# DRAFT SITE DEVELOPMENT PERMIT FINDINGS FOR 1425 and 1431 C Street



Prepared by: Marie Burke Lia, Attorney at Law, on behalf of the Project Applicants

October 2016

#### **FINDINGS**

#### Site Development Permit - Section 126.0504

#### (a) Findings for all Site Development Permits

#### 1. The proposed development will not adversely affect the applicable land use plan.

The proposed project is the demolition of a historic resource, the W.G. Reinhardt Apartments, Historical Resources Board Site #1211, located at 1425 & 1431 C Street, in the East Village Subarea of the Centre City Planned District in order to permit a new Affordable Housing development on the site. The project was initiated by the current property owner, Wakeland Housing & Development, Inc., an affordable housing non-profit corporation, in order to construct a 44 unit Permanent Supportive Housing development. The property is restricted by a Declaration of Covenants, Conditions and Restrictions (hereafter CC&R's) that was recorded against the property by Episcopal Community Services in November of 1996, in accordance with a loan and grant from the San Diego Housing Commission. These CC&R's were amended and recorded against the property in October of 1999 and their term was extended 55 years from that date. Therefore, these restrictions, which require any development on the property to be set aside and reserved as "Affordable Units," will remain in effect until September 2034. Copies of these CC&R's are included as Exhibit A.

The subject property occupies Assessor's Parcel Number 534-210-12, which includes the westerly one-half of the north 40 feet of Lots J, K & L in Block 179 of Horton's Addition with the exception of the southerly 10 feet thereof, a lot area consisting of 8,336 square feet on the block bounded by 14<sup>th</sup> Street on the West, C Street on the north, 15<sup>th</sup> Street on the east and Broadway on the south.

Land use and housing issues are addressed in Chapter 3 of the Downtown Community Plan. According to Figure 3-2, the Plan's Downtown Structure, this property is located in the Northeast section of East Village, and is directly south of City College. According to the Plan's Figure 3-4, the Land Use is classified as Employment/Residential Mixed-Use, which is described on Page 3-7 as follows: This classification provides synergies between educational institutions and residential neighborhoods, or transition between the Core and residential neighborhoods and it permits a variety of uses, including office, residential, hotel, research and development, and educational and medical facilities. According to the Plan's Figure 3-7, this site is just east of a Neighborhood Center. The desired development intensity for the area is described on page 3-17 where the Plan establishes intensity standards for various parts of downtown. Intensity is measured as Floor Area Ratio (FAR), obtained by dividing gross floor area by lot area. Figure 3-9 of the Plan shows the allowable minimum and maximum FARs for various sites. "Proposed base development intensities in the Community Plan range from 2.0 to 10.0, modulated to provide diversity of scale, as well as high intensities in selected locations." The minimum FAR for the subject property is 3.5 and the maximum is 6.0. The proposed project will meet those requirements.

Affordable housing is also addressed in Chapter 3 of the Downtown Community Plan. One of the main goals of downtown's redevelopment it to expand and preserve the supply of affordable housing. The goals for such housing are based on the California Community Redevelopment Law. Continued compliance with State and local affordability requirements will help to ensure that affordable housing

will continue to represent a portion of overall housing production. One of the Plan's Affordable Housing Strategies addresses Homelessness. "To address the need for housing for downtown's homeless population, the Community Plan prioritizes development of permanent supportive housing to provide rental apartments linked to supportive services for both families and individuals." The proposed project is designed to provide such services to homeless individuals.

Most of downtown's existing homeless facilities would be classified as transitional housing. But in recent years, the homeless population experts and funding agencies have urged policy-makers to prioritize the expansion of permanent supportive housing. "Rental units with affordability for extremely low income persons and links to services for substance abuse recovery, job placement, and employment training are considered a necessary long-term solution to homelessness." One of the Plan's Affordable Housing Policies, #3.4-P-5, is to secure funding and locations for housing linked to supportive services for homeless and other special needs populations.

Historic Preservation is addressed in Chapter 9 of the Downtown Community Plan. The existing structure on the project site is a locally designated historical resource, the W. G. Reinhardt Apartments, San Diego Historical Landmark #1211. As indicated in Table 9-1 of the Plan, locally designated resources are to be retained on-site whenever possible. "Partial retention, relocation or demolition of a resource shall only be permitted through applicable City procedures." The applicable City procedures are established in San Diego Municipal Code Chapter 14, Article 3, Division 2, entitled "Historical Resources Regulations." §143.0210 (2) (C) requires a Site Development Permit in accordance with Process Four for any development that proposes to deviate from the development regulations for historical resources described in this division. Substantial alteration of a designated resource by demolition or other means is a deviation from the historical resources regulations and therefore a Site Development Permit, as authorized by Chapter 12, Article 6, Division 5, entitled "Site Development Permit Procedures" is required. The decision maker, in this instance the Planning Commission, must make all of the Findings in §126.0504(a) and §126.0504(i) before the demolition of a locally designated historical resource can occur. Therefore, the processing of this Site Development Permit application is in compliance with and will not adversely affect this aspect of the applicable land use plan. The proposed project will comply with Chapter 9 of the Downtown Community Plan.

The Mitigation Monitoring and Reporting Program (MMRP) for the Downtown Community Plan requires the implementation of Mitigation Measure *HIST- A.1-3* if a (locally) designated historical resource would be demolished. That Mitigation Measure requires the submission of a Documentation Program that must include Photo Documentation and Measured Drawings of the resource to the Historical Resources Board Staff for review and approval. Implementation of this Mitigation Measure will be required as a Condition of this Permit.

#### 2. The proposed development will not be detrimental to the public health, safety and welfare.

The proposed project would remove the existing improvements on the site and construct a permanent supportive housing development consisting of forty-three studio units, each approximately 350 square feet, equipped with kitchens and baths, classifying as "living units" under SDMC 156.0315(f). These units will be made available to homeless individuals. The project will also include a one-bedroom manager's unit. Supportive services will be provided by Father Joe's Villages and the County of San Diego Behavioral Health Services. Wakeland Housing & Development is the sole developer.

M.W. Steele Architecture and Planning has designed a building of five stories of Type-VA wood construction over one story of Type 1 concrete podium. The building's height will not exceed 60 feet; the gross floor area will be approximately 31,155 square feet, including 5,500 square feet of garage and 25,655 square feet of residential uses. A glassy, street vestibule entrance will lead to a stairwell and elevator, and an adjacent driveway will provide access to a gated garage with eight parking spaces, primarily for use by service providers and property management. No residential parking is required for living units. The building is set back from a one-story commercial improvement to the west, providing adequate space for a tree-landscaped yard that will run the full length of the property. Residential units, connected by an open hallway with generous lightwells that will provide natural illumination and ventilation, will be located on floors two through five. Common areas totaling approximately 1000 square feet, including a community room, counseling office, manager's office, and a laundry room, will be on the fourth and fifth floors. A Plan set for this project is included as Exhibit B.

Access to this building and its grounds will be monitored 24/7 by electronic means and onsite personnel. Key fobs or similar devices will restrict resident and staff access to approved areas. Each floor will have a glass-walled landing at the elevator and main stairwell, creating small, secured lobby spaces.

The project site is 8,336 square feet, which includes the westerly one-half of the north 40 feet of Lots J, K & L in Block 179 of Horton's Addition with the exception of the southerly 10 feet thereof, on the block bounded by 14<sup>th</sup> Street on the West, C Street on the north, 15<sup>th</sup> Street on the east and Broadway on the south. The Assessor's Parcel Number is 534-210-12. The construction will be Type 1, V-A wood construction over Type 1-B concrete garage fire rated and sprinklered, meeting occupancy classification R2 and S24 as required by the California Building Code CBC 2010.

The proposed development complies with the Development Regulations of the Centre City Planned District Ordinance (§ 156.0310), including the Residential Development Regulations (§ 156.0310 (g)

The proposed development complies with the Urban Design Regulations of the Planned District Ordinance (§ 156.0311), the Performance Standards of the Planned District Ordinance (§ 156.0312), etc.

The proposed development complies with all of the San Diego Municipal Code and Uniform Building Code provisions intended ensure that the public health, safety and welfare are protected and enhanced by this construction.

## 3. The proposed development will comply with the applicable regulations of the Land Development Code.

The proposed project will construct a five story permanent supportive housing development consisting of 44 studio units that will be made available for the homeless with services provided by Father Joe's Villages and the County of San Diego Behavioral Health Services. The land use classification for this site is Employment/Residential Mixed Use, which provides synergies between educational institutions and residential neighborhoods or transition between the Core and residential neighborhoods. The

minimum FAR for the subject property is 3.5 and the maximum is 6.0. The proposed project's FAR will be 3.76. It will comply with the PDO's Development Regulations pertaining to lot size, minimum building setbacks, building heights, building bulk, building base, ground floor heights, and residential development regulations. It will also comply with the PDO's Urban Design Regulations pertaining to building orientation, façade articulation, street level design, pedestrian entrances, transparency, blank walls, glass and glazing, rooftops, encroachments into public rights-of-way, building identification, regulations pertaining to historical resources requiring a Site Development Permit, additional standards for residential permanent supportive housing developments, and open space design guidelines.

The proposed project will comply with the applicable provisions of the Centre City Planned District Ordinance in the following manner. It is located within an Employment/Residential Mixed-area that calls for this type of property use. As discussed above, Chapter 3 of the Downtown Community Plan calls for affordable housing. One of the main goals of downtown's redevelopment it to expand and preserve the supply of affordable housing. The proposed project will help address the need for housing for downtown's homeless population and, specifically, will prioritizes development of permanent supportive housing to provide rental apartments linked to supportive services for both families and individuals.

The relevant Land Development Code's Planning and Development Regulations for topics not addressed in the Centre City Planned District Ordinance are contained in that Code's Chapter 14 and include: Grading Regulations, Draining Regulations, Landscape Regulations, Parking Regulations, Refuse and Recyclable Materials Storage, Mechanical and Utility Equipment Storage Regulations, Loading Regulations, Building Regulations, Electrical Regulations and Plumbing Regulations. The proposed development will comply with all of these regulations, since a building permit would not be issued without such compliance. Therefore, the proposed development will comply with all applicable regulations of the Land Development Code.

### (i) Supplemental Findings – Historical Resources Deviation for Substantial Alteration of a Designated Historical Resource

<u>Supplemental Finding (1) There are no feasible measures, including a less environmentally damaging alternative that can further minimize the potential adverse effects to the designated historical resource.</u>

The subject property consists of two multi-family rental properties on a single lot of 8,336 square feet. The front building dating from 1908 is a two-story plus basement Prairie style wood-framed building with a concrete foundation and a low pitched hip roof. The building is almost a perfect square measuring 45' x 43' with wood covered porches at the front and rear. The rear building, dating from 1912, is a one story wood-framed duplex with design feature similar to the front building that occupies a smaller footprint than the front building. Both buildings were converted from apartment use to hostel use by modifications made between 1997 and 1999 by the then owner Episcopal Community Services.

#### Base Project

The proposed project will construct a new building to provide permanent supportive housing in forty-three studio units in a four story building fully occupying the 8,336 square foot parcel. These units will be equipped with kitchens and baths and will be made available for homeless individuals. The building will consist of four stories of Type-VA wood construction over a one story Type 1 concrete podium. The height will not exceed 60 feet, the gross building floor area will be 31,107 square feet, including 5,610 square feet of garage and 25,497 square feet of residential uses. Common areas totaling approximately 1000 square feet will include a community room, counseling office, manager's office and a laundry room. The project is more extensively described in Finding 2 above and in the Plan set for this project included as Exhibit B.

As discussed above in Finding 1, the subject property is restricted by CC&R's that were recorded against the property by the Episcopal Community Services in November of 1996, in accordance with a loan and grant from the San Diego Housing Commission. An Amendment to those CC&R's was recorded against the property in October of 1999. Copies of these CC&R's are included as Exhibit A. These restrictions require any development on the property to be set aside and reserved as "Affordable Units." The remaining term of these CC&R's is 38 years. The proposed development will be consistent with these requirements in terms of use and in terms of financing as will be discussed in the Economic Feasibility Analysis described below.

A Preservation Analysis of the existing floor plans and the proposed floor plans to serve Alternative 1 and Alternative 2 were prepared by the M.W. Steele Group, the project architects. This Analysis consists of three sets of floor plans that are included as Exhibit C to these Findings.

#### Alternative 1

An investigation was undertaken by the M.W. Steele Group for the purpose of converting both buildings into the proposed use by constructing 350 square foot units for permanent supportive housing within the two existing building in accordance with the use restrictions on the property from the recorded CC&R's. It was determined that a total of 13 units of this nature could be constructed within the two existing structures, 9 units in the front building and 4 units in the rear building. Two tandem off-street parking spaces could also be constructed. This option is hereinafter referred to as Alternative 1.

#### Alternative 2

The second investigation undertaken by the M.W. Steele Group proposed to remove the rear building, construct 8 units in the front building and construct 24 units in a new building at the rear of the lot. Two tandem off-street parking spaces could also be constructed with this option. This option is hereinafter referred to as Alternative 2.

#### Relocation Alternative

The proposed project will require a Site Development Permit for the Substantial Alteration of a Designated Historical Resource under SDMC Section 126.0504 (i). In many instances, a Site Development for Relocation of a Designated Historical Resource under SDMC Section 126,0504 (h) can provide an option that can further minimize the potential adverse effects on the historical resource.

The CC&R's recorded against this property require that any development on this property must be set aside and reserved as "Affordable Units." These Restrictions would not permit Wakeland or any other non-profit owner to use this property as a financing source to acquire another property as a relocation site for these two designated structures with the intent of subsequently rehabilitating them on the new site and later selling the improved relocation site to generate funds for the construction of future affordable housing on the project site. Therefore, a Relocation Alternative is not feasible for this designated resource. It is also the case, as will be explained in the Economic Feasibility Analysis below, that the only way that these Restrictions can be complied with is by using the existing and time sensitive funding sources that will permit the construction of these needed permanent supportive housing units within the near future on the project site.

#### Economic Feasibility Analysis of the Base Project and the Two Alternatives

The Economic Feasibility Analysis was based on the following information provided by various members of the project team as follows:

The restrictions in the CC&R's, found in Exhibit A.

The Architectural Plans for the Base Project found in Exhibit B

The proposed Floor Plans for the two Alternatives found in Exhibit C

The HABS documentation of the existing buildings found in Exhibit D

The construction cost estimates for all three options found in Exhibit E

Information on affordable housing funding sources provided by Wakeland

The Economic Feasibility Analysis for the Base Project and the two alternatives was prepared by The London Group and was based upon information provided by the above listed parties and is included as Exhibit F. Such information included feedback on the scope, costs, schedule, financing sources and budget for purposes of the economic feasibility analysis.

#### Economic Analysis of the Base Project by the London Group

The Base Project assumes the entire site is cleared and a new permanent supportive housing complex is developed on the site consisting of 44 studio housing units and related common areas. As explained the "Conclusions of Economic Alternatives," for affordable housing projects, the ultimate threshold that determines economic feasibility is not the total profit generated for investors and developers. Affordable housing projects do not generate a significant profit and developers are generally "fee builders." Affordable housing developers do not achieve a significant profit "upside" as with market rate housing.

Therefore, the London Group's approach had to focus on whether the Base Project and the two Alternatives are financeable, whether they can feasibly be built and repay the funds used to build the projects. The metrics that they used to establish economic feasibility were as follows:

- Is the project sufficiently capitalized to build the project with agency funds, tax credit equity or permanent loans? Or does a funding gap or shortage exist?
- Does the project meet the Tax Credit Allocation Committee (TCAC) threshold requirements

for awarding credits?

Does the project generate sufficient cash flow after it is built to service the debt and repay the
agencies that contributed funds to construct the project?

#### The Base Project is economically feasible

The London Group determined that the Base Project of 44 affordable units is economically feasible. While it will cost \$440,626 per unit to construct, the project is able to be completely funded with no gaps in financing. Most importantly, it is able to achieve investor equity financing via tax credits. The Tax Credit Authority Committee has a cost basis threshold maximum of approximately 130% that projects cannot exceed. The Base Project is just under this benchmark at 127.17%. Also, most importantly, the forecasted cash flow of the Base Project results in a positive income stream that can afford to repay the funds contributed by the San Diego Housing Commission (SDHC) and the Mental Health Services Agency (MHSA).

#### Alternative 1 is not economically feasible

This Alternative includes only 13 affordable units but incurs the highest cost of construction, Total construction costs are estimated at \$716,394 per unit – 63% higher than the Base Project. This results in several problems for this option, the most glaring of which is that its high cost threshold is 213.35%, much higher than the TCAC maximum of 130%. In addition, there is a significant shortfall in cash flow and the project would not be able to repay the funds contributed by the SDHC and the MHSA. In fact, the project would need to be subsidized to afford the annual operating costs.

#### Alternative 2 is not economically feasible

This Alternative includes 32 affordable units and increases the project costs by \$28,454 per unit. As the result the project represents a high cost threshold of 136.14% making it ineligible for tax credits. There is also a funding gap of \$4 million. This inability to achieve financing for the entire project precludes development. This negative cash flow means that the project would not be able to repay the funds contributed by the SDHC and the MHSA.

#### **Conclusions**

Supplemental Finding (1) There are no feasible measures, including a less environmentally damaging alternative that can further minimize the potential adverse effects to the designated historical resources.

The Two Alternatives to the Base Project have been evaluated and determined to be economically infeasible in varying degrees. Therefore, Supplemental Finding (1) can be made.

Supplemental Finding (2) This deviation (from standard protective historical resource regulations) is the minimum necessary to afford relief and accommodate the development and all feasible measures to mitigate for the loss of any portion of the historical resource have been

provided by the applicant.

This deviation from the standard protective historical resource regulations is the minimum necessary to afford relief and accommodate the development of the site in accordance with the restrictions imposed by the CC&R's and the above described provisions of the Land Use Plan, the public health, safety and welfare and the Land Development Code. The two Alternatives are economically infeasible and the mitigation measures required by the Centre City Mitigation, Monitoring and Reporting Program (MMRP) will be implemented as a condition of this Site Development Permit. Therefore, Supplemental Finding (2) can be made.

Supplemental Finding (3) The denial of the proposed development would result in economic hardship to the owner. For the purpose of this finding, "economic hardship" means there is no reasonable beneficial use of a property and it is not feasible to derive a reasonable economic return from the property.

The subject property was acquired in November of 1996 by the Episcopal Community Services for the purpose of providing Affordable Housing for San Diego residents in need of such housing. At the same time, a Declaration of Covenants, Conditions and Restrictions was recorded against the property by Episcopal Community Services in accordance with the provisions of a loan and grant obtained from the San Diego Housing Commission. These CC&R restrictions were renewed in 1999 and are still in effect.

Those loan and grant funds were used to improve the property for use as Affordable Housing and support the Episcopal Community Services program at this site for the past twenty years. These Restrictions will remain in effect for the next 38 years. Denial of the proposed development would prevent a reasonable beneficial use of this property, in light of the fact that the use of this property is restricted to affordable housing and the proposed project will provide services to a greater number of persons in need than could be provided in the existing structures. Therefore, Supplemental Finding (3) can be made.

Current photographs of the subject property are included as Exhibit G..

Recording Requested By:

DETISCH & CHRISTENSEN 444 W. "C" Street, Suite 200 San Diego, CA 92101

And When Recorded Mail To:

Attn.: Dan Cady SAN DIEGO HOUSING COMMISSION 1625 Newton Avenue San Diego, CA 92113 FOR RECORDER'S USE ONLY

#### DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS (TENANT RESTRICTIONS)

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS (hereafter "Declaration") is made as of this 7th day of October/Nov., 1996, by EPISCOPAL COMMUNITY SERVICES, a California nonprofit public benefit corporation (hereinafter "DECLARANT") in connection with that certain parcel of real property ("PROPERTY") located in the City of San Diego, County of San Diego, California, described in Exhibit "A" attached hereto and incorporated herein by reference.

#### RECITALS

DECLARANT has obtained a loan and grant from the San Diego Housing Commission (hereafter "SDHC" or "Commission"), and intends to operate a seventeen (17) unit SRO Project (sixteen (16) units of which shall be affordable in accordance with the provisions of this Declaration) (the "Project") sometimes referred to as SAFE HAVENS which is to be acquired, rehabilitated and operated as low and very low income housing for homeless mentally ill persons.

Concurrently with the recordation of this Declaration, the SDHC is funding by grant and loan secured by a deed of trust on the Property the acquisition, rehabilitation of the Project described in the Acquisition and Rehabilitation Loan and Revocable Grant Agreement of October 1, 1996. This loan and grant is to assist DECLARANT in acquiring and rehabilitating the Project. The Acquisition and Rehabilitation Loan and Revocable Grant Agreement, the SHP Revocable Note and the HTF-HOME Note, and Project Trust Deed by the SDHC was conditioned in part upon the recordation of a document setting forth certain restrictions upon the use and sale of the Property.

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NOW, THEREFORE, DECLARANT hereby declares that the Property shall be subject to the covenants, conditions and restrictions set forth below:

- 1. Restrictive Covenants. DECLARANT agrees and covenants on behalf of itself and its successors and assigns, and each successor in interest to the PROPERTY, that at all times during the term of this Declaration set forth herein sixteen (16) units of the PROJECT shall be set aside and reserved as "Affordable Units". As used herein the term "Affordable Units" shall refer to those residential units in the PROJECT which are owned or held available strictly in accordance with the terms and conditions set forth below.
- a. Affordable Unit Restrictions. The following restrictions shall apply to the sixteen (16) units. The restrictions set forth in the Table below shall establish the rental rate, prior to the required reduction for utilities, and tenant income calculation criteria as follows: Maximum rents (Column 1); Unit Size and Type (Column 2); Number of Affordable Units (Column 3); Limit in Income of Eligible Tenants based upon percentage of the Median Area Income (Column 4); Years of Program Restriction (Column 5); Maximum Number of Occupants Per Unit (Column 6):

## (i) TABLES OF RENT RESTRICTION CRITERIA UNDER THE SUPPORTIVE HOUSING PROGRAM

#### **YEARS 1 - 20**

1	2	3	4	5	6
MAXIMUM RENTS PER THE RUD SUPPORTIVE HOUSING PROGRAM	UNIT SIZE UNIT TYPE	NUMBER OF AFFORDABLE UNITS	ELIGIBLE TEMANTS WHOSE INCOME DOES NOT EXCEED % MEDIAN AREA INCOME RELOW	YEARS OF PROGRAM RESTRICTION	MUNISER OF PERSONS PER HOUSEROLD
30% of actual adjusted gross income	single room	16	35%	20	1

#### **YEARS 20 - 55**

1	2	3	4	5	6
HAXDOM BENTS SET FORTH IN EXHIBIT E-1	UNIT TYPE	NUMBER OF AFFORDABLE UNITS	ELIGIBLE TENANTS WHOSE INCOME DOES NOT EXCEED 2 MEDIAN AREA PRODUCE RELOW	YEARS OF PROGRAM RESTRICTION	MUNICIPAL OF PERSONS PER HOUSEHER.D
30% of 35% of area median income (currently \$285)	single room	16	35%	35	1

#### MAXIMUM INCOME TABLE

FAMILY INCOME	FAMILY	ANNUAL	MONTHLY
LIMIT	SIZE	INCOME	INCOME
35% of motion, income for the Sm Diego Mesropolina Statistical Arm (MUD Notice CPD 96-007 February 24, 1996)	1	\$11,400	\$950

"Eligible Tenants" are those tenants who are mentally ill and whose aggregate gross annual income does not exceed the respective percentages set forth in the table above of annual median income. These units shall be the "Affordable Units." For purposes of this Declaration, the current annual median income shall be the median income defined by the Department of Housing and Urban Development (HUD) as the then current median income for the San Diego Standard Metropolitan Statistical Area, established periodically by HUD and published in the Federal Register, as adjusted for family size, and as shown on the Maximum Income/ Affordable Rent Table attached hereto as Exhibit M-1. DECLARANT shall pay utilities for each unit. This exhibit shall be deemed adjusted, from time to time, in accordance with any adjustments that are authorized by HUD or any successor agency. In the event HUD ceases to publish an established median income as aforesaid, the COMMISSION may, in its sole discretion, use any other reasonably comparable method of computing adjustments in median income. The definition of Eligible Tenant may be changed only with the express written consent of the COMMISSION.

- (ii) The eligibility of each prospective tenant under the restrictions set forth in (i) above shall be certified by DECLARANT which shall submit such certification and all supporting documentation on forms acceptable to the COMMISSION, in its sole discretion, for a determination of tenant eligibility, prior to tenant occupancy. Any failure by the COMMISSION to approve or disapprove the application of an eligible tenant submitted by DECLARANT within five (5) business days after submission thereof by DECLARANT shall be deemed to be a waiver by the COMMISSION of its right to approve or disapprove any eligible tenant; provided, however, that no such waiver shall affect, limit or relieve DECLARANT of its obligations to rent only to Eligible Tenants and to comply with the annual reporting and recertification procedures provided elsewhere in this Declaration. No Affordable Unit may be rented to a prospective tenant or occupied by any person unless and until the COMMISSION has determined or deemed to have been determined that the prospective tenant or occupant is an eligible tenant (defined above) as determined in accordance with the provisions set forth below:
- (1) Affirmative Marketing Plan Compliance. Eligible Tenants shall be described in DECLARANT's approved Affirmative Marketing Plan and DECLARANT shall comply with the terms of its approved Affirmative Marketing Plan, renting to those person(s) referenced in said approved plan, as may be amended from time to time.
- (2) <u>Determination</u>: <u>Annual Requalification</u>. The COMMISSION's determination of eligibility shall be based upon an application completed by the prospective tenant (including backup documentation such as employment and income verification documents) in accordance with the COMMISSION's normal procedures then in effect, and submitted by DECLARANT to the COMMISSION for review and determination of eligibility. Further, tenants shall be requalified as Eligible Tenants according to the above-described process annually. Such requalification process shall be performed by DECLARANT as part of the annual certification of DECLARANT's compliance as set forth in subparagraph 1.a.(ii)(3) below. Failure by DECLARANT to timely comply with the tenant qualification and

requalification process described in this subparagraph 1.a(ii)(2) and 1.a(ii)(3) shall constitute a material default under this Agreement.

- (3) <u>DECLARANT Certification</u>; <u>Annual Recertification</u>. Upon the completion of the PROJECT, the occurrence of which shall be determined by the COMMISSION, in its sole discretion, and on the anniversary date thereof in each year of the term of this Declaration, DECLARANT shall certify to the COMMISSION under penalty of perjury, utilizing such forms and providing such backup documentation as the COMMISSION may require, that DECLARANT is complying with all provisions of this Agreement. Failure to timely complete the annual certification process described in this subparagraph 1.a.(ii)(3) shall constitute a material default under this Agreement. The COMMISSION may resort to the remedies set forth in Paragraphs 4 and 11 below upon such material default, as well as any and all other remedies available at law or in equity and/or contained in the Acquisition and Rehabilitation Loan and Revocable Grant Agreement dated <u>November 7</u>, 1996, between DECLARANT and the COMMISSION.
- (4) Relationship with DECLARANT. The term "Eligible Tenant" shall not include DECLARANT or any individuals who are partners or shareholders in DECLARANT or in any entity having an interest in DECLARANT or in the PROPERTY.
- (5) No Student Dependents. The term "Eligible Tenant" shall not include any student dependent as defined in the U.S. Internal Revenue Code, unless the taxpayer (upon whom the student in question is dependent) resides in the same dwelling unit.
- (6) <u>Income of Co-tenants</u>, etc. The income of all co-tenants and/or non-dependent occupants shall be taken into account in determining whether a household is an Eligible Tenant hereunder.
- (7) Over Income Tenants. In the event that a tenant who was properly certified as An Eligible Tenant at the commencement of such tenant's occupancy ceases to be eligible, for whatever other reason for an Affordable Unit, then DECLARANT shall give sixty (60) days written notice to such Tenant of an increase in rent in accordance with Paragraph 1.17(c)(1) of the Acquisition and Rehabilitation Loan and Revocable Grant Agreement dated November 7, 1996.
- (8) Physical Condition of Affordable Units. After completion of the PROJECT, DECLARANT shall continually maintain the Affordable Units in a condition which satisfies the Housing Quality Standards promulgated by HUD under its Section 8 Program, as such standards and interpreted and enforced by the COMMISSION under its normal policies and procedures. The COMMISSION shall have the right to inspect the Affordable Units from time to time, on reasonable notice and at reasonable times, in order to verify compliance with the foregoing maintenance covenant. Further, each Affordable Unit shall be requalified annually, as to the foregoing maintenance covenant, as part of the annual tenant requalification process described in subparagraph 1.a.(ii)(3) above. Any deficiencies in the physical condition of an

Affordable Unit shall be corrected by DECLARANT at DECLARANT's expense within thirty (30) days of the identification of such deficiency by the COMMISSION.

- (9) Commission Monitoring Functions. It is contemplated that, during the term of this Agreement, the COMMISSION will perform the following monitoring functions: (A) preparing and making available to DECLARANT any general information that the COMMISSION possesses regarding income limitations and restrictions which are applicable to the Affordable Units; (B) reviewing the applications of prospective occupants of the Affordable Units, and determining eligibility of such persons as Eligible Tenants; (C) reviewing the documentation submitted by DECLARANT in connection with the annual certification process for Eligible Tenants described in subparagraphs 1.a(ii), 1.a.(ii)(2) and 1.a(ii)(3) above; and (D) inspecting the Affordable Units to verify that they are being maintained in accordance with subparagraph 1.a.(ii)(8) above. Notwithstanding the foregoing description of the COMMISSION's functions, DECLARANT shall have no claim or right of action against the COMMISSION based on any alleged failure to perform such function, except that DECLARANT may reasonably rely upon the COMMISSION's tenant eligibility determination and shall not be liable to the COMMISSION for any damages, as set forth in Paragraph 1.20 of the Agreement, and Paragraphs 4 and 11 of this Declaration, attributable to the COMMISSION's sole negligence or willful misconduct in conducting any such tenant eligibility determinations.
- (10) Compliance with Regulations. DECLARANT shall comply with all regulations, policies and procedures promulgated by H.U.D. and/or the COMMISSION in connection with the SHP Regulations, HOME Program Regulations and Housing Trust Fund Regulations, under which the COMMISSION Loan and Grant is being made to DECLARANT. DECLARANT'S failure to so comply shall constitute a material default hereunder, entitling COMMISSION to the remedies set forth in Paragraph 4 and 11 below.
- (11) Option to Extend Affordability. Not less than two (2) years prior to the expiration of the original term of the affordability provided for in this agreement, the DECLARANT shall notify the San Diego Housing Commission, in writing, of the date of the prospective termination of the affordability. The notice of termination shall include a listing of the total number units for which affordability has been restricted, the current restricted rents for each unit located in the project, the level of existing occupancy (that is the percentage of occupancy of the restricted units) and whether or not there is any waiting list for any available units within the project.

On or before one and a half (1 1/2) years before the expiration of the original term of affordability, the San Diego Housing Commission may, at its sole option, enter into negotiations with the BORROWER/DECLARANT to extend the affordability term, on such terms and conditions as the parties may agree.

#### **GENERAL PROVISIONS**

2. Binding Effect. DECLARANT covenants, for itself and its successors and assigns, not to sell, transfer, assign or otherwise dispose of ownership of the PROPERTY, unless the COMMISSION expressly consents to such transfer in writing, which consent will not unreasonably with withheld, and the prospective purchaser, transferee or assignee expressly promises in writing to be bound by all of the provisions hereof, including the covenant in this Paragraph 2 to require successors to expressly assume the obligations herein.

It is expressly acknowledged that the covenants and restrictions set forth herein shall survive any repayment of the Loan or Grants referenced in that certain Loan and Revocable Grant Agreement entered into between the SAN DIEGO HOUSING COMMISSION and DECLARANT on or about Vovember 7, 1996. Further, the obligations of Declarant hereunder shall be deemed independent of Declarant's obligations under the Promissory Note evidencing the COMMISSION Loan and Grant.

- Term. This Declaration and the covenants and restrictions contained herein shall expire fifty-five (55) years from the Acquisition and Rehabilitation Loan and Revocable Grant Agreement.
- 4. Enforcement. DECLARANT expressly agrees and declares that the COMMISSION or any successor public agency is a proper party and shall have standing to initiate and pursue any and all actions or proceedings, at law or in equity to enforce the provisions hereof and/or to recover damages for any default hereunder, notwithstanding the fact that such damages or the detriment arising from such default may have actually been suffered by some other person or the public at large; provided, however, that no action undertaken by or on behalf of the COMMISSION pursuant to this Section shall increase the liability or burdens of BORROWER, or give the COMMISSION standing to sue if the other persons actually aggrieved have commenced an action for the same cause of action. Further, the COMMISSION or any successor public agency shall be the proper party to waive, relinquish, release or modify the rights, covenants, obligations or restrictions contained in or arising under this Declaration.
- a. COMMISSION, their respective successors and assigns, shall have the right to monitor and enforce the covenants and restrictions contained herein. Declarant covenants that it shall comply with any monitoring program set up by COMMISSION to enforce said covenants. In complying with such monitoring program, Declarant or its agent shall prepare and submit the eligibility of each prospective tenant to the COMMISSION for a determination of tenant eligibility, prior to occupancy. Declarant shall submit for each prospective tenant, income verification documents and supporting documentation on monitoring program forms provided by COMMISSION as set forth in Section 1.a.(ii) of this Declaration. On an annual basis Declarant or its agent shall, in addition, submit to COMMISSION evidence of each Qualified Tenant's continuing eligibility for the units. COMMISSION shall review such reports within fourteen (14) days of receipt for certification of continuing affordability of units and eligibility of tenants.

- b. COMMISSION shall have the reasonable rights of access to PROPERTY for purposes of monitoring compliance with the requirements of COMMISSION regarding the provision of affordable housing.
- 5. Attorney's Fees. In the event that any litigation for the enforcement or interpretation of this Declaration, whether an action at law or arbitration or any manner of non-judicial dispute resolution to this Declaration by reason of the breach of any condition or covenant, representation or warranty in this Declaration, or otherwise arising out of this Declaration, the prevailing party in such action shall be entitled to recover from the other reasonable attorneys' fees to be fixed by the court which shall render a judgment, as well as the costs of suit.
- 6. <u>Severability</u>. In the event that any provision or covenant of this Declaration is held by a court of competent jurisdiction to be invalid or unenforceable, then it shall be severed from the remaining portions of this Declaration which shall remain in full force and effect.
- 7. Covenants to Run With the Land. Subject to being extinguished upon the foreclosure by a senior deed of trust lien holder, the covenants contained herein shall constitute "covenants running with the land", and shall bind the PROPERTY and every person having an interest therein during the term of this Declaration. Declarant agrees for itself and its successors that, in the event that, for any reason whatsoever, a court of competent jurisdiction determines that the foregoing covenants do not run with the land, such covenants shall be enforced as equitable servitudes against the PROPERTY.
- 8. <u>Recordation</u>. This Declaration shall be recorded in the Office of County Recorder of San Diego, California.
- 9. Mortgagee Protection. No violation or breach of the covenants, conditions, restrictions, provisions or limitations contained in this Agreement shall defeat or render invalid or in any way impair the senior lien or charge of any permitted deed of trust recorded on the PROPERTY provided, however, that any subsequent owner of the PROPERTY after foreclosure of a junior deed of trust, shall be bound by the covenants, conditions, restrictions, limitations and provisions of this Agreement, whether such owner's title was acquired by foreclosure, deed in lieu of foreclosure, trustee's sale or otherwise.
- 10. <u>Covenant Against Discrimination</u>. DECLARANT covenants on behalf of itself and its successors and assigns, and each successor in interest to the PROPERTY, not to discriminate against any tenant or prospective tenant of the PROJECT on the basis of race, religion, sex, national origin, age, disability and/or family status.

#### 11. Remedies.

(a) Contract governed by law of state of California. This Declaration, its performance, and all suits and special proceedings under this Declaration, shall be constituted in accordance with the laws of the State of California and Federal law, to the extent applicable.

In any action, special proceeding, or other proceeding that may be brought arising out of, under or because of this Declaration, the laws of the State of California and the United States, to the extent applicable, shall govern to the exclusion of the law of any other forum, without regard to the jurisdiction in which the action or special proceeding may be instituted.

- (b) Standing, equitable remedies; cumulative remedies. DECLARANT expressly agrees and declares that the COMMISSION or any successor or public agency shall be the proper party and shall have standing to initiate and pursue any and all actions or proceedings, at law or in equity, to enforce the provisions hereof and/or to recover damages for any default hereunder, notwithstanding the fact that such damages or the detriment arising from such a default may have actually been suffered by some other person or by the public at large. Further, DECLARANT expressly agrees that receivership, injunctive relief and specific performance are proper pre-trial and/or post-trial remedies hereunder, and that, upon any default, and to assure compliance with this DECLARATION. Nothing in this subparagraph, and no recovery to the COMMISSION, shall restrict or limit the rights or remedies of persons or entities other than the COMMISSION, against DECLARANT in connection with the same or related acts by DECLARANT. The remedies set forth in this Section are cumulative and not mutually exclusive, except the extent that their award is specifically determined to be duplicative by final order of a court of competent jurisdiction.
- (c) Remedies at law for breach of tenant restrictions. In the event of any material default under Paragraphs 1 and 2 hereof regarding restrictions on the operation and the transfer of the Property, the COMMISSION shall be entitled to, in addition to any and all other remedies available at law or in equity: (i) declare the Loan Agreement to be all due and repayable; and (ii) recover compensatory damages. If the default in question involves the violation of Paragraphs 1 and 2, above, the amount of such compensatory damages shall be the product of multiplying: (A) the number of months that the default in question has continued until the time of trial by (B) the result of subtracting (i) the rents properly chargeable hereunder for the Affordable Unit(s) in question from the amount actually charged. DECLARANT and the COMMISSION agree that it would be extremely difficult or impracticable to ascertain the precise amount of actual damages accruing to the COMMISSION as a result of such a default and that the foregoing formula is a fair and reasonable method of approximating such damages. The COMMISSION shall be entitled to seek and to recover damages in separate actions for successive and separate breaches which may occur. Further, interest shall accrue on the amount of such damages from the date of the breach in question at the rate of ten percent (10%) per annum or the maximum rate than allowed by law, whichever is less. Nothing in this section shall preclude the award of exemplary damages as allowed by law.
- (d) Expert witness, attorney's fees, and costs. The parties agree that the prevailing party in litigation for the breach and/or interpretation and/or enforcement of the terms of this Declaration shall be entitled to their expert witness fees, if any, as part of their costs of suit, and reasonable attorneys' fees as may be awarded by the court.

- 12. COMMISSION's Approval of Property Manager. At all times that these Restrictions are in force and effect, and the COMMISSION has served a written notice of deficiencies in the Property management for the project, which deficiencies have not been rectified by the DECLARANT, within thirty (30) days after the giving of a specific and detailed written notice of the deficiencies (provided, however, that such thirty (30) day period shall be extended for any additional period necessary to effectuate a cure of such deficiencies so long as BORROWER is diligently pursuing a cure during such additional period), then, the COMMISSION shall have the right, in its sole discretion, and upon thirty (30) days written notice: (i) to require the retention of a professional property management firm to manage the Property; (ii) to approve, in advance and in writing, the retention of any such property management firm, including the terms of the contract governing such retention; and (iii) to require DECLARANT to terminate any such property management firm, provided that such termination shall comply with the termination provisions of the management contract in question. DECLARANT shall cooperate with the COMMISSION to effectuate the COMMISSION's rights.
- 13. <u>Lease Provisions</u>. Declarant agrees that it will include in all of its leases and cause its successors in interest to include in all of their leases the following provisions:
- agrees to, upon written request from the Landlord or the COMMISSION, certify under penalty of perjury the accuracy of all information provided in connection with the examination or reexamination of annual income of the tenant's household. Further, tenant agrees that the annual income and other eligibility requirements are substantial and material obligations of the tenancy and that the tenant will comply promptly with all requests for information with respect to the tenancy from the landlord and/or the COMMISSION. Further, tenant acknowledges that tenant's failure to provide accurate information regarding such requirements (regardless of whether such inaccuracy is intentional or unintentional) or the refusal to comply with the request for information with respect thereto, shall be deemed a violation of this lease provision, and a material breach of the tenancy and shall constitute cause for immediate termination of the tenancy.
- 14. Maximum Rent To Be Collected by BORROWER. In no event, shall the "Total Rent", including the portion paid by the Resident Tenant and any other person or entity, collected by DECLARANT for any rent restricted unit exceed the amount of rent set forth in the Table referenced in Section 1.a(i). Total Rent includes all payments made by the Resident Tenant and all subsidies received by the DECLARANT. In the case of persons receiving Section 8 benefits, who are Resident Tenants, the DECLARANT acknowledges that it shall not accept any subsidy or payment that would cause the Total Rent received for any restricted unit to exceed the maximum rents allowed in the above-referenced Table, for any rent restricted unit. Should the DECLARANT receive Total Rent in excess of the allowable maximum rent set forth in the Table, DECLARANT agrees to immediately notify the COMMISSION and reimburse the COMMISSION for any such overpayment. Acceptance by DECLARANT or its successors in

interest, of Total Rent in excess of the maximum rent set forth in the Table shall constitute a material breach of the Declaration and this AGREEMENT.

BORROWER:

EPISCOPAL COMMUNITY SERVICES, a California nonprofit corporation

By: Enacea Alleri Its: Executive Director

Approved as to Form and Content:

SAN DIEGO HOUSING COMMISSION

Elizabeth Morris Executive Director

**DETISCH & CHRISTENSEN** 

Bv:

General Counsel for the SAN DIEGO HOUSING COMMISSION RECORDED BY CHICAGO TITLE SUBDIVISION MAPPING DEPT.

Recording Requested By:

DETISCH & CHRISTENSEN 444 West "C" Street, Suite 200 San Diego, CA 92101

And When Recorded Mail To:

Attn.: SAN DIEGO HOUSING COMMISSION 1625 Newton Avenue San Diego, CA 92113



DOC # 1999-069816E

OCT 15, 1999 4:55 PM

OFFICIAL RECORDS

SAN DIEGO COUNTY RECORDER'S OFFICE
GREGORY J. SMITH, COUNTY RECORDER
FEES: 16.00

M

#### AMENDMENT TO THE DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS (TENANT RESTRICTIONS) "AMENDMENT"

THIS AMENDMENT to the Declaration of Covenants, Conditions and Restrictions, recorded in the County of San Diego as Document No. 1996-0594454 on November 25, 1996, ("DECLARATION") is made as of Septembre 30, 1999, by EPISCOPAL COMMUNITY SERVICES, a California nonprofit public benefit corporation, ("DECLARANT") in connection with that certain parcel of real property (the "PROPERTY") located at 1425 C Street, San Diego, CA 92101, and more fully described in Exhibit "A" attached hereto and incorporated herein by reference.

#### RECITALS

- A. DECLARANT has acquired title to the PROPERTY with the aid of a Loan and Grant obtained from the San Diego Housing Commission (hereafter the "COMMISSION"), and intends to operate a transitional housing program for low income or very low income homeless mentally ill persons ("SAFE HAVENS" or "the PROJECT").
- B. The COMMISSION previously on November 6, 1996, approved a TWO HUNDRED TWENTY SIX THOUSAND ONE HUNDRED FIFTY DOLLAR (\$226,150) loan and grant to DECLARANT. The COMMISSION subsequently on February 11, 1999, approved an additional grant in the amount of ONE HUNDRED FORTY EIGHT THOUSAND TWO HUNDRED DOLLARS (\$148,200).
- C. Concurrently with the recordation of this AMENDMENT, the COMMISSION is funding by grant, secured by a deed of trust on the PROPERTY, funds in the amount of TWENTY FIVE THOUSAND DOLLARS (\$25,000), to assist with the rehabilitation of the PROJECT. The Revocable Grant Agreement by the COMMISSION was conditioned in part upon the recordation of a document setting forth certain restrictions upon the use and sale of the PROPERTY.

1

The Revocable Grant is comprised of Supportive Housing Program ("SHP") Funds. As as consideration for the funds provided under the Revocable Grant, Grantee has agreed to continue the Tenant and Affordability Restrictions on the Project and to increase the number of units to eighteen from sixteen, and increase the number of beds to twenty five from twenty two, until fifty five (55) years from the date of this AMENDMENT.

NOW, THEREFORE, DECLARANT hereby declares that the PROPERTY shall be subject to the covenants, conditions and restrictions set forth below:

- Restrictive Covenants. DECLARANT agrees and covenants on behalf of itself and its successors and assigns, and each successor in interest to the PROPERTY, that at all times during the term of this AMENDMENT, that the units designated as Affordable Units in the DECLARATION shall remain designated as Affordable Units until fifty five (55) years from the date of this AMENDMENT.
  - 2. Nothing in this AMENDMENT shall be deemed to supercede or replace the terms of the DECLARATION, except the term of affordability as described above.

DECLARANT:

EPISCOPAL COMMUNITY SERVICES

A California nonprofit public benefit corporation

Amanda G. R. May (the Rev. )

Executive Director and CEN

Approved as to form:

**DETISCH & CHRISTENSEN** 

General Counsel

San Diego Housing Commission

#### EXHIBIT "A"

#### REAL PROPERTY DESCRIPTION

THE WESTERLY ONE-HALF OF LOTS J, K AND L IN BLOCK 179 OF HORTON'S ADDITION, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO THE MAP MADE BY L.L. LOCKLING, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY.

EXCEPTING THEREFROM THE SOUTHERLY 10 FEET THEREOF.

#### STATE OF CALIFORNIA

#### COUNTY OF SAN DIEGO

On the 30th day of September 1999 before me, a Notary Public, personally appeared Awarda GR May, personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

TIMOTHY C, RUTHERFORD Commission # 1170033 Rotary Public - California San Diego County My Comm. Expirés Jan 17, 2002

Signature of Notary



## **The Beacon**

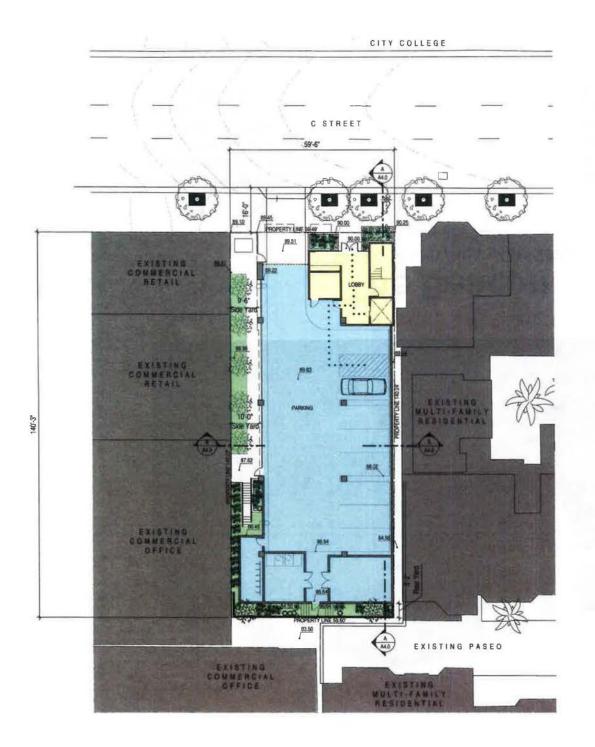
1425 C St San Diego, CA 92101 June 20, 2016

#### **Property Owner & Developer:**

Wakeland Housing & Development Corp. 1230 Columbia St, Suite 950 San Diego, CA 92101 Contact: Jonathan Taylor Tel: 619.326.6212

#### **Architect:**

M.W. Steele Group 1805 Newton Ave, Suite A San Diego, CA 92113 Contact: Diego Velasco Tel: 619.230.0325 x4237





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2. No bus slop existing or proposed at attest horizoge of prop

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4. Locations of the hydracia shown on vicinity map, See Sheet A0.00

#### Legend



.... Accepte Feb.

M.W. STEELE GROUP ARCHITECTURE | PLANNING 1805 NEWTON AVE | SUITE A SAN DIEGO | CA | 92113 TELEPHONE 614 210 81/1

#### The Beacon

1425 C St San Diego, CA 92101

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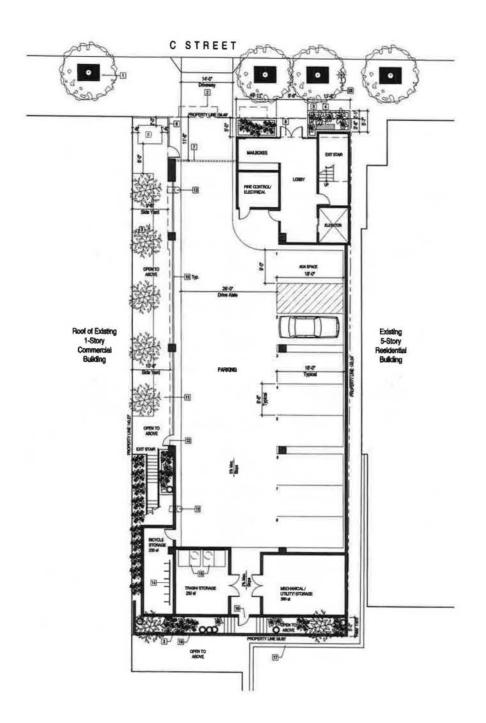


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1523 April 61, 2016

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#### The Beacon

1425 C St San Diego, CA 92101

Property Owner & Developer: Wakeland Housing and Development Corp. 1290 Columbia St Suite 950 San Diego, CA 92101 Contact Jonesthen Taylor Phone: 619.326.6212

Archilect: M.W. Stoele Group 1805 Newton Ave Suite A San Diego, CA 92113 Contact: Diego Velasco Phone: 619.230.0325 x4237

FLOOR PLANS

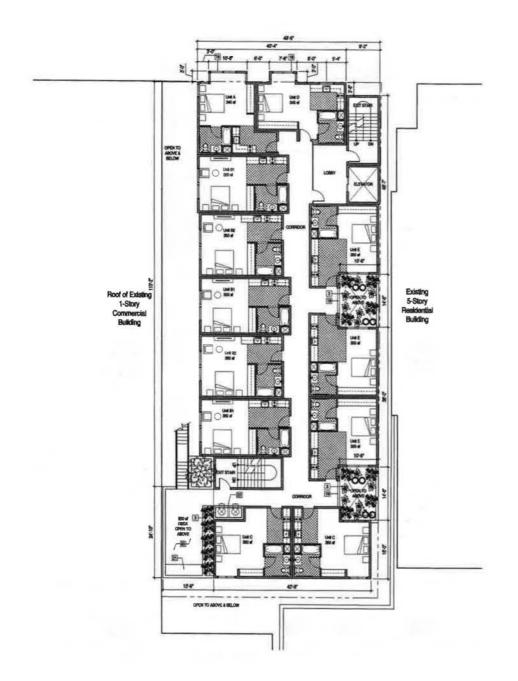


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#### The Beacon

1425 C St San Diego, CA 92101

Property Owner & Developer: Wakeland Housing and Development Corp. 1230 Columbia St. Sutta 950 San Diego, CA 92101 Contact: Jonathan Taylor Phone: 619 326 8212

Architect: M.W. Steele Group 1905 Newton Ave Suite A San Diego, CA 92113 Contact: Diego Velasco Phone: 619.230.0325 x4237 Page Spile 1973 Openine April 01, 2015



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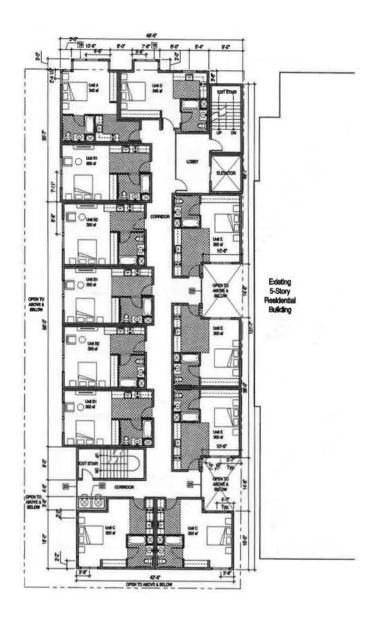
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M.W. STEELE GROUP ARCHITECTURE | PLANHING 1805 NEWTON AVE | SUITE A SAN DIEGO | CA | 9211 ELSPHONE 619 220 6325

#### The Beacon

1425 C St San Diego, CA 92101

Property Owner & Developer: Walkeland Housing and Development Corp. 1230 Columbia St Suff 950 Sen Diego, CA 92101 Contact: Jonathan Taylor Phone 519.326 6212

Architect M.W. Steele Group 1805 Newton Ave Suits A San Diego, CA 92113 Contract: Diego Velasco Phone: 619.230.0325 x4237 Project Southers (SZ2)
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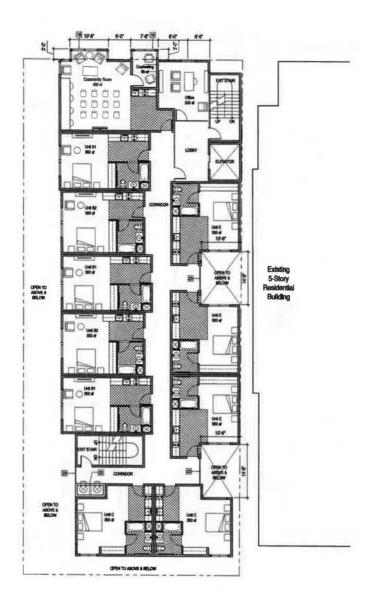


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Third Floor Plan

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#### The Beacon

1425 C St San Diego, CA 92101

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FLOOR PLANS

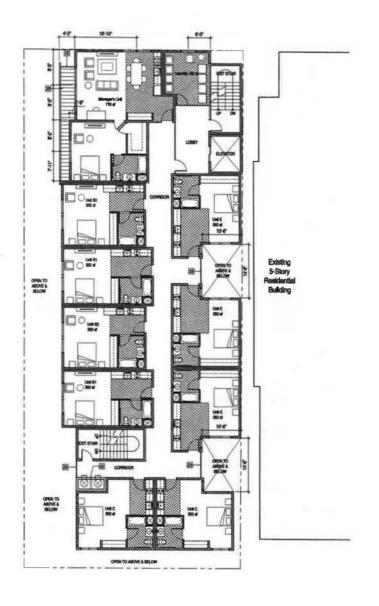


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Notes	General Notes	
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19 24' High Messany Planter Well 20 Dark - Syntholic Desking anafor Dack Planese	Legend	
21 Counter by 880 Grill	Legenu	
22 Treat and Recycling Chales		
23 Matei Guarded	Accessible Periodic Spaces	
24 Mechanical Equipment Screening - Outremont Metal Grating	- 8 Key Note	
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28 Tensh and Recycling Chule Vests	Properly Line	
27) Stepard Australia Stringio Pool		
28 Strent Light	Spot Spreading	
29 VIV Michanicai Units	eeee Ametica	

M.W. STEELE GROUP ARCHITECTURE | PLANNING 1805 NEWTON AVE | SUITE A SAN DIEGO | CA | 92113

#### The Beacon

1425 C St San Diego, CA 92101

Property Owner & Developer: Waskend Housing and Development Corp. 1230 Columbia St Suite 950 San Diego, CA 92101 Contact: Jonathan Taylor Phone: 919.326 5212

Architact: M.W. Staele Group 1805 Newton Ave Suite A Sen Diego, CA 92113 Contact: Diego Velasco Phone: 619 230,0325 x4237 Secret Cut 10 Substitut 10000NII

FLOOR PLANS

NOT FOR CONSTRUCTION SHEET SIZE 24" x 36" DO NOT SCALE DRAWINGS

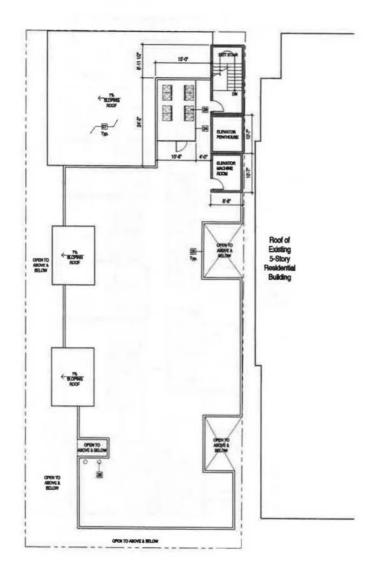
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Notes	General Notes	
1 Dahley Tree to Plement 2 Use of Building Personner Allyses 3 Landscaped Personner Allyses 4 Price and Whiter Buildines Daubus 5 SOCIE Treestammer of Grades 8 Excentry Access Gales 9 Primary Building Editions 9 Primary Building Editions 10 Society Date 10 State Lancer Garman over sold assessmy said 11 Signam Path / Person Waldsung 12 Garage Publishin Edit 13 Garage Publishin Edit 14 Society Editions 15 Tamb and Peopleting Stees at Chale Localizes 16 Vander Publishin Edit 17 Calcing Forms 1 Well on Adjacust Rassidantial Popular 18 Otto Waldship Forms 1 Well on Adjacust Rassidantial Popular	1. Peder to Yappangolio Barrary for all underlay ROAM, violitic, propriety for deliminary, cash to properly for deliminary delimants, and expenses the second of the second delimants.  2. No loss miss enabling or proposed at annex formage of programs peder.  3. Provide landing address contains, violate and legisle from the derivat or send-fording dispense contains, violate and legisle from the derivative contains on the second provide graphic perivative per PHPS Proby PHDP (IAS) PKDP (IAS)	
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21) Counter for BRQ G/S	Logona	
22 Touch and Recycling Chalas 23 Mobil Guardeel	Accusation Parking Space	
24 Mechanical Egylpment Screening - Outhercoat Metal Grating	-	
25 States Female - 42" high Typical with Female Metal Cop.	- g Kay Note	
26 Totals and Recycling Chale Vents.	Propery Line	
27 Stoped Aughtet Oringie Pacel		
28 Growt Light	Opal Bereillan	
29 VFF Mediantical Units	e e e e Accepto Par	

M.W. STEELE GROUP ARCHITECTURE | PLANNING 1805 NEWTON AVE | SUITE A

SAN DIEGO | CA | 92113 TELEPHONE 619 230 0325

#### The Beacon

1425 C St San Diego, CA 92101

Property Owner & Developer: Wakekand Housing and Development Corp. 1230 Columbia St Suffe 560 San Diego, CA 92101 Contact. Jonathan Taylor Phone: 619.326.6212

Architect: M.W. Steele Group 1805 Newton Ave Sults A San Diego, CA 92113 Contact: Diego Vekasco Phone: 619.230.0325 x4237

NOT FOR CONSTRUCTION SHEET SIZE: 24" x 36" DO NOT SCALE DRAWINGS

**ROOF PLAN** 





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#### Metal Railing, Painted Fintsh 2 Hardin Board Skiling with Integral Color 3 Metal Louver, Painted 4 Aumoun Stanton Entrarce Doo [5] Entrance Lighting Sconce (5) CMU Planter with Integrated Wood Bench 7 Podeotrun Ext Gera, Mytai, Parroad Finish Commit Plantar, Integral Color and Painted Finish Gonorate Post-Terraloned Stab (0) Meta insulated Panel Siding with Integral Color [1] CMU Garage Wall 12 Motel Fleveni Gárago Door, Painted Metal Grain General Notes Provide building address numbers, visible and legible from the street or need forwing the property per FFFS Policy P-00-6 (LFC 801.4-4). Legend

Notes

M.W. STEELE GROUP ARCHITECTURE | PLANNING 1805 NEWTON AVE | SUITE A SAN DIEGO | CA 1 92113 TELEPHONE 619 210 0325

The Beacon

1425 C St San Diego, CA 92101

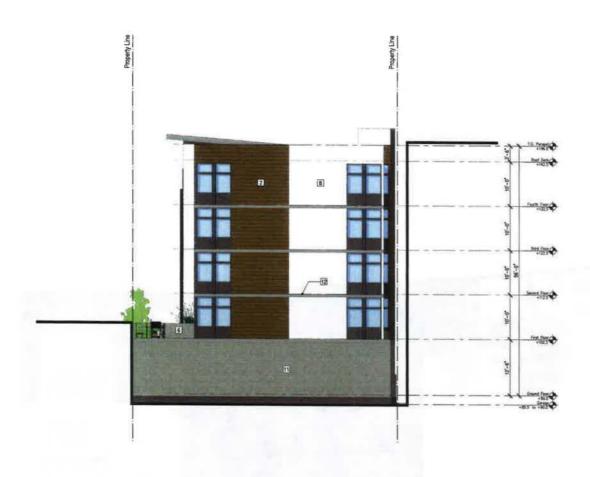
Property Owner & Developer: Wakeland Housing and Development Corp. 1230 Columbia St Suits 950 San Diego, CA 92101 Contact: Jonathan Taylor Phone: 619.326.6212

Architect: M.W. Steele Group 1805 Newton Ave Suite A San Diego, CA 92113 Contact: Diego Velasco Phone; 619.230.0325 x4237

NOT FOR CONSTRUCTION SHEET SIZE 24" x 36" DO NOT SCALE DRAWINGS

NORTH ELEVATION





#### Notes

- | Made Posice, Praissed Princh
  | Herisc Board Stating with Harped Color
  | Made Louver, Plaisted
  | Administration Stating with Harped Color
  | Stating Stating Scenario
  | Cold Preserve with Harped Wood Banch
  | Prodersion Cold Bank, Manuel, Presiden Princh
  | Downward Praisser, Nalegard Color and Printed Princh
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  | Commonter Port Terestowner Sale
  | Madel Installed Princh Solding with Hasped Color
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  | Madel Installed Princh Solding with Hasped Color
  | Cold Company Wold
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#### **General Notes**

#### Legend





M.W. STEELE GROUP ARCHITECTURE | PLANNING 1805 NEWTON AVE | SUITE A SAN GIEGO | CA | 98113 TELEPHONE 619 336 032>

#### The Beacon

1425 C St San Diego, CA 92101

Property Owner & Developer: Wakeland Housing and Development Corp., 1230 Columbia St Suite 950 San Diego, CA 92101 Contact: Jonathan Taylor Phone: 619.326.6212

Architect: M.W. Steele Group 1805 Newton Ave Suite A Sunta A San Diego, CA 92113 Contact: Diego Velasco Phone: 619.230,0325 x4237



NOT FOR CONSTRUCTION SHEET SIZE 24" x 36" DO NOT SCALE DRAWINGS

SOUTH ELEVATION



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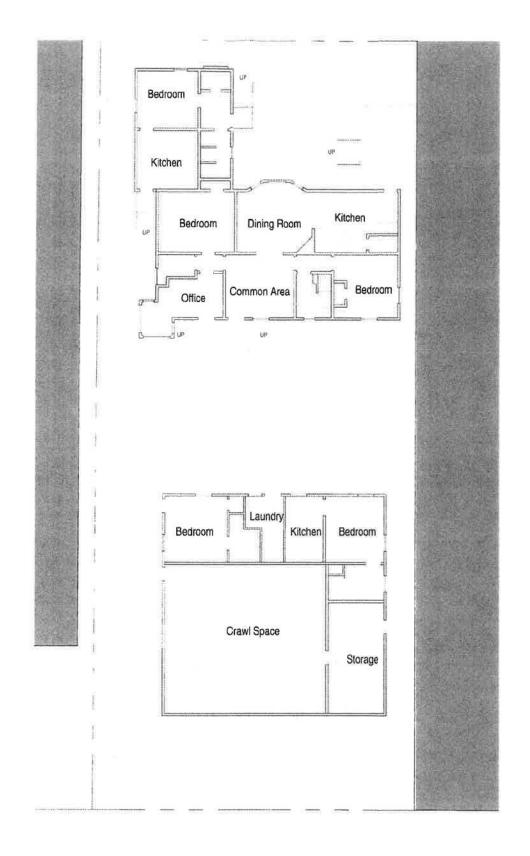




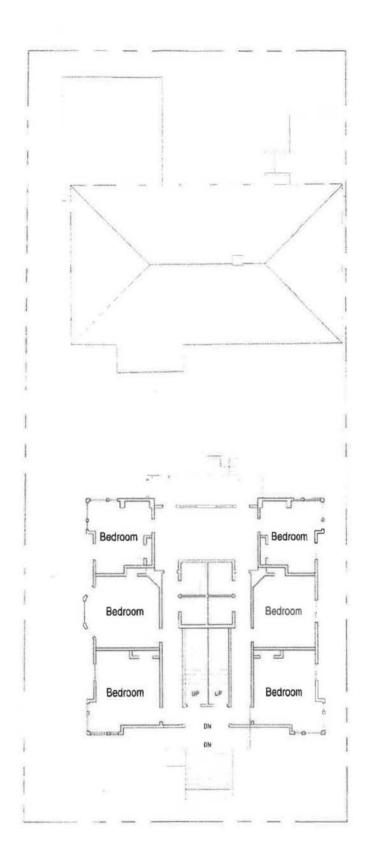
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### C Street Project

Preservation Analysis



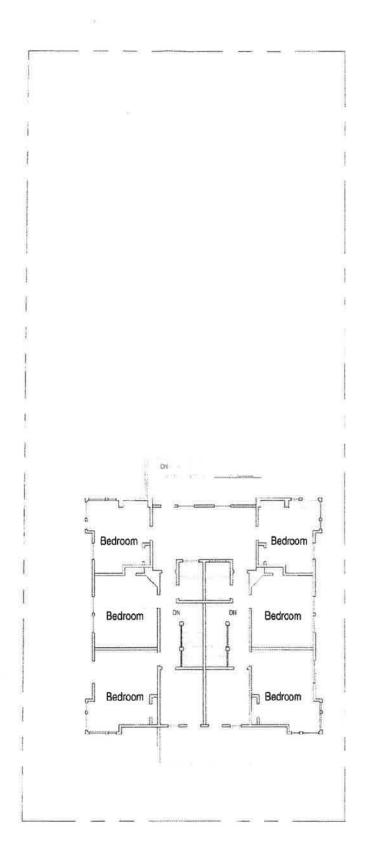
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M.W. STELE

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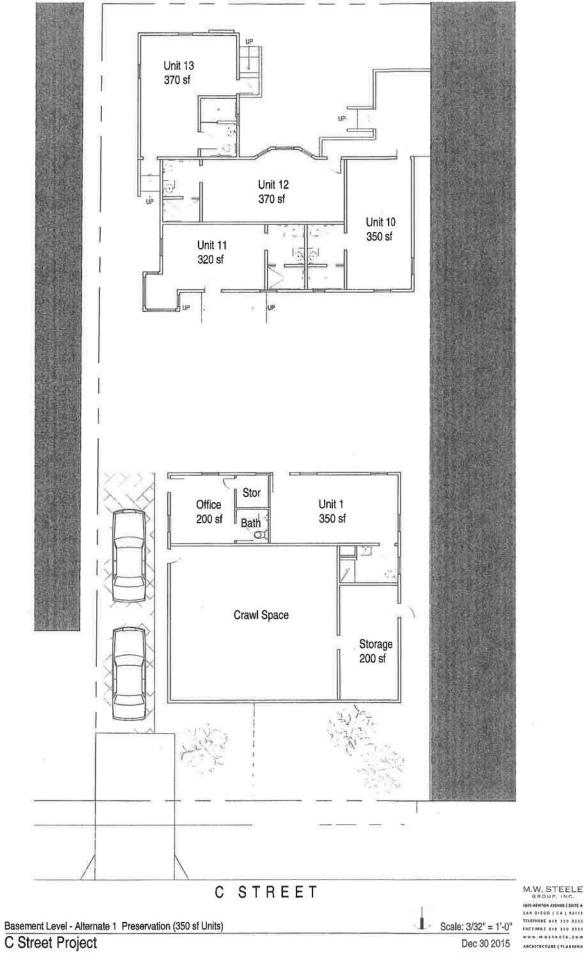
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M.W. STEELE
SEQUE AND
HOS NAME AND ADDRESS OF STATE ADDRES

### Alternate 1 Preservation

13 total units within the existing buildings 350 sf average per unit 2 tandem parking spots



Dec 30 2015

GROUP, INC.

1881 NEWTON AVENUE | 2UIT A

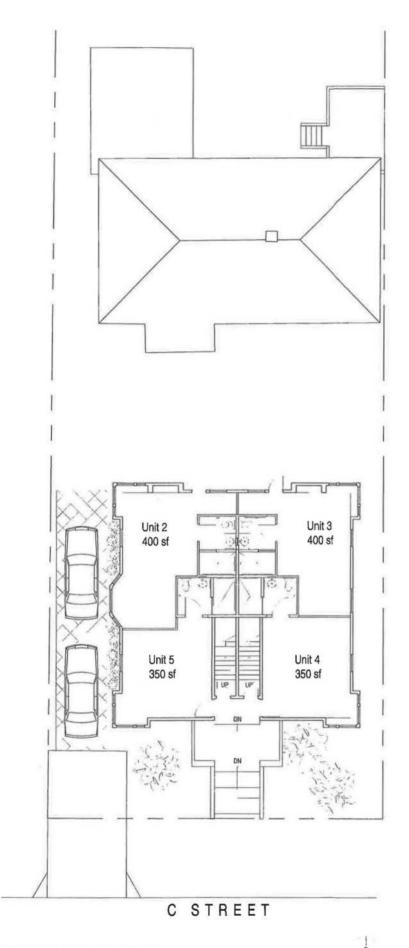
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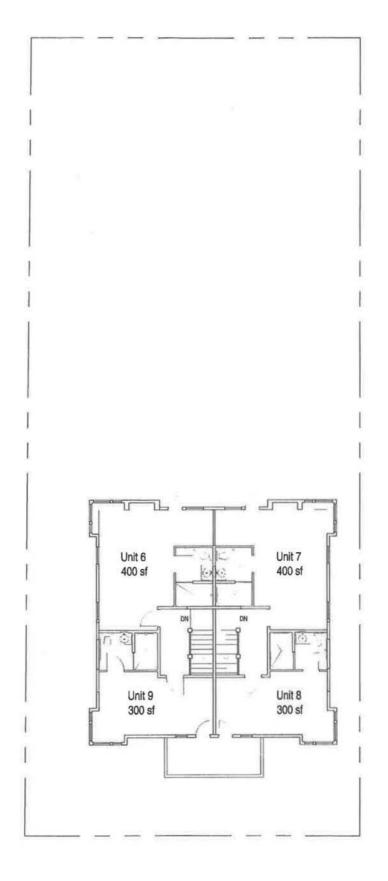
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Ground Level - Alternate 1 Preservation (350 sf Units)

Scale: 3/32" = 1'-0"

M.W. STEELE THE NEW PARKET OF THE SAME OFFICE OFFICE

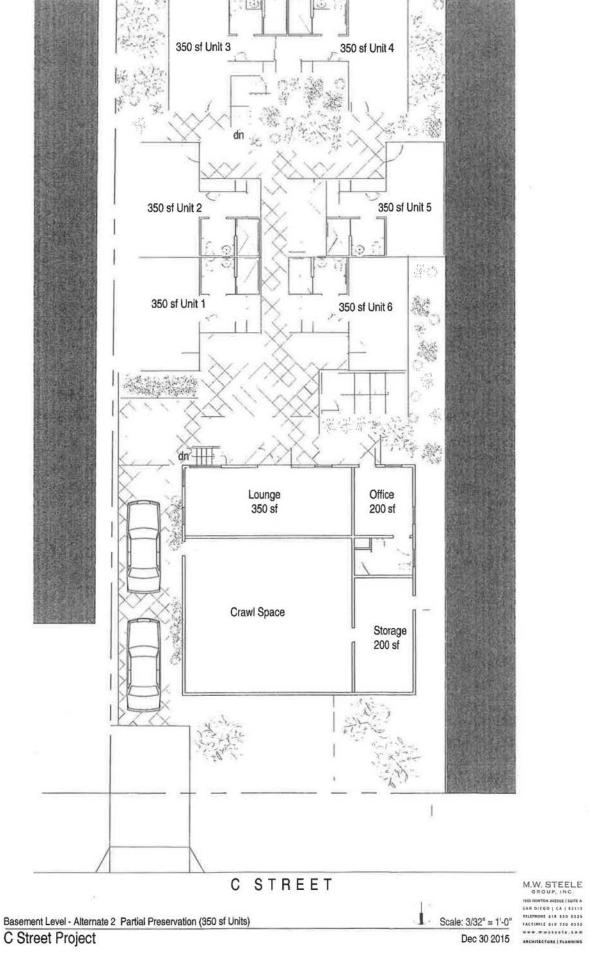


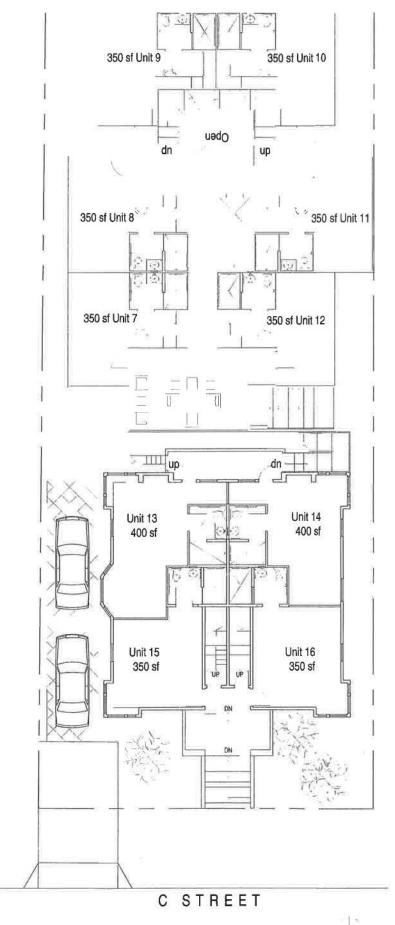
M.W. STEELE
GROUP, INC.
195 SINTON ANDRES SISTE
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AACSINILE SIN 218 813-3
AACSINILE SIN 218 813-4
AACSINILE S Scale: 3/32" = 1'-0"

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### Alternate 2 Partial Preservation

32 total units within the front existing building & a new building in the back
350 sf average per unit
2 tandem parking spots

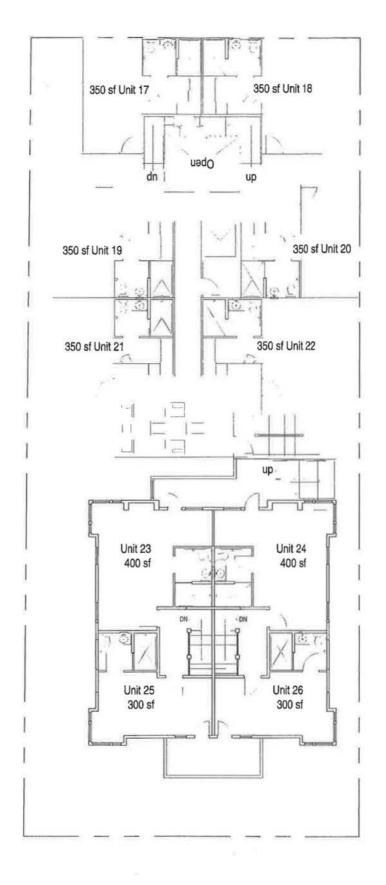




Ground Level - Alternate 2 Partial Preservation (350 sf Units)

Scale: 3/32" = 1'-0"

M.W. STELLE GROUP, INC. 1885 ATWYON AVENUE I BUTCA SAN DIEGO | CA | 93113 TELEPHONE 659 238 9373 ACCUMILE 619 230 9353 WWW.OFFICE | PLANNING



\*\*\* PALEFIDATE (19 330 833)
\*\*\*\* PALEFIDATE (19 330 833)
\*\*\*\* PALEFIDATE (19 330 833)
\*\*\*\* PALEFIDATE (19 330 833)

#### W.G. REINHARDT MULTI-FAMILY RESIDENCE

1425 "C" STREET, SAN DIEGO, CALIFORNIA

ERECTED 1908. PERIOD OF SIGNIFICANCE 1908.

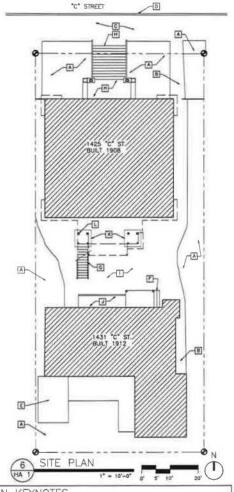






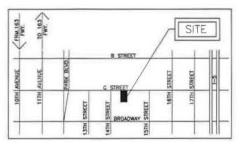


PHOTO: RAFTER TAIL

PHOTO: KNEE BRACE

PHOTO: BAY WINDOW (EAST FACADE)







#### SITE PLAN KEYNOTES

- A PLANTING AREA B CONCRETE WALK C CITY SIDEWALK
  D CITY CURB
- E) WOOD DECK F CONCRETE STEPS G WOOD STEPS
- H COMPOSITE MATERIAL STEPS / DECKING
- BRICK FLOORING CONCRETE RAMP
- CONCRETE PAD E WOOD POST

#### INDEX OF SHEETS

- TITLESHEET, SITE PLAN, PHOTOS, VICINITY MAP
- LOWER LEVEL FLOOR PLAN
- FIRST LEVEL FLOOR PLAN
- SECOND LEVEL, FLOOR PLAN AND ROOF PLAN
- NORTH ELEVATION, ENTRY COLUMN DETAIL, KNEE BRACE, BRACKET DETAIL
- WEST ELEVATION, 1908 WINDOW DETAILS
- EAST ELEVATION, DETAIL AT ENTRY BALLUSTRADE
- SCUTH ELEVATION, SOUTH SECTION ELEVATION

ARCHITECT: UNION ARCHITECTURE, INC. 1530 BROOKES AVE. SAN DIEGO, CA. 92103

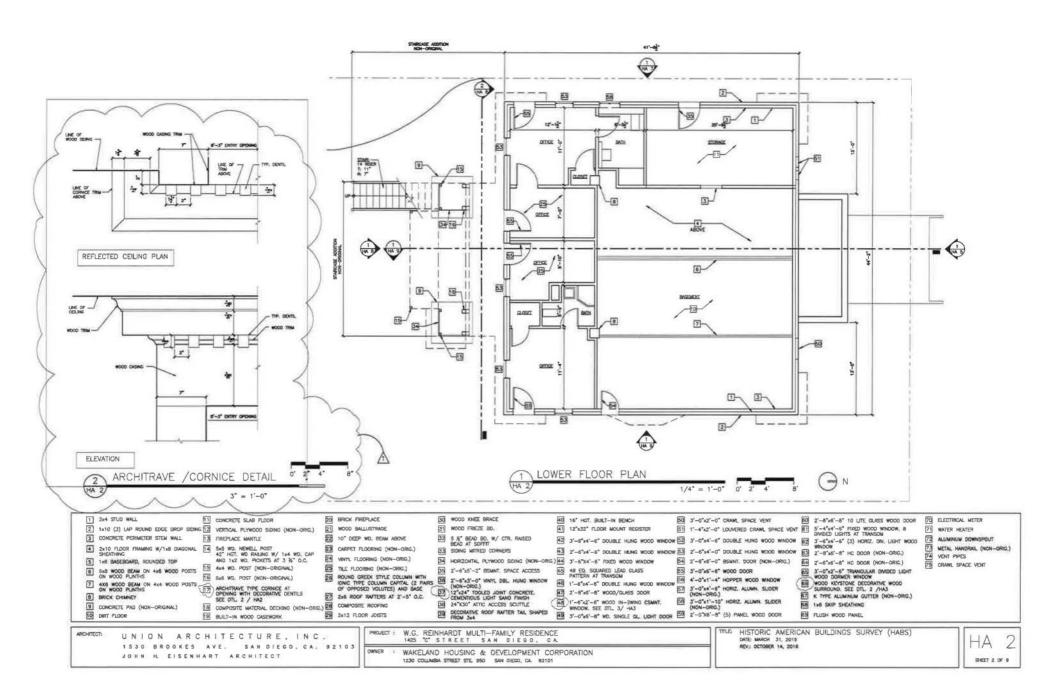
JOHN H. EISENHART ARCHITECT

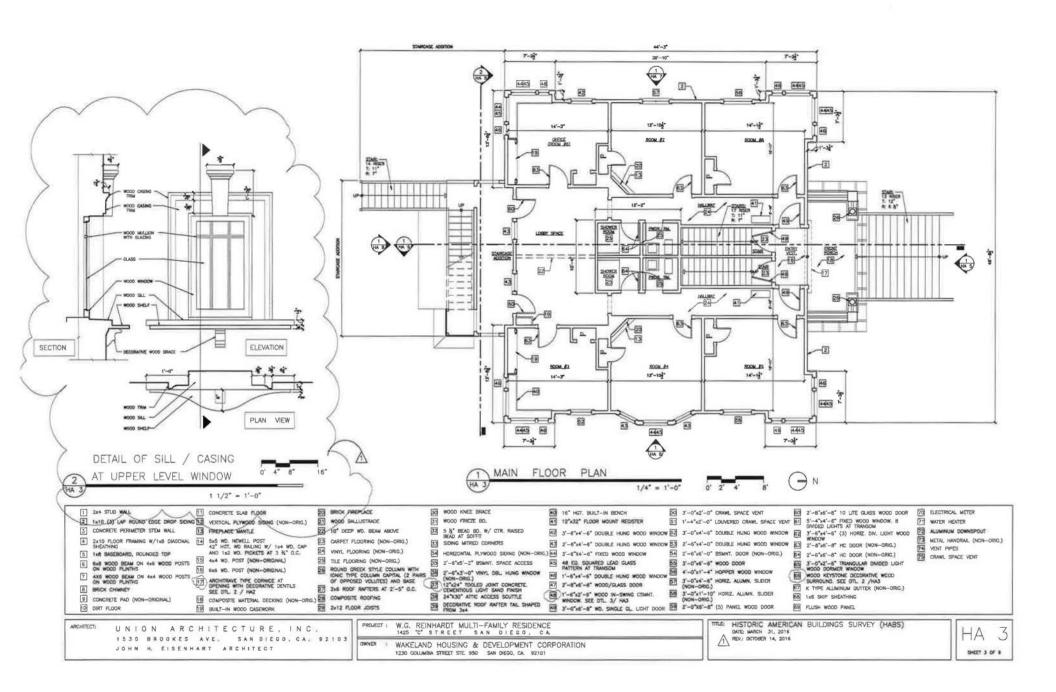
PROJECT : W.G. REINHARDT MULTI-FAMILY RESIDENCE

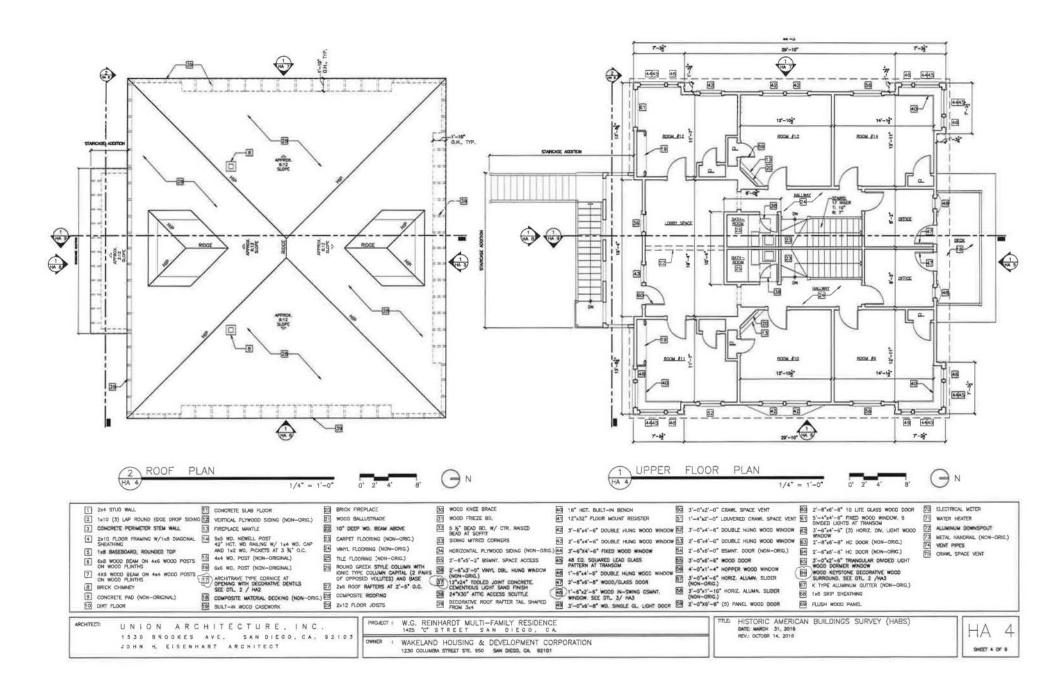
OWNER | WAKELAND HOUSING & DEVELOPMENT CORPORATION 1230 COLUMBIA STREET STE, 950 SAN DIEGO, CA. 92101

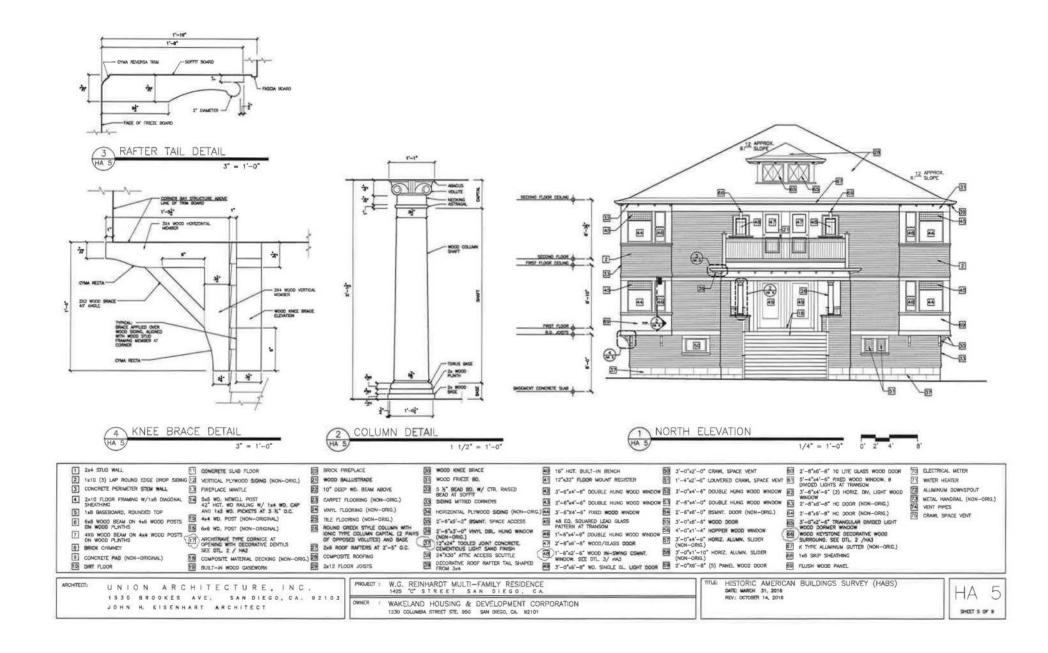
TITLE: HISTORIC AMERICAN BUILDINGS SURVEY (HABS) REV.: OCTOBER 14, 2016

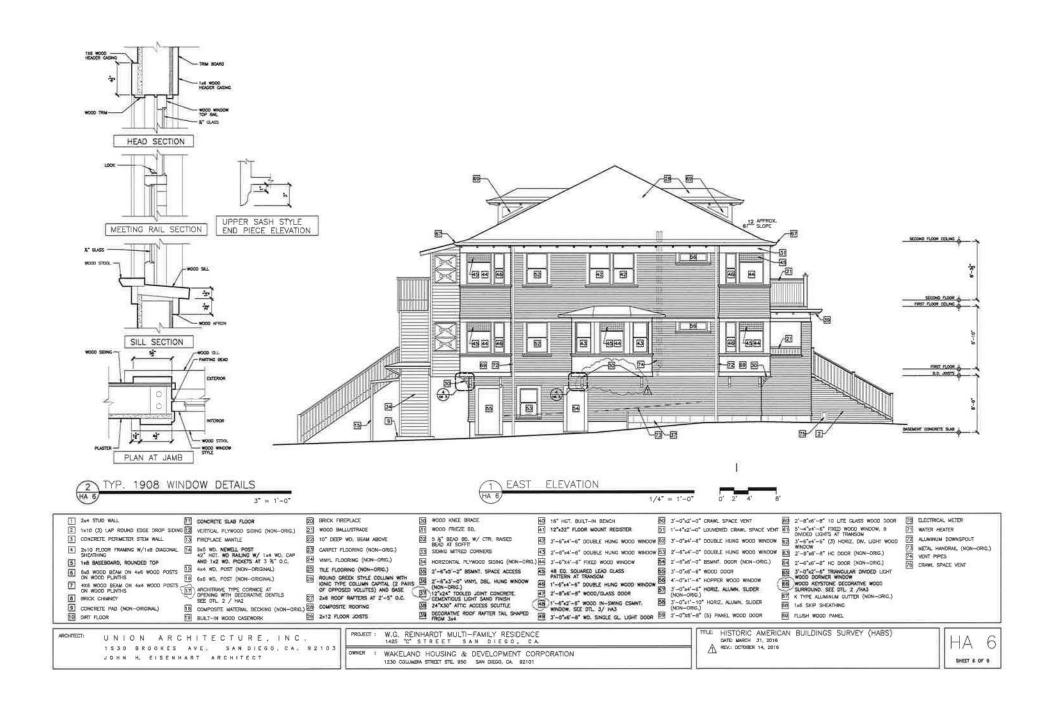
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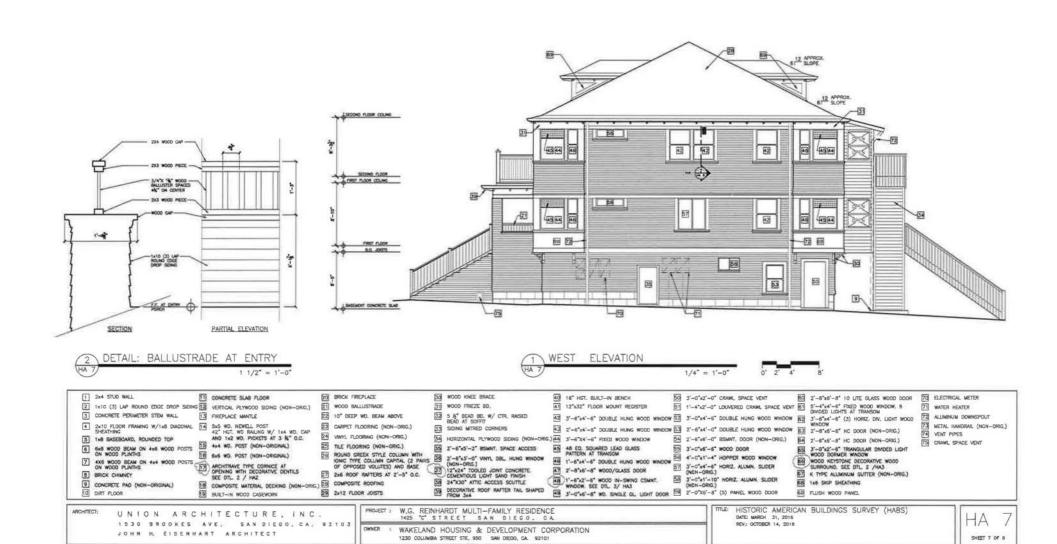


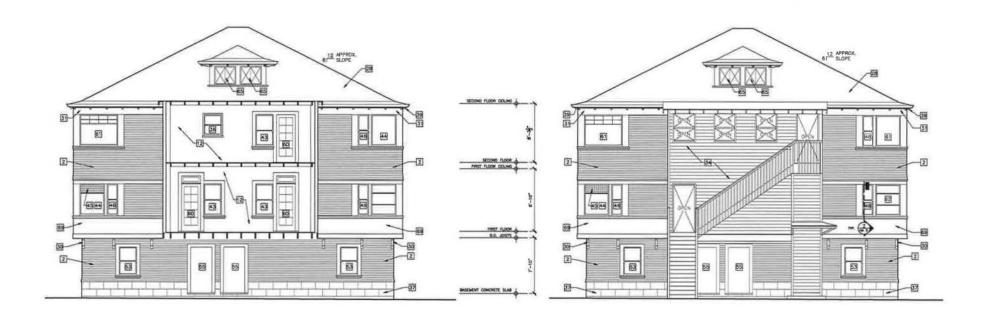


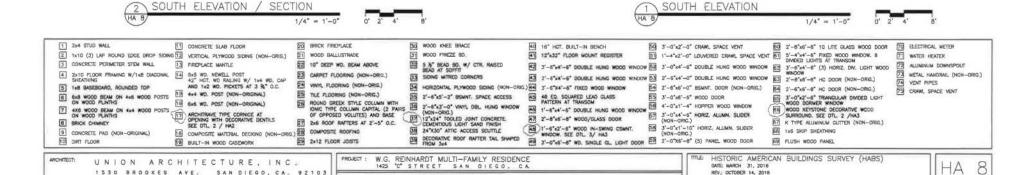












WAKELAND HOUSING & DEVELOPMENT CORPORATION

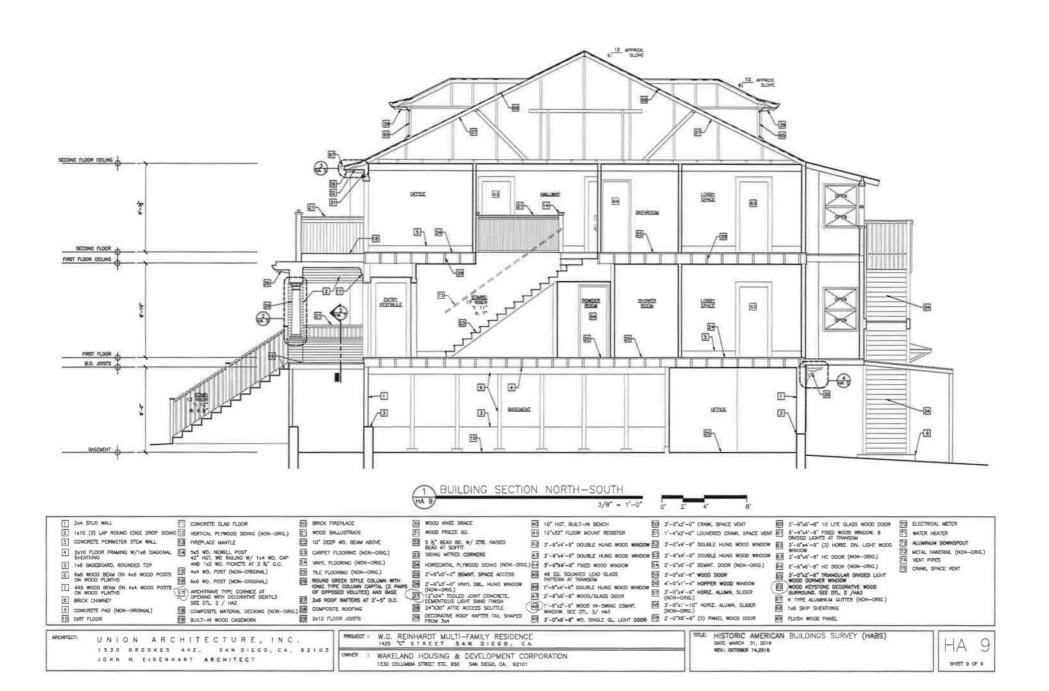
1230 COLLIMBIA STREET STE. 950 SAN DIEGO, CA. 92101

REV.: OCTOBER 14, 2016

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1530 BROOKES AVE. SAN DIEGO, CA. 92103

JOHN H. EISENHART ARCHITECT



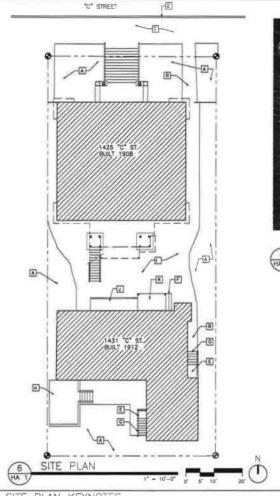


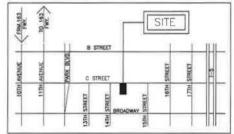




PHOTO: BAY

PHOTO: SOUTH FACADE





VICINITY MAP

#### SITE PLAN KEYNOTES

A PLANTING AREA
B CONCRETE WALK C CITY SIDEWALK

ARCHITECT:

- E WOOD DECK F CONCRETE STEPS
- K CONCRETE PAD
  L WOOD POST WOOD STEPS COMPOSITE MATERIAL.

UNION ARCHITECTURE, INC. 1530 BROOKES AVE. SAN DIEGO, CA. 82103

JOHN H. EISENHART ARCHITECT

BRICK PAVERS CONCRETE RAMP

PHOTO: NORTH ENTRY PORCH

W.G. REINHARDT MULTI-FAMILY RESIDENCE

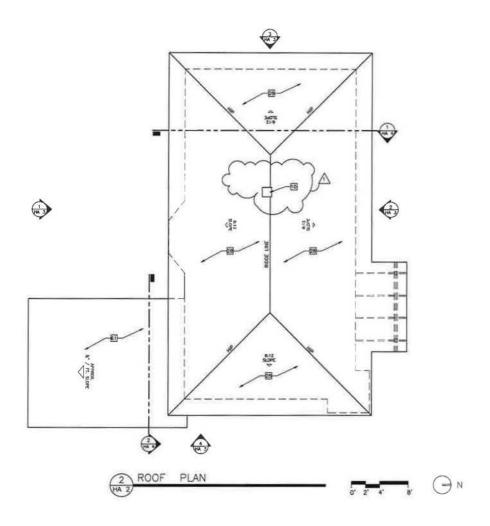
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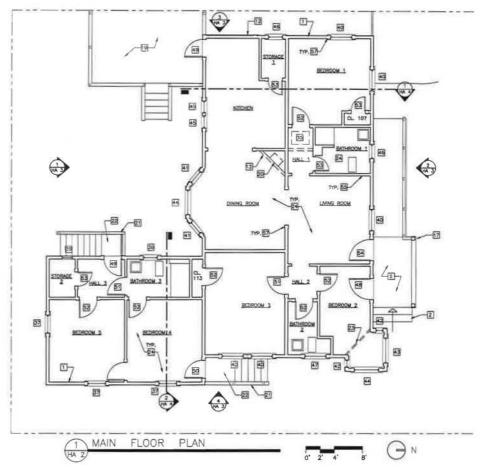
#### INDEX OF SHEETS

- SITE PLAN, PHOTOS, WOINTY MAP
- FLOOR PLAN AND ROOF PLAN
- ELEVATIONS
- BUILDING SECTIONS AND WINDOW DETAILS

TITLE: HISTORIC AMERICAN BUILDINGS SURVEY (HABS)
DATE WARDH 31, 2016
REV.: OCTOBER 15, 2016

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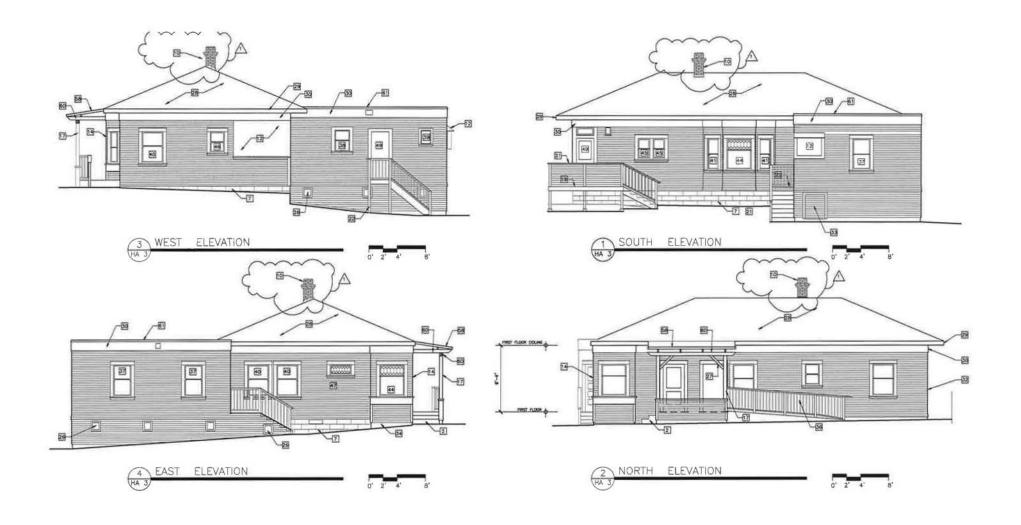
ARCHITECT: UNION ARCHITECTURE, INC. 1530 BROOKES AVE. SAN DIEGO, CA. 92103 JOHN H. EISENHART ARCHITECT

PROJECT : W.G. REINHARDT MULTI-FAMILY RESIDENCE

OWNER : WAKELAND HOUSING & DEVELOPMENT CORPORATION 1230 COLLIMBIA STREET STE. 950 SAN DIEGO, CA. 92101

TITLE: HISTORIC AMERICAN BUILDINGS SURVEY (HABS)
DATE MARCH 31, 2016
REV: OCTOBER 15, 2016





ARCHITECT: UNION ARCHITECTURE, INC.

1530 BROOKES AVE. SAN DIEGO, CA. 92103 JOHN H. EISENHART ARCHITECT

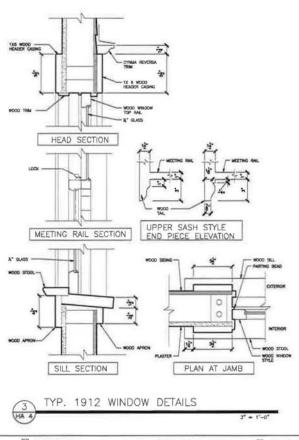
PROJECT : W.G. REINHARDT MULTI-FAMILY RESIDENCE

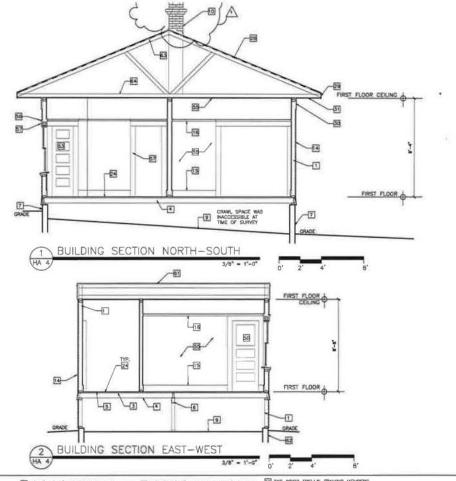
OWNER : WAKELAND HOUSING & DEVELOPMENT CORPORATION
1230 COLUMBA STREET STE. 850 SAN DECO, CA. 92101

TITLE HISTORIC AMERICAN BUILDINGS SURVEY (HABS)
DATE WARCH 31, 2016
REV: DETORIOR 15, 2016

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SHEET 3 OF 4







ARCHIECTE UNION ARCHITECTURE, INC.
1530 BROOKES AVE. SANDIEGO, CA. 92103
JOHN M. EISENHART ARCHITECT

PROJECT: W.G. REINHARDT MULTI-FAMILY RESIDENCE 1431 "C" STREET SAN DIEGO, CA

OWNER : WAKELAND HOUSING & DEVELOPMENT CORPORATION
1230 COLUMBIA STREET STE 950 SAN DEED, CA. 92101

TITLE HISTORIC AMERICAN BUILDINGS SURVEY (HABS)
DATE MARCH 31, 2016
REV. OCTOBER 15, 2016

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#### The Beacon Base Bid Prevailing Wage Budget 1 3/15/2016

#### Preliminary Budget

COST CODE	SCOPE	BUDGET
015-500	Traffic Control	120,000
017-100	Construction Surveying	22,000
024-100	Demolition	131,801
033-100	Structural Concrete	569,118
035-400	Gypsum Cement Underlayment	43,611
042-200	Concrete Unit Masonry	97,710
051-200	Structural Steel Framing	231,500
061-000	Rough Carpentry	1,013,421
062-000	Finish Carpentry	123,200
064-000	Cabinets	123,200
071-000	Dampproofing and Waterproofing	58,000
072-100	Thermal Insulation	49,568
075-400	Roofing	49,027
076-200	Sheet Metal Flashing and Trim	185,800
078-400	Firestopping	15,400
079-200	Joint Sealants	14,460
083-100	Access Doors and Panels	45,000
084-100	Entrances and Storefronts	86,040
085-000	Windows	64,100
088-300	Mirrors	3,850
092-000	Cement Stucco	443,014
092-900	Gypsum Board	540,601
096-000	Flooring	90,006
099-100	Painting	123,920
101-400	Signage	17,600
105-500	Mail Boxes	5,280
113-200	Appliances	74,800
122-000	Window Treatments	11,000
123-600	Countertops	66,000
129-000	Site Furnishings	12,000
142-000	Elevators	137,500
211-300	Fire-Suppression Sprinkler Systems	148,704
220-000	Plumbing	726,000
230-100	HVAC	446,000
260-000	Electrical	584,320
270-500	Low Voltage	77,800



### The Beacon Base Bid Prevailing Wage Budget 1 3/15/2016

#### **Preliminary Budget**

COST CODE	SCOPE	BUDGET
312-200	Grading	69,795
312-500	Erosion and Sedimentation Controls	37,000
313-100	Termite Control	3,000
321-200	Paving	6,380
321-600	Site Concrete	90,998
328-400	Landscaping	167,000
333-000	Wet Utilities	125,000
337-000	Dry Utilities	90,000

7,140,523

#### SUMMARY

Subcontractor Costs	7,140,523
Contingency	856,863
General Conditions	714,011
General Liability Insurance	65,335
Contractor's Fee	438,837
Bond Cost	78,332
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\$9,293,902



## The Beacon Alternate 1 Prevailing Wage Budget 1 3/15/2016

### Preliminary Budget

COST CODE	SCOPE	BUDGET
015-500	Traffic Control	120,000
017-100	Construction Surveying	3,500
024-100	Demolition	177,030
033-100	Structural Concrete	75,000
035-400	Gypsum Cement Underlayment	12,850
051-200	Structural Steel Framing	16,500
061-000	Rough Carpentry	186,278
062-000	Finish Carpentry	45,500
064-000	Cabinets	123,200
071-000	Dampproofing and Waterproofing	11,050
072-100	Thermal Insulation	10,725
075-400	Roofing	46,875
076-200	Sheet Metal Flashing and Trim	19,500
078-400	Firestopping	7,150
079-200	Joint Sealants	7,795
083-100	Access Doors and Panels	6,500
085-000	Windows	187,500
088-300	Mirrors	910
092-900	Gypsum Board	157,521
096-000	Flooring	75,438
099-100	Painting	26,812
101-400	Signage	5,200
105-500	Mail Boxes	1,560
113-200	Appliances	22,100
122-000	Window Treatments	3,250
123-600	Countertops	24,000
129-000	Site Furnishings	3,500
220-000	Plumbing	214,500
230-100	HVAC	117,000
260-000	Electrical	172,640
270-500	Low Voltage	28,100



## The Beacon Alternate 1 Prevailing Wage Budget 1 3/15/2016

#### **Preliminary Budget**

COST CODE	SCOPE	BUDGET
312-500	Erosion and Sedimentation Controls	7,500
313-100	Termite Control	3,000
321-600	Site Concrete	67,332
328-400	Landscaping	21,200
333-000	Wet Utilities	30,000
337-000	Dry Utilities	35,000

2,073,515

#### SUMMARY

Subcontractor Costs	2,073,515
Contingency	311,027
General Conditions	451,307
General Liability Insurance	21,269
Contractor's Fee	214,284
Bond Cost	26,107

\$3,097,509



# The Beacon Alternate 2 Prevailing Wage Budget 1 3/15/2016

#### Preliminary Budget

COST CODE	SCOPE	BUDGET
015-500	Traffic Control	120,000
017-100	Construction Surveying	15,500
024-100	Demolition	192,790
033-100	Structural Concrete	135,000
035-400	Gypsum Cement Underlayment	45,740
051-200	Structural Steel Framing	46,200
061-000	Rough Carpentry	502,676
062-000	Finish Carpentry	112,000
064-000	Cabinets	89,600
071-000	Dampproofing and Waterproofing	65,500
072-100	Thermal Insulation	29,642
075-400	Roofing	44,688
076-200	Sheet Metal Flashing and Trim	48,000
078-400	Firestopping	17,600
079-200	Joint Sealants	11,880
083-100	Access Doors and Panels	16,000
085-000	Windows	249,000
088-300	Mirrors	2,240
092-000	Cement Stucco	153,960
092-900	Gypsum Board	370,520
096-000	Flooring	114,848
099-100	Painting	74,104
101-400	Signage	12,800
105-500	Mail Boxes	3,840
113-200	Appliances	54,400
122-000	Window Treatments	8,000
123-600	Countertops	48,000
129-000	Site Furnishings	10,500
142-000	Elevators	150,000
211-300	Fire-Suppression Sprinkler Systems	92,630
220-000	Plumbing	528,000
230-100	HVAC	288,000
260-000	Electrical	424,960
270-500	Low Voltage	50,900



## The Beacon Alternate 2 Prevailing Wage Budget 1 3/15/2016

#### **Preliminary Budget**

COST CODE	SCOPE	BUDGET
312-200	Grading	65,000
312-500	Erosion and Sedimentation Controls	15,000
313-100	Termite Control	3,000
321-600	Site Concrete	61,172
328-400	Landscaping	21,200
333-000	Wet Utilities	30,000
337-000	Dry Utilities	35,000

4,359,889

#### SUMMARY

Subcontractor Costs	4,359,889
Contingency	915,577
General Conditions	572,555
General Liability Insurance	43,860
Contractor's Fee	324,053
Bond Cost	52,835
	The same of the sa

\$6,268,770



July 8, 2016

Mr. Jonathan Taylor Wakeland Housing & Development Corp. 1230 Columbia Street, Suite 350 San Diego, CA 92101

Via email: <u>itaylor@wakelandhdc.com</u>

### RE: Economic Alternative Analysis for The Beacon at 1425 & 1431 "C" Street

The London Group Realty Advisors has completed an economic analysis of the two development options pertaining to the The Beacon project located at 1425 & 1431 "C" Street in San Diego, CA ("Subject Property"). The purpose of this analysis is to analyze the impact on the profitability of the project and how each alternative impacts the reasonable use of land.

We have analyzed the proposed Base Project as well as two alternatives for development of the property, which includes:

- ➡ Base Project: Clear the entire site and develop 44 affordable housing units.
- Alternative 1: retain both buildings and rehabilitate them to serve as permanent supportive housing achieving 13 affordable housing units.
- ▶ <u>Alternative 2</u>: retain the front building only and replace the rear building with a new fourstory wood frame structure to serve as permanent supportive housing achieving 32 affordable units.

### Conclusions of Economic Alternatives

To determine the impact to the project, we have analyzed and verified the financial proformas prepared by the developer. When evaluating affordable housing developments, the ultimate threshold that determines economic feasibility is not the total profit generated for investors and developers. Affordable housing deals do not generate a significant profit and developers are



generally "fee builders". Affordable housing developers do not achieve a significant profit "upside" as with market rate housing.

Therefore, our approach to analysis focused on whether the Base Project and two alternatives are financeable, can feasibly be built and can repay the funds used to build the project. The metrics we utilized to establish economic feasibility are as follows:

- Is the project sufficiently capitalized to build the project (e.g. agency funds, tax credit equity, permanent loan, etc.)? Or does a funding gap or shortage exist?
- Does the project meet the Tax Credit Allocation Committee (TCAC) threshold requirements for awarding credits?
- Does the project generate sufficient cash flow after it is built to service the debt and repay the agencies that contributed funds to construct the project?

We have determined that the Base Project of 44 affordable units is economically feasible. While it is an expensive project to construct (\$440,626 per unit), the project is able to be completely funded with no gaps in financing. Most importantly, it is able to achieve investor equity financing via tax credits. The Tax Credit Authority Committee has a cost basis threshold maximum of approximately 130% that projects cannot exceed. The Base Project is just under this benchmark at 127.17%. Most importantly, the forecasted cash flow of the Base Project results in a positive income stream that can afford to repay the funds contributed by SDHC and MHSA.

Alternative 1 is not economically feasible. This alternative includes only 13 affordable units, but incurs the highest cost of construction. Total construction costs are estimated at \$716,394 per unit – 63% higher than the Base Project. This results in several problems for the project, the most glaring of which is that it would not be able to receive tax credits because the high cost threshold is 213.35%, much higher than the TCAC maximum of 130%. In addition, there is a significant shortfall in cash flow and the project would not be able repay the funds contributed by SDHC and MHSA. In fact, the project would need to be subsidized to afford the annual operating costs.

Alternative 2 is not economically feasible. This alternative includes 32 affordable units and increases project costs by \$28,454 per unit. As a result, the project represents a high cost threshold of 136.14%, which suggests that the project would not be awarded tax credits and could not be financed. There is also a funding gap of approximately \$4 million. This inability to achieve financing for the entire project precludes development. The forecasted cash flow of the project remains negative starting in Year 4 (with assuming a funding gap of \$4 million). This negative cash flow means that the project cannot repay the funds contributed by the SDHC and MHSA.



### **Economic Feasibility Analysis**

The following details our analysis of economic feasibility. We have included tables in the Appendix that detail the financial proformas.

#### Base Project

The Base Project assumes that the entire site is cleared and 44 affordable housing units are built on the property. Based on our review of the financials, this project is economically feasible for the following reasons:

- Total project costs are approximately \$19.4 million, which represents a cost of \$440,626 per unit. It is important to note that this is a high cost per unit and results in higher-level scrutiny by the SDHC and other agencies. For perspective, a similar project built by Wakeland cost only \$346,000 per unit (Talmadge Gateway). The high cost of the Base Project is due to the fact that the small site is not conducive to the most efficient methods of construction.
- Affordable housing projects are dependent on the ability to sell tax credits to investors to finance the project. The TCAC is the authority that awards the credits and a project must not exceed a cost basis threshold of 130% to receive the credits. The Base Project represents a high cost threshold of 127.17%, which suggests that the project will qualify for tax credit awards.
- While costs are high, the project is sufficiently funded by tax credit equity (\$11.5 million), MHSA Funds (\$2.9 million), SDHC Loan (\$3.1 million) and a permanent loan (\$1.9 million). There is no gap in financing.
- After the project is built, there is sufficient positive annual cash flow to repay funds contributed by SDHC and MHSA.

#### Alternative 1

Alternative 1 retains both buildings and rehabilitates them to serve as permanent supportive housing achieving 13 affordable housing units. Based on our review of the financials, this project is not economically feasible for the following reasons:

- Project costs are \$716,394 per unit. Compared to the Base Project of \$440,626 per unit, this represents an increase of \$275,768 per unit or 63%.
- → The project is not financeable because of its high costs, which does not make it eligible for tax credits. Affordable housing projects are dependent on the ability to sell tax credits to investors to finance the project. A project must not exceed a cost basis threshold of 130% to achieve TCAC credits. Alternative 1 represents a high cost threshold of 213.35%, which demonstrates that the project would not be awarded tax credits and the project could not be built.



- Since tax credits are not achievable, there exists a financing gap of approximately \$7.6 million to build the project. This demonstrates that project is not sufficiently capitalized.
- After the project is built, there is an immediate shortfall in cash flow. This means that there is no money available to repay the hypothetical MHSA Funds (\$789,558) and the SDHC Loan (\$910,000). Furthermore, it would not be prudent to assume that either the MHSA or SDHC would contribute funds to the project.
- Because of the significant shortfall in cash, the project does not support a permanent loan on the property as there is no money available to service the debt payments.
- To further illustrate the infeasibility of this alternative, even if the developer fee of \$1.4 million<sup>1</sup> is reduced to zero, which means that the developer receives no development fees, there would still be a funding gap of \$6.2 million. There would also be a recurring significant shortfall in cash flow to repay these funds contributed to the project. In addition, it would still be unlikely that the MHSA and SDHC would contribute funds to the project.

#### Alternative 2

Alternative 2 retains the front building only and replaces the rear building with a new four-story wood frame structure to serve as permanent supportive housing. This alternative results in 32 affordable units. Based on our review of the financials, this project is not economically feasible for the following reasons:

- Project costs are \$469,080 per unit. Compared to the Base Project of \$440,626 per unit, this represents an increase of \$28,454 per unit or 6.5%.
- Affordable housing projects are dependent on the ability to sell tax credits to investors to finance the project. A project must not exceed a cost basis threshold of 130% to receive TCAC credits. Alternative 2 represents a high cost threshold of 136.14%, which suggests that the project would not be awarded tax credits and could not be financed.
- There exists a financing gap of approximately \$4 million to build the project. But due to the high cost of the project, it would be difficult to attain a permanent loan of \$544,000. Therefore, the real funding gap is approximately \$4.5 million. This demonstrates that project is not sufficiently capitalized.
- After the project is built, there is a shortfall in cash flow beginning in Year 4. This means that there is no money available to repay MHSA Funds (\$2.1 million) and the SDHC Loan (\$2.2 million). Nor is there sufficient income to afford the asset management fee for the project, in which case a developer would not be adequately compensated for operating the project.

<sup>&</sup>lt;sup>1</sup> Developer fee is capped per California TCAC regulations (sec.10327.c.2.A.i) and SDHC.



- ➡ Because there is a shortage of annual cash flow, additional funds would have to be contributed to the project each year to subsidize the operations. Moreover, should additional funding of \$4 million become available to bridge the financing gap, there would not be any cash flow available to repay these funds either.
- To further illustrate the infeasibility of this alternative, even if the developer fee of \$1.4 million<sup>2</sup> is reduced to zero, which means that there would be no developer fees, there would still be a funding gap of \$3.1 million. There would also be a recurring shortfall in cash flow to repay these funds contributed to the project.

Should you have any questions regarding this analysis, please contact us.

Sincerely,

Gary H. London

Nony W. Tord

Nathan Moeder

Nathan Morder

<sup>2</sup> ibid.





## Base Project

SOURCES AND USES OF FUNDS				
	per unit	Construction	Permanent	Final Perm
USES:				
Land/Acquisition	\$7,727	\$340,000	\$340,000	\$340,000
Design & Engineering	\$20,909	890,000	920,000	920,000
Legal/Financial/Other Consultants	\$4,091	167,500	180,000	180,000
Permits & Fees	\$25,986	1,143,368	1,143,368	1,143,368
Bridge Loan Interest	\$0	0	0	0
Direct Building Construction	\$227,758	10,021,365	10,021,365	10,021,365
Financing Costs	\$95,711	1,124,987	4,211,296	4,211,296
Marketing/General & Administrative	\$4,961	148,300	218,300	218,300
Developer Fees	\$31,818	600,000	1,400,000	1,400,000
Hard Cost Contingency	\$18,585	817,732	817,732	817,732
Soft Cost Contingency	\$3,079	130,375	135,475	135,475
Total Project Uses	\$440,626	\$15,383,627	\$19,387,536	\$19,387,536
SOURCES:				
Tax Credit Equity	260,886	\$1,147,899	\$11,478,989	\$11,478,989
Perm Loan (NOI Tranche)			0	0
Perm, Loan (Section 8)	43,943	0	1,933,501	1,933,501
GP Capital Contribution	0	0		0
Construction Loan	0	8,414,682	0	0
MHSAFunds	65,797	2,895,046	2,895,046	2,895,046
General Partner Equity	0	0	0	0
City Fee Waiver	0	0	0	0
SDHC Loan	70,000	2,926,000	3,080,000	3,080,000
Gap	(0)	0	(0)	(0)
Total Project Sources	\$440,626	\$15,383,627	\$19,387,536	\$19 387 536



The Beacon (ECS)

CTCAC BASIS CALCULATIONS

		2016		149.00%	**
		TCAC Basis	Basis x	TCAC Basis	Basis x
<u>Unit Size</u>	# of Units	Limits w/o Features	# of Units	Limits w/ Features	# of Units
BR1/BA1	1	204,266	204,266	304,356	304,356
0BR/1BA	43	177,162	7,617,966	263,971	11,350,769
1BR/1BA	0	204,266	0	304,356	0
2BR/1BA	0	246,400	0	367,136	0
3BR/2BA	0	315,392	0	469,934	0
				Environmental Remediation	0
				Impact Fees	610,617
Totals	44		7,822,232		12,265,742
Net Project Basis					15,598,614
F.70-2016-9-12/2/III S.0-2016-3-01 (2009/27-6-0-				High Cost Analysis	127.17%

1	1	2	3	4	5	6	7	8	9	10
Cash Flow Available for Debt Service with Section	161,978	163,455	164,873	166,225	167,507	168,712	169,831	170,865	171,807	172,646
Debt Service - First Trust Deed	(124,599)	(124,599)	(124,599)	(124,599)	(124,599)	(124,599)	(124,599)	(124,599)	(124,599)	(124,599)
Cash Flow After Debt Service	37,380	38,857	40,274	41,627	42,908	44,113	45,233	46,266	47,208	48,047
MHSA Servicing Fee	12,159	12,159	12,159	12,159	12,159	12,159	12,159	12,159	12,159	12,159
Total Cash Flow After Debt Service	25,220	26,698	28,115	29,468	30,749	31,954	33,074	34,107	35,049	35,888
General Partner Asset Mgt Fee	(20,000)	(20,600)	(21,218)	(21,855)	(22,510)	(23,185)	(23,881)	(24,597)	(25,335)	(26,095)
Limited Partner Asset Mgmt. Fee	(5,000)	(5,150)	(5,305)	(5,464)	(5,628)	(5,796)	(5,970)	(6,149)	(6,334)	(6,524)
CASH FLOW AVAILABLE FOR DISTRIBUTION	220	948	1,593	2,149	2,611	2,972	3,222	3,360	3,380	3,269
Residual Receipts to SDHC	57	244	410	554	673	766	831	866	871	842
Residual Receipts to MHSA	53	230	386	521	633	720	781	814	819	792
Residual Receipts to Developer	110	474	796	1.075	1,306	1.486	1,611	1.680	1,690	1,634



## Alternative 1

SOURCES AND USES OF FUNDS				
	per unit	Construction	Permanent	Final Perm
USES:				
Land/Acquisition	\$26,154	\$340,000	\$340,000	\$340,000
Design & Engineering	\$58,077	725,000	755,000	755,000
Legal/Financial/Other Consultants	\$13,846	167,500	180,000	180,000
Permits & Fees	\$38,790	504,272	504,272	504,272
Bridge Loan Interest	\$0	0	0	0
Direct Building Construction	\$275,222	3,577,884	3,577,884	3,577,884
Financing Costs	\$143,145	937,726	1,860,887	1,860,887
Marketing/General & Administrative	\$13,215	101,800	171,800	171,800
Developer Fees	\$107,692	600,000	1,400,000	1,400,000
Hard Cost Contingency	\$32,683	424,874	424,874	424,874
Soft Cost Contingency	\$7,570	93,307	98,407	98,407
Total Project Uses	\$716,394	\$7,472,363	\$9,313,124	\$9,313,124
SOURCES:				
Tax Credit Equity	0	\$0	\$0	\$0
Perm Loan (NOI Tranche)			0	0
Perm. Loan (Section 8)	0	0	0	0
GP Capital Contribution	0	0		0
Construction Loan	0	5,818,305	0	0
MHSAFunds	60,735	789,558	789,558	789,558
General Partner Equity	0	0	0	0
City Fee Waiver	0	0	0	0
SDHC Loan	70,000	864,500	910,000	910,000
Gap	585,659	0	7,613,566	7,613,566
Total Project Sources	\$716,394	\$7,472,363	\$9,313,124	\$9,313,124



The Beacon (ECS)

CTCAC BASIS CALCULATIONS

		2016		149.00%	/ **
		TCAC Basis	Basis x	TCAC Basi	s Basis x
Unit Size	# of Units	Limits w/o Features	# of Units	Limits w/ Feature	# of Units
BR1/BA1	1	204,266	204,266	304,356	304,356
0BR/1BA	12	177,162	2,125,944	263,971	3,167,657
1BR/1BA	0	204,266	0	304,356	0
2BR/1BA	0	246,400	0	367,136	0
3BR/2BA	0	315,392	0	469,934	0
				Environmental Remediation	0
				Impact Fees	182,422
Totals	13		2,330,210		3,654,435

Net Project Basis

High Cost Analysis 213.35%

	1	2	3	4	5	6	7	8	9	10
Cash Flow Available for Debt Service with Si	(45,835)	(48,537)	(51,363)	(54,319)	(57,411)	(60,645)	(64,026)	(67,561)	(71,257)	(75,116)
Debt Service - First Trust Deed	0	0	0	0	0	0	0	0	0	0
Cash Flow After Debt Service	(45,835)	(48,537)	(51,363)	(54,319)	(57,411)	(60,645)	(64,026)	(67,561)	(71,257)	(75,116)
MHSA Servicing Fee	3,316	3,316	3,316	3,316	3,316	3,316	3,316	3,316	3,316	3,316
Total Cash Flow After Debt Service	(49,152)	(51,853)	(54,679)	(57,635)	(60,727)	(63,961)	(67,342)	(70,877)	(74,573)	(78,433)
General Partner Asset Mgt Fee	(20,000)	(20,600)	(21,218)	(21,855)	(22,510)	(23,185)	(23,881)	(24,597)	(25,335)	(26,095)
Limited Partner Asset Mgmt. Fee	(5,000)	(5,150)	(5,305)	(5,464)	(5,628)	(5,796)	(5,970)	(6,149)	(6,334)	(6,524)
CASH FLOW AVAILABLE FOR DISTRIBU	(74,152)	(77,603)	(81,201)	(84,953)	(88,865)	(92,943)	(97,193)	(101,624)	(106,242)	(111,052)
Residual Receipts to SDHC	(19,852)	(20,776)	(21,739)	(22,743)	(23,791)	(24,882)	(26,020)	(27,206)	(28,443)	(29,730)
Residual Receipts to MHSA	(17,224)	(18,026)	(18,862)	(19,733)	(20,642)	(21,589)	(22,576)	(23,606)	(24,678)	(25,796)
Residual Receipts to Developer	(37,076)	(38,801)	(40,601)	(42,477)	(44,433)	(46,471)	(48,597)	(50,812)	(53,121)	(55,526)



# Alternative 2

USES:	per unit	Construction	Permanent	Final Perm
V 30V 33A	1,72710	70.10 900	2000 000	25.70.200
Land/Acquisition	\$10,625	\$340,000	\$340,000	\$340,000
Design & Engineering	\$28,750	890,000	920,000	920,000
Legal/Financial/Other Consultants	\$5,625	167,500	180,000	180,000
Permits & Fees	\$27,999	895,976	895,976	895,976
Bridge Loan Interest	\$0	0	0	0
Direct Building Construction	\$215,866	6,907,709	6,907,709	6,907,709
Financing Costs	\$100,587	1,011,882	3,218,769	3,218,769
Marketing/General & Administrative	\$6,259	130,300	200,300	200,300
Developer Fees	\$43,750	600,000	1,400,000	1,400,000
Hard Cost Contingency	\$25,634	820,290	820,290	820,290
Soft Cost Contingency	\$3,985	122,413	127,513	127,513
Total Project Uses	\$469,080	\$11,886,070	\$15,010,558	\$15,010,558
SOURCES:				
Tax Credit Equity	190,709	\$610,267	\$6,102,674	\$6,102,674
Perm Loan (NOI Tranche)	12000 to 6988	01000.0000.0000.000	0	0
Perm. Loan (Section 8)	17,010	0	544,321	544,321
GP Capital Contribution	0	0		0
Construction Loan	0	7,042,314	0	0
MHSAFunds	65,797	2,105,488	2,105,488	2,105,488
General Partner Equity	0	0	0	0
General Faither Educty	0	0	0	0
Land Donation				
	70,000	2,128,000	2,240,000	2,240,000
Land Donation	_	2,128,000 0	2,240,000 4,018,074	2,240,000 4,018,074



The Beacon (ECS)

CTCAC BASIS CALCULATIONS

		2016			149.00% *	r#
		TCAC Basis	Basis x		TCAC Basis	Basis x
Unit Size	# of Units	Limits w/o Features	# of Units		Limits w/ Features	# of Units
BR1/BA1	1	204,266	204,266		304,356	304,356
0BR/1BA	31	177,162	5,492,022		263,971	8,183,113
1BR/1BA	0	204,266	0		304,356	0
2BR/1BA	0	246,400	0		367,136	0
3BR/2BA	0	315,392	0		469,934	0
				Environmental Rem	ediation	0
				Impact Fees		444,864
Totals	32		5,696,288	<i>(</i> 5)		8,932,333

Net Project Basis

High Cost Analysis 136.14%

r										
	1	2	3	4	5	6	7_	8	9	10
Cash Flow Available for Debt Service with Section 8	74,174	73,800	73,333	72,768	72,095	71,316	70,415	69,397	68,251	66,967
Debt Service - First Trust Deed	(37,087)	(37,087)	(37,087)	(37,087)	(37,087)	(37,087)	(37,087)	(37,087)	(37,087)	(37,087)
Cash Flow After Debt Service	37,087	36,713	36,246	35,681	35,008	34,228	33,328	32,310	31,163	29,880
MHSA Servicing Fee	8,843	8,843	8,843	8,843	8,843	8,843	8,843	8,843	8,843	8,843
Total Cash Flow After Debt Service	28,244	27,870	27,403	26,838	26,165	25,385	24,485	23,467	22,320	21,037
General Partner Asset Mgt Fee	(20,000)	(20,600)	(21,218)	(21,855)	(22,510)	(23,185)	(23,881)	(24,597)	(25,335)	(26,095)
Limited Partner Asset Mgmt, Fee	(5,000)	(5,150)	(5,305)	(5,464)	(5,628)	(5,796)	(5,970)	(6,149)	(6,334)	(6,524)
CASH FLOW AVAILABLE FOR DISTRIBUTION & City Repa_	3,244	2,120	880	(480)	(1,973)	(3,596)	(5,366)	(7,280)	(9,349)	(11,583)
Residual Receipts to SDHC	836	546	227	(124)	(509)	(927)	(1,383)	(1,876)	(2,410)	(2,985)
Residual Receipts to MHSA	786	514	213	(116)	(478)	(871)	(1,300)	(1,764)	(2,265)	(2,806)
Residual Receipts to Developer	1,622	1,060	440	(240)	(987)	(1,798)	(2,683)	(3,640)	(4,674)	(5,791)



## CORPORATE PROFILE

THE LONDON GROUP Realty Advisors

### REPRESENTATIVE SERVICES

Market and Feasibility Studies	<b>Development Services</b>	Litigation Consulting
Financial Structuring	Fiscal Impact	Workout Projects
Asset Disposition	Strategic Planning	Valuation
Government Processing	Capital Access	Economic Analysis

The London Group is a full service real estate investment and development consulting, capital access and publishing firm. We determine the answers to the questions: Should I purchase the property? If so, how much should I pay and what is my potential rate of return? What type of project should I invest in or develop? What type of deal should I structure?

To answer these questions we conduct market analysis, feasibility studies, provide financial structuring advice and general economic consulting. Often we 'package' the deal and provide access to capital sources. We also have capabilities in pre-development consulting including asset management and disposition and in providing team coordination, processing and disposition services (packaging and promotion).

The Real Estate & Economic Monitor is a newsletter published by The London Group providing market trend analysis and commentary for the serious real estate investor. The principals of the firm, Gary London and Nathan Moeder, bring acknowledged credentials and experience as advisors and analysts to many successful projects and assignments throughout North America. It is available and regularly updated on the World Wide Web at the following address: <a href="http://www.londongroup.com/">http://www.londongroup.com/</a>.

The London Group also draws upon the experience of professional relationships in the development, legal services, financial placement fields as well as its own staff.

Clients who are actively investigating and investing in apartment projects, retail centers and commercial projects have regularly sought our advice and financial analysis capabilities.

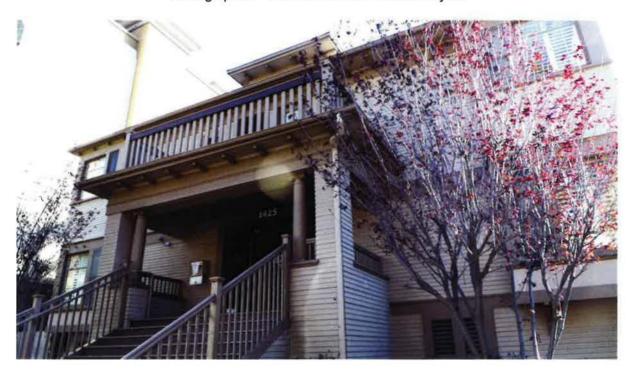
We have analyzed, packaged and achieved capital for a wide variety of real estate projects including hotels, office buildings, retail shopping centers and residential housing communities. We are generalists with experiences ranging from large scale, master planned communities to urban redevelopment projects, spanning all land uses and most development issues. These engagements have been undertaken throughout North America for a number of different clients including developers, investors, financial institutions, insurance companies, major landholders and public agencies.

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# **Front Building**



1425 C Street December 2015
Photograph #1 View Southeast of the front façade



1425 C Street December 2015
Photograph #2 View Southeast of front façade



1425 C Street December 2015
Photograph #3 View South of four entrance doors



1425 C Street December 2015
Photograph #4 View of South of front building east end



1425 C Street December 2015
Photograph #5 View South of front East corner of front facade



1425 C Street December 2015
Photograph #6 View east of projecting bay on front building



1425 C Street December 2015
Photograph #7 View East of first floor porch



1425 C Street December 2015
Photograph #8 View Southwest of porch column



1425 C Street December 2015
Photograph #9 View North of porch column



1425 C Street December 2015
Photograph #10 View South of front building west end



1425 C Street December 2015
Photograph #11 View North of windows front facade West end



1425 C Street December 2015
Photograph #12 View Southeast second floor balcony, front building



1425 C Street December 2015
Photograph #13 View South of windows and sill detail on second floor balcony, front building



1425 C Street December 2015 Photograph #14 View of balcony detail



1425 C Street December 2015
Photograph #15 View East of second floor balcony detail



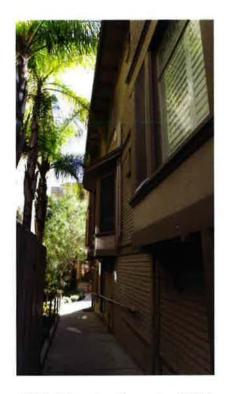
1425 C Street December 2015
Photograph #16 View West of bay from second floor balcony



1425 C Street December 2015
Photograph #17 View of dormer above second floor balcony



1425 C Street December 2015
Photograph #18 View West from second floor balcony



1425 C Street December 2015
Photograph #19 View South of East facade of front building



1425 C Street December 2015
Photograph #20 View North of East facade of the front building



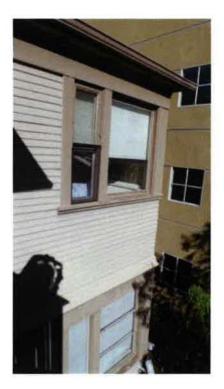
1425 C Street December 2015
Photograph #21 View North of East facade of the front building



1425 C Street December 2015
Photograph #22 View South of West facade of front building



1425 C Street December 2015
Photograph #23 View North of rear facade of front building, west end



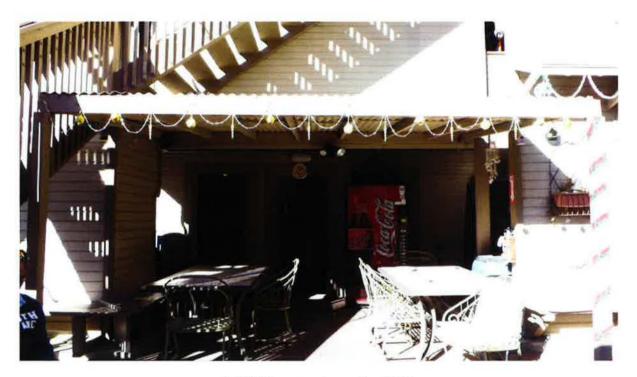
1425 C Street December 2015
Photograph #24 View Northeast of upper floor front building



1425 C Street December 2015
Photograph #25 View Northeast of stairs accessing rear of front building



1425 C Street December 2015
Photograph #26 View West of porch on upper floor at the rear of front building



1425 C Street December 2015
Photograph #27 View North of ground level rear of the front building



1425 C Street December 2015
Photograph #28 View East under porch rear of front building

# **Rear Building**



1425 C Street December 2015
Photograph #29 View South of North facade of rear



1425 C Street December 2015
Photograph #30 View West on North facade of rear building



1425 C Street December 2015
Photograph #31 View South of North facade of rear building



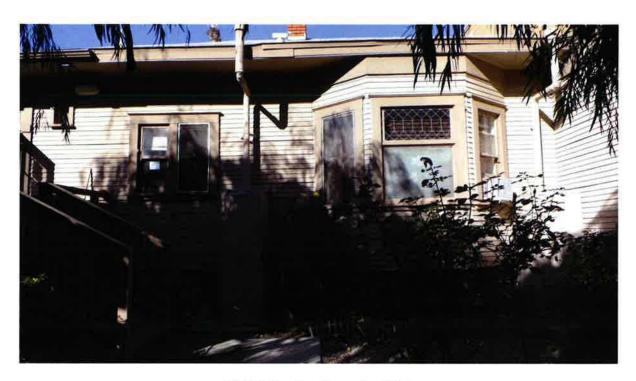
1425 C Street December 2015
Photograph #32 View South along East facade of rear building



1425 C Street December 2015
Photograph #33 View North along East facade of rear building



1425 C Street December 2015
Photograph #34 View Northwest of rear facade of rear building



1425 C Street December 2015
Photograph #35 View North of rear facade of rear building



1425 C Street December 2015
Photograph #36 View Northeast of rear facade of rear building