CalHFA BOARD OF DIRECTORS

California Housing Finance Agency
Board of Directors

Tuesday, November 13, 2012

Burbank Airport Marriott Hotel
& Convention Center
2500 Hollywood Way
Burbank, California
(818) 843-6000

10:00 a.m.

1. Roll Call.

2. Approval of the minutes of the September 20, 2012 Board of Directors meeting **........................**1

3. Chairman/Executive Director comments.

4. Report of the Audit Committee Chairman. (Ruben Smith)

5. Discussion, recommendation and possible action regarding final loan commitment for the following projects: (Jim Morgan)

	NUMBER	DEVELOPMENT	LOCALITY	UNITS
A.	12-060-R/S	Logan's Plaza	Compton/ Los Angeles	61
	Resolution 12-12 89			
B.	12-050-R/N	Century Village	Fremont/ Alameda	100
	Resolution 12-13 111			
C.	12-052-R/S	Vintage at Stonehaven	Yorba Linda/ Orange	125
	Resolution 12-14 133			

NOTES**

HOTEL PARKING: Cash @ $10.00 per car, per entry, pay at gate with no in and out.

FUTURE MEETING DATES: Next CalHFA Board of Directors Meeting will be January 17, 2013, at the Holiday Inn Capitol Plaza, Sacramento, California.

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

BOARD OF DIRECTORS

PUBLIC MEETING

Holiday Inn Capitol Plaza
300 J Street
Sacramento, California

Thursday, September 20, 2012
9:30 a.m.

Reported by: DANIEL P. FELDHAUS, CSR #6949, RDR, CRR

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A P P E A R A N C E S

Board of Directors Present

PETER N. CAREY
(Acting Board Chair)
President/CEO
Self-Help Enterprises

TIA BOATMAN PATTERSON
General Counsel
Sacramento Housing and Redevelopment Agency

CLAUDIA CAPPIO
Executive Director
California Housing Finance Agency
State of California

KATIE CARROLL
for Bill Lockyer
State Treasurer
State of California

RUSSIA CHAVIS
for Brian P. Kelly
Acting Secretary
Business, Transportation & Housing
State of California

MICHAEL A. GUNNING
Vice President
Personal Insurance Federation of California

JONATHAN HUNTER
Managing Director, Region 2
Corporation for Supportive Housing

JACK SHINE
Chairman
American Beauty Development Co.

LINN WARREN
Director
Department of Housing and Community Development
State of California

A P P E A R A N C E S

Participating CalHFA Staff

KENNETH H. GIEBEL
Director of Marketing

TIM HSU
Financing Risk Manager

VICTOR J. JAMES
General Counsel

JAMES S.L. MORGAN
Acting Chief
Multifamily Programs

JOJO OJIMA
Office of the General Counsel

DIANE RICHARDSON
Director of Legislation

TONY SERTICH
Financing Officer

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BE IT REMEMBERED that on Thursday, September 20, 2012, commencing at the hour of 9:40 a.m., at Holiday Inn Capitol Plaza, 300 J Street, Sacramento, California, before me, DANIEL P. FELDHAUS, CSR #6949, RDR and CRR, the following proceedings were held:

--oOo--

ACTING CHAIR CAREY: Good morning, and welcome to the September meeting of the California Housing Finance Agency Board of Directors.

--oOo--

Item 1. Roll Call

ACTING CHAIR CAREY: Our first order of business is roll call.

MS. OJIMA: Thank you.

Mr. Gunning?

MR. GUNNING: Here.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Here.

MS. OJIMA: Ms. Carroll for Mr. Lockyer?

MS. CARROLL: Katie Carroll for Treasurer Lockyer.

MS. OJIMA: Mr. Shine?

MR. SHINE: Here.

MS. OJIMA: Mr. Smith?

(No response.)

MS. OJIMA: Ms. Chavis for Mr. Kelly?

MR. CHAVIS: Here.

MS. OJIMA: Mr. Warren?

MR. WARREN: Here.

MS. OJIMA: Ms. Boatman-Patterson?

MS. BOATMAN-PATTERSON: Here.

MS. OJIMA: Mr. Alex?

(No response.)

MS. OJIMA: Ms. Matosantos?

(No response.)

MS. OJIMA: Ms. Cappio?

MS. CAPPIO: Here.

MS. OJIMA: Mr. Carey?

ACTING CHAIR CAREY: Here.

MS. OJIMA: We have a quorum.

ACTING CHAIR CAREY: Thank you.

--oOo--

Item 2. Approval of Minutes

ACTING CHAIR CAREY: The next item is approval of the minutes of May 17th.

Any corrections or concerns?

MR. HUNTER: Move approval.

ACTING CHAIR CAREY: Motion?

MR. SHINE: Second.

ACTING CHAIR CAREY: Did I hear a second?

MR. SHINE: Yes.

ACTING CHAIR CAREY: The second?

MS. OJIMA: Mr. Shine.

ACTING CHAIR CAREY: Okay, roll call, please.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Ms. Chavis?

MS. CHAVIS: Abstain.

MS. OJIMA: Thank you.

Mr. Warren?

MR. WARREN: Aye.

MS. OJIMA: Ms. Boatman-Patterson?

MS. BOATMAN-PATTERSON: Not voting.

MS. OJIMA: Thank you.

Mr. Carey?

ACTING CHAIR CAREY: Yes.

MS. OJIMA: Thank you.

The minutes have been approved.

ACTING CHAIR CAREY: Thank you.

Item 3. Chairman/Executive Director Comments

ACTING CHAIR CAREY: Okay, with that, we'll move on.

I have no specific comments, so I'm going to turn it over to our Executive Director, Claudia Cappio.

MS. CAPPIO: Good morning. I have a number of items that may be of interest to the Board and the public.

We had good news from Standard & Poor's last week. Our credit rating held steady. We are very pleased about that.

And I'd like to thank staff. They have done an excellent job in aggressively managing our portfolio and our finances to stabilize us these last few years.

So I can say, why not? It's finally paying off, even though it may not be anything but luck. But I hope that we continue to do well.

We have two new Board members this morning.

I'd like to formally introduce Ms. Russia Chavis. She is the deputy secretary, or undersecretary to Business, Transportation, and Housing, and has been a big part of the Governor's Reorganization Plan implementation effort.

So we'd like to welcome you.

MS. CHAVIS: Thank you.

MS. CAPPIO: And Tia Boatman-Patterson was appointed last week by Speaker Perez.

Welcome.

MS. BOATMAN-PATTERSON: Thank you.

MS. CAPPIO: A number of concerns have been raised recently about what CalHFA has to gain or lose through the ability of us to pursue certain actions against financial institutions for fraud or other inconsistencies with the mortgage crisis and the way certain financial transactions were handled.

I just want to note that we have been very aggressive in pursuing these, as has the Attorney General. And we've recovered over $100,000 so far. And either it has been received or agreed upon. And at least three other cases are under review.

In addition to that, a number of questions and concerns have been raised about the LIBOR issue, and the tampering of that rate with the way certain transactions were undertaken. And we also are in the midst of reviewing that. And both the Attorney General and Treasurer are also very interested in that. And we will be informing you about what actions we're going to take as those reviews are undertaken and completed.

Preliminary indications are that we do have some exposure to the LIBOR issue. And, again, we will be looking at that very closely, and are in contact with the Attorney General, who is pursuing a case -- or could pursue a case.

The Affordable Housing Costs Study, which I've mentioned here a few times, is well underway. We have retained a consultant who has been working with the advisory committee; and we are furiously looking at those factors in costs that are likely the most meaningful, and the model -- the regression model and the examples from both TCAC and the private sector will be run into that model in the next couple of months; and preliminary results are expected by spring.

I was a little too aggressive in thinking that we may get results by the end of the year. But it's better to make sure that you know things are cooked properly; or as my mom used to tell me, in painting my room, preparation is everything. So the painting is the easy part.

So we are looking at that and making sure that we have a handle on those factors and get good feedback to both the executive committee managing that study, which is the four housing entities -- TCAC, CDLAC, HCD, and CalHFA -- as well as the advisory committee.

I indicated last time that we could be distributing the minutes to you earlier. We did not do that this time. But I just want to tell you, it won't happen again. And the minutes are prepared in sufficient time to send those on to you as you've requested earlier than receiving them in the Board packet.

And finally, we had talked about iPads for Board members who wanted them as a way to ease both packet preparation, the costs and time that we ensue to prepare the packets, as well as just ease of carrying. And we've had to put that on pause because the Governor has asked us to look at only essential purchases. So I'm in the midst of trying to rationalize that that would be a good idea, and actually save us money in the long run. But we're still working on that. So those are delayed.

MR. WARREN: If I may, Claudia, my iPad is my own. I always make public disclosure at all times.

MS. CAPPIO: And here's another one, and that's also…

ACTING CHAIR CAREY: This actually isn't my own. It was provided to me by another board.

MR. WARREN: HCD does not purchase iPads. I want that on the record. And thank you very much.

MS. CAPPIO: Okay, you're welcome.

Thank you, Mr. Warren.

That's all I had for my report.

ACTING CHAIR CAREY: Thank you.

Any questions or…

(No response)

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Item 4. Review and discuss major components, issues, and concerns of the Governor's Reorganization Plan (GRP)

ACTING CHAIR CAREY: Okay, with that, we will move on to presentation on implementation of the Governor's Reorganization Plan.

These are actually two separate people you see *(pointing to Ms. Cappio)*.

MS. CAPPIO: Obviously, the record reflects that I am now in my role as Executive Director.

You all, I think, are aware that the Governor had published and submitted a reorganization plan for some fairly major changes across State government in order to increase efficiency and effectiveness of what we do. And that plan was issued earlier this year, and was submitted to a group called the "Little Hoover Commission," who reviewed that plan, and actually held hearings on the plan in March and April.

Both Mr. Warren and I testified before that commission on our aspect of this plan.

And to put it simply, the way CalHFA and HCD would be affected, potentially, by this plan, is that

Business, Transportation, and Housing would be broken up as an agency. Transportation would become its own agency, and the business and housing functions of BT&H would move to the business and consumer services agency.

We also would change our positions in space slightly. And I would note that CalHFA would no longer directly report to the BT&H secretary. That would be done through HCD.

I will note that to you, that we were adamant in our testimony regarding CalHFA's continuing ability to act independently, and make sure that we were in a position to manage risk and respond to business needs effectively if we were going to continue in the mode of work that we had historically, which is basically to take advantage of the capital markets, to issue bonds, and make sure that we're taking risks and managing risks effectively in those capital markets.

The Little Hoover Commission submitted their report to the Legislature, and the Legislature decided to take no action on it, which means that it became final. And there was some legislation as part of the legislative session last year to enact those changes through GRP -- through what is known as the GRP.

Now, our task or tasks is to implement those recommendations. And to that end, the Governor's Office has asked us to put together a document called a "Project Initiation Document," or PID. I'll just leave it there.

And that document is going to be a thorough review of both organizations and an analysis of those areas -- organizational and functional areas that we're able to align, consolidate, and coordinate on.

We have some preliminary findings, and they're basically statements of facts that we believe will not change.

HCD will continue to administer solely the green-building codes and mobile-home regs.

CalHFA, similarly, will continue to solely look at our servicing unit -- Loan Servicing unit, our portfolio of single-family homes, and the lending of and portfolio management of our bonds that we issue. However, there are a number of other functions in programmatic areas that we're looking at as key areas of opportunity to consolidate, coordinate, and align ourselves with. And those fall into a couple of program areas.

A big one is Asset Management. We both have portfolios of multiple-family homes. And I think that we could do well to work together in looking at best practices, and making sure that we cover our geographic areas in a way that we should to ensure compliance and monitoring requirements.

In the area of financial assistance, I think we both look at the world differently, but there is tremendous opportunity to coordinate and align both agencies -- the way both agencies pursue financial assistance and subsidies and loans with affordable housing projects.

And finally, in the area of housing policy, HCD has a very sophisticated and well-developed policy function. Historically, CalHFA has had a marketing and communications function, which in some degree, gave us research and let us know findings and analysis on certain loan products or other information. But a more robust function that operates in each agency would, I think, do well as we pursue the future of affordable housing services and finances in the state of California.

The results of this analysis are still being done, but we feel that those three areas are the key areas of opportunity.

We have also been asked to look at IT, legislation, legal, administration, and communication. And preliminary results, we have been through those, and feel that there is less to offer in aligning or consolidating those functions at this point.

I gave you some key guiding principles that we've identified in our work. Because this is an ongoing effort and the final decision, unfortunately, it does not rest with me but with the Governor. This is still in process. But I wanted to give the Board an opportunity to review where we've been, what we're thinking about, and obviously ask for comments, concerns, or questions that should be followed up on; because this is pretty much perfect timing to do so, since nothing is final yet.

So just to briefly give you a sense of those guiding principles, we recognize the importance of keeping CalHFA's structure intact, its independent status and authority, and the fact that we are governed by an independent board.

Both agencies are in agreement that programmatic and administrative differences essentially stem from CalHFA's position as a self-sufficient lending institution.

Third, given CalHFA's risk-management function and a need to respond to business needs, this is critical to maintain if we are to look at financial and operational efficiencies and effectiveness and success in the future.

If those tools that CalHFA has brought to the table in the last 35 years are deemed not to be as important, this is less of a concern. But if, what we bring to the affordable housing table is deemed important, we need that latitude and independence and separate authority to do our work successfully.

And finally, both agencies can work more effectively, we believe, and better to provide affordable housing services through increased coordination and collaboration.

So that's where we're headed, at least individually, both CalHFA and HCD have been working effectively together. That's where we are now. And I will, obviously, alert you and inform you as the process proceeds.

At this point, we're looking at that PID document being delivered to the Governor at the end of October. And they'll take it and review it; and any legislative or other changes that may be necessary, would go late December or early next year. And then we would be directed, whatever happens, into full implementation of the direction that is given to us.

And with that, I'll end my comments and open it up for concerns or questions.

ACTING CHAIR CAREY: Thank you.

Questions?

MR. GUNNING: Mr. Chair?

So, Claudia, given that scenario, what's your sense of timing then? Is this the middle of next year? The Governor's next budget?

MS. CAPPIO: Well, the big time frame is July 1, 2013. But we are already working on changes. It's been a very informative process to form these interagency working groups from both agencies, and figure out where the differences and similarities are, as well as identify what we can do better. And some stuff, it was such -- I won't say a "no brainer," but it was so obvious, that we're doing that now. We go, "Wow, this is a great idea." And we're beginning to do that as we speak.

But the changes that may be directed would come down, I believe, early next year; and we would be given the first part of 2013 to be ready to pull the trigger on July 1, 2013.

ACTING CHAIR CAREY: Thoughts?

(No response)

ACTING CHAIR CAREY: I tell you, I really appreciate what seems to me a rather thoughtful approach to coordination and consolidation where it makes sense, and maintaining separation where it makes sense also, rather than just throwing it all into the sausage maker and trying to make it all one.

So I applaud the efforts, and I think

particularly with the leadership of both sides, it's got great opportunity for success.

Just, in the long, big picture, I am concerned about the point you make about the importance of the independence of CalHFA. And I appreciate, obviously, the commitment to the separate governance structure and the role of the Board.

I wonder about the reporting relationship. Not today, because there is such an excellent working relationship, obviously, with intense knowledge of both sides of the street and HCD. But long-term, it seems to me that there could be a time when that reporting channel for the Executive Director of CalHFA could cause some constraints, which I think potentially filters all the way to the Board. Because, in essence, the Board works through the Executive Director.

And so I wonder what your thoughts are about how that will work long-term.

MS. CAPPIO: I guess I'm thinking that this is an iterative and evolutionary process.

And given the historic relationships sometimes worked between the agencies and sometimes didn't, I think I would be accurate in that assessment. We need to formalize those parts of our relationship that are important to the alignment and coordination of functions as we go along, through revisions to interagency agreements or other formal arrangements, so that those are institutionalized.

Don't forget, we're trying to get two cultures that are very different to get to work together better. We will have to figure that out as we go along. And I guess I feel very fortunate that I'm working with Linn because we have that relationship where we can close the door and go at it. Because, I mean, that's what it's going to take. It's a very intimate process here that happens; that if we are going to continue to be genuine about what's really going to work and what's not going to work for our own agencies -- and I can safely say, over the last two weeks, with the preparation of that report, we've had our moments.

So we will continue to do that. And as long as that's there, I think that will lead -- that will be sort of the leader of formalizing those aspects where we can. Because I completely agree with you, Chair Carey, that you can't rely on personalities. You've got to do this for the long haul. And that's the tricky part.

And collaboration is much harder than sort of the, "Nope, we're going to do it this way" kind of thing. And we'll get there. I'm confident that we're going to get there. But it's a point well taken.

ACTING CHAIR CAREY: Thank you.

Other comments or thoughts?

(No response)

ACTING CHAIR CAREY: So early next year, would likely be the…?

MS. CAPPIO: Yes, in November, during our meeting, I will report on a progress report. But that is what we've been told is the process. And as it gets formalized and, obviously, as it gets made public, you will be informed. And if there is anything that affects your authority or the relationship that you now have with me, I will obviously alert you because it's very important that we would review and consider that.

ACTING CHAIR CAREY: And I would assume that it will play out in the first iteration of the budget?

MS. CAPPIO: Yes, that's the plan. That's correct, in the first part of the legislative -- getting the cleanup legislation, or whatever legislation may come to clarify.

ACTING CHAIR CAREY: Thank you.

MS. CAPPIO: You bet.

ACTING CHAIR CAREY: Okay, with that, we will move on.

And our next item of business is a project. And that is, discussion, recommendation, possible action regarding a loan commitment for -- did I miss something?

Sorry, it's not the project yet.

--oOo--

Item 5. Update on Multifamily Portfolio Preservation Program using HUD Risk Share

ACTING CHAIR CAREY: Okay, it is Update on Multifamily Portfolio Preservation Program using HUD Risk Share.

Sorry for confusing it.

MR. MORGAN: That's okay. It's been four years. I'm excited, too.

All right, it's just an update of what we've got going on this year for projected year-end. Given the amount of activity -- the flurry of activity we've had the last four to six weeks, we've finalized some numbers. And right now, we're at $78 million in total loan and bond issuance.

All these loans will have risk-share insurance, HUD risk-share insurance, and all these loans will have a 17-year maturity date. HUD risk-share has been in place since 1994, and we just reactivated it this past April.

That $78 million that you see is represented by ten projects -- basically Southern California and Northern California -- representing over 755 units, both senior and family.

The yield maintenance fee that we'll be collecting -- or a prepayment, if you will, for payoff of the bonds early -- early payoff of the bonds, will be $3,151,000. However, when you include our loan fees and our issuance fees, it will be over $4.5 million for this program, for this year.

Woodbridge, which Mr. Carey had mentioned, the next project, is scheduled to close on October 23rd, and it's up for approval today. That's one of the ten. The remaining nine projects are all scheduled to close on December 12th.

Out of those nine, six are scheduled for the Board on November 13th. And out of the other three, the remaining three, because of Claudia's ability to approve loan commitments of $4 million and under, will be scheduled for a senior loan committee for final commitment sometime in November.

And there is one other bullet that I ran out of room, and I have a one-page requirement. For the first quarter 2013, we had a really tight time-line giving the roll-out of our program. So we rolled it out in May, and we teed up quite a few projects. This is what you have, ten. But we started out with about 15, 20.

That said, for the first quarter 2013, we'll have seven projects ready to go. I've talked to all the developers there. They're ready to move forward, representing about 400 units at $40 million. So half that number, the first quarter 2013 is ready to go.

That's your update for our HUD Risk Share Program.

ACTING CHAIR CAREY: Any questions?

(No response)

--oOo--

Item 6. Discussion, recommendation, and possible action regarding final loan commitment for the Woodbridge Village Apartments, #12-041-R/N, 50 units, St. Helena/Napa

ACTING CHAIR CAREY: Okay, moving on.

Okay, now, we are up to Woodbridge Village Apartments.

MR. MORGAN: Yes. Woodbridge, we're bringing here for a recommendation for final commitment.

Woodbridge is an acq/rehab loan and a permanent loan. We are requesting $6,720,000 for the acq/rehab piece and $5,310,000 for the permanent loan piece. This will net a yield maintenance of about $187,000.

This project is a 50-unit project, senior project, located in St. Helena. It's a good time to visit. It's a good time to visit.

100 percent project-based Section 8. That contract has been -- the comfort letter has been approved for 20 years; and will take place as of June next year, 2013, immediately after the rehab period.

This is the very first project that was constructed and financed by CalHFA in 1978, and now it's the very first loan applicant that we've had under the Preservation Loan Program, the first loan in four years. So how coincidental is that?

And part of our Preservation Loan Program is implementing deeper affordability and also green-energy efficiencies, not to mention water-conservation measures.

This project, as stated within the write-up, is about 32 percent energy savings, which is significant for this project -- in addition, to where it's located, in a high-cost area, and where there's nothing on the horizon for five years in that St. Helena, Yountville, Napa County area.

With that, we, in Multifamily, and along with Finance, we're offering incentives via interest rate to those developers wishing to achieve higher energy savings. We gave them benchmarks. And then for this project, given the energy savings and the location, they had changed 50 basis point discounts. So the underwriting rate was 5.25 when we started, and with that savings, is 4.75.

So approximately $55,000 per unit in rehab. In the write-up, we do mention that there not be a relocation at that time, but there is going to be a relocation. We did park $50,000 aside for that. We set $50,000 aside for that. They'll be temporarily housed in the Staybridge Suites, which is about 30 miles away in Fairfield, with provided transportation to and fro, meals, whatever their needs are.

They built it in four days. We aren't anticipating any more than three.

And for this deal, there's also a seller take-back note of a million dollars, 5 percent for 35 years. It equates to about $60,000 annually. And if you threw that in debt servicewide, it could still cover, even out of operations, one time coverage. However, this will be set up at this time to be taken out of distribution.

We've got some fancy pictures for you.

You can see the little red dot in the center is St. Helena, Woodbridge Village Apartments.

To the north, that yellow line is the Silverado Trail, which is an infamous wine/cycling road for a cyclist.

And the right, south, where you see the arrow, is Highway 29. So it's perfectly located for the seniors and their wine tasting. It's good to have seniors wine tasting.

ACTING CHAIR CAREY: As long as they're riding bikes.

MR. MORGAN: There's a closer view, an outline of the project. The grounds are absolutely fabulous. But I just thought I would give you an overview of what it looks like from the top.

There is a side shot there from the community room, to the back of the two-story. Those are 16 one-bedroom apartments served with an elevator.

Nice cottages, side by side. Lots of trees.

And then another one. She didn't want a picture taken.

With the rents here, you can see that we have our 50s, our 60s, our Section 8 rents, and market-rate rents.

The Section 8 rents were just approved. It was a marked-up to market rent approval of $1,300 net rents. The existing rents on the project for Section 8 were $806 for one-bedrooms, regular; $840 for the one-bedrooms in the elevator units.

And for the one two-bedroom -- because there's two two-bedrooms, and one is a manager's unit -- was $854. So those achieved approval to mark up to market from that $840 to $1,300, which is really good for the project.

It gives cash flow and the ability to be able to view the amount of work that's needed, not to mention the amount of green work that we're putting in the project, too: Solar energy, solar hot water heaters, dual-pane windows, dual-pane sliders. And at the end of the day, we're all getting rice in our bowl here.

So I'll take any questions.

ACTING CHAIR CAREY: Yes?

MS. BOATMAN-PATTERSON: You said the HAP contract was just approved.

Is that for an additional 40 years?

MR. MORGAN: An additional 20.

MS. BOATMAN-PATTERSON: Additional 20?

MR. MORGAN: Additional 20.

MR. WARREN: And, Jim, the HAP contract, that is based on annual appropriations; is that correct?

MR. MORGAN: That's correct, subject to annual appropriations.

MR. WARREN: Okay, just an additional comment, the loan product isn't really new for CalHFA. So your cash flow has it ending in year 2016 or 2017, which makes sense.

It may make sense to have some sort of analysis of what a refinancing scenario might look like. Cap rates, loads, things like that might be helpful just to give the Board a sense. As the contract actually continues past that, it may be helpful to see if there's any refinance risk in year 2016.

MR. MORGAN: Okay.

MR. WARREN: But otherwise, the cashflow appears to be adequate for the loan.

MR. MORGAN: We'll incorporate that in the spreadsheet so you can see that going through the HAP period.

MR. WARREN: Okay.

ACTING CHAIR CAREY: Other questions?

MR. HUNTER: Yes, I have a question. I may be doing the math wrong in my head, but did the increase in the rents in the Section 8, does that increase the rent burden of any of the tenants?

MR. MORGAN: No, no. The tenants will continue to pay 30 percent of their income --

MR. HUNTER: Okay, so their income levels are…

MR. MORGAN: -- towards rents. And most of the tenants are -- they're Section 8 -- or Social Security, so…

MR. HUNTER: Okay.

ACTING CHAIR CAREY: I had one minor question, mainly for self-interest. On the site, on the zoning --

MR. MORGAN: Yes.

ACTING CHAIR CAREY: -- it says -- I think it may be a typo. It says that the density range is no more than 16.1 to 28 units per acre.

Doesn't that mean, shouldn't it be that it's no less than 16.1? That's the only way this would be non-conforming. Or is it, in fact, not non-conforming?

That paragraph on the side.

MR. MORGAN: "Density rate of no more than 16.1…" -- no, that's correct, no more than 16.1 to 28 units.

ACTING CHAIR CAREY: But it's not more than 16, which would make it, as I understand it, not legally, a nonconforming use.

MR. MORGAN: Yes. Okay, not less than 16, yes.

ACTING CHAIR CAREY: Not less. So they have a prescriptive zoning that says you've got to be at least this level?

MR. MORGAN: Yes. That's correct.

ACTING CHAIR CAREY: Okay, thank you.

Other questions?

(No response)

ACTING CHAIR CAREY: We do have a resolution for approval.

MR. HUNTER: I'll move approval.

MR. WARREN: I'll second.

ACTING CHAIR CAREY: Okay, it has been moved and seconded.

Roll call, please.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Ms. Chavis?

MS. CHAVIS: Aye.

MS. OJIMA: Mr. Warren?

MR. WARREN: Aye.

MS. OJIMA: Ms. Boatman-Patterson?

MS. BOATMAN-PATTERSON: Aye.

MS. OJIMA: Mr. Carey?

ACTING CHAIR CAREY: Aye.

MS. OJIMA: Resolution 12-09 has been approved.

MR. MORGAN: Thank you.

ACTING CHAIR CAREY: Thank you.

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Item 7. Discussion, recommendation, and possible action regarding the adoption of a resolution authorizing a Temporary Credit and Liquidity Program (TCLP) Extension for the single family program Home Mortgage Revenue Bonds

ACTING CHAIR CAREY: Moving on to Item 7, discussion, recommendation, and possible action regarding the adoption of a resolution on the Temporary Credit Liquidity Program, TCLP.

Mr. Hsu?

MR. HSU: Good morning, Mr. Chairman, and good morning, Members of the Board.

Recently, I've had the honor of representing Claudia at other State committees and boards. And they have been very good learning experiences. And in particular, they have made me think a lot about those committees and board meetings and this board meeting. And they had made me wonder if I ought to be more brief in my remarks and presentation to this board.

But not today.

I'll continue pondering on that, but not today.

This particular resolution may seem very straightforward. But I'd like to take the opportunity to emphasize how -- and have a discussion with the Board of how important this is to the Agency, and at the same time, tie together some of the developments of the Agency, and trying to present this as an ongoing effort to restructure the Agency's balance sheet.

And along the way, I'm hoping to also answer two extremely important questions: Why do we need this extension, in particular; and also, what are we doing to reduce our need and reliance on this program?

First, what is TCLP? We have had this program for three years, and we refer to it as if we have known it for quite some time.

Just a brief description of the program: In 2009, the U.S. Department of Treasury, along with the GSEs, Fannie Mae and Freddie Mac, launched this Temporary Credit and Liquidity Program to help state and local housing finance agencies who have variable-rate bonds who are dealing with puts and also had a hard time finding replacements for these letters of credit.

In short, the Agency's variable-rate bonds needed a letter of credit for them to operate correctly in the marketplace. In order to make them marketable and keeping the rates down, you really do need a very solid letter of credit backed by a solid guarantor.

And as the financial market blew up, some of the banks that provided the Agency letters of credit, they were undergoing their own credit issues; and, as such, it affected the performance of these variable-rate bonds. And that's when this program was introduced.

So why do we still need TCLP? The Agency continues to rely on TCLP to support its financial viability.

And the two key reasons why we still need this is that:

The Agency still needs to stabilize its credit ratings. I think that Claudia mentioned earlier that we do have a wind at our back here. We did receive a confirmation on our ratings on Tuesday.

And the second reason is that as the financial market, post the financial crisis, the marketplace for this letter of credit has also shrunk a lot. And the Agency believes that in order to find private-market replacements with TCLP, we also need to reduce this exposure, so that the marketplace can digest the amount that we need to replace TCLP.

And I'm going to talk about these two reasons a little bit. These are segues, if you will, for me to discuss some of the other developments in the Agency.

Some of the more seasoned Board members may know that for the last three years, the Agency has suffered downgrades every year for the last three years. In 2009, if you go to page eight, this is a history of our ratings over the last couple of years. In 2009, we were first downgraded, and in '10 and '11.

This year, we're hoping to break that streak. And we have one half of that streak completed. And as Claudia mentioned earlier, on Tuesday, our rating was affirmed by S & P. Or more to the point, they didn't downgrade us.

And in their report, they said some good things about the Agency.

On the positive front, they said that CalHFA's management has been very proactive in addressing the many challenges it faces. But to be sure, it was also cautious. They said that "CalHFA's objective to reduce its risk profile remains an ongoing task that has an uncertain future. This is because some of the greatest challenges facing the Agency are variables that are beyond its control."

And I think that we cannot get away from that. I think that the fact that the Agency's risk profile is still very much a function of the general real-estate market is true. The fact that the Agency does still retain some risks which are affected by the general interest-rate trends are also true. And as you all know, that this QE Infinity that was launched last week, is keeping rates low, and that does hurt the Agency in a different way.

And lastly, is that it mentioned that the municipal bond market for taxes and housing bonds still leaves a lot to be desired.

But on balance, we think that: Are we better off than where we were last year, where we were 24 months ago? And we think that we are much better off than we were 12, 24 months ago. Delinquency rates are down. We have reduced our debt -- our variable-rate bond exposure a lot. And we're going to get to that in a second. And we have also reduced our swap notional exposure by a lot as well.

So on balance, I think there is still a need for caution, but we're certainly better off than we were 12 or 24 months ago.

If we had the foresight, we probably would have just retained one rating agency; but we have two rating agencies. So we have one win, as we mentioned that S & P affirmed our ratings two days ago. But we're now waiting for Moody's to affirm our ratings.

In July, however, Moody's put both of our credits on review for downgrade. And this was triggered by their own review for downgrade for Genworth Mortgage

Insurance Corporation, which is a key counterparty for the Agency because they reinsure about 40 percent of our single-family loans.

So, again, the rating action on Genworth caused the rating action on the agencies, and they decided to put both of our ratings on review for watch -- review for downgrade. They used to call it “watch for downgrade.”

But you might know that the reinsurance from Genworth is related to our single-family portfolio. So you might ask the question of, why did they put both of our ratings on watch for downgrade?

This chart, which could be familiar to some Board members, shows that Genworth reinsurance is supporting the HMRB indenture, in orange, which is our single-family indenture. So that an exposure is directly flowing into that orange box, which is, again, that single-family indenture.

But we do have a reimbursement relationship between the orange box and the blue box, the blue box being the Agency’s General Obligation credit. And that reimbursement relationship is the General Obligation’s place, if you will, of paying for the swap net payments to the counterparties first. And if the HMRB indenture is able, it reimburses those payments to the blue box, the General Obligation.

And it is that reimbursement relationship that caused the Moody's analyst to put both of our ratings on watch for downgrade.

So one might ask the question that, "Well, suppose Genworth is, indeed, downgraded? How does that impact us?"

And with your indulgence, I'm going to do a little math on this chart. The insurance in force from Genworth is $1.4 billion. That is to say, that on $1.4 billion loan balances, we carry reinsurance from Genworth. And the risk in force is almost $400 million. They don't guarantee the whole -- suppose the loan is a hundred dollars. They're not on the hook for the entire hundred dollars if it were to go to zero. They're only on the hook for 75 percent of the top 35 percent.

Now, not all of that risk in force is being tested by the rating agencies. What that means is that they don't suppose that the entire $1.4 billion will go to foreclosure. Roughly speaking, it's our guess that they are testing about half of that balance. So they are testing about $700 million of those loans would go to foreclosure, resulting in a claim put to Genworth that's in the neighborhood of about $200 million.

And I would emphasize that the rating agencies hold these numbers very close to their chests. This is our best guess of what we think will be the impact. So, again, the $200 million is what's really been tested in their stress model.

And at this time, Genworth is rated Ba1, and we're getting 45 percent credit for their guarantee. So 45 percent of $200 million will result in $90 million. So what that means is -- just to reiterate -- what that means is that although we have $400 million of risk are in force in Genworth, we are only getting a $90 million credit from the rating agencies just because of where they are now.

Now, if they were to be downgraded one notch, that credit would fall from 45 percent to 35 percent, a loss of 10 percent. So that would mean that we would lose $20 million.

And this sort of plays itself out. So for two notches, we lose another 10 percent, we'll go to 25 percent and we'll lose another incremental $20 million, by cumulative, $40 million.

And if there were to be a downgrade of three notches, we would get actually no credits anymore, and we would lose the entire $90 million of guarantee.

So I'm hoping to answer the question here of: Well, if Genworth were to be downgraded, what happened? What is the impact in terms of their guarantee?

So, generally speaking, this is a four-point-some billion dollar indenture.

We tend to believe that a one- or two-notch downgrade is potentially sustainable by the equity that's inside an indenture, and may or may not cause an actual downgrade.

But at some point, I think in our discussions with the Board, we have also been talking about certain rating thresholds that we would like to maintain.

So on page 7, I kind of went through just the dollars and cents, if you will, if they were to be downgraded.

And then on page 8, what I'm hoping to sort of gain some insight into, is that these dollars and cents, how did they translate into what might potentially happen to our credits?

And you will see that where we are now in terms of that orange box, which is HMRB, which is on the right-hand side of the slide, we are currently at BBB flat, or Baa2 rating, which is highlighted in yellow. And we have been saying for quite some time that the rating threshold that we'd like to maintain out of that HMRB indenture, in the orange box, is at the investment threshold.

So you might argue that, ideally, I'd like to maintain the rating the way it is now; but you might argue that we have one notch of downgrade to go before we can test this investment-grade threshold. And the reason why the investment-grade threshold is important, is that we need to maintain the investment-grade threshold under the TCLP documents in order to continue to reimburse the G.O. for the swap payments that the G.O. makes on behalf of the orange box.

So in summary, though we do have a small step in the right direction in gaining rating affirmation from S & P, there is still some degree of uncertainty on our credits. And, as such, it's very difficult to have a discussion with a financial entity to give us lines of credit when there is still some credit uncertainty.

I should mention also that this investment-grade threshold on TCLP, which is what we're showing here on HMRB, that is a TCLP requirement. And we have also embarked on a discussion with Treasury and the GSEs about whether or not they would be amenable to adjusting down, downwards, that requirement which would potentially, if you will, give us more notches of downgrades to work with.

By the way, I should pause. If there are any questions, I would like to take them as you might have them.

ACTING CHAIR CAREY: Questions?

MR. WARREN: Just on the Genworth issue, Tim. Have we had any issues with Genworth not honoring claims, or requiring putback on loans, as they have with other lenders around the country? Were they paying as agreed? Or largely paying as agreed?

MR. HSU: I think that is actually a fantastic question.

There are times in which folks ask us about, "Well, has Genworth been paying?" And then generally their question is that "I like to see how much they've been paying."

The better question is the one that Linn has, is the rescission rate, meaning, you put in a claim, and they deny the claim.

And industrywide, I believe that in their portfolio -- it's been a while since I've actually seen the actual stats -- but I believe that this is the major way for the mortgage insurers to preserve their capital, by denying claims, and then basically go into battle about whether or not the claim is good or not.

I believe in most of their portfolios, their rescission rate is north of 30 percent. So for every hundred claims submitted, they deny more than 30 loans. In our portfolio, we haven't had a claim denied or a rescission this year, nor last calendar year. And then average to date, the rescission rate is .4 percent, so four in 1,000.

MR. WARREN: And there is nothing on the horizon right now structurally, as far as how Genworth is organized, that would lead you to believe they may jettison the MI unit as part of a corporate restructuring, or cut them off from capital sources?

MR. HSU: In the rating report -- in the most recent Moody's rating report that Moody's released when they put Genworth on credit watch for downgrade contemplated this possibility that Genworth, the parent company, which also runs a life-insurance business, which is a healthier business, will spin off -- or as Linn says, jettison -- will spin off this mortgage-insurance unit.

MR. WARREN: Jettison in a good way.

MR. HSU: And I've been told the reason why that was contemplated in the report, is that right before that report was released, Old Republic had announced that they were going to spin off that, or jettison their mortgage-insurance unit. But after the report was announced, the regulators -- the state regulators for the mortgage-insurance units of Old Republic objected to the spin-off. They said, "We won't approve this." So then that has subsequently been taken off the table.

So my belief is that to the degree that the Old Republic jettisoning or spin-off would create a market acceptance of this type of activity, and that's what led Moody's to discuss this in the report, to a degree, that was all caused by Old Republic. I believe this is not going to be a possibility or a potential, going forward.

MR. WARREN: Thank you.

ACTING CHAIR CAREY: Further questions?

(No response)

MR. HSU: And I think I mentioned earlier, the second reason why we need TCLP, is that we need to reduce this TCLP balance to a dollar amount that can be digested by a general private market that has also shrunk.

Thanks, Tony.

So on this issue -- on this need to reduce TCLP, we're very much in sync with U.S. Treasury and the GSEs. And as a result, in order to approve the TCLP extension, the Treasury also wanted to have some visibility, if you will, of how we're going to reduce our TCLP exposure for the next three years.

So in August, the Agency submitted our final projected plan to reduce TCLP. And it's our -- we've been told that it's near complete approval, if you will.

And in this plan, we contain some of the same strategies that we'd been using over the last three years, that at times we had informed the Board about. We monetize the assets -- you know, they kind of generally fall into three different categories. We monetize assets, and with the cash, we use them to redeem bonds. We did bond refundings when we had the opportunity; and we also, as we will tell you later on, that we've been trying to modify our procedures and programs so we can do more loan modifications, so we can get more assistance from the *Keep Your Home* funds.

So they generally fall into those three categories of strategies.

So since we are dwelling, a lot of it, on some of the old strategies and sort of asserting that they will be the same categories of strategies that we would execute going forward, just how successful have these strategies been in the past three years?

Over the last three years, we reduced our variable-rate bond exposure by $1.9 billion, and we reduced our variable rate at the percentage of our variable-rate debt from 61 percent to 48 percent.

And I think that these are very impressive numbers by all stretch of the imagination. And the key here in our plan is to try to repeat that success.

If you go to page 11, roughly speaking, when we started a program, we had about $3.4 billion of VRDOs that were supported by TCLP. And if you compare that $3.4 billion to what we have today, which is $1.8 billion, we reduced it by, roughly, 50 percent. I think it's about 47, 48 percent. And our high-level objective of this plan that was submitted to Treasury, is to repeat that same 50 percent reduction over the next three years.

But along the way, you will see that balance right now is $1.8 billion. And along the way, at the end of 2013, there is a $1.5 billion balance target and $1.2 billion balance target.

And the reason why these two balances, in particular, are important, is that Treasury very much wanted the extension to have some self-governing process, meaning, that they wanted -- they want you to be incentivized, if you will, of trying to reach these targets without them watching over your shoulder actively.

So they wanted this idea of having these 2013 and 2014 target balances so that you would attempt to hit them.

So if the actual balances are higher than the target balances, then we would have to go through a process that I've likened to going to the therapist to figure out why you didn't hit those balances. And if you were determined to be sound and healthy but just chose not to do certain things, they would assess a 50 basis-point penalty on the difference -- only the difference between the actual balance and the target balance. But if they were to determine that somebody's strategies were, indeed, infeasible, then they wouldn't assess the penalty.

But to me, the most important of all is that if you hit these target balances, they will not ask a single question. The goal is for us to hit these balances. And how we hit them, if we come up with a strategy that we haven't thought of in the past and we use it, and we get to these balances sooner rather than later, then we could cancel these therapy sessions, if you will.

At some level, I tried to encourage folks not to focus too much on just exactly what the strategies are because there are many. I mean, if we look back on how we accomplish that 50 percent reduction over the last three years, it wasn't because we had a slugger on our team to hit it out of the ballpark every game, every time he comes up to bat. It was because we eke it out with the bunts and we hit singles all the time to earn -- to eke out runs here and there.

MS. CAPPIO: Small ball.

MR. HSU: Okay, I'm not a strong sports fan, so I get very nervous when I use sports analogies. But being an American, you have to use a sports analogy, right?

So instead of focusing on each of these singles, what I like to emphasize is that we can hit these targets in different ways. We don't have to win the game in any way; we just have to win.

But still, there is a lot of requests on what are these strategies.

So this slide here is an attempt to summarize what some of these strategies are at a high level. And earlier, I emphasized that, in general, there are three categories of active strategies, what I refer to as active strategies: The monetizing the assets, and the monetization, the bond refundings, and also talking about eking out a bunt or a single, doing loan modifications so we can get a hundred thousand dollars from *Keep Your Home California*.

These are the three active strategies.

And you can see that, for example, in 2012 -- I mean, 2013, we're hoping to monetize $90 million. We're hoping to do $60 million of refundings. And I think that number is a bit small, but we're hoping to get about $10 million from the *Keep Your Home California* funds.

So this is generally in sort of one chart, a quick snapshot of the summary of all the strategies there in the plan.

And then there is one strategy here which I refer to as a passive strategy, which is all on the bottom here. These are the results of amortizations or prepayments. Or for better or worse, in the single-family world, if there is a foreclosure, we get the net proceeds after claims.

These are passive strategies, in the sense that we're not -- although we do have a very strong Loss Mitigation Unit that's constantly in the process of selling REOs, but these are not being actively pursued in the same sense as those top three categories.

But as you can see, generally speaking, these passive strategies also have a fairly powerful impact in terms of taking down TCLP and variable-rate bonds.

MR. GUNNING: Mr. Chairman?

ACTING CHAIR CAREY: Yes?

MR. GUNNING: Tim, can you talk a little bit, how do you get money from *Keep Your Home California*? Did you say $10 million?

MR. HSU: Yes. So what Tony is going to talk about later, is that we have modified our procedures and also our program, so that when we do a loan modification, what we're hoping is that we get some of the principal-reduction programs from *Keep Your Home California* to help us with the write-down.

And what those write-downs will look like from the standpoint of getting rid of these variable-rate bonds, is that it will just look more or less like an early payoff, like a curtailment. So then we will get some of that money and then use it to redeem VRDOs, or variability bonds.

Continuing with the sports analogy, we are really close -- we are --

MR. GUNNING: You can't mix your sports. You've got to stay in one sport: Football or baseball.

MR. HSU: I have long been this intermediary. I don't actually watch the sports themselves, I just watch ESPN. And as you know, ESPN is sports-agnostic. You know, they go all over the place -- except soccer. Except soccer.

Anyway, we are so close that yesterday, when we had a call with the Treasury folks, I joked with them about what I should be using in terms of verb tenses. Has the plan been approved and we're just waiting to hear, or is it going to be approved? And they led me to believe that it's just a matter of days before they approve it.

And the reason for that is that we're starting to already get documents for completing the extension, which are dated next Friday.

So the plan needs to be approved before we execute a document. And we believe that it's going to be a Hail Mary. We're close. Very close.

MR. GUNNING: A walk-off home run.

MR. HSU: Walk-off home run.

I don't want to offend anybody's sports here.

So getting back to the reason why we are here, the resolution. On page 15, the resolution gives the Agency an explicit and specific authority to extend TCLP. And the long and short of it is that one could actually argue that we already have existing authority to make amendments to existing documents. But the GSEs, along with their counsel, thought that it would be a good idea -- and not just a good idea -- they want us to get an explicit and specific authority from the Board to do everything that's necessary, and sign -- execute all the documents that's necessary to extend TCLP. And that's why we have this resolution.

I close my remarks.

ACTING CHAIR CAREY: Thank you.

Other questions regarding this?

MR. WARREN: Mr. Chairman?

Tim, your monetization comment, is that basically the sale of assets or the sale of loan assets? Can you describe the components of monetization as far as reduction, as part of your plan?

MR. HSU: Some of that is securitization of single-family FHA loans and selling the MBS's. Some of it is tying this to the earlier presentation that Jim gave. When we do a portfolio preservation, the old loans, when they pay off, we could also use those loan proceeds to redeem variable-rate bonds, or wherever they come from. So there is also a small component in here, which comes from our assertion that we could continue to do portfolio preservations. And when we do do that, it will cause some early payoff of the old loans, and we could use them to call our bonds.

ACTING CHAIR CAREY: Yes.

MS. CARROLL: Tim, this is a great explanation, and I understand perfectly why we need to move forward with the extension.

But just out of curiosity, are they increasing the cost of the program for the extension?

MR. HSU: Not by the whole lot. There are certain features that are being tweaked a little bit.

But on balance, the facility is still -- for us, it's not a facility that we can get in the marketplace.

MS. CARROLL: Right.

MR. HSU: Specifically.

But in general, the one feature that is really, how should I say, really fantastic is that if these VRDOs were ever to become bank bonds, generally speaking, there is a very accelerated repayment of the bank bonds to the bank. And we'll continue to have no requirements in terms of acceleration, but there is a balloon payment on 2022, which is -- again, that is a feature that's really not been offered in the private marketplace.

MS. CARROLL: Thank you.

ACTING CHAIR CAREY: Other questions?

(No response)

ACTING CHAIR CAREY: Oh, yes, we are going to provide the opportunity for anyone in the public who would like to comment on this matter before the Board takes action.

If there's anybody, come forward.

(No response)

ACTING CHAIR CAREY: Seeing none, we do have a proposed resolution.

MR. HSU: Mr. Chairman, I would just like to emphasize that this resolution is only with respect to the single-family indenture, the orange box; and then the next resolution applies to the multifamily at HPB.

ACTING CHAIR CAREY: We're looking forward to the subsequent presentation.

MR. GUNNING: I'll move the resolution.

MR. HSU: The good thing is that there is none, because it's the same story.

ACTING CHAIR CAREY: We have a motion.

MS. CARROLL: Second.

ACTING CHAIR CAREY: And a second.

Roll call, please.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Ms. Chavis?

MS. CHAVIS: Aye.

MS. OJIMA: Mr. Warren?

MR. WARREN: Aye.

MS. OJIMA: Ms. Boatman-Patterson?

MS. BOATMAN-PATTERSON: Aye.

MS. OJIMA: Mr. Carey?

ACTING CHAIR CAREY: Yes.

MS. OJIMA: Resolution 12-10 has been approved.

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Item 8. Discussion, recommendation, and possible action regarding the adoption of a resolution authorizing a Temporary Credit and Liquidity Program (TCLP) Extension for the multifamily programs under Housing Program Bonds and Multifamily Housing Revenue Bonds III

ACTING CHAIR CAREY: Okay. And can you say anything about the next one, Tim?

MR. HSU: The next resolution simply applies to the Multifamily III indenture, and also the Housing Program Bond indenture. It's the identical story with respect to those indentures. But traditionally, we do single-family resolutions and multifamily family resolutions separately.

So the next one is simply extending TCLP for two different pots of money, if you will.

ACTING CHAIR CAREY: Any questions related to that resolution?

(No response)

ACTING CHAIR CAREY: Once again, this is an item that's before the Board.

If there's anyone who would like to address the Board on this matter, please indicate.

(No response)

ACTING CHAIR CAREY: Seeing none, we do have a proposed resolution.

MR. WARREN: Move approval.

MS. CARROLL: Second.

ACTING CHAIR CAREY: A motion and a second.

Roll call.

MS. OJIMA: Mr. Gunning?

MR. GUNNING: Aye.

MS. OJIMA: Mr. Hunter?

MR. HUNTER: Aye.

MS. OJIMA: Ms. Carroll?

MS. CARROLL: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Ms. Chavis?

MS. CHAVIS: Aye.

MS. OJIMA: Mr. Warren?

MR. WARREN: Aye.

MS. OJIMA: Ms. Boatman-Patterson?

MS. BOATMAN-PATTERSON: Aye.

MS. OJIMA: Mr. Carey?

ACTING CHAIR CAREY: Yes.

MS. OJIMA: Resolution 12-11 has been approved.

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Item 9. Overview and Discussion on Agency's Implementation of Updated CalHFA Loan Modification Program and Home Affordable Modification Program

ACTING CHAIR CAREY: Okay, we'll move on to overview and discussion of the implementation of the Loan Mod and HAMP program.

MR. HSU: To Mike's question earlier about how we get money from *Keep Your Home* that can help the Agency, one of the things that we've been working on, that Tony has been working on with our servicing unit and also with our Loss Mitigation Unit, is modifying our Loan Modification Program, so that we can be more up to speed in terms of industry practices, and also modifying our program so that we can more successfully get more money from *Keep Your Home.*

Tony works in our Financing unit. I'd like to think that at some point, Bruce Gilbertson, my predecessor, thought I was an invaluable assistant. And Tony is my invaluable assistant on many fronts. And he worked on this really hard, and he takes all the credit. But if something goes wrong, I think I will go down with him.

But having said that, Tony is going to walk you through some of the changes we've made. And he's great.

MR. SERTICH: Well, I think the number-one thing I do for Tim is help him with his PowerPoint slides, too. So that's very important.

Yes, as Tim said, we haven't really been taking the lead on this Loan Modification Program. It's really been the Loan Servicing unit and our single-family Loss Mitigation Unit. But it's been an agency-wide endeavor to help streamline our loan-modification process. And to -- really, the main purpose was to modify our program so that it meets the new *Keep Your Home California* requirements, to get that $100,000-per-loan match, to help us reduce our TCLP balances.

The other main goal, obviously, is to help keep as many borrowers in the home. In the long-term -- for the long-term financial viability of the Agency, it makes sense if we have loans out there that continue paying.

And we've taken sort of a two-pronged approach to increasing our loan modifications.

The first line was to update the CalHFA Loan Modification Program. Like I said, the main goal was to conform with *Keep Your Home California* requirements.

The two main requirements *Keep Your Home California* has that we needed to meet was: We have to get all of our loan modifications down to a 140 loan-to-value ratio. And the second was to make sure all loan payments were at 38 percent debt-to-income ratio. That's for housing debt only. It does not include other credit-card debt or anything like that.

So in order to do that, the first step we're proposing is to allow principal forgiveness above and beyond the *Keep Your Home California* principal-forgiveness program. And that would come out of the Single-Family Bond indenture.

The other thing we're doing is we're moving rate reduction prior to long-term extensions on the order of modification.

And the final step would be to allow principal forbearance if the rate reduction and long-term extension do not get the borrower to a 38 percent debt-to-income ratio.

A couple other small modifications we've made is that any interest-only loans out there that we're modifying will be converted to fully amortizing loans after modification. So there's no more -- we won't modify an interest-only loan to remain an interest-only loan. We'll make them start paying principal as well on those loans.

And finally, all of the loans that are modified will be run through a net present-value calculator that was developed internally to ensure that there is an expected positive economic value to our bondholders, so that we're not harming our bond indenture or bondholders in any way through these modifications.

The other angle we're taking is, we are planning on allowing HAMP-approved servicers to allow HAMP loan modifications.

HAMP is a federal program, a loan-modification program. The full term is the "Home Affordable Modification Program," that is pretty much the industry standard for loan modifications.

Many of our servicers participate in the HAMP program, and did not want to run two loan-modification programs, so they weren't running the CalHFA Loan Modification Program, so we decided to let them do the HAMP modifications, and so we'll run two parallel modification programs with Agency loans.

CalHFA servicing is not a HAMP-approved servicer, so they will be running only the CalHFA modification program.

The federal government provides incentives to both the borrower, the servicer, and the investor for completing HAMP modifications, and for completing modifications that stick over time.

Finally -- I don't want to take up as much time as my boss did on this, so I'll be real quick and there will be plenty of time for questions. But the Agency is working with Genworth to update our preclaim advance agreement. In general, what that means is, Genworth has, with our current modification program, paid part of the difference, part of the lost interest to the indenture, as what they call a "preclaim advance," it offsets any future claims that may be made on that loan. But it really helps make the indenture whole for any losses that it receives as part of the loan modification.

Also a big work is making sure the outside servicers buy into either the HAMP modifications on CalHFA loans or use the CalHFA Loan Modification Program, so that we can maximize the *Keep Your Home California* principal-reduction program contributions, as well as encouraging borrowers to keep -- keeping borrowers into their home and keeping them paying into the indenture.

And finally, an ongoing task that we will take is monitoring the effectiveness of the modification programs, as well as making sure that the loan-modification payments are sustainable over time for the borrowers.

So those are the goals of the program.

And I will open it up for any questions.

ACTING CHAIR CAREY: Questions?

MR. WARREN: Tony or Tim, just a question on short sales.

I know there's been a large movement toward that, not away from modifications, but encouraging more short sales by banks.

What is the Agency's kind of philosophy and position on soldering that aspect of loss-mitigation procedures?

MS. HSU: Tony, do you want to…

MR. SERTICH: Go ahead.

MR. HSU: I think that, generally speaking, I think our recent experience is that we are denying -- we're denying fewer short sales over the last six to nine months than we did in the prior six to nine months.

As I understand it, our policy now, too, has -- we recently conformed all the hardship requirements across all of the programs, so that there's no strange situations where we accept hardship under one program but not another program.

I think the short answer to that is, we're doing more short sales than -- we're approving more short sales than we did once. But I have to admit that recently, when I looked at some stats, the sheer number, the absolute number of short sales that we're actually doing, is actually on the decline. There's just not as many requests as we once had.

MR. WARREN: Okay.

ACTING CHAIR CAREY: Okay, thank you very much.

With that, we're going to take a ten-minute recess. And back at 11:10.

(Recess taken from 11:00 a.m. to 11:17 a.m.)

(Ms. Boatman-Patterson and Ms. Chavis were absent from the meeting room.)

ACTING CHAIR CAREY: We are back.

MR. SHINE: I don't think we have a quorum anymore.

ACTING CHAIR CAREY: We will in a moment.

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Item 10. Overview and Discussion of CalHFA Mortgage Credit Certificate (MCC) Program

ACTING CHAIR CAREY: And ready to deal with the overview of MCC program.

Mr. Giebel?

MR. GIEBEL: Yes. Chairman Carey and Board Members, thanks for the opportunity to give you an update on our MCC program. And this is on behalf of the single-family lending unit, who is managing this program.

The Board Resolution 11-09 approved the development of the Mortgage Credit Certificate, MCC Tax

Credit program.

In the development of the program, we wanted to make sure we could provide all Californians an opportunity to take advantage of this program.

(Ms. Boatman-Patterson returned to the meeting room.)

MR. GIEBEL: What we did do, based on your input, was reach out to every locality, county that has their own program -- there are a number of them -- to see what their exact coverage was, inform them that we were going to start a program, and that it was not our intent to step on their toes or on their program. And we haven't received any calls or anything from any other localities.

Except that I will tell you that Orange County ran out of allocation. In the meantime, we did do some loans with Orange County residents. And there is one other thing, a lot of the localities have a limited number of lenders that they deal with on their MCC program.

And I will update you on the number of lenders we have that are approved to do the program across the state.

(Ms. Chavis returned to the meeting room.)

MR. GIEBEL: So the MCC program was launched on May 6th; and at the end of June, we received our first certificate, which means that CDLAC approved our allocation. We had to get our first certificate before we could move forward.

And we actually now have -- we have 21 MCCs that have actually been issued, okay. We have 31 CalHFA lenders who are approved to do MCCs, where we are getting additional CalHFA lenders every week. Claudia signs the approvals.

You can also just apply to be an MCC-only lender. We have one of those. And we also have one in the hopper that's about to be approved.

As of last Friday, we have 85 applications in process. As of yesterday, we had 90, and we have 21 actually have been issued, as I said. Our top four lenders are Guild, imortgage, Primary Residential, and Pinnacle. And Guild is, by far, our largest MCC lender.

We have done loans in 17 different counties -- or we have applications from 17 different counties.

Moving forward, we have had three localities who have asked us if we would take their allocation and be the issuer of their mortgage credit certificate. And we are working with Sonoma to see if we can make that happen with them, and what needs to be signed.

I can also tell you, Orange County, and I think there is one county on the verge of running out of allocation. And we are talking to them.

A lot of counties -- and we have heard this in another area, like downpayment assistance, do not have the personnel, nor the expertise to do these types of programs. So they're looking to us.

Also, we had a meeting last week, last Thursday, with CDLAC, who is expanding the MCC program. There are two other pools that they have available.

One is called the Home Improvement Program. And that is primarily for energy-efficient loans. You can go up to 25 percent credit. I think CDLAC is talking about -- we haven't seen, obviously, the requirements. It was just in an initial meeting -- of 15 percent tax credit.

There is another pool for qualified rehabilitation loans that's considerably more involved. And there really isn't a limit on that right now.

Obviously, these are not first-time home-buyer programs, that is the initial pool for the MCC tax credit.

So that's where we are.

We are going to be working with CDLAC. There were a number of people at the meeting who kind of looked to us and said, "Well, if CalHFA did it, they could be the issuer of the mortgage credit certificate, and we don't have to worry about that." But we are not in the position to actually do the loans.

So that's the update. We really haven't aggressively marketed this because we didn't want to step on the toes of the counties. But as the counties see that we are very efficient at doing this, and we are doing it at a reduced cost.

Okay, so I think we'll be talking to localities and the counties a bit more. So that's where we are as of today.

Any questions?

ACTING CHAIR CAREY: Questions?

So you think that sensitivity about the county issuers will evaporate over time?

MR. GIEBEL: We think so. And especially when we hear from Sonoma, saying, "Can you do this for us?"

ACTING CHAIR CAREY: That's great.

MR. GIEBEL: All right, thank you.

ACTING CHAIR CAREY: Oh, we have a question.

MR. GIEBEL: Yes?

MS. BOATMAN-PATTERSON: Was Sonoma doing it themselves --

MR. GIEBEL: Yes.

MS. BOATMAN-PATTERSON: -- and they decided not to?

MR. GIEBEL: Yes.

MS. BOATMAN-PATTERSON: Was it the actual county or was it their redevelopment agency? Or who was doing it?

MR. GIEBEL: It was -- well, I don't know who it was in the past, but it is the county now because if it was the redevelopment agency, they can't do it anymore.

MS. BOATMAN-PATTERSON: Well, that's why I'm curious.

MR. GIEBEL: Right.

MS. BOATMAN-PATTERSON: Was there something that caused Sonoma County to step up and say they weren't going to do it?

MR. GIEBEL: No, we didn't know. They just called us last week, and we're talking to them.

I'm not exactly sure, maybe it was the redevelopment. But needless to say, we're just hearing from some other counties and some mayors, saying "We have this downpayment assistance money, and we no longer have people to do it." I think that's the driving force here.

MS. BOATMAN-PATTERSON: That they no longer have people to do it?

Well, it's just curious, because I know that

Sonoma County recently -- the successor housing agency, as part of their redevelopment agency -- there's some issues and some pushback, and whether -- who is going to be doing that. So I'm wondering if there were things like that going on statewide.

MR. GIEBEL: Right.

MS. BOATMAN-PATTERSON: Because the redevelopment agencies did administer a lot of this first-time home buyer programs. And with the elimination, I wonder if there was some shifting going on.

ACTING CHAIR CAREY: That's it. All right, thank you.

MR. GIEBEL: Thanks.

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Item 11. Update on *Keep Your Home California* Program

ACTING CHAIR CAREY: Next, we'll have an update on *Keep Your Home California.*

Di Richardson. Welcome.

MS. RICHARDSON: Thank you.

And I don't have a PowerPoint for you. Sorry. I had to choose between sleeping or doing a PowerPoint for you, and you lost. Sorry.

There is a report in the binder. I'm going to give you some additional updates. There have been a lot of things going on with the program. Some of them, Tony alluded to a little bit in his presentation about the changes that are being made for the CalHFA Loan Modification Program.

And I really have to say, since I have no concept of time anymore, I don't know what I've told you and what I haven't. So if I am repeating myself, just stop me.

We did recently have some more changes to the program approved by Treasury. Most significantly in the reinstatement program, the loan-reinstatement program, that amount is now up to $25,000 per homeowner.

Our overall household income limit has increased to a hundred thousand dollars. We eliminated the match requirement on the Principal-Reduction Program. And we can also do what is known as a "recast" as opposed to a "modification."

So what that means is, a homeowner can call us, we will take all of their information, we'll completely underwrite the loan. And if we can, with our $100,000 alone, can get that borrower under 140 percent LTV and under a 38 percent DTI, it's a go. We send the record to the lender, they say they'll accept it, we send them the money. There is absolutely no modification needed. It is much quicker. The borrower doesn't get all wrapped up in trying to send things back and forth with their servicer. It's just sort of a win-win for everyone.

So we think that that's going to be a pretty significant improvement to our performance.

The other thing that's very significant in that regard is last week, the GSEs -- Fannie and Freddie -- did issue new guidance explicitly telling their servicers they could participate in this program, and that they should participate in the program. We've been working a long time with them, and I think I lost several bets with people because I knew they were going to come on board, but I just didn't think it would take quite this long. But they are on board now, and very aggressively.

I spent the beginning of this week at Washington, D.C., at a fly-in sponsored by Treasury with the GSEs, and all of the other Hardest-Hit Fund states. And the GSEs and Treasury are not only supportive of the new California model, but they're encouraging other states to adopt it as well.

You know, we've talked about before there being a problem with capacity for servicers. There are only so many programs that they can sign onto. And so this one sort of has the blessing.

Since we've made these changes, we have got about 90 servicers that are currently participating in the *Keep Your Home* program all together; and we're up to 38 that are participating in the Principal-Reduction Program. That's a significant increase since the last time we talked about this.

That does include Bank of America. As you know, they've always participated. And we do have verbal commitments from -- well, GMAC has signed on. We have verbal commitments from Wells, Chase, and Citi. So they're all going to be on board soon, and I think that that will also make a very large difference in our numbers and what's going on with our program.

We did start a -- sort of a soft -- we call it a "soft pilot," or "beta," if you will. We started that in early September, mostly with GMAC and CalHFA because these are being processed manually.

I think that you know we have a CDF process, an electronic-record exchange program that we use with all of our servicers. There's a national committee to keep all the states on the same line there.

And the formal CDF process for this program will be available October 22nd. And some of the other banks are timing their official participation to begin when that CDF process is actually live and going.

But we are seeing some uptick. We're seeing the manual process has been very helpful. It's always helpful to start out a little bit smaller because you can see what isn't working that you thought would, and it gives you time to make the necessary adjustments before, you know, you're sort of blown out of the water.

Let me think of what else I think is important to tell you.

When we increased the amount of the benefit from 50 to 100, as far as borrowers that had already gotten principal reduction and they had gotten 50, if they have a new qualifying hardship, they can qualify for the other 50. If they don't have a new hardship, they can't just get an additional 50 because we believe we have already solved their affordability problem. But if they've got another hardship -- and, unfortunately, there are a lot of families that are knocked down again, you know, we want them to come back in and try again.

We have seen a significant uptick in our numbers and in our ability. You know, the quarter that was, like, from April to June was a really big quarter for us, mostly because of that EDD mailer. That was very successful. That went out to over a million recipients. We're going to go back to them and see if we can't get them to do another one soon. But that provided a significant lift.

So from the first quarter to the second quarter of the year, we had a 66 percent increase in our fundings, and then the last quarter, we saw a 34 percent increase. So we're definitely seeing things trend up and our numbers going up.

One of the things that was really fun for me to hear over and over at the Treasury meeting, were all the other states talking about how they were struggling to do 400 transactions a month.

And, you know, I'm begging our team to give me 3,000 a month. I mean, 400 they could do in their sleep. So we definitely have a much bigger lift here in California. But I think that the team has stepped up, and they're really doing yeomen's work.

Bank of America continues to be the top servicer, participant in the program. They generally do between 25 and 28 percent of our volume. And we are seeing that they are continuing to perform really well. Bank of America is first, followed by Wells Fargo, Chase, GMAC, Citibank, and CalHFA, working with Tim and Tony to try to get that CalHFA number pushed up there a little bit.

The counties -- the top ten counties that have had the number of unique homeowners assisted: Los Angeles is the top, 19 percent of our homeowners have been in Los Angeles; followed by Riverside, San Bernardino, San Diego, Sacramento, Orange, Contra Costa, Alameda, San Joaquin, and Fresno.

One of the other tidbits of information that I wanted to share with you, and then I'll just let you ask me whatever you want, is we're constantly looking at the reasons we're telling people no, or why they're falling out or what the -- why they're being disqualified, and taking a look at if we need to go back and make changes, and if those still make sense.

So in taking a look at the applicants that we've had after they've received their homeowner action plan -- which means they've come in through triage, they've passed counseling, and they were given a plan, saying, you know, "It looks like you're probably eligible and this is what you have to provide us so that we can actually take a look at and verify the information you've given us," the number-one reason that people are falling out and not pulling through, 41 percent is because they're not providing their documentation. They're just not following up and providing all of their documentation.

So that's something that we've spent some time in the last couple of months developing some protocols and some e-mail-type reminders to people, letting them know, you know, "It's been five days. We haven't heard from you. You really need to get your documents in. Give us a call if you're having a problem. If you've got a question about something, and" --

Am I talking too fast for your fingers?

THE REPORTER: No, you're fine.

MS. RICHARDSON: I know I tend to go quickly. Sorry.

Thirteen percent are due to homeowners that have just withdrawn their application. It's really sort of interesting to us how we'll get somebody all the way through to the end and tell them that they're approved, and then they'll say, "No, this feels too much like welfare," or "I'm not comfortable. I don't want to do it," or "I don't want to sign the lien document." So over 13 percent of them are withdrawing actively.

Ten percent of them have fallen out because they didn't have an affordable payment, meaning, that, you know, we didn't think it was sustainable, even with the amount of assistance that we were providing. We are hoping that, you know, if we moved our number to 140 percent LTV, a 38 percent DTI, we're hoping we're going to pick up a bigger group of those people. And we're actually seeing a lot of the banks that are adding additional funds on top of our hundred thousand dollars to get them under that threshold.

Six percent of them fall out. And the biggest percentage of that, 11 percent of that 6 percent is in the PRP program because their payment is already affordable. It's already under 31 percent; and if their payment is affordable, we just don't think they really need the help.

So those are some of the top-line things.

I can give you more, if you want it. But I'm happy to answer any questions.

ACTING CHAIR CAREY: Jonathan?

MR. HUNTER: What is the one county that's left out?

MS. RICHARDSON: Alpine. Alpine.

Yes, and we figure, we can solve it all in Alpine, if they'd just give us a call.

MS. CAPPIO: Di, what's the total amount committed to date, or is close?

MS. RICHARDSON: Sure. Well, we currently have funds allocated for over 24,000 homeowners, $541 million. I think that we may see that number come down a little bit.

One of the things we talked about recently is, when a homeowner goes through and if we find them ineligible, we hold their reservation for 45 days, to give them a chance to say, "You've got this wrong. Can you take another look at it?" And the ones that are going to do that usually call us right away, and so we set their money aside. But a big portion of those are in that 30- to 45-day bucket. And we've never heard from them. So we're probably only going to start holding those reserves for 30 days, because we are planning to see that money move out a little quicker.

MR. GUNNING: I'm sorry, so 24,000 homeowners, $541 million?

MS. RICHARDSON: Correct.

MR. GUNNING: That's of the 1.9 million?

MS. RICHARDSON: Correct.

MR. GUNNING: Good job.

MS. RICHARDSON: I can -- Treasury provided us some slides the other day. And I don't have an electronic copy of them yet.

But I will show you, this indicates the funds drawn to date. These are all the states, and here's California *(pointing)*.

And here are the unique applicants. Here's California.

So borrowers funded, here we are *(pointing)*. So I think we're on the right track.

ACTING CHAIR CAREY: Where do you see it going over the next year?

MS. RICHARDSON: You know, I'll tell you, this last year's been really interesting. You know, we were seeing for a long time that only the UMA program -- that was our big, big program. Obviously, if we could get more of those EDD mailers, that will continue to be really successful. But we're starting to see now that more of the lenders are signing on for the -- not just the reinstatement, but doing the reinstatement with a modification and the Principal-Reduction Program. We're seeing that the numbers of borrowers qualifying for the reinstatement program are sort of equaling the number that are qualifying for the unemployment. It's been about, you know, 35/35 percent. And I just can't help but think that the Principal-Reduction is going to take off, especially the recast model, especially with the GSEs participating. I just -- I think that that's going to be the ticket.

ACTING CHAIR CAREY: Our focus has all been about getting the money out, getting the systems in place. At some point, given the initial reason for the Hardest-Hit Funds, it will be great for people to start talking about impact out there.

MS. RICHARDSON: Right.

ACTING CHAIR CAREY: Because when you get down to it, it's…

MS. RICHARDSON: Yes, we -- I'm going to throw a little sports analogy in here. I know my people are going to be shocked. But I think we have really good horses in this race, and we're going to ride them -- ride them to the end. I think they're going to get there.

You know, I'll also tell you a little bit about the three programs under the Local Innovation Fund. I didn't really mention those.

The program by Community Housing Works in San Diego, I met with them a couple of weeks ago, and we're going to be proposing some changes to Treasury for that program, to open it up a little bit. That program, you may recall, was a program to help small community banks that don't participate in the 2MP program, pay off some of their junior liens.

It's been sort of interesting to me. We're seeing a lot of the loans that are coming in under that program in third, fourth, or fifth place, not seconds. So we're going to propose opening that up, so that if a borrower was able to get a HAMP modification on their first and a 2MP on their second, they could then go to CHW to get some relief on their second or on their third, fourth, or fifth, whatever.

So that should open it up a little bit more and provide a little bit more relief. Because I haven't been really seeing the depth of relief to those borrowers that I had hoped to see.

The Sacramento NeighborWorks Program, which is the lease-to-own program, they've been struggling a little bit because lenders are reluctant to sell those homes, knowing that the original tenant is going to stay there. It's not considered an arm's-length transaction. And so we have been talking with them, talking to a couple of the big lenders about participating in that. And I know they're having some conversations with CalHFA about participating within our own portfolio on that. So I think that they're starting to be positioned where we will start to see some transactions under that program.

The LA program, which many of you know and love, I haven't seen anything from them yet. They have asked us if they could amend their program.

You may recall that they originally designed their program so that it was going to only be affected in certain areas of LA where there were NSP dollars. And they are just not finding any traction. So they've asked us if they could open it up to the entire city, and I said, "Absolutely." So I think that we'll be making that change; and hopefully, they'll start getting some traction soon there as well, so…

MR. GUNNING: Di, that's One LA?

MS. RICHARDSON: Yes, sir.

MR. GUNNING: And how about our good friend, NACA?

MS. RICHARDSON: Our good friends, NACA?

Well, we did go out with another RFP. We did open up -- we added several more counseling agencies. NACA is one of them, as is NAAC, the National Asian American Coalition. They both are in, and on the program.

NACA is performing well to date. NACA is getting ready to have a couple -- they're going to start their Dream Tour, or whatever it's called, where they rent the Cow Palace.

So we actually just sent a request to have thousands and thousands of brochures printed up for them, for those. So hopefully, you know, that will be just -- I think all this timing is going to come together very well.

I know also Treasury will be back out in December -- in California in December, for their HOPE NOW event. So there are several things going on this fall that should really drive more borrowers in.

ACTING CHAIR CAREY: Great.

Jonathan?

MR. HUNTER: I just would reinforce, it's a huge relief to see these numbers going up so significantly, because I know it's been a real struggle to get it in place. We have a lot of very painful stories here about people desperately needing help. And it's really satisfying to see that it's getting out.

MS. RICHARDSON: Well, thank you.

I will tell you, too, you know, one of the things that we've done, that's been fairly successful, is when we do -- you know, go and do local radio shows or local TV -- you know, morning talk shows, our phones go crazy.

So I'm going to be making the rounds this fall. And if I'm in your area and, you know, you want to join me or you have some contacts, let me know. It's all about getting the word out, it's all about -- people, they hear it, but they hear so -- there's so many ads. And, you know, it's confusing to them. And they have to hear it over and over again.

We actually are in the process, believe it or not -- I know this sounds silly, but we're having a little jingle developed, because we need something that's going to stick with people. And I promise you, I will not be singing it myself.

MR. GUNNING: You promise?

MS. RICHARDSON: I promise. Well, I promise I won't be singing it on the radio.

MR. GUNNING: I just want to add the comment, it speaks loudly to the Agency, the decision to do the modification directly without the banks. I mean, this is why I'm on this board. I think leadership and showing initiative, that's exactly what I think this organization has done.

And kudos to you and the rest of the group for making that decision, one, and having it pay off, two.

MS. RICHARDSON: Thanks.

ACTING CHAIR CAREY: I agree.

Any other comments or questions?

(No response)

ACTING CHAIR CAREY: Okay, thank you, Di.

MS. RICHARDSON: Thank you.

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Item 12. Reports

ACTING CHAIR CAREY: Reports?

MS. CAPPIO: Any questions? Just FYI?

ACTING CHAIR CAREY: Any questions on the REO trends or things like that?

(No response)

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Item 14. Public Testimony

ACTING CHAIR CAREY: Okay, we would like to afford the opportunity at this point in the meeting, if anyone in the public has anything they would like to address to the Board that's not related to the agenda, we'd offer this opportunity, if there's anyone.

(No response)

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Item 15. Adjournment

ACTING CHAIR CAREY: Seeing none, this meeting is adjourned.

(The Board of Directors meeting concluded at 11:46 a.m.)

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REPORTER'S CERTIFICATE

I hereby certify that the foregoing proceedings were duly reported by me at the time and place herein specified;

That the testimony of said witnesses was reported by me, a duly certified shorthand reporter and a disinterested person, and was thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for either or any of the parties to said deposition, nor in any way interested in the outcome of the cause named in said caption.

IN WITNESS WHEREOF, I have hereunto set my hand on the 9th day of October 2012.

____
DANIEL P. FELDHAUS
California CSR #6949
Registered Diplomate Reporter
Certified Realtime Reporter

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Logan's Plaza
Compton, Los Angeles County, CA
CalHFA # 12-060-R/S

SUMMARY

This is a Final Commitment request for acquisition/rehabilitation and permanent financing. Security for the acquisition/rehabilitation and permanent loan will be a 61-unit senior apartment complex known as Logan's Plaza, located at 2019 E. 122nd Street, Compton, California. Logan's Plaza, L.P., a California limited partnership ("**Borrower**") whose managing general partner is Logan's Plaza, LLC (Watts Labor Community Action Committee, a nonprofit public benefit corporation, sole member), along with an entity to be formed by RBC Capital Markets (Tax Credit Investor), will own the project.

Logan's Plaza is an existing portfolio loan currently owned by Logan's Plaza, Inc., a California corporation. Logan's Plaza was constructed in 1963. It currently comprises 59 units, of senior housing located in five elevator served two-story buildings, plus a community center building. CalHFA will enter into a 17 year loan (35 year amortization) on the project that will mature January 1, 2030. The project is 100% Project Based Section 8 (with the exception of 1 future unit and the manager's unit) and the 40-year Housing Assistance Payments (HAP) contract (initial 5-year plus seven (7) additional 5-year renewals) expires on December 20, 2019. The existing HAP contract automatically terminates upon prepayment. At the time of loan payoff, the Borrower shall have in place a new, approved 20-year HAP contract. There will be an OCAF rent adjustment at closing and rents will be marked up to market at the completion of the project's renovation, anticipated to be December, 2013. CalHFA loan terms and conditions may be modified by staff in the event that said approvals impact the transaction.

Existing Financing

Project Rate	8.375%
Term:	40 yrs.; remaining term: 7 years 6 mos.
Loan Maturity	June 1, 2020
Orig. Loan Amount	$1,300,000
Curr Prin Bal:	$622,081
HAP Maturity	December 20, 2019

Sales Transaction

Sales Price	$6,060,000	($99,344/unit)
Less: CalHFA Existing Indebtedness	$622,081	
Less: CalHFA Yield Maintenance	$151,759	
Net Proceeds to Seller*	**$5,286,160**	

* Net proceeds to seller does not include $677,919 in principal repayments over past 32 years.

Proposed Rents	100% Section 8 (1br $961,	2 br $1,153)		
(Incl Utilitiy Allowance)	Rent	Rent Level	Units	# of Persons
Studio	$517	35%	1	1
One Bdrm	$739	50%	11	11
One Bdrm	$739	50%	8	8
One Bdrm	$844	60%	37	37
Two Bdrm	$844	50%	1	2
Two Bdrm	$1013	60%	2	4
Two Bdrm	$1,092	Manager's	1	2
Total Units/Persons			**61 Units**	**65**

Rehabilitation	($54,280 per unit)	$3,311,057	$100,000 (excl. constrctn mgr.)

The project is a preservation project with just over seven years until maturity. Given that the project currently receives Section 8 and with the Borrower having a new 20-year HAP contract upon loan payoff, the rent restrictions will remain unchanged and the affordability levels will be extended. In addition, the sale of Logan's Plaza to the Borrower provides the project with much needed rehabilitation of approximately $54,280 per unit, improves overall energy savings by 17%, and meets the requirements of Agency's mission to create and finance progressive housing solutions so more Californians have a place to call home.

The owner, Logan Plaza, Inc., is selling the project due to the need for updating of improvements to market standards and recapitalization of this nearly 50 year old property.

LOAN TERMS (Total loan term – 17 years)

Acquisition/Rehabilitation

First Mortgage	$6,500,000
Interest Rate*	5.25%, fixed
Term	18 Months, interest only
Financing	Tax-Exempt
Credit Enhancement	HUD Risk Share

Permanent

First Mortgage	$4,520,000
Interest Rate*	5.25% fixed
Term	35 year amortization, due in 15 years, 6 months
Prepayment	Balloon payment at maturity
Financing	Tax-Exempt
Credit Enhancement	HUD Risk Share

*There are no discounts to the interest rate. The Borrower is making energy efficiency improvements of some 17% over current performance which will meet CDLAC requirements. However, the Borrower has decided not to obtian the 20% energy improvement threshold for CalHFA discounts.

CalHFA acquisition/rehabilitation financing is subject to the assignment by the borrower of tax credit equity and all rights under non-CalHFA financing commitments.

OTHER FINANCING – (Seller Take Back)

A seller take-back loan in the amount of $3,531,000, with a rate of 3% and a term of 57 years, payable only from residual receipts.

HOUSING ASSISTANCE PAYMENT ("HAP") CONTRACT

The original HAP contract was effective as of December 21, 1979 for an initial term of 5 years along with the option for seven (7) additional 5-year terms (40 years total). The current HAP contract is in its 6th renewal term that expires on December 20, 2019. CalHFA is the Section 8 Contract Administrator.

The existing HAP contract automatically terminates upon prepayment of the loan. As a condition to the new loan, the Borrower shall have an approved 20-year HAP contract in place prior to the payoff of the loan with CalHFA as the Section 8 Contract Administrator.

On October 1, 2012, the Borrower submitted its Rent Comparability Study along with a request to increase Section 8 rents to the Los Angeles HUD Field office to assist with the rehabilitation/preservation financing of the project. Section 8 rents would be marked up to market rents. The Los Angeles HUD approval is pending. A condition of CalHFA's commitment is HUD's approval of the Section 8 rent increase for the term of the HAP contract.

Any required modification to the proposed HAP contract and the general plan of financing, is all subject to the approval of the Department of Housing and Urban Development ("HUD").

The borrower will be required to seek and accept any renewals of the project based Section 8 contract or other HUD subsidies.

The project will be under a new HAP contract subject to limited distribution to the project sponsor. The existing replacement and operating reserves will be transferred with the property at the time of sale to Logan's Plaza, LP.

PROJECT DESCRIPTION

Project Location

- The project is located on the northerly periphery of Compton, in the Willowbrook unincorporated area of Los Angeles County. Downtown Los Angeles is approximately 10 miles north of the property.

- The project is approximately 0.6 miles south of Interstate 105, a major east/west freeway providing access to other major freeways in the Los Angeles region.
- The project is located in a primarily single family and multifamily residential neighborhood and has good visibility from 122nd Street. Views to the north and south of the property consist of single family homes in fair to average condition. East of the property is Willowbrook Estates, a multifamily development in fair to average condition. West of the project is a multifamily development in fair to average condition.
- A bus stop, Martin Luther King Medical Center, and Chavez Tubman High School are each within 0.1 miles of the property. Martin Luther King Elementary School, a library, Food for Less groceries, a pharmacy, and Mona Park Recreation are all within 0.3 miles of the property.

Site

- The site is rectangular, comprising approximately 2.0 acres.
- Zoning is R-3, Limited Multiple Residence, permitting a maximum of 30 units per acre.

Improvements

- The project currently consists of 59 total units; 56 one-bedroom units and three two-bedroom units, which includes one manager's unit. Post renovation, the project will consist of 61 units comprising one studio unit, 56 one-bedroom units, and four two-bedroom units. The additional studio unit and two bedroom unit are to be from a converted storage space.
- The development consists of five two-story, elevator served apartment buildings. The structures are wood frame construction on concrete slab foundation with stucco siding and a pitched roof. Additionally, the subject consists of a community room, leasing office, laundry facilities, picnic/courtyard areas as well as carport parking and a gated perimeter.
- Tenants are responsible for individually metered electricity and gas expenses, which includes general electric expenses, electric cooking, heating, as well as gas hot water. The property pays all common area utilities as well as water, sewer, and trash expenses.
- Post renovation, the project will have PV solar electricity for common areas, a solar thermal domestic hot water system, modernized kitchen and baths including Energy Star appliances, energy efficient lighting, and through-wall heat pump HVAC system.

PHYSICAL NEEDS ASSESSMENT/SCOPE OF WORK

- The project is in fair to average condition for a development of this type and age.
- The proposed scope of rehabilitation work increases energy efficiencies by 17%.
- Work is scheduled to commence by January, 2013 and is projected to be completed in 12 months.
- The scope of rehabilitation work totals $2,811,652 (excluding overhead, profit, general conditions and insurance) and includes:
    - **Site work, $310,305** – Concrete repairs of roads and walks, ADA parking and accessibility improvements, cleaning and re-striping ($48,600); laundry room upgrades, deck resurfacing, picnic table replacement, sewer main upgrade, site lighting improvements ($173,705); tree trimming and stump removal, up grade

landscape and edging, low flow irrigation upgrade, new vegetable garden ($88,000).

- **Building, $1,015,176**– New trellis ($15,725); refurbish window bars and egress release, pedestrian gate, telephone entry system, auto gate motor, trash enclosure gates ($36,920); R-30 attic insulation ($27,620); cool roof shingles and community room roof repair ($180,026); replace common area doors ($15,550); unit Low E window retrofits ($175,175); stucco repairs ($33,250); termite treat, mold and asbestos abatement ($77,510); elevator upgrades ($12,500); community room renovation and PV solar system, unit conversions and renovations, ADA unit reconfiguration ($115,100); new exterior and carport lighting, electrical sub panel and main upgrades ($325,800).
- **Residential Units, $1,486,171** – Wall heater and electrical repairs, kitchen drywall patch and texture, tile backsplash, unit drywall repairs ($63,955); vinyl kitchen and bath flooring ($61,950); paint unit interiors, building exteriors, carports, block walls, refinish bathroom tubs and tile surrounds ($291,128); new med cabinets, mirrors, shower curtains, mailboxes, and related specialties ($51,170); new kitchen and bath counters and cabinets ($295,807); new range hoods and vents ($12,685); new vertical blinds ($7,375); replace carpeting ($72,275); new kitchen sinks disposals, kitchen and bath faucets, low flush toilets, shower heads, water heater pipe insulation, solar panels for domestic hot water system ($255,496); through wall PTAK HVAC units, new thermostats, bath fans, passive inlet vents at bedrooms ($224,425); install hardwired smoke and carbon monoxide detectors kitchen and bath ceiling fixtures, GFI outlets, hot water heater meter upgrades ($149,905).

Off-site improvements

- No off-site improvements or costs are required.

Relocation

The Borrower’s relocation plan anticipates temporary relocation only. Rehabilitation work is scheduled in phases of 6 units each. Tenants will be relocated to temporary lodging approximately 1.5 miles from the Logan’s Plaza during the 5 week phase that work on respective units are scheduled. Some of the relocation will be accomplished through vacant units on site. The developer and their in-house relocation legal advisor have executed temporary and permanent relocation responsibilities on some 500 units of housing. The developer has allocated $179,311 for relocation activities.

MARKET

Market Overview

The Primary Market Area (PMA) for the property generally consists of an irregular portion of the City of Compton – defined to the North by Interstate 705; to the East by Interstate 710; to the South by Highway 91; and to the West by Avalon Boulevard. The secondary market area (SMA) for the subject is Los Angeles-Long Beach-Santa Ana, California MSA which consists of Los Angeles County.

The subject is located adjacent to the City of Compton, specifically within the Willowbrook community. Willowbrook is an unincorporated community and census-designated place in Los Angeles County. The population was 35,983 at the 2010 census, up from 34,138 at the 2000 census. Compton is situated southeast of downtown Los Angeles. As of the 2010 census, the city had a total population of 96,455.

Overall, the PMA grew from 175,913 persons in 2000 to 187,406 persons in 2010, and is projected to grow to a population of 190,365 by 2015. The PMA's Senior population (65+) grew from 11,089 in 2000 to 11,515 in 2010 and is projected to grow to 12,725 by 2015. Of this population, 22.1% are rental household, growing from 1,466 senior rental households in 2010 to 1,606 senior rental households in 2015.

The number of senior households has continuously increased in the PMA since 2000. As the senior population and number of households continue to grow, the demand for senior housing units will continue to increase. The demographics provide support that there is a strong senor renter population within the PMA. As housing and rental prices continue to increase, there will be a greater need for rental housing units of all kinds. These factors support current and future demand for the subject.

Housing Supply and Demand

- The market analysis identified 9 comparable properties in the market area. The comparables comprised 3 LIHTC properties within 1.3 miles to 3.4 miles of the subject and 6 market rate properties within 0.1 miles to 7.1 miles of the subject.
- There were 19 other multifamily properties within the market area identified but fell outside of the analysts requirements for comparables. Fourteen of these properties were LIHTC or Section 8 subsidized and 5 were market rate properties
- In total, the market study identified 17 existing affordable housing developments in the PMA comprising 1,056 units.
- The market study concluded that due to the lack of good quality affordable housing in the subject's immediate neighborhood, the subject will not hinder existing affordable multifamily properties' ability to maintain a stable occupancy.
- A survey of building permit activity for Compton from 1999 to 2012 found that 631 single family permits were issued for the period, peaking at 158 permits in 2008. Only 103 single family housing units were authorized for 2009 through July, 2012.
- There were 86 units of multifamily housing permits issued for the period between 1999 and 2008; none have been issued since 2008.
- The market study found the market for existing multifamily development within Compton is good. The area is experiencing stable occupancy levels and waiting lists are common at affordable properties and several market rate properties. Additionally, the Demand Estimates illustrate that demand in the area is good and supports the subject's proposed renovation. Post renovation, the subject will continue to provide good quality, affordable housing in the Compton area.

PROJECT FEASIBILITY

Estimated Lease-up Period

- The project is currently 97% occupied with a waiting list.

- The vacancy rate among the comparables ranges from zero to 6.7%, with an average of 2.1%. The vacancy rate among the LIHTC comparables is zero percent.

The subject has a waiting list and existing tenants are income qualified to reside at the subject post-renovation. Therefore, the property is not anticipated to experience a typical lease-up period upon the completion of renovations and any units that become vacant during the renovation process will be quickly re-absorbed. It is estimated that the units would be absorbed within one month of the completion of the renovation.

ENVIRONMENTAL

Smith-Emery GeoServices (SEG) completed a Phase I Environmental Assessment report of Logan's Plaza on August 4, 2012. The report concludes that there is no evidence of any recognized environmental conditions in connection with the property. Based on the age of the onsite structures, SEG recommended complete asbestos and lead based paint surveys prior to any significant renovation or demolition activities that would potentially disturb the existing building materials. These studies have been undertaken and appropriate encapsulation procedures have been developed and are to be followed during renovation.

In addition, on September 28, 2012, following completion by CalHFA's NEPA review consultant, AEM Consulting, of its compliance review of the Environmental Review Record (**"ERR"**), CalHFA issued its Request for Release of Funds to HUD. The Logan's Plaza ERR complies with HUD Risk Share requirements, has been determined to be Categorically Excluded under HUD regulations at 24 CFR Part 58 from National Environmental Policy Act (NEPA) requirements, and requires no further mitigations other than the above described procedures.

SEISMIC

The Borrower will be required to provide earthquake insurance for Logan's Plaza.

DEVELOPMENT TEAM

Borrower

<u>Logan's Plaza, LP,</u>

- Logan's Plaza, LP, a California limited partnership, comprises Logan's Plaza, LLC as its managing general partner and a limited partner to be formed by RBC Capital Markets, the tax credit investor. Logan's Plaza, LLC is comprised of Watts Labor Community Action Committee, a nonprofit public benefit corporation, as its sole member.

Developer

<u>WLCAC at VH, LLC</u>

- The developer is WLCAC at VH, LLC, a California limited liability company. WLCAC at VH is joint venture of Watts Labor Community Action Committee and Valued Housing II, LLC. Valued Housing's members are Peter Barker, President, Byron Barker, Chairman, and Ann Barker, Secretary.

- Watts Labor Community Action Committee (WLCAC) was formed in 1965 as a non-profit community based-organization. WLCAC has over 300 employees providing a wide range of community services including but not limited to health services, skills training, employment, senior citizens' nutrition and day care, child care and development, community transit, community owned and managed commercial properties and housing. WLCAC has built, owns and manages more than 500 units of housing for low and moderate income families and seniors in South Central Los Angeles.
- Valued Housing was organized by the principals of Barker Management, Incorporated to facilitate the construction and preservation of affordable housing. Valued housing has developed and preserved over 2000 affordable housing units in California and Nevada.

Management Agent

Barker Management Incorporated.

- Barker Management Incorporated (BMI) was formed in 1972 to provide management services to the affordable housing market. It expanded from managing federally assisted housing to include conventional housing and commercial developments; however, its specialty continues to be the management of affordable housing. BMI's portfolio includes some 10,000 units of affordable family, senior, and special needs housing. BMI managed properties include a variety of federal state and local subsidy programs, including Low Income Housing Tax Credits.

Architect

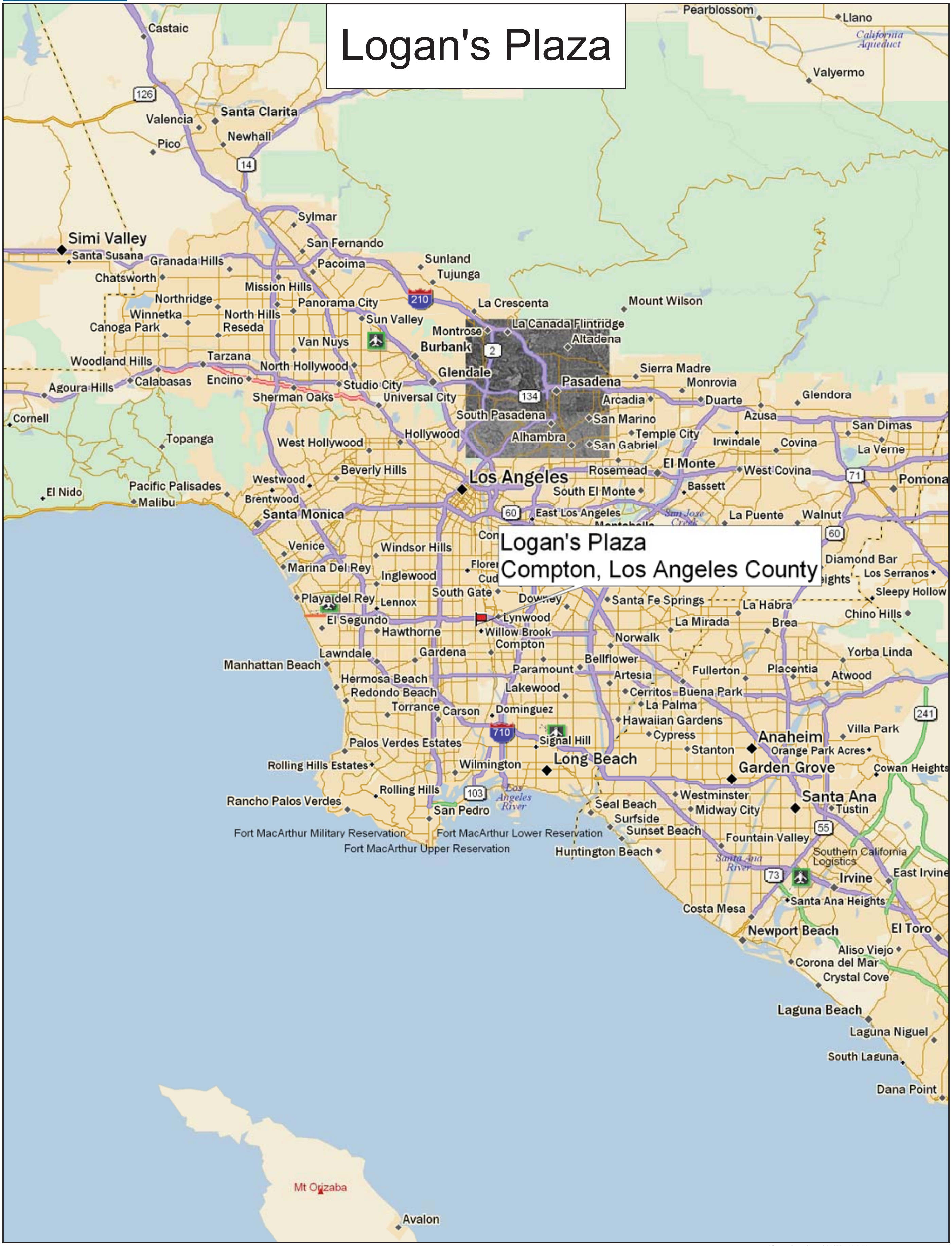
Dvoretzky Bardovi Bunnell

- The firm of Dvoretzky Bardovi Bunnell (DBB), has been in business for over fifty years. The Borrower has engaged DBB to assist them in project design, renovation, and construction inspection during the rehabilitation process. Gary Bardovi, AIA, the lead principal in charge, has a wide range of experience in residential projects, including new and adaptive re-use, affordable housing for seniors, families, and the homeless. The firm lists 11 Senior projects in the last 20 years and 16 rehabilitation or renovation residential projects.

Contractor

Walton Construction Services

- Walton Construction Services (SCS) is a family owned general constracting company with over 60 years of construction experience spanning from private tenant improvements to muliti-million dollar federally funded projects. WCS has over 30 years experience in wage compliance including working with Federal, State, LAHD, HUD, HACLA and various CRA agencies. WCS has completed 8 multifamily rehabilitation projects comprising 1,086 units since 2004 and 8 new construction projects comprising an additional 366 units since 2007.



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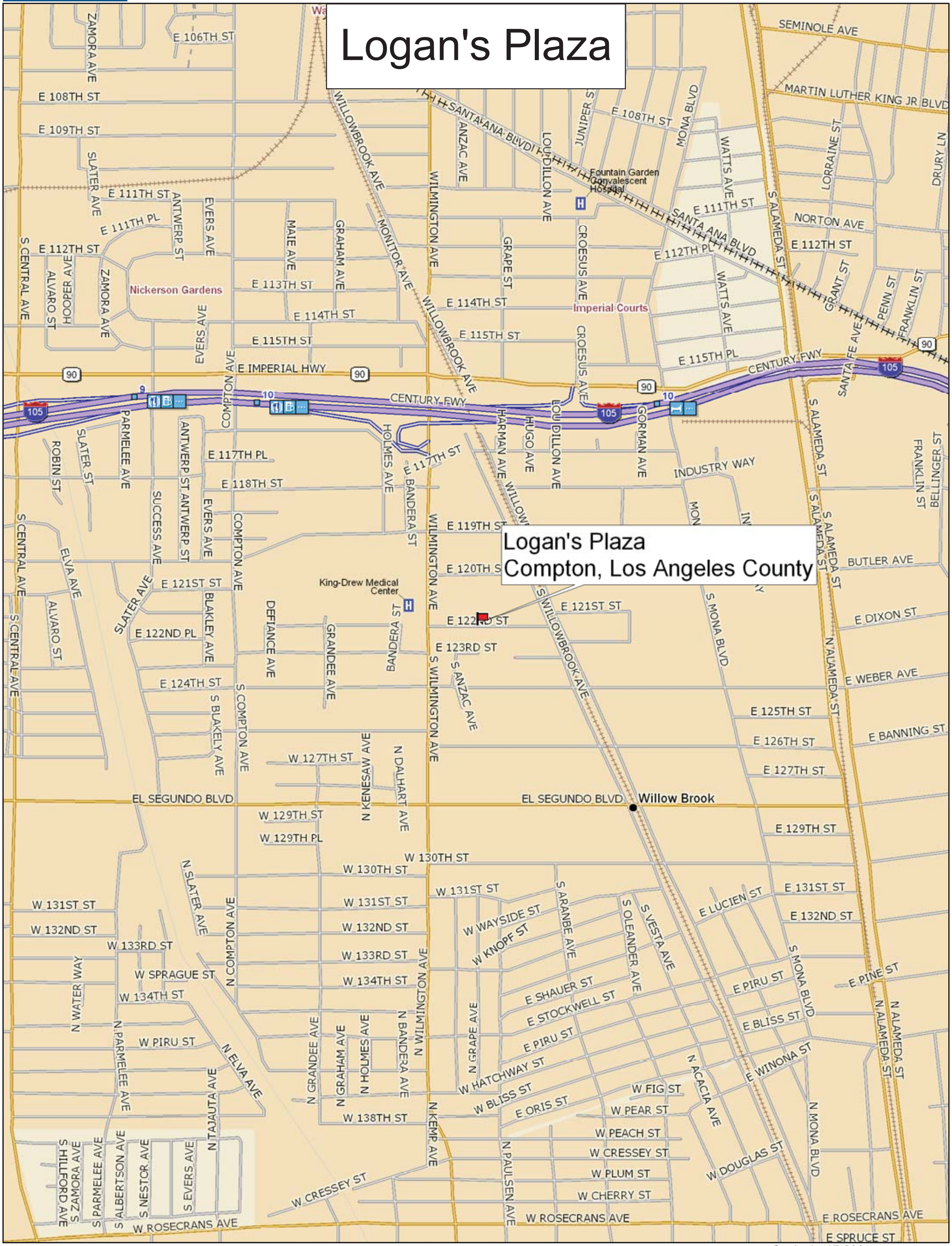

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PROJECT SUMMARY — Final Commitment

Acquisition, Rehab, Construction & Permanent Loans — **Project Number** 12-060-R/S

Project Full Name	Logan's Plaza	**Borrower Name:**	Logan's Plaza, LP
Project Address	2019 E. 122nd	**Managing GP:**	Logan's Plaza, LLC
Project City	Compton	**Developer Name:**	Watt's Labor CAC & Valued Housing II, LLC
Project County	Los Angeles	**Investor Name:**	RBC Capital Markets
Project Zip Code	90222	**Prop Management:**	Barker Management Incorporated

Project Type:	Acq/Rehab/Permanent Loan	**Total Land Area (acres):**	2.00
Tenancy/Occupancy:	Senior	**Residential Square Footage:**	37,360
Total Residential Units:	61	**Residential Units Per Acre:**	30.50
Total Number of Buildings:	5		
Number of Stories:	2	**Covered Parking Spaces:**	49
Unit Style:	Flats	**Total Parking Spaces:**	49
Elevators:	2		

Acq/Construction/Rehab Financing	Loan Amount ($)	Loan Fees	Loan Term (Mo.)	Amort. Period (Yr.)	Starting Interest Rate
CalHFA Loan	6,500,000	1.000%	18	--	5.250%
--	--	--	--	--	--
Seller Note	3,531,000	--	684	--	3.000%
Capitalized Reserves	274,000	--	--	--	--
Deferred Developer Fee	392,591	--	--	--	--
	--	--	--	--	--
Investor Equity Contribution	846,340	--	--	--	--

Permanent Financing	Loan Amount ($)	Loan Fees	Loan Term (Yr.)	Amort. Period (Yr.)	Starting Interest Rate
CalHFA Permanent Loan	4,520,000	--	16	35	5.250%
--	--	--	--	--	--
--	--	--	--	--	--
Seller Note	3,531,000	--	57	--	3.000%
Capitalized Reserves	274,000	--	--	--	--
Project NOI During Construction	--	--	--	--	--
Deferred Developer Fees	--	--	--	--	--
TC Energy Credits	57,005	--	--	--	--
--	--	--	--	--	--
Deferred Developer Fees	293,698	NA	NA	NA	NA
--	--	NA	NA	NA	NA
Investor Equity Contributions	3,847,000	NA	NA	NA	NA

Appraised Values Upon Completion of Rehab/Construction

Appraisal Date:	7/24/12	**Capitalization Rate:**	6.75%
Investment Value ($)	9,755,000	**Restricted Value ($)**	5,610,000
Construct/Rehab LTC	61%	**Permanent Loan to Cost**	43%
Construct/Rehab LTV	67%	**Permanent Loan to Value**	81%

Additional Loan Terms, Conditions & Comments

Construction/Rehab Loan

Payment/Performance Bond	Required
Completion Guarantee Letter of Credit	Waived

Permanent Loan

Operating Expense Reserve Deposit	$0	NA
Initial Replacement Reserve Deposit	$61,000	Cash
Annual Replacement Reserve Per Unit	$410	Cash

Date Prepared: 10/30/12 — Senior Staff Date: 10/24/12

UNIT MIX AND RENT SUMMARY **Final Commitment**

Logan's Plaza **Project Number 12-060-R/S**

PROJECT UNIT MIX					
Unit Type of Style	Number of Bedrooms	Number of Baths	Average Size (Sq. Ft.)	Number of Units	Est. No. of Tenants
Flats	0	1	316	1	1
Flats	1	1	604	56	56
Flats	2	1	805	4	8
-	-	-	-	-	0
-	-	-	-	-	0
-	-	-	-	-	0
				61	65

NUMBER OF UNITS AND PERCENTAGE OF AMI RENTS RESTRICTED BY EACH AGENCY							
Agency	Number of Units Restricted For Each AMI Category						
	25%	45%	50%	60%	80%	0%	0%
CalHFA			12				
Tax Credits			9	39			
HCD-MHP							
City of San Jose							
HCD-IIG							
-							

COMPARISON OF AVERAGE MONTHLY RESTRICTED RENTS TO AVERAGE MARKET RENTS							
Unit Type	Restricting Agency	% of Area Median Income	Average Restricted Rents: Number of Units	Average Restricted Rents: Unit Rent	Average Market Rents	Average Monthly Savings	% of Market Rents
Studios	**CalHFA**	**25%**	-	-	$960	-	-
	Senior	**35%**	1	$499		$461	52%
	Senior	**50%**	-	$517		$443	54%
	Senior	**50%**	-	-		-	-
	Senior	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
1 Bedroom	**CalHFA**	**25%**	-	-	$1,008	-	-
	Senior	**35%**	-	-		-	-
	Senior	**50%**	11	$693		$315	69%
	Senior	**50%**	8	$640		$368	63%
	Senior	**60%**	37	$798		$210	79%
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
2 Bedrooms	**CalHFA**	**25%**	-	-	$1,220	-	-
	Senior	**35%**	-	-		-	-
	Senior	**50%**	1	$786		$434	64%
	Senior	**50%**	-	-		-	-
	Senior	**60%**	2	$955		$265	78%
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
3 Bedrooms	**CalHFA**	**25%**	-	-	-	-	-
	Senior	**35%**	-	-		-	-
	Senior	**50%**	-	-		-	-
	Senior	**50%**	-	-		-	-
	Senior	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
4 Bedrooms	**CalHFA**	**25%**	-	-	-	-	-
	Senior	**35%**	-	-		-	-
	Senior	**50%**	-	-		-	-
	Senior	**50%**	-	-		-	-
	Senior	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
Date Prepared:	10/30/12					Senior Staff Date:	10/24/12

SOURCES & USES OF FUNDS SUMMARY — Final Commitment

Logan's Plaza			Project Number	12-060-R/S	
SOURCES OF FUNDS	**CONST/REHAB $**	**PERMANENT $**	**TOTAL PROJECT FUNDS SOURCES ($)**	**PER UNIT ($)**	**%**
CalHFA Loan	6,500,000				0.0%
CalHFA Section 8 Loan	-				0.0%
Seller Note	3,531,000				0.0%
Capitalized Reserves	274,000				0.0%
Project NOI During Construction	-				0.0%
Other Non-CalHFA Sources of Funds	-				0.0%
Construct/Rehab Net Oper. Inc.	-				0.0%
Deferred Developer Fee	392,591				0.0%
Developer Equity Contribution	-				0.0%
Investor Equity Contribution	846,340				0.0%
CalHFA Permanent Loan		4,520,000	4,520,000	74,098	36.3%
CalHFA Bridge Loan		-	-	-	0.0%
CalHFA Section 8 Loan		-	-	-	0.0%
Seller Note		3,531,000	3,531,000	57,885	28.3%
Capitalized Reserves		274,000	274,000	4,492	2.2%
Project NOI During Construction		-	-	-	0.0%
Other Non-CalHFA Sources of Funds		57,005	-	-	0.0%
Construct/Rehab Net Oper. Inc.		-	-	-	0.0%
Deferred Developer Fees		293,698	293,698	4,815	2.4%
Developer Equity Contribution		-	-	-	0.0%
Investor Equity Contributions		3,847,000	3,847,000	63,066	30.9%
TOTAL SOURCES OF FUNDS	**11,543,931**	**12,522,703**	**12,465,698**	**204,356**	**100.0%**

USES OF FUNDS	**CONST/REHAB $**	**PERMANENT $**	**TOTAL PROJECT COSTS USES ($)**	**PER UNIT ($)**	**%**
Payoff Acquisition/Rehab Financing		11,543,931			
Acquisition Costs	**6,060,000**	**-**	**6,060,000**	99,344	48.4%
Construction/Rehab Hard Costs	**3,311,057**	**-**	**3,311,057**	54,280	26.4%
Relocation Costs	**179,311**	**-**	**179,311**	2,940	1.4%
Architectural Costs	**190,000**	**-**	**190,000**	3,115	1.5%
Surveys & Engineering Costs	31,606	-	31,606	518	0.3%
Contingency Reserves	340,907	-	340,907	5,589	2.7%
Loan Period Loan & Other Costs	**410,051**	**-**	**410,051**	6,722	3.3%
Permanent Loan Costs	**-**	**-**	**-**	-	0.0%
Legal Fees	**100,000**	**-**	**100,000**	1,639	0.8%
Operating Reserves	**-**	**208,772**	**208,772**	3,422	1.7%
Reports & Studies	**32,100**	**-**	**32,100**	526	0.3%
Other Construction/Rehab Costs	**189,975**	**-**	**189,975**	3,114	1.5%
Developer Fees & Costs	**698,923**	**770,000**	**1,468,923**	24,081	11.7%
TOTAL PROJECT COSTS	**11,543,931**	**12,522,703**	**12,522,703**	**205,290**	**100.0%**

PROJECTED INITIAL ANNUAL RENTAL OPERATING BUDGET			Final Commitment
Logan's Plaza	**Project Number**		**12-060-R/S**
INCOME	**AMOUNT**	**PER UNIT**	**%**
Rental Income			
Restricted Unit Rents	$ 545,568	$ 8,944	82.48%
Unrestricted Unit Rents	-	-	0.00%
Commercial Rents	-	-	0.00%
Rental & Operating Subsidies			
Section 8 Rent Subsidies	147,720	2,422	22.33%
Shelter Care Plus Rent Subsidies	-	-	0.00%
Other Subsidy (Specify)	-	-	0.00%
Other Subsidy (Specify)	-	-	0.00%
Other Income			
Laundry and Vending Income	3,013	49	0.46%
Garage and Parking Income	-	-	0.00%
Miscellaneous Income	-	-	0.00%
GROSS POTENTIAL INCOME (GPI)	**$ 696,301**	**$ 11,415**	**105.26%**
Less: Vacancy Loss	**$ 34,815**	**$ 571**	**5.26%**
EFFECTIVE GROSS INCOME (EGI)	**$ 661,486**	**$ 11,986**	**100.00%**
OPERATING EXPENSES	**AMOUNT**	**PER UNIT**	**%**
Administrative Expenses	$ 84,565	$ 1,386	$ 0
Management Fee	36,084	592	5.45%
Social Programs & Services	18,000	295	2.72%
Utilities	25,927	425	3.92%
Operating & Maintenance	73,989	1,213	11.19%
Ground Lease Payments	-	-	0.00%
Real Estate Taxes	19,098	313	2.89%
Other Taxes & Insurance	50,582	829	7.65%
Assisted Living/Board & Care	-	-	0.00%
SUBTOTAL OPERATING EXPENSES	**$ 308,245**	**$ 5,053**	**46.60%**
Operating Reserves	$ 25,010	$ 410	3.78%
TOTAL OPERATING EXPENSES	**$ 333,255**	**$ 5,463**	**50.38%**
NET OPERATING INCOME (NOI)	**$ 328,232**	**$ 5,381**	**49.62%**
DEBT SERVICE PAYMENTS	**AMOUNT**	**PER UNIT**	**%**
CalHFA Loan	$ 282,451	$ 4,630	42.70%
CalHFA Section 8 Loan	-	-	0.00%
Seller Note	-	-	0.00%
Capitalized Reserves	-	-	0.00%
Project NOI During Construction	-	-	0.00%
Deferred Developer Fees	-	-	0.00%
	-	-	0.00%
TOTAL DEBT SERVICE PAYMENTS	**$ 282,451**	**$ 4,630**	**42.70%**
EXCESS CASH FLOWS AFTER DEBT SERVICE	**$ 45,781**	**$ 751**	**6.92%**
DEBT SERVICE COVERAGE RATIO (DSCR)	**1.16 to 1**		
Date: 10/30/12		Senior Staff Date:	10/24/12

CONSTRUCTION/REHAB NET OPERATING INCOME												Logan's Plaza
											Project Number:	12-060-R/S
		FISCAL QUARTERS - YEAR 1				FISCAL QUARTERS - YEAR 2				QUARTERS - YEAR 3		TOTAL
		1	2	3	4	5	6	7	8	9	10	ALL YEARS
RENTAL INCOME	**CPI**											
Restricted Unit Rents	2.50%	136,392	136,392	136,392	136,392	139,802	139,802	-	-	-	-	825,172
Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-	-
Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-	-
Section 8 Rent Subsidies	2.50%	36,930	36,930	36,930	36,930	37,853	37,853	-	-	-	-	223,427
Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-
TOTAL RENTAL INCOME		173,322	173,322	173,322	173,322	177,655	177,655	-	-	-	-	1,048,598
OTHER INCOME	**CPI**											
Laundry and Vending Income	2.50%	753	753	753	753	772	772	-	-	-	-	4,558
Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER INCOME		753	753	753	753	772	772	-	-	-	-	4,558
GROSS POTENTIAL INCOME (GPI)		174,075	174,075	174,075	174,075	178,427	178,427	-	-	-	-	1,053,156
TOTAL PROJECTED VACANCY LOSS		**26,070**	**26,070**	**26,070**	**26,070**	**26,721**	**26,721**	**-**	**-**	**-**	**-**	**157,721**
EFFECTIVE GROSS INCOME (EGI)		**148,006**	**148,006**	**148,006**	**148,006**	**151,706**	**151,706**	**-**	**-**	**-**	**-**	**895,435**
OPERATING EXPENSES	**CPI/Fee**	Except for management fee, which is a % of EGI										
Administrative Expenses	3.50%	25,641	25,641	25,641	25,641	26,539	26,539	-	-	-	-	155,642
Management Fee	5.46%	9,021	9,021	9,021	9,021	9,513	9,513	-	-	-	-	55,110
Utilities	3.50%	6,482	6,482	6,482	6,482	6,709	6,709	-	-	-	-	39,344
Operating & Maintenance	3.50%	18,497	18,497	18,497	18,497	19,145	19,145	-	-	-	-	112,278
Ground Lease Payments	0.00%	-	-	-	-	-	-	-	-	-	-	-
Real Estate Taxes	2.00%	4,775	4,775	4,775	4,775	4,870	4,870	-	-	-	-	28,838
Other Taxes & Insurance	3.50%	12,645	12,645	12,645	12,645	13,088	13,088	-	-	-	-	76,758
Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-	-
Required Reserve Payments	1.00%	6,253	6,253	6,253	6,253	6,315	6,315	-	-	-	-	37,640
TOTAL OPERATING EXPENSES		**83,314**	**83,314**	**83,314**	**83,314**	**86,178**	**86,178**	**-**	**-**	**-**	**-**	**505,611**
NET OPERATING INCOME (LOSS)		**64,692**	**64,692**	**64,692**	**64,692**	**65,528**	**65,528**	**-**	**-**	**-**	**-**	**389,824**
DEBT SERVICE PAYMENTS	**Lien #**											
CalHFA Loan	1	85,313	85,313	85,313	85,313	85,313	85,313	-	-	-	-	511,875
CalHFA Section 8 Loan	0	-	-	-	-	-	-	-	-	-	-	-
Seller Note	2	-	-	-	-	-	-	-	-	-	-	-
Capitalized Reserves	3	-	-	-	-	-	-	-	-	-	-	-
Project NOI During Construction	4	-	-	-	-	-	-	-	-	-	-	-
	0	-	-	-	-	-	-	-	-	-	-	-
	0	-	-	-	-	-	-	-	-	-	-	-
TOTAL DEBT SERVICE PAYMENTS		**85,313**	**85,313**	**85,313**	**85,313**	**85,313**	**85,313**	**-**	**-**	**-**	**-**	**511,875**
NET PROPERTY CASH FLOWS		**(20,620)**	**(20,620)**	**(20,620)**	**(20,620)**	**(19,785)**	**(19,785)**	**-**	**-**	**-**	**-**	**(122,051)**
				Year 1 Debt Service	**341,250**			**Year 2 Debt Service**	**170,625**	**Year 2.5**	**-**	**511,875**
				Year 1 Net Cash Flow	**(82,482)**			**Year 2 Net Cash Flow**	**(39,569)**	**Year 2.5**	**-**	**(122,051)**

	A	B	C	D	E	F	G	H	I	J	K	L
1	**PROJECTED PERMANENT LOAN CASH FL0WS**											**Logan's Plaza**
2	**Final Commitment**										**Project Number**	**12-060-R/S**
3		**YEAR**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.50%	573,187	587,517	602,205	617,260	632,692	648,509	664,722	681,340	698,373	715,832
6	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	2.50%	155,198	155,198	155,198	155,198	155,198	155,198	155,198	155,198	155,198	155,198
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	2.50%	3,166	3,245	3,326	3,409	3,495	3,582	3,672	3,763	3,857	3,954
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**731,552**	**745,960**	**760,730**	**775,868**	**791,385**	**807,289**	**823,591**	**840,301**	**857,429**	**874,985**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	28,659	29,376	30,110	30,863	31,635	32,425	33,236	34,067	34,919	35,792
18	Unrestricted Unit Rents	5.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	5.00%	7,760	7,760	7,760	7,760	7,760	7,760	7,760	7,760	7,760	7,760
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	5.00%	158	162	166	170	175	179	184	188	193	198
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**36,578**	**37,298**	**38,036**	**38,793**	**39,569**	**40,364**	**41,180**	**42,015**	**42,871**	**43,749**
28	**EFFECTIVE GROSS INCOME (EGI)**		**694,974**	**708,662**	**722,693**	**737,074**	**751,815**	**766,925**	**782,412**	**798,286**	**814,557**	**831,235**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.50%	109,870	113,716	117,696	121,815	126,079	130,491	135,059	139,786	144,678	149,742
31	Management Fee	5.46%	37,911	38,658	39,423	40,207	41,012	41,836	42,681	43,547	44,434	45,344
32	Utilities	3.50%	27,774	28,746	29,752	30,793	31,871	32,986	34,141	35,336	36,573	37,853
33	Operating & Maintenance	3.50%	79,259	82,033	84,904	87,876	90,951	94,135	97,429	100,839	104,369	108,022
34	Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	2.00%	19,870	20,565	21,285	22,030	22,801	23,599	24,425	25,280	26,164	27,080
36	Other Taxes & Insurance	3.50%	54,185	56,081	58,044	60,075	62,178	64,354	66,607	68,938	71,351	73,848
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	25,513	25,768	26,026	26,286	26,549	26,814	27,082	27,353	27,627	27,903
39	**TOTAL OPERATING EXPENSES**		**354,380**	**365,566**	**377,129**	**389,082**	**401,440**	**414,215**	**427,423**	**441,078**	**455,195**	**469,791**
40	**NET OPERATING INCOME (NOI)**		**340,594**	**343,097**	**345,564**	**347,992**	**350,376**	**352,709**	**354,989**	**357,208**	**359,362**	**361,444**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	282,451	282,451	282,451	282,451	282,451	282,451	282,451	282,451	282,451	282,451
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	Seller Note	2	-	-	-	-	-	-	-	-	-	-
45	Capitalized Reserves	3	-	-	-	-	-	-	-	-	-	-
46	Project NOI During Construction	4	-	-	-	-	-	-	-	-	-	-
47	Deferred Developer Fees	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**282,451**	**282,451**	**282,451**	**282,451**	**282,451**	**282,451**	**282,451**	**282,451**	**282,451**	**282,451**
51	**CASH FLOW AFTER DEBT SERVICE**		**58,143**	**60,646**	**63,113**	**65,541**	**67,925**	**70,258**	**72,538**	**74,757**	**76,911**	**78,993**
52	**DEBT SERVICE COVERAGE RATIO**		**1.21**	**1.21**	**1.22**	**1.23**	**1.24**	**1.25**	**1.26**	**1.26**	**1.27**	**1.28**
53	Date Prepared:	10/30/12									Senior Staff Date:	10/24/12

	A	B	M	N	O	P	Q	R	S	T	U	V
1	**PROJECTED PERMANENT LOAN CASH FL0**											**Logan's Plaza**
2	**Final Commitment**										**Project Number**	**12-060-R/S**
3		**YEAR**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.50%	733,728	752,072	770,873	790,145	809,899	830,146	850,900	872,172	893,977	916,326
6	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	2.50%	155,198	155,198	155,198	155,198	155,198	155,198	155,198	155,198	155,198	155,198
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	2.50%	4,053	4,154	4,258	4,364	4,473	4,585	4,700	4,817	4,938	5,061
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**892,979**	**911,424**	**930,329**	**949,708**	**969,570**	**989,930**	**1,010,798**	**1,032,188**	**1,054,113**	**1,076,586**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	36,686	37,604	38,544	39,507	40,495	41,507	42,545	43,609	44,699	45,816
18	Unrestricted Unit Rents	5.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	5.00%	7,760	7,760	7,760	7,760	7,760	7,760	7,760	7,760	7,760	7,760
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	5.00%	203	208	213	218	224	229	235	241	247	253
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**44,649**	**45,571**	**46,516**	**47,485**	**48,479**	**49,496**	**50,540**	**51,609**	**52,706**	**53,829**
28	**EFFECTIVE GROSS INCOME (EGI)**		**848,330**	**865,853**	**883,813**	**902,222**	**921,092**	**940,433**	**960,258**	**980,579**	**1,001,407**	**1,022,756**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.50%	154,983	160,407	166,021	171,832	177,846	184,071	190,513	197,181	204,083	211,226
31	Management Fee	5.46%	46,276	47,232	48,212	49,216	50,246	51,301	52,382	53,491	54,627	55,791
32	Utilities	3.50%	39,177	40,549	41,968	43,437	44,957	46,531	48,159	49,845	51,589	53,395
33	Operating & Maintenance	3.50%	111,802	115,716	119,766	123,957	128,296	132,786	137,434	142,244	147,222	152,375
34	Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	2.00%	28,028	29,009	30,024	31,075	32,163	33,288	34,454	35,659	36,907	38,199
36	Other Taxes & Insurance	3.50%	76,433	79,108	81,877	84,742	87,708	90,778	93,955	97,244	100,647	104,170
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	28,182	28,464	28,748	29,036	29,326	29,619	29,916	30,215	30,517	30,822
39	**TOTAL OPERATING EXPENSES**		**484,882**	**500,484**	**516,616**	**533,296**	**550,542**	**568,374**	**586,813**	**605,878**	**625,593**	**645,978**
40	**NET OPERATING INCOME (NOI)**		**363,449**	**365,369**	**367,197**	**368,927**	**370,550**	**372,059**	**373,445**	**374,700**	**375,814**	**376,778**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	282,451	282,451	282,451	282,451	282,451	-	-	-	-	-
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	Seller Note	2	-	-	-	-	-	-	-	-	-	-
45	Capitalized Reserves	3	-	-	-	-	-	-	-	-	-	-
46	Project NOI During Construction	4	-	-	-	-	-	-	-	-	-	-
47	Deferred Developer Fees	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**282,451**	**282,451**	**282,451**	**282,451**	**282,451**	**-**	**-**	**-**	**-**	**-**
51	**CASH FLOW AFTER DEBT SERVICE**		**80,998**	**82,917**	**84,746**	**86,476**	**88,099**	**372,059**	**373,445**	**374,700**	**375,814**	**376,778**
52	**DEBT SERVICE COVERAGE RATIO**		**1.29**	**1.29**	**1.30**	**1.31**	**1.31**	**NA**	**NA**	**NA**	**NA**	**NA**
53	Date Prepared:	10/30/12									Senior Staff Date:	10/24/12

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RESOLUTION 12-12

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of LOGAN'S PLAZA, LP, a California limited partnership, (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in Compton, Los Angeles County, California, to be known as Logan's Plaza (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which prepared a report presented to the Board on the meeting date recited below (the "Staff Report"), recommending Board approval subject to certain recommended terms and conditions; and

WHEREAS, Agency staff has determined or expects to determine prior to making a binding commitment to fund the loan for which the application has been made, that (i) the Agency can effectively and prudently raise capital to fund the loan for which the application has been made, by direct access to the capital markets, by private placement, or by way of the New Issue Bond Program of the United States Treasury or other means and (ii) any financial mechanisms needed to insure prudent and reasonable financing of loans can be achieved; and

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Agency, as the issuer of tax-exempt bonds, to declare its reasonable official intent to reimburse prior expenditures for the Development with proceeds of a subsequent borrowing; and

WHEREAS, on August 2, 2012, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

WHEREAS, the Board wishes to grant the staff the authority to enter into a loan commitment upon Agency staff determining in its judgment that reasonable and prudent financing mechanisms can be achieved;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Agency as follows:

1. The Executive Director, or in his/her absence, the Acting Chief of Multifamily Programs, is hereby authorized to execute and deliver a final commitment letter, in a form acceptable to the Agency, and subject to recommended terms and conditions set forth in the Staff Report and any terms and conditions as the Board has designated in the Minutes of the Board Meeting, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT
12-060-R/S	Logan's Plaza Compton, Los Angeles County	Acquisition/Rehab Loan $6,500,000.00 Permanent Loan $4,520,000.00

The Board recognizes that in the event that staff cannot determine that reasonable and prudent financing mechanisms can be achieved, the staff will not enter into loan commitments to finance the Development. In addition, access to capital markets may require significant changes to the terms of loans submitted to the Board. Notwithstanding paragraph 2 below, the staff is authorized to make any needed modifications to the loan which in staff's judgment are directly or indirectly the result of the disruptions to the capital markets referred to above.

2. The Executive Director may modify the terms and conditions of the loans or loans as described in the Staff Report, provided that major modifications, as defined below, must be submitted to this Board for approval. "Major modifications" as used herein means modifications which either (i) increase the total aggregate amount of any loans made pursuant to the Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive Director, or in his/her absence, the Acting Chief of Multifamily Programs of the Agency, adversely change the financial or public purpose aspects of the final commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 12-12 adopted at a duly constituted meeting of the Board of the Agency held on November 13, 2012, at Burbank, California.

ATTEST:_______________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Century Village Apartments
Fremont, Alameda County, CA
CalHFA # 12-050-R/N

SUMMARY

This is a Final Commitment request for acquisition/rehabilitation and permanent financing. Security for the acquisition/rehabilitation and permanent loan will be a 100-unit apartment complex known as Century Village Apartments, located at 41299 Paseo Padre Parkway, Fremont, California. New Century Village L.P., a California limited partnership ("**Borrower**") whose managing general partner is MP Century Village, LLC., along with an entity to be formed by Union Bank (Tax Credit Investor), will own the project.

Century Village Apartments is an existing portfolio loan currently owned by Mid-Peninsula Century Village Associates, which will be allowed to prepay under the Agency's 2012 Preservation Loan Program. The Agency will receive a yield maintenance fee of $338,078 that will be collected at bond close.

Century Village Apartments is a 100% affordable project with 76 units at 50% AMI (76% of the units at or below 50%AMI) or below with the remaining units 23 (23%) at or below 60% AMI.

Existing Financing

Project Rate	7.25%
Term:	30 yrs.; remaining term: 12yrs. 4mo.
Loan Maturity	March 1, 2025
Orig. Loan Amount	$4,000,000
Curr Prin Bal:	$2,675,704

Sales Transaction

Sales Price	$11,500,000	($115,000 per unit)
Less: CalHFA Existing Indebtedness	$2,675,705	
Less: CalHFA Yield Maintenance	<u>$338,078</u>	
Net Proceeds to Seller*	**$8,486,217**	

*Net proceeds to Seller does not include $1,324,295 in principal repayments over the past 17 years

Proposed Rents

	Rent	Rent Level	Units	# of Persons
One Bdrm	$526	30%	2	3
One Bdrm	$789	45%	4	6
One Bdrm	$876	50%	6	9
One Bdrm	$1,052	60%	4	6
Two Bdrm	$631	30%	9	27
Two Bdrm	$947	45%	21	63
Two Bdrm	$1,052	50%	34	102
Two Bdrm	$1,263	60%	19	57
Two Bdrm	$1,092	Manager's	1	3
Total Units/Persons			**100 Units**	**276**

Rehabilitation	($62,578 per unit)	$6,257,770

LOAN TERMS (Total Loan Term – 17 years)

Acquisition/Rehabilitation

First Mortgage	$15,000,000
Interest Rate*	4.85%, fixed
Term	18 Months, interest only
Financing	Tax-Exempt
Credit Enhancement	HUD Risk Share

Permanent

First Mortgage	$6,430,000
Interest Rate*	4.85% fixed
Term	35 year amortization due in 15 years, 6 months
Prepayment	Balloon payment at maturity
Financing	Tax-Exempt
Credit Enhancement	HUD Risk Share

*The interest rate reflects a 40 basis point discount incentive given to the Borrower for implementing cost effective systems for increasing energy and water efficiencies through property improvements.

CalHFA acquisition/rehabilitation financing is subject to the assignment by the borrower of tax credit equity and all rights under non-CalHFA financing commitments.

OTHER FINANCING –

- A seller take back loan in the amount of $3,582,939, with a rate of 2.3% and a term of 55 years, payable only from residual receipts.
- A seller cash loan in the amount of $141,766 with a rate of 0% and a term of 55 years.
- City of Fremont loans in the amount of $4,213,070 with a 2.36% interest rate and a term of 55 years payable from residual receipts.

PROJECT DESCRIPTION

Project Location

The property is situated in the City of Fremont in an area commonly known as the “Mission San José District”. This district is named after Mission San José, one of the oldest historic Spanish missions in California. The property is more specifically situated at the junction of Paseo Padre Parkway and Driscoll Road. Both are considered major thoroughfares.

Development throughout the area is primarily towards residential uses with commercial developments located along major streets. Development at the intersection is mixed.

- The site offers easy access to I-680 via a 1.0 mile drive on Paseo Padre Parkway, connecting the site to San Jose to the south and Pleasanton to the northeast. I-880 is 3.2 miles away via Paseo Padre Parkway and Stevenson Blvd, allowing for access to Oakland and San Francisco to the northwest.
- The northwest and southwest corners (subject property) are developed to multifamily residential uses. The northeast corner is developed to single-family residential uses.
- The southeast corner is developed to a small neighborhood retail center which includes a CVS Pharmacy and US Bank.
- The most significant landmark in the area is Fremont Central Park, which is within 1 mile of the project. This development began in the 1960’s and has a total of 450 acres and includes Lake Elizabeth, an 83-acre, man made lake. This serves as a major recreational area for the community and serves as home to many city and county government offices and buildings.
- AC Transit buses pass by the site, connecting it to downtown Fremont and the Fremont BART station in approximately 20 minutes.
- The subject site is located within a mile of several neighborhood-serving retail centers, including one anchored by a Safeway.
- A wide range of restaurants, retail stores, and government services such as post offices are also available within a mile. Washington Hospital is located 2.5 miles northwest of the site, while a Kaiser Permanente health center is located 1.9 miles northwest.

Site

- The 3.76 acre site is irregular in shape with moderately flat topography.

- The site is zoned R-G-15, High Density Residential, by the City of Fremont, which allows for a maximum of 109 units.

Improvements

- This 100-unit, garden style project was built in 1972 and is improved with four two- and three-story apartment buildings, one one-story common area leasing office building and one one-story maintenance office building. The site is improved with asphalt-paved open and carport covered parking areas, wood-framed carport structures, landscaping, concrete walkways, and pool and tot lot areas.
- There are 16 one-bedroom units, 74 two-bedroom units, and 10 two-bedroom townhouse units.
- Each unit has an electric range and oven with circulating range hood, refrigerator, dishwasher, garbage disposal and carpeting.
- A total of 150 parking spaces, including 52 open parking spaces and 98 wood framed carport parking spaces. The open parking spaces include 3 accessible parking spaces.

PHYSICAL NEEDS ASSESSMENT/SCOPE OF WORK

- The project is in average condition for a development of this type and age.
- The proposed scope of rehabilitation work increases energy efficiencies by 44%.
- The scope of rehabilitation work totals $5,544,697 or $55,447 per unit (excluding overhead, profit, general conditions and insurance) per unit and includes:

  - **Site work, $359,703** – Demolition ($152,243); Asphalt repair/seal coat ($27,000); Concrete sidewalks ($16,500); Playground ($49,760); Landscaping ($114,200).

  - **Building, $3,355,522** – Dry rot repairs, repair framing/floor mold remediation of 26 bathrooms, replace wood railings on decks, roof framing retrofit, framing for 400 additional square feet of community space, new trim for window, doors and corners ($1,189,205); waterproofing repair, roofing ($349,716); windows ($100,051); drywall repair, bathroom flooring, carpeting, exterior paint ($666,100); AC equipment ($578,850); photovoltaic and solar thermal systems ($471,600)

  - **Residential Units, $954,130** – kitchen/bathroom appliances: garbage disposer, ranges, refrigerators, dishwashers, range hoods-($205,139); Kitchen/bathroom furnishings: cabinets, counters, counter tops, window coverings-($195,728); plumbing-($273,227); electrical & communications ($280,036)

Work is scheduled to commence by December, 2012 and is projected to be completed within 12 months.

Relocation

- The Borrower plans to temporarily relocate residents offsite to nearby master leased apartments in 2 phases. In the first phase 58 units will be relocated off site for approximately 3 to 4 months. The remaining households in 42 units will be temporarily relocated offsite for 3 to 4 months in phase 2. There are two tenants which are over income and will be offered permanent relocation. The relocation budget includes provisions for reasonable accommodation, moving expenses, and relocation services totaling approximately $1,670,000.

  The Borrower will provide written notification of the renovation work to be completed along with a projected timeline before and during the rehabilitation period to address any tenant issue or concerns regarding the project.

MARKET

Market Overview

The Primary Market Area (PMA) is defined by Fremont zip codes 94538 and 94539, and is referred to as South Fremont. The Secondary Market Area (SMA) for this site was defined as the cities of Fremont and Newark, and represents an additional geographic source of demand for affordable housing.

The total population in the PMA in 2010 was 111,179 persons, and in the SMA was 256,662. Slow average annual growth from 2012-2017 is projected to continue in the PMA and SMA at 2.6% and 1.7% respectively. In 2010, there were 36,390 households in the PMA and 83,976 in the SMA.

Housing Supply and Demand

- Vacancies at existing communities within the PMA are all accounted for by turnover and managers report that available units are generally filled by families on a waiting list as soon as the unit can be turned around.
- Given the continual growth forecast for the PMA, the need for affordable housing units shall continue to increase.
- As of July, 2012, occupancy rates of market rate units are at 97.7% and 100% for affordable projects in the PMA.
- There are 6 other affordable housing projects within the PMA.

Estimated Lease-up Period

- The project is currently 97% leased and the proposed rehabilitation will not interfere with occupancy.

ENVIRONMENTAL

Integrated Property Analysis, Inc. completed a Phase I Environmental Assessment report for Century Village on June 25, 2012. The report identifies several units that showed signs of mold and moisture in the bathroom, living room, and kitchen areas. In addition, asbestos containing materials and lead based paint are identified at the subject site. The borrower will incorporate an Operations and Maintenance program to deal with the mold, asbestos and lead based paint.

In addition, on September 6, 2012, CalHFA's NEPA review consultant, AEM Consulting, completed its compliance review of the Environmental Review Record (**"ERR"**). The Century Village ERR complies with HUD Risk Share requirements, received a Categorical Exclusion determination, and requires no further mitigations other than the above described program.

SEISMIC

The Borrower will provide earthquake insurance coverage for Century Village.

DEVELOPMENT TEAM

Borrower

New Century Village, L.P.

- The Borrower will be New Century Village, L.P. New Century Village, L.P. is a new entity that is a Limited Partnership, required to facilitate the tax credit investment. MP Century Village LLC will be the General Partner. Mid-Peninsula Pickering, Inc. is the sole member of MP Century Village LLC, and is wholly controlled by MidPen Housing Corporation. The tax credit investor, Union Bank, will be the Limited Partner.

Management Agent

MidPen Property Management Corporation

- MidPen Property Management Corporation., a California corporation, will manage the property. The corporation was founded in 1991 and provides management for non-profit and private sector commercial real estate clients throughout California. MidPen Property Management services approximately 87 properties representing 6,300 residential units for low-income to extremely low-income persons from Fairfield to Monterey. MidPen Property Management manages various types of properties including large, multi-family properties to downtown, mixed-use developments to rural housing for farm workers to supportive housing for special needs populations.

Architect

Dahlin Group

- Dahlin Group, a California corporation, located in Pleasanton is an urban design/planning & architecture firm. The Borrower has engaged Dahlin to assist them in project design and construction management during the rehabilitation process. Dahlin has designed numerous multifamily projects in the Northern California and Central Coast regions.

Contractor

Segue Construction, Inc.

- Segue Construction's portfolio of completed projects geographically blankets the greater Bay Area, from Watsonville and Los Gatos to Napa and Calistoga, and currently is expanding into the Greater Sacramento Valley to the Northeast, and Monterey County to the South. Their portfolio consists of over 4,000 completed apartments, including family, senior, assisted living, and SRO units, as well as for-sale town-home and condominium units

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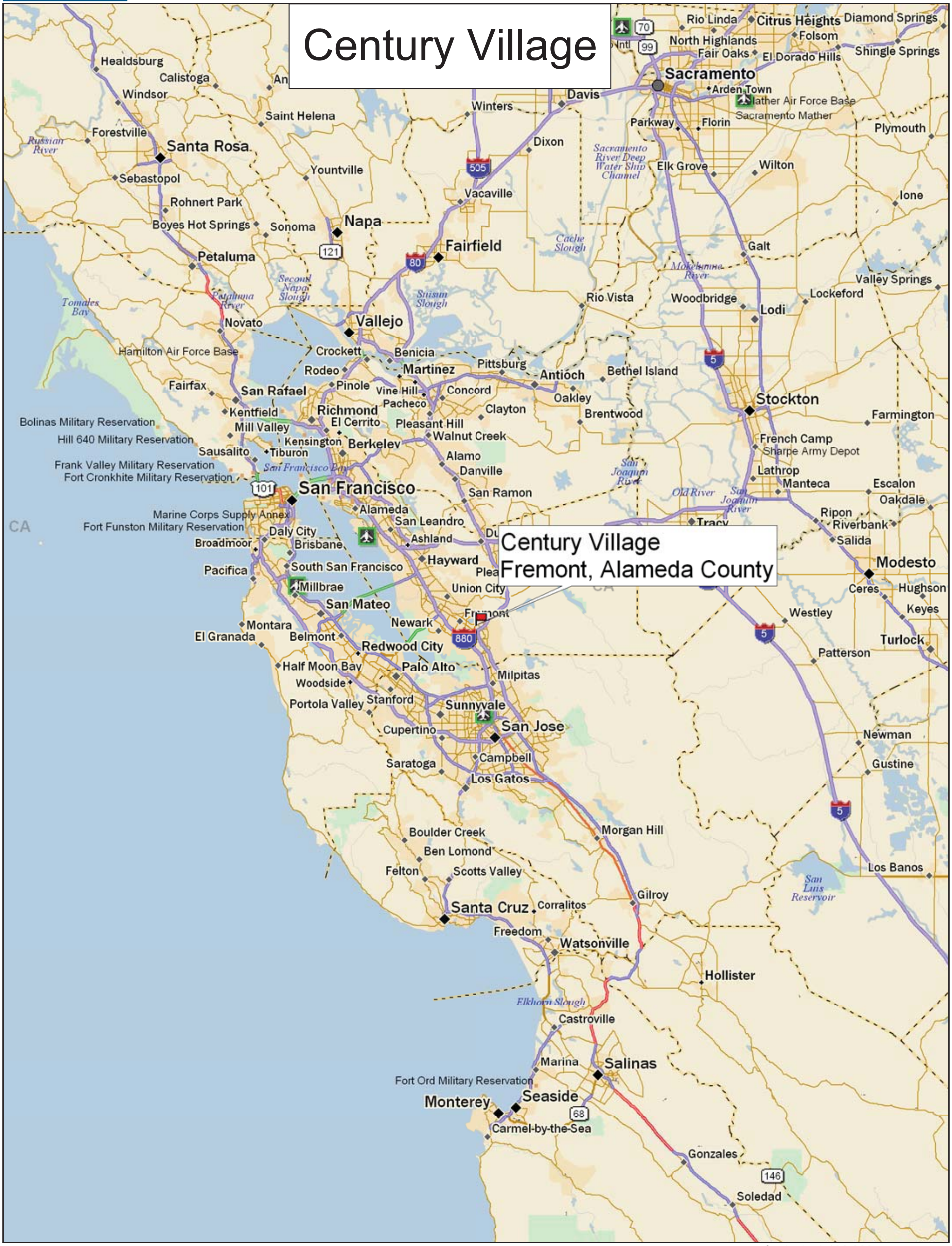
DELORME



TN

MN (13.9°E)

Scale 1 : 1,100,000

0 6 12 18 24 30 mi

0 10 20 30 40 50 km

1" = 17.36 mi

Data Zoom 7-5

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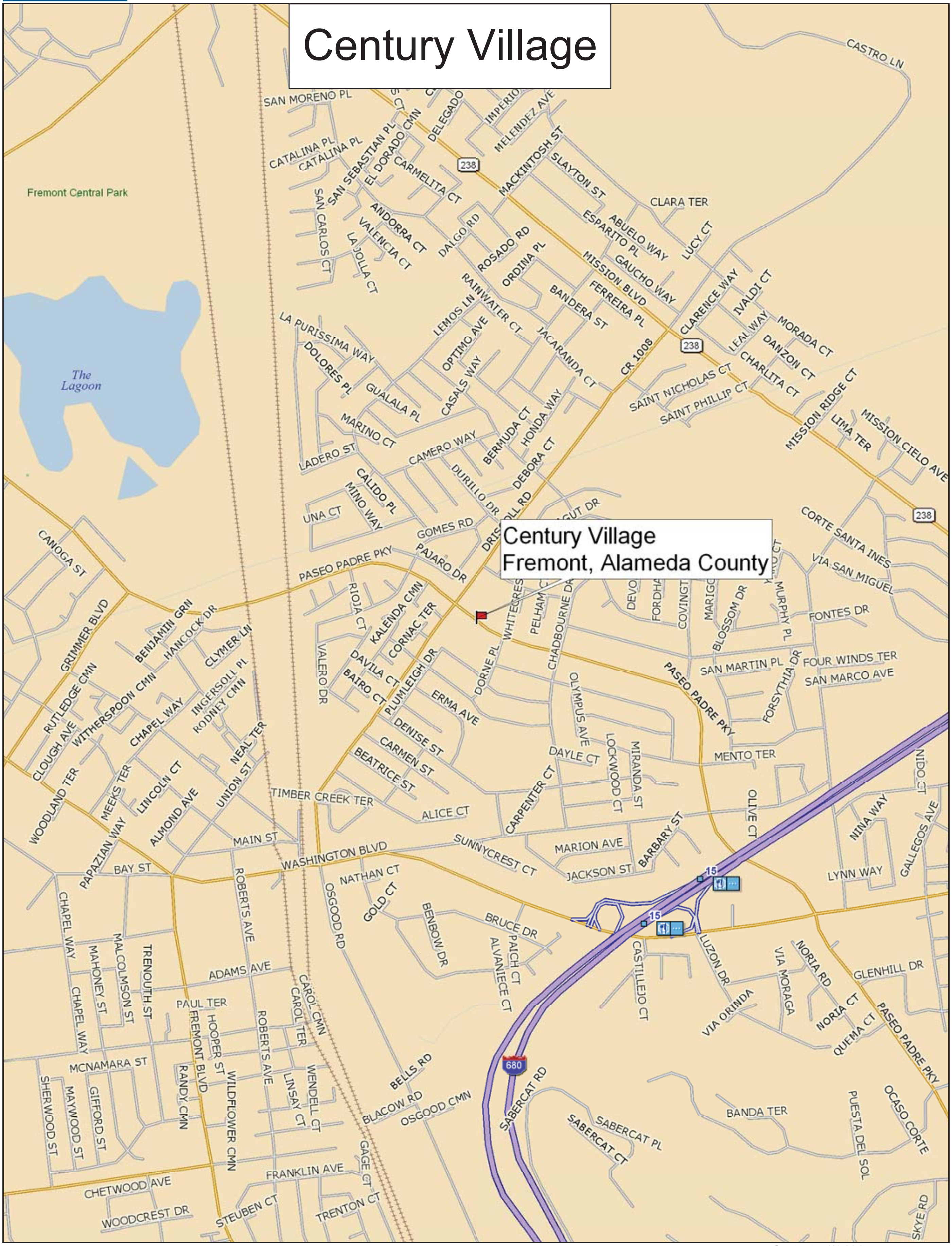

TN

MN (13.9°E)

Scale 1 : 17,600

0 400 800 1200 1600 2000 ft

0 160 320 480 640 800 m

1" = 1,466.7 ft

Data Zoom 13-5

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PROJECT SUMMARY — Final Commitment

Acquisition, Rehab, Construction & Permanent Loans — **Project Number 12050-R/N**

Project Full Name	Century Village Apartments	**Borrower Name:**	New Century Village, L.P.
Project Address	41299 Paseo Padre Parkway	**Managing GP:**	MP Century Village, LLC
Project City	Fremont	**Developer Name:**	MidPen Housing Corporation
Project County	Alameda	**Investor Name:**	Union Bank TBD
Project Zip Code	94539	**Prop Management:**	Mid Pen Property Management Corp.

Project Type:	Acquisition /Rehab	**Total Land Area (acres):**	3.76
Tenancy/Occupancy:	Family	**Residential Square Footage:**	86,402
Total Residential Units:	100	**Residential Units Per Acre:**	26.59
Total Number of Buildings:	4		
Number of Stories:	3	**Covered Parking Spaces:**	98
Unit Style:	Flat	**Total Parking Spaces:**	147
Elevators:	none		

Acq/Construction/Rehab Financing	Loan Amount ($)	Loan Fees	Loan Term (Mo.)	Amort. Period (Yr.)	Starting Interest Rate
CalHFA Loan	15,000,000	1.000%	18	--	4.850%
--	--	--	--	--	--
City of Fremont	4,213,070	--	660	--	2.360%
Seller Takeback	3,582,939	--	660	--	2.360%
Seller Cash Loan	141,766	--	660	--	--
--	--	--	--	--	--
Investor Equity Contribution	960,782	--	--	--	--

Permanent Financing	Loan Amount ($)	Loan Fees	Loan Term (Yr.)	Amort. Period (Yr.)	Starting Interest Rate
CalHFA Permanent Loan	6,430,000	--	15.5	35	4.850%
--	--	--	--	--	--
--	--	--	--	--	--
City of Fremont	4,213,070	--	55	--	2.360%
Seller Takeback Loan	3,582,939	--	55	--	2.360%
Seller Cash Loan	141,766	--	55	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	NA	NA	NA	NA
Developer Equity Contribution	1,037,234	NA	NA	NA	NA
Investor Equity Contributions	9,607,819	NA	NA	NA	NA

Appraised Values Upon Completion of Rehab/Construction

Appraisal Date:	7/20/12	**Capitalization Rate:**	6.75%
Investment Value ($)	15,251,000	**Restricted Value ($)**	9,900,000
Construct/Rehab LTC	66%	**Permanent Loan to Cost**	28%
Construct/Rehab LTV	98%	**Permanent Loan to Value**	65%

Additional Loan Terms, Conditions & Comments

Construction/Rehab Loan

Payment/Performance Bond	Required
Completion Guarantee Letter of Credit	Waived

Permanent Loan

Operating Expense Reserve Deposit	$520,738	NA
Initial Replacement Reserve Deposit	$45,000	Cash
Annual Replacement Reserve Per Unit	$475	Cash

Date Prepared: 10/29/12 — Senior Staff Date: 10/24/12

UNIT MIX AND RENT SUMMARY **Final Commitment**

Century Village Apartments **Project Number 12050-R/N**

PROJECT UNIT MIX					
Unit Type of Style	Number of Bedrooms	Number of Baths	Average Size (Sq. Ft.)	Number of Units	Est. No. of Tenants
Flat	1	1	676	16	24
Flat	2	1	884	74	222
Townhomes	2	1.5	1,017	10	30
-	-	-	-	-	0
-	-	-	-	-	0
-	-	-	-	-	0
				100	276

NUMBER OF UNITS AND PERCENTAGE OF AMI RENTS RESTRICTED BY EACH AGENCY							
Agency	Number of Units Restricted For Each AMI Category						
	30%	45%	50%	60%	80%	0%	0%
CalHFA			76	23			
Tax Credits	11	25	40	23			
HCD-MHP							
City of Fremont	11	25	40	23			
HCD-IIG							
-							

COMPARISON OF AVERAGE MONTHLY RESTRICTED RENTS TO AVERAGE MARKET RENTS							
Unit Type	Restricting Agency	% of Area Median Income	Average Restricted Rents Number of Units	Unit Rent	Average Market Rents	Average Monthly Savings	% of Market Rents
1 Bedroom	**TCAC**	**30%**	1	$294	$1,450	$1,156	20%
	TCAC	**30%**	1	$502		$948	35%
	TCAC	**45%**	4	$765		$685	53%
	CalHFA	**50%**	6	$852		$598	59%
	TCAC	**60%**	4	$1,028		$422	71%
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
2 Bedrooms	**TCAC**	30%	4	$333	$1,760	$1,427	19%
	TCAC	**30%**	5	$598		$1,162	34%
	TCAC	**45%**	21	$914		$846	52%
	CalHFA	**50%**	34	$1,019		$741	58%
	TCAC	**60%**	19	$1,230		$530	70%
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
3 Bedrooms	**TCAC**	30%	-	-	$1,980	-	-
	TCAC	**30%**	-	-		-	-
	TCAC	**45%**	-	-		-	-
	CalHFA	**50%**	-	-		-	-
	TCAC	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
4 Bedrooms	**TCAC**	30%	-	-	-	-	-
	TCAC	**30%**	-	-		-	-
	TCAC	**45%**	-	-		-	-
	CalHFA	**50%**	-	-		-	-
	TCAC	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
5 Bedrooms	**TCAC**	30%	-	-	-	-	-
	TCAC	**30%**	-	-		-	-
	TCAC	**45%**	-	-		-	-
	CalHFA	**50%**	-	-		-	-
	TCAC	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
Date Prepared:	10/29/12					Senior Staff Date:	10/24/12

SOURCES & USES OF FUNDS SUMMARY					Final Commitment
Century Village Apartments			**Project Number**	**12050-R/N**	
SOURCES OF FUNDS	**CONST/REHAB $**	**PERMANENT $**	**TOTAL PROJECT FUNDS SOURCES ($)**	**PER UNIT ($)**	**%**
CalHFA Loan	15,000,000				0.0%
CalHFA Section 8 Loan	-				0.0%
City of Fremont	4,213,070				0.0%
Seller Takeback	3,582,939				0.0%
Seller Cash Loan	141,766				0.0%
Other Non-CalHFA Sources of Funds	-				0.0%
Construct/Rehab Net Oper. Inc.	-				0.0%
Deferred Developer Fee	-				0.0%
Developer Equity Contribution	-				0.0%
Investor Equity Contribution	960,782				0.0%
CalHFA Permanent Loan		6,430,000	6,430,000	64,300	25.7%
CalHFA Bridge Loan		-	-	-	0.0%
CalHFA Section 8 Loan		-	-	-	0.0%
City of Fremont		4,213,070	4,213,070	42,131	16.8%
Seller Takeback Loan		3,582,939	3,582,939	35,829	14.3%
Seller Cash Loan		141,766	141,766	1,418	0.6%
Other Non-CalHFA Sources of Funds		-	-	-	0.0%
Construct/Rehab Net Oper. Inc.		-	-	-	0.0%
Deferred Developer Fees		-	-	-	0.0%
Developer Equity Contribution		1,037,234	1,037,234	10,372	4.1%
Investor Equity Contributions		9,607,819	9,607,819	96,078	38.4%
TOTAL SOURCES OF FUNDS	**23,898,557**	**25,012,828**	**25,012,828**	**250,128**	**100.0%**

USES OF FUNDS	**CONST/REHAB $**	**PERMANENT $**	**TOTAL PROJECT COSTS USES ($)**	**PER UNIT ($)**	**%**
Payoff Acquisition/Rehab Financing		23,898,557			
Acquisition Costs	**11,500,000**	**-**	**11,500,000**	115,000	46.0%
Construction/Rehab Hard Costs	**6,257,770**	**-**	**6,257,770**	62,578	25.0%
Relocation Costs	**1,670,000**	**-**	**1,670,000**	16,700	6.7%
Architectural Costs	**285,900**	**-**	**285,900**	2,859	1.1%
Surveys & Engineering Costs	95,800	-	95,800	958	0.4%
Contingency Reserves	952,449	-	952,449	9,524	3.8%
Loan Period Loan & Other Costs	**915,868**	**-**	**915,868**	9,159	3.7%
Permanent Loan Costs	**-**	**40,000**	**40,000**	400	0.2%
Legal Fees	**195,500**	**-**	**195,500**	1,955	0.8%
Operating Reserves	**565,738**	**-**	**565,738**	5,657	2.3%
Reports & Studies	**63,700**	**-**	**63,700**	637	0.3%
Other Construction/Rehab Costs	**402,946**	**-**	**402,946**	4,029	1.6%
Developer Fees & Costs	**992,886**	**1,074,271**	**2,067,157**	20,672	8.3%
TOTAL PROJECT COSTS	**23,898,557**	**25,012,828**	**25,012,828**	**250,128**	**100.0%**

PROJECTED INITIAL ANNUAL RENTAL OPERATING BUDGET			Final Commitment
Century Village Apartments	**Project Number**		**12050-R/N**
INCOME	**AMOUNT**	**PER UNIT**	**%**
Rental Income			
Restricted Unit Rents	$ 1,135,344	$ 11,353	103.38%
Unrestricted Unit Rents	-	-	0.00%
Commercial Rents	-	-	0.00%
Rental & Operating Subsidies			
Section 8 Rent Subsidies	-	-	0.00%
Shelter Care Plus Rent Subsidies	-	-	0.00%
Other Subsidy (Specify)	-	-	0.00%
Other Subsidy (Specify)	-	-	0.00%
Other Income			
Laundry and Vending Income	20,705	207	1.89%
Garage and Parking Income	-	-	0.00%
Miscellaneous Income	-	-	0.00%
GROSS POTENTIAL INCOME (GPI)	**$ 1,156,049**	**$ 11,560**	**105.26%**
Less: Vacancy Loss	**$ 57,802**	**$ 578**	**5.26%**
EFFECTIVE GROSS INCOME (EGI)	**$ 1,098,247**	**$ 12,139**	**100.00%**
OPERATING EXPENSES	**AMOUNT**	**PER UNIT**	**%**
Administrative Expenses	$ 209,165	$ 2,092	$ 0
Management Fee	67,792	678	6.17%
Social Programs & Services	-	-	0.00%
Utilities	47,984	480	4.37%
Operating & Maintenance	132,618	1,326	12.08%
Ground Lease Payments	-	-	0.00%
Real Estate Taxes	36,000	360	3.28%
Other Taxes & Insurance	111,848	1,118	10.18%
Assisted Living/Board & Care	-	-	0.00%
SUBTOTAL OPERATING EXPENSES	**$ 605,407**	**$ 6,054**	**55.12%**
Operating Reserves	$ 47,500	$ 475	4.33%
TOTAL OPERATING EXPENSES	**$ 652,907**	**$ 6,529**	**59.45%**
NET OPERATING INCOME (NOI)	**$ 445,340**	**$ 4,453**	**40.55%**
DEBT SERVICE PAYMENTS	**AMOUNT**	**PER UNIT**	**%**
CalHFA Loan	$ 382,067	$ 3,821	34.79%
CalHFA Section 8 Loan	-	-	0.00%
City of Fremont	-	-	0.00%
Seller Takeback Loan	-	-	0.00%
Seller Cash Loan	-	-	0.00%
-	-	-	0.00%
-	-	-	0.00%
TOTAL DEBT SERVICE PAYMENTS	**$ 382,067**	**$ 3,821**	**34.79%**
EXCESS CASH FLOWS AFTER DEBT SERVICE	**$ 63,274**	**$ 633**	**5.76%**
DEBT SERVICE COVERAGE RATIO (DSCR)	**1.17 to 1**		
Date: 10/29/12		Senior Staff Date:	10/24/12

CONSTRUCTION/REHAB NET OPERATING INCOME — **Century Village Apartments**

Project Number: 12050-R/N

		FISCAL QUARTERS - YEAR 1				FISCAL QUARTERS - YEAR 2				QUARTERS - YEAR 3		TOTAL
		1	2	3	4	5	6	7	8	9	10	ALL YEARS
RENTAL INCOME	**CPI**											
Restricted Unit Rents	2.50%	283,836	283,836	283,836	283,836	290,932	290,932	-	-	-	-	1,717,208
Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-	-
Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-	-
Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-	-
Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-
TOTAL RENTAL INCOME		283,836	283,836	283,836	283,836	290,932	290,932	-	-	-	-	1,717,208
OTHER INCOME	**CPI**											
Laundry and Vending Income	2.50%	5,176	5,176	5,176	5,176	5,306	5,306	-	-	-	-	31,317
Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER INCOME		5,176	5,176	5,176	5,176	5,306	5,306	-	-	-	-	31,317
GROSS POTENTIAL INCOME (GPI)		289,012	289,012	289,012	289,012	296,238	296,238	-	-	-	-	1,748,525
TOTAL PROJECTED VACANCY LOSS		**14,682**	**14,682**	**14,682**	**14,682**	**15,049**	**15,049**	**-**	**-**	**-**	**-**	**88,824**
EFFECTIVE GROSS INCOME (EGI)		**274,331**	**274,331**	**274,331**	**274,331**	**281,189**	**281,189**	**-**	**-**	**-**	**-**	**1,659,700**
OPERATING EXPENSES	**CPI/Fee**	Except for management fee, which is a % of EGI										
Administrative Expenses	3.50%	52,291	52,291	52,291	52,291	54,121	54,121	-	-	-	-	317,408
Management Fee	6.17%	16,948	16,948	16,948	16,948	17,994	17,994	-	-	-	-	103,780
Utilities	3.50%	11,996	11,996	11,996	11,996	12,416	12,416	-	-	-	-	72,816
Operating & Maintenance	3.50%	33,155	33,155	33,155	33,155	34,315	34,315	-	-	-	-	201,248
Ground Lease Payments	0.00%	-	-	-	-	-	-	-	-	-	-	-
Real Estate Taxes	1.25%	9,000	9,000	9,000	9,000	9,113	9,113	-	-	-	-	54,225
Other Taxes & Insurance	3.50%	27,962	27,962	27,962	27,962	28,941	28,941	-	-	-	-	169,729
Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-	-
Required Reserve Payments	1.00%	11,875	11,875	11,875	11,875	11,994	11,994	-	-	-	-	71,488
TOTAL OPERATING EXPENSES		**163,227**	**163,227**	**163,227**	**163,227**	**168,893**	**168,893**	**-**	**-**	**-**	**-**	**990,693**
NET OPERATING INCOME (LOSS)		**111,104**	**111,104**	**111,104**	**111,104**	**112,296**	**112,296**	**-**	**-**	**-**	**-**	**669,007**
DEBT SERVICE PAYMENTS	**Lien #**											
CalHFA Loan	1	181,875	181,875	181,875	181,875	181,875	181,875	-	-	-	-	1,091,250
CalHFA Section 8 Loan	0	-	-	-	-	-	-	-	-	-	-	-
City of Fremont	2	-	-	-	-	-	-	-	-	-	-	-
Seller Takeback	3	-	-	-	-	-	-	-	-	-	-	-
Seller Cash Loan	4	-	-	-	-	-	-	-	-	-	-	-
-	0	-	-	-	-	-	-	-	-	-	-	-
-	0	-	-	-	-	-	-	-	-	-	-	-
TOTAL DEBT SERVICE PAYMENTS		**181,875**	**181,875**	**181,875**	**181,875**	**181,875**	**181,875**	**-**	**-**	**-**	**-**	**1,091,250**
NET PROPERTY CASH FLOWS		**(70,771)**	**(70,771)**	**(70,771)**	**(70,771)**	**(69,579)**	**(69,579)**	**-**	**-**	**-**	**-**	**(422,243)**
				Year 1 Debt Service	**727,500**			**Year 2 Debt Service**	**363,750**	**Year 2.5**	**-**	**1,091,250**
				Year 1 Net Cash Flow	**(283,084)**			**Year 2 Net Cash Flow**	**(139,159)**	**Year 2.5**	**-**	**(422,243)**

	A	B	C	D	E	F	G	H	I	J	K	L
1	**PROJECTED PERMANENT LOAN CASH FL0WS**										**Century Village Apartments**	
2	**Final Commitment**										**Project Number**	**12050-R/N**
3		**YEAR**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.50%	1,192,821	1,222,641	1,253,207	1,284,538	1,316,651	1,349,567	1,383,306	1,417,889	1,453,336	1,489,670
6	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	2.50%	21,754	22,297	22,855	23,426	24,012	24,612	25,227	25,858	26,505	27,167
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**1,214,574**	**1,244,939**	**1,276,062**	**1,307,964**	**1,340,663**	**1,374,179**	**1,408,534**	**1,443,747**	**1,479,841**	**1,516,837**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	59,641	61,132	62,660	64,227	65,833	67,478	69,165	70,894	72,667	74,483
18	Unrestricted Unit Rents	5.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	5.00%	1,088	1,115	1,143	1,171	1,201	1,231	1,261	1,293	1,325	1,358
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**60,729**	**62,247**	**63,803**	**65,398**	**67,033**	**68,709**	**70,427**	**72,187**	**73,992**	**75,842**
28	**EFFECTIVE GROSS INCOME (EGI)**		**1,153,846**	**1,182,692**	**1,212,259**	**1,242,566**	**1,273,630**	**1,305,470**	**1,338,107**	**1,371,560**	**1,405,849**	**1,440,995**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.50%	224,063	231,905	240,022	248,422	257,117	266,116	275,430	285,070	295,048	305,375
31	Management Fee	6.17%	71,223	73,004	74,829	76,700	78,617	80,583	82,597	84,662	86,779	88,948
32	Utilities	3.50%	51,402	53,201	55,063	56,990	58,985	61,049	63,186	65,397	67,686	70,055
33	Operating & Maintenance	3.50%	142,064	147,036	152,182	157,509	163,021	168,727	174,633	180,745	187,071	193,618
34	Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.25%	36,906	38,197	39,534	40,918	42,350	43,832	45,366	46,954	48,598	50,299
36	Other Taxes & Insurance	3.50%	119,814	124,008	128,348	132,840	137,490	142,302	147,282	152,437	157,773	163,295
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	48,455	48,939	49,429	49,923	50,422	50,926	51,436	51,950	52,470	52,994
39	**TOTAL OPERATING EXPENSES**		**693,926**	**716,290**	**739,407**	**763,302**	**788,002**	**813,536**	**839,931**	**867,216**	**895,423**	**924,584**
40	**NET OPERATING INCOME (NOI)**		**459,919**	**466,402**	**472,852**	**479,264**	**485,627**	**491,935**	**498,177**	**504,344**	**510,425**	**516,411**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	382,067	382,067	382,067	382,067	382,067	382,067	382,067	382,067	382,067	382,067
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	City of Fremont	2	-	-	-	-	-	-	-	-	-	-
45	Seller Takeback Loan	3	-	-	-	-	-	-	-	-	-	-
46	Seller Cash Loan	4	-	-	-	-	-	-	-	-	-	-
47	-	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**382,067**	**382,067**	**382,067**	**382,067**	**382,067**	**382,067**	**382,067**	**382,067**	**382,067**	**382,067**
51	**CASH FLOW AFTER DEBT SERVICE**		**77,853**	**84,335**	**90,786**	**97,197**	**103,560**	**109,868**	**116,110**	**122,277**	**128,359**	**134,345**
52	**DEBT SERVICE COVERAGE RATIO**		**1.20**	**1.22**	**1.24**	**1.25**	**1.27**	**1.29**	**1.30**	**1.32**	**1.34**	**1.35**
53	Date Prepared:	10/29/12									Senior Staff Date:	10/24/12

	A	B	M	N	O	P	Q	R	S	T	U	V
1	**PROJECTED PERMANENT LOAN CASH FL0**											**Century Village Apartments**
2	**Final Commitment**										**Project Number**	**12050-R/N**
3		**YEAR**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.50%	1,526,911	1,565,084	1,604,211	1,644,317	1,685,425	1,727,560	1,770,749	1,815,018	1,860,393	1,906,903
6	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	2.50%	27,846	28,543	29,256	29,988	30,737	31,506	32,293	33,101	33,928	34,776
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**1,554,758**	**1,593,627**	**1,633,467**	**1,674,304**	**1,716,162**	**1,759,066**	**1,803,042**	**1,848,119**	**1,894,321**	**1,941,680**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	76,346	78,254	80,211	82,216	84,271	86,378	88,537	90,751	93,020	95,345
18	Unrestricted Unit Rents	5.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	5.00%	1,392	1,427	1,463	1,499	1,537	1,575	1,615	1,655	1,696	1,739
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**77,738**	**79,681**	**81,673**	**83,715**	**85,808**	**87,953**	**90,152**	**92,406**	**94,716**	**97,084**
28	**EFFECTIVE GROSS INCOME (EGI)**		**1,477,020**	**1,513,945**	**1,551,794**	**1,590,589**	**1,630,354**	**1,671,113**	**1,712,890**	**1,755,713**	**1,799,605**	**1,844,596**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.50%	316,063	327,125	338,574	350,424	362,689	375,383	388,522	402,120	416,194	430,761
31	Management Fee	6.17%	91,172	93,451	95,788	98,182	100,637	103,153	105,732	108,375	111,084	113,861
32	Utilities	3.50%	72,507	75,045	77,671	80,390	83,204	86,116	89,130	92,249	95,478	98,820
33	Operating & Maintenance	3.50%	200,395	207,409	214,668	222,181	229,958	238,006	246,337	254,958	263,882	273,118
34	Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.25%	52,059	53,881	55,767	57,719	59,739	61,830	63,994	66,234	68,552	70,951
36	Other Taxes & Insurance	3.50%	169,010	174,925	181,048	187,384	193,943	200,731	207,756	215,028	222,554	230,343
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	53,524	54,059	54,600	55,146	55,697	56,254	56,817	57,385	57,959	58,539
39	**TOTAL OPERATING EXPENSES**		**954,730**	**985,896**	**1,018,116**	**1,051,427**	**1,085,867**	**1,121,473**	**1,158,287**	**1,196,349**	**1,235,703**	**1,276,393**
40	**NET OPERATING INCOME (NOI)**		**522,290**	**528,050**	**533,678**	**539,162**	**544,487**	**549,639**	**554,604**	**559,364**	**563,903**	**568,203**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	382,067	382,067	382,067	382,067	382,067	-	-	-	-	-
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	City of Fremont	2	-	-	-	-	-	-	-	-	-	-
45	Seller Takeback Loan	3	-	-	-	-	-	-	-	-	-	-
46	Seller Cash Loan	4	-	-	-	-	-	-	-	-	-	-
47	-	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**382,067**	**382,067**	**382,067**	**382,067**	**382,067**	**-**	**-**	**-**	**-**	**-**
51	**CASH FLOW AFTER DEBT SERVICE**		**140,223**	**145,983**	**151,611**	**157,095**	**162,420**	**549,639**	**554,604**	**559,364**	**563,903**	**568,203**
52	**DEBT SERVICE COVERAGE RATIO**		**1.37**	**1.38**	**1.40**	**1.41**	**1.43**	**NA**	**NA**	**NA**	**NA**	**NA**
53	Date Prepared:	10/29/12									Senior Staff Date:	10/24/12

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RESOLUTION 12-13

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of NEW CENTURY VILLAGE, L.P., a California limited partnership, (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in Fremont, Alameda County, California, to be known as Century Village Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which prepared a report presented to the Board on the meeting date recited below (the "Staff Report"), recommending Board approval subject to certain recommended terms and conditions; and

WHEREAS, Agency staff has determined or expects to determine prior to making a binding commitment to fund the loan for which the application has been made, that (i) the Agency can effectively and prudently raise capital to fund the loan for which the application has been made, by direct access to the capital markets, by private placement, or by way of the New Issue Bond Program of the United States Treasury or other means and (ii) any financial mechanisms needed to insure prudent and reasonable financing of loans can be achieved; and

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Agency, as the issuer of tax-exempt bonds, to declare its reasonable official intent to reimburse prior expenditures for the Development with proceeds of a subsequent borrowing; and

WHEREAS, on August 2, 2012, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

WHEREAS, the Board wishes to grant the staff the authority to enter into a loan commitment upon Agency staff determining in its judgment that reasonable and prudent financing mechanisms can be achieved;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Agency as follows:

1. The Executive Director, or in his/her absence, the Acting Chief of Multifamily Programs, is hereby authorized to execute and deliver a final commitment letter, in a form acceptable to the Agency, and subject to recommended terms and conditions set forth in the Staff Report and any terms and conditions as the Board has designated in the Minutes of the Board Meeting, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT
12-050-R/N	Century Village Apartments Fremont, Alameda County	Acquisition/Rehab Loan: $15,000,000.00 Permanent Loan: $6,430,000.00

The Board recognizes that in the event that staff cannot determine that reasonable and prudent financing mechanisms can be achieved, the staff will not enter into loan commitments to finance the Development. In addition, access to capital markets may require significant changes to the terms of loans submitted to the Board. Notwithstanding paragraph 2 below, the staff is authorized to make any needed modifications to the loan which in staff's judgment are directly or indirectly the result of the disruptions to the capital markets referred to above.

2. The Executive Director may modify the terms and conditions of the loans or loans as described in the Staff Report, provided that major modifications, as defined below, must be submitted to this Board for approval. "Major modifications" as used herein means modifications which either (i) increase the total aggregate amount of any loans made pursuant to the Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive Director, or in his/her absence, the Acting Chief of Multifamily Programs of the Agency, adversely change the financial or public purpose aspects of the final commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 12-13 adopted at a duly constituted meeting of the Board of the Agency held on November 13, 2012 at Burbank, California.

ATTEST:_______________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Vintage at Stonehaven Apartments
Yorba Linda, Orange County, CA
CalHFA # 12-052-R/S

SUMMARY

This is a Final Commitment request for acquisition/rehabilitation and permanent financing. Security for the acquisition/rehabilitation and permanent loan will be a 125-unit senior garden-style apartment complex known as Vintage at Stonehaven Apartments, located at 5303 Stonehaven Drive, Yorba Linda, California. Yorba Linda 610, L.P., a California limited partnership ("**Borrower**") whose managing general partner is Riverside Charitable Corporation, a California nonprofit public benefit corporation, along with an entity to be formed by WNC & Associates (Tax Credit Investor), will own the project.

Vintage at Stonehaven Apartments is an existing portfolio loan currently owned by Stonehaven Associates, L.P. Vintage at Stonehaven (then called Victoria Woods – Yorba Linda) was first financed by CalHFA in 1997 and is a 125-unit, senior apartment complex consisting of 7 two-story walk-up buildings, a single-story clubhouse building, and 9 carport structures.

Existing Financing

Project Rate	7.25%
Term:	30 yrs.; remaining term: 15 yrs. 2 mo.
Loan Maturity	January 1, 2028
Orig. Loan Amount	$7,000,000
Curr Prin Bal:	$5,294,681

Sales Transaction

Sales Price	$14,250,000	($114,000 per unit)
Less: CalHFA Existing Indebtedness	$5,294,681	
Less: CalHFA Yield Maintenance	$807,481	
Net Proceeds to Seller*	**$8,147,838**	

*Net proceeds to Seller does not include $1,705,319 in principal payments over the past 15 years

Proposed Rents

	Rent	Rent Level	Units	# of Persons
One Bdrm	$732	40%	10	10
One Bdrm	$804	50%	15	15
One Bdrm	$1,045	60%	75	75
Two Bdrm	$916	40%	2	4

Two Bdrm	$1,036	50%	5	10
Two Bdrm	$1,253	60%	17	34
Two Bdrm	$1,300	Manager's	1	2
Total Units/Persons			**125 Units**	**150**

Rehabilitation	($24,665 per unit)	$3,083,172

The project is a 100% affordable LIHTC preservation project with 15 years until maturity. There are no rent subsidies in the project.

LOAN TERMS (Total Loan Term 17 Years)

Acquisition/Rehabilitation

First Mortgage	$13,650,000
Interest Rate*	4.90%, fixed
Term	12 Months, interest only
Financing	Tax-Exempt
Credit Enhancement	HUD Risk Share

Permanent

First Mortgage	$13,650,000
Interest Rate*	4.90% fixed
Term	35 year amortization, due in 16 years
Prepayment	Balloon payment at maturity
Financing	Tax-Exempt
Credit Enhancement	HUD Risk Share

*The interest rate reflects a 35 basis point discount incentive given to the Borrower for implementing cost effective systems for increasing energy efficiencies through property improvements.

CalHFA acquisition/rehabilitation financing is subject to the assignment by the borrower of tax credit equity and all rights under non-CalHFA financing commitments.

OTHER FINANCING

- Stonehaven Associates, L.P. (Seller) will provide a seller take-back note in the amount of $1,000,000 for 57 years at a rate of 3.00%, payable from residual receipts.
- USA Multifamily Development, Inc. will provide a soft note in the amount of $725,325 for a term of 16 years at a rate of 5.00%, payable from residual receipts.
- The City of Yorba Linda – assumption of a $518,181 loan for a term of 55 years at rate of 0%, in which 1/55th of the principal is forgiven each year of the term.

PROJECT DESCRIPTION

Project Location

- The development is centrally located in the city of Yorba Linda, at the northeast corner of Yorba Linda Boulevard and Stonehaven Drive, approximately three miles southeast of the city's downtown and 1.1 miles north of the Riverside (91) Freeway. Yorba Linda is an affluent, suburban community in North Orange County noted for its extensive network of equestrian trails and large lots. Housing prices are the highest in the North Orange County region.
- Adjoining land uses to the north is terraced hillside vacant land; to the northeast and east are one and two-story detached single family homes; to the south is a Kinder Care preschool; and to the west is Yorba Linda Boulevard – further west are single family detached homes.
- Located within one mile of the project are two grocery stores and two pharmacies, and a fire and police station. Located within one-half mile of the project are two parks and one pharmacy. Two miles to the west are two pharmacies and two grocery stores. Four and one-half miles to the west are a senior center, pharmacy, urgent care center and hospital.

Site

- The 8.47 acre site is triangular in shape with moderately flat topography, on a plateau with sweeping views to the north, south and west.
- The site is zoned CG (SH) – Commercial General with a combined zoning of Special Housing (Senior Housing) which allows for a senior multifamily development density range of 25 units per acre. Victoria Woods Yorba Linda was constructed to a density of 23.1 units per acre so its site and use are legally conforming.

Improvements

- This 125-unit, garden style project was built in 1997 and consists of 7 two-story buildings, and a one-story clubhouse. All units are accessible from the Stonehaven Drive frontage and parking lot entrances. There are landscaped and paved open spaces and the property is enclosed by a gated security fence. The buildings are wood frame structure with stucco siding and reinforced concrete foundations and footings. The roofs are pitched tile.
- There are 100 one-bedroom and 25 two-bedroom units; one two-bedroom unit serves as a manger's units.
- Each unit has a gas range and oven, a frost-free refrigerator, dishwasher, wall to-wall carpeting, window coverings, bathroom amenities, walk-in closets and a patio/balcony with storage. All units have individual central air conditioning and heater units.
- The common area amenities include a community room/clubhouse, pool and spa, BBQs, a rose garden and landscaped open areas. The community building contains a rental office, kitchen, restrooms, TV, library, secured mail and game/computer room.
- The project offers three garages, 46 carport spaces and 88 uncovered on-site parking spaces.

PHYSICAL NEEDS ASSESSMENT/SCOPE OF WORK

- The project is in good condition for a development of this type and age.
- The proposed scope of rehabilitation work increases energy efficiencies by 35%.
- The scope of rehabilitation work totals $2,683,469 or $21,467 (excluding overhead, profit, general conditions and insurance) per unit and includes:

  - **Site work, $358,916** – Driveway Asphalt/Concrete ($10,459), Clean up site and units ($6,500), Concrete walks ($68,705), Gates and fencing ($59,800), Landscaping ($142,992), Site lighting (31,460), Trash enclosure ($26,000), and Sewer line repair ($13,000).
  - **Common Areas, $404,555** – Carport repairs ($8,320), Repairs to garages ($5,460), Laundry room upgrades ($13,260), New mailboxes ($13,813), Repair pool equipment enclosure and new pool equipment ($5,265), Pool/spa area improvement and new outdoor furniture ($21,775), Recreation room upgrades ($166,374), Signage ($70,288), and Solar system installation ($100,000). **Residential Units and Building, $1,919,998** – Energy Star Appliances ($207,188), Bathroom improvements excluding electrical ($103,594), Clean up - units ($4,063), Entry, interior and exterior doors ($115,781), Electrical - units ($128,503), Finish carpentry – baseboards and millwork ($16,250), Fire protection ($9,750), Interior flooring ($48,750), HVAC ($618,750), Insulation ($25,000), Stairways ($33,060), Kitchen improvements ($85,313), Exterior painting ($56,875), Interior painting and wall repair ($44,688), Plumbing ($260,000), Roof replacement and repair ($85,540), Rough carpentry ($59,410), Stucco repair ($10,400), Utility room doors ($5,460), Window/screens ($1,623).

  Work is scheduled to commence by January 2013 and is projected to be completed within 12 months.

Off-site improvements

- No off-site improvements and/or costs are required.

Relocation

- The Borrower plans to complete all rehabilitation work while residents remain in their units. No funds were reserved for relocation in the development budget however the Borrower has developed a relocation plan that sets forth what action will need to be taken if any tenants have to be temporarily displaced during the renovation. This includes the right to move back into their original unit after renovation, the right to be temporarily relocated to comparable housing during the renovation, to have temporary housing and moving expenses paid by the borrower. Any relocation costs will be paid from the $100,000 (29%) soft cost contingency reserve. The Borrower will provide written notification of the renovation work to be completed along with a projected timeline before and during the rehabilitation period to address any tenant issue or concerns regarding the project.

MARKET

Market Overview

The Primary Market Area (PMA) for the property is defined as the city of Yorba Linda and the adjoining city of Placentia. The Secondary Market Area (SMA) is considered to be portions of the city of Anaheim east of the 57 Freeway.

The total population in the PMA in 2010 was estimated to be 114,767 persons, with an annual growth rate of 9% from 2000 to 2010. The growth rate for Anaheim (SMA) was 2.5% for the same period. The projected growth rate for the PMA over the next five years will slow, however, to 0.56%, or an increase in population to 117,792 persons. In 2010 approximately 11% or 12,390 persons in the PMA were age 65 or older. It is estimated that this population will increase 23% or by 2,811 persons. Persons aged 65 or older will account for 86% of all the projected population growth in the PMA from 2010 to 2015.

In 2010, renters accounted for 24% of all households in the PMA. In the PMA, 19% of the senior households are renters and 81% are owners. Within the PMA, approximately 70% of the renter senior households pay greater than 35% of their income toward rent; 35% of seniors earned below $50,000 annually. These two factors indicate the need and demand for affordable senior housing.

Housing Supply and Demand

- There are three market rate senior projects in the PMA located 3.25 to 6.25 miles from the subject project. There are seven general occupancy apartment complexes in the PMA with most located in Placentia and none located within one mile. There are three affordable apartment complexes located in Yorba Linda – two family and one senior.
- As of July 2012 the occupancy rate for market rate senior projects are 99.7% and 95.3% for the general occupancy projects. The LIHTC and HUD-assisted senior properties within the PMA are 100% occupied with waiting lists.
- Residential permit activity rose between 2002 and 2003 before falling steadily until 2008. There was an increase in 2009 and 2010 but permit activity again decreased for 2011. Over this period most permits (76%) were issued for single family residential development. During the past five years fewer than 20 multifamily permits have been issued. Between 1987 and 2011 two affordable multifamily projects were awarded LIHTC including the subject Vintage at Stonehaven. Building permit activity in the PMA remains low and sources of financing are limited since the dissolution of the RDA. As a result, the assumption is that no new senior multifamily housing stock will be developed in the near term.

PROJECT FEASIBILITY

Estimated Lease-up Period

- The project is currently 100% leased and the proposed rehabilitation will not interfere with occupancy.

ENVIRONMENTAL

Krazan & Associates, Inc. completed a Phase I Environmental Assessment report for Vintage at Stonehaven Apartments on August 13, 2012. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action.

In addition, on September 19, 2012, CalHFA's NEPA review consultant, AEM Consulting, completed its compliance review of the Environmental Review Record (**"ERR"**). The Vintage at Stonehaven ERR complies with HUD Risk Share requirements, received a Categorical Exemption determination, and requires no mitigations.

SEISMIC

Partner Energy performed a Seismic Review Risk Assessment dated August 28, 2012. The damage ratio met CalHFA's seismic risk criteria of Probable Maximum Loss of 20% or less, thus no earthquake insurance is required.

DEVELOPMENT TEAM

Borrower

Yorba Linda 610, L.P.

- The Managing General Partner is Riverside Charitable Corporation, a California nonprofit public benefit corporation located in Orange, California. The limited partner will be WNC and Associates, Inc. (Tax Credit Investor) who together with Riverside Charitable Corporation will own the Project. The developer USA Multifamily Development owns and operated over 11,000 units of market rate and affordable family and senior housing in California and Nevada.

Management Agent

USA Multifamily Management, Inc.

- USA Multifamily Management, Inc., (USAMM) a California corporation, will manage the property. USAMM was founded in 1993 and provides multifamily property management throughout California and Nevada. USAMM services approximately 32 market rate and affordable multifamily developments representing over 3,500 units. USAMM manages various types of properties including senior communities, tax credit projects, HUD, and Section 8 properties.

Architect

Kuchman Architects, PC

- Kuchman Architects, PC, a California professional corporation, located in Sacramento, CA has provided all phase services of development and construction administration since 1995. The Borrower has engaged Kuchman to assist them in project design during the rehabilitation process. Kuchman has designed numerous multifamily, retail and mixed use projects in the Northern California region.

Contractor

USA Construction Management, Inc.

- USA Construction Management, Inc. (USACM), a California corporation, is a general contracting company headquartered in Roseville, California, and specializing for over 30 years in the renovation and new construction of multi-housing residences throughout California and Nevada. USACM has completed projects totaling well over 11,000 units relating to new construction and rehabilitation of multifamily housing. USACM is a Build It Green Member and employs certified Green Building Professionals.

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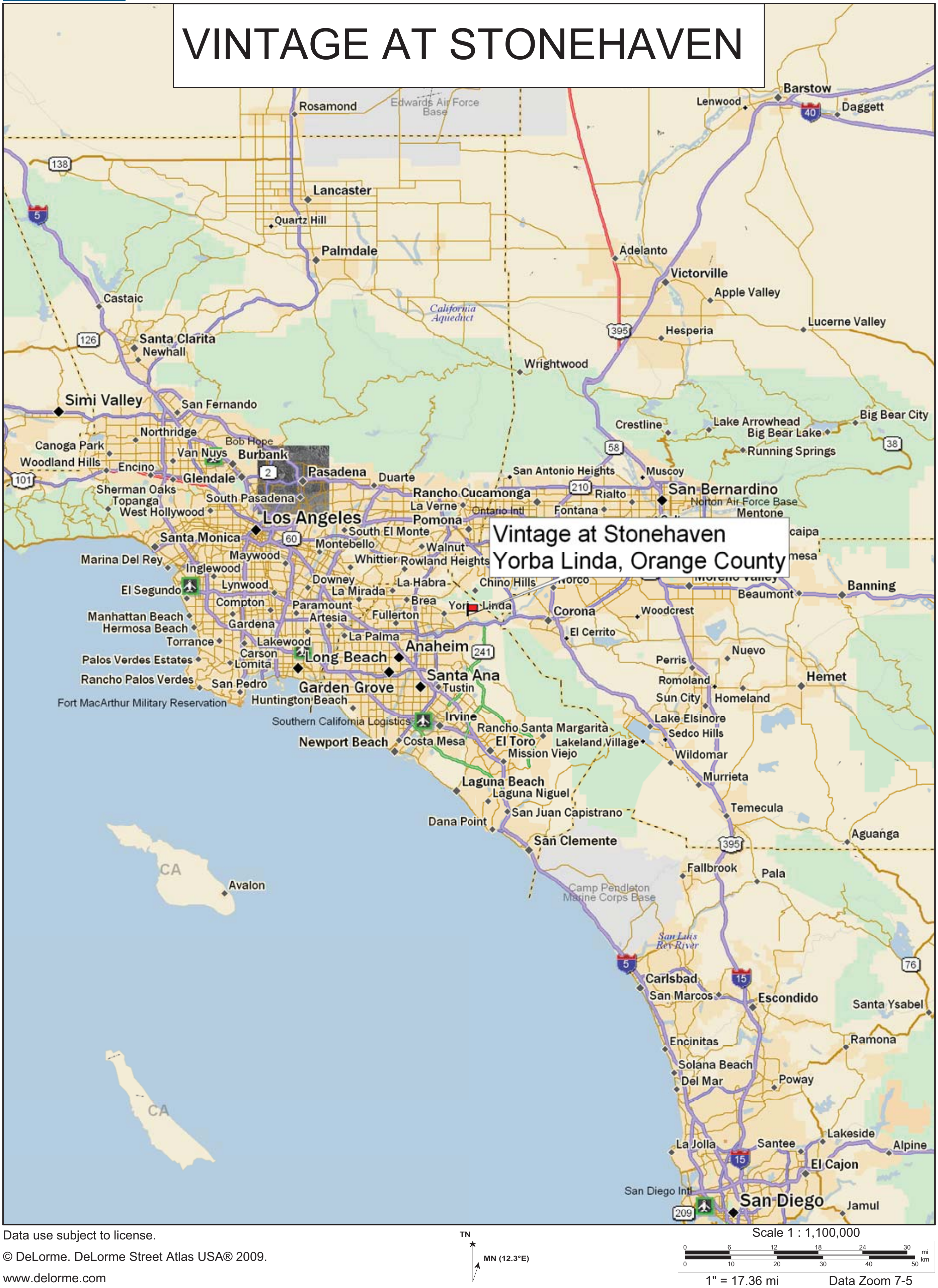
VINTAGE AT STONEHAVEN



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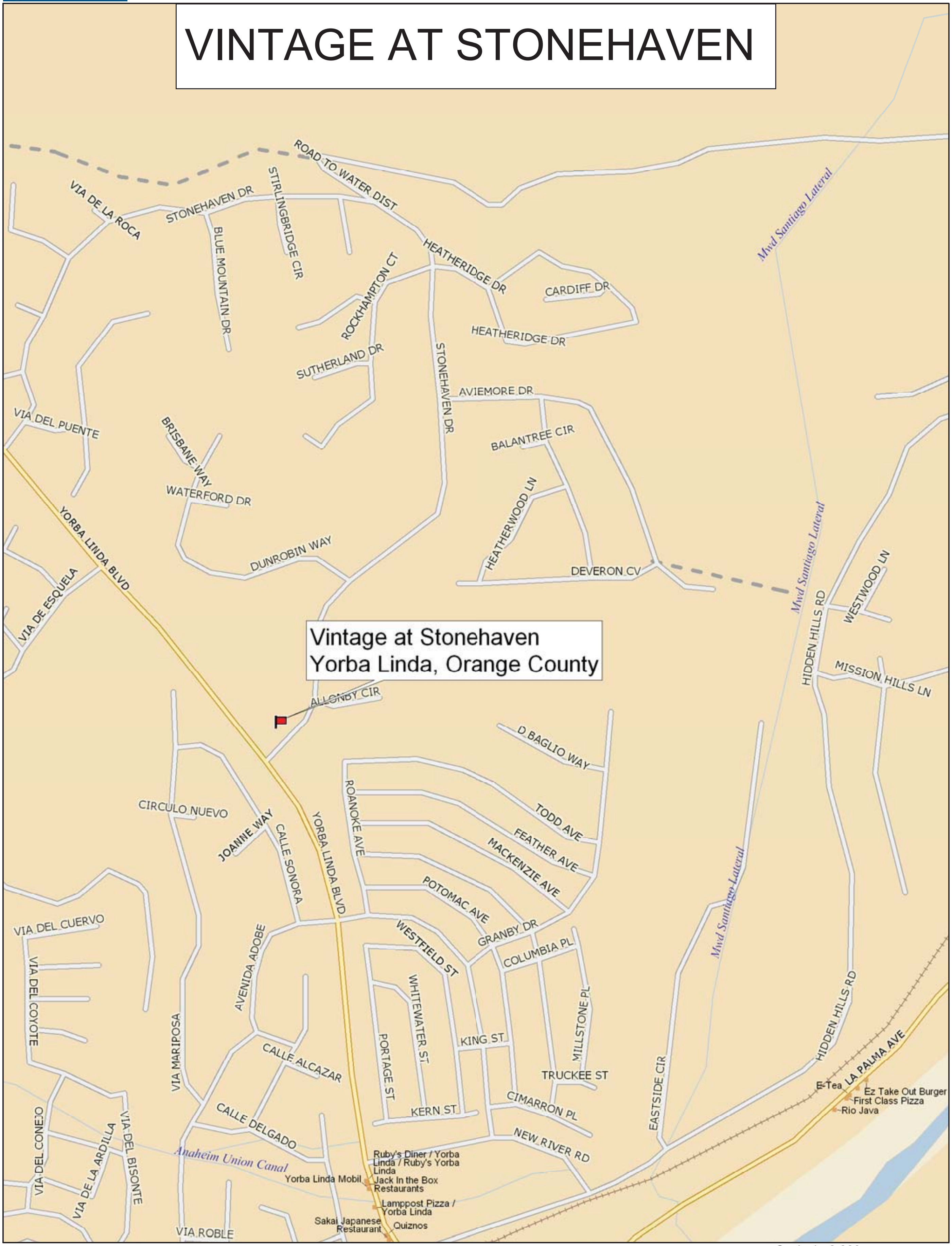
DeLorme Street Atlas USA® 2009

VINTAGE AT STONEHAVEN



TN
MN (12.3°E)

Scale 1 : 8,800

0 200 400 600 800 1000 ft
0 80 160 240 320 400 m

1" = 733.3 ft

Data Zoom 14-5

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PROJECT SUMMARY — Final Commitment

Acquisition, Rehab, Construction & Permanent Loans — **Project Number** 12052-R/S

Project Full Name	Vintage at Stonehaven	**Borrower Name:**	Yorba Linda 610, L.P.
Project Address	5303 Stonehaven Drive	**Managing GP:**	Riverside Charitable Corporation
Project City	Yorba Linda	**Developer Name:**	USA Multi-Family Development, Inc.
Project County	Orange	**Investor Name:**	WNC & Associates, Inc.
Project Zip Code	92877	**Prop Management:**	USA Multifamily Management, Inc.

Project Type:	Acquisition /Rehab	**Total Land Area (acres):**	8.47
Tenancy/Occupancy:	Senior	**Residential Square Footage:**	77,486
Total Residential Units:	125	**Residential Units Per Acre:**	14.76
Total Number of Buildings:	8		
Number of Stories:	2	**Covered Parking Spaces:**	46
Unit Style:	Flats	**Total Parking Spaces:**	134
Elevators:	none		

Acq/Construction/Rehab Financing	Loan Amount ($)	Loan Fees	Loan Term (Mo.)	Amort. Period (Yr.)	Starting Interest Rate
CalHFA Loan	13,650,000	1.000%	12	--	4.900%
--	--	--	--	--	--
Stonehaven Associates, L.P.	1,000,000	--	12	--	3.000%
USA Multifamily Development, Inc	2,190,594	--	12	--	2.300%
City of Yorba Linda	518,181	--	12	--	--
Construct/Rehab Net Oper. Inc.	353,193	--	--	--	--
Investor Equity Contribution	3,162,073	--	--	--	--

Permanent Financing	Loan Amount ($)	Loan Fees	Loan Term (Yr.)	Amort. Period (Yr.)	Starting Interest Rate
CalHFA Permanent Loan	13,650,000	--	16	35	4.900%
--	--	--	--	--	--
--	--	--	--	--	--
Stonehaven Associates, L.P.	1,000,000	--	57	--	3.000%
USA Multifamily Development, Inc.	725,325	--	16	--	5.000%
City of Yorba Linda	518,181	--	55	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	NA	NA	NA	NA
--	--	NA	NA	NA	NA
Investor Equity Contributions	5,586,005	NA	NA	NA	NA

Appraised Values Upon Completion of Rehab/Construction

Appraisal Date:	7/26/12	**Capitalization Rate:**	5.50%
Investment Value ($)	20,200,000	**Restricted Value ($)**	16,750,000
Construct/Rehab LTC	74%	**Permanent Loan to Cost**	74%
Construct/Rehab LTV	68%	**Permanent Loan to Value**	81%

Additional Loan Terms, Conditions & Comments

Construction/Rehab Loan

Payment/Performance Bond	Required
Completion Guarantee Letter of Credit	Waived

Permanent Loan

Operating Expense Reserve Deposit	$337,470	NA
Initial Replacement Reserve Deposit	$125,000	Cash
Annual Replacement Reserve Per Unit	$400	Cash

Date Prepared: 10/29/12 — Senior Staff Date: 10/24/12

UNIT MIX AND RENT SUMMARY **Final Commitment**

Vintage at Stonehaven **Project Number 12052-R/S**

PROJECT UNIT MIX					
Unit Type of Style	**Number of Bedrooms**	**Number of Baths**	**Average Size (Sq. Ft.)**	**Number of Units**	**Est. No. of Tenants**
Flat	1	1	585	100	100
Flat	2	1	753	24	48
Flat	2	1	914	1	2
-	-	-	-	-	0
-	-	-	-	-	0
-	-	-	-	-	0
				125	150

NUMBER OF UNITS AND PERCENTAGE OF AMI RENTS RESTRICTED BY EACH AGENCY							
Agency	**Number of Units Restricted For Each AMI Category**						
	25%	**40%**	**50%**	**60%**	**80%**	**60%**	**0%**
CalHFA		12	15				
Tax Credits			5	92			
HUD							
-							
-							
-							

COMPARISON OF AVERAGE MONTHLY RESTRICTED RENTS TO AVERAGE MARKET RENTS							
Unit Type	**Restricting Agency**	**% of Area Median Income**	**Average Restricted Rents Number of Units**	**Unit Rent**	**Average Market Rents**	**Average Monthly Savings**	**% of Market Rents**
1 Bedroom	**Senior**	**25%**	-	-	$1,806	-	-
	CalHFA	**40%**	10	$732		$1,074	41%
	Senior	**50%**	15	$804		$1,002	45%
	CalHFA	**55%**	-	-		-	-
	CalHFA	**60%**	75	$1,045		$761	58%
	CalHFA	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
2 Bedrooms	**Senior**	**25%**	-	-	$2,168	-	-
	CalHFA	**40%**	2	$916		$1,252	42%
	Senior	**50%**	5	$1,036		$1,132	48%
	CalHFA	**55%**	-	-		-	-
	CalHFA	**60%**	17	$1,253		$915	58%
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
3 Bedrooms	**Senior**	**25%**	-	-	-	-	-
	CalHFA	**40%**	-	-		-	-
	Senior	**50%**	-	-		-	-
	CalHFA	**55%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
4 Bedrooms	**Senior**	**25%**	-	-	-	-	-
	CalHFA	**40%**	-	-		-	-
	Senior	**50%**	-	-		-	-
	CalHFA	**55%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
5 Bedrooms	**Senior**	**25%**	-	-	-	-	-
	CalHFA	**40%**	-	-		-	-
	Senior	**50%**	-	-		-	-
	CalHFA	**55%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
Date Prepared:	10/29/12					Senior Staff Date:	10/24/12

SOURCES & USES OF FUNDS SUMMARY — Final Commitment

Vintage at Stonehaven — **Project Number** 12052-R/S

SOURCES OF FUNDS	CONST/REHAB $	PERMANENT $	TOTAL PROJECT FUNDS SOURCES ($)	PER UNIT ($)	%
CalHFA Loan	13,650,000				0.0%
CalHFA Section 8 Loan	-				0.0%
Stonehaven Associates, L.P.	1,000,000				0.0%
USA Multifamily Development, Inc	2,190,594				0.0%
City of Yorba Linda	518,181				0.0%
Other Non-CalHFA Sources of Funds	-				0.0%
Construct/Rehab Net Oper. Inc.	353,193				0.0%
Deferred Developer Fee	-				0.0%
Developer Equity Contribution	-				0.0%
Investor Equity Contribution	3,162,073				0.0%
CalHFA Permanent Loan		13,650,000	13,650,000	109,200	63.5%
CalHFA Bridge Loan		-	-	-	0.0%
CalHFA Section 8 Loan		-	-	-	0.0%
Stonehaven Associates, L.P.		1,000,000	1,000,000	8,000	4.7%
USA Multifamily Development, Inc.		725,325	725,325	5,803	3.4%
City of Yorba Linda		518,181	518,181	4,145	2.4%
Other Non-CalHFA Sources of Funds		-	-	-	0.0%
Construct/Rehab Net Oper. Inc.		-	-	-	0.0%
Deferred Developer Fees		-	-	-	0.0%
Developer Equity Contribution		-	-	-	0.0%
Investor Equity Contributions		5,586,005	5,586,005	44,688	26.0%
TOTAL SOURCES OF FUNDS	**20,874,041**	**21,479,511**	**21,479,511**	**171,836**	**100.0%**

USES OF FUNDS	CONST/REHAB $	PERMANENT $	TOTAL PROJECT COSTS USES ($)	PER UNIT ($)	%
Payoff Acquisition/Rehab Financing		20,874,041			
Acquisition Costs	**14,250,000**	**-**	**14,250,000**	114,000	66.3%
Construction/Rehab Hard Costs	**3,083,172**	**-**	**3,083,172**	24,665	14.4%
Relocation Costs	**-**	**-**	**-**	-	0.0%
Architectural Costs	**20,000**	**-**	**20,000**	160	0.1%
Surveys & Engineering Costs	10,000	-	10,000	80	0.0%
Contingency Reserves	405,916	-	405,916	3,247	1.9%
Loan Period Loan & Other Costs	**345,000**	**-**	**345,000**	2,760	1.6%
Permanent Loan Costs	**-**	**103,000**	**103,000**	824	0.5%
Legal Fees	**75,000**	**40,000**	**115,000**	920	0.5%
Operating Reserves	**-**	**462,470**	**462,470**	3,700	2.2%
Reports & Studies	**41,000**	**-**	**41,000**	328	0.2%
Other Construction/Rehab Costs	**425,890**	**-**	**425,890**	3,407	2.0%
Developer Fees & Costs	**2,218,063**	**-**	**2,218,063**	17,745	10.3%
TOTAL PROJECT COSTS	**20,874,041**	**21,479,511**	**21,479,511**	**171,836**	**100.0%**

PROJECTED INITIAL ANNUAL RENTAL OPERATING BUDGET			Final Commitment
Vintage at Stonehaven	**Project Number**		**12052-R/S**
INCOME	**AMOUNT**	**PER UNIT**	**%**
Rental Income			
Restricted Unit Rents	$ 1,512,816	$ 12,103	103.49%
Unrestricted Unit Rents	15,600	125	1.07%
Commercial Rents	-	-	0.00%
Rental & Operating Subsidies			
Section 8 Rent Subsidies	-	-	0.00%
Shelter Care Plus Rent Subsidies	-	-	0.00%
Other Subsidy (Specify)	-	-	0.00%
Other Subsidy (Specify)	-	-	0.00%
Other Income			
Laundry and Vending Income	9,035	72	0.62%
Garage and Parking Income	-	-	0.00%
Miscellaneous Income	-	-	0.00%
GROSS POTENTIAL INCOME (GPI)	**$ 1,537,451**	**$ 12,300**	**105.17%**
Less: Vacancy Loss	**$ 75,641**	**$ 605**	**5.17%**
EFFECTIVE GROSS INCOME (EGI)	**$ 1,461,810**	**$ 12,905**	**100.00%**
OPERATING EXPENSES	**AMOUNT**	**PER UNIT**	**%**
Administrative Expenses	$ 96,516	$ 772	$ 0
Management Fee	73,675	589	5.04%
Social Programs & Services	-	-	0.00%
Utilities	28,450	228	1.95%
Operating & Maintenance	129,135	1,033	8.83%
Ground Lease Payments	-	-	0.00%
Real Estate Taxes	65,000	520	4.45%
Other Taxes & Insurance	56,649	453	3.88%
Assisted Living/Board & Care	-	-	0.00%
SUBTOTAL OPERATING EXPENSES	**$ 449,425**	**$ 3,595**	**30.74%**
Operating Reserves	$ 50,000	$ 400	3.42%
TOTAL OPERATING EXPENSES	**$ 499,425**	**$ 3,995**	**34.16%**
NET OPERATING INCOME (NOI)	**$ 962,385**	**$ 7,699**	**65.84%**
DEBT SERVICE PAYMENTS	**AMOUNT**	**PER UNIT**	**%**
CalHFA Loan	$ 816,261	$ 6,530	55.84%
CalHFA Section 8 Loan	-	-	0.00%
Stonehaven Associates, L.P.	-	-	0.00%
USA Multifamily Development, Inc.	-	-	0.00%
City of Yorba Linda	-	-	0.00%
-	-	-	0.00%
-	-	-	0.00%
TOTAL DEBT SERVICE PAYMENTS	**$ 816,261**	**$ 6,530**	**55.84%**
EXCESS CASH FLOWS AFTER DEBT SERVICE	**$ 146,124**	**$ 1,169**	**10.00%**
DEBT SERVICE COVERAGE RATIO (DSCR)	**1.18 to 1**		
Date: 10/29/12		Senior Staff Date:	10/24/12

CONSTRUCTION/REHAB NET OPERATING INCOME												Vintage at Stonehaven
											Project Number:	12052-R/S
		FISCAL QUARTERS - YEAR 1				FISCAL QUARTERS - YEAR 2				QUARTERS - YEAR 3		TOTAL
		1	2	3	4	5	6	7	8	9	10	ALL YEARS
RENTAL INCOME	**CPI**											
Restricted Unit Rents	2.50%	378,204	378,204	378,204	378,204	-	-	-	-	-	-	1,512,816
Unrestricted Unit Rents	0.00%	3,900	3,900	3,900	3,900	-	-	-	-	-	-	15,600
Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-	-
Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-	-
Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-
TOTAL RENTAL INCOME		382,104	382,104	382,104	382,104	-	-	-	-	-	-	1,528,416
OTHER INCOME	**CPI**											
Laundry and Vending Income	0.00%	2,259	2,259	2,259	2,259	-	-	-	-	-	-	9,035
Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER INCOME		2,259	2,259	2,259	2,259	-	-	-	-	-	-	9,035
GROSS POTENTIAL INCOME (GPI)		384,363	384,363	384,363	384,363	-	-	-	-	-	-	1,537,451
TOTAL PROJECTED VACANCY LOSS		**3,996**	**3,996**	**3,996**	**3,996**	**-**	**-**	**-**	**-**	**-**	**-**	**15,983**
EFFECTIVE GROSS INCOME (EGI)		**380,367**	**380,367**	**380,367**	**380,367**	**-**	**-**	**-**	**-**	**-**	**-**	**1,521,468**
OPERATING EXPENSES	**CPI/Fee**	Except for management fee, which is a % of EGI										
Administrative Expenses	3.50%	24,129	24,129	24,129	24,129	-	-	-	-	-	-	96,516
Management Fee	5.04%	18,419	18,419	18,419	18,419	-	-	-	-	-	-	73,675
Utilities	3.50%	7,113	7,113	7,113	7,113	-	-	-	-	-	-	28,450
Operating & Maintenance	3.50%	32,284	32,284	32,284	32,284	-	-	-	-	-	-	129,135
Ground Lease Payments	0.00%	-	-	-	-	-	-	-	-	-	-	-
Real Estate Taxes	1.08%	16,250	16,250	16,250	16,250	-	-	-	-	-	-	65,000
Other Taxes & Insurance	3.50%	14,162	14,162	14,162	14,162	-	-	-	-	-	-	56,649
Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-	-
Required Reserve Payments	1.00%	12,500	12,500	12,500	12,500	-	-	-	-	-	-	50,000
TOTAL OPERATING EXPENSES		**124,856**	**124,856**	**124,856**	**124,856**	**-**	**-**	**-**	**-**	**-**	**-**	**499,425**
NET OPERATING INCOME (LOSS)		**255,511**	**255,511**	**255,511**	**255,511**	**-**	**-**	**-**	**-**	**-**	**-**	**1,022,043**
DEBT SERVICE PAYMENTS	**Lien #**											
CalHFA Loan	1	167,213	167,213	167,213	167,213	-	-	-	-	-	-	668,850
CalHFA Section 8 Loan	0	-	-	-	-	-	-	-	-	-	-	-
Stonehaven Associates, L.P.	2	-	-	-	-	-	-	-	-	-	-	-
USA Multifamily Development, Inc	3	-	-	-	-	-	-	-	-	-	-	-
City of Yorba Linda	4	-	-	-	-	-	-	-	-	-	-	-
-	0	-	-	-	-	-	-	-	-	-	-	-
-	0	-	-	-	-	-	-	-	-	-	-	-
TOTAL DEBT SERVICE PAYMENTS		**167,213**	**167,213**	**167,213**	**167,213**	**-**	**-**	**-**	**-**	**-**	**-**	**668,850**
NET PROPERTY CASH FLOWS		**88,298**	**88,298**	**88,298**	**88,298**	**-**	**-**	**-**	**-**	**-**	**-**	**353,193**
				Year 1 Debt Service	**668,850**			**Year 2 Debt Service**	**-**	**Year 2.5**	**-**	**668,850**
				Year 1 Net Cash Flow	**353,193**			**Year 2 Net Cash Flow**	**-**	**Year 2.5**	**-**	**353,193**

	A	B	C	D	E	F	G	H	I	J	K	L
1	**PROJECTED PERMANENT LOAN CASH FL0WS**											**Vintage at Stonehaven**
2	**Final Commitment**										**Project Number**	**12052-R/S**
3		**YEAR**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.50%	1,550,636	1,589,402	1,629,137	1,669,866	1,711,612	1,754,403	1,798,263	1,843,219	1,889,300	1,936,532
6	Unrestricted Unit Rents	0.00%	15,600	15,600	15,600	15,600	15,600	15,600	15,600	15,600	15,600	15,600
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	0.00%	9,035	9,035	9,035	9,035	9,035	9,035	9,035	9,035	9,035	9,035
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**1,575,271**	**1,614,037**	**1,653,772**	**1,694,501**	**1,736,247**	**1,779,038**	**1,822,898**	**1,867,854**	**1,913,935**	**1,961,167**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	77,532	79,470	81,457	83,493	85,581	87,720	89,913	92,161	94,465	96,827
18	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	0.00%	-	-	-	-	-	-	-	-	-	-
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**77,532**	**79,470**	**81,457**	**83,493**	**85,581**	**87,720**	**89,913**	**92,161**	**94,465**	**96,827**
28	**EFFECTIVE GROSS INCOME (EGI)**		**1,497,740**	**1,534,567**	**1,572,315**	**1,611,008**	**1,650,667**	**1,691,318**	**1,732,985**	**1,775,693**	**1,819,470**	**1,864,341**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.50%	99,894	103,390	107,009	110,754	114,631	118,643	122,795	127,093	131,541	136,145
31	Management Fee	5.04%	75,486	77,342	79,245	81,195	83,194	85,242	87,342	89,495	91,701	93,963
32	Utilities	3.50%	29,446	30,476	31,543	32,647	33,790	34,972	36,196	37,463	38,774	40,132
33	Operating & Maintenance	3.50%	133,655	138,333	143,174	148,185	153,372	158,740	164,296	170,046	175,998	182,158
34	Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.08%	65,702	68,002	70,382	72,845	75,395	78,033	80,765	83,591	86,517	89,545
36	Other Taxes & Insurance	3.50%	58,631	60,683	62,807	65,006	67,281	69,636	72,073	74,595	77,206	79,908
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	50,500	51,005	51,515	52,030	52,551	53,076	53,607	54,143	54,684	55,231
39	**TOTAL OPERATING EXPENSES**		**513,314**	**529,232**	**545,675**	**562,662**	**580,212**	**598,342**	**617,074**	**636,427**	**656,422**	**677,082**
40	**NET OPERATING INCOME (NOI)**		**984,426**	**1,005,336**	**1,026,640**	**1,048,345**	**1,070,455**	**1,092,975**	**1,115,911**	**1,139,266**	**1,163,048**	**1,187,259**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	816,261	816,261	816,261	816,261	816,261	816,261	816,261	816,261	816,261	816,261
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	Stonehaven Associates, L.P.	2	-	-	-	-	-	-	-	-	-	-
45	USA Multifamily Development, Inc.	3	-	-	-	-	-	-	-	-	-	-
46	City of Yorba Linda	4	-	-	-	-	-	-	-	-	-	-
47	-	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**816,261**	**816,261**	**816,261**	**816,261**	**816,261**	**816,261**	**816,261**	**816,261**	**816,261**	**816,261**
51	**CASH FLOW AFTER DEBT SERVICE**		**168,164**	**189,074**	**210,379**	**232,084**	**254,194**	**276,714**	**299,649**	**323,005**	**346,786**	**370,998**
52	**DEBT SERVICE COVERAGE RATIO**		**1.21**	**1.23**	**1.26**	**1.28**	**1.31**	**1.34**	**1.37**	**1.40**	**1.42**	**1.45**
53	Date Prepared:	10/29/12									Senior Staff Date:	10/24/12

	A	B	M	N	O	P	Q	R	S	T	U	V
1	**PROJECTED PERMANENT LOAN CASH FL0**										**Vintage at Stonehaven**	
2	**Final Commitment**										**Project Number**	**12052-R/S**
3		**YEAR**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.50%	1,984,946	2,034,569	2,085,434	2,137,569	2,191,009	2,245,784	2,301,928	2,359,477	2,418,464	2,478,925
6	Unrestricted Unit Rents	0.00%	15,600	15,600	15,600	15,600	15,600	15,600	15,600	15,600	15,600	15,600
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	0.00%	9,035	9,035	9,035	9,035	9,035	9,035	9,035	9,035	9,035	9,035
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**2,009,581**	**2,059,204**	**2,110,069**	**2,162,204**	**2,215,644**	**2,270,419**	**2,326,563**	**2,384,112**	**2,443,099**	**2,503,560**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	99,247	101,728	104,272	106,878	109,550	112,289	115,096	117,974	120,923	123,946
18	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	0.00%	-	-	-	-	-	-	-	-	-	-
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**99,247**	**101,728**	**104,272**	**106,878**	**109,550**	**112,289**	**115,096**	**117,974**	**120,923**	**123,946**
28	**EFFECTIVE GROSS INCOME (EGI)**		**1,910,333**	**1,957,476**	**2,005,797**	**2,055,326**	**2,106,093**	**2,158,130**	**2,211,467**	**2,266,138**	**2,322,175**	**2,379,614**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.50%	140,910	145,842	150,947	156,230	161,698	167,357	173,215	179,277	185,552	192,046
31	Management Fee	5.04%	96,281	98,657	101,092	103,588	106,147	108,770	111,458	114,213	117,038	119,933
32	Utilities	3.50%	41,536	42,990	44,495	46,052	47,664	49,332	51,059	52,846	54,695	56,609
33	Operating & Maintenance	3.50%	188,533	195,132	201,961	209,030	216,346	223,918	231,755	239,867	248,262	256,951
34	Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.08%	92,679	95,923	99,280	102,755	106,351	110,074	113,926	117,914	122,041	126,312
36	Other Taxes & Insurance	3.50%	82,705	85,600	88,596	91,697	94,906	98,228	101,666	105,224	108,907	112,719
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	55,783	56,341	56,905	57,474	58,048	58,629	59,215	59,807	60,405	61,010
39	**TOTAL OPERATING EXPENSES**		**698,428**	**720,485**	**743,276**	**766,826**	**791,161**	**816,308**	**842,294**	**869,149**	**896,900**	**925,580**
40	**NET OPERATING INCOME (NOI)**		**1,211,905**	**1,236,991**	**1,262,521**	**1,288,500**	**1,314,932**	**1,341,822**	**1,369,173**	**1,396,989**	**1,425,275**	**1,454,034**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	816,261	816,261	816,261	816,261	816,261	816,261	-	-	-	-
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	Stonehaven Associates, L.P.	2	-	-	-	-	-	-	-	-	-	-
45	USA Multifamily Development, Inc.	3	-	-	-	-	-	-	-	-	-	-
46	City of Yorba Linda	4	-	-	-	-	-	-	-	-	-	-
47	-	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**816,261**	**816,261**	**816,261**	**816,261**	**816,261**	**816,261**	**-**	**-**	**-**	**-**
51	**CASH FLOW AFTER DEBT SERVICE**		**395,644**	**420,730**	**446,260**	**472,239**	**498,671**	**525,560**	**1,369,173**	**1,396,989**	**1,425,275**	**1,454,034**
52	**DEBT SERVICE COVERAGE RATIO**		**1.48**	**1.52**	**1.55**	**1.58**	**1.61**	**1.64**	**NA**	**NA**	**NA**	**NA**
53	Date Prepared:	10/29/12									Senior Staff Date:	10/24/12

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RESOLUTION 12-14

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of YORBA LINDA 610, L.P., a California limited partnership, (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in Yorba Linda, Orange County, California, to be known as Vintage at Stonehaven Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which prepared a report presented to the Board on the meeting date recited below (the "Staff Report"), recommending Board approval subject to certain recommended terms and conditions; and

WHEREAS, Agency staff has determined or expects to determine prior to making a binding commitment to fund the loan for which the application has been made, that (i) the Agency can effectively and prudently raise capital to fund the loan for which the application has been made, by direct access to the capital markets, by private placement, or by way of the New Issue Bond Program of the United States Treasury or other means and (ii) any financial mechanisms needed to insure prudent and reasonable financing of loans can be achieved; and

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Agency, as the issuer of tax-exempt bonds, to declare its reasonable official intent to reimburse prior expenditures for the Development with proceeds of a subsequent borrowing; and

WHEREAS, on August 2, 2012, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

WHEREAS, the Board wishes to grant the staff the authority to enter into a loan commitment upon Agency staff determining in its judgment that reasonable and prudent financing mechanisms can be achieved;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Agency as follows:

1. The Executive Director, or in his/her absence, the Acting Chief of Multifamily Programs, is hereby authorized to execute and deliver a final commitment letter, in a form acceptable to the Agency, and subject to recommended terms and conditions set forth in the Staff Report and any terms and conditions as the Board has designated in the Minutes of the Board Meeting, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT
12-052-R/S	Vintage at Stonehaven Apartments Yorba Linda, Orange County	Acquisition/Rehab Loan: $13,650,000.00 Permanent Loan: $13,650,000.00

The Board recognizes that in the event that staff cannot determine that reasonable and prudent financing mechanisms can be achieved, the staff will not enter into loan commitments to finance the Development. In addition, access to capital markets may require significant changes to the terms of loans submitted to the Board. Notwithstanding paragraph 2 below, the staff is authorized to make any needed modifications to the loan which in staff's judgment are directly or indirectly the result of the disruptions to the capital markets referred to above.

2. The Executive Director may modify the terms and conditions of the loans or loans as described in the Staff Report, provided that major modifications, as defined below, must be submitted to this Board for approval. "Major modifications" as used herein means modifications which either (i) increase the total aggregate amount of any loans made pursuant to the Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive Director, or in his/her absence, the Acting Chief of Multifamily Programs of the Agency, adversely change the financial or public purpose aspects of the final commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 12-14 adopted at a duly constituted meeting of the Board of the Agency held on November 13, 2012, at Burbank, California.

ATTEST:______________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Vintage at Kendall Apartments
San Bernardino, San Bernardino County, CA
CalHFA # 12-053-R/S

SUMMARY

This is a Final Commitment request for acquisition/rehabilitation and permanent financing. Security for the acquisition/rehabilitation and permanent loan will be a 178-unit senior garden-style apartment complex known as Vintage at Kendall Apartments, located at 1095 Kendall Drive, San Bernardino, California. San Bernardino 611, L.P., a California limited partnership ("**Borrower**") whose managing general partner is Riverside Charitable Corporation, a California nonprofit public benefit corporation, along with an entity to be formed by Boston Financial Investment Management (Tax Credit Investor), will own the project.

Vintage at Kendall Apartments is an existing portfolio loan currently owned by Shandin Associates, L.P. Vintage at Kendall (then called Victoria Woods – San Bernardino) was first financed by CalHFA in 1994 and is a 178-unit, senior apartment complex consisting of 13 two-story walk-up buildings, a single-story community center building, eight garage buildings and 13 carport structures.

Existing Financing

Project Rate	7.90%
Term:	30 yrs.; remaining term: 11 yrs. 6 mo.
Loan Maturity	July 1, 2024
Orig. Loan Amount	$7,575,000
Curr Prin Bal:	$5,059,199

Sales Transaction

Sales Price	$12,000,000	($67,416 per unit)
Less: CalHFA Existing Indebtedness	$5,059,199	
Less: CalHFA Yield Maintenance	$1,374,969	
Net Proceeds to Seller*	**$5,565,832**	

*Net proceeds to Seller does not include $2,515,801 in principal payments over the past 18 years

Proposed Rents

	Rent	Rent Level	Units	# of Persons
One Bdrm	$184	50%**	20	20
One Bdrm	$514	50%	1	1
One Bdrm	$681	60%	83	83

Two Bdrm	$573	50%	15	30
Two Bdrm	$807	60%	57	114
Two Bdrm	$807	Manager's	2	4
Total Units/Persons			**178 Units**	**252**

Total Rehabilitation	($22,956 per unit)	$4,086,120

** The project is a 100% affordable preservation project with just over 11 years until maturity. There are no rent subsidies in the project however, 20 units are reserved for previously homeless or at-risk of homeless mentally ill tenants under the Mental Health Services Act (MHSA) Housing Program. CalHFA administers the MHSA Program and MHSA-eligible tenants are qualified and referred by the San Bernardino County Department of Mental Health. The MHSA Program requires that rents for these units be no greater than 30% of the tenant's income (in most cases 30% of SSI) and never to exceed 30% of the San Bernardino County 50% AMI. The units will be supported by an MHSA Capitalized Operating Subsidy Reserve (COSR) of $1,000,000 which will run through year 20. The annual COSR payments are based on the difference between (shortfall) the rents received from the 20 MHSA units and those units' proportional share of operating expenses. Although there are two other MHSA projects in San Bernardino County, Vintage at Kendall is the first senior MHSA project in the county.

LOAN TERMS (Total Loan Term 17 Years)

Acquisition/Rehabilitation

First Mortgage	$10,580,000
Interest Rate*	5.00%, fixed
Term	12 Months, interest only
Financing	Tax-Exempt
Credit Enhancement	HUD Risk Share

Permanent

First Mortgage	$10,580,000
Interest Rate*	5.00% fixed
Term	35 year amortization, due in 16 years
Prepayment	Balloon payment at maturity
Financing	Tax-Exempt
Credit Enhancement	HUD Risk Share

*The interest rate reflects a 25 basis point discount incentive given to the Borrower for implementing cost effective systems for increasing energy efficiencies through property improvements.

CalHFA acquisition/rehabilitation financing is subject to the assignment by the borrower of tax credit equity and all rights under non-CalHFA financing commitments.

OTHER FINANCING

- USA Multifamily Development, Inc., will provide a soft note in the amount of $1,052,940 with a rate of 5% and a term of 16 years, payable from residual receipts.
- The MHSA Housing Program will provide a loan of $2,339,720 with a rate of 3% simple and a term of 20 years, payable from residual receipts. The MHSA loan will close simultaneously with the Project's acquisition/rehabilitation loan.

PROJECT DESCRIPTION

Project Location

- The development is located in the Shandin Hills area of the city at the base of the San Bernardino Mountains, along historic Route 66, near the terminus of West 40th Street in San Bernardino. The development is east of I-215, north of I-210, and approximately 1.0 mile southeast of CSU San Bernardino.
- Adjoining land uses to the north (across Kendall Drive) is vacant land with views of the mountains; to the northeast (across Kendall Drive) is a retail strip center; to the east is a vacant, commercially zoned parcel for sale – further east (across Shandin Hills Drive) is a large shopping center; to the southeast is a detached, single-family housing subdivision; to the southwest is permanent open space; and to the west are the market-rate Lido Apartments.
- Located within 2.0 miles of the project are three hospitals, a dental clinic, three libraries, a fire station with paramedics, a grocery store and a pharmacy. Located within 1.0 mile of the project are two pharmacies; within ¼ mile of the project is a bus stop which is part of the San Bernardino public transit system.

Site

- The 7.9 acre site is rectangular in shape with moderately flat topography.
- The site is zoned RMH – Medium High Residential by the City of San Bernardino which allows for a multifamily development density range of 21 units per acre. Victoria Woods San Bernardino was constructed to a density of 22.53 units per acre and with the 25% density bonus granted by the city for affordable housing, its site and use are legally conforming.

Improvements

- This 178-unit, garden style project was built in 1994 and consists of 13 two-story buildings, and a centrally-located one-story community room/office building. All units are accessible from the Kendall Drive frontage and parking lot entrances. There are landscaped and paved open spaces and the property is enclosed by a gated security fence. The buildings are wood frame structure with stucco siding and reinforced concrete foundations and footings. The roofs are pitched tile.
- There are 104 one-bedroom and 74 two-bedroom units; two two-bedroom units serve as manger's units.
- Each unit has a gas range and oven, a frost-free refrigerator, dishwasher, wall to-wall carpeting, window coverings, bathroom amenities, adequate storage, front screen doors and a patio or balcony. All units have individual central air conditioning and heater units.

- The common area amenities include a community room/clubhouse, pool and spa, BBQs, horseshoe pit, and landscaped open areas. The community building contains a rental office, salon, kitchen, restrooms, library, secured mail and game/computer room.
- The project offers 90 garage spaces, 88 carport spaces and 126 uncovered on-site parking spaces.

PHYSICAL NEEDS ASSESSMENT/SCOPE OF WORK

- The project is in average condition for a development of this type and age.
- The proposed scope of rehabilitation work increases energy efficiencies by 20%.
- The scope of rehabilitation work totals $3,584,317 or $20,136 (excluding overhead, profit, general conditions and insurance) per unit and includes:
    - **Site work, $434,744** – Parking/driveway repairs and upgrades ($30,745), concrete walks ($78,000), clean up of site ($13,000), gates and fencing repairs and upgrades ($38,675), landscaping ($215,434), site lighting upgrades ($49,140), sewer line repair ($9,750).
    - **Common Area, $457,882** – Carport repairs and upgrades ($13,780), repair of garages ($127,400), repair and upgrade laundry rooms ($19,890), new mailboxes ($15,130), maintenance shop ($2,600), pool equipment enclosure ($5,915), pool/spa area repairs and upgrades ($13,975), recreation facility repairs and upgrades (149,417), security camera and installation ($26,000), repair and replace signage ($83,775).
    - **Residential Units and Building, $2,691,691** – Energy Star appliances ($175,286), bathroom repairs and upgrades (excluding electrical) ($194,955), clean up of units ($5,785), entry and interior doors and hardware ($171,815), unit electrical ($160,823), finish carpentry ($23,140), fire protection ($9,750), Unit flooring ($69,420), energy efficient HVAC ($809,900), stairway repair ($11,440), kitchen improvements including cabinets (excluding electrical) ($233,714), exterior painting ($80,990), Interior painting and wall repair ($63,635), plumbing ($178,458), roofing replacement and maintenance ($128,440), rough carpentry ($347,100), stucco repair ($16,900), utility room doors ($10,140).

  Work is scheduled to commence by January 2013 and is projected to be completed within 12 months.

Off-site improvements

- No off-site improvements and/or costs are required.

Relocation

- The Borrower plans to complete all rehabilitation work while residents remain in their units. No funds were reserved for relocation in the development budget however the Borrower has developed a relocation plan that sets forth what action will need to be taken if any tenants have to be temporarily displaced during the renovation. This includes the right to move back into their original unit after renovation, the right to be temporarily relocated to comparable housing during the renovation, to have temporary housing and moving expenses paid by the borrower. Any relocation costs will be paid from the $100,000 (32%) soft cost contingency reserve. The Borrower will provide written notification of the renovation work to be completed along with a projected timeline before and during the rehabilitation period to address any tenant issue or concerns regarding the project.

MARKET

Market Overview

The Primary Market Area (PMA) for the property is defined as the city of San Bernardino. The Secondary Market Area (SMA) is considered to be the adjoining city of Rialto, California (west of San Bernardino). The PMA for the 20 MHSA units will be larger, since there are fewer housing options to serve those who meet MHSA eligibility requirements. There are no MHSA units contained in existing senior LIHTC projects within the PMA in San Bernardino County. In addition, there are no planned/proposed MHSA units in senior LIHTC projects within 3.75 to 18 miles.

The total population in the PMA in 2010 was estimated to be 207,593 persons, with an annual growth rate of 0.44% projected from 2010 to 2015. The projected growth rate for San Bernardino County is 0.91% for the same period. The senior population within the PMA made up 8% (16,778 persons) of the total population. The projected PMA senior population for 2015 is 18,674 representing an 11% increase over 2010. Persons 65 years and older will account for 41% of all projected population growth in the PMA during that timeframe.

In 2010, renters accounted for 42% of all households in the PMA. In the PMA, 31% of the senior households are renters and 69% are owners. Within the PMA, approximately 38% of the senior households earned below $25,000 indicating the need and demand for affordable senior housing.

Housing Supply and Demand

- The rental housing stock in the PMA is comprised of one market rate senior apartment complex within three miles of the project, six general occupancy apartments, and three affordable senior projects both within one and one-half miles of the subject project.
- As of July 2012 the occupancy rates for market rate senior projects are 95.5% and 95.4% for the general occupancy projects. The LIHTC and HUD-assisted senior properties within the PMA run average occupancy rates of approximately 98.9% with waiting lists.
- The city’s severe downturn in building permit activity reflects that of the county overall. Permit activity was very robust between 2004 and 2007 before falling off dramatically in 2008 and remaining very low since then. Between 1987 and 2011 eight affordable multifamily projects were awarded LIHTC; four are senior projects, including the subject Vintage at Kendall. Building permit activity in the PMA remains low and sources of financing are scare since the dissolution of the RDA and the recent City of San Bernardino bankruptcy. As a result, the assumption is that no new senior multifamily housing stock will be developed in the near term.

PROJECT FEASIBILITY

Estimated Lease-up Period

- The project is currently 100% leased and the proposed rehabilitation will not interfere with occupancy.

ENVIRONMENTAL

Krazan & Associates, Inc. completed a Phase I Environmental Assessment report for Vintage at Kendall Apartments on August 13, 2012. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action.

In addition, on September 18, 2012, CalHFA's NEPA review consultant, AEM Consulting, completed its compliance review of the Environmental Review Record (**"ERR"**). The Vintage at Kendall ERR complies with HUD Risk Share requirements, received a Categorical Exemption determination, and requires no mitigations.

SEISMIC

Partner Energy performed a Seismic Review Risk Assessment dated August 28, 2012. The damage ratio met CalHFA's seismic risk criteria of Probable Maximum Loss of 20% or less, thus no earthquake insurance is required.

DEVELOPMENT TEAM

Borrower

<u>San Bernardino 611, L.P.</u>

- The Managing General Partner is Riverside Charitable Corporation, a California nonprofit public benefit corporation located in Orange, California. The limited partner will be Boston Financial Investment Management (Tax Credit Investor) who together with Riverside Charitable Corporation will own the Project. The developer USA Multifamily Development owns and operated over 11,000 units of market rate and affordable family and senior housing in California and Nevada.

Management Agent

<u>USA Multifamily Management, Inc.</u>

- USA Multifamily Management, Inc., (USAMM) a California corporation, will manage the property. USAMM was founded in 1993 and provides multifamily property management throughout California and Nevada. USAMM services approximately 32 market rate and affordable multifamily developments representing over 3,500 units. USAMM manages various types of properties including senior communities, tax credit projects, HUD, and Section 8 properties.

Architect

Kuchman Architects, PC

- Kuchman Architects, PC, a California professional corporation, located in Sacramento, CA has provided all phase services of development and construction administration since 1995. The Borrower has engaged Kuchman to assist them in project design during the rehabilitation process. Kuchman has designed numerous multifamily, retail and mixed use projects in the Northern California region.

Contractor

USA Construction Management, Inc.

- USA Construction Management, Inc. (USACM), a California corporation, is a general contracting company headquartered in Roseville, California, and specializing for over 30 years in the renovation and new construction of multi-housing residences throughout California and Nevada. USACM has completed projects totaling well over 11,000 units relating to new construction and rehabilitation of multifamily housing. USACM is a Build It Green Member and employs certified Green Building Professionals.

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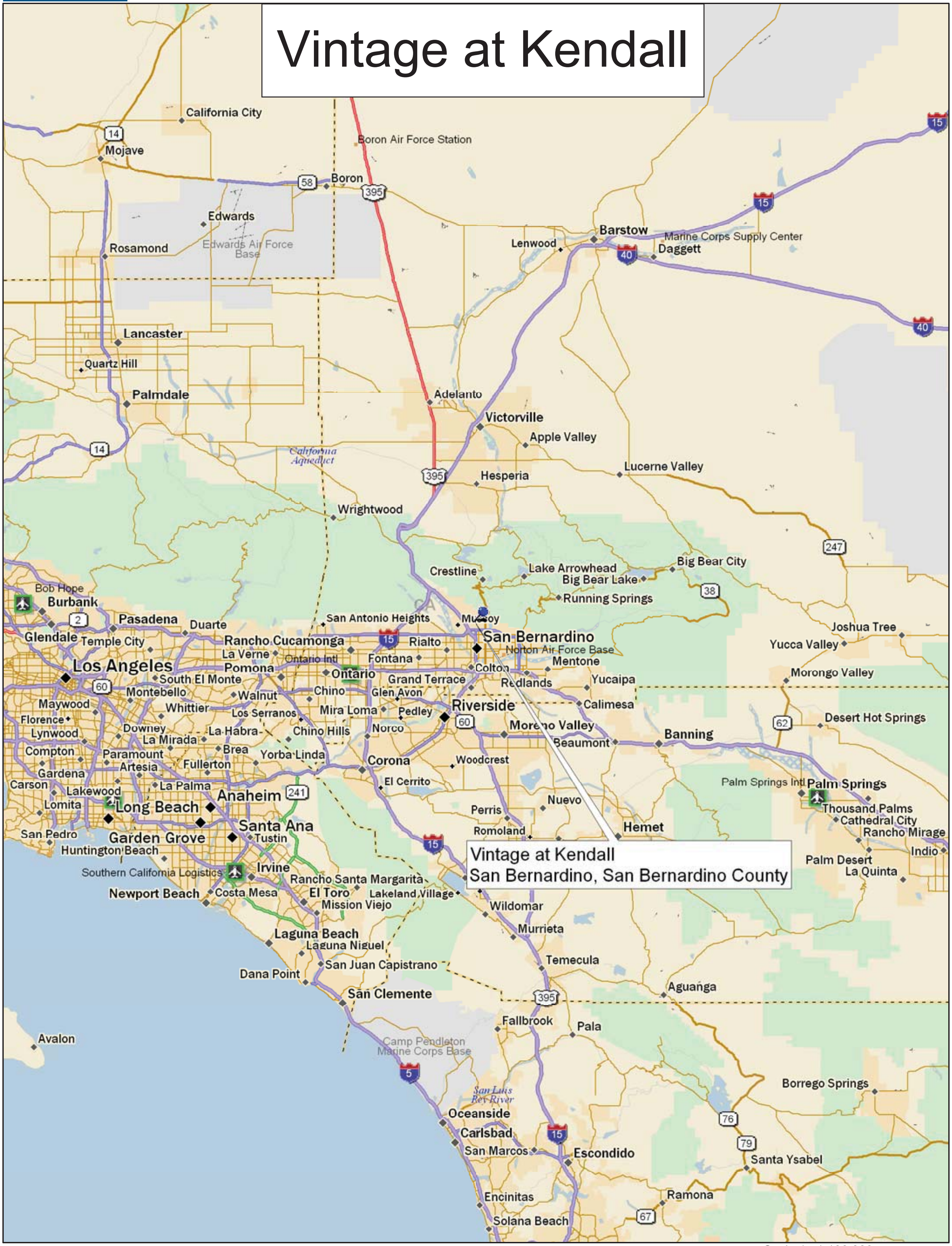
DeLorme

DeLorme Street Atlas USA® 2009



TN
MN (12.3°E)

Scale 1 : 1,100,000

1" = 17.36 mi

Data Zoom 7-5

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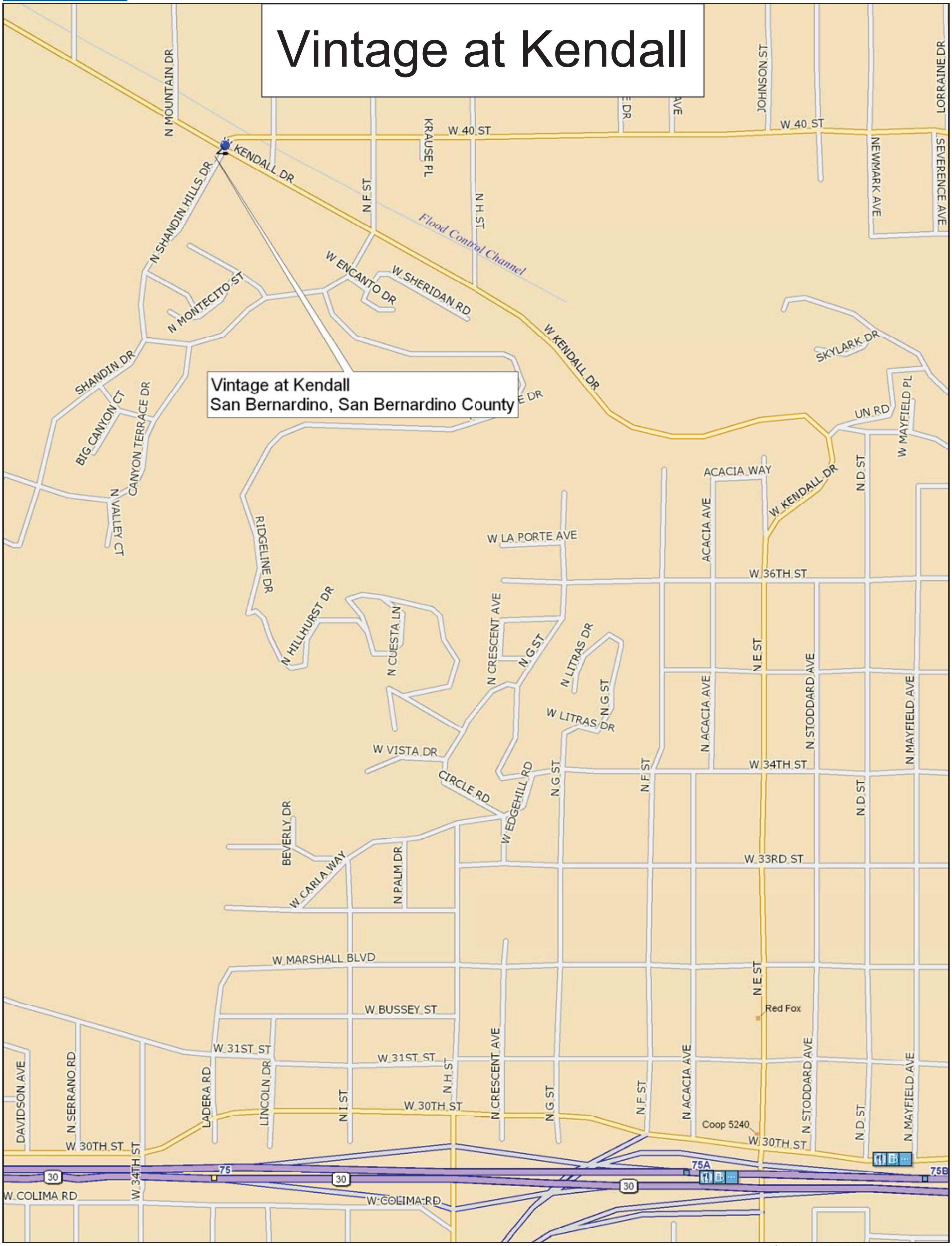

TN

MN (12.3°E)

Scale 1 : 10,400

1" = 866.7 ft

Data Zoom 14-3

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PROJECT SUMMARY — Final Commitment

Acquisition, Rehab, Construction & Permanent Loans — **Project Number 12053-R/S**

Project Full Name	Vintage at Kendall	**Borrower Name:**	San Bernardino 611, L.P.
Project Address	1095 Kendall Drive	**Managing GP:**	Riverside Charitable Corporation
Project City	San Bernardino	**Developer Name:**	USA Multi-Family Development, Inc.
Project County	San Bernardino	**Investor Name:**	Boston Financial Investment Management
Project Zip Code	92407	**Prop Management:**	USA Multifamily Management, Inc.

Project Type:	Acquisition /Rehab	**Total Land Area (acres):**	7.92
Tenancy/Occupancy:	Senior	**Residential Square Footage:**	113,174
Total Residential Units:	178	**Residential Units Per Acre:**	22.47
Total Number of Buildings:	14		
Number of Stories:	2	**Covered Parking Spaces:**	178
Unit Style:	Flats	**Total Parking Spaces:**	304
Elevators:	none		

Acq/Construction/Rehab Financing	Loan Amount ($)	Loan Fees	Loan Term (Mo.)	Amort. Period (Yr.)	Starting Interest Rate
CalHFA Loan	10,580,000	1.000%	12	35	5.000%
--	--	--	--	--	--
MHSA	2,339,720	1.000%	12	--	3.000%
USA Multifamily Development, Inc.	2,245,306	--	12	--	5.000%
--	--	--	--	--	--
Construct/Rehab Net Oper. Inc.	260,832	--	--	--	--
Investor Equity Contribution	4,235,683	--	--	--	--

Permanent Financing	Loan Amount ($)	Loan Fees	Loan Term (Yr.)	Amort. Period (Yr.)	Starting Interest Rate
CalHFA Permanent Loan	10,580,000	--	16	35	5.000%
--	--	--	--	--	--
--	--	--	--	--	--
MHSA	2,339,720	--	20	--	3.000%
USA Multifamily Development, Inc.	1,052,940	--	16	--	5.000%
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
Deferred Developer Fees	438,605	NA	NA	NA	NA
--	--	NA	NA	NA	NA
Investor Equity Contributions	5,771,604	NA	NA	NA	NA

Appraised Values Upon Completion of Rehab/Construction

Appraisal Date:	7/26/12	**Capitalization Rate:**	6.00%
Investment Value ($)	14,400,000	**Restricted Value ($)**	12,960,000
Construct/Rehab LTC	58%	**Permanent Loan to Cost**	58%
Construct/Rehab LTV	73%	**Permanent Loan to Value**	82%

Additional Loan Terms, Conditions & Comments

Construction/Rehab Loan

Payment/Performance Bond	Required
Completion Guarantee Letter of Credit	Waived

Permanent Loan

Operating Expense Reserve Deposit	$332,682	NA
Initial Replacement Reserve Deposit	$178,000	Cash
Annual Replacement Reserve Per Unit	$500	Cash

Date Prepared: 10/30/12 — Senior Staff Date: 10/24/12

UNIT MIX AND RENT SUMMARY **Final Commitment**

Vintage at Kendall Apartments **Project Number 12053-R/S**

PROJECT UNIT MIX					
Unit Type of Style	Number of Bedrooms	Number of Baths	Average Size (Sq. Ft.)	Number of Units	Est. No. of Tenants
Flats	1	1	572	104	104
Flats	2	1	723	72	144
Flats	2	1	808	1	2
Flats	2	1	822	1	2
-	-	-	-	-	0
-	-	-	-	-	0
				178	252

NUMBER OF UNITS AND PERCENTAGE OF AMI RENTS RESTRICTED BY EACH AGENCY							
Agency	Number of Units Restricted For Each AMI Category						
	25%	45%	50%	60%	80%	0%	0%
CalHFA			35.6				
Tax Credits				140			
-							
-							
-							
-							

COMPARISON OF AVERAGE MONTHLY RESTRICTED RENTS TO AVERAGE MARKET RENTS							
Unit Type	Restricting Agency	% of Area Median Income	Average Restricted Rents		Average Market Rents	Average Monthly Savings	% of Market Rents
			Number of Units	Unit Rent			
1 Bedroom	**CalHFA**	**25%**	20	$184	$775	$591	24%
	CalHFA	**45%**	-	-		-	-
	Senior	**50%**	1	$514		$261	66%
	CalHFA	**55%**	-	-		-	-
	CalHFA	**60%**	83	$681		$94	88%
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
2 Bedrooms	**CalHFA**	**25%**	-	-	$875	-	-
	CalHFA	**45%**	-	-		-	-
	Senior	**50%**	15	$573		$302	65%
	CalHFA	**55%**	-	-		-	-
	CalHFA	**60%**	57	$807		$68	92%
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
3 Bedrooms	**CalHFA**	**25%**	-	-	-	-	-
	CalHFA	**45%**	-	-		-	-
	Senior	**50%**	-	-		-	-
	CalHFA	**55%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
4 Bedrooms	**CalHFA**	**25%**	-	-	-	-	-
	CalHFA	**45%**	-	-		-	-
	Senior	**50%**	-	-		-	-
	CalHFA	**55%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
5 Bedrooms	**CalHFA**	**25%**	-	-	-	-	-
	CalHFA	**45%**	-	-		-	-
	Senior	**50%**	-	-		-	-
	CalHFA	**55%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
Date Prepared:	10/30/12					Senior Staff Date:	10/24/12

SOURCES & USES OF FUNDS SUMMARY					Final Commitment
Vintage at Kendall Apartments			**Project Number**	**12053-R/S**	
SOURCES OF FUNDS	**CONST/REHAB $**	**PERMANENT $**	**TOTAL PROJECT FUNDS**		
			SOURCES ($)	**PER UNIT ($)**	**%**
CalHFA Loan	10,580,000				0.0%
CalHFA Section 8 Loan	-				0.0%
MHSA	2,339,720				0.0%
USA Multifamily Development, Inc.	2,245,306				0.0%
-	-				0.0%
Other Non-CalHFA Sources of Funds	-				0.0%
Construct/Rehab Net Oper. Inc.	260,832				0.0%
Deferred Developer Fee	-				0.0%
Developer Equity Contribution	-				0.0%
Investor Equity Contribution	4,235,683				0.0%
CalHFA Permanent Loan		10,580,000	10,580,000	59,438	52.4%
CalHFA Bridge Loan		-	-	-	0.0%
CalHFA Section 8 Loan		-	-	-	0.0%
MHSA		2,339,720	2,339,720	13,144	11.6%
USA Multifamily Development, Inc.		1,052,940	1,052,940	5,915	5.2%
-		-	-	-	0.0%
Other Non-CalHFA Sources of Funds		-	-	-	0.0%
-		-	-	-	0.0%
Deferred Developer Fees		438,605	438,605	2,464	2.2%
Developer Equity Contribution		-	-	-	0.0%
Investor Equity Contributions		5,771,604	5,771,604	32,425	28.6%
TOTAL SOURCES OF FUNDS	**19,661,541**	**20,182,869**	**20,182,869**	**113,387**	**100.0%**

USES OF FUNDS	**CONST/REHAB $**	**PERMANENT $**	**TOTAL PROJECT COSTS**		
			USES ($)	**PER UNIT ($)**	**%**
Payoff Acquisition/Rehab Financing		19,661,541			
Acquisition Costs	**12,000,000**	**-**	**12,000,000**	67,416	59.5%
Construction/Rehab Hard Costs	**4,086,120**	**-**	**4,086,120**	22,956	20.2%
Relocation Costs	**-**	**-**	**-**	-	0.0%
Architectural Costs	**25,000**	**-**	**25,000**	140	0.1%
Surveys & Engineering Costs	-	-	-	-	0.0%
Contingency Reserves	508,612	-	508,612	2,857	2.5%
Loan Period Loan & Other Costs	**315,680**	**-**	**315,680**	1,773	1.6%
Permanent Loan Costs	**23,397**	**10,646**	**34,043**	191	0.2%
Legal Fees	**120,000**	**-**	**120,000**	674	0.6%
Operating Reserves	**-**	**510,682**	**510,682**	2,869	2.5%
Reports & Studies	**36,000**	**-**	**36,000**	202	0.2%
Other Construction/Rehab Costs	**301,426**	**-**	**301,426**	1,693	1.5%
Developer Fees & Costs	**2,245,306**	**-**	**2,245,306**	12,614	11.1%
TOTAL PROJECT COSTS	**19,661,541**	**20,182,869**	**20,182,869**	**113,387**	**100.0%**

PROJECTED INITIAL ANNUAL RENTAL OPERATING BUDGET			Final Commitment
Vintage at Kendall Apartments	**Project Number**		**12053-R/S**
INCOME	**AMOUNT**	**PER UNIT**	**%**
Rental Income			
Restricted Unit Rents	$ 1,383,732	$ 7,774	99.78%
Unrestricted Unit Rents	21,696	122	1.56%
Commercial Rents	-	-	0.00%
Rental & Operating Subsidies			
Section 8 Rent Subsidies	-	-	0.00%
Shelter Care Plus Rent Subsidies	-	-	0.00%
Other Subsidy (MHSA COSR)	32,000	180	2.31%
Other Subsidy (Specify)	-	-	0.00%
Other Income			
Laundry and Vending Income	18,512	104	1.33%
Garage and Parking Income	-	-	0.00%
Miscellaneous Income	-	-	0.00%
GROSS POTENTIAL INCOME (GPI)	**$ 1,455,940**	**$ 8,179**	**104.99%**
Less: Vacancy Loss	**$ 69,187**	**$ 389**	**4.99%**
EFFECTIVE GROSS INCOME (EGI)	**$ 1,386,753**	**$ 8,568**	**100.00%**
OPERATING EXPENSES	**AMOUNT**	**PER UNIT**	**%**
Administrative Expenses	$ 143,685	$ 807	$ 0
Management Fee	69,199	389	4.99%
Social Programs & Services	-	-	0.00%
Utilities	81,712	459	5.89%
Operating & Maintenance	164,714	925	11.88%
Ground Lease Payments	-	-	0.00%
Real Estate Taxes	6,000	34	0.43%
Other Taxes & Insurance	96,209	540	6.94%
Assisted Living/Board & Care	-	-	0.00%
SUBTOTAL OPERATING EXPENSES	**$ 561,519**	**$ 3,155**	**40.49%**
Operating Reserves	$ 89,000	$ 500	6.42%
TOTAL OPERATING EXPENSES	**$ 650,519**	**$ 3,655**	**46.91%**
NET OPERATING INCOME (NOI)	**$ 736,234**	**$ 4,136**	**53.09%**
DEBT SERVICE PAYMENTS	**AMOUNT**	**PER UNIT**	**%**
CalHFA Loan	$ 640,751	$ 3,600	46.21%
CalHFA Section 8 Loan	-	-	0.00%
MHSA	-	-	0.00%
USA Multifamily Development, Inc.	-	-	0.00%
-	-	-	0.00%
-	-	-	0.00%
-	-	-	0.00%
TOTAL DEBT SERVICE PAYMENTS	**$ 640,751**	**$ 3,600**	**46.21%**
EXCESS CASH FLOWS AFTER DEBT SERVICE	**$ 95,483**	**$ 536**	**6.89%**
DEBT SERVICE COVERAGE RATIO (DSCR)	**1.15 to 1**		
Date: 10/30/12		Senior Staff Date:	10/24/12

CONSTRUCTION/REHAB NET OPERATING INCOME												Vintage at Kendall Apartments
											Project Number:	12053-R/S
		FISCAL QUARTERS - YEAR 1				FISCAL QUARTERS - YEAR 2				QUARTERS - YEAR 3		TOTAL
		1	2	3	4	5	6	7	8	9	10	ALL YEARS
RENTAL INCOME	**CPI**											
Restricted Unit Rents	2.50%	345,933	345,933	345,933	345,933	-	-	-	-	-	-	1,383,732
Unrestricted Unit Rents	0.00%	5,424	5,424	5,424	5,424	-	-	-	-	-	-	21,696
Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-	-
Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-	-
Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (MHSA COSR)	0.00%	8,000	8,000	8,000	8,000	-	-	-	-	-	-	32,000
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-
TOTAL RENTAL INCOME		359,357	359,357	359,357	359,357	-	-	-	-	-	-	1,437,428
OTHER INCOME	**CPI**											
Laundry and Vending Income	0.00%	4,628	4,628	4,628	4,628	-	-	-	-	-	-	18,512
Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER INCOME		4,628	4,628	4,628	4,628	-	-	-	-	-	-	18,512
GROSS POTENTIAL INCOME (GPI)		363,985	363,985	363,985	363,985	-	-	-	-	-	-	1,455,940
TOTAL PROJECTED VACANCY LOSS		**3,897**	**3,897**	**3,897**	**3,897**	**-**	**-**	**-**	**-**	**-**	**-**	**15,589**
EFFECTIVE GROSS INCOME (EGI)		**360,088**	**360,088**	**360,088**	**360,088**	**-**	**-**	**-**	**-**	**-**	**-**	**1,440,351**
OPERATING EXPENSES	**CPI/Fee**	Except for management fee, which is a % of EGI										
Administrative Expenses	3.50%	35,921	35,921	35,921	35,921	-	-	-	-	-	-	143,685
Management Fee	4.99%	17,300	17,300	17,300	17,300	-	-	-	-	-	-	69,199
Utilities	3.50%	20,428	20,428	20,428	20,428	-	-	-	-	-	-	81,712
Operating & Maintenance	3.50%	41,179	41,179	41,179	41,179	-	-	-	-	-	-	164,714
Ground Lease Payments	0.00%	-	-	-	-	-	-	-	-	-	-	-
Real Estate Taxes	1.30%	1,500	1,500	1,500	1,500	-	-	-	-	-	-	6,000
Other Taxes & Insurance	3.50%	24,052	24,052	24,052	24,052	-	-	-	-	-	-	96,209
Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-	-
Required Reserve Payments	1.00%	22,250	22,250	22,250	22,250	-	-	-	-	-	-	89,000
TOTAL OPERATING EXPENSES		**162,630**	**162,630**	**162,630**	**162,630**	**-**	**-**	**-**	**-**	**-**	**-**	**650,519**
NET OPERATING INCOME (LOSS)		**197,458**	**197,458**	**197,458**	**197,458**	**-**	**-**	**-**	**-**	**-**	**-**	**789,832**
DEBT SERVICE PAYMENTS	**Lien #**											
CalHFA Loan	1	132,250	132,250	132,250	132,250	-	-	-	-	-	-	529,000
CalHFA Section 8 Loan	0	-	-	-	-	-	-	-	-	-	-	-
MHSA	2	-	-	-	-	-	-	-	-	-	-	-
USA Multifamily Development, Inc.	3	-	-	-	-	-	-	-	-	-	-	-
-	4	-	-	-	-	-	-	-	-	-	-	-
-	0	-	-	-	-	-	-	-	-	-	-	-
-	0	-	-	-	-	-	-	-	-	-	-	-
TOTAL DEBT SERVICE PAYMENTS		**132,250**	**132,250**	**132,250**	**132,250**	**-**	**-**	**-**	**-**	**-**	**-**	**529,000**
NET PROPERTY CASH FLOWS		**65,208**	**65,208**	**65,208**	**65,208**	**-**	**-**	**-**	**-**	**-**	**-**	**260,832**
				Year 1 Debt Service	**529,000**			**Year 2 Debt Service**	**-**	**Year 2.5**	**-**	**529,000**
				Year 1 Net Cash Flow	**260,832**			**Year 2 Net Cash Flow**	**-**	**Year 2.5**	**-**	**260,832**

	A	B	C	D	E	F	G	H	I	J	K	L
1	**PROJECTED PERMANENT LOAN CASH FL0WS**										**Vintage at Kendall Apartments**	
2	**Final Commitment**										**Project Number**	**12053-R/S**
3		**YEAR**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.50%	1,418,325	1,453,783	1,490,128	1,527,381	1,565,566	1,604,705	1,644,823	1,685,943	1,728,092	1,771,294
6	Unrestricted Unit Rents	0.00%	21,696	21,696	21,696	21,696	21,696	21,696	21,696	21,696	21,696	21,696
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (MHSA COSR)	0.00%	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	0.00%	18,512	18,512	18,512	18,512	18,512	18,512	18,512	18,512	18,512	18,512
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**1,490,533**	**1,525,991**	**1,562,336**	**1,599,589**	**1,637,774**	**1,676,913**	**1,717,031**	**1,758,151**	**1,800,300**	**1,843,502**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	70,916	72,689	74,506	76,369	78,278	80,235	82,241	84,297	86,405	88,565
18	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (MHSA COSR)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	0.00%	-	-	-	-	-	-	-	-	-	-
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**70,916**	**72,689**	**74,506**	**76,369**	**78,278**	**80,235**	**82,241**	**84,297**	**86,405**	**88,565**
28	**EFFECTIVE GROSS INCOME (EGI)**		**1,419,617**	**1,453,302**	**1,487,830**	**1,523,220**	**1,559,495**	**1,596,678**	**1,634,789**	**1,673,854**	**1,713,895**	**1,754,937**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.50%	148,714	153,919	159,306	164,882	170,653	176,626	182,807	189,206	195,828	202,682
31	Management Fee	4.99%	70,839	72,520	74,243	76,009	77,819	79,674	81,576	83,525	85,523	87,571
32	Utilities	3.50%	84,572	87,532	90,596	93,766	97,048	100,445	103,960	107,599	111,365	115,263
33	Operating & Maintenance	3.50%	170,479	176,446	182,621	189,013	195,629	202,476	209,562	216,897	224,488	232,345
34	Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.30%	6,078	6,291	6,511	6,739	6,975	7,219	7,471	7,733	8,004	8,284
36	Other Taxes & Insurance	3.50%	99,576	103,061	106,669	110,402	114,266	118,265	122,405	126,689	131,123	135,712
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	89,890	90,789	91,697	92,614	93,540	94,475	95,420	96,374	97,338	98,311
39	**TOTAL OPERATING EXPENSES**		**670,148**	**690,557**	**711,642**	**733,425**	**755,929**	**779,180**	**803,202**	**828,023**	**853,669**	**880,169**
40	**NET OPERATING INCOME (NOI)**		**749,469**	**762,745**	**776,188**	**789,796**	**803,567**	**817,498**	**831,587**	**845,831**	**860,226**	**874,769**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	640,751	640,751	640,751	640,751	640,751	640,751	640,751	640,751	640,751	640,751
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	MHSA	2	-	-	-	-	-	-	-	-	-	-
45	USA Multifamily Development, Inc.	3	-	-	-	-	-	-	-	-	-	-
46	-	4	-	-	-	-	-	-	-	-	-	-
47	-	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**640,751**	**640,751**	**640,751**	**640,751**	**640,751**	**640,751**	**640,751**	**640,751**	**640,751**	**640,751**
51	**CASH FLOW AFTER DEBT SERVICE**		**108,718**	**121,993**	**135,436**	**149,044**	**162,815**	**176,747**	**190,836**	**205,080**	**219,475**	**234,017**
52	**DEBT SERVICE COVERAGE RATIO**		**1.17**	**1.19**	**1.21**	**1.23**	**1.25**	**1.28**	**1.30**	**1.32**	**1.34**	**1.37**
53	Date Prepared:	10/30/12									Senior Staff Date:	10/24/12

	A	B	M	N	O	P	Q	R	S	T	U	V
1	**PROJECTED PERMANENT LOAN CASH FL0**										**Vintage at Kendall Apartments**	
2	**Final Commitment**										**Project Number**	**12053-R/S**
3		**YEAR**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.50%	1,815,576	1,860,966	1,907,490	1,955,177	2,004,057	2,054,158	2,105,512	2,158,150	2,212,103	2,267,406
6	Unrestricted Unit Rents	0.00%	21,696	21,696	21,696	21,696	21,696	21,696	21,696	21,696	21,696	21,696
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (MHSA COSR)	0.00%	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	0.00%	18,512	18,512	18,512	18,512	18,512	18,512	18,512	18,512	18,512	18,512
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**1,887,784**	**1,933,174**	**1,979,698**	**2,027,385**	**2,076,265**	**2,126,366**	**2,177,720**	**2,230,358**	**2,284,311**	**2,339,614**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	90,779	93,048	95,374	97,759	100,203	102,708	105,276	107,907	110,605	113,370
18	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (MHSA COSR)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	0.00%	-	-	-	-	-	-	-	-	-	-
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**90,779**	**93,048**	**95,374**	**97,759**	**100,203**	**102,708**	**105,276**	**107,907**	**110,605**	**113,370**
28	**EFFECTIVE GROSS INCOME (EGI)**		**1,797,005**	**1,840,125**	**1,884,323**	**1,929,626**	**1,976,062**	**2,023,658**	**2,072,444**	**2,122,450**	**2,173,706**	**2,226,244**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.50%	209,776	217,118	224,717	232,582	240,722	249,148	257,868	266,893	276,235	285,903
31	Management Fee	4.99%	89,671	91,822	94,028	96,288	98,605	100,981	103,415	105,910	108,468	111,090
32	Utilities	3.50%	119,297	123,472	127,794	132,267	136,896	141,687	146,647	151,779	157,091	162,590
33	Operating & Maintenance	3.50%	240,477	248,894	257,605	266,622	275,953	285,612	295,608	305,954	316,663	327,746
34	Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.30%	8,574	8,874	9,184	9,506	9,838	10,183	10,539	10,908	11,290	11,685
36	Other Taxes & Insurance	3.50%	140,462	145,378	150,467	155,733	161,184	166,825	172,664	178,707	184,962	191,435
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	99,294	100,287	101,290	102,303	103,326	104,359	105,403	106,457	107,522	108,597
39	**TOTAL OPERATING EXPENSES**		**907,551**	**935,846**	**965,085**	**995,301**	**1,026,526**	**1,058,795**	**1,092,144**	**1,126,609**	**1,162,230**	**1,199,045**
40	**NET OPERATING INCOME (NOI)**		**889,454**	**904,279**	**919,238**	**934,326**	**949,536**	**964,863**	**980,301**	**995,841**	**1,011,476**	**1,027,198**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	640,751	640,751	640,751	640,751	640,751	640,751	-	-	-	-
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	MHSA	2	-	-	-	-	-	-	-	-	-	-
45	USA Multifamily Development, Inc.	3	-	-	-	-	-	-	-	-	-	-
46	-	4	-	-	-	-	-	-	-	-	-	-
47	-	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**640,751**	**640,751**	**640,751**	**640,751**	**640,751**	**640,751**	**-**	**-**	**-**	**-**
51	**CASH FLOW AFTER DEBT SERVICE**		**248,703**	**263,528**	**278,487**	**293,574**	**308,785**	**324,112**	**980,301**	**995,841**	**1,011,476**	**1,027,198**
52	**DEBT SERVICE COVERAGE RATIO**		**1.39**	**1.41**	**1.43**	**1.46**	**1.48**	**1.51**	**NA**	**NA**	**NA**	**NA**
53	Date Prepared:	10/30/12									Senior Staff Date:	10/24/12

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RESOLUTION 12-15

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of SAN BERNARDINO 611, L.P., a California limited partnership, (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in San Bernardino, San Bernardino County, California, to be known as Vintage at Kendall Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which prepared a report presented to the Board on the meeting date recited below (the "Staff Report"), recommending Board approval subject to certain recommended terms and conditions; and

WHEREAS, Agency staff has determined or expects to determine prior to making a binding commitment to fund the loan for which the application has been made, that (i) the Agency can effectively and prudently raise capital to fund the loan for which the application has been made, by direct access to the capital markets, by private placement, or by way of the New Issue Bond Program of the United States Treasury or other means and (ii) any financial mechanisms needed to insure prudent and reasonable financing of loans can be achieved; and

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Agency, as the issuer of tax-exempt bonds, to declare its reasonable official intent to reimburse prior expenditures for the Development with proceeds of a subsequent borrowing; and

WHEREAS, on August 2, 2012, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

WHEREAS, the Board wishes to grant the staff the authority to enter into a loan commitment upon Agency staff determining in its judgment that reasonable and prudent financing mechanisms can be achieved;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Agency as follows:

1. The Executive Director, or in his/her absence, the Acting Chief of Multifamily Programs, is hereby authorized to execute and deliver a final commitment letter, in a form acceptable to the Agency, and subject to recommended terms and conditions set forth in the Staff Report and any terms and conditions as the Board has designated in the Minutes of the Board Meeting, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT
12-053-R/S	Vintage at Kendall Apartments San Bernardino, San Bernardino County	Acquisition/Rehab Loan: $10,580,000.00 Permanent Loan: $10,580,000.00

The Board recognizes that in the event that staff cannot determine that reasonable and prudent financing mechanisms can be achieved, the staff will not enter into loan commitments to finance the Development. In addition, access to capital markets may require significant changes to the terms of loans submitted to the Board. Notwithstanding paragraph 2 below, the staff is authorized to make any needed modifications to the loan which in staff's judgment are directly or indirectly the result of the disruptions to the capital markets referred to above.

2. The Executive Director may modify the terms and conditions of the loans or loans as described in the Staff Report, provided that major modifications, as defined below, must be submitted to this Board for approval. "Major modifications" as used herein means modifications which either (i) increase the total aggregate amount of any loans made pursuant to the Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive Director, or in his/her absence, the Acting Chief of Multifamily Programs of the Agency, adversely change the financial or public purpose aspects of the final commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 12-15 adopted at a duly constituted meeting of the Board of the Agency held on November 13, 2012, at Burbank, California.

ATTEST:______________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Villa Anaheim Apartments
Anaheim, Orange County, CA
CalHFA # 12-044-R/S

SUMMARY

This is a Final Commitment request for acquisition/rehabilitation and permanent financing. Security for the acquisition/rehabilitation and permanent loan will be a 135-unit senior apartment complex known as Villa Anaheim Apartments, located at 3305 W. Lincoln Avenue, Anaheim, California. Anaheim Affordable II, L.P., a California limited partnership ("**Borrower**") whose managing general partner is Affordable Housing Alliance II, Inc. and Administrative General Partner is Bongate, LLC along with an entity to be formed by RBC Capital Markets (Tax Credit Investor), will own the project.

Villa Anaheim Apartments is an existing portfolio loan currently owned by Anaheim Affordable L.P., a California limited partnership, of which Bongate LLC is a general partner. Villa Anaheim was first financed by CalHFA in 1994 and is a 135-unit, gated senior apartment complex consisting of four two-story buildings with elevators in two buildings, and a separate clubhouse building. The project is 100% affordable with 45 one-bedroom units and two (2) two-bedroom units at 50% of the Orange County AMI, and 85 one-bedroom and two (2) two-bedroom units at 60% of the Orange County AMI. One two-bedroom unit wills serve as a manger's unit.

The project is built on land leased from the Centralia School District. The ground lease agreement will be assigned to the Borrower. The CalHFA Regulatory Agreement and Deed of Trust will be recorded against, and secured by Borrower's leasehold interest in the land and fee interest in the improvements.; lease payments will be made from operations and residual receipts. The lease payments will be subordinate to payment of the annual debt service due on the CalHFA loan.

Existing Financing

Project Rate	6.50%
Term:	35 yrs.; remaining term: 16 yrs. 10 mo.
Loan Maturity	August 1, 2029
Orig. Loan Amount	$4,439,585
Curr Prin Bal:	$3,276,684

Sales Transaction

Sales Price	$11,800,000	($87,407 per unit)
Less: CalHFA Existing Indebtedness	$3,276,684	
Less: Pay down of Century Housing Loan	$3,845,401	
Less: CalHFA Yield Maintenance	$56,109	
Net Proceeds to Seller*	**$4,621,806**	

*Net proceeds to Seller does not include $1,162,901 in principal payments over the past 18 years

Proposed Rents

	Rent	Rent Level	Units	# of Persons
One Bdrm	$819	50%	26	26
One Bdrm	$939	50%	19	19
One Bdrm	$1,059	60%	85	85
Two Bdrm	$929	50%	1	2
Two Bdrm	$1,048	50%	1	2
Two Bdrm	$1,265	60%	2	4
Two Bdrm		Manager's	1	4
Total Units/Persons			**135 Units**	**140**

Rehabilitation	($36,249 per unit)	$4,893,675

The project is a preservation project with over 16 years until maturity and the rent restrictions will remain unchanged and the affordability levels will be extended. In addition, the sale of Villa Anaheim Apartments to the Borrower provides the project with much needed rehabilitation of approximately $38,847 per unit, improves overall energy savings 21%, and meets the requirements of Agency's mission to create and finance progressive housing solutions so more Californians have a place to call home.

LOAN TERMS (Total Loan Term – 17 years)

Acquisition/Rehabilitation

First Mortgage	$11,500,000
Interest Rate	5.25%, fixed
Term	12 Months, interest only
Financing	Tax-Exempt
Credit Enhancement	HUD Risk Share

Permanent

First Mortgage	$9,000,000
Interest Rate	5.25% fixed
Term	35 year amortization, due in 16 years
Prepayment	Balloon payment at maturity
Financing	Tax-Exempt
Credit Enhancement	HUD Risk Share

CalHFA acquisition/rehabilitation financing is subject to the assignment by the borrower of tax credit equity and all rights under non-CalHFA financing commitments.

OTHER FINANCING

- Anaheim Affordable, L.P. (the seller) will provide a take back loan of in the amount of $4,215,441, with a rate of 5% interest and a term of 55 years, payable from residual receipts.
- A Century Housing note of in the amount of $909,599 (paid down from $4,755,000 using seller proceeds) with a rate of 3% interest and a term of 30 years, payable from residual receipts, will be assumed by the Borrower.

PROJECT DESCRIPTION

Project Location

- The project is located at 3305 W. Lincoln Avenue in western Anaheim, in the northern portion of Orange County. Anaheim is the largest city in Orange County and is best known for the Disneyland Resort.
- The development is approximately 1.6 miles south of Highway 91 (Riverside Freeway), 4 miles west of I-5, 6 mile east of the I-605 and 4 mile north of the 22 Freeway (Garden Grove) in Orange County. All of the these arterials are the main thoroughfares for Orange County and Highway 91 and I-5 connect Orange County with Los Angeles.
- The project is bounded by S. Western Avenue on the east, S. knoll Avenue on the west, West Lincoln Avenue on the south. Adjoining land uses to the north are Centralia Elementary School, to the south retail and fast food, to the east Cambridge Terrace Apartments and to the west owner-occupied condominiums. All developments are in good condition.
- Public transportation (Orange County Transportation Authority) stops are located within 0.1 miles of the project. In addition, medical facilities, libraries, a senior center, and retail are located within one mile of the project.

Site

- The 3.1 acre site is rectangular in shape with flat topography.
- The site is zoned Transitional Zone (T) by the City of Anaheim, which allows for a Qualified Residential Rental Project development of no greater than 18 units per acre. Villa Anaheim Apartments was constructed to a density of 47 units per acre and therefore its site and its use are legally non-conforming via Conditional Use Permit Number 3440 approved in 1991.

Improvements

- This 135-unit project was built in 1994 and consists of 4 elevator-served two-story residential buildings with various wings and second floor walkways, and a one-story separate clubhouse/manager's office building with swimming pool and Jacuzzi. All units are accessible from the West Lincoln frontage and parking lot entrances. There are landscaped and paved open spaces. The buildings are wood frame structure with stucco siding, reinforced concrete foundations and some structural steel. The roofs are pitched tile.
- There are 130 one-bedroom and 5 two-bedroom units; one two-bedroom unit serves as a manger's unit.

- Each unit has window coverings, front screen doors, an electric range with hood, a frost-free refrigerator, carpeting; hand rails/grab bars, and a patio or balcony with storage. All units have central air conditioning and heating.
- The common area amenities include a community room/clubhouse with computer center and WI-FI, swimming pool/Jacuzzi, fitness center, gardening area, and BBQ area. The community building contains a TV, kitchen, secured mail and restrooms.
- The project offers 66 uncovered off-street parking spaces and 46 tuck-under covered carports.

PHYSICAL NEEDS ASSESSMENT/SCOPE OF WORK

- The project is in average condition for a development of this type and age.
- The proposed scope of rehabilitation work increases energy efficiencies by 21%.
- The scope of rehabilitation work totals $4,159,447 or $30,811 (excluding overhead, profit, general conditions and insurance) per unit and includes:
    - **Site work, $268,405** – Parking lot paving ($90,275); concrete site paving ($31,643); storm drains ($5,472); site and street furnishings ($40,000); landscaping ($98,735); landscaping concrete ($2,280).
    - **Building, $2,302,297** – Demolition, abatement and fumigation ($209,935); elevator upgrades ($25,000), building materials ($24,386), rough carpentry ($105,133); insulation ($27,645); replace roofing ($696,290); deck coating ($30,210); replace windows ($260,777); drywall ($76,950); lath and plaster ($177,718); signage ($1,000); replace HVAC system ($560,458); electrical ($106,795).
    - **Residential Units, $1,588,745** – Finish carpentry and hardware ($103,991); countertops and laminates ($168,321); mirrors ($8,037); flooring ($218,917); painting ($195,909); Energy Star appliances ($175,868); cabinets ($310,000); blinds ($19,673); plumbing ($223,879); cleanup ($164,132).

  Work is scheduled to commence by January 2013 and is projected to be completed within 12 months.

Off-site improvements

- No off-site improvements and/or costs are required.

Relocation

- The Borrower plans to complete all rehabilitation work while residents remain in their units however, there may arise conditions in individual units that will necessitate the temporary relocation of the existing resident for a short period of time. A $282,000 reserve has been established which will pay for relocation staff compensation, utility reimbursement, tenant lodgings, temporary housing compensation, packing supplies, storage bins, and an contingency allowance. The Borrower shall waive the rent that is due form the relocated tenant during renovation and pay a one-time benefit of $200 to the relocated tenant. The tenant will agree to execute a new lease prior to reoccupying the renovated unit. The Borrower will provide written notification of the renovation work to be completed along with a projected timeline before and during the rehabilitation period to address any tenant issue or concerns regarding the project.

MARKET

Market Overview

The Primary Market Area (PMA) for the property is defined as neighborhoods within 1.0 to 2.5 miles of the project. Specifically, the eastern boundary at Brookhurst Street (1.75 miles from the project) including some projects in the Resort District; the western boundary was set as Holder Street – the Anaheim/Cypress city line; portions of Buena Park that are south of the 91 Freeway were included in the PMA on the basis of similarity of demographics – Buena Park neighborhoods north of the 91 Freeway were excluded; and the southern PMA boundary, Cerritos Avenue (1.5 miles south) was selected as the demarcation line in order to exclude the city of Cypress. The Secondary Market Area (SMA) is considered to be the cities of Stanton and Garden Grove .

The total population in the PMA in 2010 was 117,339 persons; the PMA comprised 4% of the total Orange County population of 3.09 million persons. Slow growth is projected to continue in the PMA at 0.23% annually through 2015, for a total population of 118,685. The growth rate for Orange County is expected to be 0.39%. The senior population within the PMA made up 9.8% of the total population, with 11.1% of Orange County's population being seniors. The projected PMA senior population for 2015 is 13,747 representing an 11% increase over 2010. This accounts for 92% of the total population growth in the PMA.

In 2010, of the 5,701 senior households within the PMA population, 34% are renters and 66% are owners. Within the PMA, approximately 30% of the senior households earned below $25,000 and approximately 55% earned less than $50,000 indicating the need for all affordable housing types. The demographic data implies a strong demand to maintain and construct affordable rental housing for seniors in the PMA.

Housing Supply and Demand

- The age-restricted rental housing stock in the PMA is comprised of two mixed-income apartments (174 units) in average to good condition, and 5 affordable apartments (LIHTC – 433 units). There are four general occupancy market rate projects totaling 579 units.
- Average occupancy rate for market rate and affordable units as of July 2012 was 97% with waiting lists. Occupancy for the five senior affordable projects was 99.8%; occupancy for 1-BR and 2-BR units was 96% and 100% respectively.
- The five affordable (LIHTC) projects mentioned above are new construction, less than five years old. The project's effect on existing affordable senior multifamily housing stock will be negligible and will only enhance the project's ability to retain and attract new tenants on the basis of renovated/upgraded product with little or no increase in rents. There are no plans for new development of senior affordable housing projects, with the exception of the project's renovation, in the near future.

PROJECT FEASIBILITY

Estimated Lease-up Period

- The project is currently 100% leased and the proposed rehabilitation will not interfere with occupancy.

ENVIRONMENTAL

Partner Engineering and Science completed a Phase I Environmental Assessment report for Villa Anaheim Apartments on August 7, 2012. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action.

In addition, on September 14, 2012, CalHFA's NEPA review consultant, AEM Consulting, completed its compliance review of the Environmental Review Record (**"ERR"**). The Villa Anaheim Apartments ERR complies with HUD Risk Share requirements, received a Categorical Exemption determination, and requires no mitigations.

SEISMIC

Partner Energy performed a Seismic Review Risk Assessment dated August 29, 2012. The damage ratio met CalHFA's seismic risk criteria of Probable Maximum Loss of 20% or less, thus no earthquake insurance is required.

DEVELOPMENT TEAM

Borrower

Anaheim Affordable II, L.P.

The Managing General Partner is Affordable Housing Alliance II, Inc., a California non-profit corporation and RBC Capital Markets is the limited partner. Bongate, LLC, a California limited liability company, is the administrative general partner. The developer is BVH Development, LLC, a California limited liability company of which Bongate, LLC is a member.

Management Agent

Western Seniors Housing, Inc.

- Western Seniors Housing, Inc. located in Irvine, California, will manage the property. Western Seniors Housing has been in business 12 years providing all types of property management for senior affordable housing projects. Currently there 31 senior properties, 29 of them affordable under Western's management in Southern California. Western also partners with several providers of supportive services for its senior clients, and provides property management for the largest nonprofit and for profit senior multifamily housing developers in Southern California.

Architect

KTGY Group, Inc.

- KTGY Group, Inc. has offices in Northern and Southern California, Colorado, Virginia and China. As a full-service architectural and planning firm established in 1991, KTGY has delivered a depth and breadth of successful design solutions for planning and urban design and residential, mixed use and retail projects. KTGY has designed 15 multifamily projects, three of them affordable senior, in the western United States.

Contractor

<u>Sun Country Builders</u>

- Sun Country Builders located in Vista, California has been providing development assistance and rehabilitation and new construction of affordable multifamily housing projects since 1983. Since 1996 Sun Country has constructed four senior affordable multifamily housing projects of 100 units or greater. Sun Country also assists clients with the planning process and has gained experience in green building and the installation of innovative energy efficient equipment.

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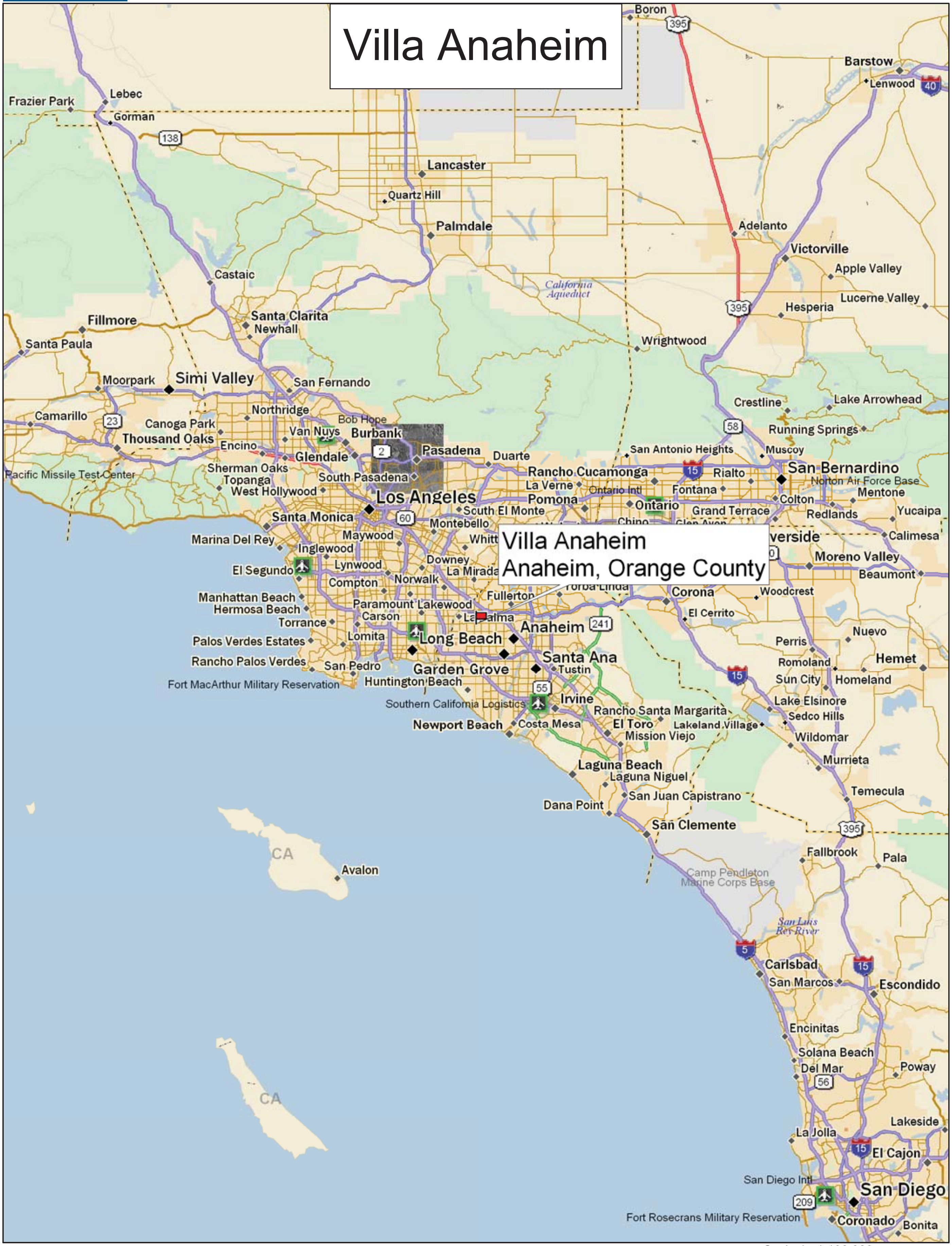

TN

MN (12.4°E)

Scale 1 : 1,100,000

0 6 12 18 24 30 mi

0 10 20 30 40 50 km

1" = 17.36 mi

Data Zoom 7-5

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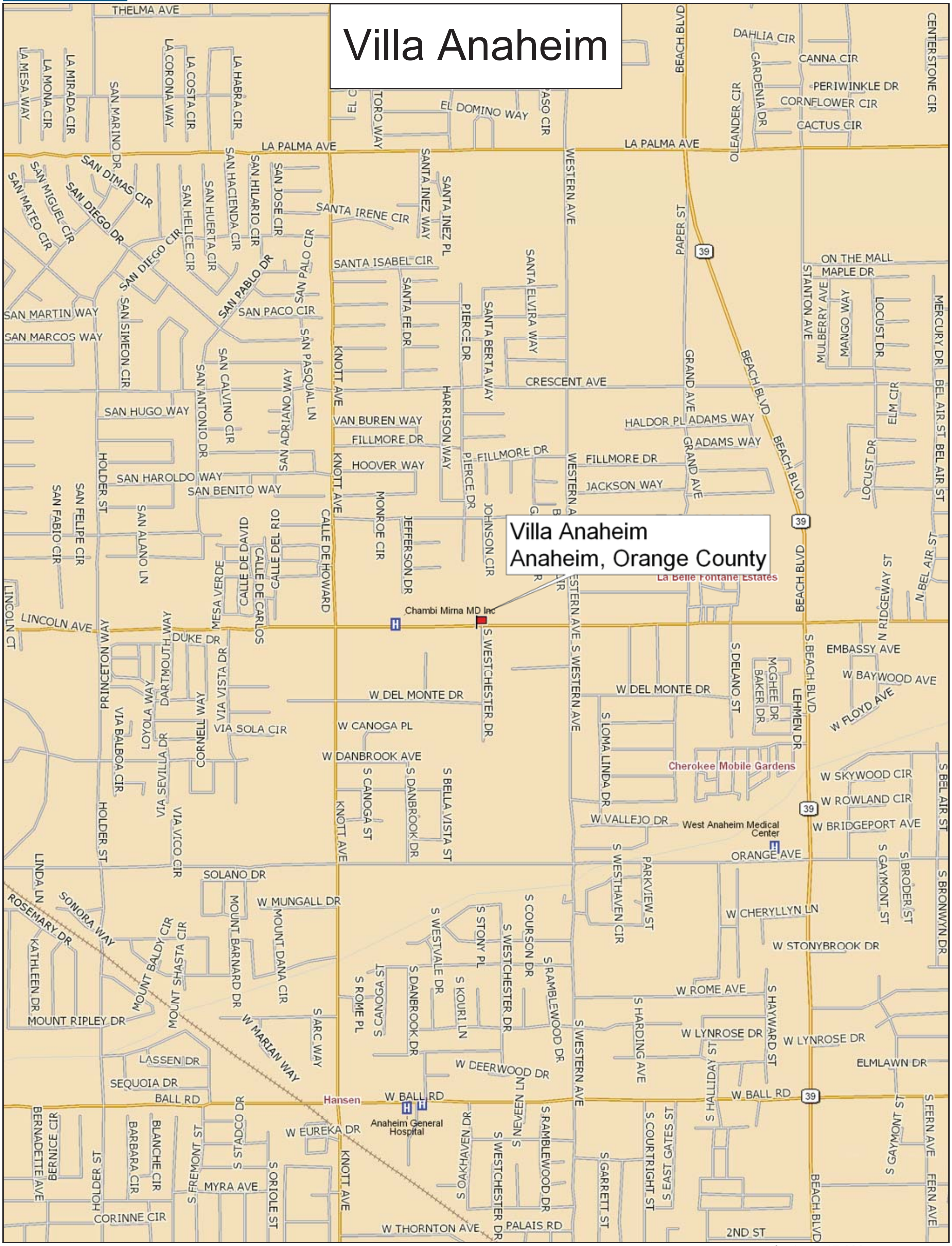
DELORME

DeLorme Street Atlas USA® 2009



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TN

MN (12.4°E)

Scale 1 : 17,600

1" = 1,466.7 ft

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PROJECT SUMMARY — Final Commitment

Acquisition, Rehab, Construction & Permanent Loans — **Project Number** 12044-R/S

Project Full Name	Villa Anaheim	**Borrower Name:**	Anaheim Affordable II, L.P.
Project Address	3305 W. Lincoln Ave	**Managing GP:**	Affordable Hosuing Alliance II, Inc.
Project City	Anaheim	**Developer Name:**	BVH Development, LLC
Project County	Orange	**Investor Name:**	RBC Capital Markets
Project Zip Code	92801	**Prop Management:**	Western Seniors Housing, Inc.

Project Type:	Acq/Rehab/Permanent Loan	**Total Land Area (acres):**	3.10
Tenancy/Occupancy:	Senior	**Residential Square Footage:**	77,215
Total Residential Units:	135	**Residential Units Per Acre:**	43.55
Total Number of Buildings:	5		
Number of Stories:	2	**Covered Parking Spaces:**	46
Unit Style:	Flats	**Total Parking Spaces:**	112
Elevators:	2		

Acq/Construction/Rehab Financing	Loan Amount ($)	Loan Fees	Loan Term (Mo.)	Amort. Period (Yr.)	Starting Interest Rate
CalHFA Loan	11,500,000	1.000%	12	--	5.250%
--	--	--	--	--	--
Century Housing	909,599	--	12	--	3.000%
Seller Take Back Note	4,215,441	--	12	--	3.000%
Deferred Developer Fee	23,000	--	--	--	--
Construct/Rehab Net Oper. Inc.	46,469	--	--	--	--
Investor Equity Contribution	3,699,288	--	--	--	--

Permanent Financing	Loan Amount ($)	Loan Fees	Loan Term (Yr.)	Amort. Period (Yr.)	Starting Interest Rate
CalHFA Permanent Loan	9,000,000	--	16	35	5.250%
--	--	--	--	--	--
--	--	--	--	--	--
Century Housing	909,599	--	30	--	3.000%
Seller Take Back Note	4,215,441	--	55	--	3.000%
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
Deferred Developer Fees	696,292	NA	NA	NA	NA
--	--	NA	NA	NA	NA
Investor Equity Contributions	6,950,339	NA	NA	NA	NA

Appraised Values Upon Completion of Rehab/Construction

Appraisal Date:	7/9/12	**Capitalization Rate:**	5.00%
Investment Value ($)	20,200,000	**Restricted Value ($)**	12,400,000
Construct/Rehab LTC	53%	**Permanent Loan to Cost**	42%
Construct/Rehab LTV	57%	**Permanent Loan to Value**	73%

Additional Loan Terms, Conditions & Comments

Construction/Rehab Loan

Payment/Performance Bond	Required	
Completion Guarantee Letter of Credit	Waived	

Permanent Loan

Operating Expense Reserve Deposit	$359,270	NA
Initial Replacement Reserve Deposit	$135,000	Cash
Annual Replacement Reserve Per Unit	$500	Cash

Date Prepared: 10/29/12 — Senior Staff Date: 10/24/12

UNIT MIX AND RENT SUMMARY **Final Commitment**

Villa Anaheim **Project Number 12044-R/S**

PROJECT UNIT MIX					
Unit Type of Style	Number of Bedrooms	Number of Baths	Average Size (Sq. Ft.)	Number of Units	Est. No. of Tenants
Flat	1	1	564	130	130
Flat	2	1	1,003	1	2
Flat	2	2	723	4	8
-	-	-	-	-	0
-	-	-	-	-	0
-	-	-	-	-	0
				135	140

NUMBER OF UNITS AND PERCENTAGE OF AMI RENTS RESTRICTED BY EACH AGENCY							
Agency	Number of Units Restricted For Each AMI Category						
	25%	45%	50%	60%	80%	0%	0%
CalHFA			46				
Tax Credits			1	87			
-							
-							
-							
-							

COMPARISON OF AVERAGE MONTHLY RESTRICTED RENTS TO AVERAGE MARKET RENTS							
Unit Type	Restricting Agency	% of Area Median Income	Average Restricted Rents Number of Units	Average Restricted Rents Unit Rent	Average Market Rents	Average Monthly Savings	% of Market Rents
1 Bedroom	**CalHFA**	**25%**	-	-	$1,275	-	-
	Senior	**50%**	26	$819		$456	64%
	CalHFA	**50%**	19	$939		$336	74%
	CalHFA	**55%**	-	-		-	-
	CalHFA	**60%**	85	$1,059		$216	83%
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
2 Bedrooms	**CalHFA**	**25%**	-	-	$1,545	-	-
	Senior	**50%**	1	$929		$616	60%
	CalHFA	**50%**	1	$1,048		$497	68%
	CalHFA	**55%**	-	-		-	-
	CalHFA	**60%**	2	$1,265		$280	82%
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	1	-		-	-
3 Bedrooms	**CalHFA**	**25%**	-	-	-	-	-
	Senior	**50%**	-	-		-	-
	CalHFA	**50%**	-	-		-	-
	CalHFA	**55%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
4 Bedrooms	**CalHFA**	**25%**	-	-	-	-	-
	Senior	**50%**	-	-		-	-
	CalHFA	**50%**	-	-		-	-
	CalHFA	**55%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
5 Bedrooms	**CalHFA**	**25%**	-	-	-	-	-
	Senior	**50%**	-	-		-	-
	CalHFA	**50%**	-	-		-	-
	CalHFA	**55%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
Date Prepared:	10/29/12					Senior Staff Date:	10/24/12

SOURCES & USES OF FUNDS SUMMARY					Final Commitment
Villa Anaheim			Project Number	12044-R/S	
SOURCES OF FUNDS	CONST/REHAB $	PERMANENT $	TOTAL PROJECT FUNDS SOURCES ($)	PER UNIT ($)	%
CalHFA Loan	11,500,000				0.0%
CalHFA Section 8 Loan	-				0.0%
Century Housing	909,599				0.0%
Seller Take Back Note	4,215,441				0.0%
-	-				0.0%
Other Non-CalHFA Sources of Funds	500,000				0.0%
Construct/Rehab Net Oper. Inc.	46,469				0.0%
Deferred Developer Fee	23,000				0.0%
Developer Equity Contribution	-				0.0%
Investor Equity Contribution	3,699,288				0.0%
CalHFA Permanent Loan		9,000,000	9,000,000	66,667	41.3%
CalHFA Bridge Loan		-	-	-	0.0%
CalHFA Section 8 Loan		-	-	-	0.0%
Century Housing		909,599	909,599	6,738	4.2%
Seller Take Back Note		4,215,441	4,215,441	31,225	19.4%
-		-	-	-	0.0%
Other Non-CalHFA Sources of Funds		500,000	-	-	0.0%
-		-	-	-	0.0%
Deferred Developer Fees		696,292	696,292	5,158	3.2%
Developer Equity Contribution		-	-	-	0.0%
Investor Equity Contributions		6,950,339	6,950,339	51,484	31.9%
TOTAL SOURCES OF FUNDS	**20,893,797**	**22,271,671**	**21,771,671**	**161,272**	**100.0%**

USES OF FUNDS	CONST/REHAB $	PERMANENT $	TOTAL PROJECT COSTS USES ($)	PER UNIT ($)	%
Payoff Acquisition/Rehab Financing		20,893,797			
Acquisition Costs	**12,300,000**	**-**	**12,300,000**	91,111	55.2%
Construction/Rehab Hard Costs	**4,893,675**	**-**	**4,893,675**	36,249	22.0%
Relocation Costs	**282,000**	**-**	**282,000**	2,089	1.3%
Architectural Costs	**286,000**	**-**	**286,000**	2,119	1.3%
Surveys & Engineering Costs	25,000	-	25,000	185	0.1%
Contingency Reserves	611,000	-	611,000	4,526	2.7%
Loan Period Loan & Other Costs	**258,750**	**-**	**258,750**	1,917	1.2%
Permanent Loan Costs	**34,500**	**35,000**	**69,500**	515	0.3%
Legal Fees	**125,000**	**-**	**125,000**	926	0.6%
Operating Reserves	**-**	**494,270**	**494,270**	3,661	2.2%
Reports & Studies	**44,900**	**-**	**44,900**	333	0.2%
Other Construction/Rehab Costs	**381,576**	**-**	**381,576**	2,826	1.7%
Developer Fees & Costs	**1,651,396**	**848,604**	**2,500,000**	18,519	11.2%
TOTAL PROJECT COSTS	**20,893,797**	**22,271,671**	**22,271,671**	**164,975**	**100.0%**

PROJECTED INITIAL ANNUAL RENTAL OPERATING BUDGET			Final Commitment
Villa Anaheim	Project Number		12044-R/S
INCOME	**AMOUNT**	**PER UNIT**	**%**
Rental Income			
Restricted Unit Rents	$ 1,603,884	$ 11,881	105.26%
Unrestricted Unit Rents	-	-	0.00%
Commercial Rents	-	-	0.00%
Rental & Operating Subsidies			
Section 8 Rent Subsidies	-	-	0.00%
Shelter Care Plus Rent Subsidies	-	-	0.00%
Other Subsidy (Specify)	-	-	0.00%
Other Subsidy (Specify)	-	-	0.00%
Other Income			
Laundry and Vending Income	-	-	0.00%
Garage and Parking Income	-	-	0.00%
Miscellaneous Income	-	-	0.00%
GROSS POTENTIAL INCOME (GPI)	**$ 1,603,884**	**$ 11,881**	**105.26%**
Less: Vacancy Loss	**$ 80,194**	**$ 594**	**5.26%**
EFFECTIVE GROSS INCOME (EGI)	**$ 1,523,690**	**$ 12,475**	**100.00%**
OPERATING EXPENSES	**AMOUNT**	**PER UNIT**	**%**
Administrative Expenses	$ 158,451	$ 1,174	$ 0
Management Fee	92,031	682	6.04%
Social Programs & Services	-	-	0.00%
Utilities	60,922	451	4.00%
Operating & Maintenance	186,346	1,380	12.23%
Ground Lease Payments	203,000	1,504	13.32%
Real Estate Taxes	24,708	183	1.62%
Other Taxes & Insurance	80,513	596	5.28%
Assisted Living/Board & Care	-	-	0.00%
SUBTOTAL OPERATING EXPENSES	**$ 805,971**	**$ 5,970**	**52.90%**
Operating Reserves	$ 67,500	$ 500	4.43%
TOTAL OPERATING EXPENSES	**$ 873,471**	**$ 6,470**	**57.33%**
NET OPERATING INCOME (NOI)	**$ 650,219**	**$ 4,816**	**42.67%**
DEBT SERVICE PAYMENTS	**AMOUNT**	**PER UNIT**	**%**
CalHFA Loan	$ 562,402	$ 4,166	36.91%
CalHFA Section 8 Loan	-	-	0.00%
Century Housing	-	-	0.00%
Seller Take Back Note	-	-	0.00%
-	-	-	0.00%
-	-	-	0.00%
-	-	-	0.00%
TOTAL DEBT SERVICE PAYMENTS	**$ 562,402**	**$ 4,166**	**36.91%**
EXCESS CASH FLOWS AFTER DEBT SERVICE	**$ 87,817**	**$ 650**	**5.76%**
DEBT SERVICE COVERAGE RATIO (DSCR)	**1.16 to 1**		
Date: 10/29/12		Senior Staff Date:	10/24/12

CONSTRUCTION/REHAB NET OPERATING INCOME												Villa Anaheim
											Project Number:	12044-R/S
		FISCAL QUARTERS - YEAR 1				FISCAL QUARTERS - YEAR 2				QUARTERS - YEAR 3		TOTAL
		1	2	3	4	5	6	7	8	9	10	ALL YEARS
RENTAL INCOME	**CPI**											
Restricted Unit Rents	2.50%	400,971	400,971	400,971	400,971	-	-	-	-	-	-	1,603,884
Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-	-
Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-	-
Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-	-
Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-
TOTAL RENTAL INCOME		400,971	400,971	400,971	400,971	-	-	-	-	-	-	1,603,884
OTHER INCOME	**CPI**											
Laundry and Vending Income	0.00%	-	-	-	-	-	-	-	-	-	-	-
Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER INCOME		-	-	-	-	-	-	-	-	-	-	-
GROSS POTENTIAL INCOME (GPI)		400,971	400,971	400,971	400,971	-	-	-	-	-	-	1,603,884
TOTAL PROJECTED VACANCY LOSS		**20,049**	**20,049**	**20,049**	**20,049**	**-**	**-**	**-**	**-**	**-**	**-**	**80,194**
EFFECTIVE GROSS INCOME (EGI)		**380,922**	**380,922**	**380,922**	**380,922**	**-**	**-**	**-**	**-**	**-**	**-**	**1,523,690**
OPERATING EXPENSES	**CPI/Fee**	Except for management fee, which is a % of EGI										
Administrative Expenses	3.50%	39,613	39,613	39,613	39,613	-	-	-	-	-	-	158,451
Management Fee	6.04%	23,008	23,008	23,008	23,008	-	-	-	-	-	-	92,031
Utilities	3.50%	15,231	15,231	15,231	15,231	-	-	-	-	-	-	60,922
Operating & Maintenance	3.50%	46,587	46,587	46,587	46,587	-	-	-	-	-	-	186,346
Ground Lease Payments	0.00%	50,750	50,750	50,750	50,750	-	-	-	-	-	-	203,000
Real Estate Taxes	1.25%	6,177	6,177	6,177	6,177	-	-	-	-	-	-	24,708
Other Taxes & Insurance	3.50%	20,128	20,128	20,128	20,128	-	-	-	-	-	-	80,513
Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-	-
Required Reserve Payments	1.00%	16,875	16,875	16,875	16,875	-	-	-	-	-	-	67,500
TOTAL OPERATING EXPENSES		**218,368**	**218,368**	**218,368**	**218,368**	**-**	**-**	**-**	**-**	**-**	**-**	**873,471**
NET OPERATING INCOME (LOSS)		**162,555**	**162,555**	**162,555**	**162,555**	**-**	**-**	**-**	**-**	**-**	**-**	**650,219**
DEBT SERVICE PAYMENTS	**Lien #**											
CalHFA Loan	1	150,938	150,938	150,938	150,938	-	-	-	-	-	-	603,750
CalHFA Section 8 Loan	0	-	-	-	-	-	-	-	-	-	-	-
Century Housing	2	-	-	-	-	-	-	-	-	-	-	-
Seller Take Back Note	3	-	-	-	-	-	-	-	-	-	-	-
-	4	-	-	-	-	-	-	-	-	-	-	-
-	0	-	-	-	-	-	-	-	-	-	-	-
-	0	-	-	-	-	-	-	-	-	-	-	-
TOTAL DEBT SERVICE PAYMENTS		**150,938**	**150,938**	**150,938**	**150,938**	**-**	**-**	**-**	**-**	**-**	**-**	**603,750**
NET PROPERTY CASH FLOWS		**11,617**	**11,617**	**11,617**	**11,617**	**-**	**-**	**-**	**-**	**-**	**-**	**46,469**
			Year 1 Debt Service		**603,750**			**Year 2 Debt Service**	**-**	**Year 2.5**	**-**	**603,750**
			Year 1 Net Cash Flow		**46,469**			**Year 2 Net Cash Flow**	**-**	**Year 2.5**	**-**	**46,469**

	A	B	C	D	E	F	G	H	I	J	K	L
1	**PROJECTED PERMANENT LOAN CASH FL0WS**											**Villa Anaheim**
2	**Final Commitment**										**Project Number**	**12044-R/S**
3		**YEAR**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.50%	1,643,981	1,685,081	1,727,208	1,770,388	1,814,648	1,860,014	1,906,514	1,954,177	2,003,031	2,053,107
6	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	0.00%	-	-	-	-	-	-	-	-	-	-
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**1,643,981**	**1,685,081**	**1,727,208**	**1,770,388**	**1,814,648**	**1,860,014**	**1,906,514**	**1,954,177**	**2,003,031**	**2,053,107**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	82,199	84,254	86,360	88,519	90,732	93,001	95,326	97,709	100,152	102,655
18	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	0.00%	-	-	-	-	-	-	-	-	-	-
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**82,199**	**84,254**	**86,360**	**88,519**	**90,732**	**93,001**	**95,326**	**97,709**	**100,152**	**102,655**
28	**EFFECTIVE GROSS INCOME (EGI)**		**1,561,782**	**1,600,827**	**1,640,847**	**1,681,868**	**1,723,915**	**1,767,013**	**1,811,188**	**1,856,468**	**1,902,880**	**1,950,452**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.50%	163,997	169,737	175,677	181,826	188,190	194,777	201,594	208,650	215,952	223,511
31	Management Fee	6.04%	94,332	96,690	99,107	101,585	104,124	106,728	109,396	112,131	114,934	117,807
32	Utilities	3.50%	63,054	65,261	67,545	69,909	72,356	74,889	77,510	80,223	83,030	85,936
33	Operating & Maintenance	3.50%	192,868	199,618	206,605	213,836	221,321	229,067	237,084	245,382	253,970	262,859
34	Ground Lease Payments	3.50%	210,105	217,459	225,070	232,947	241,100	249,539	258,273	267,312	276,668	286,352
35	Real Estate Taxes	1.25%	25,017	25,892	26,799	27,737	28,707	29,712	30,752	31,828	32,942	34,095
36	Other Taxes & Insurance	3.50%	83,331	86,247	89,266	92,390	95,624	98,971	102,435	106,020	109,731	113,571
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	68,175	68,857	69,545	70,241	70,943	71,653	72,369	73,093	73,824	74,562
39	**TOTAL OPERATING EXPENSES**		**900,878**	**929,762**	**959,615**	**990,472**	**1,022,366**	**1,055,334**	**1,089,412**	**1,124,639**	**1,161,052**	**1,198,694**
40	**NET OPERATING INCOME (NOI)**		**660,904**	**671,065**	**681,232**	**691,397**	**701,549**	**711,679**	**721,776**	**731,829**	**741,827**	**751,757**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	562,402	562,402	562,402	562,402	562,402	562,402	562,402	562,402	562,402	562,402
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	Century Housing	2	-	-	-	-	-	-	-	-	-	-
45	Seller Take Back Note	3	-	-	-	-	-	-	-	-	-	-
46	-	4	-	-	-	-	-	-	-	-	-	-
47	-	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**562,402**	**562,402**	**562,402**	**562,402**	**562,402**	**562,402**	**562,402**	**562,402**	**562,402**	**562,402**
51	**CASH FLOW AFTER DEBT SERVICE**		**98,501**	**108,663**	**118,830**	**128,994**	**139,146**	**149,276**	**159,373**	**169,427**	**179,425**	**189,355**
52	**DEBT SERVICE COVERAGE RATIO**		**1.18**	**1.19**	**1.21**	**1.23**	**1.25**	**1.27**	**1.28**	**1.30**	**1.32**	**1.34**
53	Date Prepared:	10/29/12									Senior Staff Date:	10/24/12

	A	B	M	N	O	P	Q	R	S	T	U	V
1	**PROJECTED PERMANENT LOAN CASH FL0**											**Villa Anaheim**
2	**Final Commitment**										**Project Number**	**12044-R/S**
3		**YEAR**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.50%	2,104,435	2,157,046	2,210,972	2,266,246	2,322,902	2,380,975	2,440,499	2,501,512	2,564,049	2,628,151
6	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	0.00%	-	-	-	-	-	-	-	-	-	-
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**2,104,435**	**2,157,046**	**2,210,972**	**2,266,246**	**2,322,902**	**2,380,975**	**2,440,499**	**2,501,512**	**2,564,049**	**2,628,151**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	105,222	107,852	110,549	113,312	116,145	119,049	122,025	125,076	128,202	131,408
18	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	0.00%	-	-	-	-	-	-	-	-	-	-
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**105,222**	**107,852**	**110,549**	**113,312**	**116,145**	**119,049**	**122,025**	**125,076**	**128,202**	**131,408**
28	**EFFECTIVE GROSS INCOME (EGI)**		**1,999,213**	**2,049,193**	**2,100,423**	**2,152,934**	**2,206,757**	**2,261,926**	**2,318,474**	**2,376,436**	**2,435,847**	**2,496,743**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.50%	231,334	239,430	247,810	256,484	265,461	274,752	284,368	294,321	304,622	315,284
31	Management Fee	6.04%	120,752	123,771	126,866	130,037	133,288	136,620	140,036	143,537	147,125	150,803
32	Utilities	3.50%	88,944	92,057	95,279	98,614	102,066	105,638	109,335	113,162	117,123	121,222
33	Operating & Maintenance	3.50%	272,060	281,582	291,437	301,637	312,195	323,121	334,431	346,136	358,250	370,789
34	Ground Lease Payments	3.50%	296,374	306,747	317,483	328,595	340,096	351,999	364,319	377,070	390,268	403,927
35	Real Estate Taxes	1.25%	35,289	36,524	37,802	39,125	40,495	41,912	43,379	44,897	46,469	48,095
36	Other Taxes & Insurance	3.50%	117,546	121,660	125,919	130,326	134,887	139,608	144,494	149,552	154,786	160,204
37	Assisted Living/Board & Care	0.00%	-	-	-	-	-	-	-	-	-	-
38	Required Reserve Payments	1.00%	75,308	76,061	76,821	77,590	78,365	79,149	79,941	80,740	81,547	82,363
39	**TOTAL OPERATING EXPENSES**		**1,237,606**	**1,277,832**	**1,319,417**	**1,362,408**	**1,406,852**	**1,452,800**	**1,500,303**	**1,549,415**	**1,600,190**	**1,652,687**
40	**NET OPERATING INCOME (NOI)**		**761,607**	**771,361**	**781,006**	**790,526**	**799,905**	**809,126**	**818,171**	**827,022**	**835,657**	**844,056**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	562,402	562,402	562,402	562,402	562,402	562,402	-	-	-	-
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	Century Housing	2	-	-	-	-	-	-	-	-	-	-
45	Seller Take Back Note	3	-	-	-	-	-	-	-	-	-	-
46	-	4	-	-	-	-	-	-	-	-	-	-
47	-	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**562,402**	**562,402**	**562,402**	**562,402**	**562,402**	**562,402**	**-**	**-**	**-**	**-**
51	**CASH FLOW AFTER DEBT SERVICE**		**199,204**	**208,958**	**218,603**	**228,124**	**237,503**	**246,724**	**818,171**	**827,022**	**835,657**	**844,056**
52	**DEBT SERVICE COVERAGE RATIO**		**1.35**	**1.37**	**1.39**	**1.41**	**1.42**	**1.44**	**NA**	**NA**	**NA**	**NA**
53	Date Prepared:	10/29/12									Senior Staff Date:	10/24/12

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RESOLUTION 12-16

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of ANAHEIM AFFORDABLE II, L.P., a California limited partnership, (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in Anaheim, Orange County, California, to be known as Villa Anaheim (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which prepared a report presented to the Board on the meeting date recited below (the "Staff Report"), recommending Board approval subject to certain recommended terms and conditions; and

WHEREAS, Agency staff has determined or expects to determine prior to making a binding commitment to fund the loan for which the application has been made, that (i) the Agency can effectively and prudently raise capital to fund the loan for which the application has been made, by direct access to the capital markets, by private placement, or by way of the New Issue Bond Program of the United States Treasury or other means and (ii) any financial mechanisms needed to insure prudent and reasonable financing of loans can be achieved; and

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Agency, as the issuer of tax-exempt bonds, to declare its reasonable official intent to reimburse prior expenditures for the Development with proceeds of a subsequent borrowing; and

WHEREAS, on August 2, 2012, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

WHEREAS, the Board wishes to grant the staff the authority to enter into a loan commitment upon Agency staff determining in its judgment that reasonable and prudent financing mechanisms can be achieved;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Agency as follows:

1. The Executive Director, or in his/her absence, the Acting Chief of Multifamily Programs, is hereby authorized to execute and deliver a final commitment letter, in a form acceptable to the Agency, and subject to recommended terms and conditions set forth in the Staff Report and any terms and conditions as the Board has designated in the Minutes of the Board Meeting, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT
12-044-R/S	Villa Anaheim Anaheim, Orange County	Acquisition/Rehab Loan: $11,500,000.00 Permanent Loan: $9,000,000.00

The Board recognizes that in the event that staff cannot determine that reasonable and prudent financing mechanisms can be achieved, the staff will not enter into loan commitments to finance the Development. In addition, access to capital markets may require significant changes to the terms of loans submitted to the Board. Notwithstanding paragraph 2 below, the staff is authorized to make any needed modifications to the loan which in staff's judgment are directly or indirectly the result of the disruptions to the capital markets referred to above.

2. The Executive Director may modify the terms and conditions of the loans or loans as described in the Staff Report, provided that major modifications, as defined below, must be submitted to this Board for approval. "Major modifications" as used herein means modifications which either (i) increase the total aggregate amount of any loans made pursuant to the Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive Director, or in his/her absence, the Acting Chief of Multifamily Programs of the Agency, adversely change the financial or public purpose aspects of the final commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 12-16 adopted at a duly constituted meeting of the Board of the Agency held on November 13, 2012, at Burbank, California.

ATTEST:_______________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Coronado Place
Los Angeles, Los Angeles, CA
CalHFA # 12-061-R/S

SUMMARY

This is a Final Commitment request for acquisition/rehabilitation and permanent financing. Security for the acquisition/rehabilitation and permanent loan will be a 41-unit apartment complex known as Coronado Place, located at 671 S. Coronado Street, Los Angeles, California. 671 Coronado Street, L.P., a California limited partnership ("**Borrower**") whose managing general partner is Deep Green Housing & Community Development along with an entity to be formed by Merritt Community Capital (Tax Credit Investor), will own the project.

Coronado Place, currently owned by Coronado Place Associates, LP, has an existing portfolio loan originally financed with a 15 year loan amortized over 30 years at 7.85% which fully matured on January 1, 2009 and does not have a yield maintenance fee. Coronado Place is a 100% affordable project with 22 units at 50% AMI or below with the remaining 18 units at or below 60% AMI. The project was initially completed in 1917 and renovated in 1992 for seismic upgrades. Due to the historic nature of the building, it is eligible for listing on the National Register of Historic Places. Proposed renovations are designed to upgrade the building with modern features/amenities yet preserve the historical nature of the building.

Existing Financing

Project Rate	7.85%
Term:	15 yrs/amortized 30yrs
Loan Maturity	January 1, 2009
Orig. Loan Amount	$832,900
Curr Prin Bal:	$377,610

Sales Transaction

Sales Price	$6,050,000	($137,500 per unit)
Less: CalHFA Existing Indebtedness	$377,610	
Less: CalHFA Yield Maintenance	$0	
Less: :LAHD CDBG	$495,000	
Net Proceeds to Seller*	**$5,177,390**	

*Net proceeds to Seller does not include $455,290 in principal payments over the past 18 years

Proposed Rents

	Rent	Rent Level	Units	# of Persons
One Bdrm	$791	50%	10	15
One Bdrm	$646	60%	3	4.5
Two Bdrm	$874	50%	8	24
Two Bdrm	$887	60%	7	21
Three Bdrm	$992	50%	4	18
Three Bdrm	$1,104	60%	8	36
Three Bdrm	$1,650	Manager's	1	4.5
Total Units/Persons			**41 Units**	**123**

Rehabilitation	($68,216 per unit)	$2,796,861

LOAN TERMS (Total Loan Term – 17 years)

Acquisition/Rehabilitation

First Mortgage	$6,000,000
Interest Rate*	5.00%, fixed
Term	18 Months, interest only
Financing	Tax-Exempt
Credit Enhancement	HUD Risk Share

Permanent

First Mortgage	$1,910,000
Interest Rate*	5.00% fixed
Term	35 year amortization, due in 15.5 years
Prepayment	Balloon payment at maturity
Financing	Tax-Exempt
Credit Enhancement	HUD Risk Share

*The interest rate reflects a 25 basis point discount incentive given to the Borrower for implementing cost effective systems for increasing energy and water efficiencies through property.

CalHFA acquisition/rehabilitation financing is subject to the assignment by the borrower of tax credit equity and all rights under non-CalHFA financing commitments.

OTHER FINANCING

- Department of Housing and Community Development (HCD) California Housing Rehabilitation Program-Rental Component (CHRP-R) – The project currently has a $1,730,000 CHRP-R loan (plus deferred interest of $262,729), at 3% interest, maturing in August 2030. A HCD loan assumption/forward commitment is in process to increase the CHRP-R loan amount of $1,992,729 (principal plus accrued interest) for 55 years at 3% interest, payable from residual receipts. Included as part of the modification is the approval of a 30% increase in project rents for all units. The loan is subject to receipt of the approved modification/forward commitment from HCD.

- Los Angeles Housing Department (LAHD) – assumption of an $180,625 loan for a term of 55 years, at 5% interest, payable from residual receipts.

- Community Redevelopment Agency of Los Angeles (CRA-LA) – assumption of a $1,001,979 loan for a term of 55 years, at 3% interest, payable from residual receipts. The loan is in process of being transferred to LAHD. The loan is subject to the transfer of the CRA-LA loan to LAHD.

- A seller take back loan in the amount of $2,209,670, at 2.3% interest and a term of 55 years, payable from residual receipts.

PROJECT DESCRIPTION

Project Location

The subject property is located approximately 1.75 miles west of downtown Los Angeles, in the Westlake district. The structure was originally built in 1917, and the last rehabilitation of the subject property was completed in December of 1993 (under the LIHTC program).

Regional access is provided by the 101, 110, and 10 Freeways, located 1.25 to 1.5 miles from the subject site. The site has excellent accessibility via Hoover Street/Rampart Boulevard, Wilshire Boulevard, and 7th Street. Visibility from South Coronado Street is good, with significant frontage.

The area surrounding the subject site is relatively urban, consisting primarily of medium to high density residential and commercial development. The nearby structures include several buildings of similar age as the subject property. The land uses surrounding the site are described below.

- North – Commercial
- South – Parking / Multifamily
- East – Parking / Multifamily (across Coronado Street)
- West – Parking / Multifamily (zoned Commercial)

There are several retail establishments and services located within close proximity of the subject site:

Within 0.5 Miles:
o Bus Stops at Coronado and 7th
o Metro Rail (Red Line)
o Public Library
o MacArthur Park and Lafayette Park
o Charles White Elementary School, MacArthur Park Primary Center School, and Camino Nuevo Charter High School
o Westlake Pharmacy

o Supreme Ranch Market and Jon's Market
o Bank of America

<u>Within 0.75 Miles</u>:
o Food for Less (supermarket)
o St. Vincent Medical Center

Site

- The .45 acres site is primarily flat with a rectangular shape.
- The site is zoned R4-2 for residential use.

Improvements

- The 41 unit, four story, elevator served, brick apartment building was built in 1917 and , enovated in 1993), with secured building access, connected hallways, and a partial basement. There is no on site parking. The common area amenities include a community room, office, laundry room, and picnic area.
- There are 13 one-bedroom units, 15 two-bedroom units, and 13 three-bedroom units (one of which is a manager's unit)
- All units have a full size kitchen, a living/dining room, refrigerator, range/oven, disposal, and central heating.

PHYSICAL NEEDS ASSESSMENT/SCOPE OF WORK

- The project is in average condition for a development of this type and age.
- The proposed scope of rehabilitation work increases energy efficiencies by 20%.
- The scope of rehabilitation work totals $2,370,422 or $57,815 (excluding overhead, profit, general conditions and insurance) per unit and includes:

  - **Site work, $306,400** – Fencing ($3,000), ADA ramps ($75,000), landscaping, deck ($78,400), hardscaping ($150,000)

  - **Building, $1,264,350** – Sewer piping ($10,000); Fibrex windows ($160,000); Brick façade ($155,600), remodel first floor entry lobby, community room, and offices ($50,000); New laundry rooms on each floor ($80,000); upgrade light fixtures with energy efficient models ($24,600); upgrade lighting interior common areas ($22,500); tar and water collection system in basement ($125,000); hot water boiling system ($70,000); fire alarm system ($50,000); new elevator system ($416,650); solar thermal systems ($100,000)

  - **Residential Units, $799,672** – smoke alarms ($11,800); energy start bathroom exaust fans ($10,000); paint unit interiors ($32,800); kitchen/bathroom flooring ($28,872); carpeting ($95,000); kitchen cabinets ($135,300); kitchen counter tops ($45,100); closet doors ($19,250); energy start ceiling fans ($11,550); heat pump HVAC ($410,000)

Work is scheduled to commence by January 2013 and is projected to be completed within 12 months.

Off-site improvements

- No off-site improvements and/or costs are required.

Relocation

- Rehabilitation is scheduled in phases of five units at one time. The Borrower plans to temporarily relocate the current tenants into temporary housing for approximately 5-10 days. It is anticipated that all current tenants will return to their original unit upon the completion of interior work in each unit. The borrower intends to master lease nearby neighborhood apartments for the residents' temporary relocation. The borrower will comply with all equal housing opportunity requirements. The Borrower has allocated $269,338 for relocation costs.

  The Borrower will provide written notification of the renovation work to be completed along with a projected timeline before and during the rehabilitation period to address any tenant issue or concerns regarding the project.

MARKET

Market Overview

The Primary Market Area (PMA) boundaries are generally defined by the Hollywood (101) Freeway on the north, the Santa Monica (10) Freeway/Venice Boulevard on the south, by Normandie Avenue on the west (as the area transitions into Koreatown), and by the downtown Los Angeles business district on the east. There was no secondary market area that was defined by the study because sufficient demand was established in the PMA.

The Westlake market area is composed of a varied mix of residential and commercial land uses. The population of the market area totals 205,581 persons. There are 74,787 households with an average household size of 2.71 persons. This household size is smaller than the countywide figure of 2.98 persons.

The market area population is projected to reach 211,849 persons by 2017. Concurrently, the number of households residing in the market area is projected to grow at a rate of 0.8 percent per year over the next five years. This will result in the addition of 599 new households per year.

The income profile of the market area's households is low. The median household income figure of $23,244 for the market area is less than half the countywide median income of $51,080. A high proportion of small multi-family rental units in the PMA contributes to the lower income profile. Likewise, the per capita income of $13,470 in the market area is slightly more than half of the Los Angeles County per capita income of $24,642.

Housing Supply and Demand

- The PMA expects moderate household growth and limited new construction, leading to high occupancy rates of existing apartment units. Continuing economic growth is projected to support a realistic household growth rate forecast of 0.8 percent per year. This growth rate translates into a demand forecast of 564 new rental units per year in the PMA. Construction in the PMA is not expected to exceed this level.

- As of August 2012, the occupancy rate for market rate units is 99.3% and affordable units are at 99.2% . There are 78 existing Low Income Housing Tax Credit properties in the Primary Market Area totaling 5,035 units. This represents approximately 7.1% of the total units in the PMA.

- Currently there are three new LIHTC/Bond projects planned to open between 2013 to 2015. Two of the three projects have preliminary tax credit reservations while the third project has recently submitted an application to TCAC. In total the three projects would add 176 new units to the market area.

Estimated Lease-up Period

- The project is currently 97.5% leased. Occupancy will be temporarily affected when residents are temporarily relocated for a span of 5 to 10 days.

ENVIRONMENTAL

Rincon Consultants, Inc. completed a Phase I Environmental Assessment report for Coronado Place Apartments on August 13, 2012. The report identifies the existence of an underground collection area of tar beneath the basement floor. The identified tar does not permeate methane gas. In addition, asbestos, mold and lead based paint are identified at specific areas at the site. The borrower will seal the space and tar pumps will be installed to prevent penetration of tar onto the site. An abatement plan will be implemented to address the asbestos and lead based paint found on site.

In addition, on August 21, 2012, CalHFA's NEPA review consultant, Rincon Consultants, Inc., completed its compliance review of the Environmental Review Record (**"ERR"**). The Coronado Place ERR complies with HUD Risk Share requirements, received a Categorical Exemption determination, and requires no mitigations. CalHFA also submitted to the California Office of Historic Preservation (SHPO) for its review on August 21, 2012 a request to determine whether the proposed rehab activities are consistent with National and State historic standards. Given that 30 days have passed and CalHFA has not received any comments from SHPO, the project has been deemed to have passed SHPO review.

SEISMIC

The Borrower will be required to provide earthquake insurance coverage for Coronado Place.

DEVELOPMENT TEAM

Borrower

- <u>671 Coronado Street, L.P.</u>

  671 Coronado Street, L.P., a California limited partnership, is comprised of Deep Green Housing and Community Development as the managing general partner and a limited partner to be formed by Merritt Community Capital, the tax credit investor.

Management Agent

- Deep Green Property Management (DGPM)

  DGPM provides property management services to eight multifamily residential properties located in South and Central Los Angeles. In addition, DGPM provides asset management for Deep Green Housing and Community Development's entire housing portfolio, which consists of 18 projects with 1,034 units of affordable multifamily housing. The majority of DGPM's properties are in Southern California, with a high concentration in the most urbanized parts of the City and County of Los Angeles. Approximately 30% of the portfolio is comprised of housing for low income seniors and the disabled.

Architect

- Hatch Colasuonno Studio (HCS)

  HCS includes provides architectural services for non-profit as well as for profit developers. HCS is experienced in new construction and the rehabilitation of multifamily projects and special needs housing for disabled people, homeless, abused children, the elderly, and for impoverished families. HCS has completed more than 30 affordable multifamily housing projects, in addition to numerous commercial, retail and single-family residences in the greater Los Angeles area.

Contractor

- Walton Construction Services (WCS)

  Walton Construction Services is a family-owned general contracting company that has operated in Southern California for over 60 years. WCS provides preconstruction, construction and post-construction services to projects ranging from private tenant improvements to multi-million dollar federally funded projects. WCS has completed more than 80 affordable housing projects, and has more than 30 years' experience with wage compliance including Federal, State, city, county, redevelopment, and HUD requirements.

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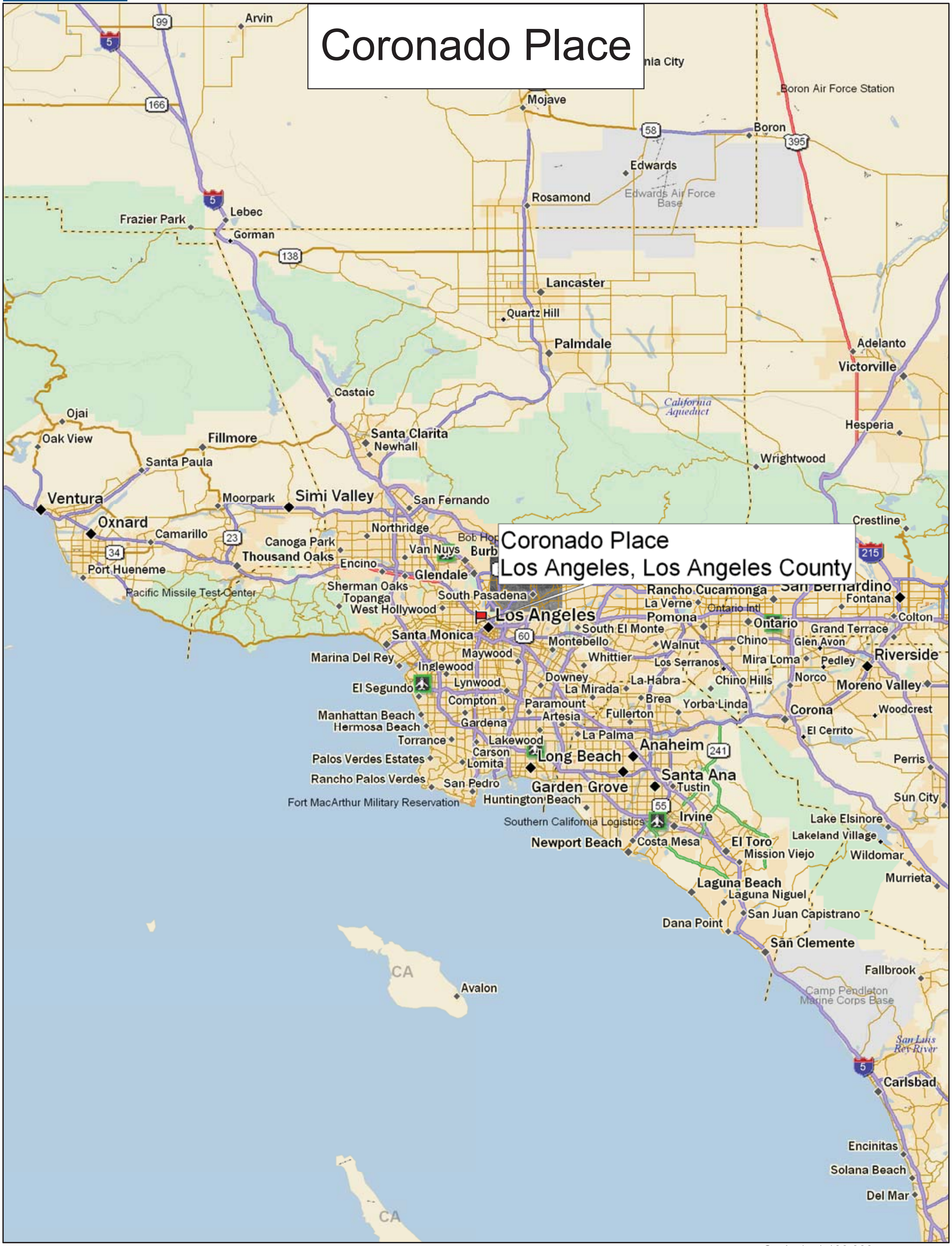
DeLorme Street Atlas USA® 2009



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TN
MN (12.5°E)

Scale 1 : 1,100,000

1" = 17.36 mi

Data Zoom 7-5

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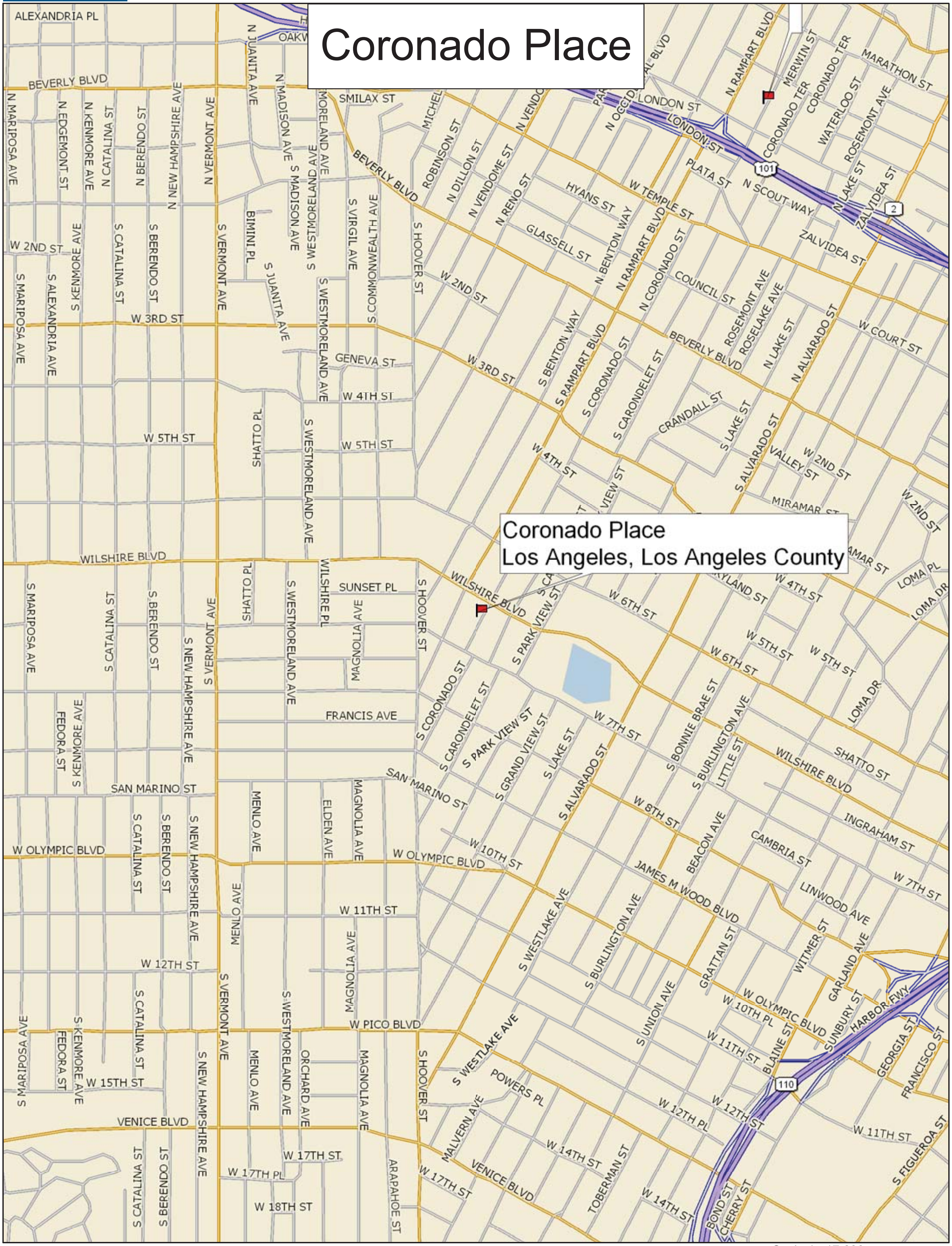
DELORME

DeLorme Street Atlas USA® 2009



TN

MN (12.5°E)

Scale 1 : 17,600

1" = 1,466.7 ft

Data Zoom 13-5

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PROJECT SUMMARY — Final Commitment

Acquisition, Rehab, Construction & Permanent Loans — **Project Number 12-061-R/S**

Project Full Name	Coronado Place	**Borrower Name:**	671 Cornado Street, LP
Project Address	671 S. Coronado Street	**Managing GP:**	Deep Green Housing & Community
Project City	Los Angeles	**Developer Name:**	Deep Green Housing & Community
Project County	Los Angeles	**Investor Name:**	Merritt Community Capital
Project Zip Code	90057	**Prop Management:**	Deep Green Property Management LLC

Project Type:	Acquisition /Rehab	**Total Land Area (acres):**	0.45
Tenancy/Occupancy:	Family	**Residential Square Footage:**	37,246
Total Residential Units:	41	**Residential Units Per Acre:**	91.11
Total Number of Buildings:	1		
Number of Stories:	4	**Covered Parking Spaces:**	0
Unit Style:	Flat	**Total Parking Spaces:**	--
Elevators:	1		

Acq/Construction/Rehab Financing	**Loan Amount ($)**	**Loan Fees**	**Loan Term (Mo.)**	**Amort. Period (Yr.)**	**Starting Interest Rate**
CalHFA Loan	6,000,000	1.000%	18	--	5.000%
--	--	--	--	--	--
HCD CHRP-R	1,992,729	--	660	--	3.000%
CRA/LA	1,001,976	--	660	--	3.000%
LAHD	180,625	--	660	--	5.000%
Seller Carry Note	1,447,723	--	660	--	2.300%
Investor Equity Contribution	50,000	--	--	--	--

Permanent Financing	**Loan Amount ($)**	**Loan Fees**	**Loan Term (Yr.)**	**Amort. Period (Yr.)**	**Starting Interest Rate**
CalHFA Permanent Loan	1,910,000	--	15.5	35	5.000%
--	--	--	--	--	--
--	--	--	--	--	--
HCD CHRP-R	1,992,729	--	55	--	3.000%
CRA/LA	1,001,976	--	55	--	3.000%
LAHD	180,625	--	55	--	5.000%
Seller Carry Note	2,209,670	--	55	--	2.300%
--	--	--	--	--	--
--	--	--	--	--	--
Deferred Developer Fees	536,149	NA	NA	NA	NA
--	--	NA	NA	NA	NA
Investor Equity Contributions	3,565,493	NA	NA	NA	NA

Appraised Values Upon Completion of Rehab/Construction

Appraisal Date:	8/8/12	**Capitalization Rate:**	6.00%
Investment Value ($)	7,830,000	**Restricted Value ($)**	5,140,000
Construct/Rehab LTC	59%	**Permanent Loan to Cost**	19%
Construct/Rehab LTV	77%	**Permanent Loan to Value**	37%

Additional Loan Terms, Conditions & Comments

Construction/Rehab Loan

Payment/Performance Bond	Required
Completion Guarantee Letter of Credit	Waived

Permanent Loan

Operating Expense Reserve Deposit	$78,765	NA
Initial Replacement Reserve Deposit	$61,500	Cash
Annual Replacement Reserve Per Unit	$400	Cash

Date Prepared: 10/30/12 — Senior Staff Date: 10/24/12

UNIT MIX AND RENT SUMMARY **Final Commitment**

Coronado Place **Project Number 12-061-R/S**

PROJECT UNIT MIX					
Unit Type of Style	Number of Bedrooms	Number of Baths	Average Size (Sq. Ft.)	Number of Units	Est. No. of Tenants
Flat	1	1	690	13	19.5
Flat	2	1	826	15	45
Flat	3	2	1,222	13	58.5
-	-	-	-	-	0
-	-	-	-	-	0
-	-	-	-	-	0
				41	123

NUMBER OF UNITS AND PERCENTAGE OF AMI RENTS RESTRICTED BY EACH AGENCY							
Agency	Number of Units Restricted For Each AMI Category						
	25%	45%	50%	60%	80%	0%	0%
CalHFA			9	31			
Tax Credits			23	17			
HCD-CHRP R			23	17			
City of San Jose							
HCD-IIG							
-							

COMPARISON OF AVERAGE MONTHLY RESTRICTED RENTS TO AVERAGE MARKET RENTS							
Unit Type	Restricting Agency	% of Area Median Income	Average Restricted Rents		Average Market Rents	Average Monthly Savings	% of Market Rents
			Number of Units	Unit Rent			
1 Bedroom	**CalHFA**	**25%**	-	-	$1,050	-	-
	CalHFA	**45%**	-	-		-	-
	CalHFA	**50%**	3	$755		$295	72%
	TCAC	**50%**	7	$755		$295	72%
	CalHFA	**60%**	3	$610		$440	58%
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
2 Bedrooms	**CalHFA**	**25%**	-	-	$1,300	-	-
	CalHFA	**45%**	-	-		-	-
	CalHFA	**50%**	3	$828		$472	64%
	TCAC	**50%**	5	$828		$472	64%
	CalHFA	**60%**	7	$841		$459	65%
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
3 Bedrooms	**CalHFA**	**25%**	-	-	$1,650	-	-
	CalHFA	**45%**	-	-		-	-
	CalHFA	**50%**	3	$936		$714	57%
	TCAC	**50%**	1	$936		$714	57%
	CalHFA	**60%**	8	$1,048		$602	64%
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
4 Bedrooms	**CalHFA**	**25%**	-	-	-	-	-
	CalHFA	**45%**	-	-		-	-
	CalHFA	**50%**	-	-		-	-
	TCAC	**50%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
5 Bedrooms	**CalHFA**	**25%**	-	-	-	-	-
	CalHFA	**45%**	-	-		-	-
	CalHFA	**50%**	-	-		-	-
	TCAC	**50%**	-	-		-	-
	CalHFA	**60%**	-	-		-	-
	CalHFA	**-**	-	-		-	-
	CalHFA	**-**	-	-		-	-
Date Prepared:	10/30/12					Senior Staff Date:	10/24/12

SOURCES & USES OF FUNDS SUMMARY — Final Commitment

Coronado Place — **Project Number** **12-061-R/S**

SOURCES OF FUNDS	CONST/REHAB $	PERMANENT $	TOTAL PROJECT FUNDS SOURCES ($)	PER UNIT ($)	%
CalHFA Loan	6,000,000				0.0%
CalHFA Section 8 Loan	-				0.0%
HCD CHRP-R	1,992,729				0.0%
CRA/LA	1,001,976				0.0%
LAHD	180,625				0.0%
Other Non-CalHFA Sources of Funds	1,658,906				0.0%
Construct/Rehab Net Oper. Inc.	-				0.0%
Deferred Developer Fee	-				0.0%
Developer Equity Contribution	-				0.0%
Investor Equity Contribution	50,000				0.0%
CalHFA Permanent Loan		1,910,000	1,910,000	46,585	16.8%
CalHFA Bridge Loan		-	-	-	0.0%
CalHFA Section 8 Loan		-	-	-	0.0%
HCD CHRP-R		1,992,729	1,992,729	48,603	17.5%
CRA/LA		1,001,976	1,001,976	24,438	8.8%
LAHD		180,625	180,625	4,405	1.6%
Other Non-CalHFA Sources of Funds		2,420,953	2,209,670	53,894	19.4%
Construct/Rehab Net Oper. Inc.		-	-	-	0.0%
Deferred Developer Fees		536,149	536,149	13,077	4.7%
Developer Equity Contribution		-	-	-	0.0%
Investor Equity Contributions		3,565,493	3,565,493	86,963	31.3%
TOTAL SOURCES OF FUNDS	**10,884,236**	**11,607,925**	**11,396,642**	**277,967**	**100.0%**

USES OF FUNDS	CONST/REHAB $	PERMANENT $	TOTAL PROJECT COSTS USES ($)	PER UNIT ($)	%
Payoff Acquisition/Rehab Financing		10,884,236			
Acquisition Costs	**6,290,000**	**-**	**6,290,000**	153,415	54.2%
Construction/Rehab Hard Costs	**2,796,861**	**-**	**2,796,861**	68,216	24.1%
Relocation Costs	**269,338**	**-**	**269,338**	6,569	2.3%
Architectural Costs	**80,000**	**-**	**80,000**	1,951	0.7%
Surveys & Engineering Costs	55,000	-	55,000	1,341	0.5%
Contingency Reserves	429,054	-	429,054	10,465	3.7%
Loan Period Loan & Other Costs	**434,193**	**-**	**434,193**	10,590	3.7%
Permanent Loan Costs	**-**	**10,000**	**10,000**	244	0.1%
Legal Fees	**100,000**	**-**	**100,000**	2,439	0.9%
Operating Reserves	**-**	**140,265**	**140,265**	3,421	1.2%
Reports & Studies	**55,500**	**-**	**55,500**	1,354	0.5%
Other Construction/Rehab Costs	**94,100**	**36,600**	**130,700**	3,188	1.1%
Developer Fees & Costs	**280,190**	**536,824**	**817,014**	19,927	7.0%
TOTAL PROJECT COSTS	**10,884,236**	**11,607,925**	**11,607,925**	**283,120**	**100.0%**

PROJECTED INITIAL ANNUAL RENTAL OPERATING BUDGET			Final Commitment
Coronado Place	**Project Number**		**12-061-R/S**
INCOME	**AMOUNT**	**PER UNIT**	**%**
Rental Income			
Restricted Unit Rents	$ 408,228	$ 9,957	104.59%
Unrestricted Unit Rents	-	-	0.00%
Commercial Rents	-	-	0.00%
Rental & Operating Subsidies			
Section 8 Rent Subsidies	-	-	0.00%
Shelter Care Plus Rent Subsidies	-	-	0.00%
Other Subsidy (Specify)	-	-	0.00%
Other Subsidy (Specify)	-	-	0.00%
Other Income			
Laundry and Vending Income	2,494	61	0.64%
Garage and Parking Income	-	-	0.00%
Miscellaneous Income	-	-	0.00%
GROSS POTENTIAL INCOME (GPI)	**$ 410,722**	**$ 10,018**	**105.23%**
Less: Vacancy Loss	**$ 20,411**	**$ 498**	**5.23%**
EFFECTIVE GROSS INCOME (EGI)	**$ 390,311**	**$ 10,515**	**100.00%**
OPERATING EXPENSES	**AMOUNT**	**PER UNIT**	**%**
Administrative Expenses	$ 70,400	$ 1,717	$ 0
Management Fee	25,956	633	6.65%
Social Programs & Services	-	-	0.00%
Utilities	39,000	951	9.99%
Operating & Maintenance	39,600	966	10.15%
Ground Lease Payments	-	-	0.00%
Real Estate Taxes	4,200	102	1.08%
Other Taxes & Insurance	54,108	1,320	13.86%
Assisted Living/Board & Care	1,440	35	0.37%
SUBTOTAL OPERATING EXPENSES	**$ 234,704**	**$ 5,724**	**60.13%**
Operating Reserves	$ 16,400	$ 400	4.20%
TOTAL OPERATING EXPENSES	**$ 251,104**	**$ 6,124**	**64.33%**
NET OPERATING INCOME (NOI)	**$ 139,208**	**$ 3,395**	**35.67%**
DEBT SERVICE PAYMENTS	**AMOUNT**	**PER UNIT**	**%**
CalHFA Loan	$ 115,674	$ 2,821	29.64%
CalHFA Section 8 Loan	-	-	0.00%
HCD CHRP-R	-	-	0.00%
CRA/LA	-	-	0.00%
LAHD	-	-	0.00%
Seller Carry Note	-	-	0.00%
-	-	-	0.00%
TOTAL DEBT SERVICE PAYMENTS	**$ 115,674**	**$ 2,821**	**29.64%**
EXCESS CASH FLOWS AFTER DEBT SERVICE	**$ 23,533**	**$ 574**	**6.03%**
DEBT SERVICE COVERAGE RATIO (DSCR)	**1.20 to 1**		
Date: 10/30/12		Senior Staff Date:	10/24/12

CONSTRUCTION/REHAB NET OPERATING INCOME												Coronado Place
										Project Number:		12-061-R/S
		FISCAL QUARTERS - YEAR 1				FISCAL QUARTERS - YEAR 2				QUARTERS - YEAR 3		TOTAL
		1	2	3	4	5	6	7	8	9	10	ALL YEARS
RENTAL INCOME	**CPI**											
Restricted Unit Rents	2.50%	102,057	102,057	102,057	102,057	104,608	104,608	-	-	-	-	617,445
Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-	-
Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-	-
Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-	-
Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-
Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-	-
TOTAL RENTAL INCOME		102,057	102,057	102,057	102,057	104,608	104,608	-	-	-	-	617,445
OTHER INCOME	**CPI**											
Laundry and Vending Income	2.50%	624	624	624	624	639	639	-	-	-	-	3,773
Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER INCOME		624	624	624	624	639	639	-	-	-	-	3,773
GROSS POTENTIAL INCOME (GPI)		102,681	102,681	102,681	102,681	105,248	105,248	-	-	-	-	621,218
TOTAL PROJECTED VACANCY LOSS		**5,162**	**5,162**	**5,162**	**5,162**	**5,291**	**5,291**	**-**	**-**	**-**	**-**	**31,229**
EFFECTIVE GROSS INCOME (EGI)		**97,519**	**97,519**	**97,519**	**97,519**	**99,957**	**99,957**	**-**	**-**	**-**	**-**	**589,988**
OPERATING EXPENSES	**CPI/Fee**	Except for management fee, which is a % of EGI										
Administrative Expenses	3.50%	17,600	17,600	17,600	17,600	18,216	18,216	-	-	-	-	106,832
Management Fee	6.65%	6,489	6,489	6,489	6,489	6,921	6,921	-	-	-	-	39,797
Utilities	3.50%	9,750	9,750	9,750	9,750	10,091	10,091	-	-	-	-	59,183
Operating & Maintenance	3.50%	9,900	9,900	9,900	9,900	10,247	10,247	-	-	-	-	60,093
Ground Lease Payments	0.00%	-	-	-	-	-	-	-	-	-	-	-
Real Estate Taxes	1.25%	1,050	1,050	1,050	1,050	1,063	1,063	-	-	-	-	6,326
Other Taxes & Insurance	3.50%	13,527	13,527	13,527	13,527	14,000	14,000	-	-	-	-	82,108
Assisted Living/Board & Care	0.00%	360	360	360	360	360	360	-	-	-	-	2,160
Required Reserve Payments	1.00%	4,100	4,100	4,100	4,100	4,141	4,141	-	-	-	-	24,682
TOTAL OPERATING EXPENSES		**62,776**	**62,776**	**62,776**	**62,776**	**65,039**	**65,039**	**-**	**-**	**-**	**-**	**381,181**
NET OPERATING INCOME (LOSS)		**34,743**	**34,743**	**34,743**	**34,743**	**34,918**	**34,918**	**-**	**-**	**-**	**-**	**208,807**
DEBT SERVICE PAYMENTS	**Lien #**											
CalHFA Loan	1	75,000	75,000	75,000	75,000	75,000	75,000	-	-	-	-	450,000
CalHFA Section 8 Loan	0	-	-	-	-	-	-	-	-	-	-	-
HCD CHRP-R	2	-	-	-	-	-	-	-	-	-	-	-
CRA/LA	3	-	-	-	-	-	-	-	-	-	-	-
LAHD	4	-	-	-	-	-	-	-	-	-	-	-
Seller Carry Note	0	-	-	-	-	-	-	-	-	-	-	-
-	0	-	-	-	-	-	-	-	-	-	-	-
TOTAL DEBT SERVICE PAYMENTS		**75,000**	**75,000**	**75,000**	**75,000**	**75,000**	**75,000**	**-**	**-**	**-**	**-**	**450,000**
NET PROPERTY CASH FLOWS		**(40,257)**	**(40,257)**	**(40,257)**	**(40,257)**	**(40,082)**	**(40,082)**	**-**	**-**	**-**	**-**	**(241,193)**
				Year 1 Debt Service	**300,000**			**Year 2 Debt Service**	**150,000**	**Year 2.5**	**-**	**450,000**
				Year 1 Net Cash Flow	**(161,029)**			**Year 2 Net Cash Flow**	**(80,164)**	**Year 2.5**	**-**	**(241,193)**

	A	B	C	D	E	F	G	H	I	J	K	L
1	**PROJECTED PERMANENT LOAN CASH FL0WS**											**Coronado Place**
2	**Final Commitment**										**Project Number**	**12-061-R/S**
3		**YEAR**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.50%	428,895	439,617	450,607	461,873	473,419	485,255	497,386	509,821	522,566	535,631
6	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	2.50%	2,621	2,686	2,753	2,822	2,893	2,965	3,039	3,115	3,193	3,273
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**431,515**	**442,303**	**453,361**	**464,695**	**476,312**	**488,220**	**500,425**	**512,936**	**525,759**	**538,903**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	21,445	21,981	22,530	23,094	23,671	24,263	24,869	25,491	26,128	26,782
18	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	0.00%	-	-	-	-	-	-	-	-	-	-
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**21,445**	**21,981**	**22,530**	**23,094**	**23,671**	**24,263**	**24,869**	**25,491**	**26,128**	**26,782**
28	**EFFECTIVE GROSS INCOME (EGI)**		**410,071**	**420,322**	**430,830**	**441,601**	**452,641**	**463,957**	**475,556**	**487,445**	**499,631**	**512,122**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.50%	75,414	78,054	80,786	83,613	86,540	89,568	92,703	95,948	99,306	102,782
31	Management Fee	6.65%	27,270	27,951	28,650	29,366	30,101	30,853	31,624	32,415	33,225	34,056
32	Utilities	3.50%	41,778	43,240	44,753	46,320	47,941	49,619	51,356	53,153	55,013	56,939
33	Operating & Maintenance	3.50%	42,421	43,905	45,442	47,032	48,679	50,382	52,146	53,971	55,860	57,815
34	Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.25%	4,306	4,456	4,612	4,774	4,941	5,114	5,293	5,478	5,670	5,868
36	Other Taxes & Insurance	3.50%	57,961	59,990	62,090	64,263	66,512	68,840	71,249	73,743	76,324	78,995
37	Assisted Living/Board & Care	0.00%	1,440	1,440	1,440	1,440	1,440	1,440	1,440	1,440	1,440	1,440
38	Required Reserve Payments	1.00%	16,730	16,897	17,066	17,237	17,409	17,583	17,759	17,936	18,116	18,297
39	**TOTAL OPERATING EXPENSES**		**267,319**	**275,934**	**284,839**	**294,045**	**303,562**	**313,400**	**323,570**	**334,084**	**344,954**	**356,192**
40	**NET OPERATING INCOME (NOI)**		**142,752**	**144,389**	**145,991**	**147,556**	**149,080**	**150,558**	**151,986**	**153,361**	**154,677**	**155,930**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	115,674	115,674	115,674	115,674	115,674	115,674	115,674	115,674	115,674	115,674
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	HCD CHRP-R	2	8,369	8,369	8,369	8,369	8,369	8,369	8,369	8,369	8,369	8,369
45	CRA/LA	3	-	-	-	-	-	-	-	-	-	-
46	LAHD	4	-	-	-	-	-	-	-	-	-	-
47	Seller Carry Note	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**124,044**	**124,044**	**124,044**	**124,044**	**124,044**	**124,044**	**124,044**	**124,044**	**124,044**	**124,044**
51	**CASH FLOW AFTER DEBT SERVICE**		**18,708**	**20,345**	**21,947**	**23,512**	**25,036**	**26,514**	**27,942**	**29,317**	**30,633**	**31,886**
52	**DEBT SERVICE COVERAGE RATIO**		**1.15**	**1.16**	**1.18**	**1.19**	**1.20**	**1.21**	**1.23**	**1.24**	**1.25**	**1.26**
53	Date Prepared:	10/30/12									Senior Staff Date:	10/24/12

	A	B	M	N	O	P	Q	R	S	T	U	V
1	**PROJECTED PERMANENT LOAN CASH FL0**											**Coronado Place**
2	**Final Commitment**										**Project Number**	**12-061-R/S**
3		**YEAR**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
4	**RENTAL INCOME**	**CPI**										
5	Restricted Unit Rents	2.50%	549,021	562,747	576,815	591,236	606,017	621,167	636,696	652,614	668,929	685,652
6	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
7	Commercial Rents	0.00%	-	-	-	-	-	-	-	-	-	-
8	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
9	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
10	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
11	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
12	Laundry and Vending Income	2.50%	3,355	3,439	3,525	3,613	3,703	3,796	3,890	3,988	4,087	4,190
13	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
14	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
15	**GROSS POTENTIAL INCOME (GPI)**		**552,376**	**566,185**	**580,340**	**594,849**	**609,720**	**624,963**	**640,587**	**656,602**	**673,017**	**689,842**
16	**VACANCY ASSUMPTIONS**	**Vacancy**										
17	Restricted Unit Rents	5.00%	27,451	28,137	28,841	29,562	30,301	31,058	31,835	32,631	33,446	34,283
18	Unrestricted Unit Rents	0.00%	-	-	-	-	-	-	-	-	-	-
19	Commercial Rents	50.00%	-	-	-	-	-	-	-	-	-	-
20	Section 8 Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
21	Shelter Care Plus Rent Subsidies	0.00%	-	-	-	-	-	-	-	-	-	-
22	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
23	Other Subsidy (Specify)	0.00%	-	-	-	-	-	-	-	-	-	-
24	Laundry and Vending Income	0.00%	-	-	-	-	-	-	-	-	-	-
25	Garage and Parking Income	0.00%	-	-	-	-	-	-	-	-	-	-
26	Miscellaneous Income	0.00%	-	-	-	-	-	-	-	-	-	-
27	**TOTAL PROJECTED VACANCY LOSS**		**27,451**	**28,137**	**28,841**	**29,562**	**30,301**	**31,058**	**31,835**	**32,631**	**33,446**	**34,283**
28	**EFFECTIVE GROSS INCOME (EGI)**		**524,925**	**538,048**	**551,499**	**565,287**	**579,419**	**593,904**	**608,752**	**623,971**	**639,570**	**655,559**
29	**OPERATING EXPENSES**	**CPI / Fee**										
30	Administrative Expenses	3.50%	106,379	110,103	113,956	117,945	122,073	126,345	130,767	135,344	140,081	144,984
31	Management Fee	6.65%	34,908	35,780	36,675	37,592	38,531	39,495	40,482	41,494	42,531	43,595
32	Utilities	3.50%	58,932	60,994	63,129	65,339	67,625	69,992	72,442	74,978	77,602	80,318
33	Operating & Maintenance	3.50%	59,838	61,933	64,100	66,344	68,666	71,069	73,557	76,131	78,796	81,553
34	Ground Lease Payments	3.50%	-	-	-	-	-	-	-	-	-	-
35	Real Estate Taxes	1.25%	6,074	6,286	6,506	6,734	6,970	7,213	7,466	7,727	7,998	8,278
36	Other Taxes & Insurance	3.50%	81,760	84,622	87,584	90,649	93,822	97,106	100,504	104,022	107,663	111,431
37	Assisted Living/Board & Care	0.00%	1,440	1,440	1,440	1,440	1,440	1,440	1,440	1,440	1,440	1,440
38	Required Reserve Payments	1.00%	18,480	18,665	18,851	19,040	19,230	19,423	19,617	19,813	20,011	20,211
39	**TOTAL OPERATING EXPENSES**		**367,811**	**379,822**	**392,241**	**405,081**	**418,357**	**432,083**	**446,275**	**460,949**	**476,122**	**491,810**
40	**NET OPERATING INCOME (NOI)**		**157,114**	**158,226**	**159,258**	**160,205**	**161,062**	**161,821**	**162,477**	**163,022**	**163,449**	**163,750**
41	**DEBT SERVICE PAYMENTS**	**Lien #**										
42	CalHFA Permanent Loan	1	115,674	115,674	115,674	115,674	115,674	-	-	-	-	-
43	CalHFA Section 8 Loan	-	-	-	-	-	-	-	-	-	-	-
44	HCD CHRP-R	2	8,369	8,369	8,369	8,369	8,369	8,369	8,369	8,369	8,369	8,369
45	CRA/LA	3	-	-	-	-	-	-	-	-	-	-
46	LAHD	4	-	-	-	-	-	-	-	-	-	-
47	Seller Carry Note	5	-	-	-	-	-	-	-	-	-	-
48	-	-	-	-	-	-	-	-	-	-	-	-
49	-	-	-	-	-	-	-	-	-	-	-	-
50	**TOTAL DEBT SERVICE PAYMENTS**		**124,044**	**124,044**	**124,044**	**124,044**	**124,044**	**8,369**	**8,369**	**8,369**	**8,369**	**8,369**
51	**CASH FLOW AFTER DEBT SERVICE**		**33,071**	**34,182**	**35,214**	**36,161**	**37,018**	**153,452**	**154,108**	**154,652**	**155,079**	**155,380**
52	**DEBT SERVICE COVERAGE RATIO**		**1.27**	**1.28**	**1.28**	**1.29**	**1.30**	**19.33**	**19.41**	**19.48**	**19.53**	**19.57**
53	Date Prepared:	10/30/12									Senior Staff Date:	10/24/12

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RESOLUTION 12-17

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of 671 CORONADO STREET, LP, a California limited partnership, (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in Los Angeles, Los Angeles County, California, to be known as Coronado Place (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which prepared a report presented to the Board on the meeting date recited below (the "Staff Report"), recommending Board approval subject to certain recommended terms and conditions; and

WHEREAS, Agency staff has determined or expects to determine prior to making a binding commitment to fund the loan for which the application has been made, that (i) the Agency can effectively and prudently raise capital to fund the loan for which the application has been made, by direct access to the capital markets, by private placement, or by way of the New Issue Bond Program of the United States Treasury or other means and (ii) any financial mechanisms needed to insure prudent and reasonable financing of loans can be achieved; and

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Agency, as the issuer of tax-exempt bonds, to declare its reasonable official intent to reimburse prior expenditures for the Development with proceeds of a subsequent borrowing; and

WHEREAS, on August 2, 2012, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

WHEREAS, the Board wishes to grant the staff the authority to enter into a loan commitment upon Agency staff determining in its judgment that reasonable and prudent financing mechanisms can be achieved;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Agency as follows:

1. The Executive Director, or in his/her absence, the Acting Chief of Multifamily Programs, is hereby authorized to execute and deliver a final commitment letter, in a form acceptable to the Agency, and subject to recommended terms and conditions set forth in the Staff Report and any terms and conditions as the Board has designated in the Minutes of the Board Meeting, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT
12-061-R/S	Coronado Place Los Angeles, Los Angeles, County	Acquisition/Rehab Loan: $6,000,000.00 Permanent Loan: $1,910,000.00

The Board recognizes that in the event that staff cannot determine that reasonable and prudent financing mechanisms can be achieved, the staff will not enter into loan commitments to finance the Development. In addition, access to capital markets may require significant changes to the terms of loans submitted to the Board. Notwithstanding paragraph 2 below, the staff is authorized to make any needed modifications to the loan which in staff's judgment are directly or indirectly the result of the disruptions to the capital markets referred to above.

2. The Executive Director may modify the terms and conditions of the loans or loans as described in the Staff Report, provided that major modifications, as defined below, must be submitted to this Board for approval. "Major modifications" as used herein means modifications which either (i) increase the total aggregate amount of any loans made pursuant to the Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive Director, or in his/her absence, the Acting Chief of Multifamily Programs of the Agency, adversely change the financial or public purpose aspects of the final commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 12-17 adopted at a duly constituted meeting of the Board of the Agency held on November 13, 2012, at Burbank, California.

ATTEST:________________________
Secretary

State of California

M E M O R A N D U M

To: Board of Directors **Date:** November 1, 2012

Tim Hsu, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: Homeownership Loan Portfolio Update

Attached for your information is a report summarizing the Agency's Homeownership loan portfolio:

- Delinquencies as of August 31, 2012 by insurance type,
- Delinquencies as of August 31, 2012 by product (loan) type,
- Delinquencies as of August 31, 2012 by loan servicer,
- Delinquencies as of August 31, 2012 by county,
- A chart of the number of CalHFA's FHA Delinquent Loan Trend for 30-90 Day and 120 Day (for the period of April 2010 thru August 2012)
- A chart of the number of CalHFA's Conventional Delinquent Loan Trend for 30-90 Day and 120 Day (for the period of April 2010 thru August 2012)
- A graph of CalHFA's 90-day+ ratios for FHA and Conventional loans (for the period of August 2007 through August 2012),
- A graph of 90-day+ ratios for CalHFA's three Conventional loan (products) types, for the period of August 2010 through August 2012,
- Real Estate Owned (REO) at September 30, 2012,
- Accumulated Uninsured Losses from January 1, 2008 through September 30, 2012,
- Disposition of 1st Trust Deed Gain/(Loss) for January 1 through September 30, 2012, and
- Write-Offs of subordinate loans for January 1 through September 30, 2012

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CalHFA California Housing Finance Agency

HOMEOWNERSHIP LOAN PORTFOLIO
DELINQUENCY, REO, SHORT SALE and LOSS REPORT

Reconciled Loan Delinquency Summary
All Active Loans By Insurance Type
As of August 31, 2012

	Loan Count	Balance	% of Balance	DELINQUENCY RATIOS - % of Loan Count: Loan Count	30-Day	Loan Count	60-Day	Loan Count	90(+) Day	Totals: Count	%
Federal Guaranty											
FHA	8,985	$ 1,065,800,498	29.46%	497	5.53%	177	1.97%	584	6.50%	1,258	14.00%
VA	249	31,465,561	0.87%	4	1.61%	4	1.61%	19	7.63%	27	10.84%
RHS	84	15,285,192	0.42%	4	4.76%	1	1.19%	14	16.67%	19	22.62%
Conventional loans											
with MI											
CalHFA MI Fund	5,496	1,421,010,909	39.28%	201	3.66%	120	2.18%	614	11.17%	935	17.01%
without MI											
Orig with no MI	4,729	914,905,700	25.29%	123	2.60%	53	1.12%	269	5.69%	445	9.41%
MI Cancelled*	1,238	169,274,811	4.68%	27	2.18%	12	0.97%	40	3.23%	79	6.38%
Total CalHFA	20,781	$ 3,617,742,671	100.00%	856	4.12%	367	1.77%	1,540	7.41%	2,763	13.30%

*Cancelled per Federal Homeowner Protection Act of 1998, which grants the option to cancel the MI with 20% equity.

Reconciled Loan Delinquency Summary
All Active Loans By Loan Type
As of August 31, 2012

	Loan Count	Balance	% of Balance	DELINQUENCY RATIOS - % of Loan Count: Loan Count	30-Day	Loan Count	60-Day	Loan Count	90(+) Day	Totals: Count	%
30-yr level amort											
FHA	8,985	$ 1,065,800,498	29.46%	497	5.53%	177	1.97%	584	6.50%	1,258	14.00%
VA	249	31,465,561	0.87%	4	1.61%	4	1.61%	19	7.63%	27	10.84%
RHS	84	15,285,192	0.42%	4	4.76%	1	1.19%	14	16.67%	19	22.62%
Conventional - with MI	3,046	702,203,073	19.41%	94	3.09%	54	1.77%	257	8.44%	405	13.30%
Conventional - w/o MI	5,251	915,470,037	25.31%	123	2.34%	48	0.91%	241	4.59%	412	7.85%
40-yr level amort											
Conventional - with MI	434	123,565,682	3.42%	20	4.61%	6	1.38%	56	12.90%	82	18.89%
Conventional - w/o MI	193	38,176,072	1.06%	7	3.63%	2	1.04%	17	8.81%	26	13.47%
5-yr IOP, 30-yr amort											
Conventional - with MI	2,016	595,242,155	16.45%	87	4.32%	60	2.98%	301	14.93%	448	22.22%
Conventional - w/o MI	523	130,534,401	3.61%	20	3.82%	15	2.87%	51	9.75%	86	16.44%
Total CalHFA	20,781	$ 3,617,742,671	100.00%	856	4.12%	367	1.77%	1,540	7.41%	2,763	13.30%
Weighted average of conventional loans:				351	3.06%	185	1.61%	923	8.05%	1,459	12.73%

CalHFA California Housing Finance Agency

Reconciled Loan Delinquency Summary
All Active Loans By Servicer
As of August 31, 2012

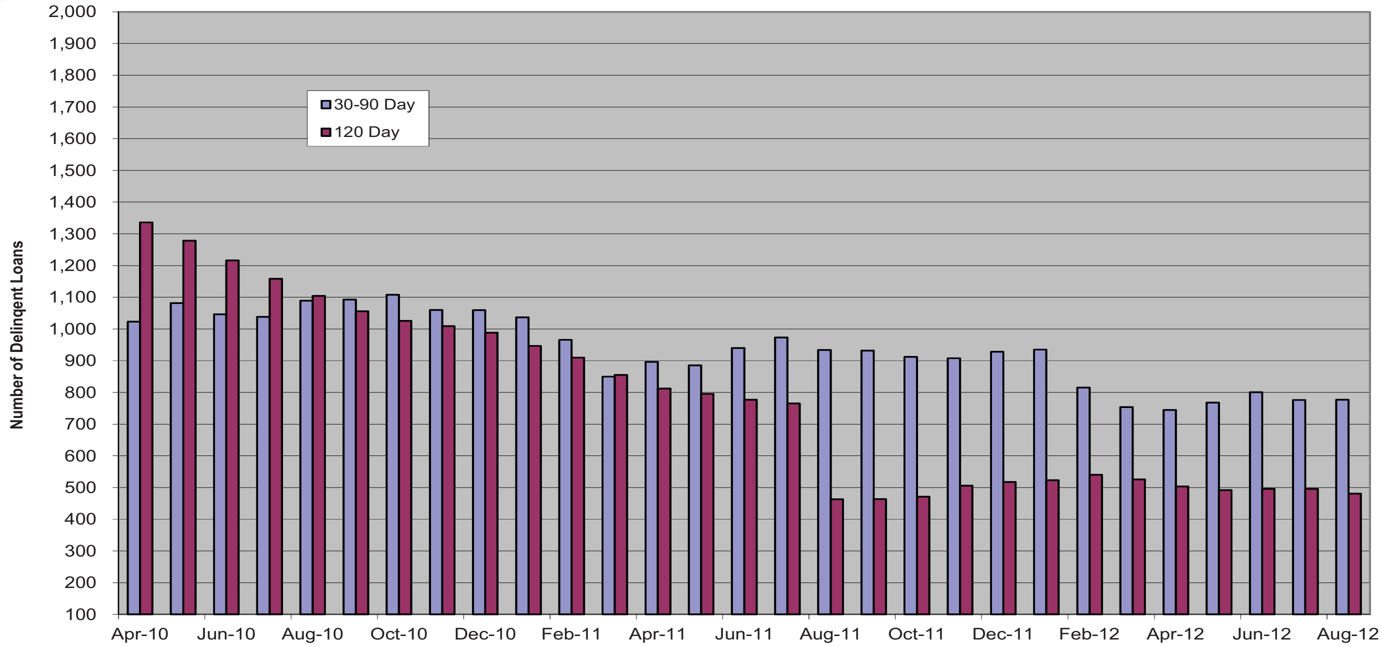
	Loan Count	Balance	% of Balance	Loan Count	30-Day	Loan Count	60-Day	Loan Count	90(+) Day	Totals Count	Totals %
				DELINQUENCY RATIOS - % of Loan Count							
CALHFA - LOAN SERVICING	7,748	$ 1,688,050,610	46.66%	239	3.08%	112	1.45%	524	6.76%	875	11.29%
GUILD MORTGAGE	4,813	791,683,706	21.88%	252	5.24%	98	2.04%	244	5.07%	594	12.34%
WELLS FARGO HOME MORTGAGE	2,182	244,283,462	6.75%	88	4.03%	37	1.70%	148	6.78%	273	12.51%
BAC HOME LOANS SERVICING, LP	1,934	359,742,026	9.94%	99	5.12%	60	3.10%	354	18.30%	513	26.53%
EVERHOME MORTGAGE COMPANY	1,941	177,111,908	4.90%	102	5.26%	21	1.08%	77	3.97%	200	10.30%
FIRST MORTGAGE CORP	800	152,554,103	4.22%	20	2.50%	17	2.13%	70	8.75%	107	13.38%
GMAC MORTGAGE CORP	835	107,270,220	2.97%	40	4.79%	14	1.68%	50	5.99%	104	12.46%
BANK OF AMERICA, NA	256	41,451,598	1.15%	13	5.08%	5	1.95%	23	8.98%	41	16.02%
JPMORGAN CHASE BANK, N.A.	177	41,779,283	1.15%	1	0.56%	1	0.56%	37	20.90%	39	22.03%
CITIMORTGAGE, INC.	49	11,111,849	0.31%	1	2.04%	2	4.08%	11	22.45%	14	28.57%
DOVENMUEHLE MORTGAGE, INC.	41	1,156,545	0.03%	1	2.44%	0	0.00%	1	2.44%	2	4.88%
WESCOM CREDIT UNION	4	1,245,292	0.03%	0	0.00%	0	0.00%	1	25.00%	1	25.00%
PROVIDENT CREDIT UNION	1	302,068	0.01%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total CalHFA	20,781	$ 3,617,742,671	100.00%	856	4.12%	367	1.77%	1,540	7.41%	2,763	13.30%

Reconciled Loan Delinquency Summary
All Active Loans By County
As of August 31, 2012

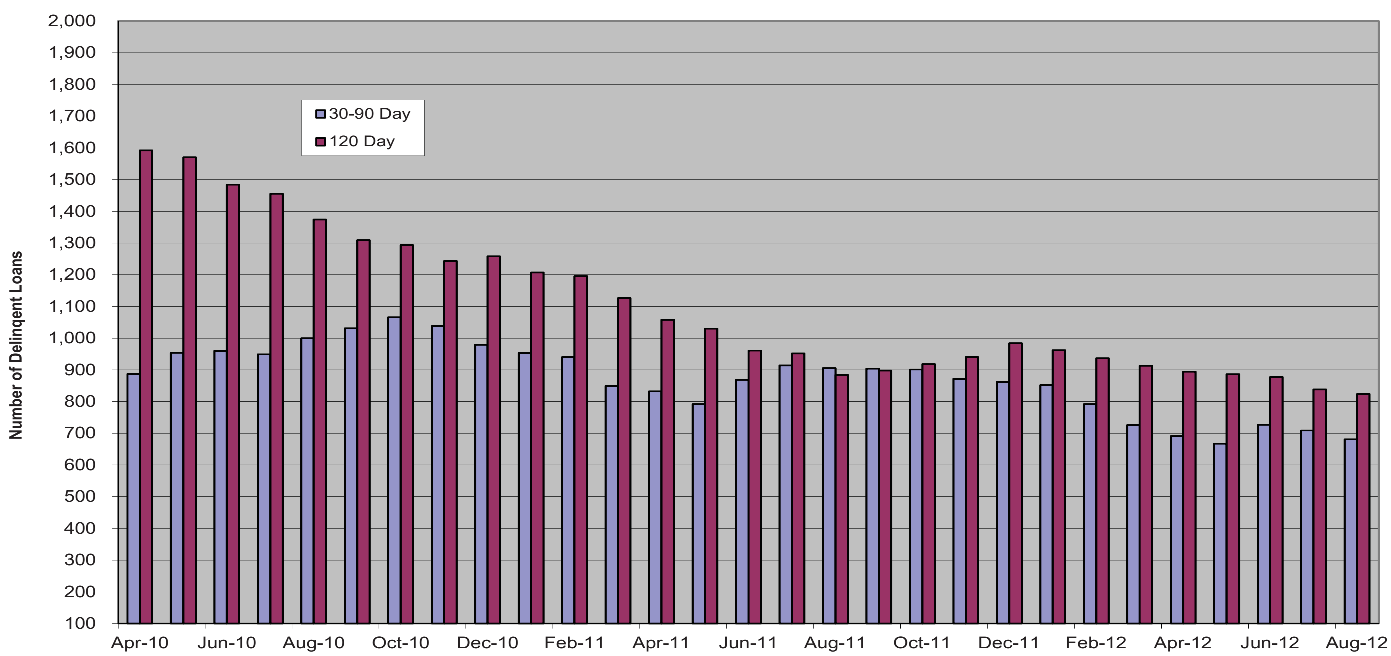
	Loan Count	Balance	% of Balance	Loan Count	30-Day	Loan Count	60-Day	Loan Count	90-Day+	Total Count	Total %
				DELINQUENCY RATIOS - % of Loan Count							
LOS ANGELES	3,465	$ 699,604,504	19.34%	136	3.92%	56	1.62%	287	8.28%	479	13.82%
SAN DIEGO	1,841	384,042,576	10.62%	57	3.10%	35	1.90%	169	9.18%	261	14.18%
SANTA CLARA	1,448	370,761,553	10.25%	25	1.73%	12	0.83%	77	5.32%	114	7.87%
KERN	1,282	129,923,299	3.59%	79	6.16%	39	3.04%	56	4.37%	174	13.57%
FRESNO	1,057	92,460,294	2.56%	57	5.39%	16	1.51%	63	5.96%	136	12.87%
TULARE	1,038	90,967,216	2.51%	68	6.55%	26	2.50%	57	5.49%	151	14.55%
ORANGE	1,017	223,220,375	6.17%	24	2.36%	17	1.67%	72	7.08%	113	11.11%
SACRAMENTO	1,003	170,017,794	4.70%	35	3.49%	18	1.79%	101	10.07%	154	15.35%
SAN BERNARDINO	985	158,761,404	4.39%	45	4.57%	18	1.83%	116	11.78%	179	18.17%
RIVERSIDE	956	146,739,599	4.06%	56	5.86%	41	4.29%	107	11.19%	204	21.34%
ALAMEDA	915	213,949,073	5.91%	22	2.40%	11	1.20%	53	5.79%	86	9.40%
CONTRA COSTA	725	154,975,876	4.28%	33	4.55%	10	1.38%	71	9.79%	114	15.72%
VENTURA	520	134,290,639	3.71%	15	2.88%	4	0.77%	39	7.50%	58	11.15%
IMPERIAL	488	47,082,785	1.30%	41	8.40%	11	2.25%	22	4.51%	74	15.16%
SONOMA	412	81,062,202	2.24%	16	3.88%	6	1.46%	14	3.40%	36	8.74%
OTHER COUNTIES	3,629	519,883,483	14.37%	147	4.05%	47	1.30%	236	6.50%	430	11.85%
Total CalHFA	20,781	$ 3,617,742,671	100.00%	856	4.12%	367	1.77%	1,540	7.41%	2,763	13.30%

CalHFA California Housing Finance Agency

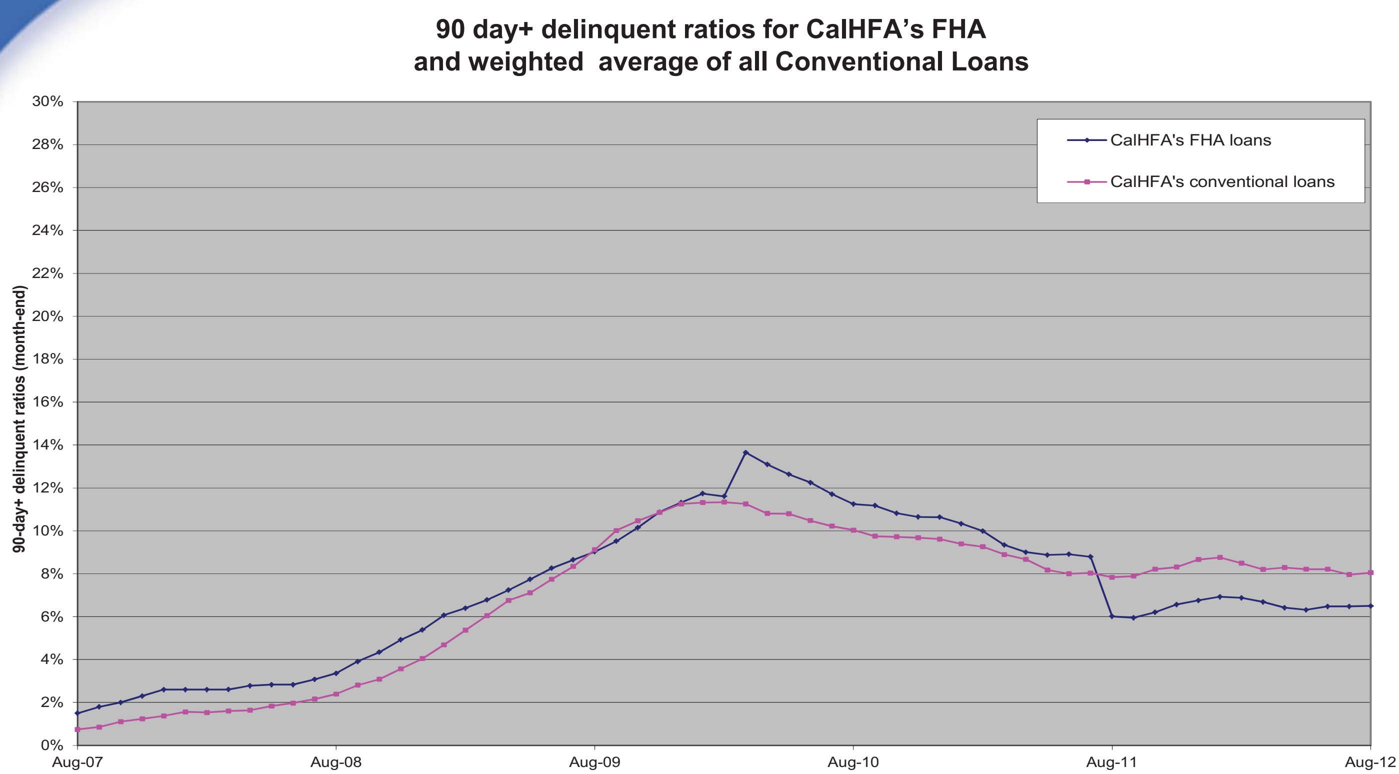
CalHFA's FHA Delinquent Loan Trend for 30-90 Day and 120 Day
As of August 31, 2012

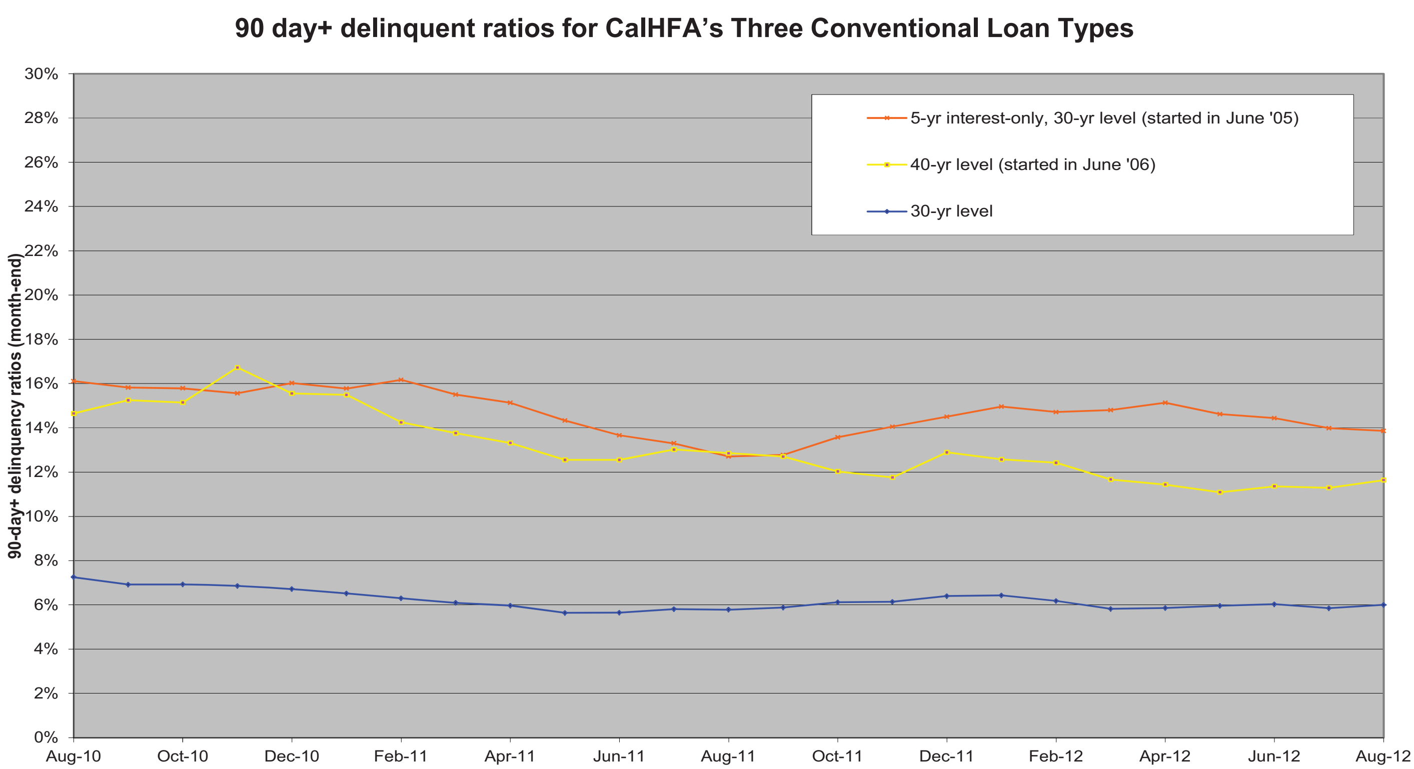


CalHFA's Conventional Delinquent Loan Trend for 30-90 Day and 120 Day
As of August 31, 2012



California Housing Finance Agency





CalHFA California Housing Finance Agency

Real Estate Owned

Calendar Year 2012 (As of September 30, 2012)													
			**Trustee Sales			Disposition of REO(s)							
Loan Type	Beginning Balance # of Loans	Prior Calendar Adj.	Reverted to CalHFA Jan-Aug	Reverted to CalHFA Sept	Total Trustee Sales	Repurchased by Lender Jan-Aug	Market Sale(s) Jan-Aug	Repurchased by Lender Sept	Market Sale(s) Sept	Total Disposition of REO(s)	Ending Balance # of Loans	UPB of REO's Owned
FHA/RHS/VA	124	(18)	232	30	262	237		36		273	95	$ 16,891,734
Conventional	565	4	656	16	672		944		60	1,004	237	55,018,594
Total	689	(14)	888	46	934	237	944	36	60	1,277	332	$ 71,910,327

Calendar Year 2011						
		*Trustee Sales	Disposition of REO(s)			
Loan Type	Beginning Balance # of Loans	Reverted to CalHFA 2011	Repurchased by Lender 2011	Market Sale(s) 2011	Ending Balance # of Loans	UPB of REO's Owned
FHA/RHS/VA	198	496	570		124	$ 22,948,976
Conventional	1084	1311		1830	565	123,482,821
Total	1282	1807	570	1830	689	$ 146,431,797

Calendar Year 2010						
		*Trustee Sales	Disposition of REO(s)			
Loan Type	Beginning Balance # of Loans	Reverted to CalHFA 2010	Repurchased by Lender 2010	Market Sale(s) 2010	Ending Balance # of Loans	UPB of REO's Owned
FHA/RHS/VA	187	816	805		198	$ 41,905,865
Conventional	619	1551		1086	1084	226,793,920
Total	806	2367	805	1086	1282	$ 268,699,784

Calendar Year 2009						
		*Trustee Sales	Disposition of REO(s)			
Loan Type	Beginning Balance # of Loans	Reverted to CalHFA 2009	Repurchased by Lender 2009	Market Sale(s) 2009	Ending Balance # of Loans	UPB of REO's Owned
FHA/RHS/VA	51	588	452		187	$ 40,850,369
Conventional	226	929		536	619	150,498,899
Total	277	1517	452	536	806	$ 191,349,268

**3rd party trustee sales are not shown in the tables (tItle to these loans were never transferred to CalHFA). There were eight (8) 3rd party sales in calendar year 2008, eighteen (18) 3rd party sales year 2009, thirty-nine (39) 3rd party sales year 2010, twenty two (22) 3rd party sales in calendar year 2011, and there are twenty-seven (27) 3rd party sale to date 2012.*

Cal HFA California Housing Finance Agency

Accumulated Uninsured Losses as of September 30, 2012						
Conventional Loans	**# of Properties Sold**	**Principal Write-Offs [1]**	**# of GAP Claims**	**Actual GAP[2] Claim Payments**	**# of Subordinate Loans**	**Subordinate Write-Offs [3]**
REOs Sold	4,517	$ (163,519,756)	2,601	$ (117,367,774)		
Short Sales	883	(33,218,567)	395	(17,461,359)	2,364	$ (20,829,398)
3rd Party Sales	46	(196,576)	4	(170,867)	120	(1,055,864)
Write-offs resulting from foreclosures					9,122	(88,076,670)
Total:	5,446	$ (196,934,900)	3,000	$ (135,000,000)	11,606	$ (109,961,932)

(1) Principal loan write-offs from January 1, 2008. Does not include allowance for loan losses or loan loss reserves.

(2) The California Housing Loan Insurance Fund (the MI Fund") provided GAP insurance to meet HMRB bond indenture requirements that all loans held within that indenture have 50% of the unpaid principal balance insured by a mortgage insurance policy for the life of the loan. The insurance may be provided by any combination of government insurance, private mortgage insurance, or a policy from the MI fund. The Agency agreed, pursuant to an internal interfund agreement, to indemnify the MI Fund for claims paid for principal losses under the GAP insurance policy, up to a cumulative maximum amount of $135 million, this maximum amount was reached in August 2011. The indemnification is payable solely from available funds held in a sub account within the California Housing Finance Fund.

(3) Includes both FHA/Conventional Loans.

2012 Year to Date Composition of 1st Trust Deed Loss
(As of September 30, 2012)

	Disposition					
Loan Type	**Repurchased by Lender**	**Market Sales**	**Short Sales**	**Loan Balance at Sales**	**Principal Write-Offs**	**Actual GAP Claim Payments**
FHA/RHS/VA	273		24	$ 55,726,143		
Conventional		1,004	247	341,478,512	$ (84,199,884)	$ (1,483,256)
	273	1,004	271	$ 397,204,655	$ (84,199,884)	$ (1,483,256)

2012 Year to Date Composition of Subordinate Write-Offs by Loan Type[1]
(As of September 30, 2012)

	Active Loans		Write-Offs	
Loan Type	**Active Loans**	**Dollar Amount**	**Number of Write-Offs**	**Dollar Amount**
CHAP/HiCAP	8,253	$88,078,559	778	$8,441,266
CHDAP/ECTP/HiRAP	23,921	176,753,874	950	7,180,525
Other [2]	235	3,179,156	2	10,500
	32,409	$268,011,589	1,730	$15,632,291

(1) Does not include FNMA and CalSTRS subordinates (non-agency loans serviced by in house loan servicing)

(2) Includes HPA, MDP, OHPA, and SSLP.

State of California

M E M O R A N D U M

To: Board of Directors **Date:** October 30, 2012

Timothy Hsu, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: AGENCY BONDS, INTEREST RATE SWAPS, AND FINANCING RISK FACTORS REPORT

The following report describes our bond and interest rate swap positions as well as the related risks associated with variable rate and swap strategies. The report is divided into sections as follows:

1) Outstanding Bonds
2) Variable Rate Debt
    a) Variable Rate Debt Exposure
    b) Types of Variable Rate Debt
    c) Liquidity Providers
    d) Interest Rate Swaps
3) Financing Risk Factors
    a) Unhedged Variable Rate Risk
    b) Basis Risk
    c) Amortization Risk
    d) Termination Risk
    a) Collateral Posting Risk

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1) OUTSTANDING BONDS

Below is the Agency's outstanding debt position. This table does not include any pass-thru, conduit or escrow (NIBP) financings which makes up an additional $522 million

BONDS OUTSTANDING
As of September 1, 2012
($ in millions)

	Fixed Rate	Variable Rate	Totals
Single Family	$2,162	$2,063	$4,225
Multifamily	337	609	920
TOTALS	$2,599	$2,646	$5,145

2) VARIABLE RATE DEBT

a) VARIABLE RATE DEBT EXPOSURE

Over the years the Agency has integrated the use of variable rate debt as a primary issuance strategy in providing capital to support its programmatic goals. Most of our interest rate exposure from variable rate debt is hedged in the swap market.

This section describes the variable rate bonds of CalHFA and is organized programmatically by indenture as follows: HMRB (Home Mortgage Revenue Bonds--CalHFA's largest single family indenture), MHRB (Multifamily Housing Revenue Bonds III--CalHFA's largest multifamily indenture), and HPB (Housing Program Bonds--CalHFA's multipurpose indenture, used to finance a variety of loans including the Agency's downpayment assistance loans).
The total amount of CalHFA variable rate debt is $2.6 billion, 51% of our $5.1 billion of total indebtedness as of November 1, 2012.

VARIABLE RATE DEBT
($ in millions)

	Swapped to Fixed Rate	Not Swapped or Tied to Variable Rate Assets	Total Variable Rate Debt
HMRB (SF)	$1,160	$875	$2,035
MHRB (MF)	380	183	563
HPB (SF & MF)	0	48	48
Total	$1,540	$1,106	$2,646

b) <u>TYPES OF VARIABLE RATE DEBT</u>

The following table shows our variable rate debt sorted by type, i.e., whether auction rate, indexed rate, or variable rate demand obligations (VRDOs). Auction and indexed rate securities cannot be "put" back to us or to a third party by investors; hence they typically bear higher rates of interest than do "put-able" bonds such as VRDOs.

TYPES OF VARIABLE RATE DEBT
($ in millions)

	Auction Rate & Similar Securities	Indexed Rate Bonds	Variable Rate Demand Obligations	Total Variable Rate Debt
HMRB	$0	$751	$1,284	$2,035
MHRB	108	0	455	563
HPB	0	0	48	48
Total	$108	$751	$1,787	$2,646

c) <u>LIQUIDITY PROVIDERS</u>

On October 19, 2009, the United States Treasury (Treasury) announced a new initiative for state and local housing finance agencies (HFAs) to provide a new bond purchase program to support new lending by HFAs and to provide a temporary credit and liquidity program (TCLP) to improve access of HFAs to liquidity for outstanding HFA bonds. On December 23, 2009, the Agency closed eight TCLP transactions with Treasury to replace the liquidity for $3.5 billion of variable rate bonds. The new liquidity became effective in January 2010 on the mandatory tender dates of the bonds with an initial expiration date of December 23, 2012. However, the Agency successfully negotiated with Treasury to extend the deadline for the TCLP to December 23, 2015.

The table below shows the government-sponsored enterprises (GSE) which are providing liquidity in the form of standby bond purchase agreements for our VRDOs.

LIQUIDITY PROVIDERS
As of 11/1/2012
($ in millions)

Financial Institution	$ Amount of Bonds
Freddie Mac	$ 893
Fannie Mae	893
Total	$1,786

d) Interest Rate Swaps

Currently, we have a total of 93 “fixed-payer” swaps with thirteen different counterparties for a combined notional amount of $2.1 billion. All of these fixed-payer swaps are intended to establish synthetic fixed rate debt by converting our variable rate payment obligations to fixed rates. The table below provides a summary of our swap notional amounts.

FIXED PAYER INTEREST RATE SWAPS
(notional amounts)
($ in millions)

	Tax-Exempt	Taxable	Totals
HMRB	$1,379	$183	$1562
MHRB	566	0	566
TOTALS	$1,945	$183	$2,128

SWAPS
($ in millions)

	Hedging Bonds	Not Hedging Bonds	Totals
HMRB	$1,194	$3681	$1,562
MHRB	393	173	566
TOTALS	$1,587	$541	$2,128

For all of our fixed-payer swaps, we receive floating rate payments from our counterparties in exchange for a fixed-rate obligation on our part. In today’s market, the net periodic payment owed under these swap agreements is from us to our counterparties. As an example, on our August 1, 2012 semiannual debt service payment date we made a total of $42 million of net payments to our counterparties. Conversely, if short-term rates were to rise above the fixed rates of our swap agreements, then the net payment would run in the opposite direction, and we would be on the receiving end.

The table on the following page shows the diversification of our fixed payer swaps among the thirteen firms acting as our swap counterparties.

SWAP COUNTERPARTIES

Swap Guarantor	Credit Ratings Moody's	S & P	Notional Amounts Swapped as of 9/1/2012 ($ in millions)	Number of Swaps
Merrill Lynch Derivative Products	Aa3	AAA	$ 602	34
JPMorgan Chase Bank, N.A.	Aa3	A+	525	18
Goldman Sachs Mitsui Marine Derivative Products, , L.P.	Aa2	AAA	214	7
Citigroup Financial Products, Inc.	Baa2	A-	201	8
AIG Financial Products, Corp. [2]	Baa1	A-	193	7
Deutsche Bank AG	A2	A+	182	11
Morgan Stanley Capital Services, Inc.	Baa1	A-	112	2
BNP Paribas	A2	AA-	50	2
Bank of New York Mellon	Aa1	AA-	25	1
UBS AG	A2	A	13	1
Dexia Credit Local New York Agency [2]	Baa2	BBB	10	1
Merrill Lynch Capital Services, Inc.	Baa2	A-	1	1
			$ 2,128 [1]	93

[1] *Basis Swaps not included in totals*

[2] *Swap counterparty's rating has triggered Additional Termination Event (ATE); Agency has right to terminate the associated swaps; additionally, the rating agencies no longer consider these swaps to be effective hedges see "Termination Risk" section of report*

3) FINANCING RISK FACTORS

a) Unhedged Variable Rate Risk

As shown in Sec. 2(a), the Variable Rate Debt table, our "net" variable rate exposure is $1.1 billion, 21% of our indebtedness. The net amount of variable rate bonds is the amount that is neither swapped to fixed rates nor directly backed by complementary variable rate loans or investments. The $1.1 billion of net variable rate exposure ($631 million taxable and $474 million tax-exempt) is offset by the Agency's variable rate investments and excess swap positions. The Agency's balance sheet has: i) $550 million (six month average balance) of non-bond indenture related funds invested in the State Treasurer's investment pool (SMIF) earning a variable rate of interest; and, ii) $541 million notional amount of interest rate swaps in excess of the hedged bonds.

From a risk management perspective, these two positions serve as a balance sheet hedge for the $1.1 billion of net variable rate exposure.

In order to estimate the "true" unhedged position to the Agency, first, the overhedged swaps were used to offset the unhedged bonds. Then, the remaining tax-exempt unhedged bonds were converted into their equivalent taxable basis. Using this conversion method, the $1.1 billion of net variable rate exposure translates to $632 million of net variable rate exposure. This $632 million is further reduced by the $550 million of funds invested in SMIF. Thus the "true" net variable rate debt, from the Agency's balance sheet perspective, is $64 million.

In addition, taking unhedged variable rate exposure mitigates the amortization risk without the added cost of purchasing swap optionality. Our unhedged variable rate bonds are callable on any date and allow for bond redemption or loan recycling without the cost of par termination rights or special bond redemption provisions. In addition, taking unhedged variable rate exposure diversifies our interest rate risks by providing benefits when short-term interest rates rise slower than the market consensus. In a liability portfolio that is predominately hedged using long-dated swaps, the unhedged exposure balances the interest rate profile of the Agency's outstanding debt.

b) BASIS RISK

Almost all of our swaps contain an element of what is referred to as "basis risk" – the risk that the floating rate component of the swap will not match the floating rate of the underlying bonds. This risk arises because our swap floating rates are based on indices, which consist of market-wide averages, while our bond floating rates are specific to our individual bond issues. The only exception is where our taxable floating rate bonds are index-based, as is the case of the taxable floaters we have sold to the Federal Home Loan Banks.

The relationship between the two floating rates changes as market conditions change. Some of the conditions that contributed to our extreme basis mismatch in 2009 and early 2010 were the collapse of the auction rate securities market, the impact of bond insurer downgrades, the funding of bank bonds at higher rates, and SIFMA/LIBOR ratio at historically high levels over 100% We responded to the market disruption by refunding, converting, or otherwise modifying many of the under performing auction rate securities and insured VRDOs, and we eliminated bank bonds by taking advantage of the Temporary Credit and Liquidity Program offered by the federal government.

The new Temporary Credit and Liquidity Program from the federal government and the GSEs has significantly reduced basis mismatch. As part of this process, all bond insurance was removed from VRDOs and the federal government now provides direct credit support on all CalHFA VRDOs. This has allowed CalHFA VRDOs to reset with little or no spread to SIFMA. Since January 2010, our VRDOs have reset at an average of 2 basis point or 0.02% below SIFMA, whereas in 2009, our VRDOs were resetting at an average of 106 basis points or 1.06% above SIFMA. The main risk that exists is that the SIFMA/LIBOR ratio continues to be high and as market rates rise our basis mismatch may remain higher than expected due to general market conditions.

The floating formulas of Agency swaps are usually indexed to LIBOR or SIFMA. LIBOR is the London Interbank Offered Rate index which is used to benchmark taxable floating rate debt, and SIFMA is the Securities Industry and Financial markets Association Index to benchmark tax-exempt variable rates. When the SIFMA/LIBOR ratio is very high, the swap payment we receive falls short of our bond payment, and the all-in rate we experience is somewhat higher. The converse is true when the percentage is low. We continually monitored the SIFMA/LIBOR relationship and the performance of our swap formulas and made certain adjustments to the formula. The following table displays the SIFMA/LIBOR ratio for the past eight calendar years.

Average SIFMA/LIBOR Ratio			
2005	73%	2009	123%
2006	68%	2010	96%
2007	69%	2011	79%
2008	84%	2012 to date	66%

The table below shows the diversification of variable rate formulas used for determining the payments received from our interest rate swap counterparties.

BASIS FOR VARIABLE RATE PAYMENTS
RECEIVED FROM SWAP COUNTERPARTIES
(notional amounts)
($ in millions)

	Tax-Exempt	Taxable	Totals
% of LIBOR (+ spread)	$1350	$0	$1,350
SIFMA (+ spread)	388	0	388
Stepped % of LIBOR [1]	203	0	203
3 mo. LIBOR (+ spread)_	0	102	102
% of SIFMA	19	0	19
1 mo. LIBOR	0	40	40
3 mo. LIBOR	0	16	16
6 mo. LIBOR	0	10	10
TOTALS	$1,960	$168	$2,128

[1] Stepped % of LIBOR – This formula has seven incremental steps where at the low end of the spectrum the swap counterparty would pay us 85% of LIBOR if rates should fall below 1.25% and at the high end it would pay 60% of LIBOR if rates are greater than 6.75%.

c) **AMORTIZATION RISK**

Our bonds are generally paid down (redeemed or paid at maturity) as our loans are prepaid. Our interest rate swaps amortize over their lives based on assumptions about the receipt of prepayments, and the single family transactions which include swapped bonds have generally been designed to accommodate prepayment rates between two and three times the "normal" rate. Our interest rate swaps generally have had fixed amortization schedules that can be met under a sufficiently wide ranges of prepayment speeds. In addition, swaps that were entered into after 2003 had swap termination options which allowed the Agency to terminate all or portions of the swap at par (no cost to terminate). The table below shows the par terminations that the Agency has exercised to date.

	Swap Par Options Exercised ($ in thousands)	
2004	$12,145	$12,145,000.00
2005	35,435	$35,435,000.00
2006	20,845	$20,845,000.00
2007	28,120	$28,120,000.00
2008	18,470	$18,470,000.00
2009	370,490	$370,490,000.00
2010	186,465	$186,465,000.00
2011	288,700	$288,700,000.00
2012	361,975	$361,975,000.00
	$1,322,645	

The table below shows the speed at which the Agency's single family first mortgage loans have been prepaying for the past five years.

SEMI-ANUAL PREPAYMENT SPEED
FOR PAST FIVE YEARS

6-mo Period Ending:	PSA
Jun-2007	156%
Dec-2007	81%
Jun-2008	60%
Dec-2008	58%
Jun-2009	89%
Dec-2009	128%
Jun-2010	165%
Dec-2010	236%
Jun-2011	255%
Dec-2011	299%
Jun-2012	278%

Of interest is an $541 million overswap mismatch between the notional amount of certain of our swaps and the outstanding amount of the related bonds. This mismatch has occurred for two reasons: 1) as a result of the interplay between loan prepayments and the "10-year rule" of federal tax law and 2) the strategic debt management of the Agency to redeem bonds that were hedged but were associated with troubled or problematic financial partners. While some of our bonds are "over-swapped", there are significantly more than enough unswapped variable rate bonds to compensate for the mismatch. To mitigate our overswapped position, we continually monitor the termination value of our "excess swap" position looking for opportunities to unwind these positions when market terminations would be at minimal cost or a positive value to us and by exercising the par swap options as they become available.

d) Termination Risk

Termination risk is the risk that, for some reason, our interest rate swaps must be terminated prior to their scheduled maturity. Our swaps have a market value that is determined based on current interest rates. When current fixed rates are higher than the fixed rate of the swap, our swaps have a positive value to us (assuming, as is the case on all of our swaps today, that we are the payer of the fixed swap rate), and termination would result in a payment from the provider of the swap (our swap "counterparty") to us. Conversely, when current fixed rates are lower than the fixed rate of the swap, our swaps have a negative value to us, and termination would result in a payment from us to our counterparty.

Our swap documents allow for a number of termination "events," i.e., circumstances under which our swaps may be terminated early, or "unwound". One circumstance that would cause termination would be a payment default on the part of either counterparty. Another circumstance would be a sharp drop in either counterparty's credit ratings and, with it, an inability (or failure) of the troubled counterparty to post sufficient collateral to offset its credit problem. It should be noted that, if termination is required under the swap documents, the market determines the amount of the termination payment and who owes it to whom. Depending on the market, it may be that the party who has caused the termination is owed the termination payment.

Termination Value History

Date	Termination Value ($ in millions)
6/30/11*	($253)
9/30/11	($338)
12/31/11	($330)
3/31/12	($302)
6/30/12	($324)
9/30/12	($330)

** As reported in the Financial Statements*

e) Collateral Posting Risk

Some ISDA agreements that we have entered into with the swap counterparties have collateral posting requirements. These postings are a function of the mark-to-market, ratings, threshold amounts, independent amounts and any collateral already posted. Our trades are valued weekly, and our collateral position is adjusted weekly based on those valuations. Failure to post the required collateral can result in a termination event.

The table below shows the required collateral amounts currently posted to swap counterparties. In the past months, falling interest rates have caused the swaps to have a negative value to the Agency thereby increasing the amount of collateral being posted to the counterparties.

Swap Collateral Posting
as of 10/24/2012
($ in millions)

	JPMorgan	Goldman Sachs	BofA	BofA / Merrill Lynch	Deutsche	AIG	Total
Marked-to-Market	69.18	37.5	64.28	38	38.99	18.01	
Credit Support Amount	34.18	23.75	6.25	22.18	8.99	0	95.35

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