



EXECUTIVE SUMMARY

HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

MEETING DATE: September 9, 2021

HCR21-085

SUBJECT: Final Note and Bond Authorization for Aquila Apartments (Formerly 3Roots)

COUNCIL DISTRICT(S): 6

ORIGINATING DEPARTMENT: Real Estate Division

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

REQUESTED ACTION:

Authorize the issuance of tax-exempt Housing Authority of the City of San Diego Multifamily Housing Revenue Note and Bonds, in the aggregate amount not to exceed \$40,000,000 and a taxable Housing Authority of the City of San Diego Multifamily Housing Revenue Note in an amount not to exceed \$30,000,000, to fund 3Roots CIC L.P.'s construction of Aquila Apartments, a new affordable rental housing development to be located at 9900 Camino Santa Fe, San Diego, in the Mira Mesa neighborhood, which will consist of 180 units: 178 units that will remain affordable for 55 years for individuals and families earning between 30 percent and 60 percent of the San Diego Area Median Income (AMI), and two managers' units affordable to households with income up to 65 percent of AMI.

EXECUTIVE SUMMARY OF KEY FACTORS:

- On January 14, 2021, and January 26, 2021, the San Diego Housing Commission (Housing Commission) Board of Commissioners (Board) and the Housing Authority of the City of San Diego, respectively, approved the preliminary steps to issue Housing Authority tax-exempt and taxable Multifamily Housing Revenue Bonds for 3Roots, which is now known as Aquila Apartments.
- The development will be on a 3.96-acre vacant parcel at the southern end of Lennar Homes' 3Roots master-planned community, which will feature five separate neighborhoods with varying densities of housing, allowing people with a range of incomes to live in the master-planned community.
- Chelsea Investment Corporation, an award-winning, for-profit developer of affordable housing, will lead the development team.
- The development is not subject to payment of federal or state prevailing wages.
- Total development cost is estimated at \$81,971,871 (\$455,399 per unit).
- No Housing Commission loan funds are proposed for Aquila.
- Staff requests that the Housing Commission Board recommend that the Housing Authority: authorize the issuance of up to \$40,000,000 in a tax-exempt Multifamily Housing Revenue Note and Bond, and an up to \$30,000,000 taxable note, to fund 3Roots CIC L.P.'s new construction of Aquila Apartments.
- If approved, construction is estimated to begin in October 2021, with estimated completion by May 2023.



REPORT

DATE ISSUED: September 2, 2021

REPORT NO: HCR21-085

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

SUBJECT: Final Note and Bond Authorization for Aquila Apartments (Formerly 3Roots)

COUNCIL DISTRICT: 6

REQUESTED ACTION

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STAFF RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) recommend the Housing Authority of the City of San Diego (Housing Authority) authorize the issuance of tax-exempt Multifamily Housing Revenue Note and Bond in an aggregate amount not to exceed \$40,000,000 and a taxable Housing Authority Multifamily Housing Revenue Note in an amount not to exceed \$30,000,000 to fund 3Roots CIC L.P.’s construction of Aquila Apartments, a new affordable rental housing development to be located at 9900 Camino Santa Fe, San Diego, in the Mira Mesa neighborhood, which will consist of 180 units: 178 units that will remain affordable for 55 years for individuals and families earning between 30 percent and 60 percent of the San Diego Area Median Income (AMI), including two managers’ units affordable to households with income up to 65 percent of AMI to comply with the City of San Diego’s Inclusionary Housing Ordinance requirements.

SUMMARY

A Development Summary is at Attachment 1.

Table 1 –Development Details

Address	9900 Camino Santa Fe, San Diego
Council District	6
Community Plan Area	Mira Mesa Planning Committee
Developer	Chelsea Investment Corporation (Chelsea)
Development Type	New construction
Construction Type	Type V (four stories)
Parking Type	232 parking spaces

Housing Type	Multifamily
Lot Size	One parcel totaling 3.96 acres, 172,498 square feet
Units	180 (180 units restricted/affordable)
Density	45.45 dwelling units per acre (180 units ÷ 3.96 acres)
Unit Mix	178affordable rental units: 24 one-bedrooms, 79 two-bedrooms, 77 three-bedrooms, and two restricted managers' units.
Gross Building Area	172,840 square feet.
Net Rentable Area	148,730 square feet.

Background

On January 14, 2021, and on January 26, 2021, the Housing Commission (Report No. HCR21-003) and the Housing Authority (Report No. HAR 21-002; Resolution No. HA-1895), respectively, approved taking certain preliminary steps to authorize the issuance of up to \$58,000,000 of tax-exempt Multifamily Housing Revenue Bonds, to finance the new construction of Aquila Apartments (previously known as 3Roots Apartments).

Also on January 26, 2021, the San Diego City Council (City Council) held a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing and unanimously approved Resolution No. R-313421 that, pursuant to Section 147(f) of the Internal Revenue Code of 1986, approved the issuance of up to \$58,000,000 of Multifamily Housing Revenue Bonds, by the Housing Authority to fund the development of Aquila Apartments.

On April 28, 2021, the California Debt Limit Allocation Committee (CDLAC) approved a \$40,000,000 tax-exempt bonds allocation, and the California Tax Credit Allocation Committee (CTCAC) approved a 4 percent tax credits allocation. The CTCAC award letter requires construction to commence by October 25, 2021.

The Development

Aquila Apartments will be a 180-unit, new construction, affordable housing development, including two rent-restricted managers' units. The Aquila development will be located on a 3.96-acre parcel at the southern end of Lennar's 3Roots master-planned community, which will consist of 1,800 residential units to be developed in the Mira Mesa community, with a current address of 9900 Camino Santa Fe (Attachment 2 –Site Map). Most of Lennar's 3Roots residential units will be single-family, market-rate homes, estimated to range in price from the mid-\$700,000s to low-\$1,300,000s.

Aquila will consist of 24 one-bedroom units (612 square feet), 79 two-bedroom units (814 square feet), and 77 three-bedroom units (1,070 square feet) within one four-story building. The development will provide: 18 units rent-restricted to households with income up to 30 percent of San Diego's Area Median Income (AMI), 18 units rent-restricted to households with income up to 50 percent of AMI, 142 units rent-restricted to households with income up to 60 percent of AMI, and two managers' units restricted at 65 percent of AMI.

The development will include: a community building with a kitchenette, a computer room and a leasing office. There will be 232 surface parking spaces for tenants and guests. Unit amenities will include Energy Star-rated efficient appliances (stove/oven, microwave, dishwasher, garbage disposal and refrigerator); dual-glazed windows coated for limited solar heat gain; low-energy lighting; HVAC

systems that utilize energy-efficient heat pumps; use of Low Volatile Organic Compound (VOC) paints and stains for interior surfaces; private patio/balconies with storage closets; blinds; and vinyl-flooring.

The Property

Situated north of interstate 8, Mesa is a neighborhood in northwestern San Diego, California. The Aquila site lies on a mesa north of Carroll Canyon Road, east of Interstate 805, west of Parkdale Avenue, and south of Lopez Canyon. Mira Mesa is included in the Mira Mesa Community Planning Area.

The 3Roots master-planned community will be a new neighborhood in Mira Mesa with 1,800 homes and a 23-acre public park. A central shopping area will be built on the 413-acre site of the former Hanson quarry, where mining operations ceased in 2016. It is bounded by Camino Santa Fe to the west, Rattlesnake Canyon and a single-family neighborhood to the north, and an industrial park to the south. The east side is Carroll Canyon Road, the Carroll Canyon Business Park, and an active rock quarry. The 3Roots community will feature five separate neighborhoods with varying densities of housing, allowing people with a range of incomes to live in the master-planned community. The community also will include approximately 160,000 square feet of retail and commercial development in a mixed-use central area called the “Roots Collective.”

Transit Information

Bus service is located one-half mile from Aquila at Camino Santa Fe and Flanders Drive. The new Mid-Coast Trolley extension (to University Towne Center [UTC]) may be available in late 2021. That UTC new trolley stop will be approximately five miles from the Aquila site. The planned community’s “mobility hub” will have ride-share parking spaces, meeting spots for private shuttles, and on-demand transportation, as well as bike repair, lockers and connections to the planned bus rapid transit system on Carroll Canyon Road.

Prevailing Wages

The proposed development is not subject to payment of California State nor federal prevailing wages.

Relocation

The property is vacant. No relocation is necessary.

Accessibility

CTCAC requires wheelchair accessibility in 10 percent of the units, and an additional 4 percent of the units are required to have communication features for residents with visual and/or hearing impairment. The same units can satisfy both of these accessibility requirements. The Aquila units will be accessible in accordance with the Americans with Disabilities Act.

Project Sustainability

Aquila will be built as Green Point Rated with an anticipated Gold Rating standard. Aquila will comply with the CTCAC minimum energy-efficiency construction standards for new construction. The roof design is focused on optimizing square footage to allow maximum area to install the Solar Photovoltaic system. The Solar Photovoltaic system will be intended to offset the house load, including all or part of domestic hot water. Water conservation will be promoted via low-water-use fixtures in kitchens and bathrooms, low-flow toilets, and low-water-use, native-plants landscaping with water-efficient irrigation controls.

Development Team

The development team will be led by Chelsea Investment Corporation (Chelsea), an award-winning, for-profit corporation headquartered in Carlsbad, California. Since 1995, Chelsea and its affiliates have developed more than 11,000 rental units under ownership in three states in 90 Chelsea-owned developments. Chelsea has substantial development experience in a wide range of housing developments. Along with its affiliates, Chelsea provides financial, engineering, development, asset management, construction and property management services. Chelsea has developed multiple affordable rental housing developments in San Diego using Housing Commission loan funds. Chelsea is in full compliance on its previous Housing Commission-funded loans. Based upon the developer’s past experience and performance, Housing Commission staff determined that the developer has the capacity to successfully complete the proposed Aquila project.

The proposed borrower will be 3Roots CIC L.P., which will include Pacific Southwest Community Development Corporation as its Managing General Partner, CIC 3Roots LLC as the Administrative General Partner, and US Bancorp Community Development Corporation (USBCDC) as the tax credit investor limited partner (Attachment 3 – Organization Chart).

Table 2 Development Team Summary

ROLE	FIRM/CONTACT
Developer	Chelsea
Owner/Borrower	3Roots CIC L.P.
Managing General Partner	Pacific Southwest Community Development Corporation
Tax Credit Investor Limited Partner	USBCDC
Architect	Bassenian Lagoni Architects (Newport Beach)
General Contractor	Emmerson Construction (a Chelsea affiliate, Carlsbad)
Property Management	ConAm Management Corporation
Tenant Services Provider	Pacific Southwest Community Development Corporation
Construction/Permanent Lender	Citibank N.A.

Property Management

Aquila will be managed by ConAm Management Corporation (ConAm). Established in 1975, ConAm is a nationwide management company, based in San Diego, with a management portfolio of approximately 53,000 units in more than 26 metropolitan areas. It is experienced in property management, marketing, maintenance, renovations and tax credit developments. ConAm manages 34 developments for Chelsea. Chelsea’s Asset Management Department will oversee ConAm.

FINANCING STRUCTURE

Aquila has an estimated total development cost of \$81,971,871 (\$455,399 per unit). Financing will include a combination of sources as described in Table 3. The developer’s pro forma is included as Attachment 4 and summarized below. No Housing Commission cash loan funds are proposed for Aquila.

Table 3 – Aquila Estimated Permanent Sources and Uses

Permanent Financing Sources	Amounts	Permanent Financing Uses	Amounts	Per Unit
Senior tax-exempt permanent Note	\$32,390,000	Property	\$1	\$0.006
Junior tax-exempt Bond	2,300,000	Construction Costs	54,860,166	304,779
Accrued interest on Junior Bond	450,000	Offsite Infrastructure	6,000,000	33,333
Seller Note	6,000,000	Financing costs	6,285,375	34,919
Land donation	1	Local permits and fees	4,508,400	25,047
State of CA Tax Credits	1,219,953	Other soft costs	2,301,902	12,788
4 percent (CTCAC) tax credit equity	36,337,172	Architect and engineering	1,171,832	6,510
Deferred developer fee	3,274,741	Reserves	694,182	3,857
		Developer fee	6,149,878	34,166
Total Development Cost	\$81,971,871	Total Development Cost (TDC)	\$81,971,871	\$455,399

Developer Fee

\$6,149,878 – Gross developer fee
 - 3,374,741 – Minus deferred developer fee
 \$2,775,137– Net cash developer fee (to be paid from development sources)

On April 25, 2017, the Housing Authority approved the “Request for Approval of Updated Developer Fees” (Report No. HAR17-011; Resolution No. HA-1727). That report approved certain developer fee guidelines for multifamily loans and bonds issuances. Attachment 1 to that report stated: “Developer Fee [for] 4% tax credits, in project costs: 15% eligible basis....” The proposed developer fee, complies with the HAR17-011 “Request for Approval of Updated Developer Fees” guidelines approved by the Housing Authority on April 25, 2017.

Development Cost Key Performance Indicators

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

Table 4 - Key Performance Indicators

Development Cost Per Unit	$\$81,971,871 \div 180 \text{ units} =$	\$455,399
Housing Commission Subsidy Per Unit	$\$0 \div 180 \text{ units} =$	\$0
Land Cost Per Unit	$\$1 \div 180 \text{ units} =$	\$0.01
Gross Building Square Foot Hard Cost	$\$60,860,166 \div 172,840 \text{ sq. ft.} =$	\$352
Net Rentable Square Foot Hard Cost	$\$60,860,166 \div 148,730 \text{ sq. ft.} =$	\$409

Project Comparison Chart

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

Table 5 - Comparable Development Projects

New Construction Project Name	Year	Unit Mix Construction	Units	Total Development Cost	Cost Per Unit	HC Subsidy Per Unit	Gross Hard Cost Per Sq. Ft.
Proposed Subject – Aquila	2021	24 ones, 77 twos, 77 threes, + 2 managers	180	\$81,971,871 (w/o prevailing wage)	\$455,399	\$0	\$352
Cortez Hill	2021	79 ones, 8 twos, + 1 manager	88	\$43,647,979 (with prev. wage)	\$496,000	\$56,818	\$526
Southwest Village	2021	30 ones, 29 twos, 21 threes,+1 mgr	81	\$40,314,147 (with prev. wage)	\$497,706	\$0	\$367
Levant Senior Cottages	2021	108 studios, 18 ones, + 1 manager	127	\$51,642,254 (with prev. wage)	\$406,632	\$47,244	\$739
Nestor Senior Village	2021	73 studios, + 1 manager	74	\$31,510,305 (with prev. wage)	\$425,815	\$45,000	\$363

TAX EXEMPT AND TAXABLE MULTIFAMILY HOUSING REVENUE BONDS

Proposed Housing Bonds Financing

The Housing Commission utilizes the Housing Authority’s tax-exempt borrowing status to pass on lower interest rate financing (and make 4 percent low-income housing tax credits available) to developers of affordable rental housing. The Housing Authority’s ability to issue Bonds is limited under the U.S. Internal Revenue Code. To issue bonds for a development, the Housing Authority must first submit an application to the California Debt Limit Allocation Committee (CDLAC) for a bond allocation. On January 14, 2021, prior to submitting applications to CDLAC, the proposed development was presented to the Housing Commission. A bond inducement resolution was obtained prior to the application submittal to CDLAC. On February 4, 2021, an application was submitted to CDLAC for a bond allocation of up to \$40,000,000. On April 28, 2021, CDLAC approved the \$40,000,000 bond allocation, and CTCAC approved an allocation of 4 percent tax credits. The developer proposes that the bonds be issued through a tax-exempt private placement bond issuance. The bonds will meet all requirements of the Housing Commission’s Multifamily Housing Revenue Bond Program policy and will fully comply with the City of San Diego’s (City) ordinance on bonds disclosure. In addition, the developer proposes that the Housing Authority issue up to \$30,000,000 in taxable obligations, which do not require an allocation from CDLAC.

The financing amount that will ultimately be set will be based upon development costs, revenues and interest rates prevailing at the time of the bonds issuance. The financing proceeds will be used for both construction financing and permanent financing. Attachment 5 provides a general description of the Multifamily Housing Revenue Bond Program and the actions that must be taken by the Housing Authority and by the City Council to initiate and finalize proposed financings.

Public Disclosure and Bond Authorization

The tax-exempt debt, will be issued in two series. The first series will be in the form of a Note (issuance Series C-1) and will be sold through a direct purchase by Citi N.A. (Citi). The second series will be in the form of a Bond (issuance Series C-2), which will be purchased by CIC Opportunities Fund (CIC Fund), an entity created by the developer. The taxable debt will be in the form of a Note (issuance Series C-3) which will also be purchased by Citi.

Citi and CIC Fund are “qualified institutional buyers” within the meaning of the U.S. securities laws. At closing, Citi and CIC Fund will each sign an “Investor’s Letter” certifying, among other things, that they are buying each of the Notes and Bonds, as the case may be, for their own account and not for public distribution. Because such Notes and Bonds are being sold through a private placement, an Official Statement will not be used. In addition, the Notes and Bonds will be neither subject to continuing disclosure requirements, nor credit enhanced, nor rated.

Under the direct purchase structure for the Notes, Citi will make a tax-exempt and taxable loan to the Housing Authority pursuant to the terms of a Funding Loan Agreement among Citi, the Housing Authority, and US Bank as the Fiscal Agent. The loans made by Citi to the Housing Authority (Funding Loan) will be evidenced by separate Notes, which will obligate the Housing Authority to pay Citi the amounts it receives from the Borrower, as described below. The Housing Authority and the Borrower will enter into a Borrower Loan Agreement pursuant to which the proceeds of the Funding Loan will be advanced to the Borrower. In return, the Borrower agrees to pay the Fiscal Agent amounts sufficient for the Fiscal Agent to make payments on the Notes.

Under the direct purchase structure for the Bonds, Bonds will be issued under a Trust Indenture between the Housing Authority and US Bank as the Trustee (which will be the same institution as the Fiscal Agent for the Notes). The Bonds will be payable from residual project revenues after payment of the Notes. Bond proceeds will be loaned by the Housing Authority to the Borrower under a Loan Agreement.

The Housing Authority’s obligation to make payments on the Note and Bonds is limited to amounts the Fiscal Agent and Trustee receive from the Borrower under the Borrower Loan Agreement with respect to the Notes and the Loan Agreement with respect to the Bonds, and no other funds of the Housing Authority are pledged to make payments on the Notes and Bonds. The transfer of the Notes and Bonds to any subsequent purchaser will comply with Housing Commission’s “Bond Issuance and Post-Issuance Compliance Policy” (policy number PO300.301). Moreover, any subsequent Note and Bond holder will be required to represent to the Housing Authority that it is a qualified institutional buyer or accredited investor who is buying such Notes and Bonds for investment purposes and not for resale, and it has made due investigation of any material information necessary in connection with the purchase of the Notes and Bonds.

The following documents will be executed on behalf of the Housing Authority with respect to the Notes and Bonds: the Funding Loan Agreement, the Borrower Loan Agreement, the Assignment of Deed of Trust, the Regulatory Agreement, the Loan Agreement and Trust Indenture, and other ancillary loan documents. At the time of docketing, documents in substantially final form will be presented to members of the Housing Authority. Any changes to the documents following Housing Authority approval require the consent of the City Attorney’s Office and Bond Counsel. The Notes will be issued pursuant to the Funding Loan Agreement, and the Bonds will be issued pursuant to the Trust Indenture. Based upon instructions contained in the Funding Loan Agreement and the Borrower Loan Agreement, Citi will disburse the Note proceeds for eligible costs and will, pursuant to an assignment from the Housing Authority, receive payments from the Borrower. Bond proceeds will be disbursed by the Trustee pursuant to the direction of the Borrower.

The Borrower Loan Agreement and the Loan Agreement set out the terms of repayment and the security for the loan made by the Housing Authority to the Borrower, and the Housing Authority assigns its rights to receive repayments under the loan to Citi with respect to the Notes and the Trustee with respect to the Bonds. The Regulatory Agreement will be recorded against the property to ensure the long-term use of the development as affordable housing. The Regulatory Agreement will also ensure that the development complies with all applicable federal and California State laws so that interest on the tax-exempt Note and the Bonds remains tax-exempt. An Assignment of Deed of Trust, and other loan documents, will assign the Housing Authority’s rights and responsibilities as the issuer to Citi and the Trustee on behalf of the Bondholders. These documents will be signed by the Housing Authority for the benefit of Citi and the Bondholders. Rights and responsibilities that are assigned to Citi and the Trustee include the right to collect and enforce the collection of loan payments, the right to monitor project construction and related budgets, plus the right to enforce insurance and other requirements. These rights will be used by Citi and CIC Fund to protect its financial interests as the Note and Bond holder.

Financial Advisor’s Recommendation

Orrick, Herrington and Sutcliffe, LLP will be the Bond counsel. Ross Financial will be the Bond financial advisor. The financial advisor’s analysis and recommendation is at Attachment 6.

AFFORDABLE HOUSING IMPACT

The Aquila development will be subject to applicable tax credit and Note and Bond regulatory agreements, which will restrict affordability of 180 units for 55 years. The rent and occupancy restrictions required by the CTCAC will be applicable.

Table 6 Aquila Affordability and Monthly Estimated Rent Table

Unit Type	AMI	Units	CTCAC Gross Rents
One bedrooms, 1 bath (612 sq. ft.)	30%	2	\$682
One bedrooms, 1 bath (612 sq. ft.)	50%	2	\$1,136
One bedrooms, 1 bath (612 sq. ft.)	60%	20	\$1,455
Subtotal One Bedroom Units	--	24	--
Two bedrooms, 1 bath (814 sq. ft.)	30%	8	\$818
Two bedrooms, 1 bath (814 sq. ft.)	50%	8	\$1,363
Two bedrooms, 2 baths (814 sq. ft.)	60%	62	\$1,636
Subtotal Two Bedroom Units	--	78	--
Three bedroom, 2 baths (1,070 sq. ft.)	30%	8	\$945
Three bedroom, 2 baths (1,070 sq. ft.)	50%	8	\$1,575
Three bedroom, 2 baths (1,070 sq. ft.)	60%	60	\$1,890
Subtotal Three Bedroom Units	--	76	--
Manager’s two bedrooms unit	65%	1	\$1,636
Manager’s three bedrooms unit	65%	1	\$1,890
Total Units	--	180	--

FISCAL CONSIDERATIONS

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

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

\$ 94,250 (Tax-exempt Senior Note issuance fees: $\$37,700,000 \times .0025 = \$94,250$)
 +5,750 (Tax-exempt Junior Bond: $\$2,300,000 \times .0025 = \$5,750$)
\$100,000 (Subtotal)
 +64,136 (Taxable Note: estimated $\$25,654,597 \times .0025 = \$64,136$)
 \$164,136 (Total Issuance Fee)

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

\$164,136 = Administrative cost

The Notes and Bonds will not constitute a debt of the City of San Diego. If the Notes and Bonds are ultimately issued for the project, the Notes and Bonds will not financially obligate the City, the Housing Authority, nor the Housing Commission because security for the repayment of the Notes and Bonds will be limited to specific project-related revenue sources. Neither the faith and credit nor the taxing power of the City, nor the faith and credit of the Housing Authority will be pledged to the payment of the Notes and Bonds. The developer is responsible for the payment of all costs under the financing, including the Housing Commission’s issuer fee, annual Bond administration fee, as well as the Housing Commission’s Bond counsel fee and financial advisor’s fee.

Development Schedule

The estimated development timeline is as follows:

<u>Milestones</u>	<u>Estimated Dates</u>
• Housing Authority consideration of Bond authorization	• October 5, 2021
• Estimated Bond issuance and escrow/loan closing	• October 12, 2021
• CTCAC construction start milestone	• October 25,, 2021
• Estimated start of construction work	• October 25, 2021
• Estimated completion of construction work	• May 2023

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

The proposed development is located in the Mira Mesa neighborhood. On August 16, 2021, the Aquila development was presented as an informational item to the Mira Mesa Community Planning Group and was met with a positive response and no negative feedback.

KEY STAKEHOLDERS and PROJECTED IMPACTS

Stakeholders include Chelsea as the developer, the Housing Commission as a proposed lender, Citi and USBCDC as proposed lenders, the Mira Mesa neighborhood, and Lennar Homes as the developer of the overall master-planned community. The development is anticipated to have a positive impact on the community as it will contribute to the quality of the surrounding neighborhood, contribute to a better quality of life for the proposed development’s tenants, and create 180 new affordable rental homes for families.

STATEMENT for PUBLIC DISCLOSURE

The developer’s Disclosure Statement is at Attachment 7.

ENVIRONMENTAL REVIEW

The project received certification of compliance with CEQA on September 9, 2020 from the City Attorney's office. The Council of the City of San Diego has certified Environmental Impact Report No. 587128/SCH No. 2018041065 and adopted Mitigation Monitoring and Reporting Program No. 587128 [MMRP] for the 3ROOTS Project-Project No. 587128. An Environmental Impact Report was prepared for this project pursuant to the provisions of CEQA and a Mitigation, Monitoring, and Reporting plan was adopted for this project. Processing under the National Environmental Policy Act (NEPA) is not required as no federal funds are involved in this proposed action.

Respectfully submitted,

Colin Miller

Colin Miller
Vice President
Multifamily Housing Finance
Real Estate Division

Approved by,

Jeff Davis

Jeff Davis
Deputy Chief Executive Officer
San Diego Housing Commission

Attachments: 1) Development Summary
2) Site Map
3) Organization Chart
4) Developer's Project Pro Forma
5) Bond Program Summary
6) Financial Advisor's Analysis
7) Developer's Disclosure Statement

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

ATTACHMENT 1 – DEVELOPMENT SUMMARY

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Unit Mix	180 affordable units: 24 one-bedrooms, 79 two-bedrooms, 77 three-bedrooms, and two restricted managers' units.
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Table 2 Development Team Summary

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Owner/Borrower	3Roots CIC L.P.
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Table 3 – Aquila Estimated Permanent Sources and Uses

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Accrued interest Junior Bond	450,000	Offsite Infrastructure	6,000,000	33,333
Seller Note	6,000,000	Financing costs	6,285,375	34,919
Land donation	1	Local permits and fees	4,508,400	25,047
State of CA Tax Credits	1,219,953	Other soft costs	2,301,902	12,788
4 percent (CTCAC) tax credit equity	36,337,172	Architect and engineering	1,171,832	6,510
Deferred developer fee	3,274,741	Reserves	694,182	3,857
		Developer fee	6,149,878	34,166
Total Development Cost	\$81,971,871	Total Development Cost (TDC)	\$81,971,871	\$455,399

Table 4 - Key Performance Indicators

Development Cost Per Unit	$\$81,971,871 \div 180 \text{ units} =$	\$455,399
Housing Commission Subsidy Per Unit	$\$0 \div 180 \text{ units} =$	\$0
Land Cost Per Unit	$\$1 \div 180 \text{ units} =$	\$0.01
Gross Building Square Foot Hard Cost	$\$60,860,166 \div 172,840 \text{ sq. ft.} =$	\$352
Net Rentable Square Foot Hard Cost	$\$60,860,166 \div 148,730 \text{ sq. ft.} =$	\$409

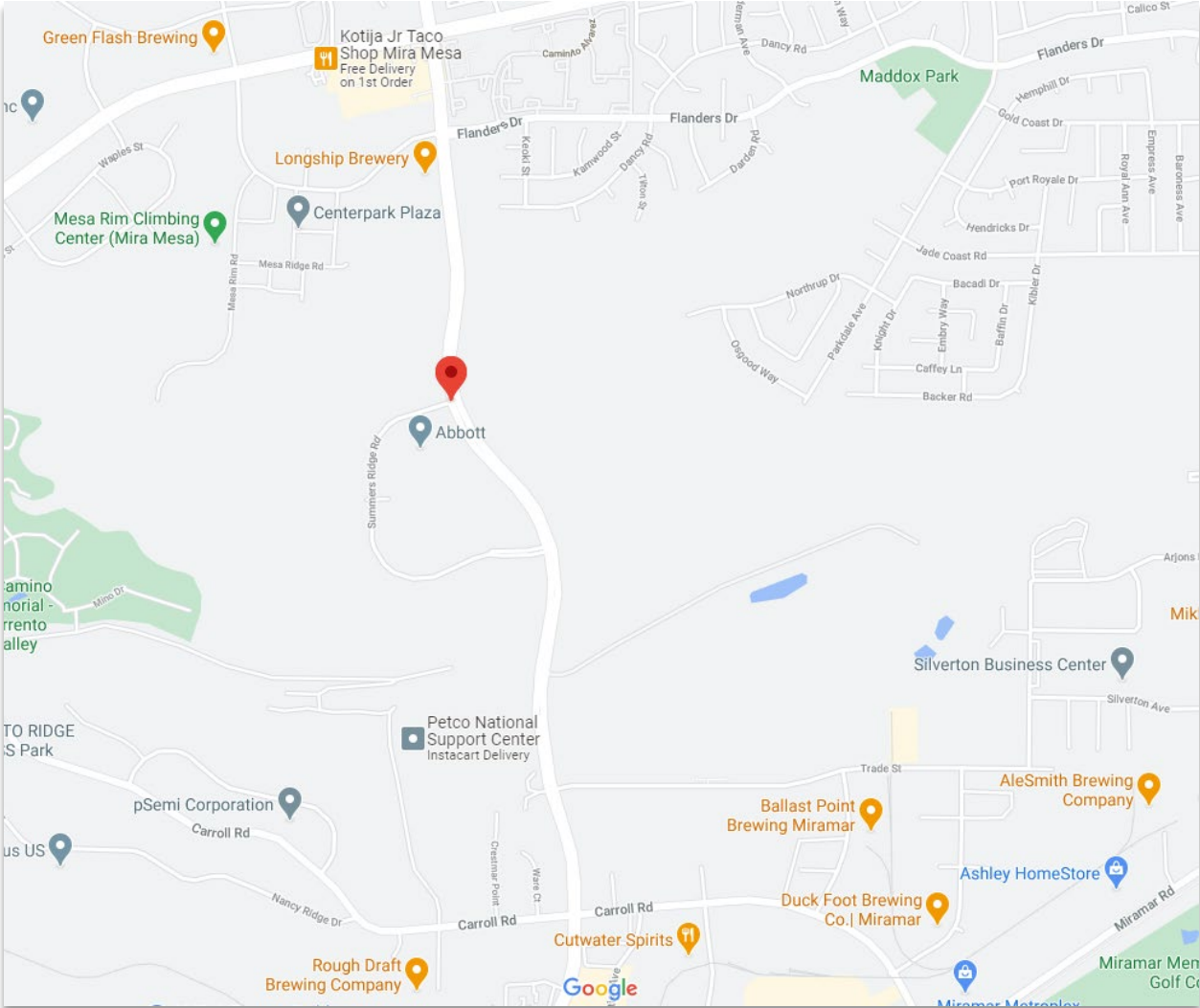
Table 5 - Comparable Development Projects

New Construction Project Name	Year	Unit Mix Construction	Units	Total Development Cost	Cost Per Unit	HC Subsidy Per Unit	Gross Hard Cost Per Sq. Ft.
Proposed Subject – Aquila	2021	24 ones, 77 twos, 77 threes + 2 managers	180	\$81,971,871 (w/o prevailing wage)	\$455,399	\$0	\$352
Cortez Hill	2021	79 ones, 8 twos, + 1 manager	88	\$43,647,979 (with prev. wage)	\$496,000	\$56,818	\$526
Southwest Village	2021	30 ones, 29 twos, 21 threes, +1 mgr	81	\$40,314,147 (with prev. wage)	\$497,706	\$0	\$367
Levant Senior Cottages	2021	108 studios, 18 ones, + 1 manager	127	\$51,642,254 (with prev. wage)	\$406,632	\$47,244	\$739
Nestor Senior Village	2021	73 studios, + 1 manager	74	\$31,510,305 (with prev. wage)	\$425,815	\$45,000	\$363

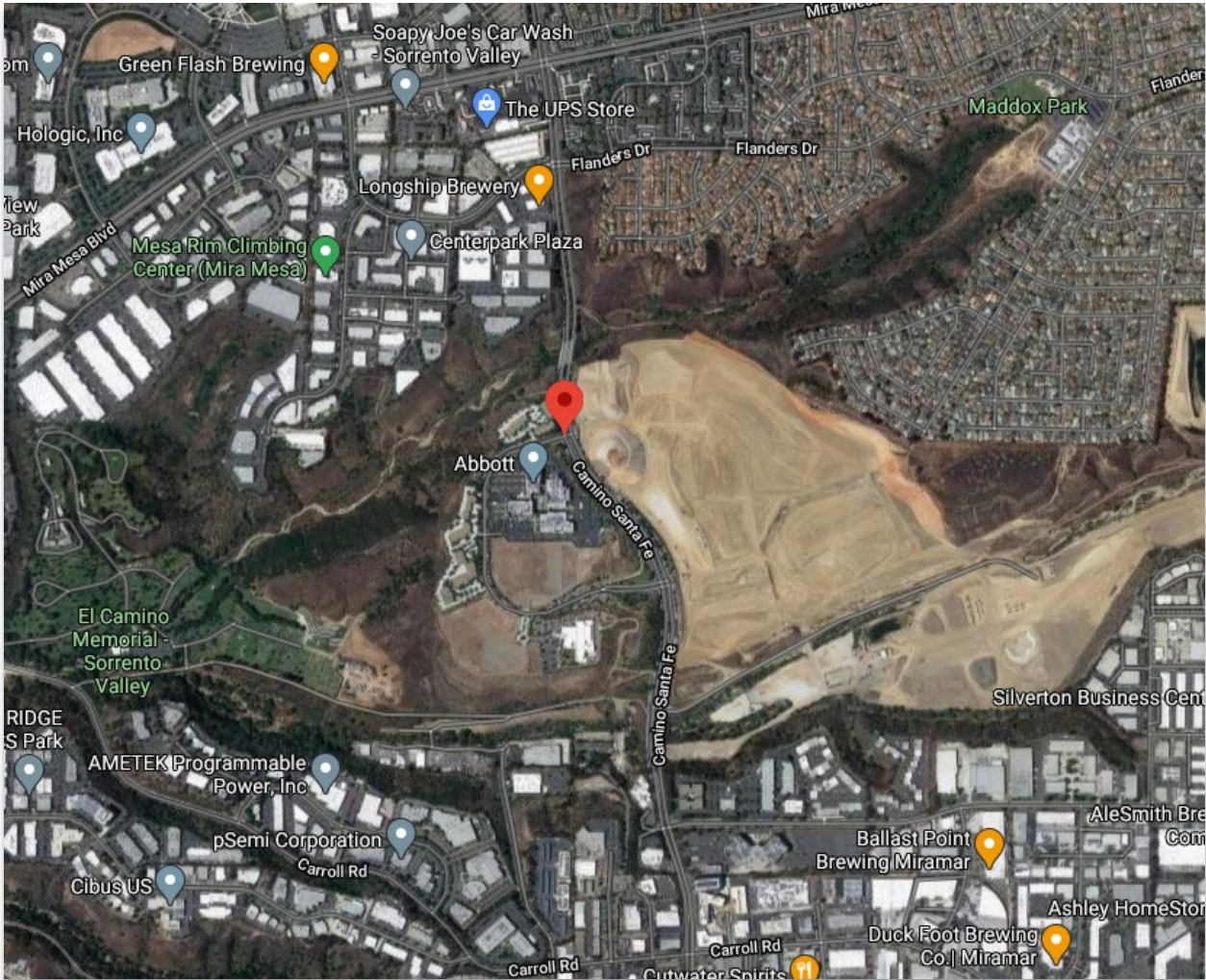
Table 6 Aquila Affordability and Monthly Estimated Rent Table

<u>Unit Type</u>	<u>AMI</u>	<u>Units</u>	<u>CTCAC Gross Rents</u>
One bedrooms, 1 bath (612 sq. ft.)	30%	2	\$682
One bedrooms, 1 bath (612 sq. ft.)	50%	2	\$1,136
One bedrooms, 1 bath (612 sq. ft.)	60%	20	\$1,455
Subtotal One Bedroom Units	--	24	--
Two bedrooms, 1 bath (814 sq. ft.)	30%	8	\$818
Two bedrooms, 1 bath (814 sq. ft.)	50%	8	\$1,363
Two bedrooms, 2 baths (814 sq. ft.)	60%	62	\$1,636
Subtotal Two Bedroom Units	--	78	--
Three bedroom, 2 baths (1,070 sq. ft.)	30%	8	\$945
Three bedroom, 2 baths (1,070 sq. ft.)	50%	8	\$1,575
Three bedroom, 2 baths (1,070 sq. ft.)	60%	60	\$1,890
Subtotal Three Bedroom Units	--	76	--
Manager's two bedrooms unit	65%	1	\$1,636
Manager's three bedrooms unit	65%	1	\$1,890
Total Units	--	180	--

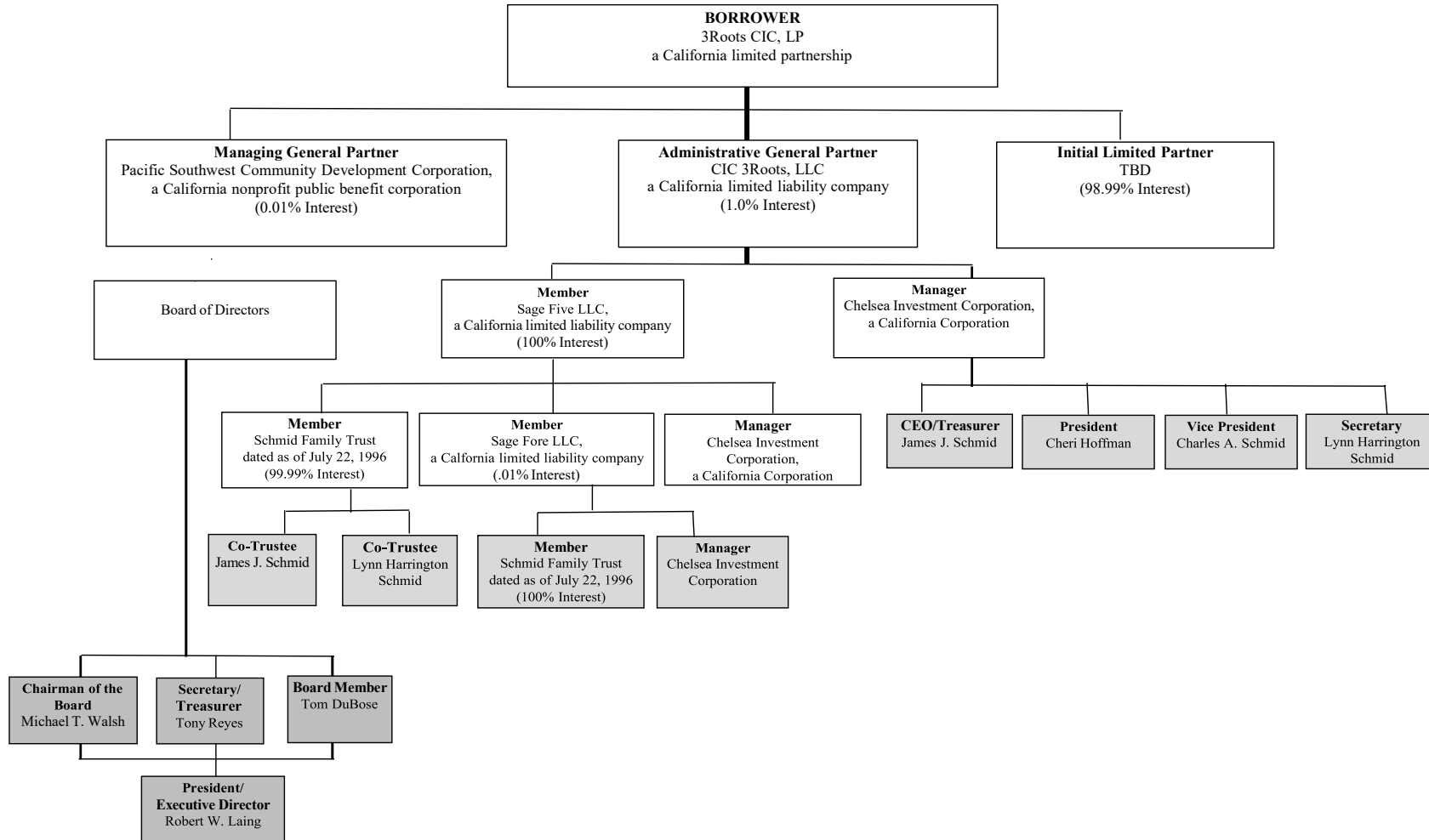
Attachment 2 –Aquila Apartments Site Map



Aquila Apartments Site Map (aerial view)



ATTACHMENT 3 – AQUILA ORGANIZATION CHART





ATTACHMENT 4 -DEVELOPER'S PROJECT PRO FORMA

SOURCES AND USES SUMMARY

Development Costs			
Acquisition			
Land Cost	0.00%	\$0/unit	\$ 1.00
Offsite/Infrastructure		\$33,333/unit	6,000,000
Subtotal Acquisition		\$33,333/unit	6,000,001
Hard Costs			
Design Assist			626,168
Sitework			2,468,580
Direct Construction		\$230,010/unit	41,401,741
Overhead, Profit, General Conditions			6,416,394
GC Contingency		\$7,416/unit	1,334,895
GC Contract Total			52,247,777
Owner Hard Costs Contingency		\$14,513/unit	2,612,389
Subtotal Hard Costs		\$304,779/unit	54,860,166
Total Development Costs		\$455,399/unit	81,971,871
Cash Developer Fee			
			2,875,133
Sources			
Federal LIHTC Equity	44%		36,337,172
State LIHTC Equity	1%		1,219,953
Subordinate Developer Fee (MGP Loan)	0%		0
Permanent Loan (Tranche A)	40%		32,390,000
Land Donation	0%	\$	1.00
Deferred Contractor Fee	0.00%	\$	-
Deferred Developer Fee	4%		3,274,746
Seller Note	7%		6,000,000
Gap	\$0/unit	0%	0
Junior C Bond	3%		2,300,000
Residual Receipt Loans Accrued Interest	1%		450,000
Total Development Sources	100%		81,971,871

FINANCING ASSUMPTIONS

Equity Pay In	Closing 10%	Completion 0%	Conversion 89%	8,609 1%
State Tax Credit Price		non-certificated		\$ 0.9000
Solar Tax Credit Price				\$ 0.7900
9% Credit Rate				4.00%
4% Credit Rate				4.00%
LP Interest				98.99%
10 Yr Federal Tax Credits				40,786,580
3 Yr State Credits		\$8,667/unit		1,560,000
State Credi equity		\$ 0.79		1,219,953
Debt				
Opr. Exp./Unit/Year				\$5,451
Services/Unit/Year				\$74
Replacement Reserves/Unit/Year				\$250
Vacancy Rate				5.00%
DCR				1.15
Perm Loan Amort				35
Interest Rate - Permanent Loan				4.35%
Interest Rate - Construction Loan				4.10%
Taxable USB Construction Loan				61,876,471
Tax-exempt Citi Construction Loan				37,700,000
Taxable Citi Construction Loan				25,654,597
Total Citibank Construction Bridge Loan				63,354,597
Tax Exempt Permanent Loan				32,390,000
Tax exempt bonds - Citi				\$ 37,700,000
Tax Exempt Bonds - Junior Bond/CIC Opps				\$ 2,300,000
Bond Allocation				\$ 40,000,000
Tax Credit Considerations				
DDA/QCT Boost				130%
Rural Designation				No
50% Test		40,000,000	Per Allocation	51.00%
CA 9% Site Amenity Score				N/A
CA 9% Tiebreaker				N/A
Housing Set Aside				Family
Prevailing Wage (State, Federal, Both):				NO

PRELIM DEVELOPMENT PROGRAMMING SUMMARY

City:	San Diego				
MSA:	San Diego				
4 Person 50% AMI:					
Site (acres):					
Construction Type:	Type III				
No. of Stories:	5				
Parking Type:	surface with tuck under				
No. of Stalls:	232				
Census tract 8350	High Resource Area				
Impact Fees per Unit:	21,380				
Financing Sources:	4% & Bonds, Seller Note				
PROJECT UNIT & INCOME MIX					
AMI Sq. Ft.	Studio 380	1BR 559	2BR 758	3BR 1,027	Totals 152,377
UA	\$0	\$62	\$82	\$105	
60%	0	20	62	60	142
55%	0	0	0	0	0
50%	0	2	8	8	18
45%	0	0	0	0	0
40%	0	0	0	0	0
35%	0	0	0	0	0
30%	0	2	8	8	18
Mgr.	0	0	1	1	2
Totals	0	24	79	77	180
Bedroom Mix		13%	44%	43%	
Average affordability	56.0%			BDR:	230
					24
					100
					125
CDLAC limits 3BR to 30%					54
					81
					178
					230.0
					332
Tax Credit Allocation					4/28/21
Construction Begin - Initial Closing					10/25/21
Construction Complete					10/1/23
Lease Up Complete					1/1/24
Conversion/Stabilization					7/1/24
8609					10/1/24

OPERATING BUDGET & INCOME ANALYSIS

180 UNIT FAMILY

**Estimate
2021**

Rent:	Restriction	%AMI	Units	Square Feet/Unit	Total Sq. Ft.	Gross Rents	Utility Allowance	Monthly Net Rent	Annual Rent
1BR/1BA	LIHTC	60%	20	559	11,180	\$ 1,363	\$ 62	\$ 1,301	\$ 312,120
1BR/1BA	LIHTC	50%	2	559	1,118	\$ 1,136	\$ 62	\$ 1,074	\$ 25,782
1BR/1BA	LIHTC	30%	2	559	1,118	\$ 682	\$ 62	\$ 620	\$ 14,874
2BR/1BA	LIHTC	60%	62	758	46,996	\$ 1,635	\$ 82	\$ 1,553	\$1,155,581
2BR/1BA	LIHTC	50%	8	758	6,064	\$ 1,363	\$ 82	\$ 1,281	\$ 122,928
2BR/1BA	LIHTC	30%	8	758	6,064	\$ 818	\$ 82	\$ 736	\$ 70,608
3BR/2BA	LIHTC	60%	60	1,027	61,620	\$ 1,891	\$ 105	\$ 1,786	\$1,285,718
3BR/2BA	LIHTC	50%	8	1,027	8,216	\$ 1,576	\$ 105	\$ 1,471	\$ 141,178
3BR/2BA	LIHTC	30%	8	1,027	8,216	\$ 945	\$ 105	\$ 840	\$ 80,675
(Assume 3BR at 30% meets 50% bond req)			0	1,027	0	\$ -		\$ -	\$ -
2BR/1BA	LIHTC	MGR	1	758	758	\$ -	\$ -	\$ -	\$ -
3BR/2BA	LIHTC	MGR	1	1,027	1,027	\$ -			
Total Rents			180		152,377				3,209,463
Community Room/Office					3,429				
Decks/Patios					11,520				
Parking					22,209				
% Loss to Efficiency					80,453				
Construction Square Feet					269,988				
RA Overhang									0
Income from Operations			PUPM						
Laundry					\$ 8.00				17,280
Other Income (App. Fees, Late, etc.)					\$ 4.00				8,640
Garage					\$ -		0 Garages		0
Cable & Highspeed Data Income					\$ -				0
Telephone Income					\$ -				0
Sub-Total					\$ 12.00				3,235,383
Less: Vacancies @			5%						161,769
Commercial Income									0
Less: Vacancies @			25%						0
Total Income									3,073,614
Operating Expenses			PUPA						
Admin					\$ 398				71,658
Management Fee					\$ 660				118,800
Utilities					\$ 1,804		includes trash		324,768
Payroll					\$ 1,339		salary schedule fro		240,952
Repair & Maintenance					\$ 950				171,002
Insurance					\$ 300				54,000
SDHC monitoring fees					\$ -				0
Other									0
Total Expenses					\$ 5,451				981,180
Net Operating Income									2,092,434
Reserves				\$250.00/unit					45,000
Services				\$74/unit			Per MOU		13,320
Issuer Fee				0.125%					40,488
Monitoring Fee				\$150/unit					27,000
Net Income Available for Debt Service									1,966,627

DSC TEST 1.150

Loan Amount	32,390,000	0	2,300,000
Interest	4.35%		
Term	15		
Amortization	40		
Debt Service Coverage	1.15		
Monthly Payment	142,505		
Annual Payment	1,710,061		
Cash Flow After D/S	256,565		

TAX CREDITS & BASIS CALCULATION
180 UNIT FAMILY

DESCRIPTION OF COSTS	ACTUAL OR EST. OF COSTS	70% ELIGIBLE BASIS	30% ELIGIBLE BASIS
ACQUISITION			
Land Cost	\$ 1	XXXXXXXXXXXXX	XXXXXXXXXXXXX
Demolition	\$ -	XXXXXXXXXXXXX	XXXXXXXXXXXXX
Legal & Carrying Costs	\$ -	XXXXXXXXXXXXX	XXXXXXXXXXXXX
Land Lease Rent Prepayment	\$ -	XXXXXXXXXXXXX	XXXXXXXXXXXXX
Verifiable Carrying Costs	\$ -	XXXXXXXXXXXXX	XXXXXXXXXXXXX
Existing Improvement Costs	\$ 6,000,000	XXXXXXXXXXXXX	\$ 6,000,000
Other: Closing Costs	\$ 5,500	XXXXXXXXXXXXX	XXXXXXXXXXXXX
TOTAL LAND/AQUISITION COSTS	\$ 6,005,501	\$ -	\$ 6,000,000
REHABILITATION			
Off-Site Improvements	\$ -		\$ -
Environmental Remediation	\$ -		\$ -
Site Work	\$ -		\$ -
Structures	\$ -		\$ -
General Requirements	\$ -		\$ -
Contractor Overhead	\$ -		\$ -
Contractor Profit	\$ -		\$ -
Contractor General Liability Insurance	\$ -		\$ -
Other:	\$ -		\$ -
TOTAL REHABILITATION COSTS	\$ -	\$ -	\$ -
RELOCATION			
Temporary Relocation	\$ -		\$ -
Permanent Relocation	\$ -		XXXXXXXXXXXXX
TOTAL RELOCATION COSTS	\$ -	\$ -	\$ -
NEW CONSTRUCTION			
Design Assist (excluded from contingency)	\$ 626,168		\$ 626,168
Off-site Improvements	\$ -		\$ -
Commercial	\$ -		\$ -
Site Work	\$ 2,468,580		\$ 2,468,580
Parking Garage	\$ -		\$ -
Vertical	\$ 41,401,741		\$ 41,401,741
GC Contingency	\$ 1,334,895		\$ 1,334,895
General Requirements	\$ 1,833,255		\$ 1,833,255
Contractor Overhead/Profit	\$ 3,208,197		\$ 3,208,197
Preconstruction Services	\$ 1,374,942		\$ 1,374,942
Contractor General Liability Insurance	\$ -		\$ -
Other:	\$ -		\$ -
TOTAL CONSTRUCTION	\$ 52,247,777	\$ -	\$ 52,247,777
ARCHITECTURAL FEES			
Building	\$ -		\$ -
Landscape	\$ 88,500		\$ 88,500
Energy Consultant	\$ 110,000		\$ 110,000
Other: Acoustic Study	\$ 9,500		\$ 9,500
Other: Traffic Study	\$ -		\$ -
Previous out of pocket Architect Fee	\$ 240,000		\$ 240,000
TOTAL ARCHITECTURAL COSTS	\$ 448,000	\$ -	\$ 448,000
SURVEY & ENGINEERING			
Civil	\$ 304,500		\$ 304,500
ALTA	\$ 20,500		\$ 20,500
Staking	\$ 95,000		\$ 95,000
Structural Testing	\$ 125,000		\$ 125,000
Soils	\$ 85,000		\$ 85,000
Dry Utilities	\$ 35,000		\$ 35,000
Environmental	\$ 15,000		\$ 15,000
Other:	\$ 43,832		\$ 43,832
TOTAL SURVEY & ENGINEERING	\$ 723,832	\$ -	\$ 723,832
CONTINGENCY COSTS			
Hard Cost Contingency	\$ 2,612,389		\$ 2,612,389
Soft Cost Contingency	\$ 366,888		\$ 366,888
TOTAL CONTINGENCY COSTS	\$ 2,979,276	\$ -	\$ 2,979,276
CONSTRUCTION PERIOD EXPENSES			
Construction Loan Interest	\$ 3,762,649		\$ 2,169,776
Seller Note Interest	\$ 450,000		\$ 360,000
C Bond Interest	\$ 431,250		\$ 345,415
Origination Fee	\$ 751,386		\$ 375,693
			\$ -
Junior Bond Origination Fee & Legal/DD	\$ 104,000		\$ 52,000
Lender Inspection Fees	\$ 60,000		\$ 60,000
Taxes During Construction	\$ 30,000		\$ 30,000
Prevailing Wage Monitoring	\$ -		\$ -
Insurance During Construction	\$ 300,000		\$ 300,000
Title and Recording Fees	\$ 55,000		\$ 27,500
Construction Management & Testing	\$ -		\$ -
Predevelopment Loan Interest	\$ 75,000		\$ 75,000
Other: Accounting & Admin	\$ 97,000		\$ 97,000
Other:	\$ -		\$ -
TOTAL CONSTRUCTION PERIOD EXPENSE	\$ 6,116,285	\$ -	\$ 3,892,384
PERMANENT FINANCING EXPENSES			
Loan Origination Fee	\$ 10,000	XXXXXXXXXXXXX	XXXXXXXXXXXXX
Credit Enhancement & Application Fee	\$ -	XXXXXXXXXXXXX	XXXXXXXXXXXXX
Title and Recording Fees	\$ 7,500	XXXXXXXXXXXXX	XXXXXXXXXXXXX
Property Taxes	\$ -	XXXXXXXXXXXXX	XXXXXXXXXXXXX
Insurance	\$ -	XXXXXXXXXXXXX	XXXXXXXXXXXXX
Other: Issuer Fee	\$ 86,725	XXXXXXXXXXXXX	XXXXXXXXXXXXX

Other: Financial Advisor	\$ 65,000	XXXXXXXXXXXX	XXXXXXXXXXXX
TOTAL PERMANENT FINANCING COSTS	\$ 169,225	\$ -	\$ -
LEGAL FEES			
Construction Lender Legal	\$ 55,000		\$ 27,500
Permanent Lender Legal	\$ 75,000	XXXXXXXXXXXX	XXXXXXXXXXXX
Sponsor Legal	\$ 75,000		\$ 37,500
Organizational Legal	\$ -		XXXXXXXXXXXX
Bond Legal	\$ 65,000		XXXXXXXXXXXX
CPA, Opinion	\$ -		\$ -
Other: GP Legal	\$ 15,000		\$ 7,500
TOTAL LEGAL	\$ 285,000	\$ -	\$ 72,500
CAPITALIZED RESERVES			
Operating Reserve	\$ 694,182	XXXXXXXXXXXX	XXXXXXXXXXXX
Replacement Reserve	\$ -	XXXXXXXXXXXX	XXXXXXXXXXXX
Rent-up Reserve	\$ -	XXXXXXXXXXXX	XXXXXXXXXXXX
Transition Reserve	\$ -	XXXXXXXXXXXX	XXXXXXXXXXXX
Other: Prepaid HOA	\$ -	XXXXXXXXXXXX	XXXXXXXXXXXX
Other: Capitalized LP Fee	\$ -	XXXXXXXXXXXX	XXXXXXXXXXXX
TOTAL RESERVE COSTS	\$ 694,182	\$ -	XXXXXXXXXXXX
REPORTS & STUDIES			
Appraisal	\$ 7,500		\$ 7,500
Market Study	\$ -		\$ -
Physical Needs Assessment	\$ 10,000		\$ 10,000
Environmental Studies	\$ -		\$ -
Other: Lender Deposit	\$ 50,000		\$ 50,000
Other: Investor Deposit	\$ -		\$ -
Other: Soils Report	\$ -		\$ -
Other: Phase I	\$ -		\$ -
TOTAL REPORTS & STUDIES	\$ 67,500	\$ -	\$ 67,500
OTHER EXPENSES			
TCAC App./Alloc/Monitoring Fees	\$ 114,327	XXXXXXXXXXXX	XXXXXXXXXXXX
CDLAC/CDIAC Fees	\$ 6,500		XXXXXXXXXXXX
Local Permit Fees	\$ 660,000		\$ 660,000
Local Development Impact Fees - 2022FBA & School	\$ 3,848,400		\$ 3,848,400
Water Sewer	\$ 1,331,187		\$ 1,331,187
Syndicator/Investor Fees & Expenses	\$ -	XXXXXXXXXXXX	XXXXXXXXXXXX
Furnishings	\$ -		\$ -
Final Cost Audit Expense	\$ 15,000		\$ 15,000
Leasing Expenses	\$ 110,000	XXXXXXXXXXXX	XXXXXXXXXXXX
MGP Services Fee	\$ -		\$ -
SDHC Ap. Orig, Servicing, Legal, Const Review	\$ -		\$ -
Accounting/Finance/Admin	\$ -		\$ -
Other: CPA Opinion	\$ -		\$ -
Other:	\$ -		\$ -
TOTAL OTHER COSTS	\$ 6,085,414	\$ -	\$ 5,854,587
DEVELOPER COSTS			
Developer Fee Limit - Per Application		\$ -	\$ -
Developer Fee Calculation	\$ 6,149,878.45	\$ -	\$ 6,149,878
Developer Fee	\$ 6,149,878.5	\$ -	\$ 6,149,878
Consultants/Processing Agent	\$ -		\$ -
Project Administration	\$ -		\$ -
Syndication Consultant	\$ -		\$ -
Guarantee Fees	\$ -		\$ -
Broker Fees Paid to Related Party	\$ -		\$ -
Construction Oversight & Mgmt	\$ -		\$ -
TOTAL DEVELOPER FEE	\$ 6,149,878	\$ -	\$ 6,149,878
TOTAL RESIDENTIAL COSTS	\$ 81,971,871	\$ -	\$ 78,435,735
TOTAL COMMERCIAL COSTS	\$ -	\$ -	\$ -
TOTAL PROJECT AND BASIS COSTS	\$ 81,971,871	\$ -	\$ 78,435,735
Adjustment for Excess Basis			\$ -
Additional Amount Voluntarily Excluded From Basis			\$ -
Requested Undadjusted Eligible Basis	\$ -	\$ -	\$ 78,435,735
130% DIFFICULT DEVELOPMENT FACTOR?	Tract #: Not Avail.	y	\$ 101,966,455
Credit Reduction			\$ -
Total Adjusted Qualified Basis			\$ 101,966,455
TX CREDITS @ % LI Eligible@ Tx Credit Rt	100.00%	4.00%	4.00%
TX CREDITS @ % LI Eligible	\$ -	Jan-21	\$ 4,078,658
TX CREDITS OVER TEN YEARS	\$ -	\$ -	\$ 40,786,580
TX CREDIT EQY@\$/Credit@% Investment	\$ 0.9000	98.99%	\$ 36,337,172
State Tax Credits - 13% of Eligible Basis & Over 4 Yrs		98.99%	\$ 1,560,000
State Tax Credits Equity	\$ 0.7900	98.99%	\$ 1,219,953
Solar Credits - 30% of Eligible Basis	30.00%		
Solar Equity	\$ -	98.99%	\$ -
Solar Rebates			\$ -

ATTACHMENT 5
HOUSING COMMISSION MULTIFAMILY
HOUSING REVENUE BOND PROGRAM SUMMARY

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

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

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

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

Approval Process:

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

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

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

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

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

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

ATTACHMENT 6 - FINANCIAL ADVISOR'S ANALYSIS

ROSS FINANCIAL

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

August 24, 2021

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

Re: Aquila Apartments (f/k/a 3Roots)

Dear Mr. Correia:

The San Diego Housing Commission (the “Commission”) has retained Ross Financial as its independent municipal advisor, in part, to analyze the feasibility of issuing tax-exempt and taxable obligations, as the case may be (the “Notes” and “Bonds”), for the Aquila Apartments development (the “Development”).

This feasibility analysis reviews the following items:

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

Ross Financial has based its analysis of the Development’s financial feasibility on materials provided by Chelsea Investment Corporation (“Chelsea”), which has created the developer and the borrower entity (the “Borrower”) for the Development. The materials include: (1) the joint application to the California Debt Limit Allocation Committee (“CDLAC”) and California Tax Credit Allocation Committee (“CTCAC”), (2) the financing commitments from (a) Citibank, N.A. as construction and permanent lender (the “Lender”) for the Notes and (b) CIC Opportunities Fund LLC for the Bonds, (3) the market study performed by Kinetic Valuation Group in support of the application to CDLAC and CTCAC, and (4) Chelsea’s pro forma financial schedules for the Development. Ross Financial has not visited the site of the proposed Development and had no role in the selection of the Lender or in developing the overall financing structure.

OVERVIEW OF THE DEVELOPMENT

Development Summary. The Development is a new construction multifamily rental housing development that will contain 180 1-bedroom, 2-bedroom and 3-bedroom units in a single 3-story building served by 3 elevators. The Development will consist of 180 affordable units including 2 restricted manager’s units.

The Development will be Type V construction and will include: a community building with a kitchenette, a computer room, and a leasing office. There will be 232 surface parking spaces for tenants and guests. Unit amenities will include Energy Star-rated efficient appliances (stove/oven, microwave, dishwasher, garbage disposal and refrigerator); dual-glazed windows coated for limited solar heat gain; low-energy lighting; HVAC systems that utilize energy-efficient heat pumps; use of Low Volatile Organic Compound (VOC) paints and stains for interior surfaces; private patio/balconies with storage closets; blinds; and vinyl-flooring.

Unit and Affordability Mix. The unit mix and affordability restrictions for Development is expected to be as follows:

Aquila	Unit Mix	30% AMI**	50% AMI**	60% AMI**
1 Bedroom/1 Bath	24	2	2	20
2 Bedroom/1 Bath	79*	8	8	62
3Bedroom/2Bath	77*	8	8	60
Total Units	180	18	18	142

*Includes 1 manager’s unit in each unit type that are restricted to 65% AMI

** AMI = Area median income; Manager’s units are not subject to affordability restrictions

Description of Project Site. The Development is to be constructed on a 3.96 acre site located at the southern end of Lennar’s 3Roots master-planned community in the northern portion of San Diego. The site is located due north of the intersection of Camino Sante Fe and Miramar Road in San Diego. The current address is 9900 Camino Santa Fe. The site, which is presently undeveloped and rough-graded, is currently owned by Mesa Canyon Partners, LLC of which Lennar is a principal.

The 3Roots master-planned community is a mixed-use living, retail and lifestyle center that will offer:

- 1,800 mostly single family homes
- A 40-acre mixed use urban area
- A 23-acre community park with sports fields and open area
- A 1.5-acre transit hub that will include: ride share spaces, area for on demand transportation and bike repair
- Walking distance to various amenities

The entitlements for the site require compliance with the City of San Diego's Inclusionary Ordinance, resulting in the restriction of all 180 residential dwelling units to households earning at or below 65% of AMI for a period of at least 55 years.

Ownership of the Development/Borrower. The ownership entity for the Development will be a 3Roots CIC, L.P., a single asset California limited partnership consisting of: (a) CIC 3Roots, LLC, created by Chelsea, which will serve as Administrative General Partner, (b) Pacific Southwest Community Development Corporation, a California not-for-profit public benefit corporation which will serve as Managing General Partner and (c) a tax credit limited partnership entity created by U.S. Bank National Association.

Chelsea Experience. According to Chelsea, the firm has 35 years of experience in financing, developing and/or rehabilitating multifamily rental housing. This experience encompasses 11,000 units in the Western United States, including more than 6,000 affordable housing units in San Diego, Chula Vista and Carlsbad. Chelsea's most recent activity with the Housing Commission includes:

- Fairbanks Terrace II, a 31-unit new construction inclusionary senior development in San Diego. Completion is expected in November 2021.
- Apollo/Poway, a 44-unit new construction senior project in Poway. Completion is expected in November 2021.
- East Block, a 195-unit new construction project consisting of senior and family components in San Diego. Completion is expected in September 2022.
- 14th & Commercial and 14C VHHP Apartments, new construction projects aggregating 407 units of affordable housing located in the East Village Neighborhood of San Diego;
- San Ysidro Family TOD, a 139-unit new construction project in the Beyer Boulevard Trolley District within the San Ysidro Historic Village Specific Plan, which commenced construction in August 2018;
- Civita II Apartments, a 203-unit new construction project within the Creekside District of the Quarry Falls Specific Plan, which commenced construction in April 2018;
- Town & Country Apartments, a 145-unit acquisition-rehabilitation project in the Mountain View Community Plan Area in San Diego, which was completed in July 2018;
- Mesa Verde Apartments, a 90-unit new construction project in the eastern central portion of San Diego which was completed in April 2018;

CDLAC/CTCAC. On February 4, 2021, the Housing Authority filed a joint application to CDLAC and CTCAC requesting a private activity bond allocation of \$40,000,000 for the Development, along with a reservation of 4% Federal and State tax credits. On April 28, 2021, CDLAC awarded a private activity bond allocation in the requested amount and CTCAC reserved the requested 4% Federal and State tax credits. Although the CDLAC

allocation will expire on November 8, 2021, the CTCAC award letter requires construction to commence by October 25, 2021.

In connection with the CDLAC/CTCAC application process, on January 26, 2021, the Housing Authority adopted a resolution of intent to issue tax-exempt obligations for the Development and authorized the submission of an application to CDLAC. On the same date, a TEFRA hearing, duly noticed, was held before the City Council at which time the Development was approved for purposes of Section 147 of the Internal Revenue Code. The TEFRA approval was signed January 26, 2021.

PROPOSED FINANCING

Project Costs and Funding. According to most recent projections provided by Chelsea, the total costs of the Development, including construction and all soft costs, are estimated at \$81,971,778. The estimated sources of funds will differ during the construction period and following construction and lease-up (“at permanent”), as shown in the following table based on the most recent projections:

Sources of Funds	Construction	Permanent
Tax-Exempt Note Proceeds	\$37,700,000	\$32,340,000
Taxable Note Proceeds	25,654,462	--
Tax-Exempt Junior Bond Proceeds	2,300,000	2,300,000
Accrued Interest – Junior Bonds	--	450,000
Federal Low Income Housing Tax Credits	3,633,717	36,337,172
State Tax Credits	121,995	1,219,953
Seller Note	6,000,000	6,000,000
Land Donation	1	1
Deferred Costs	6,561,623	--
Deferred Developer Fee	--	3,324,652
Total	\$81,971,778	\$81,971,778
Uses of Funds		
Land Cost	\$1	\$1
Offsite/Infrastructure	6,000,000	6,000,000
Site Work	2,468,580	2,468,580
Construction	41,401,741	41,401,741
Overhead, Profit, General Conditions	6,416,394	6,416,394
Architectural & Engineering	1,171,832	1,171,832
Contingency Costs (Owner, Hard and Soft)	4,314,172	4,314,172
Impact Fees and Permits	4,508,400	4,508,400
Financing Fees and Interest	6,285,375	6,285,375
Reserves	694,225	694,225
Misc. Soft Costs and Legal	2,561,181	2,561,181
Developer Fee*	6,149,877	6,149,877
Total	\$81,971,778	\$81,971,778

*Cash developer fee is \$2,825,225 with \$3,324,652 deferred

Description of Financing. The expectation (based on the most recent pro forma) is that the Housing Authority will issue:

- The Notes in two series: (a) a tax-exempt series in the estimated amount of \$37,700,000 and (b) a taxable series in the estimated amount of \$25,654,462.
- The Bonds in one series in the estimated amount of \$2,300,000. (Note: The aggregate par of the tax-exempt Note and the Bonds may not exceed \$40,000,000)

The Notes will have the following features:

- Each Note will be funded by Citibank, N.A. (the “Lender”);
- The Notes will be issued on a draw down basis, with interest payable only on the amounts drawn;
- At issuance, the tax-exempt Note will be drawn down in the minimum amount required by Federal Tax Law (\$50,001 or \$55,000). There will no further draws on either the tax-exempt or taxable Note until construction completion.
- Following construction completion (expected in 24 months after closing), the remaining par of tax-exempt Note and the full amount of the taxable Note will be drawn down in full to repay U.S. Bank, which will be providing an estimated \$61,876,369 conventional construction loan, on an interim basis, directly to the Borrower to construct the Development.
- Following lease-up (expected in 6 months after construction completion) (at “Conversion”), the taxable Note will be repaid in full and the tax-exempt Note will be paid down to a permanent estimated par of \$32,340,000. The sources of repayment will be Federal and State low income housing tax credits.
- Prior to Conversion, the tax-exempt Note will bear a variable interest rate equal to 30 Day SOFR + 2.01% and the taxable Note will bear a variable interest rate equal to 30 Day SOFR + 2.51%. SOFR, which stands for “Secured Overnight Financing Rate”, is the successor index to LIBOR which is scheduled to be phased out by June 30, 2023. At Conversion, the tax-exempt Note will convert to a fixed rate that will be set at Closing. The rate will be established by reference to a formula (19-year LIBOR +2.20%) and is estimated at 3.85% in the current market. The pro forma assumes a construction loan rate of 4.10% and a permanent loan rate of 4.35%.
- The tax-exempt Note will have a stated maturity of 34 years from Closing (i.e., in 2055) but will be subject to mandatory prepayment in 19 years after Closing (i.e., in 2040). Following Conversion, the tax-exempt Note will amortize on a 40-year basis. The taxable Note is expected to have a stated maturity of approximately 4 years from Closing and will be repaid in full at Conversion as noted above.
- The Notes are expected to close by late October.

The Bonds will have the following features:

- The Bonds will be purchased by CIC Opportunities Fund LLC (the “Fund”), which was formed by Chelsea. Due to Federal Tax limitations, no more than 49% of the Fund will consist of principals of Chelsea, the Borrower or related entities;
- The Bonds will be issued on a cash basis with proceeds delivered at Closing and held by U.S. Bank National Association as trustee;
- The interest on the Bonds will be at a tax-exempt rate of 7.00%;
- The Bonds will be issued as subordinate obligations payable from residual revenues of the Development after payment of the Notes;
- The expected maturity of the Bonds is 45 years;
- The Bonds will close at the same time as the Notes, in late October.

The Lender will execute a document representing that it has sufficient knowledge and experience to evaluate the risks and merits associated with making the loans evidenced by the Notes and its intention to hold the Notes for its account. The Lender may transfer all or a portion of the Notes only to transferees that execute a document with similar representations. The Fund will execute a similar document with respect to the Bonds and is expected to hold the Bonds through maturity or prior repayment.

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

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

- Tax-Exempt Note and Bond Regulatory Agreement requirements (including voluntary elections made to CDLAC) for a 55-year term;
- Tax Credit Regulatory Agreement requirements under which all units must be affordable at 60% AMI for a 55-year term to remain eligible for tax credits; and
- A Declaration of Covenants, Conditions and Restrictions and Affordable Housing Agreement (Inclusionary Rental Restrictions) (3Roots) as required by the Inclusionary Ordinance (“Inclusionary Rental Restrictions”), which restricts all 180 units to 65% AMI for 55 years.

Cash Flow for the Developments. The Borrower provided pro forma cash flows for the Development. The following table summarizes key elements of the most recent proforma:

	Aquila
Assumptions	
Vacancy	5%
Revenue Escalation	2%
Operating Expense Escalation	3%
Cash Flow and Coverage	
Stabilized Net Income – First Full Year	\$3,073,614
Expenses	(981,180)
Resident Services	(13,320)
Replacement Reserve	(45,000)
Commission Bond Monitoring and Admin Fee ²	(70,300)
Net Operating Income	\$1,963,751
Tax-Exempt Note Debt Service ³	(1,707,422)
Debt Service Coverage ⁴	1.15x
Managing General Partner Fee	(10,000)
Net Project Cash Flow	\$253,690
MGP and LP Fees	(25,000)
Deferred Developer Fee (50% of excess flow)	(115,696)
Available Cash Flow after Deferred Developer Fee	115,696
Junior Bond	(115,696)
Net Cash Flow for Seller Note and Distributions	0

² Commission's fee at permanent is 0.125% x the sum of permanent Note amount (\$32,340,000) and the Bond par (\$2,300,000) plus a monitoring fee of \$150/unit

³ Assumes an initial permanent loan par of \$32,340,000 at 4.35%

⁴ Net operating income divided by sum of Note Debt Service

The following table shows the Borrower's most recent projected cash flow for the Development during first full five years following stabilized occupancy:

Escalation	Revenues	Year				
		1	2	3	4	5
2.00%	Gross Scheduled Rent	3,235,383	3,300,091	3,366,092	3,433,414	3,502,083
	less 5% vacancy	(161,769)	(165,005)	(168,305)	(171,671)	(175,104)
	Total Net Income	3,073,614	3,135,086	3,197,788	3,261,744	3,326,978
	Expenses					
3.00%	Operating Expenses	(981,180)	(1,010,615)	(1,040,934)	(1,072,162)	(1,104,327)
3.00%	Services	(13,320)	(13,720)	(14,131)	(14,555)	(14,992)
3.00%	Replacement Reserves	(45,000)	(46,350)	(47,741)	(49,173)	(50,648)
	Issuer Bond Monitoring and Admin Fee	(70,300)	(70,300)	(70,300)	(70,300)	(70,300)
	Total Expenses + Reserves	(1,109,800)	(1,140,985)	(1,173,106)	(1,206,190)	(1,240,266)
	Net Operating Income	1,963,814	1,994,101	2,024,682	2,055,554	2,086,712
	Permanent Note Service	(1,707,422)	(1,707,422)	(1,707,422)	(1,707,422)	(1,707,422)
	Debt Service Coverage	1.15x	1.17x	1.19x	1.20x	1.22x
	Available Cash Flow after Permanent Loan Debt Service	256,392	286,679	317,260	348,132	379,290
3.00%	Managing GP Fee	(10,000)	(10,300)	(10,609)	(10,927)	(11,255)
	LP Fee	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)
	Project Cash Flow after MGP and LP Fees	231,392	261,379	291,651	322,205	353,035
	Deferred Developer Fee (50% of excess cash flow)	(115,696)	(130,690)	(145,826)	(161,102)	(176,517)
	Project Cash Flow after Deferred Developer Fee	115,696	130,690	145,826	161,102	176,517
	Junior Bond	0	0	0	0	0
	Project Cash Flow after Junior Bond	0	0	0	0	0
3.00%	Seller Note	0	0	0	0	0
	Partnership Admin Fee	0	0	0	0	0
	LP and GP Distributions	0	0	0	0	0

PUBLIC PURPOSE

The Notes and Bonds are expected to result in the long-term affordability of 180 one, two and three-bedroom units in the City of San Diego. Of the 178 tax credit-restricted units, 18 units will be restricted and affordable to households earning 30% AMI; 18 units will be restricted and affordable to households earning 50% AMI; and 142 units will be restricted and affordable to households earning 60% AMI. Two units will be occupied by resident managers and be restricted to 65% AMI.

The Bond Regulatory Agreement, the Tax Credit Regulatory Agreement and Inclusionary Rental Restrictions will require that these affordability levels be maintained for a period of 55 years.

BENEFITS AND RISKS TO THE COMMISSION

The Notes and Bonds provide a vehicle for financing a portion of the construction costs of the Development. As proposed, the Notes and Bonds will result in the long-term affordability of 178 one, two and three-bedroom units in the City of San Diego with units restricted to income levels described in “Public Purpose” above – in addition to the affordability restrictions required by the Inclusionary Rental Restrictions.

The Notes and Bonds do not pose undue financial risk to the Housing Authority. The Notes and Bonds are not direct obligations of the Housing Authority or the City of San Diego. The Notes will evidence loans to be funded by the Lender, which has indicated its intention to hold the Notes for its own account. The Notes are expected to be paid down to \$32,340,000 following conversion. The Bonds will be purchased by the Fund, which

also has indicated its intention to hold the Bonds for its own account; the Fund consists of individuals that are principals of Chelsea and understand the risks associated with the Development.

The primary risk is construction and lease-up risk – that the Development is not completed and/or leased up in a timely fashion. Given the development and project management experience of Chelsea, the target tenant population and the demand for affordable units, this risk seems remote. This risk is borne entirely by the Lender and the Fund, which includes Chelsea principals.

If the Housing Authority issues the Notes and Bonds, the Commission would receive an issuer fee at Note/Bond closing of \$164,136: equal to 0.25% times the initial aggregate par amount of the Notes and Bonds. The Commission also would receive estimate annual fees of:

- \$82,068 to monitor the Notes and Bonds during the construction period (based on an aggregate par of \$63,354,462 for the Notes and \$2,300,000 for the Bonds times 0.125%), and
- \$70,300 to monitor the tax-exempt Note and Bonds after conversion (assuming (a) an estimated permanent tax-exempt Note of \$32,340,000 times 0.125% and Bond par of \$2,300,000 times 0.125%) plus (b) a per unit monitor fee of \$150/unit).
- A minimum of \$10,000 following repayment of the Notes through the end of the 55 year CDLAC compliance period.

Costs of issuance will be funded by the Borrower from low income housing tax credit contributions and/or other funds. The Borrower has agreed to indemnify the Housing Authority and Commission as to matters relating to the Notes and Bonds. However, the Borrower is a single purpose entity with no significant assets or source of income other than the Development and is generally not required to make up any cash flow shortfalls. Accordingly, Chelsea will be providing its indemnification.

RECOMMENDATIONS

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

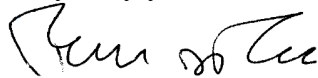
- The Notes and Bonds will achieve a public purpose by providing an aggregate of 178 affordable units, with all units restricted to income levels at 30%, 50% and 60% of AMI. These restrictions are additional to the affordability restrictions required by the Inclusionary Rental Restrictions, which require all 180 units to be restricted to households with income levels that do not exceed 65% of AMI.
- The Notes will evidence tax-exempt loans funded by a well-established, highly capitalized bank that is active in affordable housing lending. The Notes will be subject to restrictive transfer limitations at all times.

Mr. Joe Correia
Re: Aquila Apartments (f/k/a 3Roots)
August 24, 2021
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- The Bonds will be purchased by a Fund comprised of principals of Chelsea and other individuals who understand real estate risk and the risk of the Development. The Bonds are payable only from residual receipts from the Development after payment of the Notes and cannot default due to insufficient cash flow. The Fund and its participants expect to hold the Bonds through maturity and the Bonds will be subject to restrictive transfer limitations at all times.
- The Borrower has agreed to indemnify the Housing Authority and the Commission regarding matters relating to the financing. The Borrower will pay issuance costs from sources other than Note or Bond proceeds.
- Based on estimates provided by Chelsea on behalf of the Borrower, there should be sufficient funds to complete the Development and the Development provides adequate cash flow to cover permanent loan debt service on the Note. The Bonds are payable from residual receipts from the Development and are not subject to default and acceleration in the event that cash flow is insufficient.

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

Very truly yours,



Peter J. Ross
Principal



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

1. Name of CONTRACTOR: **Chelsea Investment Corporation**
2. Address and Zip Code: **6339 Paseo Del Lago, Carlsbad, CA 92011**
3. Telephone Number: **760-456-6000**
4. Name of Principal Contact for CONTRACTOR: **Cheri Hoffman, President**
5. Federal Identification Number or Social Security Number of CONTRACTOR:
90-0151442
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:

 X A corporation (Attach Articles of Incorporation)

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

 A partnership known as: _____
(Name)

Check one

() General Partnership (Attach statement of General Partnership)

() Limited Partnership (Attach Certificate of Limited Partnership)

 A business association or a joint venture known as:

(Attach joint venture or business association agreement)

 A Federal, State or local government or instrumentality thereof.

 Other (explain)

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

Original formation date 7/30/1986, restructure 2/23/2004

8. Provide names, addresses, telephone numbers, title of position (if any) and nature and extent of the interest of the current officers, principal members, shareholders, and investors of the CONTRACTOR, other than a government agency or instrumentality, as set forth below:

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

Name and Address		Position Title (if any) and percent of interest or description of character and extent of interest
Name:	The Schmid Family Trust	Sole Shareholder
Address:	6339 Paseo del Lago Carlsbad, CA 92011	
Name:	James J. Schmid	Co-Trustee
Address:	6339 Paseo del Lago Carlsbad, CA 92011	
Name:	Lynn Harrington Schmid	Co-Trustee
Address:	6339 Paseo del Lago Carlsbad, CA 92011	

9. Has the makeup as set forth in Item 8(a) through 8(e) changed within the last twelve (12) months? If yes, please explain in detail. **No**

10. Is it anticipated that the makeup as set forth in Item 8(a) through 8(e) will change within the next twelve (12) months? If yes, please explain in detail.
No

11. Provide name, address, telephone number, and nature and extent of interest of each person or entity (not named in response to Item 8) who has a beneficial interest in any of the shareholders or investors named in response to Item 8 which gives such person or entity more than a computed 10% interest in the CONTRACTOR (for example, more than 20% of the stock in a corporation which holds 50% of the stock of the CONTRACTOR or more than 50% of the stock in the corporation which holds 20% of the stock of the CONTRACTOR):

Name and Address		Position Title (if any) and percent of interest or description of character and extent of interest
Name:	James J. Schmid	Sole Director/CEO/Treasurer/Co-Trustee of Schmid Family Trust, Sole Shareholder
Address:	6339 Paseo del Lago Carlsbad, CA 92011	
Name:	Cheri Hoffman	President
Address:	6339 Paseo del Lago Carlsbad, CA 92011	
Name:	Charles S. Schmid	Vice President (son of James J. Schmid)
Address:	6339 Paseo del Lago Carlsbad, CA 92011	
Name:	Lynn Harrington Schmid	Secretary (Wife of James J. Schmid and Co-Trustee of the Schmid Family Trust, Sole Shareholder)
Address:	6339 Paseo del Lago Carlsbad, CA 92011	

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:

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

Name and Address		Relationship to CONTRACTOR
Name:	Emmerson Construction, Inc.	General Contractor/Construction Management
Address:	6339 Paseo del Lago Carlsbad, CA 92011	
Name:	CIC Management, Inc.	Property Management
Address:	6339 Paseo del Lago Carlsbad, CA 92011	
Name:		
Address:		

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

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:

<u>Sources</u>		
Federal LIHTC Equity	44%	36,743,757
State LIHTC Equity	1%	1,219,953
Subordinate Developer Fee (MGP Loan)	0%	0
Permanent Loan (Tranche A)	39%	32,450,000
Land Donation	0%	\$ 1.00
Deferred Contractor Fee	0.00%	\$ -
Deferred Developer Fee	4%	3,692,946
Seller Note	7%	6,000,000
Gap	\$0/unit	0
Junior C Bond	3%	2,300,000
Residual Receipt Loans Accrued Interest	1%	450,000
Total Development Sources	100%	82,856,657

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

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

US Bank CDC
 13017 Washington Ave, Ste. 300
 St Louis, MO 63103

Estimated to be \$36,743,757 in Federal Tax Credits and \$1,219,953 in State Tax Credits

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

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

Amount: \$ _____

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

<u>Description</u>	<u>Market Value</u>	<u>Mortgages or Liens</u>
	\$	\$

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

Name and Address	Contact Name
Name: Citi Community Capital	Sonia Rahm, Director
Address: 444 South Flower St. 29th Floor	
Los Angeles, CA 90071	
Name: Banner Bank	Waheed Karim, Vice President
Address: 5901 Priestly Drive, Suite 160	
Carlsbad, CA 92008	
Name:	
Address:	

18. Has the CONTRACTOR or any of the CONTRACTOR's officers or principal members, shareholders or investors, or other interested parties been adjudged bankrupt, either voluntary or involuntary, within the past 10 years?
 ___ Yes X No

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

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

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

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

21. If the CONTRACTOR, or a parent corporation, a subsidiary, an affiliate, or a principal of the CONTRACTOR is to participate in the development as a construction contractor or builder, provide the following information:
 Not Applicable.

a. Name and addresses of such contractor or builder:

Name and Address	Affiliation
Name: Emmerson Construction	Affiliate
Address: 6339 Paseo Del Lago	
Carlsbad, CA 92011	

- 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 X No

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

- c. Total amount of construction or development work performed by such contractor or builder during the last three (3) years: **\$256,170,228**

General description of such work:

List each project, including location, nature of work performed, name, address of the owner of the project, bonding companies involved, amount of contract, date of commencement of project, date of completion, state

whether any change orders were sought, amount of change orders, was litigation commenced concerning the project, including a designation of where, when and the outcome of the litigation.

See Exhibit C and List of Projects

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

<u>Identification of Contract or Development</u>	<u>Location</u>	<u>Amount</u>	<u>Date to be Completed</u>
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- e. Outstanding construction-contract bids of such contractor or builder:

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

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

See Exhibit C and Lists of Projects

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

Yes 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:

See Exhibit D – Financials for Emmerson

25. Is the proposed CONTRACTOR, and/or are any of the proposed subcontractors, currently involved in any construction-related litigation?
___ Yes X No

If yes, explain:

26. State the name, address and telephone numbers of CONTRACTOR's insurance agent(s) and/or companies for the following coverages: List the amount of coverage (limits) currently existing in each category: See Certificates Attached.
The project will have adequate insurance coverage at commencement of construction. Broker is Cavnac & Associates, 450 B Street, Suite 1800, San Diego, CA 92101

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

Check coverage(s) carried:

- Comprehensive Form
- Premises - Operations
- Explosion and Collapse Hazard
- Underground Hazard
- Products/Completed Operations Hazard
- Contractual Insurance
- Broad Form Property Damage
- Independent Contractors
- Personal Injury

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

Check coverage(s) carried:

- Comprehensive Form
- Owned
- Hired
- Non-Owned

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

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

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

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

27. CONTRACTOR warrants and certifies that it will not during the term of the PROJECT, GRANT, LOAN, CONTRACT, DEVELOPMENT and/or RENDITIONS OF SERVICES discriminate against any employee, person, or applicant for employment because of race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. The CONTRACTOR will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The CONTRACTOR agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the COMMISSION setting forth the provisions of this nondiscrimination clause.

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

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

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

<u>Government Entity</u>	<u>Date</u>	<u>Resolution</u>
<u>Making Complaint</u>		

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

No

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)
State License Board	Contractor's License for Emmerson Construction, Inc.	775773	3/2/2000	Current	No

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

none

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

None

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

Date	Entity Involved	Status	Dollar Amount
2015	Trolley Residential	Current	\$2,500,000
2016	Mesa Verde	Current	\$3,120,000
2017	Normal Heights	Current	\$5,200,000
2018	San Ysidro	Current	\$925,000
2019	14 th & Commercial	Current	\$11,500,000
2020	East Block Senior	Current	\$6,750,000

36. Within the last five years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, been the subject of a complaint filed with the Contractor's State License Board (CSLB)? ___ Yes X No

If yes, explain:

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

___ Yes X No

If yes, explain:

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

Name: _____

Address: _____

Phone: _____

Project Name and Description: _____

Name: _____

Address: _____

Phone: _____

Project Name and Description: _____

Name: _____

Address: _____

Phone: _____

Project Name and Description: _____

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

CONSENT TO PUBLIC DISCLOSURE BY CONTRACTOR

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

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

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

Executed this ____ day of _____, 20___, at San Diego, California.

CONTRACTOR

By: _____
Signature

Title

CERTIFICATION

The CONTRACTOR, _____, 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: _____

Title: _____

Dated: _____

Dated: _____

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

ATTEST:

State of California

County of _____

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

Signature of Notary

Name of Notary

SEAL

ARTICLES OF INCORPORATION
OF
CHELSEA SERVICE CORPORATION

FILED
in the office of the Secretary of State
of the State of California

FEB 23 2004

Kevin Shelley
KEVIN SHELLEY, Secretary of State

I

The name of this corporation is Chelsea Service Corporation.

II

The purpose of the corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

III

The name and address in the State of California of this corporation's initial agent for service of process is James J. Schmid, 215 South Highway 101, Suite 200, Solana Beach, California 92075.

IV

This corporation is authorized to issue only one class of shares of stock; and the total number of shares this corporation is authorized to issue is 1,000.

Dated: February 18, 2004


James J. Schmid, Incorporator

2578911

10638595

FILED
in the office of the Secretary of State
of the State of California

**CERTIFICATE OF RESTATED AND AMENDED
ARTICLES OF INCORPORATION
OF CHELSEA SERVICE CORPORATION**

JAN 1 2006

James J. Schmid and Lynn Harrington- Schmid certify that:

1. They are the President and the Secretary, respectively, of Chelsea Service Corporation, a California corporation.
2. The articles of incorporation of the corporation are amended and restated to read in their entirety as follows:

I

The name of this corporation is Chelsea Investment Corporation.

II

The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

III

This corporation is authorized to issue only one class of shares of stock; and the total number of shares which this corporation is authorized to issue, is 1,000.

IV


The Corporation is authorized to provide indemnification of agents (as the word "agents" is defined in Section 317 of the California Corporations Code) through bylaw provisions, agreements with the agents, vote of shareholders or disinterested directors, or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the California Corporations Code, subject only to the limits set forth in Section 204 of the California Corporations Code with respect to actions for breach of duty to the Corporation or its shareholders.

3. This Certificate, restating and amending the articles of incorporation, has been approved by the Board of Directors.
4. The amendment was approved by the required vote of the shareholders in accordance with Section 902 of the Corporations Code. The corporation has only one class of shares and the number of outstanding shares is 100. The number of shares

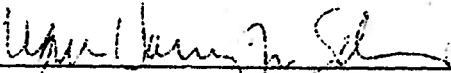
voting in favor of the amendment equaled or exceeded the vote required. The percentage vote required was more than 50%.

We declare under penalty of perjury under the laws of the State of California that the statements set forth in this certificate are true and correct of our own knowledge and that this declaration was executed on December 27, 2005 at San Diego, California.

Dated: December 27, 2005



James J. Schmid, President



Lynn Harrington-Schmid, Secretary





Chelsea Investment Corporation and Subsidiaries

**Consolidated Financial Statements with Report of Independent Auditors
December 31, 2020**

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Report of Independent Auditors

To the Stockholder of
Chelsea Investment Corporation and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Chelsea Investment Corporation and Subsidiaries, which comprise the consolidated balance sheet as of December 31, 2020, and the related consolidated statements of operations, stockholder's equity, and cash flows for the year then ended, and related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 Chelsea Investment Corporation and Subsidiaries as of December 31, 2020, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Novogradac & Company LLP

Long Beach, California
April 22, 2021

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
December 31, 2020

ASSETS

Current assets:

Cash and cash equivalents	\$ 8,445,013
Marketable securities, net	2,396,910
Due from related parties	1,576,814
Prepaid expenses and deposits	130,217
Current portion of developer fees receivable - related parties	7,974,708
Current portion of project cost advances - related parties	2,966,650
Note receivable - related party	<u>31,497</u>
Total current assets	<u>23,521,809</u>

Fixed assets:

Property and equipment	662,412
Leasehold improvements	224,469
Accumulated depreciation	<u>(683,616)</u>
Fixed assets, net	203,265

Other assets:

Developer fees receivable - related parties, less current portion	3,503,890
Project cost advances - related parties, less current portion	<u>1,724,224</u>
Total other assets	<u>5,228,114</u>

Total assets \$ 28,953,188

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities:

Accounts payable	\$ 44,851
Accrued expenses	346,947
Rent payable	135,492
Line of credit	2,000,000
Due to related parties	<u>112,904</u>
Total current liabilities	<u>2,640,194</u>

Long-term liabilities:

Note payable	6,950,000
Nonqualified deferred compensation plan liability	<u>445,000</u>
Total long-term liabilities	<u>7,395,000</u>

Total liabilities 10,035,194

Stockholder's equity:

Controlling interest	
Common stock, no par value	
1,000 shares authorized	
100 shares issued and outstanding	100
Additional paid in capital	2,177,038
Retained earnings	<u>16,740,757</u>

Total controlling interest 18,917,895

Non-controlling interest 99

Total stockholder's equity 18,917,994

Total liabilities and stockholder's equity \$ 28,953,188

see accompanying notes

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF OPERATIONS**

For the year ended December 31, 2020

REVENUES	
Developer fees	\$ 10,803,087
Management fees	143,360
Sublease income	468,556
PPP loan forgiveness	915,809
Total revenues	<u>12,330,812</u>
OPERATING EXPENSES	
Compensation and benefits	5,691,439
Insurance	904,435
Bad debt expense	700,309
Consulting and professional fees	544,475
Payroll taxes	450,521
Rent	395,383
General and administrative	346,379
Utilities	119,971
Deferred compensation	75,000
Office expenses	74,793
Depreciation expense	73,990
Advertising	65,610
Repairs and maintenance	46,003
Real estate taxes	42,995
Other expenses	30,984
Meals and entertainment	12,041
Travel	11,352
Total operating expenses	<u>9,585,680</u>
Operating income	2,745,132
OTHER INCOME (EXPENSES)	
Investment and interest income	519,920
Gain on marketable securities	97,087
Interest expense	(228,082)
Net other income and (expenses)	<u>388,925</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	3,134,057
Provision for income taxes	<u>39,957</u>
NET INCOME	<u>\$ 3,174,014</u>

see accompanying notes

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY
For the year ended December 31, 2020

	Controlling Interest						
	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Controlling Interest	Non-controlling Interest	Total Stockholder's Equity
	Shares	Amount					
BALANCE, JANUARY 1, 2020	100	\$ 100	\$ 2,967,000	\$ 13,566,743	\$ 16,533,843	\$ 99	\$ 16,533,942
Stockholder contributions	-	-	180,000	-	180,000	-	180,000
Stockholder distributions	-	-	(969,962)	-	(969,962)	-	(969,962)
Net income	-	-	-	3,174,014	3,174,014	-	3,174,014
BALANCE, DECEMBER 31, 2020	100	\$ 100	\$ 2,177,038	\$ 16,740,757	\$ 18,917,895	\$ 99	\$ 18,917,994

see accompanying notes

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	\$ 3,174,014
Adjustments to reconcile net income to net cash provided by operating activities:	
PPP loan forgiveness	(915,809)
Gain on marketable securities	(97,087)
Depreciation expense	73,990
Bad debt expense	700,309
(Increase) decrease in operating assets	
Marketable securities	(18,199)
Developer fees receivable - related parties	889,120
Management fees receivable	(120,898)
Prepaid expenses and deposits	74,022
Increase (decrease) in operating liabilities	
Accounts payable	(282,209)
Accrued expenses	3,222
Nonqualified deferred compensation plan liability	75,000
Rent payable	586
Net cash provided by operating activities	<u>3,556,061</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Funding of notes receivable - related parties	(2,497)
Purchase of property and equipment	(16,372)
Purchase of leasehold improvements	(6,750)
Advances from related parties	112,904
Payment of project cost advances - related parties	(457,772)
Net cash used in investing activities	<u>(370,487)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Contributions from sole stockholder	180,000
Distributions to sole stockholder	(969,962)
Proceeds from PPP loan	915,809
Advances to related parties	(402,683)
Proceeds from note payable	6,950,000
Payment of note payable - related party	(1,950,000)
Net cash provided by financing activities	<u>4,723,164</u>
 Net change in cash, cash equivalents and restricted cash	 7,908,738
 Cash, cash equivalents and restricted cash at beginning of year	 <u>536,275</u>
 Cash, cash equivalents and restricted cash at end of year	 <u>\$ 8,445,013</u>
 Cash and cash equivalents	 \$ 8,445,013
Restricted cash	-
Total cash, cash equivalents and restricted cash	<u>\$ 8,445,013</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid for interest during the year	<u>\$ 228,082</u>

see accompanying notes

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and purpose

Chelsea Investment Corporation (the “Company”) was established in February 2004, as a real estate company focusing on the financing and development of affordable housing in Arizona, California and New Mexico. The Company provides financial engineering, development, asset management, and property management services, as well as legal and labor services to its development and investment partners and clients.

Basis of accounting

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

Principles of consolidation

The accompanying consolidated financial statements include the assets, liabilities, and financial activities of the Company and its wholly-owned subsidiaries CIC Calipatria, LLC, CIC Heber, LLC, CIC Beachwind, LLC, and Ajax-Natomas, LLC. In addition, the Company is required to consolidate the financial statements of 15th Investment CIC, LLC, as the Company is deemed to have control. All inter-company accounts and transactions have been eliminated in consolidation.

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.

Economic concentrations

The Company develops property for the affordable rental housing market. Future operations could be affected by changes in economic or other conditions in the Company’s geographical area or by changes in the demand for housing.

Cash and cash equivalents

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

Concentration of credit risk

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

Investments in securities

The Company’s investments in marketable securities are recorded at fair value measured at each reporting period. The fair value of the investments is based on quoted prices in active markets, and any gain or loss is reported on the statement of operations. The cost of securities sold is based on the specific identification method. Interest on marketable securities is included in investment and interest income on the accompanying consolidated statement of operations.

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurements

The Company applies the accounting provisions related to fair value measurements. Accounting Standards Codification (ASC) 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. As prescribed in ASC 820, fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This accounting guidance establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three levels of the fair value hierarchy: (1) the fair value is based on quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date; (2) the fair value is based on significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data; and (3) the fair value is based on significant unobservable inputs that reflect the Company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Accounts receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are generally written off through a charge to the valuation allowance and a credit to trade accounts receivable. As of December 31, 2020, the balance of the partnership management fees receivable and the allowance for doubtful accounts for partnership management fees receivable was \$1,326,937. Bad debt expense for the year ended December 31, 2020 was \$700,309.

Fixed assets

The Company records all depreciable assets at cost. Property and equipment are depreciated on a straight-line method over their estimated useful lives of five to seven years. Leasehold improvements are depreciated on a straight-line method over their estimated useful lives of fifteen years.

Loans receivable and allowance for loan losses

Loans receivable are stated at unpaid principal balances, less an allowance for loan losses.

The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loan loss experience, known and other risks inherent in the portfolio, specific impaired loans, and adverse situations. Although management uses available information to recognize losses on loans, because of uncertainties associated with local economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that a material change could occur in the allowance for loan losses in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans receivable and allowance for loan losses (continued)

The Company considers a loan impaired when based on current information or factors, it is probable that the Company will not collect the principal and interest payments according to the loan agreement. Management considers many factors in determining whether a loan is impaired, such as payment history and value of collateral. Loans that are contractually delinquent less than 90 days are generally not considered impaired, unless the borrower has claimed bankruptcy or the Company has received specific information concerning the loan impairment. The Company reviews delinquent loans to determine impaired accounts. The Company measures impairment on a loan-by-loan basis by either using the fair value of collateral or the present value of expected cash flows. Substantially all of the Company loans that are identified as impaired have been measured using the fair value of the collateral.

The Company's key credit quality indicator is a loan's performance status, defined as accruing or non-accruing. Performing loans are considered to have a lower risk of loss, while nonaccrual loans are those which the Company believes have a higher risk of loss. Loans that are 90 days or more past due, based on the contractual terms of the loan, are classified on nonaccrual status. Loans may also be placed on nonaccrual status when management believes, after considering economic conditions, business conditions, and collection efforts, that the loans 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.

A loan previously classified on nonaccrual status will resume accruing interest based on the contractual terms of the loan when payments on the loan become current. Loans may also resume accruing interest if management no longer believes a loan is impaired or the collection of principal and interest is no longer in doubt.

Partnership investments

The consolidated wholly-owned subsidiaries of the Company hold co-general partner interests in affiliated affordable housing limited partnerships. These co-general partner interests are recorded at cost pursuant to the measurement alternative provided by FASB ASC 321. The fair value of the investments is not estimated if there are no identified changes that may have a significant adverse effect on the fair value of the investments. As of December 31, 2020, the investment of the subsidiaries in the affiliated affordable housing limited partnerships was \$0.

Non-controlling interest in subsidiary

The non-controlling interest represents the aggregate positive balance of the other members' interest in 15th Investment CIC, LLC, and is reported in the aggregate on the consolidated balance sheet within equity and on the consolidated statement of stockholder's equity, separately from the Company's equity.

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of long-lived assets

The Company 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 flows 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 flow analysis, or other valuation technique. There were no impairment losses recognized during 2020.

Income taxes

By consent of the stockholder, the Company elected to be taxed as an S corporation beginning with the year ended December 31, 2004. Federal and state income taxes on the earnings of an S corporation are payable by the sole stockholder. However, California assesses an additional tax of 1.50% on the taxable income, net of certain credits.

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires the Company to report information regarding its exposure to various tax positions taken by the Company. Management has determined whether any tax positions have met the recognition threshold and has measured the Company's exposure to those tax positions. Management believes that the Company 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 Company are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Lease expenses

Expenses resulting from leases are recognized when incurred. Lease expense from an operating lease is incurred on a straight-line basis over the lease term. Interest expense is incurred on a capital lease obligation to produce a constant periodic rate of interest on the remaining balance of the obligation.

Lease classifications

The Company considers multiple factors in determining the classification of leases as either capital or operating leases, such as ownership at the end of the lease term, bargain purchase options, lease term, present value of minimum lease payments, fair value and useful life of the underlying asset(s), and whether there is significant uncertainty regarding future costs or collectability of lease payments. See Notes 4 and 7 for further discussion of the Company's lease transactions.

Revenue recognition

The Company recognizes revenue when it is realized or realizable and earned. Revenue consists of the income from various partnerships, including incentive management fees, partnership administration fees, and consulting fees. The Company considers revenue realized or realizable and earned when it has persuasive evidence of an arrangement, the services have been provided and collectability is reasonably assured.

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers

Revenue from contracts with customers consists of fees earned for construction and development services provided. The Company considers revenue from contracts with customers realized or realizable and earned when it has satisfied certain performance obligations pursuant to such contracts. Performance obligations are satisfied over time as services are rendered and revenue is recognized based on the estimated percentage of time incurred for each performance obligation. The Company records contract assets for revenue recognized in excess of the amount billed to and received from the customer, which are included in developer fees receivable on the accompanying consolidated balance sheet.

Deferred compensation expenses

The costs of deferred compensation arrangements are accrued over the period of employees' service to which they relate.

Advertising

Advertising costs are expensed as incurred. For the year ended December 31, 2020, the Company incurred \$65,610 in advertising costs.

Subsequent events

Subsequent events have been evaluated through April 22, 2021, which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

NOTE 2 – MARKETABLE SECURITIES

Marketable securities held by the Company consist of investments purchased at an aggregate cost of \$2,246,504. As of December 31, 2020, the fair market value of the marketable securities was \$2,396,910. Gains and losses are reported in net income on the accompanying consolidated statement of operations. During 2020, the gain on marketable securities was \$97,087.

NOTE 3 – FIXED ASSETS

Fixed assets consist of the following as of December 31, 2020:

Property and equipment, at cost	\$ 662,412
Leasehold improvements, at cost	224,469
Accumulated depreciation	<u>(683,616)</u>
Total fixed assets, net	<u>\$ 203,265</u>

Depreciation expense for the year ended December 31, 2020 was \$73,990.

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE 4 – RELATED PARTY TRANSACTIONS

Notes receivable

Notes receivable with related parties consist of the following as of December 31, 2020:

	<u>Amount</u>
The Company has a promissory note with a related entity for \$72,774. This note bears no interest and is payable in whole or in part any time with no penalty. As of December 31, 2020, the balance on this promissory note was \$31,497.	\$ <u>31,497</u>
Total notes receivable – related parties	\$ <u><u>31,497</u></u>

Project cost advances

The Company and its affiliates have expended certain amounts for projects that it expects will be funded and completed in the future. These amounts are capitalized as the Company expects they will be reimbursed in the future. Any costs associated with projects that cease being feasible for future development are expensed, when the determination is made that feasibility is no longer assured.

Project costs advances consist of the following as of December 31, 2020:

Total project cost advances – related parties	\$ 4,690,874
Less: current portion of project costs advances – related parties	<u>(2,966,650)</u>
Project cost advances – related parties, less current portion	\$ <u><u>1,724,224</u></u>

Developer fees

Developer fees are fees the Company receives for providing development and construction services to associated projects, which are based on contracts with various project developer entities associated with the Company. Balances are recorded at amounts expected to be realized as performance obligations are satisfied under the contracts, as further discussed in Note 1. For the year ended December 31, 2020, developer fees earned were \$10,803,087.

The developer fees receivable balance is recorded at amounts expected to be realized in excess of the amount billed to and received from the customer. Payments for developer fees are due upon scheduled equity installments which correspond to certain milestones achieved for each project. These milestone payments typically begin upon the start of construction and end upon the receipt of IRS Form 8609s by each project. As of December 31, 2020, management estimated no allowance for uncollectible developer fees receivable.

As of December 31, 2020, the contract assets balance is as follows:

Beginning balance	\$ 12,367,718
Revenue recognized	10,803,087
Revenue received	<u>(11,692,207)</u>
Ending balance	\$ <u><u>11,478,598</u></u>

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

Developer fees (continued)

Developer fees receivable consist of the following as of December 31, 2020:

Total developer fees receivable – related parties	\$ 11,478,598
Less: current portion of developer fees receivable – related parties	(7,974,708)
Developer fees receivable- related parties, less current portion	\$ 3,503,890

Partnership management fees

The Company receives partnership management fees from associated properties after they have been completed. The management fees are accrued on the Company’s books as services are rendered and are paid out of available cash flow, if any, of the partnerships. For the year ended December 31, 2020, partnership management fees of \$120,898 were earned and are included in management fees revenue on the consolidated statement of operations. During 2020, an allowance of \$120,898 was reserved for the partnership management fees receivable which is included in bad debt expense on the accompanying consolidated statement of operations.

Partnership management fees receivable consist of the following as of December 31, 2020:

Total partnership management fees receivable – related parties	\$ 1,326,937
Less: reserve for allowance for doubtful accounts	(1,326,937)
Partnership management fees receivable – related parties, net	\$ -

Incentive management fee

Pursuant to an incentive management fee agreement between the Company and CIC PHR, LP (“PHR”) dated September 1, 2002, an incentive management fee equal to 5.4% of gross revenues or 76.5% of remaining cash flow from PHR, shall be earned by the Company for consultative services. For the year ended December 31, 2020, there was no management fee earned or paid.

Pursuant to an incentive management fee agreement between the Company and CIC Villas II, LP (“Villa Glen”) dated June 1, 2002, an incentive management fee equal to 5.4% of gross revenues or 76.5% of remaining cash flow from Villa Glen, shall be earned by the Company for consultative services. For the year ended December 31, 2020, a management fee of \$19,962 was earned and paid, and is included in management fees revenue on the accompanying consolidated statement of operations.

Operating lease

The Company leases certain building space from a related party under a non-cancelable operating lease that will expire December 31, 2026. This agreement requires aggregate monthly payments of \$23,430 plus the proportionate share of common area maintenance expenses, with monthly payments increasing 3% annually every January. Rent expense, which includes common area expenses, for the year ended December 31, 2020 was \$395,383. As of December 31, 2020, accrued rent payable was \$135,492.

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

Operating lease (continued)

Future minimum lease payments, by year end and in the aggregate, under the non-cancelable lease, consist of the following as of December 31, 2020:

2021		\$	316,448
2022			325,941
2023			335,720
2024			345,791
2025			356,165
Thereafter			366,850
Total			\$ 2,046,915

Operating lease – sublease

The Company subleases certain building space under non-cancelable operating leases with CIC Management Inc. (“CICM”) and Emmerson Construction, Inc. (“Emmerson”) that will expire December 31, 2028. Under the sub-lease with CICM, CICM subleases 10% of the office space for a monthly payment of \$2,486, with monthly payments increasing 3% annually every January. Under the sublease with Emmerson, Emmerson subleases 40% of the office space for a monthly payment of \$9,943, with monthly payments increasing 3% annually every January. Sublease income, which includes reimbursements for common area expenses, for the year ended December 31, 2020 was \$468,556. As of December 31, 2020, sublease rent receivable was \$118,515, which is included in due from related parties on the accompanying consolidated balance sheet.

Future minimum lease payments receivable, by year end and in the aggregate, under the non-cancelable lease, consist of the following as of December 31, 2020:

2021		\$	158,224
2022			162,971
2023			167,860
2024			172,896
2025			178,083
Thereafter			566,954
Total			\$ 1,406,988

Advances due from related parties

The Company has advanced funds to certain related parties that it expects will be reimbursed. Such advances do not bear interest. As of December 31, 2020, the outstanding amount of advances due from related parties was \$1,458,299, which is included in due from related parties on the accompanying consolidated balance sheet.

Advances due to related parties

The Company was advanced funds from certain related parties. Such advances are payable and do not bear interest. As of December 31, 2020, the outstanding amount of advances due to related parties was \$112,904.

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

Note payable

On April 17, 2019, the Company entered into a promissory note with a related party for \$1,950,000. The note bore interest at 6.00% per annum and interest payments were due in monthly installments commencing the month following the execution of the note through April 17, 2020 (the “Maturity Date”). The entire unpaid principal balance and any interest accrued were due on the Maturity Date. As of December 31, 2020, the outstanding balance was paid in full.

NOTE 5 – LINE OF CREDIT

The Company has a line of credit agreement with Banner Bank, with an available credit line of \$3,000,000, which is scheduled to mature on September 25, 2021. The line of credit bears interest at a variable interest rate. As of December 31, 2020, the interest rate was 5.00%. As of December 31, 2020, the outstanding balance on the line of credit was \$2,000,000.

The line of credit agreement contains certain financial covenants, which if not met, could make the debt callable. The Company is in compliance with all covenants at December 31, 2020.

NOTE 6 – NOTE PAYABLE

On November 25, 2020, the Company entered into an unsecured promissory note with Banner Bank under the Main Street Lending Program (“MSLP”) in the amount of \$6,950,000. The note bears interest at annual interest rate equal to the LIBOR rate plus 3.00% commencing on the funding date of the loan. Interest payments are due in monthly installments commencing on December 25, 2021 through November 25, 2025 (the “MSLP Maturity Date”). All accrued and unpaid interest outstanding as of November 25, 2021 will be added to the outstanding principal balance of the note (the “Capitalized Interest”). On November 25, 2023 and November 25, 2024, principal payments of \$1,042,500 plus an amount equal to 15% of any Capitalized Interest are due. The entire unpaid principal balance and any interest accrued are due on the MSLP Maturity Date. The loan is subject to certain certifications and covenants, which if not met, could make the debt callable. As of December 31, 2020, the outstanding principal balance was \$6,950,000 and there was no accrued interest.

Minimum future principal payments consist of the following as of December 31, 2020:

2021	\$	-
2022		-
2023		1,042,500
2024		1,042,500
2025		4,865,000
Total		\$ 6,950,000

NOTE 7 – CAPITAL LEASE

The Company leases two copy machines under a non-cancelable capital lease that expired on July 12, 2020. This agreement required monthly payments of \$4,424, plus applicable charges and taxes. As of December 31, 2020, the outstanding lease liability was \$0.

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE 8 – COMMITMENT AND CONTINGENCIES

The Company is a party to certain payment and completion guarantees in connection with bank construction loans made for twelve projects as of December 31, 2020 in the aggregate amount of \$133,434,694. All twelve projects are currently on schedule and are expected to be completed in 2021 and 2022. As of December 31, 2020, the Company expects that it will not be liable for any amount under the guarantees for these twelve projects.

The Company is liable for guarantees of funding at various operating projects in the event that operating deficits occur. These guarantees, if required, are satisfied by making loans to such projects. The obligations to fund the operating deficits expire between 3 and 5 years after the projects convert to permanent financing. As of December 31, 2020, the Company has made an operating deficit loan in the amount of \$31,497, as shown in Note 4.

The Company has committed to third party Investor Limited Partners and lenders, in connection with their investments made and bank construction loans guaranteed for various projects, to maintain certain net worth and net liquidity requirements. As of December 31, 2020, the Company's most restrictive commitment was to maintain a net worth of not less than \$5,000,000 and net unencumbered liquid assets of not less than \$2,500,000 at all times that any portion of the guaranteed bank construction loan is outstanding. As of December 31, 2020, the Company was in compliance with these covenants.

NOTE 9 – PROVISION FOR INCOME TAXES

The Company is a California S Corporation and pays California a tax of 1.5%, a minimum of \$800 each year, on its apportioned taxable income, net of credits. The consolidated subsidiaries are primarily California limited liability companies that pay a California annual minimum tax of \$800.

The provision for income taxes consisted of the following for the year ended December 31, 2020:

Current income tax provision – state	\$ <u>(39,957)</u>
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NOTE 10 – EMPLOYEE RETIREMENT PLAN

On August 16, 2006, the Company adopted a 401(k) plan and profit sharing plan covering substantially all employees of the Company. Annual discretionary employer matching contributions, if any, are equal to a safe harbor matching contribution provided by the Company to employees who elect the salary deferral. For the year ended December 31, 2020, the matching contributions paid by the Company were \$48,659, which is included in general and administrative expense on the accompanying consolidated statement of operations.

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE 11 – NONQUALIFIED DEFERRED COMPENSATION PLAN

On December 1, 2014, the Company adopted an unfunded nonqualified deferred compensation plan (the “Plan”) for certain eligible employees of the Company. Pursuant to the Plan, a discretionary contribution is made each year for each active participant. The participant is fully vested in a contribution for a given year upon remaining continuously employed by the Company for a duration of five years following the end of the year for which the contribution is made while active in the Plan. A rate of return of 3% is earned on the beginning balance of active participant accounts at the end of each year. During 2020, the expense for deferred compensation was \$75,000. As of December 31, 2020, the outstanding Plan liability was \$445,000.

The Plan assets consisted of the following during 2020:

Beginning balance, January 1, 2020	\$ 639,486
Company contributions during 2020	-
Forfeitures during 2020	(187,319)
Earnings accrued during 2020	<u>13,565</u>
Ending balance, December 31, 2020	<u>\$ 465,732</u>

As of December 31, 2020, the balance fully vested to employees under the plan was \$29,851.

NOTE 12 – PAYCHECK PROTECTION PROGRAM LOAN

During 2020, the Company received a forgivable loan from Banner Bank under the Paycheck Protection Program (the “PPP Loan”) in the amount of \$915,809. The Company may apply for forgiveness of the PPP Loan after incurring certain qualified costs, as specified in the loan agreement. As of December 31, 2020, management believes the Company had incurred sufficient costs to qualify for forgiveness; however, the forgiveness application had not yet been submitted. For the year ended December 31, 2020, the Company recognized loan forgiveness income of \$915,809.



Property Name	Partnership Name	Address	City	State	Zip	County	Units	Type	Historical Cost	Year Built/Rehabilitated	Year Acquired	LIHTC Investor	Lender	Compliance Period End	Loan Maturity	Recorder (Y/N)
1	De Anza Hotel	233 East 4th Street	Imperial	CA	92231	Imperial	94	Senior/9%	\$ 5,825,000	1949/1998	1997	N/A	HCD CHRP	2012	05/01/27	No
2	St. Regis Park	1025 Broadway	Chula Vista	CA	91911	San Diego	119	Family	\$ 9,519,000	1979/2000/2019	2000	Raymond James	Citi Community Capital	2015	10/01/35	No
3	Villa Serena	1231 Medical Center Drive	Chula Vista	CA	91911	San Diego	132	Senior	\$ 8,486,000	2000	1999	N/A	Citi Community Capital	2014	09/01/30	No
4	Regency Centre	12759 Home Avenue	San Diego	CA	92105	San Diego	100	Family	\$ 14,710,000	1976/2001/2019	2018	Raymond James	Citi Community Capital	2033	04/01/35	No
5	Seabreeze Farms	Longacres at Seabreeze Farms, LP	San Diego	CA	92130	San Diego	38	Family/9%	\$ 5,169,000	2001	2000	N/A	Orix Real Estate Capital	2015	04/01/32	No
6	Villa de Las Flores	VDFL, LP	Imperial	CA	92231	Imperial	80	Senior/9%	\$ 7,529,000	2001	2000	N/A	Formula Too	2015	12/31/30	No
7	Torrey Highlands	THA, LP	San Diego	CA	92129	San Diego	76	Family	\$ 8,658,000	2002	2001	N/A	PNC	2016	12/01/23	No
8	Brawley Family	BFA, LP	Imperial	CA	92227	Imperial	80	Family/9%	\$ 9,714,000	2002	2002	N/A	Rabobank	2016	08/28/28	No
9	Calexico Family	CFA, LP	Imperial	CA	92231	Imperial	80	Family/9%	\$ 10,351,000	2003	2002	N/A	Rabobank	2017	08/28/21	No
10	Market Square Manor	Market Square Manor Associates, LP	San Diego	CA	92101	San Diego	200	Senior/9%	\$ 19,209,000	2003	2002	Highridge Costa	Berkadia	2017	07/01/22	No
11	Villa Andalucia	CIC Villas, LP	San Diego	CA	92130	San Diego	32	Family	\$ 4,448,000	2003	2002	N/A	Citi Community Capital	2018	02/01/35	No
12	Villa Glen	CIC Villas II, LP	San Diego	CA	92129	San Diego	26	Family	\$ 4,211,000	2003	2002	N/A	Citi Community Capital	2017	02/01/35	No
13	Villa Lara	VLA, LP	Imperial	CA	92251	Imperial	80	Family/9%	\$ 9,768,000	2002	2002	N/A	Citi Community Capital	2016	07/01/29	No
14	Windwood Village	CIC PHR, LP	San Diego	CA	92130	San Diego	92	Family	\$ 13,936,000	2003	2002	Boston Financial	US Bank	2017	10/01/34	No
15	Countryside	CIC Countryside, LP	El Centro	CA	92243	Imperial	73	Family	\$ 9,571,000	2004	2003	N/A	Orix Real Estate Capital	2018	03/01/32	No
16	Holtville Gardens	Holtville Gardens, LP	Holtville	CA	92250	Imperial	81	Senior	\$ 9,309,000	2004	2003	N/A	Orix Real Estate Capital	2018	07/01/54	No
17	Imperial Gardens	IGA, LP	Imperial	CA	92251	Imperial	81	Senior	\$ 8,840,000	2004	2003	N/A	Orix Real Estate Capital	2019	03/01/32	No
18	Mariposa	CIC Calavera, LP	Carlsbad	CA	92010	San Diego	106	Family	\$ 16,809,000	2004	2003	N/A	Orix Real Estate Capital	2018	06/01/35	No
19	Rancho Buena Vista	CIC Eastlake, LP	Chula Vista	CA	91915	San Diego	150	Family	\$ 23,615,000	2005	2003	Wentwood	Orix Real Estate Capital	2019	05/01/36	No
20	Rancho del Norte	Santaluz Family Apartments, LP	San Diego	CA	92127	San Diego	119	Family	\$ 21,991,000	2005	2003	Boston Financial	Wells Fargo	2019	01/01/36	No
21	Westmorland Family	WFA, LP	Westmorland	CA	92281	Imperial	65	Family	\$ 10,094,000	2004	2003	N/A	Orix Real Estate Capital	2018	07/01/54	No
22	Brawley Gardens	Brawley Gardens, LP	Brawley	CA	92227	Imperial	81	Family	\$ 13,730,000	2005	2004	N/A	Orix Real Estate Capital	2019	07/01/54	No
23	Brawley Senior	BESA, LP	Brawley	CA	92227	Imperial	81	Senior	\$ 10,825,000	2005	2004	Boston Financial	Citi Community Capital	2019	12/01/41	No
24	Heber Woods	Heber Family, LP	Heber	CA	92249	Imperial	81	Family	\$ 14,465,000	2005	2004	N/A	Orix Real Estate Capital	2019	07/01/54	No
25	Fairbanks Ridge	CIC Fairbanks, LP	San Diego	CA	92127	San Diego	204	Family	\$ 46,900,000	2006	2005	The Richman Group	US Bank	2020	06/01/37	No
26	The Crossings	CIC Crossings, LP	San Diego	CA	92130	San Diego	108	Family	\$ 20,846,000	2006	2005	Boston Financial	Berkadia	2020	11/01/36	No
27	City Heights Square	City Heights Square, LP	San Diego	CA	92105	San Diego	150	Senior/9%	\$ 32,500,000	2007	2006	Wentwood	Red Capital	2021	09/01/26	No
28	Hunters Pointe	CIC La Costa, LP	Carlsbad	CA	92009	San Diego	168	Family	\$ 42,289,000	2007	2006	Boston Financial	Oak Grove Capital	2021	11/01/46	No
29	Villa Dorada	Calexico II, LP	Imperial	CA	92231	Imperial	80	Family	\$ 15,465,000	2007	2006	Boston Financial	USDA	2021	07/01/40	No
30	Villa Paloma	Heber Family II, LP	Heber	CA	92249	Imperial	72	Family	\$ 15,738,000	2007	2006	The Richman Group	US Bank	2021	05/01/38	No
31	Glen Ridge	CIC Glen Ridge, LP	Carlsbad	CA	92010	San Diego	78	Family	\$ 20,499,000	2008	2007	Boston Financial	US Bank	2022	12/01/52	No
32	The Landings	CIC Landings, LP	Chula Vista	CA	91915	San Diego	92	Family	\$ 27,800,000	2008	2007	Boston Financial	US Bank	2022	12/01/52	No
33	16th & Market	16th and Market, LP	San Diego	CA	92101	San Diego	136	Special Needs	\$ 46,000,000	2008	2007	The Richman Group	US Bank	2022	12/01/44	No
34	Villa Esperanza	Calipatria Family Apts., LP	Calipatria	CA	92233	Imperial	72	Family	\$ 14,900,000	2008	2007	The Richman Group	CCRC	2022	11/01/39	No
35	Willow Glen	CIC Natomas, LP	Sacramento	CA	95834	Sacramento	135	Family	\$ 29,026,000	2009	2007	The Richman Group	MMA	2023	04/01/56	No
36	Beachwind Court	Beachwind Court, LP	Imperial Beach	CA	91932	San Diego	15	Family	\$ 4,122,000	1986/2009	2008	The Richman Group	Orix Real Estate Capital	2023	07/01/54	No
37	Courtyard Terraces	Dawson Ave. Senior Apts., LP	San Diego	CA	92115	San Diego	88	Senior/9%	\$ 24,546,000	2010	2008	Bank of America	CCRC	2024	01/01/29	No
38	Cedar Creek	Fanita 48, LP	Santee	CA	92071	San Diego	48	Family	\$ 13,707,000	2010	2009	Boston Financial	US Bank	2025	04/01/26	No
39	Silver Sage	Silver Sage CIC, LP	Lakeside	CA	92040	San Diego	80	Family	\$ 24,084,000	2010	2009	Boston Financial	US Bank	2025	08/01/41	No
40	City Place	CIC South Mill Creek, LP	Bakersfield	CA	93301	Kern	70	Family/9%	\$ 17,566,000	2011	2010	US Bank	US Bank	2025	04/01/27	No
41	Oakridge	CIC Oakridge Apts., LP	Oakdale	CA	95361	Stanislaus	41	Family	\$ 5,831,000	1984/2011	2010	Boston Financial	Bonneville	2024	07/05/49	No
42	The Landings II	Landings II, LP	Chula Vista	CA	91915	San Diego	143	Family	\$ 47,632,000	2012	2010	Raymond James	US Bank	2025	07/01/43	No
43	Verbena	Verbena San Ysidro, LP	San Ysidro	CA	92173	San Diego	80	Family/9%	\$ 25,657,000	2011	2010	The Richman Group	Impact CIL LLC	2025	03/01/30	No
44	Estrella del Mercado	Mercado CIC, LP	San Diego	CA	92113	San Diego	92	Family/9%	\$ 64,112,000	2012	2011	Raymond James	Citi Community Capital	2026	06/01/28	No
45	Las Brisas	CIC El Centro Family Apts., LP	El Centro	CA	92243	Imperial	72	Family	\$ 18,057,000	2012	2011	Boston Financial	Rabobank	2026	01/01/44	No
46	Park Terramar	Terramar CIC, LP	San Diego	CA	92123	San Diego	21	Family	\$ 7,630,000	2012	2011	US Bank	US Bank	2026	08/01/27	No
47	Villa Del Sol	Calexico Andrade, LP	Calexico	CA	92231	Imperial	52	Family/9%	\$ 10,958,000	2012	2011	Boston Financial	USDA	2025	08/25/44	No
48	Villa Fortuna	Brawley Pioneers, LP	Brawley	CA	92227	Imperial	76	Family/9%	\$ 15,555,000	2012	2011	The Richman Group	USDA	2025	08/25/44	No
49	El Quintero	De Anza II CIC, LP	Calexico	CA	92231	Imperial	54	Senior	\$ 8,844,000	2012	2012	The Richman Group	Rabobank	2026	10/30/67	No
50	Emperor Estates	Dinuba Senior Apartments CIC, LP	Dinuba	CA	93618	Tulare	62	Senior/9%	\$ 13,974,000	2013	2012	The Richman Group	Rabobank	2027	02/01/68	No
51	Iris	Iris Apartments CIC, LP	Encinitas	CA	92024	San Diego	20	Family/9%	\$ 12,752,000	2012	2012	Raymond James	Citi Community Capital	2027	03/19/29	No
52	Fairbanks Commons	Fairbanks Commons CIC, LP	San Diego	CA	92127	San Diego	165	Family	\$ 84,102,000	2014	2012	US Bank	Citi Community Capital	2028	06/01/45	No
53	Park Place	Michigan Drive CIC LLLP	Hobbs	NM	88240	Lea	88	Family	\$ 11,623,000	1978/2014	2013	The Richman Group	US Bank	2027	01/01/29	No
54	Cesar Chavez	Vista Montana Coachella, LP	Coachella	CA	92236	Riverside	56	Family	\$ 14,271,000	2013	2013	US Bank	US Bank	2028	01/27/47	No
55	Fairbanks Square	Fairbanks Square CIC, LP	San Diego	CA	92127	San Diego	100	Senior	\$ 42,951,000	2014	2013	US Bank	Citi Community Capital	2029	10/01/30	No
56	Versa	Versa CIC, LP	San Diego	CA	92108	San Diego	150	Senior/9%	\$ 84,275,000	2015	2013	Raymond James	Citi Community Capital	2029	04/01/31	No
57	Independence Point	WJJ CIC, LP	San Diego	CA	92113	San Diego	32	Special Needs	\$ 10,201,000	2015	2014	US Bank	N/A	2029	N/A	No
58	Mill Creek Courtyard	Mill Creek Courtyard CIC, LP	Bakersfield	CA	93301	Kern	62	Senior	\$ 6,922,000	2015	2014	US Bank	N/A	2029	N/A	No
59	Las Palmeras	Las Palmeras Imperial, LP	Imperial	CA	92251	Imperial	56	Family	\$ 9,969,000	2015	2014	Raymond James	USDA	2029	07/12/71	No
60	Villa Primavera	Villa Primavera CIC, LP	Calexico	CA	92231	Imperial	48	Special Needs	\$ 9,317,000	2015	2014	CREA	N/A	2029	N/A	No
61	Westminster Manor	Westminster Manor, LP	San Diego	CA	92101	San Diego	152	Senior	\$ 28,696,000	1972/2015	2014	The Richman Group	Union Bank	2029	07/27/31	No
62	Rancho Del Sol	Unit 24 CIC, LP	San Diego	CA	92103	San Diego	96	Family	\$ 11,967,000	2016	2015	Raymond James	Union Bank	2030	10/01/31	No
63	Trolley Park Terrace	Trolley Residential CIC, LP	San Diego	CA	92102	San Diego	52	Family	\$ 13,568,000	2016	2015	Raymond James	Citi Community Capital	2031	01/01/48	No
64	Mill Creek Village	Mill Creek Village CIC, LP	Bakersfield	CA	93301	Kern	63	Senior	\$ 23,008,000	2016	2015	The Richman Group	N/A	2031	N/A	No
65	Ouchi Courtyard	Ouchi CIC, LP	San Diego	CA	92113	San Diego	45	Family/9%	\$ 20,561,000	2016	2015	Union Bank	Union Bank	2031	11/01/32	No
66	Torrey Vale	Torrey Vale CIC, LP	San Diego	CA	92103	San Diego	28	Family	\$ 4,986,000	2016	2015	The Richman Group	Citi Community Capital	2031	04/15/32	No
67	Duetta	F Street Family CIC, LP	Chula Vista	CA	91913	San Diego	87	Family	\$ 16,105,000	2017	2016	Raymond James	Citi Community Capital	2032	05/01/33	No
68	Volta	G Street Seniors CIC, LP	Chula Vista	CA	91913	San Diego	123	Senior	\$ 17,060,000	2017	2016	Raymond James	Citi Community Capital	2032	05/01/33	No
69	Mesa Verde	Mesa Verde CIC, LP	San Diego	CA	92120	San Diego	90	Family	\$ 17,174,000	2018	2016	The Candeur Group	Citi Community Capital	2033	10/15/53	No
70	Fairbanks Terrace	Fairbanks Terrace CIC, LP	San Diego	CA	92127	San Diego	83	Senior	\$ 10,204,000	2017	2016	US Bank	Citi Community Capital	2032	11/03/32	No
71	Roselawn Manor	Roselawn Manor CIC, LLLP	Artesia	NM	88210	Eddy	63	Family/9%	\$ 10,861,000	2017	2016	The Richman Group	US Bank	2032	06/01/58	No
72	Parkside Terrace	Parkside Terrace CIC, LLLP	Hobbs	NM	88240	Lea	65	Family/9%	\$ 11,076,000	2017	2016	The Richman Group	Citi Community Capital	2032	12/01/36	No
73	Juniper at the Preserve	Quarry Creek CIC, LP	Carlsbad	CA	92010	San Diego	64	Family	\$ 10,828,000	2017	2016	Raymond James	Citi Community Capital	2032	07/11/33	No
74	Villa Storia	Villa Storia CIC, LP	Oceanside	CA	92057	San Diego	38	Family	\$ 5,911,000	2017	2016	The Richman Group	Citi Community Capital	2032	12/01/34	No
75	Cesar Chavez II	Vista Montana Phase II, LP	Coachella	CA	92236	Riverside	80	Family/9%	\$ 14,236,000	2018	2017	US Bank	Rabobank	2033	05/12/34	No
76	The Loft at Normal Heights	Normal Heights CIC, LP	San Diego	CA	92105	San Diego	53	Special Needs	\$ 11,173,000	2019	2017	Union Bank	CalHFA	2033	TBD	No
77	Siena	Civita II 9% CIC, LP	San Diego	CA	92018	San Diego	103	Senior/9%	\$ 18,373,000	2019	2018	Raymond James	Citi Community Capital	2033	TBD	Yes
78	Stylus	Civita II 4% CIC, LP	San Diego	CA	92018	San Diego	203	Family	\$ 70,746,000	2020	2018	Raymond James	Citi Community Capital	2033	TBD	Yes
79	Pacifica	Playa del Sol CIC, LP	San Diego	CA	92154	San Diego	42	Family	\$ 12,607,000	2019	2018	The Richman Group	Banner Bank	2033	05/30/55	No
80	Schmale Senior	Ramona Senior CIC, LP	Ramona	CA	92065	San Diego	62	Senior/9%	\$ 14,830,000	2019	2018	Wells Fargo	Union Bank	2033	01/31/60	No
81	Paseo La Paz	San Ysidro CIC, LP	San Diego	CA												



Finance
Development
Management

6339 Paseo del Lago
Carlsbad, CA 92011
Tel (760) 456-6000
Fax (760) 456-6001

www.chelseainvestco.com

Chelsea Investment Corporation is a real estate company focused on the financing and development of affordable housing. Incorporated in 1986 by James J. Schmid, who still serves as CEO, Chelsea is a vertically integrated company with asset management, construction, and community investment affiliates.

Having developed over 11,000 apartments throughout the western United States, at a total cost in excess of \$2.5 billion, Chelsea meets and exceeds the level of experience necessary to develop affordable housing in today's complex financing environment. Of the apartments completed, approximately 40% are in urban infill sites, 40% are located in suburban locations, and 20% are in rural areas. Approximately 35% have satisfied inclusionary obligations, 20% are senior housing and 15% are permanent supportive housing. Additionally, while Chelsea has primarily focused on new construction projects, the company has preserved about 1,400 affordable apartments through acquisition and rehabilitation. Virtually all projects are developed with soft residual receipts loans through public-private partnerships with the federal, state or local government.

The Chelsea team enjoys longstanding relationships with distinguished financial institutions and agencies that fund the development of affordable housing, enabling the company to continue closing escrow and completing construction despite the market uncertainty and delays associated with the COVID-19 pandemic. Chelsea works with a variety of leading non-profit partners, such as Father Joe's Villages, Serving Seniors, Housing Development Partners, Alpha Project, Weingart Center Association, United Cerebral Palsy, Regional Center of Orange County, Inland Regional Center, San Diego Regional Center, Guidance Center of Lea County, Center for Independent Living, Families Forward, and Southern California Housing Collaborative, to ensure residents at each community receive a customized menu of meaningful supportive services.

Chelsea's development team excels at adapting financing strategies to capitalize on new sources as they become available and has a greater than 95% success rate at securing competitive funding sources. The financing team is adept at layering sources such as AHP, AHSC, MHP, CDBG, HOME, IIG, TOD, and MHSA, in addition to the 4% and 9% low-income housing tax credits and tax-exempt bond financing, to both efficiently deliver a project and ensure its long-term feasibility. In one project alone, Chelsea utilized loan and grant subsidies from 14 different funding sources.

- To date, Chelsea has developed over 120 affordable communities throughout California, New Mexico, Utah, and Arizona.
- Ranked as 11th in Affordable Housing Finance Magazine's Top 50 Developers of 2018.
- 2015 and 2018 Builder of the Year - Building Industry Association.
- Chelsea and its communities are consistently recognized in many categories, including awards for design excellence, preservation of affordable housing, housing for the developmentally disabled, and supportive housing.



6339 PASEO DEL LAGO

CARLSBAD, CA 92011

PHONE: (760) 456-6020

www.emmersonconstruction.com

HISTORY

Emmerson Construction, Inc. (ECI) was formed in 2000 to construct residential and mixed-use projects and specializes in affordable multifamily housing. ECI has delivered over 7,500 quality apartments in nearly 100 communities—all on schedule and within budget.

AREAS OF EXPERTISE

ECI offers general contracting and construction management services. Its team of experienced professionals collaborate with clients to provide enhanced value, consistent quality, efficient scheduling, and risk mitigation.

Projects built or managed by ECI include one- to 14-story buildings using Type I, Type III, and Type IV construction and many of them are LEED or GreenPoint rated.

TEAM MEMBERS

PRESIDENT- Charles Schmid

Charles began his career in multifamily housing development in 1986 and applies experience with real estate finance and management in his role as President of Emmerson. As a licensed general contractor and seasoned developer, he has a thorough understanding of the life cycle of apartment development, from feasibility analysis through lease-up and completed operations. Recent projects range from rural development of 80 units to urban and suburban projects of more than 400 units.

DIRECTOR OF CONSTRUCTION, GARDEN APT. DIVISION - Janice Patterson

Janice has worked in the construction industry for over 35 years and she has drawn on her extensive experience to deliver 22 quality affordable communities for Emmerson, consisting of 1,575 apartments with a contract value of more than \$234 million during her tenure since 2009. Prior to joining Emmerson, Janice's project experience included single-family and multifamily market rate homes, in subdivisions up to 175 homes built in multiple phases in master planned communities in San Diego.

DIRECTOR OF CONSTRUCTION, MID- & HIGH-RISE DIVISION - Rob Campbell

Formerly with JPI, Ledcor, Swinerton, and Roel, Rob has over 33 years of experience in high rise, mid-rise, multifamily residential, hotel and commercial construction. Having gained his experience on large projects in the San Diego and Los Angeles areas, including multifamily developments with as many as 1,000 units, he is responsible for the day-to-day operations to ensure projects are completed on time and within budget, and that site safety, environmental standards, quality of materials and workmanship meet or exceed standards.

SENIOR CONSTRUCTION MANAGER - John Allegretto

John Allegretto is a seasoned professional with over 40 years of experience providing general contracting, construction management, real estate development, claims consulting, and management

(CONTINUED) ►

advisory consulting services. He has supervised the successful completion of more than \$500,000,000 in projects in the private and public sectors, on developments of over 450 units and as large as 800,000 SF. He has an appreciation for the unique challenges presented by each new project and strives to encourage teamwork and effective communication among the various project representatives.

SENIOR PROJECT MANAGER - Martin Apicella

Martin joined the Emmerson team after working ten years as Project Manager at KBS, a top construction firm in Virginia. A veteran of the US Army, Martin holds a BS degree in Construction Management and Real Estate from Virginia Tech and studied Architecture at Technical University of Darmstadt in Germany. His wide-ranging experience includes construction of a 400-unit luxury residential building, transformation of a historic naval industrial facility into 45,000 SF mixed-use complex, and the adaptive reuse of a Lucky Strike tobacco factory into 131 luxury apartments. In his role at Emmerson, Martin supervises construction of developments comprised of hundreds of units, with some as large as 750,000 SF. Martin is a LEED AP BD+C.

SENIOR PROJECT MANAGER - Felix Lee

Felix Lee has worked on the design and construction of market-rate, high-rise developments in Southern California for over 15 years. Prior to joining Emmerson, Felix worked for various design firms, general contractors, and real estate developers, including The Related Companies, to deliver many projects over 100 units and as large as 500,000 SF. Felix holds a Master of Construction Management and a Bachelor of Architecture from the University of Southern California.

ESTIMATOR - Donald Dickson

Donald has been in the multifamily construction industry for more than 20 years, including both affordable and market rate developments. His experience encompasses project management, preconstruction, and estimating for garden apartments, mid-rise, and high-rise developments throughout the western United States. Prior to joining Emmerson, Donald worked on the lender side as a Construction Manager, and prior to that, as Director of Preconstruction with Trammell Crow Residential.

PROJECT MANAGER - Tim Hines

Tim has worked in the construction industry for over 20 years, including affordable multifamily new construction and renovation, master-planned community construction, and public works projects. Since joining Emmerson, Tim has delivered over 1,100 apartments. He studied construction management at San Diego State University and architecture at Mesa College.

PROJECT MANAGER - Matilda del Carmen

Matilda has worked in the housing industry for over 25 years, with experience ranging from Single Family, Multi-Family to Commercial real estate development. Her involvement encompasses the practices of several professions: from Architect to Builder to Owner/Landlord. Her experience includes project management, property management and construction management. Prior to joining Emmerson, Matilda worked for architecture firms & commercial as well as residential real estate developers throughout California.

Emmerson Construction, Inc.
Project List
8/17/2021

	Project Name	City	State	Work	Resident Profile	Mixed Use?	Renovation/ New Const.	Status	Start	Complete	# Units	Contract Value	Architect	GC or CM
1	Calexico Family Apartments	Calexico	CA	Slab on grade	Family	No	New	Completed	Feb-02	Jan-03	80	5,561,540	Hedenkamp	GC
2	Brawley Family Apartments	Brawley	CA	Slab on grade	Family	No	New	Completed	Feb-02	Jan-03	81	6,452,208	Hedenkamp	GC
3	Villa Lara	Imperial	CA	Slab on grade	Family	No	New	Completed	Mar-02	Dec-02	80	6,525,658	Hedenkamp	GC
4	Holtville Gardens	Holtville	CA	Slab on grade	Senior	No	New	Completed	Oct-03	Sep-04	80	6,215,752	Hedenkamp	GC
5	Countryside Family	El Centro	CA	Slab on grade	Family	No	New	Completed	Oct-03	Oct-04	80	7,155,000	Hedenkamp	GC
6	Imperial Garden Senior	Imperial	CA	Slab on grade	Senior	No	New	Completed	Oct-03	Nov-04	80	6,443,020	Hedenkamp	GC
7	Rancho Buena Vista	Chula Vista	CA	Slab on grade	Family	No	New	Completed	Nov-03	Aug-05	150	16,200,000	Hedenkamp	GC
8	Rancho Del Norte	San Diego	CA	Slab on grade	Family	No	New	Completed	Dec-03	Apr-05	120	13,706,694	Hedenkamp	GC
9	Westmorland Family	Westmorland	CA	Slab on grade	Family	No	New	Completed	Jan-04	Nov-04	64	6,900,000	Hedenkamp	GC
10	Brawley Elks Senior	Brawley	CA	Slab on grade	Senior	No	New	Completed	Aug-04	May-05	80	6,994,322	Hedenkamp	GC
11	Brawley Gardens	Brawley	CA	Slab on grade	Family	No	New	Completed	Aug-04	Jul-05	81	9,191,326	Hedenkamp	GC
12	Heber Woods	Heber	CA	Slab on grade	Family	No	New	Completed	Oct-04	Jul-05	81	9,417,954	Hedenkamp	GC
13	Meadow Village Road	Calexico	CA	Off-site work	Commercial	No	New	Completed	Feb-05	Feb-06	N/A	724,153	N/A	GC
14	Fairbanks Ridge	San Diego	CA	Slab on grade	Family	No	New	Completed	Aug-05	Jul-06	204	29,254,314	Hedenkamp	GC
15	Villa Dorado	Calexico	CA	Slab on grade	Family	No	New	Completed	Oct-06	Jul-07	80	10,080,426	Hedenkamp	GC
16	DDE HQ - Office Building	El Centro	CA	Slab on grade	Commercial	No	New	Completed	Jan-07	Jul-07	N/A	1,130,219	Sanders	GC
17	City Heights Square	San Diego	CA	Slab on grade	Senior	No	New	Completed	Feb-06	Sep-07	150	21,468,768	Dominy	CM
18	Villa Paloma	Heber	CA	Slab on grade	Family	No	New	Completed	Dec-06	Sep-07	72	9,864,435	Hedenkamp	GC
19	Hunter's Pointe	Carlsbad	CA	Slab on grade	Family	No	New	Completed	May-06	Jan-08	166	30,389,918	Hedenkamp	GC
20	Villa Esperanza	Calipatria	CA	Slab on grade	Family	No	New	Completed	Jun-07	Jul-08	74	10,318,586	Hedenkamp	GC
21	Beachwind Court	Imperial Beach	CA	Slab on grade	Family	No	Renovation	Completed	Sep-08	Dec-08	16	891,747	Hedenkamp	GC
22	Tierra del Cielo	Somerton	AZ	Slab on grade	Family	No	New	Completed	Jul-08	May-09	34	3,913,810	Hedenkamp	GC

Emmerson Construction, Inc.
Project List
8/17/2021

	Project Name	City	State	Work	Resident Profile	Mixed Use?	Renovation/ New Const.	Status	Start	Complete	# Units	Contract Value	Architect	GC or CM
23	Courtyard Terrace	San Diego	CA	Podium	Senior	No	New	Completed	Nov-08	Mar-10	88	17,700,000	Hedenkamp	GC
24	St. Regis Park	Chula Vista	CA	Slab on grade	Family	No	Renovation	Completed	Sep-09	Aug-10	119	400,000	N/A	GC
25	Silver Sage	Lakeside	CA	Slab on grade	Family	No	New	Completed	Aug-09	Oct-10	80	12,794,227	Hedenkamp	GC
26	Cedar Creek	Santee	CA	Slab on grade	Family	No	New	Completed	Oct-09	Oct-10	48	7,332,286	Hedenkamp	GC
27	Oakridge Apartments	Oakdale	CA	Slab on grade	Family	No	New	Completed	Jul-10	Dec-10	41	1,200,000	Basis	GC
28	De Anza Hotel	Calexico	CA	Post & Beam	Senior	No	Renovation	Completed	Apr-10	Feb-11	94	598,402	Hedenkamp	GC
29	Verbena	San Ysidro	CA	Slab on grade	Family	No	New	Completed	Mar-10	Jun-11	80	13,296,599	Hedenkamp	GC
30	Villa Fortuna	Brawley	CA	Slab on grade	Farmworker	No	New	Completed	Jan-11	Sep-11	76	8,900,000	Hedenkamp	GC
31	Villa Del Sol	San Diego	CA	Slab on grade	Farmworker	No	New	Completed	Dec-10	Sep-11	52	5,600,000	Hedenkamp	GC
32	The Landings Phase II	Chula Vista	CA	Slab on grade	Family	No	New	Completed	Jul-10	Oct-11	143	23,610,280	McKinley	CM
33	CityPlace	Bakersfield	CA	Slab on grade	Family	No	New	Completed	Sep-10	Dec-11	72	10,546,289	Hedenkamp	GC
34	Las Brisas	El Centro	CA	Slab on grade	Family	No	New	Completed	Jan-12	Aug-12	71	10,151,577	Hedenkamp	GC
35	Park Terramar	San Diego	CA	Landscape	Family	No	Renovation	Completed	Feb-12	Aug-12	21	342,631	N/A	GC
36	Estrella Del Mercado	San Diego	CA	Podium	Family	Yes	New	Completed	Feb-11	Oct-12	95	14,485,997	Safdie Rabines	GC
37	El Quintero	Calexico	CA	Slab on grade	Senior	No	New	Completed	Jan-12	Nov-12	54	4,669,035	Hedenkamp	GC
38	St. Regis	Chula Vista	CA	Energy Upgrades	Family	No	Renovation	Completed	Aug-12	Jan-13	119	263,844	N/A	GC
39	Emperor Estates	Dinuba	CA	Slab on grade	Senior	No	New	Completed	Feb-12	Feb-13	62	8,862,257	Hedenkamp	GC
40	Iris Apartments	Encinitas	CA	Landscape	Family	No	New	Completed	Apr-12	Feb-13	20	3,185,728	McKinley	GC
41	CL Dellums Apartments	Oakland	CA	Slab on grade	Homeless	No	Renovation	Completed	Mar-13	May-13	76	4,354,469	John Stewart	CM
42	Vista Terrace	Vista	CA	Landscape	Homeless Family	No	Renovation	Completed	Jul-12	Jul-13	48	3,218,327	Hedenkamp	GC
43	Park Place	Hobbs	NM	Slab on grade	Family	No	Renovation	Completed	Dec-12	Jan-14	88	7,055,677	Jeebs & Zuzu	CM
44	Cesar Chavez Villas	Coachella	CA	Slab on grade	Farmworker	No	New	Completed	Mar-13	Mar-14	56	8,204,753	Hedenkamp	GC

Emmerson Construction, Inc.
Project List
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	Project Name	City	State	Work	Resident Profile	Mixed Use?	Renovation/ New Const.	Status	Start	Complete	# Units	Contract Value	Architect	GC or CM
45	Fairbanks Commons	San Diego	CA	Slab on grade	Family	No	New	Completed	Nov-13	Nov-14	165	20,432,196	McKinley	GC
46	Fairbanks Square	San Diego	CA	Slab on grade	Senior	No	New	Completed	Nov-13	Nov-14	100	9,200,000	McKinley	GC
47	Versa at Civita	San Diego	CA	Slab on grade	Senior	No	New	Completed	Nov-13	May-15	150	17,109,905	McKinley	GC
48	Villa Primavera	Calexico	CA	Slab on grade	Family/ Disabled	No	New	Completed	Oct-14	Jul-15	48	8,097,520	Hedenkamp	GC
49	Independence Point	San Diego	CA	Tuck Under	Family/ Disabled	No	New	Completed	Aug-14	Jul-15	32	7,380,985	OBR	GC
50	Mill Creek Courtyard	Bakersfield	CA	Slab on grade	Family	No	New	Completed	Jul-14	Jul-15	62	6,600,950	Hedenkamp	GC
51	Alpha Square	San Diego	CA	Podium	Homeless	Yes	New	Completed	Apr-14	Sep-15	203	27,147,147	JWDA	GC
52	Westminster Manor	San Diego	CA	Slab on grade	Senior	No	Renovation	Completed	Aug-14	Nov-15	156	12,570,976	Basis	GC
53	Las Palmeras	Imperial	CA	Slab on grade	Farmworker	No	New	Completed	Nov-14	Dec-15	56	8,719,000	Hedenkamp	GC
54	Rancho Del Sol	San Diego	CA	On grade w/garage	Family	No	New	Completed	Jan-15	Feb-16	94	11,967,088	Humphreys	GC
55	Nelms Community Garden	Oceanside	CA	Community Garden	Commercial	No	New	Completed	Dec-15	Mar-16	N/A	117,364	N/A	GC
56	Trolley Park Terrace	San Diego	CA	Podium	Family	No	New	Completed	Apr-15	Sep-16	52	13,568,298	McKinley	GC
57	Mill Creek Village	Bakersfield	CA	Wrap	Family	No	New	Completed	Nov-15	Oct-16	63	12,444,783	Hedenkamp	GC
58	Torrey Vale	San Diego	CA	On grade w/garage	Family	No	New	Completed	Jan-16	Oct-16	28	4,985,553	Bassenian Lagoni	GC
59	Fairbanks Terrace	San Diego	CA	Slab on grade	Senior	No	New	Completed	Apr-16	Mar-17	83	10,228,891	McKinley	GC
60	Ouchi Courtyards	San Diego	CA	Podium	Family/ Disabled	Yes	New	Completed	Nov-15	May-17	45	11,616,272	Hedenkamp	GC
61	Volta at Millenia	Chula Vista	CA	Wrap	Senior	No	New	Completed	Mar-16	Oct-17	123	18,772,332	JWDA	GC
62	Duetta at Millenia	Chula Vista	CA	Wrap	Family	No	New	Completed	Mar-16	Oct-17	87	14,452,135	JWDA	GC
63	Pedestrian Corridors Millenia	Chula Vista	CA	Off-site work	Commercial	No	New	Completed	Jun-17	Oct-17	N/A	537,028	JWDA	GC
64	Juniper at The Preserve	Carlsbad	CA	Slab on grade	Family	No	New	Completed	Nov-16	Nov-17	64	10,312,118	McKinley	GC
65	Roselawn Manor	Artesia	NM	Slab on grade	Family	No	New	Completed	Jun-16	Nov-17	63	10,250,000	Autotroph	CM
66	Parkside Terrace	Hobbs	NM	Slab on grade	Family	No	New	Completed	Jun-16	Nov-17	65	9,860,000	Jeebs & Zuzu/ jV De Sousa	CM

Emmerson Construction, Inc.
Project List
8/17/2021

	Project Name	City	State	Work	Resident Profile	Mixed Use?	Renovation/ New Const.	Status	Start	Complete	# Units	Contract Value	Architect	GC or CM
67	Villa Storia	Oceanside	CA	Slab on grade	Family	No	New	Completed	Mar-17	Dec-17	38	5,630,056	SummA	GC
68	Mesa Verde	San Diego	CA	Podium	Family	No	New	Completed	Apr-16	Apr-18	90	17,174,144	McKinley	GC
69	Cesar Chavez Villas Phase II	Coachella	CA	Slab on grade	Farmworker	No	New	Completed	Jun-17	Jun-18	80	13,244,171	Hedenkamp	GC
70	North Coast Terrace	Oceanside	CA	Podium	Homeless Family	No	New	Completed	Apr-17	Aug-18	32	10,386,340	Hedenkamp	GC
71	Town & Country Village	San Diego	CA	Slab on grade	Family	No	Renovation	Completed	Dec-17	Oct-18	145	12,230,429	Basis	GC
72	Alpha Lofts	El Cajon	CA	Slab on grade	Homeless Veteran	Yes	New	Completed	Jan-18	Mar-19	53	10,999,708	McKinley	GC
73	Schmale Family Senior Residence	Ramona	CA	Slab on grade	Senior	No	New	Completed	Mar-18	May-19	62	12,337,933	Hedenkamp	GC
74	Pacifica at Playa Del Sol	San Diego	CA	Podium	Family/ Disabled	No	New	Completed	Aug-18	Sep-19	42	9,317,486	Bassenian Lagoni	GC
75	Regency Centre	San Diego	CA	Slab on grade	Family	No	Renovation	Completed	Sep-18	Oct-19	100	9,780,000	Basis	GC
76	Mission La Posada	Carlsbad	NM	CM	Family	No	Renovation	Completed	Jul-19	Oct-19	80	5,859,110	Basis	CM
77	Paseo La Paz	San Ysidro	CA	Slab on grade	Family	No	New	Completed	May-18	Nov-19	139	22,412,161	JWDA	GC
78	St. Regis Park	San Diego	CA	Slab on grade	Family	No	Renovation	Completed	Sep-18	Dec-19	129	10,550,000	Basis	GC
79	Serenita	Brawley	CA	Slab on grade	Family/ Disabled	No	New	Completed	Apr-19	Mar-20	60	10,931,851	Hedenkamp	GC
80	Regency Pool	San Diego	CA	Ammenities	Family	No	Renovation	Completed	Dec-19	Mar-20	1	239,851	Basis	GC
81	Benson Place	San Diego	CA	Renovation	SRO	yes	Renovation	Completed	Jan-20	Aug-20	83	8,238,173	FJV-3rd party	GC
82	Las Praderas	Calexico	CA	Slab on grade	Family	No	New	Completed	May-19	Apr-20	60	11,201,116	Hedenkamp	GC
83	Siena at Civita*	San Diego	CA	Podium	Senior	Yes	New	Completed	Apr-18	Dec-20	103	17,497,995	KTGY	GC
84	Stylus at Civita*	San Diego	CA	Podium	Family	Yes	New	Completed	Apr-18	Dec-20	203	67,377,138	KTGY	GC
85	Civita Retail*	San Diego	CA	Podium	Commercial	No	New	Completed	Apr-18	Nov-20	N/A	6,640,951	KTGY	GC
86	Salerno	Irvine	CA	Tuck Under	Family	Yes	New	Completed	Jun-19	Dec-20	80	25,892,131	Architects Orange	GC
87	Mid-City Family/Senior	San Diego	CA	Podium	Family/ Senior	yes	New	In Progress	Mar-20	Aug-22	195	51,876,065	Quigley/Studio E	GC
88	St. Teresa of Calcutta Villa	San Diego	CA	CM	Homeless	Yes	New	In Progress	Jan-20	Jan-22	418	106,125,009	JWDA	CM

Emmerson Construction, Inc.
 Project List
 8/17/2021

	Project Name	City	State	Work	Resident Profile	Mixed Use?	Renovation/ New Const.	Status	Start	Complete	# Units	Contract Value	Architect	GC or CM
89	Girasol	El Centro	CA	On Grade	Family	No	New	In Progress	Nov-20	Nov-21	56	13,133,884	Hedenkamp	GC
90	Pueblo Viejo Villas	Coachella	CA	3-story On Grade	Family	Yes	New	In Progress	Oct-20	Feb-22	105	27,060,745	McKinley	GC
91	Fairbanks Terrace II	San Diego	CA	On Grade	Senior	No	New	In Progress	Oct-20	Nov-21	31	5,516,900	McKinley	GC
92	Apollo	Poway	CA	On Grade	Seniors	No	New	In Progress	Nov-20	Dec-21	44	9,300,000	McKinley	GC
92	Palomino	Brawley	CA	On Grade	Family	No	New	In Progress	Apr-21	Apr-22	60	12,199,266	Hedenkamp	GC
Total # of Units & Total Contract Values											7,684	1,145,095,382		

*Stylus, Sienna, and Civita Retail are a single building with total contact value of \$91,516,084