



**South
County
Housing**

Building Community

2007 ANNUAL REPORT



OUR MISSION

The Mission of South County Housing is to promote viable neighborhoods that enhance healthy, sustainable communities by collaboratively providing affordable housing and promoting neighborhood services.

South County Housing is a nonprofit community development corporation. Through our programs, even very low-income families can afford quality housing in our four-county service area. Since 1979, we've built and rented 1347 apartments to families, seniors, farm workers, and people with disabilities. And we constructed 1200 single family homes, teachers' homes, child care centers, and parks. We've partnered with 480 families to build self-help homes, where they contributed their labor as a down payment.

When we build neighborhoods, we invest in their long-term success. We include recreational amenities, childcare facilities and community buildings with computer labs. We bring in services that enhance the lives of our renters and homebuyers, building their leadership and life skills.



A MESSAGE FROM THE PRESIDENT/CEO AND BOARD CHAIRPERSON



We are pleased to present you with South County Housing's Annual Report for FY 2007 and share with you the accomplishments of the past year.


The counties of Santa Clara, Santa Cruz, San Benito and Monterey, where we live and work, continue to be among the most challenging in the country for affordable housing, particularly for seniors, farm workers, families in transition and people with disabilities, as well as ordinary working families. South County Housing and its partners are working together to help solve this problem in two significant ways: by increasing and preserving the stock of affordable housing, and by providing families with the education and support they need to thrive in this environment.

We are firm believers that knowledge helps our consumers step up to financial stability. We bring in experts who teach the basics of personal finances and building good credit. As a result, people gain better control of their finances leading to improved family self-sufficiency.

Our "Build a Better Homebuyer" program addresses the unique purchasing needs of each individual or family. This could include credit counseling, learning how to budget or establishing a savings account. Some buyers qualify for down payment assistance and self-help construction programs. As new projects come online, we know our buyers are going to be knowledgeable and qualified to participate in the American Dream through homeownership.

Our involvement with the 2,600 households that live in the homes and apartments we've built isn't over when we complete construction. In every community we develop, the Neighborhood Development Department works with local providers to offer programs and services that give residents the education and skills they need to live successfully in their homes and make permanent changes that improve their lives. We offer a self-help building program, youth activities that support school achievement and extracurricular success; education in financial literacy and family savings; post-occupancy workshops, risk prevention services; senior health, physical fitness and social opportunities; resident leadership training and food assistance.

We could not do this important work without the help of many of you. We are especially grateful for the assistance of local community services providers who bring much-needed programs to the children, adults and seniors in our communities. The change in their lives is and will continue to be the real measure of South County Housing's success.


Dennis Lalor
President/CEO


Doug Kuerschner
Board Chairperson



HOUSING HIGHLIGHTS

When we build neighborhoods, we invest in their long-term success. We include recreational amenities, childcare facilities and community buildings with computer labs. We incorporate green technology and areas to play and exercise. We listen to the needs of our residents and offer services such as financial fitness classes, after-school programs for youth, resident leadership development, senior education and recreation, and post-occupancy counseling.



Royal Court Homes, Morgan Hill, CA

Royal Court Homes is a mixed-income neighborhood of three- and four-bedroom single-family homes for low-, median-, and moderate-income families alongside homes for market-rate buyers.

Seacliff Highlands Apartments, Aptos, CA

In addition to breathtaking views, lovely architectural features and quick, easy access to Highway 1, the 39-apartment development includes a community center, picnic areas, a children's playground, community garden, beautiful landscaping and plenty of green space.



Nuevo Amanecer Apartments in Pajaro, Monterey County, CA

Residents selected the paint colors for the visually striking development which features 63 apartments for very low-, and low-income families, a community meeting center with a kitchen and computer lab, laundry facilities, park benches, and landscaping. All of the project's common area electricity is provided by solar panels.

Nuevo Sol Apartments, Santa Cruz, CA

Nuevo Sol represents a full-circle solution for chronically homeless adults in Santa Cruz County. South County Housing renovated a small motel using environmentally-sensitive construction to provide permanent housing with subsidized rents.



Riverside Mobile Home Park, Watsonville, CA

South County Housing relocated the residents and demolished old coaches and a three-unit apartment building. They were replaced with 26 new two- and three-bedroom manufactured homes in the rent-controlled park.

SOUTH COUNTY PROPERTY MANAGEMENT

South County Property Management (SCPM) is a separate tax-exempt corporation that provides management for South County Housing's 36 rental properties. SCPM currently manages 1347 rental units serving very low- to low-income individuals in Santa Clara, Santa Cruz, San Benito and Monterey Counties.

In fiscal year 2007, SCPM provided housing for 319 new families, including 207 apartments at four brand new properties. New residents told us on our survey they were 100% satisfied at move in. Residents who completed an annual customer satisfaction survey agreed they are satisfied with services provided by SCPM. During the year, SCPM completed \$4,206,059 in property improvements throughout our portfolio.

SOUTH COUNTY PROPERTY MANAGEMENT RENTAL DEVELOPMENT

Santa Clara County	# Units	City
Aspen Grove Apartments	24	Gilroy
Connell Apartments	28	Gilroy
Maple Gardens Apartments	18	Gilroy
Monterra Village Apartments	34	Gilroy
Monticelli Apartments	52	Gilroy
Redwoods Apartments	24	Gilroy
Sobrato Transitional Center	60	Gilroy
Trees Apartments	14	Gilroy
Villa Esperanza	21	Gilroy
Wheeler Manor Apartments	110	Gilroy
Crest Avenue Apartments	24	Morgan Hill
Depot Commons	13	Morgan Hill
Jasmine Square	72	Morgan Hill
Royal Court Apartments Phase II	55	Morgan Hill
Skeels Hotel	13	Morgan Hill
Sycamore Glen Apartments	20	Morgan Hill
Villa Ciolino	42	Morgan Hill
Willows Apartments	20	Morgan Hill
San Benito County		
Rancho Park	54	Hollister
Rustic Gardens	19	Hollister
Westside Terrace	16	Hollister
Monterey County		
Charles Apartments	105	Marina
Cypress Gardens	96	Marina
Vista Point Apartments	49	Pacific Grove
Jardines de Boronda	15	Salinas
Nuevo Amanecer	19	Pajaro
Kents Court	63	Pajaro
Brooklyn Street	2	Pajaro
Santa Cruz County		
Seacliff Highlands	39	Aptos
Pacific Terrace Apartments	28	Freedom
Corralitos Creek Apartments	64	Freedom
Vista Verde Apartments	76	Freedom
Ford Street Apartments	12	Watsonville
Lincoln Square Apartments	18	Watsonville
Pajaro Court Apartments	10	Watsonville
Tierra Linda Apartments	18	Watsonville
Total	1,347	



HOUSING
PRODUCTION

July 1, 2006 – June 30, 2007

Project Name	Location	Type	Total Homes & Apartments	Value
<i>Completed Construction:</i>				
Connell Apartments	Gilroy	Multi-Family Rental	28	1,068,000
Nuevo Sol Apartments	Santa Cruz	Homeless Adults Rental	14	3,903,000
Royal Court Apartments	Morgan Hill	Multi-Family Rental	55	18,323,000
Forest Park	Gilroy	Single Family Detached	39	21,879,000
			<u>136</u>	<u>45,173,000</u>
<i>In Construction:</i>				
Alexander Place	Gilroy	Single-Family Attached including 21 Self-Help	32	14,031,000
Riverside Mobile Home Park	Watsonville	Single Family Coach	26	7,413,000
			<u>58</u>	<u>21,444,000</u>
<i>In Approvals:</i>				
The Cannery	Gilroy	Single-Family	139	63,846,000
Harvest Park I & II	Gilroy	Single Family including 32 Self-Help	78	31,719,000
Harvest Park III	Gilroy	Single Family Including 10 Self-Help	59	32,132,000
Harvest Park IV	Gilroy	Single Family	56	35,982,000
Harvest Park V	Gilroy	Single Family	51	17,118,000
Kumar	Aptos	Single Family	19	10,197,000
Madrone Plaza	Morgan Hill	Single Family	95	40,468,000
Pacific Family Mobile Home Park	Santa Cruz	Single Family Coach	33	2,737,000
Pleasant Acres Mobile Home Park	Santa Cruz	Single Family Coach	65	3,329,000
Sundance Apartments	Greenfield	Multi-Family	60	13,867,000
University Villages	Marina	Multi-Family with 10 for Disabled	108	30,825,000
West Fairview	Hollister	Multi-Family	100	26,845,000
Westside Terrace	Hollister	Multi-Family	16	2,715,000
			<u>879</u>	<u>311,780,000</u>



COMBINED
STATEMENTS
OF ACTIVITIESYear Ended
June 30, 2007**SUPPORT & REVENUE**

Rental income and rent subsidies	\$9,745,407
Government grants and contributions	1,233,716
Homeownership sales, net of costs	1,058,826
Interest income	399,554
Construction, management and service fees	457,475
Other income	818,313
Total Support and Revenue	13,713,291

EXPENSES*Program Expenses:*

Housing development net of capitalized costs	223,426
Rental operations, property management costs	16,466,554
Neighborhood and community development	629,904
Property management operations	813,648

Support Services:

Management and General	1,490,729
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Total Expenses	19,624,261
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Excess of Expenses Over Support and Revenue Before Allocation to Investor Limited Partners	(5,910,970)
Net Loss Attributable to Investor Limited Partners	(6,179,745)
Increase in Net Assets	268,775
Net Assets July 1, 2006	36,986,289
Net Assets June 30, 2007	\$37,255,064

COMBINED
STATEMENTS
OF FINANCIAL
POSITIONYear Ended
June 30, 2007**Assets**

Cash and Cash Equivalents	\$8,050,265
Receivables	4,280,859
Prepaid Expenses and Impounds	616,973
Developments in Progress	56,993,076
Investments	439,339
Notes and Interest Receivable	695,084
Mortgage Notes and Interest Receivable	2,273,777
Restricted Cash	7,456,434
Deferred Charges and Ground Leases	2,804,141
Property and Equipment	203,632,044
Total Assets	287,241,992

Liabilities

Accounts payable and accrued expenses	\$8,526,593
Accrued interest	12,503,278
Notes payable	177,417,460
Tenant security deposits	628,106
Other liabilities	659,947
Total Liabilities	199,735,384

Equity of Investor Limited Partners	50,251,544
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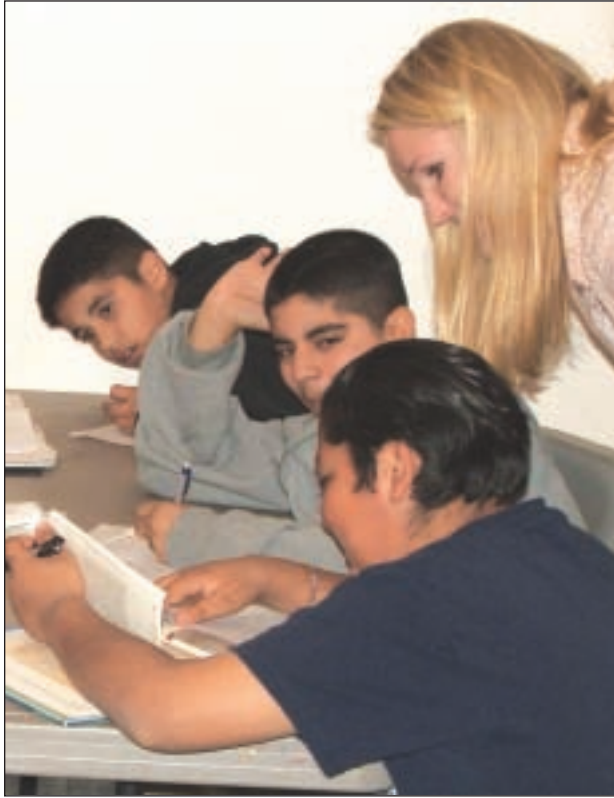
Net Assets

Unrestricted Net Assets	23,070,528
Temporarily Restricted Net Assets	10,102,926
Permanently Restricted Net Assets	4,081,610
Total Net Assets	37,255,064
TOTAL LIABILITIES AND NET ASSETS	\$287,241,992



NEIGHBORHOOD DEVELOPMENT

A crucial part of our mission is to create healthy, viable neighborhoods. When construction is completed and homes are occupied, our involvement with the residents does not end. In every community we develop, South County Housing's Neighborhood Development Department works with local service providers to offer programs and services designed to enhance the lives of our renters and homebuyers.



Programs For Youth



Financial Fitness Classes



Senior Programs



Sweat-Equity Programs



Adult Programs



Post-Occupancy Workshops



GREEN BUILDING WITH SOUTH COUNTY HOUSING

Environmental Stewardship in our Developments

South County Housing Corporation has chosen to pursue "Green Building" in all of our housing developments. To further this commitment, we are developing environmentally responsible policies and practices that set baseline standards for environmental stewardship in our housing developments, and we strive to exceed those standards as often as possible. Our Green Building Standards and Green Building Checklist, which identify the potential green components of a development and prioritize the impact of each component on the environment, are part of our initial development design process.

In June 2007, we were awarded an environmental stewardship award from the Morgan Hill Chamber of Commerce and \$60,000 of Enterprise Community Partners Green Community grants.

2007 Outcomes:

- 102 Youth** maintained or improved their grades through mentoring, homework assistance, and reading nights.
- 228 Youth** developed or improved their social skills by participating in drama, exercise, and cooking classes.
- 41 Adults** gained job skills through employment and English as a second language programs.
- 112 Adults** built financial fitness through financial literacy classes and an individual development account program.
- 417 Adults** received free or subsidized health food and meals.
- 53 Adults** reduced their health and safety risks through parent education, emergency preparedness and health education programs.
- 367 Seniors** improved their health physical fitness and social networks through exercise and nutrition classes, movie nights and group activities.
- 70 Adults** learned leadership skills to advocate for neighborhood improvements.
- 15 Adults** received post-occupancy education to assist them with home maintenance, budgeting and insurance and relations with neighbors.





SOUTH COUNTY HOUSING SCHOLARSHIP AWARDS

South County Housing offers competitive scholarships annually to students residing in its communities. In order to qualify, graduating high school seniors must possess a GPA of at least 2.0, be accepted into an accredited educational or vocational institution, submit a written application and meet with the Scholarship Committee of the Board of Directors.

Winners in 2007 were:

Kain Escobar Bridgevale Homes	Hollister, CA
Ariana Orozco Riverview Homes	Hollister, CA
Reina Gonzalez Bridgevale Homes	Hollister, CA
Jennifer Gustin Los Arroyos	Gilroy, CA
Amanda Bruce Los Arroyos	Gilroy, CA
Ana Maria Santos Pajaro Court	Watsonville, CA

CONTRIBUTORS July 1, 2006 – June 30, 2007

The success of our residents has been nourished by a deep well of community support. We especially appreciate the significant support and partnership provided by:

NeighborWorks America
 Washington Mutual Bank Foundation
 Bank of America Foundation
 Union Bank of California Foundation
 Wells Fargo Foundation
 Local Initiatives Support Corporation
 Department of Labor
 Community Foundation Silicon Valley
 Citigroup Foundation

CONTRIBUTE

If you would like to invest in our work, please send your tax-deductible contribution to:

South County Housing
 Attn: Contributions
 9015 Murray Ave. #100
 Gilroy, CA 95020-3617

Contributions to South County Housing qualify as charitable deductions for income tax purposes and may help to reduce tax liability. An attorney or financial adviser can provide tax information specific to your situation. South County Housing's federal identification number is: 94-2590572.

HOW TO DONATE TO SOUTH COUNTY HOUSING

A direct cash contribution is simplest for many people; however, other methods may be more convenient and may enable you to make a larger gift.

Make a pledge payable in installments. A reminder can be sent to you from South County Housing at intervals convenient for you.

Many employers will match contributions of their employees, spouses or retirees. Check with your human resources manager to obtain a donation form.

If you have life insurance that is no longer needed, you can name South County Housing as sole or partial beneficiary.

In addition to providing for family or friends, a will can also be a means of making tax-deductible gifts to charitable organizations. A gift by a will is a bequest.

If you have already written a will and would like to add a provision for South County Housing without rewriting the entire document, you may be able to do so by means of a codicil.

Gifts of stock may reduce your capital gains tax.

SOUTH COUNTY HOUSING BOARD OF DIRECTORS AND STAFF

Douglas Kuerschner	Chairperson
Joseph M. Postigo	Vice Chairperson
Julia Starling	Board Secretary
Monica Toumani	Treasurer
Augie Bertao	Director
Joseph DiConza	Director
Barbara Mendoza	Director
Andy Payne	Director
Maria Skoczylas	Director
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Dennis Lalor	President/CEO
Jan Lindenthal	Director of Housing Development and Construction
Dianne Dudek	Human Resources Director
John Cesare	Chief Financial Officer
Laura Ellenberger	Director of Property Management
Aida Zaldivar-Perez	Director of Neighborhood Development
Nestor Nuñez	Director of Finance





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