MEMORANDUM

To : BOARDMEMBERSAND INTERESTED PARTIES

Date: August 14, 1997

JoJo Ojima

From : CALIFORNIA HOUSING FINANCE AGENCY

Subject: APRIL 7, 1999 BOARD MEETING: REPLACEMENT/INSERT PAGES

Please be advised that you will not be receive a new Board package for the April 7 CHFA Board of Directors' Meeting to be held at the Burbank Airport Hilton and Convention Center. Enclosed are the new replacement pages and insert.

If you have any questions, please do not hesitate to contact me at (916) 322-3958.

CHFA BOARD OF DIRECTORS

Wednesday, April 7, 1999

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

9:30 a.m.

Number	Development	Locality	Unit
98-027-S	North Hills Apartments	Fullerton/ Orange	204

Resolution 99-16 924

Number	Development	Locality	Unit
96-021-N	Villa San Ramon 11	san Ramon/ Contra Costa	40

Resolution 99-17 948

5. 1999-2000 Business Plan discussion 972

6. Other Board matters ....

7. Public testimony: Discussion only of other matters to be brought to the Board's attention.

**** NOTE: Next CHF'A Board of Director's Meeting will be May 26,1999, at the Burbank Airport Hilton and Convention Center, Burbank, California.**

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

ORIGINAL

BOARD OF DIRECTORS

PUBLIC MEETING

The Clarion Hotel
Nob Hill Room
San Francisco International Airport
401 East Millbrae Avenue
Millbrae, California

Thursday, January 14, 1999
9:30 a.m. to 1:01 p.m.

Minutes approved by the Board of Directors at its meeting held: April 7, 1999

Attest: [signature]

Reported and Transcribed by: Ramona Cota

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A P P E A R A N C E S

Directors Present:

CLARK WALLACE, Chairman

DONNA CAMPBELL

ANGELA L. EASTON

RICHARD FRIEDMAN

CARRIE A. HAWKINS

KEN S. HOBBS

ROBERT N. KLEIN 11

DONNA LUCAS

THERESA A. PARKER

Staff Present:

DAVID N. BEAVER, General Counsel

JOJO OJIMA

For the Staff of the Agency:

LINDA BRAUNSCHWEIGER, Director of Federal Legislation

KENNETH R. CARLSON, Director of Financing

G. RICHARD SCHERMERHOFW, Director of Programs

LINN G. WARREN, Chief, Multifamily Lending

Counsel to the Agency:

STANLEY J. DIRKS, Orrick, Herrington & Sutcliffe

Members of the Public:

NONE

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I N D E X (C O N T I N U E D)

P R O C E E D I N G S

THURSDAY, JANUARY 14, 1999 MILLBRAE, CALIFORNIA 9:30 A.M.

CHAIRMAN WALLACE: Good morning. I'd like to call the first meeting of the 1999 CHFA Board of Directors to order. And we're not going to be in disorder like we were all last year because we've got a lot of new faces. We'll introduce those folks and all that as soon as we can call the roll. So if you could, JoJo, give us a roll call.

ROLL CALL

MS. OJIMA: Ms. Lucas for Mr. Angelides?

MS. LUCAS: Donna Lucas for Phil Angelides.

MS. OJIMA: Ms. Campbell for Ms. Contreras-Sweet?

MS. CAMPBELL: Here.

MS. OJIMA: Mr. Czuker?

(No response).

MS. OJIMA: Ms. Easton?

MS. EASTON: Here.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Here.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Here.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Here.

MS. OJIMA: Mr. Mozilo?

(No response).

MS. OJIMA: Mr. Friedman for Ms. Nevis?
MR. FRIEDMAN: Here.
MS. OJIMA: Mr. Wallace?
CHAIRMAN WALLACE: Here.
MS. OJIMA: Mr. Gage?
(No response).
MS. OJIMA: Ms. Parker?
MS. PARKER: Here.
MS. OJIMA: We have a quorum.
CHAIRMAN WALLACE: Great, that's a rollicking good start.

APPROVAL OF THE MINUTES OF THE NOVEMBER 19, 1998 MEETING

I have before you the approval of the minutes of our November 19, 1998 meeting, which I know most of you have reviewed. The Chair would accept a motion for approval, amendment, correction, whatever. Mr. Klein.
MR. KLEIN: Move approval.
MS. HAWKINS: I'll second.
CHAIRMAN WALLACE: Approval by Klein and a second by Hawkins. Is there any discussion? Hearing none, call the roll, please.
MS. OJIMA: Ms. Lucas?
MS. LUCAS: Aye.
MS. OJIMA: Ms. Campbell?
MS. CAMPBELL: Aye.

MS. OJIMA: Ms. Easton?
MS. EASTON: Aye.
MS. OJIMA: Ms. Hawkins?
MS. HAWKINS: Aye.
MS. OJIMA: Mr. Hobbs?
MR. HOBBS: Aye.
MS. OJIMA: Mr. Klein?
MR. KLEIN: Aye.
MS. OJIMA: Mr. Friedman?
MR. FRIEDMAN: Aye.
MS. OJIMA: Mr. Wallace?
MR. WALLACE: Aye.
MS. OJIMA: The minutes have been approved.
CHAIRMAN WALLACE: Thank you very much.

CHAIRMAN/EXECUTIVE DIRECTOR COMMENTS

Moving on to Item 3 let me set the stage. I'd like to get us out of here by noon and there have been a couple of projects that have been pulled so I have high hopes we'll be able to do that. Having said that I think there are a few items, and starting with this next item, that we need to cover because there have been a number of changes.

Let me welcome Richard Friedman in behalf of HCD-Richard is the Chief Legal Counsel-and we're very pleased to have you with us. Donna Lucas representing Treasurer Phil Angelides; we're very happy to have you here. If you didn't know this, her office and Phil's office is the one that sells our bonds so I want you to be particularly nice to Donna. Thirdly, BT&H. You know, that old Bill Brennan, that troublemaker, we've come to a new era here so, Donna Campbell, we welcome you. Donna is in charge of BT&H, almost.

MS. CAMPBELL: No, no, no, no.

CHAIRMAN WALLACE: Almost. She has a new boss, Maria Contreras-Sweet, who is on board. And there's probably about two holdovers left from the prior administration who really knew what was going on, I think Chon Gutierrez and Donna Campbell, and so we're very happy to have your background and experience here too. Now the rest of us have been through this drill before, as I look around. And we've got a couple of Board members who unfortunately could not be with us but at any rate, welcome to all the new members and we look forward to your contributions to our deliberations.

Let me give just a brief couple of other things and then Terri has a number of items she wants to bring to our attention. Number one, Terri did miss the last meeting and I tried to fuzz over the why but I think it can now be told that Terri was asked, like within 24 hours before our last Board meeting in November, to serve on Governor Davis's transition team and was asked to be there the next day, which coincided with our Board meeting.

Now having said that, Terri, we missed you but we know -- As I said at the time, I think she had a higher calling and I think that's still accurate. I know Terri has been intimately involved in a number of things for the transition team. We're happy to have you back but we know you did the Lord's work when you were working on the transition team. So that was the higher calling I was referring to.

Secondly, at the last meeting we were uncertain about Bijan Kian's status and he is, as you know now, he was an appointee of Governor Wilson but had not been confirmed by the Senate. He , unhappily, was going to be a very new but contributing member but that confirmation has been pulled off of Senate Rules and so Bijan will not be with us. I know we have a resolution in the mill to thank him and I intend to call him now that that lack of confirmation has been confirmed. I think we should thank him for his service as we were unable to do at the last meeting. And I sense nobody is going to object to that.

Well, I think, Terri, being on the firing line, I think I'll turn it over to you for some of the other changes and/or items both that you've put before us this morning and/or other things for the good of the order. So, Terri, it's your turn.

MS. PARKER: Okay, Mr. Chairman, thank you. And

I'll try to be careful of our time given your remarks. I did miss you all in the November meeting. I was particularly interested when I went through the minutes and it looked like you had a very good and very lively discussion, as usual. I was very interested to figure out whether there was something magic going on at that meeting because I understand one of our colleagues from the rating agency, S and P, had a proposal that evening. So I don't know whether there was particularly good Karma in the room, Pam, but I would like to on behalf of all of us congratulate you, and we'll want to know whether or not you're planning your wedding after one of our CHFA Board meetings for continuation of good luck.

I have a number of housekeeping things I'll go through. In the interest of time we are all available to expound on any one of these subjects after the meeting or breaks or whatever or over the next days and weeks ahead. So just feel free if anybody has any questions about some of the material I'm going to go through that we can certainly spend more time chatting about it.

The first thing I'd like to do is introduce Diane Richardson. Diane, if you would stand up. Diane has just joined CHFA and she has taken Christina Strader's position and will be the director of state legislation. Diane has a substantial amount of experience in this field, she has worked in state government for over 18 years. Primarily she was in the Governor's Office of Planning and Research where she did legislation there. Most recently she was in the governor's office helping out the last year and a half in the area of legislation. She has worked in local government areas, land use areas and I was very pleased when she -- essentially, we talked and she said shews very interested in coming to work and offering us assistance at the state level in our matters across the street in the capitol. So you'll all be hearing more from her over the meetings ahead.

The second thing I wanted to tell you about: There's a substantial amount of materials we have left at your place. Briefly going through them, I just wanted to share with you, depending on what your level of interest is, there is a copy of the book that we put together for the new transition team for the Secretary of BT&H. I just wanted to give you all a copy of that for your own reading so you can know. It's basically material that you probably have all been given, it talks about what CHFA does. It's our opportunity to sell ourselves. It does include a couple of what we considered sort of the hot areas for the new administration to be aware of and that is the need for the lobbying efforts on tax credits, private activity bond and the area of preservation.

Segueing into the issue of private activity bond and tax credits. I had gotten a call from NCSHA in December with the alert that they were aware that the Clinton administration's folks who were looking at doing the budget had private activity bond cap increase along with tax credits on a very short list for consideration as part of their tax portion of their budget. So the NCSHA asked -- They called all the states where there were essentially democratic governors to ask them if they would have their governors write to the President, expressing their interest in having the President include this in his budget.

Fortunately, it's sort of serendipitous, given the proximity of being able to work with the Governor-elect. He was willing, and also with the Treasurer-elect who I've spoken to who is very interested in this issue, to sign a joint letter that was mailed to the President in December asking for his support. I think we were one of only about four states that did this. I think New Hampshire did it, North Carolina did it, Oregon did it and California did it. So I think it was very significant of the democratic governors of being able to get that letter and getting it so quickly. So that's available for you to look at.

The other things that are there. There's a copy of our most recent newsletter and you will all notice from it that we've done a little bit of change of format in it. I think Bill and his team have done another outstanding job. We do have an annual report that has come out since our last meeting. If any of you do not have that we have extra copies for you. There is a report from Ken Carlson, our Finance Director, for you to go through, again at your leisure. And the last thing that I wanted to point out to you is that there is a letter from a realater -- realtor.

CHAIRMAN WALLACE: Realtor.

MS. PARKER: I said it. I said it correctly, realtor.

CHAIRMAN WALLACE: There's no A in-between real and tor.

MS. PARKER: I got this lecture last night.

CHAIRMAN WALLACE: That was over cocktails, though, so I wasn't sure. Terri doesn't drink.

MS. PARKER: I had the iced tea.

We have year-to-date, if you all recall from our business plan, a production goal of $900 million for single-family lending. To date through December 31st we have done $475 million. We actually exceed where we expected to be year-to-date and so we are -- Because of trying to meet our goals of being in the market 365 days a year have been making adjustments along the way to make sure that we have enough to get us through the entire year and we are not in the situation where we overextend the amount of resources we have available so we have just recently reduced our income limits. And this is a letter essentially expressing substantial concerns to the market in the Napa and Solano area from these reductions in our income limits. The letter was sent to you, it's attached, and a copy of it is also attached to our reply.

And I would share with you also that taking a call from a realtor in Los Angeles expressing the same concerns yesterday. This particular individual had three potential buyers. Because of the need to conserve our resources -- And in both instances what we have essentially talked about is the shortage of resources. The need to be working with the new treasurer-elect administration on the prioritization of CDLAC allocation for single-family, for housing, and also to be working at the federal level with congress and the Clinton administration on the needs for the expansion of both tax credits and private activity bond for housing and to elicit all of their support in dealing with those levels of entities at both the state and federal government.

The last couple of things. I would report that we have notified the Agency Secretary that CHFA is Y2K compliant. We have done testing in real time with actual examples and Don Maio has essentially reported everything is copacetic. So we are looking forward to the new millennium. The last thing, just to toot Ken Carlson's horn a little bit. As you all know S&P gave us a rating upgrade last fall from A-plus to AA-minus. Moody's just called us the other day and essentially has also followed with an upgrade from A1 to Aa3. . So we are now sort of at an equalization between Moody's and S&P and, Ken, another fine job you've done.

Mr. Chairman, I think that is -- I've tried to make the briefest of overviews.

CHAIRMAN WALLACE: Any questions on any of those items that Terri just reported on? That's quite a lot of good news, frankly.

MS. PARKER: One last thing, Mr. Chairman. I would say we were asked to participate from a technical standpoint in a meeting last week that really ended up being requested to have by the Treasurer to supply some information on what might be some allocation methodologies in the multifamily area. Given --

CHAIRMAN WALLACE: Allocations?

MS. PARKER: Given the substantial demand for multifamily private activity bond cap --

CHAIRMAN WALLACE: Right.

MS. PARKER: -- the January meeting had a total of, I believe, $1.8 billion worth of requests just for multifamily, over $4 billion in totality for all private activity bond, and there's only $1.63 billion for the entire year. The Treasurer had asked Mark Brown and Christine Minnehan if they could essentially get together a group of people to put together what might be some recommendations.

They asked us to participate because of some of -- frankly, the way that CHFA utilizes its resources and deeper affordability, longer terms of affordability. The upshot of the meeting, and it's really in Christine and Mark's hands since they were requested by the Treasurer to provide him information.

CHAIRMAN WALLACE: Christine and Mark are?

MS. PARKER: With --

CHAIRMAN WALLACE: Not CHFA representatives.

MS. PARKER: That's correct, they are with California Rural Legal Assistance.

MR. FRIEDMAN: Western Center.

MS. PARKER: Western Center. Did I get both of them?

MS. CAMPBELL: Yes.

MR. FRIEDMAN: I think they both work for Western Center, don't they?

MS. CAMPBELL: No, Mark's with CRLA.

CHAIRMAN WALLACE: Well, certainly Christine --

MS. PARKER: Yes. I thought Marl: was with CRLA.

MS. CAMPBELL: Mark is with --

MS. PARKER: And Christine was with Western Center.

MS. CAMPBELL: Western Center.

CHAIRMAN WALLACE: Right. They are independent of

CHFA and had called this meeting at the request of, I guess, our new Treasurer.

MS. PARKER: Yes. It ended up that, you know, shortly before the meeting -- Really at the end, being at the request of the Treasurer. The group essentially met and discussed the questions of whether or not the allocation methodology be changed for 1999. And then what we thought would be helpful was if that were to be something the Treasurer was interested in doing that the group maybe migh be most helpful by essentially giving the Treasurer the benefit of looking at some principles from which an allocation methodology could be developed.

We didn't think it was helpful for us to spend our time talking about the specifics if, for example, if people wanted to do taxable leveraging what that specifically should be, but more look at principles. Should there be taxable leveraging, should there be deeper affordability, should there be longer terms of affordability, should there be limits on the amount of allocation to any particular project in any given year.

So that is the kinds, that is the level that the group spent time discussing. It was really for the benefit of Christine and Mark and for them to take that information and have further conversation with the Treasurer sharing of this information. So I would again just offer for the benefit of the members since there has been discussion and interest in CHFA's participation from a technical resource as well as certainly the interest on our Board's part of being able to promote as much housing as possible that the CHFA staff had been asked to participate in some of these meetings.

And now I'm done.

CHAIRMAN WALLACE: Not yet. Mr. Klein.

MR. KLEIN: Terri, is there a written summary of the results of that discussion?

MS. PARKER: Mark and Christine I think have decided that their communication with the Treasurer would be between themselves since that was the -- it was essentially -- They felt that that was following along the understanding that they had with the Treasurer and in that sense if they wrote something that they would be giving that to him. So the group was essentially told not to expect that there would be a written document that would be shared. So other than what notes we as individuals have from the meeting we are not expecting to have a written product.

MR. KLEIN: Will CHFA as an Agency develop a position? I mean, obviously we have two different points of interest, both multifamily, where hopefully we'll become more active, and single-family, where we have a competitive position we need to explain and justify because we do some very unique things that some other issuers in the state can't do. So *my* question would be, are we going to develop as an Agency a policy statement that provides that background? It might provide some greater legitimacy among the general constituent base in the state if they understand, for example, what we do in single-family that is not done by some other agencies.

MS. PARKER: Well, Mr. Chairman, I would defer to you from the standpoint -- We have been very careful because there are a number of groups that would like to have CHFA sign on to their position papers and we have been very careful about that since we are a state agency. And usually, you know, I would defer to all of you about what your preferences are. We have in the past tried to essentially use the relationship since the Treasurer is on our Board, so is the Secretary of BT&H, within the Administration. We, you know, serve essentially the Administration. To use those opportunities to have communication with the Treasurer's Office and the other voting members of the Board to essentially make CHFA's case.

One other thing, again, I'm sorry I forgot to mention. The other document that is before you is a document that's called the Governor's Budget Summary. It is the highlights of what is the Governor's policy and fiscal visions for his first year in office. There is a three-page write-up in the A pages on the Governor's vision on housing and it lays out the Governor's commitment to lobby on tax credits, bond caps, his desire to have the BT&H Agency work with HCD on increasing Section 8 vouchers.

There are appropriations that are both in BT&H and some other agencies to promote housing activity, both in the areas of special needs housing, farm worker, self-help, welfare to work housing, and to continue to provide assistance to the homeless in the armories. In addition the Governor has called on the Board of Directors in their next business at CHFA to commit $1 billion worth of lending for special need.

The document essentially goes through and lays out the problem of housing across the state. It lays out the fact that in the single-family area California is second to dead last in home ownership. The need that we have for rental housing, particularly in the environment of expiring Section 8's and the diversity of the population in farm worker housing, the homeless, et cetera. So this is essentially an action plan.

So I did want to point out that CHFA is involved in that and it will certainly be part of our discussions with the Treasurer's Office, the Governor's vision and the request of CHFA to essentially try to promote home ownership throughout the state.

CHAIRMAN WALLACE: Did you say a billion that he has requested for special needs?

MS. PARKER: A billion dollars for single-family.

CHAIRMAN WALLACE: That's just single-family.

MS. PARKER: If I said special needs I stand corrected. There is $1 million --

CHAIRMAN WALLACE: Yes.

MS. PARKER: -- in the budget for a special needs housing program.

CHAIRMAN WALLACE: Right, yes. That's a kind of new area that we've gotten, what, two projects into so far, not $1 billion.

MS. PARKER: That actually is $1 million in another area of the state budget that, frankly, we could work with those funds with our special needs capital side.

CHAIRMAN WALLACE: Let me suggest -- I'm not sure, Bob, you got an answer to your question. Terri.

MS. PARKER: I think I deferred.

CHAIRMAN WALLACE: I think you did, and you did it very adroitly. But I think what Bob is saying is, does CHFA exclusive of Mark Brown and Christine Minnehan representing other agencies who had the meeting in which we participated as a resource last week, should we develop or own internal guidelines vis-a-vis the allocation of the tax credit and so on. And I know Bob has brought this up before. I'd like you to think about that and if so make a recommendation as to how we go about that or not do it. But I think that was the thrust of your question.

MR. KLEIN: Yes. Mr. Chairman, there's really two parts to it. One is that basically the die is going to be cast significantly before the end of February on this issue. So we either are going to come up with a policy immediately or we're not. But secondly, there are a number of highly competitive constituencies out there for different parts of the allocation. We have a very legitimate position, we have mission accomplishments that are significant.

What I'm suggesting is that we do have access to all of these different decision makers but the public themselves don't really know, I think, our accomplishments, particularly in the single-family area where we have certain opportunities to be effective that other issuers may not have. We don't need to negatively compare, we can positively state what the unique capacities are of the Agency and state the story about, you know, what we are doing to blend tax-exempts and taxables to stretch allocation and have more of an effect.

And so I would be hopeful that we not only come up with a short position, maybe just focused on principles, not mechanics, as Terri referenced, but a statement about what we are doing as an Agency to stretch our allocation. Something that would be available to the public and other constituencies to help them understand the legitimacy and accomplishments of the Agency. Because if we don't have our story out there we're easier to attack. We have a lot of good accomplishments that I hope that we could explain.

CHAIRMAN WALLACE: In all fairness, as you know, Bob, we are also a target from locals wanting a greater piece of the allocation. I know Terri has had some recent meetings, including this last one, on that subject. Therefore I'm going to suggest, Terri, you take this under advisement and let's talk further about it. We don't want to be -- You know, we are looked upon in many quarters by the locals as big brother getting too much of the pie and therefore depriving some of them. Whether there are greater efficiencies in the leveraging that we are able to do and they are not and things like that are a valid subject and I think, I'm sensing again you would like to see a positive -- bad term -- spin. A positive --

MR. KLEIN: A positive explanation of our advantages --

CHAIRMAN WALLACE: Of what we do --

MR. KLEIN: -- and our accomplishments.

CHAIRMAN WALLACE: -- without denigrating the other.

MR. KLEIN: Right.

CHAIRMAN WALLACE: So, Terri, I'd like you and the senior staff to take that under consideration and make a recommendation to me, us, as to whether we want to develop a program along those lines to help the public better and some of these factions out there that are picking on us better understand what we're doing. Now I know you're doing some of that but how broad should we have that go. So with that let's see what the staff comes up with. Now having said that are there any further questions.

MS. LUCAS: Mr. Chairman.

CHAIRMAN WALLACE: Donna. Yes, Donna.

MS. LUCAS: Mr. Chairman, if I might just add just a little bit to this conversation. First of all, the Treasurer was very disappointed that he could not attend this meeting today. He had a conflict as he is a member of approximately 50 boards and commissions and he is sitting in on another board meeting today.

CHAIRMAN WALLACE: Well, you tell him we were absolutely pleased that in his absence you were able to attend.

MS. LUCAS: Well, thank you so much. But I know, as Terri mentioned, she has had several meetings with the Treasurer and he is very, very -- The housing area is extremely high on his list of priorities and he is taking a very deliberate and judicious approach to the people that he is going to appoint to his various boards and commissions and one of them is on the allocation issue. He is trying to formulate what is the most reasonable and the best policy for the state.

And as you are looking for an advocate for the program here, Terri has a direct contact with the Treasurer, just the fact that he has asked her to participate in some of these conversations and seeking her advice. So if you are at all concerned about whether or not you are being represented and all the positives are being shared about the program, I want you to have the confidence that Terri is representing that very, very well. And I think the Treasurer ultimately when he finally formalizes his team and develops a policy, I think that everyone will get a fair hearing as he develops that policy.

MS. PARKER: Can I just say, Donna, I'm embarrassed but I appreciate that. I think the thing that is important: Bob is very much right from the standpoint -- We have, I think, adopted a policy at CHFA in the past to try to go and speak on the merits because we feel very proud with our record. The record of leveraging, the record of the diversity of the lending that we do, that 62 percent of our loans are to minorities, the percentage of our loans that go to very low and low income families. So we have tried to go and make the arguments of our program on the merits.

But we recognize that frankly it is really the locals who have what they consider local discretion, local priorities as their argument against a statewide entity. And I think it was pointed out to us the other day by some folks that really represent locals in totality that CHFA for the good or bad gets cast as part of other state/local tensions. Some of you may be aware of the property tax grab that the state has been accused of doing years ago as part of solving the budget problems in Sacramento. So some of those things fall over, unfortunately, with CHFA who is looking at a tremendous amount of mistrust of what the state does that may not be in the interest of the locals and if they could just have their allocation that they could make the decision.

What we are trying and have been doing and doing more aggressively is reaching out and trying to make sure that the locals know the story and the merits of our programs too. But I could tell you that when it comes right down to it I think it is this tension of the locals would prefer to have local discretion because that is their nature. And it will be a little bit of a battle of whether or not there is a recognition that there are statewide interests that need to be dealt with and that there are also local interests. And in that sense that has to be dealt with as far as an allocation methodology.

We talked about, for example, that CHFA is charged with having a statewide interest of trying to promote new construction as a goal. That is not a goal that locals have with the utilization of their allocation but that is where the diversity of giving allocation between the locals and states. The state could benefit because you can essentially promote local interests and state interests. So we would hope that when we, you know, everything is said and done that locals will know. But their choice I think has been to essentially tout the local control issue. And although we think again it's important for them to know what CHFA does that may be a sort of a Sisyphean labor given sort of a local mind set. But we are taking the tack, again, of speaking abouf what CHFA does because on the record, you know, we have many, many good things to essentially convince, hopefully convince of the merit of giving some portion of the allocation to us.

CHAIRMAN WALLACE: When we're talking Sisyphean labor it reminds me that it's time to get Schermerhorn's project reports. Bob, I know you've got some thoughts. I'd appreciate you coming up and talking to Terri about it afterwards.

Schermerhorn, you're going to blame me if we don't get out by noon because we took so much time on this early reporting but I'm not going to let you off the hook that easy. So I understand we've got a couple of these projects pulled.

MR. SCHERMERHORN: They have been withdrawn, Mr. Chairman.

CHAIRMAN WALLACE: Can you tell us which?

MR. SCHERMERHORN: Correct. Your 98-016-N Cherry Tree Village has been withdrawn as have the last two, North Hills Apartments and Citrus Tree Apartments. So we have five projects for presentation here this morning.

CHAIRMAN WALLACE: Are you ready for the first one?

MR. SCHERMERHORN: Yes, sir.

RESOLUTION 99-01

CHAIRMAN WALLACE: So we are now on Item 4, Project 98-032-S.

MR. SCHERMERHORN: This is a final commitment request for two loans totaling $7,550,000. The first loan is a 35 year fully amortized $5,250,000 loan at an interest rate of 6.05 percent, the second loan would be a $2,300,000 bridge loan due and payable after one year. This is tax-exempt financing. There is locality involvement and it does have some bearing here on the --

CHAIRMAN WALLACE: Excuse me, Dick. For particularly new Board members, we're starting on page 800, upper right hand corner.

MR. SCHERMERHORN: I'm sorry.

CHAIRMAN WALLACE: That's the first project he's now talking about. Excuse me. Go ahead, Dick. Page 800.

MR. SCHERMERHORN: Okay, are we all up to speed here? All right.

With that, my colleague, Linn Warren. And I'll apologize in advance for him if he slips into a foreign language, he just came back from vacation in Mexico.

MR. WARREN: Thank you, Dick. Mr. Chairman, as Dick indicated the first project is Breezewood which is located in the town of La Mirada. What's unique about Breezewood Village is there are a number of structures that are going to be demolished and the tenants will be relocated and it will be replaced with a senior project.

(Video presentation of project begins.)

This first view is Breezewood Drive. The buildings you see to your left and to your right are slated for demolition. The buildings inside the red boundary, again, are the properties that will be demolished. It was determined by the sponsor and by the La Mirada Redevelopment Agency that it was cheaper and more effective from a housing standpoint to demolish these buildings and to build the new senior center. The large complex to the left here will be demolished as will these four-plexes. I believe this building already has been demolished.

What's critical about this particular project is the relocation plan that is being required by the City of La

Mirada. Approximately 55 households will be relocated and the city has allocated $900,000 of tax increment set-aside funds to fund this relocation over a period of 42 months. The Agency has reviewed the plan as has our counsel and we think it's a good plan and it will be administered by the sponsors and by the City of La Mirada.

Actually, let me go back and show you one thing they are going to do here. One of the site components is they are going to seal off some of these drives to make it a self-contained project. This is Imperial Highway here. This will be sealed off as will this extension of Breezewood. The primary entrance will be coming down Grayville Way, which is this road right here, and it will become a cul-de-sac in this area. It gives you a better -- I apologize this has been flipped. Imperial Highway has been moved over here for this particular presentation.

Here is Grayville Way. Again, you can see how it is a cul-de-sac in this area and we have a sealant here and a block-off here to make it one project. The center of the project will be the community center. It will be approximately 22 buildings, one- and two-stories. Here is a detail of the community center which will be at the center of the project, again, a two-story building.

This is a view, again, of Grayville, buildings to the left and to the right will be demolished. The sponsors felt that the new entrance on Grayville would be a much better entry into the project as you can see here. The general neighborhood around Breezewood is older, single-family, this is an elementary school to the right, and most of the traffic will flow down this particular drive. Turning 180 degrees on Grayville you can see the cul-de-sac area will be developed in here. Again, the properties that were slated for demolition.

Directly adjacent to the property is a shopping center, the Greenhill Shopping Center. This area will be blocked off. Greenhill, there is a new Rite-Aid being developed, there is a Marshall's that is being put in there and will supply retail access for the seniors in the project.

Staff looked at the market for the La Mirada area. The primary market area for La Mirada is basically a five mile radius. There are a number of new both market and tax-credit senior projects that are being developed but market rate vacancies for these projects are about two percent and vacancies for affordable projects are essentially nonexistent. As you can see from the chart here the rent differentials between the market rate and the subject property rents are fairly significant, ranging from 55 to 73 percent.

Generally speaking, with the desire of most seniors in these parts of Los Angeles to stay in place we feel that the demand will be fairly strong for this. Plus, as you can see from the sight layout, a very agreeable, amenable place to live. So with that, Dick, I'll pass it back.

(Video presentation of project ends.)

MR. SCHERMERHORN: It is a 120 unit senior project that they're talking about and there is the significant locality involvement in addition to the relocation plan and at the bottom of page 802 there is a brief discussion about this. They are using set-aside and not federal funds for this project, which the import of that is it triggers state requirements for relocation purposes.

The redevelopment agency has also got a significant loan; $5.9 million and change, to support this particular project. The affordability/occupancy restrictions on it would be CHFA's 20 percent at 50 percent, the remainder would be tax-credit or 100 percent of the unit would be restricted to tax-credit 60 percent.

An environmental review was done on the project. No adverse conditions were noted; there is a letter of reliance that we're requiring. On Article 34: The City of La Mirada had adopted a resolution approving a replacement housing plan and that it doesn't require the approval of voters. We will have to have a satisfactory opinion letter prior to loan close.

The borrower for this project will be a limited partnership. The developer and managing general partner is Thomas Safran, President of Thomas Safran and Associates. They will also be the manager on the project. We have prior experience with this sponsor. We have two projects currently under construction that are expected to complete before the end of this calendar year and we have a prior project that was completed last year. Our experience to date is this is a very competent, qualified and knowledgeable sponsor and we are satisfied both on the development and management side with this.

With that we are recommending approval, be glad to answer any questions.

CHAIRMAN WALLACE: Any questions?

MR. HOBBS: Mr. Chairman, I --

CHAIRMAN WALLACE: Mr. Hobbs.

MR. HOBBS: Just a quick question as to the relocation plan. I think I heard it was approximately 42 months in total.

MR. WARREN: The benefits will extend for 42 months.

MR. HOBBS: And is there a survey on the existing tenant mix and are any of those seniors, will they be encouraged to be reintegrated back into the program?

MR. WARREN: Yes, there are a few senior households, I believe there are two or three, and they will be given essentially a right of first refusal back to the new project, yes.

CHAIRMAN WALLACE: Any other questions from the Board? Richard.

MR. FRIEDMAN: Yes. I had similar questions. And I think you said that $900,000 was being budgeted for the --

MR. SCHERMERHORN: Yes, that's an update to the material. I think it references $500,000 in here. That has been increased to $900,000.

MR. FRIEDMAN: And where is that shown? Which column is that under or which Use is that under in the Sources and Uses?

MR. WARREN: That will show up as an Operating Budget under the Capital Budget and it will be increased money from the redevelopment agency.

MR. FRIEDMAN: So is that an increase above the $5 million that they were putting in?

MR. WARREN: Yes it is.

MR. HOBBS: Separate and apart from -- Separate and apart from the loan. Is that how it's written?

MR. WARREN: It would be an additional $400,000.

CHAIRMAN WALLACE: Any further questions from the Board? If you recall we invite audience participation. If anyone out there has a question we welcome your comments, question or comments.

MR. HOBBS: Mr. Chairman, I move approval.

CHAIRMAN WALLACE: There's been a motion for approval; is there a second?

MR. KLEIN: Second.

CHAIRMAN WALLACE: Mr. Hobbs and Mr. Klein seconds. Any further discussion on Resolution 99-01? If you look closely at that that means the first resolution for 1999. That's why Hobbs jumped on it.

MR. HOBBS: Mr. Chairman, I was just watching the watch here.

CHAIRMAN WALLACE: Okay. Hearing no further discussion all in favor -- call the roll.

MS. OJIMA: Ms. Lucas?

MS. LUCAS: Aye.

MS. OJIMA: Ms. Campbell?

MS. CAMPBELL: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Friedman?

MR. FRIEDMAN: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 99-01 has been approved.

CHAIRMAN WALLACE: The Hobbs resolution is approved. Moving on, Dick.

RESOLUTION 99-02

MR. SCHERMERHORN: Yes, Mr. Chairman. Our next request is a final commitment request for a first mortgage loan in the amount of $18,400,000, fully amortized, a 40 year loan at 6.35 percent. It's a tax-exempt. This is for a 259 unit new construction seniors project in the City of Anaheim in Orange 'County. This is a rare one to look at because there is no locality funding and this is not the typical layered financing transaction for you. To get a sense and flavor of the project, Mr. Warren.

(Video presentation of project begins.)

MR. WARREN: As Dick indicated the project is located in Anaheim. There are two levels to this project, two plateaus if you will, which are directly off of Festival Drive. This is the lower plateau. In the distance is Highway 91 and a shopping center down to the right. This is the smaller of the two plateaus, approximately one-third of the units will be located in this particular area.

This is the upper plateau. Again, two-thirds of the units will be located here; it's elongated in nature. It's bounded up here on this ridge by single-family homes, down here to the left by the lower plateau. This gives you a better view of the site layout. Here are the single-family homes along in here that I was referring to, which is a landscaped, sloped area. This is the large shopping center that you saw from prior slides.

The project itself will have recreational facilities that are separate for both areas. Here you can see the pool and the rec center here and the pool and the rec center here. These will be connected by an adjoining walkway. There is a set of power lines back along this boundary of the property but it is non-impactive to the site itself.

This is the shopping center down at the base of the project. It contains a Mervyn's, a Target, movie theaters, banking, restaurants, the usual retail. Again th s is looking back on the lower plateau down onto the shopping center. We included this slide. There will be a pedestrian access walkway from the lower plateau of the site approximately in this area down into the center itself. The area is well-served by transportation, busses and other forms of transportation for the seniors.

The market in the Anaheim area has increased significantly over the past couple of years. The market study indicated one interesting conclusion in that a number of seniors will be in-migrating to the Anaheim area given the favored nature of many of the projects that are being built. Whereas many of the seniors in other areas may be living in the area to begin with a number of people will move into the Anaheim area to take advantage of some of the senior housing that is being built.

There is a fairly large supply of senior projects that are being constructed, both market rate and affordable, but given the amount of demand pressures and the various desires to live in the area we think that the absorption rate for the project is certainly within our limits. For example, vacancy rates are basically running one and two percent in the Anaheim area for market rate and basically there are no vacancies for the affordables.

As you can see from the chart here the rent differentials for the 50 and 60 percent rents range from 65 percent to 90 percent below market. It's staff's expectation that the pressures in rents, particularly in the market area, will increase so these differentials between the two will probably only increase over time. So with that we think that the Anaheim project despite its size will be very well received and there will continue to be a shortfall in senior housing, particularly in the Anaheim area. Dick.

(Video presentation of project ends.)

MR. SCHERMERHORN: The occupancy restrictions on this are pretty straightforward, it's CHFA's 20 percent at 50 percent and then it will be tax-credit on 100 percent of the project at 60 percent and you've seen the effect of that. The City of Anaheim also has some restrictions but they are basically overlapping, CHFA's and Tax Credit's would be the prevailing restrictions on the project for the life of the mortgage. A Phase I Environmental Report was prepared on the project, it indicated no record of any past usage of hazardous materials on the site. No adverse environmental conditions. We will be requiring a satisfactory Article 34 opinion letter.

The borrower in this case again is an entity we are familiar with, having a couple of successful transactions in our portfolio already with them. It would be a limited Liability company to be formed with American Housing Partners is the managing member. This entity also handles the management of the projects and as I indicated we have a successful track record with them in our portfolio.

This is a pretty straightforward transaction. We're recommending approval and we'd be glad to answer any questions.

CHAIRMAN WALLACE: Any questions from the Board? Mr. Klein.

MR. KLEIN: The taxes are shown at $166,742 so I assume there is no co-general, nonprofit through which you're getting any welfare exemption. The total sources are $24 million, and if you could comment on the differential between the total sources and how you arrived at the tax evaluation and compare this to -- The taxes on the Safran project were very small yet there was no note there of a nonprofit co-general partner so I'm wondering on a comparative basis how we're deriving the tax figures on these projects and if there in fact was the intent of having a nonprofit in the Safran project we just approved.

MR. WARREN: The Safran project will have a nonprofit, it's Housing Corporation of America, and they will be applying for the tax exemption. There is no nonprofit on this particular project so we've received an estimate from the sponsors which we feel comfortable with, that the initial tax assessment of $166,000 in the first year should be adequate for the property.

MR. KLEIN: And is the approach there that you're backing out the soft costs and assuming that assessment practices will only recognize really about $16 million of the $24 million total cost?' What is the methodology that gets us to that figure?

MR. WARREN: I believe the methodology has to do with the cash flow for the property given the fact that it is restricted income, and I believe the taxes are based upon that versus the total development cost.

MR. KLEIN: Okay.

MR. WARREN: That's the methodology as I understand it, Bob.

MR. KLEIN: Okay, thank you, Mr. Chairman.

CHAIRMAN WALLACE: Mr. Hobbs.

MR. HOBBS: I'll defer to the --

CHAIRMAN WALLACE: Who defers to --

MR. HOBBS: -- our Vice Chair.

CHAIRMAN WALLACE: Since he's already in the record on Resolution 99-01 he defers to Ms. Hawkins.

MS. HAWKINS: I just wanted to note that this is somewhat higher than the loans that we normally make. And I can remember when we did the Marin City loan and it was somewhere around $20 million and that was a --

MR. SCHERMERHORN: Twenty-four.

MS. HAWKINS: Twenty-four was Marin City? And so that was a concern as far as the amount of money in one project. Do we have any kind of guidelines as far as maximum loans? We don't have a policy on that?

MR. SCHERMERHORN: We don't. To date we have neither had a ceiling or a floor. What we have basically done however, though -- And one of the reasons that the ceiling hasn't been pushed higher -- There are much larger transactions that we have been approached on, as high within the last four years as a $65 million loan from us. But when we go over 10 to 15 million dollars we start requiring higher amounts of affordability in the project and when that discussion, when we get to that point in the discussion most of those projects go away.

What we have here is a project that in our view is going to be 100 percent affordable in this particular market area and the rest of the economics appear to work comfortably for us. Which is the reason why we're recommending that we take on this project.

MS. HAWKINS: And I agree, this works in that marketplace. What prompted my question was the fact that someone did approach me recently about a loan and it was $65 million and I said, you know, I really --

MR. SCHERMERHORN: I wonder if it was the same project.

MS. HAWKINS: I said we had not made anything near that in the past but I thought I should bring the issue up.

MR. SCHERMERHORN: The other thing that we would do in that case is -- As you know we insure these under the FHA Risk Share program so we're sharing 50 percent of the risk on this deal with HUD. So our exposure, if you will, in this case is $9 million and HUD is going to buy in for $9 million. On those larger transactions, that's the other thing, we have looked for risk partners. It's not a requirement but it certainly is a threshold that we're looking for because we're sensitive to the fact that we don't want to get our portfolio too heavily exposed in a project and a location.

CHAIRMAN WALLACE: Ken, did you still have a --

MR. HOBBS: Yes, I do, Mr. Chairman, just very quickly.

CHAIRMAN WALLACE: Yes, Mr. Hobbs.

MR. HOBBS: Is this a phased build-out or is this a single --

MR. WARREN: Single.

MR. HOBBS: -- monolithic project? A single project.

MR. WARREN: It is a single, monolithic project.

MR. HOBBS: Thank you. And then I was struck -- Mr. Chairman, just a quick question.

CHAIRMAN WALLACE: Sure.

MR. HOBBS: On the absorption and your comments as it relates to the growth, and looking specifically at page 825 and 826. I was really struck by the tremendous increase from quarter to quarter in the rent rates. You also made some comments having to do with the in-migration of seniors into that particular marketplace in Southern California.

MR. WARREN: I can offer one observation: The American Housing Partners recently did another Victoria Woods in Yorba Linda and I believe it was leased up in less than two months. A very successful project, similar design. Smaller but very successful. It appears to be a trend, that is in this particular part of Orange County.

CHAIRMAN WALLACE: Yes, Mr. Klein.

MR. KLEIN: I would like to say I'm very supportive of this project. Clearly there is a great rent savings per unit being created here that will provide a lot of market buffer. I would also say that I'd like to see us as an Agency explore the range of larger projects above $25 million. The Fannie Mae DUS lenders have a real problem in Washington D.C. getting approvals, even for extremely good projects.

They're dealing all the way across the country, there's huge time delays and problems of understanding, and there may be a very important niche for us to play in the market serving well-underwritten, locally supported larger projects that have a lot of value to provide. So I would be extremely supportive of seeing that, particularly as Mr. Schermerhorn says, with the benefit of the risk-sharing that we have available to us.

MR. HOBBS: Mr. Chairman. It sounds like, maybe I'm reading between the lines, but on some of those larger projects, i.e. $65 million, et cetera, are we looking at something other than, in terms of risk-sharing, other than our existing 50/50 deal with --

MR. SCHERMERHORN: Yes.

MR. HOBBS: And I presume that we are not prepared to talk about that at this point. I'm underscoring Bob.

MR. SCHERMERHORN: In the interests of time we can certainly have that discussion at another time, yes.

MR. HOBBS: I thought that --

MR. SCHERMERHORN: We are exploring.

MR. HOBBS: I thought that's what I heard between the lines.

MR. SCHERMERHORN: We are exploring other alternatives and we are trying to do that with those kinds of transactions and to date we haven't gotten one that has been successful.

CHAIRMAN WALLACE: The one Carrie was talking about she kept in her own portfolio, or CHFA could have taken a look at it.

MR. HOBBS: Mr. Chairman, I know these sponsors, I have toured several of their projects and I'm prepared to make a motion if the Chair is so inclined.

CHAIRMAN WALLACE: I'm so inclined to have you make your motion but I am going to call for any other comment from either the audience or the Board on your motion. But go ahead and make it, let's get it on the table.

MR. HOBBS: I'll move to approve.

CHAIRMAN WALLACE: A motion by Hobbs. Is there a second?

MS. HAWKINS: I'll second.

CHAIRMAN WALLACE: A second by Hawkins. Again, any further questions? Richard.

MR. FRIEDMAN: It's not so much a question, just an observation or a comment because most of the stuff has been noted already. It's a $24 million project, virtually all public funding in one source or another, either through tax credits or CHFA financing. There is no local participation and it does achieve a great deal of technical affordability. But having lived in Orange County a while ago and being involved in the housing advocacy down there, there's large segments of the populations for whom $832 a month is --

MR. HOBBS: Is not affordable.

MR. FRIEDMAN: -- very much not affordable. So it does meet all the criteria and I'll certainly support the project. So it is just an observation.

CHAIRMAN WALLACE: Well noted. Any other questions from the audience or the Board? If not let's call the roll on the motion.

MS. OJIMA: Ms. Lucas?

MS. LUCAS: Aye.

MS. OJIMA: Ms. Campbell?

MS. CAMPBELL: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Friedman?

MR. FRIEDMAN: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 99-02 has been approved.

CHAIRMAN WALLACE: Thank you very much. Moving on, Dick, to Parkland Farms.

RESOLUTION 99-04

MR. SCHERMERHORN: Yes, Mr. Chairman. This is a final commitment request for two loans totaling $4,070,000. The first loan would be for $3,000,000, a 35 year, fixed, fully amortized tax-exempt loan at 6.05 percent. The second loan is $1,070,000 tax credit bridge loan amortized over five years. The project is a proposed 51 unit family project located in Healdsburg in Sonoma County. And as we do in transactions where we have an aggregate lending in excess of 85 percent of value with the loans we would require a letter of credit acceptable to the Agency for that amount in excess of 85 percent.

There is locality involvement in this particular project which we'll cover after we take a look at the project itself.

(Video presentation of project begins.)

MR. WARREN: Parkland is located in Healdsburg. It's on a gentle slope along in here. This is a new subdivision area. The site itself is inclusionary zoning. This is an example of Parkland Drive running in this area. This is new single-family homesthat are being built in here. One of the market aspects of this, and perhaps unfortunate dichotomies in Healdsburg is there is a very strong demand for single-family homes in this price range but there is a very limited supply of multifamily rental units so those that are employed in the service industry area in Healdsburg have a real shortage of housing whereas those who can afford the home ownership are beginning to out-migrate away from Santa Rosa which is becoming increasingly expensive.

This is the entrance off Healdsburg Drive, this is Parkland Farms Road. The sponsors, Burbank Housing, are pursuing a senior project in here. Some of you may remember that from a prior Board meeting that the Agency looked at. The sponsors are looking at perhaps trying to change this into a nine percent tax credit. But as you can see we have new single-family homes. This is the primary entrance. The site itself is on the other side of this low rise.

This gives you a better idea of the site. The sponsors have elected to have a primary access here. Basically a circular configuration with the buildings on the outside. We have a mix of studios, one, two, threes and fours, which is somewhat unique for the area. Community center right in the center of the project. Burbank is also going to pursue self-help to single-family ownership housing on this piece of the site in here.

As I indicated earlier, the market in the Santa Rosa/Sonoma area is continuing to be very strong. What staff I think likes particularly about this project is this range of the 51 units going from studios all the way down to four-bedrooms. In these communities you rarely see three- and four-bedroom rentals and the price for single-family ownership rental, which would be the competition for these particular unit configurations, are so high that they really can't afford to rent something that size.

Rent differentials are fairly straightforward. They are a little closer to 90 percent which is kind of our cutoff on some of these but again the rental demand in the Healdsburg area is very strong. From a supply standpoint there is very little being built in this western part of Sonoma. There are only about 70 to 80 rental units that would compete directly with this. So from that standpoint, for those that are involved in the service industry that income-qualified this will be a welcome addition. Dick.

(Video presentation of project ends.)

MR. SCHERMERHORN: For the benefit of our newer Board Members--1 failed to point this out earlier--go to page 855 on the Project Summary. This is a good way to see what a layered financing structure looks like. In the second block where it has Financing Summary you can go right down the list. There's the CHFA first mortgage at $3,000,000; the Healdsburg RDA has got $1,055,000 and change in the transaction; HOME funds, $275,000; CDBG, $140,000; AHP, $260,000; there's Developer Contribution; this is a tax credit project so there's the Tax Credit Equity amount, $2,700,000 and change.

That kind of box below that shows you, that's the Bridge Loan and what happens there is we make a loan at this point which covers a portion of the tax credit Equity that will be coming into the project on a phased payment schedule downstream but you need the monies today, or at loan close, for the transaction to move forward. So that's the purpose of the Bridge Loan. We're making the cash available today so the project can go forward and the tax credit investors will be paying on a schedule downstream and we'll get repaid from that source.

We do have a layered transaction here in addition to which Burbank Housing, the sponsor, has entered into a DD and A with the redevelopment agency and they have gotten the land for $1 in exchange for the affordability requirements. This project, again, it's layered occupancy restrictions. Both the RDA and CHFA have 20 percent at 50 percent and 100 percent of the project will be at 60 percent under tax credit regulatory agreement.

An environmental review has been done on the project. We haven't finalized the review but there isn't any indication of any particular problem but that is an outstanding issue that needs to be concluded. An Article 34 satisfactory opinion letter will also be necessary prior to loan close.

The borrower in this case, as I mentioned, is Burbank Housing; they also would be the management entity on the project. This is a longstanding, nonprofit sponsor with a very credible track record that works this particular area. We have successful projects in our portfolio with them over a number of years. They have had a leadership change within the past year, John Lowry has succeeded Arnold Sternberg. Never thought he would retire from Burbank, actually. Anyhow, they haven't missed a beat. We've been dealing with them and John is continuing the good work of the organization.

We're recommending approval and be glad to answer any questions.

CHAIRMAN WALLACE: Dick, on page 858 on your second year cash flow. Well, the cash flow for five years on your bridge loan. You said in your original remarks, I think, or original preface, the first page on the analysis, that the bridge loan was amortized over five years and it doesn't work the way you've shown it here. You show here -- Well, I guess maybe it does. You're showing a $254,000 plus payment in each of five years?

MR. SCHERMERHORN: It's a million -- Yes, right.

CHAIRMAN WALLACE: Now how does that cash flow and give you debt coverage of 1.0 --

MR. WARREN: It's not included.

MR. SCHERMERHORN: It's not included in the debt coverage.

CHAIRMAN WALLACE: That's what I'm having trouble with. Is this normally how we show that?

MR. SCHERMERHORN: Yes. We want to show you what the -- We want to show you what the pay-in is going to be but the tax credit investor pay-in is -- Whether you want it above or below the line, however you're comfortable looking at it. It's outside of that amortization consideration. It's a separate, separate transaction. But we do want to show --

CHAIRMAN WALLACE: That that's coming in.

MR. SCHERMERHORN: When it's occurring and how much is coming in. Because we secure it from the tax credit investor.

CHAIRMAN WALLACE: But it doesn't count against your debt service coverage.

MR. SCHERMERHORN: Correct. Our DSC is against, if you will, the project mortgage, not the tax credit consideration.

CHAIRMAN WALLACE: Okay. Mr. Klein.

MR. KLEIN: I think it's a very good project. My question to you is: Through us providing the bridge financing on the tax credits as versus the tax credit investor providing the bridge financing on the tax credit how much of a premium is the project getting in the tax credit price? What is the tax credit price, for example, on this project?

MR. WARREN: I don't know the price offhand. I believe that the equity pay-in has been increased. I believe it's about $100,000. I don't have the price with me. But by us bridging the loan, which is the purpose of the five year amortization, more equity comes into the property over a period of time but unfortunately, Bob, I don't know the price.

MR. SCHERMERHORN: We do get that evaluation and analysis from the sponsor. I'm sorry we don't have it specifically here with us today. But that is one thing we look at, Bob, because we are sensitive to that issue. Are we getting a recognizable amount. Does anybody know the answer to the question?

MR. KLEIN: I would like to, not in terms of this project, I think it's a very good project, but in terms of securing a benchmark for seeing how much value we're getting out of our funds to see what the comparison is when the tax credit investor is providing the bridge financing versus not providing. What benefit in pricing are we really getting?

CHAIRMAN WALLACE: Okay. Not a problem, Dick.

MR. SCHERMERHORN: Yes, not a problem.

MR. WARREN: No.

CHAIRMAN WALLACE: Mr. Hobbs.

MR. HOBBS: Thank you, Mr. Chairman. Under Sources and Uses I think I read and heard you say that the acquisition price was $1 and I see a different number. Are we acquiring something else other than the property?

MR. SCHERMERHORN: Oh, the $260,000 you're talking about? The off-site improvements?

MR. HOBBS: Yes.

MR. SCHERMERHORN: Yes, that's off-site improvements.

MR. HOBBS: Off-site improvements, okay. Not the site?

MR. SCHERMERHORN: It's not the land.

CHAIRMAN WALLACE: Does that do it for you?

MR. SCHERMERHORN: That would be a much larger number.

CHAIRMAN WALLACE: Okay. They were only $260,000 off. Any further questions from the Board or the audience? Hearing none I would not be adverse to hearing a motion.

MR. FRIEDMAN: I'll move it.

MR. HOBBS: Second.

CHAIRMAN WALLACE: Richard Friedman makes the motion, offers the motion, Mr. Hobbs the second. Any discussion on the motion? If not, secretary call the roll.

MR. BEAVER: Mr. Chairman, we might entertain public comment before we vote.

CHAIRMAN WALLACE: I didn't see any.

MR. BEAVER: Okay, I'm sorry.

CHAIRMAN WALLACE: I asked for public comment. Did I not? I said, from the audience or the Board. From the public or the Board is there any further comment? If not then let's call the roll on the --

MS. PARKER: What's the resolution number?

CHAIRMAN WALLACE: The resolution is still 99-04 because even though we pulled 99-03 it's in all our computers, et cetera, and it might come back for all I know. But we are on zero-four, okay. Secretary, call the roll.

MS. OJIMA: Ms. Lucas?

MS. LUCAS: Aye.

MS. OJIMA: Ms. Campbell?

MS. CAMPBELL: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Friedman?

MR. FRIEDMAN: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 99-04 has been approved.

RESOLUTION 99-05

CHAIRMAN WALLACE: Okay, we move on to page 868 and the project known as Detroit Street Apartments. Dick.

MR. SCHERMERHORN: Yes, Mr. Chairman. This is at the opposite end of the loan dollar spectrum.

MR. WARREN: No less important.

MR. SCHERMERHORN: No less important, point well taken. This is a final commitment request for two loans totalling $950,000 and the first mortgage is for $270,000 amortized over 30 years, the second is a $680,000 tax credit bridge loan due and payable after one year. The project is Detroit Street Apartments. It's a proposed ten unit complex on Detroit Street in West' Hollywood in Los Angeles. Again, this would be a case where a letter of credit acceptable to the Agency would be required for any loan amount to exceed 85 percent of value.

The City of West Hollywood has approved a density bonus and waived several development standards for this, it's an in-fill project, and for a look-see at the project, Mr. Warren.

(Video presentation of project begins.)

MR. WARREN: Detroit Street is an in-fill site. This home right here will be demolished as will a small unit to the rear of that and this vacant lot will be put in its place. As Dick indicated there is a density bonus here. It will be a three-story building with some subterranean parking. This is looking back into the sun. The site is to the right here. The area directly adjacent to the property is older homes as you can see. Here is the vacant site right here. It will be an L-shaped development right along in this area. The sponsors are also contemplating on this vacant lot over here a ten unit, privately financed project.

The rent differentials are fairly straightforward in Los Angeles today. There is a lot of upward pressure on rents and very little quality, affordable housing in this particular area so we have rent differentials of 58 percent and 64 percent and 56 percent. Again, staff is comfortable with the fact that we have a good spread of units between the one-, two- and three-bedrooms.

There is some building going on in the area but regrettably in the in-fill sites this area is limited. So given these good family-size units our expectation is it will be very well received. Generally vacancies for all types of projects in this part of West Hollywood are running -- vacancies are running about one percent. So with that, Dick.

(Video presentation of project ends.)

MR. SCHERMERHORN: This has significant locality involvement. Obviously the total development is $1.8 million and we're talking about our first loan at maybe 30 percent of value in the transaction. There's the first mortgage of $270,000; the City of West Hollywood has CDBG funds, $510,000; the LA CCDC HOME funds of $642,000; there's Tax Credit Equity.

Because of the financial structure of the transaction the City is guaranteeing, in effect, that our tax credit bridge loan gets paid. They have got money in the transaction, they are going to make sure that when the due and payable comes that our loan is covered at that point in time. We are very comfortable with this and the transaction and the commitment that the locality has to it.

The borrower is proposed to be a limited partnership, a nonprofit housing development organization, it's WHCHC. This is our'first dealings with them. They will also self-manage the project but it is a small project, a good starting point for an organization like that from our standpoint. What did I skip over here?

The occupancy restrictions on this are CHFA's 20 percent at 50 percent. There are tax credit for 100 percent of the project at 60 percent and then there is a mix of locality constraints on this. Again, this all gets layered and what we're looking at is an affordable project basically at 50 and 60 percent of median.

Phase I Environmental done on the project with an updated one done last year. A reliance letter has been provided to us, no adverse conditions noted. The Article 34 issue is described on page 874. The Office of County Counsel and City Attorney of the City says Article 34 approval was satisfied with passage of Proposition D. Our legal department will confirm that this is all in straitlaced shape by the time we get to loan close.

I've covered the borrower team and we're recommending approval. Be glad to answer any questions.

CHAIRMAN WALLACE: *Any* questions from the Board or the audience.

MR. FRIEDMAN: Question.

CHAIRMAN WALLACE: Richard.

MR. FRIEDMAN: The house to be demolished, is that occupied?

MR. SCHERMERHORN: No, it's a vacant lot.

MR. WARREN: There is one lot.

MR. SCHERMERHORN: Oh, that's right.

MR. WARREN: I don't believe so. I believe -- Rich, I'm not sure. I don't think -- There is not a relocation problem with this project but I can't recall if they are on a month-to-month tenancy.

CHAIRMAN WALLACE: But if it is occupied you'd get them out before we demolished it.

MR. WARREN: It is in our regulatory agreement, Mr. Chairman, and we try to enforce it.

MR. SCHERMERHORN: We'd have the locality do it, yes.

MR. WARREN: There is no relocation problem with this, Richard.

MR. FRIEDMAN: Because even if it's a month-to-month there might be a relocation problem.

MR. WARREN: Yes and we'll confirm that.

CHAIRMAN WALLACE: Any further questions? Donna.

MS. CAMPBELL: Being somewhat new, the bridge loan looks awfully large. Is the bridge loan a combination of just covering the Tax Credit Equity along with some of the city funds? Is this normally -- I mean, I know it's a short-term loan but is it normally that much?

MR. SCHERMERHORN: Okay, the purpose of it is --

MS. CAMPBELL: I understand the purpose. I'm just curious, it seems awfully large.

MR. SCHERMERHORN: No, in understanding the purpose you have to have -- The first mortgage has to be -- At least more than 50 percent of the definable development costs has to be in tax-exempt financing, okay. Now, our first loan, which is a tax-exempt, is $270,000 which is far short of what's needed.

MS. CAMPBELL: Below.

MR. SCHERMERHORN: So what you do is you take how much is needed --

MS. CAMPBELL: You need in order to --

MR. SCHERMERHORN: -- to crack the 50 percent margin and that's how we arrive at that bridge loan number.

MS. CAMPBELL: Okay, thank you.

CHAIRMAN WALLACE: Good question though, Donna.

MR. FRIEDMAN: A very good question.

CHAIRMAN WALLACE: I'm glad you asked it and I didn't. Any further questions? From the audience? This is your chance. Final chance. Going, going on this item. If not the Chair will accept a motion. Hearing none this project is dead.

MR. KLEIN: I make the motion.

CHAIRMAN WALLACE: Mr. Klein makes --

MS. HAWKINS: I'll second it.

CHAIRMAN WALLACE: And second by Hawkins. Any further discussion on the motion? If not, secretary, call the roll.

MS. OJIMA: Ms. Lucas?

MS. LUCAS: Aye.

MS. OJIMA: Ms. Campbell?

MS. CAMPBELL: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Friedman?

MR. FRIEDMAN: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 99-05 has been approved.

CHAIRMAN WALLACE: 99-05 has been approved. For the next one I'm going to ask Vice Chairman of the Board Hawkins to take the chair.

MS. HAWKINS: Thank you, Mr. Chairman, you make sure I don't get rusty.

CHAIRMAN WALLACE: That's it.

MS. HAWKINS: In case he wants to take a vacation sometime. All right, let's go to the next development which is Hillside Terrace.

RESOLUTION 99-06

MR. SCHERMERHORN: Yes. This is another small project. It's a final commitment request for a first mortgage totaling $1,075,000, 30 year fully amortized fixed rate, a 5.9 percent tax-exempt loan. It's a project not too far up the road from us here, actually. Hillside Terrace Apartments, a 18 unit acquisition rehab located in Daly City. This does have locality involvement, a Daly City HOME/CDBG Loan of $754,000. We'll look at that structure after we take a look at the project.

(Video presentation of project begins.)

MR. WARREN: A three-story building, interior courtyard. On the second and third floors the floor plans are identical. As Dick indicated, 18 units ranging from one- and two-bedrooms. These are fairly good size. The rehab budget for the property is going to include a roof replacement. We have some additional termite testing to do. We did find some dry rot that needs to be dealt with in the walls and the Agency will do some additional destructive testing for the property.

Our concern right now has to do with the finalization of seismic. As you can see, with the tuck-under parking here the preliminary structural analysis that was done by the borrower's structural engineer indicates some additional strapping needs to be put into these tuck-under areas. We're confirming that. We think the budget can stand some additional dollars if necessary but clearly this is an active seismic area and you can see this would be something that the Agency would want to resolve before it goes forward.

These aluminum windows will be replaced as will some of the unit appliances. In this particular project the replacement reserve that is being put away is larger than what we normally do. The kitchens and unit appliances themselves are actually in pretty good shape but we do estimate in our PNA that it will require some replacement over the next five to ten years. So to accomplish that we're asking for a deposit of over $100,000 plus approximately $500 per unit, per year, for replacing these fixtures over a period of time. But generally speaking the units have been maintained in very good shape and, as I said, they are fairly good size.

This is the neighborhood around there. Basically it's located directly adjacent to Colma and you see primarily these one- and two-story multifamily units that comprise the neighborhood. Older, established. The buildings themselves 30 to 35 years old.

The market rate: There are a couple of market rate units in the project itself which are reflected on these rents. And again, this particular part of Daly City is no different than the rest of the peninsula in that affordable housing is fairly short so we do have these rent differentials. So generally speaking the market well-received. Very low vacancy rates in this particular part of Daly City. Okay.

(Video presentation of project ends.)

MR. SCHERMERHORN: The financing structure on this project is pretty straightforward. The Daly City loan at $754,000 and then the tax credit equity of $330,000. The occupancy restrictions on this would be the 20 percent at 50 percent CHFA restriction and then 78 percent of the units -- this will not be a 100 percent, quote, affordable project. Seventy-eight percent of the units, or 14 of them, will be restricted to 60 percent under tax credit regulations.

An environmental report was prepared on this. As one might expect we're looking for lead-base and asbestos in projects under acquisition rehab. There is some suspected material therefore we will have our usual requirement of a certified asbestos contractor needs to encapsulate and there needs to be an ongoing operations and management plan satisfactory to the Agency in place on the project. No other adverse environmental concerns were identified.

We are making sure -- On the seismic side we're having a seismic evaluation done by Dames and Moore who normally does our seismic evaluations and if there are any additional requirements they will have to be incorporated into their rehab budget. We will, again, require a satisfactory Article 34 opinion letter prior to loan close.

The development team is nonprofit, HIP, in San Mateo County. We have experience with them. They were involved in the acquisition not long ago of our portfolio project, Edgewater Isle down here in San Mateo. That was converted from a for-profit to a nonprofit sponsorship and this was the group involved in that. They performed satisfactorily in that transaction and they have been -- Actually, Edgewater was one of the larger transactions they have taken on. They are normally involved in the smaller kinds of transactions and they have been very successful with them.

With that we're recommending approval, be glad to answer any questions.

MS. HAWKINS: Are there any questions from the

Board? Go ahead, Mr. Klein.

MR. KLEIN: On this seismic, I'm sure the sensitivity of the tuck-under is because that's the design that failed most commonly in the Northridge Quake. My question for you is, do we underwrite and design to the most recent S and P standards? I think it's like a 20 or 25 percent probable, maximum loss analysis they do. And the second half of the question is, have the seismic engineers uniformly changed over their seismic assimilation programs to a post-Northridge profile which has a much higher thrust component than previously? I think Jim Liska is --

MR. SCHERMERHORN: I'll answer two and then I'll answer one. The question is, yes. Dames and Moore is probably one of the leading if not the leading seismic evaluation entity. They have been on the forefront of staying on top of, ahead of the evaluative techniques of seismic concerns and considerations. They have the computer zapability to run models and tests, whether you're using zontemporary standards or standards of ten years ago or whatever. We thoroughly looked at, when we sometime ago sntered into contract work with them, at their capability.

They have an evaluation model which we looked at and then established some parameters. In their evaluation model we need new construction projects to achieve an eight percent or less anticipated damage profile and an acquisition rehab, depending upon the circumstances, somewhere at 12 to 15 percent is the profile that we're looking for.

Now, they have three steps. There are three levels to this evaluation because they have a modeling that covers every county, every jurisdiction in the State of California. They can immediately get the basics of a project and identify for -- That's a level one and they'll know right away whether we've got a subsequent review issue. And when we get to level two we now need the technical information from plans and specs for them to do their modeling technique. We have been very satisfied with it. I think the rating agencies are familiar with this because Dames and Moore does work all over the country on this. That's basically where we're at.

MS. HAWKINS: Any other questions?

MR. KLEIN: Yes. So we are significantly more conservative than the S and P benchmark standard so we're way out in front of the issue. Thank you.

MS. HAWKINS: Mr. Hobbs, did you have a question?

MR. HOBBS: Yes, thank you, Madam Chairman.

Existing project, reconstruction, rehab, the project 100 percent occupied as I read. I assume that there is construction management, it's not going to --

MR. SCHERMERHORN: This is not a relocation issue, this is an in-place.

MR. HOBBS: Go ahead, I'm sorry.

MR. SCHERMERHORN: Is that what you were asking?
MR. HOBBS: Yes.
MR. SCHERMERHORN: No, it's not a relocation issue. The character of the rehab in here is in-place.
MR. HOBBS: Okay.
MS. HAWKINS: Are there any other questions?
MR. FRIEDMAN: Even the asbestos? Sorry.
MS. HAWKINS: Mr. Friedman.
MR. FRIEDMAN: Even the asbestos encapsulation? The tenants are going to stay in place for that?
MR. SCHERMERHORN: One of the ways they normally do that is on turnover. We have got a plan to get from them --
MR. HOBBS: It's a five year.
MR. SCHERMERHORN: -- and my expectation is that within the plan is going to be a turnover issue.
MR. HOBBS: A five year plan.
MR. WARREN: And then from that point in time there will be a plan for ongoing maintenance.
MS. HAWKINS: Are there any other questions? Hearing none may I call for a motion to approve the resolution.
MR. HOBBS: I'll move approval.
MS. EASTON: I'll second.
MS. HAWKINS: Okay. It's been moved by Mr. Hobbs snd seconded by Ms. Easton. Is there any discussion? Is

there any comment from the public? Hearing none may we call for the vote to approve Resolution 99-06 authorizing a final loan commitment for Hillside Terrace.

MS. OJIMA: Ms. Lucas?

MS. LUCAS: Aye.

MS. OJIMA: Ms. Campbell?

MS. CAMPBELL: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Friedman?

MR. FRIEDMAN: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 99-06 has been approved.

CHAIRMAN WALLACE: Thank you, and thank you, Carrie.

MS. HAWKINS: You're welcome.

CHAIRMAN WALLACE: For chairing that item.

(Thereupon, tape 1 was changed

to tape 2.)

RESOLUTION 99.09

CHAIRMAN WALLACE: We're moving on to Item 5, the School Facility Fee Affordable Housing Assistance Program that came out of SB 50. Pick, that's still you, right?

MR. SCHERMERHORN: Yes, Mr. Chairman. What I'm going to do, hopefully, is give you a cogent presentation on what it is that we're requesting action of you today. You may be aware that back in August of last year the Legislature passed Senate Bill 50, the Leroy F. Greene School Facilities Act of 1998. The bill was to become effective with passage of proposition 1A, which did pass in November, that was the $9 billion education bill.

Part of that -- There is a Chapter 9, and in that bill, Chapter 9, is an affordable housing assistance program. Actually there are four programs. What we're asking you to consider and approve today is CHFA's involvement in this as the administrator of these housing assistance programs.

This comes about because the programs are a home buyer down payment assistance group of three. I'll just go ahead and punch them up. There is a total of four programs. Three of them are single-family down payment assistant programs for economically distressed areas, a statewide sales price limit program, a first-time home buyer assistance program which I will cover in more detail, and then there is a rental assistance program.

The total amount of money available for this is $160 million and it has been appropriated from the general fund to the School Facilities Fee Assistance Fund which is in the Department of General Services. And the proposal is for DGS to contract with us to administer all four of these programs so that we are not directly involved with a non-budget allocation.

The money breaks out in the following fashion: A total of $108 million of the $160 million will be for the single-family programs this way: $28 million of it, or $7 million annually--it's a four year program with equal funding each of the four years. $28 million or $7 million annually for the Economically Distressed Areas Program; the same for the Sales Price Limit Program; $52 million or $13 million annually for the First Time Home Buyer Program, and $52 million or $13 million annually for the Rental Assistance Program.

I'm going to go through the three single-family programs quickly for you. Economically Distressed Areas. It is defined as those counties in the state where their unemployment rate equals or exceeds 125 percent of the state unemployment rate and 500 or more residential structures were constructed in calendar year 1997. The sales price of an eligible home in this program in the Economically Distressed

Area Program, cannot exceed 175 percent of the average median price calculated on the years 1993 to 1997. And there are no income limits applicable to the borrowers in this particular program.

Now, we have in your Board package more detailed information and there was an addendum, a substitution page 914 in here because from the point in time in which we ran our first test calculations on the first two benchmarks -- First we ranacheck with the information on construction of residential units in 1997. There was one county that fell just shy, which was Madera, and we got additional information that the numbers that we were working with did not include a category and that was qualifying mobile home structures, which took them over the 500 level. So the addendum that you have on page 914 is now the current list of eligible counties for the Economically Distressed Area program. This is --

CHAIRMAN WALLACE: You have that on your --

MR. SCHERMERHORN: That should have been distributed to you.

CHAIRMAN WALLACE: It is and you should insert the new and throw out the old. Make a glider of the old.

MR. SCHERMERHORN: It will replace page 914 and 915 in your binder.

So first we ran the numbers on the residential structures and we got all the counties that met that test and then we ran the calculation of unemployment rate at this point and that resulted in the counties that are listed in your binder. Now, the residential structures calculation is a one-time calculation. That occurred in '97, we know what that is. We will annually revisit the unemployment rate at the beginning of each fiscal year of the program and do a recalculation to see whether any of the counties' eligibility falls off or there are new counties that come into the program at that point in time. And that is all pretty well laid out on page 914.

The Sales Price Limit Program is pretty simple and very straightforward. It is for eligible properties with a sales price of $110,000 or less anywhere in the state and again there are no income limits on the borrower. And that is the essence of this particular program.

The First Time Home Buyer Program, the usual definitions are recognizable definitions here. No home ownership interest in a principal residence during the preceding three years for the eligible borrower. That's the first time home buyer test. The income limits that will be applied will be the very low and low income limits as defined by CHFA's mortgage revenue bond programs. And I'll make it clear. As you well know, we use the income limits as a means of controlling the availability of our limited resource in the single-family program. It is not any of our adjusted limits that apply to this program. It will be the maximum income limits under tax law that will be applicable to this program. This program is being operated outside of our main line mortgage revenue bond programs. This program is available statewide.

There are common characteristics to all three of these programs. The property must be a new residential structure; it must have a building permit that was issued on the first of January of this year or later; the form of the assistance is down payment assistance and it is at loan close. It will come from us, the Agency, to the escrow account of the borrower at loan close time.

The borrower must be an owner-occupant; there will be a recorded lien to that effect. There is a five year owner-occupancy requirement on the borrower or the recipient of this down payment assistance. If they leave the property there is a pro rata repayment of the down payment assistance that would be required.

The form of this assistance is to reimburse the school impact fees that are applicable to the eligible project. That's what this is about. You've got general funds that have been appropriated to substitute for school impact fees that have been paid on this eligible project. The recipient in the single-family program of the assistance will be the borrower. That monies will come from us to the borrower's loan close.

In the case of programs 1A and B, and that's the Economically Distressed and the Statewide Sales Price Limit programs, that's 1A and 1B, the reimbursement that goes to the borrower is for any school impact fees that exceed $1.93 a square foot on the property. Only the school impact fees above that amount is the amount of the down payment assistance. In the case of program 1C, the First Time Home Buyers Program, it is a reimbursement of all school impact fees that are paid on the property.

Any lender statewide can participate on behalf of a borrower. This is not something that is restricted to CHFA lenders. We have set up a whole process. We have an 800 number, we're working with the builders to distribute the information, the application packages, any of their lenders. Any lender can represent a borrower, submit an application package. We've got a whole instruction package for them on how to go about doing this. There's documentation that they have to provide to us for each of the three programs, whichever one they're applying for. We check that to make sure they're qualified and then when they are we cut the check and send it to the escrow close.

The program is a first-come, first-serve basis program. And I thought it might be helpful if I did this just for the sake of illustration.

(Video presentation of project begins.)

We don't know exactly what we're going to see but we've done some just ballpark looking at this. If you assume you've got a 1600 square foot house, on average. I've run two columns. The first is the $1.93 a square foot authorized statewide school impact fee currently in place and we just picked an add-on, a bump-up fee. This isn't applicable in all school districts. This is one of the things that we will end up having to look at and we will have to have supporting documentation for. Some school districts have add-on fees and some don't and there is no standard to it, it's whatever they put in place.

So we just took a number. We picked $2.00 a square foot add-on in this example. Program 1A, Economically Distressed, and Program 1B, the Statewide Sales Price Limit Program, the $1.93 is not applicable, you don't get reimbursed for those in that program. On a $2.00 square foot basis the down payment assistance going to the borrower in that case would be $3,200 in each of those two cases. In the case of 1C, the First Time Home Buyers Program, the $1.93 plus the bump-up would result in a down payment assistance check for $6,288 going to that particular borrower.

So then what we did is we just did some runs and said -- I think I have one more here, don't I. Yes. 1A, Economically Distressed; 1B, Statewide Sales Program. On an annual basis $7 million worth of program availability would result in 2187 loans annually and 88,748 loans for the four year period. Run the total down and we're talking about a total of nearly 26,000 loans, down payment assistance loans over a four year period if those assumptions come anywhere close. We don't know.

It's the bump-up category that really is unknown at this point. We don't know what new constructed projects out of those areas are actually going to turn into borrower applications for us and we don't know what the amount of school impact fee per square foot is for a fact out of those areas. But this is -- We think we're in the ballpark, relatively in the ballpark with this because we have looked at our workload considerations.

Now one thing you should be aware of is that program 1A, the Economically Distressed Program is the only one in the law that has a drop dead use date on the monies. After 18 months if, say the $7 million year one is not fully utilized, after 18 months any unused funds falls out of that particular program into the first time home buyers category. It's the only one that it applies to. Otherwise the funds stay in their categories for utilization through the period of time.

Quite frankly, I at first thought that we might have some problem in getting it all utilized but after meeting with the builders and going over our program I have revised my expectation to the other end of the spectrum and it is likely that these funds are going to be utilized well before each year is gone, on a first-come, first-served basis. The builders are very aware of this program and are very positioned and ready to roll with this.

The Rental Assistance Program. This one was a tough one to put together because you can't in an effective fashion, or at least we didn't come up with an effective fashion of getting the rental assistance, quote, directly to the renter like you can in the single-family program where we were able to devise this thing so that the funds were going directly to the borrower. So it is a reimbursement going to the borrower, the owner of the project.

The projects that are eligible for rental assistance are those that are five or more units located anywhere in the state. It has the same building permit test. It has to be a building permit on a rental project issued January 1st of this year or later. Again, this is the school impact fee reimbursement for the total amount of the school fees paid on or prior to permanent loan close of the rental project.

The reimbursement goes to the owner of record of the property. And, if they apply for a reimbursement the condition of getting this reimbursement is a regulatory agreement that will restrict for at least 30 years units--which we will calculate, the number of units we will calculate--those units are restricted to 30 percent of median income. The law recognizes -- Yes, Counselor?

MR. BEAVER: I need to correct that, Dick. There are two things going on with those units. One is going to be the maximum income limit and that should be 50 percent. In other words, very-low income tenants. The other thing that's going on is an affordable rent limit which would be calculated as 30 percent of median income.

MR. SCHERMERHORN: Okay, it's two tests. You've got to have a tenant who meets the 50 percent income test.

MR. BEAVER: Correct.

MR. SCHERMERHORN: But the unit would be restricted. The rents on the unit are restricted to 30 percent of median.

MR. KLEIN: Right.

MR. BEAVER: That's correct.

MR. SCHERMERHORN: Okay, all right. I keep simplifying that, all right.

MR. BEAVER: And let me just take the opportunity. At page 925, the third bullet down, I'd like to correct that to refer to 50 percent as being the very-low income maximum income requirement rather than the 30 percent that's described there.

MR. SCHERMERHORN: It's one-twelfth of 30 percent of 50 percent?

MR. BEAVER: No, I'm sorry, it's the bullet above that I'm correcting. The very-low income household.

MR. SCHERMERHOKN: Okay.

MR. BEAVER: That should be 50 percent.

MR. SCHERMERHORN: Okay. Anything else? All right. All right. So we have a regulatory agreement that the lawyers will figure out on the project. I do know it will be for at least 30 years. The restricted units will be selected by the owner based on square foot calculation. Let me just quickly run you through this.

When we first were putting this together we were trying to balance the interests of simplicity understanding and a fairness in this and getting a maximum amount of affordability in the project. And a starting point on this was we said we would take the total development cost, divide it by the number of units, come up with an average Sevelopment per unit cost and then divide that amount into the amount of school impact fee reimbursement that was going on it would give us the number of units we would regulate.

We had meetings with interested parties on this subject and although they recognized that certainly was a legitimate starting point there were those who really wanted more affordability. And one of the issues that was raised, a very valid issue, was that just using it that simplistically didn't recognize that you would have different sized units in a project and what were you getting that way. We said, fair observation.

So we talked it through and came up with a square foot calculation. In doing it that way it's basically the same thing. You take the project, divide the development costs into the square footage, you come up with a square foot development cost per square foot. Let's say it's $100 per square foot. You take that and divide it into the available reimbursement coming and you'll come up with an amount of square footage that has to be regulated. We said, we'll leave it up to the owner to decide how much square footage, how many units that total or exceed that square footage will be regulated. And once they do that they're committed to it in the project.

So we got agreement generally to that proposition. There still is additional concepts on the table in discussion with us that we are not comfortable with yet because it doesn't as yet meet a balanced test of efficiency of being able to implement at a minimum cost and achieve the affordability objectives of the program. But we are having continuing dialogue on that and we may further refine the basis of this.

Obviously, or at least obviously to us, we are not in imminent danger of getting an application for school impact fee assistance on a rental project that has to have a building permit issued this month so we have got a little time to kind of get this one finalized. But for purposes of getting the program started at this point, this is the basis by which we would do this. The owners so far are comfortable with this and many of the nonprofit interests are definitely comfortable at this particular level. Some would like us to go further and we're still exploring that.

CHAIRMAN WALLACE: Who are you working with, Dick, in the rental assistance? Who is your focus group? I can see on the purchase side.

MR. SCHERMERHORN: We've got both for-profit and nonprofit developers involved and some of the key affordability consultants who work with both parties in terms of developing affordable housing transactions. We've got obvious nonprofit sponsors, BRIDGE and we've got Community Economics and we've got Art Evans and Tom Safran's organization.

CHAIRMAN WALLACE: Yes.

MR. SCHERMERHORN: We've got the spectrum. And the building association has also been involved with us.

CHAIRMAN WALLACE: CBIA is an obvious on the other side. This is a little more --

MR. SCHERMERHORN: Yes, I understand, but they have been --

MS. PARKER: Mr. Chairman, I think in this case what we have used -- Dick articulated what CHFA feels is its position. We are the administrators of this program. The stakeholders or sponsors 'of this legislation, of Chapter 9 of SB-50, were basically two groups and I think it's very helpful to have Donna Campbell who was very involved in the negotiations of this. CLRA and Western Center represented one part of the negotiations and CBIA for the developers represented another part of the negotiations. And as I think we mentioned to you at one of our earlier Board meetings, CHFA provided technical assistance.

Those entities essentially negotiated what the policy considerations, the parameters of the programs would be. And we have used them as basically our authorizing stakeholder group for us to essentially present these programs. On the single-family side as Dick went through and talked a lot about how the data was developed for consideration of what the economically distressed counties were, for example, we used this group and a group of people to essentially talk through what we would be having as our data sources so that there was commonality and agreement and consensus on that for us to them administer it based on that.

We are also using that same group of people as a resource to develop consensus for how to develop on the multifamily side. And I think where we are at, there is agreement on this. To the extent that there is consensus on another approach, the resolution and the way the legislation was drafted allowed CHFA to move the program in ways that would allow more affordability.

CHAIRMAN WALLACE: Got it.

MR. SCHERMERHORN: So that's the summary of it. Obviously there was additional detail in the package, examples of the background data that we were using and the calculation sources, et cetera. Bottom line is we're requesting approval of the Board to proceed, enter into the contract to become the administrator of the program and implement according to the law and to the Agency's regulations.

CHAIRMAN WALLACE: Well, haven't we already given you conceptual approval to go forward here but not based on this level of detailed criteria?

MR. SCHERMERHORN: True, did not have all this detail at the time. We had been apprising you that we were being requested to do this.

CHAIRMAN WALLACE: Right.

MR. SCHERMERHORN: And we were developing everything. But this is the formal, formal request.

CHAIRMAN WALLACE: Mr. Klein.

MR. KLEIN: First of all, I'm very supportive of the program and CHFA's role. My question is, your formula for how you provide assistance under the Rental Assistance Program seems to create an incentive for developers to include some larger units in the project. Under this formula the sponsor will actually get somewhat of a break if they were to provide, for example, meet their requirement with some larger units because they have a lower average per square foot cost than the average in the project.

But I suppose that helps our program goals of making sure we do have some larger units in the market which are very scarce so I was wondering if this is part of the genius behind the formula?

MR. SCHERMERHORN: It didn't escape our attention that that could be an end result out of it. As much as anything driving this we're trying to keep this as relatively uncomplicated and understandable and fair for everybody as we can and absolutely minimize the amount of administrative dollar we would have to expend to implement this.

But yes, when we looked at what this would do -- That was one of the arguments in that discussion. If you just do it on a straight per unit basis the motivation is going to be to go to all zeros.

MR. KLEIN: That's right.

MR. SCHERMERHORN: And we said, well, that's not such a great idea. How about we come this way and the builders would like the option. The nonprofits actually were very supportive of this. They would like the decision option as to, in their project do they want to do more small unit ones or fewer large unit ones and either one gets us where we want to get to.

MS. PARKER: Mr. Klein, I wanted to also say a couple of things. I have been out talking to a couple of groups on our program. We have had a lot of requests by folks, including the locals, local government jurisdictions, because they're very interested in this.

But I wanted to pass along to the Board the compliments that we have gotten on the implementation of this program. CBIA told me the other day that he now believes that CHFA is on record as the most responsive state agency in implementing a new program in sort of state government history with a bond passing in November and a resolution for program implementation in January. And I do think that is the reason why the advocates were interested in having CHFA do this in the first place.

But when I've talked with groups, and Dick and I have talked about this, it is really a matter of trying to do a program design that fits a number of goals. There was a strong desire that they wanted to get this money out on the street as quickly as possible so that there wasn't government subsidies that were sitting, you know, in state agencies for a year or plus that couldn't be helpful. So we wanted to do a simple design to get the dollars out quickly.

Clearly we wanted to get the dollars in the hands on the single-family side of the home buyer, not the developer. In that sense also on the rental side to be of most benefit to the tenants.. But there was also a desire to try to get as much affordability as we could.

But to balance all these things of being able to get the money out, making it simplistic enough that we would not create an environment where people would say on the multifamily side, this is too much trouble. So that is why we're going through this balance of trying to decide how best to do the multifamily side so we can get affordability but we don't make it so difficult that some people will not be wanting to participate.

What's interesting about this program is it's eligible on the rental side to any developer. So if there is a developer who is doing market rate and that's all they do and they want to get their developer fees back, we're trying to entice them that maybe if they want to do a couple of those units at restricted that they may play in this game. And so that's the reason why we're trying to do something that is simplistic and predictable, to draw some of those folks in, and maybe broader than what would be the normal group of folks who work in the affordability area. So I think we're trying to do a program that really walks through all of that sort of delicate balance.

MS. CAMPBELL: At the risk --

CHAIRMAN WALLACE: Donna.

MS. CAMPBELL: Thank you, Mr. Chairman. Having been in the middle of this.

MS. CAMPBELL: A little bit. At the risk of repeating what Terri said I want to echo that although CHFA offered technical assistance actually it was much more, there was a lot of policy assistance as well as technical assistance. And as we worked through the bill and as we worked through the entire bond program this housing portion of it--the bond was $9.2 billion--$160 million, the housing portion of it, was absolutely integral to getting the bond package passed at the legislative level and getting it signed by the Governor.

Compliments and the requests for CHFA to be involved in terms of getting the money on the street came not only from the builders but came from housing advocates, came from the Senate, came from the Assembly and the past Administration, understanding that the policy had been set and HCD assisted in that part of it.

But this was really what we wanted, to get the money on the street and CHFA was the first and really only choice in terms of getting that out there. And they have absolutely kept their part of the bargain and got the money out there and everyone is incredibly pleased. So I would just offer my compliments and congratulations because Terri and the staff have Just -- You've done an excellent job.

CHAIRMAN WALLACE: How do you intend to vote on this motion?

MS. CAMPBELL: It's a close call.

MS. LUCAS: Mr. Chairman.

CHAIRMAN WALLACE: Yes, Donna.

MS. LUCAS: I have a question on the fees of $1.93 on Program 1. Is there any cap? Your estimates are based upon two to three dollars above and beyond the $1.93 but is there any maximum level that that can go to? Because it certainly will impact the number of eligible applicants for the program if the fee is too high.

MR. SCHERMERHORN: Well, we don't have any control over that. The school districts are the ones that establish within their legal limits what fees they are going to impose. That was the great debate that took, has been taking place for a long time, how much can school districts impose in fees. We're not involved in that process. All we can do -- And you have to understand, not all school districts have what they call these bump-up fees, which are fees above the $1.93 authorized statewide level. So we don't know. We have seen fees as high as $10 to $11 per square foot total, in some school districts it's been reported. We don't know whether we would get any of those particular requests.

That wouldn't necessarily occur. There is something I didn't get into. In the law there is a requirement that the eligibility of the school impact fees have to meet a couple of the sections earlier in the bill. Not in Chapter 9 but elsewhere in the bill. In essence what that does is only eligible school districts are the ones in which we can consider the school impact fees. There is an element of state government that keeps track of all of the eligible school districts and they are supplying us with the information. When we get a request we'll look at it.

The import of that is those eligible school districts are only eligible because they don't have excessive fees, there is a cap in there. So that's the reason why I have been ballparking the $2 number because we will not get a rash of $10 per square foot applications. It's going to be a smaller number.

MS. PARKER: I think that's also the reason why in the single-family A and B program the limit amount for those two programs was the amount that would be in excess of $1.93. The priority and preference from a policy basis was really to have more of the dollars be available for first time home buyers, recognizing them being the lower incomes and it may make a substantially greater difference for them to be able to qualify for a home purchase. So I think that was one thing that they did take into consideration.

MS. LUCAS: And you mentioned that Program 1 has a limitation of 18 months.

MR. SCHERMERHORN: 1A, yes.

MS. LUCAS: 1A. And so to the extent there is any leftover funds there, it is at the discretion of CHFA to determine which of the other programs --

MR. SCHERMERHORN: No, it goes into the first-time home buyers' pool.

MS. LUCAS: It goes specifically into that one, okay.

MS. PARKER: But, Donna, the dollars will be -- They are proposed under the new budget for them to be allocated on an annual basis. So there will be an appropriation for the next fiscal year for a 12 month period. Eighteen months after that fiscal year ends if there are dollars in that appropriation available they will roll to this first time home buyer program. There is a four year program for all of the components but after 18 months those dollars roll in to be available to --

MR. SCHERMERHORN: I don't think it's a calculation we're going to have to concern ourselves with.

MS. PARKER: Right.

MS. LUCAS: All right. And one final question from me. First of all, I think these are fabulous programs. For a person just starting out to be eligible for it, can they use these programs, these down payment assistance programs, in conjunction with other low cost financing programs that you have?

MR. SCHERMERHORN: Yes. And the reason is this is a reimbursement of the school impact fees. It's just a dollar for dollar reimbursement of a cost in the transaction. So they can use it with any other form of supportive financing or any other down payment assistance.

MS. LUCAS: That's fabulous. Thank you.

MS. HAWKINS: Mr. Chairman.

CHAIRMAN WALLACE: We trust you will inform Mr. Angelides how fabulous this is.

MS. LUCAS: It's on the record.

MS. HAWKINS: Mr. Chairman.

CHAIRMAN WALLACE: Yes.

MS. HAWKINS: Just quickly could I just clarify this rental assistance program. When I was reading it this norning I thought that it was odd that it said 30 percent of nedian income and I thought, now who is this group addressing and how can they afford the rents. But it is 50 percent of the median income and then they can spend no more than 30 percent on the rents. Is that what you said?

MR. SCHERMERHORN: The two tests are the eligible

-- It has to be for a tenant whose eligibility is 50 percent of median income or less.

MS. HAWKINS: Yes.

MR. SCHERMERHORN: The tenant has an income eligibility for the unit;

MS. HAWKINS: Right.

MR. SCHERMERHORN: The unit that they're regulating has to be established at rents. The rent level has to be established at 30 percent of median.

MS. HAWKINS: Okay.

MR. SCHERMERHORN: And we've got the -- There's an example of that in here.

MS. HAWKINS: Okay.

CHAIRMAN WALLACE: And, Dick, on that same subject, if you turn to page 909, and apropos of Counsel Beaver's comment, does that change that number in Item 2 on 909, the Rental Assistance Program?

MR. SCHERMERHORN: Yes, that is correct.

CHAIRMAN WALLACE: We should change it there also.

MR. SCHERMERHORN: Make that correction also.

CHAIRMAN WALLACE: From 30 percent of median income to 50.

MR. SCHERMERHORN: To 50 percent.

MS. HAWKINS: And Mr. Chairman, I had one other quick question.

CHAIRMAN WALLACE: Yes.

MS. HAWKINS: On policy you stated that the applicant could come through any lender, which normally CHFA has worked through their CHFA-approved lenders. Was that CHFA policy? Was that set by CHFA to open it to all lenders or was that part of the legislation?

MR. SCHERMERHORN: No, it's our policy.

MS. HAWKINS: I commend you on that.

MR. SCHERMERHORN: It's the only way the program works right as far as we're concerned.

CHAIRMAN WALLACE: Are you saying *any lender?*

MR. SCHERMERHORN: Any lender.

MS. HAWKINS: Right.

CHAIRMAN WALLACE: Not necessarily a CHFA-approved lender.

MR. SCHERMERHORN: That's correct.

MS. HAWKINS: That's good.

CHAIRMAN WALLACE: Okay. Yes, Mr. Klein. You get the last word, almost the last word here.

MR. KLEIN: I would hope that in conjunction with our first time home buyer financing that this will revise our analysis of who we can reach as a benefit group, which would help us in our, the evaluation of, really in the next year, how our single-family funds might really reach a group that otherwise has been beyond what we could serve.

CHAIRMAN WALLACE: Are there any other questions that are just begging to get out before we take a motion? Yes, Dr. Hobbs.

MR. HOBBS: I'll beg.

CHAIRMAN WALLACE: You don't have to in your case.

MR. HOBBS: Thank you, Mr. Chairman. I've got about four very, very quick -- Three issues and one question.

CHAIRMAN WALLACE: Select your top two.

MR. HOBBS: Select the top two?

CHAIRMAN WALLACE: No, go ahead.

MR. HOBBS: Just a quick correction. On the list, 914 that was passed out, we mentioned 11 counties. I think that count is 12.

MR. SCHERMERHORN: Yes, that's because of the Madera add-on.

MR. HOBBS: Okay. And we are publishing a list annually or is someone else in the system?

MR. SCHERMERHORN: Yes. At the beginning of each fiscal year we will either revise or confirm.

MR. HOBBS: And, Mr. Chairman, the question, and this gets to where I thought Ms. Lucas was going. I have sat with CBIA, in fact I worked with them through the summer on this proposal as well, and I have some concern from a policy standpoint, particularly given the need for local school districts to individually adopt within the next 12 months their needs assessment having to do with school development impact fees.

What in effect this will provide if we approve this in this form, which I generally support, is we are going to have from district to district a different level of down payment assistance in Programs 1A and 1B. I think that that has some policy ramifications that we as a Board should be aware of and as an Agency should be aware of. Simply because we are approving lending policies that local school districts are in effect going to be setting the floors and ceilings on.

I think we all get that. I just suspect at some point that there will be some agency out there that says, wait a minute, this is unfair. We as a statewide Agency, you know, we have certain impact areas, we have certain areas of special need within the legislation itself and subsequent proposition. There are distressed counties called out. I am very concerned about what will happen on the local school district-by-district basis and the ramifications of that in terms the lenders and their relationship with CHFA. End of statement.

And then last is the question and the question has to do with cost recovery given the complexity of these programs. Is there something built in that we're building into our budget or is there something built in which I haven't been able to read yet in Prop 1A that allows us to recover lease and minimum fees to --

MS. PARKER: Mr. Hobbs, the language in the legislation and also the contract that we were in the process of negotiating with the Department of General Services allows for us to essentially be reimbursed for the administrative costs of this program. Again, we are trying to keep this very simplistic so that the majority of the dollars will go to the program itself. We are not interested in the administrative fees.

MR. HOBBS: Right.

MS. PARKER: May I just -- Mr. Chairman, I know we are really out of time but I would like just to say one thing in response to what Mr. Hobbs' concern was. The issue of developer fees and school facilities had been linked in the Legislature for the last several years. School bonds were essentially held up because the developers had some members of the Legislature essentially calling for the developer fee issue to be dealt with because the school districts, many, school districts were opposing fees above the $1.93 that was the amount that is in state statute. There were three different lawsuits involved in that and they were commonly referred to as (indiscernible).

So the developers, really for the last ten years, have been trying to look for some relief to escalating school facility fees and the impact that has had on the housing building business as part of the California economy. There were many ways that it was tried to be dealt with. Frankly, what the builders wanted was to have legislation that would have eliminated those three lawsuits and kept the school fee to a maximum of $1.93, period. The concern of school districts and local governments was the ability to mitigate construction so the local governments were concerned that why shouldn't they be able to mitigate schools like they can mitigate freeway off-ramps, et cetera, et cetera, et cetera.

So they came up with this proposal since Prop 98 would not allow us to essentially just buy out for the school fees and reimburse the schools. That would have added to the state's general fund obligation to schools. We would have liked to have done this the straightforward way and in fact Dick and I had many discussions about why we had to do this circuitous route.

But the fact of the matter is they did put restrictions in the legislation to try to preclude school districts from now saying, wow, since these fees are going to be reimbursed to the developer by this school developer fee program we are now going to charge the maximum we possibly think that we can get away with.

There was some additional tightening in the statutes about the ability for local governments to charge in excess of $1.93 but it is still -- it was a fine line that people were trying to walk down between local governments' abilities to have mitigation and at the same time trying to provide some relief on the developer fees to get those members to vote for a school bond.

CHAIRMAN WALLACE: So in essence, Terri, school is still out on your concern about the inequity here and it probably will be revisited. But it isn't in our --

MS. PARKER: There is inequity now throughout the state of how much is charged in a school district for construction fees.

MR. HOBBS: Mr. Chairman, Director. I am on board and completely concur and understand that. And my family being in the building business, we have paid -- we have paid $11.58 in a certain Southern California school district and we have paid the minimum. I've been there.

My concern is not specifically as it relates to school fees. My concern is very directly that we have hundreds of school districts that have the ability to influence CHFA policy in terms of the maximum amount that's available for down payment assistance within each of those individual school districts. And I am just concerned as to the potential of built in equity as a result of that. That's all. I'm not --

MR. SCHERMERHORN: I understand where you're at. I couldn't figure out where you were at there for a bit.

MR. HOBBS: I'm sorry. So you all thought I was going somewhere else.

MS. CAMPBELL: It's a first-come, first-serve basis.

MR. SCHERMERHORN: I got it, okay.

MR. HOBBS: It's a first-come, first-serve basis.

MR. SCHERMERHORN: It's first-come, first-serve. And that's the only way we can solve that problem, Ken. And there was some discussion about how do we deal with the issue of some places with higher fees drawing down the money.

MR. HOBBS: I was trying not to say that, Mr. Chairman.

CHAIRMAN WALLACE: You were really good at that.

MR. HOBBS: I was really trying to be soft with this issue. But effectively we are going to have rich districts taking up the bulk of these fees. Because we've got some built in ceilings.

MR. SCHERMERHORN: Maybe.

MR. HOBBS: Correct, maybe.

MR. SCHERMERHORN: Maybe because --

MR. HOBBS: That's the reason why I wanted to throw this out.

MR. SMERMERHORN: No, actually the builders are doing that.

MR. HOBBS: Great. I just want to underscore. And

I know that we're aware of it. It's not something politically comfortable we're talking about.

MS. PARKER: I mean, obviously we're going to keep track of it. It will be very interesting for us to see where these fees, where we get'the applications from and where it goes out, you now. And we can step back and sort of look at that.

CHAIRMAN WALLACE: But on balance I've got to say this is a magnificent effort on the part of Terri, you and your --

MS. PARKER: And Dick.

CHAIRMAN WALLACE: And Dick and your staff in a very short term. This is unheard of, to get a program rolling this fast. And I'm sure we will find some fine tuning and redirection as a result of this but this is a magnificent effort.

MR. SCHERMERHORN: This is an Agency staff effort. This is not something that I would take credit for.

CHAIRMAN WALLACE: Yes, but we all volunteered for this when others were asking us to, you know, who were stepping back. And we stepped forward and we bought in. And I think this is a terrific effort and I for one intend to, if we can get a motion and a second, to support it, which I will now call for.

MR. KLEIN: I make a motion.

MR. HOBBS: I'll second.

CHAIRMAN WALLACE: Mr. Klein, Mr. Hobbs. Any further discussion by either the Board or anyone in the audience. Mr. Klein.

MR. KLEIN: Just in terms of Mr. Hobbs' comment. I would hope that if we see a disproportionate amount being pulled off into certain districts that have high fees we revisit this issue and see if we can fine-tune it.

CHAIRMAN WALLACE: Well, I expect --

MS. PARKER: Just in response to that: Actually, once again, we are the administrator of the policy set by the legislation. So if that is occurring it would be information, frankly, that we would be providing to the Legislature for them to redetermine their legislative policy.

MR. HOBBS: Mr. Chairman, also one other comment.

CHAIRMAN WALLACE: As the seconder you have privilege.

MR. HOBBS: Thank you, sir. I would also hope, in terms of our oversight as administrators of this legislative program that as the school allocation committee meets next month that we will also be very concerned as to any attempts to tie and target specific districts or specific programs as it relates to school funding itself. This is a statewide program.

I met with the Director of the State Allocation

Board and he was talking about housing. It was surprising, although he is a developer. It's a surprising turn of events when the school allocation begins to talk about housing. It makes me a little bit nervous, that's all. So I would hope -- And I know we are, we have a great staff. I hope that we would monitor those kinds of things and get to our legislative contingent when there are these targeted efforts.

CHAIRMAN WALLACE: On that consensus, seeing no other hands or people leaning out of their seats, secretary, call the roll.

MS. OJIMA: Yes, thank you. Ms. Lucas?

MS. LUCAS: Aye.

MS. OJIMA: Ms. Campbell?

MS. CAMPBELL: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Friedman?

MR. FRIEDMAN: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 99-09 has been approved.

CHAIRMAN WALLACE: Resolution 99-09 is approved.

RESOLUTION 99-10

Then on to Item 6 on your agenda. This follows this program up with our need to deal with the citizen and alien verification regs. Dave Beaver.

MR. BEAVER: Yes, Mr. Chairman. As you mentioned, this Resolution 99-10 is related to the previous resolution in the sense that its purpose is also to implement the Proposition 1A programs.

By way of background, in August of '96 Congress enacted and President Clinton signed into law federal legislation known as the Personal Responsibility and Work Opportunity Reconciliation Act. This federal legislation requires that federal, state and local benefits, as those are defined, can only go to persons who are citizens or qualified aliens, as qualified aliens are defined in the law. That federal enactment was followed the same month by an Executive Order from the Governor of California for state departments and agencies to implement the federal legislation.

Last May this Board approved regulations to implement -- And by the way, I'll refer to the federal Legislation as PRWORA, which is the acronym for it. Back in Yay this Board approved regulations to implement PRWORA as it is applied to our single-family loan program and our multifamily, non-Section 8 program. Those regulations were promulgated shortly thereafter and are currently effective.

In the fall, as has just been discussed, Proposition 1A was approved by the voters and SB 50 was enacted by the State Legislature and we are now implementing those programs. Those programs were not covered by our PRWORA regulations so the purpose of this resolution is to make some amendments to those PRWORA regulations to pick up the Prop 1A programs.

In addition there are a couple of other changes that are being made that are basically to clarify some issues of general applicability and they primarily relate to the multifamily in the multifamily context. And those amendments include a definition of spouse, which was a term that was previously used in several places in the regulations but was not defined.

This also clarifies an issue where a particular unit in a multifamily project is subject to both CHFA and HCD alien verification requirements. This makes it clear that the HCD rules will apply. So in other words, spare the project owner from having to comply with a dual set that may have slightly different requirements.

And then the final point that's also contained in there is to deal with the situation where a Section 8 voucher or certificate holder comes and occupies a unit and to make it clear that the federal citizenship and alien verification requirements would govern in that case. In other words, we wouldn't impose duplicative requirements.

So basically what you have been given is a set of our regulations. And then on pages, basically pages 8, 14 and 15, we are proposing amendments to accomplish the things that I've just discussed. So with that I'll answer any questions.

CHAIRMAN WALLACE: Eight, 14 and 15.

MR. BEAVER: Yes. I'm sorry. In the regulations which I've given you, which start at page 931 of the material.

CHAIRMAN WALLACE: Yes.

MR. BEAVER: That document has its own numbering system at the bottom.

CHAIRMAN WALLACE: Oh.

MR. BEAVER: And if you look at pages 8, 14 and 15 you will see the amendments that we are currently proposing.

CHAIRMAN WALLACE: This is our existing regulations that we adopted last year, David?

MR. BEAVER: Yes.

CHAIRMAN WALLACE: And the amendments contained on the bottom of pages 8, 14 and 15 showing underlines are the changes you are recommending to us today?

MR. BEAVER: That's correct, Mr. Chairman.

CHAIRMAN WALLACE: Okay.

MR. BEAVER: So let me state it a different way. In terms of Board material pages, if you take a look at pages 938, 944 and 945.

CHAIRMAN WALLACE: We'll all be on the same page.

MR. BEAVER: We'll all be on the same page.

CHAIRMAN WALLACE: Okay, any questions from the Board? Yes, Mr. Friedman.

MR. FRIEDMAN: Yes. It will take me a couple of moments to unravel all of this but -- Dave and I were in -- Dave Beaver and I were in the position for both of our agencies of walking through this process pretty much together and we had the luxury of whenever there were controversial issues or issues of policy of being able to march over to the Governor's Office and have those issues resolved so that we could keep both programs as consistently as we possibly could.

This issue of the definition of spouse is one that's really not necessary to implement the new programs but arises from a different place. Under the regulations people had expressed the concerns in our public comment period, which was a few months earlier than yours, that existing households were going to be displaced from rental properties. And we were able to walk over and make that case, that we didn't want to be unduly disruptive to the existing population and get agreement that we could revise the regs to provide that if either the head of the household or the spouse was a citizen or qualified alien they remain in occupancy.

During our workshops somebody raised the question, what do you mean by spouse. We're talking low-income populations and frequently immigrant populations and there may be people who have been living as a family unit for many years without the benefit of a license and they may have children who are actually US citizens. That's why this question got joined and the issue was raised. There are people in our department who were very concerned that we do not wish to disrupt those kinds of family units that have been living that way and this definition would do just that.

So I have been asked to come and express our agency's concern that we have a new agency secretary and we have a new administration. I know that we don't have any -- We don't know where they come down on this particular issue and it is an issue of some public controversy about benefits and domestic partners and family units.

So we would recommend from HCD that since you don't need this change in order to implement your new program, this change has nothing to do with your new program whatsoever, that this particular revision not be made at this time until we can get some guidance from the new administration. So that would be my suggestion. When it comes time for a motion on that I would recommend that this particular definition, since it's an issue that doesn't need to be joined, would be your purpose.

CHAIRMAN WALLACE: Chief Counsel Beaver, why are we entering into this at this time? What is the rationale?

MR. BEAVER: Right.

CHAIRMAN WALLACE: Strictly talking about, now, the definition of spouse.

MR. BEAVER: Correct, right.

CHAIRMAN WALLACE: At the bottom of page 8.

MR. BEAVER: 938 of the Board materials.

CHAIRMAN WALLACE: Or 938 on the Board agenda.

MR. BEAVER: Right. As I mentioned, our regulations already contain a definition -- I'm sorry -- already use the term spouse. But as was pointed out to both Rich and I, we don't define it. And we feel that that's a -- I feel that that's an important omission that needs to be addressed as soon as possible because potentially we're moving towards a point in time where people could be evicted based on the operation of these regulations.

And spouse is such a critical term that it would have bearing on whether or not they fall within or fall without and if they fall without are subject to eviction. We think it's essential to address it as early as possible. So that's why we're dealing with it at this time and I think it's important to do so.

Now, the definition we have chosen is we have attempted to conform to existing state law in terms of what it recognizes as a spousal relationship. The hidden issue in all of this is a question of whether common law marriages formed in California are included and whether same-sex marriages are included.

Now, current California law does not recognize common law marriages formed in California. It recognizes common law marriages formed elsewhere and transported here, and we recognize those persons as a spouse, but California law does not recognize common law marriage in California. Also, California law does not currently recognize same-sex marriages. So in adopting our definition of spouse we have attempted to stay with current California law and not move into a controversial area. So that's our justification for why we're doing it now and why we're doing it in the way we're doing it.

Our hope is that ultimately HCD will end up in the same place as we do.

MR. HOBBS: Mr. Chairman.

CHAIRMAN WALLACE: Yes.

MR. HOBBS: Just a quick question.

CHAIRMAN WALLACE: Yes, Mr. Hobbs.

MR. HOBBS: Where is HCD now?

MR. FRIEDMAN: Well we are --

MR. HOBBS: I understand that you're working through it but what is existing policy.

MR. FRIEDMAN: Well, I can tell you we actually have one of these cases in front of us right now. I mean, where it is a unit that has been living as a family with children without the benefit of a marriage license. And it isn't -- We actually have the case in front of us. Our intention is to wait for some guidance.

We don't know where the new governor comes down on this particular issue and I don't know if Donna has any particular indication either. This is a controversial issue and, Dave, you're absolutely right, it does encompass a lot of things. But I don't know what the administration's position is. So we are several months behind because we are not proposing any change at this stage.

MR. HOBBS: Mr. Chairman.

CHAIRMAN WALLACE: Mr. Hobbs.

MR. HOBBS: The question was, what is HCD's position today? Not in terms of waiting for legislative or in this case executive direction but what is your policy as it relates to --

MR. FRIEDMAN: I think we are going to give these people a one year bye. See, this comes up in the annual recertification for existing households. We are going to give these folks a conditional approval pending the outcome of this issue. We don't have a director, we only have an acting director, we don't have a formal position. But we do not want to displace a family only to find out that the Governor's position might have been to allow that family to stay.

MS. CAMPBELL: So your regulations do not now have a definition of spouse.

MR. FRIEDMAN: We do not define spouse at the moment. I'm sorry, it's a long way to get there.

CHAIRMAN WALLACE: But in that context aren't we kind of duty-bound to define it as existing --

MS. HAWKINS: Law.

CHAIRMAN WALLACE: -- California Family Code Sections 300 and 308 define it, which is what I understand you're recommending. That is the current definition of spouse. How are we to depart from that until we get -- And I acknowledge that maybe this new administration will deal with it sooner or later but in the absence of a definition aren't we duty-bound to that definition?

MR. FRIEDMAN: Well, I think that Dave gives legal advice to this Board and so I would be reluctant to do that. You need to pose that question to Dave.

MR. BEAVER: Yes. That would be my advice, to stay with the existing law and the reason I've basically already articulated. But to say it a little different way: The law is established, there is nothing to suggest that the new Governor is planning on changing it. So to take a wait and see attitude I would recommend against because there is no reason to expect that the law is going to be changed. And that would require a legislative action --

MS. HAWKINS: Right.

MR. BEAVER: -- if that is going to occur in the short run. And my difficulty is I don't feel it's appropriate for us to give people a bye pending an action that may never take place and there's nothing even on the immediate horizon to suggest it will.

CHAIRMAN WALLACE: Mr. Klein.

MR. KLEIN: Richard, under the originally proposed HCD position could people who had a stable, operating family that would have been a common law marriage, even though California as I understand it from David does not recognize common law marriage, would they have been permitted to stay as a family unit?

MR. FRIEDMAN: Under our originally proposed regs each adult member of the family unit had to be a citizen or a qualified alien.

MR. KLEIN: I'm meaning the originally proposed compromise or the modified position. This position is different than the modified position?

MR. FRIEDMAN: The modified position was to accept a HUD principle from the 214 program and we basically incorporated that definition which says either the head of the household or the spouse. What we found is in going through, at least I couldn't find any of the HUD material where they faced this particular issue of what do they mean is a spouse. I agree with Dave. All my research indicates in every place it's addressed, which is pension law, you know, divorce law, immigration law, it does talk about narried couples. People who are married. Our regulations are created pretty much from whole cloth based on PRWORA. I chink we can define these terms any way we feel is appropriate for the purposes of implementing PRWORA.

MR. KLEIN: I would suggest just as a single Board member that if we have functioning, stable families that we should recognize the integrity of that family and not push on them some definition that forces us to evict them from a housing unit. Culturally we have some groups within this state, and economically, that may not have -- not may not -- do not have the money or resources to avail themselves of the rules and the licensing procedures.

If we are working so hard in this state to build families that are functioning well, that are holding the children and the family members together, to evict them is going to destroy that family unit or at least precipitously put into effect circumstances that will mitigate very, very difficult obstacles for that family to stay together.

So I would personally express a strong opinion that if we have qualified people currently in housing units that we at least give it six months to see what the policies are that are going to be adopted and don't take an action that would not only evict them but put them under a threat of eviction. Because that can be an extraordinary tension on these families that are living at the edge already.

CHAIRMAN WALLACE: Let me get clear what you would have us do, how that translates into the action that is before us. Would you therefore not define spouse at this time or would you define spouse as to be other than we know exists in state law today?

MR. KLEIN: I would suspend our final determination of the interpretation of the word spouse for the purposes of these regulations for six months to give us some time to get definitive direction as Richard has suggested, given the importance of maintaining those family units if possible.

CHAIRMAN WALLACE: I understand your position now as it relates. Whether I agree with it or not is another issue. Mr. Hobbs.

MR. HOBBS: Thank you, Mr. Chairman. Just a note.

Counsel, you mentioned the word eviction and it is being underscored. Are we really talking eviction or are we talking about the loss of CHFA benefits, be they rental assistance or be they --

MR. BEAVER: The potential ultimately exists for eviction but that's a last result.

MR. HOBBS: Correct.

MR. BEAVER: Okay. The way it really works -- And actually we sort of treat prospective tenants coming to apply to come into a project a little differently than we treat existing tenants.

MR. HOBBS: Correct.

MR. BEAVER: Under both the HCD approach and our approach, if they are applying for a unit, not already in a unit, then every adult would have to satisfy. The whole question of whether you're spouse or not doesn't even matter.

MR. HOBBS: Right.

MR. BEAVER: So any adult. What we do with existing tenants -- I know this is a long way of getting there but it's the only way to really explain. This whole discussion really relates to the way we're treating existing tenants. Because what we did with existing tenants was we cut them a little break in an effort to try to avoid, to mitigate breaking up families and the fact that they have rested right arguments. They were already in the unit before this legislation came along.

We modified the rule so that as long as either the head of the household or the spouse qualifies then they can remain as long as the household doesn't include any other adult member other than either a parent or grandparent. In other words, a lineal ascendent.

Okay? So that's where the spouse questions come in. We're really talking about existing tenancies and in that case we're saying, okay, so what if the head of the household doesn't or can't qualify. Then the spouse would have to. And if he or she is able to then the household remains. And in this case we're saying, well, that's fine, what's a spouse. The spouse is going to have to be a spouse as is recognized under existing California law.

So now assume that that spouse can't qualify either, assuming that they aren't a spouse. Then basically that's when the unit would be not-qualifying. We allow the sponsor to deal with the issue of having a non-qualifying unit but they can swap a compliant unit. So in other words they can avoid evicting that household through a swap, okay. And our hope is that they will have the ability to do that. But if they aren't able to remediate the problem through a swap they ultimately have to make that unit be compliant. And that would mean that they would have to ultimately evict.

MR. HOBBS: Thank you. I just --

MS. PARKER: Mr. Chairman, can I add one thing. When we --

CHAIRMAN WALLACE: Just a minute. Are you through?

MR. HOBBS: I just was going to say, thank you, and I think I understand. We really are at an extreme talking about an eviction.

MR. BEAVER: Right.

MR. HOBBS: What the reference is in this case is to a qualification for a benefit. And while I don't -- I certainly understand that the nuclear family as we know it has been through some revolutionary changes I cannot support as a Board member us reaching out and attempting to circumvent law at this point to accommodate those social changes. What will occur will occur.

But in terms of my position, I am going to continue to strongly support our implementation of the law. And to the extent that it changes in the future then we need to bring that back to this Board and we need to evaluate that at that point. I can't support a change at this point.

CHAIRMAN WALLACE: Ken, does that translate, since I asked Bob the same thing, into your, you know --

MR. HOBBS: Yes, sir, into my --

CHAIRMAN WALLACE: The adoption of the spousal definition as contained in state law at this time.

MR. HOBBS: Yes, sir, it does.

CHAIRMAN WALLACE: Well, I just wanted to make sure we're all clear where we're coming from.

MS. HAWKINS: Mr. Chairman.

CHAIRMAN WALLACE: I'd like to ask our Director.

MS. PARKER: I'just wanted to say one thing but I think it may be a little bit on point here. We did not go into every familial situation when we talked about the adoption of these regulations when we went through it on the multifamily side. There are a whole host of legal questions around all of this implementation and how families may or may not be impacted. I think what we have tried to do at CHFA is essentially comply with the Executive Order that has requested us to implement this legislation.

I know that when I talked about this with the Treasurer the other day and we went through this -- I think what people need to realize is that this is just one of many, many issues that will be coming up. And I think the new BT&H Secretary, the new Governor, new folks will be looking at -- I don't know at just this one thing, I think they will be looking at these issues in totality of trying to essentially decide about a policy on this and what road the state should be moving forward with respect to this.

I know we're concentrating on this but I would share with you -- And I think Rich would agree with me that there are many potholes throughout this whole item. And I think in the Treasurer's words he essentially said, oh, this issue is bigger than this one particular item.

MR. HOBBS: And in fact, it was those potholes that caused me to vote no last year just to underscore that, as a demonstration of those potholes.

CHAIRMAN WALLACE: As a city leader potholes are big on your agenda.

MR. HOBBS: Yes, sir. Very, very, very big.

CHAIRMAN WALLACE: Carrie.

MS. HAWKINS: And because of these potholes I too have to take the position, regardless of what we feel on this from a personal perspective, that we must, I must go with the state law's definition at the present 'time. And if that law changes then as a Board member I obviously have to respect that, regardless of where I stand on it personally. So I don't think that's even an issue. And I have great compassion for the individuals and hopefully we can find some way to work with those situations creatively so no one gets displaced. But until that law changes I have to take the position also.

MS. CAMPBELL: Can I ask a question?

CHAIRMAN WALLACE: Donna.

MS. CAMPBELL: Is there any federal guidance on the definition of spouse? And assuming there is none is there a federal definition of spouse since these regulations are implementing a federal law? That if you left it undefined that in potential litigation they would look to federal law rather than California law.

MR. BEAVER: As Rich mentioned, we have both looked. There is nothing in PRWORA to define spouse. Spouse is dealt with in federal legislation in many different places. For the most part our research disclosed that they defer to the state law definition. So that led us back in a circle --

MS. CAMPBELL: The state.

MR. BEAVER: -- to the state law.

CHAIRMAN WALLACE: Richard.

MR. FRIEDMAN: I agree. We couldn't find -- There is nothing in PRWORA that gives us any guidance and the things you find are on relatively unrelated subjects. I do know when this issue first raised, the housing advocates, as many of you may know, strongly opposed this question of whether our program should be covered at all. It raised a lot of other issues.

One of the points we raised was that we think that this creates potentially the most serious challenge to the regulations in a judicial setting and the example we have may be a good example. We have a citizen-husband, children who are presumably citizens, who are going to be evicted from their unit because the mother is not. That is a very attractive suit. I'm not sure that the intention of the Welfare Reform Act, PRWORA, was to put that family out of their unit. In fact HUD under the same circumstances would prorate the rents and allow that family to stay in the unit.

So again, I'm not disagreeing with how anybody feels here and I respect it very much. I'm just reluctant to jump in because making this decision, were we to do it at HCD, means filling this pothole in a way that puts a family on the street. And I'm just not comfortable doing that.

I don't want to have to vote against the entire package because you need it for other things but I think that we would -- I would feel, representing my department, compelled to do so unless we wanted to take up as separate items and I could vote *yes* on the things you need to do and no on this particular issue. But I think that that's how I'll have to come out on it.

CHAIRMAN WALLACE: Yes, Mr. Klein.

MR. KLEIN: I would also then request that we bring them up as separate items. I certainly want to be supportive on the things we need to do. If I understood Mr. Beaver correctly your remedy is to do a swap. But if you have a 100 percent assisted project there is no ability to do a swap, it means straight out eviction. There is no flexibility.

I would hate to see us really destroy some families and three or four or five months later find that it was unnecessary. I would hope that whether it's six months or ninety days -- Every one of these families as an individual family, is very important. They work extremely hard to keep these families together as a unit.

I would suggest that Richard's idea that he put forward that it's doubtful that the welfare reform proposal looked at this possibility and intended to really be taking apart families of this type. So I would suggest and hope that we could vote on it separately. Even if we could get a 90 day period for this to be considered it would be beneficial.

CHAIRMAN WALLACE: Any other discussion before I make my move?

MR. BEAVER: I need to just clarify for Mr. Klein. First of all, the idea of the swap. It's really more available than you would think. Even in a 100 percent low-income project CHFA is typically only going to regulate 20 percent. So in a standard configuration you have many -- Even if it's 100 percent CHFA is only regulating 20 and the others are being regulated by TCAC, for example, or HCD possibly or localities. TCAC has taken the position that they are not subject to PRWORA so the TCAC units would always be available, at least based on their position, for a swap.

MR. KLEIN: I don't --

MR. FRIEDMAN: That's true for CHFA's programs but for ours particularly, our rehabilitations are almost 100 percent assisted and so there is no swap possible.

CHAIRMAN WALLACE: Well, in all due respect, Richard, we're here looking as CHFA Board Members.

MR. FRIEDMAN: 'Yes, I understand.

CHAIRMAN WALLACE: Bob, I'm going to agree to separate the issues, which is what your request was. So the first vote will be, I'd like a motion to support all the changes in suggested resolution, whatever this is --

MR. BEAVER: It's 99-10, Mr. Chairman.

CHAIRMAN WALLACE: 99-10, without the one section on page 938 of your agenda which shows at the bottom of the page Section 11(bb), which is the definition of spouse. I'm going to ask for a motion for all the changes with that exception.

MR. FRIEDMAN: So moved.

CHAIRMAN WALLACE: Is that understood.

MR. FRIEDMAN: And I'll move it.

CHAIRMAN WALLACE: And I have a motion.

MR. KLEIN: Second.

CHAIRMAN WALLACE: And a second. A motion by Friedman and a second by Klein to do so. So therefore is there any discussion on that motion from the audience or the Board? Hearing none I will call, ask the secretary to call the roll on that portion of this discussion.

MS. OJIMA: Thank you.

CHAIRMAN WALLACE: On that portion. On this motion exclusive of Section (bb) on 938. Everybody clear on what we're voting on?

MR. HOBBS: Yes, sir.

CHAIRMAN WALLACE: Okay secretary call the roll.

MS. OJIMA: Thank you. Ms. Lucas?

MS. LUCAS: Aye. Aye.

MS. OJIMA: Ms. Campbell?

MS. CAMPBELL: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Friedman?

MR. FRIEDMAN: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 99-10 with that exclusion has been approved.

CHAIRMAN WALLACE: That resolution minus (bb) has been approved. Now let's take a motion on (bb), the definition of spouse on our agenda page 938. Does someone want to put that motion on the table?

MR. HOBBS: Mr. Chairman, I will move an amendment to Resolution 99-10 inclusive of Section 11(bb) as stated in Board Packet page 938.

CHAIRMAN WALLACE: Inclusion?

MR: HOBBS: Inclusion. I'll move to include that which is specifically Section (bb) beginning with "Spouse means, et cetera.

CHAIRMAN WALLACE: The definition of spouse.

MR. HOBBS: Yes, sir.

MS. HAWKINS: I'll second it.

CHAIRMAN WALLACE: I have a motion by Hobbs and a second by Hawkins to include that in along with our prior motion. Is there any discussion on that? Yes Mr. Klein.

MR. KLEIN: Mr. Chairman, is it appropriate during the discussion to offer an amendment to the motion?

CHAIRMAN WALLACE: I think, Bob, it's easier to vote it up or vote it down.

MR. KLEIN: Well, I'd like to make an amendment to the motion.

CHAIRMAN WALLACE: Well, it's not easier but that's your right.

MR. KLEIN: Okay. I would like to amend the motion that we put this into effect after a 120 day period where we look to direction from the Administration on this item.

CHAIRMAN WALLACE: Okay, is there a second to the amendment to grant a 120 day respite, looking for direction, hopefully -- looking for direction from the new Administration. Do I have a second? I do not, the amendment fails for lack of a second. So the motion currently before you is whether or not to add Section (bb), the definition of spouse, to our existing regulations. Is there any further discussion on that?

MR. HOBBS: Mr. Chairman, I'd like to offer an amendment. Not having to do with the content but perhaps having to do with Board direction. It's clear that there are many things going on as it relates to this specific section and no doubt others. Is it possible as a seconder to the motion to include a direction to have General Counsel and our Executive Director monitor this issue and bring back to the Board any policy changes within that 120 day period if there are any.

In other words, we're casting this in stone for a year and I think a concern is if there is movement we're stuck. I would hope that there is an implied direction to the staff that if we find ourselves with an amendment in the law I suspect they are going to bring it back anyway and I just want to --

CHAIRMAN WALLACE: Ken, there is no 120 day because that was part of a motion that failed.

MR. HOBBS: Correct.

CHAIRMAN WALLACE: So let me suggest that we just, rather than try and clutter up the existing, your very clean motion, let's just ask the Director if they will be willing to monitor this and apprise us as soon as possible if there are any changes in direction. My suspicion is that's part of your job, especially on something as sensitive as this.

MS. PARKER: To the extent that the Administration was, you know, either rescinded the prior Executive Order directing state agencies to essentially implement PRWORA in totality or issued a new Executive Order which essentially stated some other direction we would obviously notify the Board immediately of that, especially as it related to the resolutions that we are currently operating under, or to the extent that there was litigation in this area that may in fact raise the ability for the Agency to continue to be implementing the resolutions that we are operating under. That would also be a way that we would essentially convey to the Board a change, you know, in our responsibilities immediately.

MR. HOBBS: With that, Mr. Chairman, I'll strike my comments.

CHAIRMAN WALLACE: I won't strike your comments. I wouldn't strike your comments, they were valid, but I think you have now an assurance that we're going to know forthwith if there is some redirection via Executive Order, which is probably as quick as litigation. Legislation is obviously going to take longer. But by any matter or means that there is a redirection we would know forthwith and know that -- I think this Board can take comfort in that and act accordingly.

MS. LUCAS: Mr. Chairman.

CHAIRMAN WALLACE: Yes, Donna. Donna Lucas. I keep calling you Donna, Donna, Donna. Isn't there a song along those lines?

MS. LUCAS: I don't know what the appropriate term is, if it's reconsideration, but if Mr. Klein would provide his alternate motion I would be willing to second that.

MR. KLEIN: I would be prepared to re-propose my slternate motion.

CHAIRMAN WALLACE: And that motion -- The plot thickens. That motion was to grant a 120 day respite, my term, in the adoption of Section (bb).

MR. KLEIN: Yes, sir.

MS. LUCAS: That's correct.

CHAIRMAN WALLACE: Is that your understanding?

MS. LUCAS: That's correct.

MR. KLEIN: Yes. And during that time to look for direction from the new Administration.

CHAIRMAN WALLACE: Okay, that motion now properly seconded is in order. Is there any discussion on that motion? Donna Campbell.

MS. CAMPBELL: I just have a question on the 120 day period. If the 120 day period passes with no definitive direction or legislation or policy or Executive Order at the end of that 120 days the regulations stay without the definition or with it?

CHAIRMAN WALLACE: Well, it's my interpretation, subject to Chief Counsel, that you would have the -- It would fall -- It would fall by its own wait at the end of 120 days and we would have no definition of (bb).

MS. PARKER: No, no, it's just the opposite. It's the opposite.

MR. FRIEDMAN: I think it's the opposite.

MR. KLEIN: My intent was --

MS. PARKER: To adopt it.

MR. KLEIN: -- that it would stand as adopted. I'm trying to create a situation where we have a time period where we can respond. But we do need some definition to work with and the definition would --

CHAIRMAN WALLACE: That assumes, Bob, that we go forward with your amended motion --

MR. KLEIN: Yes, sir.

CHAIRMAN WALLACE: -- and adopt the other motion.

MR. KLEIN: No, my amended motion was intended to --

CHAIRMAN WALLACE: Obliterate the main motion that is on the floor now.

MR. KLEIN: Was amended to amend the main motion that was on the floor and adopt, essentially, the approval of this section with a 120 day abeyance for implementing it so that we had time to get direction and not cause unnecessary hardship if in fact the direction came down such that it would be appropriate to amend this before implementing it.

CHAIRMAN WALLACE: But Donna Campbell's question, and we need to be clear on this is, what happens at the end of 120 days? The amended spousal definition would --

MR. KLEIN: If the administration chose not to amend it --

CHAIRMAN WALLACE: Right.

MR. KLEIN: -- it would go into effect.

CHAIRMAN WALLACE: The spousal definition that we have in (bb)?

MR. KLEIN: Yes. Yes.

CHAIRMAN WALLACE: So is that --

MS. CAMPBELL: I'm clear, thank you.

CHAIRMAN WALLACE: Counsel.

MR. BEAVER: When you're ready. I have some comments on that when you're ready for me. Is now the time?

CHAIRMAN WALLACE: Yes, I believe it is.

MR. BEAVER: Okay. Keep in mind, please, that we have to file these regulations with the Office of Administrative Law and we would be doing so immediately. And I don't really know if -- It's not easy and it's not normal to tell them, this is promulgated subject to an abeyance condition. I mean, it makes it very, I think, complicated and unusual.

MS. PARKER: David, we have the ability to essentially propose the regulations, submit it to OAL and in 120 days submit (bb)?

MR. BEAVER: Yes. I think the simpler --

MR. FRIEDMAN: As a separate --

MS. PARKER: Separate.

MR. BEAVER: -- the cleaner method of doing, I think, what you're asking us to do would be to simply, would be to go forward without (bb).

CHAIRMAN WALLACE: Yes.

MR. BEAVER: Then in 120 days we'll have -- that will be two Board meetings from now, I'm assuming -- at that point we would have the opportunity to introduce (bb) for consideration, the (bb) amendment for consideration.

CHAIRMAN WALLACE: I'm going to rule, as I said earlier, that that is the cleaner way. Either vote up or down now (bb). If (bb) is voted down now then we can reconsider it at the next Board meeting or two Board meetings out. In the meantime I think it's cleaner. If the Administration in any of its forums wants to get into this sooner -- My suspicion is we won't get direction anyway in 120 days, Bob.

That if they do, certainly the staff has indicated, the Director has indicated that we would know forthwith and could act accordingly. So to me the simpler, cleaner way of dealing with this, either vote for, unamended, without your amendment seconded by Donna Lucas. Vote up or down now. Include (bb) or don't include (bb) if your wishes would be served by a negative vote on that issue. Then we can deal with this at the time.

MR. KLEIN: Mr. Chairman, I need to find out from my seconder whether it's acceptable to her. If it is acceptable to my seconder I would follow your direction and my comment would be that in fact if we defer action for 120 days on (bb) we would seem to take ourselves out of harms way. As Counsel has adequately pointed out, there is going to be a decisive movement to get a test case on this issue. We don't want to be out there in the first 120 days, certainly on this area, evicting a family and becoming the test case.

So I would suggest to you that the better approach, in addition to the sensitivity to the family unit, is to avoid the path of litigation and wait 120 days before approving this amendment. The new administration I don't think would think we were serving their purposes by becoming the test case. So I would follow your direction and suggest that on (bb) we can vote it down and therefore come back in the next meeting or the meeting after that if we in fact get the direction and know what to approve.

But I only withdraw my motion with the approval of my seconder.

(Thereupon, tape 2 was changed
to tape 3.)

CHAIRMAN WALLACE: Ms. Lucas,

MS. LUCAS: That's fine with me.

CHAIRMAN WALLACE: Okay. So the amendment, for the moment at least, is dropped and we have as the main motion before us the Hobbs/Hawkins motion to adopt (bb) and clearly you have just spoken against that adoption.

MR. KLEIN: Right.

CHAIRMAN WALLACE: Yes, Angela.

MS. EASTON: I would just like to add on page 940 under Section 12102.(b).

"In the case of an existing tenancy,
the final verification process shall be
commenced on or before the next scheduled

annual eligibility ... or within one
hundred eighty calendar days of the
effective date ..."

So we're looking at a time frame of almost six months to resolve those few cases where this might be a problem. And I just -- I don't think that anything can be resolved in the immediate three or four months, the 120 days that we're talking about, and feel that I have to vote according to the law.

CHAIRMAN WALLACE: According to the law of the state as it now exists.

MS. EASTON: According to the law of the state as it now exists.

CHAIRMAN WALLACE: Which I think translates into a yes vote for (bb).

MS. EASTON: Yes.

CHAIRMAN WALLACE: I'm trying to clarify what you're saying. And is that correct?

MS. EASTON: Absolutely. As it's been presented by our legal counsel.

CHAIRMAN WALLACE: Counsel, if we don't -- Again, this may be redundant. If we don't adopt this at this time. If we just say pass or vote no what is the practical implication of that non-action?

MR. BEAVER: It's awkward in the sense that we don't have a definition of spouse called out in the regulation so that it's up in the air as far as the regulations go. This could then -- If it got in front of a judge there's a very real possibility that the judge would go with existing California law. So in effect by not adopting it we may end up having it read in by the court anyway. It seems less likely to me that a court is going to read in allowing same sex marriages and allowing common law relationships when the general law does not. So that's one practical result.

The other thing is Angela makes a very good point. Actually under the regulations the soonest we could evict anybody would be basically June, I believe, anyway.

CHAIRMAN WALLACE: Which isn't what anybody on this Board or anybody in this state wants to do. So we have to try and find a win in this. If we vote for it, by virtue of that portion of the regulation or elsewhere do we have some latitude to buy some time to avoid a confrontation on this eviction issue while others, the administration, HCD, the courts, are hopefully going to act? How much latitude? Because nobody wants to throw somebody out based on this.

MR. BEAVER: Perhaps no harm really falls if we wait to address it until June in the sense that we wouldn't be checking existing tenancies and compelling them towards either a swap or eviction anyway. The troubling thing for me is it takes time to implement regulations. And in order to get it, let's say in June, by the time we get to June then at the point we really need a definition of spouse and the problem I have then is, how do I get one on the books quickly.

Do I then go in and say to OAL, we have an emergency here that's just developed and therefore we need, or do I lose that argument and have to go by a slower method that leaves us without a definition of spouse.

CHAIRMAN WALLACE: Let me pose this question. We adopt (bb) at this time. Give us a definition which is consistent with state law. But at the same time, officially or unofficially, we suggest that all due respect to existing tenancies and evictions pending state law redefinition or otherwise in whatever form, that we go slow. We try and use whatever latitude we are given to avoid eviction. Is that a -- And so instruct staff to try and avoid eviction despite our adoption of the definition in every way possible. Is that too troublesome?

MS. PARKER: Mr. Chairman, I guess -- Let me just say, I think I am a little troubled about what dilemma the staff have put the Board in in this discussion. And I guess I would wonder whether or not it would be beneficial from the staff standpoint to say perhaps since we are still working through the implementation of our multifamily program anyway, that this is not something that maybe necessarily has to be dealt with today and staff could essentially -- You know, we could withdraw this and bring it back when we are further along in the direct implementation of our legislation and in that sense when the new Administration has been here more than ten days.

So I'm just kind of wondering whether rather than putting you all in an awkward situation where I hear so much I'm just wondering from the standpoint of the staff if we should essentially suggest that this might be something that we may go back in this new environment. Obviously we put this together at a period of time and I'm just wondering, given all of the discussion I've heard, whether it would be in, as staff to you as a Board, our best interest to just essentially suggest to withdraw this and defer this and have a little bit more time. We could come back to the Board with perhaps some more information that would include the opportunity for the new Administration to take a look at this and its broader consequences.

CHAIRMAN WALLACE: How do you feel, Counsel?

MR. BEAVER: Yes, I think that will work. It gives us the opportunity to hear from the Administration if they have feelings about this and we also have two more Board meetings before this probably becomes critical.

CHAIRMAN WALLACE: Well, I would then --

MR. BEAVER: So we'd have two more opportunities to readdress it.

CHAIRMAN WALLACE: With the privilege of the Board I would like to take this off today's agenda with the realization that we may, we may not have to deal with it on an up or down vote soon, in the next two to three Board meetings. I think I'd rather deal with this when we're in Burbank than in San Mateo County. Now I'm being funny.

MR. WOBBS: There's no pressure.

MS. PARKER: I'm just trying to be mindful of your time frame.

CHAIRMAN WALLACE: Yes, I am too. With my understanding of what you just said I'll exercise the privilege of the Chair and ask that this be temporarily removed to be resubmitted at a time when staff feels that we can no longer delay action. And with that therefore our admonition I think is, go slow in trying to do anything radical in the way of eviction.

MS. PARKER: And that would mean that our PRWORA program in totality, which now includes the new definition would continue to be silent on the definition of spouse.

CHAIRMAN WALLACE: For the time being, yes. Okay, everybody clear? Maybe not happy but clear on what we're doing? Okay, moving on. I apologize for the delay and my new target is 1:00 p.m.

Moving on to Item 7, Ken. Items 7 and 8, Ken Carlson. The Magnificent Ken Carlson who always comes in late and does a superb job, as we said at the last meeting.

RESOLUTIONS 99.11 AND 99.12

MR. CARLSON: Thank you, Mr. Chairman. I'm assuming it's your intention to ask for a motion on 7 and 8, a single motion on 7 and 8 together. That would be the simplest, I think. We have done that before.

CHAIRMAN WALLACE: Actually, Ken, there's two resolutions. I'd rather do them in tandem as they are currently shown.

MR. CARLSON: Okay.

CHAIRMAN WALLACE: But I think most of us understand that this is an annual event that serves us very well. So if you'd just give us a quick synopsis of the two of them at once I think that's fine.

MR. CARLSON: Thank you, Mr. Chairman, that was my intention. As those of you who have been with us in previous Januarys understand, the way that the financing, our bond financing is authorized is generally over the past decade or more has been through an annual authorization through passage of resolutions. This appears to be the most efficient and convenient way for staff to be able to raise the money that is necessary to implement the business plan and we submit that again this year we would like an annual authorization.

The annual authorization is restricted in the sense that there are limitations in it of how many bonds can be issued. It does authorize us to apply to the debt limit committee for private activity bond allocation, authorizes us to enter into many kinds of financial agreements that are to our advantage and authorizes us to borrow from the state investment pool. And the authorization, we usually have it last until the following February so this would last until February of 2000, assuming there is a quorum for next January's meeting. It gives us some overlap which is often useful.

Our plans for 1999 are very similar to those for 1998 in the sense of schedule. We would schedule single-family bond sales every 60 days and multifamily bond sales whenever it is convenient based on when we either have allocation, or if we don't need allocation, if projects come up they have a general time in which to be -- us to raise the money, having to do with commitments that you grant.

So that's all I have really have. If anyone has any questions I'd be glad to answer them. There are reports for 1998 in your Board binder and in addition I passed out this morning a report for a sale that was conducted yesterday and we're very pleased with that sale. With that I conclude.

CHAIRMAN WALLACE: The lowest rates we've achieved in modern day history.

MR. CARLSON: For the entire history of CHFA. But then rates have been trending down so usually every meeting I'm able to say that.

CHAIRMAN WALLACE: But isn't that because of your ability to dart into the market as these resolutions call for?

MR. CARLSON: I think it's because of the fine job that the State Treasurer has done in helping -- the State Treasurer's staff has done in helping us schedule our sales and get them properly executed.

MR. HOBBS: That's a request for more allocation.

MS. LUCAS: Ken is so diplomatic.

CHAIRMAN WALLACE: You sense that motion was to encourage an affirmative vote?

MS. LUCAS: Absolutely. Absolutely.

CHAIRMAN WALLACE: We do this annually because it does give Ken, who is the oldest living senior staff member at CHFA in the sense of tenure, the ability to really dart in do the magnificent job he does. And I think -- I will say, and I probably speak for existing Board Members, that these sorts of resolutions have served us exceedingly well even though it carries from us a high level of trust. But it's really worked well. So for the purposes of particularly you newer Board Members, this has proven to be over the years a wise policy.

So are there any questions from either the Board or the audience relative to either one of these resolutions? I intend to ask for them to be taken separately but the issues are the same.

MR. HOBBS: With that, Mr. Chairman, I'll move Resolution 99-11.

CHAIRMAN WALLACE: Okay, that's the single-family bond program; the first of the two. Is there a second?

MS. LUCAS: I'll second.

CHAIRMAN WALLACE: A second from Donna Lucas, Hobbs the maker of the motion. Any question on the motion? Okay, secretary, call the roll.

MS. OJIMA: Thank you. Ms. Lucas?

MS. LUCAS: Aye.

MS. OJIMA: Ms. Campbell?

MS. CAMPBELL: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Friedman?

MR. FRIEDMAN: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 99-11 has been approved.

CHAIRMAN WALLACE: 99-11 has been approved. Can I call for a motion on 99-12?

MS. HAWKINS: I so move.

MR. FRIEDMAN: I'll second it.

CHAIRMAN WALLACE: Hawkins so moves and Friedman seconds.

MS. OJIMA: Thank you.

CHAIRMAN WALLACE: Any discussion on that motion, audience or Board? Hearing and seeing none, secretary, call the roll.

MS. OJIMA: Thank you. Ms. Lucas?

MS. LUCAS: Aye.

MS. OJIMA: Ms. Campbell?

MS. CAMPBELL: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Hobbs?

MR. HOBBS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Friedman?

MR. FRIEDMAN: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 99-12 has been approved.

CHAIRMAN WALLACE: Resolution 99-12 has been adopted.

OTHER BOARD MATTERS

CHAIRMAN WALLACE: Moving on therefore to Item 9 on your agenda. This is the section where we have items that were otherwise not agendized to be brought before the Board. Generally we don't take action but if 'there is input or suggestions, and in a rare occasion, action, we could deal with that. Are there any suggestions either from the Board or other items that the Board wants to bring to our attention? The audience?

Well, I have one in spite of our lateness of the hour. It's a resolution that really doesn't require any action but I'd ask Linda Braunschweiger if she would step forward and receive recognition on the part of this -- well-deserved recognition on the part of this Board. I have a resolution -- Did we adopt this already? Does this require action? Well, come on forward anyway and take your chances.

Linda, you've been an absolute stalwart in so many ways to CHFA and we know it's an unhappy event that you are leaving us, more for us than it is for you, I understand.

MS. BRAUNSCHWEIGER: Oh, no, this is tough.

CHAIRMAN WALLACE: This is not easy. Linda was appointed by Governor Wilson, what, four years ago?

MS. BRAUNSCHWEIGER: Four years ago.

CHAIRMAN WALLACE: Four years ago to be an Assistant Director of Marketing for CHFA, and that's a tough assignment in itself working with Bill Cranham. But then she graduated as to the Director, whatever your title was, of --

MS. BRAUNSCHWEIGER: Director of Legislation.

CHAIRMAN WALLACE: Legislation, and spent, as we all know, a great deal of time in Congress. Particularly advocating our position but particularly in HR 979 and companion bills. Why, Linda received awards from NCSHA for two years running and deserved it for this last year but they were afraid to give it to her three years in a row because then they retire that award and they wanted to leave it open for future generations.

But, Linda, it goes on to say a bunch of very nice *Whereases* about your background. You're a second-generation California family, came out in the early 1900's; she has a masters degree in business; she's done a lot of volunteer work, both within CHFA and outside of CHFA; and a number of very complimentary things, all of which you more than deserve, Linda. There is a *Whereas* here that is extensive that talks about some of the many things you've done to benefit CHFA, in particular our new HELP Program of which we know you're very proud. And just a lot of things.

And because of the lateness of the hour, and perhaps even if we weren't late I wouldn't read it anyway because it's extensive. But very nicely done, Bill and your staff, in behalf of CHFA and this Board. I know, Terri, you're having special recognition for your staff of Linda and we're very, very proud of the job you've done. We're going to miss you an awful lot.

And for those of you who wonder if she's going to be homeless and thrown out in the street, such is not the case. Linda has been -- As of the first of the year?

MS. BRAUNSCHWEIGER: Tuesday I'm going to start.

CHAIRMAN WALLACE: Tuesday, will be the new Vice President of Public Affairs for the Western Region of Countrywide Home Loans, Inc., which is why Angelo couldn't be here today. But she is going into the private sector in a very high calling and she's going to be doing some of the same things she's been doing in behalf of Countrywide Home Loans and she's going to be in charge of the western United States from Texas on west, another big job. But I'm told that we may impose on her boss, our fellow Board member, to on occasion assist CHFA as you have done so very well before.

So we hopefully haven't seen the last of you as far as CHFA is concerned and we know you're going on to a great assignment with a great company and we're very proud of you and the job you've done.

MS. BRAUNSCHWEIGER: Thank you.

CHAIRMAN WALLACE: So let's give Linda a really big -- (applause). And I'd like --

MS. BRAUNSCHWEIGER: I have what, a half hour? (Laughter). Thank you very much, it's really been wonderful.

CHAIRMAN WALLACE: Well, something short of a week and a half would be fine.

MS. BRAUNSCHWEIGER: Well, I really do appreciate it. I feel like I'm leaving a family. It's only been four years but the staff at CHFA is top-notch. We've had a lot of fun traveling and trying to do good work for the citizens of California. I have learned a tremendous amount and it's really because of Maureen Higgins and Terri Parker who have given me the opportunity to learn and to be creative and to venture out into the areas that I like to do which is grassroots lobbying.

So I thank you all and all of you on the Board for all your support. I will continue to be around because I am going to be working on HFA issues for Countrywide so you'll see me. So thank you very much.

CHAIRMAN WALLACE: Well, we're very proud of you.

(Applause). That resolution was appropriately signed by Terri and me and so I don't want to --

MS. PARKER: In anticipation, Mr. Chairman, the staff put that together for the Board for today since this is Linda's last week.

CHAIRMAN WALLACE: Well, you and your staff are to be again commended.

PUBLIC TESTIMONY

Any other items for the good of the order? If not, this meeting is adjourned. And thank you all, particularly you new members for being with us and contributing so fully. Thank you.

(Thereupon the meeting was concluded at 1:01 p.m.)

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CERTIFICATION AND

DECLARATION OF TRANSCRIBER

I, Ramona Cota, a duly designated transcriber do hereby declare and certify, under penalty of perjury, that I have transcribed three (3) tapes in number and this covers a total of pages 1 through 150, and which recording was duly recorded at Millbrae, California, in the matter of the Board of Directors Public Meeting of the California Housing Finance Agency on the 14th day of January, 1999, and that the foregoing pages constitute a true, complete and accurate transcript of the aforementioned tapes, to the best of my ability.

Dated this 25th day of January, 1999, at Sacramento County, California.

Ramona Cota, Official Transcriber

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Executive Summary

Date: 22-Feb-99

Project Profile:

Project :	Light Tree Apartments	*Borrower:*	Citizens Housing *Corp.*
Location:	1900 Clarke Avenue	GP:	TBD
City:	East Palo Alto	LP:	TBD
County:	San Mateo	*Program:*	Tax Exempt
Type:	Family	*CHFA# :*	98-030-N

Financing Summary

	Final	Per unit
CHFA First Mortgage	$6,475,000	$68,883
County of San Mateo	$435,485	$4,633
Loan 5	$0	$0
Other Loans	$0	$0
Income from Operations	$399,535	$4,250
Deferred Developer Fee	$244,404	$2,600
Tax Credits	$2,3441675	$24,943
CHFA Bridge	$0	$0
CHFA HAT-	$500,000	$5,319

Loan to Value
83.0%

Loan to Cost
62.3%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
0 BR	400	3	50% CHFA	$563	$24,000
1 BR	650	4	50% CHFA	$593	$27,450
2 BR	750	8	50% CHFA	$709	$30,875
3 BR	900	4	50% CHFA	$818	$34,300
Mgr	750	1	60% TCAC	$932	$37,050
0 BR	400	11	60% TCAC	$683	$28,800
1 BR	650	16	60% TCAC	$721	$32,940
2 BR	750	29	60% TCAC	$863	$37,050
3 BR	900	18	60% TCAC	$997	$41,160
		94			

Index:

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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment
Project Name: Light Tree Apartments
CHFA Ln. # 98-030-N

SUMMARY:

This is a Final Commitment request for two mortgages totaling $6,975,000. The first mortgage, in the amount of $6,475,000 is amortized over thirty years. The HAT loan, in the amount of **$500,000**, has deferred payment the first year with accrued interest at a *5.50%* interest rate. The project is Light Tree Apartments, a 94-unit acquisition/rehabilitation project located at 1900 Clarke Avenue in the City of East Palo Alto in San Mateo County.

LOAN TERMS:

1st Mortgage Amount:	$6,475,000
Interest Rate:	**5.90%**
Tern:	30 year fixed, fully amortized
Financing:	Tax-Exempt
HAT Loan:	$ 500,000
Interest Rate:	*5.50%*
Term:	1 year deferred payment with scheduled payments beginning second year until loan paid off.

LOCALITY INVOLVEMENT:

Lender	Loan Amount	Repayment Terms	Term	Rate
County of San Mateo	$435,485	Residual Receipts	30	3.00%

CONVERSION COSTS (Section 8 to Affordable)

Current Status. The HUD HAP contract is currently on annual renewals. In a letter dated December 7, 1998, HUD has provided for a one year renewal effective April 1, 1999 at $1,074,832 of contract authority. To support the project the San Mateo County Housing Authority intends to provide a 3-year project-based Section 8 contract for 30-units, with a commitment to renew for another 3 years. CHFA's Regulatory Agreement will require that-the sponsor continue to seek HUD renewals of the HAP contracts.

Conversion Scenario. There are a number of potential scenarios, which could occur at the termination of the existing *HAP* contract or contract renewals. A complete termination of the Section 8 subsidy would require a conversion of tenant rents to the *50%* and 60% of median income rents reflected in the loan underwriting. Existing tenants would generally be unable to pay this increased rent without the benefit of a replacement subsidy. Given the uncertainty of the HAP contracts continuing after expiration, staff is requiring that a transition account be established to subsidize project costs in the event the tenant profile changes from Section 8 to a traditional tax-exempt bond/tax credit rent structure.

The following scenario is contemplated:

- Funding of $250,000 in a Transition Account as a first claim of excess funds.
- At the end of first year, the HAT loan will start scheduled payments based on Residual Receipts Section 8 cashflow until the loan is paid off.
- HAT payment dependent, however, on the perceived cost of the Transition period.
- Keep a corpus of the Transition Account for benefit of project, until the transition issue resolved.
- After payment of the HAT loan, excess cash may go to Citizens Housing Corporation.
- Long-term transition (if Section 8 stays in place); CHFA and Citizen Housing Corporation to determine Transition Cap and/or limit the Transition Account.
- Deferred Developer Fee to be paid concurrently with the HAT loan payoff.

PROJECT DESCRIPTION:

A. Site Design:

The site is located at 1900 Clarke Avenue in East Palo Alto, California on the northeast comer of Clarke and East Bayshore Road. The subject site is level, irregularly shaped and at street grade. The site comprises a total of 3.41 acres. Access to the property is available from Clarke Drive.

B. Project Description:

The subject property consists of eight (8) residential apartment buildings. Studio, one-bedroom, two-bedroom, and three-bedroom apartments comprise the ninety-four (94) living units. The complex has both single level and townhouse apartments. Exterior finish materials include stucco with wood trim.

The eight buildings contain a common laundry area which is located on the ground level of one building. Centralized mechanical rooms provide heat and hot water to the individual units. Carports are located on the backside of two buildings along with some garage units. The maintenance staff uses the garages for storage of tools and supplies. Common areas include a tot lot, and a pool and changing area with a men's and women's restroom and showers. .

The subject is constructed of wood frame with stucco exteriors. The buildings have flat roofs that were replaced in 1994.

The subject apartment units contain basic apartment furnishings. All of the subject units have wall to wall carpeting, except in the kitchens, bathrooms and entry way which have vinyl flooring. Walls and ceilings are painted textured sheetrock, with the exception of the second floor of the townhouse units which has exposed wood ceilings. Heating is provided to all units via wall mounted gas heaters. Each unit has its own hot water heater. Kitchens contain an electric range, refrigerator, single sink with garbage disposal, wood cabinetry and formica countertops. Bathrooms are typical, with a vanity and sink, vinyl floor, tub/shower and toilet. The tub surrounds are plastic and there are sliding glass doors to the tub/shower. All of the units have sliding glass doors from the living room to a private deck or balcony.

C. Rehabilitation Work and Improvements:

All parties agree the residential units reflect signs of aging. The overall structure and HVAC systems are in good shape; however, some modernization and repairs are required. Rehabilitation work includes: new paving; seismic reinforcement of the tuck-under parking structure; kitchen and bath modernization; new carpet, flooring and appliances; improved lighting in the garages and throughout the exterior of the buildings; replacement of dry-rotted materials; new paint for the railings and metalwork; new awnings over the exterior doorways; repair of windows and closet doors; unit location signs and fire exit signs; new landscaping throughout the grounds; new pool cleaning equipment; and, new play equipment for the playground.

The borrower's current estimate of immediate rehabilitation costs is approximately **$950,678.** Their estimate of necessary rehabilitation includes immediate repairs plus a large portion of non-routine maintenance and deferred maintenance requiring repairs over the next 30-year period.

The roofs were redone in 1994 with the 5-year warranty expiring in July 1999. The borrowers are having a new roof inspection done to ensure the roofs are in good condition. A pest control report dated December 10, 1998 was completed by Earl's Pest Control. The work to be done is incorporated into the above rehabilitation estimate.

An asbestos survey and lead-based paint survey was conducted by RGA Environmental, dated January 11, 1999. Asbestos-containing materials identified in the buildings on the subject property included drywall finishing compounds, acoustical ceiling treatment, resilient flooring and associated mastics, and exterior stucco. RGA recommends the following: Implement a comprehensive Operations and Maintenance Program to manage asbestos-containing building materials, which may include periodic visual inspection and air monitoring. This would include training building maintenance workers who disturb asbestos-containing materials during repair or renovation activities and notifying contractors who perform work in the complex of the presence, location, and quantity of asbestos containing materials. Contractors will be required to provide proof of training when performing classified work according to California (8CCR 1529) and Federal OSHA (1926.1101) regulations. The lead-based paint survey indicated no action is warranted.

Based upon analyses conducted by Agresti and Associates, general contractors, Kodama Diseno, architect, and RGA Environmental, who prepared the asbestos and lead reports, it is anticipated that most tenants will need to vacate their apartments for approximately one week during repairs. The borrowers plan to renovate and make three units at Light Tree available to tenants for the duration of the nine-month construction period. Because Light Tree consists of a mix of studios, one-, two-, and three-bedroom units, the borrower plans to make two 2-bedroom and one 3-bedroom unit available for temporary relocation. The borrower also plans to have moving staff of two people available to move the tenants' furniture and belongings around during relocation. In addition, the on-site management staff will present each tenant with a rehab schedule and management plan, which will be updated monthly, in order to keep residents informed of construction progress and to make tenants aware of the timing for their unit's repairs. If residents prefer to stay with a friend or in a hotel during rehab, they will be compensated for their relocation. An allocation of $50,000 or approximately $500 per unit has been set aside. The borrowers assume that about 60% of the tenants will need to relocate for about one week; whereas, the remaining 40% will need to vacate for only a day or not at all.

D. Project Location:

The City of East Palo Alto is a predominately residential community located at the southern boundary of San Mateo County, adjacent to San Francisco Bay. It is roughly 20 miles south of San Francisco, and 15 miles north of downtown San Jose. Although surrounded by the relatively affluent communities of Atherton and Menlo Park to the west, and Palo Alto to the south and southwest, East Palo Alto is a less affluent community suffering from comparatively low land and property value and an absence of substantial commercial development. The city's boundaries straddle the Bayshore Freeway (Highway 101), although the majority of its land is north and east of this thoroughfare.

A new commercial center is currently under construction in East Palo Alto. The area is located within the Gateway/101 Comdor Redevelopment Project. The project is called Ravenswood Retail Center or Gateway 101 Center and is located on a 27.4 acre site, (across from the subject). The property is located on Clarke Avenue, Cooley Avenue and Donohoe Street. The project is to contain several anchors such as Home Depot, The Good Guys, Office Depot, CompUSA as well as McDonalds and Taco Bell. Other portions of the site will include additional retail and shopping center uses. The retail center is scheduled for completion by June 1999. In addition to this project, there is planned for 367 new housing units located on several blocks to be bounded by Pulgas Avenue, Clarke Drive and O'Connor Street. BRIDGE Housing is in discussion to develop a five acre site with an estimated 150 apartments units, with the remaining portion to consist of 217 single family homes.

MARKET:

A. Market Overview

In terms of income and employment, East Palo Alto reflects income levels below that of San Mateo County as a whole. According to the Association of Bay Area Governments (ABAG), the mean household income average in East Palo Alto and the sphere of influence was $45,900 for 1995, which was 58.9 percent lower than the county's average.

While economic growth has prospered on the Peninsula during recent years, little new growth has occurred in East Palo Alto. The lack of development is due in part to widely held negative perceptions of the area. The Department of Finance (DOF) reported a total of 25,450 city residents as of January 1, 1998, representing a 1.0 percent increase from the previous year.

According to Axciom/DataQuick's Home Sale Price Trends, the median sale prices for homes within East Palo Alto is $327,667 for the 12 month period ending in March 1998, (the latest data available). For the same period the median home prices for San Mateo Country averaged $389,250. There are a total of 7,300 dwelling units in the city in 1998, according to the Department of Finance, with 52.1 percent designated as single family dwellings. The remainder are mostly apartments, and 3.6 percent are mobile homes. East Palo Alto's average household size is 3.622 residents, compared to 2.816 for the county. This reflects the greater proportion of extended families occupying area housing units.

B. Market Demand

Most of the apartments in East Palo Alto are situated on the south and west side of Bayshore Freeway. Of the 441 units surveyed by the market analyst, a total of 9 were reported as vacant. This reflects an overall vacancy rate of 2.1 percent. All of the complexes reported occupancy above 95 percent.

Rental rates have historically been low in East Palo Alto, due to a rent control ordinance in the city. Nonetheless, although apartment rents in the city are comparatively low, the Planning Department has documented that. residents' low income levels force most people to spend a higher proportion of their resources on housing.

A new state law called AB 1164, The Costa/Hawkins Rental Housing Act, was signed in August 1995. This law effectively struck down the "vacancy control" portion of the East Palo Alto Rent Control Ordinance. The new law has a "vacancy decontrol" element, which allows a landlord to be able to set the rent for a unit once it becomes vacant, without reference to the past base rent. Rent control will apply during the period of the tenancy and will be limited to annual adjustments. The vacancy decontrol began January 1999. Between January 1, 1996 and January 1, 1999 there was a phase-in period where an owner could, upon voluntary vacancy of a unit increase the rent up to 15 percent, or to 70 percent of the HUD rent. A landlord can only increase the rent on a vacant unit twice (15 percent each time) during this three year period, even if the unit were to become vacant ten times over this three year period. Since January 1999, rental units are not subject to rent control at the time of a voluntary vacancy.

The quantified objectives for the remaining period (1998-2000) of the housing element for East Palo Alto are as follows:

- Total Units to be Constructed: 905 units (220 very-low income; 163 low-income; 201 moderate-income; and 321 above moderate-income units)
- Total Units to be Rehabilitated: 15 lower-income households annually, for a total of 45 households
- Total Units to be Conserved: 172 units (the subject 94-unit Light Tree Apartments and 78-unit Runnymede Gardens)

C. Housing Supply

According to the Construction Industry Research Board (CIRB), an average of 980 units in San Mateo County were authorized by building permits in the 9 years from 1990 through 1998. Of the total number of housing unit authorizations, 59 percent were for single family units with the balance in multi-family. The country showed a decline in residential construction in 1993 with subsequent years generally ranging from 900 to

1,424 units authorized, compared to 510 in 1993. Of that amount, 50 percent were for multi-family units in 1995, and 17.5 percent in 1993.

In general, very limited new development has taken place in East Palo Alto over the last 9 years. There has been a total of 138 multi-family units and 78 single family homes constructed since 1990.

There are approximately 3,400 HUD Section 8 units in San Mateo County. Vacancy is historically very. low, and there are approximately 13,000 persons on the waiting list for assisted housing in the County.

PROJECT FEASIBILITY

A. Capture Rate in Primary Market Area (PMA)

Since the subject is an existing complex and little displacement of existing tenants is expected, it is anticipated that minimal turnover will take place and demand for the units is strong.

B. Rent Differentials (Sec. 8 vs. Market vs. restricted)

Rent Level	Subject Project	Section 8	Mkt. Rate Avg.	Difference	Percent
Studio					
50%	$563	$723	$700	$137	80%
60%	$683			$17	98%
One-Bedroom					
50%	$593	$808	$875	$282	68%
60%	$721			$154	82%
Two-Bedroom					
50%	$709	$926	$1,050	$329	68%
60%	$863			$187	82%
Three-Bedroom					
50%	$818	$1,069	$1,225	$407	67%
60%	$997			$228	81%

C. Estimated Lease-Up Period

The project has existing Section 8 tenants and minimal disruption is contemplated *to* the tenants by rehabilitation. Market is currently strong and normal turnover is anticipated.

OCCUPANCY RESTRICTIONS:

CHFA:	20% of the units (19) will be restricted to 50% or less of median income.
TCAC:	100% of the units (94) will be restricted to 60% or less of median income.

Note: HUD HAP contract expired in 1998 and has been renewed automatically each year.

ENVIRONMENTAL:

CHFA received a Phase I-Environmental Assessment Report prepared by Treadwell & Rollo and dated January 28, 1999. The report concludes that there is no evidence to suggest any significant environmental conditions at the subject property. However, they caution that if there is any excavation at the site for improvements in the future, sampling and testing of the soil would be prudent.

As previously stated above, an asbestos survey and lead-based paint survey was conducted by RGA Environmental dated January 11,1999.

ARTICLE 34:

A satisfactory opinion letter will be required prior to loan close.

DEVELOPMENT TEAM:

A. Borrower's profile

The General Partner for the limited partnership (to be formed) is Citizens Housing Corporation (CHC), a California nonprofit public benefit corporation established in 1992 to increase and preserve affordable housing opportunities for low-income Californians. CHC's current portfolio includes over 800 units throughout California, almost 90% of which are affordable to low-income seniors and families earning between $12,000-$30,000.

B. Contractor

Agresti and Associates is the contractor. They have been in business for over 20 years, specializing primarily in negotiated multi-family housing contracts. Over the last seven years the firm has established successful productive relationships with three of the Bay Area's premier Affordable Housing Non-profit Developers; namely, Ecumenical Association for Housing, Mercy Charities Housing, and Bridge Housing Corporation.

C. Architect

Kodama and Associates have extensive multi-family experience in both new construction and substantial rehabilitation.

D. Management Agent

A.F. Evans Company develops single family and multi-family housing throughout California, Nevada, and Washington. Formed in 1977, A. F. Evans Company has earned a reputation as an outstanding residential developer. Evans Property Management, Inc. its wholly owned subsidiary, was formed in 1984 to manage projects developed by A. F. Evans Company.

As of August 1, 1998, A. F. Evans Company has completed 4,136 units, with an additional 952 units under construction and 2,011 units in design. Currently, Evans Property Management, Inc. manages 3,392 residential units.

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Project Summary

Date: 22-Feb-99

LTi e [redacted]

Pmject :	Light Tree Apartments	*Appraiser:*	Chris Carneghi		
Location:	1900 Clarke Avenue		Carneghi & Assocs.		
	East Palo Alto	*Cap Rate:*	8.75%		
inty/Zip:	San Mate 94303-2533	*Market:*	$ 7,600,000		
3orrower:	Citizens Housing Corp.	*Income:*	$ 7,910,000		
GP:	TBD	*Final Value:*	$ 7,800,000		
LP:	TBD				
		LTC/LTV:			
Program:	Tax Exempt	*Loan/Cost*	62.3%		
CHFA # :	98-030-N	*Loan/Value*	83.0%		

Project Description:

Units	94
Handicap Units	0
Bldge Type	Acq/Rehab
Buildings	7
Stories	2 & 3
Gross Sq Ft	66,900
Land Sq Ft	148,365
Units/Acre	28
Total Parking	134
Covered Parking	71

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$6,475,000	$68,883	5.90%	30
County of San Mateo	$435,485	$4,633	3.00%	30
Loan 5	$0	$0	0.00%	30
Other Loans	$0	$0		
Income from Operations	$399,535	$4,250		
Tax Credit Equity	$2,344,675	$24,943		
Deferred Developer Fee	$244,404	$2,600		
CHFA Bridge	$0	$0	0.00%	
CHFA HAT	$500,000	$5,319	5.50%	5

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
0 BR	400	3	50% CHFA	$563	$24,000
1 BR	650	4	50% CHFA	$593	$27,450
2 BR	750	8	50% CHFA	$709	$30,875
3 BR	900	4	50% CHFA	$818	$34,300
Mgr	750	1	60% TCAC	$932	$37,050
0 BR	400	11	60% TCAC	$683	$28,800
1 BR	650	16	60% TCAC	$721	$32,940
2 BR	750	29	60% TCAC	$863	$37,050
3 BR	900	18	60% TCAC	$997	$41,160
Total		94			

Fees, Escrows and Reserves:

Escrows	**Basis** of Requirements		Amount	**Security**
Commitment Fee	1.25%	of Loan Amount	$80,938	Cash
Finance Fee	1.25%	of Loan Amount	$80,938	Cash
Bond Origination Guarantee	1.00%	of Loan Amount	$64,750	Letter of Credit
Rent Up *Account*	2.50%	of Gross Income	$27,096	Letter of credit
Operating Expense Reserve	27.16%	of Gross Income	$294,356	Residual Cash
Marketing	1.00%	of Gross Income	$10,839	Letter of Credit
Annual Replacement Reserve Deposit	$288	Per Unit	$27,072	Operations
Initial Deposit to Replacement Reserve		Lump sum	$107,000	Cash
Operating Transition Reserve		Lump sum	$250,000	Sec. 8 Surplus

Sources and Uses

Light Tree Apartments

SOURCES:

Name of Lender / Source	Amount	% of total	$ per sq ft	$ per unit
CHFA First Mortgage	6,475,000	62.27%	96.79	68,883
CHFA Bridge	0	0.00%		0
CHFA HAT	500,000	4.81%	7.47	5,319
County of San Mateo	435,485	4.19%	6.51	4,633
Loan 5	0	0.00%		0
Income from Operations	399,535	3.84%	5.97	4,250
Total Institutional Financing	**7,810,020**	**75.10%**	**116.74**	**83,085**
Equity Financing				
Tax Credits	2,344,675	22.55%	35.05	24,943
Deferred Developer Fee	244,404	2.35%	3.65	2,600
Total Equity Financing	**2,889,079**	**24.90%**	**38.70**	**27,543**
TOTAL SOURCES	**10,399,099**	**100.00%**	**155.44**	**110,829**

USES:

Acquisition	7,370,000	70.87%	110.16	78,404
Rehabilitation	960,000	9.23%	14.35	10,213
New Construction	0	0.00%	-	0
Architectual Fees	115,000	1.11%	1.72	1,223
Survey and Engineering	12,000	0.12%	0.18	128
Const. Loan Interest & Fees	712,787	6.85%	10.65	7,583
Permanent Financing	215,875	2.08%	3.23	2,297
Legal Fees	13,000	0.13%	0.19	138
Reserves	144,935	1.39%	2.17	1,542
Contract Costs	16,500	0.16%	0.25	176
Construction Contingency	192,500	1.85%	2.88	2,048
Local Fees	45,000	0.43%	0.67	479
TCAC/Other Costs	103,331	0.99%	1.54	1,099
PROJECT COSTS	**9,900,928**	98.21%	**148.00**	105,329
Developer Overhead/Profit	498,171	4.79%	7.45	5,300
Consultant/Processing Agent	0	0.00%	-	0
TOTAL **USES**	**10,399,099**	**100.00%**	**155.44**	110,629

Annual Operating Budget — Light Tree Apartments

		% of total	$ per unit
INCOME:			
Total Rental Income	1,074,832	99.2%	11,434
Laundry	9,024	0.8%	96
Other Income	0	0.0%	-
Commercial/Retail	0	0.0%	-
Gross Potential Income (GPI)	1,083,856	100.0%	11,630
Less:			
Vacancy Loss	46,027	4.2%	490
Total Net Revenue	1,037,829	95.8%	11,041
EXPENSES:			
Payroll	79,124	9.4%	842
Administrative	68,910	8.2%	733
Utilities	33,996	4.0%	362
Operating and Maintenance	95,496	11.4%	1,016
Insurance and Business Taxes	31,527	3.7%	335
Special Assessments	44,000	5.2%	468
Reserve for Replacement Deposits	27,072	3.2%	288
Subtotal Operating Expenses	380,125	46.2%	4,044
Financial Expenses			
Mortgage Payments (1stloan)	460,867	54.8%	4,903
Total Financial	460,867	54.8%	4,903
Total Project Expenses	840,992	100.0%	8,947

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Cash Flow Light Tree Apartm: CHFA # 98-030-N

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Tear 8	Year 7	Tea 8	Yea 9	Year 10
Market Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Add'l Section 8 HAP Income	163,324	167,407	171,592	175.882	180,279	NIA	N/A	NIA	NIA	NIA
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	911,508	934,296	957,653	981,594	1,006,134	1,031,288	1,057,070	1,083,497	1,110,584	1,138,349
TOTAL RENTAL INCOME	1,074,832	1,101,703	1,129,245	1,157,477	1,186,413	1,031,288	1,057,070	1,083,497	1,110,584	1,138,349
OTHER INCOME										
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	9,024	9,250	9,481	9,718	9,961	10,210	10,465	10,727 .	10,995	11.270
Other Income	NIA	NIA	NIA	NIA	NIA	NIA	NIA	N/A	N/A	NIA
TOTAL OTHER INCOME	9,024	9,250	9,481	9.718	9,961	10.210	10,465	10,727	10,995	11.270
GROSS INCOME	1,083,856	1,110,952	1,138,726	1,167,194	1,196,374	1,041,497	1,067,535	1,094,223	1,121,579	1,149,618
Vacancy Rate : Market	0.00%	0.m	0.00%	0.00%	0.00%	0.m	0.00%	0.m	0.00%	0.00%
Vacancy Rate : Affordable	5.00%	5.00%	5.00%	5.00%	6.W	5.m	5.00%	5.00%	6.W	5.00%
Less: Vacancy Loss	46,027	47,177	48,357	49,566	50,805	52,075	53,377	54,711	56,079	57,481
EFFECTIVE GROSS INCOME	1,037,829	1,063,775	1,090,370	1,117,629	1,145,569	989,423	1,014,158	1,039,512	1,065,500	1,092,137
OPERATING EXPENSES										
Annual Expense Increase	4.00%	4.00%	4.00%	4.m	4.00%	4.00%	4.m	4.00%	4.m	4.00%
Expenses	309,053	321,415	334,271	347,642	361,548	376,010	391,050	406,692	422,960	439.878
Replacement **Reserve**	27,072	27,072	27.072	27,072	27,072	27,072	27,072	27,072	27.072	27,072
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.m	2.00%	2.W	2.00%	2.00%
Sewer Special Assessment	44,000	44,880	45.778	46,693	47,627	48,580	49,551	50,542	51,553	52,584
TOTAL EXPENSES	380,125	393,367	407,121	421,407	436,247	451,661	467,673	484,306	501,585	519,534
NET OPERATING INCOME	657,705	670,408	683,249	696,221	709,323	537,761	546,485	555,206	563,915	572,603
DEBT SERVICE										
CHFA- 1st **Mortgage**	460,867	460,867	460,867	460.867	460,867	460,867	460,867	460,867	460.867	460,867
CHFA HAT *LOAN*		103,233	196,776	138.381	82,712					
CASH FLOW after debt service	196,838	106,308	25,605	96,973	181.743	76,894	85,618	94,339	103,048	111,736
DEBT **COVERAGE RATIO**	1.43	1.19	1.04	1.16 .	1.30	1.17	1.19	1.20	1.22	1.24
Section 8 Transition Res. Deposit	163,982	86,018								
CHFA HAT Principal Prepayment		103,233	155,368	96.973	82,712					
Remaining Cash	32,856	20,290	25,605	96,973	83,031					

Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year17	Year 18	Tear19	Year 20
Market Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Add'l Section 8 HAP Income	N/A	N/A	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	1,166,807	1,195,977	1,225,877	1,256,524	1,287,937	1,320,135	1,353,139	1,386,967	1,421,641	1,457,182
TOTAL RENTAL INCOME	1,166,807	1,195,978	1,225,877	1,256,524	1,287,937	1,320,135	1,353,139	1,386,967	1,421,641	1,457,182
OTHER INCOME										
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	11,551	11,840	12,136	12,440	12.751	13.069	13.396	13,731 .	14.074	14,426
other Income	N/A	NIA	NIA	N/A	NIA	N/A	NIA	NIA'	N/A	NIA
TOTAL OTHER INCOME	11,551	11,840	12,136	12,440	12,751	13,069	13,396	13,731	14,074	14.426
GROSS INCOME	1,178,359	1,207,818	1,238,013	1,268,964	1,300,688	1,333,205	1,366,535	1,400,698	1,435,716	1,471,609
Vacancy Rate : Market	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Vacancy Rate : Affordable	5.00%	5.00%	5 . m	5.00%	6.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	58,918	60,391	61,901	63,448	65,034	66,660	68,327	70,035	71,786	73,580
EFFECTIVE GROSS INCOME	1,119,441	1,147,427	1,176,113	1,205,515	1,235,653	1,266,545	1,298,208	1,330,663	1,363,930	1,398,028
OPERATING EXPENSES										
Annual Expense Increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4 . m	4.00%	4.00%
Expenses	467,474	475,772	494,803	514,595	535,179	556,586	578,850	602,004	626,084	651,127
Replacement Reserve	27,072	27,072	27.072	27,072	27.072	27.072	27,072	27,072	27,072	27,072
Annual Tax Increase	2.00%	2 . m	2.00%	2.00%	2.00%	2 . m	2.00%	2.00%	2.00%	2.00%
Sewer Special Assessment	53,636	54,708	55,803	56,919	58,057	59,218	60,403	61,611	62,843	64,100
TOTAL EXPENSES	538,181	557,553	577,678	598,586	620,308	642,877	666,325	690,687	715,999	742,299
NET OPERATING INCOME	581,260	589,874	598,435	606,929	615,345	623,668	631,884	639,977	647,931	655,729
DEBT SERVICE										
CHFA- 1st Mortgage	460,867	460,867	460,867	460,867	460,867	460,867	460.867	460,867	460,867	460,867
CHFA HAT LOAN										
CASH FLOW after debt service	120,393	129,007	137,568	146,062	154,478	162,801	171,017	179,110	187,064	194,862
DEBT **COVERAGE RATIO**	1.26	1.28	1.30	1.32	1.34	1.35	1.37	1.39	1.41	1.42
Section 8 Transition Res. Deposit										
CHFA HAT Principal Prepayment										
Remaining Cash										

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Cash Flow

RENTAL INCOME	Year 21	Year22	Year23	Year 24	Year 25	Year 26	Year27	Year 28	Year 29	Year 30
Market Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Add'l Section 8 HAP Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	1,493,612	1,530,952	1,569,226	1,608,457	1,648,668	1,689,885	1,732,132	1,775,435	1,819,821	1,865,317
TOTAL RENTAL INCOME	1,493,612	1,530,952	1,569,226	1,608,457	1,648,668	1,689,885	1,732,132	1,775,435	1.819.821	1,865,317
OTHER INCOME										
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	14.787	15,157	15,535	15,924	16,322	16,730	17,148	17,577	18,016	18,467
Other Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A'	N/A	N/A
TOTAL OTHER INCOME	14,787	15,157	15,535	15,924	16.322	16,730	17,148	17,577	18,016	18,467
GROSS INCOME	1,508,399	1,546,109	1,584,762	1,624,381	1,664,990	1,706,615	1,749,280	1,793,012	1,837,838	1,883,784
Vacancy Rate : Market	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.m	0.00%	0.00%	0.00%
Vacancy Rate : Affordable	5.00%	5 . m	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	75,420	77,305	79,238	81,219	83,250	85,331	87,464	89,651	91,892	94,189
EFFECTIVE GROSS INCOME	1,432,979	1,468,803	1,505,524	1,543,162	1,581,741	1,621,284	1,661,816	1,703,362	1,745,946	1,789,594
OPERATING EXPENSES										
Annual Expense Increase	4.00%	4 . m	4 . m	4.00%	4.00%	4.00%	4.00%	4 . m	4.00%	4.00%
Expenses	677,173	704,259	732,430	761,727	792,196	823,884	856,839	891,113	926,757	963,828
Replacement Reserve	27.072	27,072	27.072	27,072	27,072	27,072	27,072	27,072	27,072	27.072
Annual *Tax Increase*	2.00%	2 . m	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
sewer Special **Assessment**	65,382	66,689	68,023	69,384	70.771	72,187	73,630	75,103	76,605	78.137
TOTAL EXPENSES	769,626	798,021	827,525	858,183	890,039	923,143	957,542	993,288	1,030,434	1,069,037
NET OPERATING INCOME	663,353	670,783	677,999	684,979	691,701	698,142	704,275	710,074	715,511	720,557
DEBT SERVICE										
CHFA- 1st **Mortgage**	460,867	460,867	460,867	460,867	460,867	460,867	460.867	460,867	460,867	460.867
CHFA HAT LOAN										
CASH FLOW after debt service	202,486	209,916	217,132	224,112	230,834	237,274	243,407	249,207	254,644	259,690
DEBT COVERAGE RATIO	1.44	1.46	1.47	1.49	1.50	1.51	1.53	1.54	1.55	1.56
Section 8 Transition Rea. **Deposit**										
CHFA HAT Principal Prepayment										
Remaining Cash										

Light Tree Apartments - Palo Alto(REGIONAL)

Mag 8.00
Tue Dec 15 15:12 1998
Scale 1:2,000,000 (at center)

20 Miles

50 KM

Major Road	Large City
Major Highway	Park/Reservation
Ferry	Mega City
Interstate/Limited Access	City
Toll Highway	Sched Service Airport
Point of Interest	Small Town
County Seat	County Boundary
State Capital	State Boundary

Light Tree Apartments - Palo Alto(LOCAL)

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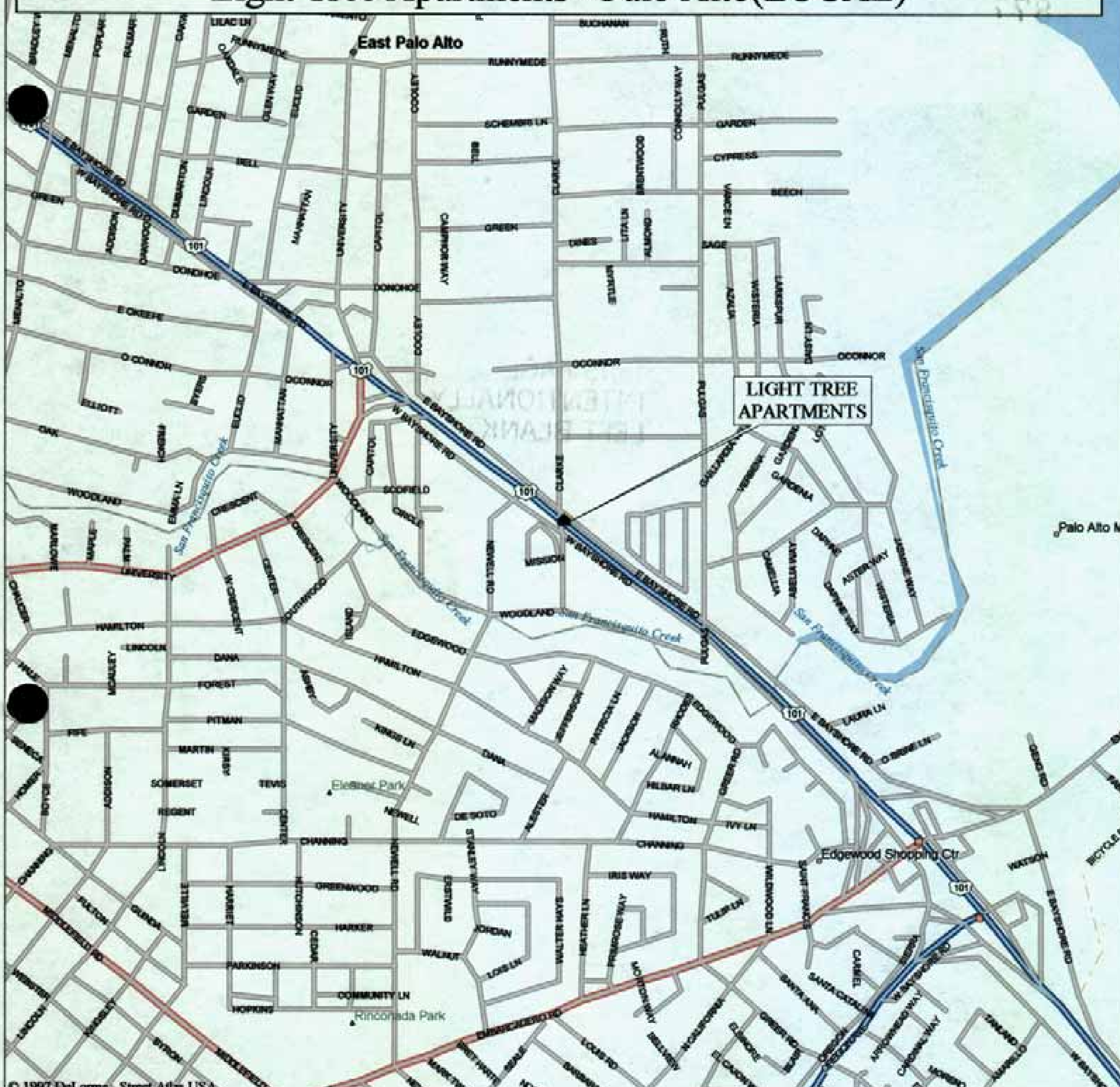

Mag 15.00
Tue Dec 15 14:49 1998
Scale 1:15,625 (at center)

1000 Feet

500 Meters

- Local Road
- Major Connector
- Trail
- Interstate/Limited Access
- Exit
- Railroad
- Point of Interest
- Small Town
- Park/Reservation
- County Boundary
- Water
- River/Canal

RESOLUTION 99-13

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Citizens Housing Corporation ("CHC"), a California nonprofit public benefit corporation, (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a mortgage loan for a development to be known as Light Tree Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated February 22, 1999 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; 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 17, 1998, 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, based upon the recommendation of staff and due deliberation by the Board, the Board has determined that a final loan commitment be made for the Development,

NOW, THEREFORE, BE IT RESOLVED by the Board:

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Programs of the Agency is hereby authorized to execute and deliver a final commitment letter, subject to the recommended terms and conditions set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NO.	DEVELOPMENT NAME/ LOCALITY	NO. UNITS	MORTGAGE AMOUNT
98-030-N	Light Tree Apartments Daly City/San Mateo	94	$6,475,000
			(HAT) $ 500,000

2. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Programs of the Agency is hereby authorized to increase the mortgage amount so stated in this resolution by an amount not to exceed seven percent (7%) without further Board approval.

3. All other material modifications to the final commitment, including increases in aggregate mortgage amount of more than seven percent (7%), must be submitted to the Board for approval. "Material modifications" as used herein means modifications which, in the discretion of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Programs of the Agency, change the legal, 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 99-13 adopted at a duly constituted meeting of the Board of the Agency held on April 7, 1999, at Burbank, California.

ATTEST: ____________________
Secretary

Executive Summary

Date: 16-Feb-99

Project Profile:

Project :	Oakcreek Senior Villas	*Borrower:*	Oak Creek Villas Assoc.
Location:	367 E. Thousand Oaks Blvd.	*GP:*	Many Mansions
City:	Thousand Oaks	*LP:*	ECHI
County:	Ventura	*Program:*	Tax Exempt
Type:	Senior	*CHFA # :*	99-008-S

Financing Summary

	Final	Per unit
CHFA First Mortgage	$3,100,000	$54,386
Seller Carryback-Land	$962,000	$16,877
HOME	$1,000,000	$17,544
City of Thousand O a b	$630,000	$11,053
Many Mansions	$72,695	$1.275
Deferred Developer Fee	$401,000	$7,035
Tax Credits	$2,265,948	$39,753
CHFA Bridge	$1,025,000	$17.982
CHFA HAT	$0	$0

Loan to Value
56.4%

Loan to Cost
36.8%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	585	10	50% CHFA	$512	$25,250
2 BR	899	3	50% CHFA	$581	$28,400
1 BR	585	36	60% TCAC	$670	$30,300
2 BR	899	8	60% TCAC	$802	$34,080
		57			

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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment

Project Name: Oakcreek Villas Senior Apartments

CHFA Ln. # 99-008-S

SUMMARY:

This is a Final Commitment request for two loans totaling $4,125,000. The first mortgage in the amount of $3,100,000 is fully amortized over 30 years. The second loan is a $1,025,000 Bridge loan amortized over three years. The project is Oakcreek Villas Senior Apartments, a proposed 57-unit senior apartment project. The project is located at 367 E. Thousand Oaks Boulevard, Thousand Oaks, in Ventura County.

LOAN TERMS:

1st Mortgage Amount:		$4,125,000
	A.	$3,100,000
	B.	$1,025,000
Interest Rate:	6.75%	
Term:	A.	35 year fixed, fully amortized
	B.	3 year Bridge Loan
Financing:	Tax-Exempt	

LOCALITY INVOLVEMENT:

Lender	Loan Amount	Repayment Terms	Term	Interest Rate
City of Thousand Oaks	$630,000	grant	0	0.00%
Seller Carryback-Land	$962,000	residual receipts, simple interest	35	8.50%
HOME	$1,000,000	residual receipts, simple interest	40	3.00%

The developer has received a conditional fund reservation dated July 23, 1996 from the City of Thousand *Oaks,* Housing and Community Development Department, in the amount of $1,000,000 (HOME funds) and a grant in the amount of $630,000. All loans are to be subordinate to the Agency's 1" mortgage and payments are from residual project receipts. Payments from residual receipts will be made first to the Seller Carryback-Land loan.

MARKET:

A. Market Overview:

The subject property's central location in the Conejo Valley of Ventura County is easily accessible via the Ventura Freeway. The City of Thousand Oaks ("the City") is generally considered an affluent area with numerous neighborhoods containing many modem, spacious homes.

The City was incorporated in 1964 and encompasses approximately 56 square miles. The city has been developed according to a General Plan that incorporates controlled growth and a balanced mix of residential area, modem shopping centers, schools, business and industrial centers and more than 5,000 square acres of "open space".

The City-has experienced rapid growth over the past decade, including a seventeen percent (17%) population increase. The City has also had a decrease in housing affordability and a 15% increase in overcrowded dwelling units. Development has not kept pace with demand. Vacancy rates fell from 6.6% in 1980 to 3.5% in 1990. This trend continues albeit at a slower pace; the vacancy rate decreased from 3.5% in 1990 to 3.09% in 1991.

B. Market Demand

Sixty-three (63%) of the City's very low income households are overpaying for housing (as measured by paying over 30% of their gross monthly income.) Currently, Thousand Oaks has over 9,427 senior citizens with incomes less than fifty percent (50%) of the area median income, but the City has only 247 units that are affordable to these elderly citizens. The City estimates that almost sixty-eight percent (68%) of the elderly renter households are in need of affordable housing.

Percentage of Senior Households By Income Category

Location	0-50% AMI	51-80% AMI	81%+ AMI
Thousand Oaks	5.656	7.542	6,034

C. Housing Supply

Within the City there has not been any affordable senior housing constructed since 1985. *An* affordable family housing project constructed to the north of the project consisted of *50* units and was rented within two months. There is no proposed development of low or moderate-income housing. This is in part due to the November 1996 election that does not allow any rezoning to take place. There are four or five parcels in the city which are properly zoned for apartment development. One of these is a proposed phase II of Arroyo Villas, a 108 unit family market rate project. There are no proposals for the remaining parcels.

The market rate apartment supply is limited to ten projects in the City. Four projects totaling 601 units were reviewed because they are most similar to the proposed project and are within close proximity to the site. Included in the four projects is Phase I of Arroyo Villas with 248 units. All units are market rate except for 41 units at Shadow Hills Apartments. Shadow Hills Apartments was constructed in 1972 and remodeled in 1993 by Many Mansions, the non-profit which will be the Managing General Partner for this project. Vacancy rates at the four apartment complexes averages 1.33%.

PROJECT FEASIBILITY:

A. Rent Differentials (Market vs. Restricted)

Rent Level	Subject Project	Mkt. Rate Avg.	Difference	Percent
One bedroom				
509	$512	$1,000	$488	514
60%	$670		$330	67%
Two Bedroom				
504	$581	$1,200	$619	48%
60%	$802		$398	69%

B. Estimated Lease-Up Period

The project has been accepting applicants for approximately two years. The sign-up list contains 227 seniors who are waiting for housing within the City. It is anticipated that the project will have a rental absorption rate of 15 units per month and be fully rented within four months.

PROJECT DESCRIPTION:

A. Site Design:

The project will consist of three full stories of stacked flat apartments over a semi-recessed parking garage. The floor elevation of the parking garage has been raised in order to avoid encroachment into the one hundred-year flood plain. By raising the finished floor elevation, the building now appears as a four-story mass. The number of rental units proposed are 46 one-bedroodone bath units and 11 two-bedroodone bath units for a total of 57 units. Parking includes 56 spaces in the covered garage and 19 open spaces.

The project is elevator construction with a central atrium/courtyard common area within a secure environment. The common area will include a TV room, a laundry room and an office. Amenities include mini blinds on the windows and vertical blinds on the sliding glass doors.

B. Project Location:

The project is bordered to the west by an RV sales/service facility (formerly a Volkswagen auto dealership) and a free-standing office building; to the east by an auto repair facility; to the north by the Conejo Arroyo Creek and a 50-unit affordable housing project; and to the south by Thousand Oaks Boulevard.

Located directly downtown, the senior residents will have easy, walking access to an array of key services within one-quarter mile. These services include grocery stores, restaurants, dry cleaners, shopping, medical services, a post office, parks, banks and City Hall within 1.5 miles of the project. Thousand Oaks is a well-maintained mature city with established senior activities, strongly supported by public, private and religious services. The project is on a main bus route, has a stop one block from the site and connects to the local services.

OCCUPANCY RESTRICTIONS:

CHFA:	20% of the units (12) will be restricted to 50% or less of median income.
TCAC:	100% of the units (57) will be restricted to 60% or less of median income.

ENVIRONMENTAL:

The Agency received a Phase I – Environmental Assessment Report prepared by Applied Environmental Technologies, Inc. and dated October 25, 1996. The report determined that there is no environmental impact to the site.

The site is also located in flood zone designation A 1. Since HOME funds are involved, the Executive Order 11988 (Flood Plain Management 8-step process) was completed on December 22, 1998.

ARTICLE 34:

A satisfactory opinion letter will be required prior to loan close.

DEVELOPMENT TEAM:

A. Borrower's profile

The applicant is Edison Capital Housing Investments, a California Corporation ("ECHI"). During the development of the project ECHI will be the Managing General Partner of a Limited Partnership to be formed, who will construct and own the project. Lyon Realty Advisors is the turnkey Developer and will not be part of the final ownership structure.

Many Mansions, a nonprofit corporation, will enter into a Development Services Agreement with the Limited Partnership to participate in decisions concerning the design and financing of the project, and in the development of the marketing plan. A subsidiary of Edison Housing Investment ("EHI") will serve as the Initial Limited Partner during construction.

Upon completion of construction, Many Mansions, will be the sole General Partner of the Limited Partnership. Dan Hardy is the Executive Director of Many Mansions. EHI, or an affiliate will become the 99% Limited Partner.

EHI is the entity making direct investments in affordable housing. ECHI is a subsidiary of EHI established in 1995 with the intent of engaging in .development activities that support EHI's equity investment business. To date, ECHI has invested approximately $450 million in more than 120 affordable housing developments financed with Low Income Housing Tax Credit.

B. Contractor

Fassberg Construction Company ("FCC") will be the contractor. FCC is a full-service general contracting and construction management firm that was formed in 1984. They specialize in affordable, transitional and senior housing project. To date they have constructed or are in the process of constructing 941 living units in 25 projects. Of these projects, 19 are affordable housing with a total of 599 units

C. Architect

DesignARC, based in Santa Barbara, headed by Don Burke, will be the architectural firm. Burke Architecture has previous experience with the Agency.

D. Management Agent

Many Mansions, the non-profit corporation, will provide on-site property management services for the Oak Creek Senior Villas project.

Project Summary

887

Date: 16-Feb-99

Project Profile:

Project:	Oakcreek Senior Villas	*Appraiser:*	Dennis Cunningham
Location:	367 E. Thousand Oaks Blvd.		Cunningham & Assocs.
	Thousand Oaks	*Cap Rate:*	9.50%
ounty/Zip:	Ventura 91360	*Market:*	$ 4,995,000
Borrower:	Oak Creek Villas Assoc.	Income:	6 5,725,000
GP:	Many Mansions	*Final Value:*	$ 5,500,000
LP:	ECHI		
		LTC/LTV:	
Program:	Tax Exempt	*Loan/Cost*	36.8%
CHFA #:	99-008-S	*Loan/Value*	56.4%

Project Description:

Units	57
Handicap Units	3
Bldge Type	New Const.
Buildings	1
stories	3
Gross Sq Ft	47,981
Land Sq Ft	81,893
Units/Acre	30
Total Parking	56
Covered Parking	56

Financing Summarv:

	A	Per Unit		Term
CHFA First Mortgage	$3,100,000	$54,386	6.75%	35
Seller Carryback-Land	$962,000	$16,877	8.50%	35
HOME		$17,544	3.009	40
Ci of Thousand Oaks	[illegible]	$11,053		
Many Mansions	$72,695	$1,275		
Tax Credit [illegible]	6[illegible]	[illegible]		
Deferred Developer Fee	$401,000	$7,035		
[illegible] B id	$1,025,000	$17,982	6.75%	3
CHFA HAT	$0	$0	0.00%	-

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	585	10	50% CHFA	$512	$25,250
2 BR	899	3	50% CHFA	$581	$28,400
1 BR	585	36	60% TCAC	$670	$30,300
2 BR	899	8	60% TCAC	$802	$34,080
		57			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	Security
Previously Paid CHFA Fees	2.50%	of Loan Amount	$72,750	Cash
Commitment Fee	1.00%	of Loan Amount	$41,250	Cash
Finance Fee	0.00%	of Loan Amount	$0	Cash
Bond Origination Guarantee	1.00%	of Loan Amount	$41,250	Letter of Credit
Rent Up Account	15.00%	of Gross Income	$67,985	Letter of Credit
Operating Expense Reserve	10.00%	of Gross Income	$45,323	Letter of Credit
Marketing	10.00%	of Gross Income	$45,323	Letter of Credit
Annual Replacement Reserve Deposit	0.60%	Per Unit	$25,394	Operations

Annual Operating Budget — Oakcreek Senior Villas

		% of total	$ per unit
INCOME:			
Total Rental Income	448,788	99.0%	7,873
Laundry	4,446	1.0%	78
Other Income	0	0.0%	-
Commercial/Retail	0	0.0%	-
Gross Potential Income (GPI)	453,234	100.0%	7,951
Less:			
Vacancy Loss	22,662	5.0%	398
Total Net Revenue	430,572	95.0%	7,554
EXPENSES:			
Payroll	25,219	6.2%	442
Administrative	39,500	9.6%	693
Utilities	37,112	9.1%	651
Operating and Maintenance	28,819	7.0%	506
Insurance and Business Taxes	21,759	5.3%	382
Taxes and Assessments	1,000	0.2%	18
Reserve for Replacement Deposits	25,394	6.2%	446
Subtotal Operating Expenses	178,803	43.6%	3,137
Financial *Expenses*			
Mortgage Payments (1st loan)	231,167	56.4%	4,056
Total Financial	231,167	56.4%	4,056
Total Project Expenses	409,970	100.0%	7,192

Sources and Uses

Oakcreek Senior Villas

SOURCES:

Name of **Lender / Source**	Amount	% of total	$ per sq ft	$ per unit
CHFA First Mortgage	3,100,000	36.77%	64.61	54,386
CHFA Bridge	0	0.00%	-	0
CHFA HAT	0	0.00%	-	0
Seller Carryback-Land	962,000	11.41%	20.05	16,877
HOME	1,000,000	11.86%	20.84	17,544
City of Thousand Oaks	630,000	7.47%	13.13	11,053
Total Institutional *Financing*	**5,692,000**	**67.51%**	**118.63**	**99,860**
Equity **Financing**				
Tax Credits	2,265,948	26.87%	47.23	39,753
Many Mansions	72,695	0.86%	1.52	1,275
Deferred Developer Fee	401,000	4.76%	8.36	7,035
Total Equity *Financing*	**2,739,643**	**32.49%**	S7.10	**48,064**
TOTAL SOURCES	**8,431,643**	**100.00%**	**176.73**	**147,924**

USES:

Acquisition	1,390,000	16.49%	28.97	24,386
Rehabilitation	0	0.00%	-	0
New Construction	4,262,400	50.55%	88.84	74,779
Architectual Fees	257,896	3.06%	5.37	4,524
Survey and Engineering	101,449	1.20%	2.11	1,780
Const. Loan Interest & Fees	403,776	4.79%	8.42	7,084
Permanent Financing	270,711	3.21%	5.64	4,749
Legal Fees	20,000	0.24%	0.42	351
Reserves	158,632	1.88%	3.31	2,783
Contract Costs	15,000	0.18%	0.31	263
Construction Contingency	160,731	1.91%	3.35	2,820
Local Fees	594,069	7.05%	12.38	10,422
TCAC/Other Costs	103,979	1.23%	2.17	1,824
PROJECT COSTS	**7,738,643**	**91.78%**	**161.29**	**135,766**
Developer Overhead/Profit	693,000	8.22%	14.44	12,158
Consultant/Processing Agent	0	0.00%	-	0
TOTAL **USES**	**8,431,643**	**100.00%**	**176.73**	**147,924**

Cash Flow Oakcreek Senior VI CHFA # 99-008-a

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 8	Year 7	Year 8	Year 9	Year 10
Market Rent Increase	*NIA*	*NIA*	*NIA*	*NIA*	*NIA*	*NIA*	*N/A*	*NIA*	*N/A*	*NIA*
Market Renta	N/A	NIA	NIA	N/A	NIA	NIA	NIA	NIA	NIA	NIA
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	448.788	460,008	471.508	483,296	495,378	507,762	520,456	533,468	546.805	560.475
TOTAL RENTAL INCOME	**448,788**	**460,008**	471,508	483,296	495.378	507,762	520,457	**533,468**	**546,805**	560,475
OTHER INCOME										
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2 . m
Laundry	4,446	4,557	4.671	4.788	4.908	5.030	5,156	5,285	5,417	5,552
Commercial	NIA	NIA	*NIA*	NIA	NIA	NIA	NIA	N/A	NIA	*NIA*
TOTAL OTHER INCOME	**4,446**	4.857	4,671	**4,788**	4,908	**5,030**	**5,156**	**5,285**	5,417	5.552
GROSS INCOME	**453,234**	**464,565**	476,179	488,083	500,286	512,793	525,613	538,753	552,222	566,027
Vacancy Rate :Market	*NIA*	*NIA*	*NIA*	*NIA*	*NIA*	*NIA*	*NIA*	*NIA*	*NIA*	*NIA*
Vacancy Rate : Affordable	5.00%	5.00%	5.00%	5.00%	5.00%	5 . m	5.00%	5 . m	5.00%	5.00%
Less: Vacancy Loss	22.662	23,228	23,809	24.404	25.014	25,640	26,281	26,938	27,611	28,301
EFFECTIVE GROSS INCOME	**430,572**	441,337	452.370	463,679	475,271	487,153	**499,332**	**511,815**	524,611	**537,726**
OPERATING EXPENSES										
Annual Expense Increase	4.00%	4.00%	4 . m	4.00%	4.00%	4.00%	4 . m	4.m	4.00%	4.00%
Expenses	152,409	158,505	164,845	171.439	178,296	185,428	192,845	200,559	208.582	216.925
Replacement Reserve	25,394	25,394	25.394	25.394	25.394	25.394	25.394	25.394	25,394	25,394
Annual Tax Increase	2 . m	2.00%	2.m	2.00%	2.00%	2.00%	2 . m	2.m	2 . m	2.00%
Taxes and Assessments	1,000	1,020	1,040	1,061	1,082	1,104	1.126	1,149	1.172	1,195
TOTAL EXPENSES	178,803	184,919	191,280	197,894	204,773	211.927	219,366	227,102	235,148	243,514
NET OPERATING INCOME	**251,769**	**256,417**	**261,090**	**265,785**	**270,498**	**275,226**	**279,966**	**284,713**	**289,463**	**294,211**
DEBT SERVICE										
CHFA - **1st Mortgage**	231.167	231,167	231,167	231,167	231.167	231.167	231,167	231,167	231.167	231.167
CHFA - Bridge Loan	388,795	388,795	388.795	0	0					
CHFA - HAT Loan	0	0	0	0	0					
CASH FLOW after debt service	20,602	25,250	29,923	34,618	**39,331**	**44,059**	**48,799**	**53,546**	**58,296**	**63,045**
DEBT COVERAGE RATIO	1.09	1.11	1.13	1.15	1.17	1.19	1.21	1.23	1.25	1.27

890

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year17	Year 18	Year19	Year 20
***Market** Rent Increase*	NJA	NIA	NJA	NJA	NJA	NJA	NJA	NIA	NIA	NJA
Market Rente	N/A	NJA	NIA	NJA	NJA	NJA	N/A	NJA	NJA	NJA
***Affordable** Rent Increase*	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	574,487	588.849	603,570	618,659	634.126	649,979	666,228	682.884	699,956	717.455
TOTAL RENTAL INCOME	574,487	588,849	603,570	618,659	634,126	649,979	666,228	682,884	699,956	717,455
OTHER INCOME										
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	5,691	5,834	5,979	6,129	6.282	6,439	6,600	6,765	6,934	7.108
Commercial	N/A	NIA	NJA	NJA	NJA	NJA	NJA	NJA	NJA	NJA
TOTAL OTHER INCOME	5,691	5,834	5,979	6,129	6,282	6,439	6,600	6,765	6,934	7,108
GROSS INCOME	580,178	594,682	609,549	624,788	640,408	656,418	672,828	689,649	706,890	724,563
Vacancy Rate : Market	NJA	NJA	N/A	NJA	NJA	NIA	NJA	NJA	NJA	NJA
Vacancy Rate : Affordable	5 . m	5 . m	5.00%	5.00%	5.00%	5.00%	5 . m	5 . m	5.00%	5 . m
Less: Vacancy Loss	29,009	29.734	30,477	31,239	32.020	32,821	33,641	34,482	35,345	36 228
EFFECTIVE GROSS INCOME	551,169	564,948	579,072	593,549	608,387	623,597	639,187	655,167	671,546	688,335
OPERATING EXPENSES										
Annual Expense Increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4 . m	4.00%	4.00%
Expenses	225,602	234,626	244.011	253.771	263.922	274,479	285,458	296,877	308,752	321,102
Replacement **Reserve**	25.394	25,394	25,394	25,394	25,394	25,394	25.394	▪ 25.394	25,394	25.394
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	1.219	1.243	1,268	1,294	1.319	1,346	1.373	1.400	1,428	1,467
TOTAL EXPENSES	252,215	261,264	270,674	280,459	290,636	301,219	312,226	323,671	335,574	347,953
NET OPERATING INCOME	298,954	303,684	308,398	313,089	317.751	322,378	326,962	331,495	335,971	340,381
DEBT SERVICE										
CHFA - 1st Mortgage	231,167	231,167	231,167	231,167	231,167	231,167	231,167	231,167	231,167	231,167
CHFA - Bridge Loan										
CHFA - HAT Loan										
CASH FLOW after debt service	67,787	72,518	77,231	81,922	86,584	91,211	95,795	100,328	104,805	109,215
DEBT COVERAGE RATIO	1.29	1.31	1.33	1.38	1.37	1.39	1.41	1.43	1.45	1.47

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
***Market** Rent Increase*	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA
Market Rents	N/A	NIA	NIA	NIA	NIA	NIA	NIA	N/A	NIA	NIA
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable *Rents*	735,391	763,776	772,621	791,936	811.735	832,028	852.829	874,149	896.003	918.403
TOTAL RENTAL INCOME	735,391	753,776	772,621	791,936	811.735	832,028	852,829	874,149	896,003	918,403
OTHER INCOME										
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	7,285	7,467	7,654	7.845	8.042	8,243	8,449	8,560	8,876	9,098
Commercial	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA
TOTAL OTHER INCOME	7,285	7,467	7,654	7,845	8,042	8,243	8,449	8,660	8,876	9,098
GROSS INCOME	742,677	761,244	780,275	799,782	819,776	840,271	. 861,277	882,809	904,879	927,501
*Vacancy **Rate :Market***	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA
*Vacancy Rate **:Affordable***	5.00%	5.00%	5.00%	5.00%	5.00%	5.m	5.00%	5.00%	5 . m	5.00%
Less: Vacancy **Loss**	37.134	38,062	39,014	39,989	40,989	42.014	43,064	44,140	45.244	46,375
EFFECTIVE GROSS INCOME	705,543	723,181	741,261	759.793	778,787	798,257	818313	838,669	859,635	881,126
OPERATING EXPENSES										
Annual Expense Increase	4 . m	4 . m	4 . m	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	333,946	347.304	361,196	375.644	390,669	406,296	422,548	439,460	457,028	475,309
Replacement **Reserve**	26,394	25,394	25,394	25.394	25,394	25,394	25,394	▪ 26.394	25,394	25.394
Annual Tax Increase	2.00%	2.m	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and **Assessments**	1,486	1,616	1,546	1.677	1,608	1,641	1.673	1.707	1,741	1.776
TOTAL EXPENSES	360,826	374,214	388,136	402,615	417.672	433,331	449,616	466,551	484,163	502,479
NET OPERATING INCOME	344,717	348,968	353,125	357.178	361,115	364,926	368,598	372,117	375,472	378,647
DEBT SERVICE										
CHFA- **1st Mortgage**	231,167	231,167	231,167	231,167	231,167	231.167	231,167	231.167	231,167	231.167
CHFA- Bridge Loan										
CHFA- HAT Loan										
CASH FLOW after debt service	113,550	117,801	121,958	126,011	129,948	133,759	137,431	140,951	144,305	147,480
DEBT COVERAGE RATIO	1.49	1.51	1.53	1.88	1.56	1.58	1.59	1.61	1.62	1.64

892

893

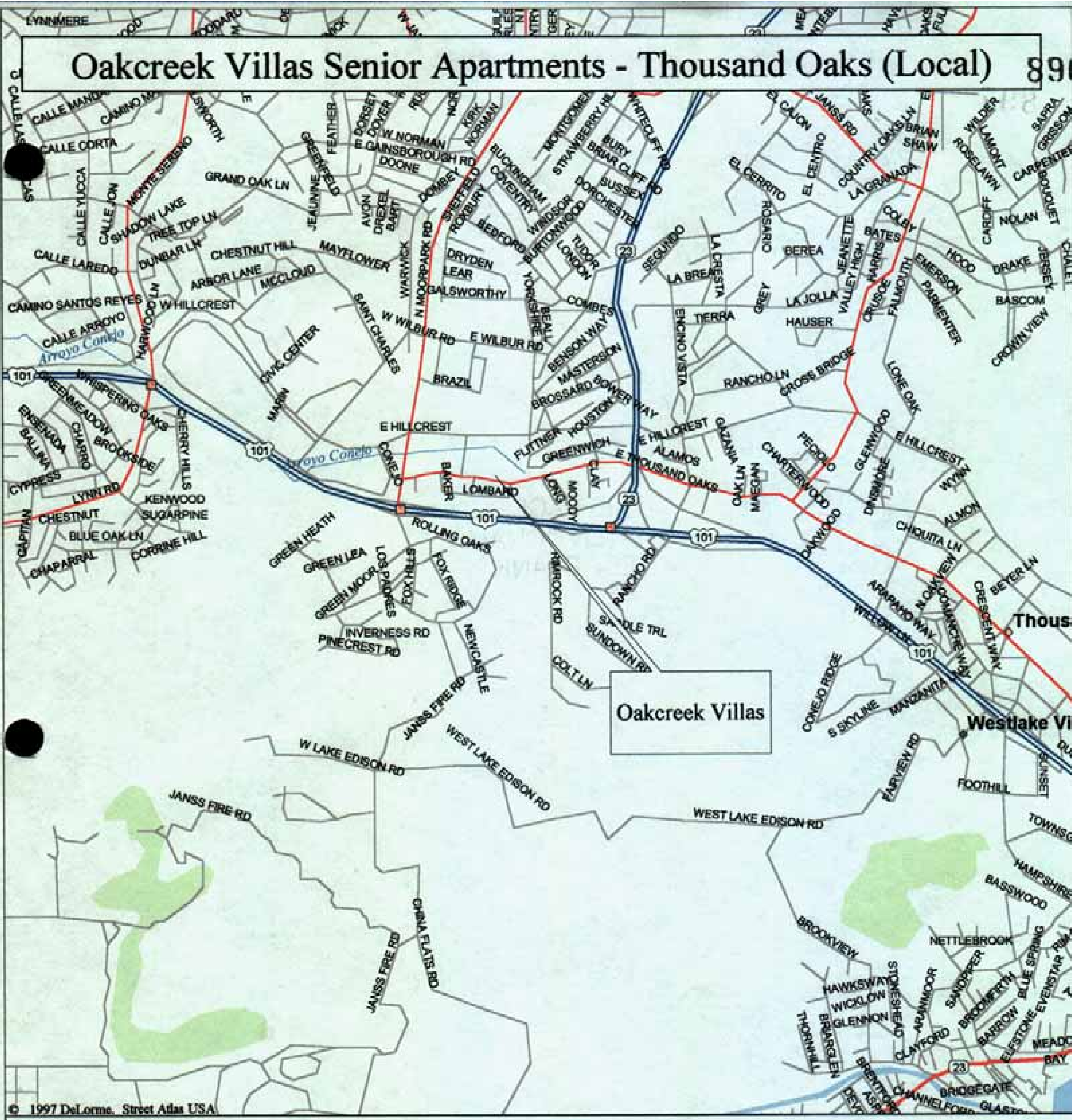
Cash Flow

RENTAL INCOME	Year 31	Year 32	Year 33	Year 34	Year 35
Market Rent Increase	N/A	N/A	N/A	N/A	N/A
Market Rente	N/A	NIA	NIA	NIA	NIA
Affordable** Rent **Increase	**2.50%**	**2.50%**	**2.50%**	**2.50%**	2 . m
Affordable Rente	941,363	964.897	989,020	1,013,745	1,039,089
TOTAL RENTAL INCOME	941,363	**964,897**	989,020	1,013,745	1,039,089
OTHER INCOME					
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	9,326	9,559	9.798	10,043	10,294
Commercial	N/A	NIA	NIA	N/A	N/A
TOTAL OTHER INCOME	**9,326**	**9,559**	9,798	10,043	10,294
GROSS INCOME	**950,689**	974,456	998,818	1,023,788	1,049,383
Vacancy Rate : Market	N/A	N/A	N/A	N/A	N/A
Vacancy** Rote :**Affordable	5 . m	5.00%	5.00%	5.00%	5 . m
Less: Vacancy Loss	47.534	48.723	49,941	51.189	52,469
EFFECTIVE GROSS INCOME	903,155	925,733	948,877	**972,599**	996,914
OPERATING EXPENSES					
Annual Expense Increase	4.m	4.00%	4.00%	4 . m	4.00%
Expenses	494,321	514,094	534,658	556,044	578.286
Replacement **Reserve**	25,394	25,394	25,394	25,394	25,394
***Annual** Tax Increase*	2.00%	2.00%	2 . m	2.00%	2.00%
Taxes and **Assessments**	1,811	1,848	1,885	1,922	1.961
TOTAL EXPENSES	521,527	541,336	561,937	583,361	**605,641**
NET OPERATING INCOME	381,627	384,397	386,940	389,238	391,272
DEBT SERVICE					
CHFA - **1st Mortgage**	231,167	231,167	231,167	231,167	231,167
CHFA - Bridge Loan					
CHFA - HAT Loan					
CASH FLOW after debt service	150,460	153,230	155,773	158,071	160,105
DEBT COVERAGE RATIO	1.65	1.66	1.67	1.68	1.69

Oakcreek Villas Senior Apts. - Thousand Oaks (Regional)

Oakcreek Villas Senior Apartments - Thousand Oaks (Local)

896



Mag 14.00

Tue Feb 23 14:37 1999

Scale 1:31,250 (at center)

2000 Feet

1000 Meters

Local Road

Major Connector

State Route

Interstate/Limited Access

Exit

Small Town

City

Water

Woodland

River/Canal

RESOLUTION 99-14

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from EHI Development Company, a California corporation, (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a mortgage loan on a 57-unit multifamily housing development located in the City of Thousand Oaks to be known as Oakcreek Villas (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated February 16, 1999 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; 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 November 19, 1996, 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, based upon the recommendation of staff and due deliberation by the Board, the Board has determined that a final loan commitment be made for the Development.

NOW, THEREFORE, BE IT RESOLVED by the Board:

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Programs of the Agency is hereby authorized to execute and deliver a final commitment letter, subject to the recommended terms and conditions set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NO.	DEVELOPMENT NAME/ LOCALITY	NO. UNITS	MORTGAGE AMOUNT
99-008-S	Oakcreek Villas Thousand Oaks/Ventura	57	$4,125,000

899

2. . The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Programs of the Agency is hereby authorized to increase the mortgage amount so stated in this resolution by an amount not to exceed seven percent (7%) without further Board approval.

3. All other material modifications to the final Commitment, including increases in mortgage amount of more than seven percent (7%), must be submitted to this Board for approval. "Material modifications" as used herein means modifications which, when made in the discretion of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Programs of the Agency, change the legal, financial or public purpose aspects of the final commitment in a substantial or material way.

I hereby certify that this is a true and correct copy of Resolution 99-14 adopted at a duly constituted meeting of the Board of the Agency held on April 7, 1999, at *Burbank,* California.

ATTEST:____________
Secretary

900

Executive Summary

Date: 24-Nov-98
03.24.1999

[redacted] [redacted]

Project :	Citrus Tree	*Borrower:*	KDF Citrus Tree, L.P.
Location:	11155 Citrus Drive	*Member*	Foundation for Social Resource
City:	Ventura	*Member*	KDF Holdings-Citrus Tree, LL(
County:	Ventura	*Program:*	Tax Exempt / Conduit
Type:	Family	*CHFA# :*	98-033-S

Financing Summary:

	Final	Per Unit
CHFA	$3,450,000	$42,693
ARCS	$1,266,000	$15,630
Other Loans	$0	$0
Other Loans	$0	$0
LIHTC (tax credits)	$1,363,704	$16,836
Developer's Equity	$0	$0
Deferred Developer's Fee	$290,254	$3,583
	$0	$0
CHFA HAT	$0	$0

Loan to Value
75.0%

Loan to Cost
54.2%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1-1	473	3	CHFA - 50%	$595	$26,100
1-1	732	6	CHFA - 50%	$607	$26,100
2-1	853	3	CHFA - 50%	$694	$29,400
3-1.5	1,078	5	CHFA - 50%	$770	$32,650
1-1	473	3	ADJ- 60%	$563	$29,370
1-1	732	8	ADJ- 60%	$630	$29,370
2-1	853	5	ADJ- 60%	$720	$35,280
3-1.5	1,078	7	ADJ- 60%	$850	$40,740
1-1	473	6	TCAC - 60%	$625	$29,370
1-1	732	15	TCAC - 60%	$700	$29,370
2-1	853	8	TCAC - 60%	$800	$35,280
3-1.5	1,078	12	TCAC - 60%	$945	$40,740
		81			

Index:

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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment ~ Conduit Financing
Acquisition Rehabilitation

Citrus Tree Apartments
11155 Citrus Drive
Ventura, California 93004
CHF'A # 98-033-S

SUMMARY

This is a final commitment request for a conduit loan in the amount of Three Million Four Hundred Fifty Thousand Dollars ($3,450,000), to fully amortize over thirty (30) years. The monies will be used, via a conduit mortgage lender, to partially fund a first mortgage loan for the Citrus Tree Apartments, an existing eighty-one unit apartment community in Ventura, Ventura County, CA.

The source of the loan funds will be proceeds from tax-exempt bonds issued by the California Housing Finance Agency ("CHFA" or "Agency"). The bond proceeds will be exchanged for Fannie Mae ("FNMA" or "Fannie Mae") Mortgage-Backed Securities ("MBS") issued through the conduit mortgage lender, ARCS Commercial Mortgage Co., L.P. ("ARCS"), a Fannie Mae Delegated Underwriter and Servicer ("DUS"). The MBS will guarantee the timely payment of the mortgage loans principal and interest to CHFA.

The ARCS loan, to Citrus Tree Apartments, will be in the amount of Four Million Seven Hundred Sixteen Thousand Dollars ($4,716,000). ARCS will provide an additional One Million Two Hundred Sixty Six Thousand Dollars ($1,266,000) of taxable monies, and the combined first mortgage loan will be evidence by a note and secured by a deed of trust.

The sponsor will apply for a four percent (4%) allocation of low income housing tax credits.

Tax credit equity will be funded in three stages. Fifty percent (50%) will be funded at permanent loan funding. Forty percent (40%) will be paid upon completion of rehabilitation, with the remaining ten percent (10%) payable at final conversion. Funds for project rehabilitation will be provided by a two- (2) year loan from either a commercial bank or the limited partner (tax credit equity syndicator). Security for the loan will be by way of an assignment of the operating general partner's beneficial interest in the partnership backed by a letter of credit from the borrower's bank. Rehabilitation funds will be drawn down, twice a month, on an as-needed basis. Interest on expended funds will be at Prime + 2%, and payable monthly from cash flow from operations. Principal repayment will be payable from the pay-in of the low income housing tax credit proceeds.

TERMS

CHFA Conduit Loan	**$3,450,000**	
Interest Rate - 7.00%	Cost of Funds	5.30%
	CHFA	0.25%
	Fannie Mae	0.50%
	ARCS	*0.95%*
	Interest Rate	7.00%
Term	Thirty (30) years, fully amortized	
Financing	Tax Exempt	
DUS Conduit Lender	ARCS Commercial Mortgage Co., L.P.	
Security for Loan	Fannie Mae Mortgage-Backed Securities	

CONDUIT TRANSACTION / *MBS*

Conduit / MBS Structure

In this transaction CHFA will issue tax-exempt bonds pursuant to bond authority granted by the California Debt Limit Allocation Committee ("CDLAC"). The bonds for the project will be included in the standard Agency pooled bond issue with other projects where CHFA is acting as issuer and credit provider. Proceeds from the bond issue will be exchanged with the DUS conduit lender (*ARCS* Commercial Mortgage Co., L.P.) who in turn will issue to CHFA, Fannie Mae Mortgage-Backed Securities. The MBS will guarantee the timely payment of principal and interest to CHFA to maintain scheduled payments to the investors. The Mortgage-Backed Securities issued by Fannie Mae will be rated **AAA.** This will essentially place the Agency in an almost risk-free position in its obligation to maintain debt service to the bond investors.

In its role as conduit issuer of tax-exempt bonds, CHFA elected to require additional elements for this transaction that are consistent with the Agency's overall lending practices and guidelines. The additional requirements focused in the areas of affordability, use of bond allocation, health and safety, and specifically include:

- **Affordability.** In addition to CHFA's standard affordability requirements of **20%** of the units at ***50%*** of median, the Agency will require that an additional ***29%*** of the units have rents set at the lesser of 60% of median or **10%** below comparable market rents, as determined by CHFA.

- **Bond Allocation.** The Agency requested that the amount of bond allocation be approximately equal to **80%** of the rehabilitated value of the project (as determined by CHFA), which represents less than the total financing intended for the property. The balance of the debt will be in the form of taxable financing provided by ARCS Commercial Mortgage ***Co.,*** L.P. This allocation was reduced by the California Debt Limit Allocation Committee ("CDLAC") to Three Million Four Hundred Fifty Thousand Dollars **($3,450,000).**

- **Health and Safety.** CHFA will require a level of seismic safety for the projects consistent with the Agency's standards for rehabilitated properties.

- **Regulatory Requirements.** CHFA will serve as regulator of the mortgage revenue bonds and Agency requirements, including but not limited to, bond law compliance, relocation, unit dispersion and fair housing.

LOCALITY INVOLVEMENT

None

MARKET OVERVIEW

The subject property is located in the city of Ventura, within the greater region of Ventura County. Ventura County continues to be one of the fastest growing markets in the United States. Bordering Santa Barbara County to the west, Kern County to the north, and Los Angeles County to the south and east, Ventura County covers 1,843 square miles and is home to approximately 717,000 people. Once primarily driven by agricultural and the petroleum industry, Ventura County has emerged as an attractive destination for new businesses. There has been a dramatic increase in the number of high technology, light manufacturing and service companies seeking the skilled labor force, convenient transportation system and pleasant lifestyle and excellent location that Ventura County offers. Tourism plays a major roll in Ventura County's economy, drawing visitors to year round recreation activities which the mild coastal climate provides, filling over 190,000 hotel rooms annually.

The State Department of Finance estimated the population of Ventura County at 716,8 00 as of January 1997. This statistic represents an increase in population of 0.4% from January 1996. Ventura County is comprised of ten incorporated cities, with the City of Ventura as the county seat. Oxnard continues to be the largest city in the county with a population of approximately 152,500.

Growth in Ventura County has been substantial over the past 10 years. In the recent past, recessionary conditions as well as a downsizing or departure of Ventura County defense contractors has temporarily affected this growth. The former economic power structure composed of oil, defense, government, insurance, electronics and agriculture is giving way to a new order. This new order consists of consumer and service oriented companies led by retailers, services of all kinds and manufacturers of consumer oriented, health care and biogenetic products. Traditional manufacturing and distribution activities will decline to be replaced by more office intensive users. Growth in retail and service industries will bring more low paying clerical and administrative jobs to the county, continuing a continuing need for affordable housing. The county offers a very desirable community and is likely to experience substantial long-term pressure for expansion, countered by political forces promoting slow and no-growth mandates to preserve the high quality of life.

The city of Ventura is located within the western portion of the Oxnard Plain. The Oxnard Plain is composed of four communities; Camarillo, Port Hueneme, Oxnard and Ventura. The City of Ventura encompasses approximately 34.7 square miles and is located approximately 62 miles northwest of downtown Los Angeles, 35 miles southeast of Santa Barbara, and adjacent to the Pacific Ocean. Ventura was incorporated in 1966 and is the County Seat of Ventura County.

. The Ventura Freeway (101) passes through the city, and commuter airline service is provided via 905 the Oxnard Airport, five miles to the south. As of January 1996 the population of Ventura was 100,300. Since 1990, population growth has averaged between 1.0 and 1.5 percent per year.

PROJECT DESCRIPTION

Project Location

The subject is located in East Ventura, near the juncture of Wells Road and Telegraph Road. The Santa Paula Freeway (US Hwy 126) is located approximately two blocks to the south. This area is gradually being developed with new single family residences, which are replacing agricultural and /or minimally improved residential land. The subject property is adjacent to, but not located in, the Ventura County community of Saticoy. Saticoy, a small residential, secondary commercial and light industrial district, is located south of the Santa Paula freeway on Wells Road.

The neighborhood caters primarily to moderate-income residents. Newly constructed home prices average between $170,00 – $185,000. There is an elementary school, churches, restaurants and other supportive facilities within one mile of the subject. A neighborhood convenience center is the nearest shopping facility in the immediate area. This center contains a post office, convenience food mart, café, two service stations and a donut shop. Two regional shopping centers are within nine (9) miles of the subject.

Site

11155 Citrus Drive, Ventura, California. The subject is situated on the northwest comer of Citrus Drive and Pajaro Avenue. To the immediate north are a small mobile home park and a 1960s single-family tract. To the south, across Citrus Drive, is a similar 128-unit apartment complex, and a vacant parcel. To the east, across Pajaro Avenue, is an apartment building; beyond which is agricultural land and a single family tract. Contiguous to the west is a vacant parcel, which may be developed as an expansion to a neighborhood convenience shopping center The subject is accessible form Citrus Drive and from Pajaro Avenue. Citrus Drive is assessable from Wells Road, and Pajaro Avenue is assessable from Telegraph Road

The site is rectangular having approximately 324 feet of frontage along the north side of Citrus Drive, and approximately 330 feet of frontage along the west side of Pajaro Avenue. The site contains approximately 107,244 square feet or 2.46 acres.

Improvements

The eighty-one apartment units are contained in seven (7) two and three story wood frame and stucco buildings. The improvements were constructed in 1973 and are of average quality and condition. Common area amenities consist of a swimming pool, wading pool, a tot lot with play equipment, four barbecue areas with gas grills, one laundry room and average landscaping. On-site parking consists of 81 covered carports and 51 open spaces for a total of 132 spaces.

The project has a gross building area of 65,319 square feet; and a net rentable area of 64,129 square feet. The 81 units are comprised of:

Unit Type		# units	Square Footage
Plan A	1br – 1ba	12	473
Plan B	1br, Den – 1ba	29	732
Plan C	2br – 1ba	16	853
Plan D	3br – 1.5ba	24	1,078

PROJECTED SCOPE OF WORK

Exterior Renovation

The common areas and building exterior renovations will be performed by outside vendors. All exterior renovation work will be completed within the first six months after permanent loan funding. The renovation will be done in the following order:

- Repair patio fencing
- Replace exterior utility doors
- Install chain link gates with PVC slats on dumpster enclosures
- Repair and replace broken sidewalks, as needed
- Install new exterior lighting, as needed
- Replace roofs
- Paint building exteriors
- Renovate the swimming pool
- Replace project signage
- Install new landscaping enhancements
- Repair and slurry seal driveways

Interior Renovation

The interior renovation will be done as units turnover. The average turnover is 60% per year. All of the units will be renovated within two years. During the second year of renovation, management will move residents from non-renovated units to renovated apartments, which will allow for completion of all unit renovations within two years.

Two additional maintenance men will be on-staff during the renovation period to perform the interior renovations. Their job duties will include:

- Remove and replace all appliances
- Remove and replace all interior hardware
- Remove and replace all exposed plumbing fixtures
- Remove and replace all light fixtures, outlets and wall plugs
- Replace all window coverings

9 () 7 Outside vendors will be utilized for

- Replace all floor coverings
- Paint the interiors of all apartments
- Clean the interior of all apartments

FUNDS ALLOCATED TO RENOVATION

Exterior	$235,550
Interior	$220,320
Contingency	$ 26,725
Labor	$ 60,000
Supervision and Overhead	$ 27,130
TOTAL **RENOVATION**	**$ 569,725**

HYSI(EDS ASSESSMEN1

Project Resources, Inc. ("PRI") conducted a physical needs assessment ("PNA") for ARCS Commercial Mortgage ***Co.,*** L.P. The report is dated November 26, 1997. ***An*** update report is dated February 15,1999.

The subject property is in average condition for its age and usage, and is comparable to other properties in the area. A rehabilitation budget, prepared by management, was reviewed by **PRI** and attached to the PNA report. In its PNA report, PRI stated that the rehabilitation budget provided for PRI's review was limited in detail and several of the line items were not specific regarding the intended usage of funds (i.e. plumbing, electrical); however the provided costs appeared adequate for the intended scope of work.

ENVIRONMENTAL

Project Resources, Inc. ("PRI") conducted a Phase I Environmental Assessment Report ("Report") for ARCS Affordable Housing on November 17, 1997. ***An*** update report is dated February 15,1999.

According to the Report:

Asbestos is present in the acoustical ceiling and drywall materials at the subject. The recommendation for addressing the presence of asbestos containing material ("ACM ") at the subject is the development and implementation of an asbestos Operations and Maintenance ("O&M") program to include the repair or removal of any damaged ACM which may present a health hazard. The Report concludes that no significant environmental concerns were identified regarding the prior use of the subject. No further investigation is recommended.

OCCUPANCY RESTRICTIONS

California Housing Finance Agency	Twenty percent **(20%)** of the units will be restricted to households with incomes no greater ***50%*** of area median income.
California Housing Finance Agency	Twenty–nine percent **(29%)** of the units will be restricted to households with incomes no greater than 60% of area median income; and to rents the lesser of 60% of area median income rents, or market rate rent less **10%, as** determined by CHFA.
California Tax Credit Allocation Committee	One hundred percent **(100%)** of the units will be restricted to households with incomes no greater than 60% of area median income.

***ARTICLE* XXXIV**

A satisfactory opinion letter will be required prior to loan close.

CONDUIT LENDER **–** ***ARCS* COMMERCIAL** MORTGAGE **CO., L.P.**

ARCS Commercial Mortgage Co., **L.P.** ("ARCS"), was created in **1995** when a group of investors, headed by the founder and CEO of ARCS Mortgage, Inc. **("AMI")** ,purchased the commercial mortgage division from The **Bank** of New York. The company has expanded rapidly and now has a **staff** of over **100** people and twelve branches across the nation. The company is divided into three distinct divisions to serve the specialized needs of borrowers: multifamily and co-op buildings, affordable housing, and the full range of investments properties including office buildings, shopping centers, industrial parks and hotels.

ARCS Commercial Mortgage Co., **L.P.,** currently services over $3 billion in income producing properties (more than 700 loans) for Fannie Mae, Freddie Mac and other institutional investors in **34** states throughout the United States. These loans are conventional and tax-exempt of both fixed and adjustable contract rates. ARCS is one of a small group of lenders designated a Fannie Mae Delegated Underwrite and Servicer ("DUS").

FANNIEMAE

The Federal National Mortgage Association ("FNMA" or "Fannie Mae") is actively involved in multifamily affordable lending as both a direct portfolio investor and by supplying credit guarantees. The credit guarantees, in the form of Fannie Mae issued Mortgage-Backed

90 securities ("MBS") provides a 100% guarantee of timely payment of interest and principal to the purchasers of the MBS.

PROJECT SPONSOR – KDF CITRUS TREE, L.P.

Borrower's Profile

KDF Citrus Tree, L.P.. a California limited partnership

KDF Citrus Tree, L.P., a California limited partnership was organized to acquire and operate Citrus Tree Apartments. The general partners are:

Managing General Partner
The Foundation For Social Resources, Inc., a Delaware not-for-profit corporation

> The Foundation For Social Resources, Inc. ("Foundation") was formed in 1988, and currently owns or has a beneficial interest in 35 apartment complexes comprising approximately 6,500 units. The Foundation is located in Costa Mesa California. Mr. William Hirsch is President of the foundation

Operating General Partner
KDF Holdings – Citrus Tree LLC, a California limited liability company

> KDF Holdings-Citrus Tree, LLC ("KDF-CT") is comprised of the principals of Village Investments ("VI") and Partners Realty Capital ("PRC"). PRC is a real estate investment firm, which was founded by its managing director, Paul Fruchbom. The principals of PRC formed KDF Holdings, which specializes in the acquisition and rehabilitation of tax credit/bond financed apartment projects. Since 1995, PRC has participated, as either a mortgage banker or principal, in over $150,000,000 of tax credit and/or bond financed projects.
>
> Paul Fruchbom, Managing Director, has been involved in commercial mortgage banking for over 19 years. Prior to forming PF Realty Finance in 1994, (PRC's predecessor) Mr. Fruchbom served as Vice President of Mortgage Banking at Grubb & Ellis Financial Services. Mr. Fruchbom graduated from Bucknell University and Georgetown Law School. He is a licensed California real estate broker, as well as a member of various professional organizations including, the Mortgage Banker's Association of America, the Federal Bar, Commercial and Industrial Development Association and, the National Association of Industrial and Office Parks.

Management Agent

Village Property Management, Inc. ("VPM") is a full service residential property management company. Philip H. McNamee established VPM in 1965 to manage his personal investments of single family homes. Between 1992 and 1979 Mr. McNamee, through limited partnerships, purchased over 900 single-family homes in Orange County. In 1978 Mr. McNamee expanded his operations to include fee management of multifamily apartment developments.

Mr. Scott J. Barker, President, has been associated with VPM since 1976. He originally established all corporate, project and partnership accounting procedures. He remains active in the supervision of all aspects of asset and property management.

Over the past ten years, Village Property Management, Inc. has renovated over 2,000 units, and will oversee the rehabilitation of Citrus Tree Apartments.

Project Summary

911

Date: 11-17-1998
03.24.1999

Project Profile:

Project:	Citrus Tree	*Appraiser:*	Michael B. Posner, MAI
Location:	11155 Citrus Drive		Bristol Realty Counselors
	Ventura	*Cap Rate:*	8.75%
County/Zip:	Ventura 93004	*Market:*	$ 4,600,000
Borrower:	KDF Citrus Tree, L.P.	*Income:*	$
Member	Foundation for Social Resource	*Final Value:*	$ 4,600,000
Member	KDF Holdings-Citrus Tree, LLC	*LTC/LTV:*	
Program:	Tax Exempt / Conduit	*Loan/Cost*	54.2%
CHFA #:	98-033-S	*Loan/Value*	15.0%

Project Description:

Units	81
Handicap Units	0
Bldge Type	Rehabilitation
Buildings	7
stories	2 & 3
Gross Sq Ft	65,319
Land sq Ft	107,244
Units/Acre	33
Total Parking	132
Covered Parking	81

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA	$3,450,000	$42,593	7.00%	30
ARCS	$1,266,000	$15,630	7.00%	30
Other Loans	$0	$0	0.00%	30
Other Loans	$0	$0		
LIHTC (tax credits)	$1,363,704	$16,836		
Deferred Developer Fee	$290,254	$3,583		
Developer Equity	$0	$0		
ARCS	*$0*	*$0*	*0.00%*	
CHFA HAT	*$0*	*$0*	*0.00%*	

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1-1	473	3	CHFA - 50%	$595	$26,100
1-1	732	6	CHFA - 50%	$607	$26,100
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2-1	853	8	TCAC - 60%	$800	$35,280
3-1.5	1,078	12	TCAC - 60%	$945	$40,740
		81			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	Security
CHFA/ARCS/FNMA Commitment Fee	0.50%	of Loan Amount	$17,250	Cash
Finance Fee	1.00%	of Loan Amount	$34,500	Cash
Bond Origination Guarantee	1.00%	of Loan Amount	$34,500	Cash or LOC
Rent up Account	0.00%	of Gross Income	$0	0
Operating Expense Reserve	0.00%	of Gross Income	$0	0
Marketing	0.00%	of Gross Income	$0	
Annual Replacement Reserve Deposit	*0.00%*			

Sources and Uses — Citrus Tree

SOURCES:

Name of Lender / Source	Amount	% of total	$ per sq ft	$ per unit
CHFA	3,450,000	54.16%	52.82	42,593
ARCS	1,266,000	19.87%	19.38	15,630
CHFAHAT	0	0.00%	-	0
ARCS	0	0.00%	-	0
Other Loans	0	0.00%	-	0
Other Loans	0	0.00%	-	0
Total Institutional Financing	4,716,000	74.04%	72.20	88,222
Equity Financing				
LIHTC (tax credits)	1,363,704			
Deferred Developer's Fee	290,254	4.56%	4.44	3,583
Developer's Equity	-	0.00%	-	0
Total Equity Financing	1,653,958	25.96%	26.32	20,419
TOTAL SOURCES	6,369,958	100.00%	97.52	78,641

USES:

Acquisition	4,575,000	71.82%	70.04	56,481
Rehabilitation	566,344	8.89%	8.67	6,992
New Construction	0	0.00%	-	0
Architectual Fees	0	0.00%	-	0
Survey and Engineering	6,000	0.09%	0.09	74
Const. Loan Interest & Fees	297,500	4.67%	4.55	3,673
Permanent Financing	150,910	2.37%	2.31	1,863
Legal Fees	15,000	0.24%	0.23	185
Reserves	120,000	1.88%	1.84	1,481
Contract Costs	26,000	0.41%	0.40	321
Construction Contingency	0	0.00%	-	0
Local Fees	0	0.00%	-	0
TCAC/Other Costs	282,360	4.43%	4.32	3,486
PROJECT COSTS	6,039,114	94.81%	92.46	74,667
Developer Overhead / Profit	284,416	4.46%	4.35	3,511
Project Administration	46,428	0.73%	0.71	573
Other	0			
TOTAL USES	6,369,958	100.00%	97.52	78,641

Annual Operating Budget — Citrus Tree

		% of total	$ per unit
INCOME:			
Total Rental Income	729,816	99.4%	9,010
Laundry	3,198	0.4%	39
Other Income	923	0.1%	11
Commercial/Retail	0	0.0%	-
Gross Potential Income (GPI)	733,937.	100.0%	9,061
Less:			
Vacancy Loss	36,697	5.0%	453
Total Net Revenue	**697,240**	**95.0%**	**8,608**
EXPENSES:			
Payroll	31,802	5.3%	393
Administrative	44,983	7.5%	555
Utilities	64,500	10.7%	796
Operating and Maintenance	58,735	9.7%	725
Insurance and Business Taxes	13,000	2.2%	160
Taxes and Assessments	0	0.0%	-
Reserve for Replacement Deposits	14,200	2.4%	175
Subtotal Operating Expenses	**227,220**	**37.6%**	**2,805**
Financial Expenses			
Mortgage Payments (1st loan)	376,508	62.4%	4,648
Total Financial	**376,808**	**62.4%**	**4,648**
Total Project Expenses	**603,728**	**100.0%**	**7,453**

Cash Flow Citrus Tree CHFA # 98-033-S

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year9	Year10
Market Rent Increase	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Market Rents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	3.00%	3.00%	3 . m	3 . m	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Affordable Renta	729,816	751,710	774,262	797,490	821,414	846,057	871,438	897,582	924,509	952,244
TOTAL RENTAL INCOME	729,816	751,711	774,262	797,490	821,414	846,057	871,439	897,582	924,509	952,244
OTHER INCOME										
Other Income Increase	4 . m	4 . m	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Laundry	3,198	3,326	3,459	3.597	3,741	3,891	4,046	4,208	4,377	4,552
Other Income	923	923	923	923	923	923	923	923	923	923
TOTAL OTHER INCOME	4,121	4,249	4,382	4.521	4,664	4.814	4,970	S.132	5,300	5.475
GROSS INCOME	733,937	755,960	778,644	802,010	826,079	850,871	876,408	902,713	929,809	957,719
Vacancy Rate : Market	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Vacancy Rate : Affordable	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	36.697	37,798	38.932	40,101	41,304	42,544	43,820	45.136	46.490	47,886
EFFECTIVE GROSS INCOME	697,240	718.162	739,712	761.910	784,775	808,327	832,588	857,578	883,319	909,833
OPERATING EXPENSES										
Annual Expense Increase	4.00%	4 . m	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	213,020	221,541	230,402	239,619	249,203	259,171	269,538	280,320	291,533	303.194
Replacement Reserve	14,200	14,200	67,600	67.600	84,500	84,500	84,500	84,500	84,500	84,500
Annual Tax Increase	2.00%	2.00%	2.00%	2 . m	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	227,220	235,741	298,002	307,219	333,703	343,671	354,038	364,820	376,033	387,694
NET OPERATING INCOME	470,020	482,421	441,709	454,691	451,072	464,656	478,550	492,758	507,286	522,140
DEBT SERVICE										
First Mortgage (taxexempt & t	376,508	376,508	376,508	376.508	376,508	376,508	376,508	376,508	376,508	376,508
Rehabilitation Loan-Interest Or	29,154	48,487	0	0	0	0	0	0	0	0
CHFA - HAT Loan	0	0	0	0	0	0	0	0	0	0
CASH FLOW after debt **service**	64,358	s7.426	65,201	78,183	74,564	88,148	102,042	116,250	130,778	145,632
DEBT COVERAGE RATIO	1.16	1.14	1.17	1.21	1.20	1.23	1.27	1.31	1.35	1.39

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Cash Flow

RENTAL INCOME	Year11	Year 12	Year 13	Year14	Year15	Year16	Year17	Year 18	Year19	Year 20
Market **Rent** Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Market Renta	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	*3.00%*	*3.00%*	*3 . m*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Affordable Rents	980,812	1,010,236	1,040,543	1,071,759	1,103,912	1,137,030	1,171,140	1,206,275	1,242,463	1,279,737
TOTAL RENTAL INCOME	980,812	1,010,236	1,040,543	1,071,759	1,103,913	1.137.030	1,171,140	1,206,275	1,242,463	1,279,737
OTHER INCOME										
Other *Income Increase*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Laundry	4,734	4,923	5,120	5,325	5,538	5,759	5,990	6,229	6,478	6,737
Other Income	923	923	923	923	923	923	923	923	'923	923
TOTAL OTHER INCOME	5,657	**5,846**	**6,043**	**6,248**	6,461	**6,683**	6,913	7.153	7,402	7,661
GROSS INCOME	**986,469**	1,016,082	**1,046,586**	1,078,008	1,110,373	1,143,712	1,178,053	1,213,427	1,249,865	1,287,398
Vacancy Rate :Market	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
*Vacancy Rate :**Affordable***	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	49,323	50,804	52,329	53,900	55,519	57,186	58,903	60,671	62,493	64,370
EFFECTIVE GROSS INCOME	937,145	965,278	994,257	1,024,107	**1,054,855**	1,086,527	1,119,151	1,152,756	1,187,371	1,223,028
OPERATING EXPENSES										
***Annual Expense** Increase*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4 . m*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	315,322	327,935	341,052	354,694	368,882	383,637	398,982	414,942	431,539	448,801
Replacement **Reserve**	84,500	84,500	84,500	84,500	84,500	84,500	84,500	84,500	84,500	84,500
Annual ***Tax Increase***	*2.00%*	*2.00%*	*2.00%*	*2.00%*	2 . m	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	**399,822**	**412,435**	**425,552**	**439,194**	**453,382**	**468,137**	**483,482**	**499,442**	**516,039**	**533,301**
NET OPERATING INCOME	537,324	552,844	568,705	584,913	601,473	618,390	635,668	653,314	671,332	689,727
DEBT SERVICE										
First Mortgage (taxexempt **& t**	376,508	376,508	376,508	376,508	376,508	376,508	376,508	376,508	376,508	376,508
Rehabilitation Loan-Interest Or	0	0	0	0	0	0	0	0	0	0
CHFA - **HAT** Loan	0	0	0	0	0	0	0	0	0	0
CASH FLOW after debt service	160,816	176.336	192,197	208,405	224,965	241,882	259,160	276,806	294,824	313.219
DEBT COVERAGE **RATIO**	1.43	1.47	1.51	1.55	1.60	1.64	1.69	1.74	1.78	1.83

Cash Flow

RENTAL INCOME	Year21	Year22	Year23	Year24	Year25	Year26	Year 27	Year28	Year29	Year30
Market Rent Increase	*NIA*	*NIA*	*NIA*	*NIA*	*NIA*	*NIA*	*NIA*	*NIA*	*NIA*	*NIA*
Market Renta	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA
Affordable Rent Increase	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Affordable Renta	1,318,129	1,357,673	1,398,403	1,440,355	1,483,566	1,528,073	1,573,915	1,621,132	1,669,766	1,719,859
TOTAL RENTAL **INCOME**	1,318,129	1,357,673	1,398,403	1,440,355	1,483,566	1,528,073	1,573,918	1,621,132	1,669,766	1,719,859
OTHER INCOME										
Other Income Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Laundry	7,007	7,287	7,579	7,882	8.197	8,525	8,866	9,221	9,589	9.973
Other Income	**923**	923	923	923	**923**	**923**	**923**	**923**	923	923
TOTAL OTHER INCOME	7,930	8.211	8,502	**8,805**	9,121	**9,448**	9,789	10,144	10,513	10,896
GROSS INCOME	1,326,059	**1,365,883**	1,406,905	1,449,160	1,492,686	1,537,521	1,583,704	1,631,276	**1,680,279**	**1,730,756**
Vacancy** Rate :**Market	*NIA*	*NIA*	*NIA*	*NIA*	*NIA*	*NIA*	*NIA*	*NIA*	*NIA*	*NIA*
Vacancy *Rate :**Affordable***	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Leas: Vacancy Loss	66.303	68,294	70,345	72,458	74,634	76,876	79.185	81,564	84.014	86,538
EFFECTIVE GROSS INCOME	1,259,756	1,297,589	1,336,560	1,376,702	1,418,052	**1,460,645**	1,504,519	1,549,713	1,596,265	1,644,218
OPERATING EXPENSES										
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	466,753	485,423	504,840	525.034	546,035	567,876	590,592	614,215	638,784	664,335
Replacement Reserve	84,500	84,500	84,500	84,500	84,500	84,500	84,500	84,500	84,500	84,500
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
TOTAL EXPENSES	**551,253**	**569,923**	589,340	609,534	**630,535**	652,376	675,092	698,715	723,284	748,835
NET OPERATING INCOME	708,503	727,666	747.220	767,169	787,517	808,269	829,428	850,997	**872,981**	895,383
DEBT SERVICE										
First Mortgage (taxexempt & t	376,508	376,508	376,508	376,508	376,508	376,508	376,508	376,508	376,508	376,508
Rehabilitation Loan-Interest Or	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
CHFA · **HAT** Loan	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0	0	0
CASH FLOW after debt service	331,995	351,158	370,712	390,661	411,009	431,761	452,920	474,489	496,473	518,875
DEBT COVERAGE RATIO	**1.88**	1.93	1.98	2.04	2.09	2.18	2.20	2.26	2.32	2.38

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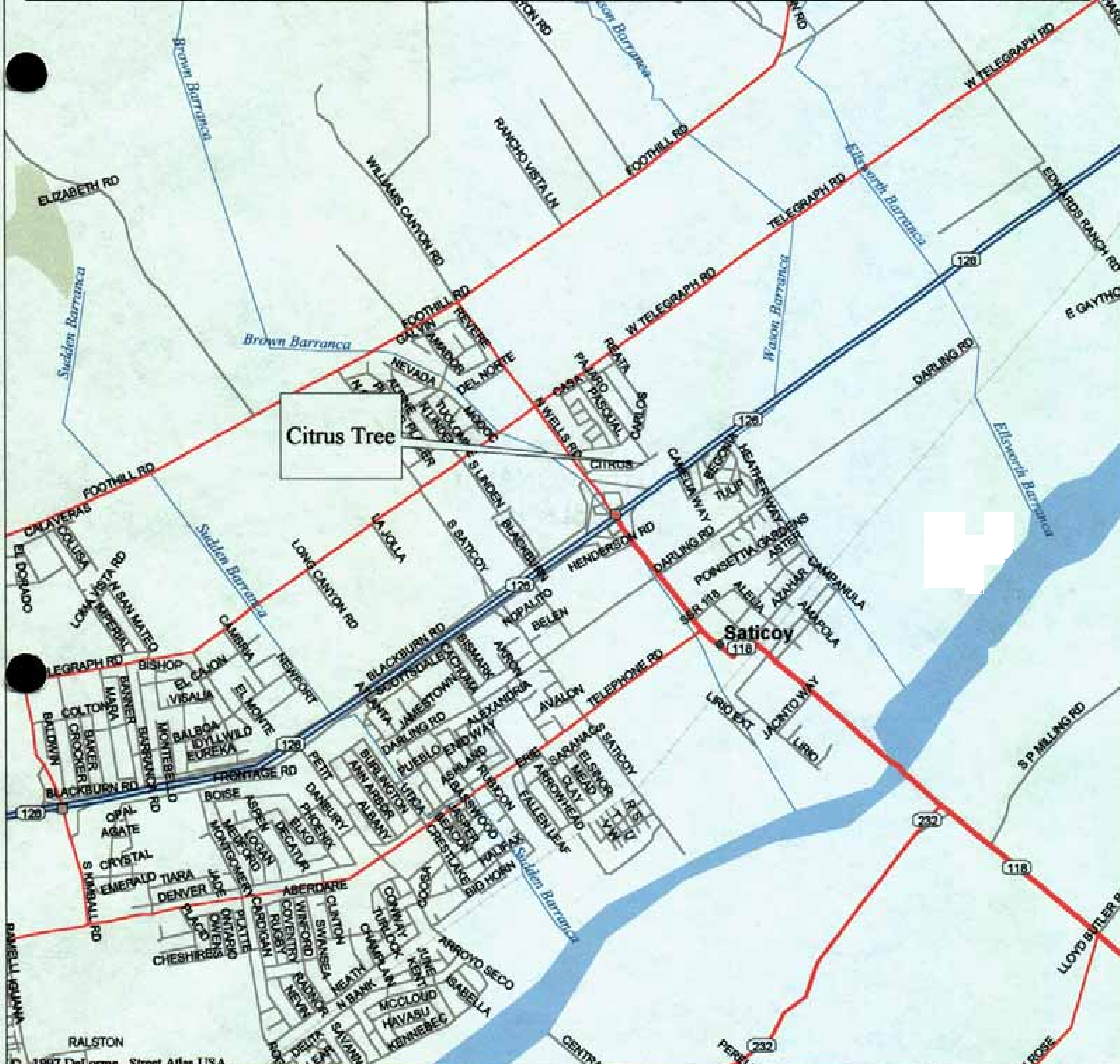
CITRUS TREE APARTMENTS - VENTURA (REGIONAL)

918

Mag 9.00
Wed Feb 24 09:50 1999
Scale 1:1,000,000 (at center)
20 Miles
20 KM

Major Road
Major Highway
Interstate/Limited Access
Toll Highway
Large City
Mega City
City
Sched Service Airport
County Boundary
Population Center
Land
Water
River/Canal

CITRUS TREE APARTMENTS - VENTURA (LOCAL) 920



Mag 14.00
Wed Feb 24 09:31 1999
Scale 1:31,250 (at center)

2000 Feet

1000 Meters

- Local Road
- Major Connector
- State Route
- Primary State Route
- Interstate/Limited Access
- Exit
- Railroad
- Small Town
- Water
- Woodland
- River/Canal

RESOLUTION 99-15

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has reviewed a loan application from KDF Citrus Tree, L.P., a California limited partnership, (the "Borrower"), under the Agency's Tax-Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a mortgage loan for a development to be known as Citrus Tree (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated February 22, 1999 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; 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 17, 1998, 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, based upon the recommendation of staff and due deliberation by the Board, the Board has determined that a final loan commitment be made for the Development,

NOW, THEREFORE, BE IT RESOLVED by the Board:

1. . The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Programs of the Agency is hereby authorized to execute and deliver a final commitment letter, subject to the recommended terms and conditions set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NO.	DEVELOPMENT NAME/ LOCALITY	NO. UNITS	MORTGAGE AMOUNT
98-033-S	Citrus Tree Ventura/Ventura	81	$3,450,000

2. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Programs of the Agency is hereby authorized to increase the mortgage amount so stated in this resolution by an amount not to exceed seven percent (7%) without further Board approval.

3. All other material modifications to the final commitment, including increases in aggregate mortgage amount of more than seven percent (7%), must be submitted to the Board for approval. 'Material modifications" as used herein means modifications which, in the discretion of *the* Executive Director, or in his/her absence, either the Chief Deputy Director *or* the Director of Programs of the Agency, change the legal, 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 99-15 adopted at a duly constituted meeting of the Board of the Agency held on April 7, 1999, at Burbank, California.

ATTEST:________________
Secretary

Executive Summary

Date: 24-Nov-98
03.24.1999

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Project Profile:

Project :	North Hills	*Borrower:*	KDF North Hills, L.P.
Location:	670 E Imperial Highway	*Member*	Foundation for Social Resource
City:	Fullerton	*Member*	KDF Holdings-North Hills,LL(
County:	orange .	*Program:*	Tar Exempt / Conduit
Type:	Family	*CHFA# :*	98-027-S

Financing Summary:

	Final	Per Unit
CHFA	$9,850,000	$48,284
ARCS	$4,450,000	$21,814
Other Loans	$0	$0
Other Loans	$0	$0
LIHTC (tax credits)	$4,288,916	$21,024
Developer's Equity	$0	$0
Deferred Developer's Fee	$745,164	$3,653
ARCS	$0	$0
CHFA HAT	$0	$0

Loan to Value
60.7%

Loan to Cost
50.9%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
2-1.5	740	12	CHFA - 50%	$709	$30,750
2-2	804	4	CHFA - 50%	$709	$30,750
2-2	784	6	CHFA - 50%	$709	$30,750
2-2	838	16	CHFA - 50%	$709	$30,750
3-2	992	3	CHFA - 50%	$781	$34,150
2-1.5	740	17	ADJ - 60%	$743	$36,900
2-2	804	5	ADJ - 60%	$765	$36,900
2-2	784	9	ADJ - 60%	$752	$36,900
2-2	838	23	ADJ - 60%	$765	$36,900
3-2	992	5	ADJ - 60%	$923	$42,600
2-1.5	740	31	TCAC - 60%	$840	$36,900
2-2	804	7	TCAC - 60%	$840	$36,900
2-2	784	17	TCAC - 60%	$840	$36,900
2-2	838	41	TCAC - 60%	$850	$36,900
3-2	992	8	TCAC - 60%	$992	$42,600
		204			

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Final Commitment ~ Conduit Financing
Acquisition Rehabiiitation

North Hills Apartments
570 East Imperial Highway
Fullerton, California 92835-1118
CHFA # 98-027-S

SUMMARY

This is a final commitment request for a conduit loan in the amount of Nine Million Eight Hundred Fifty Thousand Dollars ($9,850,000), to fully amortize over thirty (30) years. The monies will be used, via a conduit lender, to partially fund a first mortgage loan for the North Hills Apartments, an existing two hundred four (204) unit apartment community in Fullerton, Orange County, CA.

The source of the loan funds will be proceeds from tax-exempt bonds issued by the California Housing Finance Agency ("CHFA" or "Agency"). The bond proceeds will be exchanged for Fannie Mae ("FNMA" or "Fannie Mae") Mortgage-Backed Securities ("MBS") issued through the conduit mortgage lender, ARCS Commercial Mortgage Co., L.P., ("ARCS"), a Fannie Mae Delegated Underwriter and Servicer ("DUS"). The MBS will guarantee the timely payment of the conduit loan's principal and interest to CHFA.

The ARCS loan, to North Hills Apartments, will be in the amount of Fourteen Million Three Hundred Thousand Dollars ($14,300,000). ARCS will provide an additional Four Million Four Hundred Fifty Thousand Dollars ($4,450,000) of taxable monies, and the combined first mortgage loan will be evidenced by a note and secured by a deed of trust.

The sponsor will apply for a four percent (4%) allocation of low income housing tax credits.

Tax credit equity will be funded in three stages. Fifty percent (50%) will be funded at permanent loan funding. Forty percent (40%) will be paid upon completion of rehabilitation, with the remaining ten percent (10%) payable at final conversion. Funds for project rehabilitation will be provided by a two (2) year loan from either a commercial bank or the limited partner (tax credit equity syndicator). Security for the loan will be by way of an assignment of the operating general partner's beneficial interest in the partnership backed by a letter of credit from the borrower's bank. Rehabilitation funds will be drawn down, twice a month, on an as-needed basis. Interest on expended funds will be at Prime + 2%, payable monthly from cash flow from project operations. Principal repayment will be payable from the pay-in of low income housing tax credit proceeds.

TERMS

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CHFA Conduit Loan	$9,850,000	
Interest Rate · 7.00%	Cost of Funds	5.30%
	CHFA	0.25%
	FNMA	0.50%
	ARCS	0.95%
	Interest Rate	7.00%
Term	Thirty (30) years, fully amortized	
Financing	Tax Exempt	
DUS Conduit Lender	ARCS Commercial Mortgage Co., L.P.	
Security for Loan	Fannie Mae Mortgage-Backed Securities	

CONDUIT TRANSACTION / MBS

Conduit / MBS Structure

In this transaction CHFA will issue tax-exempt bonds pursuant to bond authority granted by the California Debt Limit Allocation Committee ("CDLAC"). The bonds for the project will be included in the standard Agency pooled bond issue with other projects where CHFA is acting as issuer and credit provider. Proceeds from the bond issue will be exchanged with the DUS conduit lender (ARCS Commercial Mortgage Co., L.P.) who in turn will issue to CHFA, Fannie Mae Mortgage-Backed Securities. The MBS will guarantee the timely payment of principal and interest to CHFA to maintain scheduled payments to the investors. The Mortgage-Backed Securities issued by Fannie Mae will be rated AAA. This will essentially place the Agency in an almost risk-free position in its obligation to maintain debt service to the bond investors.

In its role as conduit issuer of tax-exempt bonds, CHFA elected to require additional elements for this transaction that are consistent with the Agency's overall lending practices and guidelines. The additional requirements focused in the areas of affordability, use of bond allocation, health and safety, and specifically include:

- **Affordability.** In addition to CHFA's standard affordability requirements of 20% of the units at 50% of median, the Agency will require that an additional 29% of the units have rents set at the lesser of 60% of median or 10% below comparable market rents, as determined by CHFA.

- Bond **Allocation.** The Agency requested that the amount of bond allocation be approximately equal to 80% of the rehabilitated value of the project (as determined by CHFA), which represents less than the total financing intended for the property. The balance of the debt will be in the form of taxable financing provided by ARCS Commercial Mortgage Co., L.P. This allocation was reduced by the California Debt Limit Allocation Committee ("CDLAC") to Nine Million Eight Hundred Fifty Thousand Dollars ($9,850,000).

- **Health and Safety.** CHFA will require a level of seismic safety for the projects consistent with the Agency's standards for rehabilitated properties.

- **Regulatory Requirements.** CHFA will serve as regulator of the mortgage revenue bonds and Agency requirements, including but not limited to, bond law compliance, relocation, unit dispersion and fair housing.

LOCALITY INVOLVEMENT

In 1997, the project sponsors approached the City of Fullerton for project approval and tax-exempt financing. The City Council declined approval stating that the project was not offering sufficient affordability. CHFA has held discussions with the City regarding the North Hills Apartments project and have informed them of the Agency's affordability and other requirements. The Agency has attempted to address the concerns of the City of Fullerton in the areas of affordability, relocation, use of bond allocation and rehabilitation standards.

MARKET OVERVIEW

The City of Fullerton is located in northern Orange County. Orange County lies along 42 miles of Southern California Coast between Los Angeles and San Diego Counties, and extends some 25 miles inland. The area covers 798 square miles. The eastern mountain region which includes the Cleveland National Forest is primarily uninhabitable, and the population is mostly contained within 38 square miles of incorporated cities in the northwest corner of the county, and stretching south along the coast. There is a total of 31 individual cities and numerous unincorporated communities.

Orange County has evolved form a rural, agricultural dominated economy, into an urbanized commercial center. Prior to the 1960's, the county was considered to be a bedroom community of Los Angeles County. During the 1950's and 1960's, improvements in the transportation network and economic growth of the region gave rise to the sub-urbanization of the area as the second largest county within the Los Angeles Basin. The population of Orange County was 2,659,300 as of January 1997, which, according to the California Department of Finance, represents approximately 8% of the entire population of the State of California. According to the Forecast and Analysis Center of Orange County, over the next thirty-year period (base year 1990 to horizon year 2020) the county population is projected to increase by approximately 800,000 persons. Most of this growth will occur during the current decade of the 1990's.

The City of Fullerton was incorporated in 1904. The City encompasses an area of 22.2 square miles and has a good land-use balance between residential, commercial and industrial uses. The Cities of La Habra, Anaheim, Placentia and Buena Park border Fullerton.

Based on information from the California Department of Finance the City of Fullerton had a population, as of January 1997, of 122,100, which is a 0.4% increase from the previous year's (1996) figure. The City is anticipated to have a population of 124,997 (2.37% increase from the 1997 estimate) by the year 2000; and a population of 127,031 (4.04% increase from the 1997 estimate) by the year 2005.

The City of Fullerton median household income is approximately $48,000. It has an estimated labor force of 39,050, and an unemployment rate of 5.9%. There are approximately 44,099 housing units and an average rent of $676. The median home value is $231,000. Housing vacancy is at 5%.

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PROJECT DESCRIPTION

Project Location

The subject's area is characterized by mixed development. Within the immediate area are single family and multifamily residential, office, light industrial and retail related uses. The single-family homes in the subject area were constructed before 1990, are generally one and two story wood frame and stucco structures. The apartment complexes were generally developed between 1960 and 1980 and are typically of wood frame and stucco construction.

Development along Imperial Highway is primarily retail/commercial and office buildings. Most of the shopping centers, retail buildings and office buildings were Constructed after 1960 of either wood frame and stucco or concrete block construction and are in average condition. The strip shopping centers typically range in size from 7,500 to 30,000 square feet while the anchored centers tend to be a minimum of 50,000 square feet. The subject property is located in one of the few areas along Imperial Highway (between Harbor Boulevard) and the Orange 57 Freeway) which is developed with single and multifamily development.

site

The subject property is located at 570 East Jmperial Highway. The site is generally rectangular in shape and contains approximately 395,525 square feet, or 9.08 acres. Ingress and egress is from Imperial Highway. The site is improved with a 204 unit, wood frame and stucco apartment project which was constructed in 1971. The project is of average construction quality and condition. Curb appeal is average to minimal.

Improvements

The subject property consists of a 204-unit apartment community with common area amenities, which will undergo rehabilitation after permanent loan funding

The apartment units are contained in twenty-three (23) two-story buildings with tuck-under parking. In addition there are freestanding carports which run along the site perimeter, directly across the driveway which separates the carports from the apartment structures. Common area amenities include a small exercise room, a freestanding recreation building, swimming pool, laundry facilities and landscaping. On-site parking consists of approximately 163 open, 79 tuck-under and 161 carport spaces. The landscaping is of average quality.

The recreation building is not available for use by project tenants because it is leased and occupied by a Montessori pre-school. The school does not serve the needs of the tenants very well because the majority of the tenants cannot afford to enroll their children. Management, however, feels that the school contributes to the overall well being of the community. The school is currently paying $1,200 per month for the facilities, which is below the contract rent per the lease.

The project has a gross building area of 197,463 square feet; and a net rentable area of 165,264 square feet. The 204 units are comprised of 188 two-bedroom units and 16 three-bedroom units. There are four 2-bedroom floor plans, and one 3-bedroom floor plan.

Unit Type		# of units	Square Footage
Plan A	2br - 1.5ba	60	740
Plan B	2br - 2 ba	16	804
Plan C	2br - 2ba	32	784
Plan D	2br - 2ba	80	838
Plan E	3br - 2ba	16	992

PROJECTED SC OF WORK

Exterior Renovation

The common areas and building exterior renovations will be performed by outside vendors. All exterior renovation work will be completed within the first six months of ownership. The renovation will be done in the following order.

- Repair wrought iron
- Install new exterior lighting as needed
- Replace roofs
- Paint the building exteriors (Stucco, wood trim, parapet tile roofs)
- Renovate the swimming pool
- Replace project signage
- Install new landscaping enhancements
- Repair and slurry seal the driveways

Interior Renovation

The interior renovation will be done as units turnover. The average turnover is 60% per year. All of the units will be renovated within two years. During the second year of renovation, management will move residents from non-renovated units to renovated apartments, which will allow for completion of all unit renovations within two years.

Two additional maintenance men will be on-staff during the renovation period to perform the interior renovations. Their job duties will include:

- Remove and replace all appliances
- Remove and replace all interior hardware
- Remove and replace all exposed plumbing fixtures
- Remove and replace all light fixtures, outlets and wall plugs
- Replace all window coverings

Outside vendors will be utilized to:

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- Replace all floor coverings
- Paint the interiors of all apartments
- Clean the interiors of all apartments
- Resurface the tubs

FUNDS *ALLOCATED* TO RENOVATION

Exterior	$ 488,000
Interior	$ 800,700
Contingency	$ 78,530
Labor	$ 180,000
Supervision and Overhead	$ 73,435
TOTAL RENOVATION	**$1,620,665**

The units are electrically heated (ceiling radiant) and have one wall unit air conditioner in the living room. Cooking and domestic hot water is also electric.

The electric hot water heaters are located within the living units or a common exterior ground level enclosure. The heaters are of various brand names and ages, none of which appear to be seismically strapped. The flexible water lines from the heaters into the wall appear to be copper and have mineral deposits at the fittings. There is no line item for replacement of the water heaters. According to management, water heater replacement is budgeted in the annual operating expenses.

There is no renovation line item for heating, major plumbing and electrical. Project management has represented these items to be in good condition and not in need of replacement or repair

PHYSICAL NEEDS ASSESSMENT

Project Resources, Inc. ("PRI") conducted a Physical Needs Assessment ("PNA") for ***ARCS*** Commercial Mortgage Company., L.P. on November **26, 1997.** An update report is dated February **15,1999.**

The subject property is in average condition for its age and usage, and is comparable to other propexties in the area. Management reported the intention to perform an extensive rehabilitation program at the property. A rehabilitation budget was reviewed by PRI and attached to the PNA report. In its PNA report, PRI stated that the rehabilitation budget provided for PRI's review was limited in detail and several of the line items were not specific regarding the intended usage of funds (i.e. plumbing, electrical); however, the provided costs appeared adequate for the intended scope of work.

ENVIRONMENTAL

A Phase I Environmental Assessment Report ("Report"), dated November ***26, 1997,*** was prepared by Project Resources Inc. for ***ARCS*** Affordable Housing. **An** update report is dated 932 February ***15,1999.***

The Report indicates the presence of lead concentrations in paint samples, which are within acceptable levels as determined by Fannie Mae. Based on Fannie Mae standards, no further action or investigation is necessary. Information contained in regulatory agency databases reviewed for the Report indicated that asbestos abatement/removal activities occurred at the subject in ***1995.*** The recommended option for addressing the presence of asbestos containing material ("ACM) is the development and implementation of an asbestos Operations and Maintenance **("O&M")** program. The Report concludes that no significant environmental concerns were identified regarding the prior use of the subject property. No further investigation is recommended.

OCCUPANCY RESTRICTIONS

California Housing Finance Agency	Twenty percent ***(20%)*** of the units will be restricted to households with incomes no greater than ***50%*** of area median income
California Housing Finance Agency	Twenty-nine ***(29%)*** of the units will be restricted to households with incomes no greater than 60% of area median income; and to rents the lesser of 60% of area median income rents, or market rate rent less 108, as determined by CHFA.
California Tax Credit Allocation Committee	One **Hundred** percent (100%) of the units will be restricted to households with incomes no greater than 60% of **area** median income.

ARTICLE XXXIV

A satisfactory opinion letter **will be** required prior to loan close.

CONDUIT LENDER - ARCS COMMERCIAL MORTGAGE CO., L.P.

ARCS Commercial Mortgage Co., L.P. ("ARCS"), was created in ***1995*** when a group of investors, headed by the founder and CEO of ARCS Mortgage, Inc ("AMI"), purchased the commercial mortgage division from The **Bank** of New York. The company **has** expanded rapidly and now **has a staff** of over 100 people and twelve branches across the nation. The company is divided into **three** distinct divisions **to** serve the specialized needs of borrowers: multifamily and **co-op** buildings, affordable housing, and the full range of investment properties including office buildings, shopping centers, industrial parks **and** hotels.

933 ARCS Commercial Mortgage Co., L.P., currently services over $3 billion in income producing properties (more than 700 loans) for Fannie Mae, Freddie Mac and other institutional investors in 34 states throughout the United States. These loans are conventional and tax-exempt of both fixed and adjustable contract rates. ARCS is one of a small group of lenders designated a Fannie Mae Delegated Underwriter and Servicer ("DUS").

FANNIE MAE

The Federal National Mortgage Association ("FNMA" or "Fannie Mae") is actively involved in multifamily affordable lending as both a direct portfolio investor and by supplying credit guarantees. The credit guarantees, in the form of Fannie Mae issued Mortgage-Backed Securities ("MBS") provides a 100% guarantee of timely payment of interest and principal to the purchasers of the MBS.

PROJECT SPONSOR - NORTH HILLS APARTMENTS, L.P.

Borrower's Profile

KDF North Hills. L.P.. a California limited partnership

KDF North Hills, L.P., a California limited partnership was organized to acquire and operate North Hills Apartments. The general partners are:

Managing General Partner
The Foundation For Social Resources, Inc., a Delaware not-for-profit corporation

The Foundation For Social Resources, Inc. ("Foundation") was formed in 1988, and currently owns or has a beneficial interest in 35 apartment complexes comprising approximately 6,000 units. The Foundation is located in Costa Mesa California. Mr. William Hirsch is President of the foundation.

Operating General Partner
KDF Holdings - North Hills LLC, a California limited liability company

KDF Holdings - North Hills LLC ("KDF-NH") is comprised of the principals of Village Investments ("VI") and Partners Realty Capital ("PRC"). PRC is a real estate investment firm which was founded by its managing director, Paul Fruchbom. The principals of PRC formed KDF Holdings, which specializes in the acquisition and rehabilitation of tax credit/bond financed apartment projects. Since 1995, PRC has participated, as either a mortgage banker or principal, in over $150,000,000 of tax credit and/or bond financed projects.

Paul Fruchbom, Managing Director, has been involved in commercial mortgage banking for over 19 years. Prior to forming PF Realty Finance in 1994, (PRC's predecessor) Mr. Fruchbom served as Vice President of Mortgage Banking at Grubb & Ellis Financial Services. Mr. Fruchbom graduated from Bucknell University and Georgetown Law School. He is a licensed California real estate broker, as well as a member of various professional organizations including, the Mortgage Banker's Association of America, the

Federal Bar, Commercial and Industrial Development Association and, the National Association of Industrial and Office Parks.

Management Agent

Village Property Management, Inc. (VPI) is a full service residential property management company. VPI was established by Philip H.Mc Namee in 1965 to manage his personal investments of single family homes. Between 1992 and 1979, Mr. McNamee, through limited partnerships, purchased over 900 single family homes in Orange County. In 1978 Mr. McNamee expanded his operations to include fee management of multifamily apartment developments.

Mr. Scott J. Barker, President, has been associated with VPI since 1976. He originally established all corporate, project, and partnership accounting procedures. He remains active in the supervision of all aspects of asset and property management.

Over the past ten years, Village Property Management, Inc. has renovated over 2,000 units, and will oversee the rehabilitation of North Hills Apartments.

Project Summary

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Date: 11-17-1998
03.24.1999

Project Profile:

Project: North Hills
Location: 570 E Imperial Highway
Fullerton
County/Zip: Orange 92835-1118
Borrower: KDF North Hills, L.P.
Member: Foundation for Social Resources
Member: KDF Holdings-North Hills, LLC
Program: Tax Exempt / Conduit
CHFA #: 98-027-S

Appraiser: M. Abergel / T Pollard
Abergel & Associates
Cap Rate: 8.25%
Market: $ 16,225,000
Income: $
Final Value: $ 16,225,000

LTC/LTV:
Loan/Cost 50.9%
Loan/Value 60.7%

Project Description:

Units	204
Handicap Units	0
Bldge Type	Rehabilitation
Buildings	25
Stories	2
Gross Sq Ft	197,463
Land Sq Ft	595,525
Units/Acre	22
Total Parking	403
Covered Parking	240

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA	$9,850,000	$48,284	7.00%	30
ARCS	$4,450,000	$21,814	7.00%	30
Other Loans	$0	$0	0.00%	30
Other Loans	$0	$0		
LIHTC (tax credits)	$4,288,916	$21,024		
Deferred Developer Fee	$745,164	$3,653		
Developer Equity	$0	$0		
ARCS	$0	$0	0.00%	-
CHFA HAT	$0	$0	0.00%	-

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
2-1.5	740	12	CHFA - 50%	$709	$30,750
2-2	804	4	CHFA - 50%	$709	$30,750
2-2	784	6	CHFA - 50%	$709	$30,750
2-2	838	16	CHFA - 50%	$709	$30,750
3-2	992	3	CHFA - 50%	$781	$34,150
2-1.5	740	17	ADJ - 60%	$743	$36,900
2-2	804	5	ADJ - 60%	$765	$36,900
2-2	784	9	ADJ - 60%	$752	$36,900
2-2	838	23	ADJ - 60%	$765	$36,900
3-2	992	5	ADJ - 60%	$923	$42,600
2-1.5	740	31	TCAC - 60%	$840	$36,900
2-2	804	7	TCAC - 60%	$840	$36,900
2-2	784	17	TCAC - 60%	$840	$36,900
2-2	838	41	TCAC - 60%	$850	$36,900
3-2	992	8	TCAC - 60%	$992	$42,600
		204			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	Security
Commitment Fee	0.50%	of Loan Amount	$49,250	Cash
Finance Fee	1.00%	of Loan Amount	$98,600	Cash
Bond Origination Guarantee	1.00%	of Loan Amount	$98,500	Cash or LOC
Rent Up Account	0.W	of Gross Income	$0	0
Operating Expense Reserve	0.00%	of Gross Income	$0	0
Marketing	0.00%	of Gross Income	$0	
Annual Replacement Reserve Deposit	0.00%			

Sources and Uses

North Hills

SOURCES:

Name of Lender / Source	Amount	% of total	$ per sq ft	$ per unit
CHFA	9,850,000	50.95%	49.88	48,284
ARCS	4,450,000	23.02%	22.54	21,814
CHFAHAT	0	0.00%	-	0
ARCS	0	0.00%	-	0
Other Loans	0	0.00%	-	0
Other Loans	0	0.00%	-	0
Total Institutional Financing	**14,300,000**	**73.96%**	**72.42**	**70,098**
Equity Financing				
LIHTC (tax credits)	4,288,916			
Deferred Developer's Fee	745,164	3.85%	3.77	**3,653**
Developer's Equity		0.00%	-	0
Total Equity Financing	**5,034,080**	**26.04%**	25.49	**24,677**
TOTAL SOURCES	19,334,080	100.00%	97.91	**94,775**

USES:

	Amount	% of total	$ per sq ft	$ per unit
Acquisition	15,400,000	79.65%	77.99	75,490
Rehabilitation	1,620,665	8.38%	8.21	7,944
New Construction	0	0.00%	-	0
Architectual Fees	0	0.00%	-	0
Survey and Engineering	6,000	0.03%	0.03	29
Const. Loan Interest & Fees	0	0.00%	-	0
Permanent Financing	279,375	1.44%	1.41	1,369
Legal Fees	15,000	0.08%	0.08	74
Reserves	809,580	4.19%	4.10	3,969
Contract Costs	29,000	0.15%	0.15	142
Construction Contingency	0	0.00%	-	0
Local Fees	0	0.00%		0
TCAC/Other Costs	66,875	0.29%	0.29	279
PROJECT **COSTS**	**18,216,495**	**94.22%**	**92.25**	88,297
Developer Overhead / Profit	890,427	4.61%	4.51	4,365
Project Administration	227,158	1.17%	1.15	1,114
Other	0			
TOTAL USES	**19,334,080**	**100.00%**	**97.91**	**94,775**

Annual Operating Budget — North Hills

		% of total	$ per unit
INCOME:			
Total Rental Income	1,964,460	98.0%	9,630
Laundry	23,640	1.2%	116
Other Income	16,020	0.8%	79
Commercial/Retail	0	0.0%	-
Gross Potential Income (GPI)	**2,004,120**	**100.0%**	8,824
Less:			
Vacancy Loss	100,206	5.0%	491
Total Net Revenue	**1,903,914**	**95.0%**	9,333
EXPENSES:			
Payroll	108,012	6.5%	529
Administrative	129,501	7.8%	635
Utilities	50,000	3.0%	245
Operating and Maintenance	162,050	9.7%	794
Insurance and Business Taxes	20,400	1.2%	100
Taxes and Assessments	0	0.0%	-
Reserve for Replacement Deposits	51,000	3.1%	250
subtotal operating Expenses	**520,963**	31.3%	**2,554**
Financial Expenses			
Mortgage Payments (1st loan)	1,141,659	68.7%	5,596
Total Financial	1,141,659	**68.7%**	5,596
Total Project Expenses	**1,662,622**	**100.0%**	**8,150**

North Hills	CHFA # 98-027-S									
RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Yeu 8	Year 9	Year 10
Market Rent Increase	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Market Rents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	3.00%	3 . m	3.00%	3.00%	3.00%	3 . m	3 . m	3.00%	3.00%	3.00%
Affordable Rents	1,964,460	2,023,394	2,084,096	2,146,618	2,211,017	2,277,348	2,345,668	2,416,038	2,488,619	2,563,175
TOTAL RENTAL **INCOME**	1,964,460	2,023,394	2,084,096	2,146,619	2,211,017	2,277,348	2,345,668	2,416,038	2,488,519	2,563,175
OTHER INCOME										
Other Income Increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4 . m	4.00%
Laundry	23,640	24,586	25.669	28,692	27,655	28,762	29,912	31,109	32,363	33,647
Other Income	16,020	16,020	16,020	16,020	16,020	16,020	16,020	16,020	16,020	16,020
TOTAL OTHER INCOME	39,660	40,606	41,589	42,612	43,675	44,782	45,932	47,129	48,373	49,667
GROSS INCOME	2,004,120	2,063,999	2,125,685	2,189,230	2,254,693	2,322,129	2,391,600	2,463,167	2,536,892	2,612,842
Vacancy Rate : Market	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Vacancy Rate : Affordable	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	100,206	103,200	106,284	109,462	112,736	116,106	119,580	123,158	126,846	130,642
EFFECTIVE GROSS INCOME	1,903,914	1,960,799	2,019,400	2,079,769	2,141,958	2,206,023	2,272,020	2,340,008	2,410,048	2,482,200
OPERATING EXPENSES										
Annual Expense Increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4 . m	4.00%	4.00%	4.00%
Expenses	469,963	488,762	508,312	528,644	549,790	571,782	594,653	618,439	643,177	668,904
Replacement Reserve	51,000	51,000	67,600	67,600	84,500	84,500	84,500	84,500	84,500	84,500
	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	520,963	539,762	575,912	596,244	634,290	656,282	679,153	702,939	727,677	753,404
NET OPERATING INCOME	1,382,951	1,421,038	1,443,488	1,483,524	1,507,668	1,549,741	1,592,867	1,637,069	1,682,371	1,728,796
DEBT SERVICE										
First Mortgage (tax exempt & t	1,141,669	1,141,659	1,141,669	1,141,669	1,141,669	1,141,659	1,141,669	1,141,659	1,141,659	1,141,659
Rehabilitation **Loan-Interest Or**	70,610	132,632	0	0	0	0	0	0	0	0
CHFA - HAT **Loan**	0	0	0	0	0	0	0	0	0	0
CASH FLOW after debt service	170,682	146,747	301,829	341,865	366,009	408,082	451,208	495,410	540,712	587,137
DEBT **COVERAGE** RATIO	1.14	1.12	1.26	1.30	1.32	1.36	1.40	1.43	1.47	1.51

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RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Market Rent Increase	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA
Market Rents	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA
Affordable Rent Increase	3.00%	3 . m	3 . m	3.00%	3.00%	3 . m	3 . m	3.00%	3.00%	3.00%
Affordable Renta	2,640,070	2,719,272	2,800,850	2,884,876	2,971,422	3,060,565	3,152,382	3,246,963	3,344,362	3,444,693
TOTAL RENTAL INCOME	2,640,070	2,719,272	2,800,850	2,884,876	2,971,422	3,060,565	3,152,382	3,246,953	3,344,362	3,444,693
OTHER INCOME										
Other Income Increase	4.00%	4 . m	4 . m	4.00%	4.00%	4.00%	4.00%	4 . m	4 . m	4.00%
Laundry	34,993	36,393	37,848	39,362	40.937	42,674	44,277	46,048	47,890	49,806
Other Income	16,020	16,020	16,020	16,020	16,020	16,020	16,020	16,020	16,020	16,020
TOTAL OTHER INCOME	51,013	52.413	53,868	55,382	56,957	58,594	60,297	62,068	63,910	65,826
GROSS INCOME	2,691,083	2,771,685	2,854,719	2,940,258	3,028,379	3,119,159	3,212,679	3,309,021	3,408,272	3,510,518
Vacancy Rate : Market	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA	NIA
Vacancy Rate : Affordable	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	134.664	138,584	142.736	147.013	161,419	166,968	160.634	165,451	170.414	176,626
EFFECTIVE GROSS INCOME	2,556,529	2,633,101	2,711,983	2,793,245	2,876,960	2,963,201	3,052,045	3,143,570	3,237,858	3,334,993
OPERATING EXPENSES										
Annual ***Expense Increase***	4 . m	4 . m	4.00%	4.00%	4 . m	4.00%	4.00%	4.00%	4.00%	4 . m
Expenses	695,660	723,486	762,426	782,623	813,824	846,377	880,232	915,441	952,059	990,141
Replacement Reserve	84,500	84,500	84,500	84,500	84,500	84,500	84,500	84,500	84,500	84,500
	2 . m	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	780,160	807,986	836,926	867,023	898,324	930,877	964,732	999,941	1,036,559	1,074,641
NET OPERATING INCOME	1,776,369	1,825,114	1,875,057	1,926,222	1,978,636	2,032,324	2,087,313	2,143,629	2,201,300	2,260,351
DEBT SERVICE										
First Mortgage (tax exempt & t	1,141,669	1,141,669	1,141,669	1,141,659	1,141,659	1,141,659	1,141,659	1,141,669	1,141,659	1,141,659
Rehabilitation **Loan-Interest** Or	0	0	0	0	0	0	0	0	0	0
CHFA- HAT **Loan**	0	0	0	0	0	0	0	0	0	0
CASH FLOW after debt service	634,710	683,455	733,398	784,563	836,977	890,665	945,654	1,001,970	1,059,640	1,118,692
DEBT COVERAGE RATIO	1.56	1.60	1.64	1.69	1.73	1.78	1.83	1.88	1.93	1.98

RENTAL INCOME	Year21	Year 22	Year 23	Year24	Year 25	Year 26	Year 27	Year28	Year29	Year 30
Market ***Rent Increase***	***N/A***	***N/A***	***NIA***	***NJA***	***N/A***	***N/A***	***N/A***	***N/A***	***N/A***	***N/A***
Market Rents	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	NIA	**N/A**	**N/A**	NIA	**N/A**
Affordable Rent Increase	***3.00%***	***3.00%***	***3.00%***	*3 . m*	*3 . m*	***3.00%***	*3 . m*	***3.00%***	***3.00%***	***3.00%***
Affordable Renta	3,548,033	3,654,474	3,764,109	3,877,032	3,993,343	4,113,143	4,236,537	4,363,633	4,494,542	4,629,379
TOTAL RENTAL INCOME	**3,548,033**	3,654,474	3,764,109	**3,877,032**	**3,993,343**	4,113,143	4,236,537	**4,363,633**	4,494,542	4,629,379

OTHER INCOME										
Other Income Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4 . m*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Laundry	51,798	63,870	56,025	58,266	60.697	63,020	65,541	68,163	70,889	73,726
Other Income	16,020	16,020	16,020	16,020	16,020	16,020	16,020	16,020	16,020	16,020
TOTAL OTHER INCOME	67,818	69,890	72,045	74,286	76,617	79,040	81,561	84,183	86,909	89,745
GROSS **INCOME**	3,615,851	3,724,364	**3,836,153**	3,951,318	4,069,959	**4,192,183**	4,318,098	4,447,816	4,581,452	4,719,124
Vacancy Rate : Market	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Vacancy Rate : Affordable	***5.00%***	*5 . m*	***5.00%***	*5 . m*	***5.00%***	***5.00%***	6 . M	6 . M	***5.00%***	***5.00%***
Less: Vacancy Loss	**180,793**	**186,218**	**191,808**	**197,566**	**203,498**	**209,609**	**215,905**	**222,391**	**229,073**	**235,956**
EFFECTIVE GROSS INCOME	**3,435,059**	**3,538,146**	**3,644,346**	**3,753,752**	**3,866,461**	**3,982,574**	**4,102,194**	**4,225,425**	**4,352,379**	**4,483,167**

OPERATING EXPENSES										
Annual ***Expense Increase***	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4 . m*	*4.00%*	*4 . m*	*4 . m*	*4.00%*	*4.00%*
Expenses	1,029,747	1,070,937	1,113,774	1,158,325	1,204,658	1,252,844	1,302,958	1,355,077	1,409,280	1,465,651
Replacement **Reserve**	**84,500**	**84,500**	*84,600*	**84,500**	**84,500**	**84,500**	**84,500**	**84,500**	**84,500**	**84,500**
	2 . m	*2.00%*	*2.00%*	2 . m	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2 . m*	*2.00%*
Taxes and Assessments	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL EXPENSES	**1,114,247**	**1,155,437**	**1,198,274**	**1,242,825**	**1,289,158**	**1,337,344**	**1,387,458**	**1,439,577**	**1,493,780**	**1,550,151**
NET OPERATING INCOME	**2,320,812**	**2,382,709**	**2,446,072**	**2,510,927**	**2,577,303**	**2,645,230**	**2,714,735**	**2,785,849**	**2,858,600**	**2,933,017**

DEBT SERVICE										
First Mortgage (tax exempt & t	1,141,669	1,141,669	1,141,669	1,141,659	1,141,659	1,141,669	1,141,669	1,141,669	1,141,659	1,141,659
Rehabilitation **Loan-Interest** Or	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
CHFA - HAT Loan	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
CASH **FLOW after debt service**	1,179,153	1,241,050	1,304,413	1,369,268	1,435,644	1,503,571	1,573,076	1,644,190	1,716,941	**1,791,358**
DEBT **COVERAGE** RATIO	2.03	2.09	2.14	2.20	2.26	2.32	2.38	2.44	2.50	2.57

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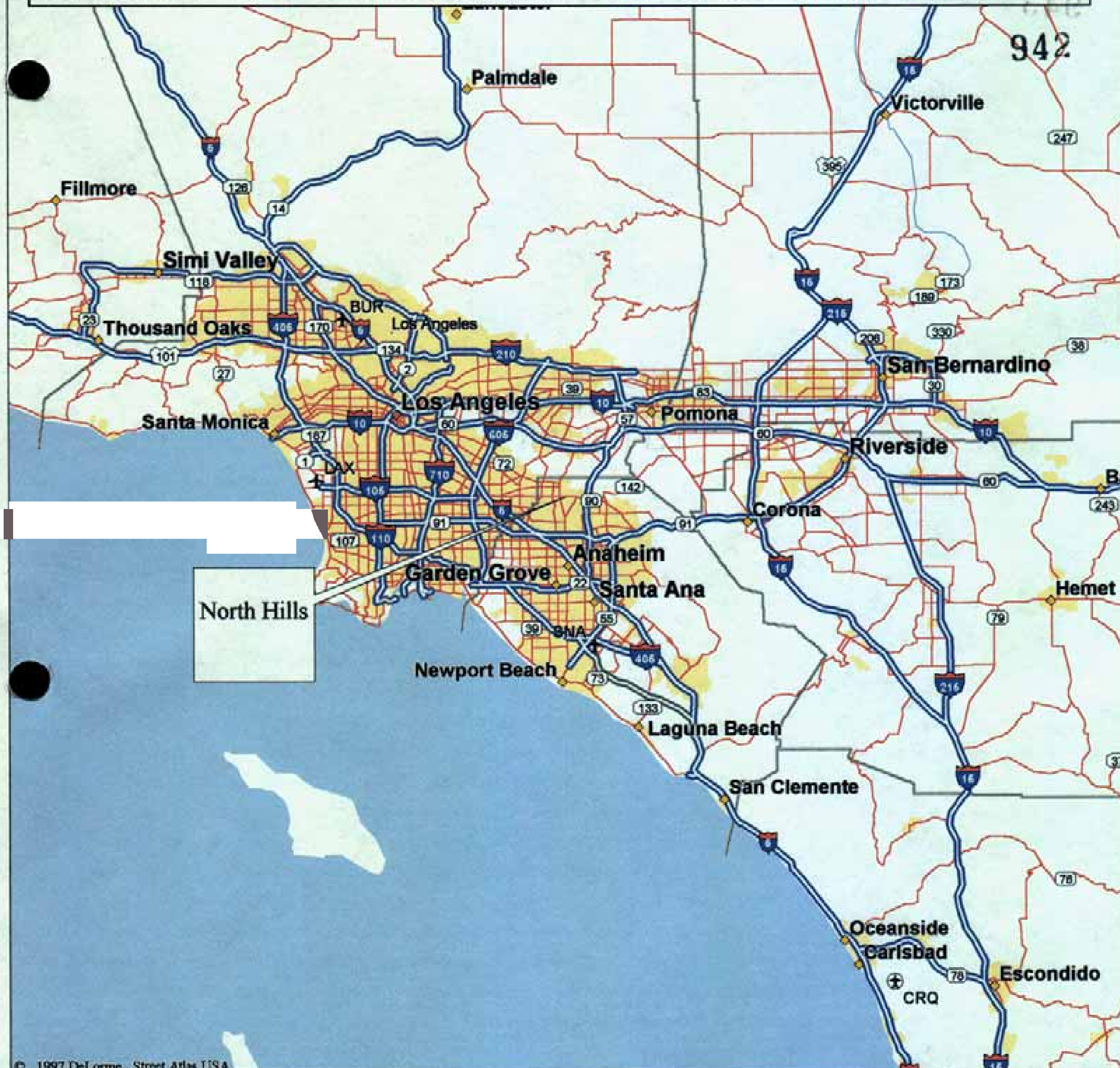
NORTH HILLS APARTMENTS - FULLERTON (REGIONAL)

942



Mag 9.00
Wed Feb 24 10:34 1999
Scale 1:1,000,000 (at center)

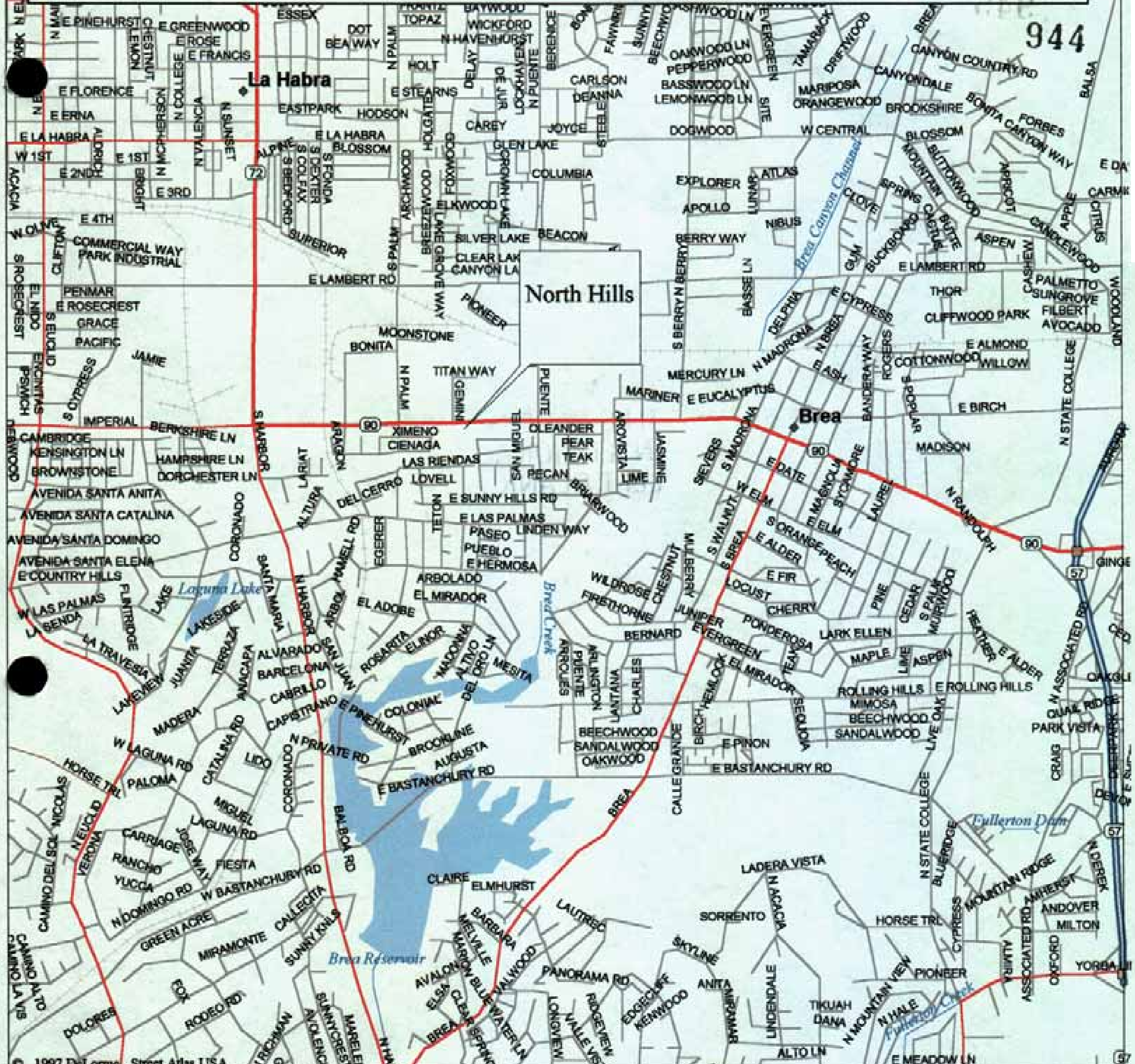
20 Miles

20 KM

Major Road	Public Airport
Major Highway	County Boundary
Interstate/Limited Access	Population Center
Toll Highway	Land
Large City	Water
Mega City	River/Canal
City	
Sched Service Airport	

NORTH HILLS APARTMENTS - FULLERTON (LOCAL)

944



Mag 14.00
Wed Feb 24 10:09 1999
Scale 1:31,250 (at center)
2000 Feet
1000 Meters

Local Road
Major Connector
State Route
Walkway/Stairway
Trail
Interstate/Limited Access
Exit
Railroad
Small Town
Water
River/Canal

RESOLUTION 99-16

RESOLUTION AUTHORIZING A *FINAL LOAN* COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has reviewed a loan application from KDF North Hills, L.P., a California limited partnership, (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a mortgage loan for a development to be known as North Hills Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated February 22, 1999 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; 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 17, 1998, 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, based upon the recommendation of staff and due deliberation by the Board, the Board has determined that a final loan commitment be made for the Development,

NOW, THEREFORE, BE IT RESOLVED by the Board:

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of *Programs* of the Agency is hereby authorized to execute and deliver a final commitment letter, subject to the recommended terms and conditions set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NO.	DEVELOPMENT NAME/ LOCALITY	NO. UNITS	MORTGAGE AMOUNT
98-027-S	North Hills Apartments Fullerton/Orange	204	$9,850,000

Resolution 99-16
Page 2

2. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Programs of the Agency is hereby authorized to increase the mortgage amount so stated in this resolution by an amount not to exceed seven percent (7%) without further Board approval.

3. **All other material modifications to the final commitment, including increases** in aggregate mortgage amount of more than seven percent (7%), must be submitted to the Board for approval. "Material modifications" as used herein means modifications which, in the discretion of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Programs of the *Agency,* change the legal, 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 99-16 adopted at a duly constituted meeting of the Board of the Agency held on *April* 7, 1999, at Burbank, California.

ATTEST:_______________
Secretary

Executive Summary

Date: 22-Feb-99

Project Profile:

Financing Summary:

CHF'A First Mortgage	$4,400,000	$61,111
Land Loan-SGV Partners	$500,000	$6,944
City Redevelopment Agency	$100,000	$1,389
Other Loans	$0	$0
VSR Phase I-Ops. Reserve	$500,000	$6,944
Contributed Seller Equity	$533,963	$7,416
Tax Credits	$0	$0
CHFA Bridge	$0	$0
CHFA HAT	$0	$0

to cost

Unit Mix:

Type	Units	Beds	Rent	Care	Meals	Total
Studio						
50% CHFA	5	7	$461	Incl.	$450	$911
Assisted Living	20	24	$1,420	$900	$450	$2,770
One Bedroom						
50% CHFA	1	1	$593	Incl.	$450	$1,043
Assisted Living	3	3	$1,600	$900	$450	$2,950
Two Bedroom						
50% CHFA	2	4	$593	Incl.	$450	$1,043
Assisted Living	9	18	$950	$900	$450	$2,300
Subtotals	40	57				

Index:

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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment
Villa San Ramon, Phase II
CHFA No. 96-021-N

SUMMARY:

This is a final commitment request for a $4,400,000 permanent loan for Villa San Ramon, Phase 11, a proposed 40-unit assisted living senior apartment project. The project is located at 9199 Fircrest Lane, City of San Ramon, Contra Costa County.

TERMS:

1st Mortgage:	$4,400,000
Interest Rate:	6.05%
Term:	35 year fixed, fully amortized

LOCALITY INVOLVEMENT:

The Redevelopment Agency of San Ramon approved additional subsidies for the eight very low income units of Phase II on September 10, 1996. The basic terms provide for a subsidy term of 15 years. There will be a monthly subsidy totaling $6,200 comprised of the following two parts: A cash payment of $3,000 per month to the phase II project, and a debt forgiveness against the Redevelopment loan on phase I of $3,200 per month. The Redevelopment Agency will also loan $100,000 for 10 years to the project to be treated as additional capital and used toward the construction of the project. This loan will be subordinated to CHFA's loan.

COMMUNITY OVERVIEW:

San Ramon is located on Contra Costa County's 680 Freeway corridor, approximately 20 miles southwest of the San Francisco/Oakland metropolitan area.

SITE AND PROJECT:

Villa San Ramon's existing Phase I encompasses 120-units currently housing a mix of 87 independently living beds and **57** assisted living beds. The owners are proposing to build a Phase I1 expansion wing (separate building) that would be comprised of **40** units with 57 beds entirely for assisted living residents.

When this expansion is completed, management plans to transfer approximately 20 assisted living residents currently in Phase I to the new Phase II wing, freeing up 13 units and 21 beds in the Phase I area for reversion back to independent living status. Thus, upon completion of Phase II, Villa San Ramon's management will be required to lease-up approximately 21 independent living beds in the Phase I area and 37 assisted living beds in the new Phase II wing, for a total of 58 beds.

Phase II will contain **40** units comprised of 25 studios, **4** one-bedroom, and 11 two-bedrooms units (of the total, eight (12 beds) are restricted rental units). Phase II will be attached to the northern portion of Phase I, will be of three story construction as well, matching Phase I's contemporary architectural styling. All existing and proposed units have a full bath and kitchenette.

PHASE I:

CHFA provided the permanent financing of $13,500,000 on Phase I of Villa San Ramon. This loan was restructured in **1994** when the project experienced difficulty in meeting lease-up projections. A stepped rate loan was put in place by CHFA along with a residual receipts agreement, various reserve funds, a note to CHFA for the repayment of subsidies and lost income. The project owners also deferred much of their return on investment until the project had stabilized. The Agency also encumbered the land intended for Phase I1 with the condition that Phase I be financially stable and CHFA approve the design and financial structure of the second phase before development can commence.

The Agency is owed approximately $1.7 million under the subsidy repayment agreement. The balance of the subsidy is expected to grow for approximately 10 more years before the project's increased interest rate and residual cash contribution begin to reduce the balance. The development of Phase II will shorten the repayment of the Phase 1 subsidy through the capture of **90%** of the Phase II residual cash.

MARKET:

A. Market Profile

Villa San Ramon currently serves both independent living and assisted living residents, and in the future may also offer a "special needs" area. These distinct levels of care are defined below for purposes of understanding how they are used in the market.

Independent Living: Independent living ("IL") offers a full range of services, including meal service, scheduled transportation, housekeeping, flat linen service, activities, etc, and use of the common area amenities. This level of care is typically for senior first entering the continuing care facility, with few limitations on activity. Demand is most likely based on lifestyle decision, and not "need driven". As IL residents "age in place", they may move on to assisted living or other more intensive care levels.

Assisted Livinn: Assisted living ("AL") offers all of the services of IL units with an added dimension of care. AL provides limited, non-medical assistance to person with some limitations on the activities of daily living ("ADLs") due to some chronic health impairment. ADLs are defined as bathing, dressing, eating, transferring from bed or chair, walking, getting outside, and using the toilet. Assistance and supervision are generally provided in such areas as dressing, bathing, diet, ambulating, and supervision of the self-administrating or medication.

B. Housing Supply

Existing Facilities: According to the market study, there are only four existing facilities within the market area (comprised of a ten-mile ring around the subject site) offering either independent living, assisted living, Alzheimer's care and/or a vertically integrated combination of the above. These projects contain a total of 440 beds, as noted below.

Existing Facilities
Number of Beds

Facility	Indep. Liv.	Asst. Living	Alzheimers	Total
Villa S. R. I	116	30	0	146
Diablo Lodge	0	121	0	121
Edan Villa	0	92	0	92
Rosewood Gardens	0	81	0	81
Total Facilities	116	324	0	440

Villa San Ramon - Phase I: The subject property would be an expansion to this existing 120-unit facility. It currently is comprised of 87 independent living beds and 57 assisted living beds, and is distinguished by its comparatively large unit sizes. The configuration shown above would be the configuration after completion of the phase II expansion. Monthly charges range from $1,695 to $3,095 for independent living and fiom $1,830 to $2,950 for assisted living, with variations based on unit size, layout and view. The facility consistently operates at or near full occupancy, and is required by development agreement to set aside 20% of its unit for low income residents.

Diablo Lodge (Danville): This facility consists of 121 beds for assisted living, with monthly charges ranging fiom $1,795 to $3,895. Occupancy is typically at or near 100%, and the facility is 100% private-pay.

Eden Villa (Castro Valley): This facility is comprised of 92 beds for assisted living, and monthly charges range from $1,450 to $2,600. Occupancy is typically at or near 100%, and the facility is 100% private-pay.

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Rosewood Gardens (Livermore): This facility consists of 81 beds for assisted living, with monthly charges ranging fiom $1,500 to $1,700. It was recently purchased by Transamerica and renovated. Assisted living residents are charged rates of $1,825 to $2,625. Occupancy is typically 95% and the facility is 100% private-pay.

Planned Facilities: In addition to the existing facilities, six new state-of-the-art senior facilities are in the planning stage or have been recently completed within the subject's market area. These six proposed competitive facilities have a total of 406 beds.

Proposed Facilities
# of Beds

Facility	IL	AL	ALZ	Total
Merrill of SR	0	42	0	42
Merrill of Danville	0	30	0	30
Valley Alzheimers	0	0	42	42
Sunrise at Danv	0	57	33	90
Eden Villa	0	82	0	82
Bridge Project	0	80	40	120
Total Facilities	0	291	115	406

Merrill Gardens of San Ramon: This facility is a renovation of the former San Ramon Lodge. The facility contains **42** beds for assisted living with estimated average charges of $2,500 per month, and is owned and operated by a Washington State based Retirement Corp.

Merrill Gardens of Danville: This facility is a renovation of the former Greenhills Villa. It offers just **30** beds, all for assisted living with an estimated average monthly charge of **$2,500.**

Valley Alzheimer's (Danville): This is a development proposed by the owners of Diablo Lodge, and is approved for **42** beds exclusively for Alzheimer's care. Average monthly charges are estimated to be **$3,000.** Danville planners estimate project completion in ***1999.***

Sunrise of Danville: This proposed development is approved for **76 units** and ***90* beds,** to be split between assisted living **(75%)** and Alzheimer's care **(25%).** Completed in ***1998.***

Eden Villa (Pleasanton): This proposed facility has been approved for several years for a **total** of **41** units and **82** beds, all for assisted living. The applicants for *this* project are the owners of the existing Eden Villa facility in Castro Valley. Completion is estimated in ***1999.***

Bridge/American Retirement Villas ("ARV") (Pleasanton): This proposed development is a joint venture between Bridge Housing *Corp.*, the American Retirement Villas Group and the City of Pleasanton. It is currently in planning, and will consist of ***80*** beds for independent living and **40** beds for assisted living. Average monthly charges are estimated at **$2,300** for independent living and **$2,700** for assisted living on a private-pay basis. Thirty percent **(30%)** of the units will be reserved for low income residents at charges of **$670-$1,350** per month. The estimated completion date is **2000**

Comparison of Annual Charges
Range of Annual Charges

Facility	Independent Living	Assisted Living
Villa San Ramon	$1,625-$3,095	$1,700-$3,900
Diablo Lodge	n/a	$1,795-$3,895
Eden Villa	n/a	$1,450-$2,600
Rosewood Gardens	$1,500-$1,700	$1,825-$2,625

For independent living units, Villa San Ramon has higher annual charges than does Rosewood Gardens, the **only** other competitive facility offering independent living beds. Villa San Ramon's low-end price is competitive with that of Rosewood Gardens, but its high-end price is more than 80% higher. Because Villa San Ramon's units are 96% full, it appears that the marketplace is willing to pay these higher charges for a higher quality project with more amenities and larger sized units. In addition, Rosewood Gardens is expected to raise their charge structure after their renovation is complete, which will narrow this pricing gap.

As for assisted living units, Villa San Ramon's low-end charges are competitive with those of Diablo Lodge and Rosewood Gardens and 17% higher than those of Eden Villa and Rosewood Gardens by 50%. As with the independent living beds, Villa San Ramon's assisted living beds are 100% full,*and thus its premium charges are justified by a higher quality facility, more amenities, and especially larger sized units.

Occupancy of Existing Facilities

Facility	Occupied Beds	Total Beds	Occupancy Ratio	Persons on Waiting List
Villa SR I	144	144	100%	33
Diablo Lodge	121	121	100%	21
Eden Villa	92	92	100%	5
Rosewood Gardens	77	81	95%	27
Total Facilities	429	438	98%	86

The above table shows the Market Area's facilities are operating at near capacity at 98%.

C. Market Demand

The market study of the demographic data for the subject market area is as follows: the rate of growth for the total population is slowing - fiom 15.1 % (2.4% annually) between 1990 and 1996 to just 11.0% (2.1% annually) projected from 1996 to 2001.

The elderly population is growing as a percentage of total population - between 1990 and 1996, the 65+ population increased fiom 8.3% to 9.4% of the total population, while the 75+ population grew fiom 3.1% to 3.8% of the total population.

The "Baby Boomer" population (45-64) is growing faster than both the total population and the elderly population - between 1990 and 1996, the 45-64 population grew 45.6% (6.5% annually), compared to 11.0% (2.1% annually) for the total population and 30.4% (4.5% annually) for the 65+ population. This continued growth of the elderly population will force strong demand for elderly housing.

The market area population is affluent - 70.8% of households report annual income of between $35,000 and $150,000, a percentage much larger than national or California averages. The market area has relatively high median home values, owned primarily by the large "Baby Boomer" (45-64) population - the market area's median home value is $278,000+ at the present time. This represents a large reservoir of home equity that will be converted into income as the 45-64 population sells their homes, and likely continued support for the ability of elderly to afford the higher-end senior living facilities in the market area.

The target market for the subject property and similar facilities is comprised of individuals residing in the market area who are 75 years of age and older and who have adequate income to afford residency at these facilities. Of the market area's approximately 13,270 persons aged 75 and above, an estimated 11,540 are income qualified for independent living and 10,840 are income qualified for assisted living. An estimated 24% of the assisted living qualified are functionally dependent and thus the market area's demand for assisted living beds as of 1996 is 2,600 persons. After removing these 2,600 from the independent living qualified pool, market area demand for independent living beds in 1996 is estimated at 8,940 persons.

D. Market Demand Conclusions

Based upon the above supply and demand assumptions, the market study has estimated an absorption time frame for 21 independent living beds and 40 assisted living beds that will be required to be leased upon completion of the subject's phase 11. The projected absorption suggests an expected lease period of 9 to 11 months. In conclusion, based on the amount of unmet demand for independent living and assisted living beds in the subject's market area, a competitively positioned 57-bed expansion of Villa San Ramon appears feasible.

OCCUPANCY RESTRICTIONS:

CHFA: 20% of the units (8) will be at 50% or less of median income. This also meets the City of San Ramon's Redevelopment Agency's requirements.

ENVIRONMENTAL :

The Agency received a copy of a Phase I Environmental Report prepared by Weiss Associates dated September 25, 1996 and updated February 22, 1999. No adverse conditions were noted in the report.

957 **ARTICLE XXXIV:**

A satisfactory opinion letter will be required prior to loan close.

BORROWER'S PROFILE:

The Villa San Ramon Apartments Phase II will be developed, owned and operated by Villa San Ramon, L.P., a California Limited Partnership. Durwin C. Shepson and Daniel P. Shellooe are-the managing general partners; First Sierra Properties, Inc., a California corporation is the reporting general partner (the Managing General Partners and the Reporting General Partner are the General Partners); Sunny Glen Associates, a California Limited Partnership is the original limited partner.

CONTRACTOR:

Sunseri Construction, Inc. is the contractor on the project. They are a group of more than fifty individuals formed in the 1970's. They operate as a for-profit corporation, and they are also members of the California Coalition for Rural Housing and the Sacramento Housing Alliance.

Sunseri Construction has produced hundreds of affordable units with numerous non-profit agencies. They are currently the contractor on three California tax credit projects: one rehabilitation and two new construction projects. They are also the contractor on one Nevada tax credit project. They have completed 12 affordable housing projects both new construction and rehabilitation totaling 622 units: ten in California and two in Nevada.

ARCHITECT:

Irwin Architectural Group is actively involved in organizations addressing the specialized needs of the elderly. Carl Irwin, founder of Irwin Architectural Group, has also served 12 years on the Board of Directors of Southland Lutheran Home, a multi-level facility for the elderly, located in Norwalk, California.

Irwin Architectural Group projects have been honored with design and service awards from organizations including the American Institute of Architects, the National Association of Home Builders, and California Association of Homes for the Aging.

MANAGEMENT AGENT:

The property is managed jointly by the General Partners and Barcelon Management Company. The management company was formed in 1969 under the name of Barcelon-Burger Management Corporation. After reaching the management of 10,000 units throughout California and Nevada, the firm was reorganized into two separate operations. Mark Barcelon, CPM, with ten years of property management experience is President. Barcelon Associates Management Corporation currently employs over 250 employees. The firm has personnel specializing in all phases of commercial and residential management, including leasing, sales, accounting, employee relations, resident relations, feasibility studies comparative market studies, energy conservation, computer system applicability, maintenance, and physical improvements. The main corporate office is located in Lafayette, California.

Project Summary

959 | Date: 22-Feb-99

Project Profile:

Project :	Villa San Ramon, Phase II	*Appraiser:*	Walter L. Ricci, MAI
Location:	9199 Fircrest Lane		Walter L. Ricci, MAI
	San Ramon	*Cap Rate:*	10.00%
unty/Zip:	Contra C Zip	*Market:*	$ 6,060,000
Borrower:	Villa San Ramon, L.P.	*Income:*	$ 6,025,000
GP:	TBD	*Final Value:*	$ 6,025,000
LP:	TBD		
		LTC/LTV:	
Program:	Tax Exempt	*Loan / Cost*	72.9%.
CHFA #:	96-021-N	*Loan / Value*	73.0%

Project Description:

Units	40
Handicap Units	57
Bldge Type	New Const.
Buildings	1
stories	3
Gross Sq Ft	34,448
Land Sq Ft	52,272
units / Acre	33
Total Parking	20
Covered Parking	0

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$4,400,000	$61,111	6.059	35
Land Loan-SGV Partners	$500,000	$6,944	10.00%	15
City Redevelopment Agency	$100,000	$1,389	6.009	10
Other Loans	$0	$0		
VSR Phase I-Ops. Reserve	$500,000	$6,944		
Tax Credit Equity	$0	$0		
Contributed Seller Equity	$533,963	$7,416		
CHFA Bridge	$0	$0	0.00%	
CHFA HAT	$0	$0	0.00%	

Unit Mix:

Type	Units	Beds	Rent	Care	Meals	Total
Studio						
50% CHFA	5	7	$461	Incl.	$450	$911
Assisted Living	20	24	$1,420	$900	$450	$2,770
One Bedroom						
50% CHFA	1	1	$593	Incl.	$450	$1,043
Assisted Living	3	3	$1,600	$900	$450	$2,950
Two Bedroom						
50% CHFA	2	4	$593	Incl.	$450	$1,043
Assisted Living	9	18	$950	$900	$450	$2,300
Subtotals	40	57				

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	Security
Commitment Fee	1.00%	of Loan Amount	$44,000	Cash
Finance Fee	1.00%	of Loan Amount	$44,000	Cash
Bond Origination Guarantee	1.0096	of Loan Amount	$44,000	Letter of Credit
Rent Up Account	15.00%	of Gross Income	$0	Letter of Credit
Operating Expense Reserve	10.00%	of Gross Income	$562,892	Letter of Credit
Marketing	10.00%	of Gross Income	$0	Letter of Credit
Annual Replacement Reserve Deposit	0.60%	of Hard Costa	$26,283	Operations

Sources and Uses

Villa San Ramon II

SOURCES:

Name of Lender/Source	Amount	% of total	$ per sq ft	$ per unit
CHFA First Mortgage	4,400,000	72.92%	127.73	77,193
CHFA Bridge	0	0.00%	-	0
CHFA HAT	0	0.00%	-	0
Land Loan-SGV Padners	500,000	8.29%	14.51	8,772
City Redevelopment Agency	100,000	1.66%	2.90	1,754
Other Loans	0	0.00%	-	0
Total Institutional Financing	5,000,000	82.86%	145.15	87,719
Equity Financing				
VSR Phase I - Ops. Reserve	500,000	8.29%	14.51	8,772
Contributed Seller Equity	533,963	8.85%	15.50	9,368
Total Equity Financing	1,033,963	17.14%	30.02	18,140
TOTAL SOURCES	6,033,963	100.00%	175.16	105,859

USES:

Acquisition	1,075,000	17.82%	31.21	18,860
Rehabilitation	0	0.00%	-	0
New Construction	2,793,600	46.30%	81.10	49,011
Architectual Fees	206,000	3.41%	5.98	3,614
Survey and Engineering	15,000	0.25%	0.44	263
Const. Loan Interest & Fees	359,250	5.95%	10.43	6,303
Permanent Financing	88,000	1.46%	2.55	1,544
Legal Fees	25,000	0.41%	0.73	439
Reserves	562,892	9.33%	16.34	9,875
Contract Costs	10,000	0.17%	0.29	175
Construction Contingency	148,248	2.46%	4.30	2,601
Local Fees	363,473	6.02%	10.55	6,377
TCAC/Other Costs	330,000	5.47%	9.58	5,789
PROJECT COSTS	5,976,463	99.05%	173.49	104,850
Developer Overhead/Profit	57,500	0.95%	1.67	1,009
Consultant/Processing Agent	0	0.00%	-	0
TOTAL USES	6,033,963	100.00%	175.16	105,859

Annual Operating Budget

Villa San Ramon II

		% of total	$ per unit
INCOME:			
Total Rental Income	1,539,864	95.7%	27,015
Laundry	*0*	*0.0%*	-
Residential Care	68,400	4.3%	1,200
Commercial/Retail	0	*0.0%*	-
Gross Potential Income (GPI)	1,608,264	100.0%	28,215
Less:			
Vacancy Loss	109,796	6.8%	1,926
Total Net Revenue	1,498,460	93.2%	26,289
EXPENSES:			
Payroll	166,660	12.8%	2,924
Administrative	144,745	11.1%	2,539
Utilities	25,321	1.9%	444
Operating and Maintenance	25,073	1.9%	440
Insurance and Business Taxes	20,400	1.6%	358
Total Congregate Services	534,829	40.9%	9,383
Taxes and Assessments	60,000	4.6%	1,053
Reserve for Replacement Deposits	26,283	2.0%	461
Subtotal Operating Expenses	1,003,311	76.0%	17,602
Financial Expenses			
Mortgage Payments (1st loan)	302,835	23.2%	5,313
Total Financial	302,835	23.2%	5,313
Total Project Expenses	1,306,146	100.0%	22,915

Cash Flow Villa San Ramon II CHFA # 96-021-N

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Y m 7	Year8	Year 9	Year 10
Assisted Living Increase	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Assisted Living	1,400,760	1,442,783	1,486,066	1,530,648	1,576,568	1,623,865	1,672,581	1,722,758	1,774,441	1,827,674
Affordable Rent *Increase*	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	139,104	142,582	146.146	149,800	153,545	157,383	161,318	165,351	169,485	173.722
TOTAL RENTAL **INCOME**	1,539,864	1,585,364	1,632,212	1,680,448	1,730,113	1,781,248	1,833,899	1,888,109	1,943,926	2,001,396
OTHER INCOME										
Other Income Increase	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
City Subsidy	N/A	36,000	37,080	38.192	39,338	40,518	41.734	42,986	44,275	45,604
Residential Care	68,400	70,452	72,566	74.743	76.985	79.294	81,673	84,123	86.647	89,246
TOTAL OTHER INCOME	68,400	106,452	109,646	112,935	116,323	119,813	123,407	127,109	130,923	134,850
GROSS INCOME	1,608,264	1,691,816	1,741,858	1,793,383	1,846,436	1,901,061	1,957,306	2,015,218	2,074,848	2,136,246
Vacancy Rate :Assisted Living	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Vacancy Rate :Affordable	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5 . m	5.00%	5.00%
Less: vacancy **Loss**	109,796	113,056	116.412	119.867	123,426	127,090	130,864	134,749	138,750	142,871
EFFECTIVE GROSS INCOME	1,498,468	1,578,761	1,625,446	1,673,516	1,723,010	1,773,971	1,826,442	1,880,469	1,936,098	1,993,376
OPERATING EXPENSES										
Annual Expense Increase	4.m	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	915,828	952,461	990,560	1,030,182	1,071,389	1,114,245	1,158,815	1,205,167	1,253,374	1,303,509
Replacement Reserve	26,283	26.283	26.283	26.283	26,283	26.283	26,283	26,283	26,283	26.283
Annual Tax *Increase*	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	61,200	62,424	63,672	64,946	66.245	87.570	68,921	70,300	71,706	73,140
TOTAL EXPENSES	1,003,311	1,041,168	1,080,515	1,121,411	1,163,917	1,208,098	1,254,019	1,301,750	1,351,362	1,402,931
NET OPERATING INCOME	495,157	537,593	544,931	552,105	559,093	565,873	572,423	578,719	584,735	590,444
DEBT SERVICE										
CHFA - Phase II	302,835	302,835	302,835	302,835	302,835	302,835	302,835	302,835	302,835	302,835
Land Loan	0	0	83,337	83,337	83,337	83.337	83.337	83.337	83.337	83.337
RDA	0	0	0	0	0	31.292	31,292	31,292	31,292	31,292
CASH FLOW after debt service	192,321	234,758	158,759	165,933	172,920	148,409	154,959	192,547	198,563	204,272
DEBT COVERAGE RATIO	1.64	1.78	1.41	1.43	1.45	1.36	1.37	1.39	1.40	1.41
Ownership Participation 10%	19,232	23,476	15.876	16.593	17,292	14,041	15,496	19.255	19,856	20.427
CHFA Participation 90%	173,089	211,282	142,883	149.339	155.628	133.568	139,463	173,292	178.707	183,845

Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Yew 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Assisted Living Increase	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Assisted Living	1,882,504	1,938,979	1,997,149	2,057,063	2,118,775	2,182,338	2,247,809	2,315,243	2,384,700	2,456,241
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	178,065	182,517	187,079	191,756	196,550	201,464	206,501	211,663	216.955	222,379
TOTAL RENTAL INCOME	2,060,569	2,121,496	2,184,228	2,248,820	2,315,326	2,383,803	2,454,309	2,526,906	2,601,655	2,678,620
OTHER INCOME										
Other Income Increase	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
City Subsidy	46,972	48,381	49,832	51,327	52,867	54,453	0	0	0	0
Residential Care	91,924	94,682	97,522	100,448	103,461	108.565	109.762	113,055	116,446	119,940
TOTAL OTHER INCOME	138,896	143,063	147,354	151,775	156,328	161,018	109,762	113,055	116,446	119,940
GROSS INCOME	2,199,465	2,264,559	2,331,583	2,400,595	2,471,654	2,544,821	2,564,071	2,639,961	2,718,101	2,798,560
Vacancy Rate :Assisted Living	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Vacancy Rate : Affordable	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5 . m	5.00%
Less: Vacancy Loss	147,113	151,482	155,981	160,614	165,384	170,296	175,355	180,564	185,928	191,452
EFFECTIVE GROSS INCOME	2,052,352	2,113,076	2,175,602	2239,9111	2,306,270	2,374,524	2,388,716	2,459,397	2,532,173	2,607,108
OPERATING EXPENSES										
Annual Expense Increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	1,355,649	1,409,875	1,466,270	1,524,921	1,585,918	1,649,354	1,715,329	1,783,942	1,855,299	1,929,511
Replacement Reserve	26,283	26,283	26,283	26.283	26,283	26.283	26,283	26,283	26,283	26,283
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	74,602	76,095	77,616	79,169	80,752	82,367	04,014	85,695	87,409	89,157
TOTAL EXPENSES	1,456,535	1,512,253	1,570,170	1,630,373	1,692,953	1,758,005	1,825,626	1,895,920	1,968,991	2,044,951
NET OPERATING INCOME	595.817	600,824	605,432	609,609	613,317	616,520	563,090	563,477	563,182	562,157
DEBTSERVICE										
CHFA - Phase II	302,835	302,835	302,835	302,835	302,835	302.835	302.835	302.835	302.835	302.835
Land Loan	83,337	83.337	83,337	83.337	83.337	0	0	0	0	0
RDA	0	0	0	0	0	0	0	0	0	0
CASH FLOW after debt service	209,645	214,652	219,260	223,436	227,145	313,684	260,255	260,642	260,347	259,322
DEBT COVERAGE RATIO	1.54	1.56	1.57	1.58	1.59	2.04	1.86	1.86	1.86	1.86
Ownership Participation 10%	20,964	21,465	21,926	22,344	22,714	31,368	26,025	26,064	26,035	25,932
CHFA Participation 90%	188,680	193.186	197,334	201,093	204,430	282.316	234,229	234,578	234.312	233,389

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Assisted Living Increase	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Assisted Living	2,529,928	2,605,826	2,684,001	2,764,521	2,847,457	2,932,880	3,020,867	3,111,493	3,204,838	3,300,983
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	227,938	233,637	239,477	245,464	251.601	257.891	264,338	270.947	277,720	284,663
TOTAL RENTAL INCOME	2,757,866	2,839,463	2,923,479	3,009,985	3,099,058	3,190,771	3,285,205	3,382,440	3,482,558	3,585,646
OTHER INCOME										
Other Income Increase	3m	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
City Subsidy	0	0	0	0	0	0	0	0	0	0
Residential Care	123,538	127.244	131,061	134.993	139,043	143,214	147.511	151,936	156,494	161,189
TOTAL OTHER INCOME	123,538	127,244	131,061	134,993	139,043	143,214	147,511	151,936	156,494	161,1119
GROSS INCOME	2,881,405	2,966,707	3,054,540	3,144,979	3,238,101	3,333,986	3,432,716	3,534,376	3,639,052	3,746,835
Vacancy Rate :Assisted Living	7 . m	7.00%	7 . m	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Vacancy Rate :Affordable	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	197,140	202,997	209,028	215,239	221,635	228,221	235,003	241,987	249.179	256,585
EFFECTIVE GROSS INCOME	2,684,265	2,763,710	2,845,512	2,929,740	3,016,466	3,105,765	3,197,713	3,292,388	3,389,873	3,490,250
OPERATING EXPENSES										
Annual Expense Increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	2,006,692	2,086,960	2,170,438	2,257,256	2,347,546	2,441,448	2,539,105	2,640,670	2,746,298	2,856,148
Replacement	26,283	26,283	26.283	26,283	26.283	26.283	26,283	26,283	26,283	26.283
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	90,940	92,759	94,614	96,506	98,436	100,405	102,413	104,461	106,551	108,682
TOTAL EXPENSES	2,123,915	2,206,001	2,291,335	2,380,045	2,472,265	2,568,136	2,667,802	2,771,414	2,879,130	2,991,113
NET OPERATING INCOME	560,350	557,709	554,177	549,695	544,201	537,629	529,911	520,974	510,743	499,137
DEBT SERVICE										
CHFA - Phase II	302,835	302,835	302,835	302,835	302,835	302,835	302,835	302,835	302,835	302,835
Land Loan	0	0	0	0	0	0	0	0	0	0
RDA	0	0	0	0	0	0	0	0	0	0
CASH ROW after debt service	257,515	254,874	251,342	246,860	241,366	234,794	227,076	218,139	207,908	196,302
DEBT COVERAGE RATIO	1.85	1.84	1.83	1.82	1.80	1.78	1.75	1.72	1.69	1.65
Ownership Participation 10%	25,751	25.487	25.134	24,686	24.137	23,479	22,708	21.814	20.791	19,630
CHFA Participation 90%	231,763	229,386	226,207	222.174	217.229	211.314	204,368	196,325	187.117	176.672

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Cash Flow

RENTAL INCOME	Year 31	Year 32	Year 33	Year 34	Year 35
Assisted Living Increase	3.00%	3.00%	3.00%	3.00%	3.00%
Assisted Living	3,400,012	3,502,013	3,607,073	3,715,285	3,826,744
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	291,780	299,075	306,551	314.215	322,071
TOTAL RENTAL **INCOME**	3,691,792	3,801,087	3,913,624	4,029,500	4,148,814
OTHER INCOME					
Other Income Increase	3 . m	3.00%	3.00%	3.00%	3.00%
City Subsidy	0	0	0	0	0
Residential Care	166,025	171,005	176,136	181,420	186,862
TOTAL OTHER INCOME	166,025	171,005	176,136	181,420	185,852
GROSS INCOME	3,857,817	3,972,093	4,089,760	4,210,920	4,335,677
Vacancy Rate :Assisted Living	7.m	7.m	7.m	7.00%	7.00%
Vacancy Rate : Affordable	5.00%	5 . m	5.00%	5.00%	5.00%
Less: Vacancy Loss	264,212	272,065	280,152	288,480	297,056
EFFECTIVE GROSS INCOME	3,593,605	3,700,028	3,809,608	3,922,440	4,038,621
OPERATING EXPENSES					
Annual Expense Increase	4.m	4.00%	4.00%	4.00%	4.00%
Expenses	2,970,394	3,089,210	3,212,778	3,341,290	3,474,941
Replacement Reserve	26,283	26,283	26,283	26,283	26,283
*Annual **Tax Increase***	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	110,855	113,072	115,334	117,641	119,993
TOTAL EXPENSES	3,107,533	3,228,565	3,354,395	3,485,213	3,621,218
NET OPERATING **INCOME**	486,073	471,462	455,213	437,227	417,403
DEBT SERVICE					
CHFA - Phase II	302,835	302,835	302,835	302,835	302,835
Land Loan	0	0	0	0	0
RDA	0	0	0	0	0
CASH FLOW after debt service	183,238	168,627	152,377	134,392	114,568
DEBT COVERAGE RATIO	1.61	1.56	1.50	1.44	1.38
Ownership Participation 10%	18.324	16,863	15.238	13,439	11,457
CHFA **Participation 90%**	164,914	151,764	137.140	120,952	103,111

VILLA SAN RAMON - SAN RAMON (REGIONAL) 966

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VILLA SAN RAMON - SAN RAMON (LOCAL)

Mag 14.00
Tue Feb 23 15:37 1999
Scale 1:31,250 (at center)

2000 Feet

1000 Meters

Local Road	Exit/Gas
Major Connector	Exit/Lodging
Trail	Exit/Food
Interstate/Limited Access	County Boundary
Exit	Water
Utility/Pipe	Woodland
Railroad	River/Canal
Small Town	

RESOLUTION 99-17

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Villa San Ramon, L.P., a California limited partnership, (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a mortgage loan for a development to be known as Villa San Ramon Phase II (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated February 22, 1999 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; 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 May 8, 1997, 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, based upon the recommendation of staff and due deliberation by the Board, the Board has determined that a final loan commitment be made for the Development.

NOW, THEREFORE, BE IT RESOLVED by the Board:

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Programs of the Agency is hereby authorized to execute and deliver a final commitment letter, subject to the recommended terms and conditions set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NO.	DEVELOPMENT NAME/ LOCALITY	NO. UNITS	MORTGAGE AMOUNT
96-021-N	Villa San Ramon Phase II San Ramon/Contra Costa	40	$4,400,000

2. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Programs of the Agency is hereby authorized to increase the mortgage amount so stated in this resolution by an amount not to exceed seven percent (7%) without further Board approval.

3. All other material modifications to the final commitment, including increases in mortgage amount of more than seven percent (7%), must be submitted to this Board for approval. "Material modifications" as used herein means modifications which, when made in the discretion of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Programs of the Agency, change the legal, financial or public purpose aspects of the final commitment in a substantial or material way.

I hereby *certify* that this is a true and correct copy of Resolution 99-17 adopted at a duly constituted meeting of the Board of the Agency held on April 7, 1999, at *Burbank*, California.

ATTEST:____________
secretary

MEMORANDUM

To: CHFA Board of Directors

Date: February 24, 1999

G Richard Schermerhorn
Director of Programs
From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: 1999/2000 Five Year Business Plan

The purpose of this memorandum is to outline some of the program matters for consideration in CHFA's 1999/2000 Five Year Business Plan:

SINGLE FAMILY:

FY 1998/99

The production goal for FY 98/99 is **$900M** and we are ahead of projections to accomplish it. We requested **$400M** of Private Activity Bond allocation from CDLAC and received nearly $229M. Normally this would not be sufficient to support the production goal, but an unusual set of circumstances this year enabled us to combine successful leveraging and recycling opportunities in support of this goal.

As of February, we had purchased $663,066,067 in loans which is 15% ahead of our projected amount for this point in time.

The production goal also involves three objectives:

Loan fund availability throughout the year,

Equitable distribution of loan funds throughout the state,

Equitable distribution between resale and new construction.

Our production has been impacted by the extremely high demand for resale loans. We received reservations above normal levels throughout the holiday period and into the new calendar year. We have also experienced an unexpected shift in the rate of reservation fallout. Historically the fallout rate has averaged approximately 1/3rd of total reservations, 973 however this past year that rate has dropped to about 20%. To meet the loan fund availability objective, it has been necessary to substantially reduce resale income limits and to adjust new construction income limits.

The unusually high demand for resale loans has also impacted our ability to achieve equitable distribution between resale and new construction. Of the loans purchased this fiscal year, 63% have been resale and 37% have been new construction. Of the nearly $39M of loan reservations we've received since the end of January when we began substantially reducing income limits on resale, the ratio has reversed, it is now 63% new construction and 37% resale.

FY 1999/00

Governor Gray Davis included in his 1999-2000 Budget Summary a request to the California Housing Finance Agency "...to maximize the leveraging of its resources to provide $1 billion of lending resources in their business plan for fiscal year 1999-2000. These funds will be utilized for first-time homebuyers, consistent with federal law, to help mitigate California's low homeownership rates."

For planning purposes we are developing the Five Year Business Plan with a $1 billion annual production goal. It will assume that there will be sufficient resources to support this level of production including Private Activity Bond allocation to CHFA and the leveraging capability to support the production goals.

MULTIFAMILY:

FY *1998199*

The current fiscal year's Business Plan has two primary multifamily production goals... $100M of tax-exempt financing for new construction and acquisition/rehabilitation and $100M of taxable financing for preservation purposes. We are substantially on target to achieve the tax-exempt goal, however there has been no activity on the taxable financing for preservation.

In last year's Business Plan presentation we discussed the affordable housing preservation problem and outlined the issues affecting HUD's insured Section 8 project based inventory. The Mark to Market Program is designed so that HUD will support the financial restructuring of projects with contract rents in excess of market rents. In California this represents only some 20-25% of the estimated 112,000 units project based Section 8 projects. *Our* taxable program was designed as a potential financing vehicle to refinance and support acquisition of those Section 8 projects with expiring contracts with rents at or below market and eligible to convert to market rate rentals.

Since the Agency's public purpose objective is to provide long term affordability and our mortgages reflect the cost of providing that long term financing, we have been unable to successfully compete with current conventional financing which is offering rates *50* to 100 basis points below our rates. In addition, conventional financing does not require any affordability requirements, owners desire to sell while values are high and financing rates are low, and well capitalized private owners are able to acquire projects quickly.

FY 1999/00

For planning purposes we are maintaining our tax-exempt production goal of $100M although the pressures on timing and availability Private Activity Bond allocation may affect our production forecast. We will be soliciting more input from our clients prior to finalizing our recommendations.

We are re-evaluating our approach to the preservation problem. The successful preservation financings this past year appear to have the following common elements: purchase by a non-profit sponsor, tax-exempt first mortgage, a soft second from public agency funding sour ces. We are contemplating narrowing our financing focus by providing an attractively priced 501(c)(3) bond financing for qualified non-profits along with the availability of soft second funding to provide transition funding protection in the event of loss of continuing assistance contracts.

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CALIFORNIA
HOUSING
LOAN
INSURANCE
FUND

February 24,1999

To: CHFA Board of Directors

From: John Schienle, CaHLIF Director

CaHLIF Proposed Concepts for 1999-2000 Plan:

1. Ongoing CHFA 97%, 95% and condominium loans. 88% are in high-cost counties.

2. CHFA loans in targeted high-cost counties using 97% loans and 3% CHFA silent seconds.

3. Fannie Mae 97% loans:

a. 100% financing by combining 97% loans with $2.5 million of silent seconds in high-cost counties.

4. California Organized Investment Network (COIN):

a. Allstate $7.5 million loan as source of funds for silent seconds.

b. Customized securities sold to insurance companies and financial institutions.

5. Special Programs:

a. Freddie Mac 100% loans for LA City Firefighters and Police begun in February.

b. Freddie Mac employer sponsored Sacramento program announced in February.

c. New locality programs to be developed.

CaHLIF Portfolio 2120199	$710 million	6,921 loans
1999/2000 Programs:		
1. CHFA	$65 million	500 loans
2. Fannie Mae	$150 million	1,154 loans
3. Freddie Mac	$100 million	770 loans

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