u>Low Income Investment Fund</u>		
On April 1, 2016, Wakeland Grove, L.P. obtained a note (the "Low Income Investment Fund Note") held by Low Income Investment Fund in the amount of \$3,470,000 and accrues interest at a fixed rate of 5.50% per annum. Payments of interest are due monthly. The outstanding principal balance of the note and accrued, but unpaid interest is due and payable April 1, 2019. The Low Income Investment Fund Note is secured by a first position Deed of Trust. As of June 30, 2018 and 2017, the outstanding principal balance on Low Income Investment Fund Note was \$3,371,102 for both years. As of June 30, 2018 and 2017, accrued interest was \$-0- for both years. For the years ended June 30, 2018 and 2017, interest expense was \$157,817 and \$152,580, respectively. As of June 30, 2018 and 2017, the effective interest rate was 5.59% for both years.	\$ 3,371,102	\$ 3,371,102
<u>Wakeland Trinity Place, L.P.</u>		
<u>Low Income Investment Fund</u>		
On January 30, 2018, the Wakeland Trinity Place, L.P. obtained a loan (the "Low Income Investment Fund Note") held by Low Income Investment Fund in the amount of \$5,000,000 and accrues interest at a fixed rate of 5.45% per annum. No interest is paid or accrued during construction. Payments of interest are due monthly. The outstanding principal balance of the note and accrued, but unpaid interest is due and payable January 30, 2020. The Low Income Investment Fund Note is secured by a first position Deed of Trust. As of June 30, 2018 and 2017, the outstanding principal balance on Low Income Investment Fund Note was \$4,722,334 and \$-0-, respectively. As of June 30, 2018 and 2017, no accrued interest was recorded for both years. For the years ended June 30, 2018 and 2017, no interest expense was recorded for each year.	\$ 4,722,334	\$ -0-

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

10. Notes payable (continued)

	2018	2017
<u>Via Tijeras, L.P.</u>		
<u>Local Initiatives Support Corporation</u>		
On January 31, 2018, the Via Tijeras, L.P. obtained a loan (the "Local Initiatives Support Corporation Loan") held by Local Initiatives Support Corporation in the amount of \$5,607,000 and accrues interest at a fixed rate of 5.0% per annum. No interest is paid or accrued during construction. Payments of interest are due monthly. The outstanding principal balance of the note and accrued, but unpaid interest is due and payable at maturity date. Maturity date is the closing date or three years anniversary of the first day of the month following the closing date. The Local Initiatives Support Corporation Loan is secured by a first position Deed of Trust. As of June 30, 2018 and 2017, the outstanding principal balance on Local Initiatives Support Corporation Loan was \$5,335,716 and \$-0-, respectively. As of June 30, 2018 and 2017, no accrued interest was recorded.	\$ 5,335,716	\$ -0-

Mt. Alifan Apartments, L.P.

Century Housing Corporation

On May 23, 2018, the Mt. Alifan Apartments, L.P. obtained a loan (the "Century Housing Corporation Loan") held by Century Housing Corporation in the amount of \$4,050,000 and accrues interest at a fixed rate of 5.50% per annum. No interest is paid or accrued during construction. Payments of interest are due monthly. The outstanding principal balance of the loan and accrued, but unpaid interest is due and payable on maturity, May 23, 2020 and may be extended up to six months. The Century Housing Corporation Loan is secured by a first position Deed of Trust. As of June 30, 2018 and 2017, the outstanding principal balance on Century Housing Corporation Loan was \$3,786,750 and \$-0-, respectively. As of June 30, 2018 and 2017, no accrued interest was recorded. For the years ended June 30, 2018 and 2017, no interest expense was incurred.	\$ 3,786,750	\$ -0-
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WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

10. Notes payable (continued)

	2018	2017
<u>Wakeland Anita, L.P.</u>		
<u>Chula Vista Housing Authority</u>		
On October 31, 2017, the Wakeland Anita, L.P. obtained a loan (the "Chula Vista Housing Authority Loan") held by Chula Vista Housing Authority up to the amount of \$4,158,740 and accrues interest at a fixed rate of 3.0% per annum. No interest is paid or accrued during construction. Payments of interest are due monthly. The outstanding principal balance of the note and accrued, but unpaid interest is due and payable October 31, 2072. As of June 30, 2018 and 2017, the outstanding principal balance on Chula Vista Housing Authority Loan was \$3,841,741 and \$-0-, respectively. As of June 30, 2018 and 2017, no accrued interest was recorded. For the years ended June 30, 2018 and 2017, no interest expense was incurred.	\$ 3,841,741	\$ -0-
<u>Other consolidated Partnerships</u>		
<u>Notes payable with regular payments</u>		
Permanent loans, bearing interest from 2.19% to 6.03%, generally with principal and interest due monthly, to be repaid in full through 2071. As of June 30, 2018 and 2017, accrued interest was \$6,177,922 and \$6,952,455, respectively. For the years ended June 30, 2018 and 2017, interest expense was \$1,911,405 and \$1,970,087, respectively.	\$ 40,283,370	\$ 41,267,559
<u>Notes payable with annual payments from cash flow</u>		
Permanent loans and construction loans, bearing interest from 2.76% to 5.00%, generally with principal and interest due monthly, to be repaid in full through 2070. As of June 30, 2018 and 2017, accrued interest was \$14,335,283 and \$11,125,758, respectively. For the years ended June 30, 2018 and 2017, interest expense was \$4,339,560 and \$3,133,403, respectively.	\$ 106,664,124	\$ 150,308,135
<u>Notes payable with repayments due at maturity</u>		
Permanent loans, bearing interest from 0% to 3.00%, generally with principal and interest due monthly, to be repaid in full through 2069. As of June 30, 2018 and 2017, accrued interest was \$1,551,470 and \$1,366,626, respectively. For the years ended June 30, 2018 and 2017, interest expense was \$149,635 and \$176,366, respectively.	\$ 7,271,319	\$ 5,445,169

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
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June 30, 2018 and 2017

10. Notes payable (continued)

Notes payable consisted of the following as of June 30, 2018 and 2017:

	2018	2017
Notes payable	\$ 201,871,088	\$ 215,519,734
Less: debt issuance costs	(2,252,880)	(1,950,890)
Total notes payable	199,618,208	213,568,844
Less: current portion, net debt issuance cost	(5,233,592)	(79,716,524)
Notes payable, noncurrent	<u>\$ 194,384,616</u>	<u>\$ 133,852,320</u>

Interest expense from amortization of permanent loan costs was \$380,051 and \$113,758 for the years ended June 30, 2018 and 2017.

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

Year ending June 30,

2019	\$ 5,233,592
2020	10,250,446
2021	7,707,843
2022	2,204,163
2023	1,790,448
Thereafter	174,684,596
Total	<u>\$ 201,871,088</u>

11. Change in consolidated unrestricted net assets

The change in the Corporation's consolidated unrestricted net assets is reconciled as follows:

	Total	Controlling Interest	Non-Controlling Interest
Balance, July 1, 2017	\$ 38,786,162	\$ 2,822,295	\$ 35,963,867
Change in unrestricted net assets	(13,750,875)	1,017,000	(14,767,875)
Contributions, net of distributions	54,066,060	-	54,066,060
Balance, June 30, 2018	<u>\$ 79,101,347</u>	<u>\$ 3,839,295</u>	<u>\$ 75,262,052</u>

	Total	Controlling Interest	Non-Controlling Interest
Balance, July 1, 2016	\$ 40,886,183	\$ 4,371,394	\$ 36,514,789
Change in unrestricted net assets	(12,119,355)	(1,549,099)	(10,570,256)
Contributions, net of distributions	10,019,334	-	10,019,334
Balance, June 30, 2017	<u>\$ 38,786,162</u>	<u>\$ 2,822,295</u>	<u>\$ 35,963,867</u>

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

12. Pledged revenues

The City of Poway issued 2003 Housing Revenue Bonds in the amount of \$10,615,000, less a discount of \$264,731. The proceeds of the sale of the Bonds were used to fund a note payable to the Company, which was used to finance the acquisition of certain real property constituting the Park and any structures, site improvements, facilities, and fixtures. The proceeds were also used to finance certain facilities, replacements and improvements beneficial to the project, fund a debt service reserve fund and a repair and replacement fund, and pay certain costs of issuance.

On September 12, 2017, the pledged revenue payments were no longer required, as the Note was refinanced.

13. Commitments and contingencies

Lease commitment

The Corporation leases office space at 1230 Columbia Street through September 30, 2023. Lease expense included in the operating account in the consolidated statements of activities totaled \$193,942 and \$183,881 for the years ended June 30, 2018 and 2017, respectively.

Future minimum lease payments under the lease are as follows:

Year ending June 30,

2019	\$	218,995
2020		227,755
2021		236,865
2022		246,340
2023		256,193
Thereafter		<u>266,441</u>
Total		<u>\$ 1,452,589</u>

Employee benefit plan

The Corporation has established a 401(k) plan covering employees who have completed 90 days of service and have attained age 18. Employees may defer a percentage of their annual compensation, not to exceed the annual amount allowed by law. The Corporation made a safe harbor matching contribution equal to 100% of employee salary deferrals that did not exceed 4% of employee compensation through June 30, 2018. The Corporation contributed \$95,945 and \$80,571 for the years ending June 30, 2018 and 2017, respectively.

Litigation

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

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

13. Commitments and contingencies (continued)

Guarantees

Wakeland is subject to certain guarantees in connection with its partnership interests in the Consolidated Partnerships. As of June 30, 2018 and 2017, Wakeland has operating deficit guarantees from several of the Consolidated Partnerships that total \$5,268,717 and \$5,000,516, respectively. For the years ended June 30, 2018 and 2017, no advances have been required. In addition, Wakeland has completion and repayment guarantees pursuant to specific agreements.

14. Low-income housing tax credits

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

Supplementary Schedules - Consolidating

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
SUPPLEMENTARY CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

	Wakeland Housing and Development Corporation	Poinsettia Parks, LLC	WOAH	Wakeland Entrada, L.P.	Wakeland Grove, L.P.	Wakeland Trinity Place, L.P.	Wakeland Via Tijeras, L.P.	Wakeland Mt. Alihan, L.P.	Wakeland Anita, L.P.	Wakeland LLC's	Wakeland Partnerships	Elimination	Consolidated Total
Current Assets:													
Cash and cash equivalents	\$ 2,350,539	\$ 397,105	\$ -	\$ 21,777	\$ 5,849	\$ 500	\$ -	\$ -	\$ 40,680	\$ 8,620	\$ 5,473,576	\$ -	\$ 8,298,646
Current portion of reserves	-	599,906	-	-	-	-	-	-	-	-	-	-	599,906
Tenant security deposits	22,203	18,339	-	6,001	19,295	20,000	-	-	-	5,825	425,550	-	517,213
Accounts receivable	510,409	(989)	-	2,831	(1)	20,000	-	-	-	1,974,182	554,266	(2,211,388)	799,310
Prepaid expenses	49,286	-	-	-	-	-	-	(22,164)	-	-	6,402	-	33,524
Due from related party	4,697,320	-	-	-	-	-	-	-	-	-	-	(4,692,092)	5,228
Accrued interest receivable	197,575	-	-	-	-	-	-	-	-	-	-	(122,144)	75,431
Total Current Assets	7,827,332	1,014,361	-	30,609	25,143	40,500	-	(22,164)	40,680	1,938,627	6,459,794	(7,025,624)	10,329,258
Noncurrent Assets:													
Investment in securities	8,912,048	-	-	-	-	-	-	-	-	-	-	-	8,912,048
Reserves, less current portion	-	1,052,650	-	-	-	-	-	-	-	-	7,483,353	-	8,536,003
Due from related party	1,029,427	-	-	-	-	-	-	-	-	-	-	(1,029,427)	-
Deposits, less current portion	1,000,000	-	-	-	-	-	-	-	-	-	-	-	1,000,000
Notes receivable and related party advances, net of allowance	5,933,019	-	-	-	-	-	-	-	-	-	-	-	5,933,019
Fixed assets, net	76,157	15,453,521	-	2,655,000	3,418,760	5,000,000	6,200,000	4,050,000	3,904,000	680,057	241,013,289	(5,660,266)	272,753
Deferred charges, net	-	-	-	-	-	-	-	-	-	-	397,873	-	397,873
Construction in progress	384,234	-	-	373,458	357,272	277,508	203,314	118,394	107,176	522	5,087,009	(760,938)	6,147,949
Total Noncurrent Assets	17,334,885	16,506,171	-	3,028,458	3,776,032	5,277,508	6,403,314	4,168,394	4,011,176	680,579	253,981,524	(22,284,548)	292,881,493
TOTAL ASSETS	\$ 25,162,217	\$ 17,520,532	\$ -	\$ 3,059,067	\$ 3,801,175	\$ 5,318,008	\$ 6,403,314	\$ 4,146,230	\$ 4,051,856	\$ 2,619,206	\$ 260,441,318	\$ (29,310,172)	\$ 303,212,751

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
SUPPLEMENTARY CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2018

	Wakeland Housing and Development Corporation	Poinsettia Parks, LLC	WOAH	Wakeland Entrada, L.P.	Wakeland Grove, L.P.	Wakeland Trinity Place, L.P.	Wakeland Via Tijeras, L.P.	Wakeland Mt. Alifan, L.P.	Wakeland Antia, L.P.	Wakeland LLCs	Wakeland Partnerships	Elimination	Consolidated Total
Current Liabilities:													
Accounts payable and accrued expenses	\$ 559,695	\$ 36,094	\$ -	\$ 1,376	\$ 19,461	\$ 42,208	\$ 2,676	\$ -	\$ 452	\$ 39,309	\$ 3,816,175	\$ (2,903,062)	\$ 1,614,384
Development fee payable	-	-	-	-	-	-	-	-	-	15,000	1,930,249	(1,855,249)	90,000
Due to related party	-	-	16,205	2,408,068	642,715	486,065	1,106,438	400,999	172,804	404,269	142,775	(5,780,338)	-
Accrued interest payable	3,750	-	828	-	-	-	-	-	-	121,312	22,004,689	(122,144)	22,008,435
Tenant security deposits payable	-	18,800	-	6,025	-	-	-	-	-	5,825	427,052	-	457,702
Deferred revenue	-	-	-	-	-	-	-	-	-	-	63,352	-	63,352
Deficiencies (investment) in partnerships	683,394	-	(419,199)	-	-	-	-	-	-	(950,255)	-	945,383	259,323
Current portion of notes payable, net of debt issuance costs	400,000	433,253	-	-	3,363,526	-	-	-	-	-	1,036,813	-	5,233,592
Total Current Liabilities	1,646,839	488,147	(402,166)	2,415,469	4,025,702	528,273	1,109,114	400,999	173,256	(364,340)	29,421,105	(9,715,410)	29,726,788
Noncurrent Liabilities:													
Notes Payable, less current portion and net of unamortized debt issuance costs	1,600,000	23,266,665	15,155	625,000	-	4,672,054	5,293,663	3,745,750	3,841,741	1,311,500	155,481,558	(5,468,470)	194,384,616
Total Liabilities	3,246,839	23,754,812	(387,011)	3,040,469	4,025,702	5,200,327	6,402,777	4,146,749	4,014,997	946,960	184,902,663	(15,183,880)	224,111,404
Net Assets													
Controlling interest	21,915,378	(6,234,280)	387,011	18,598	(224,527)	117,681	537	(519)	36,859	1,672,246	276,603	(14,126,292)	3,839,295
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	75,262,052	-	75,262,052
Total Net Assets	21,915,378	(6,234,280)	387,011	18,598	(224,527)	117,681	537	(519)	36,859	1,672,246	75,538,655	(14,126,292)	79,101,347
TOTAL LIABILITIES AND NET ASSETS	\$ 25,162,217	\$ 17,520,532	\$ -	\$ 3,059,067	\$ 3,801,175	\$ 5,318,008	\$ 6,403,314	\$ 4,146,230	\$ 4,051,856	\$ 2,619,206	\$ 260,441,318	\$ (29,310,172)	\$ 303,213,751

See accompanying notes and report of independent auditors

WAKELAND HOUSING AND DEVELOPMENT CORPORATION
SUPPLEMENTARY CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018

	Wakeland Housing and Development Corporation	Poinsettia Parks, LLC	WOAH	Wakeland Entrada, L.P.	Wakeland Grove, L.P.	Wakeland Trinity Place, L.P.	Wakeland Via Tijeras, L.P.	Wakeland Mt. Alifan, L.P.	Wakeland Anita, L.P.	Wakeland LLC's	Wakeland Partnerships	Elimination	Consolidated Total
Revenues and Support:													
Asset management fees	\$ 837,617	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 443,529	\$ -	\$ (655,220)	\$ 625,926
Debt refinancing distribution	11,331,685	-	-	-	-	-	-	-	-	-	-	(11,331,685)	-
Contributions	351,931	-	-	-	-	-	-	-	-	697,508	-	(697,508)	351,931
Rental income	-	2,967,350	-	45,104	310,055	120,000	2,457	-	63,881	51,615	13,018,617	-	15,579,079
Developer fees	1,194,117	-	-	-	-	-	-	-	-	148,111	-	(698,111)	644,117
Resident services	580,087	-	-	-	-	-	-	-	-	-	-	(374,629)	205,458
Interest income	539,554	5,466	-	6	-	-	-	-	-	46	6,088	(246,448)	304,712
Other income	24,955	244,188	-	-	-	-	-	-	-	11,924	(25,587)	(31,417)	224,063
Share of income (loss) from partnerships	(79,267)	-	419,099	-	-	-	-	-	-	29,647	-	(15,463)	354,016
Total Revenues and Support	14,780,679	3,217,004	419,099	45,110	310,055	120,000	2,457	-	63,881	1,382,380	11,999,118	(14,050,481)	18,289,302
Expenses:													
Program Services:													
Rental operations													
Operating	-	1,283,031	-	22,864	177,233	2,319	-	-	22,759	-	7,673,811	-	9,182,017
Depreciation	-	269,116	-	-	63,277	-	-	-	-	-	9,865,552	(603,085)	9,594,860
Amortization	-	-	-	-	21,828	-	-	-	-	-	32,764	-	74,592
Interest	-	975,764	-	-	157,817	-	-	-	-	-	6,887,901	-	8,021,482
Development													
Development expenses	2,177,707	-	-	-	-	-	-	-	-	96,295	-	(31,913)	2,242,089
Bad debt	2,786,544	-	-	-	-	-	-	-	-	-	30,233	(2,211,705)	605,072
Resident services	1,262,546	-	-	-	-	-	-	-	-	-	-	(420,419)	842,127
Asset management	828,464	-	-	-	-	-	-	-	-	106,830	-	(499,283)	436,011
Total program services	7,055,261	2,527,911	-	22,864	420,155	2,319	-	-	22,759	203,125	24,510,261	(3,766,405)	30,998,250
Supporting Services:													
Management and general	532,913	83,362	7,803	3,648	805	-	1,920	519	4,263	5,392	(81,528)	-	559,097
Donations	127,419	-	-	-	-	-	-	-	-	-	-	-	127,419
Financial Expenses													
Depreciation	18,923	-	-	-	-	-	-	-	-	17,451	-	-	36,374
Interest	45,000	-	498	-	-	-	-	-	-	35,510	-	(35,510)	45,498
Unrealized loss on securities	273,539	-	-	-	-	-	-	-	-	-	-	-	273,539
Total Expenses	8,053,055	2,611,273	8,301	26,512	420,960	2,319	1,920	519	27,022	261,478	24,428,733	(3,801,915)	32,040,177
Change In Net Assets	6,727,624	605,731	410,798	18,598	(110,905)	117,681	537	(519)	36,859	1,120,902	(12,429,615)	(10,248,566)	(13,750,875)
Net Assets at Beginning of Year as Orig. Std.	15,187,754	5,189,182	(23,787)	-	(113,622)	-	-	-	-	752,904	33,962,953	(18,519,222)	36,436,162
Prior Period Adjustment	-	-	-	-	-	-	-	-	-	-	-	2,350,000	2,350,000
Net Assets at Beginning of Year (restated)	15,187,754	5,189,182	(23,787)	-	(113,622)	-	-	-	-	752,904	33,962,953	(16,169,222)	38,786,162
Contributions (distributions), net	-	(12,025,193)	-	-	-	-	-	-	-	(201,560)	54,005,317	12,291,496	54,066,060
NET ASSETS AT END OF YEAR	\$ 21,915,378	\$ (6,234,280)	\$ 387,011	\$ 18,598	\$ (224,327)	\$ 117,681	\$ 537	\$ (519)	\$ 36,859	\$ 1,672,246	\$ 75,538,655	\$ (14,126,292)	\$ 79,101,347

See accompanying notes and report of independent auditors

ATTACHMENT 5 – DEVELOPER'S PRO FORMA

FORECAST ASSUMPTIONS		5858 Mount Alifan		RUN DATE:		01/08/19	
9% Tax Credit Deal - Perm Supportive		Community of Clairmont				11:50 AM	
		San Diego, CA					
DEVELOPMENT INFORMATION							
Units for Rent	52						
Manager's Units	1						
Total Number of Units	53						
Acres	48	1.11					
Zoning Allows without bonus	29.0						
Units without Bonus	32						
Notes:	48						
Assumes		50% Density					
		15% developer fee					
Huge Service Reserve							
Confirmed in a DDA, not in a QCT							
Assumes \$125k for Demolition of Office							
Used 2018 Payment Standard for Enterprise Properties							
SOURCES AND USES OF FUNDS							
	per unit	Construction	Permanent	Final Perm.			
Land/Acquisition	\$80,283	\$4,255,000	\$4,255,000	\$4,255,000			
Design & Engineering	\$14,906	790,000	790,000	790,000			
Legal/Financial/Other Consultants	\$4,340	230,000	230,000	230,000			
Permits & Fees	\$21,132	1,120,000	1,120,000	1,120,000			
Relocation	\$17,736	940,000	940,000	940,000			
Direct Building Construction	\$146,006	7,738,319	7,738,319	7,738,319			
Financing Costs	\$25,963	1,250,995	1,376,057	1,376,057			
Marketing/General & Administrative	\$4,538	240,500	240,500	240,500			
Developer Fees	\$26,415	500,000	1,400,000	1,400,000			
Hard Cost Contingency	\$10,779	571,264	571,264	571,264			
Soft Cost Contingency	\$5,711	307,691	302,691	302,691			
Total Project Uses	\$357,808	\$17,943,769	\$18,963,831	\$18,963,831			
SOURCES:							
Tax Credit Equity	215,167	\$1,710,580	\$11,403,863	\$11,403,863			
Perm Loan	0	0	0	0			
Perm. Loan	0	0	0	0			
GP Capital Contribution	0	0	0	0			
Construction Loan	0	11,673,221	0	0			
AHP	0	0	0	0			
General Partner Equity/Deferred Fee	0	0	0	0			
County Funds (MHSA)	19,999	1,059,968	1,059,968	1,059,968			
SDHC Loan	122,642	3,500,000	6,500,000	6,500,000			
Gap	(0)	0	(0)	(0)			
Total Project Sources	\$357,808	\$17,943,769	\$18,963,831	\$18,963,831			
DEBT FINANCING ASSUMPTIONS							
CONSTRUCTION LOAN:							
Construction Loan Interest Rate							6.00%
Credit Loan Fee							0.75%
PERMANENT LOAN:							
Permanent Loan Rate							6.00%
Permanent Loan Constant							8.72%
Loan Points and Fees							1.00%
Debt Service Coverage Ratio							1.30
Loan Underwriting Term (Years)							20
Construction Loan to Value Ratio							70.80%
Capitalization Rate							4.75%
Project Value (NOI/Cap Rate)							1,583,916
Maximum Loan to Cost Ratio							100.00%
Cash Available for Debt Service Combined (NOI)							75,236
Loan to Value Ratio (restricted)							80.00%
Permanent Loan							0
Annual Payment							0
					Actual DSC		#DIV/0!
OTHER DEBT/LOANS:							
Interest Rate							0.00%
Loan Points and Fees							0.000%
Loan Term (Years)							0
TAX CREDIT FINANCING ASSUMPTIONS / DEVELOPMENT SCHEDULE							
Credit Year							2019
Federal Tax Credit Rate							9.00%
State Tax Credit Rate							0.00%
Difficult to Develop %							130.00%
Applicable Fraction							100.00%
Adjusted Eligible Basis							13,064,151
Annual Tax Credits							1,175,656
Investor Yield on 99% of Total Credit Allocation							97.00%
Gross Investor Contribution to Lower Tier							11,403,863
OTHER ASSUMPTIONS							
Property Taxes:							
Tax Rate							1.18%
Existing Property Basis (per unit)							0
New Unit Basis (per unit)							
Ground Lease:							
Return on Ground Lease							0.00%
Inflation Indexes:							
Income Inflation							2.50%
Expense Inflation (Modification on services in Year 18)							3.50%
Real Estate Tax Inflation							2.00%
Replacement Reserve							3.00%

STRUCTURE AND AFFORDABILITY		5858 Mount Alifan		RUN DATE:		01/08/19	
9% Tax Credit Deal - Perm Supportive		Community of Clairmont				09:15 AM	
		San Diego, CA					
UNIT TYPE / AFFORDABILITY							
Median Income	Studio	1BR/1BA	2BR/2BA	3BR/2BA	4BR/2BA	Total Units	% of TC
30.00%	26	0	0	0	0	26	50.0%
45.00%	0	0	0	0	0	0	0.0%
50.00%	26	0	0	0	0	26	50.0%
Market	0	0	1	0	0	1	0.0%
Total Bedrooms	52	0	2	0	0		(under 40%)
Total Units	52	0	1	0	0	53	
Percent of Unit Mix	100.0%	0.0%	1.9%	0.0%	0.0%		
Square Foot per Unit Type	400	500	725	900	0		
Total Unit Square Foot	20,800	0	750	0	0	21,550	
PHYSICAL STRUCTURE							
Related Residential Square Footage:							
Community Center (per regulations)					1,400		
Leasing Office					600		
Laundry (1 per every 10 units)					750		
Misc/Utility Storage/Circulation					4,310		
Total Square Feet					28,610	sq. ft.	
Residential Parking-Podium, Driveway					0		
Total Residential Uses Square Feet					28,610		
Total Square Feet					28,610		
Residential Percentage					100.00%		
Commercial Percentage					0.00%		

RENTAL INCOME ASSUMPTIONS					5858 Mount Alifan Community of Clairmont San Diego, CA		RUN DATE: 01/08/19		
9% Tax Credit Deal - Perm Supportive									
Family Size	Unit Type	Number of Units	2018 Rents	Utility Allowance	Net Monthly Rent	Net Annual Rent	Unit Sq. Ft.	Total Sq. Ft.	Rent/ Sq. Ft.
% of Median									
30.00%	0BR/1BA	26	511	0	511	159,432	400	10,400	\$1.28
30.00%	1BR/1BA	0	547	0	547	0	500	0	\$1.09
30.00%	2BR/2BA	0	657	0	657	0	725	0	\$0.91
30.00%	3BR/2BA	0	759	0	759	0	900	0	\$0.84
30.00%	4BR/2BA	0	846	0	846	0	0	0	\$0.00
45.00%	0BR/1BA	0	767	0	767	0	0	0	\$0.00
45.00%	1BR/1BA	0	821	0	821	0	500	0	\$1.64
45.00%	2BR/2BA	0	985	0	985	0	725	0	\$1.36
45.00%	3BR/2BA	0	1,138	0	1,138	0	900	0	\$1.26
45.00%	4BR/2BA	0	1,270	0	1,270	0	0	0	\$0.00
50.00%	0BR/1BA	26	852	0	852	265,824	0	0	\$0.00
50.00%	1BR/1BA	0	913	0	913	0	500	0	\$1.83
50.00%	2BR/2BA	0	1,095	0	1,095	0	725	0	\$1.51
50.00%	3BR/2BA	0	1,265	0	1,265	0	900	0	\$1.41
50.00%	4BR/2BA	0	1,411	0	1,411	0	0	0	\$0.00
Market	2BR/2BA	1	0	0	0	0	0	0	\$0.00
TOTAL PROJECT		53			669	425,256	196	10,400	\$3.41

County UA	0 Br	1 Bed	2 Bed	3 Bed
Heating: Gas				
Cooking: Gas				
Water Heating: Gas				
Air Conditioning				
Other Electric				
Total	0	0	0	0
Water	68	74	11	185
Sewer	61	61	61	61

Section 8 Increment							
Unit Type	Number	TCAC Income Tier	Per Unit TCAC Rent (net of UA)	HA Contract Rent	Incremental S8 Income	Monthly S8 Increment	Annual S8 Increment
Studio	26	30% AMI	511	1,091	580	15,080	180,960
1BR	0	30% AMI	547	1,208	661	0	0
Studio	26	50% AMI	852	1,091	239	6,214	74,568
1BR	0	50% AMI	913	1,208	295	0	0
Total	52					21,294	255,528
TCAC Section 8 Leveraged Loan Calculation							
Section 8 Increment							
Unit Type	Number	TCAC Income Tier	Per Unit TCAC Rent (net of UA)	HA Contract Rent	Incremental S8 Income	Monthly S8 Increment	Annual S8 Increment
Studio	26	30% AMI	511	1,091	580	15,080	180,960
1BR	0	30% AMI	547	1,208	661	0	0
Studio	26	50% AMI	852	1,091	239	6,214	74,568
1BR	0	50% AMI	913	1,208	295	0	0
Total	52					21,294	255,528
							Annual Incremental Income
							(25,553) Vacancy (10%)
							229,975 Net Rental Differential
							170,352 DCR
							1.35 Loan Term
							15 Interest Rate
							6.00%
							1,682,276 TCAC Leveraged Loan

SOURCES OF FUNDS - CONSTRUCTION PERIOD									
	0	1	2	3	4	5	6	7	8
Initial Capital Expenditures	1,710,340	1,710,340	0	0	0	0	0	0	0
Debt Proceeds	1,659,848	1,659,848	0	0	0	0	0	0	0
Equity Proceeds	3,506,000	3,506,000	0	0	0	0	0	0	0
NTLTI Funds	0	0	0	0	0	0	0	0	0
Beginning Construction Loan Balance	1,657,523	1,657,523	0	0	0	0	0	0	0
Construction Loan Draw	8,206	12,565	19,330	21,773	24,810	27,463	30,755	34,585	38,999
Construction Loan Repayment	2,511,089	3,136,204	3,879,785	4,277,608	4,882,686	5,102,884	4,311,631	6,711,225	7,817,413
Ending Construction Loan Balance Before Equity	1,573,223	1,573,223	0	0	0	0	0	0	0
Equity Contributions	7,428,871	7,428,871	0	0	0	0	0	0	0
Ending Construction Loan Balance After Equity	17,441,794	17,441,794	0	0	0	0	0	0	0

ELIGIBLE BASIS CALCULATION
9% Tax Credit Deal - Perm Supportive

5858 Mount Alifan
Community of Clairmont
San Diego, CA

RUN DATE: 01/08/19

DEVELOPMENT COSTS	TOTAL	PER UNIT	NON-DEPRECIABLE	DEPRECIABLE BASIS		AMORTIZED	EXPENSED
				100.00%	0.00%		
Land Costs							
Land Cost	4,050,000	76,415	4,050,000	0	0	0	0
Demo/Environmental Remediation	175,000	3,302	175,000	0	0	0	0
Predevelopment Holding Costs	15,000	283	15,000				
Title and Escrow Fees	15,000	283	15,000	0	0	0	0
Total Land Costs	4,255,000	80,283	4,255,000	0	0	0	0
New Construction							
Site Work	900,000	16,981	0	900,000	0	0	0
Residential Structures	\$ 550 5,722,000	107,962	0	5,722,000		0	0
Commercial Space and Parking	0	0	0		0	0	0
Contractor General Requirements	529,760	9,995	0	529,760	0	0	0
Contractor Overhead	143,035	2,699	0	143,035	0	0	0
Contractor Profit	291,792	5,506	0	291,792	0	0	0
Contractor Liability Insurance	151,732	2,863	0	151,732	0	0	0
Total New Construction Costs	7,738,319	146,006	0	7,738,319	0	0	0
Architectural Fees							
Design	460,000	8,679	0	460,000	0	0	0
Supervision	100,000	1,887	0	100,000	0	0	0
Total Architectural Costs	560,000	10,566	0	560,000	0	0	0
Total Survey & Engineering Costs	205,000	3,868		205,000	0	0	0
Construction Interest and Fees							
Construction Loan Interest	914,387	17,253	0	460,320	0	0	454,067
Loan Origination Fee	116,732	2,202	0	116,732	0	0	0
Bond Premium	5,000	94	0	5,000	0	0	0
Property Taxes & Organizational fees	50,000	943	0	50,000	0	0	0
Construction Period Insurance	45,000	849	0	45,000	0	0	0
Construction Lender Inspection Fees	15,000	283	0	15,000	0	0	0
Title & Recording	20,000	377	0	20,000	0	0	0
Total Construction Interest & Fees	1,166,119	22,002	0	712,052	0	0	454,067
Permanent Financing							
Permanent Loan Origination Fee	0	0	0	0	0	0	0
Perm. Loan Conversion	0	0	0	0	0	0	0
SDHC Legal/Cost Review	100,000	1,887	0	100,000	0	0	0
SDHC Asset Mgmt Fee and Construction Review Fee	0	0	0	0		0	
SDHC Loan Origination	0	0	0	0	0		0
Total Permanent Financing Costs	100,000	1,887	0	100,000	0	0	0
Legal Fees							
Legal Costs (Const Loan+ Project Related)	65,000	1,226	0	65,000	0	0	0
Other (Tax Credits/Perm Loan/Organization)	50,000	943	0	0	0	50,000	0
Total Attorney Costs	115,000	2,170	0	65,000	0	50,000	0
Total Appraisal Costs	15,000	283	0	15,000	0	0	0
Reserves							
Operating and Service Reserves	125,062	2,360	125,062	0	0	0	0
Other	0	0	0	0	0	0	0
Total Reserve Costs	125,062	2,360	125,062	0	0	0	0
Total Construction Contingency Costs	571,264	10,779	0	571,264	0	0	0

ELIGIBLE BASIS CALCULATION		5858 Mount Alifan Community of Clairmont San Diego, CA			RUN DATE: 01/08/19			
9% Tax Credit Deal - Perm Supportive								
		100.00%			0.00%			
		NON-DEPRECIABLE BASIS						
DEVELOPMENT COSTS	TOTAL	PER UNIT	DEPRECIABLE	RESIDENTIAL	NON-RESIDENT	AMORTIZED	EXPENSED	
<u>Other</u>								
TCAC App./Reserv./Monitoring Fees	74,876	1,413	0	0	0	74,876	0	
Environmental Audit	25,000	472	0	25,000	0	0	0	
Local Permit Fees	995,000	18,774	0	995,000	0	0	0	
Marketing+ Market Study	20,500	387	0	8,000	0	0	12,500	
Impound Taxes/Insurance	0	0	0	0	0	0	0	
Residential Furnishings	95,000	1,792	0	95,000	0	0	0	
Relocation	940,000	17,736	0	940,000	0	0	0	
Security	75,000	1,415	0	75,000	0	0	0	
Soft Cost Contingency	302,691	5,711	0	302,691	0	0	0	
Legal - Bond Counsel	0	0	0	0	0	0	0	
Legal - Bond Issuer	0	0	0	0	0	0	0	
Total Other Costs	2,528,067	47,699	0	2,440,691	0	74,876	12,500	
Sub-Total Residential Costs	17,378,831	327,902	4,380,062	12,407,326	0	124,876	466,567	
<u>Developer Costs</u>								
Developer Overhead/Profit	1,400,000	26,415	0	1,400,000	0	0	0	
Construction Manager/Davis Bacon Monitor	120,000	2,264	0	120,000	0	0	0	
Accounting & Audit	15,000	283	0	15,000	0	0	0	
Syndicator	50,000	943	50,000	0	0	0	0	
Total Developer Costs	1,585,000	29,906	50,000	1,535,000	0	0	0	
Total Project Costs	18,963,831	357,808	4,430,062	13,942,326	0	124,876	466,567	
Interest on Soft debt	0	0		73,500				
Less: solar rebate								
Total Basis				14,015,826				

<div> <div>PROJECT CASH FLOW PROJECTIONS</div> <div>9% Tax Credit Deal - Perm Supportive</div> <div> <div>5K58 Mount Alliman</div> <div>Community of Clairmont</div> <div>San Diego, CA</div> </div> </div>															
	2020														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
YEAR															
RENTAL REVENUES:															
Gross Potential Rent (Affordable Units)	425,236	433,887	446,784	457,954	469,403	481,138	493,166	505,495	518,132	531,085	544,362	557,971	571,920	586,218	600,873
Laundry/Other	5,088	5,215	5,345	5,479	5,616	5,756	5,900	6,048	6,199	6,354	6,513	6,676	6,843	7,014	7,189
Section 8 Incentive	255,528	261,916	268,464	275,176	282,055	289,106	296,334	303,742	311,336	319,119	327,097	335,274	343,656	352,247	361,053
Vacancy Allowance	(43,634)	(44,110)	(45,213)	(46,343)	(47,502)	(48,689)	(49,907)	(51,154)	(52,433)	(53,744)	(55,088)	(56,465)	(57,876)	(59,323)	(60,806)
Vacancy Allowance Section 8	(25,553)	(26,192)	(26,846)	(27,518)	(28,206)	(28,911)	(29,633)	(30,374)	(31,134)	(31,912)	(32,710)	(33,527)	(34,366)	(35,225)	(36,105)
Net Rental Income	617,285	632,716	648,534	664,748	681,366	698,400	715,860	733,757	752,100	770,902	790,174	809,929	830,177	850,931	872,204
PROPERTY OPERATING COSTS:															
2-Full Time Perm Supportive Personnel	\$72,192 /mo.														
Security	\$2,650 /mo.														
Administrative Expenses:	\$ 2,125 mo														
Marketing Expense:															
Professional Fees:															
Utilities:															
Property Management Personnel Payroll	\$6,000 mo.														
Turnover Expense	\$0 mo														
Repairs & Maintenance:	\$1,500 /mo														
TOTAL VARIABLE COSTS	\$8,949 /unit														
Taxes & Insurance:															
Rent Property Tax Assessment	\$96 /unit														
Insurance	\$400 /unit														
TOTAL FIXED COSTS															
TOTAL OPERATING COSTS															
Net Operating Income (w/o Section 8)															
Replacement Reserve															
NPLH Fee															
SDHC Monitoring Fee															
Cash Flow Available For Debt Service (w/o Section 8)															
Cash Flow Available for Debt Service with Section 8															
Debt Service - First Trust Deed															
Cash Flow After Debt Service															
Total Cash Flow After Debt Service															
General Partner Asset Mgt Fee															
Limited Partner Asset Mgt Fee															
CASH FLOW AVAILABLE PRIOR TO SOFT DEBT															
Residual Receipts to SDHC	25%														
Residual Receipts to County	25%														
Residual Receipts to Developer	50%														
CASH FLOW AVAILABLE FOR DISTRIBUTION															

TAX CREDIT CALCULATIONS		5858 Mount Alifan Community of Clairmont San Diego, CA	01/08/19
9% Tax Credit Deal - Perm Supportive			
	Federal ACQ Tax Credits	Federal RHB Tax Credits	Total
Preliminary Eligible Basis	0	10,049,347	
Total Eligible Basis	0	10,049,347	
High Cost Area Adjustment	100.00%	130.00%	
Total Adjusted Eligible Basis	0	13,064,151	
Applicable Fraction	100.00%	100.00%	
Total Qualified Basis	0	13,064,151	
Tax Credit %	9.00%	9.00%	
Total Annual Tax Credits	0	1,175,774	
LP Share of Credits	99.99%	99.99%	
Credits Available to Equity Provider	0	1,175,656	
Credit Period	10	10	
Total Credit Allocation	0	11,756,560	11,756,560
Investor Yield	0.970	0.970	
Gross Investor Contribution	0	11,403,863	11,403,863
Total Investor Contribution	0	11,403,863	

ATTACHMENT 5
PROPOSED LOAN NON-BINDING COMMITMENT TERMS SUMMARY

Ivy Senior Apartments
5858 Mt. Alifan Drive, San Diego (Project)
January 28, 2019

The San Diego Housing Commission ("Housing Commission") is pleased to submit this non-binding commitment term summary. The commitment terms summary is not a binding contract and is subject to the approval by the San Diego Housing Commission Board of Commissioners ("Board of Commissioners") and, if necessary, the Housing Authority of the City of San Diego. The purpose of this commitment terms summary is to set forth the general terms and conditions under which the Housing Commission is interested in making a loan ("Housing Commission Loan") to Mt. Alifan Apartments L.P. ("Borrower"), a California limited partnership ("Wakeland Mt. Alifan, LLC") with respect to the proposed new construction and permanent financing of a 53-unit development (with 52 affordable units and one unrestricted manager's unit) located at 5858 Mt. Alifan Drive, San Diego. Closing must occur within eighteen (18) months of the Board of Commissioners approval of the Housing Commission loan, unless an extension is granted by the President & CEO of the Housing Commission (or by his designee) in his sole discretion.

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

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

1. **Maximum loan amount (not to exceed)** - Up to \$6,500,000.00 as a residual receipts loan. Loan funds to be used for the acquisition, construction and permanent financing of the Project.
2. **Interest Rate**- 4 percent simple interest.
3. **Loan Term** - The loan will be due, and payable in full, in 55 years from completion of the Project.
4. **Loan Payments** - Annual payments on the loan shall equal the 50% percent of the project's residual cash. Provided, however, if the Housing Commission approves other lenders whose loans will be paid from residual receipts, then the Housing Commission and such other approved lenders shall share the 50% percent of the

project's residual receipts, in proportion to the original principal balances of their respective loans. The following items, in addition to other operating expenses, shall be payable by the Borrower prior to the calculation of residual receipts:

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

5. **Affordability-**

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

Unit Type	AMI	Affordable Units
Studios	30%	26
Subtotal 30% AMI Units		26
Studios	50%	26
Subtotal 50% AMI Units		26
Manager Unit	N/A	1
Total		53

- 6. **Purchase Option** – The developer has received additional points in the Notice Of Funding Availability application for committing to provide the Housing Commission with the option to purchase the property at the end of the 15-year tax-credit compliance period.
- 7. **Alternate Funding-** If the Borrower does not secure 9 percent tax credits in the California Tax Credit Allocation Committee's (CTCAC) first funding round of 2019, then borrower shall make application for 9% credits in the CTCAC second funding round of 2019. Borrower shall also seek alternative funding ,including but not limited to the State of California Department of Housing and Community Development, County of San Diego, Federal Home Loan Bank, etc. along with tax exempt bonds and 4% tax credits. Housing Commission legal counsel will determine if subsequent

approvals for alternative financing structures are required by the San Diego Housing Commission Board of Commissioners and the Housing Authority of the City of San Diego.

8. **Appraised Value** - The purchase price of land and improvements shall not exceed the \$4,050,000 appraised value as shown in the Lea & Company March 5, 2018 appraisal report. In the event that the developer, Wakeland Housing or its affiliate, acquires the land prior to Housing Commission loan closing, 100% of any net sales proceeds resulting from a subsequent sale to the tax credit limited partnership shall be structured as a Seller Carryback Loan. Borrower will submit an updated appraisal report with an effective date that is no more than 90 days before the closing.
9. **Closing Costs** - The Borrower shall pay all escrow, title and closing costs, including, without limitation, paying for an American Land Title Association (ALTA) Lenders Policy for the Housing Commission loan with endorsements, as acceptable to the Housing Commission's legal counsel.
10. **Construction Costs Third-Party Review** -Prior to loan approval a costs review will be obtained by the Housing Commission with a third-party consultant. Borrower will reimburse the Housing Commission at escrow closing for all reasonable third-party review costs.
11. **Contractor** - The construction contract shall be competitively bid to at least three qualified subcontractors for each major trade involved in the construction of the Project, and shall be awarded to the lowest qualified and responsive bidder for each trade.
 - a. Borrower will submit copies of three qualified bids received from subcontractors for each major trade.
 - b. Construction Agreement - Borrower shall submit the proposed Construction Agreement to the Housing Commission for its review and prior approval. The Housing Commission shall have a minimum of two weeks for its review of the proposed Construction agreement.
 - c. Subcontractors – the Borrower shall require the General Contractor to solicit and obtain competitive bids from at least three qualified subcontractors for each major trade involved in the construction of the project. Those bids will be reviewed and approved by the Borrower. The Borrower and General Contractor shall submit the subcontractors' competitive bids to the Housing Commission for prior review and reasonable approval.
 - d. Change orders at or in excess of \$50,000 shall have Housing Commission prior written approval. For proposed change orders over \$50,000, the Borrower and General Contractor shall submit to the Housing Commission a detailed explanation of why the change order work is necessary, why the issue was not included in the original scope of work, and why the change is not being charged against the General Contractor's contingency.
 - e. Agreement Changes - a Construction Agreement with a Guaranteed Maximum

Price (GMP) may not be revised to a Lump Sum or other form of Construction Agreement without the prior written approval of the Housing Commission.

- f. Insurance - prior to close of escrow, evidence of the General Contractor's insurance acceptable to the Housing Commission's legal counsel shall be provided. The Housing Commission, the Housing Authority of the City of San Diego, and the City of San Diego, shall be named as additional insureds on the General Contractor's insurance policies.
12. **Tax Credit Equity**- Borrower will provide the Letter Of Intent with equity pricing from the low-income housing tax credit (LIHTC) investor within 90 days of closing.
13. **First Mortgage**- Borrower will provide the term sheet from the first mortgage provider that was used at time of application as well as an update within 90 days of closing (if applicable).
14. **Cost Certification** - The Borrower shall submit the final tax credit cost certification to the Housing Commission for its review and approval before the cost certifications completed/finalized.
15. **Cost Savings and/or Additional Proceeds at Escrow Closing** - In the event that the Borrower obtains funds in excess of those shown as sources in Exhibit A Proforma, then upon the construction loan closing, the excess funds shall be used as follows:
 - a. First, such excess funds shall be used to fund development cost overruns reasonably approved by the Housing Commission.
 - b. Second, upon Construction Loan Closing and subject to lender and investor approval, any excess funds shall be used to pay the Housing Commission Loan as set forth in Section 14 below.
 - c. **Other Public Lenders** - If the project financing includes other public lenders who may require cost savings sharing then the cost savings shall be split proportionately based upon the public lenders loan amounts and in conformance with the other public lenders' agreements.
16. **Cost Savings and/or Additional Proceeds at Conversion to Permanent Financing** -In the event that the Borrower obtains funds in excess of those shown as sources in Exhibit A Proforma, (including but not limited to cost savings , improved debt, improved tax credit equity pricing, deferred developer fee if any, and any other sources), then upon conversion to permanent loan, the excess funds shall be used as follows :
 - a. First, to pay for development cost overruns reasonably approved by the Housing Commission.
 - b. Second, used to make any necessary adjustment to the total tax credit allocation as may be required by CTCAC.
 - c. Third, payment towards the Borrower's deferred developer fee. No deferred

developer fee is currently modeling the Attachment A pro forma.

- d. Fourth, cost savings shall be shared fifty percent (50%) to the Borrower and the other fifty percent (50%) will be paid to the Housing Commission and other soft lenders in proportion to the original principal balance of their loans.

- 17. **Debt Service Coverage Ratio** - Prior to closing, subject to lender and equity investor underwriting criteria, the Housing Commission Loan amount will be adjusted (with a commensurate adjustment to the permanent loan amount) to an amount necessary for the permanent loan to achieve a maximum projected 1.15 debt service coverage ratio.

The Housing Commission loan will be adjusted (with a commensurate adjustment to the permanent loan amount to an amount necessary for the project to remain feasible for a 16-year term. For example, if at closing the project remains feasible past year-16, then, the Housing Commission Loan will be reduced (and the permanent loan amount will be increased to archive a 16-year feasibility period). In no event however, will the Housing Commission subsidy exceed \$6,500,000.00.

18. **Developer Fee-**

- a. Maximum Fee \$1,400,000
- b. Additional developer fee provisions
 - i. If for any reason the Borrower does not collect the entire developer fee through the last equity installment, with the exception of negative tax credit adjusters, uncollected fee up to \$1,400,000 shall be given priority over Housing Commission residual receipt payments.
 - ii. If any amount of the developer fee is deferred, then such amount shall be repaid during the 15-year tax credit compliance period. Amounts outstanding after the expiration of the 15-year tax credit compliance period shall be contributed to the Project in the form of a capital contribution.
- c. Developer fee payments shall be paid out incrementally: because this is a tax credit project, the developer fee payments shall be in accordance with lender and investor requirements.

- 19. **Due Diligence** - The Borrower, at Borrower's expense, shall provide the following: a current appraisal, an environmental review, a lead paint and asbestos review, and a relocation plan for the commercial tenants in the existing buildings that will be demolished upon commencement of construction of the Project.

- a. In order to confirm the above-referenced (at paragraph 15), 1.15 maximum debt service coverage ratio, the Borrower shall provide the Housing Commission with an updated appraisal within 90 days of the estimated escrow closing date.

- 20. **Environmental Requirements** - Currently HOME funds are planned for this project. Notwithstanding any provision of this Letter, the parties agree and acknowledge that this Letter constitutes a conditional reservation and does not represent a final commitment of HOME funds or site approval under 24 CFR Part 58 of the National Environmental Policy Act (NEPA). HOME funds constitute a portion of the funding for the Project, and a final reservation of HOME funds shall occur only upon

satisfactory completion of environmental review and receipt by the City of San Diego of a Release Of Funds from the U.S. Department of Housing and Urban Development under 24 CFR Part 58 of NEPA. The parties agree that the provision of any HOME funds to the Project is conditioned on the City of San Diego's determination to proceed with, modify or cancel the Project based on the results of subsequent environmental review under NEPA. By execution of this Letter, you acknowledge no legal claim to any amount of HOME funds to be used for the Project or site unless and until the site has received environmental clearance under NEPA. You are also prohibited from undertaking or committing any funds to physical or choice-limiting actions, including property acquisition, demolition, movement, clearance , rehabilitation, conversion, repair or construction prior to environmental clearance under NEPA. Violation of this provision may result in denial of any HOME funds for this Project.

21. **Fees/Payments to Housing Commission** - Borrower will pay to the Housing Commission:

- a) **Underwriting Fee** - a flat underwriting fee in the amount of **\$60,000** will be charged for each project as reimbursement of Housing Commission costs related to underwriting and issuing the loan. This must be included in the total development cost of a proposed project and is to be paid at close of escrow.
- b) **Legal Fee** - the Housing Commission charges a legal costs fee for document preparation and review that must be included in the total development cost. Current Housing Commission legal fees are **\$25,000** and are to be paid at the close of escrow.
- c) **Compliance Affordability Monitoring Fee** - compliance monitoring fees must be incorporated into the operating proforma. Borrower will pay the fee in accordance with the then-existing Housing Commission fee schedule. Current annual affordability monitoring are as follows: \$150 X 52 (Ivy Senior Apartments project units to be affordability monitored) = **\$7,800** per year. Additional training and assistance is currently at \$100 per hour.
- d) **Asset Management Fee**- the Housing Commission charges a 15-year capitalized asset management fee of **\$15,000** and is paid at close of escrow.
- e) **Third-Party Construction Review** - the Housing Commission requires a third-party review of the construction costs/budget to determine the reasonableness of construction costs. The third-party reviewer will be selected by the Housing Commission and paid for by the borrower. Current fees are an estimated **\$12,500** paid by the developer at close of escrow.

22. **Fees for Asset Management** (amounts not to exceed)-

- a. As detailed in paragraph 4 (above), the year 1 "Limited Partnership Fees" shall be capped at \$25,000 per year and shall not increase more than 3.0% annually. "Limited Partnership Fees" include Asset management fees (19(d)) related to the investor and general partner's management of the Project.
- b. Unpaid General Partner fees shall not accrue. The Housing Commission will require the Limited Partnership Agreement to explicitly state this requirement.
- c. Any changes to the asset management partnership fees will require the prior written approval of the Housing Commission's President and CEO or his

designee.

23. **Financing Gap** - The Borrower will cover any financing gap that arises after Housing Commission underwriting, with its equity, its developer fee, and/or other non-Housing Commission sources, all of which shall be subject to the approval of the Housing Commission in its sole discretion and will not be unreasonably withheld. No additional Housing Commission funds, beyond this Letter of Intent's \$6,500,000, will be provided for this project in any Housing Commission's future Notices of Funds Available.
24. **Funding Sources** - The Housing Commission may fund the Housing Commission Loan from various sources including local, State, and/or federal funds including HOME Investment Partnership Program funds. The Housing Commission reserves the right to allocate available program funds in the best interest of the Housing Commission. Borrower should be familiar with the HOME programs rules and regulations, Federal Davis Bacon law and Section 3.
25. **HOME Investment Partnerships (HOME) Funds** -
Currently there are HOME funds planned for this project. It is estimated that the project will have approximately (20) HOME restricted units.
- a. HOME program regulations will be applicable.
 - b. HOME funds may not be used to fund any of the following:
 - i) Any reserves are not eligible for HOME funds (including but not limited to operating reserves).
 - ii) Offsite improvements are not eligible for funding with HOME funds.
 - iii) Furnishings costs are not eligible for funding with HOME funds.
 - iv) Commercial space improvements are not eligible for funding with HOME funds.
 - c. The HOME IDIS funding system requires at least one HOME draw in a 12 month period and at least of small portion of the HOME funds must remain in the IDIS system until the project is ready for occupancy.
26. **Insurance** - Borrower shall at all times during the term of the loan maintain General Liability and Property Insurance (fire and extended coverage), workers compensation, builder's completed value risk insurance against "all risks of physical loss" (during construction) and, if required by the Housing Commission, floor and earthquake insurance, in forms acceptable to the Housing Commission and approved by the Housing Commission's General Counsel. The San Diego Housing Commission, the Housing Authority of the City of San Diego, and the City of San Diego shall be listed as an additional insureds: for General Liability Insurance, for Property Insurance, and in the General Contractor's Insurance policy. The San Diego Housing Commission shall be endorsed as a loss payee of the private insurance policies. Evidence of borrower's insurance coverage shall be provided to the Housing Commission prior to close of escrow.
27. **Loan Disbursement Schedule** - Upon submittal and approval of eligible costs, the Housing Commission Loan (up to **\$6,500,000**) will be disbursed as follows:

- Up to 75 percent **(\$4,875,000)** at escrow closing.
 - Up to 15 percent **(\$975,000)** to be distributed at 50 percent construction completion,
 - Up to 5 percent **(\$325,000)** to be withheld until the issuance of a Certificate of Occupancy and all unconditional lien releases are forwarded to the Housing Commission.
 - Up to 5 percent **(\$325,000)** upon conversion to permanent financing.
- a. The Housing Commission's President and Chief Executive Officer, or his designee, is authorized to modify the Housing Commission loan disbursement schedule in their sole reasonable discretion.
 - b. A portion of the HOME program funds must be withheld until issuance of a Certificate of Occupancy and all unconditional lien releases are forwarded to the Housing Commission.
 - c. Loan proceeds are disbursed for work completed upon Housing Commission approval of payment requests in a form approved by the Housing Commission. Verifiable documentation of expenses must be submitted with all payment requests.
28. **Loan Payments** – Annual hard payments will not be required. Annual residual receipts payments at 50 percent of cash flow is required.
- a. Starting at the end of the first year after project completion, the Housing Commission will split its share of residual cash flow with Housing Commission-approved public lenders loans, in proportion to their respective loan amounts. Residual payments will begin on May 1, in the year immediately following the calendar year in which construction is completed.
 - b. The Housing Commission defines residual receipts as the net cash flow of the development after specified expenses and other debt service are paid.
29. **Management of the Development -**
- a. **Management Plan** - Prior to occupancy the Borrower shall submit a Management Plan to the Housing Commission for its review and approval. The Management Plan shall be subject to initial and periodic approval by the Housing Commission, at its reasonable discretion.
 - b. **Approval of Management Fee** - The Borrower's proposed property manager's fee must be approved by the Housing Commission.
 - c. The Housing Commission reserves the right to declare Borrower in default of the loan agreement after an uncured ninety (90) day written notice of malfeasance and/or misfeasance in management of the Project.
 - d. **Manager's Units** - Experienced on-site management is required. There shall be one manager's unit.
 - e. **Marketing Plan** – to ensure compliance with HOME regulations and with federal fair housing requirements prior to occupancy the Borrower shall submit a proposed marketing plan for review and approval by the Housing Commission's Civil Rights Analyst in the Procurement and Compliance Division.
30. **Maximum Resident Service Expenses & Case Management-**
- a. For the calculation of Housing Commission's residual receipts the attached pro forma's operating expense budget models maximum allowable resident supportive services expenses at \$145,300 per year (with a 3 percent annual escalator). Increasing this amount will require prior Housing Commission approval.

31. **Annual Budget Submittal** -three months prior to the end of each calendar year, the borrower shall submit an annual budget for Housing Commission review and prior approval.
32. **Permanent Supportive Housing** - This project will have Project Based Vouchers (PBV) from the Housing Commission.
33. **Prevailing Wage**- It is anticipated that the Project will not be subject to Federal Davis-Bacon prevailing wage rates because the HOME program restricted units are below the 12 HOME unit federal threshold level.
34. **Recourse** - The Housing Commission's loan will be recourse until the timely completion of the construction, after which it will become non-recourse.
35. **Reserves**: Replacement reserves and operating reserves must be consistent with lender and equity investor requirements. The Housing Commission reserves the right to require higher operating or replacement reserves.
 - a. **Replacement Reserve**-The attached proforma models an annual replacement reserve at **\$26,500 (\$500 per unit per year)**.
 - b. **Operating Reserve** - The attached proforma models a capitalized operating reserve at **\$128,183** at conversion to permanent financing. The operating reserve is to be maintained for the entire term of the Housing Commission's loan.
 - c. **Disbursements from Reserves**: Housing Commission prior written approval shall be required for any and all disbursements, which exceed \$1,000, from either the project's operating reserve funds and/or from the project's replacement reserve funds.
36. **Section 3** - of the HUD Act of 1968 will be applicable and Borrower should be familiar with, and remain in compliance with, all Section 3 requirements.
37. **Security** -The Housing Commission Loan will be secured by a Declaration of Covenants, Conditions and Restrictions (CC&R), a Loan Agreement, and a Deed of Trust which will be senior to the deeds of trust and security instruments securing all other sources of funds secured by the Property, except that the Housing Commission's CC&R and Deed of Trust shall be subordinated to:
 - a. The deed of trust and security instruments securing the construction and permanent loan.
 - b. **Lien position** - The lien positions will be approved by the Housing Commission's President and CEO and the Housing Commission's General Counsel. It is intended that the lien positions will be conformance with the public lenders' program requirements, and the requirements of private lenders which may require Housing Commission subordination.
 - c. **Cure Rights** - The Housing Commission shall have the right, but not the obligation, to cure all senior encumbrances in all subordinating agreements that it executes. All subordination agreements shall be subject to the sole approval of the Housing Commission's President and Chief Executive Officer and General Counsel.
38. **Tenant Service Delivery Plan** - Borrower shall submit a draft tenant service delivery plan 90-days prior to occupancy for Housing Commission staff review and comment. Borrower shall submit a revised draft incorporating Housing Commission comment prior to occupancy of the first tenant. A final tenant service deliver plan shall be subject to the approval of the Housing Commission in its reasonable discretion and will not be unreasonably withheld prior to project lease up.

39. **Title (ALTA Lender's Policy)** -The Borrower shall acquire, at its sole cost and expense, ALTA Lender's Policies for the loan with endorsements acceptable to the Housing Commission insuring the Housing Commission' s loan.
40. **Miscellaneous Additional Conditions** - The Housing Commission reserves the right to impose such additional conditions in the final documentation of the transaction as are reasonably necessary to protect the interests of the Housing Commission and fulfill the intent of this letter.
41. **Exhibit A - Proforma** - is attached hereto and is hereby incorporated.

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

ACKNOWLEDED AND AGREED TO BY:

BORROWER, Mt. Alifan Apartments, L.P.

By: 

Print Name: Kenneth L. Sauder

Title: President & CEO

Date: January 29, 2019

Attachment: Exhibit A Developer's Pro forma